

***EVALUATION OF THE EUROPEAN  
COMMISSION'S COUNTRY STRATEGY  
FOR LESOTHO***

Synthesis Report

Volume 1

AUGUST 2004

*Evaluation for the European Commission*





This evaluation was commissioned by:

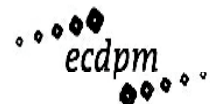
**The Evaluation Unit common to:**

EuropeAid Co-operation Office,  
Directorate General for Development and  
External Relations Directorate-General

This evaluation was carried out by the MWH Consortium

*The evaluation was managed by the evaluation unit who also chaired the Reference Group composed of members of the Commissions Services (EuropeAid, DG Budget, DG Development and the EC Delegation in Lesotho).*

*The opinions expressed in this document represent the authors' points of view which are not necessarily shared by the European Commission or by the authorities of the countries concerned.*





## TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY .....</b>	<b>I</b>
<b>MAIN REPORT .....</b>	<b>1</b>
<b>1 Evaluation Methodology .....</b>	<b>1</b>
1.1 SCOPE AND APPROACH.....	1
1.2 METHODOLOGY.....	1
1.3 WORK PLAN.....	2
<b>2 Country Context .....</b>	<b>3</b>
2.1 POLICY OF THE EUROPEAN UNION AND MANDATE OF THE COMMISSION.....	3
2.1.1 <i>The Lomé Convention</i> .....	3
2.1.2 <i>The Cotonou Agreement</i> .....	4
2.2 OVERALL POLITICAL, ECONOMIC SOCIAL SITUATION IN LESOTHO.....	5
2.2.1 <i>Political</i> .....	5
2.2.2 <i>Economic Situation</i> .....	6
2.2.3 <i>Social Situation</i> .....	7
2.2.4 <i>Government Policies</i> .....	9
2.2.5 <i>Infrastructure</i> .....	12
2.3 OTHER DONORS.....	14
<b>3 The Commission’s Strategy for Lesotho 1996-2007 .....</b>	<b>15</b>
3.1 STRATEGY FORMULATION.....	15
3.1.1 <i>Description of Strategy 1996-2000</i> .....	15
3.1.2 <i>Description of the Strategy: CSP (2001 – 2007)</i> .....	17
3.2 ASSESSMENT OF STRATEGY .....	18
3.2.1 <i>Relevance and Coherence with Government Polices and Country Needs</i> .....	18
3.2.2 <i>Internal Coherence, Relevance and Complementarity with Other Commission Instruments</i> .....	20
3.2.3 <i>Other European Commission Instruments</i> .....	22
3.2.4 <i>Programme Implementation</i> .....	22
<b>4 Evaluation Questions, Formulation and Answers .....</b>	<b>24</b>
4.1 SELECTION OF EVALUATION QUESTIONS.....	24
4.2 ANSWERS TO EVALUATION QUESTIONS .....	26
4.2.1 <i>Economic Development &amp; Regional Integration</i> .....	26
4.2.2 <i>Macroeconomic Support</i> .....	29
4.2.3 <i>Governance</i> .....	32
4.2.4 <i>Transport</i> .....	36
4.2.5 <i>Water and Sanitation</i> .....	41
4.2.6 <i>HIV/AIDS</i> .....	45
4.2.7 <i>Food Security</i> .....	49
4.2.8 <i>Democratisation and Human Rights</i> .....	53
4.2.9 <i>Ownership, Co-ordination, Complementarity and Coherence</i> .....	57
4.2.10 <i>Funding Modalities/Policy Mix</i> .....	60
<b>5 Overall Assessment of the Commission’s Strategies.....</b>	<b>63</b>
5.1 SUMMARY OF STRATEGIC OBJECTIVES.....	63
5.2 ACHIEVEMENT OF STRATEGIC OBJECTIVES .....	63
5.3 EFFECTIVENESS AND EFFICIENCY OF THE COMMISSION’S USE OF MEANS.....	65
5.4 OVERALL ASSESSMENT .....	67
<b>6 Recommendations.....</b>	<b>69</b>
6.1 GENERAL ORIENTATION OF THE EUROPEAN COMMISSION STRATEGY.....	69
6.2 MANAGEMENT OF THE STRATEGY.....	71
6.3 RECOMMENDATIONS BY SECTOR.....	72
6.3.1 <i>Water (section 4.2.5)</i> .....	72
6.3.2 <i>Transport (section 4.2.4)</i> .....	73
6.3.3 <i>HIV/AIDS (section 4.2.6)</i> .....	75
<b>APPENDIX A: Terms of Reference.....</b>	<b>77</b>
<b>APPENDIX B: List of People Interviewed - Field Phase.....</b>	<b>88</b>
<b>APPENDIX C: Map of Lesotho .....</b>	<b>91</b>
<b>APPENDIX D: Key Donor Activities .....</b>	<b>92</b>
<b>APPENDIX E: PRSP Priority Areas.....</b>	<b>95</b>

## Table of Acronyms

AfDB	African Development Bank
AIDS	Acquired Immune Deficiency Syndrome
ACP	African, Caribbean and Pacific
AGOA	African Growth and Opportunity Act
ARV	Anti-Retroviral (drugs)
BEDCO	Basotho Economic Development Corporation
BFVC	Basotho Farm and Vegetable Canners
BNLS	Botswana, Namibia, Lesotho, Swaziland
BoS	Bureau of Statistics
CCM	Country Co-ordinating Mechanism (for the Global Fund)
CDE	Centre for Development of Enterprise
CFSAM	Crop and Food Supply Assessment Mission
CHAL	Christian Health Association of Lesotho
CMT	Cut, Make and Trim
COMESA	Common Market for Eastern and Southern Africa
CoW	Commissioner of Water
CRIS	EC database of projects
CSE	Country Strategy Evaluation
CSP	Country Strategy Paper (9th EDF)
DATF	District AIDS Task Force
DBS	Direct Budget Support
DCEO	Directorate of Corruption and Economic Offences
DCI	Development Co-operation Ireland
DFID	Department for International Development (UK)
DNAO	Deputy National Authorising Officer
DRR	Dept for Rural Roads
DRWS	Dept. of Rural Water Supply
DWA	Dept. of Water Affairs
EBAS	EU-ACP Business Assistance Scheme
EC	European Commission
ECD	EC Delegation
EDF	European Development Fund
EIA	Environmental Impact Assessment
EIB	European Investment Bank
EIRR	Economic Internal Rate of Return
EMP	Environmental Management Plan
EPA	Economic Partnership Area
EQ	Evaluation Questions
EU	European Union
FA	Financing Agreement
FANR	Food, Agriculture and Natural Resources (Directorate)
FAO	Food and Agriculture Organisation (of the UN)
FDI	Foreign Direct Investment
FFW	Food For Work
(R)FSTP	(Regional) Food Security Training Project
FTA	Free trade area or agreement
FY	Financial Year
GDP	Gross Domestic Product
GFATM	Global Fund for AIDS, Tuberculosis and Malaria
GIS	Geographic Information System
GNI	Gross National Income
GoL	Government of Lesotho
HIPC	Heavily Indebted Poor Countries
HIV	Human Immuno-deficiency Virus
H&S	Health and Safety
HMIS	Health Management Information System
HPSU	Health Planning and Statistical Unit
HSRP	Health Sector Reform Programme
ICT	Information, Communications and Technology
IEC	Independent Electoral Commission
IFAD	International Fund for Agricultural Development
IMF-PRGF	International Monetary Fund – Poverty Reduction Growth Facility
IPRSP	Interim Poverty Reduction Strategy Paper

## Table of Acronyms (cont.)

ITP	Integrated Transport Programme
JC	Judgement Criterion
LAPCA	Lesotho AIDS Programme Co-ordinating Authority
LB	Labour Based
LCD	Lesotho Congress for Democracy
LEC	Lesotho Electricity Corporation
LFBC	Lesotho Freight and Bus Corporation
LHDA	Lesotho Highlands Development Agency
LHWP	Lesotho Highlands Water Project
LLWS	Lesotho Lowlands Water Supply
LNDC	Lesotho National Development Corporation
LSL	Lesotho Maloti
LT	Long term
LVAC	Lesotho Vulnerability Assessment Committee
M	Million
MCC	Maseru City Council
MFDP	Ministry of Finance and Development Planning
MITM	Ministry of Industry, Trade and Marketing
MMP	Mixed Member Proportional
MOAFS	Ministry of Agriculture and Food Security
MOFDP	Ministry of Finance and Development Planning
MOHSW	Ministry of Health and Social Welfare
MoLG	Ministry of Local Government
MoNR	Ministry of Natural Resources
MOPWT	Ministry of Public Works and Transport
MOU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
M&E	Monitoring and Evaluation
NAC	National AIDS Committee – now becoming the National AIDS Commission
NAO	National Authorising Officer
NAS	National AIDS Secretariat
NASP	National AIDS Strategic Plan
NES	National Environmental Secretariat
NEWU	National Early Warning Unit
NGOs	Non-Governmental Organisation
NIP	National Indicative Programme
NSA	Non State Actors
PFM	Public Financial Management
PEM	Public Expenditure Management
PLWHA	People Living With HIV AIDS
(P)MTCT	(Prevention of) Mother to Child Transmission
PPSU	Policy, Planning and Strategy Unit (MoNR)
PRSP	Poverty Reduction Strategy Papers
PS	Permanent Secretary
PSD	Private Sector Development
PSIRP	Public Sector Improvement and Reform Programme
PSP	Programming Strategy Paper (8 <sup>th</sup> EDF)
PWC	PricewaterhouseCoopers
RB	Roads Board
REWU	Regional Early Warning Unit
RF	Road Fund
RG	Reference Group
RIFF	Regional Integration Facilitation Forum
RIP	Regional Indicative Programme
RMMP	Road Maintenance Management Programme
RRMP	Roads Rehabilitation and Maintenance Programme
RSA	Republic of South Africa
RSP	Regional Strategy Programme
RTIP	Road Transport Infrastructure Programme
SACU	Southern African Customs Union
SADC	Southern African Development Community
SAR	South African Rand
SMME	Small, Medium-and Micro sized Enterprises

## Table of Acronyms (cont.)

SSA	Sub-Saharan Africa
ST	Short Term
STI	Sexually Transmitted Infection
STWS	Six Towns Water Supply
TOR	Terms of Reference
VAT	Value Added Tax
VCT	Voluntary Counselling and Testing
WASA	Water and Sanitation Authority
WB	World Bank
WFP	World Food Programme
WSLA	Women and Law in Southern Africa Research Trust
WTO	World Trade Organisation

### Notes

**Mosotho:** A person from Lesotho's main ethnic group

**Basotho:** Plural

**Sesotho:** Language of Basotho

**Basotholand:** Name of country prior to independence from UK in 1966

N.B.- The Basotho people cover the area of Lesotho but there is a significant number of Basotho in neighbouring South Africa.

**Currency** = Loti (plural Maloti) (LSL). 1€=8.3 LSL April 2004.

Lesotho is in a currency union with South Africa. The Rand is legal tender in Lesotho and has parity with the Maloti.





## EXECUTIVE SUMMARY

### Scope of the country strategy evaluation

- i. The objective of this evaluation<sup>1</sup> is to draw out the key findings and lessons of experience from the European Commission's past and current assistance to Lesotho. The report presents the findings, lessons learned, and recommendations for changes in focus, balance, content and procedures. It covers the EC strategy from 1996 to 2007, drawing on two Country Strategy Papers (CSPs) (1996-2000 and 2001-2007) and the associated National Indicative Programmes (NIPs) corresponding to the 8<sup>th</sup> and 9<sup>th</sup> European Development Fund (EDF) budgets. The analysis of the strategy is also taken to include, where relevant, on-going programmes and projects from the thematic budget lines including HIV/AIDS, Food Security, Non-Governmental Organisations (NGOs) and Regional Indicative Programmes (RIPs) for 1996-2000 and 2001-7.
- ii. The Country Strategy Evaluation (CSE) methodology involves an examination of the European Commission's strategy with a view to assessing the appropriateness of the intervention in the context of Lesotho. The main tools for conducting the CSE are *Evaluation Questions* (EQ), which relate to the main themes identified, and *Judgement Criteria* (JC), substantiated by quantitative and qualitative *Indicators*.
- iii. Ten evaluation questions<sup>2</sup> were identified: four relating to the *focal* and *non-focal* sectors of Commission assistance: Road Transport, Water, Macroeconomic Support and HIV AIDS; and three on the *cross-cutting issues* of Governance, Democracy/Human rights and Food Security. One question was added on economic development and regional integration, along with two *process* questions on the means of the strategy and the policy mix.

### Political, economic and social context (Sections 2.2.1 – 2.2.3)

- iv. Lesotho is a small, mountainous, landlocked country, entirely surrounded by South Africa, with a population of 2.2 million. It gained independence from the UK in 1966 and is a constitutional monarchy, with the King as Head of State and executive powers in the hands of the Prime Minister, supported by a constitution that provides for a clear separation of powers between the executive, legislative and judiciary.
- v. Lesotho *has achieved political stability in the last six years*, but has been subject to a number of events in recent history which have threatened national stability, including: seven years of military rule (1986-1993); the palace coup and military mutiny of 1994; and more recently, the civil disturbance and widespread looting of the capital Maseru that followed the elections in 1998. Order was restored in September 1998 with assistance from SADC troops. Stability has been strengthened by proportional representation (MMP) introduced in 2001, through which an additional 40 seats were awarded to eight minority parties, providing a basis for a constructive opposition in Parliament. (paragraphs 21-23)
- vi. There has been an overall *strengthening of democracy since 1998* and increasing political freedoms, for example freedom of association, voting, speech and protection against crime and violence. But much remains to be done to consolidate democracy as the executive arm of government is very dominant compared with the legislature and

<sup>1</sup> See Appendix A.

<sup>2</sup> The ten evaluation questions are considered in Section 4. See also Annexes C and D for further details.

judiciary. Parliament lacks specialist committees for producing effective legislation and maintaining government accountability.

- vii. Lesotho is a signatory to the major international conventions on Human Rights and has been party to the UN Convention on Elimination of all forms of Discrimination Against Women (CEDAW) since 1995. However, the Constitution of Lesotho takes precedence over CEDAW, and upholds the application of common and customary law, which discriminates against married women. Under Lesotho's dual legal system, *married women have the legal status of a minor* (paragraphs 24-28)
- viii. Lesotho is endowed with limited natural resources or agricultural potential. It is a low-income country with a GDP per capita of USD \$330 in 2002 and 51% of the population in poverty. Since the late 19<sup>th</sup> century, the economy has been regarded as a labour pool for the mines of South Africa and, as ***a consequence, the culture of wage employment is prevalent, with little Basotho-owned private sector development***. The economy of Lesotho faces two key challenges: (i) the continuing decline in the demand for labour from South Africa, and (ii) the widespread and far-reaching effect of the HIV/AIDS pandemic, with an estimated 31% of the population HIV positive. (paragraphs 29-35)
- ix. The HIV pandemic is having a major impact on the economy and society of Lesotho, the severity of its impact manifesting itself in increased death rates. The level of HIV/AIDS infection is both a cause and a consequence of poverty in Lesotho. It reduces household incomes by constraining productivity, and leads to the diversion of financial and human resources to care and treatment. (paragraphs 38-44)
- x. In recent years the Government has achieved a stable macroeconomic framework, supported by the currency union with South Africa. Lesotho is not faced with a large fiscal debt and the Government can finance a budget which represents over 40% of GDP. This ***'fiscal space'*** is a result of net transfers from the Southern African Customs Union (SACU), which accounts for up to ***50% of Government revenues***.
- xi. Lesotho has traditionally carried a very large current account deficit. In 1997, exports amounted to ***one-seventh*** the value of imports, but the growth of textile exports to the USA under the AGOA initiative has reduced this ratio to 1:3. The USA accounts for 73% of Lesotho's exports and there are negligible trade flows with the EU. While the growth of employment in textiles has been considerable and now accounts for over 50,000 jobs, the growth is based on temporary tariff exemptions which are under threat from possible changes to AGOA rules of origin conditions<sup>3</sup>.
- xii. While there has been a steady rate of economic growth, the ***incidence and depth of poverty increased during the 1990s***. The number of households with a wage earner declined from 59% in 1990 to 49% in 1999 and as a result, the proportion of the population in poverty rose from 49% in 1993 to 51% in 1999. More recent indications indicate some reduction in poverty as a result of the growth of employment in the textile sector. (paragraphs 36-37)
- xiii. The high levels of poverty combined with recent climatic changes has worsened the food security situation as lower incomes have constrained the ability to purchase food; imports account for around half of food consumption. Nearly 85% of the population live in rural areas but only 9% of the land area of Lesotho is arable.

---

<sup>3</sup> It is noted that in June 2004 AGOA was extended to 2015 with the derogation on rules of origin prolonged to 2007.

### Government Policies (Section 2.2.4)

- xiv. Since 1999, Lesotho has been involved in the PRSP process. The latest version of the PRSP was produced in December 2003 and was due to be finalised by the Government of Lesotho by mid-2004. Alongside the PRSP, the Government has launched two parallel strategic processes: Public Sector Improvement Reform Programme (PSIRP) and Vision 2020, an overarching economic policy document which provides the road map for a long term strategy for the economic and human development of Lesotho. But as Government strategies are still **not finalised**, it has been difficult for the Commission to produce a relevant response strategy. The main emphasis of Government policy has been on: (i) fostering labour intensive growth in agriculture and manufacturing, (ii) supporting infrastructure and promote access to rural areas, (iii) investment in human resources including health and free education, and (iv) improving institutional capacity, including civil service reform and decentralisation. (paragraphs 48-60)

### Commission Strategy and Programmes (Section 3)

- xv. The first strategy (for the 8<sup>th</sup> EDF) was drafted in 1996, two years after the restoration of democracy and when Lesotho was still going through a major adjustment after the fall of apartheid in South Africa. Donors were moving their attention away from Lesotho and changing their focus away from independence from South Africa towards greater regional economic integration. The emphasis of the first strategy was therefore cautious: *'Placing Lesotho on a more sustainable footing and promoting further integration into the world economy'*. To a large extent, the strategy was continuing the *needs-based approach to development* that followed on from the 6<sup>th</sup> and 7<sup>th</sup> EDF.
- xvi. In the 8<sup>th</sup> EDF an indicative budget of €80M was allocated to Lesotho including €61.5M for programmes and €18.5M for Budget Support (PRBS). By the end of 2003, secondary commitments of €63M had been made, along with disbursements of €46.4M. 84 % of the 8<sup>th</sup> EDF disbursements (excluding PRBS) were for transport. The second strategy (2001-7) was articulated with the single overarching objective of: *'Poverty reduction through more equitable distribution of economic growth and better provision of basic services'*. Transport continued to be the focal area and water replaced 'social' as the second area. Macro-economic support was introduced as a focal area with an indicative allocation of 50% of the NIP. The non-focal areas were HIV/AIDS and support to Non State Actors (NSAs).
- xvii. In the 9<sup>th</sup> EDF there is an indicative budget of €97M, with allocations of €50M for macroeconomic support and capacity building and €20M for transport and water. Only €19M has been committed under the 9<sup>th</sup> EDF, of which €17.5M is for capacity building. There had been virtually no disbursement under the 9<sup>th</sup> EDF as of March 2004.
- xviii. It was noted that the EIB risk capital facility has effectively complemented other Commission strategy components. In particular, the support to the Muela Hydropower plant through risk capital funds has been a strategic initiative for Lesotho, and potentially opens up for the Commission the possibility of developing a national water resource strategy. EIB risk capital support to the LNDC (factory shells) has also been crucial in promoting growth of foreign investment in the employment generating textile sector.

## Key Findings (Section 5)

- xix. In terms of *achievement of the objectives* (Section 5.2), the Commission strategy is a mixed picture. On the **positive side**:
- In the **transport sector** physical access to rural areas has improved which has contributed to the *poverty alleviation objective* in a broad sense. But there is little evidence of any demonstrable long-term employment created as result of the interventions. At an institutional level, the Commission's approach has been strategic and aimed at supporting a sector-wide approach in partnership with other funding agencies. (paragraph 332)
  - In the **water sector** the Commission interventions have not had a *demonstrable impact on poverty alleviation* to date but the ongoing activities have the potential for very high impact. In particular, the lowland feasibility studies currently in progress, combined with TA to the Water Commissioner, will contribute towards a *strategic approach* for the national management of water resources and improve co-ordination between the different institutions dealing with water and sanitation. (paragraphs 333-334)
  - The **health sector reform programme** (HSRP) has encouraged the creation of an appropriate basis in systems, roles and strategy for the future decentralisation of health and social care. The programme is also starting to address HIV/AIDS at *district level* from 2004 and is thus an entry point to test the effectiveness of *decentralisation* of health care. (paragraph 335)
  - In terms of **economic planning support**, the Commission has played an important influencing role through its technical assistance programme; the overall macroeconomic framework of Lesotho is sound with stable fiscal and monetary policies and an increasing emphasis on social (education and health) expenditure. (paragraph 336)
- xx. In other areas **achievement of objectives** has been **poor**:
- The Commission has not contributed to the objective of **diversification of the economic base** of Lesotho; efforts to support high value horticulture and livestock have not been a success, and the Commission has been singularly absent from any attempt to develop the private sector, leaving aside the use of risk capital by the EIB towards the building of factory shells and through transport projects. Commission interventions have not addressed either the creation of employment through entrepreneurship activities or the stimulation of private sector development activities. (paragraph 337)
  - The Commission has not played a significant role in working towards the **promotion of democracy and the respect for human rights** and has not engaged in dialogue with Government to address key areas such as the promotion of gender rights. (paragraph 338)
  - The Commission has not actively sought to **engage NSAs in the process of development**; and has been very tentative in adopting the strategy for a *'decentralised approach which will build up local capacity and accountability and broaden the democratic base of society'*. (paragraph 339)
  - There has been **very little use of the RIP instruments in Lesotho**, and whilst this mainly reflects general lack of interest by the GoL in SADC or in regional integration with South Africa, the Delegation has not been effective in promoting

available regional aid instruments in areas such as food security or economic integration.

- xxi. The overall **relevance** of the Commission's strategy to the GoL's policy framework is generally good. At the time that the 8<sup>th</sup> EDF was formulated, the country was in a policy vacuum and the focal areas of transport, water and health were relevant to the stated needs of Lesotho. But in addressing **the overall wider needs of Lesotho** the relevance of the Commission strategy has been more questionable. The Commission has not been active in **addressing the need to integrate the economy of Lesotho** with South Africa or in supporting private sector development, and has not been active **in addressing the HIV/AIDS pandemic**.
- xxii. The strategies **were broadly consistent** with Commission Policy as stated in EU treaties, development policy and the Cotonou agreement. But when the intentions of the CSP (2001-7) are translated into planned actions and programmes, **they fall short of the new emphasis placed in Cotonou**. In particular, there has been very little use of dialogue with Government and very little has been programmed to support or explore decentralisation, nor has there been much attempt to promote civil society in the process of development. The Commission has thus not progressed from **a needs based aid culture to a partnership approach** implied under Cotonou which involves supporting a more strategic approach to development in Lesotho. Such an approach would involve greater attention to governance and the 'accountability chain' so that aid can move away from projects to budget support, and also require less 'project management' and a greater involvement in dialogue with Government and non-state actors, along with a proactive contribution towards the promotion of human rights, especially gender equality, and consolidation of democracy. (paragraphs 355-360)
- xxiii. In general, **crosscutting themes have been poorly mainstreamed** into Commission programmes. In particular there is little evidence of interventions being to take the HIV/AIDS pandemic into account. Similarly the emerging seriousness of the food security situation in Lesotho has not been reflected in consistent mainstreaming of food security-related performance indicators. Also, in the area of gender, the Commission has not adequately addressed the fundamental problem of the removal of the discriminatory law which leaves a woman with the status of a minor, a situation contrary to the core development values of the European Union.

## Recommendations (Section 6)

- xxiv. The recommendations set out below envisage **a change in approach to development assistance** as well as a change in some key areas of the programme.

<p><b>1. Adopt a More Strategic Approach to Development in Lesotho</b> (sections 4.2.10 and 6.1.1)</p>
--

- **Adopt a partnership approach in line with the principles of Cotonou**, including political dialogue in the implementation of all aspects of the PRSP and in respect for essential values underpinning the partnership such as gender equality, human rights and good governance. A strategic and proactive application of Article 8 of the Cotonou Agreement is needed because of the lack of Government commitment to implement key policies effectively (e.g. PSIRP; gender mainstreaming including legal reform; HIV/AIDS, etc.) which is undermining the achievement of several components of the co-operation strategy with Lesotho.
- **Refine the overall Commission poverty reduction strategy**, including stronger linkages between rights and poverty reduction. This should ensure that the right

choices are made in the evolution of sector programmes, in ensuring a higher profile for human rights, in complementing investments in governance with the development of a different democratic culture, and in a better understanding of the transformation potential of civil society and of the decentralisation process.

- ***Move away from a culture of aid and project administration towards knowledge management***, whereby the Commission becomes a strategic player with specialised knowledge and expertise, with a capacity to respond adequately to key policy changes and to exercise leverage when needed for achieving the objectives of Lesotho-Commission co-operation.
- ***Move away from an aid-oriented approach to supporting civil society*** towards the integration of non-state actors in Lesotho-Commission co-operation as enshrined in the Cotonou Agreement. To support the potential of non-state actors, the Commission should build long-term partnerships with civil society organisations, independent watchdogs, and research institutions.
- ***Give greater recognition of the landlocked status*** of Lesotho, and increase the dialogue with the Government of Lesotho and the Delegation in Pretoria to develop joint programmes of assistance covering regional economic integration.
- ***Undertake a more thorough analysis of where the Commission can add value***, co-ordinate the actions of Member States and co-fund their actions, where appropriate.

## 2. Place Governance at the Centre of the Commission's Development Strategy (sections 3.5.4 and 6.1.2)

- ***Increase its political dialogue with GoL on governance issues*** using the recently committed €17.5M capacity building project as the entry point.
- ***Take a leading role in co-ordinating donor efforts in support of public sector reform*** (PSIRP process) and support the commitments of Member States, notably DCI, DFID in PFM and GTZ in decentralisation.
- ***Conduct a systematic analysis on the benefits and disadvantages of the envisaged decentralisation process***. On the basis of this analysis, consideration should be given to supporting the implementation of a decentralisation policy with pilot actions.

## 3. Rebalance the strategy towards the 'accountability chain': democracy, human rights and civil society participation (sections 3.5.4 and 6.1.3)

- ***Explore possible entry points for strategic and well-targeted support to democracy***, human rights and civil society participation.
- ***Develop a much more ambitious and proactive approach to promoting gender equality***, making use of its capacity for leverage through political dialogue and review processes.
- ***Consider the use of other instruments*** (such as the planned NSA programme) in support of the advocacy work of civil society organisations specialising in gender issues.

- *Ensure that the NSA support programme is designed as a tool to promote democracy*, human rights, as well as the consolidation of civil society as a key player in relevant areas of the development process.
- Develop a *partnership approach* with key democratic institutions, such as the Independent Electoral Commission, the Ombudsman and the Directorate of Corruption and Economic Offences.

#### **4. Redirect Budget Support** (sections 4.2.2 and 6.1.4)

- *Discontinue the budget support planned in the 9<sup>th</sup> EDF, at least until such time as there is agreement on conditionality* linked to the achievement of agreed PFM milestones.
- *Request the Ministry of Finance to produce a detailed PFM action plan* based on the October 2002 PricewaterhouseCoopers study and closely monitor progress once a commitment towards implementation of the recommended action plan has been demonstrated.
- *Review the indicative allocations for Budget Support from the 9<sup>th</sup> EDF* along with other current programme commitments. It is recommended that the water sector is given priority in any reallocation.

#### **5. Take a more proactive role in regional economic integration, especially with regard to private sector development** (sections 4.2.1 and 6.1.5)

The Commission should *play a more proactive role in promoting entrepreneurship and development of the business environment*. As a first step a review of its private sector development strategy should be undertaken to:

- Analyse the potential for existing Commission instruments in support of private sector development (including Proinvest, EBAS) and the potential for SME support (e.g. SME risk capital) instruments.
- Analyse the institutional environment in support of the private sector and identify priority areas to strengthen the voice of the private sector in policy formulation processes.
- Analyse the potential for linkages and clusters between the SMME sectors in South Africa and Lesotho, and the potential for RIP/SADC support.
- Analyse the potential role for SADC in supporting private sector development and promoting Commission instruments in Lesotho.
- Analyse potential co-operation with South Africa in developing social investment programmes to enable the mines to work with the redundant mine workers.



## 6. Management of the Strategy (section 6.2)

The Commission should appoint:

- **A *Governance Advisor*** to support the Delegate in the political dialogue on governance and public sector reform issues.
- **An *Engineering/Infrastructure advisor*** with particular emphasis on hydrology (to enable the Commission to take a lead role in the development of donor support to this sector and facilitate international dialogue, especially with South Africa).
- ***Local expertise*** to assist in developing and implementing a comprehensive strategy towards supporting civil society development in its dual role of service provision and advocacy.
- The Delegation must ensure that ***baselines are established for all interventions***, that actions are mainstreamed and that all major interventions are subject to periodic evaluation and impact assessment.
- ***The European Commission should play a more pro-active role in promoting the application of the '3Cs'*** (co-ordination, complementarity and coherence) to enhance the overall effectiveness and impact of donor support. In view of the Commission's limitations in staff and capacity, more jointly-managed co-financed projects should be considered, especially with EU Member States.
- ***More generally the Commission should work towards a single European Union strategy for Lesotho***, with Member State components as agreed at the February 2001 CSP workshop.

## 7. Recommendations by Focal Sector (section 6.3)

### (i) Water (sections 4.2.5 and 6.3.1)

The Commission should:

- ***Actively promote capacity-building*** to improve and develop the technical and managerial capabilities of all the water institutions and enable a move towards greater decentralisation of decision-making processes.
- ***Extend the scope of the Lowland Water Supply Feasibility Study*** and produce a ***National Water Resources Plan***, including analysis of (i) the current situation regarding lowland water supply and constraints; (ii) long term projected demand arising from increasing migration, economic growth and industrial development; (iii) the water 'reservoirs' in the highlands and the potential to transfer water from highland basins to the lowlands; (iv) the water courses shared with South Africa; *plus* a set of recommendations on the strategic options for long term investment requirements for national water and sanitation needs.
- ***Support the strategic analysis of data relating*** to the management of water resources and needs, including collection and analysis of baseline information, and assistance to all water agencies in introducing a culture of formal monitoring of all new and completed projects in the water sector, in accordance with Commission guidelines.

- *Develop a formal dialogue to facilitate regional co-operation* in the sharing of river basin resources and encourage joint planning and management initiatives on shared river basins with South Africa.
- *In the short term, invest in on-going project activities*, especially in relation to improving access to water and sanitation in the lowlands, including possible extension to the scope of the Six Towns Water Project and the Maseru Waste Water Project.

**(ii) Transport** (sections 4.2.4 and 6.3.2)

The Commission should promote:

- *Strengthening of SWAp & Institutional Reform*, supporting draft sector policies and the formation of a national road agency; encouraging the GoL to examine road and rail investments more holistically with inter-modal analysis; and supporting the GoL in defining responsibility for urban roads, especially in the light of proposed decentralisation measures for local government.
- *Financial Management of the Road Fund*: support strengthening of RF financial management systems with support from the Governance Adviser, and the channelling of all sector maintenance funding through the RF once the latter's financial management systems have been sufficiently developed to ensure that it can adequately assume its responsibility for allocating funding to different agencies.
- **Sustainability: Capital-vs-Maintenance Budgeting**: the Commission should assist the GoL in reducing the fungibility between capital works and maintenance by assisting with the development of procedures for allocation of recurrent and capital budgets.
- *Private Sector Development*: local contractors should be supported, particularly in connection with design and supervision of LB works; and an annual independent review of sector procurement, to ensure compliance with accepted best practice and transparent procedures, should be encouraged.
- *Regional Integration*: increase efforts at Commission-facilitated bilateral co-ordination of the road sector programmes between RSA and Lesotho.

