

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

**ANNEXES**

**Volume 2**

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***Evaluation for the European Commission***





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**The Evaluation Unit common to:**

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*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

ANNEX A: EC – LESOTHO STRATEGY 1996 - 2007 .....	1
ANNEX B: INTERVENTION LIST OF ALL EC AND EIB PROJECTS IN LESOTHO, 1996-TO May 2004.....	3
ANNEX C: EVALUATION QUESTIONS, JUDGEMENT CRITERIA, INDICATORS AND METHODOLOGY .....	10
ANNEX D: COMPLETED JUDGEMENT CRITERIA FORMS.....	40
ANNEX E: BIBLIOGRAPHY.....	213

## 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 Cannery
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
ITP	Integrated Transport Programme
JC	Judgement Criterion

**TABLE OF ACRONYMS (cont.)**

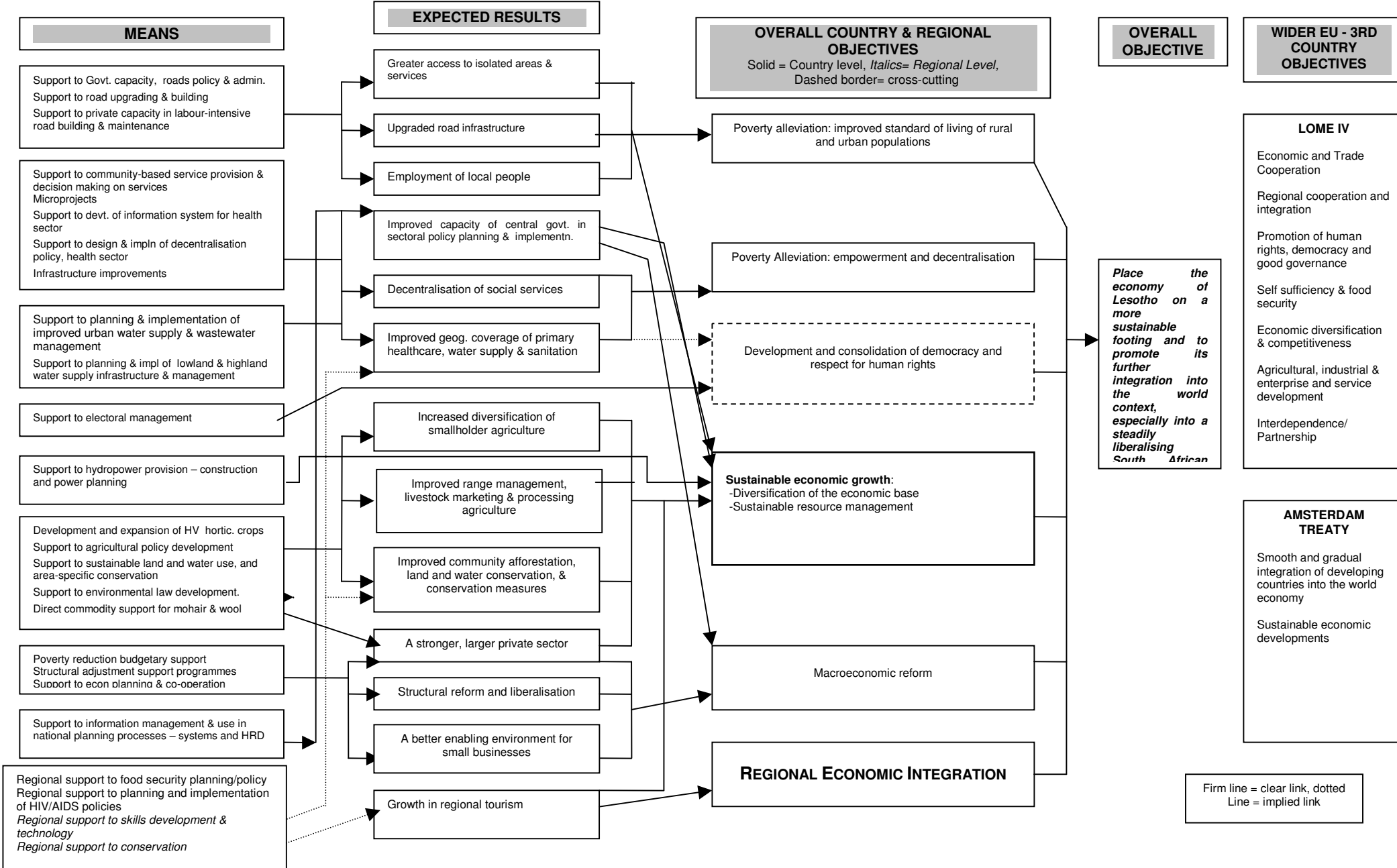
LAPCA	Lesotho AIDS Programme Co-ordinating Authority
LB	Labour Based
LCD	Lesotho Congress for Democracy
LEC	Lesotho Electricity Corporation
LFBC	Lesotho Freight and Bus Corporation
LHDA	Lesotho Highlands Development Agency
LHWP	Lesotho Highlands Water Project
LLWS	Lesotho Lowlands Water Supply
LNDC	Lesotho 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
SSA	Sub-Saharan Africa

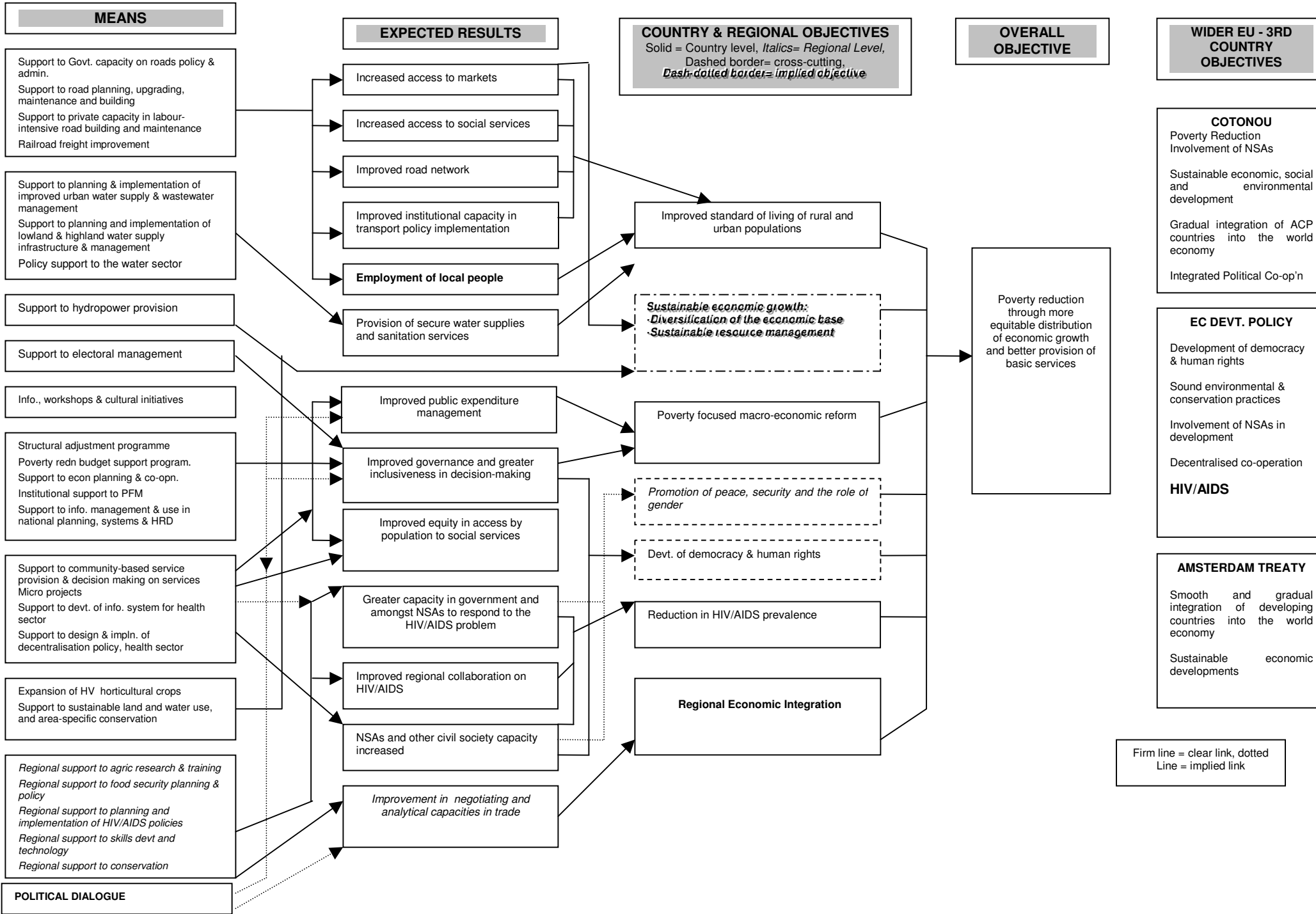
**TABLE OF ACRONYMS (cont.)**

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



**ANNEX A: EC – LESOTHO STRATEGY 1996 - 2007**





## ANNEX B: INTERVENTION LIST OF ALL EC AND EIB PROJECTS IN LESOTHO, 1996-TO MAY 2004

(includes interventions that started before 1996 but were ongoing during 1996 to May 2004)

Reference	Title	Funding	Primary Commitment	Secondary Commitment	Amount Disbursed	Start date	End date
<b>GOVERNANCE &amp; MACRO-ECONOMIC MANAGEMENT</b>							
6 ACP LSO 032	Assistance to Bureau of Statistics	EDF	59,000	59,000	45,473	1995	1999
7ACP LSO 023	3 <sup>rd</sup> Structural Adjustment Programme	EDF	1,800,000	1,800,000	1,800,000	Sep-95	Apr-97
7 ACP LSO 005	1 <sup>st</sup> Structural Adjustment Programme	Non-prog Aid	8,476,988	8,476,988	8,476,988	Sep-92	Dec-97
7 ACP LSO 015	2nd Structural Adjustment Programme	Non-prog Aid	7,909,404	7,909,404	7,909,404	Jun-94	Apr-97
7 ACP LSO 024	3 <sup>rd</sup> Structural Adjustment Programme	Non-prog Aid	4,100,000	4,100,000	4,100,000	Sep-95	Apr-97
7 ACP LSO 029	4 <sup>th</sup> Structural Adjustment Programme	Aid	5,700,000	5,700,000	5,700,000	Jul-96	Nov-01
7ACP LSO 030	4 <sup>th</sup> Structural Adjustment Programme	EDF	5,700,000	5,700,000	5,700,000	Mar-97	1997
7 ACP LSO 045	Assistance to Bureau of Statistics	EDF	1,101,000	765,300	634,691	Jan-00	Mar-04
7 ACP LSO 050	Assistance to Ministries of Planning, finance and trade	EDF	23,408	23,408	23,408		
8 ACP LSO 007	Support to Dept of Economic Co- operation	EDF	1,100,000	800,790	448,286	Apr-01	Mar-04
8 ACP LSO 009	Pov Reduction Budget Supp Prog	EDF	8,500,000	7,246,030	6,204,186	May-02	2004
8 ACP LSO 010	Pov Reduction Budget Supp Prog	EDF	10,000,000	10,000,000	3,000,000	Dec-03	2004
8 ACP LSO 012	Support to Dept of Economic Planning	EDF	750,000	555,000	337,513	Nov-01	Dec 2004
8 ACP LSO 019	Adviser, Econ Planning & Budg Support	EDF	230,000	230,000	102,246	Dec-02	Dec 2004
8 ACP LSO 020	TA to Bureau of Statistics	EDF	530,000	0	0		Expired
9 ACP LSO 002	Capacity Building in Econ Planning	EDF	17,500,000	0	0	2004	
9 ACP LSO	Pov Reduction Budget Supp Prog	EDF	15,000,000			2005	
8 ACP RAU 015	Integration Support for BLNS***	regional	3,000,000			Not started	
<b>Indicative Total</b>			<b>88,479,800</b>	<b>53,365,920</b>	<b>44,482,195</b>		

Reference	Title	Funding	Primary Commitment	Secondary Commitment	Amount Disbursed	Start date	End date
<b>TRANSPORT</b>							
6 ACP LSO 010	Mekaling - Quthing Road Works	EDF	9,800,000	9,800,000	9,800,000	1988	Jan-96
6 ACP LSO 027	Advisory services Axle Load Control & Safety	EDF	19,262	19,262	19,262	Jul-95	Aug-96
6 ACP LSO 029	Advisory Services Study of Plan and vehicle Pool Services	EDF	19,507	19,507	19,507	Jul-95	Aug-96
7 ACP LSO 031	Feasibility and Design Studies upgrading of unpaved roads B42, 43 and 47	EDF	550,000	550,000	452,770	Mar-97	Jun-03
7 ACP LSO 032	Prepn of design standards for roads and bridges	EDF	275,000	250,000	231,808	Mar-97	Dec-99
7 ACP LSO 036	TA to Roads Branch Ministry of Works	EDF	272,000	241,613	241,613.00	Jul-97	Apr-00
7 ACP LSO 037	TA to LCU, Ministry of Works	EDF	228,000	204,000	185,643.00	Nov-97	Apr-00
7 ACP LSO 038	Axe Load Control Project	EDF	850,000	814,200	677,688.93	Feb-97	May-04
7 ACP LSO 043	Feasibility Study Road Safety	EDF	80,000	77,400	77,371.00	2000	Completed
8 ACP LSO 002	Road Transport Infrastructure Programme	EDF	37,700,000	34,508,991	31,639,673	Sep-99	Dec-06
8 ACP LSO 008	Assistance to Health Sector Reform Study Upgrading & Strengthening Primary Road Network	EDF	1,800,000	1,600,000	436,120.98	Mar-02	2005
9 ACP LSO 003	Mafeteng-Maseru Buthe Buthe Roads rehab and upgrading	EDF	750,000	0	0	not started	
9 ACP	Maseru Road-Rail Container Terminal Preparatory terminal study	EDF	2,500,000			2007	
9 ACP	Rural feeder roads road safety programme, TA	EDF	150,000			2007	
9 ACP		EDF	15,000,000			2007	
<b>Indicative totals</b>			<b>77,993,769</b>	<b>48,084,973</b>	<b>43,781,457</b>		

Reference	Title	Funding	Primary Commitment	Secondary Commitment	Amount Disbursed	Start date	End date
<b>WATER</b>							
loan 17170	Lesotho Muela Hydropower	EIB own res	5,000,000	5,000,000	5,000,000	Mar-94	n/a
loan17455	Lesotho Highlands Water A Ph 1B	EIB own res	44,000,000	44,000,000	17,413,698	May-00	last disb. Jan 2004
Loan 17690	Lesotho Highlands Water B Ph 1B	EIB own res	10,000,000	10,000,000	0		last disb. Jul 2003
loan 70942/7 ACP LSO 013	Muela Hydropower	EIB risk capital	15,000,000	15,000,000	15,000,000	Sep-96	fml repaymnt Feb 2014
6 ACP LSO 001	Lesotho Highlands Water Scheme Hydroelectrical project	EDF	9,475,199.35	9,475,199.35	9,475,199.35	May-87	Mar-96
6 ACP LSO 009	Lesotho Water Sector Manpower Devt	EDF	7,700,000.00	7,578,354.21	7,014,308.01	1988	Dec-99
6 ACP LSO 033	Pre study Six Towns Water Supply	EDF	28,600.00	28,300.00	19,432.00		Completed
6 ACP RPR 559	EU-SADC conference on mangt of shared river basins	RIP	73,668.00	73,668.00	73,668.00		Completed
7 ACP LSO 001	Muela Hydropower	EDF	32,300,000	32,228,646.45	31,886,790.57	Mar-92	Jun-05 ongoing repymnt period
7 ACP LSO 007/loan 70942	Muela Hydropower	EIB risk capital	15,000,000	15,000,000	15,000,000	Sep-95	
7 ACP LSO 013	Muela Hydropower project	EIB IR	1,261,830	1,261,830	1,261,830	1994	Oct 1995
7 ACP LSO 025	Preparation of Urban Water and Sanitation Project	Subsidy	140,220	140,220	140,220	1995	1999
7 ACP LSO 041	Six Towns Water Supply	EDF	1,996,000	1,831,107.91	1,831,107.91	Jan-98	Oct-03
7 ACP LSO 044	Lesotho Highland Water Project	EIB IR	8,830,000	8,830,000	5,323,460.25	Aug-98	Completed
7 ACP LSO 051	TA for water feasibility study	Subsidy	45,010	45,010	45,010		Completed
7 RPR 304	Muela Hydropower project	EDF	10,000,000	10,000,000	10,000,000	1991	Completed
7 RPR 304	Establishment of SARTOC	Regional	97,621	97,621	97,621		Completed
7 RPR 600	SADC HYCOS	Regional	1,964,000	1,783,376	1,759,339.92	Mar-97	Oct-02
8 ACP LSO 001	Interest rate subsidies LHWP	EIB IR	1,800,000	1,800,000	1,800,000		
8 ACP LSO 011	Lesotho Lowlands Water Supply Feasibility Study	Subsidy	1,750,000	1,506,700	692,169.61	Oct-02	Sep-04
8 ACP LSO 017	Six Towns Water Supply Ph II	EDF			0	Sep-03	Dec-07

Reference	Title	Funding	Primary Commitment	Secondary Commitment	Amount Disbursed	Start date	End date
<b>WATER (cont.)</b>							
8 ACP LSO 014	Claim Assessment 6 Towns Water Supply	EDF	14,363	14,363	14,363		Closed
8 ACP LSO 017	Six Towns Water Supply Ph II	EDF	1,900,000	1,568,000	131,251	Sep-03	Dec-07
8 ACP LSO 018	Maseru Wastewater Study	EDF	750,000	675,812	134,460	Sep-03	Sep-04
9 ACP LSO 001	TA to Ministry of Natural Resources	EDF	750,000	500,000	20,404	Oct-03	Oct-05
9 ACP	Lesotho lowlands water supply	EDF	10,000,000			2006	2008
9 ACP	Six Towns Water Supply Ph II	EDF	15,000,000			2006	2008
9 ACP	Maseru Wastewater	EDF	10,000,000			2005	2008
<b>Indicative totals grants</b>			<b>115,876,511</b>	<b>79,438,208</b>	<b>71,720,635</b>		
<b>Indicative totals loans</b>			<b>89,000,000</b>	<b>89,000,000</b>	<b>52,413,698</b>		

Reference	Title	Funding	Primary Commitment	Secondary Commitment	Amount Disbursed	Start date	End date
<b>AGRICULTURE &amp; RURAL DEVT., NATURAL RESOURCES MANAGEMENT</b>							
6 ACP LSO 004	Asparagus Expansion Programme Drakensberg-Maloti Highlands	EDF	4,701,117	4,701,117	4,701,117	1987	Mar-98
6 ACP LSO 024	Conservation Programme	EDF	325,000	290,000	200,000	1998	Oct-01
6 ACP LSO 025	Agricultural Policy Paper	EDF	129,227	129,227	129,227	1995	Aug-97
6 ACP LSO 026	Development of High Value Horti Crops Drakensberg-Maloti Highlands	EDF	135,000	135,000	135,000	1995	Aug-97
6 ACP LSO 031	Conservation Programme	EDF	425,000	425,000	425,000	1998	May-01
7 ACP LSO 002	1st 7th EDF Micro Projects Programme	EDF	964,068	964,068	964,068	1991	Aug-96
7 ACP LSO 003	STABEX Transfer 1991 Wool	STABEX	385,688	385,688	385,688	1992	Sep-96
7 ACP LSO 004	STABEX Transfer 1991 Mohair	STABEX	550,816	550,816	550,816	1992	Sep-96
7 ACP LSO 011	STABEX Transfer 1992 Wool	STABEX	950,965	950,965	950,965	1994	Sep-96
7 ACP LSO 012	STABEX Transfer 1992 Mohair	STABEX	378,624	378,624	378,624	1994	Sep-96
7 ACP LSO 014	2nd 7th EDF Micro Projects Programme	EDF	1,978,251	1,978,251.00	1,978,251.00	1994	Feb-00
7 ACP LSO 016	STABEX Transfer 1993 Wool	STABEX	1,009,444	1,009,444	1,009,444	1994	Jun-97
7 ACP LSO 017	STABEX Transfer 1993 Mohair	STABEX	72,664	72,664	72,664	1994	Jun-97
7 ACP LSO 021	STABEX Transfer 1994 wool	STABEX	324,191	324,191	324,191	1995	Jun-97
7 ACP LSO 022	Asparagus Expansion Programme	EDF	530,143	530,143	530,143	Nov-95	1997
7 ACP LSO 026	Redistribution STABEX Transfers	STABEX	32,958	32,958	32,958	Jun-05	Jun 1997
7 ACP LSO 028	Highlands community forestry project	EDF	1,148,073	1,148,073	1,148,073	1997	2001
7 ACP LSO 033	3rd 7th EDF Microprojects Programme	EDF	2,000,000	1,766,689	1,750,162	1996	Jun-03
7 ACP LSO 034	TA (agronomist) to HVCrops	EDF	70,000	70,000	70,000	Jan-97	Dec-98
7 ACP LSO 035	TA (co-ordinator) to HVCrops	EDF	110,000	90,000	78,750	Jan-97	Dec-97
7 ACP LSO 048	8th EDF Microprojects Programme	EDF	407,000	394,315	346,797.00	Mar-00	2004
7 RPR 085	Food security Training Project***	Regional	5,000,000	not known	not known	April 1995	Dec 1999
8 ACP LSO 003	Multi-Annual Microprojects Programme	EDF	5,300,000	2,069,396	1,540,260	Feb-02	Nov-04
8 RPR	Regional Food Security training Project	Regional				2000	2005
PVD/2000/589/FRG	Sustainable Land Use Programme Mafeteng and Mohale's Hoek		441,089	441,089	441,089	Dec-00	2002

Reference	Title	Funding	Primary Commitment	Secondary Commitment	Amount Disbursed	Start date	End date
<b>AGRICULTURE &amp; RURAL DEVT., NATURAL RESOURCES MANAGEMENT (cont.)</b>							
B7 201	Regional Early Warning Unit System***	FS Budget Line	2,000,000				Ongoing
<b>Indicative Totals</b>			<b>22,369,318</b>	<b>18,837,718</b>	<b>18,143,287</b>		
<b>PRIVATE SECTOR DEVELOPMENT</b>							
6 ACP LSO 007	TA to Lesotho National Development Corporation	EDF	250,700	250,700	250,700	1988	Mar-96
7 ACP LSO 047	Study into privatisation of Lesotho Bank	EDF	81,068	81,068	81,068		Closed
7 ACP LSO 052	Consultancy for prepn of LDC 3	EDF	18,768	18,768	18,768		Closed
7 ACP LSO 008	Trade and Tourism Programme	EDF	28,375	28,375	28,375	1992	1996
loan 70560	LNDC PG II	EIB risk capital	3,000,000	2,815,000	2,815,000	Mar-86	fnl paymnt mar 2010
loan 70968/7 ACP LSO 018	LNDC Global Loan A	EIB risk capital	750,000	750,000	750,000	Sep-95	fnl repymnt Oct 2013
loan 70969/7 ACP LSO 019	LNDC Global Loan B	EIB risk capital	1,750,000	1,265,000	1,265,000	Sep-96	fnl repymnt Oct 2008
loan 70970/7 ACP 020	LNDC Global Loan C	EIB risk capital	500,000	200,000	73,000	Jan-00	fnl repymnt Oct 2010
loan 70794/6 ACP LSO 017	LNDC industrial estate	EIB risk capital	3,000,000	3,000,000	1,459,171	Nov-92	fnl paymnt Oct 2009
<b>Indicative Total grant</b>			<b>378,911</b>	<b>378,911</b>	<b>378,911</b>		
<b>Indicative Total Loan</b>			<b>9,000,000</b>	<b>8,030,000</b>	<b>6,362,171</b>		



Reference	Title	Funding	Primary Commitment	Secondary Commitment	Amount Disbursed	Start date	End date
<b>OTHER</b>							
6 ACP LSO 016	Improvements to QEII Hospital	EDF	4,427,185	4,427,185	4,427,185	1989	Mar-96
7 ACP LSO 039	EDF Procedures Seminar	EDF	22,953.72	22,953.72	22,953.72	Aug-97	Sep-97
7 ACP LSO 040	Evaluation Microprojects TA to Ministry of Health and Social Welfare	EDF	23,000	23,000	14,918	Dec-97	1998
7 ACP LSO 046	Development of Admin software for NAO	EDF	6,169	6,169	6,169		Closed
7 ACP LSO 049	Preparation of Lesotho/EU CSS	EDF	25,000	25,000	15,910.11	Aug-00	closed
7 ACP LSO 053	Capacity Building of Independent Electoral Commission	EDF	24,600	24,600	24,600		Closed
7 ACP LSO 054	TA to Office of NAO	EDF	77,634	77,634	77,634		Closed
7 ACP LSO 027	Assistance to General elections	EDF	750,000	726,200	687,555	Sep-96	Mar-04
7 ACP LSO 042		EDF	1,154	1,154	1,154		Closed
8 ACP LSO 003	Information, Workshops and Cultural Initiatives	EDF	476,000	242,200	109,855.44	May-01	2004
8 ACP LSO 006	Review of past EU-Lesotho Coopn	EDF	66,522	66,522	66,522	2001	2001
8 ACP LSO 013	Support for Lesotho IEC Establishment of National Election results Centre	EDF	1,900,000	1,795,721.14	14	Mar-02	Nov-03
8 ACP LSO 015	Review of HIV/AIDS Activities	EDF	48,844	43,235	43,235	Mar-02	Nov-03
8 ACP LSO 016	Regional Support for an Expanded, Multi-Sectoral response to HIV/AIDS in SADC*	EDF and EPRD	40,000	39,500	33,179	Jun-02	2004
8 ACP RAU 014/SA B7 3200-00/32	Regional HIV/AIDS Awareness and Educn Programme**	EPRD	880,429	880,429	not known	May-01	Jun-06
SA 1010/00 - B7 3200 ECHO	Food Delivery Programme for PLWHA <i>Microprojects, decentralised coopn, and CBS to non-state actors</i>	EPRD ECHO	<i>2,800,000</i>	not finalised	not known	April 2003 Ongoing	Mar-07 Ongoing
9 ACP LSO	<i>Technical Co-operation Facility</i>	EDF	<i>8,600,000</i>			<i>2005</i>	<i>2008</i>
9 ACP LSO		EDF	<i>2,000,000</i>			<i>2004</i>	<i>2007</i>
<b>Indicative Totals</b>			<b>19,369,491</b>	<b>8,401,503</b>	<b>7,326,592</b>		

**NOTES**

Italics = indicative

\* amounts shown are commitment/expenditure in Lesotho to date

\*\* amounts shown are Lesotho allocations and EC components

\*\*\* shows commitment to date for whole region - details for Lesotho not clear

Totals exclude regional projects where only global funding is known

EIB projects include those where amounts are outstanding or where repayment period is ongoing

## ANNEX C: EVALUATION QUESTIONS, JUDGEMENT CRITERIA, INDICATORS AND METHODOLOGY

1.

	Theme	Question
1	Economic Development & Regional Integration	To what extent has the Commission promoted private sector development, employment growth and greater regional economic integration in Lesotho?
2	Macroeconomic Support	To what extent has the Commission identified the appropriate means and instruments for the macro economic support of Lesotho?
3	Governance	How far have Commission supported interventions contributed to improved Governance at both central and local levels?
4	Transport	(a) To what extent have the Commission interventions in the road transport sector delivered quantified economic benefits? (b) To what extent have the Commission interventions supported the GoL's institutional capacity to develop and implement a sectoral approach to road transport infrastructure?
5	Water and Sanitation	To what extent has the Commission contributed to equitable economic growth in Lesotho through the provision and access to water and sanitation?
6	HIV/AIDS	To what extent have the Commissions interventions helped to increase capacity to address and mainstream the HIV/AIDS pandemic?
7	Food Security	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?
8	Democratisation, Human Rights	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?
9	Ownership Co-ordination, Complementarity Coherence	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?
10	Funding modalities/ Policy mix management of programmes	To what extent have Commission interventions been designed with the appropriate policy mix and funding modalities and managed with the appropriate implementation mechanisms?

**EVALUATION QUESTION NO 1: ECONOMIC DEVELOPMENT & REGIONAL INTEGRATION**

**To what extent has the Commission promoted private sector development, employment growth and greater regional economic integration in Lesotho?**

**Rationale for the Question**

The economic policy of Lesotho and support by donors has undergone considerable change over the period of the CSE. Since independence in 1966 and up until the period of the first strategy, there was considerable donor assistance aiming to reduce Lesotho's *economic dependence* on South Africa and a legacy of EC and other donor initiatives promoting '*economic independence*.' But the return of South Africa to the world family in 1994 following the end of apartheid, led donors to lose interest in Lesotho and thus the country faced the opposite challenge; to become *more integrated to the economy of South Africa* and to the wider region of Southern Africa. This emphasis on regional economic integration to the economies of SADC is emphasised in both strategies.

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 away from preferential access to the EU market. In September 2002, negotiations between the EU and ACP states to define World Trade Organisation (WTO) and compatible Economic Partnership Areas (EPA's) 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 creation of employment has been a major priority of the GoL as set out in the I-PRSP and Vision "20/20" and the means for this has been the adoption of labour intensive development projects and structural reforms to the enabling environment. The EC has supported employment creation and private sector development in a number of ways including: (i) support to export earnings through power generation (ii) high value (HV) horticulture production (iii) support to the tourism sector (iv) LB strategies for road building. The EC has also supported change to the economic enabling environment through economic analysis and planning capacity for the Government and structural adjustment support programmes.

The process of achieving private sector economic growth and regional economic integration is 'implied' in both strategies as shown in Figures 1 and 2 and these strategic gaps need to be clarified. While support to tourism is seen a potential engine of private sector growth, it is not clear whether the 'bottom-up' initiatives to stimulate employment through road building are a poverty alleviation measure (as shown in Figure 1 and 2), or part of a more integrated strategy of developing private sector employment. Secondly it is implied that support to hydropower and HV horticulture is a means of supporting the economic development of Lesotho by encouraging an export led activity and improving the cost competitiveness of manufacturing, but the linkages of these programmes to a private sector development strategy need to be analysed.

The EC has made a major commitment to supporting macroeconomic reform through budget support with some institutional capacity building. The extent to which these macro-economic reforms have led to the overall objective of poverty reduction and economic growth is the subject of EQ 2. But the key assumption behind support to improving the macroeconomic framework is that the levers to incentivise and stimulate the private sector development of the economy will work.

This question thus examines the extent to which the EC has successfully complemented macro-economic reform by supporting 'bottom up' measures to stimulate employment, exports and private sector development as well measures to facilitate greater regional economic integration.

<b>Judgement Criterion</b>	<b>Indicators</b>
1. EC assistance to Lesotho has contributed to employment creation and economic growth	1.1 Baseline and outcome data on (expected) jobs created by EC supported initiatives to promote employment. 1.2 Value of exports and net value added of EC supported activities (incl. water, power, HV horticulture). 1.3 Economic and user cost of power. 1.4 Quality of dialogue with the government on economic and trade development policies. 1.5 Existence and quality of EC support to enhance Lesotho's trade negotiation capacity (at regional and ACP-EU level).

Judgement Criterion (cont.)	Indicators
2. The enabling environment for investment and private sector development is improving	2.1 Number of new business registered. 2.2 Number and profile of new jobs created in the private sector. 2.3 New domestic and foreign investment by economic sector. 2.4 No of structural reform and liberalisation measures implemented and their effectiveness. 2.5 Involvement of business and other NSAs in the formulation of private sector development policies.
3 The Commission's regional (SADC) programmes have been designed to support the export competitiveness of Lesotho	3.1 Historic and projected Net exports of goods and services to south Africa and SADC. 3.2 Depth of trade dialogue with SADC partners. 3.3 Levels of domestic political commitment to the implementation of key trade reform measures. 3.4 Involvement of business/sector and other NSAs in development of export strategies.
<b>Methodology</b>	
<p><b>The overall approach</b></p> <p>There have been comparatively few EC interventions in the area of private sector development either in bottom up initiatives to stimulate employment or measures to improve the enabling environment. There have also been relatively few initiatives to support regional economic integration. These key economic interventions: support to power, tourism and high value horticulture will be analysed. Discussions will be held with key stakeholders to gain some validation of the overall impact on the wider economy and the attribution of the EC's support to the outcomes.</p> <p>The overall approach of the evaluation team will therefore be to analyse whether the EC initiatives have stimulated private sector employment, whether the key constraints to the SME sector (skills, finance, information and access to markets) have been addressed. Moreover the analysis in conjunction with EQs 2 and 4 &amp; 5 will assess whether the strategic choice of placing more emphasis on infrastructure budgetary support was valid. EQ4 will examine in more detail the extent to which EC support to roads has increased employment and private sector involvement and stimulated access for business and improved competitiveness.</p> <p>The main verification of the JCs will be by the collection of data and case study material on PSD and triangulating stakeholder opinion in PSD strategies and needs. The field visit will be designed to enable the team to gain an understanding of:</p> <ul style="list-style-type: none"> <li>▪ The economic impact of EC interventions in key sectors supported: power, agriculture and tourism in terms of measurable outputs/indicators (jobs created, cost reductions, % contracted to private sector, exports). Assessment of attribution of EC initiatives.</li> <li>▪ The key constraints on the enabling environment for PSD and lessons for donor assistance.</li> <li>▪ An understanding of the effectiveness of the trade policy dialogue, an understanding of the competitiveness and rules of origin issues related to EC and other trading regimes (e.g. AGOA).</li> </ul>	
<p><b>Data Collection</b></p> <ul style="list-style-type: none"> <li>▪ Macro economic data on employment by sector and contribution to GDP/GIP.</li> <li>▪ Trade Data from SADC.</li> <li>▪ Data on textile sector and exports to the USA from AGOA.</li> <li>▪ Data on FDI and World Bank/FIAS reports on investment climate.</li> <li>▪ Economic data from key projects: Horticulture; power; tourism.</li> <li>▪ 6<sup>th</sup> National Development Plan.</li> <li>▪ RTIP baseline socio-economic and environmental studies (Nov 2000).</li> <li>▪ Central Bank Reports.</li> <li>▪ IMF Memoranda Evaluation reports.</li> <li>▪ World Bank Privatisation and Private Sector Development Assistance Project.</li> <li>▪ World Bank: Export Profiles of Small Landlocked Countries: Case Study Lesotho(2003).</li> <li>▪ Private Sector Development Initiatives of other donors.</li> <li>▪ PRSP and Sector working group proceedings.</li> <li>▪ Gemini Study on SMMEs.</li> <li>▪ Lessons from Regional SME initiatives ( IFC and EC (Risk Capital Facility) South Africa).</li> <li>▪ SADC information on trade integration.</li> </ul>	

<p><b>Stakeholder Interviews</b></p> <ul style="list-style-type: none"> <li>▪ EC programme management- EC Strategy, impact of interventions, PSD Strategy, Enabling Environment constraints.</li> <li>▪ TA to Ministry of Finance and Development Planning- PSD Strategy, Enabling Environment constraints.</li> <li>▪ Ministry of Trade and Industry Co-operatives and Marketing- PSD Strategy, Textile sector growth</li> <li>▪ Ministry of Agriculture and Food Security- Asparagus project impact, opportunity for agri-food employment.</li> <li>▪ Lesotho Tourism Development Corporation (LTDC)- Impact of EC support to tourism.</li> <li>▪ Directorate of Economic Planning (Mr Letsie)- PSD Strategy, Enabling Environment constraints.</li> <li>▪ Interviews with participants on FIRST (Financial Sector Reform and Strengthening Initiative). DFID/CIDA Enabling Environment constraints.</li> <li>▪ Business Association- PSD Constraints, Enabling Environment constraints, Implications of Trade Dialogue, integration with South Africa.</li> <li>▪ Members of State Enterprise Reform and Private Sector Development working group of PRSP.</li> <li>▪ Visit to a DEDC – District Entrepreneurship Development Centre. Potential for SMME development.</li> <li>▪ Telephone interviews of regional Southern Africa SME programmes (B Mohrman-IFC; J Burns EC).</li> </ul>
<ul style="list-style-type: none"> <li>▪ EC programme management- EC Strategy, impact of interventions, PSD Strategy, Enabling Environment constraints</li> <li>▪ TA to Ministry of Finance and Development Planning- PSD Strategy, Enabling Environment constraints</li> <li>▪ Ministry of Trade and Industry Co-operatives and Marketing (MITCM)- PSD Strategy, Textile sector growth</li> <li>▪ Ministry of Agriculture and Food Security- Asparagus project impact, opportunity for agri-food employment.</li> <li>▪ Lesotho Tourism Development Corporation (LTDC)- Impact of EC support to tourism.</li> <li>▪ Directorate of Economic Planning (Mr Letsie)- PSD Strategy, Enabling Environment constraints.</li> <li>▪ Interviews with participants on FIRST (Financial Sector Reform and Strengthening Initiative). DFID/CIDA Enabling Environment constraints.</li> <li>▪ Business Association- PSD Constraints, Enabling Environment constraints, Implications of Trade Dialogue, integration with South Africa.</li> <li>▪ Members of State Enterprise Reform and Private Sector Development working group of PRSP.</li> <li>▪ Visit to Lesotho National Development Corporation (LNDC).</li> <li>▪ Visit to Basotho Enterprise Development Corporation (BEDCO).</li> <li>▪ Visit to Lesotho Fund for Community Development (LFCD).</li> <li>▪ Visit to a DEDC – District Entrepreneurship Development Centre. Potential for SMME development.</li> <li>▪ Telephone interviews of regional Southern Africa SME programmes ( B Mohrman-IFC; J Burns EC).</li> </ul>
<p><b>Projects</b></p> <p>6 ACP LSO 001-Lesotho Highlands Water Scheme  7 ACP LSO 007 Muela Hydropower Project  8 ACP LSO 007- Support to Dept of Economic Co-operation  8 ACP LSO 012-Support to Dept of Economic Policy  7 ACP LSO 047-Study into Privatisation of Lesotho Bank  6 ACP LSO 004-Asparagus Expansion Programme  7 ACP LSO 033-Micro Projects programme  3<sup>rd</sup> EDF 7- Microprojects Programme</p>

**EVALUATION QUESTION NO. 2: MACROECONOMIC SUPPORT**

**To what extent has the Commission identified the appropriate means and instruments for the macro economic support of Lesotho?**

**Rationale for this question**

The I- PRSP highlights states that the two main macro-economic objectives are: (i) to create a macroeconomic environment which supports efficient production and attracts both foreign and domestic productive investment and (ii) improve public sector performance by allocating resources on activities which have a high impact on poverty reduction.

The I-PRSP highlights that some major improvement in fiscal and monetary discipline are required and part of the strategy is the *'improvement of public-sector productivity through reforming the public service and privatisation'*.

Following the IMF Poverty Reduction and Growth Facility agreement in 2000, Lesotho is eligible to receive EC-financed budget support.

Support to macroeconomic reform is a major feature in both the first and second strategies. In the 8<sup>th</sup> EDF, macroeconomic reform was considered as a necessary condition for structural adjustment and the development of a poverty reduction programme but also there was reference of the need to improve the enabling environment for private sector growth. In the second strategy support to macro economic reform becomes a major focal area and there is an explicit objective to improve capacity through budget support which will: *'contribute to raising overall levels of institutional capacity where it is connected with assistance in strengthening the planning, budgeting and financial administration, expenditure management and the concurrent monitoring of indicators of good governance'*.

Concerns have been expressed on the status of PFM in Lesotho in the EDF funded study by Price Waterhouse Coopers in October 2002 and subsequently in the Auditor General's report of August 2003. The readiness and fiduciary status of Lesotho and its suitability for budget support is part of an ongoing appraisal process by the EC which, while this key to the EC's strategy, it is not the key purpose of this EQ. The EQ needs to consider whether at a strategic level, budget support raises the capacity of government to address poverty reducing economic growth as the logical diagrams indicate (Figure 2).

Good governance is a key pre-condition for a stable macroeconomic framework and this will be considered in EQ 3. This EQ links with EQ1 on identifying whether the constraints on poverty alleviation and economic growth are due to issues with the macroeconomic framework and capacity of government or are more a reflection of shortcomings with private sector development initiatives and reform to the enabling environment. This EQ thus addresses the extent to which the EC has selected the appropriate instruments and strategies to support the macro economic reform objectives of Lesotho.

<b>Judgement Criterion</b>	<b>Indicators</b>
1. The EC is supporting an effective Government macro economic reform programme	1.1 Trends in economic growth, distribution, proportion of population below poverty line 1.2 Adherence to the IMF- Poverty Reduction Growth Facility 1.3 Adherence to the I-PRSP Macro economic framework 1.4 Prudence of Monetary policy and level of price stability 1.5 Institutional barriers to trade, employment and investment 1.6 Adequacy of enabling environment for private sector development
2. The Government of Lesotho has as a sound macroeconomic framework and satisfactory level of accountability in the management of public finances.	2.1 Sectoral public spending plans and outturns 2.2 Evidence of central financial control over ministries 2.3 Gap in price between public and privately procured items 2.4 Timely and accurate financial data on public accounts 2.5 Adequacy of accounting procedures and systems 2.6 Adequacy of Medium term expenditure framework 2.7 (Additionality from EC Budget Support programme) 2.8 Non-state actors and other institutions (e.g. parliament) are involved in the monitoring of public spending
3. The EC has identified the institutional capacity constraints and has developed appropriate capacity building measures for macro economic support	3.1 Adequacy of economic and social analysis and policy formulation in Government Departments. 3.2 Adequacy of civil society and institutions in support of private sector development. 3.3 Evidence of outcomes from macro-economic planning and training programmes. 3.4 Adequacy of EC's political dialogue on macro economic policy.

<b>Methodology</b>
<p><b>The overall approach</b></p> <p>The use of budget support as the instrument of pro-poor macroeconomic reform is a major feature of the EC strategy. The extent to which the GoL is meeting the conditions for the disbursement of budget support tranches will be assessed by the EC/IMF and others. The approach of the field visit will be to provide some evidence based <i>ground truthing</i> on whether the instruments of macroeconomic support via budget support with limited technical assistance is appropriate in achieving the objective of poverty reducing macroeconomic reform. The evaluation team will discuss the PFM status of Lesotho with key stakeholders (Central Bank, Auditor General, NAO etc), review the design and implementation of technical assistance programmes and discuss/examine the alternative strategies of macroeconomic support.</p> <p>The main verification of the JCs will be by the collection of data and triangulating key stakeholder opinion. The assumptions behind economic development issues identified from EQ1 will be tested and validated. PFM and broader Governance issues will be addressed in EQ3.</p> <p>The visit will be designed to enable the team to gain an understanding of:</p> <ul style="list-style-type: none"> <li>▪ Whether there is a clear consensus on macroeconomic reform strategies with support from donors and civil society.</li> <li>▪ An assessment of the fiduciary status of PFM and capacity for macroeconomic management in Lesotho.</li> <li>▪ And assessment of the effectiveness of the EC's capacity building programmes and the appropriateness of the planned interventions under EDF 9.</li> </ul>
<p><b>Data Collection</b></p> <ul style="list-style-type: none"> <li>▪ Central Bank Reports.</li> <li>▪ IMF Memoranda Evaluation reports on PRGF (Sept 2002).</li> <li>▪ DFID/CIDA TA Reports on Budget Support issues (Support to FIRST).</li> <li>▪ Ministry of Finance (PricewaterhouseCoopers (PWC) Report) on PFM in Lesotho (Oct 2002).</li> <li>▪ Auditor General's Report on Public Accounts Y/E March 2002 (Aug 2003).</li> <li>▪ EC Guidelines for EC Variable Tranches in General Budget Support: Implementation Guidelines and Evaluations.</li> <li>▪ PRSP and Sector working group proceedings.</li> </ul>
<p><b>Stakeholder Interviews</b></p> <ul style="list-style-type: none"> <li>▪ EC Delegation.</li> <li>▪ TA to Ministry of Finance and Development Planning.-</li> <li>▪ Auditor General.</li> <li>▪ Fiscal Analysis and Policy Unit (FAPU).</li> <li>▪ Directorate of Economic Planning (Mr Letsie)- PSD Strategy, Enabling Environment constraints.</li> <li>▪ Interviews with participants on FIRST (Financial Sector Reform and Strengthening Initiative). DFID/CIDA Programme officers.</li> <li>▪ Lesotho Revenue Authority (LRA).</li> <li>▪ IMF telephone interview.</li> </ul>
<p><b>Projects</b></p> <p>9 ACP LSO Budget Support TA.</p> <p>8 ACP LSO 7200/004- Poverty Reduction Budgetary Support Programme.</p> <p>8 ACP LSO 007- Support to Dept of Economic Co-operation.</p> <p>8 ACP LSO 012-Support to Dept of Economic Policy.</p> <p>7 ACP LSO 047-Study into Privatisation of Lesotho Bank.</p>

**EVALUATION QUESTION NO. 3: GOVERNANCE****How far have Commission supported interventions contributed to improved governance at both central and local levels?****Rationale for this Question**

The principle of ‘good governance’ is a cornerstone of the EU’s partnership with developing countries. While there is little consensus on its precise content, this term has come to complement the strategic objectives related to the promotion of human rights and democracy. Experience has demonstrated the critical importance of governance to ensure the adequate functioning of democracy; to create an enabling environment for an effective fight against poverty; to improve public sector management and the delivery of basic social services; and to provide the necessary accountability for innovative aid modalities (such as budget support). This issue is thus key to the EC strategy in Lesotho and in particular the change in the second strategy towards macroeconomic reform through budget support( EQ 2). The Cotonou Agreement provides a definition of the concept of good governance and considers it as a ‘fundamental element’ underpinning ACP-EU co-operation. The EC Development Policy Statement (November 2000) defines institutional capacity building in relation to governance as one of the six priority areas where the EC has an added-value to offer.

In its partnership with Lesotho, the EC gradually came to recognise the central importance of good governance and the related need to invest heavily in institutional development and capacity building at different levels:

- The Strategy Paper for the 8<sup>th</sup> EDF, for instance, sees the civil service’s poor management and lack of motivation as a major impediment to the effective implementation of development policies and the absorption of foreign assistance. Yet under the NIP of the 8<sup>th</sup> EDF, capacity building support is largely limited to specific project interventions in the focal areas. It is difficult to detect, at this stage, a comprehensive institutional development strategy, aimed at addressing the systemic weaknesses of public sector management (at both central and local levels). The evaluation will seek to understand the reasons for this apparent gap in EC responses.
- The January 2001 Report, presenting a review of past EC-Lesotho development co-operation (EDF 6-8) reconfirmed the existence of major capacity gaps within GoL and its negative impacts on effective policy formulation and implementation as well as the use of scarce resources. It concluded that the EC had frequently overestimated absorptive capacity and paid insufficient attention to a ‘realistic assessment of institutional, policy and capacity weaknesses in those areas that received EC/EDF financial assistance.
- During the preparation of the CSP and NIP for the 9<sup>th</sup> EDF, the idea was floated to consider ‘capacity building’ as a focal sector in its own right, thus providing an opportunity for an integrated approach to promoting governance and institutional development of the public sector in a medium-term perspective (as opposed to the rather disjointed support measures in different areas such as the road sector, public expenditure management, decentralisation in health provision).
- Building on the Vision 20/20 and the Interim PRSP, the CSP/NIP include many references to the need to promote governance through capacity building in policy formulation, planning, budgeting and financial management capacity within Lesotho’s public service. The proposal to include ‘capacity building’ as a focal area was not retained, but it features as a central component in the macro-economic support provided to GoL (50% of the NIP). The provision of budget support will be linked to conditionalities on governance, particularly public expenditure management. Yet the assumption exists that the EC has not yet fully mainstreamed governance concerns across the different sectors of intervention, nor developed a comprehensive strategy to intervene in this area (including building the required capacities internally).

Against this background, the Evaluation Question will seek to assess how the EC has translated its strategic objective of promoting good governance into practice, both as a self-standing objective (under this EQ) and as a cross-cutting issue in all its development interventions in Lesotho (under other EQs focusing on macro-economic support or the focal sectors of intervention)



Judgement Criterion	Indicators
1 Overall public sector performance has improved	1.1 Government capacity to formulate (sector) policies 1.2 Financial discipline and effective public expenditure management (e.g. capacity to produce statistical data; to publish accounts; to ensure fiscal discipline, etc) 1.3 Overall absorption capacity 1.4 Quality of public sector reform and capacity building strategies 1.5 Existence and quality of political dialogue on governance reforms. 1.6 Existence and quality of public-private sector dialogue and partnerships. 1.7 Access of citizens to central and local government. 1.8 Integration of good governance as a cross-cutting concern, including in donor (EC) supported programmes.
2. A culture of public accountability is gradually institutionalised at all levels	2.1 Measures to improve transparency in decision-making and financial discipline. 2.2 Evidence of fight against corruption. 2.3 Role of parliament and civil society in budget processes. 2.4 Existence of 'watchdog' institutions and their impact on different dimensions of governance. 2.5 Coherence between aid modalities (e.g. budget support) and quality of dialogue and accountability mechanisms.
3. Significant progress has been achieved in promoting effective local governance in the framework of the decentralisation policy	3.1 Quality of government and donor (EC) strategies in support of decentralisation and local governance. 3.2 Degree and quality of civil society involvement in local development processes. 3.3 Promotion of joint action between local governments and civil society. 3.4 Existence and quality of EC strategy to promote (mainstream) coherent decentralisation policies in its different sectors of intervention (e.g. water, transport).
<b>Methodology</b>	
<p><b>The approach</b></p> <p>The team will assess the extent to which the EC has promoted the Cotonou principles of good governance practice at both central and local level, through a mix of instruments (e.g. the political dialogue, capacity building programmes, local development programmes). As a key cross-cutting question the team will assess how the EC deals with the issue of governance, decentralisation, institutional capacity building and civil society participation in the focal areas (e.g. water and sanitation, transport sector).</p> <p>We will identify whether good practice has been maintained with regard to Public administration and PFM. We will also assess how support to NSA has increased civil society participation in the policy processes at national level (e.g. watchdog institutions) and at local level (e.g. participation of NSAs in local governance processes).</p> <p>The approach will be to conduct discussions with different stakeholders at central level (in some cases, together with the Team leader in charge of EQ on macro-economic support) as well as at local level (e.g. local government officials, NSAs, beneficiaries) and also ascertain the extent to which the EC strategy towards a decentralised co-operation approach has been implemented. It is proposed to complement/validate these discussions by a visit to a district (to be selected in consultation with EC Delegation) where it would be possible to examine how different EC-supported activities are being implemented at a local level (e.g. micro projects, forestry, water, road sector, health) and to assess the engagement of NSAs and local authorities.</p>	

**Data Collection**

- EC Delegation : Delegate as well as other relevant persons in charge of ‘political co-operation’ and civil society participation.
- Donors active in supporting decentralisation, governance/public sector reforms and civil society development, including international foundations or European NGOs; (WB, DFID, Irish Aid, KfW/GTZ).
- Members of Parliament.
- NAO (K.Letsie, Deputy NAO; Ian Rossiter, TA to NAO).
- Ministry Finance and Development Planning : officials in charge of budget support/beneficiaries of institutional support programmes as well as TAs (G. West, C. Olsen).
- Ministry responsible for Local Government.
- Lesotho Association of Local Governments.
- Constitutional bodies: Human Rights Commission, Directorate against Corruption and Economic Crime, etc.).
- NSAs and stakeholders consulted in preparation of PRSP (e.g. Lesotho Council of NGOs, Bizznet, media).
- NSAs involved in EC supported interventions across sectors.
- Political scientists at National University of Lesotho (e.g. Francis K. Makoa, Head, Department of Political and Administrative Studies).
- Micro-projects Unit (MCU) and possibly the implementing agencies/beneficiaries.

**Projects**

7 LSO 027 (Support to NAO -Governance and Institutional Capacity building).

8 LSO 007 (Support to the Department of Economic Co-operation).

8 LSO 012 (Support to the Department of Economic Policy).

8 LSO 019 (Adviser, Economic Planning and Budget Support).

8 LSO 009 and 8 LSO 010 (Poverty Reduction Budget Support).

9<sup>th</sup> EDF (Institutional Capacity Building project, linked to macro-economic support).

**EVALUATION QUESTION NO. 4: ROAD TRANSPORT**

**(a) To what extent have the Commission interventions in the road transport sector delivered quantified economic benefits?**

**(b) To what extent have the Commission interventions supported the GoL's institutional capacity to develop and implement a sectoral approach to road transport infrastructure?**

**Rationale for the Question**

The overall objective of the GoL is set out in the interim Poverty Reduction Strategy Paper (I-PRSP). In the I-PRSP infrastructure development is ranked as the 3<sup>rd</sup> most critical factor that can alleviate poverty after employment creation and increased agricultural production. Also transport and communications are regarded as critical in assisting poverty reduction through accessing markets, health services and education.

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) [WB Report 14988-LSO, April 1996]. 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. Sector objectives of particular relevance to national poverty reduction aims include employment creation by use of labour based methods of road construction and maintenance, provision of access into rural areas thus enabling establishment of social infrastructure such as schools, clinics, markets and water-supply schemes.

Government commitments have included measures to reform institutional structures, strengthen implementation capacity, increases participation of road users and other stakeholders and promotion of greater private sector involvement. Actions have included the establishment of a Road Fund over seen by an independent Road Board plus review of the roles of various sector management agencies.

The main thrust of EC support in Lesotho is to assist Government of Lesotho (GOL) aim of poverty reduction. In both strategies support to the transport sector is one of the main means of achieving this objective by: (i) increasing access of people and business to rural areas; (ii) improving access to social services (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. There are two gaps that emerge from the strategic analysis in Figures 1 and 2. Firstly it is implied that improving access for people, businesses and services through building roads is a mechanism for reducing poverty. These links need to be validated as well as the implication that lack of access is a major constraint on poverty alleviation.

Secondly EC 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, facilitating transport regulations and legislation and sustainability of a transport network that responds to national and regional economic and social needs.

The issues of decentralisation of decision making and stakeholder dialogue will also be addressed in EQ 8 and the readiness of Government institutions for a sector wide approach considered in EQ 3. The extent to which the implications of HIV/AIDS has been mainstreamed will be reviewed in EQ 6.

This EQ is divided in two parts. Firstly there is evaluation of the extent to which the Commission interventions have contributed to poverty reduction by improving access to services and supporting economic growth by increasing employment. Secondly, the improvement in the effectiveness and efficiency of implementation of the sector support programme is analysed.

<b>Judgement Criterion</b>	<b>Indicators</b>
1(a) EC interventions in transport have improved physical access to rural and (peri) urban areas and improved the access to services.	1.1 Indices of all-weather linkage between roads of all categories. 1.2 Expansion of network of transport services in rural and urban areas. 1.3 Reduction in average travel time to social infrastructure and services. 1.4 Transport costs as a proportion of household expenditure. 1.5 Specific infrastructure provided for pedestrians and NMT.
2(a) EC interventions have generated direct employment and facilitated economic activity.	2.1 Proportion of works undertaken by LB methods. 2.2 Measures of direct LT and ST employment generated as a result of EC-supported interventions. 2.3 Measures of LT employment and economic activity generated as a result of improved access.
3(a) EC interventions promoted private sector involvement in the sector	3.1 Competitive procurement of works and services. 3.2 Harmonisation of transport sector regulations with regional and international norms.
4(a) EC support has contributed to a sustainable and affordable road network.	4.1 Proportion of network which responds to user needs in terms of level of service. 4.2 Reduction in backlog of periodic maintenance. 4.3 Adequacy of revenues for maintenance of roads. 4.4 Effect of user charges on VOC and transport operating costs. 4.5 Budget provision for roads sector maintenance and capital investment programmes.
(b) To what extent have the Commission interventions supported the GoL's institutional capacity to develop and implement a sectoral transport strategy?	
1 (b) EC interventions have supported capacity building and improved institutional sector management.	1.1 NRA established and operational. 1.2 RF and RB established and operational. 1.3 Multi-annual planning and budgeting of works programmes for maintenance and capital works. 1.4 Evidence of new sector legislation, regulations and operational procedures plus implementation. 1.5 Evidence of sector reform. 1.6 Evidence of sector training and capacity building programmes.
2(b). EC interventions respond to and support national sectoral and poverty reduction policies and strategies.	2.1 Existence of an national sectoral and poverty reduction policies and strategies. 2.2 Evidence of consultation with local stakeholders in the design of programmes. 2.3 Complementarity of funding agency sector strategies with GOL strategies and policies. 2.4 Preparation of baselines for assessment of impact of EC supported interventions upon poverty.
3(b) EC interventions have contributed to mainstreaming cross cutting issues including gender, environment, Health and Safety and HIV/AIDS	3.1 Evidence of consultation with NSAs and stakeholders in preparation of sector policies and strategies. 3.2 EIAs and EMPs for all EC-supported interventions. 3.3 HIV/AIDS awareness programmes for sector. 3.4 Support for H&S regulations and best practices. 3.5 Evidence of gender-specific consideration of impact of EC-supported interventions, national strategies and policies and base-line studies. 3.6 Evidence of compensation or mitigation of any negative impacts of EC-supported interventions.
4(b) EC support has been complementary to other funding agency interventions in the sector	3.1 Donor involvement in sector policy dialogue. 3.2 Complementarity of funding agency sector strategies. 3.3 Evidence of Delegation participation in sector co-ordination with funding agencies (and GOL).

## Methodology

Given the major financial commitments made by the EC in the road transport sector, there is a need for the transport specialist to assess the appropriateness and cost effectiveness of the EC's strategy to commit the level of resources to this sector. The overall approach of the evaluation will be for the transport specialist to assess the extent to which support to the transport sector has contributed to overall economic development and reduced poverty.

The emphasis in the analysis will thus be to identify the linkages between the provision of effective transport and the wider objective of access to services and employment. As a major sector wide initiative, the evaluation will need to verify the extent to which there has been an adherence to best practice

Indicators for the judgement criteria will be validated in the following way:

- Improved access measurement will include measures of the effectiveness of the road network in key areas and the use of the network by type of vehicle. Where data does not exist, it may be necessary to make some judgements based on interviews with transport users, PSV operators and hauliers.
- Records of direct employment created should be available from selected project reports and payroll information. Data on business registrations in the areas covered by the improved will be used as a proxy for business activity.
- The affordability of the road network will be reviewed by a detailed examination of the Road Fund accounts and a comparison of the budgets with the maintenance needs established from key interviews.
- In order to assess the extent to which EC interventions respond to sectoral and poverty reduction strategies it will be necessary to supplement stakeholder interviews with an analysis of the records of consultative meetings and PRSP working groups.

The following documents have been identified at this stage as possibly being relevant to the evaluation enquiries. The list is not expected to be conclusive as more documentation will probably be uncovered prior to and during the field mission.

- Vision 20/20
- Evaluation reports
- Country programmes for WB, Irish Aid, KfW/GTZ
- White paper – Land reform and land tenure
- Annual reports and audited accounts on Road Fund, Road Board
- Annual reports from MOPTW (Roads Branch and DRR), MOLG, Maseru City Council
- Reports on Lesotho Road Management System
- Progress reports on the various components of RTIP
- Any progress reports on projects listed above
- TA to DRR and MOPTW – any annual reports
- Minutes of ½ Yearly Joint Monitoring Committee Meetings – NAO/EC
- 6<sup>th</sup> National Development Plan (any subsequent plans?)
- Road studies – 7<sup>th</sup>, 8<sup>th</sup> & 9<sup>th</sup> EDF
- 8<sup>th</sup> EDF – progress reports on road construction
- RTIP baseline socio-economic and environmental studies (Nov 2000?)
- Status of road network 31/12/00 – DRR
- Maps of Lesotho (and of road network)
- Lesotho EIA Guidelines
- Lesotho National Environmental Policy
- Lesotho Design Standards for Roads & Bridges
- Road authority set-up study
- Manpower development study
- Towards a Poverty Monitoring System in Lesotho

Semi-structured Interviews with government and city administration officials, representatives of donors active in the transport sector, private sector operators, delegation officials, consultants and contractors engaged on EC-supported interventions including local contractors undergoing training, beneficiaries, NSAs and stakeholders, Road Fund and Road Board

- EC Delegation (including Joe Bloemarts, Counsellor Infrastructure/Civil Engineering)
- NAO (K.Letsie, Deputy NAO; Ian Rossiter- TA to NAO)
- MPWT – RB (H.Kolane, Chief Planning Officer; S.Ramonaheng, Chief Engineer; M.Ratisane, CTT Road Safety; R.Mafekane, Deputy Chief Roads Engineer)
- MPWT – DRR (Mrs.C.Pama, Chief Engineer; C.Ndanglamanda, Financial Controller)
- TA to MPWT (W. Roodhart, TA to DRR; B. Moody, TA to MPWT)
- MOLG
- Maseru City Council
- Other donors in sector (WB, Irish Aid, KfW/GTZ, ADB, Kuwait Fund? BADEA?)
- Consultants involved in EC-supported projects (Bergmann-Ingerop, SweRoad, Muir Int, BUSSA, SM Consultants, CEA/WP)
- Contractors involved in EC-supported projects (International – WBHO(pty)Ltd; local contractors – including those undergoing training)
- Department of Traffic & Transport
- Lesotho Environmental Authority
- DRR Training Centre
- Lesotho Bus & Minibus Association
- Lesotho Transport Association
- Road Fund/Road Board
- Imperial Fleet Services – Plant & Vehicle Pool Services (PVPS)
- NSAs and stakeholders consulted in preparation of PRSP and RRMP
- Beneficiaries of individual road construction interventions
- NRA

Detailed review of interventions supported by EC since 1996 – in Lesotho the relatively modest size of the portfolio should permit most interventions under RTIP to be examined. Given the relatively compact geography of Lesotho, site visits to most of the following will be made:

- 6 LSO 006 Study – Mekaling Road
- 6 LSO 010 Mekaling – Quthing Road
- 6 LSO 011 Mekaling – Quthing Road – TA to RB
- 6 LSO 027 Transport Study /Axle load control & road safety)
- 7 LSO 031 Road upgrading feasibility study
- 7 LSO 032 Roads & bridges design standards
- 7 LSO 036 TA to MPWT (RB)
- 7 LSO 037 TA to MPWT (DRR/LCU)
- 7 LSO 038 Axle load control
- 7 LSO 043 Study – Road safety improvement
- 8 LSO 002 RTIP

**EVALUATION QUESTION NO. 5: WATER AND SANITATION**

**To what extent has the Commission contributed to equitable economic growth in Lesotho through the provision and access to water and sanitation?**

**Rationale for this question**

Natural resources in Lesotho are limited and the principal exportable non-human resource *is water*, which has been developed for sale to RSA's industrial area around Johannesburg through the Lesotho Highlands Water Project (LHWP). EC support to the LHWP has mainly been in the form of power generation – this issue is examined in EQ 1.

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 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 in order to exploit the economic and social potential of rural and urban communities.*

Factors and problems, which contribute to the fragile situation in the water sector include:

- rapid urbanisation and the movement of population from the highlands to the more water scarce lowlands;
- demand for higher levels of service, with an increasing expectation of reticulated water systems in rural areas as well as urban;
- increased industrial water demand due to the growth of the export-oriented light industries;
- increased environmental problems, including declining dry season flows in the Mohokare/Caledon river, high sediment loads and inadequate wastewater treatment;
- institutional constraints and inadequate tariff structures.

**Since May 1999, the GoL has implemented a new Water Resources Management Policy, of which essential points are:**

- an administrative reform at several levels;
- separate management units for bulk water supply and water distribution;
- the application of cost recovering tariffs (except for the basic human needs of 30l/capita/day);
- the involvement of private firms in water distribution;
- waste water treatment should be systematically applied;
- regional co-operation.

The support to the water and sanitation sector by the EC has been through:

- feasibility studies for the rehabilitation and upgrading of social services infrastructure;
- investment projects/programmes ;
- TA in planning and finance management ;
- Institutional reform;
- Involvement of private firms in water distribution;
- Regional co-operation;
- Systematic treatment of wastewater.

EC support to the water sector has featured prominently in both strategies contributing to the wider aim of poverty alleviation. In the first strategy improved access to water was part of wider support to social services but in the second strategy EC interventions were directly focussed on water and sanitation.

Thus the key strategic question is whether access to water and sanitation is a key driver of poverty alleviation as shown in Figures 1 and 2, and whether EC interventions have contributed to equitable growth. Secondly the objective of Community support for Lesotho was geared towards improving the efficiency and the geographic equity of social services, *with an emphasis on the provision of (...) village water supply and sanitation systems.* In addressing these objectives, a major feature was the strengthening of the role and capacities of local authorities and the decentralisation of administration for the services provided. The issues of decentralisation and stakeholder involvement are addressed in EQ 8.

This EQ assesses the extent to which EC activities have led to an economically sustainable and viable water and sanitation system which has addressed poverty by improvement in access and empowerment, supported by adequate institutional structures and delivery mechanisms.

<b>Judgement Criterion</b>	<b>Indicators</b>
1. Commission interventions have contributed to the improvement in the efficiency and access to water and sanitation.	1.1 No of actual versus targeted beneficiaries: women, poor and minority groups. 1.2 Water and sanitation costs as a proportion of household expenditure. 1.3 No of stakeholders, including women, the disadvantaged and minority groups identified and involved in project implementation. 1.4 Preparation of baselines for assessment of impact of EC supported interventions upon poverty.
2. Commission interventions have led to greater decentralisation of decision making processes	2.1 Users participation in the design, installation, operation and maintenance. 2.2 Compliance of project results comply with stated water policy. 2.3 Adequacy of laws and regulations. 2.4 Extent and effectiveness of co-operation between implementing agencies. 2.5 Extent of government support to the implementing agencies. 2.6 Participation of stakeholders in project/programme formulation. 2.7 Participation of stakeholders in project/programme implementation. 2.8 Adequacy of training and selection of trainees. 2.9 Adequacy of management information systems. 2.10 Adequacy of systems to monitor the social, economic and environmental impacts of projects.
3. Commission interventions have addressed financial and economic sustainability.	3.1 Water supply and demand projections. 3.2 Capacity of systems to cope with peak demand and water scarcity. 3.3 Cost recovery mechanisms. 3.4 Tariff Structures. 3.5 Government disbursement of matching funds. 3.6 Project costs versus budget. 3.7 Accuracy of design calculations. 3.8 Environmental mitigation measures.
4. EC interventions have contributed to mainstreaming cross cutting issues including gender, environment, HIV/AIDS, health and maximised consultation with NSAs and stakeholders.	4.1 Evidence of consultation with NSAs and stakeholders in preparation of sector policies and strategies. 4.2 EIAs and EMPs for all EC-supported interventions. 4.3 HIV/AIDS awareness programmes for sector. 4.4 Support for regulations and best practices. 4.5 Evidence of gender-specific consideration of impact of EC-supported interventions, national strategies and policies and in base-line studies 4.6 Evidence of compensation or mitigation of any negative impacts of EC-supported interventions.



## Methodology

The overall approach of the CSE will be for the water specialist to assess the extent to which support has contributed to overall economic development and reduced poverty, in line with the MDG. Thus the water specialist will validate one of the key comments on the CSP by the IQSG, was that water has not been sufficiently identified as a problem area to justify the EC's focused attention.

The water specialist will review all the key water interventions by the EC under the 7<sup>th</sup> –9<sup>th</sup> EDF. The economic outputs from the LHWP and Mueala Dam project will be assessed for EQ 1 and the main focus for this EQ will be the support provided under the 7<sup>th</sup> & 8<sup>th</sup> EDF on the six towns water supply and the feasibility study.

- The emphasis in the analysis will thus be to firstly collect national data on regional supply and demand for water and validate this with the expected outputs from the EC supported projects. Thus the water expert will validate the relevance of the scope of work and expected findings from the Lowlands Water Supply Feasibility Study with key local stakeholders and district authorities.
- A field visit to a number of the areas of the 6 towns water supply project will be made in order to validate the indicators from judgement criteria 1 & 3. The water specialist will assess the project outputs from project and national data sources in relation to the design specification and assess the efficiency and impact of the interventions. The validation process will involve interviews with the key project staff and authorities and discussion with civil society groups in the lowland regions including users and environmental authorities.
- Judgement Criteria 2 and 4 will be validated with support from the Governance specialist and a number of case study visits to local districts to review how the decentralised decision making processes work and a round table/group discussion will be held to evaluate the extent to which local stakeholders are/were active in the design implementation processes.

## Data Collection

- GOL National Water Supply Strategy (1999) – “The Water Resources Management: policies and strategy” WRMP (documents supported under the fourth structural adjustment programme).
- 8<sup>th</sup> EDF study for “Programme investment in water sector” (2000).
- Lesotho Water Sector Reform Project - World Bank mission (2000).
- Regulator in Water and Electricity Sectors Legal and Regulatory Framework 1999 (Environmental Bill, Wastewater and Industrial Effluent Discharge Standards).
- Enhancement “Programme” of services to villages in the Muela area.
- Evaluation Reports.

## Stakeholder Interviews

- Joe Bloemarts (*Technical adviser – infrastructure*): retired in NL.
- Charles Reeve (EU Delegation in Pretoria – *Technical adviser for Water*) Telephone Interview).
- European Investment Bank (GD Luxembourg) (*Muela hydropower plant – audit*).
- Department of Water Affairs (*overall planning, management and monitoring of water resources*)
- WASA: Water and Sewerage Authority (*Water supply and sanitation in gazetted urban areas*) (MoNR).
- DRWS Department of Rural Water Supply (MoNR) (*Provision of water supply and sanitation in rural and some peri-urban areas*).
- Lesotho Highland Development Authority (LHDA) (*Water Transfers to RSA from the LHWP and hydro-electric power generation for Lesotho*)
- Southern African Development Community (SADC) (*Water sector co-ordination unit, Regional water issues and co-ordination*)<sup>1</sup>.
- Ministry of Natural resources “Directorate of Water” (*organisation of the sector*).
- Lesotho Highlands Water Commission (LHWC) (*joint body of Lesotho and South Africa controlling the LHWP*).
- Other donors.
- Visits to the sites of hydropower and water supply projects.

## Projects/Interventions

- 7 LSO 1 - Lesotho Highlands Water (LHW)–
- LHWP Mohale dam (phase 1B)
- 7 ACP LSO 041 Six towns water supply reports, evaluation
- 8 ACP LSO 011 -Lesotho Lowlands Water Supply Feasibility study
- Micro-projects

<sup>1</sup> Within SADC, Lesotho has responsibility for Water and Environment and Land Management. Water is not a focal sector under the 8<sup>th</sup> EDF RIP.  
CSE Lesotho, August 2004

**EVALUATION QUESTION NO. 6: HIV/AIDS**

**To what extent have the Commissions interventions helped to increase capacity to address and mainstream the HIV/AIDS pandemic?**

**Rationale for the Question**

The HIV/AIDS pandemic in Lesotho is having a major impact across all EC interventions in Lesotho since the level of infection has reached around 30% of the working population. It is thus having a major bearing on the delivery of the Government social and health programmes but is also cutting across strategies to develop the private sector through the impact on labour productivity and expenditure patterns, as well as the overall institutional capacity of the GoL.

The EC's approach to addressing HIV/AIDS needs to be related to the fact that the Government of Lesotho has not responded with policies that recognises the extent of the pandemic in the country. This is in marked contrast to other countries in the region, notably Swaziland, a country with a similar degree of infection. In the relative absence of a Government strategy, the EC has addressed the problem by promoting HIV/AIDS as a cross-cutting issue to be considered in other sectoral programmes (e.g. transport, water), and including consideration of the severe human resources and socio-economic impacts in wider macroeconomic and institutional reform and capacity building programmes.

The general principles and objectives of the EU-ACP agreements and the EC Development Policy for ACP countries provide an open structure for addressing HIV/AIDS in a country such as Lesotho. Over the period of the 8<sup>th</sup> EDF Strategy Paper and the 9<sup>th</sup> EDF CSP, the Commission has recognised the strategic significance of HIV/AIDS to the country's overall development, and has translated this into strategic objectives and actions in a range of ways:

- The 8<sup>th</sup> EDF Strategy Paper draws attention to the worsening HIV/AIDS infection situation and its negative impact on human resources, the burden on the government healthcare budget and the need to introduce a more decentralised approach to local screening and treatment. The NIP takes forward the concerns in relation to healthcare capacity and coverage with a focus on improvements in provision of primary healthcare, including HIV/AIDS programmes, through capacity building of local authorities and decentralisation of administration. HIV/AIDS is not singled out as a separate issue but included as part of the overall health support and structural adjustment support.
- The EC/Kingdom of Lesotho Annual Report 2001, and health sector review documents from the end of 2000 register concerns about the slowness of the planned Government health sector reforms in order to achieve better equity and access to health services, including those for prevention and treatment of HIV/AIDS, and a general separation of the reform process from overall activities in the health sector. These concerns are repeated in the 2002 Annual Report.
- During the planning and review process for the 9th EDF's CSP and NIP, emphasis was highlighted on the need to integrate HIV/AIDS considerations into the proposed focal sectors of water and transport, as well as the need to include some institutional support to the health sector to assist its capacity deal with the HIV/AIDS problem. Importantly, the emphasis is on ensuring that Lesotho benefits from the ongoing regional initiatives, and on making use of dedicated budget lines for HIV/AIDS (e.g. B7-6212).

