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European Union

Kingdom of Lesotho

**JOINT ANNUAL REPORT ON
CO-OPERATION BETWEEN THE
EUROPEAN UNION
AND THE
KINGDOM OF LESOTHO**

2007

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**Kingdom of Lesotho,
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List of Acronyms

ABC	All Basotho Convention
ACP	African Caribbean and Pacific Countries
AGOA	African Growth and Opportunity Act
APRM	African Peer Review Mechanism
AU	African Union
BLNS	Botswana, Lesotho, Namibia and Swaziland
BoS	Bureau of Statistics
CBEP	Capacity Building in Economic Planning
CEDAW	Convention on the Elimination of All Forms of Discrimination Against Women
CEO	Chief Executive Officer
CMA	Common Monetary Area
CoW	Commissioner of Water
CSP	Country Strategy Paper
DCI	Development Cooperation Ireland
DfID	Department for International Development
DHMT	District Health Management Teams
DHS	Demographic Health Survey
DRR	Department of Rural Roads
EC	European Commission
ECHO	European Commission Humanitarian Aid Office
EDAL	European Development Agencies in Lesotho
EDF	European Development Fund
EIA	Environmental Impact Assessment
EIB	European Investment Bank
EPA	Economic Partnership Agreement
EU	European Union
FAO	Food and Agriculture Organisation
FPE	Free Primary Education
FWC	Framework Contract
FY	Fiscal Year of GoL (1 st April- 31 st March)
GDP	Gross Domestic Product
GFATM	Global Fund to fight Aids, Tuberculosis and Malaria
GoL	Government of Lesotho
GTZ	Gesellschaft für Technische Zusammenarbeit – German Technical Cooperation
HBC	Home-Based Care
IF	Integrated Framework
IMF	International Monetary Fund
IPPF	International Planned Parenthood Foundation
JBCC	Joint Bilateral Commission on Cooperation
JEAS	Joint EU-Africa Strategy
LAPCA	Lesotho AIDS Programme Coordination Authority
LCD	Lesotho Congress for Democracy
LCN	Lesotho Council of NGOs
LDC	Least Developed Country
LFCD	Lesotho Fund for Community Development
LHDP	Lesotho Highlands Development Project
LHWP	Lesotho Highlands Water Project
LPPA	Lesotho Planned Parenthood Association
LRMS	Lesotho Road Management System
LSL	Lesotho Maloti (currency)
LSO	Lesotho
M	Million
MCA	Millennium Challenge Account
MCC	Millennium Challenge Corporation
MCU	Micro-projects Coordination Unit
MDG	Millennium Development Goals
MFDP	Ministry of Finance and Development Planning
MoET	Ministry of Education and Training
MoHSW	Ministry of Health and Social Welfare

MoLG	Ministry of Local Government
MoNR	Ministry of Natural Resources
MoPWT	Ministry of Public Works and Transport
MPP	Micro-Projects Programme
MTEF	Medium Term Expenditure Framework
MTR	Mid Term Review
NAC	National AIDS Commission
NAO	National Authorising Officer
NGO	Non Governmental Organisation
NIP	National Indicative Programme
NSA	Non State Actor
PAC	Public Accounts Committee
PCD	Policy Coherence for Development
PFM	Public Finance Management
PM	Prime Minister
PMU	Project Management Unit
PRBSP	Poverty Reduction Budgetary Support Programme
PSC	Peace and Security Council
PRGF	Poverty Reduction and Growth Facility
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
PSIRP	Public Sector Improvement and Reform Programme
RB	Roads Branch
RSA	Republic of South Africa
RTIP	Road Transport Infrastructure Project
SADC	Southern African Development Community
SACU	Southern African Customs Union
SEFF	Supplementation Emergency Financing Facility
STABEX	EC Scheme for the Stabilisation of Export Earnings
SWAp	Sector Wide Approach
TA	Technical Advisor
TB	Tuberculosis
TDCA	Trade, Development and Cooperation Agreement
UN	United Nations
UNAIDS	United Nations HIV and AIDS Secretariat
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
WASA	Water and Sewerage Authority
WFP	World Food Programme
WHO	World Health Organisation

Exchange rates

Average foreign exchange rates for selected periods (LSL = ZAR)

Period	EUR (€)	USD (\$)
2000	LSL 6.40	LSL 6.94
2004	LSL 8.03	LSL 6.46
2005	LSL 7.93	LSL 6.38
2006	LSL 8.46	LSL 6.77
2007	LSL 9.65	LSL 7.34

Source: InforEuro, South African Reserve Bank

EXECUTIVE SUMMARY

Lesotho continues to score well in many international governance and human rights indices. Recent and ongoing parliamentary reform initiatives indicate a clear political commitment to increased transparency and public accountability. Nevertheless, 2007 was a politically tumultuous year for Lesotho due to a highly contested General Election in February.