**(iii) HIV/AIDS** (sections 4.2.6 and 6.3.3)

*HIV/AIDS should be addressed as a governance issue and placed at the centre of the Commission's development strategy*, given that programmes to address the HIV/AIDS pandemic in Lesotho are absolutely fundamental to the overall progress of social and economic development. *A strategic approach to HIV/AIDS implies the following key recommendations:*

- *Address HIV/AIDS as a Governance issue.*
- *Reflect HIV/AIDS in the dialogue process with Government and Regional Integration.*
- *Mainstream HIV/AIDS into all Commission interventions.*
- *Consider making HIV/AIDS a focal sector in the 10<sup>th</sup> EDF.*



# MAIN REPORT

## 1 Evaluation Methodology

### 1.1 Scope and Approach

1. As set out in the Terms of Reference (TOR) (see Appendix A), the primary objective of this Country Strategy Evaluation (CSE) is to provide the European Commission with key findings and lessons of experience from its past (1995-2002) and current co-operation (2003-2007) with Lesotho. A key purpose of this Report is to provide the Commission's policy makers and managers with recommendations on the overall strategic orientation for future programmes in Lesotho as well as their implementation.
2. The scope and approach of this CSE consists of the following:
  - An evaluation of the European Commission's co-operation strategy with Lesotho and its implementation over the period 1995-2002, and an assessment of the relevance, impact, effectiveness, efficiency and sustainability of the interventions.
  - An evaluation of the relevance, logic and coherence, as well as the intended impacts, of the European Commission Country Strategy Papers (CSP) and National Indicative Programmes (NIPs) for 2001-2007.
3. The main sources for the evaluation are the CSP and NIPs from the 8<sup>th</sup> (1997-2000) and 9<sup>th</sup> (2001-7) European Development Fund (EDF). Other interventions from European Commission thematic budget lines (e.g. Non-Governmental Organisations (NGOs), HIV/AIDS) and the Regional Strategy Papers (RSP) and corresponding Regional Indicative Programmes (RIP) have been considered where appropriate.
4. This CSE examines the extent to which the European Commission's interventions in all areas of co-operation have achieved their objectives and produced the intended impact, and whether they have done so in the most efficient and effective manner.

### 1.2 Methodology

5. The CSE methodology is based on identification of programme priorities and objectives at different levels by means of a reconstruction of the European Commission's Strategy. This reconstruction of the strategy serves as a starting point for an assessment of the appropriateness of the intervention logic in the context of Lesotho. On this basis intervention themes are identified. Thereafter the main instruments for conducting the CSE are *Evaluation Questions* (EQ) which relate to each theme. To each of these questions are allocated *Judgement Criteria* (JC), each one of which is in turn assessed on the basis of quantitative and qualitative *Indicators*.
6. These instruments are used during the process of data collection and enable the CSE Team to aggregate the findings from each JC. The European Commission's contribution to the achievement of the objectives is calculated by estimating the overall coverage of each JC during the evaluation period, supplemented with a more thorough review of selected programmes and projects (*intervention coverage*), and assessing their relevance, impact, effectiveness, efficiency and sustainability. The assessment of the degree of achievement represented by each JC enables an aggregated evaluative judgement to be made for each Question. The Criteria Fiche for

each JC is included in Annex C and the answers to each EQ form the basis of Section 4 of this Report, based on completed judgement criteria forms included as Annex D<sup>4</sup>.

### 1.3 Work Plan

7. The evaluation was carried out in four stages: Inception Phase, Desk Phase, Field Phase and Final Report Writing Phase. During the first phase the Evaluation Team provided an Inception Note which was approved in January 2004. This Note contained an initial identification of the key issues of concern and areas of interest of the Reference Group (RG). The Note included an initial reconstruction of the logic of the European Commission's intervention and an identification of the key themes for evaluation. The RG supported the Team in the development of the Evaluation Questions, which were finalised in the Desk Phase Report of 18 February 2004
8. The Desk Phase Report presented an initial analysis of the European Commission's strategy, including a presentation of any 'gaps'. This analysis also considered the extent to which the strategy as presented in the CSP was translated into programmes through the NIP.
9. The Desk Phase was followed by the Field Phase (24 February-12 March 2004) during which the Evaluation Team collected data against the Judgement Criteria and Indicators within Lesotho and South Africa, drawn from the largest possible range of sources. Data were collected from published material, face-to-face and telephone interviews with representatives from national and regional authorities and agencies, NGOs, civil society organisations, the private sector, Member States (MS) and other bilateral and multilateral organisations. Over 100 interviews were conducted (see Appendix B for details). In addition a number of focus group and round table discussions were held with:
  - The European Commission Delegation
  - NGOs (Lesotho Council for NGOs) on 4 March 2004.
  - Focus Group on 9 March 2004, with 17 selected Basotho stakeholders from the private sector and civil society to discuss key issues concerning the relevance of the Commission's and other donors' interventions (see Appendix B)
10. The field phase was completed with a on the key findings at the Delegation in Maseru, and in Brussels on March 18 2004.

---

<sup>4</sup> A Bibliography is included at Annex E.

## 2 Country Context

### 2.1 Policy of the European Union and Mandate of the Commission

11. EU Development Assistance is based upon Article 177 of the Treaty of Amsterdam (1992). This states that development assistance will be based on three principles:
  - The fostering of sustainable economic and social development and, more particularly, the most disadvantaged amongst them;
  - The smooth and gradual integration of developing countries into the world economy, and
  - The campaign against poverty.
  
12. In April 2000, the European Commission sent a Communication to the Council of Ministers and the European Parliament<sup>5</sup> proposing an updating of EU Development Policy. This led to a joint statement by the European Council and the Commission<sup>6</sup> which specified that the overriding objective of EU Development Policy must be “*to reduce and eventually eradicate poverty*”. In other words, the objectives of the original Treaty were reprioritised, with poverty eradication now taking greatest precedence. In pursuing poverty reduction, the European Commission has adopted a broad definition.
  
13. Poverty is not solely defined as a lack of income and financial resources, but also includes the notions of vulnerability, low human capabilities and lack of empowerment. Poverty is also reflected in a lack of access to adequate food, drinking water, education and health, employment, land, natural resources, credit, information and infrastructure, as well as a lack of political participation. All of these factors are central to the poverty and food security agendas.
  
14. The five guiding principles of European Commission development co-operation<sup>7</sup> to be mainstreamed into all aspects of assistance are:
  - The effect on poverty reduction;
  - Support for institutional development and capacity strengthening;
  - Gender equality;
  - Sustainable management in the use of environmental and natural resources, *and*
  - Enhancement of economic, social, political and cultural rights.

#### 2.1.1 The Lomé Convention

15. Funding for development assistance for the African Caribbean and Pacific (ACP) countries through the European Development Fund (EDF) goes back to the Treaty of Rome<sup>8</sup> in 1958. This was formalised through the Yaoundé Convention in 1964. The first enlargement of the EU [EEC] in 1973 led to the Lomé Convention in 1975, which defined co-operation between the ACP countries and the then nine Members of the EEC.

<sup>5</sup> Communication from the Commission to the Council and the European Parliament, Brussels 26.04.2000.COM (2000) 212 final.

<sup>6</sup> The European Community’s Development Policy, Statement by the Council and the Commission, 10 November 2000. Published by the European Commission DE105, December 2000.

<sup>7</sup> The European Community’s Development Policy, Statement by the Council and the Commission, 10 November 2000.

<sup>8</sup> Treaty of Rome Part IV (EDF1) 1 January 1958. The original funding was limited to 18 African states (Associated African States and Madagascar (AASM)).

16. For the purposes of this CSE only the last two versions of Lomé were relevant: Lomé IV was signed in 1990 and Lomé IV(bis) in 1995. The key principle of Lomé was: *“to maintain as far as possible the quantitative and qualitative benefits which had been obtained by the overseas country associated with the Community”*<sup>9</sup>. The second principle was equality of treatment for all partners, old and new, as stated in Article 2:
- Equality between partners, respect for their sovereignty, mutual interest and interdependence;
  - The right of each State to determine its own political, social, cultural and economic policy options, and
  - Security of their relations based on the *acquis* of their system of co-operation.
17. New features of Lomé IV(bis) included observance of *human rights*, respect for democracy and the rule of law (Article 5). There was specific mention of widening *participation in co-operation activities* (Chapter 3 and Articles 20-22) by means of a framework of decentralised co-operation. Article 8 is especially relevant to Lesotho, referring to *special treatment to the least-developed ACP States and to take account of the specific difficulties confronting the landlocked and island ACP States*.

### 2.1.2 The Cotonou Agreement

18. The Cotonou Agreement was the first of the EU-sponsored accords to incorporate all of the new European Commission development principles. The central objective of the Partnership is *to reduce and eventually eradicate poverty while contributing to sustainable development and to the gradual integration of ACP countries into the world economy*. It was signed on 23 June 2000 and is designed to cover a period of 20 years. Whilst similar principles applied to the Lomé Conventions, there are some important innovations:
- The many instruments under Lomé were rationalised.
  - There is a greater emphasis on good governance and political dialogue.
  - A specific procedure was established for the suspension of assistance when cases of significant financial indiscipline arise (Article 96).
  - The role of civil society, the private sector and other non-state actors is reinforced.
19. In September 2002, negotiations between the EU and ACP states to define World Trade Organisation (WTO) compatible Economic Partnership Areas (EPAs) commenced. This process, scheduled to be completed by 2008, will eventually reinforce the regional dimension to trade both within regions and with the EU. The existing system of preferential access to the European market will be gradually withdrawn during the transition period (2002-2008). Lesotho has opted to negotiate an EPA under the aegis of the Southern African Development Community (SADC) and negotiations will commence during 2004.
20. The first protocol of the Cotonou Agreement is to be funded by the 9<sup>th</sup> EDF and became operational in April 2003. As well as a global commitment to ACP countries, unspent balances from previous EDFs will be incorporated and committed under this new Agreement. Allocation of funds will be on the basis of a rolling programme approach, which will be subjected to regular reviews and results-based management.

---

<sup>9</sup> Ten Years of Lomé- A Record of ACP- EEC Partnership 1976-1985. EC (1986).

## 2.2 Overall Political, Economic Social Situation in Lesotho

### 2.2.1 Political

21. Lesotho gained independence from the United Kingdom in 1966 and is a constitutional monarchy, with the King as Head of State and executive powers in the hands of the Prime Minister, supported by a constitution that provides for a clear separation of powers between the executive, legislative and judiciary. The bicameral Parliament consists of the Senate (33 Members- 22 principal chiefs and 11 appointed members) and the Assembly, which operates Mixed Member Proportional (MMP) system (120 seats- 80 by direct popular vote and 40 by proportional vote).
22. Lesotho has achieved a state of political and social stability in the last six years. But, in recent times, there have been a number of events which threatened national security and sparked instability, including the following: seven years of military rule (1986-1993); the palace coup and military mutiny of 1994; and more recently, the civil disturbance and widespread looting of the capital Maseru that followed the elections in 1998 when a 60% vote for the Lesotho Congress for Democracy (LCD) led to their securing 79 of the 80 available seats. Order was restored in September 1998 with assistance from SADC troops from South Africa at the invitation of the Prime Minister.
23. The MMP election system was introduced in 2001, through which an additional 40 seats were awarded to eight minority parties, providing a basis for a constructive opposition in Parliament. Elections were successfully completed in May 2002 and the LCD won 77 of the 78 seats contested. International observers commended the outcome of the elections as acceptable, fair and transparent.
24. A recent independent survey<sup>10</sup> on the State of Democracy in Lesotho (2003) indicates a sharp increase in satisfaction with democracy as compared with a survey undertaken in 2000, especially as regards political freedoms such as freedom of association, voting and speech, and protection against crime and violence.
25. But, much remains to be done to consolidate democracy in Lesotho, according to the PRSP<sup>11</sup>. The executive arm of government is very dominant compared with the legislature and judiciary. Parliament lacks specialist portfolio committees for producing effective legislation within a reasonable period and for monitoring government action. Some progress has been achieved recently in strengthening the capacity of the Public Accounts Committee, one of only two Parliamentary Committees.
26. The PRSP also records that there is a widespread lack of trust in the capacity and political neutrality of law enforcement agencies. Courts are seen to be inefficient in protecting human rights and vulnerable groups, as well as in curbing corruption. There is no independent Human Rights Commission in Lesotho, only an under-resourced Human Rights Unit. The Ombudsman has in its mandate protection of human rights and can also carry out systematic investigations of human rights issues (e.g. in relation to resettled communities) but suffers from capacity constraints and inadequate funding.
27. Lesotho is a signatory to the major international conventions on Human Rights and continues to receive the approbation of Amnesty International for its efforts in the humane treatment of prisoners. Lesotho has been party to the UN Convention on

---

<sup>10</sup> Source: Gay, J and Nattes, R. Afrobarometer Working Papers: The State of Democracy in Lesotho (2003).

<sup>11</sup> Government of Lesotho: Poverty Reduction Strategy Paper December 2003.



Elimination of all forms of Discrimination Against Women (CEDAW) since 1995. However, the Constitution of Lesotho takes precedence over CEDAW, and upholds the application of common law and customary law, which discriminates against married women. Under Lesotho's dual legal system, married women have the legal status of a minor. As a result of this legal discrimination, women have no capacity to sue or to be sued unassisted by their husbands, to enter into contracts, or to own businesses and property.

28. Pressure to remove this legal discrimination has been mounting, mainly as a result of advocacy activities undertaken by civil society organisations. In September 2002, the Lesotho Law Reform Commission prepared a draft "Married Persons Equality Bill" to abolish all laws and rules that allow husbands to acquire marital power over the person and property of the wife. In spite of the King's explicit political support for the Bill, the legislature has been slow if not reluctant to undertake effective action, arguing that an extensive societal debate should be organised on the issue.

### 2.2.2 Economic Situation

29. Lesotho is a small, mountainous, landlocked country with limited natural resources or agricultural potential<sup>12</sup>. It is a low-income country with a GDP per capita of USD \$330 in 2002 and 51% of the population is in poverty. Since the late 19<sup>th</sup> century, the economy has been seen as a labour pool for the mines of South Africa and, as a consequence, the culture of wage employment is prevalent, with little Basotho-owned private sector development. The economy of Lesotho faces two key challenges:

- The continuing decline in the demand for labour from South Africa, and
- The widespread and far-reaching effect of the HIV/AIDS pandemic, with an estimated 30% of the population HIV+.

30. Economic growth was steady in the mid 1990s and then slowed at the end of the decade. During this period, the construction of the Lesotho Highlands Water Project was a key driver of the economy, generating employment until its completion in 2002. More recently, foreign investment (mainly Taiwanese) in the garment sector has been the main engine of growth, creating around 50,000 (mainly female) jobs and accounting for over 70% of Lesotho's exports. Employment in the garment sector doubled between 2000 and 2003.

31. The structure of the Lesotho economy remains heavily dependent on migrant labour remittances and net transfers from the Southern African Customs Union<sup>13</sup> (SACU), which account for up to 50% of Government revenues. These receipts mean that Lesotho is not faced with a large fiscal debt and enables the Government to finance a budget which represents over 40% of GDP. This would also suggest that the Government has considerable fiscal space for budget reallocation.

32. In terms of wider economic integration, Lesotho is largely dependent on the market opportunity and supply chains of South Africa, and thus it is the latter country's integration into the world economy that will be the main influence on Lesotho's economy. The currency union with South Africa also means that the recent sharp swings in the value of the Rand have a direct effect on the competitiveness of Lesotho<sup>14</sup>. The new SACU signed in August 2002 enables Lesotho to continue to gain a large share of receipts and also take advantage of the trade preferences associated with Lesotho's status as the least developed member of SACU. However, the overall

<sup>12</sup> See Appendix C: Map of Lesotho.

<sup>13</sup> SACU: South Africa, Botswana, Namibia, Swaziland and Lesotho.

<sup>14</sup> See Figure 2.1 Annex C.

revenues to Lesotho are expected to decline as the tariff revenues from the SACU pool fall following the EU-South Africa Free Trade Agreement, and also as result of the general effect of trade liberalisation.

33. Lesotho has traditionally run a very large current account deficit. In 1997, exports represented one-seventh the value of imports, but the growth of textile exports has reduced this ratio to 1:3. In 2002, the current account deficit amounted to 14% of GDP. SACU accounted for 82.8% of imports in 2001, but only 26.2% of exports. There are negligible trade flows with the EU.
34. The United States represents the main export market, accounting for 73% of Lesotho's exports, most of which consist of textiles under the provisions of the AGOA<sup>15</sup> initiative, making Lesotho the largest African exporter of clothing under this Act.
35. Thus Lesotho is characterised by a very unbalanced trading pattern with a large, though declining, dependence on miners' remittances. The imbalance is not just in terms of the *overall* trade deficit but also in its *structure*: Lesotho imports 12LSL<sup>16</sup> from SACU for each 1LSL of exports. Thus there are clear implications for the regional trade dialogue as well as for the need to diversify the export base.

### 2.2.3 Social Situation

36. Lesotho is a low income though not a Heavily Indebted Poor Country (HIPC). The availability and accuracy of social indicators is very low, which is symptomatic of the low level of institutional capacity throughout Government. The overall trend is that although economic growth has been steady, the *incidence and depth of poverty increased during the 1990s*. The key to the rising trend in poverty was the number of households with wage earners and access to employment. The number of households with a wage earner declined from 59% in 1990 to 49% in 1999, while the number of adults in work fell from 30% in 1990 to 23% in 1999.<sup>17</sup> As a result, the proportion of the population in poverty rose from 49% in 1993 to 51% in 1999.
37. In terms of education, since the introduction of free primary education<sup>18</sup> in 2000, enrolment has increased from 51% for boys and 59% for girls in 1998 to 66% for boys and 72% for girls in 2001. In overall development terms, Lesotho was ranked 127<sup>th</sup> out of 174 countries in terms of HDI<sup>19</sup> in 2000, and dropped to 132<sup>nd</sup> in 2002. When the impact of HIV/AIDS is taken into account, it is expected that the HDI will decline even further.

### HIV/AIDS

38. It is estimated that 31% of the Basotho population aged 15-49 years are infected with HIV/AIDS<sup>20</sup>. Of the total number of adults living with HIV/AIDS, 55% are women, and this percentage increases to 75% of all reported AIDS cases in the 15-29 years age group. The rate of HIV infection has increased very rapidly over the last five years from an incidence of only around 4% of 15-49 year olds in 1993.

<sup>15</sup> African Growth and Opportunity Act (AGOA).

<sup>16</sup> LSL- Lesotho Loti: In a currency union with the South African Rand.

<sup>17</sup> John Gay and David Hall, *Poverty in Lesotho: More than a Mapping Exercise*, Maseru: Sechaba Consultants, 2000. See Annex JC 2.1.

<sup>18</sup> Programme introduced in 2000 with one class per year.

<sup>19</sup> Human Development Index.

<sup>20</sup> PRSP Sept 2003, p.124.

39. The level of HIV/AIDS infection is both a cause and a consequence of poverty in Lesotho. HIV/AIDS drastically reduces household incomes by constraining productivity, and leads to the diversion of financial and human resources to care and treatment. A lack of access to basic education and health services increases poverty and vulnerability to HIV/AIDS among other household members. The pandemic thus affects all aspects of society and the economy including:
- The productivity of the labour force and economic performance;
  - The dependency ratio;
  - Deteriorating educational achievement and health indicators;
  - Pressure on Government expenditure and the health service;
  - Declining household incomes, food production and food security constraints, and
  - The pattern of consumer's expenditure.
40. In the last 3-4 years there has been some recognition within the Government of Lesotho (GoL) of the seriousness of the HIV/AIDS problem, however, to date, the response has been weak. As reported in the 2002 Annual Report of the European Commission Delegation: *these considerations have not been accorded sufficient attention and it will be necessary for them to be included in the development of poverty reduction and development policies in all sectors, although the effectiveness with which this is achieved may be constrained by existing institutional capacity problems.*
41. A National AIDS Strategy was drafted in 2000 and the Lesotho AIDS Programme Coordinating Authority (LAPCA) established. A health sector reform programme has been in place since 1999 which has included specific priority on improving capacity to implement a multi-sectoral approach to HIV/AIDS, but progress is slow. The policy framework has not made significant steps in including HIV/AIDS considerations in new legislation, or in mainstreaming HIV/AIDS issues into sectoral policies. LAPCA's remit is to initiate, co-ordinate and drive a multi-stakeholder response to HIV/AIDS in line with the national strategy. Its legal status has not empowered the organisation to deliver on its mandate. It was supposed to be established as a semi-autonomous body separate from the GoL but in reality it has been given little capacity to make independent decisions, and has struggled to define and promote its identity and role. This has resulted in a lack of action by line ministries and other stakeholders on the issue.
42. In addition, the PRSP notes that weak planning and human resource capacity within all ministries is limiting the development, co-ordination and implementation of a policy on HIV/AIDS. Moreover, it adds that the capacity of civil society stakeholders is variable and not always co-ordinated nationally.
43. Activity is growing at the Southern African level to develop a regional response on prevention and treatment of HIV/AIDS. A recent positive step was the hosting of the SADC summit on HIV/AIDS in Maseru in 2003, at which a SADC HIV/AIDS Strategic Framework and Plan of Action 2003-2007 was adopted as a working document. Lesotho's participation at regional level appears to be more through civil society and the private sector, with to date minimal involvement of the GoL in positive actions supporting regional strategies, other than studies and documents.
44. The GoL budget allocation to HIV/AIDS (around 2%) is very low, although this will be enhanced by the recent approval of USD 30 million from the Global Fund.

## Food Security

45. Although recent food shortages in the Southern African region are significant, the overall food security situation in Lesotho appears to be more the result of a general rise in poverty rather than a food production crisis. Nearly 85% of the population live in rural areas and 70% derive part of their income from agriculture, in particular livestock. Only 9% of the total land area of Lesotho is arable and both livestock and crop production have very limited potential. Agriculture represents only about 18%<sup>21</sup> of GDP and over half of food requirements are imported.
46. Food security has in the past been partly assured through income from remittances, but declining income levels, and droughts in the past two years, have led to food security becoming a major concern. Over the period of the 8th and 9th EDF strategies food security has been affected by the following factors:
- The country's situation as a landlocked state with erratic rainfall patterns and limited agricultural potential, few exploitable natural resources and a limited economic base;
  - The severe decline in remittances from the supply of unskilled labour to South Africa since the mid 1990s, and the "brain drain" of skilled personnel across the border;
  - Ongoing structural adjustment efforts carried out by the government with negative social impacts (e.g. unemployment as a result of public sector reform);
  - The decline in earnings from the Lesotho Highlands Water Project since 1995/96;
  - Limitations in economic infrastructure;
  - Limited access to social services;
  - The explosive spread of HIV/AIDS which is limiting household earning capacity and the capacity of government human resources for policy implementation and administration; and
  - Rapid changes in the international value of the Rand, which has affected the competitiveness of Southern African food exports with consequences for food prices in Lesotho<sup>22</sup>.

### 2.2.4 Government Policies

#### (a) 1996-1999

47. A review of the Government's overall development policy during the relevant period of the CSE must be considered in the context of democracy only having been restored in 1993. The incoming Government inherited a draft five-year plan that was inadequate and could not be used to anchor the European Commission's development strategy. The Government started to set out the basis of a development plan, and the first key document in this period was the Strategic Economic Options Report<sup>23</sup>, which was finalised in 1997. Thus in seeking to develop a strategy that was relevant to the needs of Lesotho and consistent with GoL policies, the European Commission relied heavily on the World Bank Poverty Assessment report in 1995, which served as the best 'proxy' available for a government development plan. The Poverty Assessment report emphasised four key areas:
- ***Fostering labour intensive growth*** in agriculture and manufacturing by policy measures (i) to remove price and marketing distortions, (ii) to invest in socio-economic infrastructure in a privatised and labour intensive way, (iii) to invest in

<sup>21</sup> World Bank (2003) *Lesotho at a Glance*.

<sup>22</sup> The rapid fall in the Rand during 2001 will have tended to push food prices higher, this trend was reversed in 2003.

<sup>23</sup> Government of Lesotho Ministry of Planning Strategic Economic Options Study. 1997.

rural infrastructure, and (iv) to intensify agricultural export crop production, safeguard the environment and to improve land tenure security.

- **Investing in human resources** by *inter alia* improving the geographical distribution of health and education services and promoting local control over services.
- **Strengthening safety nets** by lowering the consumer prices of basic foodstuffs and expanding labour-intensive, self-targeted public works.
- **Improving institutional capacity** with a combination of measures including extensive civil service reform and decentralising political, fiscal and administrative authority.

**(b) 1999 to date: VISION 2020; PRSP/PSIRP**

48. Lesotho has been involved in the PRSP process since 1999. The latest version was produced in December 2003 and was due to be finalised by the GoL by mid-2004. Alongside the PRSP, the GoL has launched two parallel strategic processes: Public Sector Improvement Reform Programme (**PSIRP**) and **Vision 2020**, an overarching economic policy document which provides the road map for a long term strategy for the economic and human development of Lesotho. The King's Speech to the opening of Parliament in May 2002 highlighted the importance of Vision 2020, the PRSP and PSIRP as the three strategic policy frameworks for reform and development

49. In the latest available draft of Vision 2020 (October 2003), the long-term vision for Lesotho is stated as:

*“By 2020, Lesotho shall be a stable democracy, a united and prosperous nation at peace with itself and its neighbours. It shall have a healthy and well developed human resource base. Its economy will be strong, its environment well managed and the foundation for its technological advancement well established”*

50. Vision 2020 sets out a blueprint for ensuring political commitment and support for the implementation of the policy as well as the management capacity to implement it. The overall development strategy is based on sustaining high levels of investment consequent on an improvement in the investment climate for domestic and foreign entrepreneurs. Thus, the strategy behind Vision 2020 is essentially to support the **supply side** of the economy, that is to:

- Develop Investment policy.
- Strengthen Public-Private Partnership.
- Support training through a training levy and establish a productivity centre.
- Promote competitiveness and trade promotion and diversify export markets.

51. The emphasis on PSIRP programme has three key components: Public Financial Management (PFM), Public Service Reform, and Decentralisation. It focuses on systemic problems of Government delivery of public services, including accountability, transparency and poor capacity. The overall approach of the PSIRP is implied in the analysis provided<sup>24</sup>, that is to say:

*“The major limitation for the country to achieve its goals is poor service delivery. The evidence of this is the various images of inefficiencies in the provision of services, mismanagement of limited resources, unethical behaviour of public servants, weak control measures leading to corruption”.*

<sup>24</sup> PSIRP: Govt of Lesotho. Draft Concept Note March 2004.

52. While the GoL contends that the PSIRP is an on-going process and some reforms of the public service have been completed, including the move to performance related contracts for civil servants, the overall action plan has not been finalised, and a World Bank loan tied to a major civil service reform project has not progressed since the concept phase in October 2003<sup>25</sup>.
53. The PRSP process has been on-going since 1999 and was in the final stages of approval at the time of the CSE. A number of factors have delayed its release, including the need to merge the preparation of the PRSP with the production of Vision 2020. The PRSP is an all-embracing development strategy covering economic and social development issues as well as public service reform, democratisation and governance. A summary of the key priorities is set out in Appendix E.
54. While the process has been time-consuming and, as some argue, a diversion of scarce Government planning resources, it is nevertheless a major achievement as an exercise in participation, most of which was conducted in 2002. The process involved a team of 300 facilitators from government and civil society; 20,000 people were consulted, which makes Lesotho's one of the most thoroughly consulted PRSPs in Africa to date. Two hundred community reports were aggregated and analysed at national level to establish sectoral and sub-sectoral ranking in poverty reduction as perceived by the Basotho. Ten sub-sectors and a macro-economic framework group were established.
55. The key message from the PRSP is that the following challenges need addressing:
- The growing integration of Lesotho (and Southern Africa) into the globalised world economy since the 1990s with the rapid growth of the textile industry;
  - The significant reduction in the number of Basotho migrant labourers employed on South African mines on which the local economy depended during the 20<sup>th</sup> century;
  - An actual increase in the incidence of poverty in Lesotho and growing disparities in the distribution of income over the past twenty years despite higher than average GDP growth rates (8.2%);
  - The Government has relied on revenue generated by the SACU but the inevitable reduction of the customs revenue pool as a result of lower tariffs, and the effect of free trade agreements, mean that this source of revenue will fall in real terms. This implies that substantial growth in the tax base will be required if the Lesotho Government is to maintain and improve current levels of service provision;
  - The rapid spread of HIV/AIDS, which in itself will negate all efforts to improve the economy and welfare of the Basotho if not addressed courageously.
56. Good governance has been a major priority of the Lesotho Government and is at the centre of the Poverty Reduction Strategy. There have been some high profile cases in addressing the problem of corruption, notably with the arrest of the former chief executive of the Lesotho Highlands Development Authority in 2002. Nevertheless the European Commission Delegation<sup>26</sup> records that public finance management remains a major concern: *it is an element that continues to receive insufficient attention and which through systemic weaknesses in the public sector is a very real threat to the stated goals in terms of social and economic advancement.*
57. In 2000, the GoL embarked on an IMF-PRGF (International Monetary Fund - Poverty Reduction Growth Facility) designed to strengthen fiscal policy through

<sup>25</sup> World Bank: Lesotho Public Sector Improvement and Reform Programme. Programme Concept Document for Donor Financing. 2003.

<sup>26</sup> Annual Report of the EC Delegation 2002.

improved tax administration and public expenditure control, and to support the climate for increased Foreign Direct Investment (FDI). The Lesotho Revenue Authority was established in December 2002 and Value Added Tax (VAT) was introduced during 2003.

58. The latest IMF<sup>27</sup> report notes that two key performance parameters for the IMF-PRGF programme were breached: (i) the quantitative performance criterion on domestic financing (due in part to delays in European Commission budget support payments), and (ii) the appointment of an accountant general (appointed after July 2002).
59. Of more concern on the overall status of PFM is the 2002 Ministry of Finance/ PricewaterhouseCoopers (PWC) Report<sup>28</sup>, which highlighted key areas of PFM and an action plan based on a number problem areas including: (i) failure to provide accurate and effective annual accounts; (ii) insufficient management capacity and lack of internal audit function; (iii) poor information systems; (iv) poor budgetary control; (v) need for a new legislative framework in a Finance and Budget Act; (vii) lack of independence of the auditor general. This strongly worded document was followed by the Acting Auditor General's report of August 2003<sup>29</sup>, which is equally forthright in its criticism of PFM:

*“The incompleteness and inaccuracies of the Public Accounts for 2001/2 as disclosed in the Audit Certificate and particularly the weaknesses in the Accounting System and internal controls resulting in large amounts of discrepancies detailed in this report are indicative of the unsatisfactory state of the management of Public Funds.”*

60. While such reports have serious implications for a policy of budgetary support, these forensic studies identify issues which aid donors have hitherto ignored while pursuing other instruments of development, such as technical assistance and infrastructure projects.

## 2.2.5 Infrastructure

### Water

61. Natural resources in Lesotho are limited and the principal exportable non-human resource is water, which has been developed for sale to the Republic of South Africa's (RSA's) industrial area around Johannesburg through the Lesotho Highlands Water Project (LHWP). The construction of the LWHP (completed in 1998) was a major engine of economic growth for Lesotho throughout the mid-1990s.
62. Past investments in infrastructure have been geared towards the major transit and import/export corridors of the lowlands, serving the emerging manufacturing sector along the border with the RSA. There was a relative neglect of infrastructure to serve large segments of the domestic economy and to meet the needs of the rural population. The provision of water supply infrastructure remains essential for supporting the economic potential of rural and urban communities as well as meeting the social objective of household access to water and sanitation.
63. The GoL development plans are based on the following key objectives:
- To invest in socio-economic infrastructure in a privatised and labour intensive way;

<sup>27</sup> Third Review Under the Poverty Reduction and Growth Facility Arrangement. IMF Sept 2002.

<sup>28</sup> Ministry of Finance 2002 Op Cit.

<sup>29</sup> Report of the Auditor General on the Public Accounts of Lesotho for the Year Ended 31 March 2002.

- To invest in rural infrastructure;
- To safeguard the environment and to improve land tenure security;
- To improve the geographical distribution of health and education services and promote local control over services;
- To increase life expectancy and reduce infant and child mortality rates, within a comprehensive reproductive health context;
- To promote the attainment of universal access to safe drinking water and adequate sanitary facilities.

64. Specific commitments include:

- Allocation of sufficient budgetary resources to meet recurrent expenditure costs;
- Implementation of financial and management reform measures to ensure the sustainability of the authority responsible for water and sanitation;
- Consolidation of the democratisation process at local authority level.

65. Since May 1999, the GoL has implemented a new Water Resources Management Policy, whose essential points are:

- Administrative reform at several levels;
- Separate management units for bulk water supply and water distribution;
- Application of cost recovery tariffs (except for the basic human needs of 30l/capita/ day);
- Involvement of private firms in water distribution;
- Systematic introduction of waste water treatment;
- Regional co-operation.