The extent to which HIV/AIDS has been mainstreamed into the programmes in support of the water and transport sector will be reviewed separately in EQ 4 & 5. The purpose of this evaluation question is to assess the extent to which the EC has matched a recognition of the strategic importance of HIV/AIDS with: (i) a concrete engagement in addressing the HIV/AIDS pandemic as a cross cutting issue through its various programmes; (ii) raising awareness with GoL to address the issue as an overriding strategic issue for the alleviation of poverty.

Judgement Criterion	Indicators
1. The GoL is demonstrating a commitment to address measures to the prevention of HIV/AIDS.	1.1 HIV/AIDS infection, maternal transmission and mortality rates by region. 1.2 % of population access to HIV/AIDS prevention and treatment services 1.3 Extent and effectiveness of national HIV/AIDS strategy 1.4 Evidence of steps towards implementation of an integrated health information system. 1.5 Existence of an operational health sector reform policy 1.6 Degree of decentralisation and functioning of local HIV/AIDS prevention and treatment services 1.7 Utilisation and collaboration with joint service providers and with other donor programmes 1.8 Government participation in Southern African regional and international HIV/AIDS programmes.

Judgement Criterion (cont.)	Indicators
2. HIV/AIDS is mainstreamed into other EC programmes.	2.1 Population models developed and incorporated into planning processes 2.2 HIV/AIDS related health indicators referred to and utilised in design and implementation of programmes 2.3 HIV/AIDS impact integrated into economic modelling and baseline impact assessment.
3. The EC's HIV/AIDS initiatives are integrated into other donors' programmes and the Global Fund for HIV/AIDS.	3.1 Lesotho's participation on regional and global HIV/AIDS initiatives. 3.2 Degree of co-ordination and complementarity of EC's initiatives with other donors at regional and national level.
<b>Methodology</b>	
<p><b>Approach</b></p> <p>The question is addressing HIV/AIDS in three related aspects: the extent to which the GoL has a policy platform for an EC response strategy; the extent to which adequate account has been taken of the AIDS pandemic in other EC programmes, and the extent to which interventions have been integrated with other donor activities.</p> <p>Thus while the mainstreaming of AIDS will be reviewed for the sectoral strategy implications in EQ's 4 &amp;5, the approach of the field visit will be to assess the overall engagement of the GoL and the extent to which the EC has supported this process through a range of actions including the political dialogue and support to NSAs.</p> <p>The main verification of the JCs will be by gaining an understanding of the extent to which sector reforms have been implemented and the extent to which HIV/AIDS has been addressed. The field visit will be designed to enable the team to gain an understanding of:</p> <ul style="list-style-type: none"> <li>▪ The network of EC interventions (projects and dialogue) and impact directly or indirectly on HIV/AIDS in Lesotho;</li> <li>▪ Other interventions (Government, other donors, IFIs) relating to HIV/AIDS and their coherence and integration with the EC's;</li> <li>▪ The extent to which EC interventions at national and regional level have considered and included HIV/AIDS issues in their design and implementation;</li> <li>▪ The impact of EC national, and regional level interventions on HIV/AIDS in Lesotho.</li> </ul>	
<p><b>Collection of Data</b></p> <p>Collection and collation of available data on HIV/AIDS and related socio-economic indicators in order to gain a more detailed picture of the current situation and trends over the period of the 8th and 9<sup>th</sup> EDF strategies. This will involve</p> <ul style="list-style-type: none"> <li>▪ Reviewing all available HIV/AIDS data for as a component of the baseline for an overall health reform strategy;</li> <li>▪ Reviewing all strategy/policy documentation reviewing data on population access to treatment</li> <li>▪ Visiting key areas of work including decentralised health services and the central information system;</li> <li>▪ Consulting with NSAs, EC and other donors to establish the extent of collaboration and joint approaches being taken.</li> </ul> <p>i) Key data sources will include:</p> <ul style="list-style-type: none"> <li>▪ UNAIDS statistics on Lesotho;</li> <li>▪ Global Fund data;</li> <li>▪ Government data from LAPCA, Ministry of Finance and Development Planning (recipient of Global Fund program)</li> <li>▪ National University of Lesotho data;</li> <li>▪ SADC HIV/AIDS data;</li> <li>▪ Data from University of Natal Human Economics and HIV/AIDS Research Division (HEARD), which works on awareness, multi-sectoral and regional responses to HIV/AIDS;</li> <li>▪ EC data on HIV/AIDS trends and related socio-economic statistics.</li> </ul> <p>ii) Collection and collation of available information on key GoL policies and programmes in the health sector, in wider institutional capacity building and reform, in regional initiatives</p> <p>iii) Review of EC programme and design documents for evidence of HIV/AIDS mainstreaming and baseline impact assessment.</p> <p>iv) Collection and collation of available information on other activity by IFIs, donors, and NSAs in HIV/AIDS in Lesotho, using the recent EC-funded study as a starting point.</p>	

**Key Interviews**

- EC programme management staff rationale behind the EC's national and regional strategy in relation to HIV/AIDS and the impacts programmes may have had. This will include meetings with:
- TA to Ministry of Finance and Development Planning
- Kai Andersen, TA seconded from DANIDA
- Directorate of Economic Planning (Mr Letsie)
- LAPCA staff, and staff from a selected District AIDS task force
- Meeting with Ministry of Health and Social Welfare – Dept of Primary Health Care, Dept of Planning and Stats;
- Ministry of Local Government involved in health sector decentralisation;
- Christian Health Alliance of Lesotho (CHAL) -to gain an understanding of the capacity, financial and other issues limiting (or promoting) implementation of sector reform and a co-ordinated strategy for HIV/AIDS and to gain further details on future plans;

**Multi-donor/IFI discussion group focused on HIV/AIDS issues in Lesotho and the extent to which there has been:**

- 1) EC co-ordination and collaboration with and other donor efforts in this area
- 2) EC coherence to GoL programmes on HIV/AIDS (either targeted programmes or those with clear links to HIV/AIDS);
- 3) EC impact on GoL's awareness and capacity to deal with HIV/AIDS;
- 4) Linkages between HIV/AIDS and poverty;

**Selected NSA consultations.**

- Understand more of the impact of HIV/AIDS within communities in Lesotho;
- To identify where there have been collaborative efforts between the GoL and NSAs, and between the EC and key NSAs.
- Amongst international NGOs our consultations will include: CARE Lesotho, Catholic Relief Services and Caritas Lesotho, and Save the Children.

**Projects to Visit**

- Support to Health Sector Reform Project 8 ACP LSO 8. (Ministry staff, Ireland Aid staff working on the project.) Meeting with one of the local working groups established to create stakeholder ownership;
- Visit to the local organisation involved in implementing the EC review of HIV/AIDS related activities project;
- Visits to Lesotho based staff involved in the design/planning of the 9<sup>th</sup> EDF allocation on HIV/AIDS interventions.
- Visits to Lesotho staff working with the Health Co-ordinating Unit on the regional programme Development of an Expanded, Multi-Sectoral Response to HIV/AIDS in SADC 8 ACP RAU 14;
- The Lesotho partner working on the Regional HIV/AIDS Awareness and Education Programme SA/1010/00 B73200; and
- The SADC initiatives contact point in Lesotho in the Ministry of Finance and Development Planning

**Additional Phone Consultations on Regional Projects**

- Development of an Expanded, Multi-Sectoral Response to HIV/AIDS in SADC – including the SADC Health Co-ordinating Unit, the delegation advisor, the project manager, the EPRD staff working on that component of the project;
  - Regional HIV/AIDS Awareness and Education Programme based in South Africa – including *Soul City* the implementing NGO;
  - The Regional Integration and Capacity Building Programme.

## EVALUATION QUESTION NO. 7: FOOD SECURITY

**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?**

### Rationale for the Question

Lesotho has a long history of problems with food security as a result of its limited agricultural capacity and heavy reliance on imports from Southern Africa. The EC-Lesotho Govt. Annual Report of 1996 indicates the use of massive food aid contributions to help Lesotho in the aftermath of the 1994/5 drought. The 2001 Annual Report registers concerns about household food security as a result of ongoing government reforms in the agricultural sector, the food production shortages in surrounding countries on which Lesotho relies, and the burgeoning HIV/AIDS pandemic. The 2002 Annual Report records a worsening of the situation and relates the problem to endemic poverty and lack of purchasing power. Recent communications with EC staff based in Maseru indicate that the situation for 2003/04 is likely to deteriorate.

The shift in the overall EC strategy (until the mid 1990s) of encouraging Lesotho's greater economic independence from South Africa, to promoting greater economic integration with the region may have had an impact on overall food security. There has been move away from support to domestic agriculture towards a greater reliance on households being able to have cash from non-agricultural activity to ensure food security. The EC has adopted a regional approach to food security, and the implications for Lesotho needs to be assessed.

The Commission's intervention strategy on food security for both the first (8<sup>th</sup> EDF) and second strategy (9<sup>th</sup> EDF) appears to have been handled as an *implied concern* rather than as a primary objective. During the elaboration of the 9<sup>th</sup> EDF, the agricultural sector was not retained as a focal sector. By implication it was therefore preferred to tackle food security under the larger angle of increasing the country's capacity to finance the import of food. These implied results from the two strategies need to be examined with respect to the other programmes. In particular:

- **Transport**- a key intended result of the programmes is greater access by the population to markets and services. Access to food and the ability of farmers and traders to sell food more efficiently is thus implied in this programme. (EQ 4).
- **Water** - Emphasis on improving water supply in different areas of the country should have the potential to increase the ability to grow subsistence food supplies as well as high value crops for export (EQ5).
- The **Agricultural and natural resource management** programmes included as non-focal sectors 8<sup>th</sup> EDF strategy the potential to improve water resource management in agriculture and increase export earnings, both of which could have had a result on the food security status of the country. (EQ 1).
- There was also a commitment under the 8<sup>th</sup> EDF country strategy and NIP to use **STABEX funds for transforming the livestock sector** and improving land use and to use Food Aid counterpart Funds for rural development actions, which has an implied link to food security.
- The **macroeconomic reform** programmes in both strategies, by working at reducing the key restricting factors to trade, investment and economic growth should have a positive consequence on the nation's food security (EQ2).

As food security now appears to be a growing concern for Lesotho, and because it is affected by a wide range of economic, natural and political factors, this EQ analyses the extent to which the issue has been addressed directly within programmes and mainstreamed with other programmes on transport, water and macroeconomic reform.

Judgement Criterion	Indicators
1. The Government of Lesotho has an adequate analysis and capacity to assess the food security status of urban and rural households.	1.1 National/ household data on food supply and the key drivers of food insecurity. 1.2 Disaggregated data on food security by household type and region. 1.3 Evidence of targeted food security assistance programmes. 1.4 The level of expertise in food security analysis in the GoL.
2. The Commission's interventions in Lesotho have taken account of rural and urban food security issues	2.1 Evidence of food security issues in EC programming documents. 2.2 Evidence of impact on food security from HV horticulture and other EC supported agricultural programmes. 2.3 Results from EC programmes. 2.4 Consistency of EC's programming with Commission's overall food security policy

Judgement Criterion (cont.)	Indicators
3. The Commission's regional economic integration strategy has taken account of food security issues in Lesotho	3.1 Data on the national and regional(SADC) dimension of food security. 3.2 Programming documents on regional analysis of food security issues, their root causes, and measures to be taken to improve it. 3.3 Evidence of capacity building support on food security (including impact of trade). 3.4 Evidence of impact on food security from regional programmes.
<b>Methodology</b>	
<p><b>Approach</b></p> <p>As a key cross-cutting question the approach of the team will be to provide some supporting analysis to EQs 1,2 4 &amp; 5 to and ascertain whether consideration of food security has been mainstreamed into EC interventions, and an assessment made of the explicit or unintended impacts on the food security status Lesotho. The approach of the team will also be to view some agriculture and rural development projects that have a direct impact on food security.</p> <p>The key information required in order to answer the three judgement criteria includes the development of an understanding of:</p> <ul style="list-style-type: none"> <li>▪ The food security status of Lesotho and trends;</li> <li>▪ The network of EC interventions that have impacted, directly or indirectly on FS in Lesotho;</li> <li>▪ Other interventions (Government, other donors, IFIs) relating to FS and their coherence and integration with the EC's;</li> <li>▪ The extent to which EC interventions at national and regional level have considered and included FS issues in their design and implementation;</li> <li>▪ The extent to which EC interventions in Lesotho have been consistent with the EC's overall FS policy.</li> <li>▪ The impact of EC national, and regional level interventions on FS in Lesotho.</li> </ul>	
<p><b>Data Collection</b></p> <p>Collection and collation of available data on food <i>supplies</i> in order to gain a more detailed picture of the current situation and trends over the period of the 8th and 9<sup>th</sup> EDF strategies. The data will serve to verify the food security situation at an urban/ rural level. Key data sources could include:</p> <ul style="list-style-type: none"> <li>▪ FAO country and regional data and GIEWS data;</li> <li>▪ Government data from the Ministry of Agriculture, Co-operatives and Land Reclamation, Ministry of Economic Planning, Food Management Authority and the Ministry of Home Affairs;</li> <li>▪ University of Lesotho Faculty of Agriculture, Social Sciences and Southern African Studies;</li> <li>▪ ODI Forum for Food Security in Southern Africa;</li> <li>▪ EuropeAid information from country support office for Southern Africa;</li> <li>▪ UN Data.</li> </ul> <p>Collection and collation of available data on the <i>key drivers of food security</i>, in order to gain a more detailed assessment of the current situation and trends over the period of the 8th and 9<sup>th</sup> EDF strategies and their influence on food security, including:</p> <ul style="list-style-type: none"> <li>▪ key economic and social indicators at a national level and regional level;</li> <li>▪ details of activity in agriculture, natural resource management, conservation and other related areas by Government, EC, other donors and private sector;</li> <li>▪ details of activity in road building, water supply and social service provision by Government, EC and other donors;</li> <li>▪ details of activity in macroeconomic reform and structural adjustment by Government, EC and other donors;</li> <li>▪ details of completed and ongoing EC country-level programmes that may have influenced key drivers of food security (FS) and all available monitoring and evaluation reports;</li> <li>▪ details of completed and ongoing EC regional-level programmes that may have influenced key drivers of FS and all available monitoring and evaluation reports.</li> </ul>	

**Interviews: Key Stakeholders**

- EC Delegation
- NAO & TA (Rossiter)
- Ministry of Agriculture
- Directorate of Economic Planning(Letsie)
- ATA to NR and Water (Graeme Munro)
- TA to Ministry of Finance and Development Planning (Christian Olsen and Geoff West)
- Kai Andersen, TA seconded from DANIDA
- African Development Bank/ World Food Program/World Bank (remotely)

**Semi- Structured interviews/ Multi-donor Round Table.** Ideally participants would include: Development Co-operation Ireland; GTZ; DFID and UNDP who co-ordinate food aid and poverty monitoring to assess the following issues:

- Analysis of drivers of food security issues: economic (incl. implications of trade policy); environmental degradation/climatic factors.
- MS/ Donor strategies for economic development and implications for food security. Extent to which food security is mainstreamed in project design.
- Coherence of donor programmes with GoL programmes on food security.

**Selected NSA consultations**

Initially identified groups will include: the Lesotho Rural Self Help Association (LRSHA), CARE Lesotho Catholic Relief Services; who are working in food aid and civil society development of structures to combat future food crises; and a number of member NGOs working through EuropAid on FS issues, who have representation in Lesotho.

**Projects**

- Sustainable Land Use Programme PVD/2000/589 FRG – meet with LRSHA the local partner;
- MicroProjects Programme – the Implementing Agencies – line Ministries and NGOs dealing with relevant projects to be confirmed, the national technical officer (s) and the TA to the MPU;
- Asparagus Expansion Programme – 7 ACP LSO 22 – local TA details to be obtained from Robert Collingwood;
- Drakensberg-Maloti Highlands Conservation Project 6 ACP LSO 31 – Ministry Counterpart Staff who worked with Particip GmbH TA.

**EVALUATION QUESTION NO. 8: DEMOCRATISATION, HUMAN RIGHTS AND CIVIL SOCIETY DEVELOPMENT**

**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**

**Rationale for this question**

Since the end of the Cold War, the promotion of human rights and the consolidation of democratic principles, institutions and processes have become key objectives of the foreign and development policy of the EU. They have been integrated in the different co-operation agreements with developing regions, including in ACP-EU co-operation as 'essential elements'. The Cotonou Agreement has reinforced the political dimension of co-operation, amongst by promoting political dialogue and by recognising the role of civil society in development and democratisation processes. It also calls upon the parties to pursue an active, comprehensive and integrated policy of peace-building and conflict prevention and resolution.

Full democracy in Lesotho was restored in 1993 after decades of single party and military rule. However, the political crisis of September 1998, which led to civil unrest, widespread looting as well as an intervention of South African troops, illustrated both the fragility of democracy in Lesotho and the potential vulnerability of the country to conflict. Laudable efforts have been made to overcome the crisis through electoral reforms (also supported by the EC), culminating in a successful general election (May 2002). Yet the challenge of consolidating the 'emerging democracy' in Lesotho in a context of high poverty levels, institutional deprivation as well as disturbing social and economic trends, remains huge. Several major policy documents (e.g. the Strategy Paper for the 8<sup>th</sup> EDF; the CSP/NIP 9<sup>th</sup> EDF and successive Joint Annual Reports; the Vision 20/20 and the PRSP) identify the main tasks at hand in building a secure, stable and democratic Lesotho, including the promotion of effective collaboration between the legislative and the executive branches; the political devolution to elected and properly enabled local authorities; the strengthening of the justice sector; progress towards gender equality; as well as the participation of non-state actors 'across all areas of EC support' through a diversity of instruments such as micro-projects, decentralised co-operation and capacity building measures. As a small, landlocked country, completely surrounded by the Republic of South Africa, Lesotho is vulnerable to exogenous shocks, (e.g. the devaluation of the South African Rand; the ongoing political and economic difficulties in Zimbabwe; the treat of famine in the region). These external factors, combined with internal intentions, imply that the risk of renewed political instability and/or conflict cannot be ruled out.

The purpose of this Evaluation Question is to assess to what extent the EC has contributed to addressing the above mentioned challenges of promoting human rights, consolidating the democratisation process, implementing and effective decentralisation and ensuring civil society participation and development. through the EDF and EU budget lines. It will seek to understand the apparent gap (particularly in the 8<sup>th</sup> EDF Country Strategy) between stated EC commitments to support democratic reforms, effective decentralisation and community participation on the one hand, and the relative absence of programmes and projects aimed at supporting these co-operation objectives, on the other hand. Furthermore, this EQ should assess efforts made by the EC to effectively apply the new provisions of the Cotonou Agreement with regard to both non-state actors participation (Title I, articles 4-7) and the strengthened political partnership with ACP countries (Title II, articles 8-11), particularly in relation to political dialogue (as a cross-cutting issue and process, covering all areas of co-operation) and conflict prevention. In order to facilitate cross-sectoral analysis, the evaluation team will address issues of non-state actor participation and political dialogue in each of the areas of EC intervention. Lessons will be drawn for future co-operation in the evolving political and institutional context of the country.



<b>Judgement Criteria</b>	<b>Indicators</b>
1. Significant progress has been achieved in the consolidation of a human rights culture and democratic institutions and processes	1.1 Respect of obligations arising from international conventions on human rights, including removal of discriminatory laws (e.g. on gender). 1.2 Quality of electoral processes (at national and local level) 1.3 Independence and effectiveness of Parliament and Judicial system. 1.4 Creation and effective functioning of control bodies (e.g. Human Rights Commission, Electoral Commission, Directorate against Corruption and Economic Crime, etc.) 1.5 Effective operation of the justice system (including the police force and the prisons). 1.6 Development and consolidation of civil society in its role as democratisation agent ('watchdog'). 1.7 Pluralism and independence of media. 1.8 Degree of democratic decentralisation and effective functioning of local governments.
2. Significant progress has been achieved in the empowerment of the population as well as in mainstreaming civil society participation	2.1 Levels of awareness and information among the bulk of the population on human rights and democratic processes. 2.2 Degree and quality of civil society involvement in political and policy processes, including the formulation and implementation of national and sectoral development strategies as well as international co-operation programmes (e.g. EC-Lesotho co-operation). 2.3 Existence and quality of institutional development strategies with regard to civil society as a sector, including donor (EC)-supported initiatives. 2.4 Existence of a coherent EC approach to mainstreaming non-state actor participation (across sectors) and to promoting decentralised co-operation approaches aimed at effective implementation of development interventions as well as at promoting local capacity building and accountability. 2.5 Promotion of 'rights-based' approaches to development.
3 The country's vulnerability to political instability and/or conflict has been reduced	3.1 Levels of awareness, analysis and public debate on possible sources of (internal or external) of vulnerability and related risks of political instability (in a short, medium and long-term perspective). 3.2 Existence and quality of political dialogue between government and international donor community on adequate response strategies in the promotion of structured stability. 3.3 Existence of a coherent EC approach to promoting structured stability through various development instruments and programmes.

Methodology
<p><b>Approach</b></p> <p>There have been no major EC programmes in support of human rights, democracy, governance or civil society development under the 6-7 and 8<sup>th</sup> EDF on which the Country Strategy Evaluation could focus. The task at hand is to examine a variety of self-standing projects in order to gain a better grasp and evaluate the overall EC strategy towards the political and institutional aspects of the partnership with Lesotho as well as towards civil society involvement. Inevitably, the analysis to be done for this EQ is closely linked to the issues that will be considered under EQ 3 (Governance).</p> <p>The proposed approach will seek to better understand the progress achieved by Lesotho in building a democracy, implementing decentralisation and promoting participatory approaches. The Governance specialist will assess how the EC has positioned itself in these political processes. It will examine the extent to which the EC has been proactive in supporting a political dialogue with the key stakeholders in Lesotho and identify whether issues of potential instability have been identified and addressed. The extent to which there has been an on-going political dialogue on other aspects of political, economic and trade co-operation will also be assessed.</p> <p>The specialist will undertake discussions with government officials, control bodies (e.g. Independent Electoral Commission) academics, advocacy NSAs and local and national level political figures. He will also review with the other sector specialists (water and transport) the extent to which the processes of democratisation, decentralisation and civil society empowerment have been supported, directly or indirectly, by EC interventions.</p> <p>The proposed field visit to 1 district (see EQ 3) should help to shed light on local realities and challenges with regard to democratisation, decentralisation and civil society empowerment. When considering the Micro-project programme, the aim will primarily be to understand if, and to what extent, the EC has made a strategic use of this instrument of co-operation (e.g. to empower NSAs; to build partnerships with local governments; to promote effective decentralisation, etc.).</p>
<p><b>Further Data Collection and Analysis:</b></p> <ul style="list-style-type: none"> <li>▪ Vision 20/20</li> <li>▪ Evaluation reports</li> <li>▪ Country programmes for WB, Irish Aid, KfW/GTZ</li> <li>▪ Any progress reports on projects listed above</li> <li>▪ Minutes of ½ Yearly Joint Monitoring Committee Meetings – NAO/EC</li> <li>▪ 6<sup>th</sup> National Development Plan (any subsequent plans?)</li> <li>▪ 8<sup>th</sup> EDF – progress reports</li> </ul>
<p><b>Semi-Structured Interviews</b></p> <ul style="list-style-type: none"> <li>▪ EC Delegation: Delegate as well as other relevant persons in charge of ‘political co-operation’ and civil society participation</li> <li>▪ NAO (K.Letsie, Deputy NAO; Ian Rossiter, TA to NAO)</li> <li>▪ District Council (to be selected)</li> <li>▪ Constitutional bodies and other institutions involved in the promotion of human rights, democracy and governance (e.g. Lesotho Independent Electoral Commission, Human Rights Commission,)</li> <li>▪ NSAs and stakeholders consulted in preparation of PRSP (e.g. Lesotho Council of NGOs, Bizznet, media)</li> <li>▪ NSAs involved in EC supported interventions across sectors</li> <li>▪ Political scientists at National University of Lesotho (e.g. Francis K. Mako, Head, Department of Political and Administrative Studies)</li> <li>▪ Other donors in sector (WB, Dfid, Irish Aid, KfW/GTZ)</li> <li>▪ International foundations and NGOs with offices in Lesotho working on conflict prevention</li> </ul>

**Projects to Visit**

- Support to democratisation process: 7 LSO 054 (Independent Electoral Commission – Capacity Building)
- 8 LSO 013 (Support to Lesotho Independent Electoral Commission) and
- 8 LSO 015 (Establishment of National Elections Result Centre)
- Decentralised co-operation microprojects and community participation
- Primary focus will be on successive microprojects programmes :
- 7 LSO002 (1st MPP), 7 LSO 014 (2nd MPP), LSO 033 (3rd MPP), LSO 048 (8th EDF MPP), 8 LSO 003 (Multi-annual Microprojects Programme).
- It may be relevant to also briefly examine 6 LSO 002 (Mphaki Area Development) and 7 LSO 028 (Highlands Community Forest Project) to assess EC approaches to community participation and decentralised co-operation in specific sectors 8 LSO 017 Six Towns Water Supply.

**EVALUATION QUESTION NO. 9: OWNERSHIP, CO-ORDINATION, COMPLEMENTARITY COHERENCE**

**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?**

**Rationale for the question**

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.

The importance of the '3Cs' has been underlined in Lome IV(bis) as well as the Cotonou Agreement in assessing the impact of the Commission's overall development activities. A pre-condition for well co-ordinated activities is strong local ownership of EC programmes and activities. Equally ownership of EC supported initiatives can only be achieved through a strong commitment and engagement of the GoL in consultation with local stakeholders.

The EC is the major donor in Lesotho and during the last few years there remains only limited presence of other donors, including Ireland, Germany and the UK. This EQ will look at the extent to which other donors interventions (e.g Irish in infrastructure UK in PFM/Governance) are complementary to the EC and whether other donors are working towards the joint formulation of strategies as well as interventions in programmes. The EQ will also examine the consistency of the EC strategy.

This question addresses the 3Cs and the related aspect of local ownership of EC activities and initiatives.

<b>Judgement Criterion</b>	<b>Indicators</b>
1. Commission interventions have been developed into programmes that are locally owned.	1.1 Quantity and quality of consultation at strategy, NIP and programme design stage. 1.2 Ownership of programmes by different stakeholders including Government Departments during design and implementation stages 1.3 Degree and quality of non-state actors involvement in all relevant areas of co-operation
2. Commission strategies and programmes are co-ordinated with other donors, especially Member States.	2.1 The number and effective functioning of specific donor co-ordination groups and activities. 2.2 Degree of harmonisation and consistency of approaches to support the GoL 2.3 Extent to which gaps and duplication in donor support to the GoL has been avoided.
3 There is complementarity between Commission and Member states interventions.	3.1 Sharing of draft CSPs, programme proposals or thematic evaluations between EC and Member States. 3.2 Effectiveness of efforts made to ensure coherent intervention approaches by EC and EU Member States.
4. There is coherence between Commission Interventions in Lesotho and other EC policies.	4.1 Degree of consistency of the strategy with EC policies on development instruments incl. democracy/human rights, HIV/Aids, environment, NGO Financing 4.2 Degree of coherence of the strategy with other Commission policies incl. Trade and, Agriculture.

**Methodology**

The team will consult with donors and review the consistency of the CSP with Commission guidelines. The guidelines to be included will be finalised with the Delegation and members of the reference group for this assignment. We propose using the following (but not limited to) as examples:

- Guidelines on Country Strategy Formulation
- Guidelines on Project Cycle Management
- IQSG Country Strategy Formulation
- Development Assistance- Staff working paper July 2001: SEC(2001) 1317).
- Programme of action for the mainstreaming of gender equality in Community development co-operation COM(2001) 295

The coherence of the CSPs with regard other EU policies will be reviewed including agriculture. The coherence of the EU's trade policy will be reviewed in EQ1, Food security and HIV AIDS in EQ 6 & 7.

Ownership of EC programmes will be assessed by the sector specialists and from general discussions with the NAO and other Government stakeholders

Given the relatively small donor presence in Lesotho, a round table discussion with the other key MS donors (Ireland, UK and Germany) will be undertaken to assess the overall co-ordination and complementarity of the EU's donor effort.

**EVALUATION QUESTION 10 : FUNDING MODALITIES/ POLICY MIX MANAGEMENT OF PROGRAMMES**

**To what extent have Commission interventions been designed with the appropriate policy mix and funding modalities and managed with the appropriate implementation mechanisms?**

**Rationale for the question**

The EC 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 EC have adopted the appropriate instruments for supporting macroeconomic reform will be analysed in detail EQ 2. The extent to which Governance issues have been mainstreamed will be reviewed in EQ 3.

This question assesses the strategic choices and adequate policy mix made by the EC in terms of financing mechanisms, programme modalities and programme steering mechanisms. The question will assess whether the GOL had the appropriate willingness and absorption capacity to embark on these programmes and whether there has been any impediment in the financing modalities used to the achievement of the programme objectives.

This EQ will also examine any issues concerning the management of the programmes, with a particular emphasis on the EC's capacity to implement the strategy in a flexible manner (including the capacity to adapt instruments to changing conditions). This EQ will also examine the overall institutional capacity of the EC to deliver quality support to Lesotho (focusing on issues such as adequacy of staffing at EC Delegation (ECD) level; the possible impact of deconcentration; the quality of the relationship between ECD and EC Headquarters, etc.).

<b>Judgement Criterion</b>	<b>Indicators</b>
1. The type of assistance designed is appropriate for implementing the programmes and achieving the objectives of the strategy.	1.1 Achievement of Target/objectives. 1.2 Choice of partners. 1.3 Choice of beneficiaries. 1.4 Existence of strategic links in the utilisation of different EC co-operation instruments (within NIP and RIP). 1.5 Efficiency and effectiveness in the disbursement of EC funds. 1.6 Ownership by government and other stakeholders for the key programmes under consideration.
2. Commission programmes have taken/take into account the absorption capacity of local institutions.	2.1 Capacity of respective Government dep'ts/institutions. 2.2 Constraints in disbursement of funds. 2.3 Existence and quality of institutional capacity building responses (which duly take into account impact of HIV/Aids, the brain-drain, etc.).
3. Commission programme management systems were/are appropriate for the achievement of programme implementation.	3.1 Technical resource constraints in ECD. 3.2 Quality of Management information systems ECD. 3.3 Existence and quality of internal systems for monitoring, evaluation and learning.

**Methodology**

The first two judgement criteria will mainly be answered from a synthesis of the key findings from the other questions. In addressing issues of co-ordination with other donors in EQ 9, the evaluation team will also address the extent to which, in the opinion of other donors, the EC identified the correct policy mix and implementation partners. The evaluation team will also review the correspondence and minutes at the EDF Committee with regard to MS opinions on EC strategy and modalities.

The EC Delegation in Maseru is very small although there are some additional strategic resources for the EC through TA to the NAO and other key policy advice. The evaluation team will review the extent to which resources for the implementation in the delegation and HQ are adequate.

## ANNEX D: COMPLETED JUDGEMENT CRITERIA FORMS

**1. To what extent has the Commission promoted private sector development, employment growth and greater regional economic integration in Lesotho?**

*JC 1.1 EC assistance to Lesotho has contributed to employment creation and economic growth.*

### **Institutional Environment**

There are three key bodies responsible for Private Sector Development in Lesotho although some line Ministries, notably the Ministry of Tourism, has the responsibility for the development of this sector as well as the regulatory power licences:

#### **1. Ministry of Industry Trade and Marketing (MITM).**

The ministry is responsible for setting the overall policy for SME and private sector development. MITM also has responsibility for Trade policy. A draft White paper on SMME development was produced in 2002 with the assistance of Ireland<sup>2</sup>. This white paper has not been adopted yet but is due to be tabled for Government debate during 2004. The overall approach of MITM is a dual strategy: to attract foreign direct investment (FDI); and to support the establishment and expansion of Basotho owned enterprises of all sizes. To facilitate this BEDCO and the LNDC were established.

#### **2. The Basotho Enterprises Development Corporation (BEDCO)**

BEDCO was established to meet the financial, training, and entrepreneurial development needs of the indigenous small business. Under the draft White Paper it is proposed that a number of functions of BEDCO are streamlined and/or merged with LNDC. In particular it is proposed that its training and finance functions are transferred to the private sector and it would concentrate on the provision of advisory services to SMEs. Similarly BEDCO's involvement in the construction of commercial premises would cease.

#### **3. The Lesotho National Development Corporation (LNDC)**

LNDC was established in 1980 to promote foreign investment, particularly in manufacturing, by offering serviced industrial sites as well as an FDI facilitating role. As the Lesotho Land Act of 1979 does not permit freehold ownership of land and limits its use to specific periods of time, LNDC occupies the estates on a 60-year lease from the government and subleases these estates to firms. LNDC has played a key role in the facilitating of investment in the garment sector. Under the draft White Paper, LNDC's role would be extended to embrace the development of domestic investment.

The **emphasis of Vision 2020** is to support the enabling environment to stimulate investment by providing the right investment climate with adequate infrastructure support, and encouraging public-private partnership, including the capacity to sustain local investment with training activities. Thus the strategy is essentially to facilitate investment with attention to the supply side: infrastructure, utilities, training and export promotion.

The **PRSP** also envisions employment creation as the first priority for alleviating poverty through four broad objectives<sup>3</sup> that have been set:

- attract foreign direct investment (FDI) and domestic investment;
- support local business;
- increase support to small, medium and micro enterprises;
- make optimal use of natural resources.

#### **Other Donors**

Other donor support to private sector development has also been limited. A number of donors have from time to time supported private sector development directly or provided some technical assistance to BEDCO, and UNIDO has supported the LNDC.

- The World Bank has been the main donor involved in sector development although to date this has mainly been in the form of strategic analysis and a number of studies have been undertaken including (amongst the most recent studies):

<sup>2</sup> MITMC. Draft White Paper on the Development and Promotion of Small Business (Sept 2002).

<sup>3</sup> PRSP Integrated Version 16 December 2003.  
CSE Lesotho,



- Lesotho Growth Options Study (2003).
  - Mapping the Private Sector (2004).
  - Improving Lesotho's Infrastructure-Involving the Private Sector (2003).
- Ireland supported the preparation of the SMME White paper development in 2002, and has no other private sector development activities on-going at present, but is planning an exchange programme. DFID has had no commitments on PSD for 2004, though the focus would be on employment creation in line with the PRSP if new interventions were to be developed.
  - GTZ has undertaken a number of SMME activities, mainly in relation to their Mafeteng Development Project 1995-2000 in which training and direct support to entrepreneurs was given.
  - UNCTAD has supported an investment review of Lesotho
  - UNDP's role in entrepreneurship development has been limited, with no programmes on-going at the time of the CSE.

### EC Policy

The EC strategies (8<sup>th</sup> and 9<sup>th</sup>) do not identify employment creation as a primary objective of either response strategies, which instead focus on the macroeconomic framework and infrastructure.

The Cotonou agreement offers three key new approaches for private sector development which have not been in the EC's programme of interventions:

- **Integrated approach** linking actions at the macro, meso and macro level.
- **Dialogue** in decision making and implementation and public-private partnership.
- **Promotion of domestic and foreign investment** through:
  - investment promotion at the national and regional levels.
  - investment finance and support.
  - Investment guarantees.

### Indicators

#### 1.1.1- Baseline and Outcome data on (expected) jobs created by EC supported Initiatives to promote employment

The labour market in Lesotho is characterised by the following key features:

- The number of waged employees is a low proportion of the labour force - subsistence employment accounts for 69% of total employment.
- There is a high level of unemployment and this is rising, as shown in Table 1.2, 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 2/3<sup>rd</sup> of the labour force (see Table 1.2), although this pattern is changing very rapidly.
- There has been a much faster growth in the number of men describing themselves as economically inactive (increase by 41% compared to 23% growth in female inactivity) See Table 1.2.
- Private sector waged employment is dominated by foreign owned companies (see Table 1.3). This structure has changed very rapidly in the last five years and has yet to be recorded in official data (note estimate in Table 1.3). But the pattern is showing a rapid growth in female employment in the garment sector and 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 business but over 70% of the employees. Thus over 70% of private sector employment is generated by just 55 companies.
- There are significant and growing numbers of Basotho other than miners who are working in South Africa.

**Table 1.1: Employment Structure 1999**

	'000 head		%
<b>Total Employed</b>		<b>590</b>	
Subsistence		406	69
Non-Subsistence		184	31
- Government	48		26
- Parastatals	11		6
- Private Sector	125		68
Wage Employed		140	76
Own account/employers		44	24

Source: Labour Force Survey 1999<sup>4</sup>

**Table 1.2: Changing Structure of Economic Activity**

	Male		Female		Total	
	1996	2001	1996	2001	1996	2001
<b>Employed</b>						
10-14	14	11	3	2	17	13
15-64	256	304	126	157	381	4
65+	28	25	12	11	40	46
Total	298	339	141	169	439	508
<b>Job Seeking</b>						
10-14	3	1	2	1	5	2
15-64	76	57	47	27	123	84
65+	5	1	2	0	7	1
Total	85	59	51	28	136	87
<b>Not Economically Active</b>						
10-14	110	130	120	137	230	267
15-64	157	260	351	448	508	708
65+	32	32	66	74	98	106
Total	299	422	535	659	834	1081
Total	682	820	727	856	1409	1676
% employed	43.8%	40.1%	19.4%	19.7%	31.1%	30.3%

Source: Demographic and Household Survey 2001. Dept of Statistics<sup>5</sup>

**Table 1.3: Private Sector Employment by Foreign Investors 2000-2003**

Sector	Number of Firms	2000	2001	2002/3(e)
		<b>No of Employees</b>		
Clothing	38	21,587	33,309	50,000 <sup>(1)</sup>
Footwear	3	2,970	5,420	
Electrical	4	963	1,183	
Food	4	600	648	
Other (estimated)	6	344	450	
Total(estimated)	55	26,464	41,010	
Total Firms	2,215	51,691	N/a	
% of firms	2.5%			
% of employment	N/a	51.2%	70%+	

Source: UNCTAD (2003): Investment Policy Review- Lesotho

(i) estimate

The EC's major contribution to direct employment has been through public works programmes in road construction and the construction of the Muela hydropower plant. It has been estimated that the total employment created under the 8<sup>th</sup> EDF labour based (LB) methods amounted to around 280,000 person days and a further 56,000 person days under a STABEX funded food relief programme (see JC 4.2). Private sector development initiatives have concentrated on the

<sup>4</sup> World Bank (2004) Mapping the Private Sector. Draft Second Phase Report, J. Paton.

<sup>5</sup> 8<sup>th</sup> ACP LSO 007 Support to Department of Economic Co-operation (G.P.West) Annual Report 2 December 2002-3. CSE Lesotho, August 2004

agro-processing sector and the impact on employment has been very low. Budget support to Government through the 8<sup>th</sup> EDF and STABEX transfers have had a significant contribution to public sector employment.

### 1.1.2 Value of exports and net value added of EC supported activities

The EC has not made any *direct* contribution to the export sector but there have been some indirect impacts:

- Support to the export of water through the Lesotho Highlands Water Development Project (see JC1.2)
- Support to livestock production through STABEX funds (1998-2001)
- Support to High Value Horticulture through asparagus production (1987 –1998)
- Support to LNDC ( see JC 1.2) facilitating garment exports

**Table 1.4: Balance of Payments 1996-2003**

	1996/7	1997/8	1998/9	1999/00	2000/1	2001/2	2002/3
	<b>Mn LSL</b>						
Exports	857	931	1,113	1,161	1,633	2,800	3,729
Import	4,437	4,809	4,541	4,909	5,248	6,306	7,852
<b>Net Trade Balance</b>	<b>-3,580</b>	<b>-3,878</b>	<b>-3,429</b>	<b>-3,748</b>	<b>-3,615</b>	<b>-3,506</b>	<b>-4,123</b>
Net Services	59	91	65	22	16	109	209
Net Labour Income*	1,350	1,503	1,387	1,508	1,567	1,577	1,737
Net Investment Income	61	38	23	6	-19	-41	-2
Transfers(incl SACU)	834	952	811	961	933	1,165	1,306
<b>Current Acc Balance</b>	<b>-1,276</b>	<b>-1,294</b>	<b>-1,143</b>	<b>-1,250</b>	<b>-1,119</b>	<b>-697</b>	<b>-873</b>
Capital Account							
-LHWP**	65	38	14	0	0	0	0

Source: Central Bank of Lesotho. IMF January 2004

NB. [1]-[2]=[3]. [8]=[3]+[4]+[5]+[6]+[7]

\*mainly remittances from miners

\*\* IMF data shows nil contribution to the capital account in the last 3 years.

#### (i) Trend in Balance of Payments

Lesotho has traditionally carried a very large current account deficit. In 2002, the current account deficit amounted to 14% of GDP.

Table 4 shows that imports doubled in value over the last 6 years, but that exports, buoyed by the garment sector, have increased more than fourfold. Thus while there was a 5:1 ratio of visible imports to exports in 1996/7 this ratio had fallen to 2:1 in 2002/3. In spite of this favourable trend the *absolute* trade deficit has increased and thus the current account deficit has been reduced by remittances from miners and transfers from SACU.

Table 1.4 shows that until the growth of the garment industry, Lesotho's balance of payments was critically dependent on the value of miners' remittances. In 1996/7 remittances were equivalent to 160% of the total value of exports but by 2002/3 this proportion had fallen to 40%.

However caution must be used in interpreting this trend. Although investment is currently underway for the development of a denim spinning and weaving plant, the garment industry is essentially a CMT<sup>6</sup> operation and is heavily dependent on imported inputs. Thus the forward and backward linkages of the sector are low, and as the capital is foreign and the profits repatriated, the main net value added to Lesotho mainly comes from the labour income from the 50,000+ employees.

This value added represents less than half the value of miner remittances - miners earn around LSL 3,000<sup>7</sup> per month compared to LSL 1,200 in the garment industry.

Estimates by the World Bank show that total manufacturing *value added grew from \$66mn in 1990 to \$118mn in 1999, a growth of 6.7% per annum, and at \$56 per head is above other countries in Southern Africa other than RSA*<sup>8</sup>. Thus while the overall trend is very much towards further growth in wage employment and value added, some caution must be used interpreting the crude export and employment data.

## (ii) Capital Inflows

**Table 1.5: Capital Inflows to Lesotho 1981-2000**

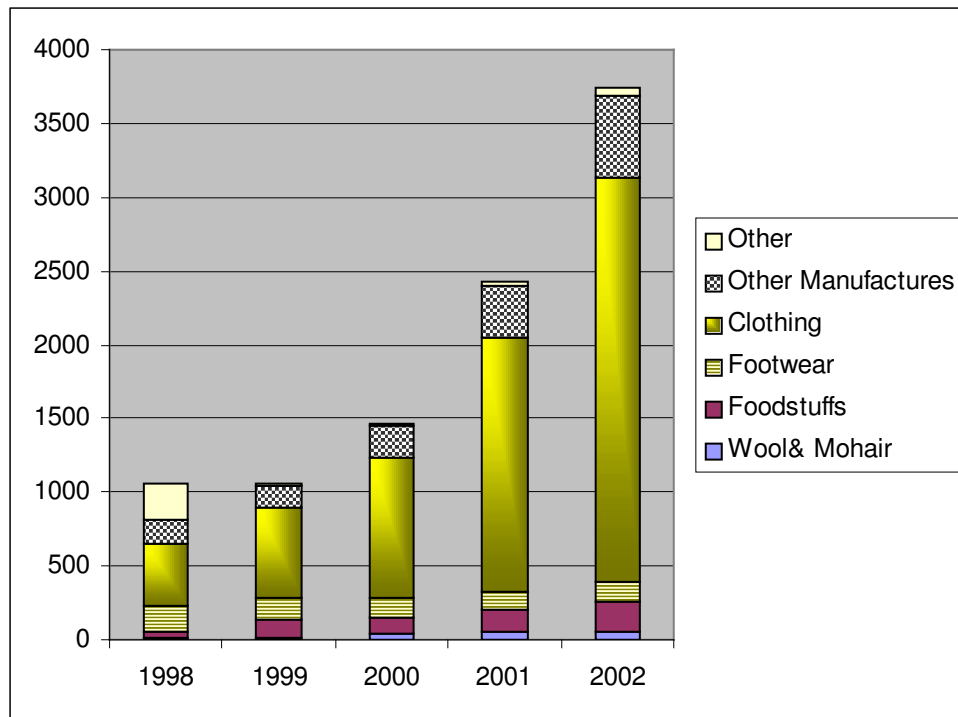
(annual averages US\$M current)

	1981-5	1986-90	1991-5	1996-00
FDI	4.5	11.6	18.8	29.2
Miners Remittances	335.4	307.6	358.8	277.7
Water Royalties	0	0	0	15.4
ODA	99.7	116.5	128.1	73.2

Source: UNCTAD (2003): Investment Policy Review- Lesotho

Table 1.5 shows the relative importance of the capital inflows and shows that although aid has declined by over 40% in the post - Apartheid era, it still represents the equivalent of around one quarter of the value of miners' remittances.

**Figure 1.1: Structure of Exports 1998-2002 (LSL mn)**



## (ii) Garments: Poster Child or Poisoned Chalice

The growth of the Lesotho textile industry is a success story. It has become the major source of economic growth and employment in the last 5 years. The historical ties between Lesotho<sup>9</sup> and Taiwan in the 1980s played a role in bringing the industry to the country, and AGOA has played a major role since its signing in May 2000. In contrast the EC has only played a very minor role in support to the industry under Lomé in the early 1990s.

<sup>7</sup> South African Chamber of Mines

<sup>8</sup> eg Malawi \$23/head; Zambia \$38/head; Mozambique \$30/head UNCTAD op cit

<sup>9</sup> Few African countries had relations or recognised Taiwan in the 1980s  
CSE Lesotho, August 2004

Until 1996<sup>10</sup> under the Lomé Convention, Lesotho had duty free access to the EU market and other developed countries under the Multi-Fibre Agreement, provided that local content was more than 30%. But while the EC's so-called 'double transformation derogation' which applied until 1996 provided some opportunity for Lesotho exporters; exports to the EU were still less than one-quarter that of the USA in 1989<sup>11</sup>. The real growth came with the major Taiwanese investments in the mid-1990s that were targeted to the US market, and the exemption to the 17-23% tariff under the AGOA that competing Asian exporters are levied.

AGOA was signed in May 2000 and allows unrestricted sourcing of materials (yarn and fabric) for 12 out of the 17 AGOA eligible countries. Lesotho was granted this 'visa' by the United States Trade Representative in April 2001 meeting the USA requirements for labour standards, customs control and environmental emissions.

But the benefits to Lesotho of AGOA are under threat as a result of the following key factors:

- The current cumulation rule is due expire in September 2004; it may be extended for 2-4 years but this is not certain.
- Two major denim plants (one in Lesotho and another in South Africa) will enable around 2/3<sup>rds</sup> of current fabric to be sourced within AGOA; so the remaining third of garment production would not meet the post September rules of origin.
- The ending of the MFA at the end of 2005 will eliminate the 17-23% tariff for low cost Asian countries such as India and Vietnam.
- The 39.7<sup>12</sup>% appreciation of the LSL/Rand against the dollar in 2003 (See Figure 4 JC 2.1) has eroded the competitiveness of Lesotho.
- The exit barriers are very low as a number of the plants are in rented shells from the Lesotho National Development Corporation under EIB funding.

### (iii) Asparagus and Mohair

Prior to 2000, under the provisions of the Lomé agreement, Lesotho was eligible for receiving STABEX support to compensate for the harmful effects of the instability in export earnings from Wool and Mohair. Lesotho received payments of €3.7mn under Lomé IV based on application years 1991-4 and a further €1.2mn from Lomé III. Much of this was used to fund developments in the livestock sector which did not lead to any significant increase in output although there is generally positive trend in food exports as set out in Table 1.6.

The maximum output under the asparagus project was around 200 tonnes per year in 1998 which produced exports short of LSL 0.5mn.

**Table 1.6: Structure of Exports**  
LSL Mn

	1998	1999	2000	2001	2002
Wool& Mohair	17.9	15.5	36.3	58.1	56.1
Live Animals	7.0	6.5	6.6	12.9	20.4
Foodstuffs	40.7	119.3	111.7	141.3	197.6
Footwear	176.5	143.5	132.6	124.4	135.1
Clothing	415.4	612.5	953.2	1722.5	2745.2
Other Manufactures	168.7	152	222	357.7	559.5
Other	232.4	4.8	5.5	9.1	26
Total	1058.6	1054.1	1467.9	2426	3739.9

Source: Central Bank of Lesotho

<sup>10</sup> Ending of derogation in cumulation rule specifying that the fabric had to be made locally

<sup>11</sup> WTO. Lesotho. Integrated Framework- Diagnostic Trade Integration Study (Draft) Jan 2003.

<sup>12</sup> Source: EU. Calendar Year change 1\$= 10.64LSL to \$1=7.62 LSL. The Rand has strengthened further in 2004.

**Table 1.7: Structure of Foodstuff Exports**  
LSL Mn

	1996	1997	1998	1999	2000	2001	2002
Cereals	7.6	18	16.2	36.2	28	44.9	75.7
Beans Peas & Other Veg	1.3	5.2	4.9	2.3	1.1	0.2	0.4
Animal Feed	8.5	15.7	4.2	2.4	3.8	4.3	5.6
Beverages + Tobacco	0.3	0.1	11.3	73.4	63.9	72.6	94.9
Other	5.4	2.7	4	5	15	19.3	21.1
Total	23.1	41.7	40.6	119.3	111.8	141.3	197.7

Source: Central Bank of Lesotho

#### (iv) Tourism

Tourism is presented in the PRSP as a potential source of economic growth and employment. However a recent World Bank<sup>13</sup> study was less optimistic, arguing that tourism is threatened by environmental degradation resulting from grazing pressures and there is an absence of any protected areas, nor any conservation management capacity. To add to this are problems of electricity, inadequate communication and poor accommodation. The inability to offer adequate facilities can be traced to the weak development of the private sector in Lesotho.

As stated in study on impact and sustainability of the economic partnership agreement with the EU<sup>14</sup>: The entire legal structure surrounding business development, property law, insurance and regulation, conflict resolution, loan guarantees and tourism regulation must be upgraded if the private sector is to be enticed to participate.

#### 1.1.2- Economic and User Cost of Power

**Table 1.8: Electricity Tariff Rates**

	Tariff Rate 2003	Tariff Rate 2004	% increase
Pre-payment customers – LSL Kwh			
Domestic	32.550	38.409	18.0
General Purpose	50.440	59.472	18.0

Source: Lesotho Electricity Commission (LEC) ([www.lec.co.ls/customers/tariffs/index.htm](http://www.lec.co.ls/customers/tariffs/index.htm))

The key policy objectives of the GOL<sup>15</sup> are to:

- Increase the efficiency of the electricity sector, thereby releasing public resources for key social and economic programmes.
- Increase access to electricity to at least 13% of households by 2010<sup>16</sup>.

The practice of the Lesotho Electricity Corporation (LEC) has been to cap prices to sell electricity at below the unit costs of production. The LHWA negotiates the cost of hydropower from Muela to the LEC.

The LEC sets electricity prices; user prices were kept constant for around 10 years and only recently increased (see Table 1.7). While Lesotho's electricity costs are significantly higher (approx. 30%) than South Africa, 9 out of the 13 SADC countries have higher costs than Lesotho<sup>17</sup>.

The LEC is in the process of being privatised and a strategic investor is being sought on a management lease basis for a finite period. No arrangement is in place to establish an independent regulator.

<sup>13</sup> World Bank "Kingdom of Lesotho Country Assistance Evaluation." (2001)

<sup>14</sup> Study on Impact and Sustainability of the EPA with the EU Study Funded in 2003 under 8 ACP LSO 009.

<sup>15</sup> World Bank :Improving Lesotho's Infrastructure-Involving the Private Sector. Public Private Infrastructure Advisory Facility Sept 2003

<sup>16</sup> It increased from 5% to 10% in 2000 (personal communication Dept of Energy)

<sup>17</sup> Mozambique, Zambia and South Africa have lower costs; most other SADC countries are broadly comparable (eg Botswana or significantly higher (Mauritius, Uganda and Kenya) Source: World Bank – Improving Lesotho's Infrastructure Sept 2003. Op Cit.

**1.1.3- Quality and dialogue with Government on Economic and Trade Development policies**

(See JC 2.3)

**1.1.4- Existence and quality of EC support to enhance Lesotho's trade negotiation capacity (at regional and ACP-EU level)**

(See JC 1. 3)

**Field Coverage by the Commission intervention**

Ref EDF	Project Title	Commitment €'000	Disbursement €'000	Start	Completion
6 ACP LSO 004	Asparagus Expansion Programme	4,701	4,701	1987	1998
7 ACP LSO 34	High Value Horticulture TA	70.0	70.0	1997	1998
7 ACP LSO 35	High Value Horticulture Project TA Co-ordinator	110.0	78.8	1997	1997
7 ACP LSO 22	Asparagus Expansion Programme	530.1	530.1	1995	1997
7 ACP LSO 007	Muela Hydropower Project-EIB Risk Capital	15,000.0	15,000.0	1995	Ongoing repayment period
7 ACP LSO 013	Muela Hydropower Project-EIB Interest Subsidies	1,260.0	1,260.0	1994	1995

**Effects of the Commission interventions on indicators****RELEVANCE**

In so far as the main strategy for employment creation of the GoL as expressed in the PRSP and Vision 2020, has been to address the enabling environment rather than use direct measures to stimulate entrepreneurship, the relevance of the EC's interventions can be deemed to be adequate.

However employment creation has been the major priority of the GOL policy, and EC interventions have not directly addressed either the creation of employment through entrepreneurship activities or the stimulation of private sector development activities. Equally in terms of consistency with the objectives of both the 8<sup>th</sup> and 9<sup>th</sup> EDF strategies, EC interventions have not been designed to diversify the economic base of Lesotho and create sustainable economic growth.

**POSSIBLE IMPACTS**

The main driver of economic growth in Lesotho in the last five years has been the garment sector. The EC's main contribution has been indirect, through the support to industrial shells and the LNDC (see JC 1.2). The impact has been high as the ability of the Taiwanese to have the availability of low-cost industrial sites has been a significant factor affecting the decision to invest in Lesotho.

The main direct contribution to employment growth in Lesotho has been through LB road building programmes (see EQ 4). This has been significant at times though this must be viewed in the context of the mainly temporary nature of LB employment. There is no demonstrable case to validate that EC's support to road building has supported private sector development in remote areas.

The EC has contributed to the economic infrastructure through support to water and road and also to electricity supply through Muela hydropower. Although the plant provides energy costs that are higher than would be available from South Africa; energy costs in Lesotho are not placing the country at a competitive disadvantage. Thus the project has a broadly positive impact on the overall long-term economic development of Lesotho. The logic of EC's support has to be viewed in the context of apartheid when the project was funded. The plant is currently operating at a fraction of its capacity although it could potentially supply the energy needs of the entire country.

The impact of the Asparagus Expansion and High Value Horticulture interventions, completed in 1998 was very low. For a total programme of €5.5mn the project supported around 1,000 growers to produce around 200 tonnes of output with a market value of LSL 620,000 per annum. The project supported the Basotho Farm and Vegetable Canneries

(BFVC) which only ever operated at 1/3<sup>rd</sup> of capacity. The relevance, impact and cost-benefit ratio of this EU intervention can only be described as dismal.

#### **SUSTAINABILITY**

The support to Muela has enabled the EC to contribute to the long term development of Lesotho's electricity grid and thus contribute to the overall long- term economic development of Lesotho.

There are major concerns on the overall sustainability of the CMT operations of the garment industry especially in the context of the price and exchange rate sensitivity of the products produced and the low exit barriers of the investors.

#### **EFFECTIVENESS**

EC interventions have not been effective in creating private sector employment growth and there are few measurable impacts other than LB road building (see JC 4.2).

EC interventions under STABEX to support the livestock sector proved ineffective and were diverted to rural water supply, rural feeder roads and rural health under FMO3<sup>18</sup> in 2002.

#### **EFFICIENCY**

There are no major issues of the efficiency of the disbursement of funds under review.

### **Compliance with the general objectives of the Commission**

#### **GENDER**

Not Addressed

#### **ENVIRONMENT**

Not Addressed

#### **HIV/AIDS**

Not Addressed

### **Appropriateness of the process**

#### **OWNERSHIP**

The support to the Muela Hydropower Plant by the EC has been strategic and there is strong ownership by the Basotho stakeholders on the role that the EC played in terms of support and finance to this economic development project. The EIB funding was *additional* in the sense that other donors (World Bank and CDC) pulled out on the basis that the project did not offer a significantly high rate of return.

There was support and ownership for the development of the livestock sector under STABEX funded initiatives, in spite of their limited success.

#### **CO-ORDINATION, COMPLEMENTARITY AND COHERENCE**

The external coherence of the strategy has been weak. While the support to the macroeconomic environment has been comprehensive (see JC 2.3) and thus consistent with the macro level element of the Cotonou agreement, there has been little evidence of support at the meso and micro level or in terms of the promotion of dialogue with the private sector, or investment promotion.

#### **FUNDING MECHANISM AND MANAGEMENT SYSTEMS**

Given the fiscal and monetary stability of Lesotho, engendered partly by the Currency Union with South Africa and the fiscal benefits of SACU, the use of EIB risk capital funds in support of long-term power projects is an appropriate instrument. While Muela had multi-donor support, EIB funds were critical, and therefore additional in not crowding other instruments and in ensuring that the project was completed.

#### **Overall judgement**

The overwhelming engine of employment growth in the last five years has been the AGOA initiative and EC assistance has not contributed significantly in this regard. The overall objective of EC assistance in both the 8<sup>th</sup> and 9<sup>th</sup> EDF has been to alleviate poverty, and the GoL has targeted employment creation in both the National Development Plan and the PRSP as the main means for achieving this goal.

There is a clear gap in the EC's response strategy throughout the period under review. The EC'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 employment growth has been limited. Efforts to diversify the economic base through HV horticulture and STABEX funded livestock development have not made significant contributions to employment growth in Lesotho.

<sup>18</sup> Framework of Mutual Obligation  
CSE Lesotho,



The EC has maintained a very low profile in private sector development and has been swamped by the overwhelming impact of the AGOA initiative in boosting exports from Lesotho. The EC has maintained a low profile to support a proactive private sector employment growth and export strategy and has not used instruments such as EBAS and ProInvest.

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**JC 1.2**      *The enabling environment for investment and private sector development is improving.*

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### Indicators

#### 1.2.1 Number of new businesses registered

#### 1.2.2 New domestic and foreign investment by economic sector

#### 1.2.3 Number and profile of new jobs created in the private sector

There is inadequate information on the number of businesses and the size and structure of the private sector in Lesotho. The most recent comprehensive data on the size and profile of the private sector was conducted by the GEMINI<sup>19</sup> study in 1990. This study identified the following key features:

- There were 100,000 SMMEs employing 150,000 people, mainly in the informal sector;
- 60% are involved in retail trade;
- 30% of households were involved in SMME activities;
- 4/5ths of SMMEs were in rural areas; and
- Women made up 75% of all SMME proprietors and employees.

The LNDC has a register of the foreign owned companies in Lesotho but there is little accurate information on the size profile of different businesses by SITC classification. This shortcoming was identified in the World Bank Growth and Employment Options study (June 2003) and a further study was ongoing at the time of this evaluation to Map the Private Sector in Lesotho<sup>20</sup>.

**Table 1.9: Number and Distribution of Formal Enterprises by Sector 2004**

Ownership	Agriculture Mining Construction Manufacturing	Utilities and Services	Hotels	Bars+ Restaurants Wholesale/Retail	Total
<i>Lesotho</i>	<i>805</i>	<i>625</i>	<i>39</i>	<i>2,164</i>	<i>3,633</i>
Other Africa	17	16	0	11	44
RSA	264	61	3	495	823
RSA/Lesotho	14	13	2	8	37
Asia	9	0	0	0	9
India	4	8	0	4	16
Taiwan	12	1	0	2	15
Other	25	10	0	3	38
	<i>1,166</i>	<i>741</i>	<i>44</i>	<i>2,689</i>	<i>4,640</i>

In spite of the reservations on the data, the overall growth in the number of new Basotho-owned businesses is disappointing given the comparatively high amount FDI. As recorded in the UNCTAD Investment Policy Review:

“Only two local apparel entrepreneurs have emerged in Lesotho some 15 years after the first modern garment factory was established. This is unusual in the garment industry, with its low entry barriers and ease of access to world markets via foreign buyers. Other developing countries with apparel exports have done much better. For example in Bangladesh – also a country with low skill levels, weak infrastructure and minimal industrial tradition, several employees of foreign affiliates left and set up their own operations”<sup>21</sup>

#### 1.2.4 Number of Structural reform and liberalisation measures implemented and their effectiveness

Lesotho is characterised by a *dualistic* private sector: there is a high level of FDI which is greater than other SADC countries in relation to the size of the economy and these inward investors enjoy a relatively favourable business environment; but there is very little development of a Basotho-owned SMME sector, either independently or feeding off the FDI.

<sup>19</sup> Growth and Equity through Micro-enterprise Investment and Institutions Project(GEMINI) USAID funded study in October 1990

<sup>20</sup> World Bank Mapping the Private Sector in Lesotho March 2004. Op Cit

<sup>21</sup> Rhee and Belot Quoted in UNCTAD (2003): Investment Policy Review- Lesotho

The overall status of the business enabling environment is a mixed picture, but on balance the assessment is quite positive as highlighted in the Integrated Framework:

*Lesotho has made significant strides towards establishing a rule-based public-private interface, which is a necessary condition for a viable market economy. Given its institutional complexity, the establishment of a rule-based public private interface is time consuming. This task involves at least three critical steps – most of which, it appears, have been largely accomplished. These are **macroeconomic stability**, **privatisation of state assets** and an effective **regulatory framework** for property rights enforcement*

Of the positive measures that the GoL has encouraged, are the following:

- An effective LNDC which plays an important role in facilitating new investment through the provision of ‘industrial shells’ and general facilitating support to new investors;
- A liberal economic regime which places few restrictions on investors other than companies with fewer than 10 employees which are reserved for Basotho citizens;
- Low flat rate taxes for manufacturing (15% on profits) which applies to both domestic and foreign investors;
- No withholding taxes on dividend remittances;
- General respect of international intellectual property laws and the domestic rule of law;
- No restrictions on share ownership; and
- No concerns or history of expropriation of foreign owned assets.

Most of the enabling legislation functions reasonably well. Laws that have been passed include:

- **Import and Export Act** (1984) specifies the types of goods that can be imported into Lesotho, and hence protecting local production.
- **Customs and Excise Act** (1984) regulates collection of tariffs and duty at entry points.
- **Trading Licensing Law** (1993)- licensing law with FDI restrictions
- **Banking Law** (1999)- Effective framework established
- **Telecommunications**(2000) – Framework established and regulator in place
- **Water**(1991) Parastatal WASA established
- **Electricity**(2002) Legislation in place, privatisation of LEC pending and no regulator in place
- **Privatisation Act** (1995). This is flexible act and has led to the successful privatisation sales of \$42mn including: Lesotho Airways, Avis Rent-A-Car, Lesotho Flour Mills, Plant Vehicle Pool Services, Minot Kingsway (insurance) and Telecom Lesotho. The Act led to the development of the Lesotho Privatisation Unit (LPU) which has the power to enter contracts, acquire and dispose of property. The LPU implements and controls the privatisation process under the Minister of Finance.
- **The Trading Enterprises Regulations Act** (1999) which intends to protect indigenous entrepreneurs, and forbids foreigners from engaging in certain businesses.<sup>22</sup>
- **Environment Act** (2001) provides for guidelines and sets standards for sustainable use of the environment. This includes procedures relevant to establishment and development of the industrial sub-sector.

The priority areas that need addressing to improve the business environment include:

- **The Companies Act** (1967) which requires streamlining of the business registration process;
- **The Trade Licensing Regulations** (1999)<sup>23</sup> have complicated and onerous compliance issues (health, zoning, tenure) **before** application for a business licence;
- One-stop- shop facilities required for the registration of new businesses;
- **Land Act (1979)**. Obtaining land title is costly with new allocations from communal land being the costly and most time consuming, especially in rural areas, and is also subject to Ministerial interference; and
- Cumbersome VAT and reclaim procedures.

### 1.2.5 Involvement of business and other NSAs in the formulation of private sector development policies

The private sector is poorly organised in Lesotho and there are a very large number of small business associations that do not speak with the same voice to Government. There is a wide gap between the private sector and the Government<sup>24</sup> and still the suspicion by the private sector that the Government is seeking control.

The Business Network of Lesotho (Biznet)<sup>25</sup> was established as an umbrella forum to co-ordinate the voice of the private sector, to develop PSD priorities and provide input to the private sector/ SMME development strategy in the

<sup>22</sup> Restricted services for agencies of foreign firms or foreigners are barbershops, beer shops, butcher shops, snack bars, domestic fuel dealership, dairy stores, general cafes, general dealers, hawking, street photography, brokerage, hair and beauty salons, and petrol dealerships.

<sup>23</sup> MITMC. Draft White Paper on the Development and Promotion of Small Business (Sept 2002)

<sup>24</sup> Country Strategy Evaluation Focus Group finding 10 March 2004

<sup>25</sup> Biznet Members include those Associations listed in the text. It is a loose forum at this stage with no constitution.

PRSP. Biznet wants to develop a stronger voice for the private sector in Lesotho and provide a forum for the private sector to have an input and on-going dialogue with Government on economic policy. However it remains an informal association at this stage and there are a large number of additional NSAs representing various sectoral interests within the private sector including:

- *Lesotho Chamber of Commerce and Industry*- Currently has 220 Members mainly based in Maseru and is now down to a small staff (total 7) with regional representation and membership;
- Association of Lesotho Exporters;
- Lesotho Textile Exporters Association;
- Basotho Indian Business Association;
- Liquor and Restaurant Association; and
- Lesotho Bus & Minibus Operators Association.

### Field Coverage by the Commission intervention

There have been no direct Commission interventions in the business enabling environment although the TA to economic policy has played an influencing role in trying to get private sector involvement in economic policy making through PRSP working groups (see JC 2.3).

The support by EIB has been the main contribution to the business enabling environment through the loans to the LNDC which have been mainly to support the building of factory shells. €500,000 was made available for risk capital equity participation, but this was not fully disbursed.

**Table 1.10: EIB Risk Capital Loan Portfolio to Lesotho National Development Corporation**

	Date of signature	Size	Disbursed	Outstanding	Last Repayment date
LNDC IV GL A*	Sept 1994	750,000	750,000	560,850	Oct 2013
LNDC IV GL B*	Sept 1994	1,750,000	1,265,000	1,265,000	Oct 2008
LNDC IV GL C*	Sept 1994	500,000	73,000	73,000	Oct 2013
LNDC Industrial Estate	Oct 1989	3,000,000	1,459,171	1,430,805	Oct 2009
LNDC PG	Dec 1981	3,000,000	2,513,000	0	March 2006
LNDC PG II	Dec 1985	3,000,000	2,815,500	37,500	Mar 2010
<b>Total</b>		<b>12,000,000</b>	<b>8,875,671</b>	<b>2,367,155</b>	

Notes:

GL A- Government Equity in LNDC

GL B- Financing of Factory Shells for LNDC

GL B- Equity Participation in SMEs

### Effects of the Commission interventions on indicators

#### RELEVANCE

There are a number of positive features of the business enabling environment in Lesotho and the LNDC has been an effective body for attracting and facilitating foreign investment, especially in the garment sector which has been the main engine of growth and creator of employment during the last five years. EC support through EIB risk capital loans to the LNDC in this respect has been highly relevant to the overall employment creation objective of the GoL.

The facility for investors to have access to low cost leased factory shells has been a major determinant of their decision to locate in Lesotho and thus the EIB's low interest facility has played an important role.

#### POSSIBLE IMPACTS

The general consensus<sup>26</sup> is that the LNDC has played a key role in attracting, facilitating and stimulating foreign direct investment into Lesotho. FDI remains the main strategic focus for employment creation in the PRSP.

However the EC has not directly provided support to this facilitating role of the LNDC. Furthermore the EC has not supported efforts to give the private sector a stronger voice in economic policy and development strategies. Private sector development strategies remain strongly donor and government led.

The EC has not played a strategic role in supporting the elimination of administrative barriers to the SME sector or supporting key changes needed (e.g. streamlining of the business registration process; assisting trade licensing, reducing cumbersome VAT Regulations. The EC has done little to make the business community aware of private sector development linkages with the EU (e.g. ProInvest, EBAS etc).

**SUSTAINABILITY**

There are serious concerns on both the development impact of the export strategy, and the economic sustainability of a strategy based on the textile sector which is dependent on the temporary 'tariff window' offered by the AGOA trade initiative.

**EFFECTIVENESS**

The loans to the LNDC have been effective in the sense that the overall objective to create employment has been achieved through the attraction of FDI, and the LNDC factory shells supported by EIB have played a major role.

**EFFICIENCY**

The EIB loans have been disbursed efficiently and there is no cause for concern on the repayment schedules ( see Table 1.10 )

**Compliance with the general objectives of the Commission****GENDER**

Women entrepreneurs comprise around 2/3rds of SMMEs. Women still do not have the status to own and run businesses. EC has not offered support for raising the profile of this issue or supporting advocacy groups in influencing change.

**ENVIRONMENT**

The garment industry is driven by environmental compliance requirements that have been set by their customers (eg Gap, Levis and WalMart). There are concerns on the overall compliance of the GoL legislation.

**HIV/AIDS**

The business community appears to be significantly more proactive than the government in working with counselling and civic education on HIV/AIDS. Some factories are undertaking free voluntary testing services and working through the charity Private Sector Coalition Against Aids Project (PASCAAL) on peer education, counselling and support in the workplace.

**Appropriateness of the process****OWNERSHIP**

The LNDC has a positive relationship with the EIB and there is a sense of partnership in the use of risk capital funding for the building of factory shells. However the EC has not used the relationship with the EIB to build a relationship with the LNDC.

**CO-ORDINATION COMPLEMENTARITY AND COHERENCE**

The EIB risk capital facility has provided an effective form of support to the LNDC without crowding out other sources of finance. There is poor external coherence with other EC policies; (i) the proactive Private Sector Development policy which is a key pillar of Cotonou has not been addressed fully nor the available instruments promoted (EBAS, Proinvest, ACP Chambers of Commerce); and (ii) EIB support is enabling Lesotho to take advantage of US rather than EC trade policies.

There are no major concerns on the co-ordination of EC actions with other Member States; notably Ireland and GTZ have supported business associations and BEDCO with little impact.

**FUNDING MECHANISM AND MANAGEMENT SYSTEMS**

The support to LNDC factory shells through interest subsidies has achieved the objective and has been efficient. There has been little technical assistance by the EC in support of strengthening of the business environment, either through technical assistance to the LNDC or by strengthening the advocacy role of NSAs.

**Overall judgement**

The status of the business enabling environment in Lesotho is a mixed picture. Lesotho has been successful in attracting Asian investment in the garment sector and the LNDC has contributed to this process and the creation of around 50 thousand jobs.

Supporting FDI and the economic enabling environment is the main GoL strategic platform for economic growth and job creation. The EC has not played a major role in this area. There are still some considerable barriers to PSD in Lesotho which have not been addressed by the EC. There has been little technical assistance to address the enabling environment or to strengthen business associations in service delivery or building their advocacy role.