Although Lesotho is a least developed country with limited natural resource endowments, it has achieved a real annual average GDP growth rate of 4.0% between 2000 and 2005 and the national economy (GDP) reached M 11.8 billion in 2007 with a growth in real GDP of 8% (FY 2007-2008). Headline inflation has remained relatively stable, and Government has a good fiscal management record. However unemployment remains high and a stylised picture of Lesotho's economy would be one where the domestic economy has been unable to compensate for declining opportunities for unskilled work in South Africa over the past two decades, despite impressive headline GDP growth. Furthermore, Lesotho experienced one of the worst droughts in 30 years in 2007, leaving 400,000 Basotho (more than 20% of the population) reliant on emergency food aid.

Lesotho's Poverty Reduction Strategy expired in 2007; Government is currently designing an Interim Poverty Reduction and Growth Strategy (IPRGS) –with the creation of an environment conducive to private sector growth being the Government's number one objective. Lesotho initialled the Interim SADC-EU EPA in late 2007. The EPA has demonstrable potential to significantly increase economic welfare in Lesotho. However, real concerns remain regarding its impact on SADC and SACU arrangements in terms of economic development and SACU revenue, on which Government remains heavily reliant. Subject to these concerns, the Rules of Origin (RoO) regime resulting from the EPA negotiations provides a good example of successful Policy Coordination for Development (PCD), with EU trade policy complementing in-country EC development cooperation.

Progress in EU-Lesotho cooperation during 2007 overall was satisfactory. The financial performance for the 9th EDF improved significantly during 2007, both in terms of individual commitments and disbursement. In comparison with 2006, global commitments (project approvals) increased by 60%, with the comparable 2007 figures for individual commitments (contracts signed) and disbursements (payments made) showing increases of almost 150% and 400% respectively.

With a strong focus on infrastructure, attaining successful outcomes from tendering processes while remaining within budgets proved difficult, partially due to the effects of preparations for the 2010 FIFA World Cup in South Africa, and global price rises in raw materials. Whereas initially tender attempts for a major water and sanitation project were unsuccessful, it proved possible to successfully negotiate a contract on the basis of modifications to project scope, without unduly affecting project outcomes. In the Transport Sector, a major road upgrading project is to be launched in early 2008; measures have been taken to minimise the risk of tender failure.

Following initial discussions in 2006, donors continued to proceed towards a resumption of general budget support in 2007. The World Bank, which is also likely to be a major donor for GBS, is expected to begin disbursing funds early in 2008/9. EC disbursement is now anticipated to start later in the financial year, while other donors may be ready to follow within the next 2-3 years. The CSP/NIP 2008-2013 indicatively provides for 53 €M for GBS; it will be disbursed in fixed and variable tranches, the latter being conditional on GoL meeting the agreed targets as specified in the Performance Assessment Framework (PAF).

EU-Lesotho cooperation is demonstrably well-aligned with the Joint EU-Africa Strategy on multiple levels, though careful progress in further EPA negotiations and further improvements in donor coordination will be important in ensuring that this remains so.

I Update on the Political, Economic and Social Situation

I.1 Update on the Political Situation

Lesotho continues to score highly on many international indices relating to national democratic governance, especially relative to countries with similar income levels.¹ Key institutions supporting democratic governance are the Independent Electoral Commission, set up in 2002 and charged with ensuring that all elections are free and fair, and the Office of the Ombudsman, whose recent campaigns include the improvement of living conditions in Lesotho's prisons and the compensation of those negatively affected by the Lesotho Highland Water Project. The government also takes corruption very seriously, amending the Prevention of Corruption and Economic Offences Act in 2006 to transform the Directorate on Corruption and Economic Offences (DCEO) into a parastatal, thereby giving the institution a higher degree of independence. The DCEO's anti-corruption activities fall into three broad categories: educating the public about corruption, preventing corruption by closing any loopholes in legislation, and investigating any corruption charges.