66. The “access to safe water supplies and adequate sanitation facilities for all” target was to increase coverage to about 86% by the year 2000<sup>30</sup> by:

- Provision of safe water to an additional 70,000 people every year through the construction of new water schemes and the extension of old ones;
- Maintaining the level of service for existing water supply systems.

67. The lowlands cover approximately one-third of the country’s total area and hold more than two-thirds of the population. The critical situation of water resources in the lowlands and its expected effects on the well-being of the people has been well documented<sup>31</sup>. The past predictions for rapid urbanisation of the lowlands and increased industrial development are now apparent. This has resulted in increasingly unreliable supplies to existing consumers and an inability to meet the increasing demand of new consumers, especially in Maseru.

68. A proposed 25% increase in water tariffs for urban areas, while maintaining a low tariff for low-income consumers, is a tangible sign that the GoL supports the principle that water should be an affordable and sustainable asset. The introduction of an adapted tariff structure together with measures aimed at institutional capacity building, while embarking on a physical investment programme, would render the future involvement of the private sector more meaningful and attainable.

<sup>30</sup> Out turn needs to be validated.

<sup>31</sup> PRSP September 2003.



## Transport

69. Infrastructure and road development features prominently in the I-PRSP – it is ranked as the 3<sup>rd</sup> most important priority for alleviating poverty after employment creation and increased agricultural production.
70. While there is a draft policy document driving policy, the roads sub-sector is still guided by the 6<sup>th</sup> National Development Plan (96/97 – 98/99) and the letter of Roads Sector Policy published in the Staff Appraisal Report for the Roads Rehabilitation and Maintenance Programme (RRMP)<sup>32</sup>. The sector policy objectives are:
- Development of a national network capable of supporting national economic development, *and*
  - Providing access to communities, in particular those residing in isolated rural areas.
71. Of particular relevance to national poverty reduction aims are the objectives of:
- Employment creation by the use of labour based methods of road construction and maintenance, *and*
  - Provision of access into rural areas, thus enabling establishment of social infrastructure such as schools, clinics, markets and water-supply schemes.
72. Government commitments have included measures to reform institutional structures, strengthen implementation capacity, increase participation of road users and other stakeholders, and promote greater private sector involvement. Actions have included the establishment of a Road Fund overseen by an independent Road Board plus a review of the roles of various sector management agencies.
73. Thus while transport is considered a key Government priority, there is significant emphasis on the benefits from employment creation as a result of road building. It is not clear whether the *objective* of improving *access* for business to promote economic development and *access* to services for reducing poverty is to some extent secondary to the *means* i.e. employment creation through labour based (LB) measures.

### 2.3 Other Donors

74. The number of donors active in Lesotho is small. The key bilateral donors are the UK, Ireland and Germany, with Ireland the largest. Among the multilaterals, the World Bank has a significant programme that includes grant financing as well as loans, and the Commission is the biggest donor overall. The UN family are also quite active, in particular through UNICEF. The contribution of each key donor is set out in Appendix D.

---

<sup>32</sup> WB Report 14988-LSO, April 1996.

### 3 The Commission's Strategy for Lesotho 1996-2007

#### 3.1 Strategy Formulation

75. The European Commission's strategy for support to Lesotho from 1996 to 2000 was expressed in the 8<sup>th</sup> EDF Programming Strategy Paper (PSP) of February 1996. This was a Commission document and provided the basis for the National Indicative Programme (NIP) prepared in December 1996, revised in February 1997 and agreed with the GoL. A Regional Indicative Programme (RIP) for 1997-2000 was signed by the SADC Secretariat in October 1996.
76. The second strategy, based on the 2001-7 Country Strategy Paper (CSP) of 2001-2007, was developed jointly by the Commission and the GoL, and signed on 16 September 2002. It contains the NIP for the 9<sup>th</sup> EDF programme for the period 2001-8, which was subject to a mid-term review in May 2004. This period is also covered by an RIP for the period 2002-2007. The 2001-2007 CSP was subject to wide consultation with stakeholders in Lesotho, culminating in a workshop in 27-28 February 2001.
77. Figure 1 in Annex A<sup>33</sup> shows the strategy for the period 1996-2000 and Figure 2 shows the strategy for the period 2001-7. These diagrams show a simplified diagrammatic representation of the reconstruction of the logic of intervention of the Commission's interventions in Lesotho.
78. An identification of the priorities of the strategy at different levels of intervention has been made linking: (i) the means of the strategy (*interventions*), to (ii) the expected *results* and their contribution to (iii) the *objectives* of the European Commission strategy for Lesotho, and their consistency with (iv) the wider objectives of *European Commission Development Policy* and Treaties including the *Lomé IV(bis) and Cotonou Agreements*.

#### 3.1.1 Description of Strategy 1996-2000

##### Wider Objectives

79. Lesotho was in the early stages of a wider democratisation process during the PSP; full democracy had only been restored in 1993, and the first democratic elections of Village and District Development Councils were held in August 1995. The PSP highlighted that the underlying thread running through all proposed areas of European Commission support was '*a decentralised approach which will build up local capacity and accountability and broaden the democratic base of society*'.
80. With regard to the response and involvement with the GoL, the PSP highlighted the fact that the GoL had not fully recognised the '*need to take a more active role in seeking Lesotho's integration into the more dynamic economy of the RSA*' and was more intent on limiting the adverse consequences of integration. The 1996- 2000 strategy was thus partly designed to address the visible problems of social development and high unemployment.
81. Thus the wider objective of the EC's strategy was expressed as: '*helping to place the economy of Lesotho on a more sustainable footing and to promote its further*

<sup>33</sup> See separate Volume 2: Annexes.

*integration into the world context, especially into a steadily liberalising South African Economy*<sup>34</sup>. Five key strategic areas were identified in the PSP:

- **Integration into the world economy** in particular through the promotion of the private sector and the development of trade.
- **Development and consolidation of democracy** and of the rule of law as well as respect for human rights and fundamental freedoms.
- **Poverty Alleviation**: improved access and empowerment through decentralisation.
- **Macroeconomic Reform**: structural reform.
- **Sustainable Economic development**: diversification of the economic base and sustainable development.

### Specific Objectives/ Results

82. The NIP stated that indicative resources of €61.5M for the 8<sup>th</sup> EDF would be concentrated on two focal areas: road transport and the social sector:

- **Road Transport Sector (45% of resources)**- European Commission assistance was aimed at '*improving access to isolated areas and basic services*'. The expected result was to '*enhance economic opportunities through the rehabilitation and upgrading of particular sections of the road infrastructure*' and the creation of jobs '*by using labour intensive methods*'.
- **Social Sector (35% of resources)** - The major objective was to '*alleviate Lesotho's widespread poverty by improving the efficiency and geographically equitable coverage of social services with an emphasis on the provision of primary health care primary education and technical/vocational training, water supply and sanitation systems*'.
- The non-focal areas were: (i) **Agriculture/Livestock/Environment and (ii) Economic Reform**. With regard to agriculture, support was provided to new strategies to ensure an efficient natural resource base. Lesotho was moving away from a protectionist policy of attempting to support agricultural self-sufficiency and the new emphasis of the strategy was support for the diversification of smallholder agriculture, and encouragement of biodiversity and conservation measures for the endangered Maloti/ Drakensberg range.
- **On Economic Reform**, the Commission had been supporting a structural adjustment facility of €20M since 1993, and the NIP supported further reform within the framework of the Structural Adjustment Programme, including activities that were complementary to the European Investment Bank (EIB) initiatives in SME and private sector development.

83. Support to the consolidation of the **democratisation process at local authority level** for the design and delivery of social programmes was highlighted in both the NIP and CSP as an important outcome of programme activities.

<sup>34</sup> 8<sup>th</sup> EDF Programming Strategy Paper. Feb 1996.

### 3.1.2 Description of the Strategy: CSP (2001 – 2007)

#### Wider Objectives

84. The CSP/NIP for 2001-7 takes account of the key new development emphasis under Cotonou, notably *poverty reduction through the PRSP process*, greater emphasis on the involvement of *civil society in consultations*, enhancement of the *political dimension*, and renewed emphasis on *corruption and governance*.
85. The CSP was also drafted in the context of growing challenges to the economy of Lesotho, in particular the burgeoning impact of the AIDS pandemic and the increasing pressure on employment from retrenchment in the South African mines. The Government had set out its overall vision in Vision 2020, which aimed at creating a *democratic, peaceful, prosperous, secure and self-reliant nation* by the year 2020. At the time of the CSP's preparation in 2001/2, the GoL had embarked on the PRSP process and identified **job creation** as the key priority for poverty reduction. Furthermore, under the provisions of the IMF PRGF, structural reforms to public administration including tax administration, tax policy, public expenditure control and civil service reform were all progressing.
86. The 2001-2007 strategy was expressed as a single overarching objective of: *'Poverty reduction through more equitable distribution of economic growth and better provision of basic services'*. Three focal areas were defined: Transport, Water and Macro-economic support. The non-focal areas were HIV/AIDS and support to Non State Actors (NSAs). The term 'equitable' is not defined but it is understood to follow the principles of sustainable development, whereby economic growth is accompanied by a reduction in poverty in the wider sense of the term, including aspects of empowerment and vulnerability.

#### Specific Objectives/ Results

87. **Water (20%) and road transport (20%)** remained the two key focal areas of intervention by the Commission with a total indicative 9<sup>th</sup> EDF budget of €97M. The objectives changed in two key respects. Firstly, while *improving access* remained the key objective there was greater emphasis on *improving institutional capacity* to implement transport policy which became a key target of the Commission programme, along with a move towards a *sector wide approach* so as to develop a strategy and secure adequate funding for a sustainable road safety and maintenance programme.
88. Secondly, the wider 'social' objective included in the first strategy became focused on the water sector. The strategy recognised the institutional weaknesses in water and sanitation planning, but the prime objective was: *'the provision of water supplies and continuation of the programme to improve water supply in six urban areas and develop and design a long term solution for water supply in the lowlands'*.
89. **Macro economic support/ capacity building** was introduced as a new focal area and accounted for 50% of the NIP. The main results expected from this area were improvements in the capacity of Government and improved access to health and education through support to the decentralised decision-making process. **Macroeconomic support** was to some extent a continuation of the Poverty Reduction Budgetary Support programme under the 8<sup>th</sup> EDF, but under the 2001-7 Strategy there is an explicit objective of improving capacity through budget support: *budgetary support will contribute to raising overall levels of institutional capacity where it is connected with assistance in strengthening the planning, budgeting and financial administration*.

90. In the non-focal areas, agriculture and environment were dropped and the fight against **HIV/AIDS** and **support to NSAs** were introduced as new non-focal areas. However, as far as agriculture is concerned, the sector continued to be supported through regional programmes on agricultural research. The expansion of high value horticulture was to be supported through the water programme.
91. The objective of the HIV/AIDS intervention was to focus on strengthening the GoL's planning and response capacity, awareness raising and the development of home-based care. The objective of the support to NSAs was to make possible their greater involvement in the implementation of rural water and micro projects.

**TABLE 1: EC STRATEGY 1996-2007**

	1996-2000 8 <sup>th</sup> EDF	2001-2007 9 <sup>th</sup> EDF
<i>Overall Objective</i>	Place the Economy of Lesotho on a more sustainable footing and to promote further integration into the world economy especially in the context of a steadily liberalising South African Economy.	Poverty reduction through a more equitable distribution of economic growth and better provision of basic services
<i>Specific Objectives</i>	<ul style="list-style-type: none"> <li>▪ Sustainable economic growth: Diversification of economic base, sustainable resource management</li> <li>▪ Poverty Alleviation: Access, empowerment and decentralisation</li> <li>▪ Development and Consolidation of democracy and respect for human rights</li> <li>▪ Macro Economic Reform</li> <li>▪ Integration into the World Economy</li> </ul>	<ul style="list-style-type: none"> <li>▪ Sustainable economic growth: Diversification of economic base, sustainable resource management</li> <li>▪ Poverty Alleviation: Access, empowerment and decentralisation</li> <li>▪ Promotion of peace, security and the role of gender</li> <li>▪ Development of democracy and respect for human rights</li> <li>▪ Poverty Focused macro-economic reform</li> <li>▪ Reduction in HIV/AIDS prevalence</li> </ul>
<i>Focal Areas</i>	<ul style="list-style-type: none"> <li>▪ Road Transport</li> <li>▪ Social Sector/Water</li> </ul>	<ul style="list-style-type: none"> <li>▪ Road Transport</li> <li>▪ Water</li> <li>▪ Macro economic Support</li> </ul>
<i>Non-Focal Areas</i>	<ul style="list-style-type: none"> <li>▪ Agriculture/Livestock/Environment</li> <li>▪ Economic Reform</li> </ul>	<ul style="list-style-type: none"> <li>▪ HIV/ AIDS</li> <li>▪ Support to NSAs</li> </ul>

### 3.2 Assessment of Strategy

#### 3.2.1 Relevance and Coherence with Government Policies and Country Needs

##### (a) 1996-2000

92. At the time that the 1996-2000 PSP was drafted, democracy had been restored for only two years and the Commission was therefore working in something of a policy vacuum, with no Government policy from it could anchor its development strategy. Thus the PSP relied heavily on the World Bank Poverty Assessment report of 1996.
93. Another key feature of the context was that the Commission's strategy was drafted in the period immediately following the ending of apartheid in South Africa in 1994. Since independence in 1966 there had been considerable donor assistance in support of Lesotho, partly a consequence of South Africa's exclusion from the international

stage under apartheid. Donor assistance was aimed at reducing Lesotho's *dependence* on its large neighbour. But following the ending of apartheid, donors appeared to lose interest in Lesotho and the country faced the opposite challenge - of becoming *more integrated politically and economically* with South Africa and into the wider region of Southern Africa.

94. The PSP recognised that the 8<sup>th</sup> EDF was at a turning point in terms of development assistance as 1995-6 was a period when not only were donors losing interest in supporting Lesotho, but those donors that remained were becoming increasingly demanding in terms of requiring clear Government policies and development performance.
95. The language of the PSP and NIP suggested that in 1996 the GoL was still slow in adjusting to the new context and developing a proactive policy towards greater regional economic integration. In this sense, and given that there was no clear Government development strategy (other than that proffered by the World Bank), the Commission adopted a *needs based approach* to development, focusing on infrastructure and the social sector, mainly on water. These were *highly visible* labour intensive actions with emphasis on *rural access* and were free from the more delicate and controversial issues of development strategy, such as governance and democratisation. This *needs based approach* of the 8<sup>th</sup> EDF was consistent with the Government's priorities and can be judged relevant to the needs of Lesotho.

#### (b) 2001-2007

96. By the time the 2001-2007 strategy was drafted, there was more of a basis to assess the overall relevance of the strategy in relation to country needs and Government policy. Lesotho had embarked upon the PRSP process alongside Vision 2020 and the PSIRP. Although this was announced in May 2003, after the CSP was drafted (the three documents had not been finalised as at March 2004), the three policy-making processes were well on course during the drafting of the CSP. The CSP was also subject to a greater degree of consultation both with Member States and Basotho stakeholders, including a workshop in February 2001<sup>35</sup>.
97. All three Government policy documents recognise institutional capacity as a major weakness in Lesotho. Thus the strategy of the Commission to support capacity building in the water sector and move towards a sector wide approach in transport is relevant, as also is the major project to support capacity building in the Ministry of Planning.
98. The choice of transport and water as focal areas is both consistent with Government strategy as expressed in both Vision 2020 and the PRSP. However, while both Commission interventions are ostensibly linked to the objective of improving the standard of living of rural and urban populations, the overall impact of the interventions cannot be measured as there was only limited baseline information collected during the preparation and design of these programmes.
99. The choice and appropriateness of macroeconomic support is analysed in Evaluation Question (EQ) 2, but an *ex ante* analysis of the relevance of budget support would have pointed to the fairly strong macroeconomic framework that was already present at the time, and the considerable 'fiscal space' of the GoL as a result of the receipts from SACU. This factor, combined with the very poor status of PFM at the time, raises doubts about whether the planning of this activity was opportune.

---

<sup>35</sup> See JC 9.1 Annex B.

100. The PRSP and PSIRP both highlight governance issues as being of particular concern and yet, whilst other donors have addressed these issues directly, the Commission has adopted a much less proactive approach.

### 3.2.2 Internal Coherence, Relevance and Complementarity with Other Commission Instruments

#### (a) 1996-2000

101. In general, there is good consistency between the PSP and the overall EU objectives as identified in the EU Treaties and as set out in Lomé IV(bis). The *higher level* objectives of the CSP/ NIP are coherent with both the spirit and principles of Lomé and there is a clear link between the key strategic objectives of the strategy and the principles of Lomé involving: (i) *integration* into the world economy; (ii) *regional integration*; (iii) *economic diversification and competitiveness*, and the overriding objective of (iv) *poverty alleviation*.
102. Furthermore, the PSP also embraces the Lomé IV(bis) concept of democratisation, good governance and human rights through support to programmes involving '*decentralisation of social services and community based decision-making on services*'. The remaining key strategic elements of Lomé IV(bis), notably self-sufficiency and food security, are covered in the RIP.
103. The overall objective of helping to place the economy of Lesotho on '*a more sustainable footing*' recognised that there were issues of economic adjustment, hence the need for structural adjustment budget support. The approach of the Commission also recognised that there was a certain hesitancy in promoting greater economic integration with South Africa at a time when there was a general fear in Lesotho of being engulfed and losing its national identity. The *needs based approach* focusing on infrastructure, water and health, and, therefore, creating the means for sustainable development was relevant in the context.
104. Equally, structural adjustment budget support was a relevant instrument given the incipient fiscal difficulties in 1997/8. However, it should be recognised that whilst there were budgetary pressures during the period of the 8<sup>th</sup> EDF, this came mainly **after** the civil disturbances in 1998. In 1996-7, there was a fiscal surplus and thus the relevance of a budget support programme in the circumstances of the time could be questioned.
105. Where the strategy was less convincing and, arguably, inconsistent with Lomé IV is in the involvement of Non-State Actors (NSAs). While the explicit role of NSAs in the process of consultation and developing programmes is enshrined in the Cotonou Agreement, this was already a feature of Lomé IV(bis). But, there is little explicit mention in either the PSP or the NIP on how NSAs were to be brought into the process of developing the programme as *actors in the process* rather than as *beneficiaries of programmes*. The approach in the NIP was to support NSAs through projects rather than developing partnerships.
106. The choice of **focal areas** in the NIP was broadly relevant. With 45% of planned resources going to road transport, this is consistent with the overall Commission development policy of promoting access. Transport development is also considered one of the Commission's areas of comparative advantage. However, while the NIP is careful to place the emphasis on access, this was taken as a self-evident prerequisite of sustainable economic development. Thus there is no attempt to justify this focal area in terms of any potential measurable economic benefits for industrial

development by reducing transport costs for procuring raw materials, or for delivery to markets, or on the basis of supporting regional economic development.

107. The second focal area of support to the social sectors of health, education and water supply with, as stated in the NIP, an '*emphasis on strengthening the role and capacities of local authorities and the decentralisation of services provided*', was relevant in addressing poverty reduction in terms of promoting empowerment in the decision-making processes.
108. The PSP highlights the importance of *democracy through decentralisation* which was a major feature of Lomé IV(bis), but this appears only to have been implemented explicitly through the health reform programme, and decentralisation strategy was not an explicit feature of the programming. Finally, the *integration into the world economy* is a strategic objective of the PSP but the emphasis in the programmes appears to be more of a structural adjustment nature than a proactive policy of supporting the competitiveness of the Lesotho economy.

**(b) 2001-2007**

109. The CSP 2001-7 explicitly introduced the new features of EU Development policy contained in Cotonou as well as the key Commission policy protocols on: HIV/AIDS, human rights, environment and involvement of NSAs. In particular, the CSP highlighted the participation of NSAs and civil society in the '*design, implementation and monitoring of interventions through the instruments of decentralised co-operation*'. Thus there is good overall consistency with the Commission's development agenda.
110. The CSP, and more particularly the NIP, does not demonstrate a clear paradigm change following the signing of the Cotonou Agreement. For example, the CSP/NIP have not embodied programmes coherent with the trade pillar of Cotonou. While the unique geo-politics of Lesotho and, in particular, the dependence on the economic motor and supply chains of South Africa, are recognised in the CSP, this has not been translated into proactive policies to support the export competitiveness of Lesotho.
111. Another key feature of the Cotonou agreement is the *political dialogue* that is part of the monitoring process of the mutual obligations between the ACP and the EU and includes, *inter alia*, respect for human rights and democratisation. These features are not apparent in the strategy, especially in the context of the period of political instability that preceded the CSP.
112. The emphasis of the strategy is again on poverty reduction through improving access via a better transport network, and better access to water and sanitation. Few would question the overall relevance of the selection of these two focal areas. However, although there is a recognition of the need to improve road and water infrastructure in the CSP, it is assumed - rather than demonstrated - that this is a mechanism for reducing poverty. Equally, there is little analysis in the strategy on how these two key interventions lead to a more *equitable distribution* of economic growth. Thus an assessment of the overall relevance of this strategy is problematic in the absence of an adequate baseline assessment in the programmes.
113. Moreover the CSP is weak on defining the objective of equitable economic growth and whether this should involve changes to the economic base of the country through improvements in infrastructure and the enabling environment; or whether there should have been a more poverty-alleviation-oriented agenda which would have been more consistent with Commission development policy. Such a pro-poor strategy should have included issues such as: (i) empowerment through the decentralising of



decision-making; (ii) improvements in access by poor people, (iii) pro-poor employment generation activity, and (iv) gender mainstreaming in economic measures.

114. The third focal area for economic development is through macro-economic support to the GoL and the main means is by *budget support and some capacity building* in Government Departments. Whilst the CSP highlights the importance of capacity building, a case for Lesotho's readiness for budget support is not made.
115. The CSP introduced HIV/AIDS as a non-focal area into the strategy and the approach is relevant insofar as the CSP refers to the need to raise awareness of and mainstream HIV/AIDS into other Commission programmes.

### 3.2.3 Other European Commission Instruments

116. There is very little explicit integration of the Regional Indicative Programme into the CSP and very few regional initiatives with activity in Lesotho have been funded. This lack of activity may reflect the lack of engagement by the GoL in regional economic activities; but there is a lack of emphasis in the CSP which is not consistent with Cotonou and the pending negotiation on EPAs.
117. The EIB's interventions have been mainly through risk capital in support of Muela hydropower (see JC 1.1) and of the LNDC's programme of building factory shells (see JC 1.2). The overall relevance to the Commission strategy of this approach is good, in that the actions have supported the objective of encouraging export-led growth and employment creation.

### 3.2.4 Programme Implementation

118. Table 2 shows the indicative allocations under the 8<sup>th</sup> and 9<sup>th</sup> EDF, and commitments and disbursements to the end of 2003. The Table shows that the level of commitment and disbursement under the 8<sup>th</sup> EDF has been high, especially in the focal areas of transport and water. Under the 9<sup>th</sup> EDF, there had been virtually no disbursements as at the end of 2003. Full details are contained in Annex B.

**TABLE 2: PROGRAMME COMMITMENTS AND DISBURSEMENTS UNDER THE 8<sup>th</sup> and 9<sup>th</sup> EDF €'000**

	Indicative	Project Amount	Commitment	Disbursement End 2003
<b>8<sup>th</sup> EDF</b>				
Transport RTIP		37,700	34,509	31,330
Micro-Projects		5,300	2,069	1,540
Health Sector Reform		1,800	1,600	429
Support to IEC+ National Election Centre		1,949	1,839	1,839
Six Towns Water –Phase 2		1,900	1,568	131
Lowlands Water Supply Feasibility		1,750	1,507	692
Maseru Waste Water		750	676	135
TA Statistics		530	0	0
TA Planning/ Economic Policy		1,850	1,356	782
Cultural Initiatives		476	242	109
Other		351	350	219
Total- A	61,500	54,356	45,716	37,206
PRBS	18,500	18,500	17,236	9,204
<b>Total</b>	<b>80,000</b>	<b>72,856</b>	<b>62,782</b>	<b>46,410</b>

	Indicative	Project Amount	Commitment	Disbursement End 2003
<b>9<sup>th</sup> EDF</b>				
Macro Economic Support & Capacity Building <sup>36</sup> -Capacity Building Planning	50,000 (32,500)	17,500		
Transport -Study-Primary Network	20,000 (25,500)	750		
Water Supply and Sanitation -TA Ministry Natural Resources	20,000 (35,000)	750	500	
HIV/AIDS	2,000			
Microprojects and Decentralised Cooperation	5,000 (8,600)			
<b>Total</b>	<b>97,000 (103,600)</b>	<b>19,000</b>	<b>500</b>	

Source: EU/Kingdom of Lesotho: Joint Annual Report on Co-operation between the EU and Lesotho. 2003 Draft (1 March 2004).

( ) includes carryover from 8<sup>th</sup> EDF and some reallocation.

<sup>36</sup> The draft annual report (2003) indicates that of the €50 million allocated to macro economic reform, €15 million will be for budget support. Discussions were ongoing within the EC on the allocation.

## 4 Evaluation Questions, Formulation and Answers

119. Data from all sources have been combined in Diagrams of objectives, activities and means, and these have been utilised to reconstruct and show the logic of intervention. Two diagrams, which have been prepared for the periods 1996 – 2002 and 2002 – 2007 (see Annex A: Figures 1& 2) are used as a basis for the following analysis which covers relevance, internal consistency and coherence between instruments.

### 4.1 Selection of Evaluation Questions

120. The terms of reference for the CSE state that the process of developing the logical diagrams (Appendix A and Annex A) would assist in determining the main areas for the Evaluation Questions. The answers to the Questions will cover the following areas:

- design and relevance of the strategy programme, including relevance to the Commission objectives, relevance to the country needs and priorities, consistency between the strategy and the NIP;
- degree of achievement of the main objectives and of the intended outputs and results, relative to the focal areas of the strategy as a minimum;
- effectiveness of the programmes in terms of how far funding, personnel and administrative procedures contributed to the achievement of results;
- co-ordination and complementarity with MS and other donors, coherence with EU policies;
- key cross-cutting issues, and
- sustainability of the strategy and its component programmes; that the extent to which their results will be maintained over time.

121. Ten Evaluation Questions were selected and developed with the CSE Reference Group during the Inception and Desk phases of the CSE. Eight Questions relate to strategic and sectoral issues and two to process aspects:

- EQ1 Economic Development & Regional Integration
- EQ2 Macroeconomic Support
- EQ3 Governance
- EQ4 Road Transport
- EQ5 Water
- EQ6 HIV/AIDS
- EQ7 Food Security
- EQ 8 Democracy and Human Rights
- EQ9 Ownership, Co-ordination, Complementarity and Coherence
- EQ10 Funding modalities. Policy mix and Management of Programmes

122. Four questions relate to the focal and non-focal areas of the Commission's strategy: EQ2 Macroeconomic Support; EQ4 Road Transport; EQ5 Water, and EQ6 HIV/AIDS (non-focal). This is in line with the Terms of Reference which states that each focal area needs a specific Evaluation Question.

123. EQs 4 and 5 have a distinct sectoral focus: water and road transport. The strategy for transport in the 2001-7 CSP included institutional capacity building as a key objective in addition to the promotion of access. For this reason the EQ on transport has been divided into two, the first part relating to poverty alleviation and economic development aspects of improving access and the second part (EQ4 b) to assessing the support for institutional capacity and the move towards a sector wide approach.

Water is the principal natural resource of Lesotho and this sector is fundamental to the development strategy of the country. Part of the Commission strategy has related to the improvement of the infrastructure and sanitation as the basis of alleviating poverty, but the strategy has also involved support to the Muela Hydropower Project, whose output is key to the overall economic development of Lesotho, and this issue is also dealt with in EQ1.

124. The question on Economic Development (EQ1) covers private sector development and regional economic integration. It was noted from the reconstruction of the strategy (see Annex A) that there had been comparatively few Commission interventions in this area, but the promotion of private sector development and a proactive trade policy is a fundamental principle of the Cotonou Agreement. Moreover, Lesotho's unique status as a landlocked country surrounded by South Africa means these aspects of regional economic integration are of major importance.
125. Macroeconomic support (EQ2) and reform became a focal area in the 2001-2007 CSP and accounts for €50M, or over half of the indicative disbursement (although please note footnote 30). This EQ thus addresses the question of whether budget support is the appropriate instrument for the economic development of Lesotho and also raises the key issue of governance. EQ3 on Governance addresses the issue of Public Financial Management in relation to EQ2, and also the wider aspects of good governance which are considered a prerequisite for an effective poverty-alleviating development strategy.
126. As a strategic evaluation there is deliberate overlap between the Questions to ensure that aspects of the key issues are addressed from different perspectives. Thus the issue of decentralisation, covered in EQ3, cuts across the sectoral policies of transport and water. Decentralisation is a basic principle behind the implementation of all Commission programmes and is therefore examined. EQ3 also addresses the development issues of empowerment and accountability.
127. EQ8 addresses the issue of democracy and human rights. This is apt for a country that has recently emerged from a period of military rule and, more recently, the 1998 civil disturbances. Mainstreaming of human rights and the consolidation of democracy is a basic principle of Commission development strategies which also needs to be assessed in the Cotonou context of the political dialogue. The Reference Group also requested that the evaluation team specifically address the gender issue in Lesotho, where women still have the legal status of a minor.
128. An assessment of the Commission's strategy in Lesotho must reflect the overwhelming impact that the HIV/AIDS pandemic is having on the development of Lesotho. The implications of the pandemic on the future structure of the population and economy is fundamental to the design of all Commission interventions. This strategic analysis needs to reflect on why the Government has not engaged sufficiently in the implementation of strategies to address the pandemic. EQ 6 examines these issues and considers the implications of the Commission's response.
129. As a landlocked country with limited natural resources, food security has become a major concern in Lesotho in recent years. The Commission has moved away from support to the agricultural sector; treating food security as more of an income issue in the 2001-7 CSP. The validity of this strategic change and the extent to which food security issues have been addressed is considered in EQ7.

## 4.2 Answers to Evaluation Questions<sup>37</sup>

### 4.2.1 Economic Development & Regional Integration

<b>EQ 1</b>	<i>To what extent has the Commission promoted private sector development employment growth and greater regional economic integration in Lesotho?</i>
-------------	--

#### Rationale for the Question

130. The primary source of income for most Basotho is through employment, either from the Government or through migrant employment in South Africa. While the growth in the textile sector is partly offsetting the decline in employment from the South African mines, employment growth represents the main challenge and priority for the GoL.
131. The economic policy of Lesotho and support by donors have undergone considerable change over the period under review. During the period of the 8<sup>th</sup> EDF, there was a legacy of donor assistance to promote initiatives supporting Lesotho's isolation from apartheid in South Africa. With the ending of apartheid in 1994, many donors lost interest in Lesotho and the country faced the opposite challenge - to become *more integrated with the economy of South Africa* and with the wider region of Southern Africa.
132. A major feature of the Cotonou agreement is the development of a proactive trade pillar in support of export competitiveness with a strong regional dimension, and a move away from preferential access to EU markets. The Commission has not undertaken many initiatives in support of private sector development in Lesotho, with greater emphasis on macro-economic reform and developing infrastructure, thus creating an environment for private sector development and employment growth. This question examines the extent to which this approach has promoted private sector development and supported measures to facilitate greater regional economic integration.

#### Trend in Indicators

133. There is a high and rising level of unemployment (see JC1.1 Annex D) with only 30% of the labour force employed. The Government (including parastatals) is the predominant employer, accounting for 32% of employees. Men still dominate the employed labour force - accounting for two-thirds of the labour force (see Table 1.2 Annex D), although this pattern is changing very rapidly. There has been a much faster growth in the number of men describing themselves as economically inactive (increasing by 41% compared to a 23% growth in female inactivity).
134. Private sector wage employment is dominated by foreign owned companies. This structure has changed very rapidly in the last five years and has yet to be recorded in official data (see Table 1.3 Annex D). But the data show a rapid growth in female employment in the garment sector and a further decline in the number of male employees in South African mines. Foreign owned companies account for just 2.5% of the number of registered businesses but over 70% of the employees. Thus over 70% of private sector employment is generated by just 55 companies.
135. Lesotho has made good progress towards developing a favourable business enabling environment for foreign investment. The LNDC plays an important role in

<sup>37</sup> Full details are included in Annex D: Completed Judgement Criteria Forms, which forms the basis for Section 4.

facilitating new investment through the provision on ‘industrial shells’ and generally facilitating support to new investors. There are few restrictions on investors and attractive low flat rate taxes for manufacturing (15% on profits), and no withholding taxes on dividend remittances. However there remain a number of obstacles in the enabling environment, especially with respect to business registration, trade licensing, land registration, customs and VAT procedures.