## Indicators

### 1.3.1 Historic and projected Net exports of goods and services to South Africa and SADC

### 1.3.2 Depth of trade dialogue with SADC partners

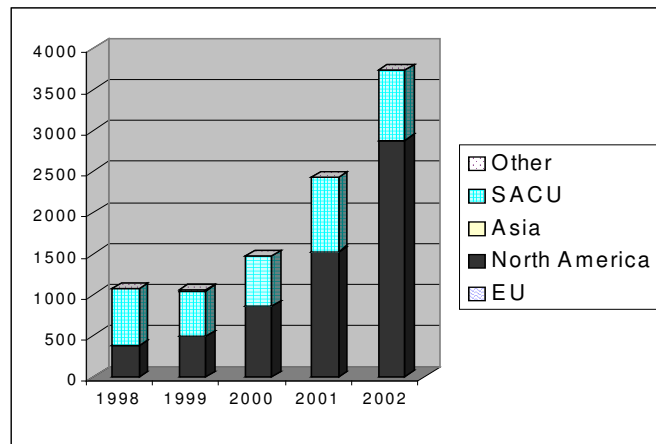
#### (i) Trade Patterns

Lesotho is characterised by a very unbalanced trading pattern as shown in Figures 2 and 3. The imbalance is not just in terms of the *overall* trade deficit but also in its *structure*: Lesotho imports 12 LSL<sup>27</sup> from SACU for each 1LSL of exports. Trade within Africa is almost entirely with South Africa - although the data within SACU is not disaggregated. Trade with the non-SACU members of SADC is insignificant representing less than one in one thousand of goods traded.

Figure 2 shows that North America (garments to the USA) now accounts for 76% of total exports compared to 23% for SACU. Exports to the EC are insignificant – the *annual value* of exports to the EC is equivalent to *one day*'s exports to the United States.

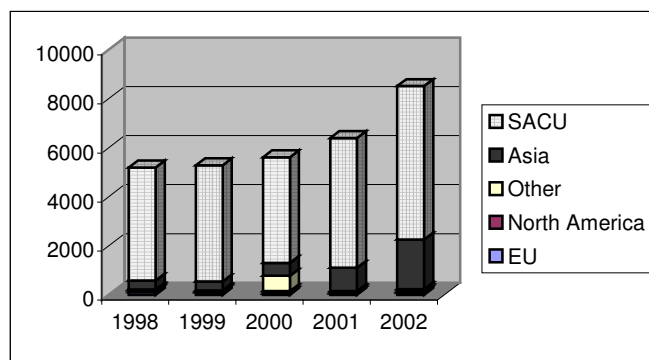
**Figure 1.2: Lesotho Exports by Region 1998-2002**

'000 LSL



**Figure 1.3: Lesotho Imports by Region 1998-2002**

'000 LSL



#### (ii) Trading Relations

The trading relations between Lesotho and the EU are complex and part of this complexity is due to the plethora of economic integration arrangements, only some of which are shown in Table 11 below. To this list could be added the Indian Ocean Commission, of which Mauritius and Seychelles are members, and the East African Co-operation which has Tanzania as a member.

<sup>27</sup> LSL- Lesotho Loti: In a currency union with the South African Rand.  
CSE Lesotho, August 2004

**Table 1.11: Regional Integration Blocks**

	SADC	SACU	COMESA	AGOA	RIFF
<b>Lesotho</b>				A	
Botswana				A	
Namibia			C	A	R
Swaziland			C	A	
South Africa				A	
Angola			C	A	
Congo DR			C	A	
Malawi			C	A	R
Mauritius			C	A	R
Mozambique				A	
Seychelles			C	A	
Tanzania				A	R
Zambia			C	A	R
Zimbabwe			C		R

Source: EC- Based on EC Regional Indicative Programme 2002-7

SADC- Southern African Development Community

SACU- Southern African Customs Union

AGOA- African Growth and Opportunity Act (includes 37 Sub-Saharan African countries

RIFF- Regional Integration Facilitation Forum

COMESA- Common Market for Eastern and Southern Africa

Lesotho is a part of **SACU**, the oldest Free Trade Area which dates back to 1910. SACU is essentially a customs union but also has development objectives. The revenue sharing formula benefits Lesotho as the least developed member of the Union. Lesotho is a major beneficiary of SACU (see Table 1.4).

**SADC** was established in 1992 and has more of political role in integrating the Southern African countries. It is a legacy of SADC which was established in 1980 by the front line states to reduce the economic dependence on apartheid South Africa.

Lesotho as an LDC is one of the 49 countries with tariff-free access to EC markets under the EBA (Everything but Arms) initiative of February 2001. Although bananas, rice and sugar are not included in these provisions, Lesotho has tariff free access to the EU for all food commodities. A major study<sup>28</sup> conducted by DG Trade in 2003 in 32 ACP countries identified a major “reality gap”. There was perception (arising from the Trade Commissioner’s visit to Africa in 2003) that there are major **tariff** barriers on agrifood products exported to the EC. The survey confirmed that phytosanitary and TBT are more significant barriers than tariffs. Worrying in terms of poor perception, was the view from Lesotho that agricultural exporters faced tariff barriers on garlic, paprika, peaches, pork<sup>29</sup> and honey; which is not the case.

The trade relations with the EU have taken on a new dimension under Cotonou which provides for the negotiation of Economic Partnership Agreements (EPA) between the EU and the ‘group’ of countries within the EPA. Lesotho has opted to be part of SADC for this process. While economic considerations favoured the formation of an EPA under SACU, political considerations played a greater weight:

*Both logic and theory suggest that a customs union is a preferable form of integration to use in negotiating an EPA than is a free trade area. In a free trade area there is no common position, whereas negotiating as a customs union would enable policies to be harmonised between SACU and the EU, enable SACU to have a common trade policy towards the EU, and thus increase its cohesion. It would also solve a number of practical problems between the TDCA and Cotonou, for example, the fact that full duties have to be collected on goods moving from the EU to BLNS means that a customs border is created between South Africa and these countries within a customs union. This is an unsatisfactory situation<sup>30</sup>.*

Nevertheless there will be a complicated set of negotiations and implications on trading rules and non-cumulation applying to the various trading regions set out in Table 1.11.

<sup>28</sup> EC DG Trade : Results from the Questionnaire on barriers to Agricultural and Food Exports to the EU from the ACP. 24/3/2003

<sup>29</sup> There are variable levies on pork

<sup>30</sup> Lesotho: Study on Impact and Sustainability of the Economic Partnership Agreement with the EU. Imani Development Sept 2003

There are a number of pressing trade negotiating issues at stake with the EU. Firstly, under an EPA, Lesotho may lose some of the preferential access to the EU for some products. There are also major implications for Lesotho under the EU-South Africa Free Trade Agreement (FTA) and Trade Development Co-operation Agreement (TDCA). Under the provisions of the Regional Economic Partnership Agreement (REPA) Lesotho could potentially lose its existing non-reciprocal arrangements granted due its LDC status.

There are also potential implications for a reduction in Lesotho's payments under SACU as a result of the reduction in South African tariff revenues with the EU.

Lesotho is taking a proactive role in discussion with its SADC partners in the first stages of the negotiation on the EPA. However on the wider SADC agenda, Lesotho has not taken an active role in either developing common programmes for funding or in implementation of donor funded initiatives, including the EC funded components.

There is a small SADC secretariat with the MFDP, but the office neither follows EC funded SADC programmes nor does it initiate major programme dialogue with the other SADC members. In June 2004 the Minister of Finance is intending to launch a National SADC committee which will gather various Government and NSAs and will launch potential international programmes.

### 1.3.3 Levels of domestic political commitment to the implementation of key trade reform measures

Most indicators point to Lesotho as having a very open economy and trading regime. Exports represent 198% of GDP. Export led growth has driven Lesotho's economy and while the FDI strategy could be described as opportunistic, Lesotho took advantage of the situation while other AGOA members did not. Compliance with the AGOA initiative has been satisfactory and US has provided some support to the customs services to ensure compliance. There remain serious data limitations on trade statistics<sup>31</sup>, with serious data anomalies between the Bureau of Statistics data and the Central Bank. Lesotho is thus not in compliance with the SADC trade protocol and had not adopted the ASCYUDA<sup>32</sup> software for use in customs unions.

### 1.3.4 Involvement of business/sector and other NSAs in the development of export strategies

There was some participation by Biznet and other members of the business community in the technical working group of the PRSP. The GoL has already introduced the Export Finance Scheme recently established which grants local entrepreneurs an opportunity to engage in exports.

The main platform of NSAs has been to push for improvement in the business enabling environment (see JC 1.2). One of the key recommendations of the PRSP is the establishment of a "one-stop shop" for the issuing of licences and permits to investors. A law to establish a single licensing office should be passed in 2004. The law will provide the necessary legal mandate to the "one-stop shop" to issue all essential documents required by prospective manufacturing investors. The one-stop shop will also provide investors with information concerning social and environmental regulations.

### Field Coverage by the Commission intervention

Ref EDF	Project Title	Commitment €mn	Disbursement €mn	Start	Completion
8 ACP RAU 015	Integration Support for BLNS*	3.0	0.0		Not started
8 ACP LSO 009.	Study on Impact and Sustainability of the Economic Partnership Agreement with the EU	0.086	0.086		Sept-03

\* total project €6.0mn with co-funding of €3mn from EPRD.

The Financing Agreement 8 ACP RAU 015 Integration Support for BLNS was signed in January 2001 but has not been implemented, due in part to a lack of interest on the part of the BNLS states. The purpose of the project was to strengthen the capacity of the BNLS states as a consequence of the implementation of the EU-South Africa Free Trade Agreement. The project intended to support fiscal reform, trade policy and economic research and was designed in its first phase to:

- Review BLNS tax systems and public sector management
- Design a private sector support programme for firms and labour.

<sup>31</sup> WTO. Lesotho. Integrated Framework- Diagnostic Trade Integration Study (Draft) Jan 2003.

<sup>32</sup> UNCTAD software adopted by over 80 LDCs including Botswana and Namibia.

- Conduct workshops and exchanges, study missions.

The EC has provided some support to the Ministry of Trade and Industry, Co-operatives and Marketing (MTICM) through a study on *Impact of the Economic Partnership Agreement (EPA)* with EU August 2003). The study recommended the formation of an EPA under the aegis of SACU; but the GoL has opted for negotiation under SADC which will commence during 2004.

**Effects of the Commission interventions on indicators**

N/A

**Compliance with the general objectives of the Commission**

N/A

**Appropriateness of the process**

N/A

**Overall judgement**

The concept of regional economic integration remains a delicate political issue. Lesotho remains proud of its economic identity and is more than aware of becoming little more than a satellite of South Africa if a very proactive policy of integration was to be developed. Ownership of regional integration programmes is therefore low.

There are a number of issues concerning the regional dimension for Lesotho. Firstly the GoL has remembered that donors were pushing a very strong policy of economic independence until 1992 and there remain a number of benign, but positive legacies of this policy including the development of Muela Hydropower plan. But there are some more pervasive and lasting legacies of failed programmes that pursued a policy of economic independence from South Africa. This includes projects that pursued agricultural self-sufficiency which has contributed to a severe level of soil erosion as well as the legacy of the erroneous perception that Lesotho has some potential competitive advantage in the agricultural sector. The substantial support that the EC and other donors provided to Lesotho under the Apartheid era has also created an aid dependency culture in the country that is still palpable within the Government administration. It should be the role of the EC to take the lead with other donors in promoting regional economic development issues in line with the provisions under Cotonou. The EC has taken a very low profile in promoting and co-ordinating the potential for economic integration under SADC, including the failure to implement the €6 million project to support economic integration.

While economic integration to the small and geographically isolated markets of BNLS offers very limited economic potential to Lesotho, there is some opportunity for greater co-operation with South Africa in the areas of:

- Linkages and clusters between the SMME sectors;
- Potential for agricultural co-operation in the Caledon river basin;
- Co-operation in the development of social investment programmes for the mines to work with the redundant Basotho mine workers; and
- Strategic co-operation over water courses.



**2. To what extent has the Commission identified the appropriate means and instruments for the macro economic support of Lesotho?**

*JC 2.1 The EC is supporting an effective Government macroeconomic reform programme.*

**Indicators**

**2.1.1 Trends in Economic Growth, distribution, proportion of population below the poverty line.**

A series of poverty mapping exercises were carried out in 1990, 1993 and 1999 and confirmed the overall trend that although economic growth has been steady (see Appendix 1), 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, i.e. 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 with work fell from 30% in 1990 to 23% in 1999.<sup>33</sup>

**Table 2.1: Incidence and Intensity of Poverty 1993-1999**  
% of population

	Rural		Maseru		Other Urban		Total	
	1993	1999	1993	1999	1993	1999	1993	1999
<b>INCIDENCE</b>								
Poverty	54	56	28	22	27	29	49	51
Extreme Poverty	29	37	14	10	11	15	26	53
<b>INTENSITY</b>								
Poverty	27	30	13	22	12	27	24	30
Extreme Poverty	10	14	4	11	5	14	9	14
Share of Population	82	80	14	15	4	5	100	100

Source: Poverty and Rural Livelihoods Sechaba (2000)

Annex 2 sets out the *qualitative indicators* of poverty based on the PRSP consultation process and identified the key issues according to different social groups including youth; retrenched miners, disabled, widows and orphans and the elderly. Access to social services notably education, health and pensions was an issue of poverty across all social groups.

**2.1.2 Adherence to the IMF- Poverty Reduction Growth Facility**

EC Budget support under the 8<sup>th</sup> EDF PRBSP<sup>34</sup> is based on the IMF Poverty Reduction Growth Facility. The total potential disbursements 2003 and 2004 amount to a total amount of up to €17.0mn, equivalent to approximately 2 per cent of Government's expenditure during the period. In addition the project allows for €1.5mn for institutional capacity support and capacity building. The EDF is currently the only source of grant budget support to Lesotho. The PRBSP is divided into three instalments ("tranches"), of which the first two are fixed and the third is mixed, i.e. it consists of a fixed portion and a portion the amount of which depends on Lesotho's performance with regard to indicators in the social sectors and PFM:

<sup>33</sup> John Gay and David Hall, *Poverty in Lesotho: More than a Mapping Exercise*, Maseru: Sechaba Consultants, 2000

<sup>34</sup> 8 ACP LSO 009 and 010 – Poverty Reduction Budgetary Support Programme  
CSE Lesotho, August 2004

**Table 2.2 : 8<sup>th</sup> EDF PRBSP- Tranche Release Indicators**

1<sup>st</sup> Tranche: €6.1mn (June 2002)- Condition: Budget for Health & Education must increase with at least the same rate as total expenditure ( condition met).  
 2<sup>nd</sup> Tranche: €3.1 mn(December 2003)-Agreement on quantified Indicators between GoL and EC reached (condition met).

3<sup>rd</sup> Tranche:€8mn Variable release 50% based on PFM and social indicators being met:

**Indicators Agreed**

**Education:**

- Net admission rate and enrolment rate
- Pass rate in Primary School Leaving Examination

**Health:**

- Immunisation rate against measles of children before 1 year
- Tuberculosis Treatment success rate
- Supervision and deliveries by a qualified attendant
- % of population with access to safe water
- % of population with access to adequate sanitation
- % of population visiting primary health centres

**PFM**

- Differences between unit costs in public sector procurement and market prices
- Implementation of the budget in priority areas.

€9.2mn 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. An EDF-funded capacity building project in MoHSW<sup>35</sup> is assisting the Ministry's statistics unit but data is not yet sufficiently precise to ascertain progress in the sector with an acceptable degree of accuracy. The same considerations apply to education data. Thus the present situation is that the third tranche of the PRBSP will be disbursed on the basis of data which is subject to a very high degree of statistical error.

### 2.1.3 Adherence to the PRSP Macro economic framework

The key components of the PRSP framework are to:

- Provide the basis for sound and consistent macroeconomic management;
- Create an attractive macroeconomic 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 improve operational efficiency.

In broad terms the GoL is on track with the macroeconomic framework under the PRSP and, with the assistance of the EC, the broad principles of PEM are being introduced, although considerable institutional capacity building<sup>36</sup> is needed in order to develop a poverty reducing Medium Term Expenditure Framework (MTEF).

The EC is also supporting the MOHSW. During phase one of the Health Sector Reform Programme financial management and budgeting procedures have been reviewed and partially implemented. In 2002 a MTEF budgeting strategy was adopted which is working with limited success to date. Cost centres have been deconcentrated and they are producing monthly expenditure reports. But budget management procedures remain highly centralised and disbursement procedures are extremely slow.

Appendix 2 shows that in spite of a slight fiscal tightening, expenditures on health and education are increasing and social services now account for 44% of total spending, an increase from 41% in 2001. The Minister of Finance places great emphasis on expanding the reach of free primary education<sup>37</sup>:

<sup>35</sup> 8 ACP LSO 007 – Poverty Reduction Budget Support Programme

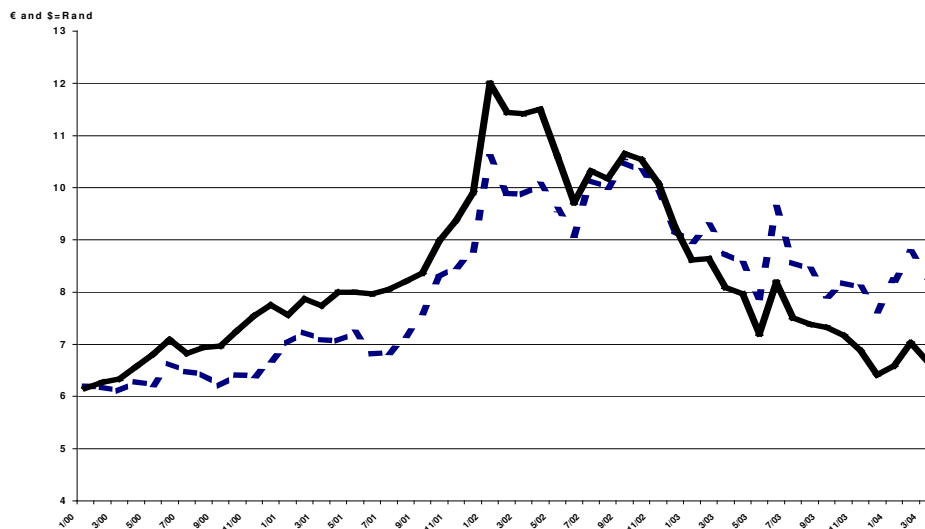
<sup>36</sup> 8<sup>th</sup> ACP LSO 007 Support to Department of Economic Cooperation ( G.P.West) Annual Report #2 December 2002-3

...Government has steadfastly remained on track to expand the reach of free primary education (FPE). Lesotho is on track to meeting the goal of universal primary education under the MDG by 2015.....the FPE is far more than an education programme. It is social safety net that provides nutrition, education and occupation for children from poor households or HIV/AIDS and it is a job creating scheme that has promoted jobs in catering, construction and transportation sectors for Basotho entrepreneurs.

#### 2.1.4 Prudence of Monetary Policy and level of price stability

The Central Bank call rate has gradually fallen from a peak of 16% in 1998 to under 8% in 2003. The inflation rate in Lesotho is driven by price developments in South Africa which accounts for over 90% of the countries consumer product imports. The rate of inflation has been stable remaining in the range of 6-8% in the period 1996-2001 (see Appendix 1). Inflation rose to 11.7% in 2002 partially as a result of the drought, and the weakening of the Rand increased prices. The subsequent strengthening has placed a downward pressure on inflation which eased to under 7% in 2003. Figure 4 shows the very strong swings in the value of the currency in the last 4 years although the movement in 2003 partly reflects the weakness of the \$US. The strengthening against the Euro has been much less.

Figure 2.1: Exchange Rate Euro and \$US 2000-2004



Source: EC Web Site: [http://europa.eu.int/cgi-bin/make\\_inforeuro\\_page/en/LSL](http://europa.eu.int/cgi-bin/make_inforeuro_page/en/LSL)

- - - 1 €= Rand      \_ 1 \$= Rand

The currency union with South Africa imposes a monetary discipline on Lesotho, and the Central Bank pursues a stable and effective policy to maintain price stability. The currency union also means that interest rates in Lesotho must move in line with regional rates of interest. In September 2001, the Central Bank moved from the use of direct controls to the indirect instruments of monetary policy. The new system is intended to remove rigidities by introducing market determined interest rates and allowing the rates to reflect the true scarcity of savings in the economy.

The Central Bank imposes a cash ratio of 3% and a liquidity ratio of 25% on the commercial banks. The overall liquidity of the commercial banks is very high at 83% at the end of 2002. Thus the banks are risk averse possibly partly a reflection of the collapse of the Lesotho Agricultural Development Bank (LADB).

**2.1.5 Institutional barriers to trade employment and investment**

See JC 1.2

**Field Coverage by the Commission intervention**

Ref EDF	Project Title	Commitment €mn	Disbursement €mn	Start	Completion
8 ACP LSO 009	Poverty Reduction Budget Support	8.50	6.07	May 02	2004
8 ACP LSO 010	Poverty Reduction Budget Support	10.00	3.00	Dec 2003	June 04
9 <sup>th</sup> EDF( Indicative)		15.00	0.00	N/a	N/a

**Effects of the Commission interventions on indicators****RELEVANCE**

The Government is working towards a relevant poverty reducing macroeconomic framework under the PRSP, although the PRSP has still not been adopted by the Government. But in broad terms the principles behind budget support (PRBS) in directing support towards producing improved results in access to health and education is consistent and relevant to the objectives of EC assistance. The gradual adoption of MTEF principles should enable greater poverty reduction targeting as the Government budget process moves away from the traditional line budgeting approach.

**POSSIBLE IMPACTS**

The impact of the PRBS programme to date has been mixed and the overriding conclusion is that the potential results in terms of improvement in education and health status cannot be measured with any degree of accuracy.

**SUSTAINABILITY**

An effective PRBS has fewer concerns on sustainability than a project based technical assistance programme, but the concerns on capacity across all government departments leaves concern on the sustainability of an effective poverty reduction programme.

**EFFECTIVENESS***As above***EFFICIENCY**

The release of the tranches was slow due to delays in the implementation of the conditions on the release. The audit of the PRBF was only conducted in April 2004.

**Compliance with the general objectives of the Commission****GENDER**

The indicators used for the 8<sup>th</sup> PRBS were not disaggregated by gender.

**ENVIRONMENT**

N/A

**HIV/AIDS**

N/A

**Appropriateness of the process****OWNERSHIP**

While there is considerable merit in the approach adopted under the 8<sup>th</sup> EDF as the indicators selected are in line with poverty reducing objectives, the overall ownership of the programme is substantially reduced if the donor has reason to question the validity of the data used.

**CO-ORDINATION COMPLEMENTARITY AND COHERENCE**

The general move away from externally imposed policy conditionality towards applying a results based conditionality is consistent with EC thinking<sup>38</sup>. This latter approach which has been broadly adopted for the IMF Poverty Reduction Growth Facility (PRGF) tends to promote ownership and lead to more effective poverty reducing policy.

However the EC is currently the only bi-lateral donor engaged in budget support in Lesotho. While others have considered the move towards Direct Budget Support (DBS), both Development Co-operation Ireland (DCI) and DFID rejected the move due to the inadequate transparency of the public sector and poor PFM. Thus neither donor is confident DBS would contribute to poverty reduction. The conclusions of these two donors are consistent with the guidelines of Article 61(2) of the Cotonou Agreement which states that budgetary support of macroeconomic or sectoral reforms shall be granted where:

- a) *public expenditure management is sufficiently transparent, accountable and effective;*
- b) *well defined macroeconomic or sectoral policies established by the country itself and agreed to by its main donors are in place; and*
- c) *public procurement is open and transparent*

**FUNDING MECHANISM AND MANAGEMENT SYSTEMS**

Lesotho has a history of large capacity building projects in Government with a poor legacy of ownership and sustainability. There are therefore considerable benefits in the application of DBS as an instrument of supporting Governments' poverty alleviating strategies for the reasons set out above. However while the overall approach by the EC is commendable, it is clear that there has been insufficient commitment made by the GoL to address the accuracy of data; nor was sufficient attention made by the EC to establish that there was a sufficient level of statistical accuracy prior to setting the indicators.

In the absence of this statistical base, it is clear that the EC should have adopted more process related indicators measuring the improvement of capacity towards poverty reduction, and, at the same time, provided further assistance on the improvement of data collection. If, as expected, the variable tranche is only partially released, a clear signal is being made to the GoL that the releasing of DBS is subject to effective conditionality. However the lack of commitment by the GoL is in part due to the fact that there remains considerable 'fiscal space' in Lesotho, thus reducing the leverage on the Government for implementing the conditions on the DBS.

**Overall judgement**

There is a general tendency and preference to move away from a project approach to development towards DBS<sup>39</sup> to avoid the numerous problems associated with a project approach, including poor ownership, low sustainability and high aid dependence.

Furthermore it has become widely recognised that externally imposed policy conditionality does not result in sustained policy improvement. Thus there has been increased emphasis on the PRGF to use results-based conditionality to release budget support funds. But in order to move towards a results-based conditionality, as has to some extent been done with the 8th EDF, there needs to be accurate data for validating the progress in the results.

<sup>38</sup> DG Dev: Variable Tranches in General Budget Support: Implementation Guidelines and Evaluations (2003)

<sup>39</sup> EC AIDCO/DEV/RELEX Guide to the Programming and Implementation of Budget Support for Third Countries (March 2002)  
CSE Lesotho, August 2004

*JC 2.2 The Government of Lesotho has a satisfactory level of accountability in the management of public finances*

## Indicators

### 2.2.1 Sectoral public spending plans and outturns.

**Table 2.2 Government Budget Operations**

	1997/8	1998/9	1999/00	2000/1	2001/2	2002/3
<b>Revenue</b>	<b>2425</b>	<b>2290</b>	<b>2441</b>	<b>2721</b>	<b>2977</b>	<b>3331</b>
Grants	179	120	130	96	189	296
Domestic Revenue						
- Customs	1173	1033	1183	1126	1439	1470
-Tax	622	660	706	809	939	1106
-Non-Tax	453	476	424	690	410	459
<b>Expenditure</b>	<b>2342</b>	<b>2438</b>	<b>3373</b>	<b>2899</b>	<b>3025</b>	<b>3659</b>
Current	1474	1943	2319	2469	2399	2857
Capital	868	496	479	473	746	834
Net Lending	0	0	576	-43	-120	-32
Balance	83	-148	-933	-178	-47	-328

Source: Central Bank

Throughout most of the 1990s Lesotho maintained a stable fiscal stance, recorded relatively small deficits/surpluses over the period, and has managed to reduce the cost of debt service and ensure that the public sector did not crowd out domestic debt. Thus the budget deficit has been less than 3% of Gross Domestic Product since 2000/1.

It must be noted that this fiscal stability is partly a result of the very significant contribution of the SACU receipts which account for over half of Government revenues (see Table 5). It should also be noted that the Government budget represents over 40% of GDP which is very high for a country of this income. This would also suggest that the Government has considerable fiscal space for budget reallocation.

### 2.2.2 Evidence of financial control over ministries

The MoFD operates a central payments system on behalf of all Ministries. The system is very slow although some improvement has been detected<sup>40</sup>. However the Treasury performs the key checking role that should be the responsibility of the line ministry. The vouchers to trace payments are still deficient.

### 2.2.3 Gap in price between public and privately procured items

The financial regulations that govern Government procurement were drawn up in 1973 and require that procurement is centralised in the Ministry of Finance and Development Planning (MFD). In 1997 the World Bank<sup>41</sup> concluded that the Central Tender Board (CTB) 'have inadequate capacity to drive a modern transparent procurement system'. The Ministry of Finance has recognised the limitation of the CTB and plans have been made to establish the NPADB - National Procurement and Asset Disposal Board - as a legal entity under the Minister of Finance but with an independent audit committee. It would include:

- A contractors and suppliers database maintained by the NPADB;
- Strong private sector representation; and
- Decentralisation through district offices in the longer term.

As at March 2004, reform of CTB had not been completed.

### 2.2.4 Timely and accurate and financial data on public accounts

As pointed out in the Joint Annual Report on Co-operation between the EU and Lesotho 2003 (Draft): "There is concern that while GoL's efforts to improve financial management have been assessed by the IMF as compliant from a legal point of view, the initiatives agreed do not appear to have been followed by sustainable implementation"

<sup>40</sup> DFID. PSIRP—Public Financial Management (PFM) Component. 3<sup>rd</sup> Draft December 2003

<sup>41</sup> World Bank (1997) Country Procurement Assessment Report

No public accounts were completed between 1994/5 and 2001/2. When the accounts for 2001/2 were produced they came with a very sharp indictment; the Auditor General was “*unable to express an opinion as to whether the financial statements ... fairly present the state of affairs of the Government of Lesotho*” and the GoL could only account for only 60 per cent of its spending that year. The Auditor General’s report came out with some strong recommendations, notably to:

- Review the Capacity of the Ministry of Finance and develop appropriate training;
- Review the performance/capacity of the accountant general; and
- Outsource of the public accounts.

The AG’s office reported that some progress had been made in the production and of public accounts for 2002/3, which were in the process of being reviewed by the AG’s office at the time of this evaluation.

#### **2.2.4 Adequacy of public accounting procedures and systems**

The adequacy of public accounting procedures and systems is crucial to assessing the suitability of Lesotho for budget support. The EDF funded review of the PFM status of Lesotho was undertaken by Price Waterhouse Coopers in October 2002<sup>42</sup>. The study revealed the following key constraints:

- There has been a failure to produce accurate and effective annual accounts for many years due to the inability of Treasury to verify its below the line balances and particularly those representing its cash holdings;
- Treasury lacks sufficient management capacity either to eradicate current weaknesses or to build up a satisfactory level of financial management and control in government. In particular no internal audit capacity is available to it;
- The management structure in government in respect of the financial management and control function does not contribute to its effective management due to split responsibilities and missing functions. The Accounts Cadre is short in both quantity and quality and the training function is given low priority;
- Government information systems cannot meet the demands placed on them due to their age and lack of technical capacity for expansion;
- The current classification system does not provide sufficient expenditure tracking capacity; and
- The accounts of Government are not comprehensive, as the transactions of numerous bank accounts are not captured. In addition there are weaknesses in the data capture system which leads to backlogs in data entry.

The PWC report identified an action plan matrix with the following key requirements:

- Prepare annual accounts based on balances derived from Treasury records and refer any balances written off under this procedure to the Public Accounts Committee;
- Strengthen the management of the Accountant General’s office;
- Provide Internal audit capacity within the Treasury Management;
- Decentralisation of data capture function;
- Ensure that all Government financial transactions are captured on a general ledger maintained by Treasury. All cash movements captured in a cash book that is regularly reconciled;
- Changes introduced to Financial Regulations in respect of transfer of below the line accounts;
- A new Finance and Budget Act and the associated regulations should be prepared taking account future developments in PEM;
- The National Audit Institution should be demonstrably independent from the executive; and
- A procurement law covering the principles of procurement should be established and revised procedures for the CTB to widen access to public procurement.

The GoL is aware of the grave PFM status that was identified by PWC. DFID secured an agreement with the MFDP in July 2002 to assume the role of lead donor in this process of PFM reform. While £3mn has been committed to assist in the process, DFID have still not reached agreement with MFDP in spite of a substantial ‘dilution’ of the scope of the project.

#### **2.2.5 Adequacy of MTEF and implementation**

Lesotho followed the traditional approach of line-item budgeting until April 2003, when the Minister of Finance decided that the annual budgeting process should be undertaken under an MTEF process. The key benefit of MTEF is that moves away from budget allocation based on inputs and moves towards prioritising public expenditure based on strategic priorities and changing needs. An MTEF involves marrying the *top down approach* of reviewing the

<sup>42</sup> Ministry of Finance (2002) Study into Public Financial Management in Lesotho. Price Waterhouse Coopers.

availability of resources and macro economic priorities with the *bottom up approach reviewing sectoral priorities and needs*.

Before an MTEF is adopted it usually goes through a 6 stage process, and it is an iterative activity with many of the activities occurring concurrently:

- Stage 1: Prioritisation
- Stage 2: Policy Sector review
- Stage 3: Expenditure Framework & Ministerial Ceilings
- Stage 4: Cabinet Approval
- Stage 5: Preparation of 3 year estimates within ceilings
- Stage 6: Review of estimates and presentation to Parliament

A consultancy firm, MEFMI, was contracted in 2003 to assist in planning this exercise. The consultants produced a report and recommendations including an implementation schedule, which has subsequently been adopted by GoL.

Thus MTEF is still at the early stages of its introduction. But there are worrying indications that the concept of MTEF has not been fully absorbed by some Government Departments who are engaging in 'departmental MTEFs' which is completely counter to the logic of the concept. Thus it will take several years of systems development, and institutional strengthening and capacity building at all of the six stages for Lesotho to be able to fully operate an MTEF.

### 2.2.6 NSAs and other institutions are involved in the monitoring of public spending

A Parliamentary Public Accounts Committee was introduced in 2003 and has been an effective check on the Governments budget and expenditure planning process. While the strength of personality and experience of the Chairman, former Finance Minister and Opposition; the body has gained respect for its role in strengthening Parliamentary accountability in providing a necessary check and balance to the Government. The PAC has also been very supportive of the role played by the auditor general's office.

There is very little effective NSA activity in bringing the Government to account in setting public spending targets or in its overall management of public money. It was noted for example that the publication of the highly critical Auditor General's report, and although the release was accompanied by considerable press coverage; it did not lead to any major NSA activity in pressing for improved public sector management and accountability.

#### Field Coverage by the Commission intervention

Ref EDF	Project Title	Commitment €'000	Disbursement €'000	Start	Completion
8 ACP LSO 009	Study into Public Financial Management	87.5	83.9	May 02	Oct 02

#### Effects of the Commission interventions on indicators

N/A

#### Overall judgement

The partnership approach to development enshrined in the Cotonou Agreement implies that donors should move away from the funding of discrete projects and move towards Basotho-identified priorities and programmes and direct budget support. A pre-condition for this change is that the PFM status of Lesotho is substantially improved to a level which is consistent with the Article 61 of the Cotonou agreement. Donors will have to work with the GoL to undertake a comprehensive reform of the public sector and move away from ad-hoc interventions

It would appear that the EC embarked on this route on the expectation that the PFM status was considerably better than was subsequently revealed in the PWC report and also on the expectation that that the quality of data in the health and education sectors were significantly better than has been revealed by the recent EC study<sup>43</sup>.

While the approach of the EC to adopt a results based budget support system is innovative and could be described as brave; The approach can only be justified if it was felt that the approach provided a substantial incentive for the improvement in public accountability and improved PFM.

<sup>43</sup> Presentation by G Roger & S Guillemin : EU Budget Support Indicators for Social Sector (March 2004)  
CSE Lesotho, August 2004



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**JC 2.3**      *The EC has identified the institutional capacity constraints and has developed appropriate capacity building measures for macroeconomic support.*

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## Indicators

### 2.3.1 Adequacy of economic and social analysis and policy formulation in Government Departments.

There is a large civil service in Lesotho and public service is considered to be a prestigious career. There are a number of dedicated and hard-working civil servants in the country, 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<sup>44</sup>.

### 2.3.2 Coverage and effectiveness of civil society and institutions in support of private sector development

See JC 1.2

### 2.3.3 Evidence of outcomes from macroeconomic planning and training programmes

There has been limited macroeconomic planning and training conducted by the EC to date and it is reported that there is a general weakness in the macroeconomic planning capacity in Lesotho. One key recent example has been the decision to introduce MTEF without a clear understanding and appreciation of the complexity of the new system.

### 2.3.4 Adequacy of EC's dialogue on macro economic policy

The EC plays a key role in the development of Government Economic policy through key two TA activities. Two projects enables the EC to have a clear *influencing role* in the formulation of development planning and through the support to the Medium Term Expenditure Framework; assistance can be provided to facilitate the analysis of the Government in the direction of macroeconomic policy towards poverty reduction.

- 8 ACP LSO 007- TA, Government Economic policy
- 8 ACP LSO 019- Adviser, Economic Planning and Budget Support

#### **8 ACP LSO 007**

The key role of the TA is to:

- Improve the quality of the outputs of the national planning and budget system and improve the mechanisms and timetable for the planning and budgeting process.
- Improve the capacity of the Dept of Economic Policy
- Assist in the Development of a macroeconomic forecasting model
- Give ad hoc economic policy advice

#### **8 ACP LSO 019**

The TA provides ad-hoc advice to the DNAO on budget support and ensures that EC funds are subject to an assessment of PFM. In particular:

- Advise/ensure that GoL's Capital Budget to include projects reflect national development priorities and have successfully passed an appraisal by the Project Appraisal Committee.
- Advise/ensure that line agencies will provide regular updates on project implementation and DEC will be compiling consolidated Capital Budget progress reports on a regular basis.
- Scoping for MoFDP comprehensive capacity building programme to strengthen key functions of the Planning Cadre, including sector programming; macroeconomic and demographic modelling; and statistics production.

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<sup>44</sup> See Technical Assistance Reports (8 ACP LSO 007- TA, Government Economic Policy

**Field Coverage by the Commission intervention**

Ref EDF	Project Title	Commitment €'000	Disbursement €'000	Start	Completion
8 ACP LSO 019	Adviser, Economic Planning and Budget Support	230.0	221.0*	Dec 02	Dec 04
8 ACP LSO 007	TA, Government Economic policy	1,100.0	613.3*	Apr 01	Dec 04
9 ACP LSO 016 001	Capacity Building in Economic Planning	17,500.0	0.00	2004*	2008*

\* forecast

In addition to the two key projects identified above, the EC has committed the €17.5mn project over a 5 year period from 2004-8 to build the capacity in the MOFDP in the following key areas:

- 1) **Bureau of Statistics**; Strengthen the strategic planning capability; increase household survey capabilities and support the 2006 Census;
- 2) Develop a **macroeconomic model** to forecast growth, debt and borrowing requirements and assist in the introduction of MTEF;
- 3) Develop a **Planning Cadre** - Produce a Planning officers Model and build a planning cadre across Government ministries;
- 4) **Sectoral Programming Monitoring and Evaluation** - Develop the capacity to enhance the effectiveness and monitoring of the PSIP and Capital Budget;
- 5) **Training and Institutional Strengthening**. Production of an Administrative Manual covering internal administrative procedures and practices and training of the planning cadre; and
- 6) **Population and Manpower modelling**. Production of demographic model capable of forecasting population by age sex and region.
- 7) **Assistance to the NAO**.

**Effects of the Commission interventions on indicators****RELEVANCE**

The EC has recognised that there are fundamental capacity constraints in the MOFDP and there is a need to develop home-grown Basotho capacity in the formulation, development and implementation of macroeconomic planning. The serious gaps in demographic and econometric modelling need to be addressed as a prerequisite to poverty-reducing macroeconomic planning. The project is thus relevant to the needs of the GoL and to the overall EC's development strategy. However there are concerns that econometric modelling is not the real priority of developing capacity in the GoL. 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 eventual delivery of DBS. While the EC must be commended for working towards this progressive method of aid disbursement in the 9<sup>th</sup> EDF, there is a major concern that the PFM situation in Lesotho is far from achieving the status which will make this instrument can be used by donors effectively.

**POSSIBLE IMPACTS**

Public Sector reform is an extremely sensitive issue for any donor to tackle. It goes to the kernel of civil service sensitivity by addressing issues such as performance assessment, grading and remuneration structures as well as the wider aspects of responsibility, the span of authority and accountability.

There is major risk that ad-hoc interventions in capacity building may fail in the absence of overall reform of the civil service. The reform requires a commitment to, and strategies for building confidence and commitment by the executive.

As a minimum, capacity building of MFDP cannot succeed in the absence of the PFM reforms proposed under the PWC report and the DFID programme.

**SUSTAINABILITY**

The EC has provided strategic TA to the MFDP which is necessary to support the overall development process in Lesotho. Many elements of the current TA have much more of a capacity replacing nature than capacity building, but this will partly be addressed by the €17.5mn technical assistance project which will attempt to build a sustainable planning capacity of the MFDP.

**EFFECTIVENESS**

The effectiveness of the EC's intervention will be critically dependent on ensuring that there is no political interference in the selection of the planning cadre that undertakes the training. More importantly, the planning cadre need to be trained if it is to be empowered in decision making/accountability as well as policy formulation skills. The overall effectiveness of the EC's intervention is thus critically dependent on civil service reform.

**EFFICIENCY**

It is recognised that capacity building and training is 'TA heavy' and thus the €17.5mn does not appear to be cost-efficient leading to the perception that the grant funds are being recycled to Europe. This perception can be partly overcome by using local and regional (i.e. SADC) service providers.

**Compliance with the general objectives of the Commission****GENDER****ENVIRONMENT**

N/A

**HIV/AIDS**

The demographic modelling undertaken by the project should assist in the planning process for the development of macroeconomic planning and forecasting which adequately addresses the implications of the HIV/AIDS pandemic. The accuracy of the model is critically dependent on improvements to data collection under component 1.

**Appropriateness of the process****OWNERSHIP**

The EC has achieved good results to date with the Technical Assistance to the DNAO and the Department of Economic Planning. Not only have these interventions identified the key capacity constraints within Government, they have played an important influencing role in the provision of ad-hoc support to the Government through technical working groups and the overall management of macroeconomic policy. There is local ownership of this TA. However the move from small advisory TA to a large-scale capacity building programme will create major issues of ownership.

Ownership of the EC's planned intervention to build the capacity is mixed. There is strong political commitment to public sector reform as expressed in the King's Speech to Parliament, the PRSP and Vision 2020. But at an operational level there is a general level of indifference by the executive on a) the poor progress being made towards improving PFM and b) the potential risk that Lesotho may lose out on budget support as a result of this lack of progress.

**CO-ORDINATION COMPLEMENTARITY AND COHERENCE**

While the overall complementarity of donor efforts at the level of the Member States appears to be good; with the EC taking the lead in Economic Planning and PEM, DFID in PFM; GTZ in decentralisation; a major policy implementation void has been left by the overall co-ordination of Public Sector Improvement and Reform Programme (PSIRP), as the World Bank has not succeeded in securing Government commitment to the PSIRP loan.

**FUNDING MECHANISM AND MANAGEMENT SYSTEMS**

In the 9th EDF the EC planned to make €15mn available in DBS. While the overall approach might be commendable, it is clear that the PFM status of Lesotho was not sufficient for this level of DBS to be considered either at the time of drafting the 9th EDF or now.

The emphasis on capacity building programmes of the 8th and 9th EDF are highly strategic by focusing on the MOFDP. The EC should use the opportunity of the TA programme in the 9th EDF to mainstream governance across all programmes (see JC 3.1).

**Overall judgement**

It has been recognised by the donor community and the GoL that public sector reform is a priority in Lesotho. A comprehensive framework was set out in the World Bank Public Expenditure Review in 1999. To date there has not been a comprehensive reform of the public sector and while this partly reflects resistance of the Government executive to implement reforms, it also reflects the fact that there have been ad hoc efforts by donors to address symptoms of the problem rather than undertaking a comprehensive reform of the public sector. Donors have acquiesced to GoL requests to ad-hoc interventions rather than produce an integrated and comprehensive programme of PSIRP.

There has been a declaration of commitment at the highest level to undertake a comprehensive reform of the public sector. The King's Speech to the opening Parliament in May 2002 highlighted Vision 2020; the PRSP and PSIRP as the three strategic policy frameworks for reform and development.

Whilst Government has been slow to implement the PSIRP, donors have missed the opportunity to speak with one voice to the GoL and would appear to be taking the ad-hoc approach of providing 'fixes' to individual issues rather than embark on a co-ordinated PSIRP. There is a major opportunity for the EC to take a bold lead in this area, which would also provide a key policy foundation for the successful implementation of the €17.5mn capacity building project.

**Annex D: Appendix 1 - Key Economic Indicators**

		1997	1998	1999	2000	2001	2002	2003 (e)	2004 (f)
GDP	LSL mn	4,720	4,921	5,565	5,964	6,609	7,531	8,341	9,212
Population	mn	2.01	2.06	2.10	2.14	2.19	2.20	2.22	2.24
GDP/Capita	LSL	2,348	2,389	2,650	2,787	3,018	3,423	3,757	4,113
LSL= US \$	1\$=	4.671	5.483	6.105	6.943	8.619	10.416	7.6	6.8
LSL= Euro	1€=	5.276	6.124	6.504	6.398	7.718	9.846	8.49	8.4
GDP/Capita	\$	509	432	434	402	350	329	494	605
Migrant Mine Workers	No	95,913	80,445	68,604	64,907	61,412	62,158	-	-
Net Income from Abroad	LSL mn	1,539	1,385	1,493	1,522	1,509	1,701		
GNI	LSL mn	6,259	6,305	7,057	7,486	8,118	9,231		
GNI/Capita	LSL	3,114	3,061	3,361	3,498	3,707	4,196		
Exports	LSL mn	904	1,110	1,054	1,468	2,426	3,740	3,811	4,375
Imports	LSL mn	4,722	4,699	4,761	5,051	5,824	7,758	7,987	8,387
Consumer Price Inflation	%	8.6	7.8	8.6	6.1	6.9	11.7	6.6	6.0

**Appendix 2 : Government Expenditure by Sector**

	Total	Total	%	%	2004/5			
	2003/4	2004/5	Change	Distrib- ution	Recurrent	Capital	Capital financed by grants and loans	
Education	848	953	12.4	19.6	787	166	118	71.1
Health & Social Welfare	319	322	0.9	6.6	262	60	48	80.0
Finance and Dev Planning	477	554	16.1	11.4	452	101	43	42.6
Public Works & Transport	377	289	-23.3	5.9	123	166	92	55.4
Defence	189	215	13.8	4.4	215	0	0	0.0
Home Affairs	146	202	38.4	4.2	197	5	0	0.0
Agriculture & Food Security	208	141	-32.2	2.9	102	39	30	76.9
Foreign Affairs	129	127	-1.6	2.6	127	0	0	0.0
Justice/human Rights	83	91	9.6	1.9	91	0	0	0.0
Trade & Industry	60	78	30.0	1.6	37	41	0	0.0
Lesotho Highlands Water Project	59	58	-1.7	1.2	0	58	6	10.3
Local Government	110	126	14.5	2.6	101	24	9	37.5
Contingency	770	150	-80.5	3.1	150	0	0	0.0
Interest	209	216	3.3	4.4	216	0	0	0.0
Debt Repayment	389	527	35.5	10.8	527	0	0	0.0
Other	531	815	53.5	16.8	636	183	137	74.9
<b>Total</b>	<b>4,904</b>	<b>4,864</b>	<b>-0.8</b>	<b>100.0</b>	<b>4,023</b>	<b>843</b>	<b>483</b>	<b>57.3</b>

*Source:* Parliament of the Kingdom of Lesotho(2004) Budget Speech to the Parliament 2004/5- (Feb 2004)

**Appendix 3: Qualitative Perceptions on Poverty****Youth**

The main concerns of youth in the consultations fall into two groups. They are keen to find work, and they know that they need education for this purpose, in particular, technical and vocational training. Secondly, they want to be able to play sport and to enjoy music, and they call for the provision of more facilities for such purposes. By way of summary the following key issues emerged from the consultations with the youth:

Training and aid for income generation  
Recreational facilities  
Vocational schools, training  
Employment  
Free education for all

**Herdboys**

*Herdboys* were defined in these consultations as a special interest group among the youth. By far the commonest message from herd boys is that they want more education. Many are aware of initiatives such as that of the GROW project in Mokhotlong to provide night literacy classes, and recommend that such programmes be more widely available. Secondly, herd boys are increasingly aware that their conditions of employment are the most meagre in Lesotho. Some are starting to call for change. Thirdly, some herdboys recognise the deteriorating state of the range and of its management. Their message to policy makers is that something should be done to improve range management in Lesotho.

The following key issues emerged from the consultations with the herd boys:

Evening school  
Regulation of working conditions

Improvement of range management

***Retrenched miners***

They want to get back to work. They therefore called in many of these consultations for opportunities to be created through the opening of the mines and factories (without necessarily appreciating the economic and technical factors involved). They are also keen for (re) training that will help them to exploit available work opportunities. Those who have lost their jobs in South Africa, those who were disabled there, and the widows of migrant workers repeatedly mentioned that they face many problems in securing the compensation packages and pensions that they believe are due to them. Many believe that they have been unfairly treated by South African employers, but feel powerless to take their cases further.

The following key issues emerged from the consultations with retrenched miners:

Establishment of mines and factories  
 Training and aid for income generation  
 Employment  
 Help with obtaining retrenchment packages  
 Vocational schools, training

***Disabled***

There are no surprises in the main messages to policy makers from the disabled. The commonest call is for the provision of equipment such as wheelchairs. Influenced by developments in South Africa, disabled people commonly call for welfare allowances to be paid to them. They are also keen to work and to support themselves, which is why a number of them called for the provision of vocational training.

The following key issues emerged from the consultations with the disabled:

Equipment for the disabled  
 Pensions  
 Vocational schools, training  
 Free medical services

***Widows and Orphans***

Focus group discussions were held with a number of widows and orphans, who are among the most vulnerable in Lesotho society. They called for welfare allowances, free education and health services, and lower sales taxes on the goods on which they depend.

The following issues emerged from the consultations with widows and orphans:

Free education for all  
 Pensions  
 Food aid  
 Care for widows, orphans, elderly  
 Relaxation of sales tax  
 Free medical services

***The elderly***

The message to policy makers from the elderly mirrors that from disabled people – except that the call for pensions is almost unanimous, and some consultations produced the call for food aid. The elderly are among the most vulnerable to poverty, and as traditional social networks weaken, a growing number of old people are virtually destitute.

The following key issues emerged from consultations with the elderly:

Pensions  
 Free medical services  
 Food aid

**3 How far have Commission supported interventions contributed to improved Governance at both central and local levels?**

*JC 3.1 Overall public sector performance has improved.*

**3.1 Government capacity to formulate (sector) policies**

The Government of Lesotho (GoL) has a long-standing tradition of formulating national development plans, public sector investment plans or sector policies. In recent years, it has also produced a National Vision 2020 and a Poverty Reduction Strategy Paper<sup>45</sup>. The resulting proliferation of major policy documents may lead to the conclusion that the overall capacity of GoL to formulate policy has steadily increased over the years. However on a second analysis, a less optimistic picture emerges.

In spite of successive donor-supported attempts to reform the public sector, the capacity to properly plan and direct scarce resources towards the accomplishment of established poverty-oriented policy priorities remain very weak. Major constraints currently affect the performance of the different departments involved in development planning, now integrated into a re-named Ministry of Finance and Development Planning. These constraints include:

- Limited capacity to undertake policy analysis;
- Weak macro-economic management, reflected in the absence of a Medium-Term Expenditure Framework;
- Limited capacity for implementation and monitoring of sector policies and co-ordination with line ministries;
- Inadequate and unreliable statistics;
- Weak internal administration, and
- Poor communication within the Ministry and with the planning units in other ministries.

A specific review of the planning function, commissioned by the GoL in 2001<sup>46</sup> and carried out by the Macroeconomic and Financial Institute of Southern Africa confirmed that "the planning function does not deliver" and that as a result there is no confidence in planning, no real strategy development and the Government's macroeconomic and financial management cannot be considered to foster effectiveness, transparency and accountability.

The PRSP Lesotho (Integrated Version, December 2003) recognises the existence of these various bottlenecks, which lead to "*uninformed decision making and inefficient policies that are difficult to implement as they have no taken due cognisance of resource capabilities. Failure to co-ordinate different functions of government systems also lead to ineffective and poorly integrated financial management, budgeting and planning systems*". All this clearly points to the existence of major structural and systemic bottlenecks to overall public sector performance, linked to an interlocking set of factors including poor governance; politicisation of the civil service; unattractive service conditions; brain-drain and migration; as well as the negative impact of HIV/AIDS. There are fears that the planned implementation of decentralisation will further complicate and weaken the institutional set up for planning and policy co-ordination.

**3.1.2 Financial discipline and effective public expenditure management**

Lesotho enjoys a rather unusual financial situation in that it receives substantial inflows, both of net income from abroad (remittances) and as member of the Southern Africa Customs Union (SACU). However, both sources of income are increasingly under pressure (see JC 2.1). This reduction in fiscal space will, in turn, require the GoL to take bold action in order to drastically improve financial discipline and effective public expenditure management. Some steps have been taken in this direction. As a beneficiary of the IMF's Poverty Reduction Growth Facility, Lesotho continues to adhere to plans for the improvement of economic, administrative and sectoral policies. The Government has also embarked upon a 'Public Sector Improvement and Reform

<sup>45</sup> PRSP Integrated Version December 2003

<sup>46</sup> Financing Proposal for the programme on "Institutional Capacity Building - Ministry of Development Planning, 9th EDF", EC/AIDCO/703/03-EN, page 5



Programme (PSIRP), captured in a draft programme design led by the World Bank during 2000-2001.

This programme, which was intended to act as framework for a coherent donor support (including the EC), adopts a long-term perspective and includes improved public expenditure management and accountability as one of the 3 key pillars of the reform. Efforts have also been made to produce and ensure proper auditing of public accounts. After a period of 5 years without proper accounts, the 2001/2002 public accounts have been presented to Parliament while the 20002/2003 ones were with the Auditor General in March 2004.

Initial reflection and measures have been taken to push forward the idea of a MTEF (mainly as a result of the EC support programme –see JC 2.1). These are positive steps forward, yet the lion's share of the reform still needs to be put on track. Effective implementation of the PSIRP has been stalled (see comments in JC 2.3).

Furthermore, some of the initial reforms (e.g. better public financial management) may have only limited impact in the absence of more fundamental reforms, such as:

- A drastic improvement of data collection and statistical capacity;
- The effective functioning of controlling bodies (e.g. the Auditor-General, the Public Accounts Committee of the Parliament, watchdog institutions, etc.);
- The introduction of a full-fledged Medium Term Expenditure Framework, and
- A reinforced fight against corruption.

### 3.1.3 Overall absorption capacity

In addition to constraints in policy formulation, the GoL is confronted with a major challenge in the delivery of services. A recent draft Project Concept Note, aimed at revitalising the above mentioned Public Sector Improvement and Reform Programme<sup>47</sup> (PSIRP), provides a clear diagnostic of the situation: *“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”*.

The document points to other systemic weaknesses such as *“confusion and overlapping of roles between ministries and between divisions of ministries, limited capacity of the Government to “enforce rules and regulations that govern the public service”; absence of “policies that govern the Public Service” (including performance-based management of human resources); a financial management system that is “plagued with corruption, mismanagement, embezzlement of funds and lack of accountability”; “a high degree of centralisation in authority and decision-making”* and related to this the *“lack of a national policy framework for decentralisation”* (despite efforts by the Ministry of Local Government to devise such a policy).

The resulting *“uncoordinated and supply-driven delivery of services further excludes people from decision-making ... as people feel government is far away from them and fails to strengthen their fight against poverty”*. Inevitably, this state of affairs raises major doubts on the overall absorption capacity of the government, particularly in relation to managing budget support in an efficient, transparent and accountable manner.

This situation in the public sector confronts external partners with major dilemmas:

- Where to start rebuilding government capacity in the public sector?
- How can systemic constraints to performance be tackled efficiently?
- What policy should be adopted towards decentralisation?

In particular the speedy introduction of decentralisation may prove to be highly beneficial for: bringing development and the fight against poverty closer to local communities; for boosting local

<sup>47</sup> PSIRP: Govt of Lesotho. Draft Concept Note March 2004

planning and democracy; and for promoting bottom-up policies. However, can such a policy be effectively implemented when the central government level is facing major governance and capacity problems?

#### **3.1.4 Quality of public sector reform and capacity building strategies**

On paper, the GoL is committed to comprehensive public sector reform and improvement. It constitutes a major building block of its different strategic policy plans (National Vision 20/20, PRSP) and has been further elaborated in the above mentioned PSIRP through a process led by the World Bank and apparently involving the different donor agencies concerned (EC, DFID, Ireland (DCI), GTZ).

However, commencement of implementation of the PSIRP has dragged on for more than two years, partly because of disagreements between the different actors involved on inter-related issues of funding<sup>48</sup>; overall leadership for co-ordinating the programme; doubts about the feasibility of some of the reforms (e.g. decentralisation). There have also been some difficulties to agree upon a task division and promote joint action among the different donor agencies. Beyond these constraints to starting-up the PSIRP, some fundamental questions arise:

- Has the PSIRP taken sufficiently into account the governance dimensions of public sector reform (e.g. high level of politicisation, absence of proper accountability systems within and outside the public sector)?
- Are the effects of brain drain and HIV/AIDS properly taken into account when designing capacity building strategies for the Lesotho public sector?
- Is there sufficient awareness of the collective pressure exercised by the donor community on a very weak public administration (for instance, the argument was made that the PRSP process has mobilised considerable amount of scarce human resources for an extended period of time)?
- Is there enough of a critical mass among donor agencies (in terms of human and financial resources) to properly support a major reform process in a medium-term perspective)?

#### **3.1.5 Existence and quality of political dialogue on governance reforms**

Limited evidence could be found pointing to the existence of a comprehensive political dialogue between the donor community and the GoL on governance issues. Considering the lack of proper accountability mechanisms (within and outside the public sector), it is rather surprising to note that Lesotho qualifies for the IMF's Poverty Reduction Growth Facility as well as for EC budget support under the Cotonou Agreement. The prevalence of major governance bottlenecks at the level of the GoL has not yet induced the different donor agencies to develop initiatives (individually or collectively) to engage in a thorough, structured political dialogue with the GoL specifically targeted at Governance issues. However recently the EC has been exploring ways and means to start up such a political dialogue, using article 8 of the Cotonou Agreement as the basis for such action.

#### **3.1.6 Existence and quality of public-private dialogue and partnerships**

Consultations with a variety of non-state actors in Lesotho suggest that Government is generally perceived<sup>49</sup> to be "far away from people", "distrustful of civil society and the private sector", "used to manage development in a highly centralised manner" and "not challenged to account to people for its performance".

This analysis is largely confirmed by the Lesotho PRSP document, which is based on extensive community consultations in all parts of the country. In order to remedy to this situation, the PRSP proposes to "create and strengthen structures for the participation of the public in governance". The main road for achieving this is to push forward the implementation of a "clear and widely accepted policy on decentralisation, the key elements of which will be devolution, local political

<sup>48</sup>The GoL resisted the idea of World Bank loans to be used for several components of the programme

<sup>49</sup> These comments are derived from focus group discussions with a number of NSAs on 10 March 2004 and a round table discussion with NGOs

and administrative control, freedom from centralised constraints and improvement of financial systems’.

Other ways to foster public participation in Governance- such as public-private dialogue and partnerships- are not explicitly foreseen, although references to these concepts are increasingly made in public discourse. A case in point is the recent Budget Speech to Parliament for the 2004/2005 Fiscal Year, in which the Minister of Finance and Development Planning called for strong public-private partnerships to be developed in order to ensure service delivery to the poor. While the climate may be relatively open to inclusive forms of governance, much remains to be done to build trust among state and non-state actors; to put in place effective mechanisms for structured dialogue; and to promote public-private partnerships, based on a task division between different actors according to their respective comparative advantage.

### **3.1.7 Access of citizens to central and local government**

Government spending accounts for just over 45% of GDP, divided functionally into social services, economic or productive services and general public services.

Social services account for 44% of total spending (see JC 2.1). This has risen by 3% in the last 3 years at the expense of economic and infrastructure services whose share in the budget has dropped by 3% to 18% from its 2003/2004 allocation. In some areas (e.g. primary education), major efforts have been made to expand access although the benefits and sustainability of free primary education are threatened by the sheer cost of the programme.

Yet there are also major policy areas where access of citizens to services, provided by central government, remains poor (e.g. HIV/AIDS, environmental management; agriculture, water and sanitation, food security), skewed according to gender, region, etc. and they are deteriorating.

While some argue that Lesotho is too small a country for decentralisation to be a viable option, this opinion is not shared by the Lesotho PRSP document, nor by the Ministry of Local Government, nor by the local actors consulted at district level during the evaluation mission. The skeleton infrastructure for local government currently in place at district level which is poorly endowed with administrative units and depends heavily on central government prevents any meaningful participation of local actors in the process of local development, while making access to service delivery almost fully dependent on the centre.

### **3.1.8. Integration of good governance as crosscutting concern, including in donor (EC) supported programmes**

The concern for ‘good governance’ appears to have come only recently to the agenda of both the GoL and the main partner agencies. Many factors may have contributed to this, including:

- The sound macroeconomic situation of Lesotho during the 1990s (fuelled by substantial inflows from remittances and SACU revenues);
- The primary focus on building the foundations for democracy after the end of single-party rule;
- The political crisis of 1998 and related need to restore stability as well as a basic social contract between state and citizens;
- The tendency to tackle pervasive public sector weaknesses through a myriad of ad hoc, supply-driven donor projects; and
- The relative novelty of governance as a co-operation priority, including the difficulties for donor agencies to engage in this area and to set up relevant programmes, etc.

As a result, good governance has so far not been effectively integrated as a crosscutting concern, including in donor (EC) supported programmes. Yet there are developments indicating that ‘good governance’ is quickly becoming a priority concern for the different actors involved. The GoL has defined good governance as a key objective of its PRSP. There is a stated commitment to implement this objective through a variety of means, including public sector reform, decentralisation, citizen participation, building the capacity of institutions that can provide accountability, etc. Also donor agencies are increasingly embracing the good governance agenda.

This holds true for the EC, mainly through a comprehensive programme of ‘‘Institutional Capacity Building’’ at the level of the Ministry of Finance and Development Planning (see JC 2.3).

In principle, the provision of EC budget support provides another key mechanism to promote dialogue and effective follow-up of governance. In other focal areas of intervention (water, transport), an increased concern with governance and institutional development can be noted at EC level. Yet there are also major gaps in the overall donor response to the critical governance situation, including:

- The lack of effective dialogue and co-ordination mechanisms;
- The slow progress in implementing the PSIRP;
- The limited and rather ad hoc approach followed in building the capacity of Parliament and monitoring institutions (such as the Ombudsman) or civil society actors (acting as watchdogs); and
- The lack of a clear donor strategy towards decentralisation, aimed at promoting a genuine system of local governance in Lesotho.

#### Field Coverage by the Commission intervention

Ref EDF	Project Title	Commitment €'000	Disbursement €'000	Start	Completion
7 ACP LSO 045	Assistance to the Bureau of Statistics	1,101.0	634.7	Jan 2000	Mar 2004
8 ACP LSO 008	Assistance to Health Sector Reform	1,800.0	436.1	Mar 02	Mar 05
8 ACP LSO 019	Adviser, Economic Planning and Budget Support	230.0	221.0*	Dec 02	Dec 04
8 ACP LSO 007	TA, Government Economic policy	1,100.0	613.3*	Apr 01	Dec 04
9 ACP LSO 016 001	Capacity Building in Economic Planning	17,500.0	0.00	2004*	2008*

\* forecast

#### Other Donors' Involvement:

- The PSIRP to which donors have collectively pledged support (not yet implemented)
- Support to the Fiscal and Policy Analysis Unit and the Lesotho Revenue Authority and for financial reform support programme
- Capacity building for the Accountant's General Office and Introduction of Performance Management (DCI)
- District Planning capacity building and support to decentralisation process in general (GTZ)
- Different UN agencies are also engaged in parts of the governance agenda

#### Effects of the Commission interventions on the evolution in indicators

##### Relevance

In its partnership with Lesotho, the EC gradually came to recognise the central importance and related need to invest heavily in institutional development and 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 a major impediment to the effective implementation of development policies and the absorption of foreign assistance, the EC response remains limited to ad-hoc project interventions (in certain departments) and traditional TA support.

This rather narrow support strategy to tackling (structural) weaknesses in the public sector stems from the then prevailing *'needs-approach'* to EC aid, reflected in a primary focus on investing in the 'hardware' of development (e.g. infrastructure); the novelty of governance as a co-operation

issue; and the reliance on highly qualified TA to facilitate the implementation of EC programmes. In this approach, there is little space nor incentive to also address the political dimensions of the partnership (e.g. political dialogue; support for governance programmes; linkages with civil society actors, etc).

The ad-hoc project-related approach has tended to reduce the relevance of EC supported projects. Thus, the EC project attempting to promote improved management of health care services through a more effective monitoring and evaluation system as well as through decentralisation has been slow to achieve results. In many ways, this type of interventions amount to putting the cart before the horse.

Building on a report reviewing past EC-Lesotho co-operation (EDF 6-8), the CSP of the 9<sup>th</sup> EDF drastically upgraded the governance issue, thus enhancing the overall relevance of the strategy. Examples include the rather comprehensive and well-endowed programme for institutional capacity building over a longer period of time in the Ministry of Finance and Development Planning (9 ACP LSO 002) and the intended aim to provide budget support linked to conditionalities on governance, particularly public expenditure management. The expected output (a properly functioning and institutionalised system to manage an MTEF) is a critical element in Lesotho's future development process as well as in the evolution of the co-operation modalities with the donor community. The challenges at stake with this EC support programme are illustrated by the current questioning of the adequacy of budget support to Lesotho under prevailing governance/accountability conditions.

### **Possible Impacts**

On the whole, the impact of past interventions in support of governance and public sector capacity building tend to have been very limited, because of the narrow focus of the programmes and the constraints of the overall political and institutional environment.

It is too early to gauge the possible impacts of the institutional capacity programme. Major efforts have been made by the TA staff involved to promote a dialogue on the MTEF; to animate technical meetings involving different key players; to prepare relevant background documents; as well as to train staff. Yet the impact of the programme will ultimately depend heavily on increased Government ownership and commitment to the reform process as well as on the capacity of the donor community to stand firm on governance issues while providing coherent and programmatic support to the reform process.

### **Sustainability**

While the EC support programme under the 9th EDF is highly relevant to the GoL needs, the sustainability of project outcomes are threatened by different factors:

- The perceived low levels of ownership of the GoL for a genuine in-depth reform of the public sector (including de-politicisation; institutionalisation of accountability mechanisms at all levels, etc.);
- The fragility of donor dialogue and joint action on governance and public sector reform issues; and
- The limited capacity of controlling bodies (Auditor General, Public Accounts Committee of the Parliament, the Ombudsman, civil society watchdogs, etc.).

In addition to this, the positive effects of capacity building programmes are likely to be quickly eroded by the combined effects of HIV/AIDS and the brain drain.

### **Effectiveness**

The role of the EC in pushing forward with a comprehensive institutional capacity programme under the 9th EDF provides a much stronger response to the real needs of GoL than past (project-related ad hoc) approaches. There are already indications that the programme is inducing (timid) policy and institutional changes that could help to gradually develop an MTEF as well as capacities to manage it.

There is much less evidence that budget support will be an effective aid delivery mechanism considering the structural weaknesses of the public expenditure management and accountability systems currently in place. It is also to be feared that the conditionalities attached to budget support, and the ways in which they're applied (including the pressure to spend aid), will not be conducive to promoting improved dialogue and triggering effective governance reforms (see JC 2.2).

### **Efficiency**

The efficiency of the capacity support programmes under the 7th and 8th EDF suffered from the absence of a clear governance perspective on institutional development as well as from the 'project approach' which was adopted. While the provision of long-term TA has helped to keep things afloat and to promote an efficient implementation of EC grants, its impact on building sustainable local capacity has been rather limited.

## **COMPLIANCE WITH THE GENERAL OBJECTIVES OF THE COMMISSION**

### **Gender**

The key EC programme under the 9<sup>th</sup> EDF aims at improving overall institutional capacity for planning and public sector expenditure management in the Ministry of Finance and Development. According to the Financing Proposal (Draft, October 2003), women hold at present approximately 70% of the professional positions in the Ministry and 88% of the senior management posts. It is therefore expected that the programme will bring direct benefits to a significant number of women. The programme recognises the need to also address broader, systemic constraints to gender equality, embedded in discriminatory laws (see also JC 8. 8). To this end, follow-up of legal steps taken by the GoL to remove/reduce discrimination have been incorporated into the CSP/NIP as indicators for the 9<sup>th</sup> EDF annual operational review process. However, it is unclear how this opportunity will be effectively used during review processes in the absence of a clear EC strategy on the issue of gender equality

### **Environment**

It is expected that by building stronger planning capacities at both central and decentralised levels it will be possible to ensure a better balance between economic growth and environmental sustainability. No details are provided on possible activities or performance indicators in this respect.

### **HIV/AIDS**

The problem is recognised in general terms in the EC Institutional Capacity Building Support Programme. A link is made between poor statistics, data and planning capacity and the GoL's deficient response to the HIV/AIDS crisis. Therefore, one of the underlying objectives of the project will be to ensure a more effective "integration of HIV/AIDS into the medium term and annual budgeting processes". It remains to be seen how this intention will be put into practice, as there is an urgent need to fully capture the scale and impact of the crisis (in reliable data) and to duly take account of it in the design of all possible development policies (including human capacity building strategies, as in this EC programme).

## **APPROPRIATENESS OF THE PROCESS**

### **Ownership by the Government**

A large group of interviewees expressed doubts about the levels of ownership and commitment by the GoL to a profound and governance-based reform of the public sector. This is reflected in: the failure of past reform attempts; the slow progress in implementing the PSIRP; the reluctance to openly address issues of politicisation of the civil service; the limited political support for truly enabled and properly funded controlling bodies; and in the limited space for genuine participation of non-state actors in policy dialogue and as watchdog bodies.

While there is evidence that the major EC capacity building programme under the 9th EDF has been elaborated in a participatory manner and enjoys support from the Ministry involved, it might

be feared that a balanced partnership will be difficult to achieve, partly because of the capacity gap between the TA provided and available local leadership and expertise in the Ministry.

### **Co-ordination Complementarity and Coherence**

Considering the lack of progress in implementing the PSIRP, the EC decided to move forward on its own, concentrating its support to the Ministry of Finance and Development Planning. Yet the impact of the EC programme will ultimately depend on progress being achieved on implementing the overall PSIRP. Hence, there is a need to revitalise the dialogue on the PSIRP. It is unclear who is ready or capable to currently assume a catalyst role in this respect.

The EC Delegation could on paper be a credible player in this regard, as it provides the bulk of the (grant) finance to the public sector reform programme, is involved in budget support and can invoke the legal framework of the Cotonou Agreement to engage in political dialogue with the GoL on governance issues. Yet its current functioning as well staffing levels do not facilitate the taking up of such a role.

### **Funding mechanism and Management systems**

Quite considerable funding is involved in the governance/institutional capacity building programme under the 9<sup>th</sup> EDF (€ 17.5 million). This assistance is appreciated by the GoL considering its grant nature (as opposed to loans for capacity building offered by the World Bank). While the quality and experience of the TA involved in the operations provide guarantees for effective and result-oriented implementation, overall management may be affected by limited levels of ownership from the side of the GoL; by the lack of expertise on governance and institutional development at the level of the EC Delegation as well as by the limited backstopping capacity and feedback received from EC Headquarters in relation to this type of programmes.

### **GLOBAL JUDGEMENT**

As Lesotho experienced growth and enjoyed a relatively positive macroeconomic environment and fiscal situation throughout most of the 1990s, the issue of governance in the context of the sub-optimal performance of the public sector did not receive the attention it deserved. Following the political crisis of 1998 and the pressures on Lesotho's external sources of income (remittances and SACU revenues), the challenges of improved governance and capacity gradually acquired a more central focus.

Already in the Strategy Paper for the 8<sup>th</sup> EDF, the EC fully recognised the negative impact of poor public sector performance on development and aid effectiveness, yet its initial response was limited to targeted project interventions in specific departments (e.g. the Bureau of Statistics, the health department) or the provision of (gap-filling) TA. During the preparation of the CSP for the 9<sup>th</sup> EDF, the idea was floated to include "capacity building" as a focal sector in its own right, thus providing an opportunity for an integrated approach to promoting governance and institutional development in the medium-term. In the end, this option was not retained. Instead, a major institutional support programme was defined, 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. In the strategy of the EC, budget support is also conceived as a tool to promote improved governance.

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 intention of the GoL to drastically reform the public sector and could yield major development gains, if properly implemented. However, for the programme and the overall EC strategy to achieve its full potential, it seems advisable for the EC to put governance at the centre of its overall co-operation strategy. This, in turn, invites the EC:

- To start-up an effective political dialogue with GoL on governance issues.
- To reconsider in this context the effectiveness of budget support as a means to promote improved governance.
- To re-activate the dialogue and co-ordination with government and the donor community on the need to implement the PSIRP;
- To assess the extent to which governance concerns are properly integrated in other sectors of intervention, and if needed, to take remedial action; and

- To use the planned support programme for non-state actors to strengthen the capacity of civil society organisations to push for better governance.

These issues raise the question of whether the EC Delegation has the capacity, on completion of de-concentration in 2004 to implement a governance approach to its development co-operation with Lesotho, as opposed to a primarily 'supply-driven, needs approach' to providing aid.

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**JC 3.2      *A culture of public accountability is gradually institutionalised at all levels***

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**3.2.1      Measures to improve transparency in decision-making and financial discipline**

As mentioned in JC 3.1, the GoL recognises the existence of systemic problems of *“mismanagement of limited resources, unethical behaviour of public servants, weak control measures leading to corruption”*<sup>50</sup>. The resulting lack of transparency and accountability at all levels jeopardises development prospects and an effective fight against poverty. It also threatens the application of progressive aid modalities such as budget support. In order to remedy the situation, the GoL has taken a number of initiatives, mainly in the field of public financial management. It has submitted the public accounts of 1993/1994 and 1995/1996 for discussion to Parliament, while ensuring that the practice of producing public accounts is restored (after a period of interruption from 1997-2001). The 2001/2002 public accounts have been presented to Parliament while 2002/2003 were under preparation with the Auditor General in March 2004.