Nevertheless, relative to those previous to it, 2007 was a politically tumultuous year for Lesotho. In late 2006, the ruling party, the Lesotho Congress for Democracy (LCD), split, and a new party was created, the All Basotho Convention (ABC). As the ABC gained increasing support, Prime Minister Pakalitha Mosisili called a snap election, which was held in February 2007, and generally declared credible, lawful and peaceful by observers. The Mixed Member Proportional system of seat allocations meant that the LCD benefited far more than the ABC did, and ultimately won the election by a large margin. This result was disputed by a coalition of opposition parties, who began a series of corresponding legal challenges. Several incidents, including a week-long nightly curfew enforced in Lesotho's bigger cities, suggested increasing tension and a deteriorating security situation during mid-2007, and a SADC Eminent Persons Mission, led by the former President of Botswana, was deployed to mediate between the parties.

Recent and ongoing parliamentary reform initiatives, which are managed by the cross-party Parliamentary Reform Committee (PRC), clearly indicate a strong political commitment to increased transparency and public accountability. Five new Portfolio Committees were established in 2007 thanks to the PRC's work, and their first public hearings took place in February 2008. Given the cross-party nature of Committee membership, these reforms will provide a powerful new platform through which Government can be held to account by Parliamentarians, and, indirectly, the electorate.

A Local Government Act was passed in 1997, centred on the creation of institutional structures at District and Community level to transfer to the people both the responsibilities and the resources for managing their own affairs and local development. Implementation of the ambitious decentralisation programme started in earnest in 2005, when Basotho participated in the first elections of local government structures. While political decentralisation has made good progress since 2005, progress on fiscal decentralisation is still limited. The aim of fiscal decentralisation is to impact on the incentive structures faced by Local Authorities. One issue is the realisation of equitable, automatic and robust resource transfer arrangements from Central Government to supplement local revenues, including the establishment of planned District Development Funds at the disposal of the elected local authorities.

I.2 Update on the Economic Situation

¹ Lesotho is one of only ten Least Developed Countries to be rated as 'fully free' in terms of democratic governance and civil liberties by Freedom House, the leading democracy NGO. It qualified for assistance from the Millennium Challenge Corporation partly on the basis of its very high scores across six dimensions of national governance, all of which place Lesotho above the 85th percentile among countries in the same income group.

1.2.1 Macroeconomic Situation

The Poverty Reduction Strategy articulates the Government's development agenda and was the basis for coordination and harmonization with and among development partners. The PRS identifies three key areas for Government action:

1. To facilitate economic growth that creates employment and income earning opportunities. The key objectives under this pillar are to create nonagricultural employment, improve agriculture and food security, and develop infrastructure while managing and conserving the environment.
2. To empower the poor and the vulnerable and improve their access to basic services. The objectives under the second pillar are to improve the quality of and access to health care and social services; and to improve the quality of and access to education and make it more relevant to the needs of the market.
3. To deepen democracy and improve public sector performance, to ensure that policies and legal frameworks facilitate the full implementation of priorities. In addition to the three main pillars of the PRS, the GOL recognizes two major cross-cutting themes of national importance: HIV/AIDS, and gender, children and youth.

Lesotho has a population of 1.88 million growing at an average of 0.1% per annum or at an average countrywide inter-censorial rate (1996-2006) of 1%. The population split was 76% rural and 24% urban according to the 2006 census preliminary results. The literate but largely unskilled labour force represents the main national resource. Lesotho is entirely landlocked within the territory of the Republic of South Africa (RSA) and its economic development centres on its membership and participation in the activities of the Southern African Customs Union (SACU), the Common Monetary Area (CMA) and the Southern African Development Community (SADC). In addition to goods and services produced within the country, Lesotho receives very important net transfers from the SACU revenue pool. As highlighted in previous JARs, Lesotho is therefore very vulnerable to modifications in trade tariffs.

