



Economic Commission for Africa

## **Third Meeting of the African Learning Group on the Poverty Reduction Strategy Papers**

3-4 December 2003  
Addis Ababa, Ethiopia

**Exploring the PRSP Process  
in Lesotho:  
Reflections on Process,  
Content, Public Finance,  
Donor Support and Capacity Need**



Economic Commission for Africa

## **Third Meeting of the African Learning Group on the Poverty Reduction Strategy Papers**

3-4 December 2003  
Addis Ababa, Ethiopia

### **Exploring the PRSP Process in Lesotho: Reflections on Process, Content, Public Finance, Donor Support and Capacity Need**

**Benjamin Roberts**

The views expressed in this paper are those of the author(s)  
and do not necessarily reflect the views of the Economic  
Commission for Africa or any of its officers.

# Table of Contents

<a href="#"><u>List of Abbreviations</u></a> .....	iii
<a href="#"><u>Executive Summary</u></a> .....	1
<a href="#"><u>1. Introduction</u></a> .....	6
<a href="#"><u>2. The Process of Formulating the PRSP in Lesotho</u></a> .....	11
<a href="#"><u>2.1. Adopting the PRSP Framework and the I-PRSP</u></a> .....	12
<a href="#"><u>2.2. Towards the Full PRSP</u></a> .....	14
<a href="#"><u>2.3. Extent and Quality of Participation in the Process</u></a> .....	18
<a href="#"><u>2.4. Constraints Restricting the Scope and Quality of Participation</u></a> ..	22
<a href="#"><u>3. The Content of the PRSP</u></a> .....	24
<a href="#"><u>3.1. Poverty Diagnostics</u></a> .....	25
<a href="#"><u>3.2. Consistency between PRSP Policies/Programmes and Macroeconomic Framework</u></a> .....	30
<a href="#"><u>3.3. HIV/AIDS and the PRSP</u></a> .....	34
<a href="#"><u>3.4. Gender and the PRSP</u></a> .....	36
<a href="#"><u>3.5. Children and Youth</u></a> .....	38
<a href="#"><u>3.6. Indicators and Targets for Monitoring and Evaluation</u></a> .....	38
<a href="#"><u>4. Public Finance Aspects of the PRSP</u></a> .....	40
<a href="#"><u>4.1. Fiscal Discipline: Costing, Prioritization and Sequencing</u></a> .....	40
<a href="#"><u>4.2. Financing Options</u></a> .....	42
<a href="#"><u>4.3. Progress Towards Improved Financial Management and an MTEF</u></a> .....	43
<a href="#"><u>5. Realigning donor policies and resources</u></a> .....	45
<a href="#"><u>6. Capacity Building</u></a> .....	47
<a href="#"><u>7. Conclusion</u></a> .....	50
<a href="#"><u>8. References</u></a> .....	53

<a href="#"><u>Annex 1: List of Stakeholder Interviews</u></a> .....	59
<a href="#"><u>Annex 2: Millennium Development Goal Indicators for Lesotho</u></a> .....	58
<a href="#"><u>Annex 3: The Elasticity of Poverty and Pro-Poor Growth In Lesotho</u></a> .....	60
<a href="#"><u>Annex 4a: Duration of PRSP Processes for Countries with Full PRSPs</u></a>	60
<a href="#"><u>Annex 4b: Time elapsed since I-PRSP submission for countries preparing full PRSPs</u></a> .....	64
<a href="#"><u>Annex 5a: PRSP Related Activities, 2001</u></a> .....	61
<a href="#"><u>Annex 5b: PRSP Related Activities, 2002</u></a> .....	62
<a href="#"><u>Annex 5c: PRSP Related Activities, 2003</u></a> .....	63
<a href="#"><u>Annex 6: Terms of Reference for Sector Working Groups</u></a> .....	64
<a href="#"><u>Annex 7: Treatment of Gender Issues in the Policy and Strategy Content of the Draft PRSP</u></a> .....	67
<a href="#"><u>Annex 8: Ranked Poverty Problems as Identified During the Community Consultations</u></a> .....	67

## **Acknowledgements**

The author has many people to thank for their support to this effort. This review would not have been possible without the openness and insight provided by the various stakeholders that were interviewed in August 2003, almost always at exceptionally short notice, as well as those that have since submitted written comments. Ke a leboha! A special word of thanks goes to staff at the Ministry of Development Planning and Finance for their guidance and to Likonelo Hlasoa of the PRSP Secretariat for making available draft documentation and for generously providing her time. The support given by Mandisa Mashologu and Victoria Diarra of UNDP-Maseru is also gratefully acknowledged. Valuable comments and advice were received from Sebastian Levine (UNDP) as well as anonymous peer reviewers. Finally, I would like to express my sincere appreciation to Kasirim Nwuke, Senior Economic Affairs Officer in ECA's Office of Policy and Programme Coordination, who requested this review and committed financial resources to support this work.

## List of Abbreviations

<b>AGOA</b>	African Growth and Opportunity Act
<b>BOS</b>	Bureau of Statistics
<b>CSO</b>	Civil Society Organization
<b>CWIQ</b>	Core Welfare Indicator Survey
<b>DFID</b>	Department for International Development (UK)
<b>DSP</b>	Department of Sectoral Programming
<b>GDP</b>	Gross Domestic Product
<b>GNI</b>	Gross National Income
<b>GOL</b>	Government of Lesotho
<b>HBS</b>	Household Budget Survey
<b>IDA</b>	International Development Authority
<b>IMF</b>	International Monetary Fund
<b>JSA</b>	Joint Staff Assessment
<b>LCN</b>	Lesotho Council of NGOs
<b>M</b>	Maloti
<b>MoDP</b>	Ministry of Development Planning
<b>MoU</b>	Memorandum of Understanding
<b>NGO</b>	Non-Governmental Organization
<b>NGOC</b>	NGO Coalition for the Rights of the Child
<b>NV</b>	National Vision (Vision 2020)
<b>PMU</b>	Poverty Monitoring Unit
<b>PRGF</b>	Poverty Reduction and Growth Facility
<b>PRS</b>	Poverty Reduction Strategy
<b>PRSP</b>	Poverty Reduction Strategy Paper
<b>PSIRP</b>	Public Sector Improvement and Reform Project
<b>PS</b>	Principal Secretary
<b>SACU</b>	Southern African Customs Union
<b>SDR</b>	Special Drawing Right
<b>STI</b>	Sexually Transmitted Infection
<b>SWG</b>	Sector Working Group
<b>TG</b>	Thematic Group
<b>TWG</b>	Technical Working Group
<b>UNDP</b>	United Nations Development Programme
<b>VAT</b>	Value Added Tax

## **Executive Summary**

This report forms part of the latest in a series of annual assessments on the experiences of countries in sub-Saharan Africa with the Poverty Reduction Strategy Paper (PRSP) approach. Commissioned by the Economic Commission for Africa (ECA) as an input into the annual PRSP Learning Group meeting, the report essentially seeks to assess developments in relation to five thematic areas: (i) the PRSP process itself; (ii) content of the PRSP; (iii) public finance aspects of the PRSP; (iv) the realignment of donor policies and resources towards the PRSP; and (v) capacity building. The principal findings in relation to each of these issues are outlined below.

### **The PRSP Process**

In Lesotho, participation in the PRSP process is broadly acknowledged as having been legitimate, extensive and of high quality. The participatory nature of the PRSP and National Vision formulation processes represents one of the first occasions in the history of conceptualizing development policies and strategies in Lesotho that all stakeholders have come together as a unified team. New and more open dialogue has been facilitated both within the Government of Lesotho (GOL), and between government and parts of civil society, donors and the private sector. This is promoting recognition of the different participating actors as key stakeholders in Lesotho's development and an appreciation of the wide-ranging skills that each has brought to the process. It has also served to impart technical skills and increase awareness at both the central and local levels that policy making does not have to be conducted in a top-down manner. The PRSP community consultations (April-May 2002) represent the first salient endeavour by national government in Maseru to consult directly with a geographically spread sample of communities about critical developmental challenges, the scope of which makes Lesotho one of the most consultative PRSP processes in Africa to date.

Despite the impressive nature of the consultation process, the quality and scope of the material has been negatively affected by rather superficial knowledge of participatory techniques among some facilitators, insufficient attention to reporting protocols and analytical strategies, and the under-representation of urban areas. Participation in the PRSP process in Lesotho has also been constrained by: (a) the poor representation of the private sector during the early stages of the process, (b) the slower than anticipated PRSP finalization process, with almost three years having elapsed since the submission of the I-PRSP, and (c) the increasing signs of 'participation fatigue' especially for representatives of civil society organizations and the private sector. A major challenge now facing the country as it heads towards implementation is to move away from *ad hoc* forms of consultation to more institutionalized forms of collaboration and dialogue with national stakeholders.

### **The Content of the PRSP**

Despite the existence of representative and reliable quantitative and qualitative household data, the ability to construct a poverty profile, which analyses the

determinants of poverty, as well as its gender, regional and other dimensions, has been constrained by a number of structural and human factors. Fortunately, the PRSP process in Lesotho would appear to have provided substantial impetus to improve the poverty information and knowledge base. It is therefore anticipated that the country's information base will improve markedly as future rounds of currently planned surveys are completed and the use of participatory tools is scaled up. The poverty diagnostics chapter of the draft PRSP acknowledges the multidimensional nature of poverty. Apart from a conventional money-metric and absolute approach to the definition of poverty, founded on the specification of expenditure-based poverty lines, district level estimates of the human development index are provided in addition to the perceptions of poverty as expressed by different social groups, parliamentarians, CSOs and the private sector. Although the various policy prescriptions contained in the draft PRSP have yet to be consolidated, those strategies that correspond to the priority public actions emanating from the community consultations have been clearly identified and should inform the prioritization and sequencing of the interventions.

At the time of completion of the I-PRSP in December 2000, discussions were already underway between Lesotho officials and the IMF on economic developments and policies, and in March 2001 the Fund approved a three-year arrangement under the Poverty Reduction and Growth Facility (PRGF) to the value of SDR 24.5 million (about US\$35 million). There appears to be a high degree of consistency between the broad objectives, macroeconomic projections and targets, as well as structural measures articulated by Lesotho's PRGF economic programme and the I-PRSP. Lesotho's economy is considered to be performing well under the PRGF supported programme, in spite of the stresses imposed by the humanitarian crisis in the region and some fiscal slippages in late 2002 and early 2003. However, as the country nears the finalization of its full PRSP, it is important to examine whether the proposed macroeconomic framework contained in the draft report and PRGF programme are equally as consistent. Preliminary analysis indicates that while there remains a relatively high level of consistency between the economic programme under the PRGF arrangement and the draft PRSP in relation to broad objectives and structural measures, there is some divergence with regard to macroeconomic projections and targets.

Lesotho has the fourth highest HIV/AIDS prevalence rate in the world after Botswana, Zimbabwe and Swaziland. Of these countries, Lesotho is the poorest and it is this pervasive poverty together with social dislocation due to male and female migratory labour that are regarded as the principal drivers of the pandemic in the country. It is therefore important to note that HIV/AIDS related issues have received high coverage in the draft PRSP. In particular, the strategy successfully elucidates the linkages between HIV/AIDS and poverty in the country, as well as provides some data on seroprevalence rates. Vulnerable groups have also been identified and estimates of the number of AIDS orphans in Lesotho are included. The ambitious target of reducing HIV prevalence to 25 percent by 2007 is also established as a first step in fighting the pandemic. The effective incorporation of child and youth issues in the draft PRSP is a salient development. Unlike many other countries in southern Africa, Lesotho has

succeeded in prioritizing policies and programmes directed at addressing child and youth poverty and promoting the rights of these groups. This was achieved through the establishment of the Child and Youth thematic Group, which involved the direct representation of children in developing a logical framework matrix and preparing a position paper that built upon consultations in 2002 to capture the voices of children and youth.

The proposed poverty monitoring system articulated in Lesotho's PRSP attempts to build on some of the concerns that arisen from countries that are already implementing their PRS. The implementation matrix has adopted a 'monitoring chain' framework, which will enable policy-makers to track the effect of public action through the input-output-outcome-impact stages. Due to extreme time pressure, consultation in the development of indicators has been more limited than would otherwise be the case, and following submission, increased dialogue will be needed with sectors and other stakeholders to ensure that the indicators selected can appropriately track changes during PRS implementation. The selection of indicators for monitoring the implementation of the PRSP has been strongly determined by the nine PRSP priority sector areas. In addition, care has been taken to ensure that the indicators will accommodate the monitoring and reporting requirements of both the National Vision and the Millennium Development Goals (MDGs).

### **Public Finance and the PRSP**

At this juncture the multiple strategies contained in the draft version of the full PRSP have not been adequately prioritized and sequenced. While this is largely attributable to the absence of the comprehensive costing at the time of release, it is important that, at the very least, a first attempt at producing a more streamlined and focused set of measures be undertaken prior to submission of the final draft. Doing so would enhance the value, credibility and realism of the policy document. The ability of the Government to finance the country's poverty reduction strategy is constrained by the difficulty associated with raising revenues, as well as institutional and capacity limitations. The scaling up of current public sector reforms may however provide some space for targeted medium-term investments. Realistically, the resource envelope is still likely to be insufficient, hence the critical role that the private sector and development partners will need to play in fulfilling the pro-poor development mandate enshrined in the National Vision and MDGs. A number of possible risks can be identified that may frustrate the successful implementation of the PRSP priorities. These include the failure to re-align existing allocations, an inability to secure full financial, political and bureaucratic support behind the public sector reforms, continued vulnerability and low levels of official development assistance, and the devastating impact of the HIV/AIDS pandemic.

### **Donor Harmonization**

Prospects are good that the PRSP and the complementary National Vision process and Public Sector Improvement and Reform Project (PSIRP) will foster stronger bilateral partnerships and better coordination amongst development partners, especially those that are resident in the country. Historically, donors in

Lesotho have tended to operate in a rather compartmentalized manner, resulting in unnecessary fragmentation, projectization and duplication. Nonetheless, there is a shared feeling amongst stakeholders that the donor community as a whole has strongly embraced the principles of the PRSP approach. Donors have been active participants in Lesotho's PRSP preparation process in terms of both financing and facilitation, and have indicated their intention to align their assistance programmes to support the PRSP. Apart from jointly financing PRSP activities through the establishment of a poverty fund account, they have actively participated in various fora (TWG, SWGs, etc) and played a salient role in the provision of technical assistance and policy advice. An initiative is currently underway to establish a Joint Programme of Action amongst UN agencies in Lesotho to respond to the needs and priorities contained in the PRSP in a unified and coherent manner, thereby maximizing the effectiveness of the limited levels of technical resources and official development assistance that are available at present. However, despite noble beginnings, there is a need to improve donor coordination and transparency. This is critical, since the resources required to finance the implementation of Lesotho's poverty reduction strategy are unlikely to be achieved without concessional finance from donors.

### **Capacity Building**

Capacity constraints remain a particular problem in Lesotho and represent a real challenge to the implementation of the PRSP. Inadequate skills, lack of suitable institutions and poor incentive structures have weakened development planning and administration, and is often cited as the rationale for the lack of effective and efficient implementation of projects in Lesotho. Administrative capacity is relatively weak and there is a strong expression of need in relation to technical capacity, particularly analytical, information technology and basic writing skills. Notwithstanding the long history of research and data gathering in the country, Lesotho has been characterized by the absence of a culture of evidence-based policy making. Monitoring and evaluation capacity is consequently limited in most sectors, especially in areas related to poverty reduction. Compounding the problem is a high turnover of skilled personnel, which is related to political instability during the 1990s, poor salary levels, inadequate opportunities for career progression and job satisfaction, as well as increasing impacts of the HIV/AIDS pandemic. The draft PRSP does not devote much attention to the capacity of different development actors to effectively implement the wide-ranging set of measures and policies. Moreover, a discussion of the potential risks that may influence the operationalization of the recommendations contained in the Poverty Monitoring Master Plan is notably absent. Nonetheless, as the PRSP formulation process nears conclusion the focus is increasingly on capacity building and utilization to ensure that the PRSP has a sustained impact on poverty in Lesotho.

The strengthening of individual and institutional capacity is going to be crucial to the successful attainment of poverty reduction in the country. While much is being done to assist in improving data availability and quality in Lesotho, especially through the efforts of donors, the institutional and individual capacity required for monitoring and evaluation of the PRSP remains less well

developed. While the government is committed to establishing a Poverty Monitoring and Evaluation Unit (POMECO), plans for its formation have been ongoing for over two years. In order to ensure that the PRSP policies and strategies have the desired poverty reducing impact, the office needs to be established and capacitated as a matter of urgency. In particular, the office needs to be staffed by a multidisciplinary team that is adequately qualified in poverty monitoring, measurement and analysis. Further technical assistance will be required from development partners to ensure that this is realized and to avoid a scenario where the PRSP ends up being a well-conceived strategy that does not get implemented.

Implementing the PRSP must be based on delivery from the multi-sectoral actors and cannot be done by the MoDP. The different capacities of different sections of society will need to be mobilized, strengthened or built. Apart from the public sector, this should equally be seen to include civil society and the private sector, especially given the participatory development approach adopted during the PRSP preparation, which recognized the complementary role of different actors in the development process.

## 1. Introduction

Lesotho is a small and poor landlocked country of about 2.2 million people that is completely encircled by South Africa. Popularly referred to as the 'Mountain Kingdom', more than three-quarters of the country consists of highlands rising to nearly 3,500 metres and supporting 40 percent of the population. The remainder of the country is lowlands with altitudes between 1,500 and 2,000 metres, forming a narrow strip along the western border and supporting 60 percent of the population. This mountainous topography, coupled with animal and human pressures means that arable land is limited, soil erosion is pervasive and less than 10 percent of the land is cultivatable. However, the mountains are also repositories of the bulk of the country's natural resource endowments including water, gemstones and critical biodiversity.

Lesotho's economy is small and open, and highly susceptible to changes in the external economic climate, most notably in South Africa. The country has experienced mixed economic growth over the last two decades, a situation determined significantly by external shocks. Between 1980-87 and 1987-98, growth in GNI fell from 4.2 percent to three percent per annum, whereas GDP growth doubled from three percent to six percent per annum. GDP growth has been determined by two structural changes, the inception of the Lesotho Highlands Water Project (LHWP) in 1987 and the development of the textile and garments industry, both of which were associated with sizable foreign direct investment (FDI) inflows. The rapid decline of employment opportunities for the Basotho in South African mines has resulted in widespread retrenchments, diminishing remittances and the observed downturn in the GNP growth trend. Civil unrest following the disputed 1998 elections served to exacerbate the economic recession, a situation from which the country has recovered slowly. GNP growth has slid even further to about 1.4 percent per annum, mostly because of a further reduction in miners remittances, whereas GDP growth has decelerated to three percent from four percent per annum, partly due to the scaling down of LHWP investments and the general slowdown in the service sectors.

At the same time, the structure of the economy has been significantly transformed from the stable model of household livelihood development that prevailed for most of the twentieth century (Turner, 2003). Approximately 82 percent of the national economy (GNP) is now produced domestically, with the remainder composed of remittances from Basotho mineworkers employed in South Africa. While the contribution of agriculture to GDP has shrunk and that of services has stagnated, there has been a substantive shift towards the foreign direct investment (FDI) -driven private sector. The main driver of economic growth in Lesotho today is the export-orientated garment industry. This sub-sector has experienced a phenomenal supply response to the African Growth and Opportunity Act (AGOA), which came in effect in October 2000 and grants duty free access to Lesotho textiles into the United States of America (Gibbon, 2003). Despite new employment opportunities in the garment industry, with more than 10,000 jobs created in 2001 alone, concerns are being raised about low wages, the health costs associated with long hours spent working in factories, the high cost and poor quality of urban accommodation, household

stress and disruption due to the new pattern of predominantly female internal migration, as well as the rise of social pathologies in urban areas (Turner, 2003).

The recent economic gains are also being challenged by the rapid spread of HIV/AIDS, with the prevalence rate for the country soaring from three percent in 1993 to an alarming 31 percent in 2002 (Annex 1). The HIV/AIDS epidemic puts particular pressure on the economic growth prospects of the country. Scarce resources will increasingly be needed to pay for medicines, care and funerals rather than go into productive investments that could raise future economic growth. Moreover, AIDS typically strikes at the most productive groups of the population, lowering overall productivity of the economy. The World Bank has estimated that the impact of HIV/AIDS will reduce GDP by almost one third by 2015, significantly reducing the prospects of financing the national development objectives, meeting the MDGs and realizing the country's National Vision (Vision 2020). Mitigating the impact of the HIV/AIDS epidemic on economic growth while fully exploiting new sources for growth becomes critical to lift the nation's economy and levels of welfare.

Government has stepped up its economic reform process with support from the World Bank and the IMF. Liberalization of financial markets, privatization of public enterprises and parastatals, fiscal restructuring and a continuation of the strong monetary link with South Africa are considered key elements in providing an enabling environment for private sector growth, overseas investments and employment generation. Within the context of a comprehensive programme for public service reform the Government of Lesotho (GOL) has embarked on a zero-tolerance campaign against corruption, and is in the process of overhauling its financial management system and restructuring of the revenue base. This is particularly pertinent in light of low levels of programme implementation in the civil service, the adverse impacts of HIV/AIDS and the imminent prospects for significantly reduced revenue transfers from the Southern African Customs Union, a source of nearly half of Government revenues. The opportunity for Lesotho to exploit its proximity to South Africa, the largest and most advanced economy on the continent, gained some momentum during a visit by President Thabo Mbeki in 2001 when the two countries signed a cooperation agreement, which outlines a preliminary process aimed at lifting Lesotho out of LDC status within the context of the New Partnership for Africa's Development (NEPAD).