These initial steps look promising, but it is widely agreed that much remains to be done to properly institutionalise a culture of professionalism, transparency and accountability in the public service and its controlling bodies. In principle, the PSIRP is conceived to address the various fundamental governance shortcomings in the public service, yet its implementation is incurring major delays. Beyond the policy discourse, it will be critical for the reform process to also tackle deeply rooted issues such as the politicisation of the public service and to transform controlling bodies (such as the Auditor General) into fully independent, properly staffed and endowed institutions.

**3.2.2      Evidence of the fight against corruption**

In recent years, the GoL has taken steps to fight economic and white-collar crime. It set-up in 2003 a Directorate of Corruption and Economic Offences (DCEO) with a mandate to fight corruption at all levels. The unit is in the process of being staffed to enable it to perform its role. However, it remains to be seen if the required funding for effective action will be forthcoming and if the unit will enjoy sufficient levels of autonomy - it has not been set up as an independent body but as a Ministry department. The unit will have as one of its first tasks to obtain a baseline of the scope and nature of current corruption practices in Lesotho. Yet for this unit to be effective, action will also be required at the level of the Ministry of Justice and the court system. Systemic institutional weaknesses currently affect the delivery of Justice at all levels.

**3.2.3      Role of the Parliament and civil society in the budget**

For a period of 5 years (1997-2001), the GoL did not produce public accounts, let alone ensure their proper auditing and clearance by Parliament. In this context, it is not surprising to note that both the parliament and civil society are very marginal players in the process of monitoring the budget. In recent years, some efforts have been done to enhance the capacity of the Public Accounts Committee with some support from donors (DCI and DFID). Yet the overall capacity of the Parliament to act as a 'watchdog' remains weak for a variety of reasons, including lack of parliamentary culture; prevalence of partisan approaches to discussing policy or exercising monitoring functions; staffing constraints, limited training of parliamentarians, etc.

Civil society is conspicuously absent when it comes to monitoring the budget process. Although some civil society networks are trying hard to play a constructive role in policy processes, they have lacked the political recognition and space to operate as well as being insufficiently funded to become credible actors.

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<sup>50</sup> PSIRP: Op Cit (March 2004)



### **3.2.4 Existence of ‘watchdog’ institutions and their impact on different dimensions of governance**

In addition to the DCEO and the Public Accounts Committee, the only other major ‘watchdog’ is the Ombudsman, a body envisaged by the 1993 Lesotho Constitution. The *Ombudsman Act of 1996* spells out its functions and duties which are to: (i) receive and investigate complaints from aggrieved persons against government agencies and statutory corporations and/or officials or employers; and (ii) to recommend remedial action where a complaint is found to be justified.

As an independent authority, the Ombudsman has developed into an institution with a certain credibility. However, its impact has been hampered by several constraints including:

- Its location in the capital- many Basotho do not know of its existence;
- Sub-optimal and often fluctuating levels of government funding which reduces its outreach and capacity to act; and
- The lack of political commitment by GoL to take its reports seriously. For example the Report of the Ombudsman was presented to Parliament for discussion only.

### **3.2.5 Coherence between aid modalities (e.g. budget support) and quality of dialogue and accountability mechanisms**

Taking into account the major shortcomings in public financial management, transparent decision-making and accountability systems at different levels, as well as the limited effectiveness of controlling bodies and ‘watchdog’ organisations, serious doubts can be raised about the legitimacy and relevance of providing budget support to the GoL. The absence of a structured, focused and ongoing political dialogue on governance issues makes discussion on budget support delicate.

#### **FIELD COVERAGE BY THE COMMISSION INTERVENTION**

Relevant interventions in this area start only under the 9<sup>th</sup> EDF, through the comprehensive institutional development programme, targeted at the Ministry of Finance and Development Planning. In many ways, the contribution to building a culture of public accountability is rather indirect in nature. Nevertheless the EC should support this culture through the strengthening of capacity for macroeconomic management, sectoral planning, and an MTEF budget process.

Beyond this, the EC is not providing direct support to other essential elements in the accountability chain, within the public sector (e.g. the Auditor General, Directorate of Corruption and Economic Offence) or outside (Parliament, Ombudsman, civil society).

#### **EFFECTS OF THE COMMISSION INTERVENTIONS ON THE EVOLUTION IN INDICATORS**

The capacity building programme at the level of the Ministry of Finance and Development Planning under the 9<sup>th</sup> EDF had not started at the time of the CSE. It remains also to be seen what the ultimate effectiveness and impact of the PSIRP will be, once implemented.

While the interventions of other donor agencies address some key elements of the accountability chain notably by DCI and DFID, there are many capacity and funding needs unattended and some major gaps, for example:

Support to the Ombudsman – Building on DCI’s support, a more programmatic support to the ombudsman, over a longer period of time and including a strong component of institutional development;

Support to the DCEO; and

Strengthening the capacity of civil society as ‘watchdog’ agencies, etc.

A more pro-active approach of the EC could have had a beneficial impact on the evolution of indicators. Furthermore, the EC seems well-positioned to push forward the governance agenda, particularly in relation to issues of public accountability, as it provides budget support and it can call upon the provisions of the Cotonou Agreement to engage in political dialogue.

**Compliance with the general objectives of the Commission**

N/a

**Appropriateness of the process**

N/A

**Co-ordination Complementarity and Coherence**

While the PSIRP provides a framework for dialogue as well as for donor co-ordination and complementarity, it has not been used very effectively so far as the World Bank's intended leadership role has not been accepted by the GoL. It is not clear who is currently best placed or willing to assume leadership in moving forward this critical programme.

**Funding mechanism and Management systems**

N/A

**GLOBAL JUDGEMENT**

The provision of budget support requires effective public accountability systems, inside and outside the public sector. If these mechanisms are not in place or functioning adequately, it is advisable either to discontinue the provision of budget support or to take a host of measures to drastically improve public accountability.

The EC has not yet made clear choices in this regard. It has introduced budget support without fully taking into account the dismal state of the public accountability systems. Admittedly, the 9<sup>th</sup> EDF includes a major programme of public sector capacity building, but it targets only indirectly public accountability. Moreover, it will take time before its effects are felt in day-to-day management. While some critical parts of the accountability chain are supported by other donors (mainly in the form of ad hoc projects), major gaps are left unattended.

Against this background, two questions arise. First, can budget support be continued under the currently prevailing circumstances? Can the EC use the mid-term review of the 9<sup>th</sup> EDF to re-orient its strategy and create space for a more proactive approach on issues of governance and public accountability? If so, key ingredients of such a new approach would be to invest in political dialogue on governance issues; to consider strategic partnerships with key accountability bodies (such as the Auditor General, the Ombudsman, the Directorate of Corruption and Economic Offences) and to define a proper support strategy to facilitate the participation of civil society actors in policy process and budget monitoring.

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**JC3.3      *Significant progress has been achieved in promoting effective local governance in the framework of the decentralisation policy***

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**INDICATORS**

**3.3.1      Quality of government and donor (EC) strategies in support of decentralisation and local governance**

For the GoL, decentralisation is a key priority, clearly announced in all the major policy documents (Vision 20/20, PRSP). Decentralisation constitutes one of the 3 pillars of the envisaged PSIRP. Its overall objectives are to:

Ensure the participation of Basotho in the development process;

Enhance local democracy and governance;

Use local governments as a channel for a more effective fight against poverty; and

Mobilise available resources for local economic development.

The Ministry of Local Government is working hard towards proposing a realistic implementation strategy for decentralisation in a medium-term perspective (2016) and towards preparing communities for participation in the new structures. The Local Government Act was passed in 1997 and may be subject to revision while local elections are planned for second half of 2004.

However, as in many other African countries, decentralisation is a complicated political process, resisted by vested interests at central government level and raising major concerns on its feasibility:

Can the country afford it?

Can decentralisation take place when there are so many basic shortcomings in the functioning of central governments?

What type of decentralisation is suitable for Lesotho?

How can the risk be avoided of simply transplanting top-down attitudes or patronage systems towards the local level?

How to ensure the sustainability of decentralisation?

The PRSP clearly defines the challenge at hand: *“The overarching problem is the lack of a national policy framework for decentralisation. Some areas of the structures and functions specified in the Local Government Act are ambiguous. These include the extent of devolution of political power to local government; and the legal basis for devolution of functions, powers and responsibilities. There is also a lack of clarity concerning the administrative structures, systems and capacity that will enable local governments to undertake their responsibilities in an efficient, accountable and transparent manner. Most critically, clear direction (currently missing in the act) is needed on the revenue and income base of local governments. The result of ambiguity in these critical areas has been continuing power struggles and conflicts among government departments, and between traditional and modern structures at the local level”.*

At the time of the CSE, the Ministry of Local Government was developing several activities to ensure that its ‘Programme for Implementation of Local Government in Lesotho. Concept, Structures and Roles’ (December 2003) was adopted. The result of these efforts are still uncertain, as major doubts continue to exist, among both government departments and donor agencies, on the nature of the proposed decentralisation (i.e. the proposed model is seen to be based on the ‘deconcentration model’ rather than on effective devolution of power), on its feasibility and affordability (including in terms of funding the local elections planned for late 2004). Co-ordination as well seems a major problem, as some Ministries engage in disjointed attempts to decentralise some responsibilities, often in the framework of donor-supported activities.

Most donor agencies are adopting a ‘wait-and-see attitude’, complemented with a fair degree of scepticism. The field has been left largely to GTZ, the only agency which seems to have defined a clear intervention strategy and concrete support programmes as well as mobilised the necessary capacities to implement the programme. The EC has no clear policy view on decentralisation, nor has it started a reflection on what the possible avenue of decentralisation could mean for its different sectors of interventions or programmes at local level. The only inroad on matters pertaining to decentralisation have been made in the health sector, through a project-related intervention (See JC 6.2)

### **3.3.2 Degree and quality of civil society involvement in local development processes**

Lesotho’s development process is managed in a very centralised, top-down manner. Decisions in different sectors trickle down to the local area, without structured opportunities for participation of

local stakeholders. There is an absence of local government as a local institution with devolved responsibilities, elected officials, capacities and funding. This acts as a major bottleneck for the articulation of local interests in policy processes and for the involvement of civil society in the local development process. The institutional framework now in place means that district offices act as the arm of government in the districts. This does not provide an appropriate mechanism for the empowerment of local people and effective action against poverty.

### **3.3.3 Promotion of joint action between local governments and civil society**

There is limited evidence of joint action programmes, mainly for the reasons mentioned above - notably the absence of a legitimate, capable and effective local government institution that could act as a catalyst in promoting local development.

### **3.3.4 Existence and quality of EC strategy to promote (mainstream) coherent decentralisation policies in its different sectors of intervention**

There is no clear overall EC strategy to respond to the decentralisation policy by considering possible support to the process.

There is no reflection on the possible benefits decentralisation could bring, if properly implemented, to key EC development objectives e.g. poverty alleviation; democratisation; participation, sustainable development, etc.

So far, only incidental incursions have been made in the decentralisation arena. There have been some initiatives taken by the Health Sector Reform Project to develop a decentralisation strategy within the health sector and to pilot a programme at district level in spite of there being no finalised overall GoL policy. Also the most recent Multi-annual Microprojects Programme involved some district offices in the design and co-ordination of micro-project interventions.

## **FIELD COVERAGE BY THE COMMISSION INTERVENTION**

There are no EC supported interventions directly contributing to the ongoing policy debate on decentralisation or geared at helping to implement key components of the reform process.

Under the 8<sup>th</sup> EDF, EC has supported a reform process in the health sector, partly aimed at decentralising key health services (8 ACP LSO 008). The Multi-Annual Micro Project Programme (8<sup>th</sup> EDF), in its revised format (after a critical audit and a temporary interruption of the programme), touches upon some dimensions of promoting the role of local governments in the development process.

## **EFFECTS OF THE COMMISSION INTERVENTIONS ON THE INDICATORS**

The main lesson learned with the EC intervention in promoting decentralisation in delivering health and social services is that it did not fully take into account, in the design, the deep systemic problems of the sector. The health project has therefore encountered implementation difficulties, including capacity problems and lack of an easy dialogue with the Ministry. Political problems have also been encountered, for example the lack of a solid public-private partnership between Ministry of Health and church hospitals who provide 40% of the health services.

This example also demonstrates the critical importance of *first* helping the GoL to put in place a comprehensive and effective decentralisation policy for all sectors, especially those related to the provision of basic social services. Such a policy should also seek to fully link up with the activities currently displayed by private actors (such as the churches in the health sector).

## **COMPLIANCE WITH THE GENERAL OBJECTIVES OF THE COMMISSION**

N/A

### **APPROPRIATENESS OF THE PROCESS**

N/A

**GLOBAL JUDGEMENT**

The EC so far has not developed any consistent strategy towards decentralisation in spite of:

- The prominence of the topic on the political agenda;
- The inclusion of support to decentralisation as a key pillar of the PSIRP and the PRSP;
- Its potential development benefits (e.g. integration of the local level in the development process; promotion of local economic development, local democracy and governance, etc)
- The implications decentralisation will have on its different programmes in focal and non-focal sectors; and
- The clear demand from local actors for space and opportunities to take a greater role in their own development process.

While caution is undoubtedly required in this complex area of decentralisation, it would appear that the EC can no longer afford to stay out of the debate. At the very least, it should start a serious reflection on the pros and cons of decentralisation for the achievement of its own development objectives as well as for the broader development challenges of the country. It should analyse possible windows of opportunities to support the decentralisation process, either directly or indirectly, in close dialogue and collaboration with other donor agencies.

**4(a) To what extent have the Commission interventions in the road transport sector delivered quantifiable economic benefits?**

**Table 4.1: EC Interventions in the Road Transport Sector 1995 to date**

Ref EDF	Project Title	Commitment €'000	Disbursement €'000	Start	Completion
8 ACP LSO 002	Road Transport Infrastructure Programme (RTIP)	37,000.0	31,640.0	30/06/00	31/12/06
7 ACP LSO 031	Feasibility and design studies for upgrading of unpaved roads B42, B43, B47	550.0	452.8	Mar 1997	Jun 2003
7 ACP LSO 032	Preparation of design standards for roads and bridges	250.0	231.8	Mar 1997	Dec 1999
7 ACP LSO 036	TA to RB, MOPWT	272.0	241.6	Jul 1997	Apr 2000
7 ACP LSO 037	TA to LCU, MOPWT	228.0	185.6	Nov 1997	Apr 2000
7 ACP LSO 038	Axle load control	850.0	677.7	Feb 1997	On-going
7 ACP LSO 043	Feasibility study road safety	80.0	77.4	2000	On-going
6 ACP LSO 027	Feasibility study – Axle load strengthening and road safety	19.3	19.3	Jul 1995	Aug 1996
9 <sup>th</sup> EDF (RTIP II) Indicative*					
	+Upgrading and rehabilitation of Mafeteng – Maseru – Buthe Road	8,000.0			
	+Maseru road/rail terminal	2,500.0			
	+Rural roads, road safety, technical assistance	15,000.0			

**KEY TARGETS:**

**RTIP 1**

**Objectives:** To improve well being and livelihoods of all Basotho

**Purpose:** To improve access to isolated areas and to basic services

**Results expected:**

1. Improved all-weather access in areas served by project roads
2. Enhanced private sector capacity for carrying out labour intensive road construction and maintenance
3. GOL capacity for management of road sector policy and administration strengthened.
4. Improved road safety

**RTIP II**

**Targets**

- development of medium term strategy for the whole sector
- secure adequate funding for sustainable sector wide road maintenance and road safety
- address institutional issues
- improved access in the lowlands to planned centres of production
- providing highland communities with year round access to the road network

**JC 4.1** *EC interventions in transport have improved physical access to rural and (peri) urban areas and improved the access to services.*

**Indicators**

**4.1.1 Measures of all-weather linkage between roads of all categories and access to social facilities and services.**

Lesotho has a higher proportion of paved roads than many SSA countries (18%) and most of these paved roads connect to the RSA highway system. The quality of the Lesotho network also is comparable with most southern African countries.

The current network comprises:

**Table 4.2: Lesotho Road Network**

AGENCY	PAVED/km	GRAVEL/km	EARTH/km	TOTAL/km
RB	1105	1150		2255
DRR		2140	1360	3500
MCC	83	283	324	690
MOLG	42	272	1145	1459
<b>TOTAL</b>	1230	3845	2829	7904

NB These figures should be taken as indicative only. These figures are taken from 'Review of Project Road Maintenance Needs and Generation of Road Fund Revenue' Africon Lesotho 2002 and 4<sup>th</sup> 5 year Development Plan for FYs 1986/87 – 1990/91' MODP 1988. It is understood that there is considerable debate about the actual length of the public network (another manifestation of the dearth of basic data) e.g. MOPWT: Review of Transport Sector Policy 2002 has a total of 6800km. In no references is there consistent data about the MCC and MLOG networks.

In addition to the 3500km (or in some sources 4000km) of road currently under DRR (see also JC 1.3 below) [60% all weather passability, 23% dry season passability only, 17% uncertain passability] there are some areas of higher population density in mountainous rural areas which are inaccessible to motorised transport such that about 300km of valley paths have been identified as priority needs for new road construction. In addition DRR has assisted in community road projects (usually earth roads) funded by LFCD – some 1800km of such low standard access roads are reported to have been constructed to date but the status of such community roads and maintenance responsibility is not clear and it reported that most have deteriorated almost immediately after construction.

The largest single component of RTIP (8<sup>th</sup> EDF) is upgrading to paved standard of gravel roads by RB:

- B42 Ha Ramohapi – Ha Ralmitsi 39.5km
- B43 Masite Nek – Makintane 32.6km
- B47 Maseru Bypass – Ha Sekete 41.8km

The works contract was awarded to WBHO for LSL 105 million in July 2000 after ICB procedures. Works began Sept 2000 with a contract period of 24 months. Provisional acceptance of the works took place in Aug 2003 (33 months) with a final value of works of LSL 182 million (i.e. +73%). Supervision of the works was awarded to Bergman Ingerop after restricted tender procedures for LSL 8 million. This final contract value was LSL 17 million (i.e. +104%).

Four earth roads were upgraded to gravel standard by DRR (BR02, BB09, MK10, MF13 – the latter as a training exercise for contractors). Budgeted costs were LSL 17 million with final costs to EDF of LSL 19 million (total final costs were LSL 20 million, the difference being borne by GOL). Cost increases were due to a 25% increase in minimum wage and increased standard carriageway widths from 5m to 6m. Cost/km varied from LSL 0.2 million (MF13 road works only) to LSL 0.5 million (MK10) – which seem high for roads of this type.

Under 9<sup>th</sup> EDF there are prospects for rehabilitation of the main arterial road in the west of the country plus further upgrading of rural roads to gravel standard plus additional road safety measures. Also, under ITP (WB) there are proposals to continue emergency work to stabilise the

northern corridor between Mokhotlang and Buthe-Buthe, construct bridges in the SE corridor plus upgrade some of the more heavily trafficked rural roads.

#### **4.1.2 Expansion of network of transport services in rural and urban areas.**

Private minivans, taxis and buses are the main means of public transport, especially in the heavier populated lowland and urban areas. Intercity buses and trucks provide for travel between Lesotho and RSA although most are RSA operators (there are reportedly problems of Lesotho-plated public transport vehicles being attacked if they venture across the border). Also under RSA regulations, transit freight traffic to/from Lesotho is required to have 3<sup>rd</sup> party insurance of SAR 1 million per rig. Few Lesotho truckers can afford this and so RSA carriers predominate.

Since 1992 the registered vehicle fleet has increased by 66% to around 40,000 to which must be added the considerable numbers of RSA-plated vehicles operating in Lesotho. Minibuses, most of which are providing passenger services, trebled in the same period – in itself a clear indication of expanding public transport.

LFBC provides public freight and passenger transport services in Lesotho augmented by private bus services depending upon demand.

There are examples of DRR responding to requests by passenger service operators (eg LFBC) to undertake work on certain sections of mountain road (e.g. tight bends) to permit bus services to operate.

Overall there has been a reported expansion of services, especially in urban areas but also in rural areas although some mountainous rural areas are not well served by such services.

Under 9<sup>th</sup> EDF consideration is being given to work on the container-handling terminal at Maseru railhead. At present containers are often backed up in Bloemfontein or Ladybrand as the deteriorated terminal handling facilities limit the speed of throughput and also restrict storage of containers. Capacity and management strengthening would accompany this physical input.

Under ITP (WB) the Maseru Urban Planning and Transport Study is planned to comment upon urban planning and transport plus transformation of MCC.

#### **4.1.3 Trends in condition of the road network**

Network condition data is surprisingly elusive.

In 1996 the classified network comprised about 5,200km of which LHDA managed about 2,000km (this is to be handed over to MOPWT in 2004). Of the classified network 23% was in good condition, 56% fair, 21% poor with a deteriorating tendency noted in the preceding 5 years (and in the 1997 NIP it was noted that it was planned to regularly maintain the entire network via RF by 2001).

Current figures (from the MOPWT Review of Transport Sector Policy 2002) for paved roads are 50% good, 30% fair, 20% poor and for unpaved roads 95% are claimed to be in good condition. This latter, apparently optimistic, figure should be compared with DRR figures below.

Currently DRR is responsible for a network of around 3,500 – 4,000km of which 60% is gravel in reported to be in good condition, 23% is earth roads which are reportedly maintained and passable in dry seasons only but otherwise good, the remaining 17% consisting of earth tracks which are not regularly maintained and some of these are not passable. Earth roads are being upgraded to all-weather gravel standard at the rate of about 100km/year.

There is thus a trend towards improvement of the network as a whole but this is due to the disproportionate efforts towards new construction somewhat at the expense of maintenance of the assets already in existence.



#### 4.1.4 Travel costs for the fare paying passenger

Public transport fares are set by the Traffic Commissioners with GOL subsidy and these fares apply to LFBC and private operators. Fares were last increased 3 years ago and thus fares are low resulting in limited private services competing with parastatal LFBC<sup>51</sup>. No detailed figures have been accessed which show transport costs as a proportion of household expenditure but some clues may be extracted from various studies carried out on rural households. The predominant rural mode of transport is on foot with NMT and IMT providing large proportion of draught even where there is vehicular access. *Although there is much emphasis on social justification of road works in rural areas, in fact, only a relatively small percentage of vehicular trips are in connection with social services.* Most vehicle trips are for passenger transport, business or, surprisingly, visiting/recreational purposes<sup>52</sup>. According to the baseline study (2000) household annual incomes in rural areas studied average between LSL 3,500 and LSL 5,800 of which interviews suggest 10 – 15% may be used for transport costs. Urban incomes, while higher on average, may incur costs of around 25% on travel. Interviews also suggested that while improved road conditions may reduce VOCs it is unusual for reduced fares to result from this improved road condition although service frequency may increase.

#### 4.1.5 Specific infrastructure provided for pedestrians and NMT

For details of specific pedestrian infrastructure provided in urban areas for road safety measures see 4b.3.4.

While the DRR Strategic Plan does not explicitly identify measures to provide infrastructure for pedestrians and NMT the DRR component of RRMP identified the following activities in this regard:

- IRAP
- footbridges (80 proposed) and other structures/river crossings (40 proposed)
- GIS (for clearer identification of interventions in inaccessible locations)

DCI has supported rural access and as a result 82 footbridges have been constructed since 1992. Currently DCI is supporting rural roads, structures and footbridges.

In the strategies there appears to be no more than passing mention of infrastructure for NMT, IMT or engineered footpaths, the latter in connection with tourism and linkage to footbridges only although it is proposed that a pilot project is being considered under ITP. In the contribution to the sector working group to PRSP, NMT is discussed with reference to a pilot project to locally produce NMT modes of transport (e.g. ox carts), bridges and footpaths.

#### Field Coverage by the Commission intervention

See Table 4.1

#### Effects of the Commission interventions on indicators

EC interventions are (under 8<sup>th</sup> EDF and proposed under 9<sup>th</sup> EDF) through support of physical interventions of upgrading rural roads to gravel standard, upgrading higher category roads to paved standard, road safety measures in urban areas and planned EDF rehabilitation of sections of the main arterial road in the west of the country.

#### RELEVANCE

EC interventions in rural roads and road safety are highly relevant; those on higher category roads are dubious and were suspected to be such from an early stage as may be read in the somewhat defensive phrasing of certain sections of the feasibility studies (e.g. confidence limits attaching to traffic predictions). Interventions proposed under 9<sup>th</sup> EDF for major road works are considerably more credible while the consideration of intervening in the container handling facilities at the

<sup>51</sup> LFBC operating costs appear to show a surplus but 'significant expenditures' appear to have been omitted from these results.

<sup>52</sup> Baseline Socio-economic & Environmental Study 2000

Maseru railhead has at first sight the potential to have the highest direct economic impact on the textile manufacturing industry of any intervention.

Having inspected the roads proposed for rehabilitation under 9<sup>th</sup> EDF the nature and timing of these interventions, which has a large component of timely periodic maintenance, is exceptional in the African experience of the evaluator. It is potentially one of the few such interventions that is not 'backlog' or reconstruction of a failed road which is in that condition due to timely interventions not having taken place.

#### **POSSIBLE IMPACTS**

Quantification of impacts requires more identification for 9<sup>th</sup> EDF but appears high for 8<sup>th</sup> EDF interventions in rural roads and very high for road safety measures. Impacts of the upgrading of the higher category roads are high in the immediate areas of the roads but see 'effectiveness below.

#### **SUSTAINABILITY**

Sustainability is a function of adequacy of funding and management of that funding. The former is the immediate cause for concern although there is mounting pressure from WB upon GOL to increase RF revenues in the run-up to ITP.

#### **EFFECTIVENESS**

Effectiveness of interventions is not entirely clear. The economic justification for the higher category road interventions appears to be seriously flawed while the rural roads are undoubtedly effective in terms of social criteria their average construction costs of €35,000/km appear high even taking into account the mountainous conditions through which 2 out of the 4 roads were pushed.

#### **EFFICIENCY**

Works have been subject to delays in all interventions. Some designs were poor resulting in underestimation of quantities and costs (but not all cost escalations have been borne by EC) although some delays have accrued from use of trainee or relatively inexperienced contractors. This delay is to be expected and any agency must expect to shoulder such results of sponsoring contracting development. Other delays were due to land acquisition problems (aggravated by the involvement of a senior government minister) and bad service from an experienced international contractor and consultant which resulted in inefficient execution of the upgrading to paved standard.

Design works undertaken by Muir & Associates International with subcontract to CPP (Zimbabwe) for part of the design (under 7 ACP LSO 031) were found to be seriously deficient due to the survey discrepancies (errors varying from -2.4m to +1.8m and a co-ordinate system that was for the northern hemisphere!), inadequate centre line soil survey and lack of geotechnical investigation at bridge sites, all of which were eventually remedied by the supervision consultant Bergman Ingerop. Also land acquisition was subject to serious delays (land acquisition is the responsibility of RB) and exceptional rainfall delayed works. The contractor was granted time extensions of 11.3 months for these reasons. The contractor has now lodged claims for additional costs of LSL 182 million (in addition to certified works of LSL 181 million).

#### **Compliance with the general objectives of the Commission**

##### **GENDER**

Gender is mentioned in studies of rural and higher category roads but analysis of impact on women is not complete (or in that latter case even apparent). Road safety interventions have a high impact on women industrial workers. In all cases EC general policy protocols have been followed.

##### **ENVIRONMENT**

EC objectives and protocols have been followed and negative impacts are not expected. Given the widespread erosion gullies throughout Lesotho perhaps future road interventions could include some mitigation measures for pre-existing erosion sites where crossed by road works.

**HIV/AIDS**

No reported efforts of any importance for dissemination of HIV/AIDS awareness information through the road interventions. This could be an opportunity lost and should not re-occur in interventions under 9<sup>th</sup> EDF.

**Appropriateness of the process****OWNERSHIP**

There is more ownership of the road interventions by DRR and RB than by local communities but these interventions were effectively procured and managed (and mostly paid for) by the EC, technical assistance, contractors, and consultants. The contractor training initiative by DRR has more ownership potential and is expected to continue under 9<sup>th</sup> EDF by the trainee contractors having to competitively tender for works for the first time.

**CO-ORDINATION COMPLEMENTARITY AND COHERENCE**

The interventions were complementary and coherent with GOL and EC sector policies and strategies with the possible exception of the paved roads.

**FUNDING MECHANISM AND MANAGEMENT SYSTEMS**

All EC contributions have been through EDF funding with a high degree of EC hands-on management through technical assistance and delegation.

**Overall judgement**

EC interventions **have** impacted upon:

- All weather linkage between roads of all categories and access to social facilities and services (JC 4.1.1) by means of the upgrading of rural and higher category roads; this impact is likely to continue under 9<sup>th</sup> EDF;
- Trends in condition of the road network (JC 4.1.3) through physical interventions; this impact is likely to be higher under 9<sup>th</sup> EDF proposals; and
- Specific infrastructure provided for pedestrians and NMT (JC 4.1.5) though road safety measures only; EC interventions have not addressed this issue in rural areas.

EC interventions **have not** directly impacted upon:

- Expansion of the network of transport services in rural and urban areas (JC 4.1.2); or
- Travel costs for fare-paying passengers (JC 4.1.4).

In conclusion, EC interventions have improved physical access to rural areas and improved access to services in those rural areas. EC interventions have had little impact on physical access to (peri) urban areas but have improved access to some services and workplaces through the road safety interventions.

Proposals under 9<sup>th</sup> EDF are likely to have a greater economic and overall impact than 8<sup>th</sup> EDF interventions.

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**JC 4.2**      *EC interventions have generated direct employment and facilitated economic activity*

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**Indicators****4.2.1**      **Proportion of works undertaken by labour-based (LB) methods.**

Most works undertaken by DRR on rural roads are carried out by LB methods, to date executed almost entirely by force account while most works carried out by RB on higher category paved roads are by private contractors using PB methods.

Considering physical interventions only (plus supervision consultant on upgrading contract for roads B42, B43 and B47) approximate costs to EDF are:

Road safety	LSL 22.2 million	9%
DRR (rural roads – LB)	LSL 19.0 million	8%
RB (construction)	LSL 182 million	76%
RB (supervision)	LSL 16.9 million	7%
<b>Total</b>	<b>LSL 240.1 million</b>	

NB: Original contract value of RB construction was LSL 102 million and there is an unresolved claim of an additional LSL 181 million.

#### 4.2.2 Measures of direct LT and ST employment generated as a result of EC-supported interventions.

DRR upgraded 4 roads (2 lowland roads, 2 mountain roads) from earth to engineered gravel standard under RTIP (8<sup>th</sup> EDF) using LB methods i.e.:

<b>BB09</b>	<b>Ha Selemo – Tsime (Buthe Buthe District)</b>	<b>19.3km</b>
<b>BR02</b>	<b>Teyatyaneng – Ha Senekane (Berea District)</b>	<b>16km</b>
<b>MF13N</b>	<b>Van Rooyens Gate – Tsupane (Maleteng District)</b>	<b>9.3km</b>
<b>MK10</b>	<b>Mokhotlong – Phahameng (Mokhotleng District)</b>	<b>16.6km</b>

MF13 was used as a training exercise for local LB contractors (balloted contracts) while BB09, BR02 & MK10 were carried out by force account. It is intended that roads proposed for upgrading to gravel standards under 9<sup>th</sup> EDF will be constructed by these trainee contractors but subject to competitive bidding. The roads may have to be split into suitable contract packages (which will probably increase procurement works for DRR – see also 4.3.1 below).

Generated employment (person days) during construction was:

<b>BB09</b>	<b>&gt;90,000</b>	<b>(4660 days/km)</b>
<b>BR02</b>	<b>69,015</b>	<b>(4,234 days/km)</b>
<b>MK10</b>	<b>84,295</b>	<b>(5,078 days/km)</b>
<b>MF13</b>	<b>35,280 (road works only)</b>	<b>(3,714 days/km)</b>

The lower employment generated by the contractors (or in other words, higher productivity) even under training conditions, is noted. This is a feature observed of contractor development elsewhere and in this situation can have various interpretations<sup>53</sup>.

On MF13 the bridge works were designed and supervised by SM Consultants (IDA funding) and the construction contract let to a trainee contractor who failed to complete the contract. (A postscript to this is that DRR took over the bridge works but the tender procedures for Armcot tubing went wrong and the bridge works were abandoned once more).

Longer term employment in routine maintenance of these roads (whether by direct labour or contract) will be much less and this is estimated at a maximum of 100 person days/km/year (although this will vary to some degree on the maintenance needs of the roads which will be greater in more aggressive mountainous areas) thus totalling for these 61.2km of upgraded road about 6120 days/year.

In response to food shortages in rural areas due to crop failure, an income support programme was launched in 2003 with STABEX funding of LSL 2 million. To date more than 56,000 person days of employment have been generated, although it is not clear what works have been thus created. It is noted that workers preferred wage payments rather than food for work (FFW). Work is allocated by monthly rotation of workers such that to date over 11,000 persons have been employed (i.e. possible income support to up to 11,000 families).

<sup>53</sup> i.e. greater attention to productivity, costs and thus profits by the putative contractors and/or force account operations slowing down as the writing is on the wall for phasing out such works and people are trying to stretch out the works as long as possible

### 4.2.3 Measures of LT employment and economic activity generated as a result of improved access.

There are no measures of LT employment or economic activity directly generated by EC 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.

The feasibility study<sup>54</sup> for paved roads that 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'*. The report goes on to state that the specific objective of the project is to enhance economic opportunities by providing improved access with project purpose to reduce transport costs and thereby assist in economic development and job creation. Thus the report concludes that:

*'the primary quantifiable economic benefits associated with project implementation is traffic based reduction in VOC' and adds 'although it is likely that the upgrading of the project roads will assist in encouraging development projects and other commercial or social initiatives in the hinterlands ... it is deemed imprudent, in advance of any such initiatives being committed to take cognizance of such benefits in the economic calculation. This does not mean however that the real benefits of this nature will not flow from the project'.*

It will be recalled that the contract value rose from LSL 105 million to LSL 181 million – see JC4.1.1. The contractor has also claimed for an additional LSL 181 million for additional costs which has not yet been resolved despite attempts at resolution by a panel of experts. The economic justification for this intervention was based upon calculations of an EIRR<sup>55</sup> in turn based upon traffic growth predictions i.e. EIRR of 22.47%.

Sensitivity analysis considered scenarios of +/- 20% in opening year traffic volumes and construction costs plus high and low traffic growth scenarios. The most extreme of these scenarios gave a possible range of EIRR from 16.35% to 28.62%. Carefully not succumbing to subjective comment that there is virtually no traffic on these roads (which was the case when inspected on 5/03/04) the current situation is that works have cost to date 70% more than the tender sum (which was less than the estimated figure used in the economic analysis i.e. LSL 150 million) and 21% more than the figure used in the economic analysis. This reduces the EIRR to around 19%. Further cost increases could be up to the claimed LSL 181 million but if even half of this claim were to be paid, EIRR would reduce by more than half. And, all these calculations are based on the assumption that traffic values will meet expectations. The latest traffic figures show that 2 of the 3 roads are carrying less than the expected traffic volumes. This will reduce the EIRR even further. Although a minimum acceptable EIRR does not appear to be quoted, a figure of 12% has been used as discount rate for NPV such that 12% seems reasonable. This minimum figure is unlikely to be achieved and the final figure, depending upon the eventual claims settlement, is possibly considerably lower than this.

### Field Coverage by the Commission intervention

See Table 4.1

### Effects of the Commission interventions on indicators

EC interventions have (under 8th EDF and proposed under 9<sup>th</sup> EDF) been by physical interventions in road upgrading and road safety.

### RELEVANCE

In terms of short term impact the construction of rural roads is highly relevant and road safety interventions are relevant to short term (ST) generation of employment during construction as

<sup>54</sup> Feasibility Study Report: Final Stage Report for Upgrading Unpaved Roads B42,B43 &B47 Muir International July 1998

<sup>55</sup> (EIRR) Economic Internal Rate of Return

there are high levels of LB activities in the former interventions, less so, but still appreciable, in the latter interventions. Measures of general employment in the case of upgrading of higher category roads are not available but given that PB methods were used and that much of the labour force was imported, the quantity of local employment generated is considered to be low. Long term (LT) employment generation on maintenance of these roads will not be significant.

#### **POSSIBLE IMPACTS**

ST impacts of the LB methods are high (including the STABEX food security interventions in rural areas). Longer-term impacts of employment and economic activity generated as a result of improved access are in doubt. The ongoing study on impact of the rural road interventions will hopefully give indications of changes in economic activities and the baseline should be adequate to allow relevant changes to be measured. The road safety interventions, if adequately monitored will permit a measurement of reductions in accident rate, but the impact of the paved roads interventions in these terms is probably not identifiable from the baseline data. In terms of economic impact as measured by the feasibility study's own criteria this project justification is seriously in doubt and in any case does not attempt to identify potential LT employment and economic activity benefits. This intervention has to be seriously questioned in terms of value for money.

#### **SUSTAINABILITY**

There is no sustainability of ST benefits intended. Longer-term benefits are not directly dependent upon the roads' level of service being maintained. Previous comments on adequacy of funding also apply here.

#### **EFFECTIVENESS**

The effectiveness of interventions in terms of LT and ST benefits must be questioned. LB works comprised maybe 15% of the EC portfolio. It is unfortunate that the other components (up to 85% in financial terms) have, under 8<sup>th</sup> EDF, such unclear benefits although the results of 9<sup>th</sup> EDF proposals, which have a similar balance of LB and PB methods, should deliver significantly higher impact. However, given the modest unit costs of LB works, it may be feasible to undertake more low-cost road interventions by LB methods. This would also give greater support to developing local contractors.

#### **EFFICIENCY**

As noted above, works have been subject to delay in all interventions. Efficiency in analyzing potential impact of the works could have been better in that ST impacts (i.e. during construction) were well documented while LT impacts were less energetically sought. Although a follow-up study on the impact of the rural road upgrading is in progress no such study is being undertaken on higher category roads.

#### **Compliance with the general objectives of the Commission**

##### **GENDER**

EC policies have been followed (see JC 4.1.1). An interesting observation on gender balance in direct employment on rural road construction arises from interviews. Women have equal employment opportunities and equal pay. Few tasks are reserved for only men or women, and women usually comprise a substantial percentage of the work force (Reports on LB projects state the percentage of women's employment to be between 13% and 25% although interviews suggested that women normally make up about 30% of the work force). However, in the case of FFW fewer men are interested in employment than if cash wages are paid. Thus FFW could facilitate increased generation of ST female employment.

##### **ENVIRONMENT**

EC objectives have been followed and negative impacts are not expected.

**HIV/AIDS**

(See JC 4.1.1 above). LB methods imply relatively large labour forces, typically 150 to 250 persons on a site, mostly living within walking distance of the road head. Such an 'audience' which represents a similar number of local families can have a significant degree of penetration and dissemination of information about HIV/AIDS into the community at large, always assuming that efforts are made to sensitise these people. On most sites, workers are rotated at monthly intervals (e.g. STABEX works which have, through such rotation, involved up to 11,000 families) which obviously would have a huge gearing effect on the message. But a sensitisation campaign could be aligned to this rotation.

It is obvious that if the work force has to be accommodated on the site then the risks of HIV/AIDS spread are greater and it is thus suggested that roads through sparsely populated areas which would require such residential camps should not be constructed by LB methods.

**Appropriateness of the process****OWNERSHIP**

There is inherently more local ownership of works constructed by LB methods but this does not necessarily translate into better maintenance.

**CO-ORDINATION COMPLEMENTARITY AND COHERENCE**

Interventions are complementary to EC and GOL strategies although the results of the paved road interventions are doubtful.

**FUNDING MECHANISM AND MANAGEMENT SYSTEMS**

Interventions were mainly through EDF although some STABEX funding has been used in connection with income support projects in rural areas.

**Overall judgement**

EC interventions have impacted upon:

- the proportion of works undertaken by LB methods (4.2.1) through rural road construction and to a lesser extent road safety measures;
- direct LT and ST employment generated as a result of EC-supported interventions (4.2.2) through LB interventions generating significant ST employment; direct LT employment in routine maintenance is much less; and
- EC interventions have not impacted upon LT employment and economic activity generated as a result of improved access (see JC 4.2.3) in any demonstrable quantum as yet.

*In conclusion, EC interventions have generated direct employment of any quantity only in connection with works undertaken by LB methods and there is no evidence of any impact in facilitating economic activity.*

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**JC 4.3**      *EC interventions promoted private sector involvement in the sector*

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**Indicators****4.3.1**      **Competitive procurement of works and services.**

Under RRMP a study has been undertaken on Local Industry Construction Industry Development and there is a stated policy of phasing out force account operations but progress on this policy has been very limited and involves the difficult issues of major retrenchment. For at least 10 years the Lesotho national construction industry has been recognised as being undeveloped and that strategy should focus on the development of small-scale national contractors. However, most LB upgrading works are still undertaken by DRR by force account although most of the routine maintenance is carried out by petty contractors (about 60 contractors certificates have been issued by DRR for maintenance and small scale works).

Major works are procured by competitive bidding. Although some Maseru-based contractors developed under LHWP bid for RB rehabilitation contracts on paved roads, most are undertaken by foreign firms using PB methods for which all but casual unskilled labour is imported (as was illustrated in the farcical situation of contractor WBHO on roads B42, B43 and B47 where most of the (foreign) workforce was in gaol at one time due to non-compliance with work permit regulations).

Most of the RB capital budget for construction, periodic maintenance and rehabilitation is contracted to the private sector but there have however been reports of subvention of transparent contract procurement processes by direct award of contracts.

Problems for Basotho contractors include:

- 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.

MOPWT (DRR especially) has a problem in dealing with tendering and procurement procedures (for IDA and EDF). Despite the inputs of technical assistance a number of 'ad hoc' tenders have had to be prepared to permit construction within the RRMP project period. This obviously has an impact on the quality of the process. Interestingly the lengths of time required for procurement under various contract regimes has been compared:

<b>IDA</b>	<b>minimum 23 weeks (min 26 weeks above threshold values)</b>
<b>EDF</b>	<b>minimum 39 weeks</b>

Whilst WB and EC insist on their own contract formats and procurement procedures, DCI and KfW permit DRR to use DRR, EDF or IDA procedures. For small works (such as those proposed for the trainee LB contractors), simple contract formats are easier to assimilate and the WB short form/minor works contract format is that preferred by DRR. So far there has only been discussion of multi-year performance contracts for maintenance but unless funding levels can be guaranteed, this modality of maintenance contracting would be difficult to sustain.

#### **4.3.2 Harmonisation of transport sector regulations with regional and international norms and influence of RSA transport sector policies on Lesotho.**

Lesotho is a signatory of SATCC guidelines and SADC protocols including the 1996 Transport, Communications and Meteorology Protocol which covers many issues including road agencies, road user tariffs, licensing and transit fees, axle loading, signing, safety and driving licenses. Lesotho has followed these guidelines and all proposed sector strategies and policies appear to be consistent with these regional protocols. However, Lesotho is completely surrounded by RSA and thus cannot realistically follow SADT or SATTC agreements if these are not actioned by RSA (such as axle loading in which SADC limits are 10T while Lesotho was 8T; RSA has retained a 9T limit such that Lesotho has had to comply with the RSA limits).

Overall there is surprisingly little overt recognition of Lesotho's 'island' status in RSA in the transport sector. Certainly there are contacts and co-operation such as the Declaration of Intent between GOL (MOPWT) and RSA (DOT) in 2002 to consider development of road infrastructure on road corridors between RSA and Lesotho for economic and tourist development but there appears to be little concrete action on either side although benefits would probably accrue more to Lesotho than RSA.

#### **Field Coverage by the Commission intervention**

**See Table 4.1**



### **Effects of the Commission interventions on indicators**

EC interventions have (under 8<sup>th</sup> EDF and proposed under 9<sup>th</sup> EDF) been by procurement of physical interventions, studies and consultancy services by competitive bidding, construction of works by force account and trainee contractors' plus technical assistance to MOPWT.

#### **RELEVANCE**

The EC interventions are highly relevant. Contractor development, especially of those able to undertake more than routine maintenance, is essential for the phasing out of force account works, reduction of direct labour forces and increasing privatisation. Equally, technical assistance involvement in harmonisation of sector regulations is relevant (if somewhat constrained by the limits of RSA adoption of regional norms).

#### **POSSIBLE IMPACTS**

Impacts of private sector development are likely to be significant although the suffocating presence of established RSA contractors is a feature that will be difficult to overcome.

#### **SUSTAINABILITY**

Sustainability of national capacity to deal with internationally accepted standards of transport procurement process is essential. All funding agencies have similar procurement principles even if proprietary procedures differ. In development of the local contracting (and consultancy) industry, sustainability of the local market is dependent not only on reliable and consistent funding but also upon the financial and technical nous of the developing contractors. Mastery of competitive procurement techniques will be an essential part of the required business capability.

#### **EFFECTIVENESS**

There appear to be institutional constraints in dealing with procurement and there is considerable dependence upon technical assistance. Effort will be required in technology transfer and capacity building on this issue. Of more concern is the lack of progress on phasing out force account works and the reports of political interference in standard procurement procedures.

#### **EFFICIENCY**

Procurement has been carried out under EDF procedures throughout. From the sample processes examined there appears to have been reasonable efficiency although there were a number of references in interviews to the relatively long-winded EDF procedures compared with those of other funding agencies. Also, the supervision consultant for upgrading of roads to paved standard (Bergman Ingerop) has a number of recommendations on changes to EDF CofC including SCC and GCC plus further comments on the technical specifications.

Regarding harmonisation of traffic standards, actions to date have been pragmatic.

### **Compliance with the general objectives of the Commission**

#### **GENDER**

These issues are effectively gender neutral.

#### **ENVIRONMENT**

Regional norms have reference to standardisation of requirements for EIAs and EMPs and Lesotho environmental legislation (although not yet actioned) appears to be fully compliant with these norms (although some EC-supported interventions do not appear to have complied with procedures currently in place).

#### **HIV/AIDS**

The processes themselves are neutral as regards HIV/AIDS although CofC (or SCC) could encompass greater reference to HIV/AIDS awareness through the contract process.

## **Appropriateness of the process**

### **OWNERSHIP**

There is little apparent local ownership of the procurement process. Major donors insist on their own procedures even when national forms of contract and procurement procedures are available (as is the case in Lesotho). Some donors have greater flexibility in accepting other formats. In any case, at present most procurement is managed by technical assistance.

There appears to be no recorded input by Lesotho to drawing up regional norms (although Lesotho is represented on regional bodies such as SADC and SATTTC) and little local ownership. RSA tends to impose its own standards (and contractors).

### **CO-ORDINATION COMPLEMENTARITY AND COHERENCE**

Interventions are fully complementary with GOL, EC, regional and international practices.

### **FUNDING MECHANISM AND MANAGEMENT SYSTEMS**

All EC interventions are through EDF procurement process managed almost entirely by technical assistance.

## **Overall judgement**

EC interventions have directly involved and encouraged competitive procurement of works and services (JC 4.3.1) and have, to a lesser degree, been involved in harmonising Lesotho transport sector regulations with regional and international norms (JC 4.3.2). EC interventions have had little impact upon RSA transport sector policies insofar as they affect Lesotho. There is no evidence of the delegation being proactive on this issue and little apparent concrete effect of Lesotho/RSA transport sector protocols.

*In conclusion, EC interventions have significantly promoted private sector involvement in the road transport sector.*

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## **JC 4.4      EC support has contributed to a sustainable and affordable road network**

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### **Indicators**

#### **4.4.1      Proportion of network which responds to user needs in terms of level of service**

About 2/3 of freight in Lesotho travels by road, 1/3 by rail (but only the few km to the Maseru rail head). Air transport of freight is negligible.

Definition of user needs is not clear. While the quality of the network as a whole compares favourably with many African countries the clearest deficit in Lesotho is in terms of physical access to rural, especially mountainous areas of the country. Access, whether by vehicle or physical, cannot be justified in rural areas in terms of conventional economic analysis as the population served and eventual usage of perhaps all-weather linkages would be relatively small. Some 80% of the population live in rural areas and 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-weather network while some 50% of the population have reduced serviceability of connection.

#### **4.4.2      Reduction in backlog of periodic maintenance**

Although the network condition as a whole has improved over the past years there is an increasing maintenance deficit. Backlog periodic maintenance is currently estimated at around 30% of the paved network representing some 300km of primary road (figures are not available for the unpaved network). At present more donor and GOL effort is engaged in new construction rather than periodic maintenance and it is estimated that WB and EC 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 backlog maintenance (periodic and other maintenance) will increase.

#### **4.4.3 Adequacy of revenues for maintenance of roads**

Current revenues are not sufficient to meet maintenance needs. Expenditure on maintenance (and reportedly on other, non-maintenance works) increased by about 40% between 1999 and 2001 while revenues rose and fell in line with fuel imports (+15% in 2000, -19% subsequently). Latest available figures show a fall in revenues both through RF and budget allocations since 2001. Maintenance needs (routine and periodic maintenance) are estimated at LSL70-90 million/year compared with receipts of about LSL27 million (i.e. about 30%-40% of needs). However, this is an ingenuous interpretation as significant funding is also made available for maintenance from the central budget allocations (Maintenance of Public Asset vote). While DRR receives most of its funding from RF, RB receives most funding from the MOPA vote and effectively spends around 75% of the total national maintenance funding. FY 2001/2002 GOL budgets for recurrent and periodic maintenance total LSL 74 million made up as follows:

- RF – LSL 22 million;
- MOPA vote for RB (including RB force account and minor works vote) – LSL 48 million;
- MOPA vote for DRR – LSL 7 million; and
- MOPA vote for MOLG – LSL 1 million.

Taking these figures at face value, the shortfall is considerably less than stated, although the use of funds for non-maintenance works contributes to the shortfall (and might even be the cause of the shortfall – detailed figures for capital works undertaken using recurrent funding are not clear as the definition of what constitutes maintenance works appears to be rather a grey area). These figures may be compared with the total GOL revenues accruing from direct taxation on the sector and fuel levies reported to be LSL 124 million/year.

A study undertaken in 2003<sup>56</sup> that reviewed projected road maintenance needs and generation of road fund revenues considered 3 scenarios (total financing of maintenance, upgrading and new construction; maintenance and rehabilitation only; and, routine and periodic maintenance only – least cost scenario). Concluding that although the latter least cost scenario was practical for RF revenue capture, increases in fuel levy from LSL0.15/litre (petrol) and LSL0.20/litre (diesel) to LSL0.74/litre and 0.43/litre are required (i.e. increases of 400% and 115% respectively) to be increased incrementally by 3% per annum after an initial hike of 67% and 50%.

The realism of such recommendations has to be questioned given that a modest increase of LSL0.05/litre requested by the RB was not acted upon. A recommendation that RF spending should be limited to the core road network (approximately 1100km of mainly surfaced lowland roads) was rejected as this would have implied virtually no funding for lower category roads (mainly rural gravel) for the next 5 years.

#### **4.4.4 Effect of user charges on VOC and transport operating costs**

The Review of Projected Road Maintenance Needs and the Generation of Road Fund Revenues – Africon 2003 discussed in JC 4.4.3 above arrives at recommendations for increased fuel levies based upon estimates of maintenance needs arising from estimated levels of traffic usage and resultant deterioration of road serviceability. No estimates appear to have been made of the effects on user charges on VOCs and transport costs (nor, oddly on pump prices, although this latter can easily be calculated – see below).

Current pump prices are petrol LSL 3.95/litre, diesel LSL 3.92/litre including current fuel levies. Thus, proposed increases in fuel levy would reflect on pump prices as follows:

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<sup>56</sup> Review of the Projected Road Maintenance Needs and the Generation of the Road Fund Revenue Final Report June 2003

**Table 4.3: Impact of Road Fund Fuel Levy on Pump Prices**

	<u>Current</u>	<u>Initial hike</u>	<u>Pump price</u>	<u>Final increase</u>	<u>Pump price</u>
<b>Petrol</b>	<b>3.95</b>	<b>0.15 to 0.25</b>	<b>4.05 (+3%)</b>	<b>to 0.74</b>	<b>4.54 (+15%)</b>
<b>Diesel</b>	<b>3.92</b>	<b>0.20 to 0.30</b>	<b>4.02 (+3%)</b>	<b>to 0.43</b>	<b>4.15 (+6%)</b>

*Source:* Project estimates

Taking analysis carried out in other countries as an example (with due caution for such comparisons), freight charges are likely to increase by around 50% of the increase in fuel costs. Freight charges are thus likely to increase by around 3-5% while passenger fares on public transport could be around 8-10% (although this would depend upon subsidy levels and annual licensing charges).

Given the social mayhem in Lesotho in 1998 serious increases in pump prices of fuel could spark further demonstrations. It has been suggested by Metschies (1999) that fuel prices should not be increased by more than 10% at any time due to effects on mass psychology. The pump price increases recommended would be incremental and below this threshold but nevertheless may be viewed with political trepidation.

#### **4.4.5 Budget provision for roads sector maintenance and capital investment programmes**

In FY 2002/2003 64% of Lesotho's capital budget came from funding agencies (60% grants, 40% loans) within which MOPWT received 23% of the national capital budget (in this case 69% donor funding, made up of 83% grants, 17% loans). In 2001/2002 capital works programmes in the road sector (GOL and funding agencies) totalled LSL 456 million compared with GOL road maintenance funding of LSL 58 million. The rate of expansion of the road network is greater than the rate at which revenues are being made available for maintenance (the total network has expanded by about 68% between 1998 and 2002, since 1992 it has nearly quadrupled). This is contrary to sector policy and threatens sustainability of investments.

High-level attitudes to this issue are interesting. To quote from the budget speech to parliament for the year 2004/5 Timothy Thahane, Minister of Finance and Development Planning '.....*Infrastructure development is vital for investment and marketing. Government has not only continued to upgrade roads within and on the outskirts of Maseru to bitumen standard road improvements in other urban districts will also begin this year. Expansion of the national road network .....will continue*'.

#### **Field Coverage by the Commission intervention**

See Table 4.1

#### **Effects of the Commission interventions on indicators**

EC interventions have (under 8<sup>th</sup> EDF and proposed under 9<sup>th</sup> EDF) been by technical assistance, physical intervention and delegation advocacy and comment.

#### **RELEVANCE**

EC proposals for rehabilitation of sections of the primary road in the west of Lesotho under 9<sup>th</sup> EDF are highly relevant (and timely) if more expensive reconstruction is to be avoided (i.e. if timely interventions are not carried out, the road condition will rapidly deteriorate beyond the point at which the road will continue to be maintainable). This work may be classed as periodic maintenance (rather than backlog periodic maintenance).

**POSSIBLE IMPACTS**

Potential impacts of EC interventions on backlog periodic maintenance under 9<sup>th</sup> EDF are high and, together with similar WB proposals for the southern corridor, will contribute a significant impact on the main road network condition (i.e. the network with highest economic benefits in terms of trade and traffic usage). It is perhaps unfortunate that similar interventions could not be supported by some of the other sector funding agencies.

**SUSTAINABILITY**

Sustainability depends upon funding, management capacity and attitudes of decision makers. EC (and other donors) are attempting to prevail upon government attitudes towards implementation strategies but since the recent civil unrest there appears to be a nervousness (or perhaps simple inactivity) in enacting legislation or taking clear and decisive actions.

**EFFECTIVENESS**

Effectiveness of EC interventions regarding budget provision and use of funds is in doubt. Politically, new construction is sexier than maintenance and there is a reluctance to increase RF revenues by increasing the fuel levy. That being said the network as a whole is in reasonably good condition by African standards.

**EFFICIENCY**

Delegation comment on the recent report on RF revenues has been detailed and prescient. Similarly, EC has taken a clear stance on the need to secure maintenance funding before embarking on further expansion of the network and this preoccupation is contained in draft sector strategies.

**Compliance with the general objectives of the Commission****GENDER**

These issues are largely gender neutral.

**ENVIRONMENT**

These issues do not impact on environmental issues except insofar as reduced maintenance for roads can lead, as a first symptom, to the breakdown of the road drainage system that usually results in erosion due to uncontrolled run-off.

**HIV/AIDS**

These issues are largely neutral as regards HIV/AIDS.

**Appropriateness of the process****OWNERSHIP**

There is a lack of ownership. Strategies and agreements (e.g. LORSP 1995) have been drawn up but implementation of these or other agreed actions has been tardy and perfunctory. Urgent action is required on RF revenues although perhaps WB may succeed in some cosmetic action in the run up to appraisal of ITP.

**CO-ORDINATION COMPLEMENTARITY AND COHERENCE**

The process has been fully complementary and coherent and the donors supporting a sector wide approach have been consistent in their advocacy and involvement in these issues.

**FUNDING MECHANISM AND MANAGEMENT SYSTEMS**

All EC interventions are through EDF. However, a critical aspect here is funding for RF and GOL budget provision for the sector.

**Overall judgement**

EC interventions have (8<sup>th</sup> EDF) or potentially will (9<sup>th</sup> EDF) impact on The network responding to user needs in terms of level of service (JC 4.4.1) and reduction in backlog of periodic maintenance (JC 4.4.2) through physical interventions.

Only through EC Delegation advocacy, concerted funding agency pressure and direct involvement of technical assistance will EC impact upon budget provision for roads sector maintenance and capital investment programmes (JC 4.4.5), adequacy of revenue for maintenance of roads (JC 4.4.3) and effects of user charges on VOC and transport operating costs (JC 4.4.4).

*In conclusion, EC support has contributed significantly to a sustainable and affordable road network.*

**4(b) To what extent have the Commission interventions supported the GoL's institutional capacity to develop and implement a sectoral approach to road transport infrastructure?**

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**JC 4b.1**      *EC interventions have supported capacity building and improved institutional sector management*  
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**Indicators**

**4b1.1      NRA established and operational**

No Road Authority has yet been established. A review of transport sector policy and strategies was prepared by the Planning Unit MOPWT (Dec 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:

- Roads Board (chaired by PS MOPWT) reporting to Minister MOPWT;
- Roads Agency, reporting to RB with responsibility for all road construction and maintenance through 3 departments (arterial roads, rural access and urban roads); and
- RF through which all road maintenance funds shall be channelled.

A working paper has been circulated to other ministries for comment after which proposals should be presented to Cabinet. Such Cabinet endorsement is a required input into the Letter of Sector Policy required by WB before appraisal of their Integrated Transport Project (expected by mid-2004).

Also under RRMP a National Road Authority Set-up Study was undertaken but the findings and recommendations of the report have been the subject of considerable further analysis and discussion. There is, however, no time frame for establishing the RA , nor a plan of activities including the legislative changes need for its establishment.

**4b1.2      RF and RB established and operational**

The Lesotho Road Fund was established as the Road Relief Fund by Legal Notice N°179, 1995 with the subsequent Finance (Road Fund) Regulations by Legal Notice N°16, 1996, which also established the Road Fund Board which comprises 7 members from public sector (MOF – 2 persons, MOTC, MODP, MOPWT, MNR) and 5 members from private sector (Lesotho Chamber of Commerce and Industry, Lesotho Bus & Minibus Operators Association, Lesotho Transport Association/ Nkulele Transport, Lesotho Architects, Engineers & Surveyors Association, Law Society). The RB has a 2-year tenure with representatives of private sector gazetted by Legal Notice.

Administration of RF is by a secretariat headed by an Executive Secretary that took over from seconded personnel supported by KPMG for the first year of operation from 1998.

The RF has a mandate to fund not only maintenance but also capital works, more specifically:

- Routine and periodic maintenance of all roads in Lesotho including MOPWT and MOLG on a cost share basis, urban council roads under jurisdiction of Development Councils; and
- Road maintenance, rehabilitation, upgrading, new road works and road safety projects.

However, a policy has been adopted in which limited resources should be allocated in the following order of priority:

- routine maintenance;
- periodic maintenance;
- rehabilitation;
- road safety; and

- new roads.

Nevertheless there are reports of this policy not being followed such 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.

All works financed by RF are reportedly undertaken by local private contractors.

RF revenues accrue mainly from a road maintenance levy on petrol and diesel (about 80% of total revenues) but also include road toll-gate fees, border fees/short term SACU permits, license fees, fines on overloaded vehicles, any other road user charges or donor funding that might be allocated to the RF and any sums appropriated by RF.

A report published by RF in June 2003 covered the FYs 1998/1999, 1999/2000 and 2000/2001. It is understood that a similar report is being prepared for FYs 2001/2002 and 2002/2003 but this was not made available to this evaluation.

Recommendations have been made that all maintenance funding should be channelled through RF but that capital investment (rehabilitation, upgrading and new construction) should be handled by MOP, MOF and, eventually RA, but separately from funding for routine and periodic maintenance.

#### **4b1.3 Multi-annual planning and budgeting of works programmes for maintenance and capital works**

Some work has been carried out on longer term planning, particularly for capital works. A 10-year plan of capital investment needs has been estimated at LSL212 million/year (including backlog periodic maintenance, rehabilitation and upgrading of existing roads and new road construction). This should be compared with capital works of M154 million and M191 million in FYs 2000/2001 and 2001/2002 respectively (about 1/3 GOL funded, 2/3 funded by international funding agencies and donors).

LRMS is used for preparation of budget estimates in MOPWT for maintenance, rehabilitation and upgrading of the network as it is able, so long as it continues to be kept up to date, to predict network condition over varying periods of time for various budget scenarios. At present data is updated each year and a maintenance and rehabilitation programme produced. This is then re-run when, inevitably, the approved budget is less than needed. LRMS has (with input from EC technical assistance) been updated to dTIMS except for the mapping facility that remains "Arc View II" although training for the update by consultant Africon has not yet been completed.

DRR is continuing its 20-year strategic programme (started under LCU) in 4 phases:

- Phase I 90/92 Improving rural road construction
- Phase II 93/98 Providing large-scale employment opportunities for rural people
- Phase III 99/04 Expansion phase (increasing employment & infrastructure creation)
- Phase IV 05/10 Rehabilitation and maintenance

However, unless the budget process allows for a shift in the balance between new construction and maintenance, and also reduces the uncertainty attached to annual budget levels or revenues (in the case of RF), it will be difficult to let multi-year maintenance/performance contracts for maintenance.

#### **4b.1.4 Evidence of new sector legislation, regulations and operational procedures plus implementation**

As wryly noted in PRSP:

*'the slow process of enacting legislation limits delivery capacity' and 'government has developed appropriate policies but has stopped short of developing corresponding legislation; a policy alone has no enforcement mechanisms and therefore tends to be undermined with impunity'.*



However, in the transport sector some legislation has been enacted. RF was established by Legal Notices N° 179, 1995 and N°16, 1996 but this appears to be the only legislative action of note. As mentioned in 4b.1.5 below the Road Traffic Act has still not been revised despite undertakings to do so under the 1995 Letter of Road Sector Policy such that actions, particularly in connection with road safety and axle load regulations that have had significant impact are constrained from even greater effectiveness by lack of appropriate legislation.

Proposed changes in sector management and establishment of NRA will not be possible without suitably comprehensive and consistent legislation being in place.

In the wider perspective, many of the national priorities for poverty reduction identified in the PRSP require legislative and administrative changes as a pre-requisite for action. Based on past record of legislative reform, the prospects are not good.

#### 4b.1.5 Evidence of sector reform

A Letter of Roads Sector Policy was issued by GOL in December 1995 as an input to the July appraisal of RRMP. This letter included a summary of proposed policy actions. Action to date is summarised in Table 4.3 below:

**Table 4.3: Progress in Transport Sector Reform**

Issue	Progress
Reform institutional structure of roads sector	Little action
Revise road classification and establish gazetting system to allocate responsibility for different classes of road to the various road agencies	Actioned by Road Classification Report 1997
Revise 1969 Road Traffic Act	No action
Strengthen implementation capacity of various road agencies particularly in planning, programming, contract management and supervision tasks	TA provided to DRR, RB, MOPWT but limited capacity building achieved as TA are performing predominantly line functions
Give highest priority to routine and periodic maintenance	RF have adopted this policy but it is not consistently actioned with new construction going ahead while maintenance funding is inadequate and some maintenance funding is being diverted to new construction
Improve RF cost recovery mechanisms and streamline expenditure management and control	There has been some strengthening of financial management since the 1998/99 FY but RF admits that further support is required
Ensure the participation of road users and other stakeholders in monitoring and managing the road sector through the national RB	Private sector is a minority representation on RB
Provide greater private involvement in execution of road works	Force account works are to be phased out and contractor development is being undertaken (through DRR) but progress has been slower than expected and there is no agreed timetable
Reduce dependence upon foreign TA through introduction of a comprehensive manpower development plan	Some planning has been carried out but little real action; TA dependency continues and arguably has increased
Harmonise design standards and improve MOWT (sic) capacity to evaluate environmental impacts of road schemes and design of mitigation measures –	Consultants studied design standards and tender/contract documentation and various guidelines in 1996/97; most large projects have EIA and EMP prepared but NES reports that procedures are not always followed
Initiate sector wide planning	Limited action as RMS is not consistently used by MOPWT for all programmes
Streamline transport regulation, enforce axle weight regulations, enhance road safety through implementation of action plans and increasing funding of counter measures	Actioned on all counts with significant achievement in reduction of overloading and improving road safety despite revised legislation not having been enacted

9 years after the previous Letter of Roads Sector Policy it is interesting to scan the LOSP currently being prepared for WB in connection with the ITP and compare current areas of concern with the issues noted in 1995:

- GOL commitment to sustainability;
- Data on transport infrastructure and condition;
- Indicators to monitor performance;
- Gap between funding needs and allocations;
- No indicator of time frame for establishment of road authority; no identification of steps to be taken in set-up;
- Lack of clarity of institutional management for sector as a whole;
- No detail on setting up RSC not of safety policy context;
- Axle loading legislation has not been revised;
- No policy on promotion of national construction industry (including PPP);
- Further detail required on RMS and application to prepare strategies for all road types;
- No time scale for channelling all maintenance funding through RF;
- No indication of how retrenchment will be handled;

As it stands there continues to be overlap and potential confusion between institutions with responsibility for public roads:

- **DRR (rural roads)** – construction, maintenance, planning, monitoring, evaluation, contract management, force account, training of contractors, network condition and inventory data;
- **RB (main roads including urban primary roads)** - construction, maintenance, planning, monitoring, evaluation, contract management, force account, network condition and inventory data, road safety;
- **LFCD (community roads)** - planning, monitoring, evaluation, contract management, LFCD funds management;
- **LHDA (LHWP roads which are to be handed over to MOPWT in 2004)** - construction, maintenance, planning, monitoring, evaluation, contract management, force account;
- **MOLG (urban roads)** - planning, monitoring, evaluation, contract management, local revenues;
- **MCC (urban roads in Maseru)** - planning, monitoring, evaluation, contract management, force account, local revenues; and
- **RFB** – evaluation of budget proposals, allocation of funds.

What happened to the ‘National Policy for the Road Sector’ produced by MOW, MPEMD, MOTC, MHA in 1995 is not clear. The report was reviewed fairly positively by DGVIII in 1995 and some proposals have been actioned (e.g. formation of DRR) but the bulk of the document will seem familiar to readers of the current draft LOSP.

#### **4b.1.5 Evidence of sound financial management**

RF audits are available for FYs 1998/1999, 1999/2000 and 2000/2001. The Auditor General was unable to form an opinion on the 1998/1999 financial statements while those for the other FYs were qualified. Issues identified included book-keeping errors, inadequate controls and lack of source documentation to substantiate accuracy and completeness of fees and levies collected by sub-accountancies, government agencies and oil companies. Although it should be recognised that this is outside the control of RF as there appears to be no legal framework which would permit RB to access this documentation.

Other issues identified in audit reports include ‘non existent’ expenditure controls over payment of advances and replenishment of advances without proper statements of disbursement and documentation on the part of DRR (FY 2000/2001). There have also reportedly been problems in DRR accountability of DCI funds which led to temporary non-replenishment of account. It is noted that RF has to be up to date on all audits as a pre-condition for appraisal of ITP.

A further problem has been delays in remitting funds to RF from Treasury and oil companies. Unpredictable flow of funds has impacted on works programmes while attempts at improving procedures for timely transfer of funds have reported foundered in Treasury.

Comments on the draft report '*Review of Projected Road Maintenance Needs and Generation of RF Revenues*' include a delightful exchange in which it is suggested that the word 'leakage' should be replaced by 'discrepancy' on the grounds that 'leakage .... give the impression that somebody somewhere is enriching himself/herself....'

#### **4b.1.6 Evidence of sector training and capacity building**

The RTIP is providing technical assistance to RB (Policy and Planning Advisor) and DRR (Contract Advisor) both of whom took up their duties in 2000 and have been recently extended until 2005 at request of MOPWT. While making reference to contribution to capacity building, the TORs for these posts make it clear that their main objective is to overcome capacity deficiencies by undertaking a (senior) line function in 'supporting the services of MOPWT in implementation of RRMP in general and the EDF financed RTIP in particular'.

Other full time technical assistance has been provided to RSB MOPWT since 2001 under the Sweroad contract to support road safety which followed on from the 1999 Feasibility Study: Preparation of the Road Safety Improvement Project (Road Directorate, MOT, Denmark,) under 8<sup>th</sup> EDF.

Other technical assistance is in place in the Planning Unit of MOPWT funded by other agencies (e.g. RRMP Advisor – WB). It has been suggested that the Planning Department has previously been sidelined by donors dealing directly with implementing departments such as RB or DRR.

Under ITP (WB) there are proposals to upgrade DRR Thaba Tseka Training Centre.

#### **Field Coverage by the Commission intervention**

**See Table 4.1**

#### **Effects of the Commission interventions on indicators**

Commission interventions under 8<sup>th</sup> EDF (and proposed under 9<sup>th</sup> EDF) impacting upon these indicators are related to technical assistance and supporting studies carried out under 6<sup>th</sup> and 7<sup>th</sup> EDF.

#### **RELEVANCE**

The TOR for technical assistance were highly relevant to the institutional situation and pragmatically stated clearly that a line function role should be combined with (and arguably take precedence over) a capacity building role.

#### **POSSIBLE IMPACTS**

Impacts in an institutional context are significant. The technical assistance has significantly contributed to development of transport sector policy and proposals for institutional change. In terms of management systems a major role has been played in upgrading of LRMS, reorganisation of the management structure of the combined LCU and CWS that now make up DRR and establishment of the Road Safety Department of RB. In a line function there has been major contribution to implementation of RTIP including preparation of financial proposals (for 8<sup>th</sup> and 9<sup>th</sup> EDF), project management (8<sup>th</sup> EDF) of works and road safety programmes and interventions.

#### **SUSTAINABILITY**

Sustainability of the road network as a whole is likely to accrue from adoption and implementation of proposed strategies. Sustainability of capacity built is in doubt due to the continuing high level of line function undertaken by the technical assistance. The high loss of staff in the civil service due to HIV/AIDS and economic migration combined with the freeze on recruitment of new staff is

such that there is a significant shortage of experienced technical staff. Perhaps the planned establishment of RA may, by improved conditions of employment, curtail such capacity shortfall.

#### **EFFECTIVENESS**

Technical assistance has been effective in all cases, in regard to implementation of RTIP thus contributing to wider implementation of RRMP. Capacity building in terms of technology transfer has been less effective in part due to turn over of MOPWT counterpart staff but also concentration on line functions.

#### **EFFICIENCY**

Technical assistance to RB, DRR and Road Safety has been supplied in a timely manner and all three TA have undertaken their assignments in an efficient manner. Recent extensions of contract for TA to DRR and RB have been processed at the request of MOPWT.

#### **Compliance with the general objectives of the Commission**

#### **GENDER**

These interventions have been largely gender neutral – see also 4b.3 below.

#### **ENVIRONMENT**

Environmental issues have been addressed to a greater or lesser degree in the line function involvement in works design and construction – see also JC 4b.3 below.

#### **HIV/AIDS**

HIV/AIDS issues have been recognised in strategy and policy documents although there is no evidence of significant effort in addressing the issues during construction of works – see also JC 4b. 4 below.

#### **Appropriateness of the process**

#### **OWNERSHIP**

GOL has recorded that it views the technical assistance personnel as *‘important resource persons for supervision of studies, preparation of financial proposals, procurement and implementation’*. In other words as fulfilling a senior line capacity-replacing function.

#### **CO-ORDINATION COMPLEMENTARITY AND COHERENCE**

There is good co-operation between the technical assistance (including other donor funded technical assistance to MOPWT and other government institutions), although co-ordination between donors is less sure as noted elsewhere. These interventions are fully complementary to GOL strategies of capacity building (even though that impact has been limited) and coherent with GOL and EC sector strategies as a whole.