136. The private sector is poorly organised in Lesotho and while there is a very large number of small business associations, they do not speak with a common voice to Government. There is a wide gap in understanding between the private sector and the Government<sup>38</sup> and still a suspicion by the private sector that the Government is seeking control. There is little effective entrepreneurship development in Lesotho either by state bodies such as Basotho Enterprise Development Corporation (BEDCO) or through donor-led actions.
137. Trading relations between Lesotho and the EU are complex and this is partly due to the plethora of economic integration arrangements. Lesotho has opted to be part of SADC for the process of negotiation of Economic Partnership Agreements (EPA) with the EU, although economic logic suggested (and the Commission recommended) that it would have been more favourable to Lesotho through SACU<sup>39</sup>.

### Coverage of Commission Interventions

138. European Commission interventions to promote private sector development have been limited, and can only be viewed as indirect support.

#### Through EDF

- 6/7 EDF Asparagus Expansion Programme; High Value Horticulture TA (total €5.5M).
- 8 EDF Study on Impact and Sustainability of the Economic Partnership Agreement with the EU (€80,000).

#### Through EIB risk capital facility:

- LNDC risk capital - Factory Shells (€8.9M disbursed).
- Muela Hydropower Project (€15M in risk capital + €1.3M in interest subsidies).

#### STABEX

- Lesotho received payments of €3.7M under Lomé IV based on application years 1991-4, and a further €1.2M from Lomé III. Much of this was used to fund developments in the livestock sector and associations.

### Evaluation Findings

139. The overall relevance of the Commission interventions has been poor. While employment creation has been the major priority of the GOL, Commission interventions have not directly addressed either the creation of employment through entrepreneurship activities or the stimulation of private sector development activities through support to the enabling environment. Thus in terms of consistency with the objectives of both the 8<sup>th</sup> and 9<sup>th</sup> EDF strategies, interventions have not been designed to diversify the economic base of Lesotho and create sustainable economic growth.

<sup>38</sup> Country Strategy Evaluation Focus Group finding 10 March 2004.

<sup>39</sup> See Imani Development: Lesotho Study on Impact and Sustainability of the EPA with the EU (Sept 2003).

Efforts to support the livestock sector from STABEX funds or support the diversification of agriculture under the 6-8<sup>th</sup> EDF have not been a success.

140. The main driver of economic growth in Lesotho in the last five years has been the garment sector. The Commission's main contribution has been indirect, through European Investment Bank (EIB) support to industrial shells and the LNDC (see JC 1.2 Annex D). Impact has been high as the availability of low-cost industrial sites to the Taiwanese has been a significant factor affecting the decision to invest in Lesotho. But the *sustainability* of these jobs is fragile as they are based on the temporary tariff window offered by AGOA.
141. The main direct contribution to employment growth in Lesotho by the Commission has been through the LB road building programmes (see EQ 4 and JC 4.2 Annex D). This has been significant at times, though this must be viewed in the context of the temporary nature of LB employment. There is no evidence to validate the claim that Commission support to road building has supported private sector development in remote areas.
142. The Commission has not played a strategic role in facilitating the elimination of administrative barriers to the SME sector by supporting key changes needed (e.g. streamlining of the business registration process, assisting trade licensing, Cumbersome VAT Regulations).
143. The Commission has maintained a very low profile in private sector development which has been dominated by the overwhelming impact of the AGOA initiative in boosting exports from Lesotho. The Commission has also maintained a low profile in support of proactive private sector employment growth and an export strategy, and has not promoted the available instruments including EBAS (EU-ACP Business Assistance Scheme) and Proinvest from the EC funded Centre Development Enterprise (CDE).
144. The Commission has not been proactive in supporting economic integration with Southern Africa either at a dialogue level with Government or in developing private-sector-led initiatives to address the issue of redundant miners. Few SADC-funded initiatives have been developed for Lesotho with respect to private sector development or employment creation.

## Conclusion

145. There is a clear gap in the Commission's response strategy throughout the period under review. Employment creation is the major priority of the GoL and the Commission's main direct contribution to employment has been through labour-based road construction. These actions have been beneficial in generating short-term employment and have promoted better access, but the link to private sector development and employment growth has been limited.
146. Efforts to diversify the economic base through high value horticulture and STABEX funded livestock development have not made significant contributions to employment growth. While the Commission can take some credit for support to the development of factory shells of the LNDC through EIB support, the Commission has not played a proactive role in promoting entrepreneurship or development of the business environment, nor has it been proactive in promoting regional economic integration.

## 4.2.2 Macroeconomic Support<sup>40</sup>

<b>EQ 2</b>	<b><i>To what extent has the Commission identified the appropriate means and instruments for the macro-economic support of Lesotho?</i></b>
-------------	---

### Rationale for the Question

147. In the 8<sup>th</sup> EDF, macro-economic reform was considered a necessary condition for structural adjustment and the development of a poverty reduction programme, but in addition there was reference to the need to improve the enabling environment for private sector growth. In the 9<sup>th</sup> EDF, support to macro-economic reform became a major focal area and there was an explicit objective of improving capacity through budget support. This question links with EQ1 in identifying whether the constraints on poverty alleviation and economic growth are due to issues relating to the macro-economic framework and capacity of government, or rather are more a reflection of shortcomings in the private sector enabling environment. Good governance is a key pre-condition for a stable macro-economic framework and this is considered in EQ 3. The current Question addresses the extent to which the Commission has selected the appropriate instruments and strategies to support the macro-economic reform objectives of Lesotho.

### Trend in Indicators

#### Macro Economic Policy

148. The macro-economic reform programme as set out in the PRSP states that the Government should:

- Provide the basis for sound and consistent macro-economic management;
- Create an attractive macro-economic environment which will support efficient production and generate faster economic growth by *attracting both domestic and foreign investment*; and
- Improve public sector performance by consistently applying the principles of sound *public expenditure management* (i.e. achieving aggregate fiscal discipline; concentrating public resources on a core set of activities which contribute significantly to a pro-poor growth strategy; and improving operational efficiency).

149. Public expenditure represents over 40% of the GDP which is high for a country with the level of income of Lesotho, but the GoL has kept strong fiscal discipline and managed to maintain a low and manageable budget deficit of less than 3%. The overall fiscal balance of the GoL is supported by revenues from SACU which account for around 50% of Government revenue (see Table 2.2 Annex D). These revenues are expected to decline as the tariff revenues from the SACU pool fall following the EU-South Africa Free Trade Agreement. However, in spite of this decline, Lesotho has considerable 'fiscal space' to re-orient public expenditure and has increased expenditure on health and education in line with the IMF PRGF.

150. The Commission is currently the only donor with a budget support programme, which was developed in the 8<sup>th</sup> EDF in line with the IMF PRGF. The programme disbursements in 2003 and 2004 amount to €17.0M, equivalent to approximately 2% of Government expenditure during the period. The PRBSP is divided into three

<sup>40</sup> Full details are included in Annex D: Completed Judgement Criteria Forms, which forms the basis for Section 4.



instalments (tranches): the first two are fixed and the third is mixed, that is to say it consists of a fixed portion and a portion dependent on Lesotho's performance against indicators in the social sectors and PFM (see JC 2.1 Annex D). €9.2M had been disbursed by the end of 2003. It is anticipated that the remaining tranche will be disbursed in June 2004, although this is not expected to be disbursed in full as the performance targets will not be met.

### Public Financial Management

151. The overall PFM status of Lesotho is very weak as set out in the EDF funded PWC Report (see JC 2.2 Annex D). Other indicators of poor PFM include: poor functioning of the central payments system and control over line ministry accounts; inadequate public procurement procedures and the Central Tender Board; lack of independence of the Auditor General's office; incomplete Medium Term Expenditure Framework (MTEF) and limited capacity to implement it.

### Capacity Constraints

152. There is a large civil service in Lesotho and public service is considered a prestigious career. There are a number of dedicated and hard-working civil servants, but the civil service in general lacks capacity and receives little administrative guidance in its work. Civil Servants are not empowered to make decisions and there is political interference in the appointment of permanent secretaries and in the decision-making process. As a consequence, the civil service exhibits low productivity and motivation.

### Coverage of Commission Interventions

#### 8<sup>th</sup> EDF:

- Poverty Reduction Budget Support (€18.5M).
- Study into Public Financial Management (€0.09M).
- Adviser, Economic Planning and Budget Support (€0.2M).
- TA, Government Economic Policy (€1.1M).

#### 9<sup>th</sup> EDF (indicative)

- Capacity Building, Economic Planning (€17.5M).
- Budget support (€15M).

### Evaluation Findings

153. The Commission has played a key role in the development of economic policy through the Technical Assistance (TA) activities. The projects have enabled the Commission to have a clear *influencing role* in the formulation of development planning and through support to the Medium Term Expenditure Framework (MTEF); assistance can be provided to help the Government carry out the appropriate analysis in the direction of a poverty reducing macro-economic policy. The gradual adoption of MTEF principles should permit greater poverty reduction targeting, as the Government budget process moves away from a traditional line budgeting approach.

154. The Commission has moved towards Budget Support which is consistent with the current Commission approach of building sustainable and locally-owned development policies. Moreover, the principles behind budget support (PRBS) in directing assistance towards producing improved access to health and education is relevant to the objectives of the Commission.

155. The Commission embarked on the budget support route in the expectation that the PFM status was considerably better than was subsequently revealed in the PWC Report in October 2002, and also in the expectation that the quality of data in the health and education sectors were significantly better than was revealed by the recent EC<sup>41</sup> statistical study. Thus the Commission is not in a position to ascertain whether the PRBS is leading to an effective improvement in health and education.
156. In spite of the expected fall in SACU receipts, the GoL still has considerable ‘fiscal space’. Thus the basic fiscal framework of Lesotho is sound and the budget deficit manageable and therefore there is no pressing incentive for the GoL to improve PFM to meet the requirements for Commission budget support. The evaluation team confirmed that there had been very little progress in PFM since October 2002. Thus as other donors have already concluded, Lesotho is not ready for continued budget support.
157. The Commission has recognised that there are fundamental capacity constraints in the Ministry of Finance and Development Planning (MOFDP) and that there is a need to develop home-grown Basotho capacity in formulating, developing and implementing macro-economic planning. The serious gaps in demographic and econometric modelling need to be addressed as a prerequisite for poverty-reducing macro-economic planning. The project is thus relevant to the needs of the GoL and to the Commission’s overall development strategy. However econometric modelling is not the real priority for the development of GoL capacity. Moreover, the capacity building project does not directly address the key concern of mainstreaming good governance in the public sector and ensuring adequate PFM for the delivery of budget support.
158. It has been recognised by the donor community and the GoL that public service reform is a priority in Lesotho, and a difficult issue for donors to tackle because it impacts upon civil service sensitivities by addressing issues such as performance assessment, grading and remuneration structures, as well as the wider aspects of responsibility, span of authority and accountability. A comprehensive framework was set out in the World Bank Public Expenditure Review in 1999.
159. To date, the PSIRP (see EQ 3) has not been implemented and while this partly reflects resistance to implementing reforms on the part of the Government executive, it also reflects the fact that donors have undertaken *ad hoc* rather than co-ordinated efforts. The impact of the €17.5M TA programme is thus dependent on the development of an independent and reformed public service. The Commission is in a strong position to take a leading role in co-ordinating donor efforts in support of public of the PSIRP process.

## Conclusion

160. The Commission has performed a key influencing role in macro-economic planning through the TA support for economic planning. The support to MTEF could influence macro-economic planning in the direction of poverty reduction, as set out in the PRSP. The proposed technical assistance project in the 9<sup>th</sup> EDF is a bold move by the Commission to address the critical capacity constraints of economic planning and statistics. This project could be used by the Commission to take a lead in public service reform, supported by other Member States.
161. The PFM status of Lesotho has not improved sufficiently since the October 2002 PWC Report to justify the Commission embarking on a large budget support programme for the 9<sup>th</sup> EDF. If the Commission were to pursue this route, there would

---

<sup>41</sup> G Roger & S Guillemin: EU Budget Support Indicators for Social Sector (March 2004).

be very little confidence that the outcome would lead to a measurable reduction in poverty and thus would be inconsistent with the overall development objective for Lesotho.

#### 4.2.3 Governance<sup>42</sup>

<b>EQ 3</b>	<b><i>How far have Commission supported interventions contributed to improved Governance at both central and local levels?</i></b>
-------------	--

#### **Rationale for the Question**

162. The Cotonou Agreement considers governance as a ‘fundamental element’ underpinning the ACP-European Commission relationship and provides a definition of the concept<sup>43</sup> to facilitate its application. Experience has demonstrated that good governance is key to ensuring the effective functioning of democracy; to creating an enabling environment for fighting poverty; to improving public sector management and the delivery of social services; and to providing the necessary accountability in the use of public funds and aid resources. The PRSP of Lesotho recognises a ‘governance deficit’ in several areas and proposes a wide range of reforms at both central and local level. Against this background, this question seeks to evaluate how the Commission has sought to promote governance, both as a self-standing objective and as a cross-cutting issue.

#### **Trend in Indicators**

##### **Public Sector Performance**

163. Despite successive donor-supported attempts to reform the public service, the overall capacity of GoL to properly plan and direct resources towards achieving established poverty-oriented policy priorities remains very weak. The list of systemic bottlenecks includes: poor macro-economic management reflected in the absence of a functioning Medium-Term Expenditure Framework; limited integration of financial management, budgeting and planning systems; a major gap between policy formulation and implementation; and a high degree of centralisation of authority and decision-making. The result is uncoordinated and mostly inefficient delivery of social services and limited access of citizens to Government.

164. These structural weaknesses are not just a question of ‘weak capacity’, but point to the existence of major governance bottlenecks including: a high degree of politicisation of the civil service; limited enforcement of rules and regulations; lack of effective accountability mechanisms inside and outside the public sector, and limited participation of the public in Government decision-making. The overall public sector performance is also adversely affected by the devastating effects of HIV/AIDS as well the effects of the ‘brain drain’ and migration.

165. This poor state of affairs in the public sector is recognised in the PRSP and has encouraged the GoL to embark upon a comprehensive ‘*Public Sector Improvement and Reform Programme*’ (PSIRP), to be supported by different donor agencies

<sup>42</sup> Full details are included in Annex D: Completed Judgement Criteria Forms, which forms the basis for Section 4.

<sup>43</sup> According to Article 9, good governance is the “transparent and accountable use of human, natural, economic and financial resources for the purposes of equitable and sustainable development. It entails clear decision-making procedures at the level of public authorities, transparent and accountable institutions, the primacy of the rule of law in the management and distribution of resources and capacity building for elaborating and implementing measures aiming in particular at preventing and combating corruption”.

(including the Commission). However, the effective implementation of the PSIRP has dragged on for more than two years, partly as a result of limited ownership by GoL.

166. Improving governance through public sector reform is a key priority for the donor community in Lesotho. While attempts have been made to co-ordinate and complement donor support in the framework of the PSIRP, these have not led to progress in implementation nor to a structured political dialogue with GoL on governance issues. In the absence of an operational programme, the Commission decided to launch a comprehensive Institutional Capacity Building programme, targeted at the Ministry of Finance and Development Planning. This, combined with the leverage offered by the provision of budget support, provides the opportunity to become a major player in promoting governance in Lesotho.

### **Public accountability**

167. The prevailing state of governance and capacity in the public sector has not produced an environment conducive to proper financial accountability. Illustrative of the state of affairs is the absence of published and audited public accounts for a period of 5 years (1995-2000). While it is difficult to find hard data on levels of corruption in the public sector, apart from the much publicised LHDA case<sup>44</sup>, several key policy documents recognise the existence of corruption, mismanagement and embezzlement of funds in the public sector.
168. The GoL recently took steps to improve public accountability. The 2001/2 public accounts have been presented to Parliament while those of 2002/2003 were under preparation with the Auditor General in March 2004. Furthermore, the GoL has expressed its commitment to improve public expenditure management and accountability in the framework of the PSIRP<sup>45</sup>. These are positive steps, yet the reform process which would include establishing an independent and accountable civil service has yet to start. Other crucial elements of the ‘accountability chain’ are very weak and do not provide solid checks and balances. This is true for the Office of the Auditor General, the Parliament (through the Public Accounts Committee), the Ombudsman and the recently established Direction of Corruption and Economic Offences (DCEO). Pressure from civil society for improved governance and accountability is limited, reflecting the capacity constraints of various organisations, including those of a “watchdog” nature.

### **Decentralisation**

169. The potential for empowerment of democratic decentralisation as a vehicle for empowering public participation in governance is recognised in the PRSP and in the PSIRP, where decentralisation constitutes one of the three key pillars of public sector reform. The Ministry of Local Government is currently developing an implementation strategy for decentralisation with a medium term perspective (2016), taking into account the specific features of the country, including the role of chieftainship. The results of these efforts are still uncertain, as opinions tend to differ widely on the nature of the proposed model for decentralisation, its feasibility and affordability.
170. At local level<sup>46</sup>, the absence of an effective local government structure with devolved responsibilities is perceived to have a negative impact on the empowerment of citizens and local development generally. It is seen as perpetuating a centralised

<sup>44</sup> See EC Delegation/NAO/Ministry of Development Planning Annual Report on Cooperation between the European Union and the Kingdom of Lesotho, 2002.

<sup>45</sup> Kingdom of Lesotho: The Public Sector Improvement and Reform Programme- Concept Paper October 2002.

<sup>46</sup> Elections are due to take place later in 2004.

and top-down approach to policy-making by a largely ineffective and poorly accountable civil service. This makes it difficult both to articulate local interests in the policy processes at national level and to ensure effective broad-based participation in the management of local affairs.

### Coverage of Commission Interventions

171. In its partnership with Lesotho, the Commission gradually recognised the central importance of governance and has supported capacity building at different levels. While the Strategy Paper for the 8<sup>th</sup> EDF saw poor management and motivation of the civil service as major impediments to effective implementation of development policies and absorption of foreign assistance, the Commission response remained limited to project interventions in specific departments, for example the Bureau of Statistics and the Department of Economic Policy.
172. In preparation for the 2001-7 CSP, a review of past Commission -Lesotho co-operation was carried out. The report<sup>47</sup> observed that the Commission had frequently overestimated absorption capacity and paid insufficient attention to a ‘realistic assessment of institutional, policy and capacity weaknesses’ in those areas that received assistance. This conclusion led the Commission to consider including capacity building as the key focal sector in the 9<sup>th</sup> EDF. This option was not taken up but issues of governance are a central component of the macro-economic support provided to GoL (50% of the NIP) as the provision of budget support will be linked to conditionalities relating to public expenditure management. Furthermore, it was decided to initiate a well-funded institutional development programme (€17.5M) geared at improving the overall capacity of the Ministry of Finance and Development Planning to perform its tasks on the basis of a fully integrated MTEF. While the Commission supported decentralised activity in the health sector under the 8<sup>th</sup> EDF, it has not yet developed a strategy towards the new policy priorities of GoL in relation to decentralisation and local governance. At the European Commission Delegation, there is some scepticism on the feasibility of decentralisation in Lesotho.

### Evaluation Findings

173. The *relevance* of Commission interventions in the field of governance improved considerably under the 9<sup>th</sup> EDF, compared to the narrowly focused and project-related approach under the 8<sup>th</sup> EDF. Both the instrument of budget support and the institutional development programme, if properly implemented, have the potential to stimulate positive developments in governance. In the focal areas of water and transport, the Commission is also focusing on issues of governance and institutional development. However, the absence of programmes aimed at supporting other key players in the ‘accountability chain’ reduces the overall relevance of the strategy. This applies to institutions such as the Parliament and the Ombudsman, the important capacity building needs in respect of their controlling functions are only partly covered by other donor agencies. The NIP of the 9<sup>th</sup> EDF includes a potentially relevant programme component to strengthen the role of non-state actors in development. Yet much will depend on whether the programme will focus on supporting NSAs in their role as watchdog agencies.
174. The project interventions under the 8<sup>th</sup> EDF have had limited *impact* in tackling (structural) weaknesses in the public sector and major efforts have been made by the highly qualified technical assistance staff to push forward implementation. The success of the programme will ultimately depend on government commitment to

<sup>47</sup>EC: Review of EDF 6-8 and Identification of suitable focal sectors for EDF 9. Jan 2001

launch the stalled PSIRP (the planned programmes of which are a critical complement of the Commission's intervention) as well as taking a much firmer donor stand towards the GoL on governance and accountability.

175. The *sustainability* of the efforts to improve the evolution of indicators on governance is threatened by several factors, including low levels of ownership by GoL; the limited capacity of both controlling bodies (e.g. Auditor General, Public Accounts Committee) and non-state actors to provide checks and balances; the fragility of the donor dialogue and joint action towards the GoL on governance; and the adverse effects of HIV/AIDS and the 'brain drain' on the human resource base within the public sector.
176. The *effectiveness* of capacity building programmes under the 8<sup>th</sup> EDF was limited because of the nature and scope of the interventions. There are indications that the much wider institutional development programme under the 9<sup>th</sup> EDF is already inducing timid policy and institutional changes. However, there is much less evidence that budget support will be an effective aid delivery mechanism considering the structural weakness of public expenditure management and accountability in Lesotho. In addition to this, the pressure on the Commission to disburse funds makes it difficult to use budget support as a tool to exercise leverage and as an effective trigger for promoting governance reforms.

## Conclusions

177. In assessing the contributions made by the Commission to improved governance, it is important to recognise both the relative novelty and the complexity of the governance agenda. The transition from a largely '*supply-driven and needs-based*' approach to aid to a more political and *governance-driven approach* is not easy, particularly for a small EC Delegation.
178. The EC's decision to invest heavily in capacity building in a core Ministry is a highly commendable strategic choice. It responds to the stated policy intentions of the GoL to drastically reform the public sector and could yield major development gains. However, for this programme and other key Commission interventions (including budget support) to achieve their full potential, the Commission should have placed governance at the centre of its overall co-operation strategy.
179. The question, however, remains whether the Commission Delegation will have the capacity, once deconcentration is completed in 2004, to implement a governance approach to its development co-operation with Lesotho.

#### 4.2.4 Transport<sup>48</sup>

EQ 4(a)	<i>To what extent have the Commission's interventions in the road transport sector delivered quantified economic benefits?</i>
EQ 4(b)	<i>To what extent have the Commission interventions supported GoL's institutional capacity to develop and implement a sectoral approach to road transport infrastructure?</i>

#### Rationale for the Question

180. The main thrust of Commission support for transport is to assist the GoL in its aim of supporting poverty reduction and thereby contributing to equitable economic growth. In both strategies, support to the transport sector is one of the main means of achieving these objectives by: (i) increasing access of people and businesses to rural areas; (ii) improving access to social services, and (iii) creating employment. In the second strategy there is an additional objective of improving the institutional capacity of the GoL in the move to a sector-wide approach.
181. European Commission support to the transport sector (unlike other sectors) has aimed at a sectoral approach as set out in COM(2000)422 – Sustainable Transport in Development Co-operation. Components of this approach in support of RRMP include: policy dialogue, stakeholder involvement, adequate maintenance finance, capable sector management institutions, human resource development, private sector involvement, mainstreaming of cross-cutting issues such as gender, environment, employment, HIV/AIDS and health, facilitation of transport regulations and legislation, and sustainability of a transport network that responds to national and regional economic and social needs.
182. This EQ is divided in two parts. First, attention is paid to the extent to which the Commission interventions have contributed to poverty reduction by improving access to services, and supporting economic growth by increasing employment and improving access for business. Second, the degree of improvement in the effectiveness and efficiency of implementation of the sector support programme is analysed. The issues of decentralisation of decision-making and stakeholder dialogue are addressed in EQ 8, whilst the readiness of Government institutions for a sector wide approach was considered in EQ 3. The extent to which the implications of HIV/AIDS has been mainstreamed is reviewed in EQ 6.

#### Trend in Indicators

##### Improvement in Access

183. Lesotho has a higher proportion of paved roads than many Sub-Saharan African (SSA) countries and most of these paved roads connect to the RSA highway system. The quality of the Lesotho network also is comparable with that of most southern African countries (see JC 4.1 Annex D). The network consists of 7,904km, of which 15% is paved, 49% gravel, and 36% earth. There is a trend towards improvement of the network as a whole but this is due to the disproportionate efforts in new construction at the expense of maintenance of those assets already in existence.
184. Some 80% of the population live in rural areas. Only around 60% of these areas have all-weather connectivity (about 25% have dry season connections only) such that between 12% and 20% of the total population do not have connection to the all-

<sup>48</sup> Full details are included in Annex D: Completed Judgement Criteria Forms, which forms the basis for Section 4.

weather network while some 50% of the population have reduced serviceability of connection.

### **Generation of Employment and Economic Activity**

185. Most works undertaken by the Department of Rural Roads (DRR) on rural roads, which accounts for over 40% of the network, are carried out using labour-intensive methods. The DRR upgraded four roads (2 lowland roads, 2 mountain roads; a total of 61.2km) from earth to engineered gravel standard under the 8<sup>th</sup> EDF using LB methods and generated over 276 thousand person-days of employment. A further 6,000 person-days will be involved in annual maintenance. More than 56,000 days of employment were generated under a LSL 2M STABEX food security project.

186. There are no measures of employment or economic activity directly generated by Commission or other donor interventions. Rural road interventions are justified on social grounds with selection criteria as noted elsewhere. Upgrading to paved standard has been justified on economic grounds and the feasibility study<sup>49</sup> for paved roads, which includes economic analysis, has a number of mainly generic statements suggesting that benefits would accrue from reduced transport costs but that '*many other less readily quantifiable socio-economic benefits will accrue*'.

### **Promotion of Private Sector Involvement**

187. Most of the capital budget for construction, periodic maintenance and rehabilitation is contracted to the private sector. For at least 10 years, the Lesotho national construction industry has been recognised as being undeveloped by the GoL and that strategy should focus on the development of small-scale national contractors. Major works are procured by competitive bidding. Although some Maseru-based contractors developed under LHWP bid for Road Board rehabilitation contracts on paved roads, most are undertaken by foreign firms for which all but casual unskilled labour is imported. The key problems for the development of Basotho contractors includes: insufficient capital to compete with RSA firms; difficulty in obtaining loans; loss of skilled workers to RSA; weak project management; weak tendering skills; and lack of business and financial management skills.

188. There is political pressure to increase the size of the road network at the expense of maintenance and some fungibility between maintenance and construction (see JC 4.4 Annex D). The backlog of periodic maintenance is currently estimated at around 30% of the paved network, representing some 300km of primary roads. At present more donor and GoL effort is engaged in new construction than in periodic maintenance and it is estimated that the World Bank and European Commission will address less than 30% of this backlog over the next 5 years or so. While maintenance revenues are insufficient and new construction continues apace it may be expected that the maintenance backlog will increase. Current revenues are not sufficient to meet maintenance needs, in part due to a reluctance to increase the fuel levy.

### **Institutional Environment**

189. No Road Authority has yet been established. A review of transport sector policy and strategies was prepared by the Planning Unit, of the Ministry of Public Works and Transport (MOPWT) in December 2002, and recommendations were made to the Steering Committee on Institutional Reform in the Transport sector in March 2003. These recommendations, based upon the policy review, included the establishment of semi-autonomous institutional structures including:

---

<sup>49</sup> Feasibility Study Report: Final Stage Report for Upgrading Unpaved Roads B42, B43 & B47 Muir International July 1998.



- Roads Board (RB) (chaired by Permanent Secretary MOPWT) reporting to Minister, MOPWT.
- Roads Agency (RA), reporting to RB with responsibility for all road construction and maintenance through three departments (arterial roads, rural access and urban roads).
- Lesotho Road Fund (RF) through which all road maintenance funds will be channelled.

190. There is, however, no time frame for establishing the RA, nor any plan of activities including the legislative changes need for its establishment. A National Policy for the Road Sector was produced in 1995 which recommended *inter alia* the streamlining of the function but there is considerable overlap and confusion between the institutions and responsibility for public roads between various institutions including: LHDA, DRR, RB and MOLG (Ministry of Local Government).

191. The RF was established in 1995 with a mandate to fund not only maintenance but also capital works, but there are reports that not all 'maintainable' roads are actually being maintained, while some new roads are being constructed. There appears to be greater political interest in new construction than in maintenance.

### Coverage of Commission Interventions

192. The main interventions reviewed were (see Table 4.1 Annex D):

#### 9<sup>th</sup> EDF (RTIP II) Indicative (€26M)

- Upgrading and rehabilitation of Mafeteng – Maseru – Buthe Road.
- Maseru road/ rail terminal.
- Rural roads, road safety, technical assistance.

#### 8<sup>th</sup> EDF

- Road Transport Infrastructure Programme (RTIP) (€37.7M).

#### 7<sup>th</sup> EDF

- Feasibility and design studies for upgrading of unpaved roads.
- Preparation of design standards for roads and bridges.
- TA to RB, MOPWT TA to LCU, MOPWT.
- Axle load control.
- Road safety Feasibility study – Axle load strengthening and road safety.

### Evaluation Findings

193. Under the 8<sup>th</sup> EDF, physical interventions have improved the condition of the road network as a whole, all-weather linkage between roads of all categories and access to social facilities and services. Commission interventions have also *improved physical access* to rural areas but have had little impact on physical access to (peri) urban areas, except for improved safe access to some services and work places through road safety schemes. This impact is likely to be greater under 9<sup>th</sup> EDF proposals. Commission interventions have not directly impacted upon expansion of transport services, although rural access has improved thus permitting potential private sector and parastatal transport service operators to take advantage of this opportunity. There is no evidence of fares being reduced as a result of improvements in the condition of roads.

194. Significant ***direct short term employment*** has been generated in rural areas by road upgrading using labour-based methods with EDF and STABEX funding - in this latter case as income support in response to growing food insecurity. Rotation of workers has ensured that many families have benefited in the immediate road catchments. To a lesser extent, road safety measures have also generated local employment due to the works being undertaken by a local contractor. Some potential long-term employment has been generated in the maintenance of all infrastructure constructed.
195. Commission interventions under 8<sup>th</sup> EDF have ***not demonstrably produced any other long term employment or facilitated increased economic activity*** as a result of improved access but prospects are better under the 9<sup>th</sup> EDF, in particular the proposals for improvements to the railhead container handling facilities, with their potential impact on the textile industry.
196. Commission interventions have directly involved and encouraged the ***transparent competitive procurement of works, studies and services***, but there are continuing reports of less conventional procurement in the sector. Interventions have significantly promoted private sector involvement in the road transport sector. A policy of reduction of *force account* activities has had only limited implementation to date but the Commission will continue to support contractor development under the 9<sup>th</sup> EDF. There has been some technical assistance in harmonising Lesotho transport sector regulations with regional norms but there appears to be little by way of concrete results of bilateral (GoL/RSA) liaison.
197. Commission interventions under 9<sup>th</sup> EDF will contribute to reducing backlog maintenance, while physical interventions under the 8<sup>th</sup> and 9<sup>th</sup> EDFs will contribute to an appropriate level of service of the network, and ***thus the Commission is contributing significantly to a sustainable and affordable road network***. However, while maintenance funding is increasingly inadequate, there is increasing political pressure to use limited funds for expansion of the network instead of maintaining the existing network (and this is supported by some funding agencies). The fungibility of budget allocations has thus become an issue.

### **Institutional Strengthening**

198. European Commission support is ***coherent with the recommendations of Transport Sector Guidelines*** – Towards Sustainable Transport, DGDEV, July 1996 and COM(2000)422. In terms of the national strategic context, Commission interventions are compliant with the 6<sup>th</sup> National Development Plan, RMMP and with the (almost complete) PRSP, which will form the ‘master plan’ for all interventions aimed at poverty reduction.
199. The European Commission approach has been one of contributing to a clear sector wide programme (8<sup>th</sup> EDF coincides with RMMP, 9<sup>th</sup> EDF with Integrated Transport Policy). Interventions have complemented most other funding agencies’ support to the sector and have covered ***capacity building*** (technical assistance, training, institutional support); ***studies*** (institutional reorganisation, feasibility and follow up for physical interventions); ***design and preparation*** of contract documents; and ***physical interventions*** (improving access for economic and social impact, road safety, axle loading).
200. Commission interventions have supported and improved ***sector management*** and the technical assistance provided has significantly contributed to institutional management through execution of senior line functions in RB, DRR and the Road Safety Department of MOPWT. Whilst this line function has been successful, it has been at the expense of capacity building. Also, there has been an absence of

counterparts to facilitate any real technology transfer. Commission interventions have not contributed *to establishment of the RF or to financial management of the sector*. Implementation of sector legislation, regulations and operating procedures continues to be very slow and incomplete, and government commitment to agreed changes appears questionable.