Traditionally the Lesotho economy has relied heavily on the remittances generated by employment opportunities for predominantly rural, unskilled workers in the South African mines. The trend in South Africa to employ more South African nationals along with a period of intense restructuring in the mining industry has resulted in less job opportunities. Legal employment opportunities for unskilled workers in South Africa mines thus declined significantly from the mid-1990s onwards, from an average of around 110,000 jobs for Basotho in the early 1990s, to around 50,000 currently. At the same time it is evident that employment opportunities for the educated, largely urban, Basotho workers in South Africa have increased dramatically. It is thus not surprising, that, given the disparity of opportunities between Lesotho and South Africa, Lesotho continues to rank as the most remittance-dependent country in Africa (proportional to GDP).²

Unemployment is high, and consistently ranked by Basotho as the most important driver of poverty in the country, and the problem to which Government should attend most urgently.³ The most recent labour force survey (1999) estimated the unemployment rate to be 31%. In the absence of another labour force survey, various respondent surveys have indicated significant increases in unemployment, albeit with different methodologies (Annex 1).

Headline inflation has remained relatively stable, and is primarily driven by prices in South Africa, which remains the source of almost 90% of the country's imports for final

² ... and third most remittance dependent in the world, after Tonga and Moldova. See International Monetary Fund (2005), 'Sending money home: Trends in Migrant Remittances,' IMF Finance and Development Magazine, available online at <http://www.imf.org/external/pubs/ft/fandd/2005/12/picture.htm>

³ See, for example, Afrobarometer's survey of public opinion in 2005 (p.34), The Voice of the People: Report on Community Consultations for the national vision and Poverty Reduction Strategy Paper (2002), and "Poverty and Livelihoods in Lesotho, 2000: A Mapping Exercise" (Sechaba Consultants, 2000).

consumption. Stable inflation can be at least partly attributable to the Government's prudent fiscal stance, and the stable macroeconomic environment has undoubtedly benefited the private sector in Lesotho. However Basotho have reported grave dissatisfaction with "price stability" in Lesotho, probably reflecting fluctuations in food prices which gravely affect much of the population.⁴

Although Lesotho is a least developed country with limited natural resource endowments, it has achieved a real annual average GDP growth rate in the five years between 2000 and 2005 of approximately 4%. Real GDP rose 8 percent in FY 2007-2008, bringing the national economy (GDP) to M 11.797 billion in 2007. The economy was primarily driven by booming diamond production and a recovery of the garment industry. While drought returned in 2007, causing Agriculture's contribution to GDP to be negative, mining, garment industry, and construction remained vibrant. Overall, GDP growth is expected to be about 5 percent for FY 2008-2009.

Government has achieved growing fiscal surpluses since 2003/04, as a result of very large and unanticipated increases in SACU revenue and through improvements in tax collection. Via these surpluses, Government's policy of retiring commercial debt continues to generate significant savings: total Government debt as a percentage of GDP declined by about half of the early 2000's figure to 49 % in 2007. The highly concessional nature of the remaining external debt means that annual debt servicing obligations remain manageable. Lesotho's monetary policy objective is to maintain the level of official net international reserves within or above the range of \$400 - \$450 million(Annex 1).

Creating an environment conducive to private sector growth (in terms of policy, regulation, infrastructure, etc.) remains Government's number one objective.⁵ Government is currently in the process of formulating a new Growth Strategy, which will guide growth initiatives across Ministries and sectors. Lesotho's performance against the Doing Business indicator series is above average for Least Developed Countries and the Sub-Saharan African region; past reform efforts in Lesotho were commended by the Doing Business team during 2007. Nevertheless, Lesotho continues to lag behind those countries with which it actually competes for trade and investment: the SADC and SACU regions, as well as major textile-exporting countries. In July 2007, Government signed a Compact with the Millennium Challenge Corporation, a major component of which involves reform in some of the most important policy areas, including land tenure, access to credit and the commercial courts. Growth will remain the centrepiece of Government's Poverty Reduction Strategy; this will be reflected in a new, Interim PRGS, which will be drafted in the first half of 2008.

1.2.2 Public Financial Management (PFM)

The most recent World Bank public expenditure management and financial accountability review (Annex 1-PEFA) was published in 2007.⁶ Lesotho scored highly in 9 of 23 areas, including credibility and comprehensiveness of the budget, orderliness and participation in the budget process, predictability in the availability of funds for commitment of expenditures and public access to key fiscal information. A further four areas received medium grades. Serious weaknesses remain present in several critical areas, such as accounting, recording, reporting, internal controls and auditing and external scrutiny. Government is addressing these weaknesses through the Public Financial Management reform, a component of the wider Public Sector Improvement and Reform Programme (PSIRP).