#### **FUNDING MECHANISM AND MANAGEMENT SYSTEMS**

Funding has been through individual contracts for technical assistance to DRR and RB and by means of a service contract with consulting firm Sweroad for technical assistance to road safety, all within RTIP (8 ACP LSO 002).

#### **Overall judgement**

EC interventions are impacting upon:

- Eventual establishment of NRA (JC 4b1.1), sector reform (JC 4b1.5) through input into sector strategies and proposals for institutional reform;
- multi-annual planning and budgeting for maintenance and capital works (JC 4b1.3) through upgrading of LRMS and contribution to DRR planning and budget preparation; and
- sector training and capacity building (JC 4b1.7) through technical assistance inputs into DRR, RB and Road Safety Department

EC interventions are not directly impacting upon:

- RF and RB establishment and operations (JC 4b1.2);
- implementation of new sector legislation, regulations and operating procedures (JC 4b1.4); and
- sound financial management (JC 4b1.6).

**In conclusion, EC interventions have significantly supported improved institutional sector management although impacts upon capacity building are not proven.**

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*JC 4b2 EC interventions respond to and support national sectoral and poverty reduction policies and strategies.*

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## Indicators

### 4b2.1 Existence of a national sectoral and poverty reduction policies and strategies.

While there is no consensus on the nature of poverty in Lesotho the following facts have been extracted: (see Table JC 2.1 and Table 2.1)

- ½ to ¾ of the population are poor;
- ¼ to ½ are ultra-poor (while the definition of poor is not established?);
- poverty is regionally concentrated mainly in rural areas where up to 80% may be poor; and
- the poverty situation in Lesotho has not improved in the past decade despite an economic boom in the late 80s.

Unemployment was identified as the predominant cause of poverty with lack of essential infrastructure contributing to this despite GOL efforts to reduce unemployment using projects to improve infrastructure and service delivery including rural road construction which created 'seasonal' jobs only (PRSP notes that only 2 out of 5 policy reform strategies intended to expand gainful employment were implemented – expansion of factory shells by MOTI and employment of 7,000 – 8,000 labourers on a rotational basis by DRR).

The IPRSP was weak in development of sectoral policies and other than reference to rural roads noted above, there is virtually no reference to transport infrastructure.

Development of PRSP continued and was finalised in late 2003 for presentation to IMF and WB. A feature of this development of PRSP is local consultation – see JC 4b2.2 below – as is poverty monitoring although the household budget survey (HBS) will not be able to input poverty baseline data into PRSP, only into the later poverty monitoring system.

In the preparation of the PRSP 11 sector working groups were set up including Transport Infrastructure and Communications plus thematic crosscutting groups including HIV/AIDS, gender and environment. This final PRSP is intended to be the fundamental policy document for public investment in Lesotho and notes that ' a person is poor if he/she does not have access to .....goods, services and rights'.

National priorities for poverty reduction include:

- **Priority 1** – Employment creation (includes strategies for provision of infrastructure critical for investment [including improvement to the Maseru Terminal Depot]; facilitation of international trade including improved customs efficiency; adoption of appropriate technology; SMME development; priority investments for tourism); and
- **Priority 3** – Infrastructure development (perceived as a critical intervention for development of rural areas and for job creation) – includes creation of access to basic services through construction, rehabilitation and maintenance of rural roads and river crossings/footbridges and; training of local communities in road maintenance to ensure sustainability although the implementation matrix mentions only the provision of roads.

Other non-priority strategies involve:

- upgrading of urban infrastructure (includes urban roads and bus terminals);
- development of infrastructure to attract investment in tourism (access roads and trail system site infrastructure (direct and indirect employment is expected to be created during and after construction phase);
- industry (the assertion is noted that industrial growth has led to infrastructure development while, on the other hand, 'the issue of availability of infrastructural facilities and services remains a great obstacle to FDI and Lesotho's industrialisation');
- low levels of rural development (lack of rural roads and other infrastructure makes markets inaccessible to farmers [who gave construction of rural roads 2<sup>nd</sup> priority after agriculture]); and
- development of crushed stone quarries (envisaged upgrading of the existing road network and expansion into rural areas will increase demand for crushed stone creating employment opportunities at the quarry and road construction sites).

As a priority under the PRSP, infrastructure development occupies a prominent place and covers roads, transport, buildings, communications, energy and water works. Development of infrastructure is identified as facilitating commercialisation, industrial development, tourism, and mining plus providing access to social services. Infrastructure development was ranked 3<sup>rd</sup> priority while transport and communications were regarded as critical in advancing poverty reduction through access to markets, basic services and information.

The problem analysis identifies the very high costs of constructing roads in mountainous areas while poor roads and lack of transport typify the rural/mountainous areas where most of the poor population live and where access to schools, hospitals and markets is constrained by poor roads (as is access to HIV/AIDS awareness campaigners).

Interestingly, the lack of sectoral policy frameworks is identified as hindering community participation. Strategies for the transport sector in PRSP focus on the need for affordable transport and communication services through:

- construction and maintenance of rural roads (extension of roads into inaccessible areas prioritised by population and poverty levels), footbridges and bridle paths, maintenance of existing roads, works by LB methods to create employment targeted at rural poor in road catchment areas;
- review of road legislation;
- review of transport policy (particularly regarding licensing of public transport to increase public transport services in rural areas and inspection of vehicles); and
- development of local capacity in construction industry (although, oddly, only building construction is mentioned, not roads and bridges).

#### **4b2.2 Evidence of consultation with local stakeholders in the design of programmes.**

Extensive consultations were carried out during preparation of the PRSP and identified the 4 most frequently stated manifestations of poverty as being lack of food, employment, basic needs and clothing. Other manifestations included poor infrastructure and the 'government was too far away'. 80 villages were selected, as were 80 parliamentary constituencies which were subsequently increased to 200 (i.e. 20 per district) by the Lesotho Council of NGOs (LCN) for consultation which took place in 2002. The information thus gathered was synthesised into district and constituency reports that were then collated nationally. National workshops were then held with all stakeholders to analyse the situation and secure stakeholders commitment to proposals for poverty reduction measures.

Although it is stated in CSP 2002-7 that NSAs were consulted in elaboration of support under the CSP there is little evidence of such consultation with local stakeholders other than GOL in preparation of the 8<sup>th</sup> EDF of 9<sup>th</sup> EDF NIPs and there appears to be only very limited consultation between GOL and NSAs apart from the minority representation of private sector on the RB.

There is rather more consultation, albeit of an ad-hoc basis in preparation of individual interventions. Baseline studies have included consultation with people in the road catchment areas but in the case of 'major' (i.e. paved) roads, identification and prioritisation has taken place centrally (by RB). In the case of rural roads DRR has a prioritisation methodology based upon

population served by the road, traffic values and prioritisation by DDC finessed by equitable allocation between regions and districts.

Consultation is thus predominantly at district level. As an aside, LFCD projects (objectives include empowerment of communities, services managed by participating committees, local initiatives for employment creation) are nominated by MPs for their constituencies which are then checked for viability and a priority list drawn up, again with inter-district equitability taken into account. Consultation is thus at MP level. Whilst DRR adheres to the stated policy of not constructing new roads unless maintenance funding is secured, LFCD does not follow this policy.

It is noted that decentralisation proposals envisage that local communities will be expected to participate in prioritisation, planning and maintenance of roads (which is more or less what is happening in selection of rural roads for upgrading through DRR). While some technical support may be required for councils this should not overburden local councils with unrealistic technical burdens.

#### **4b2.3 Complementarity of funding agency sector strategies with GOL strategies and policies.**

Most funding agencies strategies are complementary with GOL strategies and policies, to the extent that these strategies have been finalised. RRMP provided the framework for a range of reforms and interventions (not all of which were carried out) under which the EC supported the RTIP and other sector funding agencies supported various components, although this period of support (8<sup>th</sup> EDF) was under the 6<sup>th</sup> National Development Plan 1996/97 – 1998/99 which was never updated as it was anticipated that it would superseded by the long-awaited PRSP.

Sector strategies and policies are currently being finalised for the preparation of the WB-supported ITP and most funding agencies strategies are complementary to those sector strategies (which are largely developments of strategies set out in the previous LORSP in 1995).

In the case of AfDB, Badaea and Kuwait Fund their strategies are rather general as regards the transport sector while their interventions tend to be on the edge of the envelope of sector strategies and policies.

EC country strategy is in accordance with the RSP 2002-7 although there is no reference to regional transport sector issues in the CSP 2001-7 (but then there are no RIP interventions that affect Lesotho in this period).

#### **4b2.4 Preparation of baselines for assessment of impact of EC supported interventions upon poverty.**

A baseline socio-economic and environmental study was undertaken by BSSA (Pty) Ltd in 2001 on behalf of DRR to consider the upgrading of roads BB09, BR02, MF13 and MK10 under RTIP (supported by EC under 8<sup>th</sup> EDF). While specifically focused on these roads, the study objectives included generation of data, indicators and procedures that could be used in future road upgrading activities by DRR. The study baseline covered:

- Household characteristics (demography, economic and household income);
- Economic activities (ownership of assets, commercial establishments, energy sources, water supply, agricultural production);
- Environment (land use, environmental awareness, shelter, sanitation, nutrition);
- Social services (infrastructure, schools health, civic organisation, development activities); and
- Road condition (condition, journey times, traffic counts, trip purpose, occupancy of vehicles) and indicators (including a review of selection criteria and inter-district/regional equity).

This baseline data is being used now in an ongoing study of social impacts of upgrading the 4 roads (again by BSSA (Pty) Ltd on behalf of DRR). This study will identify impacts of construction, location, road utilisation, access to services, environment and changes in socio-economic structures. The level of detail covered in these studies is exceptional for what are

effectively low cost rural gravel roads upgraded by predominantly LB methods, and these studies compare favourably with studies undertaken on the paved roads (see below).

Muir Associates Int. undertook feasibility studies in 1998 on behalf of RB for upgrading to paved standard of unpaved roads B42, B43 and B47. These studies covered: *inter alia*, background (government/sectoral policy, features of the sector, beneficiaries, parties involved); intervention (overall objectives, purpose, results); assumptions; implementation (means and procedures, financial and economic analysis); and M&E. Most of the report deals with conventional engineering issues (traffic, roughness, VOCs, costs, EIRR) while the section on beneficiaries and parties involved is largely a generic sketch of the national situation with little evidence of detailed study of the roads catchments or wider area of influence. It is unlikely that social impacts (such as, for example, changes in household income) could be identified from this feasibility study (which is not really a baseline study at all) and no proposals have been examined for a follow up study. An environmental report was an appendix to the feasibility study.

It is notoriously difficult to quantify categorically the impact of road construction or, in these cases, upgrading, on more than a few manifestations of poverty, because of difficulties in isolating and estimating effects due to the transport infrastructure itself. Thus, traditional measures of benefit have been confined to economic benefits arising from reduced VOCs and journey time savings and this is the justification for the paved roads B42, B43 and B47. However, even this blinkered approach is not appropriate for rural gravel roads (in this case BB09, BR02, MF13, MK10) that are unlikely to be economically justifiable under this method whatever the social justification.

It is thus suggested that greater attention should be given to identifying impacts on poverty as a result of interventions under 9<sup>th</sup> EDF (in addition to conventional EIRR analysis on the proposed major roads) although this would imply greater depth of study, costs and probably a series of surveys over a longer time period rather than a simple before (baseline) and after study.

### **Field Coverage by the Commission intervention**

See Table 4.1

### **Effects of the Commission interventions on indicators**

EC interventions have (under 8<sup>th</sup> EDF and proposed under 9<sup>th</sup> EDF) been by contribution to preparation of strategies and policies, some consultation with stakeholders and preparation of baselines for assessment of impact on poverty of EC supported interventions.

### **RELEVANCE**

EC interventions have been highly relevant in all cases although greater focus on quantification of impact on poverty of physical interventions would have been desirable.

### **POSSIBLE IMPACTS**

Impacts of EC interventions regarding contribution to sector strategies and policies are likely to be high as long as these strategies are acted upon. Impacts of the baseline studies are mixed. Those on rural roads are much more likely to identify benefits (especially social benefits) than those on the higher category roads.

### **SUSTAINABILITY**

Prospects of sustainability will be enhanced by implementation of the strategies and by lessons learned from the baseline studies and subsequent follow up/evaluation of impact of the physical interventions thus studies.

### **EFFECTIVENESS**

Effectiveness of EC interventions is in a supporting/contributory role to wider policy and strategy formulation (PRSP in particular but also ITP that will coincide with 9<sup>th</sup> EDF).



**EFFICIENCY**

EC contribution to preparation of strategies has been efficient while efficiency of stakeholder consultation less sure. Baseline preparation has been manifestly more efficient in connection with rural roads than with upgrading to paved standard of higher category roads.

**Compliance with the general objectives of the Commission****GENDER**

Gender has been a specific issue in preparation of PRSP, less so in sector contributions to this preparation. Gender specificity in stakeholder consultation in programme design is less clear – see also 4b.3 below.

**ENVIRONMENT**

Environmental issues have been addressed in the baseline studies (more so in the case of the higher category roads) although there appears to be concerns regarding compliance with procedures involving NES – see also JC 4b.3 below. Environmental issues have been covered in preparation of PRSP and in sector contribution to PRSP, plus sector strategies.

**HIV/AIDS**

HIV/AIDS issues are covered in all cases although action to sensitise EC-supported interventions is less clear – see also JC 4b.3 below.

**Appropriateness of the process****OWNERSHIP**

There is stated national ownership of national sectoral and poverty reduction policies while the preparation of those policies is clearly donor-driven. There has been a huge effort in consultation reported in preparation of PRSP although interviews raise some doubts as to the faithfulness of the conclusions drawn from these consultations.

**CO-ORDINATION COMPLEMENTARITY AND COHERENCE**

Funding agency strategies are fully coherent with and complementary to national strategies. Co-ordination of process has been more of a problem between funding agencies and between these agencies and GOL.

**FUNDING MECHANISM AND MANAGEMENT SYSTEMS**

EC contribution has been through the RTIP supported by some studies contributing to sector policies (e.g. 7 ACP LSO 038 Axle load control; 7 ACP LSO 043 Feasibility studies – road safety).

**Overall judgement**

EC interventions are impacting upon:

- National sectoral and poverty reduction policies and strategies (4b2.1) and complementarity of funding agency strategies with GOL strategies and policies (4b2.3) through contribution to preparation of sector strategies; and
- Preparation of baselines for assessment of impact of EC supported interventions upon policy (4b2.4) through studies undertaken although poverty impact is only hazily identified.

EC interventions are not impacting to any great extent upon consultation of local stakeholders in design of programmes (4b2.2) although there is evidence of some consultation in identification of rural road upgrading interventions.

In conclusion, EC interventions do respond to and support national sectoral and poverty reduction policies and strategies.

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**JC 4b3**      *EC interventions have contributed to mainstreaming crosscutting issues including gender, environment, Health and Safety and HIV/AIDS*

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### Indicators

#### **4b3.1 Evidence of consultation with NSAs and stakeholders in preparation of sector policies and strategies.**

See also JC 4b2.2 above.

The Review of Transport Sector Policy (December 2002) and Recommendations on Institutional Reform for the Road Sector (March 2003) were both prepared by the Planning Unit, MOPWT.

The first draft transport sector policy was firstly considered by MOPWT and then circulated for comment 'from sector role players' (these 'role players' were not identified), although the roots of this document go back to the 6<sup>th</sup> National Development Plan, Vision 20/20, LORSP 1995 and, to some extent, the IPRSP for which some consultations were undertaken with NSAs and stakeholders. That being said, the policy document itself makes reference to the need for consultation including:

- Formation of organisations to represent stakeholders and formal consultation with said organisations;
- Consultation with all role players (including LSPP, MOLG) on all issues related to road and access infrastructure, planning and strategy;
- Consulting with community leaders and local government structures on planning, implementation and maintenance for local or specific roads and access development projects; and
- Encouraging formation of an association of contractors.

Recommendations on reform of road sector institutions were guided by a Steering Committee representing MOPWR, MOF, MODP, MOPS and MCC. There is no evidence of consultation with other bodies although the study draws upon other sources that may have had some degree of wider consultation<sup>57</sup>. Reference is made in the document to the following:

- Involvement of private sector in the management of the road network is essential to encourage full acceptance of user cost recovery principle through representation on RSB; and
- RA will consult with local government structures set up under the decentralisation policy (ie urban, district and village councils).

MOPWT and MPOC contributed to a sector working group for the preparation of the PRSP (which, as noted elsewhere, included significant local consultation involving some 57% of the villages in Lesotho, approximately 10,000 persons being interviewed. The PRSP states that 'this makes Lesotho one of the most consulted regions to date in Africa'. Be that as it may, the sector working group reports contacts with, apart from government institutions, Lesotho Chamber of Commerce, Lesotho Architects, Surveyors and Engineering Consultants Association, road and building contractors, transport operators and taxi operators and travel agencies although, curiously, South African air and rail transport service operators were not consulted.

#### **4b3.2 EIAs and EMPs for all EC-supported interventions.**

As noted in JC 2.4 above, baseline studies were carried out on behalf of DRR in 2001 and impact studies are ongoing on the roads upgraded under 8<sup>th</sup> EDF (i.e. BB09, BR02, MF13, MK10). The baseline studies included an environmental study but this study was more concerned with socio-environmental issues (land use patterns, environmental awareness, shelter, sanitation and nutrition) rather than environmental issues which might be directly impacted by road upgrading (although there are some hints of potentially sensitive impacts such as soil conservation).

Thus no EIA was undertaken and, so far as is known, no EMP produced for these roads. Although it is uncommon for sophisticated environmental assessments to be carried out on such rural

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<sup>57</sup> NTS 1995, 6<sup>th</sup> NDP 1997, LORSP 1995, NRA Set-up Study 2002, Workshop on Institutional Reform in Transport Sector 2002, SADC Protocol on Transport, Communications and Meteorology 1996

upgrading works on existing alignments, which, subject to adequate care with discharge of surface water, are unlikely to have significant negative impacts.

No environmental study appears to have been carried out for the road safety interventions. DRR considers some environmental impacts in the DRR Strategic Plan (March 2001) i.e. existing alignment avoiding resettlement, surface water discharge, rehabilitation of borrow pits, earthworks.

Also as noted in JC 4b2.4 above, an environmental report was produced for upgrading to paved standards of unpaved roads B42, B43 and B47 which covered project description, existing conditions, impacts and mitigation concerning land use, visual aspect and landscape, ecology and vegetation, air, noise, vibration, climate, traffic, cultural, socio-economic, construction and historical issues. This report could be considered to be an EIA and a EMP could be compiled from collation of identified mitigation measures, which recommended in addition to the general points noted above, to include special reference to avoidance of worsening already critical soil erosion, replacement of dwellings to be removed in realignments and special care in the sensitive areas near Koro-Koro (B47) and Tsakhole Lake (B42). However, no EMP appears to have been drawn up as such and no reference to EMP is found in the project completion report by supervising consultants Bergman Ingerop. While this completion report deals mainly with technical and contractual issues there is acknowledgement that an EMP should have been drawn up by client, contractor and supervising engineer and goes on to recommend that future contract documents should include specific provision for such an EMP in which NEA should be involved.

Interviews with NES revealed that there was concern that despite focal points for environmental issues having been set up, MOPWT was not adequately addressing these issues and that agreed procedures were not being followed. However, environmental legislation (Lesotho Environment Act 2001) requires EIAs for virtually all new infrastructure, requires detailed regulations to be promulgated. These have been in draft form for years and as there is apparently no time scale for the promulgation, the NES is hoping to receive temporary powers of enforcement (although it is doubtful whether this would make much of a difference to NES environmental monitoring with only 2 persons in post out of an EIA establishment of 14, not mentioning their transport and other resource problems). A worrying feature of interviews with NES was that this bone of contention appeared to be sector specific in that EIAs and good co-operation was being received from consultants working on EC supported water projects in Lesotho.

#### **4b3.3 HIV/AIDS awareness programmes for sector.**

A draft sector policy on HIV/AIDS has been produced as a contribution to PRSP, based upon the ILO sub-regional technical co-operation project on HIV/AIDS prevention in the transport sectors of some African countries. Identified stakeholders and target groups of this policy include:

- GOL – MOPWT, MOLE;
- Private sector – contractors, public and freight transport owners and operators;
- NGOs and associations – transport workers associations, UN agencies, CARE, PSI, LAPCA;
- Workers in the transport sector and road construction sites; and
- Communities around transportation activities (such as border crossings).

Some actions are already being undertaken. At central level VCT is being carried at MOPWT and it is understood that retro-viral medication is to be made available to infected persons. Condoms are available at work places and a Project Advisory Committee has been established to source and direct educational campaigns.

DRR has no reference to HIV/AIDS in the Strategic Plan but reference is made in DRR contribution to PRSP which notes that '*.....a different approach....has to be established and support ....needs to strengthened and come with different strategies of treating the disease (planting of vegetables, inclusion of HIV/AIDS clauses in contracts, promotion of recreational activities)*'. HIV/AIDS was covered in the baseline studies carried out on rural roads BB09, BR02, MK10, MF13 but there is no reference to HIV/AIDS sensitisation being carried out during the course of construction in any project completion reports inspected.

There appears to be no reference to HIV/AIDS in the feasibility studies for upgrading to paved road standard of roads B42, B43 and B47, nor in the Environmental Report. Likewise there is no reference to HIV/AIDS in the project completion report (Jan 2004) and training undertaken during the course of construction appears to have covered only technical engineering issues. Also there seems to have been no provision of HIV/AIDS awareness measures in the GCC, SCC of BOQ such that it can only be assumed that sensitisation activities were not carried out.

#### **4b3.4 Support for H&S regulations and best practices.**

Health and Safety (H&S) and conditions of employment are covered in GCC and SCC of EDF Conditions of Contract and are subject to supervision by the supervisory consulting engineers in conventional engineering construction contracts. In the contract to upgrade to paved standard roads B42, B43 and B47 a 'fair to good' safety record was recorded for a contract of this size, location and duration.

Road safety will be discussed under this heading as Lesotho has suffered an appalling road safety record - 150 fatalities per 10000 vehicles, about 75 times worse than most European countries; this has now improved to 46, only about 10 times worse than Portugal.

The RTIP (8<sup>th</sup> EDF) has provided support to the Road Safety Improvement Action Plan in terms of technical assistance (see also JCs 4b1.1 – 4b1.7) and physical interventions. Support has included studies and inputs into axle loading control, monitoring of police enforcement activities, development of educational materials and introduction of road safety training into schools, identification of accident black spots and remedial action diagnosis and recommendations for the establishment of NRSC. Revised road safety legislation has still not been acted upon, such that measures are proceeding without the full force of law.

Physical interventions have included road safety measures aimed at locations in the industrial fringes of Maseru which have very high pedestrian and vehicle traffic at peak periods with correspondingly high accident levels. These measures included footways, service roads parallel to main roads and footbridges. Designs and construction supervision were carried out as an addendum to the supervision consultancy for the B42, B43 and B47 roads and construction was awarded to a local contractor Lesotho Consolidated Contractors starting Jan 2003 with a 9 month contract period. Contract value was LSL 22 million. Extensions have been granted to Dec 2003 but works were not expected to be completed until March 2004. In Feb 2004 the contractor abandoned the project.

Under 7ACP LSO 038 tenders were launched in 2000 for construction of weighbridges, after long design delays. The tender was annulled as responsive tenders were in excess of budget. Tenders were re-run in 2001 and contracts were awarded to M&C Construction in 2002 for installation of 2 permanent weighbridges plus supply of portable weighbridge equipment. Provisional acceptance was in 2003. Before enforcement action was increased almost 50% of the trucks crossing Maseru Bridge was overloaded; this has been reduced by 2/3.

#### **4b3.5 Evidence of gender-specific consideration of impact of EC-supported interventions, national strategies and policies and base-line studies.**

In considering poverty distribution, the PRSP considers gender aspects of poverty including legal status of women as minors, their inability to obtain land title (although in fact the 1979 Land Act is gender neutral but customary practise in rural areas is to allocate land only to men), and increasing domestic violence anecdotally linked to increased male unemployment. Gender is also included as a crosscutting issue in identification of PRSP strategies. The Transport Sector Working Group that contributed to PRSP made no substantial recommendations and only oblique references to gender equality in connection with NMT (head loading) and HIV/AIDS.

The draft transport sector policies make no reference to gender nor does the DRR Strategic Plan. Baseline socio-economic studies for rural roads BB09, BR02, MF13, and MK10 refer to gender issues specifically in connection with employment of female workers, female headed households (approximately 50% in the road catchments areas) and vehicle occupancy but the survey

investigated family and household situations in some depth such that gender issues can be considered to covered in this study.

Feasibility studies for upgrading to paved standard of roads B42, B43 and B47 make no specific reference to gender issues other than in connection with male absenteeism and 'traditional Basotho culture which tends not to recognise women's decision making'.

The RTIP (8<sup>th</sup> EDF) asserts that the 'completion of project roads will assist in improving the lives of women on the grounds that any development leading to improved economic opportunity in rural areas will contribute to a better life style and reduce drudgery thus having a positive impact on women living in rural areas'. Also women would have equal access to employment in LB road construction and would have equal conditions of employment and wages.

9<sup>th</sup> EDF makes much the same assertions (i.e. women are the main beneficiaries of rural access roads and footbridges) but goes on to point out that the majority of urban factory workers are women who would be beneficiaries of road safety works involving provision of footbridges and sidewalks on main roads in the industrial areas of Maseru.

#### **4b3.6 Evidence of compensation or mitigation of any negative impacts of EC-supported interventions**

Land acquisition has been a significant feature of the 8<sup>th</sup> EDF contract to upgrade roads B42, B43 and B47 to paved standards. Compensation has been paid by RB, MOPWT to all land and property owners affected even though at least some properties were within the road reserve that extends 20m each side of the centre line of the existing road. Appropriation plans were not produced at design stage and thus nearly 2,200 affected properties were surveyed and plans prepared during construction. There is no effective land registration system in Lesotho and land boundaries and ownership are commonly subject to dispute with some partisan rulings on land tenure by chiefs complicating the situation further.

The Land Acquisition Bill was passed in 2003 although implementation awaits gazetting of the bill's provisions. This legislation will permit women having legal tenure to land and also covers riparian rights and disturbances due to construction of public works.

There are no reports of negative environmental impacts of EC supported interventions.

#### **Field Coverage by the Commission intervention**

See Table 4.1

#### **Effects of the Commission interventions on indicators**

EC interventions (under 8<sup>th</sup> EDF and proposed under 9<sup>th</sup> EDF) have been by contribution to preparation of strategies and policies, some consultation with stakeholders, studies in connection with physical interventions, compensation to persons affected by physical interventions and by various direct interventions in road safety and axle load enforcement.

#### **RELEVANCE**

EC interventions have been relevant to crosscutting issues, here taken to include gender, environment, safety and HIV/AIDS but in a subsidiary way to implementation of the RTIP components rather than mainstreaming.

#### **POSSIBLE IMPACTS**

Road safety impacts are impressive in terms of reduction of overloading and anecdotal reduction in accident rates. Impacts of environmental considerations in these relatively benign road upgrading interventions are more likely to accrue more from sensible engineering than specific EIAs or EMPs and no negative impacts are reported. Impacts on other issues of EC interventions are not immediately apparent.

**SUSTAINABILITY**

Sustainability is difficult to assess in the case of these crosscutting issues but institutional capacity is the most important factor. Environmental legislation should ensure that EIAs and EMPs are mandatory while implementation of sector strategies should encourage gender considerations and best practices of H&S on work sites. Road safety will be sustainable by continuation of educational efforts and making sure that all road designs incorporate safety features (or perhaps a safety audit).

**EFFECTIVENESS**

The most visibly effective EC interventions are in connection with road safety despite the absence of legislation to back up enforcement efforts. Also, there has been consistent compensation for persons affected by the major road upgrading.

**EFFICIENCY**

Interventions have addressed issues with varying degrees of efficiency. Consultation with stakeholders has not been extensive except in connection with some baseline studies while environmental issues were apparently not studied to any great extent in the case of rural roads, but impacts of reasonably constructed gravel roads on existing alignments are usually not negative. In the case of the higher category roads, these were cause for concern by the NES, not necessarily because of perceived adverse impacts but rather that the NES were not consulted. Even HIV/AIDS issues appear hardly to have been covered in physical interventions.

**Compliance with the general objectives of the Commission****GENDER**

Reference to gender considerations is patchy but there is compliance with EC general objectives. In general, physical works on main roads tend to be gender-neutral in terms of expected impact and construction techniques, while rural road works have a potentially higher impact on women's lives and this potential should be mirrored in design and follow up studies. Likewise urban and road safety works, impact significantly on women given the high number of women industrial workers in the urban textile industry..

**ENVIRONMENT**

Future projects should ensure not only that EIAs and EMPs are prepared but also that the full liaison mechanisms with NES (and as required by future environmental regulations) are followed. Otherwise the general objectives have been complied with.

**HIV/AIDS**

HIV/AIDS issues are addressed in sector policies and there are encouraging indications including, recently, VCT in the civil service institutions. However, more could be done to ensure that all physical interventions make a positive effort to campaign awareness issues in the catchment areas of all road works. This could be further propagated not only through provision in CofC and perhaps BOQ items but also through licensing of vehicles and public transport and signing – every public transport vehicle and the back of every road sign is a potential billboard for messages about HIV/AIDS.

**Appropriateness of the process****OWNERSHIP**

Ownership of crosscutting issues is not clear and seems to be largely donor driven although all the strategies and policies have the requisite chapters. In the case of physical interventions and related studies, references to these issues have a definite 'bolted on' feel to them.

**CO-ORDINATION COMPLEMENTARITY AND COHERENCE**

There is full coherence and complementarity between EC interventions and GOL strategies and general objectives of EC plus complementarity with other funding agencies.

## FUNDING MECHANISM AND MANAGEMENT SYSTEMS

EC contribution has been through RTIP with management in this case largely through the technical assistance attached to MOPWT.

### Overall judgement

EC interventions have impacted upon all crosscutting issues to a greater or lesser extent:

- Consultation with NSAs and stakeholders on preparation of sector policies and strategies (JC 4b3.1) has not been extensive although 'official' representative bodies were consulted in preparation of the sector contribution to PRSP;
- EIAs and EMPs for all EC supported interventions (JC 4b3.2) – the issues were covered but the full process of consultation with NES was not carried out; that being said negative impacts have not been reported nor expected;
- HIV/AIDS awareness programmes for the sector (JC 4b3.3) were covered but much more could be done in terms of using all physical interventions as a platform for assertive action and sensitisation;
- Support for H&S regulations and best practices (JC 4b3.4) – impressive response and impact;
- Gender specific consideration of impact of EC-supported interventions, national strategies and policies and baseline studies (JC 4b3.5) – surprisingly little direct reference although women are likely to be significant beneficiaries of some interventions; and
- Compensation or mitigation of any negative impacts of EC-supported interventions – significantly addressed either overtly (land compensation) or implicitly (sensible engineering).

In conclusion, EC contributions have contributed not to mainstreaming crosscutting issues to any great extent so much as accommodating them in implementation of the EC intervention programme (RTIP). In the interventions proposed under 9<sup>th</sup> EDF more could be done to truly mainstream these issues.

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### *JC 4b4 EC support has been complementary to other funding agency interventions in the sector*

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#### Indicators

##### **4b4.1 Donor involvement in sector policy dialogue**

There is little reference to EC involvement in sector policy dialogue under 8<sup>th</sup> EDF except for TA assistance to MOPWT that has contributed to road sector policy development. From 2002, EC technical assistance to RB and DRR have contributed significantly to the preparation of sector policy such that a draft national transport sector policy paper was completed in December 2002. This draft was discussed with stakeholders during 2003 and as a result institutional reform proposals were included in the draft policy paper that will be submitted to cabinet consideration after consideration by MOFD, MOLG and MOPS. Cabinet endorsement of the strategies is required for the LOSP that is a condition for the appraisal of the WB-funded ITP. Policy dialogue appears to have been led and driven by WB for the past decade.

##### **4b4.2 Complementarity of funding agency sector strategies**

Despite a lack of documented funding agency sector co-ordination, the programme under RRMP (corresponding to 8<sup>th</sup> EDF) was supported by various funding agencies (WB, EC, Ireland, GTZ). RRMP provided a framework for donor co-ordination in support of works, institutional support and capacity building that continues into the 9<sup>th</sup> EDF.

AfDB, Kuwait Fund and Badaea are involved in sector investment but this involvement appears to date to be a project based approach only loosely linked to sector strategies. However, AfDB has had discussions with WB, DCI and EC on future AfDB programmes over the next 3-5 years but these discussions appear to be focused more on possible co-financing of major capital works rather than contribution to sector wide approach. The update of the AfDB 1996-98 Strategy Paper for Lesotho makes little reference to the transport sector.

**Table 4.4: Current Donor commitments to the transport sector**

<b>Donor</b>	<b>Programme</b>	<b>€mn</b>
DCI (2002/4)	Social development / Rural access	6
KfW	Annual Economic development LB road construction	3
WB*	Economic development/Road rehab & maint.	44*
AfDB	Economic development/Road infrastructure	19
Kuwait Fund	Economic development/Road infrastructure	2
ADF	Economic development/Road infrastructure	8
EC** 2001/7	Economic development Transport infrastructure	56
Badea	Economic development/Road Infrastructure	2
	<b>Total</b>	<b>133</b>

\* \$US

\*\* Covers 8<sup>th</sup> & 9<sup>th</sup> EDF

4b4.3 Evidence of Delegation participation in sector co-ordination with funding agencies (and GOL)

RTIP (8 ACP LSO 002) refers to EC support to the GOL sectoral approach within the RRMP framework which is an integrated project supported by various funding agencies but there is no reference to sector co-ordination as such under 8<sup>th</sup> EDF.

Co-ordination is difficult because only EC and Ireland (now DCI) have permanent representation in Lesotho. Co-ordination effort appears to have been concentrated in the preparatory efforts of programmes, previously RRMP and currently ITP (both led by WB) rather than the interim implementation and monitoring of programmes.

Presently more efforts are being made to co-ordinate donor and GOL sector dialogue in the run up to the appraisal of ITP scheduled for June 2004 but interviews have suggested that there is sense of remoteness on the part of WB.

GOL through MOPWT or NAO do not appear to have been particularly active in co-ordination efforts despite MOPWT having responsibility for RRMP project co-ordination and MODP is reportedly not well informed of funding agency activities in Lesotho.

### **Field Coverage by the Commission intervention**

**See Table 4.1**

### **Effects of the Commission interventions on indicators**

EC interventions have (under 8<sup>th</sup> EDF and proposed under 9<sup>th</sup> EDF) been by contribution to preparation of strategies and policies and by delegation involvement in sector co-ordination.

### **RELEVANCE**

EC interventions have been highly relevant and complementary with sector strategies even if there are some doubts about the thoroughness of the consultation process.

### **POSSIBLE IMPACTS**

Impacts of complementarity and donor co-ordination are visible in the draft sector policies currently on the table (although quite why WB require an 'individual' LOSP for ITP is not clear) and a statement of donor intent is to be drawn up in support of ITP.



**SUSTAINABILITY**

The sustainability of sector strategies depends upon government adoption and implementation of these agreed strategies and policies. Judging by current problems of legislative hiatus and wilful political resistance to implement agreed policies (e.g. no new roads to be constructed without secured maintenance funding), the prospects are not good.

**EFFECTIVENESS**

The end result of 8<sup>th</sup> EDF support and of proposals made for 9<sup>th</sup> EDF portfolio is an effective portfolio fully supporting sector wide approach with concomitant complementarity to other sector interventions.

**EFFICIENCY**

There is little reference to EC involvement in sector policy dialogue before the involvement of technical assistance to MOPWT in 2002 although the Delegation has been involved to some degree in co-ordination with other donors as 8th EDF NIP is clearly supportive of RMMP and the 1995 LORSP. The impression gained is that the Delegation has not been particularly proactive in this respect.

**Compliance with the general objectives of the Commission****GENDER**

Gender objectives have been generally followed although more can be done in individual EC portfolio components.

**ENVIRONMENT**

All physical interventions by most funding agencies have to a greater or lesser consideration considered environmental impacts. The general objectives of EC are not dissimilar to those of other funding agencies, all embracing best international practices even if these are not always fully applied.

**HIV/AIDS**

HIV/AIDS issues have been addressed to date more on paper than in practice although the recent VCT initiatives could mark a significant threshold leading to more determined action.

**Appropriateness of the process****OWNERSHIP**

Ownership appears to be vested in the donors rather than government. Whilst it could be argued that this is a manifestation of poor institutional capacity there is a serious and growing backlog of national engagement as evidenced by:

- the lack of action to the 1995 LORSP, sector legislation and implementation backlog;
- delays in consideration of sector institutional reform proposals; and
- lack of action of revision of fuel levy.

This is curious considering GOL insistence that transport (together with water) should be included in the CSP 2001-7 as 'economic infrastructure'.

**CO-ORDINATION COMPLEMENTARITY AND COHERENCE**

There is co-ordination, complementarity and coherence between the funding agencies forming the 'hard core' of sector support (i.e. WB, EC, DCI, KfW) but other funding agencies appear to be only loosely associated with the sector wide approach, preferring a project-based approach.

**FUNDING MECHANISM AND MANAGEMENT SYSTEMS**

EC contribution has been through the RTIP with interventions by technical assistance. With the change of regime in the Delegation there will be a change of style in sector portfolio management and in the presence of the Delegation. The continuing technical assistance to MOPWT will play a large role in assuring EC sector continuity and, while steps are already being taken to secure additional technical support in the Delegation, the departing team will be a hard act to follow.

**Overall judgement**

EC interventions have impacted upon:

- donor involvement in sector policy dialogue (JC 4.1) – this is becoming greater with significant inputs into sector policy formulation; and
- complementarity of funding agency strategies (JC 4.2) . EC is fully supportive of national policies and the RMMP sector wide approach (to be continued under ITP).

However, there is little evidence of delegation participation of funding agency (and GOL) co-ordination (JC 4b.3) or indeed of any sector players taking a significant role here.

In conclusion, EC support has been fully complementary to most other funding agencies' interventions and contributes to the sector institutional landscape that accommodates project based approaches of other funding agencies operating on the fringe of the sector wide approach.

**5. To what extent has the Commission contributed to equitable economic growth in Lesotho through the provision of access to water and sanitation?**

**(i) The GoL Strategy in the Water Sector**

The GoL development plans are based on concrete policy objectives which are (*inter alia*)<sup>58</sup>:

- To invest in socio-economic infrastructure in a privatised and labour intensive way;
- 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 promoting local control over services; and
- To increase life expectancy and to 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.

Specific commitments by the GoL 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; and
- Consolidation of the democratisation process at local authority level.

Because of water's central role in household resource security, it is considered that access to adequate safe water supplies is essential to urban and rural development. The GOL has adopted the policy of making safe drinking water and adequate sanitary facilities a priority in both its approaches to urban and rural development. The general target for network water services coverage is to provide a minimum of 30 litres per capita per day at a maximum distance of 150 meters from the dwelling. Since May 1999, the GoL has implemented a new Water Resources Management Policy, of which the essential points are:

- An administrative reform at several levels;
- Separate management units for bulk water supply and water distribution;
- The application of cost recovering tariffs (except for the basic human needs of 30l/capita/day);
- The involvement of private firms in water distribution;
- Waste water treatment should be systematically applied; and
- Regional co-operation.

Short and medium term objectives have been established as follows:

- The 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; and
- Maintaining the level of service in villages with existing water supply systems.

To achieve these objectives, GOL is committed to:

- The development of a National Water Supply Strategy within the framework of a Water Resources Management Strategy;
- Further develop a sustainable maintenance system;
- The establishment of appropriate decentralised management and organisational structures; and
- The implementation of financial reform measures to ensure the sustainability of the authorities responsible for water and sanitation.

Factors and problems which contribute to the fragile situation in the water sector include:

- Rapid urbanisation and the movement of population from the highlands to the more water scarce lowlands;
- Demand for higher levels of service, with an increasing expectation of reticulated water systems in rural areas as well as urban areas;
- Increased industrial water demand due to the growth of the export-oriented light industries,

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<sup>58</sup>Ministry of Natural Resources :Water Resources Management Policy 1999

- Increased environmental problems, including declining dry season flows in the Mohokare/Caledon river, high sediment loads and inadequate wastewater treatment; and
- Institutional constraints and inadequate tariff structures.

Associated with the present rapid administration and industrial development is the concern over adequate wastewater treatment. The GoL is undertaking a number of measures to address this potential problem, the first of which is the adoption of a national Policy on Wastewater Management (2003). Although important policy improvements are being developed, it is critical that these are further complemented, enacted and implemented. Of particular importance is tariff policy, particularly the need to set cost recovery tariffs and eliminate subsidies.

## (ii) Institutional structure

The water supply and sanitation sector in Lesotho is currently undergoing institutional, legal and regulatory reforms. Institutional arrangements remain complex and overlapping with some gaps remaining:

- The *Ministry of Natural Resources* (MoNR) is the umbrella organisation for several departments and utilities.
- The Office of the *Commissioner of Water* (CoW) is responsible for supervising and co-ordinating all the water sector activities of the GoL. The recent creation of this Office is an important step forward in improving sector co-ordination.
- The *Policy Planning and Strategy Unit* (PPSU) is charged with policy analysis support and strategy for the entire water sector.
- The *Department of Water Affairs* (DWA) is in charge of the assessment, development and management of water resources.
- The *Department of Rural Water Supply* (DRWS) is responsible for infrastructure development and service delivery in the rural areas (comprising about 70% of Lesotho's 2.2 million population. It has 10 District Offices to direct and manage the installation and maintenance of non-grid rural systems. NGOs are also very active in this sub sector, along with the LHDA in areas affected by the Lesotho Highlands Water Project (LHWP).
- The *Water and Sanitation Authority* (WASA) is structured as an autonomous utility and is responsible for grid services to the urban areas covering a population of approximately 600,000. It manages the entire urban water cycle, including providing water and sewerage services to newly urbanised areas including community standpipes or kiosks. WASA also manages non-waterborne sewage collection from retention tanks and pit latrines, and the disposal and treatment of biosolids. Design work, most construction and some maintenance are out-sourced by WASA to consultants or contractors. For several years WASA has been the subject of intensive organisational improvement initiatives by GoL, including technical assistance from a UK water company and other consultancy advice, and most recently through the World Bank's Water Sector Improvement Program (WSIP).
- The *Lesotho Highlands Development Authority* (LHDA) is responsible for the planning and implementation of the Lesotho Highlands Water Project (LHWP), and for investigating and proposing water resources development in conjunction with hydropower projects. LHWP is a significant project by all benchmark and is an outstanding contributor to the economy of the country. It has resulted in the development of significant institutional capacity, skills and resources in the water sector in Lesotho.

Other agencies with influence over the water and sanitation sector include:

- The *Lesotho National Development Corporation* (LNDC), an agency of the Ministry of Industry, Trade and Marketing, channels capital into the development of industrial sites including the provision of infrastructure. Since many recent developments have involved wet industries, LNDC plays a significant role in the water sector. For instance, it has funded some of the water system upgrades serving the new industrial areas of Ha Thetsane and Ha Tikoe, including the refurbishment and extension of the Maseru potable water production plant.
- The *National Environmental Secretariat* (NES), which is overseen by the Ministry of Tourism, Culture and Environment (MTCE), and develops policy, manages the process of

approving Environmental Impact Assessments, and monitors environmental matters in general.

- The *Ministry of Local Government's* (MoLG) mission is to plan and implement the current decentralisation process. It will provide guidance for the election of local officials for the Maseru City Council (MCC), the 10 proposed Town Boards and the 345 Rural Councils that will take on service responsibilities related to public administration that are not clearly defined at this time. These local government units may also become responsible for urban services delivery at the customer interface, such as community standpipes, at a future date.

The key institutional challenges laying ahead for the water and sanitation sector include:

- Providing initial capacity building and support to the CoW;
- Resolving the potential for tension between the PPSU and local government units in defining and implementing policies and plans in the water sector. Issues that need addressing include: (i) defining how local government units will deliver water and sanitation services; (ii) how they will recover costs what connection and/or operating subsidies GoL may provide; (iii) what regulatory apparatus will monitor and control the services; (iv) what role the private sector may play; and (v) and how several other institutional, legal, technical, and regulatory issues will be treated.
- Improving co-ordination of rural water service delivery and hand-over responsibilities between DRWS and WASA. When a rural area is re-designated as an urban area, water supply responsibilities transfer from DRWS to WASA or may, in the future, shift to the relevant local government organisation. There is no guidance or regulation on how this transfer might take place.

Table 5.1 summarises all the interventions in the water and sanitation sector. The four judgement criteria refer to this table

**Table 5.1: EC Interventions in the Water and Sanitation Sector 1995 to date**

No.	Project Name	Project Amount	Start Date	Amount Paid <sup>α</sup>	Date End
<b><i>NATIONAL INDICATIVE PROGRAMME LOMÉ III EDF 6 NIP</i></b>					
6 ACP LSO 001	Lesotho Highlands Water Scheme	9,475,000	May 1987	9,500,000	Mar-96
6 ACP LSO 024	Drakensberg Maloti Highlands Conservation programme	325,000	1998	209,586	Oct-01
6 ACP LSO 033	Pre Study Six Towns Water Supply Ph II	28,600		19,432	Completed
<b><i>TRANSFER OF BALANCE LOMÉ I NIP 4th EDF</i></b>					
6 ACP LSO 031	Drakensberg Maloti Highlands Conservation programme	424,944	1998	424,944	May-01
<b><i>EIB PROJECTS</i></b>					
6 ACP LSO 003	Lesotho Highlands Water Project	3,500,000	Sep -87	3,500,000	Nov-01

Table 5.1 (cont.)

No.	Project Name	Project Amount ₦	Start Date	Amount Paid ₦	Date End
<b><i>NATIONAL INDICATIVE PROGRAMME LOMÉ IV EDF 7 NIP</i></b>					
7 ACP LSO 001	Muela Hydro-Electric Project	32,300,000	Mar-92	31,856,722	Jun-03
7 ACP LSO 002	1st EDF 7th Microprojects Programme	964,068	1991	964,068	Aug-96
7 ACP LSO 025	Prep of Urban Water and Sanitation Project	140,220	1995	140,220	Aug-99
7 ACP LSO 033	3rd EDF 7 Microprojects Programme	2,000,000	1996	1,750,162	Jun-03
7 ACP LSO 048	8th EDF Microprojects Programme	407,000	Mar 2000	346,797	2004
7 ACP LSO 051	TA for Water Feasibility Study	45,010		40,010	Completed
<b><i>TRANSFER OF BALANCE LOMÉ II NIP (5th EDF)</i></b>					
7 ACP LSO 041	Six Towns Water Supply P1	1,996,000	Jan-98	1,831,107	Oct 03
<b><i>EIB PROJECTS- RISK CAPITAL</i></b>					
7 ACP LSO 007	Muela Hydropower Project	15,000,000	1995	15,000,000	Ongoing repayment period
<b><i>EIB PROJECTS -INTEREST RATE SUBSIDY</i></b>					
7 ACP LSO 013	Muela Hydropower Project INT Rate Subsidies	1,261,830	1994	1,261,830	Oct-95
7 ACP LSO 044	Lesotho Highlands Water Project Phase IB	8,830,000	Aug 1998	5,323,460	Completed
<b><i>NATIONAL INDICATIVE PROGRAMME LOMÉ IV bis EDF 8 NIP</i></b>					
8 ACP LSO 011	Lesotho Lowland Water Supply Feasibility Study	1,750,000	Oct-02	692,170	Sep-04
8 ACP LSO 014	Claim Assessment – Six Towns Water Supply	14,363		14,363	Completed
8 ACP LSO 017	Six Towns Water Supply – Phase II	1,900,000	Sep 03	131,251	Dec-07
8 ACP LSO 018	Maseru Wastewater Feasibility Study	750,000	Sep 03	134,460	Sep 04
<b><i>EIB PROJECTS- INTEREST RATE SUBSIDY</i></b>					
8 ACP LSO 001	Interest Rate Subsidy Lesotho Highlands Water project	1,800,000		1,800,000	Completed
<b><i>NATIONAL INDICATIVE PROGRAMME COTONOU AGREEMENT 9<sup>th</sup> EDF</i></b>					
	TA to Water Commissioner	750,000	Oct 2003	20,404	Oct 2005
	TA to WASA	750,000	2005		
	6 towns water supply phase II	15,000,000	2006		

No.	Project Name	Project Amount ¤	Start Date	Amount Paid ¤	Date End
	Maseru wastewater project	10,000,000	2006		
	Lowlands water supply	10,000,000	2005		
<b>REGIONAL PROJECTS (totals amounts, not that specifically attributed to Lesotho)</b>					
<b>7th EDF</b>					
7 RPR 304	Muela Hydropower Project	10,000,000	1991	10,000,000	Completed
7 RPR 304	Establishment of SARTOC	97,621		97,621	Completed
7 RPR 600	SADC HYCOS	1,964,000	Mar-97	1,759,339	Oct 2002

A brief description of the following projects is set out in the Appendix:

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

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**JC 5.1**      *Commission interventions have contributed to the improvement in the efficiency and access to water and sanitation*

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## Indicators

### 5.1.1 Actual and targeted beneficiaries

The total population of Lesotho is estimated to be 2.2 million, of which about 80% live in rural areas. The general target for network water services coverage is to provide a minimum of 30 litres per capita per day at a maximum distance of 150 meters from each dwelling. 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 rural water supply consists mainly of piped/reticulated systems (1,473 in 2002), with over 2,000 collection points (some 20-30% believed to be out of order). There is a trend towards higher levels of service and an increasing number of private connections. The overall coverage of rural sanitation, of all types (but mainly VIP latrines), is around 50%.

About 40% of the population in urban areas is served by the Water and Sewerage Authority services (WASA) 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). These towns are served by separate stand-alone systems, which are supplied by a mixture of river abstraction, small reservoirs, boreholes and springs. None are able to meet their demand all year around.

It must be emphasised that the population estimates given above are not very accurate due to the lack of reliable data (last census conducted in 1991). The lack of precision in the data gives some particular challenges to the on-going studies (WWS & LLWS) in order to design and choosing the adequate options.

### 5.1.2 Water and sanitation costs as a proportion of household expenditure

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 to most other countries in the region.

Only a limited number of households are served by WASA: 10% of the total population and 40% of the urban population. WASA serves a small number of large consumers (industries, Government and businesses) while small domestic consumers make up 60% of connections, but consume only 17% of the water supplied. In total WASA supplies 8.9 Mm<sup>3</sup>/year<sup>59</sup> to 25,800 domestic consumers (average volume at 12 m<sup>3</sup>/month/connection), and 5.2 M m<sup>3</sup>/year to 2,900 non-domestic consumers (average volume at 150 m<sup>3</sup>/month/connection). The price per cubic meter of water consumed is on average 3.68 LSL/ m<sup>3</sup> (0.51¢/ m<sup>3</sup>) with prices ranging from 3 LSL/ m<sup>3</sup> in the lowest band to 4.6 LSL/ m<sup>3</sup> in the highest band. On average WASA “losses” are estimated at 5% or 0.17 LSL/ m<sup>3</sup>. Recent increases in tariffs were due to adjustment for inflation.

The WASA prices for water services remain low and water is one of the cheapest products for households and industries. The majority of water consumers are more concerned about the reliability of water supplies than price. 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 and associated awareness by the beneficiaries, will no doubt have implications on 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. Tariff levels, especially for water borne sewerage, would not recover costs even with 100% collection of rates and high operational efficiency levels. The reasons for the operating losses are due to technical and commercial factors. As a normal part of its budgeting process, WASA submits its proposal for tariff increases for approval to the Cabinet each year - but without any success during the last few years. Changes in the tariff system need to be thoroughly discussed with industry to overcome current negative perceptions and to jointly work towards an equitable and sustainable tariff system. It will require WASA to set tariffs to recover operating costs, incorporate depreciation and expansion capital costs into the tariff, and transition toward full tariff recovery over time. This will include the elimination of subsidies.

WASA has implemented a good cost recovery system for metered connection, but the current service levels are low. People appear to be sensitive about this level of service, and it should be easy to increase their willingness to pay for a better service. WASA had started to close public standpipes due to late and non- payment (previously by local and village water committees). It seems that the closure of stand taps had a negative impact on water coverage in the village; and there is not really an increase in application for house connections.

### 5.1.3 Stakeholders involvement in project implementation

The DRWS approach to rural water supply is demand driven and requires the collaboration of the community which contributes all the unskilled labour. Before the construction of a water system in any village, the community is expected to make an official application to DRWS, elect a Village Water Committee and open a bank account for the community contribution to the capital costs. The Micro-projects programmes approach applies these procedures.

In all the water projects the relevant organisations, including affected stakeholders, are included in the workshops held to discuss project implementation. According to the 6 TWS project inception report (November 2003), the first phase “did not include sufficient detailed socio-economic survey results such as poverty alleviation and gender related issues and did not appear to have done detailed user requirement surveys”.

<sup>59</sup> Mm<sup>3</sup>= Million cubic metres



Due to the fact that to date there have been only limited actual implementations of WSS projects (the 6 TWS projects and the Micro-project Programmes), the involvement of stakeholders in the projects has been according to the current level of activities. In general, stakeholders involvement follows the national policy in this matter.

#### **5.1.4 Preparation of baselines for assessment of impact of EC supported interventions upon poverty**

A general remark from all projects is on the lack of reliable and on-going monitoring data. In addition, there have not been any evaluations of the EC water projects, which could have provided an assessment of the impact on the poverty status. The recurrent difficulty in obtaining data from public and private sources was and is still one of the key issues that reduces and hampers the efficiency of the implementation of projects and studies. As a result of this, the baselines for assessment of impact of EC supported interventions upon poverty are not well defined.

One of the key issues as part of a strategy for future water projects, is to define specific activities to set up the necessary data collection and monitoring, and to ensure the sustainability of the monitoring system and updating of the data gathered. The TAMS baseline survey report (1991) could be used as a starting point for this process.

#### **Field Coverage by the Commission intervention**

- Six towns water supply (STWS) Phase 1 & 2 (7 ACPLSO041 & 8 ACPLSO017)
- Micro-projects Programmes (7 ACP LSO 002, 033 & 048)
- Muela Hydropower project (7 ACP LSO 001). ( see also JC 1.1)

One of the results to be achieved by the project was the provision of treated water supply to 9 villages in the Muela area. In 2000 the contractor (GWc) engaged to carry out the activities has been unable to carry out the actions required. The contract has been terminated and re-launched. To date the tender procedures for the works are on-going and it is anticipated that the works could be achieved in 2005.

#### **Effects of the Commission interventions on indicators**

Although the water sector has been one the focal sectors for the EC in Lesotho since the 6th EDF, there have been limited achievements in terms of the evolution of these indicators. Although the number of beneficiaries in the past has been low, the on-going EC funded studies (Lowlands WS feasibility & Maseru Wastewater), will have considerable impacts in the future. For example, the Lowlands WS feasibility study will affect the majority of the population, including all kinds of consumers (domestic, urban, industries...) and give the opportunity to define a comprehensive water resource management and development plan. Even though the past activities have not made a significant impact on the indicators, it must be emphasised that the on-going activities of the EC projects will lead to positive improvements in this regard.

#### **Relevance**

Some of the EC interventions should be viewed in an historical context. During the apartheid era, the EC funded the Muela hydropower plant in order to assist Lesotho to become energy independent from RSA. This was more a political than an economic co-operation. Although it was, and still is not considered to be economically viable, this project was an important support to sustain the independence of Lesotho. The plant is currently operating at a fraction of its capacity although it could supply the energy needs of the entire country. It is therefore an important national asset and has the capacity to assist the Lesotho's economic development.

The hydropower plant is a part of the Lesotho Highlands Water Project (LHWP) which is regulated by a treaty with RSA. One point that should be noted is that the treaty only allows Lesotho to abstract water from the catchment in times of severe droughts, such as happened in 2003. Unfortunately, no funding agency advised Lesotho during the drafting of the treaty to allow the possibility of water diversion from the LHWP, in addition to any emergency diversions. On completion, the LHWP will provide 70m<sup>3</sup>/sec to RSA. Only 3 m<sup>3</sup>/sec of this could cover all the

water needs of the Lowlands towns and industries. If GoL wants to access this water, RSA is in a position to request 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 *EC could here play a facilitating role in this cross-border discussion and co-operation.*

In the post-apartheid era, the EC started by funding the Micro Projects Programmes involving some small water and sanitation activities. Although these are relevant in terms of the indicators improvement, the projects are very small and scattered and therefore are only partly relevant in terms of a national poverty alleviation strategy.

The Six Towns Water Supply (STWS) projects initiated under the 6th EDF (study) and implemented during the 7th EDF and 8th EDF, are more relevant to contribute to the improvement in the 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. One of the results will be “*subject to the approval of funding for the proposed works, the launch and assessment of tenders for the works and the supervision thereof*”. The phase 1 dealt with only the rehabilitation and the refurbishment of existing schemes. The existing schemes were not expanded. A significant proportion of the works is 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 the first phase. The project is relevant but it has not been integrated in a “*water resources master plan*” of the region. The project document states that the interventions are short to medium term (2004-2010), which raises the question of the relevance of this short-term investment approach.

The challenge is that the water resources are often not where the needs are. This happens in many countries, and this is the case in Lesotho. Lesotho is a real “water reservoir” in its Highlands, but the rivers in the Lowlands where most of the population is living are fed by small watersheds which results in irregular and unreliable flows. However the rivers in the Highlands that flow towards the South are fed by larger watershed with more regular precipitation. There is therefore a possibility to transfer the water from basin to basin, which is an option that the RSA have already implemented with the LHWP. A comprehensive **water master plan** is therefore a very useful management tool to plan efficient and sustainable investments using a sound strategic approach.

The Maseru Wastewater study under the 9th EDF initiated in late 2003 is relevant for local environmental protection, and also for international environment conservation with RSA as the Caledon river forms the border and flows into RSA. It must be noted that this is the first EC-funded project dealing with sanitation issues, apart from some small interventions under the Micro-Projects programmes.

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 the national water resources management, reinforce the co-ordination between the different institutions dealing with water and sanitation, and improve the efficiency of the national water resources development.

### **Possible impacts**

Due the low level of physical outputs of the activities funded by the EC, in terms of provision and access to water and sanitation, the possible impacts are currently not very significant. However, the on-going studies should have a significant impact on future implementation.

It is possible that the Micro projects have a very large number of small impacts, although this is *difficult to assess in the absence of evaluations*. The programmes should have some significant impacts on poverty alleviation. The STWS phase 1 had positive impacts after its works implementation, but the current status of the installations diminishes this impact. The phase 2 is expected to increase these impacts on water access for the beneficiaries.

The Maseru wastewater study will have positive impacts on future implementation of sanitation facilities, but both projects will require a considerable lead-time. The Lowlands WS feasibility study is expected to lead to major impacts to improve the access to water and sanitation, provided that the recommendations of the study are put into practice in the next years. The impact of the TA to the CoW follows the same line of thinking.

If the EC continues to implement the current strategy, and maintains its technical capacity at the Delegation, this will put the **EC in a possible leading position in the water sector in Lesotho**. In addition, the EC projects are more geared towards poverty alleviation and basic needs improvement and also are funded by grants rather than loans.

### **Sustainability**

The Muela hydropower plant is currently not economically sustainable since the electricity from RSA is cheaper (see JC 1.1), but an improvement in management efficiency could ensure its sustainability. As the water flowing into the plant is a renewable resource for Lesotho and the plant is theoretically able to deliver sufficient power for all the country needs at optimal operating capacity, it should allow the GoL to reduce its imported energy bill on a sustainable basis.

The STWS projects may not be sustainable unless improvements are made to organisation and management and capacity building. The EU could facilitate regional co-operation between Lesotho and the RSA where there are numerous experienced people with the necessary skills in all aspects of water supply and sanitation works. *Lesotho has the natural resources and RSA could help to improve Lesotho's management of these resources, working together could be beneficial for both parties.*

The Lowlands study will lead to a sustainable approach for the management of the water resources and should therefore be supported in the implementation of future recommendations.

The Micro Projects sustainability is closely tied to some rather scattered and ad-hoc interventions. In principle, the application of the demand driven approach should ensure their sustainability, although this is closely related to the effective appropriateness by the beneficiaries.

### **Effectiveness**

The overall effectiveness of the projects implemented during the 6th and 7th EDF, in terms of access to water and sanitation, were not very significant. However, the implementation of the on-going projects, TA and studies give the basis for a holistic approach for future implementation of effective results. The implementation of the provision and access to water and sanitation will require substantial investments in infrastructures together with capacity building activities at all levels.

It would have been more effective to have started the EC co-operation in the water sector in Lesotho with a project such as the Lowlands WS study to get an overview and formulate a consistent strategic approach for the water and sanitation sector. A key issue negatively affecting the water sector within Lesotho is a lack of adequate understanding of operation and maintenance of the installations. There is currently no monitoring programme to verify the infrastructure and equipment maintenance. It is understood that there is a World Bank initiative to address this issue.

The EC strategy for the water sector in Lesotho is going in the right direction although it started late, and will need further support and continuity in order to achieve its objectives.

### **Efficiency**

The implementation of the projects suffered from long delays between the project identification and starting date due to 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 will be implemented.

The funds allocated to the Muela hydropower plant were efficient in terms of equipment provided. The efficiency of the management of the plant results in some additional costs and electricity is now more expensive to generate than that provided by ESKOM (RSA).

## Overall judgement

The Muela power plant has to be considered as an energy project, not a water project (see JC 1.1). The plant could contribute to alleviate poverty and develop the country, but needs to be better managed. There are virtually no EC interventions that contributed significantly to the evolution of the indicators, but the strategy adopted in the 8th & 9th EDF will with no doubt have positive impacts on the evolution of all these indicators.

In summary the global judgement is that EC interventions have contributed to the improvement in access to water and sanitation. It is important to emphasise that there must be continuity and a consistent approach in the support for the strategy adopted in the 9th EDF and that this has to be followed up by the implementation of adequate infrastructure. The studies must also lead to an effective extension of schemes and upgrading of services to improve the access to water and sanitation.

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### *JC 5.2 EC interventions have led to greater decentralisation of decision making processes*

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## Indicators

### 5.2.1 Users participation in the design, installation, operation & maintenance

The national policy in the sector is to adopt for all projects a demand-driven approach. Workshops are held and information is provided to the users during the preparation stages. The users are only involved in the installation and O&M issues for small schemes through Village Water Committees, such as in the Microprojects programmes. For larger schemes, such as the STWS, professionals from WASA are used and end-users participation is limited to the design stage. The end-user is the consumer who pays for the service rendered.

### 5.2.2 Compliance of project results comply with stated water policy

During the preparation of the projects the EC stated water policy was adopted and there is compliance with the EC policy in the water sector. The strategic approach is based on core principles concerning the need to protect the water ecosystem, to extend the health-giving and productive properties of freshwater resources equitably and efficiently, with special emphasis on poorer people and people without access. All the projects were implemented also taking due cognisance of the relevant national policies and their results comply with stated water policy.

### 5.2.3 Adequacy of Laws and regulations

The general target for network water services coverage is to provide a minimum of 30 litres per capita per day at a maximum distance of 150 meters from the dwelling. This is quite a generous target compared to other countries.

Although important policy improvements are being developed by the GoL, it is critical that these are further complemented, enacted and implemented. Of particular importance is the tariff policy, especially the need to set cost recovery tariffs and eliminate subsidies. The study of water and sanitation needs in the Lowlands WS study will have an additional impact on demand forecasts, technical standards, regulation and other factors that affect the sector. *The study is on target and is expected to present its findings in mid 2004.*

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.

#### **5.2.4 Extent and effectiveness of co-operation between implementing agencies**

The co-operation between WASA (6TWS) and LHDA (LHWP) as implementing agencies has been effective, and the same applies for the co-operation between the DRWS and the Micro Projects Unit.

The TA provided by the EC to the CoW will reinforce the national inter agencies co-operation and also the co-operation between the international funding agencies. The Lowlands WS feasibility study, as a strategic study, will favour a more comprehensive framework for inter agencies co-operation.

#### **5.2.5 Extent of government support to the implementing agencies**

The GoL support policy towards implementing agencies is clearly stated and comprehensive, although it is not always implemented at the financial level due to other commitments. WASA is partly subsidised by GoL but should seek for its financial autonomy through the raising of the tariffs. For rural water supply no tariff is charged, and this lack of appropriate revenue collection will no doubt have implications on the long-term sustainability of the rural water and sanitation facilities, their maintenance and development. Nevertheless, WASA and DRWS tariff reform can only be implemented by a GoL decision so that the current indirect subsidies should be removed. The water sector, as a major contributor to poverty reduction in Lesotho, has been designated an important area for funding by the GoL and by a number of donor agencies (WB, EIB, DFID, Helvetas). Joint discussions led to a “water sector reform” approach for externally financed interventions.

WASA is the designated supervisor of the STWS project.

#### **5.2.6 Participation of stakeholders in project/programme formulation**

The participation of the stakeholders in the project formulation is an applied rule. Projects are holding numerous workshops and information campaigns.

#### **5.2.7 Participation of stakeholders in project/programme implementation**

The participation of the stakeholders to the programme implementation is extensive at the Rural WS and micro-project levels, as an intensive labour approach has been used. For the implementation of larger works, national private contractors are used. Workshops and awareness campaigns are led during the project implementations. For example there was a large national workshop held during this mission in Maseru by the consulting engineer of the Lowlands WS study on the presentation of the strategic options to be retained for the future direction to be adopted by the study.

#### **5.2.8 Adequacy of training and selection of trainees**

This is generally quite good and reasonably effective, although to some extent the training is not rewarded since it is difficult to keep the correctly identified trained person in the right place where his/her training is needed. The LHDA project trained good technicians, engineers and managers but many of them had to find suitable employment in RSA since there are no comparable projects in Lesotho. In 2002 WASA prepared a corporate plan and made a Performance Agreement with the GoL. However these were not implemented due to a serious lack of resources (e.g. qualified staff, suitable equipment etc), a very limited annual budget and insufficient revenues.

WASA currently has 390 staff and is preparing new proposals for staffing, however there is a reluctance to change and there has been a noticeable “brain-drain” of professionals. HIV/AIDS is a major scourge in Lesotho, and the impact of the epidemic plays a significant role in the long-term availability of trained and experienced people.

### **5.2.9 Adequacy of management information systems**

This is an important issue and the management of the information system is not adequate. There are considerable variations in the scope of technical resources and usage of information available relating to the water sector in Lesotho. The reports and the data are not very well archived and monitored. All the former and on-going studies suffer from a lack of adequate and easily accessible data in order to allow proper level of design and assessment of long term needs.

There is a need to improve the data collection, archiving, and analysis of the water resources in terms of temporal and spatial distribution within the country. Designs that lack detailed environmental studies (socio-economy, hydrology, hydrogeology etc) cannot be considered as adequate for the purposes of making major investments decisions. A comprehensive and efficient resource planning and management relies on the availability of adequate and correct information.

### **5.2.10 Adequacy of systems to monitor the social, economic and environmental impacts of projects**

Currently there are no systems in place to monitor the social, economic and environmental impacts of the EC projects. Apart from the Micro-project programme evaluated in 1998, there were no evaluations of the EC activities in the water sector. The system will be set up once the projects are implemented and there will be something to measure. It must be said that the studies at the macro-level, such as integrated water resources management, water policies, legislation, institutional change and at the micro-level, such as user group participation, community-level operation and maintenance, are given more weight proportionately than in the past.

Management information systems need to be suitable for the organisational level at which the relevant data collection and analysis activities are conducted. Inputs and outcomes need to be monitored in such a way that they provide information of value to managers when they require it. This in turn helps to engender a sense of ownership of the system and ensure that it is effectively used. Consideration needs to be given to the level of information technology required for different functions, given cost and human resources constraints. Not all systems have to be based on computer technology, though such technology does offer obvious advantages.

#### **Field Coverage by the Commission intervention**

- TA to Commissioner for Water (9 EDF)
- Muela Hydropower project (7 ACP LSO 001)
- TA to the LHWC has been provided.

Contract ended in November 2001. It has been proposed that a study be conducted to identify an appropriate commercial option for the future management and operation of the Muela hydropower Plant. The need for the study has been occasioned by the growing financial burden of commercial loans associated with the project and recent proposals for the reform of the electricity sector in Lesotho. This study has not been approved.

#### **Effects of the Commission interventions on indicators**

##### **Relevance**

The Micro-project programme is relevant for the evolution of the indicators. The TA to CoW is relevant since there is a clear need to improve the institutional framework and the water and sanitation regulation.

##### **Possible impacts**

It might be considered that the 7th and 8th EDF interventions had low impacts on these indicators. It may be expected that a significant potential impact should result from the current studies.

##### **Sustainability**

There is confidence that the on-going adopted strategy will lead to sustainable results

**Effectiveness**

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 qualification of the advisers and consultants are good and appropriate for their responsibilities at all levels.

**Efficiency**

The efficiency of the past EC activities is weak regarding these indicators.

**Overall judgement**

The global judgement on this JC is mixed. There is a need to improve and develop technical and managerial capabilities of the water institutions and little has been done towards greater decentralisation of decision-making processes. A number of studies have identified organisational weaknesses and the need for capacity building. Bottlenecks and constraints in the institutional framework often affect programs and projects and there is a need to support the water sector by building capacity within the water agencies through intensive, structured training of staff. This includes a great deal of on-job training as well as more formal training in all fields of water science and engineering.

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**JC 5.3      *Commission interventions have addressed financial and economic sustainability***

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**Indicators****5.3.1      Water supply and demand projections**

The assessment of the water supply and demand is well in hand by DRWS and WASA, and new projects are based on this data. Lowland WS feasibility study will be particularly helpful to the improvement of future assessments.

An interesting figure from WASA is the water demand projections by user category: if the domestic demand projection is estimated at 30 million litres(ML)/day in 2020 (2.1 x the current demand of 14ML/day), the industrial demand projection is estimated at 133ML/day (15.3 x the current demand of 8.7ML/day). This stresses the urgent need for additional resources and water facilities.

The STWS projects use current population growth rates of between 2.9% and 5.0% and a water consumption of between 33 Litres/Capita/Day (l/c/d) and 133 l/c/d for the various locations. Future water demand is calculated as a function of population growth only and no provision has been 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 to some years and is different for each location. The project purpose in phase II, to meet the demand in 2010, will be achieved only for 2 towns, whereas in the other 4 towns shortage will be faced from 2005 onwards.

The study team of the LWS feasibility study have held discussions with LNDC, who have emphasised the utmost importance to Lesotho of industrial development, especially to take advantage of the current AGOA agreement. Industrial sites have been identified and acquired in Maseru, Mohale's Hoek and Butha-Buthe, and investors are very interested in developing factories in these places. This could ultimately provide permanent employment to some 94,000 Basotho. The only stumbling block to this process is lack of water. Lesotho has a limited window of opportunity to meet the needs of these investors, and unless they can be assured that sufficient, reliable water can be supplied in the near future, then they will look elsewhere to invest, and Lesotho could lose this opportunity completely. Local water sources which currently utilise the Mohokare river or groundwater are inadequate to meet the needs of this industrial demand, and the opportunity to expand these existing sources is very limited.

Given the timescale required to plan, finance, design, construct, and bring on-stream water supplies based upon dam sources, there is a need to explore other alternatives that can both serve the immediate needs for industrial investors, and serve the Lesotho Lowlands region in the long term. The use of the Highlands Water Project to meet these goals is one of the many scenarios that

the study team is exploring, but this appears to be the only one which could serve the pressing industrial water needs in a very short and sustainable timescale. The quantities contractually to be delivered by the LHDA to RSA (30m<sup>3</sup>/sec) are twenty-fold of estimated total 2005 demand in the **total area** of the Lesotho Lowlands (1.23 m<sup>3</sup>/sec) and a ten-fold of the projected demand in 2035 (3.09 m<sup>3</sup>/sec). It could be envisaged that some of the excess capacity of the tunnel from Kaste to Muela (10 m<sup>3</sup>/sec more than required) could be used to deliver water to Lowlands without affecting water deliveries to RSA.

The use of only 20% of the tunnel excess capacity could meet the total estimated demand in the Lowlands in 2020! With a fair agreement with RSA the overall investment in very costly dams serving the Lowlands could be reduced substantially, while security could be obtained for years.