201. European Commission interventions have responded to and supported national sectoral and poverty reduction policies and strategies, and there have been major technical assistance inputs into the authorship of sector strategies and proposals for institutional reform and into sectoral contributions to poverty reduction policies and the PRSP. Commission strategies fully support and are complementary to these policies.
202. Although baseline and feasibility studies were carried out for Commission-supported physical interventions, these studies *did not clearly identify the potential or actual impact of these interventions on poverty*. While the studies necessarily involved consultation with stakeholders, their input into selection and prioritisation appears to have been limited to rural roads. There is also no evidence of much grass-roots consultation in preparation of Commission programmes under the 8<sup>th</sup> and 9<sup>th</sup> EDFs. Similarly there has been little consultation with NSAs in the preparation of sector strategies while consultation on sectoral contributions to the PRSP appears to have been restricted to ‘official bodies’, although there was a serious effort at community level consultation during preparation of the PRSP as a whole.
203. Commission interventions have not contributed to *mainstreaming of crosscutting issues* but rather accommodated them in implementation of programme RTIP (8<sup>th</sup> EDF) and in preparation of the proposed 9<sup>th</sup> EDF programme. Environmental issues were studied for individual interventions but procedures for liaison with the National Environment Secretariat (NES) were (according to NES) ignored. HIV/AIDS issues were covered in strategies but more could have been done by way of sensitisation and information campaigns through works contracts. Safety issues have been clearly addressed with significant positive impact. Gender issues are briefly covered in sector strategies but there is little analysis of gender impact of Commission interventions.
204. European Commission support has been *fully complementary* to most other funding agency interventions in the sector (and contributes to the sector institutional capacity to handle project-based approaches of funding agencies operating outside the sector wide approach). There has been significant donor involvement in sector policy formation (indeed, it is donor-led if not exactly donor-written), with the Commission taking a major role, through technical assistance, in the formulation of national sector strategies and policies. There is also complementarity in core sector donor support for the RRMP (and proposed ITP) sector wide approach. However, co-ordination of funding agencies has not been adequately addressed either by GoL (NAO or MOPWT) or by the funding agencies themselves.

## Conclusions

205. The European Commission’s approach to the *road sector has been strategic* with the aim of supporting a sector wide approach in partnership with other funding agencies. Interventions under the 8<sup>th</sup> EDF have delivered social and economic benefits, but quantification of the benefits is sketchy due to an absence of baseline data. In terms of value for money (comprising about 80% of expenditure), the benefits accruing from interventions in support of upgrading of higher category roads are doubtful. On the contrary, road safety interventions appear to have been highly effective.

206. European Commission support to the transport sector under the 8<sup>th</sup> EDF, and that proposed under the 9<sup>th</sup> EDF, will significantly support GoL's institutional capacity to develop and implement a sectoral approach to road transport infrastructure. However, it is not yet proven that capacity building has been effective. Proposals for the 9<sup>th</sup> EDF, which continue the sector wide approach, appear technically robust and indicate greater impact and cost effectiveness.

#### 4.2.5 Water and Sanitation<sup>50</sup>

<b>EQ 5</b>	<b><i>To what extent has the Commission contributed to equitable economic growth in Lesotho through the provision and access to water and sanitation?</i></b>
-------------	---

##### **Rationale for the Question**

207. Natural resources in Lesotho are limited and the main exportable resource is water, which has been developed for sale to South Africa's industrial area around Johannesburg through the Lesotho Highlands Water Project (LHWP). Apart from the LHWP, past investment in infrastructure has been geared towards the major transit and import-export corridors of the Lowlands, serving the emerging manufacturing sector along the border with RSA. This has led to a relative neglect of the infrastructure needed to serve large segments of the domestic economy and to meet the needs of the rural population. Thus with growing pressures on water demand in the lowland areas for both domestic and industrial development, the country is currently facing a situation where it is causing a scarcity of its most valuable resource.
208. European Commission support to the water and sanitation sector has included improvements in access to water and sanitation as part of wider support to the social sector and to poverty alleviation. In the 9<sup>th</sup> EDF water became a focal sector. This Question assesses the extent to which the Commission activities, many of which many are still in the planning phase, are leading to sustainable and viable water and sanitation systems, or are likely to do so, thus addressing poverty by improvements in access and empowerment, supported by adequate institutional structures and delivery mechanisms.

##### **Trend in Indicators**

##### **Efficiency and Access to Water & Sanitation**

209. In 2002 an estimated 62% of the rural population had access to a public water facility of the Department of Rural Water Supply (DWRS), although there are substantial variations across the country. The overall coverage of rural sanitation of all types, but mainly latrines, is around 50%. About 40% of the population in urban areas are served by the water and sewerage services, WASA Water and Sanitation Authority and only a limited number of households in the 15 towns (280,000 inhabitants) served by WASA have access to water facilities. The average water service coverage in these 15 towns is 55% (Maseru: 52% of 230,000 inhabitants).
210. The capacity of the systems is insufficient to cope with normal demand, let alone peaks. For the next decades there will be great demand for the extension of water supply systems, both in rural and urban areas in the Lesotho lowlands, due to population growth and increasing per capita consumption. In addition there is a general migration from the rural areas to the urban and peri-urban areas.

<sup>50</sup> Full details are included in Annex D: Completed Judgement Criteria Forms, which forms the basis for Section 4.

211. There are no reports on water and sanitation costs as a proportion of household expenditure and affordability. However, a social survey into the cost of utilities (Sechaba Consultants - 2002) confirmed that the water tariffs were “not significantly high” in comparison with those in most other countries in the region. In the rural areas, apart from recommended prices by Department of Rural Water Supply (DRWS) for application by the Village Water Committees, there is no formal cost recovery system.

### **Financial and Economic Sustainability**

212. Assessment of water supply and demand is well in hand in DRWS and WASA, and new projects are based on this data. The Lowland Water Supply feasibility study will be particularly useful for the improvement of future assessments. The Six Towns Water Supply (STWS) projects use current population growth rates of between 2.9% and 5.0% and a water consumption of between 33 litres/capita/day and 133 l/c/d for the various locations. Future water demand is calculated as a function of population growth only and no provisions are being made for increased future per capita consumption related to an improvement in the standard of living. After completion of phase II sufficient water will be available in all centres even under drought conditions, but this will be limited in some years, and is different for each location.
213. In the urban areas, the WASA cost recovery system is efficient and the rate of recovery is around 90%, yet there are insufficient funds to cover WASA’s operating costs and investment costs. The WASA prices for water services remain low but the majority of water consumers are more concerned about the reliability of water supplies than about price.
214. There is no stated or explicit GoL tariff policy for the sector. No tariff is charged by DRWS for water supply or maintenance in rural areas, although a contribution is sometimes made in kind by the beneficiaries. This lack of appropriate revenue collection will have implications for the long-term sustainability of the rural water and sanitation facilities, their maintenance and development. The financial balances of WASA indicate that tariffs are not high enough to recover operating costs, let alone finance expansion costs.

### **Environmental Issues**

215. Standards for the discharge of industrial wastewater, to sewer or to the receiving water environment, have been under discussion in Lesotho for a number of years. To date, no final decision has been taken on the proposed standards, and hence no standards have been promulgated or are being enforced. Industrial wastewater is currently discharged to the rivers, with a range of associated pollution problems experienced by the receiving water environment. The National Environment Secretariat is empowered to ensure that environmental issues are incorporated into water policies and that an Environmental Impact Assessment (EIA) completed for each project. Currently, only limited information is available on the quantity and quality of the wastewater generated by industries, with no ongoing programme of industrial wastewater sampling and analysis. The current limited enforcement of pollution legislation is partly due to the absence of formal wastewater discharge standards. The Environment Act, which has *not yet been implemented*, makes provision for industrial wastewater standards and the quality of wastewater that can be discharged to the receiving water environment.

## NSA involvement in Policy and Decentralisation

216. The DRWS approach to rural water supply is demand driven and requires the collaboration of the community which contributes all the unskilled labour. In all water projects the relevant organisations, including affected stakeholders, are involved in workshops held to discuss project implementation. Given that there has been only limited implementation of water supply and sanitation projects (the six towns projects and the Micro Project Programmes), the involvement of stakeholders in the projects has been adequate.

## Coverage of Commission Interventions

217. Table 5.1 in Annex D sets the details of the interventions in the water sector. The key projects were:

- Lesotho Highlands Water Project.
- Muela Dam.
- Six Towns Water Supply (STWS)
- Lesotho Lowlands Water Supply Feasibility Study.
- Maseru Wastewater Feasibility Study.
- TA to Commissioner for Water.

## Evaluation Findings

### Low Impact to Date

218. Although the water sector had been one of the focal sectors for the European Commission in Lesotho since the 6th EDF, there have been only limited achievements in terms of the evolution of these indicators. This, in part, is due to the low level of physical infrastructure activity funded by the Commission. Although the number of beneficiaries in the past has been low, the on-going Commission funded studies (Lowlands WS feasibility & Maseru Wastewater), will have considerable impact in the future.

219. The Micro Projects Programmes involved some small water and sanitation activities. Although broadly relevant, the projects are very small and scattered and therefore have contributed little to the *overall impact* on access to water or on a national poverty alleviation strategy.

220. The STWS projects initiated under the 6th EDF and implemented during the 7th and 8th EDF will make a *significant contribution* to improvement in provision and access to water and sanitation. The overall objective of the projects is to develop and secure medium-term (defined as 2015) potable water supplies and sewerage systems in the six towns to support socio-economic development and to assist in poverty reduction and health improvement. Phase 1 dealt with only rehabilitation and refurbishment of existing schemes and *it must be noted that a significant proportion of the works are currently out of order or in need of maintenance*. The STWS phase 2 started at the end of 2003, and is at study stage. It involves the same towns as in the first phase.

### Leading Towards a Strategic Role in the Water Sector

221. The TA to the Water Commissioner initiated in late 2003 is a very relevant initiative, funded under the 9th EDF NIP. This will improve the *strategic approach for national water resources management*, reinforce co-ordination between the different institutions dealing with water and sanitation, and improve the efficiency of national water resources development.

222. Commission funding of the Muela hydropower plant was a political rather than economic decision to help Lesotho become energy-independent of RSA. Although Muela is not currently viable and running at a fraction of its capacity, it could supply the energy needs of the entire country. The Muela hydropower plant is a part of the Lesotho Highlands Water Project (LHWP)<sup>51</sup> which is regulated by a treaty with RSA which only allows Lesotho to take water from the catchment in times of severe droughts, such as occurred in 2003. If the GoL wants access to this water, RSA is in a position to ask for a refund of some of the capital costs of the LHWP, which the GoL is unlikely to be able to afford. This is a key issue that is currently being addressed by the Lowlands WS feasibility study, and *the Commission could therefore play a key supporting and facilitating role in this trans-border discussion and co-operation.*
223. The Lowlands WS feasibility study has the potential to affect the majority of the population, including all types of consumers (domestic, urban, industrial) and providing an opportunity to define a comprehensive water resource management and development plan. The study is expected to lead to major impacts in improving access to water and sanitation, provided that the recommendations of the study are put into practice in the coming years. The global impact of these scattered activities is difficult to assess but *could have a global positive impact on poverty alleviation.* Thus the anticipated *impact from the ongoing activities of the European Commission projects should be considerable and enable it to take a strategic role in the development of Lesotho's water supply.*
224. The Maseru Wastewater study under the 9th EDF initiated in late 2003 is relevant in supporting the protection of the environment at national and international level as the Caledon River forms the border and flows into RSA. This is the *first European Commission funded project dealing with sanitation issues*, apart from some small interventions under the Micro-Projects Programmes.
225. The implementation of the provision and access to water and sanitation will require substantial investments in infrastructure together with capacity building activities at all levels. It is too early to give a judgement on the *effectiveness* of the on-going studies and TA, but it must be emphasised that the qualifications of the Advisers and consultants are good and appropriate for their responsibilities at all levels. In terms of *efficiency* implementation of the projects suffers from long delays between conception and starting date due to lengthy administrative procedures. The implementation of the STWS project has been affected by these delays, resulting in an approach that may no longer be up-to-date when the works are implemented. It would have been more efficient to start Commission co-operation in the water sector with a project such as the Lowlands WS study, so as to obtain an overview and formulate a consistent strategic approach for the water and sanitation sector.

---

<sup>51</sup> On completion, the LHWP will provide 70m<sup>3</sup>/sec of water to RSA. Only 3 m<sup>3</sup>/sec of this could cover all the water needs of the Lowlands towns and industries.

## Process

226. Consultation with NSAs and stakeholders in the preparation of sector policies for the 9th EDF were made through workshops, numerous Policy group meetings and information campaigns. Community awareness campaigns are conducted and communities are aware of the benefits of a clean water supply and the concept of recovery. There was no gender discrimination during the design or implementation of the water projects; it is worth noting in that regard that, amongst other examples, the current director of WASA and the current director of the major Lowlands WS feasibility study are women.
227. The management of the information on this sector is inadequate for all GoL and Commission interventions. There are considerable variations in the scope of the technical resources and in the use made of the available information. The reports and data are not well archived and monitored and there is a need to improve data collection, archiving, and analysis of water resources in terms of temporal and spatial distribution within the country. *Currently there are no systems in place to monitor the social, economic and environmental impacts of Commission projects.*

## Conclusion

228. Access to water is critical for Lesotho's development in terms both of reducing poverty by improved domestic access and also of providing a key resource for economic development. Whilst this is Lesotho's main economic resource, there are growing pressures on water demand in the lowlands. European Commission interventions have not contributed significantly to 'equitable economic growth' by improving water supply in term of access, quantity or quality; but the strategy adopted in the 8th & 9th EDF is laying the foundation for the Commission to play a leading role in the development and implementation of a comprehensive water strategy for Lesotho.
229. The Commission is thus uniquely placed as a donor to fulfil the role of developing and assisting in the implementation of a strategy for the water sector that would make a significant contribution to meeting the overall development objectives of Lesotho.

### 4.2.6 HIV/AIDS<sup>52</sup>

<b>EQ 6</b>	<i>To what extent have the Commissions interventions helped to increase capacity to address and mainstream the HIV/AIDS pandemic?</i>
-------------	---

## Rationale for Question

230. The GoL has made constant reference to the growing seriousness of the HIV/AIDS pandemic in Lesotho in many strategic and policy documents<sup>53</sup> since the late 1990s, both within the health sector and at a wider national level. Full recognition of the seriousness of the pandemic through implementation of appropriate programmes has not been evident. The following key factors have contributed:

<sup>52</sup> Full details are included in Annex D: Completed Judgement Criteria Forms, which forms the basis for Section 4.

<sup>53</sup> Government of Lesotho (2000) National AIDS Strategic Plan, 2000/01 - 2003/04.



- The rapid growth of the HIV/AIDS pandemic in Lesotho has to some extent taken the GoL by surprise – poor health data gathering and analysis has meant that it has not been possible to estimate the full extent of the epidemic with any degree of accuracy;
  - Until recently there was a general complacency about the pandemic which was partly a reflection of ingrained cultural traditions and attitudes towards sexual behaviour, combined with an absence of pressure from the church and other non-state actors for the GoL to intervene with a comprehensive programme to address the pandemic;
  - The GoL has generally not been effective at driving or supporting the development of strategies and policies into detailed programmes. This strategic deficit is most telling when dealing with cross-sectoral issues such as the HIV/AIDS pandemic;
  - The donor community has to some extent been waiting for GoL to demonstrate commitment to tackling the pandemic before supporting programmes, but the overall weaknesses in governance that affects all areas of GoL activity, including the uncertainty about how GoL decentralisation will work, has limited the ability of donors to respond effectively.
231. The Commission's approach, in the relative absence of a GoL strategy or supporting programmes through most of the 8<sup>th</sup> and 9<sup>th</sup> EDF period, has been to: (i) promote HIV/AIDS as a cross-cutting issue to be considered in other sectoral programmes; (ii) carry out small initiatives; and (iii) include Lesotho in regional programmes.
232. The purpose of this Question was to assess whether the Commission approach has demonstrated its recognition of the strategic importance of HIV/AIDS with concrete engagement at a cross-cutting level throughout its programmes, and whether it has helped to raise awareness and capacity of the GoL to address the issue through this approach.

### **Trend in Indicators**

233. HIV/AIDS infection rates are estimated to have risen: UNDP/GoL estimates indicate an increase in HIV prevalence from 4% of 15-49 year olds in 1993 to 31% in 2002. Urban areas have shown a faster rate of increases in infection and a higher overall prevalence than in rural areas. Women are more at risk of infection than men, and the working age population (15-49) carries the biggest burden of HIV/AIDS infection.
234. The provision of HIV/AIDS prevention and treatment services in Lesotho has increased over the period of the 8<sup>th</sup> and 9<sup>th</sup> EDF strategies but is still very limited, is focused in urban areas, in GoL departments, and on the prevention side with very little availability of advanced treatment methods (see JC 6.1 Annex D). Access is also inhibited by cost for a large proportion of the population.
235. The GoL reaction to the seriousness of the pandemic in Lesotho has not been timely or sufficient. During the mid- and end-1990s, short and medium-term GoL strategies for addressing HIV/AIDS did exist but were focused on health sector responses and were not multi-sectoral or targeted at the core of cultural change. They did not result in extensive programmes to address the problem. Since 2000 there has been increased activity, including the development of a national strategy, the allocation of 2% of each GoL Ministry budget to address HIV/AIDS, and the establishment of national

and sub-national bodies to co-ordinate, direct and implement HIV/AIDS activities under the strategy. The GoL has secured limited funding from the Global Fund, securing US\$ 30 million in 2003 and a further proposal for the funding of HIV/AIDS orphans was pending in March 2004(see JC 6.1).

236. However GoL policies and strategies have not yet been translated effectively into the required depth and quality of activities to address HIV/AIDS throughout Lesotho. The national strategy is over-ambitious and limited in detail, which has acted as a disincentive to action. Key organisational structures established for the purpose of driving and co-ordinating a multi-sectoral response to HIV/AIDS have had neither the legal mandate nor the appropriate institutional context to operate independently and effectively. The national strategy has been inadequately monitored and reviewed and has now been partially superseded by new strategies; it is to be reviewed this year, with new institutions introduced to manage the strategy better. The GoL recognise the weaknesses in their policy platform but need to prove that they have the willingness to carry through changes that will positively impact on the response to HIV/AIDS.
237. Policy and programming for HIV/AIDS has been inhibited by a severe lack of reliable information on the status of, and impact of HIV/AIDS in all sections of the population. This problem has only started to be tackled by GoL in the last 2-3 years. A sentinel survey was conducted in 2003 with support from UNAIDS to update information gathered in the late 1990s.
238. The capacity of health services to address HIV/AIDS is insufficient in Lesotho at every level and for every type of service (see JC 6.1. Annex D). Improved service provision, data management and activity implementation on HIV/AIDS is dependent on health sector reform and on an operational decentralisation policy throughout the public sector. Health sector reform is progressing slowly but is still not fully functioning. Key piloted district-level operations commence from May 2004. A public sector-wide decentralisation policy has very recently been agreed and health sector decentralisation will work in line with it over the next 12 years (see JC 6.1 Annex D). These aspects of progress represent a major opportunity to test and learn the best approaches for addressing HIV/AIDS at district level.
239. The GoL has not yet fully capitalised on regional opportunities for collaboration in addressing HIV/AIDS. The GoL is starting (so far only to the extent of discussion and document preparation) to engage in regional SADC and African Union-level dialogue and strategy preparation, but it has not been actively involved in regional programmes.

### **Coverage of Commission Interventions**

240. National-level Commission interventions on HIV/AIDS have been minimal. They have consisted of a study on HIV/AIDS activities for the Lesotho AIDS Programming and Coordination Authority (LAPCA) in 2002, and participation in multi-stakeholder theme groups and planning mechanisms.
241. Other national interventions, supporting health sector reform with technical assistance to monitoring and evaluation and decentralisation, cover issues that affect HIV/AIDS service delivery, performance assessment of services and data availability on HIV/AIDS. The Micro-Projects Programmes were intended to assist civil society participation in addressing HIV/AIDS.
242. At regional level the Commission has supported two interventions, one focused on strengthening SADC health sector co-ordination on HIV/AIDS and supporting policy making, the other on awareness and education.

**8<sup>th</sup> EDF:**

- Review of HIV/AIDS Related Activities in Lesotho.
- Support to Health Sector Reform.
- Multi-Annual Micro-Projects Programme.

**Other**

- Regional SADC Support to an Expanded Multi-Sectoral Response to HIV/AIDS (8th RPR).
- Regional HIV/AIDS Awareness and Education Programme (EC Budget Lines B7 3200-00/32).
- ECHO Funded Food Aid Programme for the People living with HIV/AIDS (PLWHA).
- NGO Co-financed German Red Cross Home Based Care Programme and Sexual Health Initiative implemented by the Lesotho Planned Parenthood Association.

**Evaluation Findings**

243. The European Commission has made a small contribution to providing information on the extent of activity on HIV/AIDS through funding of the study undertaken under the 8<sup>th</sup> EDF<sup>54</sup>, the results of the which were incorporated into the recent UN/ GoL publication *Scaling up the Fight Against HIV/AIDS*, which has been adopted by the GoL as a working document.
244. The Commission's health sector reform programme<sup>55</sup> has supported the creation of an appropriate basis in systems, roles and strategy for the future decentralisation of health and social care. Whilst this has not been specifically focused on HIV/AIDS, it has the potential to support such programmes. The programme's work on information management through the M&E component has started to contribute to greater understanding and measurement of the health status of the population, and a performance assessment of services provided, which will also include aspects relating to HIV/AIDS. The Commission's health sector reform programme will start to address HIV/AIDS at district level from 2004 by using it as an entry point to test the decentralised health care approach.
245. The Commission's regional HIV/AIDS programmes have been operating at a minimal level in Lesotho. There has been some limited support through ECHO and NGO funded programmes but these have not been designed or implemented as part of a co-ordinated Commission response. The programme for an expanded, multi-sectoral response to HIV/AIDS<sup>56</sup> is focusing on HIV/AIDS mainstreaming in the water sector and on data gathering on HIV/AIDS, but it is unclear if this work is impacting yet on policy and planning in Lesotho or on regional co-operation. The regional awareness raising programmes have the potential to enhance regional co-operation between civil society organisations.
246. There is no evidence of impact on HIV/AIDS as a result of other Commission programmes in transport, water, macro-economic support, or other key interventions apart from limited awareness-raising. The Micro-Projects Programmes were intended to help involve civil society in HIV/AIDS service delivery but to date this has not happened to any significant degree.
247. The Commission has been more active in 2003 in dialogue with different NGOs and other donors in developing a programme for civil society support for the

---

<sup>54</sup> 8 ACP LSO 16

<sup>55</sup> 8 ACP LSO 8

<sup>56</sup> 8 ACP RAU 014/SA B7 3200-00/32

addressing of HIV/AIDS and this may provide more opportunity for mainstreaming HIV/AIDS in Commission interventions. But the Commission's achievements in mainstreaming HIV/AIDS into its programmes have been inadequate. The evidence at the *design stage* of those interventions designed around or after this date points to poor collection of baseline information and indicators relating to HIV/AIDS, and poor targeting. Only those interventions specifically concerned with HIV/AIDS contained relevant baselines, objectives and indicators. In the *implementation* of Commission projects mainstreaming has been of mixed quality. In some cases (e.g. health sector reform support) HIV/AIDS has been mainstreamed into district level activities, but on the whole this has consisted of either an "add-on", not properly integrated into activities (e.g. transport), or an indirect consideration that might eventually have an impact (e.g. water).

248. The Commission's programmes in Lesotho do not fit well with its overall strategies on HIV/AIDS, which emphasise halting propagation of the epidemic, helping health systems cope with the burden, reducing socio-economic consequences, increasing scientific knowledge, increasing co-ordination, coherence and complementarity with other donors and examining new or innovative co-operation mechanisms.
249. The Commission's interventions are consistent with the 8<sup>th</sup> EDF strategic approach of addressing HIV/AIDS indirectly through social sector improvements. But as all interventions were or are being implemented from 2001 onwards, greater account should have been taken of the emphasis in the 9<sup>th</sup> EDF strategy on strengthening GoL's capacity to plan and respond *direct* to HIV/AIDS.
250. Some consideration of the regional context (an aim of the 9<sup>th</sup> EDF strategy) has been included through the two regional HIV/AIDS programmes and these are also relevant to emerging regional HIV/AIDS strategies, to which Lesotho is a signatory.

## Conclusion

251. The Commission's ongoing interventions in health sector reform have the potential to contribute to increasing the GoL's capacity to address the HIV/AIDS pandemic in the health sector. Other interventions (study into HIV/AIDS activities, regional programmes) are likely to increase awareness of the problem on a small scale and may contribute to civil society capacity building, to data collection, and to greater regional co-operation. Aside from these examples, HIV/AIDS has not been sufficiently mainstreamed into the design and implementation of Commission interventions in line with the aims of the 9<sup>th</sup> EDF strategy, with stated GoL policy and with the clearly demonstrated needs of Lesotho. As a consequence, their impact on HIV/AIDS has been minimal.

### 4.2.7 Food Security<sup>57</sup>

<b>EQ 7</b>	<i>To what extent has the Commission incorporated the ongoing issue of food security in Lesotho into the formulation of its strategies and the design and implementation of interventions?</i>
-------------	--

### Rationale for Question

252. Lesotho has experienced intermittent problems with food security throughout the 1990s and into the 2000s, with a more consistent annual problem emerging over the

<sup>57</sup> Full details are included in Annex D: Completed Judgement Criteria Forms, which forms the basis for Section 4.

last 3-4 years. Although weather and related agricultural production problems have been important factors in some years, the key driver of food insecurity continues to be deep-rooted poverty, linked to a wide range of social and economic factors. The Commission's intervention strategy on food security for both the 8<sup>th</sup> and 9<sup>th</sup> EDFs has been to address the issue as an *implied concern* rather than as a primary objective of improving the capacity to purchase food.

253. This EQ analyses the extent to which food security has been addressed directly within Commission programmes or mainstreamed into other interventions on transport, water and macro-economic reform.

### **Trend in Indicators**

254. Data availability and reliability on food supply and the structure of food security in Lesotho has been an ongoing problem throughout the period of the 8<sup>th</sup> and 9<sup>th</sup> EDF strategies. Despite questionable reliability of the data, it is clear that the overall trend is a general deterioration in food security, particularly in the last 3-4 years (see JC 7.1 Annex D).
255. Rural areas have been the focus of study with the mountainous foothills and Senqu valley regions regularly showing higher food insecurity. The increased migration of people to urban areas to find employment has started to generate food security problems in peri-urban and urban areas where the infrastructure is not keeping pace with the influx of population.
256. The limited capacity of GoL to assess food security has been a major factor limiting its ability to develop a response. It has also constrained donors generally from developing a response. There has as yet been no commitment to collect data or develop a standardised analysis across sectors so as to build a comprehensive picture of food security, and in the last two years this has been recognised as a serious problem. A recent positive step has been the establishment of the Lesotho Vulnerability Assessment Committee (LVAC), which has started to carry out detailed assessments, collating and using multiple data sources and applying a more rigorous approaches to food security analysis.
257. Severe limitations still exist in staff capacity - numbers, time, defined roles and responsibilities, in the lack of a central data system, and in limited performance assessment or auditing of food security responses which are fed back into planning (see JC 7.1 Annex D).
258. The GoL relies on the co-ordinating, logistics and management capacities of the Disaster Management Authority, which is insufficiently staffed and resourced, to dispense its own and other agencies' food aid. Many stakeholders report delays in food delivery, non-fulfilment of planned quotas, or intended beneficiaries not being reached. Some commentators have stated that food aid has acted as a disincentive to agricultural production; many recent food security assessments have emphasised the need to use more specifically-targeted food aid, shorter food aid interventions, and the combining of food aid with technical assistance to reduce this problem.
259. Since the late 1990s the GoL has moved towards recognising that it has a role in promoting sustainable agricultural production in the interests of livelihoods and food security, rather than focusing entirely on commercial agriculture as a driver of economic growth in a sector with limited absorption capacity. Some small successes are emerging from simple, targeted and replicable technical assistance to vulnerable households in food production.

260. A key positive step in 2004 has been the development of a new, multi-sectoral food security strategy (not yet available) which will contribute to the food security objective in the PRSP and address both food access and food availability issues, rather than focusing solely on agricultural production.
261. HIV/AIDS is having a clear though unquantified impact on food security at household level by loss of wage earners, additional food requirements for the sick or for relatives absorbed into households, and a reduced capacity to produce food. HIV/AIDS will continue to grow as an overriding driver of food insecurity.
262. Subsistence agricultural production continues to be the only livelihood option for many households in Lesotho, especially amongst the poorest. Agriculture in Lesotho has experienced great variability in yields between regions which is now causing regular food security problems in areas with low physical access to food and in households with limited purchasing power. The quality of arable and grazing land is continuing to deteriorate through poor management.
263. The primary source of income for most Basotho is through employment. Following mine retrenchments and in an environment of high incidence of HIV/AIDS, many people rely heavily on local employment opportunities which are extremely limited in all areas except Maseru. This is now having a major impact on food purchasing power.
264. These three key areas - HIV/AIDS, agriculture and unemployment - link to a wide range of factors in the macro-economic environment and social infrastructure which all impact on food security (see JC 7.1 Annex D). It is a multi-sectoral issue which is emerging as a by-product of poverty and the inability to deal with a range of livelihood shocks.

### Coverage of Commission Interventions

265. The Commission implemented interventions during the period of the 8<sup>th</sup> and 9<sup>th</sup> EDFs that were actually programmed during the 6<sup>th</sup> and 7<sup>th</sup> EDFs, and which reflect the higher prominence then given to agriculture and natural resource management, for example:
- 6<sup>th</sup> & 7<sup>th</sup> EDF Asparagus and High Value Horticulture.
266. Other interventions were designed and implemented during the 8<sup>th</sup> EDF period (even though funded from the 6<sup>th</sup> and 7<sup>th</sup> EDFs) and fit with that strategy's non-focal area of better agricultural and natural resource management, for example:
- 6<sup>th</sup> EDF Drakensberg-Maloti Highlands Conservation Programme.
  - 7<sup>th</sup> EDF Highlands Community Forestry Project.
267. All other Commission interventions at national level have focused on addressing poverty through economic development or social infrastructure-oriented programmes, with an *implied* concern for addressing food security as a symptom of poverty. The Commission interventions *directly* targeting food security have been funded through the RIP/thematic budget lines:
- SADC Food Security Training Project (7<sup>th</sup> RPR).
  - SADC Regional Food Security Training Project (8<sup>th</sup> RPR).
  - SADC Regional Early Warning Unit System (B7-201).

## Evaluation Findings

268. Commission interventions have been broadly consistent with the its overall food security policy, although to date it has not included significant interventions at national level focusing on food trade flows and food security strategy co-ordination, two key pillars of the overall policy. The overall regional integration approach of the Commission embodies implied consideration of food security issues.
269. Both the 8<sup>th</sup> and 9<sup>th</sup> EDF strategies have focused on the broad aim of alleviating poverty and addressing food security through improved access to services and markets, and through increased incomes. Food security is an *implied concern* of both programmes. In the NIPs of both periods, food security is not included as a specific or cross-cutting issue, but is considered an implied concern through the core poverty reduction and employment creation objectives (see JC 7.2 Annex D).
270. National interventions by the Commission have also addressed food security as an implied concern through programmes focused on economic growth, improved social or economic infrastructure or service provision and, in a few cases, conservation. Agricultural programmes set up under the 6<sup>th</sup> and 7<sup>th</sup> EDFs but implemented during the 8<sup>th</sup> and 9<sup>th</sup> EDFs contain limited references to food security. Most national level interventions exclude specific performance indicators related to food security.
271. At regional level, the strategy for the 8<sup>th</sup> EDF period has a definite focus on food security by means of reducing exposure to food security shocks in agriculture and natural resources management. The main focal areas of infrastructure, services trade, investment and finance are based on the aims of improving access of populations to economic and social services and thus, by implication, reducing their poverty (and food insecurity). The same approach is used for the RSP 2002-2007.
272. Commission regional programming has specifically targeted food security through two regional training programmes and a regional early warning system development programme. Regional food security issues have not been clearly included in the design and implementation of national interventions in Lesotho
273. The ability of the GoL to facilitate sustainable agricultural production that can assist in tackling food security has been limited throughout the 8<sup>th</sup> and 9<sup>th</sup> EDF periods by major staff capacity problems in the agriculture extension and other technical services – there are simply not enough skilled staff to monitor and assist producers in rural areas, and those that are available do not have the resources to carry out their duties effectively. Targeted agricultural technical assistance programmes (many heavily supported by donors, including the Commission’s asparagus expansion) have had mixed success and have not been sustained after project closure (see JC 1.2 & JC 7.1 Annex D).
274. Commission natural resource management and conservation-based interventions appear to have had some impact on improving techniques and offering different livelihood options but lasting impacts on food security are uncertain in the available institutional support environment, and their coverage is not sufficient to amount to major country-wide impact.
275. Other Commission sectoral interventions in transport, water, and macro-economic support are difficult to quantify in terms of their impact on food security, through lack of performance indicators. The labour-intensive methods employed in some transport interventions (see JC 4.1 Annex D) provided 276,000 person-days of short term employment and will provide a further 6,000 person-days for annual maintenance.