**Table 1**  
**Absolute Poverty Measures by District, 1986/7 - 1994/5 in percent**

Districts	1986/87			1994/95		
	Incidence	Depth	Severity	Incidence	Depth	Severity
Butha Buthe	62.63	32.45	22.09	70.63	41.77	29.67
Leribe	58.50	32.18	21.99	52.29	28.83	20.10
Berea	58.08	32.85	22.75	55.11	32.64	23.32
Maseru	47.53	25.83	17.77	39.09	21.09	14.56
Mafeteng	61.49	35.09	24.42	64.73	40.25	29.74
Mohale's Hoek	66.91	39.22	28.19	74.94	51.61	40.51
Quthing	62.21	35.99	25.90	72.73	46.11	34.85
Qacha's Nek	70.28	39.28	26.86	58.96	36.35	26.83
Mokhotlong	57.17	28.14	18.83	75.38	50.31	38.59
Thaba Tseka	67.20	38.15	26.62	72.33	46.57	35.46
<b>National</b>	<b>58.84</b>	<b>32.75</b>	<b>22.75</b>	<b>58.27</b>	<b>35.37</b>	<b>25.95</b>

**Source:** Bureau of Statistics-University of Natal estimates based on the 1986/87 and the 1994/95 Household Budget Surveys.

The vast majority of Basotho live in deep and deepening poverty, deprived of incomes that can cover basic necessities such as food, shelter and clothing. Between 1987 and 1995, the percentage of the population below the national income poverty line was virtually unchanged at about 58 percent (Table 1). Of the ten administrative districts, the incidence of poverty in 1994/95 was found to be highest in predominantly rural, mountainous districts - Mokhotlong (75.4 percent), followed closely by Mohale's Hoek (74.9 percent), Quthing (72.7 percent) and Thaba Tseka (72.3 percent). The same applies to both the depth and severity of poverty. Conversely, the incidence of poverty is considerably below average in Maseru district, where only 39 percent of households are poor. The incidence, depth, and severity of poverty are also generally below the national average in the mostly lowland/foothill districts of Leribe and Berea. A similar pattern is found in 1986/87, although the incidence of poverty was highest in Qacha's Nek (70.3 percent), followed by Thaba Tseka (67.2 percent) and Mohale's Hoek (66.9 percent). The higher incidence of poverty in these districts is related to the higher incidence of poverty in the mountain areas as a whole.

Table 2 reveals that poor households in Lesotho are heavily concentrated in rural areas. While there was a relative increase in the share of the poor to be found in urban locales between 1986/87 and 1994/95, the predominantly rural character of poverty remains unchanged. It also reveals that the majority of the poor are to be found in five districts, namely Maseru, Leribe, Berea, Mafeteng, and Mohale's Hoek.

**Table 2**  
**Poverty Share by District and Rural/Urban Status, 1986/87 – 1994/95**

District	1986/87 Poverty Share	1994/95 Poverty Share
Butha-Buthe	6.6	6.8
Leribe	16.0	14.5
Berea	11.6	12.8
Maseru	17.2	15.1
Mafeteng	12.8	12.6
Mohale's Hoek	12.1	12.6
Quthing	7.0	8.0
Qacha's Nek	4.5	3.6
Mokhotlong	4.6	5.8
Thaba-Tseka	7.7	8.3
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>
Rural Lesotho	91.6	81.6
Urban Lesotho	8.4	18.4
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

**Source:** Bureau of Statistics-University of Natal estimates based on the 1986/87 and the 1994/95 Household Budget Surveys.

There is a distinct gender aspect to income poverty in Lesotho. Households that are headed by men (or de facto headed by women as the head of household is absent, e.g. because he is employed in the South African mines) have significantly lower levels of poverty compared to households that are de jure headed by women. Two thirds of these latter households are headed by widows with an average age of 56 years (See Table 3).

**Table 3**  
**Poverty Indices by Gender of Household Head, 1986/87 – 1994/95**

	Incidence		Depth		Severity	
	1986/7	1994/5	1986/7	1994/5	1986/7	1994/5
<i>de facto</i> headed by women	47.8	54.5	23.6	29.4	15.2	20.0
<i>de jure</i> headed by women	64.6	62.1	38.8	38.7	28.3	28.7
Headed by men	64.5	57.7	36.1	36.2	25.1	27.1
All	58.8	58.3	32.8	35.4	22.7	25.9

**Source:** Bureau of Statistics-University of Natal estimates based on the 1986/87 and the 1994/95 Household Budget Surveys.

The HIV/AIDS epidemic stands to deepen poverty further as HIV/AIDS drastically reduces incomes at household level through illness, death and the lower productivity of those who fall ill. Moreover, households have to divert scarce resources away from basic needs to cater for medicine, care and funerals. In Lesotho, the food crisis threatens to intensify and prolong the epidemic, for instance as women and children are being forced to barter sex for jobs, food and other basic essentials. Children are also leaving school to find work or forage for food. With slowing economic growth since 1998 and increased retrenchment of migrant workers in the South African mining industry, it is expected that today poverty has deepened even further.

One of the key features of the poverty situation in Lesotho is the inequality with which incomes are distributed. The poorest 10 percent of the population have command of less than one percent of the total national income while the richest 10 percent have command over more than 50 percent of the total income. This inequality is particularly reflected in a rural-urban divide, where rural districts have significantly higher levels of income poverty compared to the urban districts (See Table 4). Income poverty in rural and mountainous Mokhotlong, the poorest district of the country, is almost double that of the capital district of Maseru, where poverty levels are lowest.

**Table 4**  
**Gini coefficients by district, 1986/87 and 1994/95**

District	1986/87 Gini (per capita expenditure)	1994/95 Gini (per capita expenditure)
Butha-Buthe	0.56	0.60
Leribe	0.59	0.60
Berea	0.59	0.64
Maseru	0.62	0.66
Mafeteng	0.58	0.64
Mohale's Hoek	0.61	0.70
Quthing	0.58	0.68
Qacha's Nek	0.54	0.68
Mokhotlong	0.51	0.64
Thaba-Tseka	0.60	0.62
TOTAL (all Lesotho)	0.60	0.66

**Source:** Bureau of Statistics-University of Natal estimates based on the 1986/87 and the 1994/95 Household Budget Surveys.

Growth experienced between the late 1980s and early 1990s tended to be weakly pro-poor, since a one percent increase in per capita GNP resulted in a meagre 0.12 percent decrease in the incidence of poverty. Empirical research suggests that high inequality countries tend to have lower growth rates (Ravallion and Chen, 1998; Pritchett, 1997). For high poverty, high inequality countries such as Lesotho, the MDG targets will remain elusive if the historical trends continue. The question therefore remains as to what type of policies could potentially serve to make growth in Lesotho more pro-poor and produce

the rates of growth the country would require to halve poverty by 2015. While not all the answers are yet available, the indication is that a country's level of inequality is the most salient of the factors that could make a difference (Naschold, 2002; Hanmer and Naschold, 2001; Ravallion 1997, 2001). Consequently, the GOL together with development partners, need to ensure that redistributive policies are adopted to reduce the extremely high levels of inequality in the country and pro-poor strategies are pursued to focus on improving the impact of growth on poverty reduction. Killick (2000:4) indicates that the pro-poor growth policies that are likely to comprise such a policy framework include agriculture and rural development; the encouragement of labour-intensive investments; infrastructural investment to reduce the exclusion of the poorest; the promotion of education, health and social capital; measures to eliminate gender biases; and improved access to capital through such initiatives as micro-credit schemes.

This assessment occurs at a time when the full PRSP for the Kingdom of Lesotho is nearing but has not quite yet reached completion. For that reason, its focus is primarily on the PRSP process and more tentatively on assessing the emerging content of the draft full PRSP, rather than on the impacts on poverty outcomes and indicators.

## **2. The Process of Formulating the PRSP in Lesotho**

During the mid-1980s, structural declines in external sources of revenue, particularly in the form of Southern Africa Customs Union (SACU) receipts and remittances from mining workers, resulted in an economic downturn. In 1988, prompted by mounting unemployment, deteriorating social indicators and a growing fiscal deficit, the government, assisted by the IMF and the World Bank, embarked on a structural adjustment programme (World Bank, 1995). The programme aimed to reduce the fiscal deficit, encourage private sector development, including the attraction of foreign investment, and increase social spending (especially on health care and education).

As part of Lesotho's programme, the Ministry of Finance prepared Policy Framework Papers (PFPs) jointly with the IMF and World Bank between 1988 and 1997, focusing fundamentally on aspects of macroeconomic management. The PFP was the predecessor to the PRSP initiative, coinciding with a renewed interest by the World Bank in poverty reduction. The preparation of a tripartite (Government, IMF, World Bank) PFP was the basis for assistance from the Fund and the Bank. Unlike the PRSP, the PFP did not have an explicit focus of poverty reduction outcomes, was driven by the IFIs rather than by the country, and was premised on a closed process that was neither consultative nor participatory (Klugman, 2001). Despite the favourable macroeconomic environment achieved under the adjustment programme, with annual growth rates of real GDP and GNP between 1988 to 1994 averaging 8.5 and six percent respectively<sup>1</sup>, the incidence of poverty in Lesotho remained persistently high. Therefore, structural adjustment, which was mainly associated with a

---

<sup>1</sup>This growth has been attributed primarily to significant construction activity under the Lesotho Highlands Water Project (LHWP) and export growth in textiles, garments, footwear and light manufacturing.

tightening of fiscal policy, appears to have had a limited impact on household incomes in Lesotho, and seems not to have disproportionately affected the poor (World Bank, 1995:3-4; Foulo and Grafton, 1998).

## **2.1 Adopting the PRSP Framework and the I-PRSP**

The process of formulating the PRSP in Lesotho was initiated in December 1999, when the government held consultations with the IMF and World Bank and assented to the adoption of the PRSP as an enhanced framework for poverty reduction in the country (Phororo, 2001). The Ministry of Development Planning (MoDP) was assigned responsibility for the administration and coordination of the PRSP process, and the PRSP Secretariat was established in the Ministry's Department of Sectoral Programming (DSP). In the initial stages of the process, the Secretariat consisted of a Chairperson, a role assumed by the Director of Sectoral Programming, and an assistant.

The first step undertaken by the Government of Lesotho towards the preparation of the PRSP was the establishment of a Technical Working Group (TWG) in February 2000. This was done under the general oversight of the Minister of Finance and Development Planning and the stewardship of a Chief Economic Planner in the DSP, who was designated as PRSP Coordinator. In adherence with the participatory ethos of the PRSP, the TWG consisted of representatives from government ministries, the private sector, civil society Organizations, the National University of Lesotho and donors. The mandate of the TWG was to initiate and implement the process of preparing the PRSP for Lesotho (Government of Lesotho, 2000:29). The TWG was further divided in two sub-groups, namely the Poverty Monitoring Subgroup and the Consultations Subgroup. The latter held meetings on a weekly basis in order to design and implement various PRSP-specific activities and reported to the TWG at the standing meetings held every Wednesday morning.

It is interesting to note that, at the earliest stages of the process, MoDP envisaged that the PRSP formulation would be spearheaded by the Poverty Reduction Task Force, a body that had been established to monitor the implementation of the action plan of the 7<sup>th</sup> Round Table Conference (RTC, 1997) on 'Poverty Reduction within the Context of Good Governance'. Nevertheless, it soon became evident that this task force had disintegrated, since regular meetings were not held, no-one knew who the members were and no systematic follow-up to the RTC action plan had been conducted<sup>2</sup>.

Drawing upon the early experience of other African countries vis-à-vis the formulation of their PRSPs, the TWG began to realize that it might take an estimated two years to complete a full PRSP for Lesotho. However, as articulated in the Terms of Reference for the TWG, there was an express need

---

<sup>2</sup> Sebastian Levine, personal communication.

for Lesotho to access IMF/World Bank resources, particularly since the concessional assistance received in 1998 had largely been expended by 1999 (Phororo, 2001: Annex 2). Therefore, in line with the guidelines set out by the Boards of the IMF and World Bank for cases where the preparation of the full PRSP could take in excess of one year, the TWG immediately sought to prepare an Interim Poverty Reduction Strategy Paper (I-PRSP) as the basis for accessing concessional assistance not only from the Joint Boards but from the wider donor community as well (IDA/IMF, 2002b).

The I-PRSP was scheduled to be presented to the IMF and World Bank in September 2000. Despite a draft being completed by the TWG in July 2000, time lags in receiving and integrating stakeholder comments resulted in an extension of the deadline and the final I-PRSP document was submitted in mid-December 2000, and presented to the Executive Boards of the IDA and IMF in March 2001 (Phororo, 2001). Based on the I-PRSP, a programme under the IMF's Poverty Reduction and Growth Facility (PRGF) was prepared and funding began flowing in June 2001.<sup>3</sup>

According to the I-PRSP, the formulation of the full Poverty Reduction Strategy Paper was expected to take a total of *18 months* from the time of submission. Therefore, it was originally thought that the process of preparing the full PRSP would commence in December 2000 and conclude with the submission to the Boards of the IMF and World Bank in mid-June 2002. This expected duration is broadly consistent with the experience of the 36 countries that have already finalized their full PRSPs, the average time taken between I-PRSPs and full PRSPs being 21 months (see Annex 3). The formulation process was conceptualized as consisting of three principal phases. The first of these was the *preparation phase*, which would entail the commissioning of an evaluation of the I-PRSP process by the MoDP, as well as establishing instruments for the systematic measurement and monitoring of the poverty situation, specifically the creation of a Poverty Monitoring Unit, the development and updating of targets and indicators on the poverty situation, and the carrying out of surveys to address empirical gaps. Secondly, there is the *consultative phase*, during which consensus-building within government structures, and comprehensive consultations with the rural poor, civil society organizations, Members of Parliament and Senators, local authorities, the business community and other interest groups was envisaged. Lastly, there was the finalization phase, which entailed the drafting process with direct input from the community consultations.

Apart from the TWG, the I-PRSP envisaged two additional structures that would take the consultative process forward. The first of these is the Poverty Council, which is chaired by the Deputy Prime Minister and consists of the Principal Secretaries of various line ministries and the Governor of the Central Bank of Lesotho. The council provided an oversight function during the preparation of the I-PRSP and was expected to provide policy guidance and serve as a mechanism for consultations at the highest levels of the government during the formulation and implementation of the full PRSP. The second institutional

---

<sup>3</sup> More information on Lesotho's PRGF arrangement is provided in a subsequent section.

structure was a Poverty Forum that was established to facilitate civil society consultation at both national and district levels.

## **2.2 Towards the Full PRSP**

Immediately following the completion of the I-PRSP, an evaluation of the performance of the TWG and the formulation process was undertaken by a local consultant as a precursor to the preparation of the full PRSP, which was finalized in early January 2002. Amongst other things, the ensuing report made various recommendations with regard to technical and participatory improvements to the TWG, the management of the process itself, the development of consultative and participatory mechanisms to improve stakeholder communication, in addition to developing a proposed workplan for the completion of the full PRSP (Phororo, 2001). In general the report was relatively favourable, recommending that the TWG needed to be more inclusive and should seek broader governmental and non-governmental representation.

The Joint Staff Assessment (JSA) of the I-PRSP was also broadly complimentary and commended this step towards a comprehensive poverty reduction strategy for the country. It did however also highlight some risks and caveats that, as will be later discussed, have turned out to be relevant to the process. Of particular concern were the potential political risks to the process:

*First, the impending elections could result in insufficient attention being paid to developing the PRSP, which could suffer in terms of quality and timeliness of preparation. The participatory process may also be adversely affected. Second, and more importantly, there may not be full commitment to the PRSP if the government changes towards [the] conclusion of the process, as a new government might not consider the document to be its own. Thus the PRSP may need to be revised (IMF/IDA, 2001:5-6).*

Moreover, a number of risks were identified that could threaten the successful implementation of the full PRSP and the architects of the strategy were asked to pay special attention to them. These risks included:

*(a) the extreme vulnerability of the Lesotho economy to external shocks (such as changes in employment opportunities in South Africa for Lesotho workers, and loss of external markets), (b) weak institutional capacity to implement the strategy, and (c) uncertainties regarding foreign assistance flows (IMF/IDA, 2001:6).*

Following the release of the I-PRSP in December 2000 to favourable reception by government and donors alike, the emphasis in 2001 shifted to the realization of the recommendations made by the I-PRSP Evaluation in relation to the TWG, in addition to planning for national poverty consultations (Annex 4a). The TWG members received training in participatory rural appraisal (PRA) techniques in June and July 2001, after which training workshops were held in September for district level government and NGO personnel identified as facilitators for the consultations. To ensure that there was a general understanding and commitment to the PRSP, and an awareness of the forthcoming consultations, a process of sensitization was subsequently embarked upon between September and November 2001. With joint financial support from the Government and Ireland Aid, the TWG sent teams to visit most of the country's 37 administrative wards to sensitize local leadership (village headmen, ward

chiefs, district secretaries, district staff) and civil society organizations. In July and November 2001, consultative PRSP briefings were held with Parliament and Principal Secretaries. Also in November, the Civil Society Poverty Reduction Forum (CSPRF) was established by the LCN to maximise civil society involvement in the PRSP process.

The next notable activity conducted in preparation for the community consultations was determining where they should occur. In January 2002, the Bureau of Statistics (BOS) finalized a list of 80 villages that were randomly selected on the basis of probability sampling (Annex 4b). Keeping to the participatory spirit of the PRSP, the districts were asked to recommend additional communities, which pushed the list to approximately 300 sites. After further discussion between the TWG and the National Vision Secretariat, this was brought to a more manageable 200 villages (20 per district), including the 80 villages selected by the BOS. This is equivalent to an estimated 57 percent of villages in the country. Having achieved this, final planning and coordination was undertaken by a Consultation Sub-Group, a sub-committee of the TWG. This included refresher training, the formation of District Secretariats, and Field Preparation Workshops in each district.

The consultations began on the 12<sup>th</sup> April 2002 and extended until mid-May. An estimated 300 facilitators and supervisors formed a series of teams that oversaw this exercise. The composition of the consultation teams was quite remarkable in that they relied on a partnership between the TWG, GOL, notably the Ministries of Health, Education, Agriculture and Local Government, as well as local government structures and civil society organizations. On average, teams spent three days per community, soliciting views on poverty. Estimates place the number of people consulted at between 10,000 and 20,000 which, in a population of 2.14 million (2000 estimate), translates into a ratio of between 1:100 and 1:200. This unequivocally makes Lesotho one of the most consultative PRSP processes in Africa to date.<sup>4</sup> Despite it being topographically difficult to access a number of the selected communities, there was an impressive commitment on the part of the field teams, to the extent that donkeys and even helicopters were relied on in instances. Apart from attempting to ensure geographic representation, there was an additional effort to secure the views of important social groups in Lesotho. These included women, children, youth, men, herdboys, disabled, elderly, widows and orphans, retrenched mineworkers, CSOs and NGOs, chiefs, district level government officials, traders and people living with HIV/AIDS.

The impressive scope and nature of the consultative process aside, it is also important to note that the subsequently produced analytical report on the community consultations, *Voices of the People*, represents a landmark document that for the first time captures the experiences, values and priorities of the Basotho. The report should however not exclusively be seen as a strategic input into the Vision/PRSP processes, but should also be used to inform development oriented strategic planning more generally, whether in government, civil society, private sector and development partners. It is only by

---

<sup>4</sup> Interview with Dr. James Atema, Advisor, DFID, Maseru (August 21, 2003)

doing this that the opportunity presented by the consultations for improving public action, governance and accountability, and meeting the needs of the poorest will be effectively realized.

Shortly after the conclusion of the community consultations, General Elections were held on the 25<sup>th</sup> May 2002. Prior to undertaking the fieldwork, there emerged concerns about the possibility that the election would affect the PRSP process. One of these concerns related to fears that timing of the consultations so near to the elections could result in them being perceived by the selected villages as political maneuvering. There was also disquiet at the possibility that the electoral results could be violently disputed, as with the 1998 election. Given the exigency of addressing the unemployment, poverty and HIV/AIDS challenges, it was ultimately decided to proceed. The election gave a new mandate to the incumbent Government of the Lesotho Congress for Democracy (LCD) party, while providing for an elected opposition for the first time since Lesotho's return to democratic rule in 1993, to take seat in the lower house of parliament. There is widespread agreement that the elections process represents a historical opportunity to transcend decades of political uncertainty and instability, and for the new government and multi-party parliament to move the country's development agenda forward.