### **5.3.2 Capacity of systems to cope with peak demand and water scarcity**

The capacity of the systems cannot cope with normal demand, let alone peak demand. For the next decades there is an enormous demand for the extension of water supply systems, both in rural and urban areas in the Lesotho lowlands, because the population is growing and the average consumption per capita is also increasing. In addition, people are moving away from the rural areas towards the urban and peri-urban areas.

One option considered by the Lowlands WS feasibility study is the North-South water carrier, which would use the water from the LHWP and could supply drinking water to the population in the Lowlands down to Maseru and Roma and even to several towns in RSA. The water supply of a large part of Lesotho's population could be assured for decades by this carrier. The water would be diverted upstream of Muela Hydropower plant and transferred by pipelines to the consumers. By reason of the high elevation at Muela, the water will reach most of the Lowlands by gravity, whereas today most water supply schemes in the area depend on pumping either from boreholes or from rivers. However, the diversion of water upstream of Muela will reduce the energy production as well as the water transfer to RSA and hence reduce the income from LHWP water export. The scheme would also affect the Treaty between Lesotho and RSA on LHWP.

Even without the water carrier, there is a need to extend the available water supply systems because of:

- the increasing population;
- the tendency towards higher consumption per capita;
- the urbanisation of Lesotho which will increase every year by one per cent; and
- the changes in settlement pattern in rural areas, where the villages along the main roads are rapidly growing.

The improved drinking water supply is an important contribution to improve the quality of life and therefore investments in that sector are considered as a means to alleviate poverty. A good water supply is furthermore a precondition for new industries in the area and therefore an incentive for economic growth.

### **5.3.3 Cost recovery mechanisms**

In the rural areas, apart from recommended prices by DRWS to be applied by the Village Water Committee, there is no formal cost recovery system. In the urban areas, the WASA cost recovery system is efficient and the invoices recovery is about 90%, yet there are not sufficient funds to cover the WASA operating costs and investment costs.

### **5.3.4 Tariff Structures**

The tariffs in place are low and their base levels will have to be re-assessed. WASA has introduced block tariffs, rising with increasing use for potable water for domestic users (Government Gazette Legal Notice No. 133 of 2000). Non-domestic users (including industry) are charged a flat rate, which is about 60% of the highest water use rate charged for domestic use. The WASA standard tariff for wastewater (set in September 2001) is 85% of the amount charged for potable water provision.



The current water and wastewater tariffs are not cost reflective. For example, the current wastewater tariff does not take into account the cost for collection, pollution potential of the wastewater, or the cost of treatment. Currently no wastewater tariffs or penalties are paid by industries that discharge their untreated industrial wastewater directly to the receiving water environment.

The financial situation is further exacerbated by the fact that WASA is not able to revise the tariff on a regular basis to account for inflationary factors in order to mitigate erosion of its real income. WASA is required to submit an application to the Minister of Natural Resources regarding tariff increases, which the Minister is empowered to approve or reject.

Tariffs charged by resellers are estimated to be an effective LSL17 per m<sup>3</sup>, about five times the average rate charged to domestic consumers linked to the network. Small consumers are obliged to make more frequent, higher cost purchases because they cannot afford the lump sum connection fees charged by WASA (LSL1,500 for houses adjacent to networks, plus actual construction cost for more distant areas). Community standpipes are an option to reduce the resale problem, but these are often vandalised or damaged. Local government organisations intend to focus on this problem in future, but as they do not have the experience or the capacity, results may not be satisfactory.

A proposed 25% increase in water tariffs for urban areas, while maintaining a low tariff for low-income consumers, is a tangible sign that GoL supports the principle that water should be an affordable and sustainable asset.

### **5.3.5 Government disbursement of matching funds**

There is no available data.

### **5.3.6 Project costs versus budget**

According to the available documentation there were no significant discrepancies between the project costs and the allocated budgets. To date they were mainly consultancy contracts and costs are running to budget.

### **5.3.7 Accuracy of design calculations**

There is no data available on the design accuracy of the infrastructure and equipment provided under the Micro-projects programmes. NGO's or NSA's designed the equipment and infrastructures under the supervision of the Micro Project Management Unit. There are no reports on technical surveys. The design calculations are in the process of being estimated for STWS phase 1.

### **5.3.8 Environmental mitigation measures**

For all on-going projects, concern for the environment is an increasing priority. The National Environment Secretariat is empowered to ensure that environmental issues are incorporated into water policies and consultants are commissioned to carry out an EIA 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 authorities (WASA and DWA) have two laboratories, which undertake a limited range of water and wastewater analyses, both in Maseru. **Neither laboratory is internationally accredited.** The current limited enforcement of pollution legislation is partly due to the absence of formal wastewater discharge standards. WASA will need to formally promulgate and enforce the standards for wastewater that it will accept into its sewerage system. It will also need to establish a tariff that it will enable it to collect, convey, treat and dispose of wastewater in an environmentally responsible manner. In addition, 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 water environment.

The GoL recognises its shared responsibility for national and regional environmental issues and acts with due regard for the principles contained in relevant policies and applicable regional and international protocols and agreements.

### **Field Coverage by the Commission intervention**

- **Muela dam**
- **TA to CoW**

The EC funded TA to the Water Commissioner has been appointed in November 2003 and both Water Directorate and Policy Planning and Strategy Unit were set in place by March 2003.

- **STWS project**
- **Lowlands WS feasibility study**

### **Effects of the Commission interventions on indicators**

#### **Relevance**

The Commission interventions in the water sector are relevant but were confined in the past. Current studies will improve the demand knowledge and address the tariff structure for the 6 towns. The STWS project has been relevant for the creation of temporary jobs during construction. Conditions for additional economic activities in the six towns will be improved, although remains a risk of permanent subsidies depending on water tariffs. The aim of the LLWS study is to identify long-term water resources to satisfy urban, rural and industrial demands in the Lowlands. The study should determine an optimal programme of investment in the water sectors, taking into account social and environmental considerations together with the technical and financial issues and the demands from neighbouring areas in RSA, which share the same water resources.

The Lowlands WS feasibility study, initiated in late 2003, is highly relevant to the GoL's overall strategy of improving access to water and sanitation. However, the study deals only with the Lowlands, and should be extended to the *whole country*, especially as the current study will already deal with the most difficult part of this national issue. In considering all options, a major issue has arisen regarding the economic development of Lesotho. There is thus an opportunity for the Lowlands WS study to play a major role in the industrial development of Lesotho. But as set out in JC 5.3.1 there is an urgent need to meet the immediate water needs of industrial investors.

#### **Possible impacts**

The Muela power plant has had a significant impact on the overall economic sustainability of Lesotho. The intended impact of the project was to achieve self reliance of Lesotho's energy sector by decreasing substantially electricity imports from RSA. Some poverty reduction was achieved through temporary employment during the construction phase and complementary social services were established in the area. The main challenges for the operation of Muela are now: (i) to reduce as much as possible the peak import from ESKOM; and (ii) to cover the energy consumption of Lesotho.

It is unlikely that RSA will commit Phase 2 of the LHWP in the near future, the capacity of Muela would not be increased (which is technically possible) and the power plant will hence produce the same amount of energy as now, for some time ahead. Due to the over-capacity of electric power supply in RSA, it seems inadvisable to invest in the medium future in that market. The EU should entrust a consulting firm with the evaluation of the Muela Hydropower project, even if project completion reports by EIB and the WB are available. The particular objectives of the EDF FA were not taken into account in both reports. The amounts spent by EDF (€80 million), the marginal and not well known economic rate of return (between 3.1% and 5%) and the current financial difficulties are the main reasons to evaluate the project.

The Micro-projects programmes have addressed the financial and economic sustainability for small communities. The global impact of these scattered activities is difficult to assess although they should have a global positive impact on poverty alleviation.

The STWS project phase 1 had limited impacts on the financial and economic sustainability of the beneficiaries since no extensions of the water distribution network were implemented. There was limited poverty reduction as temporary jobs were created during the construction phase and there is improvement of quality of life of the people due to increased availability of fresh water and sanitation. The project can be considered as a first step for a longer lasting intervention in the water and sanitation sector. For the next decades there is an enormous demand for the extension of water supply systems both in rural and urban areas in the Lesotho lowlands, because the population is growing and the average consumption per capita is also increasing. In addition, people are moving away from the rural areas towards the urban and peri-urban areas.

An integral part of the study component of the services is a comprehensive assessment of the environmental and social impacts and benefits of the proposed development project. This has to follow internationally recognised procedures for the environmental impact assessments. Training of “selected staff of the relevant water sector” agencies is one of the expected results of the 6 TWS project.

All the on-going projects are at study stage and it is too early to assess their impacts. Nevertheless, the Lowlands WS feasibility study will with no doubt bring significant impacts on the financial and economic sustainability of the area where 2/3 of the population live and the main industries are settled.

#### **Sustainability**

The sustainability of the projects depends on the availability of funds for organisation and management, and therefore, a revision of the current tariff system is necessary.

#### **Effectiveness**

Safe drinking water is a primary condition for poverty alleviation. A lack of it directly affects the health of the population. It affects disproportionately the poorest in the population and hampers industrial development. Improve WS&S will enable to industries to expand notably and hence advance income generation. The EC interventions in the water sector were confined to studies in the past and their effectiveness is poor. On the contrary, the current studies have the potential to lead towards an effective national water strategy. While the completion of the first phase of the 7th EDF water project six secondary towns had a marginal localised effect only, the proposed 8th EDF projects (and other donors) will provide short-term relieve for the capital and some other towns.

The main objective of the Muela project to supply Lesotho with its own energy is achieved, but the overall economic benefit is low. However the LHWP as a whole is a success, because Lesotho benefits not only from the income from the power plant and the royalties from water transfer, but also from a vastly improved road system and social infrastructure in its isolated highlands. The project purpose, i.e. to decrease substantial electricity imports from RSA, was achieved when Muela become operational under Phase 1A conditions.

#### **Efficiency**

The Lowlands WS feasibility study results will play an integral part of the Strategic Plan and the EU Water Initiative. As such, every effort is to be made to ensure that there is no delay in the consultancy process caused by the consultant, the stakeholders or the financing institutions. In order to reach the WS target date of 2015 whereby the number of those without access to potable water and proper sanitation will be halved, the LWSP will have to be implemented and completed well before that date. This means that construction must start as soon as feasibly possible. This is also the objective of the EU water initiative and it is to be hoped that the “red-tape” will not slow the process down.

A year and a half were lost between the phase 1 and the phase 2 of the 6 TWS projects because of a disagreement between AIDCO and the GoL. The problem was the approach to follow for the implementation of phase II: GoL proposed to have a “design and build” approach while AIDCO insisted on having a full technical design study prior to decision and implementation. AIDCO

expressed also their dissatisfaction with the lack of a sector programming approach in the project (Policy Group meeting May 2002).

### **Ownership**

The TA to CoW has contributed to bringing together a number of disaggregated agencies that had no central co-ordination or direction. The Government has committed itself to a restructuring of the sector. This is to be achieved through strengthening the policy development capacity of the Ministry of Natural resources and by establishing a Water Directorate under a Commissioner of Water to advise on all policy issues and sector strategies and oversee the administration of the same sector. In this respect the TA has generated commitment and ownership of the EC's interventions.

### **Overall judgement**

There are serious deficits in water and wastewater infrastructure, aggravated by a weak implementing and operating organisational structure, which affects the long term sustainability of the system. Approximately 25% of the current EC support is for the water sector. In broad terms, the overall conclusion is that whilst the EC interventions have partially contributed to the indicators, this has not been in a strategic manner. But the EC has the opportunity to take a lead in addressing the economic and financial sustainability of Lesotho's water supply by providing adequate means for the provision and access to new schemes and capacity building.

Although water was chosen as a focal sector, it has not been implemented sufficiently as a focal area. A significant contribution to poverty alleviation will need major augmentation of interventions in the provision of water and sanitation facilities closely implemented with strong capacity building supports to secure their sustainability.

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*JC 5.4 EC interventions have contributed to mainstreaming crosscutting issues including gender, environment, HIV/AIDS, health and maximised consultation with NSA's and stakeholders*

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### **Indicators**

#### **5.4.1 Evidence of consultation with NSA's and stakeholders in preparation of sector policies and strategies**

Consultation with NSA's 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 concept recovery.

#### **5.4.2 EIAs and EMPs for all EC-supported interventions**

These are a requirement of the GoL as well as the EU and has been done within all projects liable to this regard. The EC interventions attached activities related to the increasing and improvement of natural resources environmental awareness through education. The environmental education and public awareness was a cornerstone to the implementation of environmental activities and the sustainable use of renewable resources.

#### **5.4.3 HIV/AIDS awareness programmes for sector**

The water sector does not have its own HIV/AIDS awareness campaign, but all projects have actions in this regard. Although health indicators for Lesotho do not point to water-borne diseases as the most serious health issue, studies have shown that a good affordable supply of clean water is the most needed single input for care givers to HIV/AIDS patients (WB, November 2000). The joint donor programme of investments in urban water supply and sanitation is thus complementary

to provisions in the Lesotho Health sector reform project for outreach to other sectors, with regard both HIV/AIDS and the health sector as a whole.

#### **5.4.4 Support for regulations and best practices**

Water and sanitation engineering is a precise science bound by regulations and best practices. MoNR, DWA, WASA, DRWS and all implementing agencies have produced regulations and standards designs. These are ensured by the COW's Office.

#### **5.4.5 Evidence of gender-specific considerations of EC-supported interventions**

Whilst there is no explicit gender discrimination in during the design or the implementation of the water projects, there is little evidence of a comprehensive gender mainstreaming. However it must be pointed out that, amongst other examples, the current director of WASA and the current director of the major Lowlands WS feasibility study are women.

#### **5.4.6 Evidence of compensation or mitigation of any negative impacts of EC-supported interventions**

There is no data on this.

#### **Field Coverage by the Commission intervention**

- The Manpower Development Programme, oriented to LHWP (EDF contribution: €7.7 million, committed under EDF 6).
- Micro projects programme

#### **Effects of the Commission interventions on indicators**

##### **Relevance**

The only crosscutting EC intervention in the water sector is the Micro projects programmes, which is considered relevant to these issues

##### **Possible impacts**

The main results achieved by the manpower development programme were:

- a pool of well qualified engineers (mainly civil mechanical and electrical to serve the LHWP); and
- strengthened key local technical and vocational training institutions to produce qualified manpower thereby reducing the country's great dependence on expatriate personnel.

According to information available, the two objectives have been achieved to a satisfactory extent.

Most of the micro-projects are in the field of social infrastructure, it can be assumed that the access to the respective social services has been improved in the communities concerned. Comprehensive information on the impact of the programmes is not available.

##### **Sustainability**

As above

##### **Effectiveness**

An overall assessment of the contribution of the Microprojects Programmes to the objectives of rural development (social infrastructure) cannot be given until an appropriate data base is available for assessing the contribution of the interventions.

##### **Efficiency**

As above

### Overall judgement

To some extent EC interventions have contributed to crosscutting issues, but this is inherent to the sector: water is for everybody and is the basic right for the whole population. Water itself does not improve the economy nor does not provide jobs (or few) but provides the necessary basis for development.

The key crosscutting issues of gender, the environment, and HIV /AIDS can only be adequately addressed with further capacity building, especially the development of human resources, the enhancement of skills, the adoption of up-to-date thinking, and improvement of the knowledge base. This is needed in many institutions responsible for water resources management and services.

### APPENDIX: EC WATER INTERVENTIONS

#### (i) Lesotho Highlands Water Project (LHWP)

The LHWP consists of an inter-linked system of dams and tunnels, which divert water from the Senqu basin in Lesotho northwards to the Gauteng region of RSA. The project also generates hydropower at Muela dam. Following the completion of Phase 1A in 1998, which comprised the Katse and Muela dams and a system of tunnels for the transfer of 16.8 m<sup>3</sup>/sec to RSA and the generation of 72 MW electricity, the LHWP moved into Phase 1B which comprised the Mohale dam and has as its aim the transfer of an additional 11.8 m<sup>3</sup>/sec of water to RSA. Funding has been provided through:

- Lomé II (1981-85: €8,767,000) , Lomé III (1986-90: €9,625,000) , Lomé IV (1991-95: €34,000,000) NIPs (total: €52,392,000 ),
- The EIB (subsidies total €19,762,000 €3,500,000 under Lomé III and €16,262,000 under Lomé IV) and €5,000,000 as loans,
- Regional Funds (€10,000,000).

Under the two financial protocols of Lomé IV Convention, the EIB has signed commitments for a total of €77mn. The major part of these resources were made available for the financing of the LHWP, first for the hydropower component at Muela followed by funding of Phase 1B of the water component for the transfer of additional water to RSA. EIB support to Phase 1B consists of subsidised loans totalling €54mn from its own resources for the construction of the Matsoku Diversion Weir and Tunnel.

EIB also supports Phase 1B of the project under its South African lending programme with a loan of €45mn to the Trans Caledon Tunnel Authority (TCATA) for the construction of Mohale Dam. The LHWP contributes about 5% of the country's GDP.

During the implementation of the project allegations of corruption were raised against the CEO who was later dismissed and convicted. As a consequence of the conviction, legal action is being taken against a number of the companies and individuals that were mentioned during the legal proceedings.

Counterpart funds targeted at health (rural, clinics, STD/AIDS), education and rural water supply systems have successfully helped to mitigate some of the negative effects of the LHWP on the poorest sections of the population. However, the emphasis given in the LHWP on water for export from the Highlands is in contrast to the lack of action on the development of water resources and supplies for Lesotho as a whole and the western lowlands in particular. The lowlands region covers a little less than half of the country's total area but holds more than two-thirds of the population. The critical situation of the water resources in the lowlands and its effects on the well-being of the people, are apparent in increasingly unreliable supplies to existing consumers and an inability to meet the increasing demand of new consumers, especially in Maseru.

**(ii) Muela Dam**

This project is the hydropower component of the LHWP, and was financed by Lesotho as agreed in the Treaty of 24.10.1986 between GoL and RSA. The feasibility study for Muela started in 1982, the final design in 1988 and the construction in 1994. Muela Hydropower Plant became operational in September 1998. The project is complete. In the long term, the completion of the Muela hydroelectric component of the LHWP should provide a secure source of electricity to meet all the country's needs, including that of the industrial sector.

The EDF contributions to the Muela Hydropower Project were € 81,1M€ from EDF 5th, 6th & 7th that is about 35% of the total project costs. EIB's involvement in the project was in form of a Risk Capital loan of €15M€ plus an "own resources" loan of €5M€ directly to the LHDA. In addition to EDF and EIB financing further funding was sourced through bilateral grants and from local and international commercial banks. The feasibility studies revealed already a low economic rate of return: between 4.6 and 6.0% only. RSA was not interested in the component nor were important donors like World Bank and Commonwealth Development Corporation (CDC) pulled out. However, Muela was considered as a part of the strategy to reduce Lesotho's dependence on imports from RSA (electric power from ESKOM), and therefore it was decided to finance it, mainly for political reasons. Due to increase of construction costs and low energy prices in RSA, the already marginal return was further reduced to a value between 3.1 and 5.0%. Lesotho Highland Development Authority (LHDA) supplies the energy to Lesotho Electricity Corporation (LEC) as agreed, but is not able to pay the full debt service for Muela, and GoL assumes responsibility for serving the loans.

Royalties from the sale of water to South Africa, which become payable as from 1997, of about LSL 150 million per year flow to Lesotho. The royalties are deposited in an account managed by the GoL for labour-intensive and poverty-focused projects, thereby distributing the wealth in an equitable manner to the country at large.

**(iii) Six Towns Water Supply**

The project aims to improve the water supply of 6 towns in two phases (Maputsoe, Teyateyneng, Mapoteng, Roma, Morija, Quthing). In the first phase the head works (water abstraction, boreholes, well points, treatment facilities and booster pumps) were repaired or replaced. Leakages in the transport lines and distribution networks were detected and repaired. In the second stage the water supply systems will be extended to assure that the demand is met in the year 2010. The second phase aims at an extension of water resource development, treatment, storage and distribution in the six towns and the extension and new construction of wastewater treatment facilities. The population serviced in 2000 is 96,000 persons and will increase to 141,000 (5.5% of Lesotho's population) in 2010. This is an important improvement of the living conditions and will hence contribute to the alleviation of poverty in those areas. The project can be considered as a first step for a longer lasting intervention in the water and sanitation sector.

A fundamental premise of the project is to ensure both the medium-term sustainability of the water supply and its availability at an affordable price for all consumers. The latter is to be achieved by means of a water tariff policy aiming at full cost recovery with cross-subsidisation (water tariffs in the lower consumption bands being subsidised by higher rates in the higher bands). The EU has committed funding for the consultancy for the initial assessment, design, tender documentation and construction supervision. It is expected that the EU will also commit funding for the construction works.

**(iv) Lesotho Lowlands Water Feasibility Study (LLWS)**

The aim of the LLWS study is to identify long-term water resources to satisfy urban, rural and industrial demands in the Lowlands. The study should determine an optimal programme of investment in the water sectors, taking into account social and environmental considerations together with the technical and financial issues and the demands from neighbouring areas in RSA, which share the same water resources. The primary aim of the study is to determine the optimum programme of investment that will secure the medium term (2020) and long term (2035) water supply for human and industrial consumption to the urban and peri-urban population of the

Lowlands. The commencement date was January 2003 and period of performance is 18 months. Results expected are:

- Financing proposal for submission under the 9th EDF;
- Tender Dossier for the design of the proposed solution;
- Recommendations for institutional and management procedures and long-term capacity building; and
- Water sector personnel trained for implementation phase.

Again it is expected that the EU will commit further funding for the implementation of the Project.

**(v) Maseru Waste Water Feasibility Study**

The objectives of the study is to complement the programmed expansion of the WS system in Maseru with adequate wastewater collection and treatment facilities taking into account the requirements of the rapidly expanding industrial sector. The intended result is an evaluation of the existing wastewater collection and treatment, the present and future requirements and elaboration of alternative proposals for upgrading and extension of the systems. This will enable the GoL to establish an investment programme for the wastewater collection and treatment facilities for Maseru and to approach donors for financing. The activity planned is a comprehensive feasibility study, evaluating technical, social and economic aspects of the present and future facilities to respond to actual and future requirements in the wastewater collection and treatment for Maseru. The study started in September 2003.

**(vi) Micro Projects Programme**

The Micro-projects programmes implemented so far have mainly been oriented to the improvement of social infrastructure in rural areas, including some water provision. Even after two evaluations, it is still not known how effectively the programmes and projects have been carried out. Where information about successfully implemented micro-projects is available, this was at local level: some poverty reduction, human resource development through skill training, environmental protection, more access to basic education facilitated through additional classrooms built. The Micro-projects Management Unit was suspended in early December 2000 due to managerial problems and the project is being reformed and a new Management Unit has been appointed in 2001.

**(vii) TA to the Commissioner for Water**

The objectives of the TA are, inter alia, to provide technical support and advice to the Commissioner for water and LWSPU on matters related to the potable water and wastewater sectors, primarily, but not exclusively, in Lesotho Lowlands. As capacity building has been identified as a priority in the water sector improvement project (WSIP) implemented under support of WB, the TA shall endeavour transfer of knowledge and technology to the staff supporting the CoW and in particular staff of LWSPU. The problems to be addressed are the lack of technical capacity in MoNR resulting in inadequate supervision of studies and works and a lack of understanding of technical aspects of the water resource assessment and development. The duration of the TA is for a period of 36 months and started in November 2003.



**6. EQ To what extent have the Commissions interventions helped to increase capacity to address and mainstream the HIV/AIDS pandemic?**

*JC 6.1: The GoL is demonstrating a commitment to address the HIV/AIDS pandemic*

**Institutional background**

Throughout the end of the 1980s and 1990s the national response to the growing HIV/AIDS epidemic in Lesotho struggled to achieve a common approach and co-ordinated activities at all levels. Short and medium term plans for addressing HIV/AIDS were prepared by the Ministry of Health and Social Welfare (MOHSW) based on their National AIDS Prevention and Control Programme (1987) but these were ineffective in generating a coherent, in-depth response to the problems. In general there was a slowness by GoL and other key stakeholders to recognise the HIV/AIDS epidemic as more than a health issue.

In the last 3-4 years some significant steps forward have been made:

- The adoption of a Health Sector Reform Programme (HSRP) in 2000, of which one of the key aspects has been to develop the capacity of the public sector to implement a multi-sectoral approach to addressing HIV/AIDS;
- A MOHSW AIDS Epidemiology study in 2000;
- The National Policy Framework on HIV/AIDS Prevention, Control and Management (2000);
- The production and adoption of the National AIDS Strategic Plan (NASP), 2000, a rolling three-year plan covering many areas of prevention, treatment, care and support and capacity building;
- Establishment of the National AIDS Committee (NAC) to advise, endorse and guide the initiatives implemented under the NASP;
- Establishment of the Lesotho AIDS Programming and Co-ordination Authority (LAPCA) in the Prime Minister's office to act as a secretariat for the NAC, to initiate, co-ordinate and drive a multi-sectoral, multi-stakeholder response to HIV/AIDS in line with the NASP;
- Establishment of national level task forces in different sectors and a district network of task forces;
- Decision by the GoL for each government Ministry to allocate 2% of its annual budget to addressing HIV/AIDS, and prepare policies and programmes to implement activities using that money; and
- Achievement of Global Fund for AIDS, Tuberculosis and Malaria (GFATM) support of USD 35 million (\$29.3million for AIDS, \$5 million for tuberculosis and \$1million for HIV/tuberculosis) for a wide range of prevention, treatment, care and support and capacity building activities, and establishment of a country co-ordinating mechanism (CCM) to assess proposals, make funding decisions and co-ordinate activities.

Despite these actions to establish a structure to address HIV/AIDS in an integrated manner, some key constraints have arisen.

Firstly, LAPCA's legal status does not empower the organisation to deliver on its' mandate. It was supposed to be established as a semi autonomous body from GoL but in reality has been given little capacity to make independent decisions. LAPCA has had trouble in filling vacant positions and has struggled to define and promote its identity and role. Thus it has made slow progress in generating an integrated response to HIV/AIDS.

Secondly in the institutional context, there are a large number of national and sub-national structures and bodies set up to co-ordinate and manage HIV/AIDS activities. This has not assisted the effective co-ordination of activities.

Thirdly the National AIDS Strategic Plan has a very ambitious scope and timelines which have not presented a realistic approach to encourage stakeholders to develop initiatives at a pace matching the seriousness of the epidemic, either within Government departments or in other organisations. No performance assessment has been done of the NASP, so the revised prioritisation of activities in line with new developments and commitments has not occurred.

Positive steps were made in October 2003 when the UN Expanded Theme Group on HIV/AIDS<sup>60</sup> produced a document entitled *Turning a Crisis into an Opportunity – Strategies for Scaling Up the Fight Against HIV/AIDS in Lesotho*, which was immediately adopted by the GoL as an official working document. Based on its recommendations, the GoL confirmed their intention to establish a National AIDS Commission (NAC) with representation from all stakeholder groups, to re-define LAPCA as its secretariat, to be called the National AIDS Secretariat (NAS), and to develop legislation to enable the effective operation of both the NAC and NAS.

To date no progress has been made since October on these issues but the effect of the *Scaling Up* publication appears to have reinvigorated the will to address the problem<sup>61</sup>

## Indicators

### 6.1.1 HIV/AIDS Infection, maternal transmissions and mortality rates by region

#### Infection rates

Infection rate data on the population of Lesotho is very limited. Some general national and regional *prevalence* and other data are available from MOHSW sentinel surveys on antenatal clinics and STI clinics and other surveys which indicate the following:

- A total of 330,000 *adults* are now estimated to be living with HIV/AIDS – this is around 15% of the *total* population. Figures indicate an increase in HIV prevalence from 4% of 15-49 year olds in 1993 to 31% in 2002<sup>62</sup>. The majority of Basotho infected with HIV/AIDS are in the 15-49 age group.<sup>63</sup>
- Regional sentinel survey data indicates a higher HIV/AIDS prevalence in urban areas with a fast historic growth rate, lower prevalence in rural areas with a delayed, slower growth rate; and a mid-way situation for peri-urban areas. The table below indicates the trends.
- Certain social groups – children, girls, women, youth, migrants and people already infected with STIs are more at risk of being infected with HIV.
- Awareness levels on HIV/AIDS and infection are not yet conducive to reducing infection rates. A recent reproductive health survey carried out by the MOHSW in 2002<sup>64</sup> indicated low levels of condom use (33.2% male condom, 1.3% female condom), optimism on chances of NOT being infected by HIV (36.8% of respondents said there was no risk, and 19.3% claimed small risk), and low understanding of how condoms can protect against HIV (73.9% of urban males and 68.7% of urban females responded that correct use of a condom would have no effect).

**Table: 6.1 HIV Prevalence for 15-49 Year Olds (based on females attending ante-natal clinics), and HIV prevalence for STI patients**

Site	1991		1992		1993		1994		1996		2000	
	15-49 yrs	STI patient	15-49 yrs	STI patient	15-49 yrs	STI patient	15-49 yrs	STI patient	15-49 yrs	STI patient	15-49 yrs	STI patient
Maseru (Urban)	5.5	5.8	5.1	13.3	6.1	11.1	31.3	n/a	20.6	39.2	42.2	65.2
Mafeteng (P-urban)	3.5	7.1	5.0	11.3	4.0	15.2	10.8	48.3	34.8	34.9	18.98	50.9
Leribe (P-Urban)	2.2	4.8	1.8	9.5	11.4	16.2	8.7	21.0	29.3	63.5	26.03	47.7
Quthing (Rural)	0.7	n/a	8.4	11.7	3.4	12.3	9.1	30.7	15.8	38.3	22.81	46.6
Maluti (Rural)	1.8	5.1	1.4	14.9	4.2	21.3	5.0	30.3	21.3	58.9	19.04	49.0
Mokhotlong (Rural)		Na		Na		Na		na		na	12.29	39.4

*Source:* GoL/UNAIDS. Strategies for Scaling Up the National response to the HIV/AIDS pandemic in Lesotho, 2003

<sup>60</sup> Consisting of Government, donor, NGO and civil society representatives

<sup>61</sup> Interviews with stakeholders in March 2004 around the time of the official launch of the document.

<sup>62</sup> GoL/UNDP 2003

<sup>63</sup> GoL/UNAIDS Strategies for Scaling Up the National response to the HIV/AIDS pandemic in Lesotho

<sup>64</sup> Information drawn from the GoL website. Some other studies show slightly higher levels of awareness

It is clear from the figures that throughout the 1990s to 2000 there was an increasing rate of infection<sup>65</sup> in Lesotho amongst the working age population, in all districts, and that some societal groups have been experiencing a faster rate of infection than others. A recent Impact Assessment carried out by the Ministry of Education and Training (MOET) (2004, draft), estimates that the *absolute number of people infected* will continue to grow until 2008/9 and will then slow, but only stabilise in 2010 (at around 420,000 for a high prevalence scenario and 375,000 for a low prevalence scenario).

Although some surveys in the last 2 years still indicate a low level of awareness about HIV/AIDS, the situation may have some chance of improving over the next 2-3 years due to the extensive (though not yet co-ordinated) level of activity by all stakeholders in awareness raising and other preventive actions. *Infection rate* data in the next 2-3 years may then begin to show a decline. One key statistic is that reported AIDS cases and new infections amongst those aged 5-14 are very low<sup>66</sup>; this is the key age group for future opportunity to reduce future infection rates.

### Maternal Transmission Rates

Maternal transmission rates are not yet available from the MOHSW, however the following information from other sources gives some indication of the underlying trends:

- UNAIDS estimated that by the end of 2002 55% of the 330,000 adults living with HIV/AIDS were women. In 2001 55% of the new cases reported were also from women<sup>67</sup>, therefore the infection rate amongst women has, at least historically, been higher than for men;
- Nearly 10% of all new HIV/AIDS cases in 2001 were among children under 4 years of age who had contracted it through mother to child transmission (MTCT)<sup>68</sup>. Perinatal transmission rates and percentage of children dying in the first year of life which is attributable to AIDS have not yet been calculated by the Ministry of Health and Social Welfare (MOHSW)
- Women are reportedly **4 times** as likely to be infected as men in early reproductive ages 15-19 and 1/8 of girls in this group have ever been pregnant<sup>69</sup>.
- Reproductive-age women in Lesotho are increasingly opting for migrant labour positions, either over the border in South Africa or from rural to urban areas, which raises their risk of infection. LAPCA<sup>70</sup> estimated in 2002 that up to 35,000 female workers are working in the clothing and textile industry, living away from home.
- The cultural situation of women in Lesotho is such that they are still in many cases obliged to submit to their partners for sex regardless of access to condoms and this does not enable them to control the risk of infection.

Overall, Family Health International (2003) estimates that 20% of all lactating mothers are HIV positive meaning that each year 2,000-3,000 children are born HIV positive (assuming a sub-Saharan Africa average MTCT rate of 1/3) or contract the virus through breastfeeding.<sup>71</sup>

### Mortality Rates

Deaths as a result of HIV/AIDS in Lesotho have been consistently under-reported and reliable data on mortality rates is not available.

What is clear is that in contrast to the previously predicted trends, life expectancy has declined from 55 years average in 1986 to 49 years in 2001. It is difficult to attribute the impact that HIV/AIDS has had on this figure, but the influence of AIDS-related deaths is significant. For example, TB incidence more than doubled between 1993 and 2000, and the TB death rate increased by almost one third over the same period. It is estimated that in 2002, 54% of all

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<sup>65</sup> The prevalence of HIV is the total number of people estimated to have HIV in a population. The infection rate is the number of new people being infected over a given period.

<sup>66</sup> GoL/UNAIDS Strategies for Scaling Up the National response to the HIV/AIDS pandemic in Lesotho, 2003

<sup>67</sup> GoL/UNAIDS Strategies for Scaling Up the National response to the HIV/AIDS pandemic in Lesotho, 2003.

<sup>68</sup> GoL/UNAIDS Strategies for Scaling Up the National response to the HIV/AIDS pandemic in Lesotho, 2003

<sup>69</sup> Ministry of Education & Training Impact Assessment of HIV/AIDS on the Education Sector, 2004 (draft), drawing on info from the Lesotho Demographic Health Survey, 2001

<sup>70</sup> Information drawn from Review of HIV/AIDS-Related Initiatives and Activities in Lesotho, SFAIDS, 2002

<sup>71</sup> Information drawn from the same source as footnote 10

incidents of TB in ages 15-49 years and 68% of TB deaths were related to the fact that the patients also had HIV/AIDS and were therefore less responsive to treatment.<sup>72</sup>

The delays between infection and development of the illness mean that the number of HIV/AIDS related deaths will increase over the next few years (the recent MOET study estimates that the AIDS death rate will continue to grow, peaking after overall HIV prevalence peaks, in around 2010).

Mortality patterns are expected to reflect the general prevalence trends of the pandemic in Lesotho with the biggest number of deaths in the 20-45 age group, peaking at 40-45, and thus reflecting a typical mortality pattern previously associated with 70 year olds<sup>73</sup>.

### **6.1.2 Percentage (extent) of population access to HIV/AIDS prevention and treatment services**

There is a range of care and support activities operating nationwide through GoL and The Christian Health Association of Lesotho (CHAL), local and international NGOs, church organisations, community-based groups and individual support.

Although there are almost no precise figures on access, the following points on the existing situation and trends provide an overview of the general extent of population access to HIV/AIDS prevention and treatment services:

- The majority of HIV/AIDS related initiatives to date (81% of GoL activities and 61% of all activities carried out by all organisations/stakeholders)<sup>74</sup> have focused on prevention through awareness raising, communication, promotion of behaviour change, and condom distribution. Only 17% of all activities country-wide are concerned with treatment and care, 11% with capacity building, 8% with mitigation of social impact and 3% with reducing vulnerability. Most organisations involved in the follow-up activities after testing say they need to improve their expertise to better deliver such services.<sup>75</sup>
- Activities on prevention, and to a lesser extent counselling have been started in almost all GoL Ministries following the Government decision in 2001 to require each Ministry to allocate 2% of its annual budget to fighting the HIV/AIDS pandemic. A recent decision by the GoL to introduce VCT in all Ministries may increase access by GoL staff at least, to this testing service<sup>76</sup>. In addition the Ministry of Defence has been operating a prevention, care and support system for all staff since 2002<sup>77</sup>.
- The overall knowledge of HIV/AIDS has increased as a result of awareness campaigns but behavioural change is not yet showing any significant changes. For example the use of condoms has not yet increased significantly altered in spite of them becoming widely available<sup>78</sup>.
- STI clinic services are an important source of access to HIV/AIDS testing, and knowledge but the facilities are inadequate for the demand.<sup>79</sup>
- Voluntary Counselling and Testing (VCT) provision nationwide is limited – some is provided by the GoL and CHAL facilities, and civil society organisations are also providing these services through their existing health facilities, or through specially designed programmes. Data on the percentage of population with access to these services is very limited. Undated but recent information from the MOHSW AIDS Surveillance Programmes' monthly data returns indicates a total of 2,266 accessing HIV/AIDS testing at the health facilities country-

<sup>72</sup> Information drawn from the GoL/UNAIDS publication Strategies for Scaling Up the National response to the HIV/AIDS pandemic in Lesotho, 2003.

<sup>73</sup> MOET Impact Assessment of HIV/AIDS on the Education Sector, 2004 (draft).

<sup>74</sup> GoL/UNAIDS Strategies for Scaling Up the National response to the HIV/AIDS pandemic in Lesotho, 2003.

<sup>75</sup> Table and summary presented from Ntlaflanang Consultants' Needs Assessment, in Review of HIV/AIDS-Related Initiatives and Activities in Lesotho, SAfAIDS, 2002.

<sup>76</sup> Consultation with UNDP.

<sup>77</sup> Review of HIV/AIDS-Related Initiatives and Activities in Lesotho, SAfAIDS, 2002.

<sup>78</sup> LPPA Situational Assessment for Establishing VCT Services, Oct 2003.

<sup>79</sup> Survey carried out for LPPA in 2003 to assist the establishment of their new facilities.

wide – if this is extrapolated to give an annual figure of 27,196 this *represents 1.24% of the total population*. Obviously there are other service facilities being provided by the private and civil society sector which people are accessing, and this data may in part reflect a reluctance of the population to come forward for testing, but it also still contributes to the picture of limited access to services if taken alongside the indicators of health sector facilities' workload below. There are only an estimated 1,000 counsellors in Lesotho.

- PMTCT services were launched in 2003 and are being piloted in four government and CHAL hospitals nationwide.
- Access to ARVs is very limited due to their high cost. MOHSW has been providing ARVs to healthcare workers in two facilities. Only private clinics and one facility at Maluti Hospital have CD-4 count and viral load machines.
- Some MOHSW-run services are available at 4 Queen Elizabeth II Clinics and at the STD clinic in Maseru, and primary health facilities at district level are able to provide a very limited level of care. CHAL currently runs 70 health centres and 8 hospitals in Lesotho providing VCT, treatment of opportunistic infections, psychosocial support, home-based care, and advice. The latest Annual Joint Review of the Health Sector Reform (Nov 2003) reports serious under capacity of staff for all health facilities in relation to the numbers requiring treatment<sup>80</sup>.
- Only 26 facilities are listed nationwide by UNDP as providing any type of treatment for STIs, HIV/AIDS related care and VCT.<sup>81</sup> Each facility has a potential constituency of 84,615 people and within that constituency, 15% or 12,692 people may have HIV/AIDS (assuming a figure of 15% for the whole population rather than the 31% figure or the adult population). In reality though, the public-sector or CHAL facilities will be far more in demand than the small private facilities creating an uneven load.
- The affordability of healthcare, including HIV/AIDS services is a key inhibitor to access for much of the population, particularly in rural areas which are mainly serviced by CHAL who charge slightly higher fees than MOHSW, and where greater travel costs may be required to reach the dispersed facilities. This problem was identified during the preparation of the HSRP in 1999-2000 and has not yet been resolved<sup>82</sup>.
- Overall, access to services is better for GoL staff, those who can afford to pay for private provision, and those that live in the main urban centres.

The table below indicates the current levels of expenditure per person (excluding NGOs operating on grants and private sector) on HIV/AIDS in Lesotho and gives a general impression of limited financial resource availability for HIV/AIDS.

**Table 6.2: Expenditure on HIV/AIDS**

Organisations	2002-2003
GoL 2% allocation to HIV/AIDS	Around €3 euro per person <sup>83</sup>
MOHSW total expenditure 2002/03 for all cost centres, including donor funding of 21%, all for capital expenses	Around €15 per person <sup>84</sup> .
MOHSW actual recurrent expenditure on HIV/AIDS 2002/03	Around 176,716 against a planned allocation of around €320,607, around €0.08 per person

<sup>80</sup> All facilities visited in the review reported that they serve between 200-300 patients per day, with one or two doctors to resource that demand

<sup>81</sup> UNDP booklet, 2004

<sup>82</sup> MOHSW Health Sector Reform Programme document, 2000, and Review of HIV/AIDS Related Initiatives and Activities in Lesotho, SAfAIDS, 2002

<sup>83</sup> It should be noted that some Ministries have faced difficulties in spending the full 2%. And the MOHSW spending allocations were not fully utilised either.

<sup>84</sup> Not possible to totally separate out AIDS expenditure because of the cross-over between various aspects of treatment and care. Info drawn from AJR of Health Sector Reform, Nov 2003

### 6.1.3. Extent and effectiveness of national HIV/AIDS strategy

#### Extent of strategy

**NASP:** The first national strategy for HIV/AIDS was the NASP of 2000. The strategy has 9 strategic aims concerned with halting the spread of HIV/AIDS and improving access to HIV/AIDS related services and 9 strategic objectives concerned with how the strategy will be implemented (see table below). The strategy is addressed at all stakeholders and sets out a multi-sectoral structure for implementing programmes with defined responsibilities for the key organisations at national and district level. The NASP is due to expire this year (2004) and is planned to be reviewed 4<sup>th</sup> quarter of 2004, led by the new NAC and its secretariat (not yet in place).

The NASP has been partially overtaken by other more recent documents and plans trying to address the problem of HIV/AIDS in Lesotho. This has meant that NASP has not acted as an effective driver of policy, programmes and initiatives either at government level or among other stakeholders. There are now a range of other documents, two of the most significant of which are listed below, which aim to address HIV/AIDS in a strategic manner at a national level. This in itself is an indication of the lack of confidence in the NASP as a comprehensive strategy.

**GoL working policy document** – the GoL/UNAIDS publication *Strategies for Scaling Up the National Response to the HIV/AIDS Pandemic in Lesotho*, 2003. This document has been officially adopted as a working policy document for the GoL on addressing the HIV/AIDS pandemic. No concrete action has yet occurred to transform this into Government policy, but the document is already being used as a basis for action by many stakeholders. For example its content has been used in the PRSP.

**The Poverty Reduction Strategy Paper (PRSP)** – The latest version (March 2004) sets out the combating HIV/AIDS as the over-riding priority of the GoL. The PRSP integrates HIV/AIDS considerations into other sectoral and crosscutting priorities. A prioritised implementation matrix lists the key groups of actions to be implemented to scale up the fight against HIV/AIDS.

Neither of these documents are specific HIV/AIDS strategies and the need for a revised integrated, in-depth national strategy on HIV/AIDS is now urgent in order to enable operation of programmes that reflect new priorities, including the Global Fund for AIDS, Tuberculosis and Malaria (GFATM). Lesotho is also party to the **SADC HIV/AIDS Strategic Framework 2003-2007 ad Plan of Action**. To date it is unclear how active Lesotho has been in developing or getting involved in actions under this framework.

#### Effectiveness of strategy

It has been difficult to assess the true effectiveness of the NASP due to the poor availability of appropriate data. Table 6.3 summarises some of the key milestones/activities/targets of the current NASP and progress and developments against them.

**Table 6.3: Progress Against Targets of the NASP**

<b>Milestone/Activity// Targets of the NASP</b>	<b>Date</b>	<b>Progress/Development</b>
National AIDS Strategic Plan (NASP)	Nov 2000	<ul style="list-style-type: none"> <li>The NASP covers 2000-2004, and is a rolling plan; an update is now due 4th quarter 2004.</li> <li>The NASP outlines the strategic aims of a National AIDS Programme (NAP) and covers many areas of prevention, treatment, care and support and co-ordination and capacity building for implementation and is very ambitious in scope and timelines</li> <li>No evidence of measurement against the performance indicators</li> <li>No evidence was found by the evaluators of a documented National AIDS Programme setting out the detail of how to achieve the NASP</li> </ul>
National AIDS Programme		<ul style="list-style-type: none"> <li>This was planned but to date has not been developed.</li> </ul>
National Policy Framework on AIDS Prevention, Control and Management	2000	<ul style="list-style-type: none"> <li>This was created to act as a policy framework for the NASP but has not to date acted as such, and is not routinely referred to</li> </ul>
National AIDS Committee National AIDS Commission	2001 2004	<ul style="list-style-type: none"> <li>Established to advise, endorse and guide the LAPCA programme, engender support of all stakeholders, and ensure compliance with the NASP.</li> <li>Due to the problems with LAPCA (see below), a new <b>National AIDS Commission</b> is due to be established, containing Commissioners from 5 constituencies – women, PLWHA, faith based organisations, youth and the private sector</li> </ul>
Establishment & operation of LAPCA	2001	<ul style="list-style-type: none"> <li>Remit to act as a Secretariat for the NAC and to initiate, co-ordinate and drive a multi-sectoral, multi-stakeholder response to HIV/AIDS in line with the NASP.</li> <li>Long delays in achieving full operational capacity</li> <li>No formal legal mandate and limited institutional context to enable it to act as a co-ordinating body</li> <li>Problems in perception of what LAPCA should do by many stakeholders who incorrectly viewed it as an implementing body</li> <li>LAPCA still exists but is not operating at full capacity whilst its new role is being defined. It is now planned that it will act as a Secretariat for the new NAC and be called the National AIDS Secretariat (NAS)</li> </ul>
Establishment of a Multi-Sectoral Task Force(MSTF)	2001	<ul style="list-style-type: none"> <li>Comprises focal points/representatives from all GoL Ministries as well as NGOs and other actors, with the task of facilitating a decentralised, multi-sectoral response. It has three theme-groups in Prevention (led by MOET), Rehabilitation (led by Min of Agriculture) and Care and Support (led by MOHSW)</li> <li>MSTF continues to meet regularly and has been important to supporting general functioning of LAPCA</li> </ul>
MOHSW Health AIDS Programme	2002	<ul style="list-style-type: none"> <li>The re-naming of their National Aids Prevention and Control Programme occurred in 2002 to the Health AIDS Programme with the objectives of providing co-ordination to a reinforced health sector response to HIV/AIDS using a framework focusing on: 1) prevention and health promotion; 2) care and treatment 3) standards and systems and 4) informed policy and strategy development.</li> <li>This programme is now regularly reviewed and produces work plans against which performance is measured</li> </ul>
National AIDS Task Force	2001	<ul style="list-style-type: none"> <li>Comprises PS's committee, heads of multilateral and bilateral agencies, NGO and private sector leadership.</li> <li>Instrumental in establishing the National AIDS Policy and Strategic Plan but now not very active on a general level</li> <li>Responsible for acting as the CCM for Global Fund programme</li> </ul>

**Table 6.3: Progress Against Targets of the NASP (cont.)**

District AIDS Task Forces	2001, based on AIDS committees est. 1992	<ul style="list-style-type: none"> <li>Established in each district with terms of reference and structure</li> <li>Not all functioning as planned, due partly to funding constraints – they are reliant on funds transmitted from LAPCA which are subject to long delays, and partly to limited staff capacities and understanding of their role; the recent study into HIV/AIDS activities in Lesotho (2002) found that DATFs were not clear on each of their members roles and responsibilities</li> </ul>
Other district level support structures		<ul style="list-style-type: none"> <li>Very slow to be established</li> </ul>
Budgetary allocations of 2% from each Ministry to HIV/AIDS activities	Agreed 2001	<ul style="list-style-type: none"> <li>The financial allocations have been agreed and in 2002, this meant in theory an estimated LSL 53.2mn was available (€6.9 million). There have been problems in accessing this money from the MoFDP and in planning and using it, particularly at district level<sup>85</sup></li> <li>Progress on introducing policy, focal points, staff, and activities has been variable; e.g. the Ministry of Agriculture have been quite active in sourcing funds from DFID and developing a range of nutrition-based care and support activities, whereas the Ministry of Finance and Development Planning's activities have been limited to condom distribution<sup>86</sup>. Those Ministries charged with chairing a theme group generally had greater imperative to develop more comprehensive programmes and act against them (Min of Agriculture, MOET and inevitably MOHSW).</li> <li>The emphasis to date is very much on awareness raising and condom distribution and many activities are centrally focused.</li> <li>The foreword by the Prime Minister in the GoL/UNAIDS Scaling Up document indicates that 2% allocation is insufficient for the scale of work to be done.</li> </ul>
<p>The 9 strategic aims of the Plan:</p> <ol style="list-style-type: none"> <li>1) HIV/AIDS Seroprevalence reduced by 5% by March 2003</li> <li>2) Rate of delayed sexual activities by adolescents increased 30% by March 2003</li> <li>3) Condom usage increased by 50% p.a.</li> <li>4) 100% coverage of PLWHAs thro' support, counselling &amp; care by March 2003</li> <li>5) 50% of AIDS orphans cared for by March 2003</li> <li>6) Spread of HIV/AIDS in 15-49 yr olds reduce from current 10% per annum to 5% by March 2003</li> <li>7) Positive attitudinal &amp; behavioural change to multiple sexual partners increased by 5% by March 2003</li> <li>8) Gender sensitive policy in place by Dec 2000 and enacted by 2003</li> <li>9) Baseline study/update survey conducted by Dec 2001</li> </ol>	Endorsed Nov 2000	<ul style="list-style-type: none"> <li>Problems in measuring progress against the aims due to limited baselines and difficulty in measuring extremely generalised aims (such as 50% of orphans "cared for" by March 2003).</li> <li>Recent GoL recognition of the problems<sup>87</sup> in measuring progress against the strategic aims is to be partially addressed by new studies, including the 2003 sentinel survey</li> <li>Based on evaluators' review of documents and on information gained from stakeholder interviews, it can be tentatively stated that: <ul style="list-style-type: none"> <li>Aim 3 – recent surveys on behaviour including the GoL one stated above indicate that this is highly unlikely to have been achieved but this is not proven</li> <li>Aim 4– no recent data gives any indication that this has been achieved</li> <li>Aim 9 - One behavioural surveillance survey was done in 2002 by FHI and could be interpreted as achievement of this aim.</li> </ul> </li> <li>The achievement of the other aims is impossible to determine at this stage given the data limitations.</li> </ul>

<sup>85</sup> Drawn from Review of HIV/AIDS-Related Initiatives and Activities in Lesotho, SAfAIDS, 2002

<sup>86</sup> Drawn from Review of HIV/AIDS-Related Initiatives and Activities in Lesotho, SAfAIDS, 2002

<sup>87</sup> According to the Ministry of Education & Training Impact Assessment of HIV/AIDS on the Education Sector, 2004 (draft)



**Table 6.3: Progress Against Targets of the NASP (cont.)**

<p>The 9 strategic objectives of the Plan:</p> <p>1) Establish structures for effective co-ordination of the National AIDS Programme</p> <p>2) Mobilise adequate resources for the Programme</p> <p>3) Significantly strengthen information education and communication (IEC) programmes</p> <p>4) Provide support to infected and affected with a view to significantly mitigating the impact of the epidemic</p> <p>5) Involve youth in all AIDS programmes</p> <p>6) Drastically reduce high rate of STDs</p> <p>7) Intensify surveillance and testing on HIV/AIDS</p> <p>8) Regularly monitor and periodically evaluate the NAP</p> <p>9) Conduct baseline study/update info on strategic aims</p>	<p>Endorsed Nov 2000</p>	<ul style="list-style-type: none"> <li>• Obj 1 – Many structures have been established but not all are operational, communication between them is variable and co-ordination is of mixed quality. This has led to serious delays in all activities.</li> <li>• Obj 2 – A big achievement of the GoL and LAPCA has been to secure USD30 million from the Global Fund at the end of 2003 to address core elements of the NASP. Mobilisation of these financial resources and conversion into activities is however delayed. .</li> <li>• Donor funding is being mobilised on a regular basis and appears to have responded a little to the existence of a strategy (for example DCI’s support to LAPCA, DFID’s support to the Ministry of Agriculture in developing programmes on AIDS), however recent difficulties in the co-ordination of activities have led to a halt in release of funds from some donors (e.g DCI)</li> <li>• Other civil society activities have continued over the period 1996-to date but much of this has been operating in isolation from GoL-driven strategy; it has also been difficult, especially for smaller NGOs and CBOs to access either GoL or donor funds because of complex proposal requirements, slow funding decision-making and a lot of the funding mobilisation through NGOs has been focused in Maseru.</li> <li>• Obj 3 – The majority of Lesotho’s current response to the pandemic has been on the prevention side, including a range of IEC activities. 13 of the 17 Ministries had implemented IEC-type activities as of 2002, and at least 24 multilateral donors, bilateral donors and civil society organisations are involved<sup>88</sup> in prevention activities including IEC campaigns. Private sector activity on this level also appears to have increased in the last 3 years with a few significant players including the textiles industry, TEBA<sup>89</sup>. The condition of IEC programmes nationally have however been described as weak in their peer education<sup>90</sup></li> <li>• Obj 4 – This appears to have increased over the period 1996 to date but absolute figures difficult to obtain given the huge range of actors</li> <li>• Obj 5 – Youth are being involved in a number of AIDS programmes, but not all of them and there is a heavy focus on activities in Maseru</li> <li>• Obj 6 – There is no conclusive evidence either way but indications from evaluators’ review of documents and on information gained from stakeholder interviews, are that this has not been achieved.</li> <li>• Obj 7 –. Progress on both has been very slow.</li> <li>• Obj 8 – According to confidential stakeholder information a regular monitoring and evaluation process has never happened</li> <li>• Obj 9 – One “baseline” has been conducted by FHI. Updated information on strategic aims does not appear to have been formally prepared within a revised strategy.</li> </ul>
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#### 6.1.4 Evidence of steps towards implementation of an integrated health information system

The GoL has experienced health information problems throughout the period of this evaluation, evidenced by the poor availability of appropriate and reliable data on all aspects of health service delivery and health status.

The MOHSW is the main body responsible for managing statistics on health service delivery and health status, through its Health Planning and Statistics Unit (HPSU). It also draws on some data from the Bureau of Statistics and other *ad hoc* sources for key events.

The key problems faced in this area include<sup>91</sup>:

- Highly centralised data analysis and publication;

<sup>88</sup> Drawn from Review of HIV/AIDS-Related Initiatives and Activities in Lesotho, SAfAIDS, 2002

<sup>89</sup> Information from stakeholder interviews

<sup>90</sup> GoL/UNAIDS Strategies for Scaling Up the National response to the HIV/AIDS pandemic in Lesotho, 2003

<sup>91</sup> HMIS Strategic Plan 2002-2008 Draft 0

- Low capacity to deal with data at local level due to lack of relevant skills either in collection or supervision, staff not being full time on this activity, not being fully informed on the importance and use of data, and not receiving feedback on the results;
- Duplication of data collection systems, inappropriate data set collection, processing and software;
- Limited use of data by MOHSW management at all levels; and
- Unclear organisational structures, functions and co-ordination and low accountability for reporting.

The GoL's Health Sector Reform Programme for 2000-2009 included as one of the first activities, a baseline study which underlined some of the main health information problems faced by the sector. The subsequently designed components of the HSRP include specific activities aiming to achieve an integrated health information system.

To date the following key steps have been made towards an integrated health information system:

- 1) A health management and information system strategy 2004-2008 has been prepared which outlines key objectives for: decentralisation of the data management system; streamlining of critical indicators for routine capture at all levels; mobilisation and development of critical mass of trained personnel, resources and equipment for data management at all levels; and development and implementation of a data dissemination strategy that meets the needs of all data users.
- 2) A monitoring and evaluation unit has been established (with EC support) in the HPSU to help build a sustained capacity to assess progress, measure performance, track use of resources and demonstrate impact of reforms. The aims of this component have been to revitalise the Health Management Information System (HMIS) and develop an M&E infrastructure for the MOHSW, leading to a vibrant data system to support M&E of the HSR<sup>92</sup>. To date the unit has achieved the following:
  - a. Processing of data backlog 1998-2002;
  - b. Health Management Information System (HMIS) and Information, Communication and Technology (ICT) policies and strategic plans developed;
  - c. Reorganisation and upgrading of data collection instruments and reporting systems;
  - d. Defined organisational structure for HMIS with the main goal of transforming districts to data management hubs; and
  - e. Development of M&E infrastructure – support to quarterly monitoring of Health Sector Reform (HSR), and Joint Annual Reviews of HSR, definition of core performance indicators for HSR and commencement of work on baseline values for the indicators including a Demographic and Health Survey (2003-04) and development of an M&E policy and strategic plan
- 3) Piloting of district level data management will start from 2004 in three districts
- 4) Regarding **financial information**, budget procedures have been standardised, and monthly expenditure reports have been produced by all cost centres since the beginning of FY 2003/04. However these are not yet able to be used effectively to make management decisions as the established Financial Management Committee is not meeting regularly enough, and centralised budget management and disbursement through the Ministry of Finance is limiting effective reporting and decision-making.
- 5) **Pharmaceutical information** -A number of operational guidelines and legislative changes have been prepared to allow a common approach to drug management and drug information management; and are awaiting approval by Cabinet. To date, progress in drug information management in HSAs and Districts is progressing slowly and is still only in the pilot stages of a common, integrated approach.
- 6) **Information on partnerships with MOHSW** - Progress has been made in this area since 2000 through the use of joint monitoring, and Annual Joint Reviews of all activities. They

<sup>92</sup> Annual Work Programme and Cost Estimates 2004/05, Support to Health Sector Reform Component 1 M&E, STAKES, Feb 2004 (draft)

have increased in scope and depth of information over the last 3-4 years. Financial transparency has been assisted by the decision of four key donors to put their funding directly through the Project Accounts Unit. A working committee between Lesotho and South Africa has been revived and a draft MOU signed for information sharing and possible service provision, so there are prospects for improved information on cross border disease surveillance and epidemiology and of other key indicators. Some progress has been made in the partnership with CHAL which has led to a common reporting format on data.

- 7) **Studies**– a very large amount of study work has been completed to help inform appropriate health sector reform including the development of integrated health information systems<sup>93</sup>. The results of these studies have not been used consistently and quickly to push forward reform.

A lot of preparation work in terms of strategic planning, policy, systems and guidelines has been done in the last 3-4 years, this is in line with the aims of the HSRP, which characterises the first 3-4 years of the ten year programme for preparation. The following constraints still exist<sup>94</sup>:

- Although significant steps have been made there is no real sense of a cohesive health information system with co-ordination and communication between different departments;
- The extent of integrated health information between districts, facilities and national level is still limited;
- District level capacity in integrated health information is very low and the staff shortages and capacity problems at this level are not yet being resolved;
- The effective operation of an integrated health information system to some extent relies on the completion of decentralisation, both of the MOHSW operations and those of local government. Progress in developing capacity at district level in data collection and management has been limited by delays in decision-making on health administrative boundaries. At the end of 2003 a decision was made to adopt the district boundary system, which will embrace the District Health Team approach, so progress is now possible. Finalisation of detailed operational plans for overall government decentralisation is still in the consensus-building stage although the phases over the next 12 years have now been approved by Cabinet. Role definition between local government and MOHSW staff at district level is not finalised.
- The partnership with CHAL and MOHSW has not been finalised at local level and this will impact on ability to roll out data management programmes.

#### **6.1.5. Existence of an operational health sector reform policy**

Since 2000 the GoL, chiefly through the MOHSW, has been using the 10-year Health Sector Reform Programme as the policy basis for most of its health reform activities. An operational health sector reform “policy” is therefore in place, though it is not officially backed by a formal policy document.

The HSRP outlines 10 key areas of focus, covering policy and institutional development, financing and financial management, social welfare, human resource development and management, pharmaceuticals, infrastructure development and maintenance, response to HIV/AIDS, partnership co-ordination, and monitoring and evaluation. Cutting across all these areas is the aim to achieve decentralisation in the sector to facilitate more effectively the management of resources and responsiveness to needs at all levels of the health system.

Phase one of the Programme has just finished (2003) and was focused on setting a basis for implementation of reform, including generating baseline information, setting up management systems in order to create policies, guidelines and protocols. The second phase is the implementation phase which is just starting (2004), so to some extent full operation of a policy is not yet ready to happen.

<sup>93</sup> Including: 1) The Health Study 2002 assessing infrastructure needs 2) Pharmaceuticals Study 2001 outlining issues relating to drug management distribution and use, 3) Personnel census in 2003, 4) the Health Centre Rationalisation Study and the QEII economic analysis study in 2002,

<sup>94</sup> Based on confidential stakeholder consultation and information in the AJR of Health Service Reform Nov 2003

An annual joint review of health sector reform was carried out in November 2003<sup>95</sup> and sets out key areas of progress and constraints, therefore revealing the extent to which reform is operational at different levels. The following information from that study is noteworthy regarding the extent of an operational policy:

- A range of sub-sectoral policies, treatment protocols and guidelines have been developed in draft form and are awaiting final endorsement; as of the end of 2003, only the Social Welfare Policy was completed and approved by Cabinet. But it is not ready to start implementation as a strategic plan as implementation guidelines have not been completed.
- Key management tools, the National Health Policy and the Sector Strategic Plan have been drafted but have not been finalised<sup>96</sup>. The absence of these tools has led to a fragmented development of policies and guidelines to date. Consultation with TA indicates that it may take some time for these policies to be approved, but that the existing documents reflect overall consensus and are now gradually being integrated.
- A decentralisation strategic plan has been developed in consultation with the Ministry of Local Government (MOLG) to aim for complementarity with the GoL's overall aims for public sector decentralisation. This was finally approved in May 2004, along with the action plan<sup>97</sup>. Key pilot district operations commence from May 2004 through the EU project. Progress on this to date has been limited by the slow decision-making of the Ministry of Public Service (MPS) and the Ministry of Finance and Development Planning (MOFDP) who are crucial decision-makers on human resource management and finance planning for the MOHSW.
- Delays in decentralisation, combined with ongoing accountability problems amongst MOHSW staff has led to delays in follow-up and approval of the operational guidelines.
- Ongoing staff capacity problems are a major threat to health sector reform; MOHSW decision-making is still highly centralised, (even aspects such as hospital referrals have to go through the PS).
- Very limited activities have occurred to date at the district level, through this is in line with the plans to address core issues at national level first. District staffs appear to have been consulted on the key policy and institutional issues but as the process for decentralisation has only just got into gear in three pilot districts (May 2004), the impact at district level in terms of roles and responsibilities, decision-making capacity etc is not yet evident. Serious shortages of staff, equipment, drugs and management tools urgently need to be resolved to allow effective operation of services in the future in line with the HSRP.
- The make up of funding toward health sector reform indicates very limited GoL financial support to the process: significant capital expenditure is recognised by GoL as being necessary to enable effective service delivery and central and district level, however of the total capital expenditure for 2002/03, GoL contributed 17.4%; administrative expenditure for 2002/03 was under-spent by Maloti22.3 million.

### **6.1.1 Degree of decentralisation and functioning of local HIV/AIDS prevention and treatment services**

One of the key areas of the HSRP was to develop the capacity of the public sector to implement a multi-sectoral approach to HIV/AIDS integrating public and private sector actors from national to district level.

HIV/AIDS services are not yet fully incorporated within a formal process of decentralisation for the health sector, though the just-started EU-supported pilot activities mentioned above are using HIV/AIDS service provision as an entry point to test decentralised approaches. Under the NASP, District AIDS Task Forces (DATFs) were established in all districts for the purpose of formulating plans on HIV/AIDS activities and services, budgeting for them, allocating and mobilising resources. These structures have experienced problems in accessing funds, understanding the roles and responsibilities of their members, and in fitting in with existing district- level structures for

<sup>95</sup> MOHSW Annual Joint Review November 2003

<sup>96</sup> MOHSW Annual Joint Review November 2003

<sup>97</sup> Current proposals via the decentralisation strategic plan adopt a district approach using district health management teams and packages with the longer term aim of devolving responsibilities for health centre and community level service provision gradually to the local councils

health and local government<sup>98</sup>. The MOHSW's Health AIDS Programme indicates that the DATFs will be absorbed into the future decentralised healthcare structure but precise plans are not clear.

Many of the HIV/AIDS services available are not included within the current public health system as they are run by international or local NGOs, private operators, or individuals; it is unclear at present if or how they will be absorbed into the decentralisation process.

As set out in 6.1.2 and 6.1.5 above, the availability of services nationally is low, and biased towards Maseru and other urban centres. District health care facilities, including HIV/AIDS services, are functioning but the quality is highly variable and in need of capacity strengthening. An exception is the Maluti hospital run by CHAL which provides the full spectrum of care<sup>99</sup>. CHAL services in general are relatively more decentralised than those run by the MOHSW, however functioning quality is just as mixed.

Most of the services described above relate to testing, treatment and care. Other key prevention activities are still heavily centralised, with patchy implementation at local level where NGO, donor, or voluntary capacity exists.

#### **6.1.7. Utilisation and collaboration with joint service providers and other donor programmes**

The key collaborative arrangement in the health and social sector in Lesotho is between the MOHSW and CHAL, who provide approximately 60% and 40% respectively of all services. A core component of the HSRP has been to develop a fully functional partnership between the two main providers where information systems, communication and management is better rationalised and harmonised and CHAL facilities are absorbed under the MOHSW. To date the following has occurred<sup>100</sup>:

- CHAL has been experiencing an increasing financing crisis from the 1980s and has been communicating with GoL to subsidise staff salaries, which has been happening at 50% for the basic rate in each grade.
- A 2-3 year agreement was secured between CHAL and GoL in April 2003 whereby GoL supports all salaries at the basic rate of each grade and also 20% of the overall annual operating plan budget. This is an interim arrangement whilst arrangements are made for a full Memorandum of Understanding.
- Accreditation of CHAL health facilities by the MOHSW and implementation of an MOU is scheduled to start 2005.
- Individual CHAL facilities will be used as a test to see how accreditations to MOHSW and quality management. This is currently being worked on.
- Work is progressing on better harmonised information management.

To date there is limited evidence of a comprehensive use of other NGO and private sector services by MOHSW or CHAL. CHAL is working with the Bristol –Meyer Group on pharmaceuticals<sup>101</sup>; the MOHSW is now supporting traditional healers to develop referral mechanisms and training on HIV/AIDS; partnership with Blue Cross and Red Cross occurs informally<sup>102</sup>.

The presence of donor funding and technical assistance appears to be key to health and social services in terms of driving forward reforms, supporting development of policies, strategies, guidelines, staff and institutional capacity-building, data, financial and operational management. Since the late 1990s, the large proportion of GoL/donor collaboration has been at the central level, where the GoL has worked as an implementing partner, drawing on donor technical assistance, grant and loan funding to carry out studies, develop key policies, systems and plans for health and social sector reform. Key donors have been the World Bank, Development Co-operation Ireland (DCI), DFID, EU, the UN family and the African Development Bank and there has been some

<sup>98</sup> Drawn from Review of HIV/AIDS-Related Initiatives and Activities in Lesotho, SAfAIDS, 2002, and MOET Impact Assessment of HIV/AIDS on the Education Sector, 2004 (draft)

<sup>99</sup> Stakeholder interview

<sup>100</sup> Information drawn from interview with CHAL and from MOHSW Annual Joint Review November 2003.

<sup>101</sup> The information on this gained from stakeholder interviews indicates that Bristol Meyer Group is donating most of this support.

<sup>102</sup> MOHSW Annual Joint Review November 2003

evidence of a collaboration between them with GoL and CHAL on programmes, for example the EU and DCI on MOHSW decentralisation.

Key limiting factors on more effective GoL - donor collaboration continue to be:

- A few remaining problems in donor to donor co-ordination;
- A heavily centralised and inefficient disbursement system of funds through the GoL resulting in long delays in programmes;
- Delays in decision-making on decentralisation which is limiting the capacity for donors to work with GoL and other key partners at district level;
- Lack of willingness by GoL to release more operational or financial decision-making to key co-ordinating bodies that have already been endorsed as an agreed structure. The situation of LAPCA and of the Global Fund activity delays are key examples of this; and
- Severe GoL staff shortages and low levels of staff accountability.

#### **6.1.8. Government participation in Southern African regional and international HIV/AIDS programmes**

The working committee between Lesotho and South Africa has been revived and a draft MOU signed (2002). The MOU covers cross-border referral of patients, HIV/AIDS services, disease surveillance and epidemiology, with specific aims covering capacity building and sharing of information and expertise<sup>103</sup>, so there are prospects for improved sharing of resources and information in the future.

In July 2003 Lesotho hosted an extraordinary meeting of SADC on HIV/AIDS. A memo from the EC Delegate on this meeting indicated that it was extremely poorly planned, uncoordinated with key donor and NGO stakeholders and limited in content.<sup>104</sup> A declaration on the fight against HIV/AIDS in the SADC region was however signed by all countries, which affirms their intentions to carry out strategic interventions under the SADC HIV/AIDS Strategic Framework and Plan of Action 2003-2007. As mentioned in JC 6.1.3. above, it is unclear how active Lesotho has been in developing or getting involved in actions under this framework to date.

Lesotho is one of the beneficiary countries for a joint €32million EU/IPPF/UNFPA programme on sexual and reproductive health care which covers specific HIV/AIDS prevention activities, and started in 2003. To date this has been implemented by LPPA, who have actively sought and gained GoL involvement through shared facilities.

The Regional Support for an Expanded Multi-Sectoral response to HIV/AIDS in the SADC region (8 ACP RAU14/SA B7 3200-00/32) funded by the EC, includes Lesotho as a beneficiary country. During field visit consultations no evidence was found of activities under this programme ongoing in Lesotho, or of any GoL involvement in them, although consultation with the ECD in Pretoria revealed that two projects are ongoing, one on raising awareness in the water sector and on data gathering. The lack of awareness on-site may indicate that coverage or involvement to date has been low. The *regional HIV/AIDS Awareness and Education Programme* also funded by the EC shows no discernible GoL involvement. A local NGO called Phela is the Lesotho counterpart working with Soul City in South Africa.

Part of the ongoing *SADC Regional Food Security Training Programme*, jointly funded by the EU and member state governments included a training seminar on HIV/AIDS impact on Food Security, which was held by the National University of Lesotho in December 2003. Dissemination of outputs is expected this quarter.

There is an organisation called HEARD (Health Economics and HIV/AIDS Research Division of the University of KwaZulu Natal, South Africa). HEARD carries out a great deal of research, lesson learning and communication work in the Sub-Saharan Africa region to assist Governments to incorporate the HIV/AIDS pandemic impacts into their economic and development planning. It also assists in the development of new ways of education on HIV/AIDS and the monitoring and evaluation of the situation.. They operate regular workshops attended by a great number of

<sup>103</sup> Summary information obtained from the MOHSW Annual Joint Review November 2003

<sup>104</sup> Communication from the EC Delegate to DG Development, July 2003.

government staff from a range of sectors, key international donors and other stakeholders. Lesotho does not appear to have been involved at all from the Government side<sup>105</sup>

Overall there are a few isolated examples of GoL participation in regional HIV/AIDS programmes, but these are not co-ordinated and are focused more on studies and information than concrete follow-up action.

#### Field Coverage by the Commission Interventions

Reference	Title	Primary Commitment	Dates	Brief description
8 ACP LSO 16	Review of HIV/AIDS related Activities in Lesotho	40,000	2002	Comprised 1) an inventory of ongoing (and imminent) HIV/AIDS related activities and identifies priority activities and resource gaps and 2) listed possible intervention and resource gaps with prioritisation, interventions needed and costings.
8 ACP LSO 8	Support to Health Sector Reform	1,800,000	2002-2005	The project purpose is to develop an effective and unified health system which will provide data on the impact of the health reforms and will facilitate future planning; and to develop a strategic plan for the decentralisation of health services. Key expected results are: <ul style="list-style-type: none"> <li>• Regular and timely production of valid and reliable data on key health sector performance indicators</li> <li>• Unified M&amp;E System established within the MOHSW and in 3 pilot HSAs/Districts</li> <li>• Health administration boundaries redefined and rationalised</li> <li>• Proposals for the structures and responsibilities for the District Health Management Teams (DHMT) developed/revitalised, approved and implemented</li> <li>• Health Boards revitalised</li> </ul>
8 ACP LSO 8 1	Technical Assistance	1,345,000		One TA support to the HPSU Monitoring and Evaluation Unit; the other a TA support to the MOHSW for decentralisation
8 ACP LSO 8 2		220,000		
8 ACP LSO 8 3	Equipment	35,000		
8 ACP LSO 3	Multi-Annual MicroProjects Programme	5,300,000	2002-2004	Objective is to create sustainable economic and social development in the poorest areas of Lesotho. Purpose is the implementation of self-help projects in rural and peri-urban areas. Through this project many infrastructure improvements have been made to health facilities. In the NIP the intention was that this programme would generate specific HIV/AIDS related support.