LSL 2million of STABEX funds were allocated specifically for food security purposes and created 56,000 days of employment, and thus these actions will have generated temporary improvements in food security for those labourers and their families and for a much smaller number of people through longer-term job opportunities.

276. Access to markets and services as a result of the Commission's road building programmes may have had some small food security impacts. There are high expectations that future lowland water interventions will increase FDI and employment, and better sustain agricultural production as a result of improved water supply, all of which may improve food security.
277. Overall national Commission interventions may have increased awareness of the country's food security problems but have not contributed significantly to local capacity to assess and address the problems. Regional interventions in food security have had very limited exposure in Lesotho to date. They may have increased the availability of data on food security through the Regional Early Warning Unit (REWU) and through greater knowledge of food security issues and how to address them in Lesotho (food security training programmes), but the extended impact on applying that knowledge to policy formulation and programming is difficult to quantify and is unlikely to be great given the very small numbers of people involved.

## Conclusion

278. The European Commission strategy and interventions at national level have correctly used the approach of addressing food security as an income rather than an agricultural production issue. The emerging seriousness of the food security situation in Lesotho has not been reflected in consistent mainstreaming of food security-related performance indicators. This is the case for most Commission interventions designed and implemented since 2000 when food security policy guidelines were established. The regional interventions do not appear to have extensively engaged Lesotho to date. At regional level a core issue for Lesotho is its relationship with South Africa and the related issues of food trade and its impact on food security; this could be given greater emphasis by the Commission.

### 4.2.8 Democratisation and Human Rights<sup>58</sup>

<b>EQ 8</b>	<i>To what extent have Commission-supported interventions contributed to a human rights culture, to the consolidation of democratic institutions and processes as well as to the strengthening of civil society?</i>
-------------	--

#### Rationale for Question

279. Democracy was restored in 1993 after a long period of single-party rule. The fragility of the new democracy was demonstrated by the political crisis linked to the 1998 elections, which led to civil unrest, widespread looting and the intervention by South African (SADC) troops. Efforts were made to overcome the conflict through electoral reform, culminating in a successful general election in May 2002. Yet the challenge of building and consolidating a democratic culture in Lesotho remains great, as recognised in major policy documents including the PRSP. As a small landlocked country, Lesotho is vulnerable both to external shocks such as the threat of famine as a result of climate change in the region and to internal tension arising

<sup>58</sup> Full details are included in Annex D: Completed Judgement Criteria Forms, which forms the basis for Section 4.



from increasing poverty. The risk of renewed political instability or conflict is cannot be discounted.

280. Promoting human rights and democracy is a key objective of ACP-European Commission co-operation. Furthermore, the Cotonou Agreement has created new opportunities for the promotion of democracy, amongst others by opening up the partnership to non-state actors. Against this background, this EQ seeks to understand the Commission's contribution to the consolidation of democracy in Lesotho.

## Trend in Indicators

### Progress in the consolidation of a human rights culture and democratic institutions and processes

281. The GoL is signatory to major international and African conventions on human rights. Under autocratic rule until 1993, the country had a poor record in respecting human rights. The overall situation has much improved since, although some key areas of concerns remain to be addressed, including the existence of discriminatory gender laws; the issue of sexual violence; and the poor functioning of the justice system.
282. Lesotho has been party to the UN Convention on Elimination of all forms of Discrimination Against Women (CEDAW) since 1995. However, under Lesotho's dual law system, married women have the legal status of a minor. The PRSP, while arguing that the gender situation is better than in many African countries and that '*impressive advances*' have been made, also recognises that '*unequal gender relations are a common feature in Lesotho*'. This legal inequality puts married women in a very vulnerable position and limits their access to and control over productive resources, including land, finance, and opportunities. The high rate of female literacy in Lesotho has not translated into equal participation in development and employment opportunities, although women occupy important public functions and middle management functions. Pressures to remove legal discrimination have been mounting, mainly as a result of advocacy activities undertaken by civil society organisations.
283. In 2002, the Lesotho Law Reform Commission prepared a draft 'Married Persons Equality Bill' for consideration by Parliament (September 2002). However, the legislature has been slow if not reluctant to undertake effective action, arguing that a profound societal debate should first be organised on the issue. The GoL has developed progressive gender policies, but the pace of effective implementation is very slow.
284. Sexual violence against women and girls is another major problem and a violation of human rights. The Sexual Offences Act has been approved but its practical value remains to be proven, considering the existing social and cultural barriers, especially a fear of reporting cases and the poor functioning of the legal system.
285. A recently conducted independent survey on the State of Democracy in Lesotho<sup>59</sup> (2003) indicates a sharp increase in satisfaction with the state of democracy in Lesotho compared to 2000, especially with respect to political freedom (including freedom of association, voting, speech and protection against crime and violence). The upbeat attitudes expressed in the survey are partly related to the successful elections of 2002. The Independent Electoral Commission (IEC) has played an important role in this process and enjoys a sound reputation for political

independence, technical capacity and professional management. However, its effective outreach and impact is hampered by human and financial constraints as well as a lack of medium-term donor support. There are plans to organise Lesotho's first local elections, but the timing is uncertain as a consensus on a suitable decentralisation framework has still to be reached.

286. The Executive dominates the political arena, backed by a highly politicised civil service (see EQ 3). It is hardly challenged by democratic institutions or civil society. Parliament is still a very fragile institution, lacking basic institutional structures (there are only two standing committees) and capacity. The PRSP confirms the poor state of affairs of the justice system and its adverse incidence on poor and marginalised populations.
287. The Ombudsman has built up some credibility, but the office lacks the human and financial resources needed to ensure outreach and political clout. The fabric to ensure democratic accountability from the grass-roots is poorly developed. While Village Development Committees provide some space for participation, the absence of autonomous local government structures makes it difficult for people to become involved in managing local development, let alone to demand accountability. The role of civil society as a democratic watchdog is limited, mainly because of human and financial constraints as well as lack of organisation. Yet churches and some specialised NGOs try to participate in policy debates (e.g. on decentralisation), raise awareness (e.g. on the impact of dams on poor people) or advocate reform (e.g. on discriminatory gender laws). The media operate freely in Lesotho, but the quality of the newspapers is generally low and not conducive to promoting societal debates and better accountability of government action.

### **Civil Society Participation.**

288. The restoration of democracy in 1993 created more space for civil society and the private sector to participate in the development process, but empowerment of the population, including levels of understanding on human rights and democratic processes, remain low. Both the PRSP and institutions (the IEC, the Ombudsman) recognise the urgent need for a comprehensive civic education programme. There is no systematic policy or practice in Lesotho for involving civil society and the private sector in policy processes. Top-down approaches to development policy management are still predominant, though there are 'spaces' where dialogue and joint action take place between government and non-state actors (see EQs 4, 5 and 6).
289. The PRSP process has helped to give a boost to the new paradigm of participatory development (see 2.2.3). The extensive consultations with all strands of civil society and communities at village level provided a structured opportunity for effective participation, but it remains unclear what follow-up will be given to this consultative process. Donors are increasingly seeking to link up with NSAs (e.g. the Commission during the development of the CSP 9<sup>th</sup> EDF) or to support their participation in major policy processes (e.g. UK Department for International Development (DFID) support for a participatory PRSP). However, there is no concerted donor strategy to strengthen and consolidate civil society as a key player in development. The 'rights-based' approach to development has still a long way to go in Lesotho. No special attention is given in the CSP/NIP to the promotion of human rights, nor are there indications that a rights-based approach to development prevails in key sectors of intervention (EQs 4, 5) or in relation to the HIV/AIDS crisis (EQ 6).

### **Vulnerability to political instability and/or conflict**

290. The major political unrest in 1998 came rather unexpectedly. This suggests that issues of vulnerability and the related risks of political instability were not adequately considered in policy-making circles, among donor agencies and in society at large. The successful resolution of the crisis, culminating in the peaceful elections of 2002, seems to have restored faith in the stability of the country and the gradual consolidation of democracy.
291. Yet issues of vulnerability remain very visible in different areas: a declining human development index, increasing poverty, high levels of unemployment, reduced income from migrant work; environmental degradation; the impact of HIV/AIDS; and so on. There is no evidence of systematic analysis or public debate or political dialogue on the potential adverse impact of these vulnerability indicators. In academic circles and during informal debates, the fundamental long-term viability of the Lesotho nation-state is raised, yet this topic seems taboo at political level. The 9<sup>th</sup> EDF CSP makes reference to the 1998 crisis, yet there is no analysis of how the Commission could contribute, directly or indirectly, to minimising the risks of political instability or new conflict in Lesotho.

### **Coverage of Commission Interventions**

292. Both strategy papers for the 8<sup>th</sup> and 9<sup>th</sup> EDFs recognise the central importance of democracy, gender equality, citizen empowerment and decentralised co-operation, but these commitments have not been developed into an intervention strategy or a robust support programme. Under the 8<sup>th</sup> EDF the Commission provided project-related support to the IEC for elections, while its activities with civil society were limited to participation in the design of some projects (e.g. water sector) or in successive multi-annual micro-projects programmes.
293. A similar low-profile approach also prevails in the CSP for the 9<sup>th</sup> EDF, despite the new Cotonou Agreement and its support for the political dimensions of partnership (e.g. political dialogue, non-state participation, conflict prevention). While the country analysis does point to a number of major challenges for democracy, the proposed portfolio of activities is highly apolitical. The only channel for addressing issues of democracy, human rights and civil society participation is a small support programme for NSAs, which has yet to be defined.

### **Evaluation Findings**

294. Lesotho is facing multiple challenges of political modernisation, including the consolidation of democracy, gender equality, decentralisation, citizen empowerment, and non-state actor participation. But in spite of these issues having been clearly identified in Commission strategy papers, there is a virtual absence of strategies and programmes addressing these important political issues.
295. It is also widely agreed that many reforms are needed to produce more accountable government, ensure an effective fight against poverty and increase the overall impact of aid. Some argue that Lesotho is a structurally vulnerable country, with doubtful medium-to-long-term viability. By paying more attention to the political dimensions of partnership, the Cotonou Agreement sought to enhance the overall relevance, effectiveness and impact of ACP-EC co-operation; yet so far the Commission has made only limited use of these innovations.
296. In the absence of major support programmes, there has been little impact and sustainability. While the support provided to the election process was appreciated by

GoL and IEC, the lack of follow-up activities reduces the impact of the project on the underlying objective of consolidating democracy. Although evaluations on the Micro-Projects Scheme are missing, it is doubtful whether this instrument has been used in a way that combines the delivery of aid to beneficiaries at grassroots level and promotion of institutional and political change.

## Conclusion

297. From a strategic perspective the Commission has not been *‘doing the right thing’* by staying almost completely out of the political dimensions of its partnership with Lesotho. The implicit choice for a low-profile, apolitical approach to co-operation is inconsistent with:

- the analysis of Lesotho’s key development challenges, as recognised in the PRSP (e.g. consolidating democracy, civic education, local democracy);
- core Commission values and development objectives (e.g. on gender equality);
- the major innovations promoted by the Cotonou Agreement with regard to the political aspects of co-operation (with the exception of a support programme for NSAs, yet to be identified).

298. A key reason invoked by the EC Delegation for this gap in the response strategy is the role played by other donor agencies in addressing critical issues on the democracy and human rights agenda. Other donors have indeed covered some of the ground, but both the number of agencies involved in Lesotho and the scope of their interventions is limited. Many important areas are left unattended (e.g. civic education, and comprehensive support to the consolidation of an active and responsible civil society sector).

### 4.2.9 Ownership, Co-ordination, Complementarity and Coherence<sup>60</sup>

<b>EQ 9</b>	<i>To what extent has the Commission ensured co-ordination of policies and programme formulation/implementation with other donor agencies and in particular the coherence and complementarity with EU Member States Programmes?</i>
-------------	---

#### Rationale for the Question

299. The Amsterdam Treaty (1992) established the three key principles of development co-operation:

- *Co-ordination*: the Community and the Member States shall co-ordinate their policies on development co-operation and shall consult with each other on their aid programmes;
- *Complementarity*: Community policy in the sphere of Development Co-operation shall be complementary to the policies pursued by the Member States;
- *Coherence*: the Community shall take account of the objectives referred to in the policies that it implements which are likely to affect developing countries.

300. The importance of the ‘3Cs’ was underlined in Lome IV(bis) as well as in the Cotonou Agreement. A pre-condition for well-coordinated activities is strong local ownership of Commission programmes and activities. Equally, ownership of

<sup>60</sup> Full details are included in Annex D: Completed Judgement Criteria Forms, which forms the basis for Section 4.

Commission-supported initiatives can only be achieved through a strong commitment and engagement by the GoL in consultation with local stakeholders.

301. The European Commission is the major donor in Lesotho (see Appendix D) and during the last few years only a limited number of bilateral EU donors remain, including Ireland, Germany and the UK. This EQ looks at the extent to which there is complementarity between the Commission and other donor interventions (e.g. Ireland in infrastructure, UK in PFM/Governance) and whether donors are working towards the joint formulation of strategies as well as programme interventions. The EQ also addresses the consistency of the European Commission's own strategy.

### **Ownership and Consultation**

302. The legacy of donor dependence in Lesotho has created a culture where local ownership of donor programmes in Lesotho is low. Ownership of Commission programmes at strategic level is seriously undermined by a lack of co-ordination between Government departments. It is debatable whether more efforts in consultation on strategy would lead to greater ownership and engagement by local stakeholders. This problem is being partially addressed by the €17.5M programme under the 9<sup>th</sup> EDF, as the project will involve training a planning cadre from a number of line ministries (see JC 2.3 Annex D).
303. In general, there has been a satisfactory level of consultation by the Commission both with Government and with civil society although consultation has not moved to the stage of engaging civil society in the development process (see EQ 8). It is noted for example that in February 2001<sup>61</sup> a seminar was conducted in relation to the 9<sup>th</sup> EDF in which 56 stakeholders participated in discussion of the CSP.

### **Donor Co-ordination**

304. Donor co-ordination can often be made more difficult when there are major historical legacies of the Member States or different strategic interests at stake. This is generally not the case in Lesotho and there is little disagreement between the major donors on where donor efforts should focus. This creates a climate for good donor co-ordination.
305. In general, there is good informal consultation between the Member States and the Delegation on the strategy and programmes, but it would appear not to go beyond this informal level of dialogue. For example, there is little evidence of joint meetings between the Member States, Delegation and key stakeholders, especially in critical areas such as public sector reform or decentralisation. Bilateral meetings are held between the donor and the Government stakeholder with little attempt by the donors to sit round the table and agree a common position and programme of activities with the GoL. It was agreed<sup>62</sup> at the workshop on the country support strategy in 2001 that there should be a single country support strategy; not individual strategies from each Member State. This has not been put into practice.
306. Some Member States have been by-passing the office of the NAO and dealing directly with the Department of Foreign Affairs. It is implied in the EC's €17.5M capacity building programme that there would be some support for strengthening donor co-ordination and for the process leading towards government-led development strategies. This has been a clear weakness in donor relations with the GoL, in that

<sup>61</sup> Workshop on the Country Support Strategy 27-28 February 2001, Lesotho Sun.

<sup>62</sup> *ibid.*

there is little effective capacity in the GoL for preparing and presenting programmes for donor funding.

307. The UNDP does not take an active role in co-ordinating donor actions in Lesotho, other than its very proactive role in supporting the National HIV/AIDS strategy. The absence of a strong World Bank presence in Lesotho has limited the effectiveness of its dialogue with the European Commission and other donors. The Commission is therefore in a very good position to take a stronger lead in the co-ordination of donor efforts

### Complementarity

308. A prerequisite for a high degree of complementarity in donor activity is a culture of lesson learning and exchange of information. However, there have been very few evaluations conducted by the Commission in relation to the 8<sup>th</sup> and 9<sup>th</sup> EDF programmes other than the brief monitoring reports. Given the high turnover of staff at the Delegation and the absence of a clearly documented lesson learning trail, there is a tendency for donor interventions to be designed from first principles each time.
309. Thus while there is good informal donor co-ordination *it is a culture of sharing information on agreed approaches, rather than agreeing on a shared approach for presentation to the GoL as a single voice*. And while there is little evidence of donor duplication, the complementarity of actions could be improved, especially in the critical area of public service reform where Ireland, the UK, and Germany all have commitments to support the process.

### Coherence

310. The Commission falls far short of overall development policy in the key areas of:
- Development of democracy and human rights (see EQ 8).
  - Involvement of NSAs in development (see EQ 8).
  - Decentralised co-operation (see EQ 3).
311. The Commission's strategies on HIV/AIDS, the environment, infrastructure development and food security have been broadly consistent with its policies although there has been little effective attempt to mainstream HIV/AIDS, food security and gender in its programmes.
312. The overall external coherence of the Commission's strategy with trade and agriculture is mixed. There are no major trade barriers between Lesotho and the EU in the agricultural sector (see JC 1.3 Annex D) and whilst Lesotho is not following the advice of the EU in negotiating an EPA under SACU, this political decision is clearly the prerogative of the GoL. In terms of wider economic development, the Commission has not pursued an effective strategy consistent with the principles of Cotonou, notably encouragement of a proactive trade policy and integration into the world economy. The Commission has effectively limited its economic development support to infrastructure, and has thus tacitly encouraged a GoL economic development strategy which takes advantage of temporary trade privileges (i.e. AGOA). The Commission has thus not pursued a policy that leads to widening of the economic base through proactive support to private sector development.

#### 4.2.10 Funding Modalities/Policy Mix<sup>63</sup>

<b>EQ 10</b>	<i>To what extent have Commission interventions been designed with the appropriate policy mix and funding modalities and managed with the appropriate implementation mechanisms?</i>
--------------	--

#### Rationale for the Question

313. The European Commission has used a range of funding modalities and interventions including technical assistance, budget support, micro-project facilities and political dialogue through a range of different beneficiaries, including Government ministries, Non-State Actors, NGOs and State agencies. The extent to which the Commission has adopted the appropriate instruments for supporting macro-economic reform has been analysed in detail EQ 2. The extent to which governance issues have been mainstreamed has been reviewed in EQ 3.
314. This question assesses the strategic choices and adequacy of the policy mix chosen by the Commission in terms of financing mechanisms, programme modalities and programme steering mechanisms. The question assesses whether the GoL had the willingness and absorption capacity to embark on these programmes and whether there has been any impediment in the financing modalities used to achieve the programme objectives.
315. This EQ also examines issues relating to programme management, with a particular emphasis on the Commission's capacity to implement the strategy in a flexible manner, including the capacity to adapt instruments to changing conditions.

#### Appropriateness of the Instruments

316. The European Commission has adopted a traditional aid approach, developing projects with key Government departments and beneficiaries. There has been little attempt to develop long-term partnerships with civil society actors or associations representing the interests of private sector development, human rights, or civic education. This same approach has been adopted in the water and transport sector with TA in support of a number of state institutions, although in the transport sector there has been a gradual move towards a sector wide approach (SWAp).
317. The Commission embarked on budget support in the 8<sup>th</sup> EDF in co-operation with the IMF's Poverty Growth Reduction Facility. The Commission has provided Direct Budget Support (DBS) with clear social targets in health and education and has combined the support with TA. However it embarked on this route without a statistical basis for verifying that the performance indicators could be met, or whether the PFM status was appropriate. Subsequent analysis of the statistical basis for the social indicators in March 2004<sup>64</sup> and the review of the PFM status in October 2002 has revealed that the achievement of the targets set by DBS, and its appropriateness as a development tool, were both questionable.
318. There has been very little use of the Regional Indicative Programme (RIP) instruments in Lesotho and this mainly reflects the general lack of GoL interest in SADC and regional integration with South Africa. Regional aid instruments available under the RIP in areas such as food security or economic integration have not been

<sup>63</sup> Full details are included in Annex D: Completed Judgement Criteria Forms, which forms the basis for Section 4.

<sup>64</sup> G Roger & S Guillemin: EU Budget Support Indicators for Social Sector (March 2004).

promoted. Equally there has not been a culture of sharing strategic issues with the European Commission Delegation in Pretoria or of developing joint programmes to address key problems of regional economic integration in areas such as water courses, transport, migration and brain drain, trade barriers, miners' redundancy, etc.

### Programme Absorption Capacity

319. The level of disbursement has been very high, as has the efficiency of disbursed funds. By the end of 2003, 91% of the 8<sup>th</sup> EDF (from €80.0M) had been committed and a disbursement of over 79% had been achieved, with a significant proportion remaining to be disbursed in 2004. The 7<sup>th</sup> EDF achieved a disbursement rate of 97%.
320. There is very high donor dependency in Lesotho and a legacy of many programmes and projects which involve capacity building. However the results of these actions have been poor, leaving a distinct impression that donor actions have been, at best, largely capacity replacing rather than capacity building. The general donor project based approach has often been detrimental to capacity building.
321. There are a number of key Government positions which require overseas technical expertise to improve the adequate functioning of Government. The Commission is supplying senior TA to the Health, Water, Transport, the NAO and Economic Planning sectors and thus has the potential to direct its influence towards implementing programmes that meet the key development targets of Lesotho as set out in the PRSP.
322. The €17.5M 5-year capacity-building project in the 9<sup>th</sup> EDF must be commended as a bold and long-term commitment to improve capacity in the areas of economic planning and statistics. While there may be some questions on the relevance of some of the components, and on the absorption capacity of the MOFDP and its overall potential effectiveness in the absence of public sector reform, it nevertheless represents a recognition that such projects require a long-term commitment by the donor.

### Management of Programmes

323. The Delegation provided an exceptionally open, committed and co-operative working atmosphere during the evaluation mission, which is also reflected in the manner in which relations are conducted with Government stakeholders and other donors. This flexible, team approach is necessary when staff resources are limited.
324. However the Delegation has been subject to a very high degree of staff turnover with a rapid succession of Heads of Delegation. The fact that the Head of Delegation also has responsibility for Swaziland reduces the profile and impact of the European Commission in Maseru. Deconcentration should lead to some increase in the staff of the Delegation. It should be noted that the intention to increase the political analysis function of the Delegation in 2004 is welcome.
325. The Delegation has adopted a traditional *needs based approach* to aid. It has chosen not to adopt the partnership approach to development which is a fundamental principle of the Cotonou Agreement. A partnership approach would lead to a much *greater influencing role by the Commission* in the political dialogue on governance issues covering public sector reform, access to justice, human rights and gender issues. It is only by adopting this approach that the Commission can move towards the long-term objective of moving away from project aid and towards budget support.



326. There is a very low-level formal system of monitoring and evaluation in the Delegation and very few sectoral or programme evaluations have been conducted. Moreover, programmes and projects have not been designed to capture baseline information for performance measurement. This creates a major constraint on assessing the impact of key interventions in the transport and water sector, but also applies to other activities such as micro-projects.

## 5 Overall Assessment of the Commission's Strategies

### 5.1 Summary of Strategic Objectives

327. Table 1 summarises the strategic objectives of the 8<sup>th</sup> and 9<sup>th</sup> EDF. The overall strategy of support to Lesotho did not change significantly over the period, with both strategies focusing on poverty reduction and sustainable development as the broad objective, the main programmes being infrastructure development and macro-economic support. The signing of the Cotonou Agreement in 2000 should have led to a marked change of approach and of the instruments used, but instead there were only small changes in the emphasis of the strategy, notably in bringing in support to NSAs and HIV/AIDS as non-focal sectors.
328. The first strategy was drafted in 1996, two years after the restoration of democracy and when Lesotho was still undergoing major adjustment after the fall of apartheid in South Africa. Donors were moving their attention away from Lesotho and changing their focus away from independence from South Africa towards greater regional economic integration. The emphasis on the first strategy was therefore cautious: *'Placing Lesotho on a more sustainable footing and promoting further integration into the world economy'*. There was a continuation of support to transport and the social sector (water and health). Some elements of the new features of Lomé IV(bis) were incorporated into the strategy including the consolidation of democracy and respect for human rights. To a large extent the strategy was continuing the *needs based approach to development* emanating from the 6<sup>th</sup> and 7<sup>th</sup> EDFs.
329. The second strategy (2001-7) was expressed with the single overarching objective of: *'Poverty reduction through more equitable distribution of economic growth and better provision of basic services'*. Transport continued to be the focal area and water replaced 'social' as the second area. Macro-economic support was introduced as a focal area with an indicative allocation of 50% of the NIP. The non-focal areas were HIV/AIDS and support to Non State Actors (NSAs).

### 5.2 Achievement of Strategic Objectives

330. Few of the interventions of the 9<sup>th</sup> EDF have been programmed, let alone started, thus it is only possible to comment on the extent to which the indicative programme can be expected to lead to the achievement of the objectives. The following broad observations can be made about the achievement of the objectives over the period of implementation 1996-2001.
331. The overall achievement of the objectives is a mixed picture, but a large part of the assessment cannot be quantified because there has been so little baseline assessment of the position before the Commission interventions, and few evaluations of impact during the lifetime of the projects, other than the periodic monitoring reports. Although assessment of achievement when there is no measurement of the 'before' and 'after' status is difficult, the following broad conclusions can be drawn.

#### (a) Positive achievement of Objectives

332. Commission interventions in the **transport sector**<sup>65</sup> have improved physical access to rural areas and have thus contributed to the *poverty alleviation objective* in a broad sense. Moreover, significant direct short-term employment has been generated in rural areas. But there is little evidence of any demonstrable long-term employment created by facilitation of economic activity. At an institutional level, the

<sup>65</sup> See Section 4.2.4.

Commission's approach has been strategic and aimed at supporting a sector-wide approach in partnership with other funding agencies. The Commission is likely, under the proposed actions of the 9th EDF, to give significant support to GoL's institutional capacity to develop and implement a sectoral approach to road transport infrastructure.

333. Commission interventions in the **water sector**<sup>66</sup> have not had a ***demonstrable impact on poverty alleviation*** by increasing access to water and there are increasing pressures on demand, despite a national surplus of water. Although the degree of achievement of the objective has been low to date, the ongoing activities have the potential for very high impact.
334. In particular, the lowland feasibility studies currently in progress, combined with the TA to the Water Commissioner initiated in late 2003, will contribute towards a ***strategic approach*** to national water resources management, reinforce co-ordination between the different institutions dealing with water and sanitation, and thus have the potential to improve the efficiency of national water resources development. In order to achieve the objective of supporting improvements in the water sector, the considerable capacity and skills constraints across all institutions will need to be addressed.
335. The Commission's support to the **health sector reform programme** (HSRP) has encouraged the creation of an appropriate basis in systems, roles and strategy for the future decentralisation of health and social care. Whilst this has not specifically focused on HIV/AIDS, it has the potential to support such programmes. Moreover, the programme's work on information management has started to contribute to greater understanding and measurement of the health status of the population. The HSRP is also starting to address HIV/AIDS at ***district level*** from 2004 and is thus an entry point for testing the effectiveness of decentralisation of health care, and potentially also a pilot for greater decentralisation of Commission interventions.
336. In terms of **economic planning support**<sup>67</sup>, the Commission has played an important influencing role through its technical assistance programme, and the overall macroeconomic framework of Lesotho is sound with stable fiscal and monetary policies and an increasing emphasis on social (education and health) expenditure.

**(b) Poor achievement of objectives:**

337. The Commission has not contributed to the objective of **diversification of the economic base** of Lesotho; efforts to support high value horticulture and livestock have not been a success, and the Commission has been singularly absent from any attempt to develop the private sector, other than the use of risk capital by the EIB towards the building of factory shells. Commission interventions have not directly addressed either the creation of employment through entrepreneurship activities, or stimulation of private sector development activities, or dialogue at regional level. The Commission has not played a strategic role in supporting the enabling environment of the private sector or strengthening its voice in the formulation of Government policy.
338. The Commission has not played a significant role in working towards the **promotion of democracy and respect for human rights** and has not engaged in dialogue with Government to address key areas such as promotion of gender rights or regional integration.

---

<sup>66</sup> See Section 4.2.5.

<sup>67</sup> See Section 4.2.1.

339. The Commission has not actively sought to **engage NSAs in the process of development** and has been very tentative in adopting the strategy set out in the PSP of a: *'decentralised approach which will build up local capacity and accountability and broaden the democratic base of society'*<sup>68</sup>.
340. The Commission followed the lead set by the IMF in introducing **budget support**<sup>69</sup> in the 8<sup>th</sup> EDF. It pursued this approach, which was consistent with the general Commission policy of moving towards budget support so as to encourage greater local ownership and Government-led programmes. This change also reflected concerns about the legacy of aid dependency in Lesotho created by technical assistance with limited evidence of sustainable impact. However, the Commission embarked on budget support in the expectation that, first, the PFM status was supportive and, second, that data in the health and education sectors was adequate.
341. In pursuing budget support, insufficient attention was given to the 'accountability chain', including support to the Directorate of Corruption and Economic Offences (DCEO), Ombudsman, Public Finance Committee and Non-State Actors. Thus the Commission is not in a position to ascertain whether the PRBS is leading to an effective improvement in health and education. Moreover, there are few signs of a commitment to improvements in PFM that would justify continuing with budget support.
342. The response to the problem of **institutional capacity** can also be considered to be poor. The Commission's analysis and GoL documents have identified a number of Government capacity issues as being more of a governance nature than a capacity problem as such and, as stated in both the PRSP and Vision 2020, major reform of the public service is needed. Thus the design of an ambitious capacity building programme without an underlying emphasis on improving governance and reform of the public service is unlikely to have a significant impact.

### 5.3 Effectiveness and Efficiency of the Commission's Use of Means

343. The non-achievement of some of the strategic objectives partly reflects some external factors in the strategy-making environment (see 3.2). In particular, during the formulation of the 8<sup>th</sup> EDF in 1996 no appropriate local policy framework was available to the Commission. Similarly it must also be recognised that by 2001 key policy documents (PRSP, PSIRP and Vision 2020) were all in draft form, and indeed still were in March 2004. Thus the overall effectiveness of the Commission's response strategy has been significantly undermined by the lack of a GoL policy-making and implementation framework.

#### Project Implementation

344. The rate of disbursement under the 8<sup>th</sup> EDF has been comparatively high, especially in the transport sector (see Table 4.1 in Annex D), with over 80% of the programme committed<sup>70</sup>, and disbursement expected to be around 75% by the end of 2004. Thus the overall efficiency of project implementation in terms of disbursement has been satisfactory.
345. The local environment has created difficulties in disbursement in the 9<sup>th</sup> EDF due to the inefficient and centralised Government disbursement systems and, more important

<sup>68</sup> EC: Lesotho Country Strategy Paper 2001-7.

<sup>69</sup> See Section 4.2.2.

<sup>70</sup> Programmable budget excluding PRBS.

still, delays in key policy decisions (e.g. decentralisation with Health Sector Reform Programme), in the completion of PSIRP, and so on.

346. The implementation of some of the key water projects has been subject to considerable delay and much of this, especially in the case of the Six Towns Water Project (Phase I and II), has been partly attributed to the difficulties of EDF procedures. These delays have meant that some aspects of design will be out of date by the time the project is implemented.

### **Budget Support**

347. Budget support has not had the intended effect of improving the PFM status of Lesotho, and the Commission's objectives have not been achieved using this instrument. Nevertheless it should be recognised that the implementation of the instrument of budget support has identified issues of PFM and the wider issue of governance and public accountability that had hitherto been ignored by donors.

### **Regional Budget Lines**

348. There has been very little use of the RIP instruments in Lesotho, and whilst this mainly reflects general lack of interest by the GoL in SADC or in regional integration with South Africa, the Delegation has not been effective in promoting available regional aid instruments in areas such as food security or economic integration.

### **EIB- Risk Capital**

349. The EIB risk capital facility has been effective and complementary to other Commission strategy components. In particular, the support to Muela Hydropower plant through risk capital funds has been a strategic initiative for Lesotho, and potentially opens up for the Commission the possibility of developing a national water resource strategy. EIB risk capital support to the LNDC (factory shells) has also been crucial in promoting growth of foreign investment in the employment generating textile sector. EIB funds have acted as an important catalyst in supporting the LNDC's activity.