In May 2002, Sector Working Groups (SWGs) were established as a means of supporting an informed process of policy formulation and identifying programmatic interventions that will guide budgetary allocations and that respond to the priority of needs emanating from the community consultations. More specifically, the Terms of Reference for the SWGs stipulates that they were envisaged as:

- An avenue through which key government policy makers will be involved in the PRSP consultation process;
- Ensuring broad based government participation and ownership of PRSP;
- Being where critical analysis and synthesis of information from consultation will be undertaken by technical officers;
- Being where key central stakeholders will participate and specific technical proposals can be presented in the PRSP;
- Being where private sector and civil society will have an opportunity to make policy recommendations at national level;
- Being where national issues that may not be captured at the village level can be discussed, etc.

Chaired by Principal Secretaries or their nominees and reporting to the TWG, the SWGs were designed to be composed of representatives of relevant ministries and departments, civil society, the private sector, professional groups and other interested parties. As shown in Table 5, eleven SWGs were formed. A parallel institutional development was the formation of a series of Thematic Groups (See Table 5). The purpose of these was to ensure that critical national issues that had received insufficient attention in previous planning processes and that are cross-cutting and multi-sectoral in nature, such as HIV/AIDS, gender, and children and youth, were adequately discussed and reflected in the

PRSP policy and strategy formulation. The LCN convened these consultative fora together with relevant government departments and organizations, the only notable exception being the Children and Youth thematic group, which was coordinated by UNICEF and the NGO Coalition for the Rights of the Child (NGOC). Each group prepared a position paper that outlined the status, policy dimensions, problem analysis and strategies of the crosscutting issue under consideration.

Over the following months, these national consultative groups met individually on a fairly regular basis in order to reflect on the views expressed through the village consultations and to prepare sector reports and position papers. During October 2002, sector and thematic group hearings were held to improve the quality of inputs. This was followed by an intensive three-week workshop at Mohale Lodge between late October and mid-November. The purpose of this forum was for the stakeholders involved in the process to meet outside Maseru for a substantive period of time, thereby retreating from the demands of their routine responsibilities, in order to prepare what was termed the Zero-Zero Draft of the full PRSP.

In mid-November, the PRSP Secretariat gave a half-day seminar to Parliament, informing them of the PRSP process, and by the end of the month the zero draft of the PRSP was released. Another critical milestone was the directive issued by the newly elected Cabinet to the PRSP Secretariat to merge the National Vision and PRSP processes and have them coordinated by a joint secretariat (GOL, 2002b). The harmonization of the PRSP and National Vision is significant, especially since the PRSP effectively represents the mechanism for attaining the targets and aspirations articulated by both the MDGs and the Vision.

**Table 5  
Sector Working Groups and Thematic Groups Established for the PRSP Process**

<b>Sector Working Groups (SWGs)</b>	<b>Thematic Groups (TGs)</b>
1. Justice, Safety, Security and Human Rights	1. Children and Youth
2. Defence and Home Affairs	2. HIV/AIDS
3. Health and Social Welfare	3. Gender
4. Education and Cultural Affairs	4. Employment Opportunities
5. Housing and Community Services	5. Environment
6. Agriculture and Rural Development	6. Population Dynamics
7. Tourism, Trade and Industry	7. Decentralisation and District Development
8. Natural Resources and Environment	8. Disability
9. Other Public Services	9. Nutrition
10. Physical Infrastructure and Communications	10. Democracy and Governance
11. Macroeconomic Framework and Fiscal Strategy	11. Science and Technology

The Government submitted a PRSP Preparation Status Report to the IDA/IMF in December 2002, proposing that the deadline for the completion of the full PRSP be revised to November 2003. According to the report, this was attributable to the 'underestimation of the time that was needed for planning of consultations, consultative drafting of the PRSP in practice, and pacing with the National Vision document' (GOL, 2002b). In response, the Joint Staff Assessment (April 2003) raised the concern that 'this completion date at first appears to be drawn out' (IMF/IDA, 2003: 2). Nonetheless, it subsequently acknowledged that this is understandable given the government's cautious stance about setting overly-ambitious deadlines on account of uncertainties in preparing a PRSP for the first time and the time required to adequately cost PRSP policies and strategies.

During 2003, most of the activities have revolved around the drafting of the final report, and to date five different versions have been produced (See Annex 4c). In May, a First Draft PRSP was available, after which an iterative revision and editorial process has been conducted. The second version of the draft was released in late May, followed by a third version on the 3<sup>rd</sup> June, a fourth version on the 10<sup>th</sup> July, bringing us up to the most recent releases, version 5 on the 15<sup>th</sup> August.<sup>5</sup> This is currently being circulated for comments and was presented to all the Principal Secretaries by the Joint PRSP/NV Secretariat on 5<sup>th</sup> September. Once the PRSP has been approved by the PS's, it will be submitted to Cabinet for approval. This high-level involvement is seen as critical for the success of the PRSP implementation.

### **2.3 Extent and Quality of Participation in the Process**

Based upon a content analysis of the I-PRSPs and full PRSPs, Eberlei (2001) developed a taxonomy of participation in PRS processes in Africa, enabling countries to be categorized as possessing low, medium or high participation depending on whether they fulfilled certain fundamental criteria. By applying these criteria to the experience of the I-PRSP preparation process, it was concluded that Lesotho belonged to the group of African countries that had managed to secure medium participation.<sup>6</sup> However, as documented in the preceding section, there has been a significant amount of PRSP related activities and institutional developments since the completion of the I-PRSP, which requires us to re-examine both the depth and extent of participation in the PRSP formulation process.

---

<sup>5</sup> This assessment is based upon version 5 of the full PRSP, which was obtained during the stakeholder interviews that were conducted in August 2003. A sixth version was subsequently released on the 17<sup>th</sup> September, though only minor editorial changes exist between version 5 and this latest version.

<sup>6</sup> 'Medium participation' according to Eberlei (2001:7) denotes that the participatory processes are substantially broader in scope. Efforts are undertaken to initiate broad-based participation (parliament, civil society, private sector, national and sub-national levels) and a variety of instruments are employed over an extended period (e.g. information sharing; public debate; workshops at the national and regional levels; PPAs; co-determination going beyond opinion polls).

There appears to be general assent that participation in the PRSP process in Lesotho has been legitimate, extensive and of high quality. Amongst the PRSP/NV Secretariat, there is a sense that the participatory nature of the PRSP process has been a critical success for the country, the value of which cannot be overemphasised.<sup>7</sup> In terms of national level activities, it was acknowledged that the recognition of, or respect for, the different participating stakeholders within the institutional framework established was an important factor behind this success. The Secretariat believes that there was a strong commitment among its and other MoDP staff to listen to the viewpoints of other stakeholders. Moreover, there was an appreciation of the wide-ranging skills that the stakeholders brought to the process. For example, the intimate knowledge of communities and participatory methodologies possessed by CSOs resulted in them playing a salient role in the training, planning and facilitation of the community consultations. Similarly, it was mentioned that the active participation of donors and development partners in the process, including the development of workplans and budgets, has assisted in securing technical and financial support for the ongoing PRSP activities.

*Impact of Participation on Policy Dialogue between Stakeholders.* The participatory process that was embarked upon for the formulation of the PRSP, as well as for complementary initiatives such as the National Vision, appears to have facilitated a more open dialogue than had previously existed both within the Government of Lesotho, and between government and parts of civil society, donors and the private sector. New forms of dialogue have been initiated between government and some CSOs, with representatives admitting that these two constituencies have begun to understand each other better, and that the PRSP process represents one of the first occasions in the history of conceptualizing development policies and strategies in Lesotho that all stakeholders have come together as a unified team.<sup>8</sup> Government representatives acquiesce and observe that the ability of CSOs and the government to talk to each other has improved during the PRSP deliberations, and that there is an increasing realization that CSOs are key stakeholders in Lesotho's development. As evidence of this improved relationship, following the release of the zero-zero draft PRSP in November 2002, the Lesotho Council of NGOs (LCN) had discussions with its constituent members and critiqued it, after which a memorandum was submitted to the government and posted on their internet. This prompted a review and ultimately a revision of the draft paper.<sup>9</sup> Another important milestone is the current attempt to produce a Memorandum of Understanding between the GOL and civil society organizations through the LCN.<sup>10</sup>

Despite undeniable progress made in respect of the relationship between the stakeholders involved in the PRSP process at a national level, there remain some very real concerns. Notwithstanding the representation of CSOs on

---

<sup>7</sup> Interviews with Ms. Hlasoa and Mr. Pefole, PRSP Secretariat (21 and 27 August, 2003 respectively)

<sup>8</sup> Interviews with Mr. Motsamai and Mr. Tshabalala (26 and 25 August, 2003 respectively)

<sup>9</sup> Interview with Ms. K. Tsumane (21 August, 2003).

<sup>10</sup> Interview with Mr. Phatela (29 August, 2003).

important committees, such as the TWG, SWG and technical groups, the LCN perceived CSOs as being a considerable minority. Certain government representatives also became increasingly aware that the LCN was not representative of CSOs and that there needed to be participation beyond the LCN. The formation of the CSPRF was a laudable initiative to redress this situation, but it was transitory in nature and did not seem to build momentum.

There is some divergence in opinion as to whether the participatory PRSP process is establishing a new trend in policy making. For those involved in the PRSP process, there is broad acknowledgement that it has been a learning experience for different stakeholders. Technical skills have been imparted, dialogue and understanding between Government, CSOs and donors has improved, and there is an increasing awareness at both the central and local levels that policy making does not have to be conducted in a top-down manner. Indeed, as the I-PRSP acknowledged:

*Since independence, poverty reduction has been at the core of government policies and strategies...However there is no clear picture of the extent to which these efforts have resulted in alleviating poverty...Their shortcoming was underpinned by the top-down approach at various levels: planning, formulation, implementation, monitoring and evaluation (Kingdom of Lesotho, 2001:19-20).*

The Joint Staff Assessment of the I-PRSP further notes that:

*Government has not been able to effectively make a dent on poverty through social sector expenditures, and...top-down development and implementation of policies, without adequate community participation, may have been an important reason for the failure (IMF/IDA, 2001:3).*

Nonetheless, questions still remain as to the extent to which this is going to promote a more general normative shift in the traditionally top-down mode in which decision-making and policy planning has occurred at the national level. There is recognition that the relationship between Government and the CSO sector remains somewhat uneven. Some believe that while the Government listens to the views of the CSOs, there is certainly not equal decision-making authority in the PRSP process. In addition, some have expressed the opinion that the involvement of CSOs is effectively a marriage of convenience, and that the Government is participating with them merely because it is a key requirement of the PRSP.

*Conceptual Understanding of Participation.* The understanding and practice of 'participation' during the initial stages of the PRSP process varied substantially between the stakeholders. The Government is seen to have narrowly interpreted participation as implying widespread involvement by government institutions and not external agents. It was seen to be displaying 'an incomplete understanding of the principles and practice of participation, considering it an instrument to strengthen its legitimacy and to improve programme design. It saw civil society's role as rubber-stamping GOL policies and perfunctorily conducting the PPA' (McGee et al, 2002:44). The CSOs also did not think that the emphasis on participation extended to include them and thought that it was

an exclusively government-driven process. The donors appear to have played an instrumental role in shaping the participatory nature of the PRSP process by gathering together a range of different stakeholders to establish the TWG. There is a shared belief that the operations of the TWG have ultimately resulted in a more holistic awareness of the principle of participation. In particular, workshops and training programmes, coupled with study tours to other countries, have served to impart stakeholders with lessons in best practice, including ways in which participation can be effected and the roles different institutional players should adopt. This enthusiasm is however increasingly being replaced by disquiet at the declining regularity of TWG meetings and the attendant dissemination of key PRSP related information and documentation.

Some observers have commented that the emphasis placed on participation and consultation during the PRSP at the technical level and at lower levels (communities and districts) has resulted in insufficient time and effort being invested in sensitizing upper bodies. Convincing senior government officials and other authorities of the relative benefits of a participatory approach to policy making has proven an immense challenge. Ohiorhenuan (2002) raises the key question of whether the participatory directive underpinning PRSPs are ultimately substituting populism for effective representativeness. This appears to have been a prevailing concern for certain senior officials in Lesotho during the *very initial* stages of the process, the argument being that, for a country with a representative democracy, the role of CSOs should perhaps be seen as supplemental to the role of the elected representatives of the people. There has also been a belief amongst such officials that the PRSP is donor driven and myopic. As the PRSP process in Lesotho has evolved, these values have gradually begun to shift, particularly through the active and continuous role of CS in formulating the PRSP, together with the enthusiastic reception of the community consultation material. Moreover, as previously mentioned, several parliamentary briefings were held during the process, though the timing of these was often not ideal (e.g during the preparation of the 2002 General Elections) and the scope of this consultation did not extend to PRSP workplan and budget. Nonetheless, the favourable attitude of parliamentarians towards the PRSP presents an important opportunity for scaling up the involvement of Parliament, especially as Lesotho moves from PRSP formulation to implementation.

*Consultations.* While there is a history of participatory consultations and enquiries in Lesotho, the 2002 community consultations represent the first salient endeavour by national government in Maseru to consult directly with a geographically spread sample of communities about critical developmental challenges, in particular poverty, livelihoods and the state of the nation (Leboela and Tuner, 2002). In consequence, 'the stress on broad-based participation in the PRSP process has brought new impetus to the principle and practice of participation, with more focus on practice as opposed to rhetoric' (Levine cited in McGee et al, 2002:44). There has been a genuine and extraordinary commitment and determination among representatives of government and non-governmental institutions to overcome various logistical and resource constraints in order to undertake these consultations. Also commendable is the contribution of the thousands of Basotho that participated in the consultative process. The participants generously devoted hours and even days to

contribute to the discussion and dialogue in order to make their views, priorities and aspirations known, irrespective of the widespread public skepticism of consultation processes generated by the lack of delivery emanating from previous participatory exercises.

Despite the impressive scope and depth of the consultation process in the country, several shortcomings have been observed that have had an impact on the quality and scope of the material. Firstly, despite the extensive planning and training that preceded the consultations, some facilitators still had rather superficial knowledge of participatory techniques. Secondly, it appears that insufficient attention was devoted to reporting protocols and analytical strategies, resulting in the use of three different reporting formats (two for the PRSP components and one for the National Vision component). In combination, these factors have yielded consultation reports that are of inconsistent quality. For instance, some consultations are meticulously documented, while for others there exist only brief syntheses with many sections of the report left incomplete. Thirdly, of the communities included in the consultations, only three percent were situated in urban areas. Therefore, in terms of national coverage, the voices captured through the consultation process are predominantly reflective of rural Basotho. Fourthly, despite the comprehensive nature of the consultations, it was surprising that HIV/AIDS was hardly mentioned, especially given the alarmingly high prevalence rate in the country and the challenge that this is likely to pose in terms of poverty and quality of life in the near future (Leboela and Turner, 2002).

#### **2.4 Constraints Restricting the Scope and Quality of Participation**

In the preceding section, some shortcomings in the manner in which participation has been operationalized in developing of the PRSP Lesotho were mentioned. In this section, additional constraints that have dampened the potential for participation in the PRSP process in Lesotho will be briefly outlined.

Another area where there has not been much success but that is currently being addressed is the scope and depth of the private sector participation in the PRSP process. During the early stages of the PRSP formulation process, the interests of business were not well represented. The Lesotho Chamber of Commerce and Industry (LCCI), a business association that has members throughout the country, was involved but there were concerns that this institution had limited capacity and did not adequately reflect the views of the business community. As part of the World Bank technical assistance to support private sector development in Lesotho, representatives from several business organizations were invited to a private sector workshop in May 2002 during which a coordinator was appointed to represent them. Subsequently, with donor support, a network known as Business Network of Lesotho (Biznet Lesotho) was established in October 2002. Biznet was intended to be a credible body composed of people capable of analyzing government policy and that would facilitate discussion with government and raise awareness on issues of critical importance. The network organized consultations with their members in the districts during early 2003 and articulated concerns in a position paper that was

provided as an input to the PRSP. In line with its mandate, it also initiated dialogue with the government.

The PRSP finalization process in Lesotho has been notably slower than originally anticipated, with almost three years (34 months in October 2003) having elapsed since the submission of the I-PRSP. Of the 36 countries that have completed full PRSPs, only six have taken between 30 and 36 months (Benin, Cameroon, Chad, Georgia, Ghana and Madagascar) (Annex 5). For the fifteen countries that are still in the process of finalising their PRSPs, an average of 26 months has passed since the finalization of their I-PRSP. This figure rises to 30 months for the eight countries in Sub-Saharan Africa that have yet to complete their full PRSPs. Three of these SSA countries have taken an equivalent or longer time relative to Lesotho, with the longest duration to date being Sao Tome and Principe at 42 months (Annex 5). A reading of relevant PRSP-related documentation for these three countries reveals that political instability is the fundamental reason for the delayed completion. The Central African Republic experienced an attempted coup d'etat in 2001 and a successful coup d'etat in March 2003, Guinea Bissau has been afflicted by political and institutional instability since 1999, while there was a coup in Sao Tome and Principe in July 2003. The other SSA countries that are still preparing their full PRSPs have also been predominantly characterised by political upheaval. There has been civil war in Cote d'Ivoire, internal conflict in the Democratic Republic of Congo, and the process of adjustment following a decade of civil war in Sierra Leone. Madagascar, which submitted its full PRSP in July 2003 (32 months since I-PRSP) also encountered delays due to Malagasy political crisis during the first half of 2002.

Nonetheless, despite this trend, the slow pace in Lesotho has not been attributable to political instability. Instead, it reflects *inter alia* the inherent complexity of preparing a PRSP in a participatory manner, the capacity constraints encountered in so doing, and the World Bank and other development partners' encouragement to take sufficient time to ensure the quality of the full PRSP. The harmonization of the National Vision and PRSP processes may also have contributed to delays in the timely release of the full PRSP. As Monaheng (2003) articulates, 'although the Vision process and the PRSP process are concurrent, it is expected that the latter will be finalized...after the conclusion of the former. This is to ensure that the National Vision actually forms the basis of the PRSP'. The emphasis on quality and the associated delays in the release of the PRSP have consequently produced a situation whereby the continued participation of certain constituents in the process is being compromised.

Many stakeholders indicated that the PRSP process is increasingly losing momentum, enthusiasm and popular participation, which are unequivocal signs of 'participation fatigue.' Reference has also been made to the fact that the process may have been excessively consultative, to the extent that it propagated trade-offs between time devoted to PRSP activities and the daily operations of the line ministries and other organizations involved.<sup>11</sup> The

---

<sup>11</sup> Interview with James Atema (21 August, 2003).

ramification of these factors is that participation in the TWG and its sub-groups has begun to suffer from attrition, and information sharing has deteriorated, which poses a real challenge to the institution's ongoing success. For example, the Chair of the Secretariat mentioned the difficulty encountered in having to effectively meet the twin demands of the PRSP and NV processes while concomitantly fulfilling the responsibilities of the Department for which she is director.<sup>12</sup>

The participation of representatives of CSOs and the private sector has been particularly adversely affected. For CSOs, there is a tension between balancing the desire to participate in the TWG and similar fora with the need to undertake routine activities that ensure the sustainability and survival of such organizations. The CSO sector in the country has been traditionally weak in terms of capacity, representation and organization. While the LCN has been strongly involved in the process, including being a member of the TWG and heading various SWGs, it has tended to restrict itself to certain sectors, mainly due to a lack of certain technical skills. Moreover, it is important to question how representative the LCN is of all CSOs and the poor themselves. Certainly, many of the smaller CSOs are not members and have therefore largely remained outsiders in the process. The private sector is confronted with a similar situation in which the voluntarily participation of representatives conflicts with the profit-making activities that is the source of their livelihood.

In the case of Lesotho, the ongoing participation of these constituents is primarily due to the determination of certain individuals, in addition to the supportive role of development partners and other donors. Therefore, the declining regularity of TWG meetings and participant attendance may be attributable, at least in part, to the multiple demands on the Secretariat and other participants. Another possible reason is the enhanced focus on the meetings of the SWGs and TGs during the drafting process. As expressed in the SWG Terms of Reference (Annex 6), 'TWG meetings may be organised less regularly than they are now to allow SWGs quality time to discuss issues in their sectors'.

Another factor that has constrained the scope of participation is the inadequate dissemination of information. Apart from soliciting the perspectives of poor in shaping the policy and development agenda, providing regular feedback to the public about the PRSP is an integral part of the strategic communication underpinning the process. This dissemination has effectively not happened to date, which has important ramifications for maintaining accountability and transparency in the finalization and implementation of poverty reduction strategy.

### **3. The Content of the PRSP**

Although the full PRSP for Lesotho has yet to be finalized, it is expected that the November 2003 deadline will be met. In fact, there are plans to have the document finalized before the end of September in order for it to have the

---

<sup>12</sup> Interview with Likonelo Hlasoa (21 August, 2003)

desired impact on the budgetary planning process. In terms of the analysis presented in this section, reference will be made to the latest available draft version, dated 15<sup>th</sup> August 2003. The draft PRSP consists of twelve chapters grouped into four sections. The first section is contextual in nature and consists of three chapters, beginning with an introductory Background and followed by a Poverty Diagnosis and an outline of the country's Macroeconomic Framework. The second section is focused on sectoral policies and strategies for poverty reduction in Lesotho. These are as follows: Basic Social Services and Poverty, Economic Strategies for Pro-Poor Growth, Governance, Infrastructural Development, and Financial Services. The third section consists of two chapters, the first of which addresses cross-cutting issues, specifically governance, HIV/AIDS, environmental management, population, gender, children and youth, and nutrition (chapter 9). The second chapter discusses eight national priorities for poverty reduction, namely employment creation, food security, infrastructure, free basic education for all, free primary health care including curative services, water and sanitation, safety and security, and lastly immigration. The final section of the draft PRSP details how the implementation process will be managed, with a chapter on Monitoring and Evaluation (M&E) and a chapter on risks and assumptions.