<sup>105</sup> HEARD website, April 2004

Reference	Title	Primary Commitment	Dates	Brief description
8 ACP RAU 14 SA B7 3200- 00/32	Regional SADC Support to an Expanded Multi-Sectoral Response to HIV/AIDS	880,429 committed to date in Lesotho	2001- 2006	EDF funding is focused on strengthening SADC health sector co-ordination, running workshops and carrying out research to support policy making and activity in the region.
SA/1010/ 00 – B73200	Regional HIV/AIDS Awareness & Education Programme	2,800,000 indicative allocation for Lesotho	2003- 2007	A dissemination programme whereby materials already made available in South Africa will be adapted and disseminated in the region using local NGOs, through education activities.

### Effects of the Commission interventions on indicators

Two of the interventions listed above have some limited relevance to the indicators, and where possible comments have been made below. Detailed assessment of poverty reduction budget support is in JC 2.1 and assessment of microproject support is covered in JC 5 and 8.

### Relevance

All of the EC interventions described above were designed after the emergence of the NASP in Lesotho as the GoL's strategy. But the NASP, due to its' ambitious scope and the lack of supporting programming, has not easily enabled donors to support a series of interventions, so most of the interventions can- almost by default- be deemed relevant to the GoL strategy. However key opportunities to support the GoL to demonstrate a commitment to addressing the HIV/AIDS pandemic have been taken up only on an extremely limited level. Opportunities to address this area in the design of major programmes have been missed.

A key point of the rationale in the PRSP in relation to HIV/AIDS is the link between poverty reduction and addressing HIV/AIDS, so to some extent all EC interventions with objectives of poverty reduction have a passing relevance; they however do not specifically address the overall objective on HIV/AIDS in the PRSP which is for creating an AIDS competent society through strategies of strengthening HIV/AIDS institutional and policy frameworks, combating the spread of HIV/AIDS, developing effective support systems at a household level, and for individuals.

The overall EC co-operation strategy on HIV/AIDS emphasises: eliminating propagation of the epidemic; helping health systems cope with the additional burden of HIV/AIDS; reducing socio-economic consequences; increasing scientific knowledge, increasing coherence, co-ordination and complementarity with all donors; examining new/innovative co-operation mechanisms. The interventions presented above have only limited relevance to this except in helping health systems cope (EC support to health sector reform).

The EC'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 of the interventions were/are being implemented from 2001 onwards, some account should have taken of the focus in the 9<sup>th</sup> EDF strategy which placed greater emphasis on strengthening GoL's planning and response capacity. The 9<sup>th</sup> EDF also placed more emphasis on adopting a flexible approach with the implementation of decentralised interventions and using NSAs. EC interventions have not sufficiently addressed the GoL's planning and response capacity on HIV/AIDS *directly*.

Some consideration of the regional context (an aim of the 9<sup>th</sup> EDF strategy) has been considered in the two regional HIV/AIDS interventions and these interventions have also become relevant to emerging regional strategies to which Lesotho is a signatory.

### Possible impacts

Impacts at a central level on the GoL's commitment to address HIV/AIDS may emerge from the *Support to Health Sector Reform* in improved health data availability and management and in the



formation of a sound basis in systems, roles and strategy for future M&E and decentralisation of health and social care. Impact at local level is not yet evident but expected in the pilot areas.

The HIV/AIDS activities study contributed to the content of the document *Strategies for Scaling up the Fight Against HIV/AIDS* which is now being used as a working document by the GoL on HIV/AIDS planning, and therefore has potential to inform policy in future.

The microprojects programme has supported health sector delivery in rural areas but this has not been HIV/AIDS specific and will have no impact on the GoL's commitment to address HIV/AIDS.

The regional programmes appear to have been operating at a minimal level in Lesotho; future impact on improved information, understanding and approaches to HIV/AIDS are possible if activity levels increase.

### **Sustainability**

Sustainability of the *Support to Health Sector Reform Project's* work on data management and decentralised health and social care, and its indirect effect on GoL's commitment to HIV/AIDS is highly dependent on a rapid pace increase in health sector reforms. It is also dependent on improved staff capacity in the health and social sector at all levels, if its central and pilot district activities can achieve the potential of being rolled out nation-wide. At present the duration of the interventions are too short to enable the required culture change to take place.

The study on HIV/AIDS activities may still influence decision-making on programmes and activities to address HIV/AIDS in the future (see above under Possible Impacts).

Other EC interventions have very limited sustainability prospects at present in relation to GoL's commitment to address HIV/AIDS, because they are not actively engaging at this level.

### **Effectiveness**

The study on HIV/AIDS activities met its implementation objectives of providing information on activities and giving recommendations to GoL on priorities for HIV/AIDS actions.

Given the short duration of the interventions and the difficult institutional environment within which they are working, the *Support to Health Sector Reform* has contributed to overall reform and may have contributed some increase in the GoL's HIV/AIDS commitment.

### **Efficiency**

All interventions have started between 6 months and one year behind initial schedules but have then implemented activities generally in line with the revised schedule. The support to health sector reform is highly reliant on long term TA to keep the programme moving forward as the lack of a GoL approach on key aspects of reform and frequent key GoL staff changes are key limiting factors to timely progress.

### **Compliance with the general objectives of the Commission**

#### **Gender**

The overall crosscutting objectives on gender are not specifically referred to in the EC intervention documentation relating to HIV/AIDS and there is no clear evidence of gender mainstreaming in design.

The focus of some of the interventions on improving the management and availability of health and social services has the potential to impact on the quality of, and access to those services, which will benefit women particularly as chief carers.

#### **Environment**

n/a

#### **HIV/AIDS**

n/a

## **Appropriateness of the process**

### **Ownership**

GoL ownership of the importance of addressing HIV/AIDS at all levels is evident in a range of small, isolated actions, and in policy plans and strategies, and the EC interventions have made some small contributions to this. Broader, multi-sectoral ownership of the commitment to address HIV/AIDS is very gradually increasing in Lesotho and appears to have made some important steps in the last year through a revitalisation of interest in addressing the problem in a co-ordinated, in-depth manner.

Basotho ownership of health sector reform in data management and decentralisation is mixed and this is impacting on the ability to deal with HIV/AIDS. Individual GoL counterparts and sections of civil society are demonstrating high ownership but the slowness to agree and push forward required reforms in management, roles and responsibilities to allow more effective health care provision and management indicates low ownership of the reform process by the GoL.

### **Co-ordination Complementarity and Coherence**

EC interventions show some internal coherence with EC development policy as a whole through aspects such as the focus on improved health access by improving management systems (Support to Health Sector Reform), the regional HIV/AIDS initiatives (see above) and through development of civil society (MicroProjects) but there appears to be little consideration of the crosscutting issue of gender.

Complementarity and co-ordination with other donors: the EC has taken the lead on two key areas of health sector reform whilst the World Bank and DCI carry out others, and there is good information exchange between them. Other EC interventions directly related to HIV/AIDS have not contradicted other donor actions. The EC participates in the UN expanded theme group on HIV/AIDS, and the CCM which makes decisions on the Global Fund allocations and activities, and participates in the Annual Joint Review of the health and social sector. Co-ordination with other donors has not progressed to the stages of harmonising practices or jointly selecting delivery options.

Complementarity of EC interventions with GoL policy has been acceptable but cannot be described as being actively engaged in GoL policy except in the support to health sector reform; however this intervention experienced a serious delay as a result of lack of full knowledge of the status of existing GoL systems and strategies.

### **Funding mechanism and Management systems**

EC interventions have all used the programme approach and have provided a mixture of TA and some funding to equipment. All interventions to date have been under EDF 8, either under direct Lesotho funding or under RAU funding for regional programmes. In one ongoing national case (*Support to Health Sector Reform*) the intervention is part of a joint donor effort, where the EC is focusing on specific sub-sector programmes. The World Bank, one of the other involved donors, is currently considering the relative merits of continuing a programme based approach if the Ministry of Finance and Development Planning do not improve their financial management systems. This situation also impacts on EC interventions and should be taken into account in any considerations of how to extend or expand assistance.

The regional HIV/AIDS EC interventions have not been actively supported through TA in Lesotho; they would benefit from greater engagement by the EC Delegation in Maseru in order to increase their profile, as they have potential to develop much-needed co-ordination and collaboration at a regional level which could help to push forward Lesotho's response to the pandemic.

### **Overall judgement**

The EC has generally supported worthwhile initiatives that at the time of their design have been consistent with GoL policies and have been broadly in line with EC objectives. The EC was partially justified in initially adopting a cautious approach to carrying out significant interventions

specifically addressing HIV/AIDS in the relative absence of GoL ownership, as expressed through realistic policies with supporting programmes. In the areas where the EC has focused, overall performance has been acceptable.

However greater *direct* attention could have been paid through EC interventions to the emerging policy and institutional environment and needs of the GoL in addressing HIV/AIDS since 2001/2002. One intervention only (study into HIV/AIDS support activities) provides information support to the planning of activities and reflects the stated intentions of the NASP.

The EC has had some justifiable concerns regarding GoL absorption capacity which has been presented as explanation for the lack of higher involvement both in funding and activity regarding HIV/AIDS. However the seriousness of the HIV/AIDS pandemic in Lesotho demonstrates a real need for support on purely humanitarian grounds and the EC should have made greater effort in the last 3-4 years in considering how they could actively engage in assisting GoL to increase their commitment to addressing the HIV/AIDS pandemic, either through more active facilitation of policies, in co-ordination, or through direct institutional TA support.

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**JC 6.2**      ***HIV/AIDS is mainstreamed into EC Programmes***

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**Indicators**

**6.2.1 Population and economic development models developed and incorporated into planning processes**

**6.2.4 HIV/AIDS Impact integrated into economic modelling and baseline impact assessment**

No specific population or economic modelling, assessing the current and expected impact of HIV/AIDS in Lesotho has been carried out by the EC in the preparation of either the 8<sup>th</sup> or 9<sup>th</sup> EDF strategies or in the design of programmes.

Account has been taken of all available data of this nature on a very general level when designing the strategies and the interventions. What is of concern is that under the 8<sup>th</sup> EDF, a major budget support programme of €18.5 million was implemented without assessing the current and expected impact of HIV/AIDS at a macro-economic level.

No evidence was found of baseline impact assessments of HIV/AIDS being carried out for any of the programmes by the EC, except for some limited coverage in the baseline studies carried out on rural roads.

A €17.5 million capacity building programme to support economic planning is due to be implemented under the 9<sup>th</sup> EDF strategy over 2004 – 2008 and this includes specific components on increased statistical capability of the GoL, improving macro-economic modelling, developing a planning cadre, population and manpower modelling, where there is scope to include a baseline assessment based on relevant and appropriate data collection that takes into account the impact of HIV/AIDS.

**6.2.2 Evidence of implementation of AIDS strategies across all EC-Support programmes**  
**Strategy background**

The 8<sup>th</sup> EDF strategy for Lesotho incorporates the aim of improving HIV/AIDS service provision within its social sector focus and refers to the need for coherence between the national strategy and its NIP and regional and crosscutting strategies on HIV/AIDS. The 9<sup>th</sup> EDF strategy states that HIV/AIDS will be considered as a crosscutting theme across all programmes. The non-focal areas of the strategy include a stated intention of:

- strengthening GoL's planning and response capacity;
- awareness raising and development of home based care for HIV/AIDS; and
- promoting the involvement of non-state actors in addressing the pandemic, and ensuring EC programme compliance not only with GoL strategies on AIDS but with the regional context and EC regional strategies.

The EC Regional Strategy Paper 2001-2007 sets out the intention of promoting synergies between the RSP and national and ACP HIV/AIDS activities, and the RIP has a specific objective on reducing HIV/AIDS prevalence.

The EC co-operation strategy on HIV/AIDS emphasises: eliminating propagation of the epidemic; helping health systems cope with the additional burden of HIV/AIDS; reducing socio-economic consequences; increasing scientific knowledge, increasing coherence, co-ordination and complementary with all donors; examining new / innovative co-operation mechanisms.

An assessment of the extent to which EC programmes have implemented the HIV/ AIDS strategies is presented below for the main sectors of support by the EC<sup>106</sup>.

**Table 6.4: Implementation of HIV/AIDS Strategies across Sectoral Programmes**

Sector	EDF strategy	Regional EC Strategy	Overall EC Co-operation Strategy on HIV/AIDS
Health	The study into HIV/AIDS activities is relevant to the GoL NASP aims to increase baseline understanding of all stakeholder activity and therefore shows implementation of the 9 <sup>th</sup> EDF strategy to co-ordinate with GoL strategies and improve information availability for planning	The study included recommendations on programmes to reduce HIV/AIDS prevalence so is very loosely linked to the RSP	The study had potential to increase co-ordination between donors on HIV/AIDS which is a key aim of overall EC co-operation strategy but progress on this is not yet evident.
	The two regional programmes fit with the 9 <sup>th</sup> EDF strategy of raising awareness but there is little evidence of impacts from implementation in Lesotho	No evidence of implementation in line with strategy, in Lesotho though in design they aim to reduce HIV/AIDS prevalence (in line with RSP)	In design they fit with the objectives but AIDS strategies in implementation are not evident yet in Lesotho
	The support to health sector reform is focused on supporting health and social sector decentralisation and improved health data management systems. It is consistent with the 9 <sup>th</sup> EDF strategy to meet GoL priorities and improve care and meets with the 8 <sup>th</sup> EDF strategy of improved social service provision (including HIV/AIDS services) HIV/AIDS was not explicitly mainstreamed into the programme design. Instead this was introduced by TA staff later as an entry point to push forward data management and district health team development as part of decentralisation support.	Not specifically implemented	This programme implements an approach of helping health systems to cope with service demands and this includes HIV/AIDS so is indirectly implementing a strategy in line with the crosscutting objectives
Transport	The institutional beneficiaries of EC programmes were involved in consultation on the PRSP and this included contributions to a sector policy on HIV/AIDS that was included in the PRSP. This indicates some implementation of an AIDS strategy in line with the 9 <sup>th</sup> EDF strategy of working with GoL policies	Some limited implementation of a strategy focused on reducing prevalence, in line with the RSP, through some VCT services and condom availability	The very limited implementation of AIDS strategies within this sector under EC programmes fits with the crosscutting strategy of eliminating the epidemic
	Generally, HIV/AIDS issues were covered but much more could have been done in sensitising and information campaigns through works contracts to ensure the programmes were in line with the EC strategies on HIV/AIDS		

<sup>106</sup> In some cases EC programmes were funded under the 8<sup>th</sup> EDF strategy but actually planned and implemented during the 9<sup>th</sup> EDF strategy period, in which case reference, where relevant, has been made to both strategies' HIV/AIDS content.

Sector	EDF strategy	Regional EC Strategy	Overall EC Co-operation Strategy on HIV/AIDS
Water	None of the water sector programmes appear to have included specific HIV/AIDS strategies, although there have been some HIV/AIDS related activities supporting communities affected by the LHWP including funds targeted at rural clinics.	No specific strategy implemented	The consistent aim of all programmes has been to improve the population access to water and sanitation and this has an indirect relevance to helping the GoL cope with the additional burden of AIDS, a key focus of the crosscutting strategy
Macro-economic support	Macro-economic support through budget support and capacity building of institutional planning and management capacity have not included specific HIV/AIDS strategies. The implementation of the planned €17.5 million project in support of economic planning has potential through its components to support planning to increase GoL response capacity	No specific strategy implemented	Not implemented but there is indirect linkage to the crosscutting objective of helping governments cope with the additional burden of AIDS (in this case through improved PFM and planning)
Other key programmes	The Multi-Annual Microprojects Programme included no direct HIV/AIDS strategy	No specific strategy implemented	Implementation has increased access to health and sanitation services that may help the GoL to cope with the added burden of HIV/AIDS
	Information Workshops, Conferences and Cultural initiatives. This programme did not have a specific strategy on HIV/AIDS but did include activities on HIV/AIDS awareness, in line with the 9 <sup>th</sup> EDF strategy on increased awareness	No specific strategy implemented	

Overall, HIV/AIDS has been considered in most of the EC programmes under the 8<sup>th</sup> and 9<sup>th</sup> EDF strategies, ranging from a mention in the design or TOR to more detailed implementation involvement. However none of the programmes (apart from three specific HIV/AIDS interventions) included a specific strategy to address HIV/AIDS in line with the EC strategies on this subject, or even on a more general level as part of the development support to Lesotho.

### 6.2.3. HIV/AIDS related health indicators referred to and utilised in design and implementation of programmes

The 8<sup>th</sup> EDF strategy makes mention of HIV/AIDS as an emerging concern but there is no specific referral to HIV/AIDS indicators to justify the reason for intervention. The broad strategy of support to Lesotho simply includes objectives of equitable and efficient access in a number of areas including HIV/AIDS programmes, as part of an overall objective of poverty reduction. The NIP includes a table of Government objectives in all sectors including an indicator that sectoral strategies should be developed for combating AIDS by 1997. This presentation of GoL objectives in the NIP fits with the EC's approach of working *with* the government to address poverty, As such this particular HIV/AIDS indicator could therefore also apply to the NIP.

The ongoing *support to the health sector reform programme* makes no reference to HIV/AIDS indicators in the TOR except to say that the epidemic was worsening. Indicators are now planned to be incorporated in the implementation work on decentralisation as an entry point to work with districts.<sup>107</sup> Work on health management and information systems include HIV/AIDS indicators as part of the work to update epidemiological profiles, improve health service and health status data; and carry out demographic health survey work.

<sup>107</sup> Conversation with TA staff in this component

No other programmes funded under the 8<sup>th</sup> EDF strategy include any HIV/AIDS related indicators against which performance can be measured, and have not referred to them specifically in implementation, except for the following:

**1) Study on HIV/AIDS related activities in Lesotho** – specifically refers to key HIV/AIDS trends and their impact on Lesotho in the background of the TOR and includes objectives to control the spread of HIV/AIDS and mitigate the impact on Lesotho society. The implementation objectives and purpose focus on assisting the GoL to establish a baseline understanding of the coverage and impact of ongoing HIV/AIDS activities and identify priority activities and resource gaps. The report addresses all of these.

**2) Regional Support for an Expanded Multi-Sectoral Response to HIV/AIDS in SADC Region** – the overall objective in the TOR is to decrease the number of infected and affected individuals and families in the SADC region and reduce socio-economic impact of HIV/AIDS on those countries. The purpose is to increase capacity of the SADC Health Sector Co-ordinating Unit to identify and support multi-sectoral solutions for HIV/AIDS in the region. Indicators against these are presented in the logical framework Evidence of the indicators on HIV/AIDS infection trends being referred to or addressed in Lesotho is not available since there does not appear to have been any Lesotho involvement in this project to date.

**3) Regional HIV/AIDS Awareness and Education Programme** – referral is made in the project design documents to the situation and trends regarding HIV/AIDS in all SADC countries including Lesotho. Referral to indicators in implementation in Lesotho is not yet evident – the programme is in the early stages.

**The 9<sup>th</sup> EDF** strategy makes much more reference to the HIV/AIDS situation. The non-focal areas of the strategy include a stated intention (not quantified) of strengthening GoL's planning and response capacity, awareness raising and development of home based care for HIV/AIDS, promoting the involvement of non-state actors in addressing the pandemic, and ensuring EC programme compliance not only with GoL strategies on AIDS but with the regional context and EC regional strategies.

The logical framework of the NIP includes indicators on increased HIV/AIDS orphans cared for by local communities, HIV/AIDS impact integrated into macro-economic modelling and planning, a strategic plan for a regional approach to combating AIDS adopted and implemented, policy on home-based care adopted and implemented, condom use increases per year, population model developed and incorporated into national planning purposes. None of these indicators are quantified against separate baselines.

No programmes have actually commenced under this strategy; one programme (the €17.5 million Capacity Building in Economic Planning Project does not yet contain specific indicators relating to HIV/AIDS. However its overall aims and its components, notably demographic modelling have the potential to address some of the indicators in the NIP related to HIV/AIDS.

As all the interventions funded under the 8<sup>th</sup> EDF strategy were designed and were/are being implemented during the period of the 9<sup>th</sup> EDF strategy, therefore more account should have taken in indicators of the higher focus in the 9<sup>th</sup> EDF strategy on HIV/AIDS, and not just in the specifically HIV/AIDS focused ones.

**Field Coverage by the Commission intervention.**

n/a

**Effects of the Commission interventions on indicators**

N/a

**Compliance with the general objectives of the Commission**

N/a

**Appropriateness of the process**

**Ownership**

True ownership of HIV/AIDS in EC sectoral interventions is difficult to determine. In some sectors (e.g. transport) inclusion of HIV/AIDS has a “bolted on” feel, in others it is included by default rather than design (e.g. in the water sector where improvements to water supply and sanitation will inevitably impact on the populations’ ability to remain healthy for longer, even with HIV/AIDS). Some good examples of ownership of EC interventions are evident in the agricultural sector where HIV/AIDS has begun to be properly integrated into planning and programmes, but the EC has had little influence on this process.

**Co-ordination Complementarity and Coherence**

Coherence with EC overall co-operation strategies on HIV/AIDS has been insufficient. Overall EC co-operation strategy on HIV/AIDS requires that interventions should all work to limit as far as possible the propagation of the epidemic; the limited mainstreaming of HIV/AIDS into EC interventions has meant that opportunities have been lost in this regard.

Complementarity with GoL policies on HIV/AIDS mainstreaming was acceptable during the period of the 8<sup>th</sup> EDF where limited GoL policy existed but it now needs to be more actively integrated into ongoing and planned programmes, given the recent step-up in interest from GoL on this area.

Like the EC, other donors have also taken some time to introduce and apply mainstreaming to all their interventions and this has meant that donor thinking on how to mainstream HIV/AIDS has developed at differing paces. There is now a key opportunity for greater consultation between donors on how they can co-ordinate their mainstreaming in the same manner in all sectors, particularly those where more than one donor is present.

**Funding mechanism and Management systems**

n/a

**Overall Judgement**

The EC’s achievement in mainstreaming HIV/AIDS into its programmes has been inadequate. The 9<sup>th</sup> EDF strategy for Lesotho, and the EC co-operation strategy from 2000 has promoted mainstreaming of HIV/AIDS. The evidence at design stage of those interventions designed around or after this date points to poor collection of baseline information, targets or indicators relating to HIV/AIDS. Only those interventions specifically concerned with HIV/AIDS contained relevant baselines, objectives and indicators. In implementation, mainstreaming has been mixed. In some cases (e.g. health interventions), HIV/AIDS has been mainstreamed to a certain extent, but on the whole mainstreaming has consisted of an ‘add-on’ and not properly integrated into activities (e.g. transport) or some indirect consideration that may eventually have an impact (e.g. water)

This situation may partly reflect a lack of understanding by, or lack of support to, programme designers and implementers from the EC side on how to mainstream HIV/AIDS properly. More intensive consultation and feedback on this area during programme design is required to ensure that key results, activities and performance indicators for HIV/AIDS are better mainstreamed in future. Closer monitoring during implementation against the mainstreamed HIV/AIDS aspects is required.

**JC 6.3      *The EC's HIV/AIDS initiatives are integrated into other donor' programmes and the Global Fund for HIV/AIDS***

**Indicators**

**6.3.1.      Lesotho's participation on regional and global HIV/AIDS initiatives**

The following regional initiatives cover Lesotho:

<b>Intervention/Action/Plan</b>	<b>Involvement in Lesotho</b>
Support to an Expanded Multi-Sectoral Response to HIV/AIDS (EC)	2 projects are ongoing on a small scale (see comments in JC 6.1.8 above)
Regional HIV/AIDS Awareness and Education Programme	A local Lesotho NGO partner exists called PHELA who is active on a small scale to date
Joint EU/IPPF/UNFPA programme on sexual and reproductive health which covers specific HIV/AIDS prevention activities, which started in 2003.	To date this has been implemented by LPPA, who have actively sought and gained GoL involvement through shared facilities
CARE cross-border initiative into South Africa SHARP – sexual health and rights promotion working in Maseru Mapotsoe, Mafeteng, Ladybrand, Ficksburg. Working at community level on peer education, home based care, VCT and HIV/AIDS resource centres	Community based organisation involvement – working with civil society
CARE Private Sector Coalition Against Aids Project (PASCAAL) on peer education, counselling and support in the workplace	Working with multinational companies, employment bureaux and trade mark organisations like Comark
July 2003, extraordinary meeting of SADC on HIV/AIDS hosted in Maseru which led to a signing of the Maseru Declaration on the fight against AIDS	Attended by a range of stakeholders, chiefly GoL representatives. A Maseru Declaration on the Fight Against HIV/AIDS in the SADC Region, which re-affirms the GoL's commitment, along with all other SADC states, to combating the HIV/AIDS epidemic in a multi-sectoral way along the lines of the 2003-2007 SADC Strategic Framework
The SADC HIV/AIDS Strategic Framework and Programme of Action 2003-2007	This document is referred to in the <i>Scaling Up</i> of October 2003 publication which is now a policy working document of the GoL, but to date indication of implementation or consideration of it in national AIDS strategy revision or the PRSP is evident

To date Lesotho's participation at any level – GoL, NGOs, private sector, other civil society – has been minimal in regional or global HIV/AIDS initiatives. Almost all activities have been focused at the national or district level. Generally there is poor awareness by stakeholders on the regional level activities ongoing in which they could be involved and an impression of low willingness to participate in actions that do not only benefit Lesotho.

Much of the regional learning gained by Lesotho on HIV/AIDS initiatives comes indirectly through Southern African and other international consultants employed in the GoL or on specific projects, who bring with them their experiences from elsewhere in tackling key issues of researching, managing and mitigating the problems.

**6.3.2      Degree of co-ordination and complementarity of EC's (HIV/AIDS) initiatives with other donors at regional and national level**

**National**

The number of HIV/AIDS initiatives implemented by the EC at a national level in Lesotho is limited, but generally they have been well co-ordinated, and have complemented other donor initiatives:



- The study into HIV/AIDS –related activities funded by the EC (8 ACP LSO 016) was part of the requirements of the NASP, was a direct response to a request by LAPCA, and was not duplicated by any other initiatives; and
- The Support to Health Sector Reform Programme, which works on HIV/AIDS issues within its implementation is part of a multi-donor initiative to support health sector reform and complements the other donors involvement.

### **Regional**

- The EU are supporting a multi-donor €32million EU/IPPF/UNFPA programme on sexual and reproductive health which covers specific HIV/AIDS prevention activities, which started in 2003, and is one example of multi-donor collaboration; and
- The regional HIV/AIDS awareness programme and the SADC expanded multi-sectoral response to AIDS programme appear to complement other learning-based activities operating on a regional level. The latter is multi-donor funded between EC and member states.

### **Field Coverage by the Commission intervention**

<b>Reference</b>	<b>Title</b>	<b>Primary Commitment</b>	<b>Dates</b>	<b>Brief description</b>
8 ACP LSO 16	Review of HIV/AIDS related Activities in Lesotho	40,000	2002	Comprised 1) an inventory of ongoing (and imminent) HIV/AIDS related activities and identifies priority activities and resource gaps and 2) listed possible intervention and resource gaps with prioritisation, interventions needed and costings.
8 ACP RAU 14 SA B7 3200-00/32 (with specific activities targeted to the region including Lesotho)	Regional SADC Support to an Expanded Multi-Sectoral Response to HIV/AIDS	880,429 committed to date in Lesotho	2001-2006	EDF funding is focused on strengthening SADC health sector co-ordination, running workshops and carrying out research to support policy making and activity in the region.
SA/1010/00 – B73200	Regional HIV/AIDS Awareness & Education Programme	2,800,000 indicative allocation for Lesotho	2003-2007	A dissemination programme whereby materials already made available in South Africa will be adapted and disseminated in the region using local NGOs, through educational activities.

### **Effects of the Commission interventions on indicators**

#### **Relevance**

The national HIV/AIDS intervention is in line with the aims of the current EDF strategy (during which it was implemented) regarding promotion of co-ordination between donors and between EC and GoL policies. Its overall objectives were also in line with the EC thematic objectives of reducing propagation of the epidemic and its implementation objectives supported the EC thematic objective of greater co-ordination and complementarity between actors. The interventions were in line with the GoL's policies at a national level to achieve a multi-sectoral, co-ordinated approach to HIV/AIDS (NASP, PRSP).

The objectives of the EC regional intervention on an expanded multi-sectoral response to HIV/AIDS is in line with the EC overall co-operation strategy of reducing the epidemic and its socio-economic consequences and achieving greater co-ordination between actors. It is also in line with EDF strategic objectives to integrate interventions in the regional context. The second regional intervention on education and awareness meets with the EC objectives on education re HIV/AIDS, and with the EDF strategy of working with other stakeholders. Both regional interventions are consistent with the SADC Regional Framework on HIV/AIDS 2003-2007 which advocates a co-ordinated regional response.

**Possible Impacts**

The HIV/AIDS interventions have been too small to generate wide scale involvement by Lesotho at a national or regional level. In addition not enough attention has been made by the EC in Lesotho on generating greater involvement in the regional initiatives or in global initiatives.

**Sustainability**

The study into HIV/AIDS activities in Lesotho provided many recommendations on prioritisation of activities and on types of activities to be implemented by different stakeholders in Lesotho; it may still influence decision-making in future but has not obviously done so to date since the end of funding (2002).

The sustainability of the regional initiatives depends on wider engagement by Lesotho beneficiaries in the activities than is currently being displayed. Sustainability is also reliant on a greater level of GoL interest in regional co-operation.

**Effectiveness**

The same points described in possible impacts above, also apply to effectiveness.

**Efficiency**

The efficiency of EC interventions on Lesotho's participation at regional and global level appears to be adequate given the allocation of funding against results.

**Compliance with the general objectives of the Commission****Gender**

It is not clear if the commission interventions have considered the general objectives on gender in their regional and national HIV/AIDS interventions, certainly no gender indicators are included in the design.

**Environment (n/a)****Appropriateness of the process****Ownership**

Ownership of regional and global involvement in HIV/AIDS initiatives appears to be increasing through the GoL signature of the Maseru Declaration on AIDS and through their sign-up to the SADC Regional Framework 2003-2007. In practice though there is still an impression of reluctance by GoL to engage at a regional or global level; even in the recent PRSP there is no reference to regional or global co-operation on HIV/AIDS. GoL ownership specifically of the EC regional programmes is limited; the awareness and education programme is implemented through NGOs and in Lesotho there does not appear to be concurrence with government on their activities. The programme supporting an expanded multi-sectoral response to HIV/AIDS has involved national bodies such as the University of Lesotho but to date there does not appear to be any evidence of the activity results being applied at a policy level.

**Co-ordination Complementarity and Coherence**

The national intervention complemented other interventions in the same areas and were consistent with GoL policy through the NASP. The regional level interventions do not appear to conflict with other similar donor activity and there are good examples of donor co-ordination. One programme is jointly funded by EC, DFID and the Netherlands and another co-ordinates with EC funding mechanisms and resources for South Africa.

**Funding mechanism and Management systems (n/a)****Overall Judgement**

The EC's initiatives have shown some integration at a regional level with other donors programmes. The EC attends on a regular basis the country co-ordinating mechanism (CCM) sessions on information sharing and decision-making for disbursement of Global Fund allocations, but to date its HIV/AIDS interventions have not been integrated into the programme.

**7. 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?**

*JC 7.1 The Government of Lesotho has an adequate analysis and capacity to assess the food security status of rural and urban households*

**Table 7.1: Definition of Food Security**

**Food security** – this is broadly defined as the extent of access to food<sup>108</sup>. It is a concept which puts emphasis on the availability of and access to sufficient food of adequate nutritional quality at all times. It can be measured at individual, household, local, or at a national or regional level. It is a multi-dimensional concept, like that of poverty, covering a range of issues including food supply, food prices, purchasing power, physical access to food sources, all of which are influenced by a wide range of social, economic and physical factors. It therefore needs to be assessed on a case by case basis as there is little room for common application of all factors to the analysis.

**Food deficit** – as used by the reference sources below this refers to the gap in the food requirements estimated on a household/local, national or regional basis over a given time period. This gap may then be filled, or partially filled, by a range of means such as purchasing, exchange etc and cannot be directly transferred into a food aid amount. It is generally used as an advance warning.

**Food aid/assistance requirements** – these refer to estimated emergency food requirements after all other sources have been exhausted

**Indicators**

**7.1.1 National/household data on food supply and the key drivers of food security**

**7.1.2 Disaggregated data on food security by household type and region**

Several government agencies are involved in carrying out assessments of information and of core issues which impact on food security including:

- The Lesotho National Early Warning Unit of the Disaster Management Authority(DMA);
- The Food and Nutrition Co-ordinating Office (FNCO);
- The Ministry of Agriculture and Food Security;
- The Ministry of Health and Social Welfare, and
- The Bureau of Statistics.

Throughout most of the period of the 8<sup>th</sup> EDF strategy, information on food supply, disaggregated food security data, and information on the key drivers behind food security problems has been of limited reliability, due to varying quality and methods of data collection, analysis and reporting between a large number of agencies, with no final analysis of all sources and no integrated data management<sup>109</sup>.

During the first years of the 9<sup>th</sup> EDF strategy period this issue came to the fore. As serious food shortages became evident from 2001 there was an urgent need to understand in depth the detail of why, and where food shortages were occurring, in order to know how to address the problem, rather than having to rely on outside agencies' assessments. The calling of a state of emergency by the GoL in May 2002 on the basis of incomplete information which was then revised at a later date<sup>110</sup> was a useful lesson for the Government in the data issues they face.

In 2002 yearly vulnerability assessments were introduced through the establishment of the Lesotho National Vulnerability Assessment Committee (Lesotho VAC) who since 2002 have been carrying out assessments of the extent of food security problems<sup>111</sup> in all areas of Lesotho.

<sup>108</sup> European Programme for Food Aid and Food Security website, May 2004

<sup>109</sup> According to key stakeholder interviews, Lesotho VAC reports 2002 and 2003

<sup>110</sup> Information based on stakeholder interviews

<sup>111</sup> Supported by DFID, WFP, UNAIDS, UNICEF, SCFUK, CARE, and USAID to date.

One of the key reasons for the establishment of the Lesotho VAC was to better co-ordinate data collection amongst the different agencies and use all inputs in an integrated manner to produce informed assessments, rather than relying so heavily on outside data assessments such as those done by FAO/WFP. The Lesotho VAC is in its second year of operation so real progress in this area is difficult to determine, but there appears to be a more rigorous approach to assessment emerging. The Lesotho VAC is being provided with methodological and funding support by a range of donor agencies and NGOs (see VAC reports), and has to date worked alongside the FAO and WFP assessments to facilitate learning.

### **Data on food supply/food security by household type and region**

#### **(i) National agricultural/food supply:**

Lesotho is a net importer of maize, wheat, pulses, dairy products and other food commodities. It imports 60-65% of its national maize requirements. Other than wheat, most imports come from South Africa<sup>112</sup>.

Because agriculture still plays a significant role in the livelihoods strategies of the poor in Lesotho, agricultural food output data is important for assessing food security.

Much of agricultural output in Lesotho is on a subsistence basis, therefore reliable data on the exact nationally-produced supply of food is difficult to determine, particularly in the livestock sector (notably meat and milk) and in household vegetables plots, where there is no accurate yearly output measurement. Most of the available information relates specifically to cereals, as the staple foods.

A recent agricultural output and yield trends study (2003)<sup>113</sup> showed that overall output trends for agriculture rose steadily over the period 1981-2001, that agriculture's share in overall GDP figures has been maintained despite the growing of other sectors such as textiles, and that although there has been a decline in livestock output; the share of crops in overall output increased to compensate for this from 1991-2001.

Although overall output may not have declined over that period, the increases in population in Lesotho over the 1990s and early 2000s have not been met by increases in agricultural output, hence over time the amount of output available per person has declined.<sup>114</sup> The decline in livestock output, and static numbers of livestock against an increased population<sup>115</sup> is particularly significant for the rural households who rely on livestock not only for nutrition but for crop production. The impact of HIV/AIDS on population growth will not help this situation as it will impact on agricultural production as more people are removed from active involvement in it.

Poor harvests in 2001/1 and in 2002/3 precipitated serious food shortages in some districts as shown below in the table of food deficits. 2003/2004 estimates predicted higher outputs though still below the levels of the late 1990s/2000.<sup>116</sup> Agriculture is now largely driven by the crops sector. What is of concern in relation to food security is the variability in yields and output year on year and the variations in production between regions. This is now creating regular food supply problems in areas with low physical access to food and in households with limited purchasing power.

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<sup>112</sup> FAO/WFP CFSAM June 2003

<sup>113</sup> Agricultural Outputs and Yield Trends in Lesotho, Policy Analysis Section of the DPPA, Draft Notes for Discussion 11 July 2003. This paper was produced in an attempt to promote discussion towards a general agreement on figures relating to agricultural output and to food supply, which have been the subject of dispute for many years in Lesotho.

<sup>114</sup> In CARE Rural Livelihoods Study, 2001, drawn from Poverty and Livelihoods in Lesotho, Sechaba Consultants 2000.

<sup>115</sup> In CARE Rural Livelihoods Study, 2001, drawn from Poverty and Livelihoods in Lesotho, Sechaba Consultants 2000.

<sup>116</sup> FAO/WFP CFSAM June 2003

**Table 7.2: Total Cereal Production (000 tonnes) in 2002/03 Compared to 1997/98 Average<sup>117</sup>**

	1997-98	1998-99	1999-00	2000-1	2001-2	5 year average	2002-03	% of average
Butha-Butha	11.4	8,3	12.5	7.0	4.0	8.6	1.9	22.1
Leribe	26.5	36.5	36.6	44.4	34.0	35.6	28.1	78.9
Berea	24.8	19.9	38.0	29.4	25.8	27.6	20.6	74.6
Maseru	27.9	38.9	29.6	44.7	21.4	32.5	13.9	42.8
Mefeteng	9.3	8.9	15.9	41.1	19.3	18.9	20.3	107.4
Mohale's Hoek	27.1	17.8	8.9	46.4	6.6	21.4	7.9	36.9
Quthing	10.3	11.0	12.7	16.1	3.0	10.6	4.1	38.7
Qacha's Nek	2.3	1.6	4.0	6.6	5.0	3.9	2.4	61.5
Mokhotlong	19.6	9.0	6.0	21.4	11.8	13.6	1.0	7.4
Thaba- Tseka	31.8	20.9	14.3	24.5	11.2	20.5	13.7	66.8
<b>LESOTHO</b>	<b>191.0</b>	<b>172.8</b>	<b>178.5</b>	<b>281.6</b>	<b>142.1</b>	<b>193.2</b>	<b>113.9</b>	<b>59.0</b>

*Source:* Bureau of Statistics, estimates by Dept of Crops and the Mission for year 2002/03

The food balance forecasts carried out over the last three years are shown in Table 7.3:

**Table 7.3: Food Balance Forecasts 2002/3-2003/4**

2001/02 cereal prodn + opening stocks 2002/03	Domestic requirements	Domestic cereal gap	Commercial imports received	Food Aid Imports Planned	Remaining cereal gap 2002/03 as at Sept 2002
140,000MT*	395,500MT	255,500MT	56,500MT	3,000MT	196,000MT

The domestic availability figure of 140,000MT is in contrast to the April NEWU assessment of 190,700 and the FAO/WFP CFSAM assessment of May 2002.

*Source:* NEWU presented in Lesotho VAC Assessment Report Sept 2002\* June 2003\*\*

2002/03 cereal prodn + opening stocks 2003/4	Domestic requirements	Domestic cereal gap	Commercial imports planned	Food Aid Imports planned	Remaining cereal gap 2003/04 as at July 2003
127,400MT	394,830MT	267,430MT	200,000MT	32,000MT	35,430MT

*Source:* NEWU FS Bulletin July 2003

Opening stocks and production start 2003/04	Domestic requirements	Domestic cereal gap	Commercial imports received	Food Aid Imports to be received	Remaining cereal gap as at June 2003
118,200MT	438,900MT	320,700MT	288,700MT	12,000MT	20,000MT

*Source:* FAO/WFP CFSAM June 2003

Big variations in the different estimates (such as between the NEWU and FAO/WFP above) have led to a great deal of difficulty in achieving single agreed estimates of food supply and food requirements over the last three years. The following **retrospective estimate** indicates that figures are also being extensively revised each year, reflecting the extremely variable and uncertain food supply situation, with significant changes to the estimates each month.

<sup>117</sup> These figures are presented to show the variability in yields year on year and the differing totals between districts, but the overall totals should be viewed with caution, as they differ from the FAO/WFP and the NEWU assessments significantly, and have therefore not been used in cereal gap analyses by those organisations who consider the figures to be too high. Other sources (from confidential interviews) feel that WFP assessments are exaggerated and alarmist; Lesotho has clearly not reached a point of agreement on reliability of, and application of figures regarding food supply.

2001/02 cereal prodn & opening stocks 2002/03	Domestic requirements	Domestic cereal gap	Total planned commercial imports	Total planned food aid Imports	Remaining cereal gap 2002/03
139,950MT	425,680MT	285,730MT	190,050MT	32,910MT	62,770MT

Source: NEWU later 2002 assessment presented in Lesotho Vac Assessment Report June 2003

What is clear from the figures above is that Lesotho is experiencing cereal gaps which are not being met through commercial imports and that initial estimates of food needs are subject to significant adjustment during the season. The overall trend is a general deterioration in food security.

### (ii) Regional and household data on food supply

Table 7.4 below indicates the extent of **food supply problems** faced by different areas/households over 2002/2003.

**Table 7.4: Regional Food Supply and Emergency Needs**

#### Food assistance requirements May 2002 FAO/WFP CFSAM Assessment

Total emergency food aid requirements = 444, 800 people throughout Lesotho.  
Most needy districts = Qacha's Bek, Quthing, and Mohale's Hoek  
Recommended 68,955 tonnes of food assistance

Source: P14 Lesotho VAC Assessment Report June 2003

Food assistance requirements July-Aug 2002 Assessment (LVAC)	Forecast Sept-Nov 2002	Forecast Dec 2002-Jan 2003	Forecast March 2003	Feb- March 2003	Total emergency cereal needs for whole period
Rural population Only	160,000 (9% of popn)	600,000 (33% of rural popn)	649, 486 (36% of rural population and 30% of total)		36,000MT

Districts most in need of assistance: Mokhotlong, Qacha's Nek, Quthing and Thaba Tseka

Largest cereal gaps in the mountains, followed by foothills and the Senqu River Valley, with lowland villages being less vulnerable to food insecurity

Female headed households have a higher cereal gap on average than male headed households, with female households in mountainous areas being the most vulnerable

No very poor households and only two poor households<sup>118</sup> in a sample of 596 nationwide were able to sell any of their production since harvest; most sought to hold onto any stocks they had for consumption.

Average household own cereal stocks investigations from the same assessment varied from nearly 400kg for better off households, 200kg for middle households, 128kg for poor households and 35kg for very poor households. Almost half of all rural households had no stocks of their own at the time of survey and this included 70% of the very poor households. Self sufficiency in cereals is defined by the FAO as 180kg per capita per year.<sup>119</sup>

Brief food availability assessments carried out in 30 villages under the same survey indicated consistent problems of availability of key commodities (maize, sorghum, wheat, oil, peas, potatoes, beans and other vegetables), with particular availability problems in the mountains areas.

Source: Lesotho VAC Assessment Report Sept 2002

#### Food assistance requirements Nov-Dec 02 Revised Forecast Feb-March 2003 Assessment (LVAC)

Rural population only 758,278 (42% of the rural population, 34% of the total)

<sup>118</sup> Please refer to the Lesotho VAC Assessment Report Sept 2002 for definitions of these groups

<sup>119</sup> CARE Livelihoods In Lesotho Study 2001

April-May 2003 Assessment (LVAC) predicting food requirements for 2003-04			Total food deficit for whole period
Scenario One assuming normal availability of food stocks	Worse affected area is the Senqu Valley where 80-100% may face a 42-47% deficit in their annual food needs		33,200 – 64,700MT
Scenario Two assuming non-availability of food stocks	The second most affected is the Southern Lowlands where 70-100% of the population may face a 14-25% deficit 3 <sup>rd</sup> is the Mountains where 100% of the population may face a 8-20% deficit 4 <sup>th</sup> is the Foothills where 50-90% of the population may face a 13-19% deficit 5 <sup>th</sup> is the Northern Lowlands where 40-100% may face a 14-16% deficit 6 <sup>th</sup> is the Peri-Urban food economy zone where 0-50% may face a 0-3% deficit		71,400 –89,600 MT

*Source:* Lesotho VAC Assessment Report June 2003

**Table 7.5: Cumulative Food Assistance Requirements 2003-4**

Cumulative food assistance requirements June 2003 FAO/WFP CFSAM	Jul-Sept 2003	Oct-Dec 2003	Jan-Mar 2004	Total emergency cereal needs July 03- Mar 2004
Whole population	125,000	270,000	270,000	32,940MT

*Source:* FAO/WFP CFSAM Report June 2003

Revised food assistance requirements as in FAO/WFP leaflet available March 2004	July 2003 - July 2004-	Total emergency cereal needs July 03- June 2004
Whole population	375,000 possibly to be revised to 600,000	38,359MT possibly to be revised to 57,570 tonnes

*Source:* FAO/WFP Bulletin received March 2004

Notwithstanding the different methodologies used and the differing presentation of food aid needs versus early warnings on food deficits; the overall situation on food security appears to be worsening.

### (iii) Food aid information and knowledge of its impact on food supplies

As can be seen from the details above, Lesotho has relied on food aid consistently for the last 2-3 years. Decision-making on what food aid supplies are needed are hampered by the wide variations in estimates of domestic availability which give rise to widely varying import requirements.

Although there is usually consensus on what is eventually allocated or imported as food aid, the supply of food aid becomes more difficult to assess at regional and particularly at household level. There have been problems in getting this information through due to reliance on in-country channels that have serious capacity problems<sup>120</sup>. At the household level, targeted areas and households have not always received their allocations on time, in the right quantity, or at all<sup>121</sup>.

Food aid's impact on agricultural output in terms of introducing disincentives to stock seed, inputs etc to produce crops or to keep food stocks has been debated extensively in Lesotho. The current ODI Food Security Forum report states that in 2003 food aid did have a disincentive effect (not quantified) and was partially responsible for limiting agricultural output. Many recent food security assessments have emphasised the need to use more specifically targeted food aid, shorter

<sup>120</sup> Lesotho VAC Report June 2003, Draft TOR for Capacity Building Support to the DMA August 2003

<sup>121</sup> Lesotho VAC Report Sept 2002 based on district level interviews and key informant interviews, plus key informant interviews in evaluation team visit to the District of Leribe.

food aid interventions, combining of food aid with more sustainable livelihoods-based interventions<sup>122</sup> to reduce the risk of this problem.

The food supply situations at household level can only partially be judged by the physical production and availability of food in a given area. However there are a wide range of underlying issues affecting those figures, and additional issues affecting the overall picture of food security. Some of the key drivers behind food security are presented below.

The GoL acknowledges the urgent need for the Bureau of Statistics to establish a central database system that regularly collects information which can be aggregated at national, district, agro-ecological/food economy zone, constituencies, population areas, and others, to allow better understanding of the food supply and food security situation at the sub-national level, and which includes analysis of the various shocks and their impact.

They also urge for better auditing of current yearly food responses against the early warning system and timely monthly analysis during critical periods in order to improve the accuracy of predictions and basic response planning and positioning of resources.

**(iv) Data/information on the key drivers of food security**

Many different actors (GoL, donors, independent consultants, NGOs) have carried out research that provides information on some of the factors that influence food security in Lesotho. In the last 5 years the interest in this area has increased as food security problems has become an annual issue.

Several studies have adopted a livelihoods approach to assessment, looking at the whole “basket” of factors influencing peoples’ livelihoods in Lesotho, and thus their food security. The information provided in the regular assessments by GoL and emergency assistance agencies of food production, food need and other key social and economic data all contribute to an understanding of the key drivers of food security.

Regular, integrated data collection and standardised analysis of it across sectors to build a comprehensive picture of the drivers behind food security in Lesotho has never taken place. Recent steps over the last 2-3 years through the work of the Lesotho VAC and others have demonstrated the potential to improve this situation, however it will take several years to achieve a status of completeness and reliability.

Data gathering and analysis work by the GoL setting out information sources on the key drivers of food security is shown in Table 7.6

**Table 7.6 Information Sources on Food Security**

<b>GoL</b>	HIV/AIDS and food security study planned to take place end 2003 (results not yet available)
<b>LVAC</b>	Assessment of June 2003 incorporates very initial analysis of the key issues of access to services and their impact on food security coming out of their household and community surveys
<b>LVAC</b>	Analysis of livelihood/food economy zones disaggregated by household type (poor, moderate, rich) which indicates the extent of reliance of different households in different areas on agriculture, paid employment for income and for food, and therefore the key drivers for those households of food security. Some analysis of male and female-headed households, PLWHA households and orphan households has also been carried out <sup>123</sup> . This is a good basis for more detailed analysis of shocks and trends in future years.

<sup>122</sup> Information drawn from Lesotho VAC Reports 2002 and 2003, FAO/WFP CFSAM 2003, Mission Report of EC DG Development Desk Officer for Lesotho October 2002

<sup>123</sup> Lesotho Vulnerability Assessment Committee Reports, 2002 and 2003



**Table 7.6 Information Sources on Food Security (cont.)**

<b>NEWU</b>	Yearly crop forecasting by District Cereal balance estimates Food aid and commercial import estimates
<b>Dept of Crops</b>	Detailed analyses of hectares planted, yields and other data by District on a yearly basis but these are subject to delays in production
<b>Dept of Agro Meteorology</b>	Rainfall and other weather variables by District
<b>MOHSW</b>	Data on the health and nutritional status of the population is available in limited quantity and quality
<b>Central Bank of Lesotho</b>	Import and export statistics and other key macroeconomic data and indicators
<b>Bureau of Statistics</b>	Analysis and compilation of a wide range of data sets into reports

Thus there is a lot of information available on some of the key drivers behind food security, but the information is not linked in a detailed analysis to actual food security, i.e. the potential impact of each key driver and the combined impact of them has not been rigorously quantified or assessed.

A number of external studies on livelihoods have been carried out by NGOs and donors and these tend to be relied on heavily by Government agencies as a basis for decision-making on food aid, food security programmes and targeting of beneficiaries. Based on the available information the main drivers of current food insecurity are set out in Table 7.7.

**TABLE 7.7: Key Drivers of Food Insecurity**

<b>Factor</b>	<b>Comments</b>
<b>HIV/AIDS</b>	An estimated 31% of the working population are thought to be HIV positive <sup>124</sup> . This is already impacting on households in the loss of key wage earners, extra food requirements for ill or for relatives absorbed into homes, reduced capacity to produce food, and care burden, reducing income earning potential. Recent community-based surveys have revealed that HIV/AIDS is now ranked as the fourth most important factor behind food security problems <sup>125</sup> More definitive information that quantifies these impacts is not yet available.
<b>Agricultural production</b>	Agricultural production is still a key livelihood option for many households in Lesotho, and is disproportionately important to the poorest, who commonly lack the means of production but depend on it the most. In all but the urban areas, good agricultural production is seen as a key way to maintain or improve livelihoods <sup>126</sup> through home consumption and/or sale. Assessments of the differing emphases placed on agricultural production in different regions and amongst different societal groups indicates a widely varying balance of dependence on sale of goods and consumption of home produce <sup>127</sup>  The low crop yield in Lesotho of the last 2-3 years has inevitably had an (unquantified) influence on household food security.  Poor yields on a regional level also have an impact on food security in Lesotho since it is heavily reliant on South Africa and other countries in the region for many basic food commodities.

<sup>124</sup> GoL/UNDP 2003

<sup>125</sup> Lesotho VAC Assessment Report, Sept 2002

<sup>126</sup> Livelihoods in Lesotho, CARE 2001

<sup>127</sup> Lesotho VAC Assessment Report Sept 2003

**TABLE 7.7: Key Drivers of Food Insecurity (cont.)**

Factor	Comments
<b>Livestock theft</b>	Linked to agricultural production is the huge problem of livestock theft. The FAO/WFP CFSAM Report June 2003 highlights its negative impact on food security. This is perceived as a key driver of poverty (see PRSP Appendix 3 JC 2)
<b>Land resources</b>	Linked to the problem of agricultural production is the declining quality of available arable and grazing land resources in Lesotho. Most reports analysing the situation <sup>128</sup> acknowledge that a problem in soil erosion, degradation and fertility exists and that more appropriate agricultural methods need to be applied to achieve more sustainable, efficient (though not necessarily increased) production.
<b>Food Prices</b>	<p>Food items make up 36% of the CPI and were the main drivers of overall inflation in 2002. The food index rose by average 26.3% during 2002 compared to an average increase of 6.7% in 2001<sup>129</sup> (in urban areas rates of 29-31% with the staple foods of bread and cereals the highest at 39.8%-42.2%<sup>130</sup> were experienced). This situation was partially a reflection of poor yields both at a national and regional level.</p> <p>As Basotho are not self-sufficient in their own food production, vast increases in food prices such as the order of those in 2002 have a dramatic effect on the access by Basotho to food.</p> <p>Extent of dependence on food purchases as part of their food intake can be between high as 60%<sup>131</sup> for poor households.</p>
<b>Employment</b>	<p>The primary source of income for most Basotho is through employment. The impact of HIV/AIDS and retrenchment from the South African mines is impacting on the number of households with regular wage earners.</p> <p>Urban areas are most dependent on waged employment but all areas, and all household groups, depend on it for part of their income.</p> <p>Patterns of employment vary between areas – those with high access to economic infrastructure are able to travel further for employment but overall most people still rely heavily on local employment opportunities which are extremely limited. Lesotho does not have a dynamic private sector in any area except for Maseru.</p>
<b>General economic conditions</b>	<p>The trends over the periods of the 8<sup>th</sup> and 9<sup>th</sup> EDF have been characterised by an economic boom finishing in the mid 1990s with average growth rates of GDP at 6.3%, a post civil unrest period of 1998-99 with no growth and a resumption of economic growth at 2.4%-3.2% per annum.</p> <p>The completion of the Lesotho Highlands Water Project in 2002 has had a negative impact on the economy – this was a key driver of investment and employment during its implementation.</p> <p>Unemployment rates have been constantly increasing over this period and only 30% of the Lesotho are employed.</p> <p>The GoL recognises the importance of FDI for economic growth and employment and has had some successes in recent years notably through the AGOA which has brought up to 50,000 textile jobs mainly for women (see JC 1 Table 1.3). Though this development has provided income for a large group of people the relatively lower wage levels paid in the factories in comparison to miners' wages has meant that remittances have not been transferred to home at the same levels as in the past from miners' remittances.</p>
<b>Access – to health services, water &amp; sanitation &amp; population centres</b>	<p>Access to health services is known to be a major problem in Lesotho, and its impact on income earning and food growing potential and thus food security is evident but not specifically quantified as yet. Particular difficulties are faced in rural remote areas in this regard where there are long distances to travel to health centres, and this will become a growing issue as the effects of the HIV/AIDS pandemic take a stronger hold.</p> <p>Access to water is a particular problem in peri-urban environments with resultant impacts on health and food growing.</p> <p>Access to population centres in order to sell produce, purchase food items, find employment access other services is still a major problem in the mountain areas where the infrastructural context for livelihoods remains far less adequate. Typically the better off households are those which can afford to live in areas close to facilities and in turn those in more accessible locations will enjoy better income.<sup>132</sup></p>

<sup>128</sup> e.g. the FAO/WFP CFSAMs 2002 and 2003, the LVAC reports, the recent Agricultural Sector Strategy August 2003 emphasise this issue to varying degrees

<sup>129</sup> FAO/WFP CFSAM 2003

<sup>130</sup> Lesotho VAC June 2003

<sup>131</sup> Lesotho VAC June 2003

<sup>132</sup> Livelihoods in Lesotho, CARE 2001

To date analysis of the key drivers of food security and their impact at the household level has been more focused on rural areas. The CARE Livelihoods study of 2001 states that peri-urban and urban areas are growing very rapidly and that infrastructure and employment/business enabling environments are not keeping pace. The vulnerable situation of the rapidly growing group of urban poor (who experience more limited livelihood options than many of their rural counterparts) requires specific analysis. This fact has been recognised by the GoL and in a situation of apparent increasing food insecurity at peri-urban and urban level, data is slowly emerging on the situation in these areas.

The changing structure and location of Lesotho's poorest groups also merits more targeted zonal definition and analysis; moves to do this are shown in the latest Lesotho VAC report which assesses 6 rather than the traditional 4 zones. This is a key area of development for better food security data in future.

The outline of factors impacting on food security above indicate that 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.

### 7.1.3 Evidence of GoL targeted food security assistance programmes

The GoL has aimed to address food security directly over the period of the 8<sup>th</sup> and 9<sup>th</sup> EDF through agricultural technical assistance programmes, input subsidies and through emergency assistance. In addition market manipulation policies have been employed and economic protection, including price fixing, marketing and trade controls on cereals and their by-products (now withdrawn), and controls on imports and exports of a range of animal products, pulses, fruit and vegetables and sugar.<sup>133</sup>

The following are examples of food security-oriented programmes implemented by the GoL over the period of the 8<sup>th</sup> and 9<sup>th</sup> EDF strategies:

**Table 7.7: Targeted Food Security Assistance Measures 1998-2004**

<b>2002-2003 season</b>	LSL23 million made available for food relief, composed of targeted M9 million distribution of free food to the "most vulnerable" households, supplementary and therapeutic feeding of children under five at LSL4 million (supported by UNICEF), and general maize meal price subsidies worth LSL10 million for commercial food purchases through the Lesotho Flour Mills and Milling Company, under which maize was provided at 20% subsidy for the general population.
<b>2002-2003</b>	Following 2 years of poor crop production the GoL provided as part of its famine relief programme a crop input subsidy scheme to try and increase the purchasing power of the farming community for inputs, US\$7.5million equivalent was made available for this for machinery provision subsidised at 50%, and purchase of seed and fertiliser subsidised at 50%, available to all farmers based on their field sizes (FAO, UNICEF, Lesotho Red cross and CARE also provided inputs under this programme).
<b>2002-2003</b>	Supporting wide scale planting of arable land to increase the crop area compared to the 2001/02 season and this was achieved in all but 2 districts <sup>134</sup>
<b>Ongoing support to emergency assistance provided by UN agencies</b>	GoL provides implementation support to World Food Programme aid assistance supporting beneficiary targeting, running transport and disbursement of supplies at central and district level through the Disaster Management Authority and the Food Management Unit. Under WFP's emergency operation in 2003, the GoL was involved in distributing food aid to 254,268 people and may be involved in distributing aid to 375,000 people in 2004 <sup>135</sup>
<b>2002 to date</b>	Ministry of Agriculture and Food Security/DFID supported programme in Mophale's Hoek, Quthing and Qacha's Nek focusing on supporting most vulnerable households to grow food items that best benefit their food security, subsidised seed supply, and developing links with the private sector for seed and input supply in future

<sup>133</sup> APCBP Policy Action Matrix attached to a communication from the Minister of Planning to the ECD, May 1998

<sup>134</sup> FAO/WFP CFSAM 2003

<sup>135</sup> UNWFP Lesotho EMOP Brief, 2004

**Table 7.7: Targeted Food Security Assistance Measures 1998-2004 (cont.)**

<b>To 2004</b>	Sustainable Agricultural Development Programme for the Mountain Areas targeting Mokhotlong, Thaba Tseka and Qacha's Nek Districts. GoL implementation support, IFAD funding with support from HELVETAS AND Machobane Foundation.
<b>1998-2003</b>	Agricultural Policy and Capacity Building Project (APCPB) funded by the World Bank, DFID and GTZ with GoL implementation support which was nationwide and provided assistance in sector strategy and management, agricultural support services, land management and administration and change management.
<b>Ongoing</b>	LHDA in collaboration with the above IFAD project are supporting mountain agricultural development in the Maloti/Drakensburg trans-frontier and a biodiversity project in Quthing and Mohale's Hoek.
<b>Ongoing</b>	The GoL's recent policy paper on agricultural subsidies <sup>136</sup> states that subsidies will continue to be used to promote agricultural production, as set out below. A five-year framework from 2003/04 to 2008/9 has been developed, termed the food security implementation subsidies programme, which is intended to convert into a credit based programme on a phasing out basis. It is designed with the participation of multi-donors in mind. It is planned to be agro-ecological zone specific, to maximise interaction between farming communities, business and NGO sectors, and will be run from District-based Farmer Resource Centres.

Subsidy Type	Subsistence Farmers	Small scale commercial farmers	Large commercial farmers
Inputs for staple crops in designated suitable agro-economic zones	Provided	Provided in limited quantities	Not provided except as indirect subsidy to poor farmers
Inputs for crops outside designated zones aimed at general prodn. increases	Provided in ltd quantity for food insecure families	Not provided	Provided on temporary basis to optimise use of land owned by poor farmers
Inputs for new crops in designated zones	Provided	Provided	Provided
Infrastructural development to improve productivity (e.g. irrigation)	Provided	Provided	Provided
Livestock dipping	Provided	Provided	Provided
Vet services and drugs for epidemics	Provided	Provided	Provided
Extension initially – with growing private sector involvement	Provided	Provided	Provided

The above programmes have had some commonality of experience as follows:

- All programmes above have been operating in a period of transition for the MOAFS where a number of state-owned food processing concerns have been privatised or restructured, and this has brought its own problems of uncertainty and motivation.
- Direct targeted assistance for food security has occurred on a regional basis through technical assistance programmes and on a household basis through emergency assistance.
- Food assistance programmes have not performed well – many stakeholders involved in the process report delays in delivery of food at district level, the planned quota not being filled, *the intended beneficiaries targeted in the need assessments not being reached*, food perishing prior to distribution.
- GoL input support programmes have experienced delays in delivery, inadequate delivery, or eventual inappropriate targeting of inputs on beneficiaries, which in fact contributed to reduced crop yields and food supply rather than the opposite<sup>137</sup>. In some cases the absence of subsidised inputs has meant that crops have not been planted at all which may also indicate that crop production in such areas is unsustainable.
- GoL agricultural policy throughout this period has concentrated on the joint objectives of increasing agricultural production on a commercial scale whilst also addressing poverty and food security concerns. From the late 1990s onwards the GoL policies have shifted more towards a broader agricultural development perspective that recognises that agriculture cannot be a key driver of economic growth, but that it is still important for a very large share of the population and so requires support to rural livelihoods. This approach has been severely limited by the low capacity of GoL extension services and other technical support.

<sup>136</sup>Subsidies in the Agricultural Sector: Policy Statement and Implementation Framework, MOAFS, May 2003

<sup>137</sup> FAO/WFP CFSAM 2003

- The new subsidies to credit programme proposed by the MOAFS rightly proposes to build on previous project successes in different areas, however it has been designed in such a way that reveals heavy expected reliance on donor funding and technical support which may impact on overall sustainability of the work. This has been a problem theme of several previous programmes.
- More recently some small joint donor-GoL supported programmes have had some successes in improving food security status of the most vulnerable households through simple technical assistance that is replicable<sup>138</sup>.

Thus although many programmes have attempted to target the most needy beneficiaries to improve food security, multi-layered problems in logistics, technical support and monitoring have resulted in eventual poor or inadequate targeting. Technical assistance-based programmes focused on food production have had mixed success in targeting support in the right way to impact on food security. These experiences may indicate that the limited absorption capacity in the sector precludes serious development of the agricultural industry and that future programmes should be targeted on a livelihoods improvement basis, to the most vulnerable, whilst focusing on other sectoral programmes to address food security through income generation.

A review of the GoL's response to the humanitarian emergency of 2002-2003 took place in November 2003-January 2004. The development of a new multi-sectoral food security strategy is planned for 2004 which will seek to complement or add to the PRSP<sup>139</sup>. This indicates a potentially growing consensus on addressing food security as a multi sectoral issue.

#### **7.1.4 Level of expertise in food security analysis in the GoL**

Many GoL departments are involved in carrying out regular research into data that impacts on food security, and still others are involved on a daily basis in carrying out logistical operations related to food supplies – including the Department of Crops, the FNCO, the DMA, the FMU, the District Agricultural Offices, the National Early Warning Unit, the Basotho staff working for the key donor agencies, the Bureau of Statistics.

All staff involved in this way have an overall impression of the food security situation and specific expertise on key data sets, however the impression of the evaluators is that expertise in combined food security analysis taking into account all macroeconomic, sectoral and socio-economic factors is extremely limited in Lesotho.

The other key problem is the lack of skilled staff numbers, for example:

- Lesotho VAC has one local TA funded by the SADC Food, Agriculture and Natural Resources directorate (FANR), other staff are part-time, seconded from other departments and the assessments rely heavily on staff from other departments, community volunteers and NGOs. Although many of these staffs have the required expertise they are limited in time availability.
- District Agricultural Offices are regularly without the full complement of staff, particularly in rural areas.
- The disaster management authority is involved in managing a number of other sub-units relating to food security and other problems (training, water and sanitation, food and logistics, health and nutrition, agriculture and the NEWU) but has low staff capacity, and as a result it continually faces problems in supporting emergency operations introduced by the WFP.

On a positive note, more recent reports produced by GoL departments are clearly aware of some of the key data weaknesses and the urgent need to integrate data collection and analysis systems, and some small steps have been made in the right direction in the last 2-3 years.

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<sup>138</sup> The CARE/GoL-run and DFID/GoL funded LRAP Project

<sup>139</sup> Current ODI Food Security Forum information on Lesotho, ODI web site, April 2004.

### Field Coverage by the Commission interventions

Food security is a multi-sectoral issue, as is evident from the information contained below in JC 7.2. and JC 7.3. In the 8<sup>th</sup> and 9<sup>th</sup> EDFs, the EC focused on an approach that addressed poverty (and related food security problems) as a whole, through better access to economic services and social services, and through economic reform, thus aiming for a trickle down effect on improved livelihoods and the ability to access and/or produce food. Some interventions that have been ongoing through the time period of the 8<sup>th</sup> and 9<sup>th</sup> EDF were programmed during the 6<sup>th</sup> and 7<sup>th</sup> EDF. This reflects greater priority towards agriculture and food production in the earlier strategies. Food security is only tackled directly by interventions that are not based in Lesotho.

It is not appropriate to list all projects here that may or may not have had an impact on food security, instead some key examples are included below:

Reference	Title	Primary Commitment €	Dates	Details
6 ACP LSO 004	Asparagus Expansion Programme	4,701,117	1987-1998	These projects were all part of a general initiative to develop high value horticulture in Lesotho in order to generate better income for farmers and export earnings for the country as a whole.
7 ACP LSO 34	High Value Horticulture TA	70,000	1997-1998	
7 ACP LSO 35	High Value Horticulture Project	110,000	1997	All were operational during period of the 8 <sup>th</sup> EDF but not designed as part of it.
7 ACP LSO 22	Asparagus Expansion Programme	530,143	1995-1997	
<b>STABEX transfers:</b>				
7 ACP LSO 003	Wool 1991	385,688	1992-1996	Funding support to the industry aimed at smoothing out the fluctuations of markets and production.
7 ACP LSO 004	Mohair 1991	550,816	1992-1996	
7 ACP LSO 011	Wool 1992	950,965	1994-1996	Support to the development of the Lesotho National Wool and Mohair Growers Association was provided under STABEX funds from 1996 to 1999, however a large proportion of the allocated funds were never spent because of internal conflicts between the LNWMA and internal Min of Agriculture Departments
7 ACP LSO 012	Mohair 1992	378,624	1994-1996	
7 ACP LSO 016	Wool 1993	1,009,444	1994-1997	
7 ACP LSO 017	Mohair 1993	72,644	1994-1997	
7 ACP LSO 021	Wool 1994	324,191	1995-1997	
7 ACP LSO 026	Redistribution 1990-94	32,958	1996-1997	
6 ACP LSO 024	Drakensburg-Maloti	209,586	1998-2001	
6 ACP LSO 031	Highlands Conservation Programme	424,944	1998-2001	
PVD/2000/589/ FRG	Sustainable Land Use Programme Mafeteng and Mohale's Hoek	441,089	2000-2002	This project aimed to introduce improved practical techniques to reverse poor yield trends on subsistence farms, working in 157 villages. The results indicated that although yield and output trends were not reversed from their downward trend, the trend was slowed by the support provided,
7 ACP LSO 028	Highlands Community Forestry Project	1,148,073	1997-2001	Pilot phase of a programme to support local community to grow trees in order to rehabilitate the environment and generate sustainable community forestry production. This project was part of the Environmental Action Plan for the LHWP

Reference	Title	Primary Commitment €	Dates	Details
7 RPR 085	SADC Food Security Training Project (FSTP)	5,000,000 No evident financial coverage in Lesotho from financial sheets	1995-1999	Focused on micro level regional initiatives (training, work attachment programme and information resource and document centre) to improve the knowledge and skills of approximately 500 staff working in food security agencies in public and private sectors in the SADC member countries and to improve the professional and management effectiveness of national and regional agencies in SADC member countries concerned with policy analysis and implementation in the area of food security.
8 RPR funding	SADC Regional Food Security Training Project	N/a	2000-2005	Extends the work of the above FSTP towards improving quantity and quality of food security training in the SADC region, increasing demand for it and developing a regional market that will be sustained beyond the end of donor funding
B7-201	SADC Regional Early Warning Unit System	2,000,000 to the region as a whole, financial coverage in Lesotho not evident from financial sheets	Ongoing	The whole system, which is also supported by SADC Member States, comprises a regional early warning unit (REWU) in Harare and autonomous national early warning units (NEWUs) in each of the SADC states. The main objective of the system is to provide Member States and the international community with advance information on food security prospects in the region through assessments of food production, food supplies and requirements.

### Effects of the Commission interventions on indicators

#### Relevance

The Commission's national interventions have not directly focused on improving GoL capacity in data analysis on food security and food security targeting, so there is limited relevance to any government policy in this area.

The national interventions were all designed under the 8<sup>th</sup> EDF period and they are relevant to that strategy's non focal area of agriculture which was aimed at diversification of small holder agriculture, improvement of range management and livestock marketing and processing practices, assistance to community afforestation, land and water conservation, and conservation areas in the endangered Maloti/Drakensberg mountain range. These interventions can therefore be considered to have been partially relevant as they were addressing two of the key drivers of food insecurity: income base and environmental degradation.

The ongoing regional interventions on food security training and information fit with the evident GoL needs for improved knowledge of food security and ability to apply it to policy and programme implementation. But they are not relevant to the planned national priority (2) within the PRSP on food security which focuses on increasing adequate crop and livestock production through improved or appropriate farming techniques, development of irrigation extension services development, land tenure reform and livestock improvement.

The food security training interventions above fit with the food, agriculture, and natural resources (FANR) sector of the SADC-EC 1996-2001 regional programme at that time where a key focus on food security was applied through a range of interventions aimed at reducing food security shocks,

by increased knowledge and information based on agro-food training and research. They also fit with the broad human resources development objectives of that programme.

The continuation of emphasis on information and knowledge through the ongoing regional FSTP project which will continue until 2005 is not specifically relevant to any focal area of the current RSP 2002-2007 but can be viewed as being within the broad focus of poverty reduction and regional governments' understanding of how to address it.

The REWU system project, supported by the Food Security Budget Line fits with the Link between Relief, Rehabilitation and Development (LRRD) approach now advocated by that budget line. In the longer term, LRRD actions which assist governments and civil society to prevent crises (in this case through integrated information dissemination on which to build policy actions).

### **Possible impacts**

None of the interventions listed above included specific indicators of impact on GoL food security data collection, analysis and food security programmes, apart from the regional initiatives, which to date appear to have had very limited exposure in Lesotho. During this evaluation field visit the only coverage of the regional training assistance evident in Lesotho to the Team was the hosting by the National University of Lesotho of a regional workshop on food security and HIV/AIDS in December 2003 and a and a drought management course in 2001 funded under the current regional food security training project budget. Evaluation documentation on the first food security training programme (7 RPR 085)<sup>140</sup> indicates at best limited involvement of Lesotho in the activities. Further information on the beneficiaries supported by either of the two training initiatives, or the REWU system initiative, and their impact to date was difficult to obtain.

The interventions targeting rural or remote groups with conservation-based livelihoods approaches will have increased the availability of general information on potential/actual production output and incomes in those areas, on the vulnerability status of certain areas and social groups in Lesotho and the factors influencing that. The commercial agriculture-oriented interventions will have provided information on the potential (or lack of it) for diversification or commercialisation of the target production areas and the key institutional problem areas.