### **Cross-Cutting Themes**

350. In general, *crosscutting themes have been poorly mainstreamed* into Commission programmes. This is especially true with regard to the growing HIV/AIDS pandemic. There is little evidence of the interventions being *designed* to take the pandemic into account. During project formulation and programme implementation collection of baseline information, targets and indicators relating to HIV/AIDS have been poor. Only those interventions specifically concerned with HIV/AIDS (Health Reform Programme) contained relevant baselines. In the *implementation* of Commission projects, mainstreaming has been of mixed quality. In some cases (e.g. health sector reform support), HIV/AIDS has been mainstreamed into district level activities, but on the whole this has consisted of an "add-on" and was not properly integrated into the various activities (e.g. transport).
351. The emerging seriousness of the *food security* situation in Lesotho has not been reflected in consistent mainstreaming of food security-related performance indicators. This is equally the case for most Commission interventions designed and implemented since 2000, when food security policy guidelines had been established.
352. While reports from the Delegation record general progress in *gender equality* in Lesotho, in terms of employment opportunities the Commission has not adequately

addressed the fundamental problem of the removal of the discriminatory law which leaves a woman with the status of a minor. Such a situation is contrary to the core development values of the European Union. The issue can only be addressed if the Commission takes a more proactive role in placing this issue at the centre of the Commission's programme of assistance during the process of dialogue.

## Dialogue

353. The level of dialogue with other donors has been informal but effective. There has been good complementarity of actions with those of other Member States in general, and especially in the area of infrastructure. But there has been insufficient attention to developing a lesson learning culture with other donors and developing joint programmes with the GoL, especially in the area of public sector reform.
354. Many reforms are needed to produce more accountable government in Lesotho and to ensure an effective fight against poverty and increase the overall impact of aid. The Commission has not paid sufficient attention to the political dimension of partnership which is an integral part of the Cotonou Agreement.

## 5.4 Overall Assessment

355. *The overall relevance of the Commission's strategy to the GoL policy is generally good.* At the time when the 8<sup>th</sup> EDF was formulated, the country was in a policy vacuum and the focal areas of transport, water and health were relevant to the stated needs of Lesotho. The emphasis on labour-based methods under the RTIP has also been in line with GoL objectives. Thus the Commission's strategy has responded well to the policy needs expressed by the GoL. Equally, there is general support by Basotho stakeholders for the emphasis that the Commission has placed on infrastructure development.
356. But in addressing the needs of Lesotho *in terms of supporting strategies to increase employment* to cope with the decline in the number of Basotho jobs in the South African mines, *the relevance of the Commission's strategy is more questionable.* The Commission has effectively left this area to the AGOA initiative and has produced few alternatives other than supporting infrastructure development and providing risk capital through the EIB. Furthermore, the Commission has not been active in addressing the need to integrate the economy of Lesotho with that of South Africa, or in promoting dialogue on programmes in support of redundant miners. The Commission has not been active in addressing the HIV/AIDS pandemic. Thus in relation to GoL policy - which has been inactive in these areas - the relevance of the Commission's strategy has been sound, but in terms of the wider country needs the relevance is poor.
357. There is good consistency between the stated objectives of the PSP, CSP and Commission policy as set out in EU treaties, development policy and the Cotonou agreement. *But when the intentions of the CSP (2001-7) are translated into planned actions and programmes, they fall short of the new emphasis set out in Cotonou.* In particular very little has been programmed to support or explore decentralisation, nor has there been much attempt to promote civil society in the process of development. There has been very little tangible action with regard to the trade pillar of Cotonou or in support of private sector development.
358. The overall conclusion is that the European Commission has in many cases done things well, especially in the area of infrastructure. Thus the *transport programme* funded under the 9th EDF has a number of positive design features and is moving towards institutional support for a sector wide approach. The Commission is helping

Lesotho develop a strategy for the *water and sanitation sector in the lowlands*, which should have long term benefits, including access to water, a basic human right and a fundamental means of reducing poverty. Moreover, the Commission is in a strong position to take the lead in the development of a national strategy for the water sector.

359. Furthermore the technical assistance to *economic planning and the health sector* has the potential for supporting a locally-owned poverty reducing (and decentralised) development programme in line with the PRSP and the Commission's development strategies.
360. But the Commission *has not progressed from a needs based aid culture to a partnership approach* which involves supporting a more strategic approach to development in Lesotho. Such an approach would involve greater attention to governance and the 'accountability chain' so that aid can move away from projects to budget support. It would also require less 'project management' and a greater involvement in dialogue with Government and non-state actors with a proactive contribution towards the promotion of human rights - especially gender equality - and the consolidation of democracy.

## 6 Recommendations

### 6.1 General Orientation of the European Commission Strategy

361. The strategy of the Commission in the 8<sup>th</sup> EDF has in broad terms been consistent in supporting Government policies. But in the 9<sup>th</sup> EDF this *needs based approach* has continued and as such does not reflect the change in approach enshrined in the Cotonou Agreement. A change in direction of the assistance strategy is therefore needed with *more emphasis on the software* of effective co-operation (including support to democracy, civil society development and improved accountability along the chain) *to complement the hardware* of infrastructure development. The recommendations set out below envisage *a change in approach to development assistance* as well as changes in some key areas of the strategy. Five key strategic recommendations are presented; the first one addresses approach and style, and the others the substance of the strategy. Recommendations are also presented in the two focal areas of transport and water, and in the non-focal area of HIV/AIDS.

#### 6.1.1 Adopt a More Strategic Approach to Development in Lesotho (section 4.2.10)

362. The Commission's response strategy for the 8<sup>th</sup> and 9<sup>th</sup> EDFs was based on incomplete information and on Government policy documents which were in draft only. While the PSIRP remains incomplete, the final version of the PRSP was imminent in March 2004 and once approved by Government, the Commission should work towards supporting Government-led donor interventions. But while the PRSP should be explicitly placed at the centre of the Commission's programming, the *Commission needs to respond* to the PRSP in a *strategic way*. This implies a change in approach in the following respects:

- *Adopt a partnership approach in line with the principles of Cotonou*, including political dialogue in the implementation of all aspects of the PRSP and in the respect for essential values underpinning the partnership (such as gender equality). A strategic and proactive application of Article 8 of the Cotonou Agreement is needed because of the lack of Government commitment to implement key policies effectively (e.g. PSIRP; gender mainstreaming including legal reform; HIV/AIDS, etc.) which is undermining the achievement of several components of the co-operation strategy with Lesotho (e.g. macro economic reform through budget support, and the capacity building programme with MOFDP).
- *Refine the overall Commission poverty reduction strategy based on human rights and good governance* for Lesotho. A more sharply conceptualised framework for guiding Commission interventions in the fight against poverty is required. This should ensure that the right choices are made in the evolution of sector programmes; in ensuring stronger linkages between promoting human rights (e.g. gender equality) and poverty reduction; in complementing investments in governance with the development of a different democratic culture; and in a better understanding of the transformation potential of civil society and of the decentralisation process (e.g. in achieving more democracy, better governance; and more local ownership).
- *Move away from a culture of aid and project administration towards knowledge management*, whereby the Commission becomes a strategic player with specialised knowledge and expertise; with a capacity to respond adequately to key policy changes (e.g. trade liberalisation; decentralisation; food security threats; vulnerability indicators, etc.); and with the capacity to exercise leverage



when needed for achieving the objectives of Lesotho-Commission co-operation (e.g. to ensure effective application of key values underpinning the partnership).

- ***Move away from an aid-oriented approach to supporting civil society*** (e.g. through micro-projects) towards the integration of non-state actors in Lesotho-Commission co-operation as enshrined in the Cotonou Agreement. To support the potential of non-state actors, the Commission should build long-term partnerships with civil society organisations, independent watchdogs, and research institutions.
- ***Ensure better integration of interventions at local, national and regional levels.*** At present the local dimensions of development (e.g. local democracy, decentralisation, local economic development; local governance, etc.) are poorly integrated into the overall strategy - despite their key importance in a comprehensive fight against poverty.
- ***Give greater recognition of the landlocked status*** of Lesotho, and increase the dialogue with the Government of Lesotho and the Delegation in Pretoria to develop joint programmes of assistance covering regional economic integration.
- ***Undertake a more thorough analysis of where the Commission can add value,*** co-ordinate the actions of Member States and co-fund their actions where appropriate.

### **6.1.2 Place Governance at the Centre of the Commission's Development Strategy (section 3.5.4)**

363. Good governance is key to ensuring the effective functioning of democracy; and to the improvement of public sector management in the interests of reducing poverty. ***The Commission should increase its political dialogue with GoL on governance issues*** using the recently committed €17.5M capacity building project as the entry point, and at the same time:

- ***Take a leading role in co-ordinating donor efforts in support of public sector reform*** (PSIRP process) and support the commitments of Member States, notably DCI (Ireland) in institutional reform, DFID in PFM, and GTZ in decentralisation.
- ***Conduct a systematic analysis of the benefits and disadvantages of the envisaged decentralisation process,*** including its potential contribution to achieving key objectives of Lesotho-Commission co-operation (e.g. poverty alleviation; local democracy and governance; sustainable development). On the basis of this analysis, it should consider supporting other donors in the implementation of a decentralisation policy with pilot actions.
- ***Recruit an in-house Governance Adviser*** in the Commission Delegation.

### **6.1.3 Rebalance the strategy towards the 'accountability chain': democracy, human rights and civil society participation (section 3.5.4)**

364. The European Commission should:

- ***Explore possible entry points for strategic and well-targeted support to democracy, human rights and civil society participation;***
- ***Develop a much more ambitious and pro-active approach to promoting gender equality,*** making use of its capacity for leverage through political dialogue and review processes;
- ***Consider the use of other instruments*** (such as the planned NSA programme) in support of the advocacy work of civil society organisations specialising in gender issues.

- **Ensure that the NSA support programme is designed as a tool to promote democracy and human rights**, as well as the consolidation of civil society as a key player in relevant areas of the development process (the latter should complement the Commission's governance programme, as there is a need to improve accountability at all levels, and effective civil society watchdogs can play a critical role in this regard); and
- **Broaden the approach to cover key democratic institutions**, such as the Independent Electoral Commission, the Ombudsman and the Directorate of Corruption and Economic Offences (strategic partnerships with these institutions could help to consolidate democracy and improve the accountability chain).

#### **6.1.4 Redirect Budget Support** (*section 4.2.2*)

365. **The Commission should not continue with budget support in the 9<sup>th</sup> EDF as currently programmed.** Any future Budget Support offered should be conditional upon the achievements of agreed PFM milestones.
366. The Commission should require the Ministry of Finance to produce a detailed PFM action plan based on the October 2002 PricewaterhouseCoopers (PWC) Report and closely monitor progress once a commitment to implementation of the recommended action plan has been demonstrated.
367. The indicative allocations for Budget Support from the 9<sup>th</sup> EDF should be reviewed along with other current programme commitments. It is recommended that the water sector is given priority in any reallocation.

#### **6.1.5 Take a more proactive role in regional economic integration, especially with regard to private sector development** (*section 4.2.1*)

368. **The Commission should play a more proactive role in promoting entrepreneurship and development of the business environment.** As a first step the Commission should undertake a review of its private sector development strategy, which would include:
- An analysis of the potential for existing Commission instruments in support of private sector development (including Proinvest, EBAS) and the potential for SME support (e.g. SME risk capital) instruments.
  - An analysis of the institutional environment for supporting the private sector and identifying priority areas to strengthen the voice of the private sector in policy formulating processes.
  - An analysis of the potential for linkages and clusters between the SMME sectors in South Africa and Lesotho, and the potential for RIP/SADC support.
  - An analysis of the potential role for SADC in supporting private sector development and promoting Commission instruments in Lesotho.
  - An analysis of potential co-operation with South Africa in the development of social investment programmes to enable the mines to continue to work with the redundant mine workers.

#### **6.2 Management of the Strategy**

369. The Commission Delegation in Maseru should (i) appoint a Governance Adviser to support the Delegate on the political dialogue on governance and public sector reform issues, and play a key role in co-ordinating with other donors on PSIRP activities as well as reviewing progress in PFM and the capacity building project; (ii) appoint an Engineering/Infrastructure Adviser with experience in hydrology (to enable the Commission to take a lead role in the development of the donor support to this sector and facilitate international dialogue, especially with South Africa and to ensure that

the Commission has a strong presence); and (iii) hire local expertise to assist in developing and implementing a comprehensive strategy towards supporting civil society development in its dual role of service provision and advocacy.

370. The European Commission must ensure that baselines are established for all interventions, that actions are mainstreamed for HIV/AIDS (see below) and that all major interventions are subject to periodic evaluation and impact assessment. A lesson learning culture should be fully integrated into the management of interventions and this process should be co-ordinated with other donors.
371. The European Commission should play a more pro-active role in promoting the application of the '3Cs' (co-ordination, complementarity and coherence) to enhance the overall effectiveness and impact of donor support. In view of the Commission's limitations in staff and capacity, more jointly-managed co-financed projects should be considered, especially with EU Member States (e.g. DCI and DFID in the justice and public sector reform programmes; GTZ in the decentralisation programme). The Commission should work towards a single strategy for Lesotho with Member State components, as agreed at the February 2001 CSP workshop.
372. The European Commission should assist the SADC National Co-ordinating Unit in Lesotho in raising the profile of ongoing regional initiatives covering Lesotho (such as those in HIV/AIDS and food security), as well as future programmes, by supporting the Unit's engagement and dialogue on the design of these programmes, and on their monitoring and performance assessment.

### **6.3 Recommendations by Sector**

#### **6.3.1 Water (section 4.2.5)**

373. The European Commission strategy for the water sector in Lesotho is moving in an appropriate direction and the provision of safe drinking water is having a major impact on poverty alleviation. The Lowlands WS feasibility study will affect the majority of the population, including all types of consumers (domestic, urban, industry) and offer the opportunity of defining a comprehensive water resource management and development plan for Lesotho. It will enable the Commission to take a strategic role in the development of Lesotho's water supply.
374. The Commission must recognise that policies owned, led and implemented by GoL require considerable capacity building for the duration of the 9th EDF. Capacity building is required to improve and develop the technical and managerial capabilities of all the water institutions and enable a move towards greater decentralisation of decision-making processes.
375. A strategic approach to the water sector involves three key aspects: (i) a national strategic plan; (ii) support to strategic analysis, and (iii) strengthening of dialogue with South Africa. In the short term extension of support for on-going projects should be considered, pending the development of strategies led and owned by the Government.

### **(1) Extend the Scope of the Lowland Water Supply Feasibility Study and Produce a National Water Resources Plan**

376. The existing lowlands water supply study has carried out three-quarters of the analysis towards a national water resources study and should therefore be extended to make possible the production of a National Water Resources Masterplan<sup>71</sup>. This Masterplan would provide the following:

- Analysis of the current situation regarding lowland water supply and constraints;
- Analysis of long term (20 years+) projected demand arising from increasing migration, economic growth and industrial development;
- Comprehensive analysis of the water 'reservoirs' in the highlands and the potential to transfer water from highland basins to the lowlands;
- Analysis of the water courses shared with South Africa;
- Recommended strategic options for long term investment requirements for national water and sanitation needs.

### **(2) Support Analysis of all data relating to the management of Water Resources and Needs**

- The lack of capacity to undertake data analysis and monitoring of investment projects requires urgent attention. The proposed National Water Resource Masterplan will involve major investment implications which will require collection and analysis of baseline information as well as monitoring of the projects.
- The Commission needs to assist all water agencies in introducing a culture of formal monitoring of all new and completed projects in the water sector in accordance with Commission guidelines.

### **(3) Develop a formal dialogue to facilitate regional co-operation in the sharing of river basin resources**

- The Commission should take a proactive approach in strengthening and encouraging joint planning and management initiatives on shared river basins with South Africa (e.g. LHDA/ Caledon River).

### **(4) Short term: invest further in on-going project activities**

- The Commission should be working towards supporting a nationally owned and led water sector strategy for the 10<sup>th</sup> EDF. But in the short term, there is an urgent need to improve access to water and sanitation in the lowlands. The Commission should therefore give consideration to extending the scope of the on-going activities including the Six Towns Water Project and the Maseru Waste Water Project.

#### **6.3.2 Transport** (*section 4.2.4*)

377. The Commission is supporting a sector wide approach (SWAp) with other sector funding agencies. This implies a gradual move towards programmes that are Government-led in design and implementation, as well as a unified public expenditure framework for local and external resources. However it is recognised that

---

<sup>71</sup> It has been brought to the attention of the CSE Team after the field visit in March 2004 that the World Bank is planning to produce a Water Resources Management Plan in 2005. The design of any Commission interventions should therefore be reflected in these plans to avoid duplication.

implementation of the SWAp is a gradual process and is being supported through Commission-financed TA.

378. Thus, the key to the Commission's strategic approach for the transport sector should be to work in partnership with the GoL to broaden local ownership of the formulation and implementation of policies and work towards having more of a facilitating role and less of an implementation role.
379. But as in the case of the water sector, the Commission must recognise that capacity building using external TA will be required for some time. The following key five areas need to be addressed by the Commission in dialogue with the GoL:

### **(1) Strengthening of SWAp & Institutional Reform**

- The GOL should be urged to endorse draft sector policies as soon as possible and commit itself to the formation of a national road agency (with a clear timetable for establishment with the aid of supporting legislation).
- The GOL and funding agencies should be encouraged to review all outstanding and pending legislation and agree a timetable for enactment, preparation of regulations and implementation arrangements plus a timescale for action. Commitment to the implementation of national sector policies and strategies should be publicly stated by Government and funding agencies, with agreed milestones towards full implementation and joint periodic review of progress by government and sector partners. The Commission should consider supporting the launch and early operation of the new institution.
- The GoL should be encouraged to examine road and rail investments more holistically with inter-modal analysis in connection with the proposed upgrading of the container-handling facilities at the Maseru railhead.
- The Commission should support the GoL in defining responsibility for urban roads, especially in the light of proposed decentralisation measures for local government; this definition should realistically take into account institutional capacities and proposed decentralised responsibilities.
- While in principle the Commission should support the beneficial employment generation effects of labour-based road construction, there needs to be careful consideration of the absorption capacity of the Department of Rural Roads.

### **(2) Financial Management of the Road Fund**

- The Commission should support the GoL in an agreed programme of phased increases in RF resources which would be a requirement for donor funded capital investment. All sector maintenance funding should be channelled through the RF and this should be preceded by a strengthening of RF financial management systems to ensure that the RF can adequately assume its responsibility for allocating funding to different agencies.
- The Commission should support policies of sound financial management of the RF with the assistance of the Governance Adviser.

### **(3) Sustainability: Capital –v –Maintenance Budgeting**

- The Commission should assist the GoL in reducing fungibility between capital works and maintenance by assisting with the development of procedures for allocating the recurrent and capital budgets for the GOL and funding agencies to ensure optimal sharing of limited funds between capital works and maintenance.

### **(4) Private Sector Development**

- The current programme of contractor development should be supported, while concurrently re-energising the stated policy of phasing out of force account operations. There should also be development of the capacity of local consultants, particularly in connection with design and supervision of LB works and support should be given to a national contractors association. Sector procurement should be independently reviewed annually for compliance with accepted best practice and transparent procedures.

### (5) Regional Integration

- There should be increased efforts at bilateral co-ordination of road sector programmes between RSA and Lesotho, facilitated by the Commission.

#### 6.3.3 HIV/AIDS (section 4.2.6)

380. Programmes to address the HIV/AIDS pandemic in Lesotho are absolutely fundamental to overall progress in social and economic development. The implication of the strategic approach recommended is that ***HIV/AIDS should be addressed as a governance issue*** and placed at the centre of the Commission's development strategy. Consideration should thus be given to making HIV/AIDS a focal sector for the 10<sup>th</sup> EDF

381. A strategic approach to HIV/AIDS implies the following key recommendations:

- Address HIV/AIDS as a Governance issue.
- Reflect HIV/AIDS in the dialogue process with Government and Regional Integration.
- Mainstream HIV/AIDS into all Commission interventions.

#### (1) HIV/AIDS as a Governance Issue

382. The approach of the Commission should fully recognise the impact that HIV/AIDS is having on all areas of Government policy and public administration in the following key areas:

- ***Capacity Building:*** The Commission should develop an approach in the capacity building programme<sup>72</sup> which promotes understanding of the impact of HIV/AIDS on economic development planning (through statistics, economic/manpower modelling, and sectoral programming and monitoring components) as well as ensure that the institutional strengthening and planning cadre components include policies to address HIV/AIDS in public sector administration.
- ***Decentralisation:*** The Commission should explore extending pilot support to HIV/AIDS solutions as part of its support to decentralisation policy, building on the lessons learned from the current health sector project, thus integrating HIV/AIDS into more effective local governance and service delivery.
- ***Public Sector Performance and accountability:*** Consideration should be given to supporting the development of indicators which include reporting and performance assessment of HIV/AIDS activities financed by all GoL Ministries. These indicators could be used for the release of future budget support tranches.

#### (2) Dialogue /Regional Co-operation

<sup>72</sup> See JC 2.3 Annex C for the Programme components

383. The Commission should play a more proactive role in promoting regional co-operation on HIV/AIDS, especially with South Africa, and encourage building on the lessons learned from existing regional programmes to generate greater involvement by Lesotho in multi-stakeholder participation and service delivery solutions.

### **(3) Improving the mainstreaming of HIV/AIDS into EC programmes**

384. The HIV/AIDS agenda should be made an integral part of all European Commission assistance, with an allocation of a percentage of each intervention budget (5-10%) to HIV/AIDS activities. The emphasis of the budget allocation should be on raising awareness and counselling. The Commission should design guidelines for budget allocations which might include funding of activities outside the intervention area (e.g. food security/livelihood measures<sup>73</sup>). The following principles should apply:

- Commission funding should not replace GoL budget commitments and activities on HIV/AIDS within Ministries, or pre-empt GoL delivery of services.
- Emphasis should be placed on working in partnership with local stakeholders and organisations to design appropriate actions and promote sustainability.
- All interventions should include baselines and performance indicators on HIV/AIDS, and monitoring of how each intervention is meeting those performance indicators should take place.

---

<sup>73</sup> See JC 7.1 Annex C





## TERMS OF REFERENCE FOR AN EVALUATION OF THE EUROPEAN COMMISSION'S COUNTRY STRATEGY FOR LESOTHO

### 1. Introduction: Framework and Objectives of the study

Systematic and timely evaluation of its expenditure programmes has been defined as a priority of the European Commission (EC), as a means of accounting for the management of the allocated funds and of promoting a lesson-learning culture throughout the organisation. Of great importance also, particularly in the context of the programmes of the External Relations Directorates-General, is the increased focus on *impact* against a background both of greater concentration on results-based management and of encouraging partner Governments to focus their policies better.

The Commission Services have requested the Evaluation Unit of the EuropeAid Co-operation Office to undertake an Evaluation of the European Commission's country strategy for Lesotho. The present evaluation is part of the 2003 evaluation programme as approved by the Board of the EuropeAid Co-operation Office.<sup>74</sup>

The primary objective of this evaluation is to provide the Commission with key findings and lessons of experience from the Commission's past (1995 - 2002) and current (2003 - 2007) co-operation with Lesotho. Taking account of Lesotho's political, economic, social and environmental framework, it will present those findings and lessons, along with a set of detailed and operational recommendations, in a report designed primarily to provide the Commission's policy-makers and managers with a valuable aid to the implementation of the past and current strategies.

### 2. Background

Within Sub-Saharan Africa (SSA), Lesotho's situation is unique. Small in size, mountainous, landlocked, surrounded by the region's largest economy, Lesotho has few exploitable natural resources, strictly limited agricultural potential and a people that have developed a strong culture of wage employment. From the late nineteenth century Lesotho has been regarded as a labour pool for the mines in South Africa, and the resulting employment provided sustainable livelihoods and general household security. However, the importance of this form of employment has declined as the number of migrant miners employed in South Africa has almost halved between 1994 and 2001.

The level of poverty in Lesotho is assumed to be highest in the mountainous areas, although steady migration in search of employment towards (peri-) urban areas is resulting in increasingly high levels of poverty in the lowlands. Access to and provision of basic social services, in particular water and sanitation, health and education, is acknowledged by the government as critical for economic and industrial growth. However, the incidence of HIV/AIDS is a growing concern as it will erode household resource security and certainly lead to sharply increased poverty.

---

<sup>74</sup> The 2003 evaluation programme can be consulted on the Web page of the evaluation unit

**Lesotho (World Development Indicators)**

<b>Selected indicators</b>	<b>1994</b>	<b>1999</b>
Population (million)	1.95	2.11
Population growth rate (%)	2.1	2.1
Life expectancy at birth (years)	57.9	55
Adult literacy rate (%)	70.5	83
Human Development Index (ranking)	137	127
GNP per capita (US \$)	670	550
GNP constant market prices (LSL millions)	737	750
External and domestic debt / GNP (%)	45	62
External debt / GNP (%)	2	4

Between 1975 and 2000, EC financial assistance to Lesotho amounted to €286 million, of which 99% was committed by end-2001 to project/programme activities and approximately 71% was disbursed. The allocation for the 8th EDF (from 1995 onwards) was €61.5 million, with an addition of €18.5 million for Structural Adjustment. The agreed focal areas were limited to road transport infrastructure and social sectors (water supply, community development and health). Other support included assistance for the management and administration of EDF programmes and for strengthening macro-economic and development policy analysis. The CSP 2001 – 2007 covering EC assistance under the 9th European Development Fund (EDF) focuses on the two areas: Provision of water and sanitation and Improvement of the transport sector. Macro-economic support and capacity building will accompany this assistance, with EC funding being linked to GoL service delivery in education and health, and in the achievement of targets specific to improved public expenditure management and public sector reform. The indicative allocation for the 9th EDF is €110 million (A-envelope: €86 million).

**3. Scope of the evaluation**

The main coverage of this evaluation will be:

- an *evaluation* of the EC co-operation strategy with Lesotho, and its implementation over the period 1995- 2001
- an *evaluation* of the relevance, logic and coherence, as well as the intended impacts of the EC country strategy and NIP for 2001-2007.
- The results of the above evaluation and assessments will (i) be fed by the Commission Services into the next programming round, and (ii) form the basis for a contribution to a framework for eventual final and *ex post* evaluations of the 2001-2007 Country Strategy and associated programmes.

#### 4. The Evaluation's Basic Methodology and Approach

The basic approach to the evaluation will consist of three *main phases*, encompassing *five methodological components* at the core of which is a set of *evaluation questions* (see 4.3)

##### 4.1 Three Main Phases

- ❶ Desk Phase<sup>75</sup>
- ❷ Field Phase
- ❸ Final Report-Writing Phase

##### 4.2 Five Methodological Components<sup>76</sup>

- ❶ Structuring of the evaluation
- ❷ Data Collection
- ❸ Analysis
- ❹ Judgements
- ❺ Dissemination and feedback

##### 4.3 Evaluation Questions

The Evaluation of the Strategy and co-operation programme should be based on a set of Key Evaluation Questions (normally a maximum of around 10). The questions are identified in the first instance by the evaluation team after examining key documentation and after a round of bilateral meetings in Brussels and contacts with the EC Delegation in the field. For each Evaluation Question at least one Judgement Criterion should be identified, and for each such criterion appropriate quantitative and qualitative Indicators should be identified and specified.

The Evaluation Questions, Judgement Criteria and Indicators are first discussed and agreed with the Evaluation Unit, and the Reference Group (see point 5 below) and are validated by the Evaluation Unit.

The choice of Evaluation Questions determines the subsequent phases of information and data collection, methods of analysis, and derivation of final judgements.

In addition to the specific judgements on the Evaluation Questions but based on them, the evaluators shall arrive at an overall assessment of the EC co-operation programmes and strategies with Lesotho.

##### 4.4 Reports

The following outputs will be produced during the evaluation (they are described in more detail in section 7):

- Launch Note
- Inception Note
- Desk Phase Report
- Final Report
- (Power Point) Presentation of the evaluation for dissemination seminars

<sup>75</sup> It includes interviews in Brussels and could include a short mission to the country

<sup>76</sup> These components are not entirely sequential

## 5. Responsibility for management and monitoring of the Evaluation

The primary responsibility for the management and monitoring of the evaluation will rest with the Evaluation Unit of the EuropeAid Co-operation Office.

The progress of the evaluation will be followed closely by a *Reference Group* consisting of members of the Relex family services as well as other relevant Directorate Generals under the chairmanship of the Evaluation Unit.

The Reference Group will in practice act as the main professional interface between the Evaluation Team and the Commission Services. The Group's principal function will be:

- to discuss the Terms of Reference;
- to discuss the inception note and subsequent notes and reports produced by the consultants;
- to provide the consultants with information and documentation;
- to advise on the quality of work done by the consultants;
- to assist in assuring feedback of the findings and recommendations from the evaluation into future programme design and delivery.

## 6. The assignment

In accordance with the basic approach set out above in section 4, and in order to answer the evaluation questions and produce an overall assessment, this section accounts for the main issues to be covered by the evaluation

### 6.1 The logic and hierarchy of objectives

The consultants shall identify and explain in a logical diagram the hierarchy of strategy and programming objectives at the various levels in terms of their intervention context and logic. They should give a short preliminary assessment of their relevance both to the Commission's more general objectives and to the country's priorities; assess the intended results of each objective, indicating how these intended results fit within broader and changing contexts (economic, political, sociological, cultural, environmental). The consultants should also identify the assumptions, risks, and conditionalities attached to each objective.

The logical diagram will help in identifying the main areas for the evaluation questions and in determining the areas where EC programmes were/are supposed to impact (it will also help in assessing the changes that occurred in those areas).

### 6.2 Identification of Evaluation Questions

In general answers to questions will cover the following main areas

- Design and relevance of the strategy/programme: it includes relevance to the EC general objectives, relevance to the country needs and priorities, consistency between the strategy and the NIP.
- Achievement of main objectives: an assessment of how far the intended outputs and results were achieved (including performance against the indicators set out in the Indicative Programme) - (*this is country-specific and the logical diagram should help in identifying the appropriate questions*). This area should relate to the focal sectors in the Strategy/NIP (as a minimum). The consultants should identify all recorded impacts, including any unintended ones, and compare these to the intended impacts. The assessment will also require identifying the changes which occurred in the areas on which EC programmes were supposed to impact.
- Implementation of EC co-operation: to the extent that the interventions were effective, an assessment of the co-operation programmes in terms of how far funding, personnel,

regulatory, administrative, time and other resources and procedures contributed to or hindered the achievement of results.

- 3Cs: co-ordination and complementarity with MS and other donors, coherence with EU policies
- Sustainability of the strategy and its component programmes: that is the extent to which their results and impact are being, or are likely to be, maintained over time;
- Key cross-cutting issues: for example gender, environment, human rights, migration, and institutional capacity building;

The questions will call upon one or the other of the five standard DAC evaluation criteria with different weight.

## 7. The Evaluation's three phases including reporting<sup>77</sup>

### 7.1 Desk phase

The Contractor will prepare, within 10 working days of receipt of these Terms of Reference, a *Launch Note* setting out 1) the understanding of the ToR, 2) the proposed general approach to the evaluation, 3) the proposed composition of the Evaluation Team (with CVs), and 4) a budget proposal.

On approval of this Launch Note by the Evaluation Unit (following amendment where agreed), a 'launch' meeting might be arranged between the Evaluation Unit, the Reference Group, the Contractor and the Team leader.

Once the Launch Note has been approved the work will proceed to the *Structuring Stage*, which shall lead to the production of an *Inception Note*. During this stage the Evaluation Team will hold meetings with the relevant Commission Services and examine all relevant key documentation on recent and current Commission co-operation programmes with Lesotho, including data on the relevant Regulations and Instruments. They will take into account any relevant documentation produced by local institutions and other donors.

On the basis of the data collected, the Evaluation Team will develop the logic (see section 6.1), which will be presented in the Inception Note. The Note shall include an analysis of the logic presented, in particular analysis of possible gaps in the logic (see further section 6.1 on the purpose of the logic). Furthermore, the Note should include a description of the development co-operation context of Lesotho and a presentation of preliminary evaluation questions.