### **3.1 Poverty Diagnostics**

It is generally accepted that producing relevant, timely and credible poverty diagnostics, the careful choice of appropriate targets and indicators, and the utilization and building of capacity for monitoring progress in poverty reduction over time represent the foundations of the PRSP approach (IDA/IMF, 2002a). In the formulation of its PRSP, each country is required to include a poverty profile identifying the causes of and trends in poverty, as well as numerical targets for poverty reduction and short-term indicators for monitoring progress toward those targets. Finally, the PRSP is expected to provide a description of the institutional arrangements for monitoring and evaluation (M&E). The GOL's intentions in this regard were succinctly articulated in the I-PRSP:

*Establishing a clear picture of the severity, the distribution and the possible causes of poverty is a key precondition for the design and implementation of policies that efficiently bring sustainable improvements in the livelihoods of the poorest groups. As part of the PRSP process instruments for the systematic measurement and monitoring of the poverty situation should be established (Kingdom of Lesotho, 2000:29-30).*

The Poverty Diagnostics chapter acknowledges the shifting discourse on poverty since the early 1990s, in particular the broadening of the concept of poverty to focus increasingly on its multiple dimensions. This is reflected in the move from a physiological model of deprivation, focused on the non-fulfilment of basic material or biological needs, to a social deprivation model, focused on such elements as lack of autonomy, voicelessness, powerlessness, and lack of self-respect/dignity (Shaffer, 2002; Maxwell, 2003). Therefore, in attempting to define poverty in the Lesotho context, the report draws on both quantitative and qualitative traditions. Apart from a conventional money-metric and absolute approach to the definition of poverty, founded on the specification of expenditure-based poverty lines, the chapter also provides district level

estimates of the human development index and articulates the perceptions of poverty as expressed by different social groups during the nation-wide community consultations<sup>13</sup>, in addition to parliamentarians, CSOs and the private sector. A ranking of poverty problems emanating from the consultations is included in Annex 7.

In analyzing the status, trends and magnitude of poverty in Lesotho, use is again made of a mix of both quantitative and qualitative material. In principle, this should facilitate a deeper understanding of poverty in the country by combining the numbers needed to ensure representativeness and credibility, together with the in-depth insights required for relevance and realism (Chambers, 2001). However, in practice, the efficacy of this 'simultaneous' mixing of approaches depends on a range of factors, such as the state of the country-level informational system and the availability of analytical and infrastructural capability.

From a quantitative perspective, the extent, distribution and nature of poverty in Lesotho has been extensively documented, with estimates suggesting that between 49 percent and 71 percent of the population may be categorized as being poor.<sup>14</sup> Poverty is recognized as being concentrated in rural areas and mountainous districts, although there has been an increase in the incidence and seriousness of poverty in urban settlements. Women and children are especially vulnerable to poverty and poverty is multi-dimensional and includes powerlessness and exclusion. Despite the absence of an official poverty line and a national definition of poverty, it can be concluded that there is a broad consensus as to the severity of poverty and many of its manifestations and causes (May et al, 2001a). Table 6 provides a synopsis of the quantitative poverty related data included in the Poverty Diagnostics chapter. It indicates that the data used derives predominantly from the analysis of poverty and inequality in Lesotho conducted as part of the preparations for the 2003 National Human Development Report for Lesotho by May et al (2001b), using the Bureau of Statistics' 1986/87 and 1994/95 Household Budget Surveys (HBS). This is largely attributable to the fact that this was one of the first pieces of empirical research in which a poverty line had been scientifically determined as well as a consistent form of measurement used across different years, thus allowing longitudinal analysis of poverty trends to be undertaken. The availability of two rounds of Household Budget Survey data (1987 and 1995) has enabled a thorough empirical assessment of income/consumption poverty, focusing on the production of robust measures of poverty and changes in poverty over time, which showed a small decline in poverty over the period.

While the poverty diagnostics included in the draft PRSP does give a clear indication of trends in the incidence, depth and severity of poverty for the Basotho between the late 1980s and early 1990s, the lingering question is whether this represents an adequate informational base around which to fashion a poverty reduction strategy. The confluence of a number of societal dynamics since the early 1990s, including the retrenchment of migrant

---

<sup>13</sup> Youth, women, men, herdboys, the elderly, disabled, widows and orphans.

<sup>14</sup> See, for example, Sechaba Consultants, 1991, 1994, 2000; Gustafsson and Makonnen, 1993; World Bank, 1995; UNDP, 1998; Turner et al, 2001; May et al, 2001b.

mineworkers and longer-term livelihoods failure, the political disturbances in the aftermath of the disputed May 1998 elections, the far-reaching impacts of the HIV/AIDS pandemic, as well as the humanitarian crisis, are likely to have had a notable effect on the country's poverty indices. Therefore, while drawing on poverty estimates derived from nationally representative household surveys, the data must be considered significantly out-of-date.

**Table 6**  
**Quantitative Data Included in the draft PRSP (15 August 2003 version)**

Quantitative Data	Year(s)	Format	Source	Comments
<b>Extent, nature and trends of poverty:</b>				
Incidence, depth and severity of poverty (FGT measures)	1986/87 1994/95	Tabular	Source: May et al (2001b) using HBS data	
The elasticity of poverty as an indicator of pro-poor growth in Lesotho <sup>a</sup>	1986/87 1994/95	Textual	Source: May et al (2001b) using HBS data	
Gini coefficients by district	1986/87 1994/95	Tabular	Source: May et al (2001b) using HBS data	
Gini coefficients by urban/rural location	1986/87 1994/95	Tabular	Source: May et al (2001b) using HBS data	
<b>Correlates of poverty:</b>				
Incidence of poverty by gender of the household head	1986/87 1994/95	Textual	Source: May et al (2001b) using HBS data	
Household size and dependency ratios by poverty status.	1986/87 1994/95	Textual	Source: May et al (2001b) using HBS data	In the text, no actual mention is made to the reference period.
Incidence of poverty by rural/urban status	1986/87 1994/95	Bar chart	Source: May et al (2001b) using HBS data	
Incidence of poverty by ecological zones	1994/95	Textual	Source: May et al (2001b) using HBS data	
Incidence of poverty by districts	1994/95	Textual	Source: May et al (2001b) using HBS data	Data is only presented for 4 of the 10 districts.
<b>Access to basic services:</b>				
Incidence of poverty by educational attainment of the household head	1993	Textual	Source: May et al (2001b); Sechaba (2000)	Figures are misreported – cite 1986/87 instead of 1993 figures.
Distance to health services by poverty status and location	No date	Textual	Source: May et al (2001b) using HBS data	
Access to sanitation and water by rural/urban status	No date	Textual	Not supplied	Source of data is missing. Numbers appear to be incorrect.
<b>Poverty and Human Development:</b>				
Human Development Index by district	2000	Tabular	Mturi (2001)	

a. See Annex 8

Nevertheless, in line with the increasing importance being placed on developing a culture of evidence-based policy making in Lesotho, efforts are underway to resolve this problem. In early 2001 the TWG's Poverty Monitoring Sub-Group commissioned a study with support from UNDP to assess the country's existing poverty reduction framework and develop recommendations supporting the establishment of a poverty monitoring system in Lesotho. The study, entitled '*Towards a Poverty Monitoring System in Lesotho*', found that there exists a potential crisis of confidence in respect of the information system in Lesotho more broadly, and statistics concerning poverty more specifically. This crisis was attributed to concerns relating both to the quality and timeliness of data. It was also discovered that there were generally low levels of accountability in terms of the collection of data, and communication between institutions were deemed insufficient. Capacity problems were recognized as a serious concern, although the coverage and spatial coherence of information in Lesotho is potentially sound and that many institutions are trying to address the capacity problem. In response to the identified weaknesses, the study concluded by proposing a range of actions relating to the improvement of the environment for poverty monitoring, the identification of key monitoring indicators, and the establishment of a poverty monitoring unit (May et al, 2000a). As a means of facilitating the implementation of these recommendations, the GOL and UNDP signed a project entitled *Institutional Capacity Building for Poverty Monitoring in Lesotho* (LES/02/005) in mid-2002. The focus of this project has been on (a) establishing a Poverty Monitoring System, (b) reporting on the MDGs and other national indicators and targets; (c) coordinating, preparing and executing household budget surveys within the Poverty Monitoring System; and (d) preparing and executing the 2002/03 Household Budget Survey (HBS).

A programme of household surveys, supported by the aforementioned initiative, is currently underway. Two surveys are of particular relevance to the production of an updated poverty profile for Lesotho, namely the Core Welfare Indicators Questionnaire (CWIQ), which was conducted in 2002 and officially launched in early September 2003, and the 2002/03 HBS which is currently in field and expected to be completed towards the end of the year. While the CWIQ results are available, except for a passing reference they have not been incorporated into the current version of the draft PRSP, though it needs to be recognized that the survey can inform us of the correlates of poverty but not about the extent or depth of poverty. The HBS will achieve this and allow us to look at the dynamics of poverty between 1994/95 and 2002/03, but it will unfortunately not be ready prior to the finalization of the PRSP.

The only qualitative material that has been incorporated into the section on the extent, nature and determinants of poverty pertains to the specification of livelihoods trends over the last three decades that have had a detrimental effect on the incidence of poverty in the country. This limited coverage is problematic since it frustrates any real attempt at triangulating the qualitative data from the community consultations and other recent participatory studies that collected and analysed information on subjective aspects of wellbeing<sup>15</sup> with the empirical data from household surveys. As such, important complementarities and

---

<sup>15</sup> For example, Turner et al (2001); Sechaba (2000).

inconsistencies in the poverty analysis that would have helped inform the design of future diagnostic work cannot be highlighted. Moreover, it is disappointing that the rich analysis of the community consultations contained in the *Voices of the People* report (Leboela and Turner, 2002) has not been sufficiently reflected in the poverty diagnostics chapter. While it could be argued that this latter exercise occurred late in the PRSP formulation process, with the draft report being released in December 2002, a presentation of the findings was made at the Mohale Lodge retreat in October/November 2002. Furthermore, the drafting process has gone through a number of iterations during 2003, during which some of the tabular material could have been included in the chapter.

Another limitation of the Poverty Diagnostics chapter is the omission of complementary indicators-driven studies that have occurred over the last decade and that would have assisted in overcoming some of the informational shortfalls and provided a more multidimensional and nuanced appraisal of the poverty situation. This includes the 1996 Multiple Indicators Cluster Survey (MICS), 2000 End-of-Decade Multiple Indicators Cluster Survey (EMICS) and 2001 Demographic Survey by UNFPA and the BOS, in addition to the Millennium Development Goals Report (MDGR) which was completed in March 2003. This serves to confirm what was noted in the comprehensive review of the PRSP approach completed in 2002, namely that 'the way that data are used is more important than their availability' (IDA/IMF, 2002:31).

In summary, despite the existence of representative and reliable quantitative and qualitative household data, the ability to construct a poverty profile, which analyses the determinants of poverty, as well as its gender, regional and other dimensions, has been constrained by a number of structural and human factors. Fortunately, the PRSP process in Lesotho would appear to have provided substantial impetus to improve the poverty information and knowledge base. It is therefore anticipated that the country's information base will improve markedly as future rounds of currently planned surveys are completed and the use of participatory tools is scaled up.

In 2001, the TWG commissioned a consultancy group under the National University of Lesotho to undertake a study, *Assessment of Poverty Reduction Programmes*, in order to help inform the formulation of policies and strategies for the PRSP. Unfortunately, the study was never completed and the draft report failed to statistically examine the growth and distributional impact of past policies and programmes. In the Poverty Diagnostics chapter, discussion on the impact of macroeconomic and structural policies on poverty and inequality is restricted to the poverty elasticity work contained in May et al (2001). It discusses that while structural adjustment programme policies fostered a period of sustained growth in the late 1980s and early 1990s, the correspondingly nominal decrease in the incidence of poverty, together with the increasing depth and severity of poverty signifies that this growth was not pro-poor. Therefore, at a generic level, Lesotho's draft PRSP does begin to consider the extent to which growth has impacted on household economic wellbeing. Once the 2002/03 HBS data is released, the poverty elasticity calculations can be

updated and the poverty trends over the course of the late 1990s will be ascertained.

### **3.2 Consistency between PRSP Policies/Programmes and Macroeconomic Framework**

The I-PRSP articulated a medium-term economic strategy for 2000/01 to 2003/04 as a means of attaining sustained economic growth and poverty reduction in the context of macroeconomic stability. The core components of this economic strategy included (a) export-led economic growth, (b) prudent fiscal management, (c) cautious monetary policy, (d) improved capacity for national macroeconomic management, (e) increased accessibility and efficiency of quality social services, and (f) facilitating a more favourable environment for private sector development through legal and judicial reform (GOL, 2000). Under this policy framework, it was envisaged that growth rates would increase to approximately 4 percent per annum, inflation would be reduced to about 5 percent per annum, and adequate international reserves would be maintained.

At the time of completion of the I-PRSP in December 2000, discussions were already underway between Lesotho officials and the IMF on economic developments and policies, and in March 2001 the Fund approved a three-year arrangement under the Poverty Reductions and Growth Facility (PRGF) to the value of SDR 24.5 million (about US\$35 million). The programme is consistent with the I-PRSP in its objective of raising economic growth and creating employment in order to fight poverty (See Table 7). The programme's *fiscal strategy* focuses on short-term external stability and medium-term growth and poverty reduction, and the associated fiscal targets adopted have been largely drawn from the I-PRSP. For instance, as with the interim report, the budget deficit after grants was projected to fall sharply to 3.9 percent of GDP in 2000/01 and to 0.8 percent of GDP in 2001/02, with continued improvements in successive years and a budget surplus from 2003/04. This fiscal adjustment is seen as being achieved through measures to increase revenue as well as attempts to reduce expenditure relative to GDP. The PRGF programme also shares the same targets for economic growth and inflation over the period, in addition to adhering to the projected trends in the balance of payments, with the current account deficit declining in the medium term but becoming positive again from 2001/02 onwards. *Structural reforms* under the programme focus on a limited set of areas, including tax reform and tax administration, expenditure control and rationalization, public sector reforms, financial sector reforms, privatization, and statistics strengthening. The links between these structural policies and the I-PRSP are 'notably strong and explicit' (IMF, 2002). With regard to poverty reduction, the programme anticipates a positive impact through economic growth, employment creation, and an increased emphasis on the social sectors in the budget, in particular the share of primary education and health in total current spending.

Lesotho's economy is considered to be performing well under the PRGF supported programme, in spite of the stresses imposed by the humanitarian crisis in the region. In terms of economic growth, the initial estimates provided in

the request for a PRGF arrangement (and even the subsequent revised programme targets) are lower than the actual observed annual economic growth rates. This is largely attributable to the benefits derived from the rapid expansion of the clothing and textile exports under the African Growth and Opportunity Act (AGOA, 2000) and related construction activities, which even managed to offset the adverse weather conditions and humanitarian crisis experienced in the region over the last two years. Inflation in Lesotho has for the most part remained under 10 percent over the last few years, with the exception of February 2002 to January 2003, where inflationary trends in South Africa and rising domestic food prices resulted in an average annual increase in inflation of 11.4 percent. Nonetheless, since then inflation has fallen back to single-digit figures.<sup>16</sup> In addition to these trends, the foreign reserve position has been deemed sound, competitiveness has been maintained, and exports, especially textile exports, are strong (IMF, 2003).

Despite the steady progress of the country's economic programme, there have been some fiscal slippages in late 2002 and early 2003, primarily attributable to public expenditure aimed at providing agricultural support to farmers in response to the regional food crisis. Since this has resulted in the breaching of several performance targets, corrective measures are being taken by the Government to ensure that the domestic balance is brought back in line with established targets. Furthermore, in an attempt to realize the commitment made to a sound medium-term fiscal position, measures have been introduced to increase revenues and ensure a disciplined and targeted approach to expenditures. In particular, considerable progress has been made in the area of tax administration, with the establishment of the Lesotho Revenue Authority (LRA) and the introduction of value-added tax in July 2003, which are helping to improve the efficiency and transparency of revenue collections and address budget pressures (IMF, 2003).

**Table 7**  
**Select Economic Indicators for Lesotho, Projected and Actual (% change)**

	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
<b>Request for PRGF Arrangement (Feb 2001) Base Scenario</b>	Act.	Prog.	Prog.	Prog.	Prog.		
Real GDP	2.1	2.4	2.8	4.0	4.0	-	-
Real GNP	1.1	0.7	1.7	4.2	3.3	-	-
CPI (end of period)	6.3	6.0	5.7	4.9	4.9	-	-
Overall balance (after grants) in percent of GDP	-16.2	-3.9	-0.8	-0.2	1.0	-	-
Current account balance (excl. official transfers) in percent of GDP	-36.0	-33.1	-31.4	-30.8	-30.3	-	-
Current account balance (incl. official transfers) in percent of GDP	-22.4	-18.4	-13.9	-14.3	-14.0	-	-
<b>Fourth PRGF Review (May 2003)</b>	Act.	Act.	Act.	Est.	Proj.	Proj.	Proj.
Real GDP	2.4	3.5	3.6	4.2	4.2	4.4	3.9
Real GNP	1.4	1.7	1.4	3.1	3.5	3.4	3.4
CPI (end of period)	6.3	7.0	11.3	9.2	9.4	7.8	5.3

<sup>16</sup> According to Bureau of Statistics estimates, the annual average increase in inflation was down to 7.1% in August 2003.

Overall balance (after grants) in percent of GDP	-16.2	<b>-2.3</b>	<b>0.6</b>	<b>-3.8</b>	-3.8	-2.4	-2.0
Current account balance (excl. official transfers) in percent of GDP	-36.7	<b>-33.3</b>	<b>-30.1</b>	<b>-25.5</b>	-25.9	-25.5	-25.1
Current account balance (incl. official transfers) in percent of GDP	-22.8	<b>-18.3</b>	<b>-13.4</b>	<b>-11.0</b>	-12.9	-13.2	-13.1

**Source:** IMF (2001, 2003)

The aforementioned analysis has suggested a high degree of consistency between the broad objectives, macroeconomic projections and targets, as well as structural measures articulated by Lesotho's PRGF economic programme and the I-PRSP. However, as the country nears the finalization of its full PRSP, it is important to examine whether the proposed macroeconomic framework contained in the draft report and PRGF programme are equally as consistent. The draft full PRSP contains a chapter on the country's proposed Macroeconomic Framework, which consists of three broad components, namely a concise description of the macroeconomic framework and fiscal strategy, an economic review of the period between 1997 and 2001, and lastly an economic forecast for the calendar years 2002-2006.

The macroeconomic framework aims to provide the basis for stable and consistent economic management in addition to establishing an environment that is conducive for the private sector to generate faster economic growth. The two principal objectives of the framework are firstly to 'create a macroeconomic environment that supports efficient production and attracts both foreign and domestic productive investment', and secondly to 'improve public sector performance by allocating resources on activities that have a high impact on poverty reduction' (Kingdom of Lesotho, 2003:23). In order to achieve these objectives and to ensure the sustainability of growth and poverty reduction initiatives in Lesotho, the policy framework places a strong emphasis on attaining economic stability by keeping the fiscal deficit, inflation and external balances within acceptable levels.

According to the economic forecast, GDP in constant prices is projected to grow by an annual average of 4.5 percent between 2002 and 2006, with GNI growing by an annual average of 3.5 percent per annum. These real growth rate broadly conform with the medium-term economic framework outlined by the Minister of Finance and Development Planning, Timothy Thahane, on 10<sup>th</sup> March 2003 in his first Budget Speech since being appointed following the 2002 Elections. Specifically, this strategy is premised upon expected real annual economic growth rates of 4.4 percent in 2003/04, followed by 4.8 percent in 2004/05 and 5 percent in 2005/06. However, the real growth rates included in the PRSP's forecasts exceed the projections included in the latest PRGF Review (IMF, 2003), which predict marginal declines over the next few years due the increasing economic impact of HIV/AIDS in spite of the expected continuing successes of the clothing and textile sector under AGOA. Similarly, the Economist Country Report for Lesotho (EIU, 2003) forecasts 4 percent GDP growth in 2003-2004 and states that the estimates expressed in the budget speech, and by extension the draft PRSP, are too optimistic. The draft PRSP does nonetheless provide a caveat, indicating that the projected growth is

contingent on the performance of the private sector, especially the clothing sector under the duty-free arrangements provided by AGOA. Other important factors cited that are viewed as critical in securing the projected growth include investor confidence that Lesotho will adhere to its fiscal strategy, in addition to significant gains in regional and international competitiveness following the implementation of sectoral programmes, such as transport network improvements.

As with the I-PRSP and PRGF economic programme, the draft PRSP aims at achieving inflation of approximately 6 percent per annum. The report acknowledges that this is unlikely to be achieved until 2004, as the inflation rate normalizes following the depreciation of the currency and food crisis in 2002, as well as the exceptional price increase that is anticipated following the introduction of value added tax (VAT), which occurred in July 2003.