### **Sustainability**

Sustainability assessment will only be considered here for the three regional interventions since these are the ones directly relevant to the indicators of this JC. The REWU initiative (assuming its engagement in Lesotho becomes more evident during implementation) has a chance of achieving a sustained improvement in data availability on food supply and security. The food security training programmes appear to have had very limited engagement by Lesotho and the operation of activities appears dependent on external funding.

### **Effectiveness**

All projects have to date showed at least partial achievement of expected results.

### **Efficiency**

All projects have experienced some delays in implementation. Weak management and organisational difficulties impacted heavily on the asparagus and wool and mohair interventions. These projects have absorbed the greatest level of EC funding in this areas but have not generated value for money in results.

### **Compliance with the general objectives of the Commission**

#### **Gender**

Consideration of gender impacts do not appear to have been highlighted in the design of any of the EC interventions although most project planning documents indicate the impact will reach women as well as men.

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<sup>140</sup> E.g. the mid term evaluation of October 1997, Botswana National Productivity Centre



**Environment**

Environmental protection has been a core objective or joint target of all three of the conservation or sustainable livelihoods oriented programmes.

**HIV/AIDS**

There is no evidence in any of the documentation of this issue being considered explicitly.

**Appropriateness of the process****Ownership**

Ownership of both the asparagus and wool and mohair interventions were negatively affected by the disputes between the different counterpart organisations involved, and this itself could be interpreted as at least one counterpart in each intervention not being behind the objectives of the work.

Judging from project reports, there appeared to be no particular ownership problems with any of the other national interventions.

Ownership of the regional training initiatives to date appears to be limited to course participants and implementers with no real wider GoL interest. The Lesotho National Early Warning Unit figures appear to be contributing, along side various other data estimates, to the regional information produced by the REWU system project, however it is unclear whether this indicates active involvement by NEWU in the project or whether the data is just sent to them on regular basis.

**Co-ordination Complementarity and Coherence**

The Drakensberg/Maloti, highlands forestry and sustainable land use programmes were complementary to other donor activities and to other EC interventions, as it was part of the activities under the wider LHWP. The asparagus project was based on preparatory measures of FAO, IFAD and other donors.

Some complementarity between different EC mechanisms is shown as the regional training initiatives focus on building staff capacity in member states on food security issues and application of them in planning and programming, whereas the REWU system project focuses on developing information capacity to feed into planning and programming

**Funding mechanism and Management systems**

All interventions described above have used a programme approach, either within national, regional or budget line funding apart from the STABEX supported wool and mohair interventions. In the case of the asparagus interventions it has been suggested by other evaluators<sup>141</sup> that a sector-wide approach would have been more appropriate given the policy and institutional issues underlying a national strategy on crop diversification. The partners chosen for the wool and mohair support have not been conducive to effective implementation. All other national projects appeared to have demonstrated at least satisfactory relationships with implementing partners and appropriate location of counterpart management in the GoL departments that will take the programmes forward. The regional projects do not appear to have experienced any management problems to date but the apparent limited involvement by Lesotho in the programmes may indicate a lack of a pro-active approach by central management to generate greater engagement by smaller countries such as Lesotho.

**Overall judgement**

The ability of the GoL to analyse the food security status of urban and rural households has shown some improvements in recent years but the institutional set-up to address this is still in strong need of overhaul and capacity strengthening and the results available are not yet timely enough or complete enough for consistent assessment. The EC interventions have not contributed directly, in

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<sup>141</sup> Particip GmbH, Review of EDF6-8 and Identification of Suitable Focal Sectors for EDF 9

the case of the national interventions, or significantly in the case of the regional interventions, to improving GoL food security data collection and analysis. The Commission's agricultural and natural resource – related interventions may have helped to increase overall awareness of the problems of food security in different areas of the country. Overall the recent moves by the GoL to focus on improved analysis has been driven more by necessity than any Commission intervention.

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***Judgement Criterion 7.2 The Commission's interventions in Lesotho have taken account of rural and urban food security issues***

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**Indicators**

**7.2.1 Evidence of food security issues in EC programming documents**

**(i) National**

Both the 8<sup>th</sup> and 9<sup>th</sup> EDF strategies have focused on the broad aim of alleviating poverty, and thus addressing food security through improved access to services and markets, and increased incomes. Food security is an *implied concern* of both programmes.

In the NIPs of both periods, no mention is made of food security as a specific or crosscutting issue; again it is an implied concern through the core poverty reduction and employment creation objectives. For example, employment creation is a core feature of the transport interventions under the NIP 2001-2007 with an overall aim of creating 200,000 man days of employment.

Within key programmes implemented under the NIPs, food security is an implied concern through wider economic development and poverty reduction objectives. For example, under the water sector intervention, the lowland water supply feasibility study (see JC 5.1) is aimed at identifying long term water resources to satisfy urban, rural and industrial demands; once the infrastructure programme begins there is longer term potential to increase FDI and employment and better sustain agricultural production as a result of improved water supply, all of which may impact on food security. The intervention matrix for macro-economic support includes indicators relating to household economic analysis which implies consideration of livelihoods and food security.

Agricultural programmes under the 6<sup>th</sup> and 7<sup>th</sup> EDF but implemented during the 8<sup>th</sup> EDF contain some limited references to food security. For example the Sustainable Land Use Programme in Mafeteng and Mohale's Hoek has an overall objective of improving subsistence agriculture to improve food security of target communities.

**(ii) Regional**

In the Food, Agriculture and Natural Resources (FANR) sector of regional programming, a clear focus on food security was applied in the 8<sup>th</sup> EDF period through a range of interventions aimed at reducing food security shocks, including crop diversification research, strengthening regional information systems of food supply, reduction of post-harvest losses, sustainable resource management programmes. The main focal areas of *infrastructure and services* and *trade, investment and finance* are based on an aim of improving access of populations to economic and social services and thus by implication improving their poverty status (and their food security status).

The focus of the RSP 2002-2007 is on increased economic growth and poverty reduction through higher levels of regional economic integration. This is to be addressed through two main focal areas of *regional integration and trade* and *transport and communications*. The detail within the RIP matches this approach with an implied concern regarding food security through the overall approaches of poverty reduction through increased trade, liberalisation and economic integration.

The general priorities of the FANR sectors within SADC set out above still apply for the current regional strategy period and the EC has supported this through some programming, for example the food security training projects.

There has also been a €2 million grant under the EC Food Security budget line towards a Regional Early Warning System comprising a regional early warning unit and 10 autonomous NEWUs to provide advance warning of food production, shocks and supplies.

Lesotho does not appear to have had much exposure yet to the regional interventions on food security despite having had responsibility for environment and land management within the FANR structure.

### **7.2.2 Evidence of impact on food security from HV horticulture and other EC-supported agricultural programmes**

#### **7.2.3 Results from EC Programmes**

Those interventions targeted at developing commercial agriculture through diversification or organisational development (asparagus development programmes and the support to the Lesotho Wool and Mohair Association) have had no evident impact on food security. Both these areas of intervention experienced long implementation delays and difficulties between the GoL counterpart organisations involved with the result that expected income improvements to the end beneficiaries (the producers) have been very slow in emerging or non-existent. Minimal impact is therefore likely on food security status though this has not been quantified.

The sustainable land use programme in Mafeteng and Mohale's Hoek indicated some impact on stemming the declining trend in agricultural yields, outputs and incomes for the target groups and may therefore have impacted on food security.

The Highlands Community Forestry Project appears to have had some impact on involving communities in developing diversified income sources which may have impacted on food security status of the target area.

The first food security training programme (7 RPR 085) appears to have had a minimal impact in Lesotho; evaluation documentation<sup>142</sup> indicates no real involvement of Lesotho in the activities. The current regional training programme has had some coverage in Lesotho through a training course and workshop that have been implemented there. Information on numbers and location of different beneficiaries supported by any of the three food security-specific regional initiatives (see JC7.1 above) and their impact to date was difficult to obtain.

In other EC programmes, the transport sector programmes have improved physical access to rural areas and improved access to services in those areas (see JC 4.1); this may have had some impact on reducing food insecurity. In addition there has been an emphasis on using labour-based methods as a way of generating local employment; this has generated largely short term employment which may have had a temporary effect on food security. This included specific STABEX funding under road building specifically targeted at employment specifically for food security (see JC 4.2 for the full details). In the water sector, the LHWP included a number of rural projects focused on improving access in villages to healthcare and water and sanitation, which may have improved food security in some (as yet un-quantified) way. The high expectation of the planned lowland water supply programme is on increased generation of FDI are that this will improve economic growth and employment opportunities, and thus have an impact on poverty (and food security), but this should be viewed in the context of the comments made in JC 5.3.1.

### **7.2.4 Consistency of EC's Programming with Commission's overall Food security policy**

Written communications between the Commission and the EC Delegation in Maseru reveal a general evolution of the overall EC policy on food security from the late 1990s into the early 2000s. There has been a gradual move away from direct food aid to more emphasis on food security *issues*; an increase of direct aid in support of national and regional food security strategies; and an increase of food security programmes to assist economic and sector reform processes. Greater emphasis is now placed on increasing complementarity and co-ordination of the thematic food aid and food security support provided from Brussels with the national and regional programming towards a coherent approach to poverty reduction and food security<sup>143</sup>.

<sup>142</sup> E.g. the mid term evaluation of October 1997, Botswana National Productivity Centre

<sup>143</sup> Training Programme for Delegation and HQ staff: food security and poverty, approaches and issues, 1999, plus various HQ-EC Delegation correspondence 1999-2000

Programming for Lesotho has been broadly consistent with these aims in that the national programmes have adopted an approach of integrating food security into an overall strategy of poverty reduction. Direct food aid or food security interventions outside of the national programming sphere have been minimal<sup>144</sup>. No direct aid has been given through national EDF funding to support national and regional food security strategies, however the regional programme on food security training and the food security budget line-supported REWU system project is consistent with this area of focus in the overall food security policy of the EC.

The aims of the EC's overall policy on food security under Cotonou is to address food security by supporting policy and institutional reforms and the investment necessary to promote national and regional food security, through a range of interventions including:

- Support to national and regional food security strategies;
- Support to the enabling macro-economic and institutional environments to achieve income growth;
- Sector approaches to improve services and access; and
- Support to water security and support to national and regional trade flows of food products and co-ordination of policies and strategies at a regional level<sup>145</sup>.

EC programming for Lesotho has not comprehensively addressed *all* of these aspects but it has been consistent to the enabling environment, and service access objectives through its macro-economic, transport, water and social sector programmes. To date its programming has not included significant interventions at a national level focusing on food trade flows and food security strategy co-ordination. At a regional level account has been taken of these issues in the design of regional food security training programmes and information systems which has potential to support food security strategy and policy. The REWU system project, supported by the Food Security Budget Line fits with the Link between Relief, Rehabilitation and Development (LRRD) approach now advocated by that budget line across all food security actions, which promotes in the longer term actions which assist governments and civil society to prevent crises (in this case through integrated information dissemination on which to build policy actions).

#### **Field Coverage by the Commission intervention**

N/a

#### **Effects of the Commission interventions on indicators**

N/A

#### **Compliance with the general objectives of the Commission**

N/A

#### **Overall Judgement**

All EC interventions have correctly addressed food security in an implied manner through overall poverty reduction and economic development objectives rather than as an issue of agricultural production. The EC's agricultural and natural resource interventions have been broadly relevant to the GoL's policy of commercial agricultural development and diversification combined with support to remote or conservation areas requiring specific support in sustainable production practices for longer term improved livelihood and food security status.

The EC interventions as a whole have broadly recognised food security issues in rural and urban areas, through an overall approach of addressing some of the root causes of poverty, and by implication addressing some of the livelihood issues that result in food insecurity. However the emerging seriousness of the situation has not been reflected in consistent mainstreaming of potential food security impacts into all programming; this applies particularly to interventions implemented since 2000-2001 when the food security problems of Lesotho began to come more the fore and when EC overall policy required this approach.

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<sup>144</sup> Recently (since 2003) ECHO has been providing funding to the German Red Cross to implement food aid delivery to people with HIV/AIDS in Lesotho

<sup>145</sup> Compendium on Cooperation Strategies, EC DG Development, Nov 2001

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**JC 7.3:**            *The Commission's regional economic integration strategy has taken account of food security issues in Lesotho*

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## Indicators

### 7.3.1            Data on the national and regional SADC dimension of food security

#### National

The emergency food needs of Lesotho are monitored by EuropeAid F/5 who manage the food aid and food security budget lines of the EC, drawing on the information provided from FAO/WFP assessments. Some of the recent information from FAO/WFP is presented under JC 7.1.

Information is also collected by the ECD, as requested who will also provide information on the multi-sectoral influences and their impact on food security. In future years the information collated by Lesotho VAC may contribute more fully to the data at a national level held by the EC. It is assumed that additional data is also sourced from DG Trade, and DG Development. On this basis, the EC makes its decisions, usually on a yearly basis, on which countries will receive support through targeted food aid or food security assistance. According to staff within F/5, Lesotho has not been a recipient of funding during the 8<sup>th</sup> and 9<sup>th</sup> EDF.

#### Regional

Information on the SADC regional dimension of food security is available from the SADC secretariat in Gabarone, Botswana where the Directorate of Food Agriculture and Natural Resources is based<sup>146</sup>. The purpose of this unit is to support the development of sustainable food security and policies in the region. Information on the website indicates that data on the regional dimension of food security is around 6-10 months old. More specific information is available through the following, most which are linked to the FANR site:

- In 1999 a commitment was obtained by a number of donors including the EC to establish a Food Security and Rural Development Hub within the FANR Directorate, with the purpose of enhancing the effectiveness of the resources of SADC member states and donor development resources in tackling issues of food security and poverty. This was to include specific support to studies and information gathering. It is not clear whether this was ever established.
- The **SADC Regional Early Warning System** is supported by a grant from the EC food security budget line which comprises a regional early warning unit (REWU) in Harare and autonomous national early warning units (NEWUs) in each of the SADC states. The main objective of the system is to provide Member States and the international community with advance information on food security prospects in the region through assessments of food production, food supplies and requirements. The REWU produces monthly and quarterly food security bulletins, and more occasional special food security reports as well as 10 day agro-meteorological data.
- The **Regional Remote Sensing Unit** provides regular information throughout the year on the growing season and expected yields and outputs in each SADC country and exchanges information regularly with the REWU.
- **Famine Early Warning System.net** (FEWS) is a regional resource of information that is linked to the FANR site and contains a wide range of up to date (within a maximum of 2 months) information on famine status of countries, on methodologies for information analysis and strategic planning. The goal of FEWS.net is to *strengthen the abilities of African countries and regional organisations to manage risk of food insecurity through the provision of timely and analytical early warning and vulnerability information*<sup>147</sup>. In their executive overview of food security threats of April 2004, Lesotho is listed as a country of

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<sup>146</sup> Based on information from the SADC website. The FANR directorate was based until recently in Zimbabwe and some of the regional programmes judging by the information still appear to be based there.

<sup>147</sup> FEWS.net, April 2004

concern (this is the lowest category on their register of urgency below *emergency, warning and watch*).

- **The SADC Vulnerability Assessment Committee (VAC)** draws on information provided by all national VACs to produce regional emergency assessments and conducts research, information presentation, analysis and dissemination on different methods for food security assessment, new initiatives of interest.

It is assumed that regional EC programming draws on this information. The information provided by all these sites provides extensive information directly relating to agricultural production and climate on a national basis with some limited analysis that integrates the national data into a regional perspective. The availability of collated information on other (non agricultural or climatic) key drivers of food security at a regional level appears to be far more limited within SADC information resources

### **7.3.2. Programming documents on regional analysis of food issues, their root causes and measures to be taken to improve it**

At the national level of EC programming in Lesotho, no evidence of explicit consideration of the regional food security situation in programming has been found within the 8<sup>th</sup> and 9<sup>th</sup> EDF strategies. Limited mention of the need to address resource insecurity through agriculture is mentioned in the 8<sup>th</sup> EDF NIP but it is not included in planned areas of intervention. The NIP for the 9<sup>th</sup> EDF shows no explicit consideration of regional food security issues.

National EC programmes across all sectors, including agriculture and natural resources, demonstrate no specific analysis of regional food insecurity, its causes, and measures that will address this through the intervention. The planned €17.5mn TA programme in the 9<sup>th</sup> EDF has three components which should address food security issues: (i) economic modelling; ii) demographic modelling; and iii) support to statistics. Food security is not stated as an issue in the programming documents though it is assumed that the issue will be addressed.

Within the regional indicative programme for 1996-2001, agriculture and natural resources is included as a third priority area, and specific reference is made to the need to strengthen regional information systems for production and the availability of food, promotion of intra-regional trade in cereals and other agricultural products, reduction of post-harvest losses, and sustainable resource management, within the overall priority of reducing vulnerable groups' exposure to food insecurity both within a country and at a regional level. The food security training project (7 RPR 085) implemented under this programme and the regional FSTP designed, and funded under this programme aimed to directly address the information issue and contains in its programming documentation aims to address this.

The core focal areas of infrastructure and services and trade, investment and finance have the potential to address food security issues at a regional level, though no specific analysis is made in relation to those issues.

Within the RSP 2002-2007, no specific analysis of food security is presented, however the focal areas of *Regional Integration and Trade* and *Transport and Communications* both have the potential to address food security issues at a regional level. In the RIP the programmes in the two focal areas touch on many issues which could address regional food security, including reduction in trade barriers, improved access by road and rail to the region, capital market development, etc.

Both the RIP-supported regional food security training project currently being implemented during the period of this strategy, and the food security budget line-supported REWU system project have at their core food insecurity and methods to improve regional capacity to deal with it.

### **7.3.3 Evidence of capacity building support on food security (including impact of trade)**

Capacity building support on food security has been provided by the EC through the Food Security Training Project (7 RPR 085) which aimed to improve the knowledge and skills of staff working in food security agencies in public and private sectors, improve capacity of training institutions in

food security topics, and improve effectiveness of national and regional agencies in the SADC member states concerned with policy analysis and implementation in food security. A Regional Food Security Training Project is ongoing which continues and extends the work of the FSTP towards improving quantity and quality of food security training in the SADC region and ensuring that training can be sustained beyond the end of donor funding. The EC's support to the REWU system project provides support to the establishment of a regional analysis unit and national satellite units in all member states with the aim of providing MS and the national community with advance information on food security prospects.

#### 7.3.4. Evidence of impact on food security from regional programmes

The coverage of EC regional programmes in Lesotho in all sectors has been very small. Evidence of impact on food security is either non-existent or difficult to attribute.

#### Field Coverage by the Commission intervention

Reference	Title	Primary Commitment	Dates	Details
7 RPR 085	SADC Food Security Training Project (FSTP)	5,000,000 No evident financial coverage in Lesotho from financial sheets	1995-1999	Focused on micro level regional initiatives (training, work attachment programme and information resource and document centre) to improve the knowledge and skills of approximately 500 staff working in food security agencies in public and private sectors in the SADC member countries and to improve the professional and management effectiveness of national and regional agencies in SADC member countries concerned with policy analysis and implementation in the area of food security.
8RPR funding	SADC Regional Food Security Training Project	N/A	2000-2005	Extends the work of the above FSTP towards improving quantity and quality of food security training in the SADC region, increasing demand for it and developing a regional market that will be sustained beyond the end of donor funding
B7-201	SADC Regional Early Warning Unit System	2,000,000 to the region as a whole, financial coverage in Lesotho not evident from financial sheets	Ongoing	The whole system, which is also supported by SADC Member States, comprises a regional early warning unit (REWU) in Harare and autonomous national early warning units (NEWUs) in each of the SADC states. The main objective of the system is to provide Member States and the international community with advance information on food security prospects in the region through assessments of food production, food supplies and requirements.

#### Effects of the Commission interventions on indicators

##### Relevance

The Commission's interventions in food security training match the overall objectives of the regional strategy during the period of the 8<sup>th</sup> EDF as they directly fit with the aims of improving regional food information systems. The objectives of the SADC-EC regional programme 1996-2001 emphasise the aim of deeper regional co-operation between institutions and the food security training project broadly meets this aim through its objective of improving professional and management effectiveness of national and regional agencies in SADC member countries concerned with policy analysis and implementation in the area of food security.

The continuation of emphasis on information and knowledge through the ongoing regional FSTP project which will finish in 2005 can be viewed as relevant to regional economic integration objectives of the current RSP 2002-2007 since it focuses on developing a regional market for training.

The REWU system project, supported by the Food Security Budget Line, operates on a collaborative basis with all SADC member states and can be seen to be broadly relevant to regional integration of information that can potentially feed into economic planning at this level

The GOL as a member of SADC is party to the agreed SADC-EC RSP 2002-2007 and is therefore technically in support of the strategies presented in it. However the complete SADC dimension of 10 member countries is of limited importance to Lesotho whose main economic partner is South Africa, including for most of its core food commodities. The regional EC interventions on food security have not specifically targeted the issues of food trade between South Africa and Lesotho and its impact on food security.

#### **Possible Impacts**

The EC's impact through its interventions on the JC indicators has been extremely limited, with almost no exposure or direct impact in Lesotho. The EC's support to the Regional Early Warning Unit System may impact on the improved national and regional data on food security. Food security training may have impacted on an increased level of knowledge on food security issues and how to apply them in Lesotho but its extended impact on applying that knowledge through policy formulation and programming is difficult to quantify and is unlikely given the very small numbers of people involved.

#### **Sustainability**

The EC support to a Regional Early Warning Unit System has potential to be sustained through future SADC Member State (including Lesotho) GoL funding given the high profile of food security issues in the region and their prominence within key government policy documents such as PRSPs, and the relatively low levels of cost involved. The food security training programmes appear to have had very limited engagement by Lesotho and the operation of activities appears dependent on external funding.

#### **Effectiveness**

Generally regional EC interventions in food security have demonstrated effective implementation in terms of broadly meeting the planned results to date.

#### **Efficiency**

Instances of delay in getting counterpart staff in place are evident and this has had impact on the planned timing of implementation activities (e.g. the FSTP)

#### **Gender**

No evidence of gender considerations in line with the overall EC objectives was found

#### **Environment**

As above

#### **HIV/AIDS**

As above

#### **Appropriateness of the process**

#### **Ownership**

Ownership of these regional interventions at the level of Lesotho appears to have been, to date, very limited mainly because the involvement of beneficiaries in the country has been minimal. Ownership of donor interventions is made difficult due to the complicated Government structure, with food security notionally being the responsibility of the MOAFS but food aid coming under the DMA which reports directly to the Prime Minister.

#### **Co-ordination Complementarity and Coherence**

Some complementarity between different EC mechanisms is shown as the regional training initiatives focus on building staff capacity in member states on food security issues and application of them in planning and programming, whereas the REWU system project focuses on developing information capacity to feed into planning and programming.

#### **Funding mechanism and Management systems**

n/a



**Overall Judgement**

The Commission's regional economic integration strategy over the 1996-2001 period included a focus on strengthening food, agriculture and natural resources information, management and trade with a view to reducing vulnerability to food insecurity, stabilising the sector and promoting regional co-operation. This approach recognised the diversity between SADC member states on these issues so can be determined as having taken into account the food security issues in Lesotho.

The Commission's regional economic integration strategy as set out in the RSP 2002-2007 and in the context of the Cotonou Agreement, addresses regional integration and trade as one of the core areas for improving economic development of the countries of the region and therefore alleviating poverty. By implication, poverty reduction objectives can include issues of food security. However specific account of food security issues in the member states (including Lesotho) is not included in the current regional economic integration strategy.

**8. 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**

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**JC 8.1**            *Significant progress has been achieved in the consolidation of a human culture and democratic institutions and processes.*  
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**Indicators**

**8.1.1    Respect of obligations arising from international conventions on human rights, including removal of discriminatory laws**

The Government of Lesotho is a signatory to major international and African conventions on human rights. Under autocratic rule, the country had a poor record in terms of respecting human rights. With the advent of multi-party democracy in 1994 the situation has steadily improved. A recently conducted independent survey<sup>148</sup> on the State of Democracy in Lesotho (2003) indicates a sharp increase in citizen satisfaction with the supply of democracy in Lesotho compared to an earlier survey in 2000; especially as far as political freedoms are concerned (such as freedom of association, voting, speech and safety against crime and violence). The upbeat attitude expressed in the survey is partly related to the successful elections of 2002 which was based on a more inclusive system of proportional representation.

However, some key areas of concern with regard to human rights remain to be addressed, including the existence of discriminatory gender laws; the issue of sexual violence; and the poor functioning of the justice system.

**Gender discrimination.**

Lesotho has been party to the UN Convention on Elimination of all forms of Discrimination Against Women (CEDAW) since 1995. However, the Constitution of Lesotho is supreme over CEDAW and thus upholds the application of common law and customary law, which is discriminatory to women. Under Lesotho's dual legal system, married women (in community of property) have the legal status of a minor. The resulting legal discrimination includes having no capacity to sue or to be sued unassisted by their husbands; no capacity to enter into contracts; and no capacity to own or to alienate property.

The negative impact of this discrimination has been properly documented, particularly by specialised civil society organisations working on gender. 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*".

These inequalities constitute a violation of human rights and are a major impediment from the perspective of the fight against poverty. For instance, the status of minor puts married women in a very vulnerable position when they function as *de facto* heads of households and communities (e.g. in case of male migrant labour) or when they become widowed (e.g. as a result of HIV-AIDS mortality affecting their family). It also limits their access to and control over productive resources, such as land, finance, technology and information. The high female literacy in Lesotho (linked to existing education opportunities for girls) has not translated into equal participation in development and employment opportunities. Although women occupy important public functions (e.g. several Ministers, MPs, the Auditor-General, the Ombudsman) and fill many middle management positions in both the public and private sector, their representation at higher levels and in the political arena is still limited. Participation in public life and policy processes is largely confined to the local level, in the framework of the Village Development Councils<sup>149</sup>

<sup>148</sup> Source: Gay, J and Nattes, R. Afrobarometer Working Papers: The State of Democracy in Lesotho (2003).

<sup>149</sup> See Luteka, P., et al, Beyond Inequalities, Women in Lesotho (1997).

Pressure to remove the legal discrimination has been mounting, mainly as a result of advocacy activities undertaken by civil society organisations. In 2002, the Lesotho Law Reform Commission prepared a draft “Married Persons Equality Bill” for consideration by Parliament (September 2002). Non-state actors could provide inputs and a gender specialist participated in the core team in charge of producing the draft. The Bill aims to abolish all laws and rules that allow husbands to acquire marital power over the person and property of the wife. This should allow married women to perform any act which was restricted by law due to the marital power (e.g. the capacity to contract, litigate, register property in her name, act as an executor of a deceased person, be a director of a company and buy herself a surety).

Despite the King’s explicit political support for the Bill during a recent debate in Parliament, 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. Civil society organisations have integrated this demand into their advocacy strategies. For instance, the Women and Law in Southern Africa Research Trust (WSLA) was contracted by the Law Reform Commission to disseminate and widely consult people on the Bill in five districts (including Maseru district). According to WSLA, the Bill “*was on the whole supported in all five districts*” although particular concerns were raised with regard to issues of inheritance as well as fears that the Bill “intends to change Basotho’s way of life and is an endeavour to undermine their values and customs” (Married Persons Equality Bill Dissemination Report, by Women and Law in Southern Africa Research Trust, 2003).

The political commitment of GoL to promoting gender equity and equality was clearly expressed in the Sixth National Development Plan (1996/97- 1998-99). In 2002, the Ministry of Gender, Youth and Sports has formulated a comprehensive ‘*First Gender and Development Policy*’, based on a rights-based approach to development as well as a concern to meet the commitments arising from UN Conventions/national legal instruments. The document can be tabled as comprehensive and progressive, covering all the critical areas identified by the Beijing Platform for Action. It also contains an implementation strategy for gender mainstreaming, defining a set of actions to be taken by the different ministries on various critical gender issues (e.g. economic empowerment; education and training; gender and youth; power, politics and decision-making; health; gender-based violence; media; environment). It calls for public-private co-operation in fostering effective implementation, including through the establishment of:

- Gender Focal Points;
- A Gender Management Forum;
- A Gender Equality Commission ,and
- A Gender Caucus Group.

The formulation of such a policy framework can be considered a step forward. However, several interviewees expressed doubts on the GoL’s overall commitment to ensure effective gender mainstreaming, pointing to the very slow pace of implementation of the policy frameworks adopted.

Sexual violence against women and girl children is another major problem and violation of human rights. A recent study by the Women and Law in Southern Africa Research Trust (WSLA) on ‘*Sexual Violence in Lesotho, the Realities of Justice for Women*’ (2002) documents how deeply rooted and frequent sexual violations take place (perpetrated by men from all age groups). It expresses concerns with the lack of consistency in viewing sexual violence as a crime and a violation of women’s human rights. It exposes current inadequacies with the laws surrounding sexual violence and points to discrepancies with the way in which sexual violence is perceived and settled in the justice system. It clearly links sexual violence with HIV/AIDS and calls for reforms in the delivery of justice systems.

The Ministry of Gender, Youth and Sports confirms this bleak picture, noting an increase in reported cases of both rape and assault in recent years. A new piece of legislation, the Sexual Offences Bill, has been approved but its practical value remains to be proven, considering existing social and cultural barriers (e.g. the reluctance of fear to report cases) and the poor functioning of the delivery of justice.

The limited effectiveness of the delivery of justice in relation to sexual violence is just one example pointing to a structurally dysfunctional judicial system. The PRSP confirms this poor state of affairs and the high negative consequences on the poor and marginalised populations. There are initial attempts to address the problem in a structured manner by introducing a comprehensive sector-wide reform of the justice sector (supported by DFID).

### **8.1.2 Quality of electoral processes (at national and local level)**

Lesotho has had a chequered electoral history since independence in 1966. In the election of 1998, the Lesotho Congress for Democracy won 69 out of the 70 seats available. The subsequent unrest led to a South African military intervention, and eventually to a substantial revision of the Lesotho electoral system. The elections of May 2002 were held under this new system - a mixture of first-past-the-post and proportional representation. This was designed to ensure that the composition of parliament is more representative. The elections were concluded successfully and gave the ruling Lesotho Congress for Democracy a large majority while allowing representation of other parties.

A critical role in promoting qualitative electoral processes is played by the Independent Electoral Commission (IEC). Set up in 1997, it faced a crisis with the elections of 1998. Although these were generally considered to be fair and free, there was a widespread *perception* in the electorate and political party leaders that there had been manipulation and a substantial degree of irregularity. This induced the IEC to develop a much more strategic approach to its work, including long-term planning, a focus on civic and voter education campaigns and building trust relations with the various stakeholders. This was translated into a comprehensive, results-oriented Business Plan for the IEC (April 2001-March 2004). The evidence available suggests that the IEC currently 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 programmed medium-term donor support.

At the time of the visit, the IEC was discussing with the GoL the qualitative, technical and financial requirements for the possible organisation of the first local level elections in the country.

### **8.1.3 Independence and effectiveness of Parliament and Judicial System**

According to the PRSP, much remains to be done to consolidate democracy in Lesotho (beyond the successful elections in May 2002). The executive arm of government is very dominant compared to the two other powers. Parliament lacks specialist portfolio committees for producing quality legislation (within reasonable delays) as well as for monitoring government action.

Some progress has been achieved in strengthening the capacity of the Public Accounts Committee (one of the two existing Committees) to demand accountability from government with regard to the way it manages public finances. Yet on the whole, there is still a huge capacity gap at the level of Parliament, with MPs in need of training in order to better understand their institutional role; to have an issue-driven and non-partisan approach to the passing of legislation; to link up with constituencies in a less top-down, patronising way. Some donor-supported capacity-building initiatives (e.g. DFID and DCI and some support from the United States) are supporting Parliament and MPs but their scope seems largely insufficient to tackle the systemic problems affecting Parliament

As mentioned above, the judicial systems suffer from major inadequacies. A 2001 desk study in preparation of a '*Lesotho Safety Security and Access to Justice*' programme supported by DFID, lists the major shortcomings of the judicial system, including a "conservative use of the 'independence of judiciary' argument to resist change" as well as a "lack of a clear timetable or strategic plan" to process various initiatives and bills aimed at improving performance in the judiciary. During consultations leading to the PRSP, communities gave high priority to an overall reform of the safety, security and access to justice system. 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 curbing corruption.

According to the PRSP, courts are understaffed, under-resourced and inadequate in number. There is no modern case tracking system. Quite often, witnesses, victims, perpetrators and their relatives have to attend court over lengthy periods of time. Similar structural problems exist in relation to the police and prisons. The slow and inefficient delivery of justice, in turn, brings a major blow to public confidence in the system. It also induces people take law into their own hands.

#### **8.1.4 Creation and effective functioning of control bodies**

In contrast to other countries, there is no independent Human Rights Commission in Lesotho (only a grossly under resourced Human Rights Unit). This limits the scope for public debate, effective monitoring of the respect for human rights in Lesotho as well as for policy development on human rights issues. The Ombudsman has in its mandate to protect human rights, primarily by addressing citizen's complaints in relation to mal-administration and abuse of power in the public service. In principle, it can also carry out systematic investigations on human rights issues (e.g. in relation to resettled communities).

But the Ombudsman suffers from capacity constraints and inadequate (erratic) budgets. This, in turn, limits the outreach (e.g. to inform citizens in rural areas or to decentralise its operational activities) and the impact on core political institutions such as the Parliament. Some interviewees, while supportive of the Ombudsman as a key democratic institution, observed that it is now largely condemned to the role of a 'toothless dog'. For instance, the commitment of GoL and the Parliament to properly use and act upon yearly reports issued by Ombudsman (e.g. major difficulties are experienced to get it tabled on the agenda of the Parliament).

#### **8.1.5 Effective operation of the justice system**

As mentioned under 8.1.3, there are major problems in the operation of the justice system. This, in turn, is widely perceived to have a negative impact on poor and vulnerable populations in Lesotho, as documented in a 2000 Report by Sechaba Consultants *'Poverty and Livelihoods in Lesotho'*. The report confirms two critically linked findings that have emerged from field-based research in Africa: that Safety, Security and Access to Justice are vital issues for the poor and that the poor expect the State to take a lead role in dealing with the matter.

#### **8.1.6 Development and consolidation of civil society in its role as democratisation agent ('watchdog')**

While the return to democracy opened new political space for non-state actor participation in Lesotho, there has not been any major development and consolidation of civil society in its role as watchdog. The relationship between the State and civil society is not the subject of major conflict, but there is no shortage of mistrust between the different players. Despite a general adherence to principles of inclusive governance, there is no clear framework guiding the interaction between government and non-state actors. While non-state actors play an important role in service delivery (e.g. in the health sector) it often proves very difficult to ensure their effective participation in policy processes and to put in place public-private partnerships.

In this context, the outreach and impact of civil society as a watchdog is still limited. As in other African countries, the PRSP process has been a catalyst for bringing civil society more into the equation. Broad-based consultations took place, including at village level. Capacity building initiatives were set up by donors promoting the PRSP. However, beyond the PRSP process and other ad hoc initiatives, little seems to be moving in terms of consolidating civil society as a key player in strategic development. Civil society itself seems to be too divided to take a lead role in pushing for its full integration in the development process. The government is not actively promoting this agenda, nor is there a clear leadership among donors to promote the development of a comprehensive, medium-term strategy in favour of consolidating civil society's role in development.

Yet despite the many constraints and the absence of an overall supportive policy framework, some civil society organisations have been able to influence policy-making and exercise useful roles as agents promoting human rights and democracy. For instance, different specialised organisations working on gender equity and equality have been able to exercise pressure by producing credible

studies; to mobilise public opinion; to provide professional inputs into the Law Reform Commission; to train officials, etc.

Effective information campaigns have been organised on the impact of dam construction on the lives of people and children, including an analysis from a human rights perspective. Also the different church organisations have had some impact on the democratisation of society, through both their service delivery and advocacy work. The *Transformation Resource Centre*, an ecumenical organisation for justice, peace and participatory democracy, has tried to promote debate and bottom-up inputs on a variety of democracy issues, including the potential relevance of decentralisation for local people.

Yet there is little doubt that the potential for non-state actors in Lesotho to contribute to the consolidation of democracy and a human rights culture remains grossly untapped. Typically, the PRSP recognised the urgent need for civic education programmes, aimed at providing the Basotho with basic information of their rights and at fostering greater trust the democratic system.

### **8.1.7 Pluralism and independence of the media**

The situation of the press/media is similar to other countries in the region. In principle, there is space for a more active and independent media. There are several independent radio stations and although some are openly anti-government, no punitive action has been taken against them. The number of newspapers has increased significantly, although the print media is of limited quality. Yet on the whole the impact of the media in promoting democracy and citizen participation is perceived to be limited, partly as a result of human and financial resource limitations experienced by the different institutions and actors involved.

### **8.1.8 Degree of democratic decentralisation and effective functioning of local governments**

There is no effective system of democratic decentralisation in Lesotho. The PRSP attaches great importance to the creation and strengthening of structures for the participation of the public in governance, particularly at local level. It is keen to develop a “*clear and widely accepted policy on decentralisation, the key elements of which will be devolution, local political and administrative control, freedom from administrative constraints and improvement of financial systems*”. As mentioned under JC 3.3, there is also wide popular support for greater devolution to the local level, so as to allow local actors to be less dependent on central government agencies that are perceived to be poorly performing and unaccountable. The Ministry of Local Government is currently undertaking major efforts to push this process forward, including through the organisation of local elections, but the policy encounters resistance from different corners. There is also a lack of clarity on the nature, feasibility and affordability of the envisaged decentralisation. Some argue that current plans rather amount to little more than de-concentration of central Government.

### **Field Coverage by donor interventions**

#### **COMMISSION INTERVENTION**

The CSP related to the 8<sup>th</sup> EDF recognises the challenge of consolidating democracy, decentralised management and citizen empowerment. Yet this has not been translated into concrete interventions, with the exception of an ad hoc support to the organisation of electoral processes through the Independent Electoral Commission (8 LSO 013 and 8 LSO 015).

The EC has supported successive Micro-Project programmes (7 LS 0002, 1<sup>st</sup> MPP), 7 LSO 014 (2<sup>nd</sup> MPP), LSO 033 (3<sup>rd</sup> MPP), LSO 048 (8<sup>th</sup> EDF MPP), 8 LSO 003 (8<sup>th</sup> EDF) but these have paid little attention to issues of empowerment, institutional development at local level, strengthening of partnerships between citizens and local administration.

A similar approach was adopted in the NIP of the 9<sup>th</sup> EDF. There are no major programmes aimed at promoting human rights and democratic institutions and processes in Lesotho. In the non-focal areas, it is envisaged that part of the available resources will be geared to providing “*institutional support for NSA and civil society in general, including capacity building initiatives for the benefit of professional, trade and consumer organisations, and NGOs active in the fields of human rights,*

*legal assistance, women and children's rights*". At the time of the visit, the process of exploring ways to implement this support programme to NSAs had just begun.

In addition to this, the NIP foresees that "*gender issues will be a priority in HIV/AIDS, micro-projects, decentralised co-operation and the administration of justice (elimination of gender discriminatory laws, etc.)*". Yet it is difficult to assess how this commitment has been translated in practice through instruments like micro-projects or decentralised co-operation, a concept repeatedly used in the NIP but not implemented.

### **Other donors**

One of the reasons put forward by EC Delegation for its low-profile approach in human rights and democracy issues is the presence of other donors in this area (co-ordination/complementarity), including

**UK- DFID:** active in promoting effective preparation of PRSP with inputs from civil society. Committed to support a comprehensive sector wide programme on access to justice, security and safety.

**Ireland -DCI:** Project-related assistance to the electoral process through the IEC; to the media and civil society organisations; to the training of parliamentarians; to Law Reform Commission and gender department.

**GTZ:** Concentrated on supporting the overall decentralisation process, including as a tool to promote local democracy

**UN:** The UN Development Assistance Framework for Lesotho 2002-2007 includes support to Child's Rights; civic education for the consolidation of democracy; and capacity building initiatives to improve the policy and institutional framework in different areas such as the development of new legislation on human rights; gender equality and women empowerment; conflict resolution and management, etc.

### **Effects of the Commission interventions on indicators**

#### **RELEVANCE**

The virtual absence of any EC activity in relation to human rights and the consolidation of democratic institutions and processes raises a major question on the overall relevance of the two Country Strategy Papers.

Was the EC "doing the right thing"-considering both the situation in Lesotho and its own development objectives - by having no major interventions in democracy, human rights and civil society development?

Few will disagree that Lesotho still faces major challenges including:

- Structural stability;
- Consolidation of democratic processes, institutions and practices;
- Modernisation of the institution of chieftainship;
- Civic education and citizen empowerment;
- Civil society development (particularly as a partner in policy processes and watchdog agents);
- A properly functioning justice sector;
- Decentralisation and local democracy; and
- The effective application of human rights commitments (including the removal of discriminatory gender laws).

There is also a broad consensus that these political challenges need to be addressed in an effective overall poverty reduction strategy (the central objective of EC development co-operation).

Against this background, it could be argued that both country strategies (8<sup>th</sup> and 9<sup>th</sup> EDF) have missed important opportunities to also influence/contribute to much needed political developments

in Lesotho that are critical to both the evolution of the country and the effectiveness of the EC co-operation. Admittedly, other donor agencies have been addressing some of these critical issues on the democracy and human rights agenda. But other donors' interventions have limitations (e.g. the overall scope of the programmes; the project-related nature of the interventions; limited funding) and certainly leave major areas only partly covered.

In a similar vein, it could be argued that the major innovations of the Cotonou Agreement with regard to the political dimensions of ACP-EC co-operation were not properly taken on board during the design of the new country strategy and the NIP under 9<sup>th</sup> EDF. This holds true for changes such as the need to better integrate aid and political co-operation in country strategies; to use political dialogue as a tool to constructively discuss key values underpinning the partnership; to promote the emergence of an active civil society (as a sector and in its role as change agent); to build in a conflict prevention perspective, etc.

The overall strategy remains largely based on a fairly traditional, technically oriented "needs-approach" (as opposed to "rights-based approaches"). While some activities provide openings for political co-operation (e.g. the envisaged support programme for NSAs), these are not underpinned by a clearly elaborated, overall strategy explaining the EC vision, objectives and possible intervention strategies in helping Lesotho to address its many political development challenges.

#### **POSSIBLE IMPACTS**

Ad hoc support to the Independent Electoral Commission helped to properly organise or fund key electoral processes. No wider impact though in the absence of follow-up programmes (e.g. civic education programmes; capacity support to IEC, etc.)

#### **SUSTAINABILITY**

N/A.

#### **EFFECTIVENESS**

At project level, the *ad hoc* EC support to the IEC has helped in the effective organisation of the elections.

#### **EFFICIENCY**

N/A

#### **Compliance with the general objectives of the Commission**

#### **GENDER**

Gender equality and mainstreaming are key elements of EC Development Policy and core values underpinning ACP-EC co-operation (as enshrined in the Cotonou Agreement). In this context, a more strategic and pro-active approach could certainly have been expected from the EC on this critical issue of gender discrimination. While some pressure was put on the GoL to speed up reforms in this area through a collective donor *démarche*, there was a recognition at the level of the EC Delegation that "more could have been done" in this critical area of human rights.

#### **ENVIRONMENT**

N/A

#### **HIV/AIDS**

There is no shortage of human rights issues involved in the HIV/AIDS crisis affecting Lesotho. These were not addressed in the absence of major EC programmes on human rights. The low-profile approach adopted by EC in relation to intervening on HIV/AIDS (see JC6.2) did not help to create opportunities to also address the human rights issues involved.

#### **Appropriateness of the process**

#### **OWNERSHIP**

N/A.



### CO-ORDINATION COMPLEMENTARITY AND COHERENCE

While the broad agenda of democratisation and human rights is partly covered by other EU Member States as well as other agencies (UN NSAs), major gaps are left open, partly because of the limited number of donor agencies involved in Lesotho.

### FUNDING MECHANISM AND MANAGEMENT SYSTEMS

N/A.

### Overall judgement

Lesotho is a young and fragile democracy. The political crisis of 1998 was a clear indication that stability should not be taken for granted. It also illustrated the importance of investing in the consolidation of a more democratic, inclusive, and accountable society, as a fundamental conditioning factor for development.

The PRSP recognises the importance of political reforms in tackling the major poverty and development challenges of Lesotho. It spells out a broad agenda of critical changes required in the political arena, including deepening democracy; promoting civic education; providing mechanisms for feedback and public monitoring; strengthening the role of key democratic institutions (like the IEC); enhancing public participation in governance and promoting decentralisation and local democracy. It also stresses the need to address human rights shortcomings (e.g. in relation to gender inequality).

In the light of this analysis, the virtual absence of EC interventions in addressing Lesotho's challenges to democracy, human rights and civil society development, constitutes a major weakness in both co-operation strategies (8<sup>th</sup> and 9<sup>th</sup> EDF). They reflect the lack of a solid response to the development challenges facing Lesotho and a tendency to limit the role of EC interventions to the supply and technical management of aid funds in particular sectors. This apolitical approach to partnership may have been relatively consistent with the way co-operation was conceived and applied under the Lomé IV (bis).

However, the Cotonou Agreement clearly emphasises the need to fully integrate the political dimensions in co-operation strategies as a key conditioning factor to fight poverty and to ensure the sustainability and impact of EC support. With the exception of a more ambitious stance on governance (see JC3.1), the CSP/NIP under the 9<sup>th</sup> EDF remains a fairly traditional aid programme. There is no solid analysis of possible EC responses in addressing fundamental challenges of democracy and human rights - including issues relating to the key values underpinning the ACP-EU partnership, such as gender equality - nor a clear justification for staying out almost completely from these areas. While an opening has been made in the NIP to providing support to civil society development, it remains to be seen whether this opportunity will be used in a truly strategic manner, as opposed to a window of resources for project-related aid and capacity building activities.

It therefore seems appropriate for the EC to rebalance its overall EC intervention strategy in Lesotho so as to achieve a better mix between investing in the "hardware" of development (e.g. roads, water infrastructure) as well as in the "software" (e.g. democratic practices; properly enabled civil society watchdogs). It should explore possible entry points for a strategic and well-targeted EC support to democracy and human rights, based on priorities identified in the PRSP and taking into account the programmes of other donor agencies.

Three options merit special attention:

- Develop a more ambitious approach to promoting gender equality, making use of the EC's capacity for leverage (through political dialogue and review processes) and other available instruments (such as the NSA support programme).
- Ensure that the NSA support programme is designed in such a way that it becomes a strategic tool to promote democracy, human rights as well as the consolidation of civil

society as a key player in all relevant areas of the development process. The latter would usefully complement the Governance programme of the EC, as there is a need to improve accountability at all levels

- Properly enabled civil society watchdogs can play a critical in this regard. This approach could be broadened to 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 while improving the accountability chain.

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**JC 8.2**      *Significant progress has been achieved in the empowerment of the population as well as in mainstreaming civil society participation*

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**Indicators**

**8.2.1 Levels of awareness and information among the bulk of the population on human rights and democratic processes**

Under the authoritarian rule which existed until 1994, the political environment was not conducive for an empowerment of the population, or for an active role of society in the development process. With the advent of democracy, the political space for participation expanded. Yet the management of the development policy remained very centralised. The gap between Maseru and the rest of the country is still considerable, with local people feeling largely excluded from decision-making processes.

The absence of a local government system with autonomy further complicates the matter as it tends to increase the distance between citizen and the State. According to the PRSP document, community consultations suggested that there was some scepticism amongst local citizens on the benefits of democracy as well as a lack of understanding on the electoral system and of the provisions in the Constitution that protects rights. The PRSP therefore pleads for a major civic education programme in the year of implementation of the strategy. Also the Independent Electoral Commission and the Ombudsman have civic education high on their list of priorities. But it is difficult to undertake effective action in the context of limited human and financial resources.

**8.2.2 Degree and quality of civil society involvement in political and policy processes, including the formulation and implementation of national and sectoral development strategies as well as international co-operation programmes (e.g. EC-Lesotho co-operation)**

There is no systematic policy or practice in Lesotho of involving civil society and the private sector in political and policy processes. Top-down approaches to development policy management still predominates, though there are "spaces" where dialogue and joint action takes place between government and non-state actors (see EQ 4, 5 and 6 which provide examples of some civil society involvement in respectively the water sector, rural roads and HIV/AIDS).

The PRSP process helped to give a boost to the principle of participatory development. The extensive consultations with all strands of civil society and communities provided a structured opportunity for effective participation. Yet it remains unclear what follow-up will be given to this consultation process. There are no indications that the GoL has concrete plans to create the necessary conditions for an effective mainstreaming of non-state actor participation in national and sectoral policies.

At the local level, the Village Development Committees provide a framework for participation but the outreach and impact of these structures is limited and hampered by the weakness of the local administrations at district level. Furthermore, civil society organisations in Lesotho generally face severe constraints, including fragmentation, and a limited degree of structuring and consolidation into truly representative bodies, as well as shortages of capacity and funds. However, it should be observed that no solid "mapping" and institutional analysis' of civil society in Lesotho has been carried out in recent years. There have been a few partial attempts to produce an inventory of "who is who" in civil society in Lesotho, but these do not provide a solid instrument to assess the effective potential of (the diversified world) of non-state actors.

In the framework of ACP-EC co-operation under successive Lomé Conventions, participation was largely restricted to project implementation, mainly through the instrument of micro-projects. This was also the case in Lesotho under the 8<sup>th</sup> EDF. The Cotonou Agreement marks a break, as it adopts the paradigm shift from a centralised approach towards participatory development. However, this major innovation in the ways and means to conceive and implement development co-operation has only very partially been taken on board by the EC. In the preparation of the CSP, basic consultations were held with a sample of non-state actors. Furthermore, in the NIP an opening was created for a different type of support programme to non-state actors (in line with the provisions of the Cotonou Agreement). The identification of this programme is still to be done, so it remains to be seen how innovative this support programme will turn to be.

A number of factors help to explain the limited application so far of the principle of participatory development in EC-Lesotho co-operation. This includes:

- The novelty of the approach for all actors involved;
- The lack of a clear national policy framework for the participation of non-state actors;
- The absence of a clear “mapping” of civil society and the institutional weakness of many non-state actors; and
- The lack of clear guidance to EC Delegations on how to deal with non-state actors, etc.

It would also appear that the EC Delegation has not been proactive in trying to elaborate a strategy towards non-state actors and a many questions remain:

- Why is it important to work with them?
- What type of non-state actors are relevant for our co-operation? and
- How best to support non-state actors to overcome their capacity constraints and to identify opportunities to involve them in EC-Lesotho co-operation?

### **8.2.3 Existence and quality of institutional development strategies with regard to civil society as a sector, including donor (EC)-supported initiatives**

As mentioned above, both the GoL and the donor community including the EC are confronted with the shift towards greater participatory development processes. Both the PRSP and the Cotonou Agreement support the principle of mainstreaming governance. However in practice both parties still have to define a policy to mainstream civil society participation and to sort out the institutional development strategy that is needed to help civil society to play an effective role in the process.

### **8.2.4 Existence of a coherent EC approach to mainstreaming non-state actor participation (across sectors) and to promoting decentralised co-operation approaches aimed at effective implementation of development interventions as well as at promoting local capacity building and accountability**

This coherent approach is not yet available, although partial applications of the participatory development approach can be found in different sectors of intervention (see EQs 4, 5 and 6). In both CSPs, reference is made to “decentralised co-operation”, yet it is difficult to assess how this approach has been applied in practice, beyond the instrument of micro projects. Experience suggests that micro projects can be used in such a way that not only is aid provided to beneficiaries, but it also helps to promote institutional development at a local level.

By involving local government structures in the scheme, opportunities arise to promote the development of new relations between local people and the administration as well foster local capacity building and accountability. While the Micro projects scheme started on a traditional footing (aid projects) it evolved after it was affected by a serious administrative/financial crisis (2000-2001). Innovations included the involvement of a selected group of local NGOs in the implementation of the projects as well as attempts to connect the projects to the broader local development process and to local government structures. In the absence of evaluation reports, it is not possible to assess the impact of these changes on promoting local capacity building and accountability.

### **8.2.5 Promotion of ‘right-based’ approaches to development**

There is no visible progress towards a “right-based” approach to development in the context of EC-Lesotho co-operation with little attention given in the CSP/NIP to the promotion of human rights. There are no indications that a rights-based approach to development prevails in key sectors of intervention (water or roads) or in relation to the HIV/AIDS crisis.

#### **Effects of the Commission interventions on indicators**

##### **RELEVANCE**

The absence of major programmes in the areas of democracy and civil society development means that EC co-operation has so far not made a relevant contribution to the evolution of indicators. The relevance of the envisaged support programme for non-state actors depends on its design and implementation modalities. If properly conceived, it could provide opportunities for non-state actors to build capacity, engage in policy processes, and advocate human rights, democracy and good governance.

##### **POSSIBLE IMPACTS**

No significant impact on indicators

##### **SUSTAINABILITY**

N/A.

##### **EFFECTIVENESS**

Limited effectiveness of the micro-project instrument in terms of citizen empowerment; local institution building mainstreaming civil society participation

##### **EFFICIENCY**

N/A

##### **Compliance with the general objectives of the Commission**

N/A

#### **Appropriateness of the process**

##### **OWNERSHIP**

While openings have been made towards involving non-state actors in EC-Lesotho co-operation, the levels of ownership are still very limited. On the whole, non-state actors contacted during the field mission felt they were not associated with EC-Lesotho co-operation for a variety of reasons including limited information; lack of structured and ongoing dialogue; lack of concrete opportunities to engage and obtain support, etc.

##### **CO-ORDINATION COMPLEMENTARITY AND COHERENCE**

Although other donor agencies in Lesotho have developed programmes in support of civic education and civil society, there are considerable needs of capacity and financial support in relation to non-state actor participation in Lesotho. There are no indications of donor dialogue on how best to address this challenge in a co-ordinated way.

##### **FUNDING MECHANISM AND MANAGEMENT SYSTEMS**

The identification of the support programme for NSAs has yet to be done. It will be critical to put in place a flexible, decentralised and accountable institutional framework for this programme, that allows to support non-state actors in a strategic and creative manner (linked to clear objectives on what the EC seeks to achieve with this support to non-state actors).

#### **Overall judgement**

In recent years an international consensus has been built on the critical importance of empowerment in fighting poverty, consolidating democracy and ensuring Government accountability. Against this background, the absence of a clear strategy in promoting

democratisation and civil society participation can be seen as a major weakness, especially in the context of the CSP 9<sup>th</sup> EDF, under the Cotonou Agreement, which invites official parties to integrate non-state actors in all aspects of the co-operation process. The proposed programme to support non-state actors under the NIP 9<sup>th</sup> EDF should be used to develop a clear and comprehensive strategy for dealing with issues of participatory development in all aspects of EC-Lesotho co-operation.

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**JC 8.3      *The country's vulnerability to political instability and or conflict has been reduced***

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**Indicators**

**8.3.1      Level of awareness, analysis and public debate on possible sources of (internal or external) vulnerability and related risks of political instability (in a short, medium and long-term perspective)**

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. 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. Yet issues of vulnerability remain very visible in different areas: declining human development index, increasing poverty, high levels of unemployment, reduced income from migrant work; environmental degradation; the impact of HIV/AIDS; etc.

There is no evidence of a systematic analysis and public debate on the potential negative impact of these vulnerability indicators. Furthermore, while the issue of the viability of Lesotho as a Nation State, given its size and land-locked status, entirely surrounded by one country with limited economic potential, is aired in academic circles, the topic is not openly debated in the political arena.

**8.3.2      Existence and quality of political dialogue between Government and the international donor community on adequate responses in the promotion of structured stability**

There are no indications of the existence of such a dialogue on the specific issue of structural stability at this stage. However, certain dimensions of Lesotho's vulnerability are discussed in government-donor fora (e.g. the issue of high unemployment; the incidence of HIV/AIDS).

**8.3.3      Existence of a coherent EC approach to promoting structured stability through various development instruments and programmes**

After the 1998 crisis, the issues of vulnerability and structured stability have been raised in the policy dialogue and in the reviews of co-operation. Yet there is no evidence that this also had an influence on the various development instruments and programmes (with the exception of EC support for the organisation of elections). Issues of vulnerability and political stability received some attention in the elaboration of a new Country Strategy Paper 9<sup>th</sup> EDF, yet this did not lead to the formulation of specific strategies or programmes targeted at promoting stability.

**Effects of the Commission interventions on indicators**

**RELEVANCE**

At the time of the preparation of the CSP for the 8<sup>th</sup> EDF, Lesotho enjoyed positive political conditions as well as stability. No specific programmes related to this matter were therefore included in the NIP. In the aftermath of the 1998 crisis, EC and other donors helped the country to prepare the ground for a new election process, based on a more inclusive system of representation. The relatively large EC support to Lesotho is a factor that can contribute to reducing the social and economic vulnerability of Lesotho and associated risk of conflict.

Yet considering the overall pressure on the polity, economy and society (reflected in deteriorating development indicators), one could have expected a more solid vulnerability analysis in the CSP of the 9<sup>th</sup> EDF and a more elaborated response strategy.

**POSSIBLE IMPACTS**

It is difficult to assess the overall impact of EC co-operation on promoting stability and reducing the risk of conflict. Undoubtedly, the different sector programmes and the macro-economic support hold the potential to contribute to defusing tensions in society. However, the absence of major programmes in support of democratisation and civil society participation is a weakness, as investments in social capital (e.g. citizen empowerment, participation, decentralisation) can constitute an important contribution to a stable political environment.

**SUSTAINABILITY (N/A)**

**EFFECTIVENESS (N/A)**

**EFFICIENCY (N/A)**

**Compliance with the general objectives of the Commission**

**GENDER (N/A)**

**ENVIRONMENT (N/A)**

**HIV/AIDS (N/A)**

**Appropriateness of the process**

**OWNERSHIP (N/A)**

**CO-ORDINATION COMPLEMENTARITY AND COHERENCE (N/A)**

**FUNDING MECHANISM AND MANAGEMENT SYSTEMS (N/A)**

**Overall judgement**

In response to the proliferation of crisis situations in Africa over the last decade, the international donor community has developed a new set of policies and instruments aimed at integrating the conflict dimension in co-operation strategies. Also the EC has developed such a policy framework in the context of ACP-EC co-operation<sup>150</sup>.

Considering the history of Lesotho and the political crisis of 1998, the limited consolidation of democracy and the current vulnerability of the country, it seems appropriate for the EC to integrate issues of stability and conflict prevention more comprehensively in its country analyses and co-operation programmes. While recognising the limitations of what a single donor can do in the area of structured stability, there is certainly scope for improving the assessment of vulnerability issues in Lesotho and reviewing co-operation responses accordingly. This can be done in a dialogue between Government and the donor community. For the EC, it brings the challenge to ensure that the "right policy mix" is adopted in its co-operation with Lesotho. In this context, there is a need to re-balance the support the EC currently provides with a view to including components aimed at promoting democracy, empowerment and civil society participation as critical features that contribute to a stable society.

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<sup>150</sup> Communication for the Commission on Conflict Prevention 11/04/2001 COM(2001) 211

**9. 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?**

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**JC 9.1**      *Commission Programmes have been developed into programmes that are locally owned.*  
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**9.1.1 Quantity and Quality of Consultation at Strategy, NIP and Programme design stage.**

There is generally little ownership of donor programmes in Lesotho and it is debatable whether more efforts in consultation on strategy would lead to greater ownership and engagement by the local stakeholders. In general there would appear to be a satisfactory level of consultation conducted both with Government and with civil society. In particular a seminar was conducted in relation to the 9<sup>th</sup> EDF in February 2001<sup>151</sup> in which 56 stakeholders participated in the discussion on the CSP. It should be noted that there was a predominant presence of Government stakeholders and international NGOs though the presence of local non-state actors was noted (e.g. trade unions, church groups, employers). Whilst most line ministries were present, within this group there was a more active participation from the Ministries of Planning and Works than other departments. It would also appear from discussions with attendees that the workshop was more of a validation exercise to confirm the strategy, rather than to formulate the CSP.

**9.1.2 Ownership of Programmes by different stakeholders including Government Departments during design and implementation stages**

It was reported to the evaluation team that the number of Government stakeholders that had read and were familiar with the CSP could be counted on the fingers of one hand. Ownership of EC programmes at a strategic level is seriously undermined by a lack of co-ordination between Government departments. It is to be hoped that within the scope of the €17.5mn capacity building programme that the development of a planning cadre for each line ministry will be a step towards greater consultation.

Nevertheless there are some examples of high ownership of EC interventions recorded:

- A certain degree of commitment and ownership was recorded relating to the EC's TA role with the Commissioner for Water which ( has the potential) to assist in working towards a national strategy for the water sector;
- Within the Ministry of Planning there is evidence of ownership of the EC's role in developing concepts such as MTEF which has the potential to strengthen the planning role of the civil service; and
- There is a high of degree of ownership on the principal approach of the EC in infrastructure by supporting rural access and developing labour based methods; but this ownership manifests itself in stakeholder support for the outcomes/results, rather than in the process of implementation of programmes.

**9.1.3 Degree and Quality of Non-State Actors involvement in all relevant areas of co-operation.**

See JC 8.2

There have been attempts to involve the private sector in consultation on the PRSP but this has had only mixed success. This partly reflects the fragmented nature of the business community (see JC 2.3).

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<sup>151</sup> Workshop on the Country Support Strategy 27-28 February 2001 Lesotho Sun

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**9.2**                    *Commission Strategies and Programmes are Co-ordinated with other donors, especially Member States.*

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**9.2.1**    **The number and effective functioning of specific donor co-ordination groups and activities**

In general, there is good informal consultation on the strategy and programmes between the Member States and the Delegation, but it would appear not to go beyond this informal level of dialogue. Thus in the four stages of donor co-ordination there is little evidence of activities going beyond stage (b):

- (a) Exchange of information;
- (b) Common Positioning;
- (c) Harmonisation of Practices, and
- (d) Selection of common delivery options.

For example there is little evidence of joint meetings between the Member States and ECD with the key stakeholders; especially in critical areas such as public sector reform or decentralisation. It would appear that bi-lateral meetings are held between the donor and the stakeholder with little attempt by the donors to sit round the table at the same time and agree a common position and programme of activities with the GoL.

It was agreed<sup>152</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.

It is also noted that some of the donors have been by-passing the office of the NAO and dealing directly with the department of Foreign Affairs. It is implied in the €17.5mn capacity building programme that there would be some support given to strengthening donor co-ordination and contribute to a process leading towards government led development strategies. DFID also has plans to support the MODFP with increasing its donor co-ordination capacity. This has been a clear weakness in donor relations to the GoL, in that there is little effective capacity in the GoL to prepare and present programmes.

UNDP does not take an active role in co-ordinating donor actions in Lesotho other than its very proactive role with supporting the HIV/AIDS strategy. Equally the absence of a strong World Bank presence in Lesotho has limited the effectiveness of their dialogue with the EC and other donors.

**9.2.3**    **Degree of Harmonisation and Consistency of Approaches to support the GoL.**

**9.2.4**    **Extent to which gaps and duplication in donor support to the GoL has been avoided.**

The EC Delegation has developed very good relations with the NAO largely as a result of the long term EU TA to the DNAO's office. However while the DNAO's office is the main channel for aid to Lesotho, many programmes are developed directly with Foreign Affairs or the line Ministries. As Maseru is considerably smaller than any one of London's 36 Boroughs or a small district of Brussels, donor communication and co-ordination should be manageable. If there was greater common positioning on issues and a concerted effort to prevent the GoL from playing one Member States off the other, the overall impact of the donor effort would be considerably greater.

As set out in JC 9.2.1, there is little evidence of donor duplication and in general consistent approaches to the key areas of infrastructure, health and HIV/AIDS have been adopted. Nevertheless there is clear room for improvement at the level of the EC Member States given that there are so few donors present.

It should however be noted that the donor community is not pursuing the same line on DBS. Both DFID and DCI have rejected the option until there is a significant improvement in PFM. The EC

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<sup>152</sup> Workshop on the Country Support Strategy for Lesotho 27-28 February 2001



have criticised the IMF for being weak on PFM conditionality, but there has been little attempt to present a common donor position on this matter. The same could also be said of the PRSP, as not all donors are using it as the platform for donor assistance.

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**9.3**                    *There is complementarity between Commission and Member States Interventions.*

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**Indicators**

**9.3.1**    **Sharing of Draft CSPs, Programme proposals or thematic evaluations between EC Member States**

**9.3.2**    **Effectiveness of efforts made to ensure coherent intervention approaches by EC and Member States**

There have been very few evaluations conducted by the EC, as identified in the respective fiches and in relation to the 8<sup>th</sup> and 9<sup>th</sup> EDF programmes other than the brief monitoring reports.

While there is some donor co-ordination as highlighted in JC 9.2.4, it is *a culture of sharing information on agreed approaches, rather than agreeing on a shared approach.*

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**9.4**                    *There is coherence between Commission Interventions in Lesotho and other EC Policies*

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**9.4.1**    **Degree of consistency of the strategy with EC policies on development instruments incl. democracy/human rights, HIV/AIDS, environment, NGO Financing.**

The EC falls far short of overall development policy in the key areas of:

- Development of democracy and human rights ( see JC 8.1);
- Involvement of NSA in development(see JC 8.2); and
- Decentralised Co-operation ( see JC 3.2)

The EC's strategies on HIV/AIDS, the environment, infrastructure development and food security have been very broadly consistent with EC policies.

**9.4.2**    **Degree of coherence of the strategy with other Commission policies incl. Trade and Agriculture**

The overall external coherence of the EC 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) 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.

However on the wider economic development strategy the EC has not pursued an effective strategy which is consistent with the principles of Cotonou, to encourage a proactive trade policy and integration into the world economy. The EC 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 EC has thus not pursued a policy which leads to widening of the economic base through a proactive support to private sector development.

**10. To what extent have Commission interventions been designed with the appropriate policy mix and funding modalities and managed with the appropriate implementation mechanisms?**

*10.1 The type of assistance designed is appropriate for implementing the programmes and achieving the objectives of the strategy.*

**10.1.1 Achievement of Targets/Objectives**

The latest Annual Report (2003)<sup>153</sup> on co-operation between the EU and GoL highlights the progress against the CSP/NIP 2002-7 performance indicators. The following key points are noted:

▪ **Macro Economic Support:**

*Input Indicators:* Achieved in part; the PRSP is still not approved and VAT has not yet been introduced, but the fiscal and economic growth targets have been met.

*Output Indicators:* Data on health indicators not met and subject to high degree of inaccuracy (see JC 2.1);

*Outcome Indicators:* Data on education indicators not met and subject to high degree of inaccuracy (see JC 2.1); and

*Impact Indicators:* Unemployment and Poverty indicators: not on track for targets for 2006/7.

▪ **Water**

*Input indicators:* Behind target: Long term GoL strategy for potable water supply and wastewater supply by 2004, other policy processes to be adopted by 2005/6;

*Output indicators:* Behind targets: Water Supply augmented and respective waste water augmentation;

*Outcome indicators:* Targets not quantified; and

*Impact indicators:* On target: 81% (77%) of population with access to safe water and 67% (45%) to basic sanitation by 2015 (current)

▪ **Transport**

*Process indicators:* Broadly met - Transport Policy and road maintenance strategy confirmed;

*Output/Outcome indicators:* Some major difference from the target: (e.g. Road Fund management is not transparent and accountable (see JC 4.3); sufficiency of road maintenance resources not met, (see JC 4.4); and

*Impact Indicators:* Broadly on target in terms of employment generation.

▪ **HIV/AIDS/Gender**

*Input Indicators:* Recurrent health budget target 8% of Budget by 2004/5. Target on track. Programme for combating HIV/AIDS including data collection, development of strategy and commitment for staffing. None of the indicators met in full. Gender policy not implemented.

*Output Indicators:* Effective Implementation of National Strategic Plan for Combating Aids- Not met; and

*Impact Indicators:* Incidence of HIV/AIDS decreasing. Target 25% by 2015 not met (incidence increasing) Gender Equality strengthened - measured by women representation in parliament . Increasing but at 12% is well below target of 30% by 2007.

<sup>153</sup> EU/Kingdom of Lesotho: 2003 Joint Annual Report on Co-operation Between the EU and the Kingdom of Lesotho (Draft 1 March 2004)

**10.1.2 Choice of Partners****10.1.3 Choice of Beneficiaries**

The EC has adopted developed 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 interests of private sector development, human rights, or civic education.

**10.1.4 Existence of strategic links in the utilisation of different EC co-operation instruments (NIP and RIP)**

There has been very little use of the RIP instruments in Lesotho and whilst this mainly reflects the lack of interest in SADC and regional integration with South Africa generally; there has been an absence by the delegation of promoting regional aid instruments that are available in such areas as food security or economic integration. Equally there has not been a culture of sharing issues with the EC Delegation in Pretoria and developing joint programmes to address key problems in regional economic integration in areas such as water courses, transport, migration and brain drain, trade barriers, miners redundancy etc.

**10.1.5 Efficiency and effectiveness in the disbursement of EC funds**

Very high levels of efficiency have been recorded in the disbursement of funds. By the end of 2003, 91% of the 8<sup>th</sup> EDF from the €80.0million had been committed and a disbursement of over 79%, with a significant proportion remaining to be disbursed in 2004. The 7<sup>th</sup> EDF achieved a disbursement rate of 97%.

**10.1.6 Ownership by government and other stakeholders for the key programmes under consideration**

See JC 9.1

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**10.2**      *Commission Programmes have taken into account the absorption capacity of local institutions.*

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**10.2.1 Capacity of respective Government departments and Institutions**

There are serious capacity constraints across all sectors of Government and the NSAs. This is partly a legacy of the very high aid dependency culture which was pervasive during the Apartheid period in South Africa. This led donors to have very large project based aid programmes that were capacity replacing rather than capacity building.

However donors, including the EC, have continued along the route of project based, supply driven aid which is often detrimental to building capacity.

The EC has recognised that there are a number of key Government functions which require overseas technical expertise to improve the adequate functioning of Government. Thus the targeting of senior TA to the Health, Water, Transport, NAO and Economic Planning sectors/areas has the potential to direct EC influence towards implementing programmes that meet the key development targets of Lesotho contained in the PRSP.

**10.2.2 Constraints in disbursement of funds**

There have been no major recent problems in the disbursement of funds as manifested by the high efficiency of disbursement (JC 10.1.5).

**10.2.3 Existence and quality of institutional capacity building responses (which duly take account the impact of HIV/AIDS, the brain drain etc)**

HIV/AIDS issues have been poorly mainstreamed into EC interventions as set out in JC 6.2. There has been very little demographic modelling assessing the impact of the brain drain and HIV/AIDS on the institutional capacity of Lesotho other than a proliferation of comments on the severity of the situation

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**10.3 *Commission programme management systems were/are appropriate for the achievement of programme implementation.***

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**10.3.1 Technical Resource Constraints in ECD**

The ECD displayed an exceptionally open, co-operative and convivial 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 approach is necessary when the technical resource constraints are limited.

However in the past the Delegation had been subject to a very high degree of turnover with a quick succession between Heads of Delegation. The fact that the Head of Delegation also has responsibility for Swaziland reduces the profile and, therefore impact of the Delegation in Maseru. The de-concentration of the Delegation should lead to some increase in staff. The intention to increase the political analysis function of the ECD in 2004 is welcome.

The ECD has adopted a fairly classical supply driven or needs based approach to aid. As set out in JC 3, the ECD has chosen *not* to adopt the partnership approach to development which is a fundamental principle of the Cotonou Agreement. A partnership approach should lead to a much greater influencing role by the EC with a 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 EC can move towards the long term objective of moving away from project aid and towards DBS. Thus in addition to including governance advice as a key function of the Delegation, there needs to be a culture change in the approach to aid delivery by the Delegation.

In addition to a governance adviser to handle the wider issues of human rights and democratisation but also the issues of PFM and public sector reform, the other skill area that is needed is infrastructure, especially the water sector and hydrology. If the EC is to take the leadership role in this sector it needs to find a replacement for Mr J Bloemarts to maintain the experience, presence and influence that he exercised in this sector.

**10.3.2 Quality of Management information systems in ECD**

**10.3.3 Existence and quality of internal systems for monitoring, evaluation and learning.**

There is very low use of a formal system of monitoring and evaluation in the ECD. Very few sectoral or programme evaluations have been conducted. Moreover programmes and projects have not been designed to capture baseline information for performance measurement. Both of these aspects should be addressed as a priority.

Moreover this internal quality control function should also extend to donor co-ordination. In many Delegations this function has become the responsibility of one key individual which may not be possible in a delegation the size of Maseru But the culture of monitoring, evaluation, quality control, lesson learning co-ordinated with other donors needs to become a feature of the management of the ECD.

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