The Note will initially be discussed with and validated by the Evaluation Unit and the Reference Group. Once this is done the Team will proceed with *the final stage of the Desk Phase* of the evaluation during which they will:

- Formulate the *Evaluation Questions* and for each Question, specify appropriate **judgement criterion** (or criteria); and select relevant quantitative and qualitative **indicators** for each Judgement Criterion identified;
- Propose suitable methods of **data and information collection** both in Brussels and in Lesotho - additional literature, interviews both structured and open, questionnaires, seminars or workshops, case studies, etc. - indicating any limitations and describing how the data should be cross-checked to validate the analysis;
- Present appropriate **methods of analysis** of the information and data collected, again indicating any limitations;
- Indicate the basis to be used for making the **judgements**, which should be directly related to the Judgement Criteria.

<sup>77</sup> All reports shall be drafted in English.

- Identify activities, projects and programmes for in-depth study in the field.

This phase should include a short preparatory and exploratory visit by the team leader and selected members of the evaluation team to Lesotho.

At the conclusion of this work, the Evaluation Team will present to the Evaluation Unit a *Desk Phase Report*. This report shall set out in full the results of this first phase of the evaluation including all the above listed tasks and a final confirmation of the full composition of the Evaluation Team, including local consultants. The Reference Group and the Evaluation Unit will discuss the report. The field mission shall not start before the proposed approach and methodology have been approved by the Evaluation Unit.

After the Reference Group has discussed this Desk Phase Report, the Evaluation Team will be given up to 10 working days to produce an eventual revised Desk Phase Report.

## 7.2 Field phase

Following satisfactory completion of the first phase and formal acceptance of the Desk Phase Report, the Evaluation Team will proceed to Lesotho to undertake the field mission. The fieldwork, the duration of which shall be cleared with the Evaluation Unit, the Reference Group and the Delegation (typically around three weeks), shall be undertaken on the basis set out in the Desk Phase Report and agreed with the Evaluation Unit, the Reference Group and the Delegation. If during the course of the fieldwork any significant deviations from the agreed methodology or schedule are perceived as being necessary, these should be explained to the Reference Group through the Evaluation Unit.

At the conclusion of the field study the Team will:

- (i) give a detailed *on-the-spot de-briefing to the Delegation* on their preliminary findings;
- (ii) give a *presentation of the preliminary findings to the Reference Group*, shortly after the return from the field, to discuss the preliminary findings.

## 7.3 Final report-writing phase

The evaluators will submit the *Draft Final Report*, in accordance with the agreed time schedule, using the structure set out in Annex 3, taking due account of comments received during de-briefings. The final report should include, as well as the coverage of each evaluation component, a section synthesising the main overall conclusions of the evaluation. If the Evaluation Unit considers the report of sufficient quality, it will circulate it for comments to the Reference Group, which will convene to discuss it in the presence of the Evaluation Team.

On the basis of comments expressed by the Reference Group and the Evaluation Unit, the Evaluation Team should make the appropriate amendments. The revised draft final report will be presented at a *seminar in Lesotho*. The purpose of the seminar is to present the preliminary findings, conclusions and recommendations to the Delegation and relevant local stakeholders. The consultants should prepare a Power point presentation for the seminar. This presentation shall be considered as a product of the evaluation (like the reports).

On the basis of the comments expressed at the seminar and on the basis of further comments from the Reference Group and the Evaluation Unit, the Team will prepare the *Final Report*, in accordance with the timetable. The evaluators may either accept or reject the comments made by the Reference Group, the Delegation, or relevant stakeholders, but in case of rejection they shall motivate and explain their reasons in writing.

The final report (as well as previous reports and notes) must be of very high quality. Conclusions and recommendations should be based on the findings related to section 6. The findings, analysis, conclusions and recommendations should be thorough. They should reflect

a methodical and thoughtful approach, and finally the link or sequence between them should be clear.

The power point presentation will be revised in accordance to the final report and provided to the Evaluation Unit.

## 8. Dissemination and follow-up<sup>78</sup>

After approval of the final report, the Evaluation Unit will proceed with the Dissemination of the results (conclusions and recommendations) of the evaluation. The unit will: (i) make a formal judgement on the evaluation using a standard quality assessment grid (see annex); (ii) prepare a 2-page Evaluation Summary (EvInfo) following the standard DAC format; (iii) prepare and circulate a three-column *Fiche Contradictoire*. All three documents will be published on the Web alongside the Final Report.

## 9. The Evaluation Team

The Evaluation Team should possess a sound level of knowledge and experience in the following fields: country strategy analysis, public administration, macroeconomics, rural and social development, good governance and human rights, as well as Poverty reduction, infrastructure (water and sanitation) and Transport. The Team should also have proven knowledge and expertise of (i) evaluation management and evaluation techniques, and (ii) the region in general and Lesotho in particular. The Team should include local consultants with in-depth knowledge of key areas. The local consultant should be identified sufficiently early in the desk phase so that the consultant can assist the Team during the desk phase and also prepare the field phase.

The team composition will initially be agreed between the contractor and the Evaluation Unit but may be subsequently adjusted if necessary due to the findings of the desk phase.

## 10. Timing

The dates mentioned in the foregoing sections may be changed with the agreement of all concerned.

Setting up of Reference group	end October 2003
<b>Inception Note</b>	<b>November 2003</b>
Collection of document in Brussels and Desk study	November
Launch meeting and Interviews in Brussels	mid November
Submission of interim Note (reconstruction of the intervention logic)	mid December
Reference Group Meeting to discuss note	early January
<b>Submission of Draft Desk Phase Report (with evaluative questions)</b>	<b>end of January</b>
Reference Group Meeting to consider Desk Phase Report	mid February January
<b>Submission of final Desk Phase Report (with evaluative questions) Field Mission</b>	<b>end of February March</b>

<sup>78</sup> per memoire item

Possible mission briefing to RG	3rd week of March
<b>Submission of Draft Final Report</b>	<b>mid May</b>
Reference Group Meeting to consider Draft Final Report	early June
Submission of second draft	mid Jun of May
<b>Presentation Seminar for Delegation and Local Stakeholders</b>	<b>mid July 2004</b>
<b>Submission of the final report</b>	<b>end of July 2004</b>

#### **11. Cost of the Evaluation, and payment modalities.**

The overall cost of the evaluation is expected to fall in the range € 150.000-200.000.

The budget for the seminar (fees, per diems and travel) will be presented separately in the launch note.

The payment modalities shall be as follows:

- 30% at acceptance of the Inception Note,
- 50% at acceptance of Draft Final Report,
- 20% at acceptance of Final Report.

The costs related to the seminar will be invoiced and paid separately.

#### **12. Annexes**

##### **Annex 1: Key documentation for the evaluation (to be expanded as appropriate)**

###### **CSPs NIPs**

.....

###### **Annual reports and mid-term reviews**

.....

###### **Evaluations**

.....

###### **The PRSP (where applicable)**

.....

###### **Non-specified documents**

Relevant documentation from local authorities and other local partners

The relevant Commission Regulations

Association Agreement

Other Commission/Government Agreements

All Country Strategy Papers for the periods covered

All National Indicative Programme documentation for the periods covered

All Programme Reports for the periods covered

Key Government Policy and Planning Documents

Previous Evaluations relating specifically to Ethiopia

Evaluations of sectoral programmes or issues relevant to the region

Relevant documentation from other donors

##### **Annex 2: Outline Structure of the Desk Phase Report**

Part 1: Description of the Development Co-operation context in Lesotho.



- Part 2: Reconstruction of the hierarchy, logic, related assumptions and intended results of the objectives of the EC's Programme in Lesotho, for the different periods. Analysis of gaps and links in the logic.
- Part 3: Presentation of the key evaluation questions, judgement criteria and associated indicators. Reasons for the questions and the links to the logic should be clearly accounted for.
- Part 4: Analysis of the information and data available at the end of the first phase and indications of any missing data, so as to inform the work plan for the field phase.
- Part 5: Proposed field phase methodology (methods of enquiry, data collection and sampling, &c vis-à-vis the information sought) with concrete proposal and examples.
- Part 6: Proposed analysis methodology based on sound and recognised methods used for evaluation.
- The report will also contain details of the full final composition of the Evaluation Team, including local consultants as appropriate.

*Note that the inception note should present parts 1 to 3 above*

**Annex 3: Outline Structure of the Final Report {N.B. subject to subsequent revision}**

The detailed report structure will be agreed during the evaluation process, taking into account the lessons learnt from the ongoing country strategy evaluations and the specificity of the present evaluation.

Executive summary

- 1 Evaluation framework: brief background to the evaluation, the purpose of the evaluation, evaluation questions and evaluation methodology.
- 2 Context (including Commission objectives, overall political economic social situation in Lesotho, Commission strategies and programmes for Lesotho, regional programmes if relevant)
- 3 Findings related to the evaluation questions
- 4 Concluding chapter (including overall assessment)
- 5 Recommendations and lessons learnt (recommendations should be clearly linked to the conclusions and prioritised, options could be presented)

{Length: The final report should not be longer than approximately 50 pages. (Executive summary excluded) Additional information on overall context, programme or aspects of methodology and analysis should be confined to annexes. }

Annexes should include: logical diagrams of EC strategies; Methodology; Judgement criteria Forms; Overview of EC intervention; Intervention forms; list of people met; list of documentation; ToR; any other info which contains factual basis used in the evaluation or tables (for example tables with economic and social indicators or the MDG indicators)

## Quality assessment grid

Concerning these criteria, the evaluation report is:	Unacceptable	Poor	Acceptable	Good	Excellent
<b>1. Meeting needs:</b> Does the evaluation adequately address the information needs of the commissioning body and fit the terms of reference?					
<b>2. Relevant scope:</b> Is the rationale of the policy examined and its set of outputs, results and outcomes/impacts examined fully, including both intended and unexpected policy interactions and consequences?					
<b>3. Defensible design:</b> Is the evaluation design appropriate and adequate to ensure that the full set of findings, along with methodological limitations, is made accessible for answering the main evaluation questions?					
<b>4. Reliable data:</b> To what extent are the primary and secondary data selected adequate. Are they sufficiently reliable for their intended use?					
<b>5. Sound analysis:</b> Is quantitative information appropriately and systematically analysed according to the state of the art so that evaluation questions are answered in a valid way?					
<b>6. Credible findings:</b> Do findings follow logically from, and are they justified by, the data analysis and interpretations based on carefully described assumptions and rationale?					
<b>7. Validity of the conclusions:</b> Does the report provide clear conclusions? Are conclusions based on credible results?					
<b>8. Usefulness of the recommendations:</b> Are recommendations fair, unbiased by personnel or shareholders' views, and sufficiently detailed to be operationally applicable?					
<b>9. Clearly reported:</b> Does the report clearly describe the policy being evaluated, including its context and purpose, together with the procedures and findings of the evaluation, so that information provided can easily be understood?					
<b>Taking into account the contextual constraints on the evaluation, the overall quality rating of the report is considered.</b>					

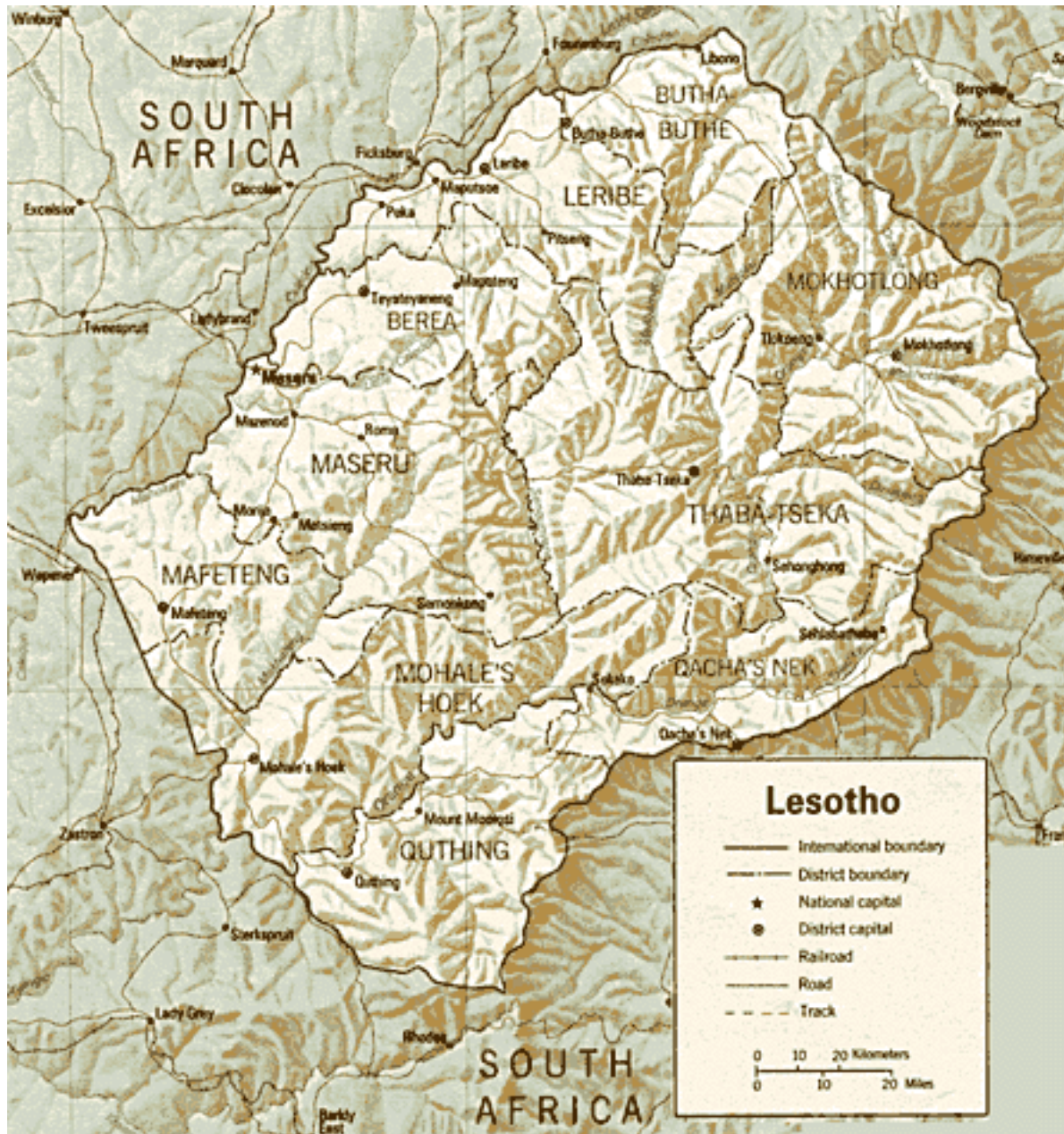
## APPENDIX B: List of People Interviewed - Field Phase

Name		Position/ Organisation name
<b>EC</b>		
Peter	Rundell	DG Development- Budget Support PRSP
Jean-Marc	Ruiz	AIDCO Unit C/3 Budget Support
Robert	Alder	AIDCO Unit C/5 Social & human development/Micro Projects
Robert	de Raeve	AIDCO- (ex EC Delegation Maseru)
Panos	Passadeous	DG Development- Desk Officer Lesotho 2001-2003
Robert	Collingwood	Head of Delegation
Rasmus Kai	Andersen	Young Expert, EC Delegation
Charles	Todd	Health Adviser, Southern Africa, DG Development
Marija	Karjalainen	Gender Mainstreaming Adviser, DG Development
Karin	Gardes	IQSG
Ulrike	Braun	Desk Officer, Lesotho and Swaziland, DG Development
Robert	De Raeve	EC AIDCO former EC Delegation Maseru – Principal administrator
André	Liebaert	Water Adviser – DG Development
<b>National and local authorities</b>		
Mathato	Mosisili	First Lady( Kingdom of Lesotho)
Semano	Sekatle	PS- Ministry of Public Service
Kannapiran	Chinna	Director Research- Central Bank of Lesotho
T	Foulo	Deputy Governor- Central Bank of Lesotho
Mothuis	Masholgu	Director, Privatisation Unit, Ministry of Finance
Elena	Ntseli	Senior Economist, Privatisation Unit, Ministry of Finance
R.M.	Lepheana	Director, Dept of Crops. Ministry of Agriculture and Food Security
Mr	Khalema	Deputy PS, Ministry of Agriculture and Food Security
Geoffrey	West	Technical Assistance. Ministry of Finance and Planning
H.H. Ian	Rossiter	Adviser, National Authorising Officer, Ministry of Finance and Planning
N	Lesoetsa	Chief Executive Disaster Management Agency
Monoko	Nthabiseng	SADC Co-ordinator. Ministry of Planning
Lucy	Liphafa	Assistant Auditor General
Daisy	Walters	TA Office of the Auditor General
Jan	Van Kamp	Adviser, National Authorising Officer, Ministry of Finance and Planning
Lekoetse	Leuta	Ministry of Trade, Industry and Marketing
Sekone	Masia	Ministry of Trade, Industry and Marketing
Boleballi	Moeketse	Ministry of Trade, Industry and Marketing
	Damane	Commissioner, Trade. Ministry of Trade, Industry and Marketing
Mosito	Ntema	PRSP Secretariat, Ministry of Finance and Planning
Palesa	Mothokho	PRSP Secretariat, Ministry of Finance and Planning
Benedict	Motsamai Rafoneke	General Manager, Operations and Maintenance, Lesotho Highlands Development Authority
Liphapang	Potloane	Chief Executive, Lesotho Highlands Development Authority
Mapalesa	Mokokhe	Chairperson, Lesotho Vulnerability Assessment Committee
Vincent	Mohange	Livelihoods Adviser. Lesotho Vulnerability Assessment Committee
	Director	Food Management Unit
Ben	Masoabi	Lesotho Planned Parenthood Association
Makattheo	Mphana	Lesotho Planned Parenthood Association
Mrs	Makhakhe	Ministry of Health and Social Welfare
Christian	Olsen	Technical Adviser on Economic Planning and Budget Support Ministry of Planning and Finance
Nkhola	Sefako	Director of Planning, LAPCA
Monyane	Mathibeli	Principal Secretary, MOPWT
Charles	Ramonaheng	Chief Roads Engineer, MOPWT
Jane	Malephane	Acting Director, Principal Environmental Officer, Outreach, NES
Bernice	Khoachele	Principal Environmental Officer, EIA & Pollution Control, NES
Steven	Molefe	Principal Road Safety Engineer, RSD, MOPWT
M.C	Pama	Chief Engineer, DRR, MOPWT
B.L	Mahlaha	Senior Planner, Forwarding, Maseru City Council
R.P	Peko	Executive Secretary, Road Fund (MOF)

<b>National and local authorities (cont.)</b>		
Halefele	Kolane	Chief Economic Planner, RRMP Project Co-ordinator, MOPWT
Letsoaka	Sekonyela	Senior Economic Planner, MOPWT
R.	Tlali	CEO WASA Maseru
M.	Moshosho	Operation & Maintenance officer WASA
Mohale	Khabo	DRWS Chief engineer
P.	Leleka	PS Ministry of Water & Mineral resources
E.	Lesoma	Director Water Affairs
Lintle	Maliehe	LLWS project co-ordinator
P.	Mojakisane	Directorate of Water Affairs
M.	Panyani	WASA WS Engineer
M.	Malatchamela	DRWS Principal Engineer
M.	Macholi	WASA O&M Engineer
B.	Kanetsi	Department of Energy
L.	Mokhutsoane	DD a.i. Department of Energy
H	Letheloe	DS Leribe District
<b>Civil Society</b>		
Simon	Phafane	Deputy President, Lesotho Chamber of Commerce and Industry
Makojang	Mahao	Programme Manager( LRAP) CARE
Phallang	Mokhesi	Chief executive, BEDCO
Jennifer	Chen	Chairlady LesothoTextile Exporters Association
Gaimin	Kamaray	Economist, Sechaba Consultants
Thuso	Green	Managing Director, Sechaba Consultants
David	Hall	Director, Sechaba Consultants
Ingo	Seifert	Positive Action Ltd
I.	Okello-Uma	Scientist, School of Agriculture, National University of Lesotho
Mamotsamai	Ranneileng	Lecturer, Health Promotion, and Coordinator, HIV/AIDS Office, National University of Lesotho
Francis	Makoa	Professor of Political Science, National University of Lesotho
Gillian	Forrest	HIV/AIDS Coordinator, CARE
Grace	Mchee	CHAL
Mé	Agnes	AIDS Programme Coordinator, CHAL
P.J.	Lerotholi	Consultant, CARE, ex Director of Lesotho Council of NGOs
Jo	Abbott	CARE Country Director
F.M	Thaanyane	Managing Director, Lesotho Bus & Freight Corporation
<b>Member states and other donors</b>		
James	Atema	PRSP Support DFID
Diana	Webster	DFID Programme Manager
Edmund	Motseki	Operations Officer World Bank
John	Paton	Consultant, Private Sector Unit, World Bank
Yasuo	Konishi	Global Development Solutions ( World Bank)
Osten	Chulu	Economist, UNDP
Robert	Loftis	Ambassador, United States
Karl	Albrecht	Deputy Chief of Mission, United States Embassy
Mokitinyane	Nthimo	Assistant FAO Representative in Lesotho
Tim M.	Rwabuhemba	Country Programme Adviser, UNAIDS
Bertrand	Desmoulins	UNICEF Representative
Thabo	Khoboko	Programme Assistant/VAM, World Food Programme
Magdalena	Moshi	Programme Officer (Emergency Co-ordinator), World Food Programme
Veronique	Sainte-Luce	Programme Officer, World Food Programme
Silvio	Descurtins	Programme Co-ordinator, GTZ
Paula	Nolan Gaughan	Attache (Development Co-operation), Development Co-operation Ireland
Johannes	Wessels	GTZ, Ministry of Local Govt /Planning Project
Nick Mohlakala	Leokaoke	Programme Adviser, DCI

Technical assistance		
Motooa	Rammoneng	Co-ordinator. Micro Projects Programme
Gilles	Roger	Consultant Statistician
Sophie	Guillemin	Consultant Statistician
Anneli	Milen	Technical Adviser, Decentralisation, Ministry of Health & Social Welfare
Davis	Rumisha	Technical Adviser, Monitoring and Evaluation, Ministry of Health and Social Welfare
John	Wyeth	Ministry of Agriculture and Food Security
Willum	Roodhart	Adviser, DRR, MOPWT
Philip	Hasluck	Adviser, RRMP, MOPWT
Brian	Moody	Policy & Planning Adviser, MOPWT
Mats	Arvesten	Road Safety Adviser, MOPWT
Michael	Leischner	Senior Physical Planner, DLSPP, MOLG
Andy	Pepperell	Parkman Consultants – Lesotho Lowlands Study Team Leader
Graeme	Munro	TA to Water Commissioner

**APPENDIX C: Map of Lesotho**



## APPENDIX D: Key Donor Activities

The number of donors active in Lesotho is small. The key bilateral donors are the UK, Ireland and Germany, with Ireland the largest. Among the multilaterals, the World Bank has a significant programme that includes grant financing as well as loans, and the EC is the biggest donor overall. The UN family are also quite active through UNICEF in particular. The UNDP acts as a co-ordinating body for all development assistance in Lesotho. Total recent DAC assistance to Lesotho is presented below.

Year	2000	2001	2002
Net ODA US\$M <sup>79</sup>	37	56	76

The current approaches of the main donors are presented below.

### **Development Cooperation Ireland (DCI)**

DCI have been operating in Lesotho since 1975. It is the largest bilateral donor and the only one with a significant country presence. The present strategy 2002-2004 has three key focal areas:

- 1) **Social sectors/basic needs** supporting programmes which address the basic needs of Basotho particularly in relation to health, education water and sanitation, and rural access (total €25.85m);
- 2) **HIV/AIDS** including specific programme interventions on prevention, care and mitigation and mainstreaming in all sectors with emphasis on education (total €2.45m) and
- 3) **Governance**, supporting democratic processes, mainstreaming of gender, and public sector reform (total €3.59m).

**Enterprise Development** was initially planned as a component in the current strategy but is now more likely to be included into the 2005-2007 strategy.

In **health**, DCI is focusing on supporting the finalisation of the policy and strategy established during Phase 1 of the Ministry of Health and Social Welfare (MOHSW) reforms. Particular focus will be placed on establishing and strengthening management systems at district level for implementation of district health packages, supporting CHAL's accreditation of institutions for signing the MOU between the MOHSW and CHAL, facilitation of improved primary health care and support to strengthen MOHSW response to HIV/AIDS.

In **education**, DCI has been supporting the GoL in its provision of free primary education through policy strengthening, HIV/AIDS training, staff training, bursaries and schools construction. In **rural water** DCI works with the GoL and Swiss Development Co-operation through a MOU to support the implementation of the Dept. of Rural Water Supply (DRWS) strategic plan. In **rural access** DCI supports the dept for rural roads (DRR) in improving rural road networks through road upgrading, drainage, footbridges and capacity building.

On **HIV/AIDS**, DCI works in areas of : 1) *prevention* (support to NGO awareness raising activities, support to Ministry of Agriculture on food production, support to Ministry of Education) *care and support* through support to the Lesotho Planned Parenthood Association supporting a VCT programme and providing drug supplies support for the MOHSW; and 3) *capacity building* to DCI staff on HIV/AIDS mainstreaming. Coordination support provided to LAPCA has been terminated pending institution of appropriate financial management systems.

In **governance**, DCI has supported the Directorate for Anticorruption and the Office of the Ombudsman. **Public sector reform programme** assistance will be combined with governance in future and DCI assistance with work with fewer development partners on fewer activities. Public reform is expected to be a cornerstone of DCI's support in the next CSP. During 2004, they will prepare for this by supporting the establishment of a framework with all interested parties and GoL.

<sup>79</sup> OECD web site May 2004

**Disbursements 2003 (€million)<sup>80</sup>**

Health	Educ	Rural Water	Rural Access	HIV /AIDS	Governance	Public Sector Reform	Enterprise Development	Total
1.57	2.31	2.2	1.65	0.79	0.39	0.56	0	9.6

**Department for International Development (DFID)**

DFID has progressively been moving away from a traditional project based commitment in Lesotho in recent years and is currently focused more on supporting changes to the electoral process and the preparation of the PRSP, particularly civil society's participation in the preparation of the PRSP and the inclusion of priorities on private sector growth issues within it. DFID are now in the process of developing key technical assistance inputs in public finance management, support to the Lesotho revenue authority and justice sector development. DFID are also providing support to livelihoods and sexual and reproductive health within an overall approach off addressing HIV/AIDS, and are currently carrying out an institutional review of the Lesotho National AIDS Commission. Once the PRSP is completed DFID will prepare a detailed country assistance plan for its work in Lesotho. Their whole technical co-operation programme in Lesotho is expected to rise to around £5million per year. DFID are adopting a "platform approach" to strengthen systems before moving to supporting the PRSP through DBS.

Lesotho is expected to benefit from DFID's regional programmes on trade and HIV/AIDS.

DFID Lesotho Programme Allocation <sup>81</sup>	2000-2001	2001-2002	2002-2003	2003-2004 plan	2004-2005 plan	2005-2006 plan
	2,139 m	2,9m	3,3m	5 m	5m	5m

This does not include regional allocations or allocations to multilaterals.

**The World Bank**

The World Bank provides support to the government's strategy to reduce poverty and to improve the country's competitiveness through greater integration into the sub-regional economy. To date, the World Bank has assisted Lesotho with projects in agriculture, infrastructure, roads, health, population, nutrition, education, water, community development, land management and conservation, and utilities. The Bank has also provided economic and sector analysis in agriculture, education, health and sanitation, public expenditure, and finance. Interventions are currently being prepared in:

- 1) **Water sector improvement** of \$40million over 2005-2011 in 2 phases covering in Phase 1 i) Policy Implementation and Capacity Building in the Ministry of Natural Resources ii) Augmentation and Extension of Maseru Water Supply, iii) Maseru Community Water and Sanitation Program and in Phase II support to the longer term water supply solution which is likely to include large civil works, as well as support to distribution network expansion, assistance to the continued reforms within the sector and scaling up community water supply systems<sup>82</sup>
- 2) **HIV/AIDS Capacity and Technical Assistance** utilising \$5million of grant financing to support implementation of activities financed by the GFATM. Components will include: 1) support to MOFDP to discharge its fiduciary and program management responsibilities; 2) support to the MOHSW to fulfil its role as a sub-recipient of GFATM resources; 3) support to LAPCA and 4) support to civil society and private sector development.<sup>83</sup>
- 3) **Integrated Transport Program** working on 1) enhancing road sector policies and prepare for reform of road institutions; 2) further developing local private sector involvement in provision of transport infrastructure and transport services; and 3) generating employment opportunities by promoting labour based work methods for road maintenance.<sup>84</sup>

<sup>80</sup> DCI Annual Report 2003

<sup>81</sup> DFID Departmental Report 2003

<sup>82</sup> World Bank PID March 2004

<sup>83</sup> *Aide Memoire* from Preparation Mission Feb 2004

<sup>84</sup> World Bank PID Sept 2003



- 4) *Health Sector Reform Phase II* focused on policy and institutional reform by testing, critically assessing and revising reform strategies, (proposed \$12m from IDA, \$23.5m from other partners and \$92.5m from GoL)<sup>85</sup>; and
- 5) *Second Education Sector Development Project* covering primary education (funding of classrooms and facilities, bursaries to orphans and other disadvantaged children, textbooks purchase and rental, training of teachers, management and inspectors, and curriculum development) and secondary education (schools construction and provision of facilities and equipment, funding of bursaries, financing of textbooks, training of staff).

#### **German Development Cooperation**

German development co-operation in Lesotho will focus for the next 5-7 years on *Decentralised Rural Development*. The overarching goal will be poverty reduction but focused on creation of decentralised institutions at district and local level, allowing efficient and adequate provision of services, especially for the rural poor. This approach will focus at a national level and in Southern Lesotho (Mohales Hoek, Mafeteng, Quthing and Qacha's Nek) in the following components.

- 1) ***decentralised administration and development planning*** as the main focus, including support at national level on: managing the decentralisation process, local administration systems and governance; policy advice; strengthening administration at district level; promotion of peoples' political participation and local economic development.
- 2) ***land policy and land management*** – support at national level to managing the land reform process, policy advice at national level on land reform and land use,, support for integrated land management in pilot regions, and linking resource management to local economic development.
- 3) ***rural infrastructure*** –construction and financing of local infrastructure on the basis of district and community development plans, support for job creation.

Cross cutting issues of HIV/AIDS and gender will be mainstreamed in all programmes. All instruments of German co-operation will be used.

---

<sup>85</sup> World Bank PID Aug 2003

## APPENDIX E: PRSP Priority Areas

Priority Area	Process
1. Employment Creation	<ol style="list-style-type: none"> <li>1. SMMEs with access to micro-credit schemes</li> <li>2. SMMEs with access to markets</li> <li>3. Government procurement policy revised</li> <li>4. One Stop Shop established</li> </ol>
2. Food Security	<ol style="list-style-type: none"> <li>1. Land reforms implemented</li> <li>2. Decentralisation of agricultural extension services to area level</li> <li>3. Local and international production and processing standards adhered to</li> </ol>
3. Infrastructure Development	<ol style="list-style-type: none"> <li>1. Maseru depot developed</li> <li>2. No. of communities trained in road construction and maintenance</li> <li>3. Marketing infrastructure developed (e.g. Ha Foso exhibition site)</li> </ol>
4. Increasing Access to Quality Basic Education	<ol style="list-style-type: none"> <li>1. National curriculum revised for basic education</li> <li>2. National curriculum revised for technical and vocational training</li> </ol>
5. Promoting Access to Quality and Essential Health Care and Social Welfare	<ol style="list-style-type: none"> <li>1. Proportion of population with access to essential drugs</li> <li>2. Development of health management information system</li> <li>3. Delivery of health promotion programmes</li> </ol>
6. Enhancing Governance, Safety and Security	<ol style="list-style-type: none"> <li>1. Local Government Act implemented</li> <li>2. Commercial Court established</li> <li>3. Police stations and community- based crime prevention committees with 2-way radios</li> <li>4. Adults who have attended community training workshops on constitution, human rights and national unity</li> </ol>
7. HIV/AIDS Pandemic	<ol style="list-style-type: none"> <li>1. Government policy on HIV/AIDS implemented</li> <li>2. Multi-sectoral institutional capacity to respond to HIV/AIDS increased</li> </ol>
8. Environmental Conservation	<ol style="list-style-type: none"> <li>1. Strengthened pollution control and waste management</li> <li>2. Multi-sectoral institutional capacity for environmental management increased</li> </ol>
9. Improvement of Public Service Delivery	<ol style="list-style-type: none"> <li>1. Public sector staff trained in customer care</li> <li>2. Review and revision of conditions of service in public service conducted</li> <li>3. No. of staff trained in financial management and accountability</li> <li>4. Services decentralised to the districts</li> </ol>

*Source:* PRSP December 2003