While for the first two years of the economic programme, the overall budget deficit after grants surpassed established targets, fiscal policy in 2002/03 was more expansionary than anticipated by about 2 percent of GDP. The PRGF economic programme projects the budget deficit to remain at 3.8 percent of GDP in 2003/04, thereafter declining to 2.4 percent in 2003/04 and 2.0 percent in 2005/06. While the draft PRSP does not provide actual estimates of the budget deficit in the medium-term, it does assert that a 'primary balance can be achieved by 2004/05 and 3005/06, but will not substantially reduce the overall deficit' (Kingdom of Lesotho, 2003:31). According to the 2003 Budget Speech, a budget deficit after grants of M450m or an estimated 4.2 percent of GDP is envisaged for 2003/04, with future deficits ranging between 1.6 and 2.4 percent of GDP. Thus, for the current financial year, the deficit is expected to remain higher than the IMF's projections, though they will fall within acceptable limits in the next two years.

Therefore, while there remains a relatively high level of consistency between the economic programme under the PRGF arrangement and the draft PRSP in relation to the broad objectives and structural measures, there is some divergence with regard to macroeconomic projections and targets.

The establishment of the Macroeconomic Working Group as part of the PRSP deliberations represents another important development, since Lesotho now has, for the first time, a consultative and inter-ministerial group of high level technicians working on linking the national poverty strategy with the macroeconomic framework. This presents a real opportunity for effectively integrating pro-poor policies in the medium term budgeting process. Certain members of the group did express the view that the policies and strategies contained in the draft PRSP could have been more consistent with the macroeconomic framework or financing plan, especially by closely integrating the Macroeconomic Framework chapter and the sectoral strategy chapters.<sup>17</sup>

---

<sup>17</sup> West (personal communication) stated that a slight delay in forming the working group, lengthy debates about core macroeconomic assumptions, a time-consuming data gathering process for the economic review, and the dissemination of a draft fiscal policy only shortly before the Mohale Lodge retreat in October/November 2002 have all contributed to this situation.

Nevertheless, the commitment of the group's members and the plans for its institutionalization augurs well for improving the coherence between the PRS and the macroeconomic framework, if not in the final PRSP document then at least in the process that follows its submission.

### **3.3 HIV/AIDS and the PRSP**

With 31 percent of adults aged 15-49 years infected with HIV/AIDS, Lesotho has the fourth highest prevalence rate in the world after Botswana, Zimbabwe and Swaziland (UNAIDS, 2002). Of these countries, Lesotho is the poorest and it is this pervasive poverty together with social dislocation due to male and female migratory labour that are regarded as the principal drivers of the pandemic in the country. The epidemic in Lesotho is typified by a combination of high excess deaths due to HIV/AIDS related causes, a disproportionate number of orphaned and vulnerable children (OVC), increasing mother-to-child transmission, a downward trend in life expectancy, declining economic productivity, and increased demands on health resources due to higher morbidity. Recent indications suggest that the HIV/AIDS prevalence rate is probably still rising. Groups that have been identified as possessing a particularly high risk to the disease include sexually transmitted infection (STI) patients (65%), Youth aged 20-29 years (59%), teenage girls aged 15-19 (55%), ex-miners (48%) the unemployed (34%), teachers (28%) and students (27%). Given the potentially devastating impact of the epidemic, no other development goal can be deemed more critical for progress in human well-being than attempting to reverse HIV/AIDS. Recognizing this, it is important to examine the extent to which HIV/AIDS has been incorporated into the draft PRSP document.

According to Adeyi et al (2001:17), in relation to the content of PRSPs, at least four essential aspects of HIV/AIDS should be covered:

- AIDS as a cause of poverty, and possibly a discussion of poverty and income inequalities as contributors to conditions that make persons vulnerable to HIV infection and less able to cope with the consequences of being infected;
- The main strategies in the national AIDS plan as a central part of the overall national poverty reduction programme, justified and costed;
- Medium-term goals and poverty monitoring indicators derived from the national AIDS plan; and
- Short-run actions for the successful implementation of the national AIDS plan.

The focus here will be the first three aspects, since the fourth aspect was intended for those countries intending to qualify for debt relief under the HIPC initiative.

*AIDS as a cause of poverty.* In respect to the HIV/AIDS – poverty nexus, the Poverty Diagnostics chapter in the draft PRSP draws on the country's recently produced MDGs Report (GOL/UNDP, 2003) by briefly mentioning the various linkages between the pandemic and the other seven goals. A more fully detailed discussion on the epidemic is contained in the chapter on crosscutting issues,

based upon the efforts of the HIV/AIDS Thematic Group. An in-depth situational and problem analysis is provided that identifies some of the factors that are impeding the effective implementation of interventions, including a weak institutional and policy framework, a poor multisectoral response, and limited financial and human resources. In addition, the wide-ranging impacts of the HIV/AIDS pandemic are highlighted, most especially the escalation of poverty, inadequate care and support of orphaned and vulnerable children, declining agricultural production, increased pressure on health care services, declining educational achievements, and declining economic performance.

Acknowledging the multi-sectoral nature of HIV/AIDS, the draft PRSP also documents the three overarching interventions that have been pursued by the GOL. The first of these is the commitment of two percent of the budgetary allocations towards HIV/AIDS prevention and impact mitigation programmes. The second is the establishment of structures to manage the national response to the epidemic, including the National AIDS Committee (NAC), National AIDS Task Force, National Multi-Sectoral Task Force, the Lesotho AIDS Programmes Coordinating Authority (LAPCA), District AIDS Task Forces, and the Country Coordination Committee. The final intervention has been the development of a National AIDS Strategic Plan (2002/03 – 2004/05). This is a roadmap for implementing the National AIDS Programme that specifies priorities, strategies and interventions directed at controlling the spread of HIV/AIDS, providing care and support to those infected and affected, and mitigating the impact of HIV/AIDS on all vulnerable groups, individuals, families communities and the nation.

In summary, the draft PRSP successfully elucidates the linkages between HIV/AIDS and poverty in the country, as well as providing some data on seroprevalence rates, disaggregated by gender and age, thereby clearly demonstrating that young girls are amongst the groups most affected. Vulnerable groups have also been identified and estimates of the number of AIDS orphans in Lesotho are included.

*Main strategies.* In order to meet the goal established by the GOL of reducing HIV prevalence from 31 percent in 2002 to 25 percent by 2007, the HIV/AIDS Thematic Group has recommended eight strategies for inclusion in the full PRSP. The first two of these concern broad structural reform and resource mobilization, namely (a) strengthening the institutional and policy framework for implementing strategies to fight against the HIV/AIDS pandemic; (b) strengthening the multi-sectoral response to HIV/AIDS; and (c) mobilizing financial and human resources to fight HIV/AIDS in the country. This is followed by a list of interventions that attempt to scale up responses in prevention, care and support, which are the three thematic areas of the National AIDS Strategic Plan. The five strategies listed are as follows:

- ☛ Intensifying prevention of the HIV/AIDS pandemic;
- ☛ Scaling up Voluntary Counselling and Testing (VCT);
- ☛ Improving care and support in hospitals, clinics and at the home;
- ☛ Mitigating impacts on orphans and vulnerable groups;

Addressing HIV in farming communities (Kingdom of Lesotho, 2003: 115).

A closer reading of the text reveals the absence of a narrow set of well-defined strategies, selected from the comprehensive set of interventions circumscribed in the Strategic Plan and chosen upon the basis of their expected impact, cost-effectiveness and feasibility. This may be partly attributable to the fact that the costing has not yet been incorporated, but it also suggests that there is a lack of policy prioritization in relation to HIV/AIDS.

In response to high prevalence in the country, HIV/AIDS is presented in the draft PRSP as requiring a multi-sectoral approach. As such, an effort has been made to integrate HIV/AIDS into the chapters on sector-specific policies and strategies for poverty-reduction, both in terms of the threat posed by the pandemic and the specific actions required. Unfortunately, the sectoral responses to HIV/AIDS in the draft PRSP are only vaguely defined. For instance, in response to the devastating impacts of HIV/AIDS on education in Lesotho, especially in terms of the teacher losses and the retention of children in schools, the only intervention mentioned is to 'implement aggressively strategies/activities in the sector aimed to fight against HIV/AIDS pandemic' for the education sector'.

*Medium-term goals and poverty monitoring indicators.* The draft PRSP refers to the ambitious goal established by the GOL of reducing HIV prevalence from 31 percent of the population in 2002 to 25 percent by 2007 as a first step in fighting the pandemic. While the chapter on monitoring and evaluation in the current draft does not contain a finalized set of indicators, reference is made to the prevalence of HIV/AIDS as one of the health indicators. The draft Poverty Monitoring Master Plan further indicates that HIV/AIDS prevalence rate indicator will be disaggregated by age, district and region.

### **3.4 Gender and the PRSP**

In accordance with the framework developed by Whitehead (2003), five dimensions of the gender-related content of Lesotho's draft PRSP will be examined. These are the extent to which gender findings were reported from the community consultations, the representation of women's organizations in the official PRSP committees, the way in which gender appears in the poverty profile, the way in which gender appears in the policy sections of the document, and lastly the extent to which gender is represented in monitoring and implementation plans (See Annex 9).

In relation to the first of these dimensions, during the community consultations, women and men were asked separately to define poverty, list their perceived short and long term poverty problems, as well as seasonal problems. These perceptions have subsequently been aggregated into a gendered ranking of poverty problems (Leboela and Turner, 2002). This information fed directly into the PRSP process and the operations of the SWGs/TGs. In terms of the participation of gender-based organizations in the institutional framework that was established for the PRSP, there was some limited direct representation

through the involvement of Lesotho National Council of Women (LNCW) Girl Guides Association and indirect representation through the Lesotho Council of NGOs.

The poverty analysis contained in the poverty diagnostics chapter uses quantitative household level data to disaggregate the incidence of poverty by gender of the household head between 1986/87 and 1994/95. It subsequently demonstrates that poverty is highest for *de jure* female headed households compared with *de facto* female headed households and resident male headed households. Also discussed was the fact that *de jure* female headed households possessed substantially fewer agricultural assets, encountered more difficulty in securing cash incomes and tended to be older than the other two cohorts. The other gender dimension of poverty that was included in the poverty analysis was differential access to education and health (capabilities). In particular, it addresses the reality that in Lesotho girls are better educated than boys, as well as the increasing tendency for children, especially girls, to drop out of school to care for the sick, as a result of declining household resources or as a result of being orphaned. In terms of defining poverty, the chapter reports on the perceptions of women, men and other social groups as expressed during the community consultations.

The draft PRSP has a separate chapter on gender, which conforms to the guideline contained in the PRSP Sourcebook that gender be treated as a cross-cutting issue. The problem and situation analysis undertaken by the Gender Thematic Group supplements the analysis in the diagnostic chapter by discussing labour market access and employment opportunities, voice and power in relation to decision-making, access to education, the patriarchal nature of customary law and their associated legal minority status which limits women's ownership of land, and violence against women. While there is a lack of quantitative evidence supporting this analysis, it does at least ensure that all four of the main dimensions of poverty – opportunities, capabilities, security and empowerment - are discussed from a gender perspective (World Bank, 2000).

In respect of the policy content of Lesotho's draft PRSP, there appears to be inadequate integration between the poverty diagnosis and situation analysis components on the one hand and the policy sections of PRSP on the other. This is consistent with the finding from other countries that have completed PRSPs that 'attention to gender issues tended to decline as the PRSP moves from diagnosis to actions' (IDA/IMF, 2002:65). As shown in Appendix 5, the most detailed policy area for women is that of health, contained both in the sectoral strategies and the cross-cutting HIV/AIDS and nutrition strategies. The other sectors where gender policies were specified include education, housing and community services and governance, though in these sectors the coverage tends to be much lower and, to an extent, appears in a fragmented and arbitrary way. Particularly worrying is the omission of gender in Trade, Tourism and Industry, Agriculture and Rural Development, Mining, and Employment, since these have been designated as the priority economic strategies for pro-poor growth. Also missing is reference to gender in the strategies and policies pertaining to infrastructure development and financial services. The strategic content of the cross-cutting gender chapter is on the implementation of the

National Gender and Development Policy, which contains a wide set of policy objectives ranging from engendering budgets to eradicating gender-based violence, together with the establishment of the institutional mechanisms that will be needed to support this.

The absence of the costing and implementation matrices in the draft PRSP at this juncture means that an assessment of the extent to which gender issues are reflected in budget commitments and implementation priorities cannot yet be made. However, despite the poor translation of gender issues in the transition from poverty diagnosis to actions, the draft Poverty Monitoring Master Plan (GOL, 2003) outlines plans to collect gender disaggregated data on a number of salient socio-economic indicators.

### **3.4 Children and Youth**

One area of good practice is in relation to the effective incorporation of child and youth issues in the draft full PRSP. This is an important area of concern, since poverty is a major factor in most Basotho children's lives and poses possibly the greatest threat to full realisation of their rights (NGOC and SC UK, 2000). In a recent assessment, Robinson (2003:6) arrives at the conclusion that:

*The Southern African PRSPs do not undertake a comprehensive review of child poverty. Neither do they consider the implications of child poverty for systemic poverty entrenchment, noting how specific interventions to reduce child poverty and address children's rights, such as education, can assist in breaking the cycle of poverty in low-income countries.*

An analysis of the content of Lesotho's I-PRSP was included in the assessment, together with the fully articulated poverty reduction strategies of Malawi, Zambia, Mozambique and Botswana. In the transition from the interim to the full PRSP, it would appear that Lesotho has succeeded in addressing the shortcomings observed by Robinson (op.cit.) by prioritizing policies and programmes directed at addressing child and youth poverty and promoting the rights of these groups. This was achieved through the establishment of the Child and Youth Thematic Group, which involved the direct representation of children in developing a logical framework matrix and preparing a position paper that built upon consultations in 2002 to capture the voices of children and youth. In turn, the position paper, entitled 'Fight Poverty: Invest in Children and Youth', has formed the basis of a chapter in the draft full PRSP on Children and Youth and led to the inclusion of sector specific outputs on children. Lesotho's full PRSP therefore stands to be the only one in Southern Africa that has explicitly addressed children's issues.

### **3.6 Indicators and Targets for Monitoring and Evaluation**

During the period of this assessment, the chapter on Monitoring and Evaluation contained in the draft full PRSP has been through an iterative process of consultation and refinement. Most recently, an intensive three-day workshop involving Government and the development partners was held in late October 2003, which has produced an indicators matrix for monitoring the

implementation and achievement of Lesotho's PRSP. The chapter focuses principally on three key requirements, namely monitoring strategy and instruments, institutional arrangements, and appropriate indicators.

Following the work of Booth and Lucas (2002), monitoring poverty outcomes has come to be recognized as only one component of monitoring PRS implementation. Apart from the final poverty impacts, attention needs also to be directed towards intermediate outputs, outcomes and implementation processes, as well as the delivery of key inputs of poverty reduction strategies. While the poverty monitoring systems outlined in African PRSPs to date have addressed the monitoring of inputs and intermediate outputs/outcomes, they have tended to overemphasize the monitoring of final poverty impacts (ODI, 2003).

The proposed system articulated in Lesotho's PRSP makes an attempt at building on some of the concerns that have emanated from countries that are already engaged in implementing their PRS'. For example, the implementation matrix has adopted a 'monitoring chain' framework, which will enable policy-makers to track the effect of public action through the input-output-outcome-impact stages. This has begun to resolve the so-called 'missing middle' problem, which describes a situation according to which a lack of intermediate indicators prevents the ability to track policy implementation and the relationship between inputs and final impacts. Nonetheless, the matrix will unquestionably have to be revisited in the near future. Due to extreme time pressure, consultation in the development of indicators has been more limited than would otherwise be the case. Increased consultation is needed with sectors and other stakeholders to ensure that the indicators selected can appropriately track changes during PRS implementation. It could also assist in resolving the debate that persists in Lesotho as to how to classify different indicators according to the different stages in the monitoring chain.

The selection of indicators for monitoring the implementation of the PRSP have been strongly determined by the nine PRSP priority sector areas, namely:

- Employment creation;
- Food security;
- Infrastructure development;
- Increasing access to quality basic education;
- Promoting access to quality and essential health care and social welfare;
- Enhancing governance, safety and security;
- HIV/AIDS pandemic;
- Environmental conservation;
- Improvement of public service delivery.

In addition, care has been taken to ensure that the indicators will accommodate the monitoring and reporting requirements of both the National Vision and the Millennium Development Goals. All the specified indicators are intended to be disaggregated by gender, income group, urban/rural status and district.

With regard to the proposed institutional framework, plans are well advanced for the establishment of a poverty monitoring unit (PMU) in the Ministry of Finance and Development Planning. The small unit will have overall responsibility for implementing PRS activities and monitoring progress made in poverty reduction. The Cabinet has been assigned formal oversight of the monitoring system, while the National Statistical Council will serve as an advisory board. To ensure synergy between the sectoral programmes contained in the PRSP, a Steering Committee consisting of Principal Secretaries will be formed. Given the difficulties encountered by the dual mandate of the staff of the PRSP Secretariat, a strong emphasis has been placed on a dedicated and multidisciplinary team whose sole responsibility is the operations of the PMU.

Two potential weaknesses in the institutional plan as it stands deserve mention. Firstly, the situational analysis of Lesotho's informational system is insufficiently detailed. Though mention is made of some of the shortcomings of the statistical system, a fuller evaluation is required in order to make a realistic needs assessment in relation to the establishment of the PMU. In particular, apart from the Bureau of Statistics, the monitoring system will undoubtedly rely on the capacity of statistical planning units in line ministries and district level offices to produce the quality and timely information required to effectively monitor progress. However, the differential capacities (analytical, human resources, and infrastructural) of these units is a possible hindrance to the proposed monitoring system, and their capacitation warrants urgent consideration. Additionally, there is no discussion of the potential role(s) that can be played by existing PRSP related institutional structures, such as the TWG or SWGs, in monitoring and implementation. Discussion of plans for capacity building (at various levels of the institutional framework), technical assistance and the role of development partners, and how problems such as high staff turnover are likely to be countered or accommodated in the design of the PMU are necessary. The second weakness is the absence of a clearly defined role for parliament in PRS monitoring. In a number of SSA countries, a protocol has been established whereby parliament receives regular progress reports and presentations, which facilitates ongoing dialogue on poverty reduction and is important for improving the accountability of the government.

## **4. Public Finance Aspects of the PRSP**

### **4.1 Fiscal Discipline: Costing, Prioritization and Sequencing**

A full costing of the poverty reduction strategy has been commissioned and finalized<sup>18</sup>, though it has yet to be incorporated into the draft full PRSP. Nonetheless, early indications are that the suite of interventions proposed in the draft PRSP will cost in the order of an extra M1 billion per annum. This amount is inconsistent with the IMF/WB emphasis on fiscal prudence and debt sustainability, as it is equivalent to an increase of the budget by a third or increasing debt by an estimated 15 percent.<sup>19</sup> The importance of the prioritization of both the choices of policy measures and the allocation of public

---

<sup>18</sup> The PRSP costing was undertaken by a South African based consultancy.

<sup>19</sup> Interviews with Geoffrey West (22 and 26 August, 2003)

expenditures to the development of a high quality poverty reduction strategy cannot be overemphasized. Firstly, prioritization implies the need to limit the set of policy measures to those that can most likely be achieved over the three-year duration of the strategy. Secondly, it signifies the need for high-level discussions as to the 'appropriate sequencing' of policy actions. Thirdly, prioritization requires an appreciation of budgetary constraints and a willingness to reallocate scarce resources from lower priority to higher priority sectors and subsectors (IDA/IMF, 2002a; Levinsohn, 2003). In assimilating the costing into the PRSP, a strong emphasis should be placed on a process of prioritizing the recommended policies and strategies.

While the current pressure to release the document to Cabinet approval before the end of November 2003 could militate against a thorough exercise, at the very least there needs to be a SWG/TG forum to discuss the PRSP costing in relation to the available resource envelope. Failure to do so could result in the PRSP becoming yet another wish-list with very tenuous links to the budgetary process. As indicated in Table , the draft document contains a suite of 163 separate measures, which is daunting and possibly excessively ambitious. It is therefore imperative that these public actions receive greater prioritization and sequencing. This task poses a real challenge for Lesotho, both from a technical and political perspective. The 2004 budget circular, which was initially to be issued in late September but has been deferred until late November to allow for the completion of the full PRSP, is set to contain specific instructions that ministries and departments align their proposed expenditure for 2004/05 to the PRSP strategies. Both Parliament and the Minister of Finance and Development Planning are adamant that the priorities emerging from the PRSP consultations will be addressed through the budget in coming years. However, the list of strategies has been treated as a set of supplemental policy measures over and above existing public spending priorities. The commitment to fiscal sustainability under the PRGF arrangement may dictate that Lesotho curbs its public expenditures, whereas poverty concerns may require that these same expenditures be increased. There is no consideration of where the government is going to get the funding from.

**Table 8**  
**Proposed Sectoral and Cross-Cutting Measures Contained in Draft PRSP**

Sector	Number of Proposed Sectoral Strategies
<b>Basic social services and poverty</b>	<b>22</b>
Health and social welfare	11
Education and Culture	7
Housing and Community Services	4
<b>Economic Strategies for pro-poor growth</b>	<b>42</b>
Tourism, Trade and Industry	6
Agriculture and Rural Development	18
Mining Development	8
Employment	10
<b>Governance</b>	<b>36</b>
Decentralisation and Community	6

Empowerment	6
Justice, Safety, Security and Human Rights	24
Defence and Home Affairs	6
<b>Infrastructure Development</b>	<b>9</b>
<b>Financial Services</b>	<b>48</b>
<b>Cross-cutting Issues</b>	<b>6</b>
Governance	5
HIV/AIDS Pandemic	8
Environmental Management	7
Population	4
Gender	3
Children and Youth	10
Nutrition	11
<b>Total number of strategies</b>	<b>163</b>

## 4.2 Financing Options

In Lesotho, limited prospects for increased revenue coupled with already high consumption levels has important ramifications for the options available for financing the PRSP strategies. Fundamentally, it signifies that the government's existing resource envelope will be inadequate to finance the new expenditures identified by the PRSP in order to stimulate growth and reduce poverty. This dilemma was raised during the 2003 Budget Speech:

*Governments throughout the world are facing serious budget constraints with their revenue bases declining while social demands are increasing at a fast rate. Lesotho is no exception in this regard. Our tax base, hence revenue, is limited and so are our savings rates. Our traditional development partners have also been facing budgetary constraints of their own. The question before us is how to finance our long-term development (Thahane, 2003a).*

With regard to revenue, the country is dependent on sources over which it does not have much control. Southern Africa Customs Union (SACU) revenues, which account for approximately half of total revenues, are not likely to increase significantly under the renegotiated 2002 agreement and have been projected to decrease as a percentage of GDP over the medium-term (Kirk and Stern, 2003; IMF, 2003). Non-customs tax revenue rests on a narrow domestic tax base, consisting primarily of income taxes and sales/value-added tax. The establishment of the Lesotho Revenue Authority (LRA) is expected to strengthen tax administration and improve domestic revenue collection by an estimated five percent, while the introduction of value-added tax is expected to bolster revenue. However, this revenue growth is unlikely to be significant unless there is rapid economic expansion. Non-tax revenues, such as water royalties, are limited by Lesotho's treaty with South Africa. The country's dependence on grants, whose flow is uncertain, further adds to its fiscal vulnerability (World Bank, 2003). Therefore, recognizing the aforementioned factors and trends, a declining revenue trend has been projected for Lesotho over the next few years (cf. IMF, 2003).

Therefore, despite the positive developments and expected efficiency gains associated with the ongoing structural reforms, the potential for generating more

revenue to finance PRSP priority actions is rather limited. On the expenditure side, recurrent expenditures range between 30-32 percent of GNP, making them nearly as high as revenues. This high level of consumption allows little scope for critical investments required to complement private investment. The wages and salaries bill currently stands at about 12 percent of GNP. Given unemployment rates exceeding 25 percent and the imperative for improving civil service salaries and incentives to redress the scarcity of professional and technical skills, it is going to be exceptionally difficult to reduce this figure. The government's interest expenditures remain low, due to a preference for external concessional resources and grants. The 'other goods and services' expenditures is nonetheless high with a large unexplained component. Capital investments in non-LHWP-related infrastructure have been treated as residual and arbitrarily slashed to reduce deficits.

Consequently, in order to meet the sizable levels of financing needed to effectively implement the PRSP, the GOL will, according to the Growth and Employment Options Study, need to strive for 'a sustainable balance between savings from reduced recurrent expenditures, additional external borrowing (which will imply higher interest costs), reserves draw down, and more grants' (World Bank, 2003: 44). The draft full PRSP reflects these sentiments, firstly by acknowledging that the strategy will have to be used to mobilize concessional assistance from development partners, but also by emphasizing the need for improved efficiency in resource utilization:

*Apart from assisting the country to access concessional loans and grants from the international financial institutions (IFIs) and donors, the PRSP assumes that there will be major shifts in budget allocations in line with the community priorities, as well as the strategic needs of the economy and society. This proposal envisages a more rigorous budgeting process that is based on demand. Resources are expected to be shifted from areas of less need to areas of greater need (Kingdom of Lesotho, 2003: 161-162).*

#### **4.3 Progress Towards Improved Financial Management and an MTEF**

The failure to link policy, planning and budgeting has come to be considered one of the most important causes of poor budgeting outcome in developing countries. In response, there has been a proliferation of medium term expenditure frameworks (MTEFs) as a public expenditure management tool since the mid-1990s, most especially in Africa. The PRSP initiative has served to renew interest in MTEFs, since they are seen as an appropriate vehicle for translating the poverty reduction strategies into public expenditure programmes within a coherent multi-year macroeconomic and fiscal framework.

Although Lesotho does not yet have an operational MTEF, the national vision and poverty reduction strategy processes have provided the impetus for improving public expenditure management. Accordingly, preparations for the integration of these policy developments into the annual budget cycle and a rolling medium term expenditure framework are currently underway. As previously mentioned there exists high-level political commitment to this process, to the extent that the important steps in the annual budgetary cycle

have been deferred until the completion of the full PRSP. While this may result in a delayed release of the 2004/05 budget, it is nonetheless expected to help ensure that allocational decisions are strongly informed by the goals and priorities of the PRSP. Ultimately though, budgetary resource constraints imply that improvements in allocative efficiency are also going to depend on the ability and willingness, especially at the sectoral level, to direct resources from old programmes to the new PRSP-aligned ones.

Policymakers in Lesotho anticipate that the MTEF will be implemented by the time of the 2005/06 financial year, though meeting this target is not going to be an easy task, especially since it is going to require 'a change in the mindset of the communities and the public servants...[and] calls for new skills and management systems that are not presently available in the public service' (Thahane, 2003b). A number of those interviewed indicated that many government officials, even within the Ministries of Finance and Development Planning, demonstrate a poor understanding of what is entailed in an MTEF, with a tendency to perceive it as an add-on to existing systems rather than a complete reformulation of the budgetary process.

A history of weak financial management in the country resulted in a backlog of unaudited public accounts and difficulties in budget execution. More specifically, problems encountered with public accounting and information systems included: the lack of timely and comprehensive budget reporting; weak accounting practices and expenditure and revenue forecasting; a financial and information system that was not fully operational and inadequately integrated with other systems used; as well as the fragmented structure and poor communication between departments in the Ministries of Finance and Development Planning. These factors have adversely affected financial reporting, the availability of fiscal data, and expenditure tracking (IMF, 2002, 2003). This led to a recent country evaluation concluding that

Strengthening financial management in Lesotho has therefore received increasing attention in the country as a means of addressing this situation in addition to reducing the high level of government spending, with notable progress being made over the last couple of years. The Government has begun to move ahead with the financial management component of its Public Sector Improvement and Reform Project (PSIRP), despite funding difficulties. An action plan to strengthen financial management has been completed and a study of an integrated financial management system embarked upon. Expenditure management and tracking in the Treasury has also improved through efforts aimed at strengthening the processing of voucher payments and increasing the accuracy of records. The merger of the Ministries of Finance and Development Planning is also well advanced. The continuing financial management operations of the PSIRP, including civil service reform and the prioritization of social sector expenditures, together with the other components of the project should yield further gains in respect of operational and allocative efficiency.

In summary, at this juncture the multiple strategies contained in the draft version of the full PRSP have not been adequately prioritized and sequenced. While this is largely attributable to the absence of the comprehensive costing at the

time of release of the draft document, it is important that, at the very least, a first attempt at producing a more streamlined and focused set of measures be undertaken prior to submission of the final draft. Doing so would enhance the value, credibility and realism of the policy document. The ability of the Government to finance the country's poverty reduction strategy is constrained by the difficulty associated with raising revenues, as well as institutional and capacity limitations. The scaling up of current public sector reforms may however provide some space for targeted medium-term investments. Realistically, the resource envelope is still likely to be insufficient, hence the critical role that the private sector and development partners will need to play in fulfilling the pro-poor development mandate enshrined in the national vision and millennium development goals. A number of possible risks can be identified that may frustrate the successful implementation of the PRSP priorities. These include the failure to re-align existing allocations, an inability to secure full financial, political and bureaucratic support behind the public sector reforms, continued vulnerability and low levels of official development assistance, and the devastating impacts of the HIV/AIDS pandemic.

## **5. Realigning donor policies and resources**

In his seminal work on the development industry in Lesotho, Ferguson (1990) discussed how in the decade between 1975 and 1984 the small, landlocked country received development assistance from 27 bilateral sources and 72 international agencies and non- and quasi-governmental organizations. Since then and especially during the 1990s, there was a sharp decline in the flow of official development assistance (ODA) to Lesotho. Between 1990 and 2001, ODA to the country fell from 7.9 percent to 2.5 percent of GNP. Lesotho appears to have been more severely affected by declining ODA than many other such land-locked nations, especially those in sub-Saharan Africa (GOL and UNDP, 2003). The challenges faced by the country are substantial and will require considerable financial and technical resources to achieve the Millennium Development Goal targets. It is therefore ironic that this trend of declining aid flows has occurred in a period when the region, and indeed the country, requires increasing assistance to address mounting social problems, such as poverty and HIV/AIDS. The country's Poverty Reduction Strategy Paper represents the national framework for realizing the vision articulated by the MDGs and the Vision2020 processes alike. Not only do these initiatives presuppose an increase in aid flows, but it also requires that aid be better coordinated at the national level. There is a history in Lesotho of the various donor agencies operating in a rather compartmentalized manner. This has resulted in unnecessary fragmentation, projectization and duplication. Nonetheless, many stakeholders believe that the donors and development partners are realigning themselves towards the PRSP as a framework for their assistance programmes. However, there are indications that this is not universally applicable to all the partners.

There is encouraging evidence that the donors are beginning to act in a more coordinated manner. An indication of this is the Memorandum of Understanding (MoU) that the GOL signed in 2002 with DFID, Ireland Aid, UNDP and UNICEF, the aim being to provide a framework to promote and support the coordination

of activities and the exchange of information in the process of preparing the country's full PRSP and National Vision. The MoU called for the establishment of the Poverty Fund Account, which was introduced as a mechanism for joint funding, though provision was also made for direct funding in instances where the joint funding is not possible or inappropriate to the activity to be financed. The Fund consists of an estimated M7.4 million, with 21 percent contributed by the Government, 41 percent by DFID, 27 percent by Ireland Aid, seven percent by UNDP and four percent by UNICEF. The Fund is managed by the PRSP Secretariat, which considers and approves applications for the release of funds. The UNDP was nominated as the coordinating agent for the development partners and has assisted in developing a standardised reporting procedure. One of the notable activities financed through this multi-donor Poverty Fund was the preparation of the comprehensive national consultations in 2002.

The joint fund represents a crucial first step towards redressing uncoordinated donor practices and delays in disbursements through the simplification of procedures and systems and the harmonization of procedures in relation to development assistance. Some of the development partners have not contributed to this basket fund because their procedures would not allow them to do so. *Another initiative is currently under way to establish a joint programme of action amongst UN agencies in Lesotho. The purpose of this is to respond to the needs and priorities contained in the PRSP in a unified and coherent manner, thereby maximizing the effectiveness of the limited levels of official development assistance that are presently available.*

The development partners have also been very supportive of the PRSP process and actively participated in various fora (TWG, SWGs, etc) without being prescriptively top-down and undermining national ownership. Although it initially appeared that GOL regarded the PRSP mechanism as being a donor-driven initiative, the emphasis has since shifted and government has fully adopted the formulation, and implementation, of a poverty reduction strategy as an essential component in sound and equitable government. They have additionally played a salient role in the provision of technical assistance and policy advice throughout the PRSP process. Of particular note is the hosting of workshops, the funding of study tours to learn about PRSP 'best practice', and their facilitation and participation in participatory institutional mechanisms such as the Technical Working Group, the Sector Working Groups and the Technical Groups.

To conclude, there is a shared feeling amongst stakeholders that the donor community as a whole has strongly embraced the principles of the PRSP approach, from major UN organizations like the UNDP and UNICEF, to bilaterals, including Ireland and DFID. Donors have been participating actively in Lesotho's PRSP preparation process and have indicated their intention to align their assistance programmes to support PRSPs. The prospects are good that the PRSP and the complementary National Vision process and Public Sector Improvement and Reform Project (PSIRP) will give rise to stronger partnerships with countries and better coordination amongst development partners, especially those that are resident in the country. However, despite noble beginnings, there is a need to improve donor coordination and transparency in order to maximise the impact of the limited financial and

technical resources that are available. The proposed Joint Programme of Action is likely to go some way towards fostering this, but there is also a strong and complementary imperative for reviving and sustaining the existing institutional framework that has been developed over the last three years. The Technical Working Group is a critical forum for interacting, coordinating, joint decision-making and dissemination, but is becoming increasingly defunct. This should be examined, as too should the potential future role of the SWGs and TGs as the PRSP moves from formulation to implementation.

## **6. Capacity Building**

The draft version of Lesotho's full PRSP does not devote much attention to the capacity of the different development actors to effectively implement the wide-ranging set of measures and policies that is advocated. However, as the PRSP formulation process enters its concluding stages, there is an increasing focus on the capacity that will be required to ensure that the PRSP has a sustained impact on poverty in Lesotho. The capacity requirements associated with the PRSP process are indeed considerable. Not only does it demand that countries systematically analyze the determinants and consequences of poverty and formulate a suitably integrated policy response, but it also presupposes capacity to implement, as well as monitor and report on the impact of the PRSP.

While poverty reduction has been at the core of the Government of Lesotho's policies and strategies since independence and despite the formulation of a number of comprehensive poverty reduction strategies during the 1990s, the impact on the incidence of poverty has been negligible. A salient explanatory factor for this poor performance has been the weak implementation capacity of the government. As a recent country evaluation concluded,

*Inadequate administrative and institutional capacity in many ministries and central government agencies appears to have seriously impeded policy formulation, coordination, and implementation for long-term development (Hassan, 2002:9).*

Poor capacity in respect of the absence of adequate skills, suitable institutions and incentive structures undermines development planning and administration, and is often cited as the rationale for the lack of effective and efficient implementation of projects in Lesotho. It must therefore be recognized that strengthening individual and institutional capacity is going to be crucial to the successful attainment of poverty reduction in the country.

*Administrative capacity.* Since the democratic government came to power following the much lauded 2002 elections, political commitment to reforms has been strengthening in Lesotho. However, administrative capacity, which involves the availability of skilled individuals, appropriate organizations to pursue development objectives and suitable incentives structures in the public sector, remains relatively weak and continues to limit the pace at which reforms are implemented by the Government (World Bank, 2003). As an example of management capacity constraints in the public sector, within the PRSP

Secretariat there was a feeling that the process has overstretched their capacity and was having a substantially negative impact upon the traditional functions of the Department of Sectoral Programming. Moreover, the Secretariat staff asserted that they felt overburdened with administrative functions which affected their ability to perform technical functions in relation to the PRSP. They recommended that consideration be afforded to the creation of a separate structure focusing exclusively on the PRSP. Combining PRSP activities with traditional responsibilities has been shown to involve significant trade-offs.

*Technical capacity.* There was a very strong expression of need in relation to human resource development, particularly in terms of analytical skills, information technology skills, and basic writing skills. Mention was also made of the over-reliance on consultants at certain stages of the preparation of the full PRSP document. A number of stakeholders indicated that they were not really sure how to operationalize and monitor the PRSP. Substantive guidance is going to be required to ensure that the PRSP does not end up being a well-conceived strategy that does not get implemented. The donors have a definitive role to play in trying to impart information about best practice in this regard to the individuals and institutions that will ultimately be required to implement the PRSP policies and strategies.

*Limited poverty monitoring and evaluation capacity.* Poverty monitoring represents an indispensable component of a poverty reduction strategy and provides government and stakeholders with the requisite information to adapt policy, monitor progress and target new interventions. Notwithstanding the long history of research and data gathering in the country, Lesotho has been characterized by the absence of a culture of evidence-based policy making, whereby decisions about public action are closely informed by supporting empirical evidence. This situation was determined partly by limitations of the country's statistical system, with data collection and analysis being affected by persistent problems of timeliness, reliability and credibility (May et al, 2001a). There is also an important institutional dimension, since the public sector has not yet established viable mechanisms to evaluate the effects of programme implementation and monitor the subsequent impact on the poverty situation.

The Government openly acknowledges these capacity limitations and remains firmly resolved to developing the structures and acquiring the tools necessary to guide and assess its poverty reduction policies and strategies. This is reflected in the comments made by GOL in response to the joint World Bank-African Development Bank Country Assistance Evaluation:

*We agree...that monitoring and evaluation are weak in almost all sectors, most significantly in areas related to poverty reduction. The Government of Lesotho is committed toward addressing this shortcoming. The Ministry of Development Planning is establishing a Poverty Monitoring and Evaluation Unit...[which] will work closely with planning units in different sectors (Hassan, 2002:64).*

Poverty monitoring and evaluation has featured prominently in the PRSP process to date, most especially through the operations of the Poverty

Monitoring Subgroup of the TWG. The Poverty Monitoring Master Plan, which is currently being prepared as an input into the full PRSP, is a culmination of these efforts and articulates a strategic plan for establishing a poverty monitoring and evaluation system in Lesotho. More specifically, it outlines the institutional architecture and identifies appropriate indicators for monitoring. What is notably absent from the Master Plan is a discussion of the potential risks and challenges that may influence the operationalization of its recommendations.

While much is being done to assist in improving data availability and quality in Lesotho (cf. section 3.1), especially through the efforts of donors such as UNDP and DFID, the institutional and individual capacity required for monitoring and evaluation of the PRSP imposed remains less well developed. Discussion on the formation of a Poverty Monitoring and Evaluation Coordinating Office (POMECO) has been ongoing for nearly two years. In order to ensure that the PRSP policies and strategies have the desired poverty reducing impact, the office needs to be established and capacitated as a matter of urgency. In particular, the office needs to be staffed by a multidisciplinary team that is adequately qualified in poverty monitoring, measurement and analysis (PMMA). Further technical assistance will be required from development partners to ensure that this is realized.

*Staff turnover.* One factor that has served to exacerbate the institutional capacity constraints of the Government is the high turnover of skilled personnel. The political instability and eruption of violence in the country during the 1990s negatively affected the efficacy of human capital development initiatives. The steady turnover in ministerial and public sector appointments that resulted had the effect of constraining government decision-making, produced a state of flux in public priorities, and weakened the capacity for programme implementation (Goldstein, 2001). Other factors driving this brain drain include poor salary levels and associated benefits, as well as the lack opportunities for career progression and job satisfaction (Wereko, 1997). Further compounding this problem is the HIV/AIDS pandemic, which is expected to result in increasing absenteeism, morbidity and mortality in the civil service and thereby reduce productivity. The operating costs of the public sector are also likely to rise due to the higher demands for pensions due to early retirement and death and the cost of staff replacement and training. Despite a dearth of data, there is anecdotal evidence suggesting that HIV/AIDS is already having a sizeable impact on Lesotho's understaffed and under-supplied health care system, as well as on the education sector.

Given this context, efforts directed at capacity enhancement will be especially demanding. Ultimately what is required is fundamental civil service reforms coupled with an effective response to the HIV/AIDS pandemic. Attention has to be devoted to the retention of qualified personnel, a priority that should be deemed equally (if not more) important than merely capacitating individuals in the bureaucracy through skills training programmes. Lesotho desperately needs a better-paid, more effective public sector, but civil service reform has been on the policy agenda for two decades without significant progress being achieved (World Bank, 2003). It is hoped that the Public Sector Improvement and Reform Project (PSIRP), a World Bank supported programme that entails the

comprehensive reform of structures, organizations, systems and processes in the public sector will begin to address some of these development challenges in addition to improving overall fiscal performance and enhancing the delivery of quality services, particularly to the poor. In addressing the HIV/AIDS challenge, Lesotho needs to focus on fulfilling its commitment to the “Maseru Declaration on the Fight against HIV/AIDS in the SADC Region” (July 2003). As a signatory to the declaration, the country has agreed to combat the pandemic by means of multi-sectoral strategic interventions, as contained in the new SADC HIV/AIDS Strategic Framework and Programme of Action 2003-2007 and the National AIDS Strategic Plan. Priority areas include access to care, testing and treatment; prevention and social mobilization; resource mobilization; a development oriented approach; and monitoring and evaluation.

Implementing the PRSP must be based on delivery from the multi-sectoral actors and cannot be done by the MoDP alone. The different capacities of different sections of society will need to be mobilized, strengthened or built. Apart from the public sector, this should equally be seen to include civil society and the private sector, especially given the participatory development approach adopted during the PRSP preparation, which recognized the complementary role of different actors in the development process.

## **7. Conclusion**

Despite the economic progress of the early nineties, the incidence of poverty in Lesotho has not altered significantly over the last decade, with between 60 and 70 percent of the population estimated as being poor and a third classified as destitute. Moreover, levels of inequality have risen, making the country one of most unequal societies in the world, and longer term livelihoods failure has meant that anywhere between 25 to 33 percent of the economically active population is unemployed or underemployed.

Since early 2000, the GOL and other important stakeholders have been in engaged in preparations of a Poverty Reduction Strategy Paper (PRSP) as well as a National Vision for the country. An interim-PRSP was submitted to the joint staffs of the World Bank and IMF in December 2000, following shortly by the signing of a three-year Poverty Reduction and Growth Facility agreement. Since then, almost three years has elapsed, though the full poverty reduction strategy is scheduled to be finalized by the end of November 2003. It is therefore an opportune moment to reflect on the achievements and shortcomings of the country’s engagement with this ‘new construction’ for poverty reduction, as well as identify lessons and potential risks as the focus shifts towards implementation.<sup>20</sup>

The emphasis on participation in formulating the full PRSP has effectively facilitated a more open process of policy-making relative to the top-down, bureaucratic mode of planning that has characterized Lesotho in the past. Through the institutional structures that were established, government officials partnered with representatives from civil society organizations, the private

---

<sup>20</sup> The reference to a new poverty construction is derived from Maxwell (2003).

sector and development partners, which has resulted in improved dialogue, promoted mutual respect and skills transfer, and enabled joint decision making. Perhaps even more impressive was the scope and nature of the community consultations that occurred in April and May 2002. The consultations represent an important development with respect to giving expression to the voices of the Basotho in decision-making. However, due to the longer than anticipated duration of the PRSP formulation process, tensions have emerged between traditional and PRSP related responsibilities for a number of stakeholders, resulting in participation fatigue. A challenge as the PRSP is implemented is to shift away from ad hoc consultation to more institutionalized collaboration and dialogue.

The draft full PRSP contains a detailed poverty profile that draws on quantitative and qualitative data and examines some of the correlates of poverty in the country. Despite being constrained by the availability of up-to-date information, the PRSP process has served to promote a number of initiatives directed at improving the country's information system. There appears to be a relatively high level of consistency between the economic programme developed under the PRGF arrangement and the draft PRSP, both in relation to broad objectives and structural measures. There is however some divergence with regard to macroeconomic projections and targets. At this juncture the draft version of the full PRSP contains multiple strategies that have not been adequately prioritized and sequenced. While this is largely attributable to the absence of the comprehensive costing at the time of release, it is important that, at the very least, a first attempt at producing a more streamlined and focused set of measures be undertaken prior to submission of the final draft. This would enhance the value, credibility and realism of the policy document. HIV/AIDS, gender and youth have all received high coverage in the strategy.

The ability of the Government to finance the country's poverty reduction strategy is constrained by the difficulty associated with raising revenues, as well as institutional and capacity limitations. The scaling up of current public sector reforms may however provide some space for targeted medium-term investments. Realistically, the resource envelope is still likely to be insufficient, hence the critical role that the private sector and development partners will need to play in fulfilling the pro-poor development mandate enshrined in the national vision and millennium development goals. A number of possible risks can be identified that may frustrate the successful implementation of the PRSP priorities. These include the failure to re-align existing allocations, an inability to secure full financial, political and bureaucratic support behind the public sector reforms, continued vulnerability and low levels of official development assistance, and the devastating impacts of the HIV/AIDS pandemic.

While donors in Lesotho have tended to operate in a rather compartmentalized manner in the past, there is clear evidence that many have embraced the principles of the PRSP approach. There is however still much scope for improving donor coordination and transparency in order to maximise the impact of the limited financial and technical resources that are available. This is critical, since the resources required to finance the implementation of Lesotho's poverty

reduction strategy are unlikely to be achieved without concessional finance from donors.

Capacity constraints remain a particular problem in Lesotho and represent a real challenge to the implementation of the PRSP. Administrative capacity is relatively weak and there is a strong expression of need in relation to technical capacity. Notwithstanding the long history of research and data gathering in the country, the absence of a culture of evidence-based policy making has meant that monitoring and evaluation capacity is limited in most sectors. The situation is exacerbated by a high turnover of skilled personnel. The strengthening of individual and institutional capacity is going to be crucial to the successful attainment of poverty reduction in the country. Although much is being done to improve data availability and quality in Lesotho, especially through the efforts of donors, the institutional and individual capacity required for monitoring and evaluation of the PRSP imposed remains less well developed. While the government is committed to establishing a Poverty Monitoring and Evaluation Unit (POMECO), plans for its formation have been ongoing for over two years. In order to ensure that the PRSP policies and strategies have the desired poverty reducing impact, the office needs to be established and capacitated as a matter of urgency. In particular, the office needs to be staffed by a multidisciplinary team that is adequately qualified in poverty monitoring, measurement and analysis. Further technical assistance will be required from development partners to ensure that this is realized.

To conclude, the overarching challenge for the GOL as it prepares to implement the suite of interventions contained in its Poverty Reduction Strategy Paper (PRSP) is to ensure that, in the medium-term, its policies reverse the poverty trends of the 1990s and place the economy on a trajectory of sustained growth with poverty reduction. Achieving this is going to require a strategy of targeted investment in physical and human capital and a joint partnership between government, development partners and other relevant actors to ensure that the PRSP does not become another well-conceived but poorly implemented programme that bypasses the needs of the marginalized.

## 8. References

- Adeyi, O., Hecht, R., Njobvu, E. and A. Soucat (2001) *AIDS, poverty reduction and debt relief: A toolkit for mainstreaming HIV/AIDS programmes into development instruments*, Geneva : UNAIDS, March.
- Booth, D. and Lucas, H. (2002) *Good Practice in the Development of PRSP Indicators and Monitoring Systems*, ODI Working Paper 172, London: Overseas Development Institute, July.
- Chambers, R. (2001) The Best of Both Worlds?, in Kanbur, R. (Ed.) *Qualitative and Quantitative Poverty Appraisal: Complementarities, Tensions and the Way Forward*, Contributions to a workshop held at Cornell University, 15-16 March, 2001, pp.26-30.
- Eberlei, W. (2001) *Institutionalised Participation in Processes Beyond the PRSP*. Study commissioned for the GTZ, Duisberg: Institute for Development and Peace (INEF) Gerhard-Mercator University, September.
- Economist Intelligence Unit (EIU)(2003) Country Report: Lesotho 2003-04.
- Ferguson, J. (1990) *The Anti-Politics Machine: 'Development', depoliticization and bureaucratic state power in Lesotho*, Cape Town: David Philip Publishers.
- Foulo, T. and R.Q. Grafton (1998) Structural Adjustment in Lesotho: An Evaluation, *Journal of policy Modeling*, Vol.20. No.6, pp.791-814.
- Gibbon, P. (2003) The African Growth Opportunities Act and the Global Commodity Chain for Clothing, *World Development*, Vol.31, No.11, pp.1809-1827.
- Goldstein, E. (2001) World Bank Support for Human Capacity Development in the 1990s, in World Bank, *Kingdom of Lesotho: Country Assistance Evaluation*, Report No. 23407, Washington, D.C.: Operations Evaluations Department, World Bank, pp.52-57.
- Government of Lesotho and UNDP (2003) *The War Against HIV/AIDS: Progress Report on the Millennium Development Goals: Lesotho*, Maseru: GOL/UNDP.
- Gustafsson B and N Makonnen (1993) Poverty and remittances in Lesotho. *Journal of African Economies*, Vol.2, No.1, pp.49-73.
- Hanmer, L., De Jong, N., Kurian, R. and Mooij, J. (1999) Are the DAC Targets Achievable? Poverty and Human Development in the Year 2015. *Journal of International Development*, No.11, pp.547-563.
- Hanmer, L. and Naschold, F. (2001) Attaining the International Development Targets: Will Growth be Enough? Paper presented at the UNU/WIDER Development Conference on Growth and Poverty, Helsinki, 25-26 May 2001.
- Hassan, F.M.A. (2002) *Lesotho: Development in a Challenging Environment*, Report No. 24526, Washington, D.C. and Abijan: World Bank Operations Evaluation Department (OED) and African Development Bank Operations Evaluation Department (OPEV), May.

- IDA/IMF (2002a) *Review of the Poverty Reduction Strategy Paper (PRSP) Approach: Early Experience with Interim PRSPs and Full PRSPs*, Washington, D.C., March, 103 pp.
- IDA/IMF (2002b) *Review of the Poverty Reduction Strategy Paper (PRSP) Approach: Main Findings*, Washington, D.C., March, 28 pp.
- IMF/IDA (2001) *Lesotho: Joint Staff Assessment of the Interim Poverty Reduction Strategy Paper*, Washington, D.C., February.
- IMF/IDA (2002) *Lesotho: Joint Staff Assessment of the PRSP Preparation Status Report*, Washington, D.C., March.
- IMF/IDA (2003) *Lesotho: Joint Staff Assessment of the PRSP Preparation Status Report*, Washington, D.C., April.
- IMF (2001) *Lesotho: Request for a Three-Year Arrangement Under the Poverty Reduction and Growth Facility*. Washington, D.C.: IMF, February.
- IMF (2002) *Lesotho: Second Review Under the Poverty Reduction and Growth Facility Arrangement and Request for Waiver of Performance Criteria*. Washington, D.C.: IMF, March.
- IMF (2002) *Review of the Key Features of the Poverty Reduction and Growth Facility - Staff Analyses*. Washington, D.C.: IMF, March.
- IMF (2003) *Lesotho: Fourth Review Under the Poverty Reduction and Growth Facility Arrangement and Request for Waiver of Performance Criteria*. Washington, D.C.: IMF, May.
- Kakwani, N. and E.M. Pernia (2000) What is Pro-poor Growth? *Asian Development Review*, Vol. 18, No. 1, pp.1-16. Available online at: [www.adb.org/Documents/Periodicals/ADR/ADR\\_Vol\\_18\\_1.pdf](http://www.adb.org/Documents/Periodicals/ADR/ADR_Vol_18_1.pdf)
- Killick, T. (2000) Responding to Inequality. ODI Inequality Briefing Paper No. 3, London: Overseas Development Institute.
- Kingdom of Lesotho (2000) *Interim Poverty Reduction Strategy Paper*, Maseru: Ministry of Development Planning, December.
- Kingdom of Lesotho (2002a) *PRSP Preparation Status Report*, Maseru: Ministry of Development Planning, January.
- Kingdom of Lesotho (2002b) *PRSP Preparation Status Report*, Maseru: PRSP Secretariat, Ministry of Development Planning, December.
- Kingdom of Lesotho (2003) *Poverty Reduction Strategy Paper: Lesotho, Fifth Draft*, Maseru, 15<sup>th</sup> August.
- Kirk, R. and Stern, M. (2003) *The New Southern African Customs Union Agreement*, Africa Region Working Paper Series No. 57, Washington, D.C.: World Bank.
- Leboela, T. and S.D. Turner (2002) *The Voice of the People: Report on community consultations for the National Vision and the Poverty Reduction Strategy Paper* (draft version), Kingdom of Lesotho, December.
- Levinsohn, J. (2003) *The World Bank's Poverty Reduction Strategy Paper Approach: Good Marketing or Good Policy?*, UNCTAD and Harvard University G-24 Discussion Paper No. 21, New York: United Nations, April

- May, J., Krige, D., Mochebelele, M., Mokitimi, N. and B. Roberts (2001a) *Towards a Poverty Monitoring System in Lesotho*, Maseru: Ministry of Development Planning, July.
- May, J., Roberts, B., Moqasa, G. and I. Woolard (2001b) Poverty and Inequality in Lesotho, Input paper into the National Human Development Report for Lesotho, *Partnerships to Fight Poverty in Lesotho*, Durban/Maseru: University of Natal-Durban (UND) and Bureau of Statistics (BOS).
- McGee, R. Levene, J. and A. Hughes (2002) *Assessing participation in poverty reduction strategy papers: a desk-based synthesis of experience in sub-Saharan Africa*, Institute for Development Studies (IDS) Research Report 52, Sussex: IDS, February.
- Mturi, A. (2001) Promoting Human Development, Input paper into the National Human Development Report for Lesotho, *Partnerships to Fight Poverty in Lesotho*, Durban: University of Natal-Durban (UND).
- Naschold, F. (2002) Why Inequality Matters for Poverty. ODI Inequality Briefing Paper No. 2, London: Overseas Development Institute.
- NGO Coalition for the Rights of the Child (NGOC) and Save the Children UK (2000) Complementary Report on the Implementation of the UN Convention on the Rights of the Child in Lesotho. Maseru: NGOC and SC UK, May.
- Ohiorhenuan, J.F.E. (2002) *The Poverty of Development: Prolegomenon to a Critique of Development Policy in Africa*. The Sixth Ojetunji Aboyade Memorial Lecture. South Africa: UNDP, September.
- Overseas Development Institute (ODI)(2003) *PRS Monitoring in Africa*. PRSP Synthesis Note 7, London: ODI, June.
- Panos Institute (2002) *Reducing Poverty: Is the World Bank's Strategy Working?* London: Panos Institute, August.
- Phororo, D.R. (2001) *The Evaluation of Interim Poverty Reduction Strategy Paper (I-PRSP) Formulation Process*, Draft Report, Maseru: Ministry of Development Planning, January.
- Pritchett, L. (1997) Divergence, Big Time. *Journal of Economic Perspectives*, Vol. 11, pp.3-17.
- Ravallion, M. (1997) Can High Inequality Developing Countries Escape Absolute Poverty? The World Bank, Washington, D.C.
- Ravallion, M. (2001) Growth, Inequality and Poverty: Looking beyond averages. *World Development* , 29, pp1803-1815.
- Ravallion, M. and Chen, S. (1998) Growth rates needed to halve the poverty rate in 25 years. World Bank, Washington, D.C.
- Robinson, S. (2003) Children First in the Poverty Battle! A Review of Poverty Reduction Strategy Papers in the Southern African Region from a Child Rights Perspective. Save the Children Sweden, March.
- Sechaba Consultants (1991) *Poverty in Lesotho: A Mapping Exercise*, Maseru: Sechaba.
- Sechaba Consultants (1994) *Poverty in Lesotho: A Mapping Exercise*, Maseru: Sechaba.

- Sechaba Consultants (2000) *Poverty and Livelihoods in Lesotho, 2000: More than a Mapping Exercise*, Maseru: Sechaba.
- Selinyane, N.P. and M. Mokati (2002) *Review of Participatory Processes in the Preparation of the Lesotho Poverty Reduction Strategy Paper*, Maseru: Lesotho Council of NGOs.
- Shaffer, P. (2002) *New Thinking on Poverty: Implications for Globalisation and Poverty Reduction Strategies*. Paper Prepared for the United Nations Department for Economic and Social Affairs (UNDESA) Expert Group Meeting on Globalisation and Rural Poverty, United Nations, November 8-9, 2001.
- Thahane, T., (2003a) Laying the Foundation for Sustainable Development. Budget Speech to Parliament for the 2003/04 Fiscal Year, 10 March.
- Thahane, T. (2003b) Statement at the ADB Annual Meetings 2003, June 3-5, Addis Ababa, Ethiopia. <  
[http://www.afdb.org/events/speech\\_gov\\_lesotho\\_am2003e.htm](http://www.afdb.org/events/speech_gov_lesotho_am2003e.htm)>
- Turner, S. (2003) The Southern African Crisis: Lesotho Literature Review. Draft version, Care International, March.
- Turner, S. with Calder, R., Gay, J., Hall, D., Iredale, J., Mbizule, C. and M. Mohatla (2001) *Livelihoods in Lesotho*, CARE Lesotho, Maseru.
- UNAIDS (2002) *Epidemiological Fact Sheets on HIV/AIDS and Sexually Transmitted Infections: Lesotho*, Geneva: UNAIDS.
- United Nations Development Programme (UNDP)(1998) *Human Development Report for Lesotho*, Maseru: UNDP.
- Wereko, T.B. (1997) *Brain Drain in Lesotho*, Maseru: Commonwealth Secretariat, CFTC and UNDP.
- White, H. (1999) Global Poverty Reduction: Are we heading in the right direction? *Journal of International Development*, No.11, pp.503-519.
- Whitehead, A. (2003) *Failing women, sustaining poverty: Gender in Poverty Reduction Strategy Papers*, Report for the UK Gender and Development Network, London: Christian Aid, May.
- World Bank (1995) *Poverty Assessment: Lesotho*, Washington, D.C.: Human Resources Division, Southern African Department, Africa Regional Office, World Bank.
- World Bank (2000) *World Development Report 2000/2001: Attacking Poverty*, New York: Oxford University Press.
- World Bank (2001) *Lesotho-Public Sector Improvement and Reform Project (PSIRP)*, Project Information Document No.PID8891, Washington, D.C.: World Bank.
- World Bank (2003) *Lesotho Country Economic Memorandum: Growth and Employment Options Study*, Report No.26130-LSO, Washington, D.C.: Poverty Reduction and Economic Management Unit 1, Africa Region.



## Annex 1: Millennium Development Goal Indicators for Lesotho

<b>COMBAT HIV/AIDS</b>			
<b>Target: Halt and reverse the spread of HIV/AIDS by 2007</b>	<b>1990</b>	<b>2000</b>	<b>2007</b>
HIV/AIDS prevalence (15-49 years)	4% (1993)	31% (2002)	25%
Percentage of youth using condoms	N/A	9% (2001)	80%
Death rates associated with tuberculosis	10% (1993)	14%	10%
<b>ERADICATE EXTREME POVERTY AND HUNGER</b>			
<b>Target: Halve the proportion of people living below the national poverty line by 2015</b>	<b>1990</b>	<b>2000</b>	<b>2015</b>
Proportion of population living below national poverty line	59% (1986/87)	58% (1994/95)	29%
<b>Target: Halve the proportion of underweight among under-five year olds by 2020</b>	<b>1990</b>	<b>2000</b>	<b>2020</b>
Prevalence of underweight children under five years of age	16% (1992)	22% (2002)	8%
<b>ACHIEVE UNIVERSAL PRIMARY EDUCATION</b>			
<b>Target: Achieve universal primary education by 2007</b>	<b>1990</b>	<b>2000</b>	<b>2007</b>
Net enrolment ratio in primary education	76%	69%	100%
Proportion of pupils in standard 1, who reach standard 5	77%	82% (1999)	100%
Adult literacy	N/A	61% (1997)	85% (2006)
<b>PROMOTE GENDER EQUALITY AND EMPOWER WOMEN</b>			
<b>Target: Achieve equal access for boys and girls to primary and secondary schooling by 2005</b>	<b>1990</b>	<b>2000</b>	<b>2007</b>
Percentage of girls to boys in:			
Primary education	121	102	100
Secondary education	149	131	100
Tertiary education*	111	123 (1999)	100
Proportion of seats held by women in national assembly	0.4% (1993)	10% (2002)	30% (2007)
<b>REDUCE CHILD MORTALITY</b>			
<b>Target: Reduce under-five mortality by two-thirds by 2020</b>	<b>1990</b>	<b>2000</b>	<b>2020</b>
Under-five mortality rate (per 1000 live births)	N/A	111	40
Infant mortality rate (per 1000 live births)	74 (1996)	80 (2001)	28
Child mortality rate (per 1000 live births)	93 (1996)	35 (2001)	10
Proportion of 1 year old children immunized against measles	N/A	77%	100% (2015)
<b>IMPROVE MATERNAL HEALTH</b>			
<b>Target: Reduce maternal mortality ratio by three-quarters by 2015</b>	<b>1990</b>	<b>2000</b>	<b>2015</b>
Maternal mortality ratio	N/A	419 (2001)	
Proportion of births attended by skilled health personnel	N/A	60%	80%
Contraceptive prevalence rate	19% (1991/92)	41%	80%
<b>ENSURE ENVIRONMENTAL SUSTAINABILITY</b>			
<b>Target: Reverse loss of environmental resources by 2015</b>	<b>1990</b>	<b>2000</b>	<b>2006</b>
Proportion of land area covered by forest	0.4% (1988)	N/A	
Land area protected to maintain biological diversity	N/A	7%	
Arable land area	13% (1988)	9% (1999)	
Landlessness (percentage of households without access to land)	25% (1986)	33% (1996)	
Soil erosion (lost top soil per annum in million tons)	40 (1988)	N/A	20
<b>Target: Halve the proportion of people without access to safe drinking water and sanitation</b>	<b>1990</b>	<b>2000</b>	<b>2015</b>
Proportion of people without access to safe drinking water	38% (1996)	23%	19%

Proportion of people without access to basic sanitation	66%	55% (2001)	33%
---	-----	------------	-----

Source: GOL and UNDP (2003)

## **Annex 2: List of Stakeholder Interviews**

*Mr. T.J. Ramotsoari*, Principal Secretary, Ministry of Health (formerly Ministry of Development Planning).

*Mr. E.M. Matekane*, Governor of the Central Bank of Lesotho.

*Ms. L. Hlasoa*, Director, Department of Sectoral Programming, Ministry of Finance and Development Planning, and Chair of the PRSP/Vision Secretariat.

*Ms. L. Lefosa*, Director, Department of Population, Ministry of Finance and Development Planning.

*Mr. M.G. Masasa*, Director of Planning, Ministry of Local Government.

*Dr. M. Majoro*, Fiscal Analysis and Policy Unit (FAPU), Ministry of Finance and Development Planning.

*Mr. M. Tshabalala*, Principal Monitoring and Evaluation Officer, Lesotho Highlands Development Authority.

*Mr T. Thobei*, Principal Statistician, Economic Division, Bureau of Statistics.

*Mr. J. Atema*, PRSP Advisor, DFID.

*Ms. K. Tsumane*, PRSP/Vision Secretariat, Ministry of Finance and Development Planning.

*Mr S. Motsamai*, Director, Lesotho Council of NGOs (LCN).

*Mr. G. West*, Advisor, Department of Economic Policy, Ministry of Finance and Development Planning.

*Mr. M.Z. Phatela*, PRSP/Vision Secretariat, Ministry of Finance and Development Planning.

*Mr. I. Phefole*, PRSP/Vision Secretariat, Ministry of Finance and Development Planning.

*Mr. Phafane*, Lesotho Chamber of Commerce and Industry

*Mr. S. Mokitimi*, Christian Council of Lesotho (CCL)

*Ms. N. Bereng and Ms. Monyau*, Central Bank of Lesotho

*Mr. J. Feeney*, Policy Team Leader, UNDP.

*Ms. V. Diarra*, Social Statistician, UNDP.

*Ms. M. Mashologu*, Poverty Reduction Advisor, UNDP.

*Mr. S. McRoibin*, UNICEF.

Email/telephone based interviews were also conducted with the following:

*Mr. S. Levine*, Economic Advisor, UNDP Namibia (formerly Lesotho).

*Dr. V. Chandra*, Senior macroeconomist - Africa Region, World Bank.

### Annex 3: Duration of PRSP Processes for Countries with Full PRSPs

Country	I-PRSP Completion	PRSP Completion	Time Taken	0-1 year	1-2 yrs	2-3 yrs
Albania	May 2000	Nov 2001	18 months		*	
Azerbaijan	May 2001	May 2003	24 months		*	
Benin	June 2000	Mar 2003	33 months			*
Bolivia	Jan 2000	Mar 2001	14 months		*	
Burkina Faso	-	May 2000	-			
Cambodia	Oct 2000	Dec 2002	26 months			*
Cameroon	Aug 2000	Aug 2003	36 months			*
Chad	July 2000	July 2003	36 months			*
Ethiopia	Nov 2000	July 2002	20 months		*	
Gambia	Oct 2000	Apr 2002	18 months		*	
Georgia	Nov 2000	Jun 2003	31 months			*
Ghana	June 2000	Mar 2003	33 months			*
Guinea	Oct 2000	Jan 2002	15 months		*	
Guyana	Oct 2000	May 2002	19 months		*	
Honduras	Apr 2000	Aug 2001	16 months		*	
Kenya	Jul 2000	Apr 2001	9 months	*		
Kyrgyz Republic	Jun 2001	Dec 2002	18 months		*	
Madagascar	Nov 2000	Jul 2003	32 months			*
Malawi	Aug 2000	Apr 2002	20 months		*	
Mali	July 2000	May 2002	22 months		*	
Mauritania	Dec 2000	Mar 2002	15 months			
Mongolia	Jun 2001	Jul 2003	25 months			*
Mozambique	Feb 2000	Apr 2001	14 months		*	
Nepal	-	May 2003	-			
Nicaragua	Aug 2000	July 2001	11 months	*		
Niger	Oct 2000	Jan 2002	15 months		*	
Pakistan	Nov 2001	Feb 2003	15 months		*	
Rwanda	Nov 2000	Jun 2002	19 months		*	
Senegal	May 2000	May 2002	24 months		*	
Sri Lanka	-	Dec 2002	-			
Tajikistan	Mar 2000	June 2002	27 months			*
Tanzania	Mar 2000	Oct 2000	7 months	*		
Uganda	-	Mar 2000	-			
Vietnam	Mar 2001	May 2002	14 months		*	
Yemen	Dec 2000	May 2002	17 months		*	
Zambia	June 2000	Mar 2002	21 months		*	
<b>AVERAGE</b>			<b>21 months</b>	<b>N=3</b>	<b>N=19</b>	<b>N=9</b>

**Note:** Kenya remains anomalous, since the country's full PRSP has not been endorsed by the IMF/World Bank. In most BWI documentation, it is acknowledged as having finalized its I-PRSP and is in the process of preparing a full PRSP. The exclusion of Kenya from the above table does not alter the average time taken to complete the full PRSP. Focusing exclusively on countries in Sub-Saharan Africa, the average duration between submission of an I-PRSP and the completion of a full PRSP is also 21 months (22 months excluding Kenya).

#### Annex 4a: PRSP Related Activities, 2001

Date	Type and purpose of PRSP activity
Dec 2000	Submission of Lesotho's I-PRSP
Dec 2000-Jan 2001	Consultancy on the evaluation of the I-PRSP formulation process (Dr. Phororo)
Feb 2001	Joint Staff Assessment of I-PRSP released
Feb 2001	National Dialogue
Mar 2001	Ireland Aid, European Commission and UNICEF join TWG. The IMF approves a three-year arrangement under the Poverty Reductions and Growth Facility (PRGF) to the value of SDR 24.5 million (about US\$35 million).
July 2001	PRSP briefing session for Senate
End July 2001	TWG, Ministry of Local Government and NGOs embarked on the exercise of assessing district-level institutions, culminating with the report "Assessment of District Planning Structures in Lesotho".
Mar-July 2001	Commissioning and completion of "Towards a Poverty Monitoring System in Lesotho" report
June-Oct 2001	TWG members are trained in participatory rural appraisal (PRA) techniques. TWG selected district-based and NGO staff from all the ten districts of Lesotho and trained them in PRA. This was to equip them to facilitate the consultations process using standardized methods. This training was co-financed by Ireland Aid and DFID.
Sept-mid-Nov 2001	Teams of at least two members visit most of the country's 37 administrative wards, holding half-day meetings with village headmen, ward chiefs, District Secretaries, district staff (GOL and NGO) as well as Community-Based Organizations (CBOs), sensitizing them about the forthcoming consultation process. These sensitizations were co-financed by the Government of Lesotho and Ireland Aid
Nov 2001	PRSP briefing session for National Assembly
Nov 2001	Establishment of the Civil Society Poverty Reduction Forum (CSPRF) by the LCN, which integrates civil society organizations not affiliated to LCN. The purpose of the forum was primarily to maximize civil society involvement in the PRSP process
Mid-Dec 2001	A panel consisting of the Government Secretary, Principal Secretary Cabinet (Economic Affairs) and Principal Secretary Development Planning, were on a phone-in nation-wide programme at Radio Lesotho to brief and to respond to questions by the nation about the PRSP process. Thus, the process was exposed to one of the most interactive media programmes (Seboping) in Lesotho.

Sources: Kingdom of Lesotho (2002a,b); stakeholder interviews (Aug 2003)

#### Annex 4b: PRSP Related Activities, 2002

Date	Type and purpose of PRSP activity
Jan 2002	<i>The Bureau of Statistics and TWG finalize a List of Villages for Consultations, which used sampling techniques to select 80 villages that were representative by district and ecological zone.</i>
Jan 2002	Serious discussion about a central-level consultations strategy. The 80 villages selected on the basis of probability sampling were purposively increased to 200 villages (20 per district) by the LCN and the National Steering Committee for formulation of the National Vision (NSC), with the consensus of the TWG
27-28 Feb 2002	Participatory National Dialogue on Poverty Reduction: Launched by the Prime Minister, the dialogue aimed to provide a situation analysis of poverty in Lesotho and to secure the commitment of stakeholders to poverty reduction
12 Apr - mid May 2002	Community consultations
Mid-May 2002	Sector Working Groups (SWGs) and Thematic Groups established
25 May 2002	Elections
June 2002	GOL and UNDP sign project entitled <i>Institutional Capacity Building for Poverty Monitoring in Lesotho</i> (LES/02/005) to be implemented over a 15 month period (until September 2003). The components are: <ul style="list-style-type: none"> <li>• Establishing a Poverty Monitoring System</li> <li>• Reporting on the MDGs and other national indicators and targets</li> <li>• Coordination, preparation and execution of household budget surveys within the Poverty Monitoring System</li> <li>• Preparation and execution of the 2002/03 Household Budget Survey</li> </ul>
Oct 2002	Sector and Thematic Group hearings, aiming to ensure improvements in the quality of inputs.
End Oct to mid-Nov 2002	Two-week workshop at Mohale Lodge to prepare the zero-zero draft PRSP
Mid-Nov 2002	Hon. Speaker of the National Assembly invites PRSP Secretariat to give a half-day seminar on the PRSP process to the Deputy Speaker, Clerk of the National Assembly and party representatives.
Late Nov 2002	Zero-Zero draft PRSP issued
Nov 2002	PRSP Secretariat instructed to regulate its pace so that the national visioning process could catch up. It was also agreed to merge the National Vision and PRSP processes and have them both coordinated by a Joint Secretariat.
Dec 2002	PRSP Progress Report submitted to IDA/IMF: proposes revised deadline for the completion of the full PRSP from Nov 2002 to Nov 2003 due to the 'underestimation of the time that was needed for planning of consultations, consultative drafting of the PRSP in practice, and pacing with the National Vision document'.

Sources: Kingdom of Lesotho (2002a,b); stakeholder interviews (Aug 2003)

#### **Annex 4c: PRSP Related Activities, 2003**

<b>Date</b>	<b>Type and purpose of PRSP activity</b>
Feb 2003	Zero draft PRSP produced,
23 April 2003	JSA of Lesotho's PRSP Preparation Status Report
May 2003	Draft 1, version 1 of the PRSP released
May 2003	Draft 1, version 2 of the PRSP released
3 June 2003	Draft 1, version 3 of the PRSP released
10 July 2003	Draft 1, version 4 of the PRSP released
15 Aug 2003	Draft 1, version 5 of the PRSP released
5 Sept 2003	PRSP Secretariat meet with Principal Secretaries to discuss latest draft PRSP

*Sources: Kingdom of Lesotho (2002a,b); stakeholder interviews (Aug 2003)*

## Annex 5: Time elapsed since I-PRSP submission for countries preparing full PRSPs

Country	I-PRSP Completion	Time Taken in Preparing Full PRSP
Armenia	Mar 2001	31 months and counting
Bangladesh	June 2003	4 months and counting
Cape Verde	Jan 2002	21 months and counting
Central African Republic	Dec 2000	34 months and counting
Cote d'Ivoire	Jan 2002	21 months and counting
Djibouti	Nov 2001	23 months and counting
DRC	Mar 2002	19 months and counting
Guinea Bissau	Sept 2000	37 months and counting
Lao PDR	Mar 2001	31 months and counting
<b>Lesotho</b>	<b>Dec 2000</b>	<b>34 months and counting</b>
Macedonia	Nov 2000	35 months and counting
Moldova	Apr 2002	17 months and counting
Sao Tome & Principe	Apr 2000	42 months and counting
Serbia & Montenegro	July 2002	15 months and counting
Sierra Leone	June 2001	28 months and counting
<b>AVERAGE</b>		<b>26 months</b>

Source: Own calculations based on month of submission up until October 2003.

**Note:** Focusing exclusively on the eight countries in Sub-Saharan Africa, the average time elapsed since the submission of an I-PRSP is 30 months.

## **Annex 6: Terms of Reference for Sector Working Groups**

### **Background:**

The Government of the Kingdom of Lesotho is committed to poverty reduction. Consequently, the Government has initiated the process of preparing the Poverty Reduction Strategy Paper. As a preamble to the full PRSP the Government published an Interim Poverty Reduction Strategy Paper (I-PRSP) in December 2000. The I-PRSP set out the benchmarks required to tackle poverty in Lesotho. Alongside with the PRSP preparation process the Government launched the Vision 2020 as an initiative aimed at charting out the National Vision for Lesotho in 20 years to come. The National Vision will provide broad policy dimensions and a birds eye of Lesotho development in the next 20 years. The PRSP therefore will be charged to provide a practical framework in which the National Vision will be actualised.

PRSP encapsulates four overriding principles which include:-

- Participation;
- Inclusiveness;
- Country ownership and;
- Representation and coverage.

PRSP is therefore the vehicle through which the country seeks to articulate its development policies to propel pro-poor growth. Through consultations PRSP will allow the Basotho people to participate in making decisions that will guide the Government in developing both sector and national priorities for poverty reduction and economic growth.

### **Purpose of the Sector Working Groups**

The wider objective of the SWGs is to guide budget allocations to sectors and sub-sectors according to priority and weighted ranking generated from the consultations, specifically SWGs will:-

- i) Be an avenue through which key government policy makers will be involved in the PRSP consultation process;
- ii) Ensure broad based government participation and ownership of PRSP;
- iii) Be where critical analysis and synthesis of information from consultation will be undertaken by technical officers;
- iv) Be where key central stakeholders will participate and specific technical proposals can be presented in the PRSP;
- v) Be where private sector and civil society will have an opportunity to make policy recommendations at national level;
- vi) Be where national issues that may not be captured at the village level can be discussed, etc.

### **Justification**

As the national budget is constructed on the basis of sectors (line Ministries), it is critical that line ministry officials are fully involved in the PRSP which will be the cornerstone for investment. If this does not happen, there is a risk that resource allocations may not reflect the needs of the people. Experience from countries that have been involved in PRSP show that where sectors were fully

involved in the consultations and preparation of PRSPs, resource allocation has shifted in favour of pro-poor programming. These forums are therefore very critical in achieving a credible PRSP for the country.

### **How will SWGs be constituted?**

The Chairs of SWGs will be the Principal Secretaries or their nominees. The SWGs may cover the following sectors:-

Agriculture and Rural Development  
Trade, Tourism, Industry and Mining  
Physical Infrastructure (transport networks, roads, bridges, air transport)  
Justice, Security and Human Rights (public safety, law and order)  
Financial Services  
Education, Labour and Manpower Development etc.  
Health  
Natural Resources and Environment (water, electricity, etc.)  
Macro-economic Management

### **Membership to SWGs**

Relevant Ministries and Departments  
Civil Society  
Private Sector  
Professional Groups, etc.

Note: Please note that these are public meetings and so everyone who needs to attend should be allowed to do so. Some people may wish to present memoranda or petitions rather than attending physically, this should also be allowed. Civil Society and Private Sector will nominate their representatives to various SWGs in which they have interest. The TWG should organise refreshments (tea, water and sandwiches where necessary).

### **Meetings**

Weekly meetings are preferred, however, the chairpersons may decide on schedules suitable for the group in a democratic manner. The TWG expects at least 8 meetings to take place before a sector report is produced. Two of these meetings should be used to consider the views of community consultations and to merge or harmonise them in the sector report. Meetings can either be at MoDP or in the Board rooms of the relevant Ministries. The secretaries/convenors of the SWGs will be drawn from TWG members and will prepare meeting schedules in consultation with their chairpersons and circulate to members.

### **Reporting Arrangements**

SWGs will report to the TWG. TWG meetings may be organised less regularly than they are now to allow SWGs quality time to discuss issues in their sectors.

Jaa/ March 5 2002 version

## Annex 7: Ranked Poverty Problems as Identified During the Community Consultations

### Ranked Poverty problems by women, men and zone (aggregated categories)

	Women	Men	Rural lowlands & foothills	Mountains and Senqu Valley	Urban areas	All consultations
Agriculture	3	1	1	2	9	2
Economy/unemployment	1	2	2	1	1	1
Health, sanitation, water	2	5	3	3	2	3
Roads and infrastructure	4	3	4	4	4	4
Education	6	7	5	7	5	6
Security, law enforcement	7	4	6	6	7	5
Lack of equipment	10	9	7	-	-	9
Welfare, social issues, sport	8	8	8	10	3	8
Poverty, hunger	5	6	9	5	-	7
Politics, governance	-	10	10	9	8	-
Services in general	9	-	-	8	10	10
Electricity, telecommunications, technology	-	-	-	-	6	-
Number of consultations from which information available	138	120	90	60	6	156

Source: Leboela and Turner (2002)

### Ranked Poverty problems by women, men and zone (detailed categories)

	Women	Men	Rural lowlands & foothills	Mountains and Senqu Valley	Urban areas	All consultations
Unemployment	1	1	1	1	1	1
Poor roads	2	3	2	2	4	2
Poor farming	3	4	3	5	-	3
Lack of clean water	4	10	4	6	2	6
Lack of equipment	9	5	5	3	-	7
Theft	7	2	6	4	9	4
Lack of farm inputs	-	9	7	-	-	-
Lack of a clinic / hospital	6	-	8	8	9	8
Hunger	5	6	9	3	-	5
Drought	-	7	10	-	-	10
Disease	8	-	-	7	-	-
Lack of basic services	-	-	-	9	-	-
Lack of a bridge / Lack of market	10	8	-	10	-	9
Lack of food aid for the elderly, disabled	-	-	-	-	3	-
Lack of vocational schools, training	-	-	-	-	5	-
Lack of electricity	-	-	-	-	6	-
Lack of a community hall	-	-	-	-	7	-
Political instability	-	-	-	-	7	-
Transport slow, lack public transport	-	-	-	-	9	-
Lack of pensions for elderly, orphans	-	-	-	-	9	-
Number of consultations from which information available	138	120	90	60	6	156

Source: Leboela and Turner (2002)

## Annex 8: The Elasticity of Poverty and Pro-Poor Growth in Lesotho

The poverty elasticity of growth, which is a measure of how effective growth is in reducing income or consumption poverty, in Lesotho between 1987 and 1995 is -0.12, (May et al, 2001). This effectively means that, for the period under consideration, a one percent increase in per capita GNP resulted in a corresponding decrease in the incidence of poverty by 0.12 percent. Based upon Kakwani and Pernia (2000), this observed small reduction in poverty can be attributed to two factors, a pure growth effect of -1.37 percent and a pure inequality effect of 1.25 percent. Therefore, if inequality had not increased in Lesotho between 1987 and 1995, each one percent growth in GNP per capita would have reduced poverty by 1.37 percent. The pro-poor growth index indicates that, in Lesotho, growth experienced between the late 1980s and early 1990s tended to be weakly pro-poor.

Indicator	Poverty Incidence			Poverty Elasticity	Explained by		Pro-poor Growth Index
	1986/87	1994/95	Annual % Change		Growth	Inequality	
Headcount	58.8	58.3	-0.11	-0.12	-1.37	1.25	0.09

Note: Based on Kakwani and Pernia (2000)

Empirical research suggests that growth has tended to be lower in poorer countries over relatively long periods, and that high inequality countries tend to have lower growth rates (Ravallion and Chen, 1998; Pritchett, 1997). For high poverty, high inequality countries such as Lesotho, the MDG targets will remain elusive if the historical trends continue. The question therefore remains as to what type of policies could potentially serve to increase the poverty elasticity of growth in Lesotho and thereby reduce the rates of growth the country would require to halve poverty in the required period. While not all the answers are yet available, the indication is that a country's level of inequality is the most salient of the factors could make a difference (Naschold, 2002; Hanmer and Naschold, 2001; Ravallion 1997, 2001). Consequently, the GOL together with other development partners need to endeavour to ensure that redistributive policies are adopted to reduce the extremely high levels of inequality in the country and pro-poor strategies are pursued to focus on improving the impact of growth on poverty reduction. Killick (2000:4) indicates that the pro-poor growth policies that are likely to comprise such a policy framework include agricultural and rural development; the encouragement of labour-intensive investments; infrastructural investment to reduce the exclusion of the poorest; the promotion of education, health and social capital; measures to eliminate gender biases; and improved access to capital through such initiatives as micro-credit schemes.

## **Annex 9: Treatment of Gender Issues in the Policy and Strategy Content of the Draft PRSP**

### **In what way does gender appear in policy sections?**

#### **Sectoral Policies and Strategies for Poverty Reduction:**

##### Health:

- Health promotion and disease prevention: monitoring pregnancy, ANC, and mother's health after birth, as well as post natal care (PNC); a particular focus on young mothers in terms of the promotion of reproductive health and lifeskills; empowerment programmes for women so that they can negotiate sexual rights;
- Improving nutritional status;

##### Education:

- GOL will finalize a Gender-in-Education policy to provide guidance on gender mainstreaming in educational management and curricula.

##### Housing and Community Services:

- Amend the constitution to address inequality between men and women, especially with regard to land ownership;

##### Governance:

- Justice sector will build capacity on case management by conducting workshops and training stakeholders in gender sensitivity;
- Developing rape and abuse victim care policing

##### Sectors containing no discussion of gender:

- Trade, tourism and industry;
- Agriculture and rural development;
- Mining;
- Employment;
- Infrastructure development;
- Financial services.

#### **Cross-cutting issues:**

##### HIV/AIDS:

- PMTCT through increasing access of women and their partners to HIV prevention services, reproductive health and FP services, and providing antiretrovirals, elective caesarian section, and counselling on exclusive breastfeeding from birth to 6 months;
- Micro-credit schemes and income generating activities that take into account women's special needs and to support them to generate HH income and to organize their work schedule around HIV-related care demands.

##### Gender:

- National Gender and Development Policy
- Maintain effective partnerships to implement the National Gender and Development Policy
- Establishment of a gender focal point: to enhance adequate and systematic gender mainstreaming, it is planned that each line ministry will have gender focal points in each planning unit at national and district levels.

##### Nutrition:

- One of the focus areas of the nutrition strategies is explicitly on feeding pregnant and lactating women and young children.

#### **Cross-cutting issue containing no discussion of gender:**

- Children and youth

Note: Based upon the fifth draft version of Lesotho's full PRSP, dated 15 August 2003