Accounting and internal control weaknesses are being addressed by introducing an IT system allowing integrated and more transparent accounting, revenue and expenditure management across government (see Section II –IFMIS). Another important process is the revision of the Public Accounts since 2004, which will then go through another round of audits. This process will be concluded by a Statement of Financial Affairs presented by Parliament.

⁴ See section 1.3.1 for more information. For national views on "price stability", see Afrobarometer (2005, q65c)

⁵ See Poverty Reduction Strategy 2004/5 – 2006/7, and Budget Speeches covering the years 2005-2008.

⁶ See also summary scorings table, annex I

Financial accountability and transparency are also being promoted by improving the relevant legal and institutional framework through the drafting of the Public Financial Management and Accountability Act. Finally, auditing capacity is being strengthened by the drafting of an Internal Audit charter, training in procurement audit, and the establishment of internal audit units in line ministries.

Lesotho is also improving its planning and budgeting capacity through the introduction of a Medium Term Expenditure Framework, which will greatly improve the ability of Cabinet to allocate funds in line with policies in a more efficient manner. Following a substantial training program in mid-2007, every Ministry presented a Budget Framework Paper (BFP) justifying budget proposals as part of longer-term spending plans clearly linked to explicit outcome and performance measures. The MFDP led a series of hearings, scrutinising BFPs and making recommendations to Cabinet.

1.2.3 Integration into the World Economy and Trade Arrangements

The most significant issue facing Lesotho, in terms of regional integration, remains how to encourage closer economic integration with South Africa while protecting its cultural, economic and political independence. Lesotho is a member of SACU,⁷ the CMA,⁸ SADC⁹ and the African Union (AU). It has also established a Joint Bilateral Commission on Cooperation (JBCC) with the Government of South Africa as a vehicle for closer integration with its sole neighbour.

Although a ‘trade’ issue only indirectly, the future of SACU is probably the most important ‘integration’ issue facing Lesotho, as it is currently the source of approximately 50% of Government revenues. The recent, unanticipated and largely consumer-credit driven import boom in South Africa has greatly increased the size of the customs pool, resulting in dramatic windfalls for the BLNS countries, including Lesotho. This leaves Government with a large and anomalous fiscal risk in the medium-term, as a change in either the economic circumstances in South Africa, in SACU revenue sharing arrangements themselves or in South Africa’s bilateral trading arrangements could all result in a sudden contraction of total Government revenue in Lesotho.

AGOA remains of critical importance to the economy of Lesotho, particularly the “third country fabric” provisions within it, without which Lesotho’s garment sector would have great difficulty exporting competitively to the United States. In 2006, the House of Representatives narrowly voted for the extension of these provisions until 2012. While recent equivalent provisions were introduced into EU-Lesotho trading arrangements via the Interim SADC-EU EPA discussed below – undoubtedly a positive development – Lesotho’s garment sector remains largely dependent on such trading concessions, and therefore vulnerable to changes in them.

1.2.4 EPA Negotiations

Since early 2005, as part of a large (though incomplete) group of SADC countries, Lesotho has been involved in substantive EPA negotiations with the EU. In November 2007, Lesotho initialled an Interim SADC-EU EPA along with Swaziland, Botswana and Mozambique; Namibia initialled the Agreement the following month. The Agreement included a WTO-compatible goods market access schedule, allowing for 100% liberalisation by the EU as of January 1st 2008 and 80% liberalisation by value by SADC countries, with exclusions focusing on agricultural goods. The Agreement contains a commitment between parties other than Namibia to extend the scope of the agreement through the negotiation of an investment chapter and further liberalisation in services by the end of 2008. The Agreement anticipates that issues relating to competition and government procurement will only be examined once

⁷ Along with South Africa SACU comprises the BLNS countries (Botswana, Lesotho, Namibia, and Swaziland)

⁸ Membership as SACU, but excluding Botswana.

⁹ SADC membership in addition to BLNS and South Africa, also includes Angola, DR Congo, Malawi, Mauritius, Mozambique, Seychelles, Tanzania, Zambia and Zimbabwe.

adequate regional capacity has been built. A chapter on development cooperation is also included.

While many of these developments clearly represent progress for Lesotho, the fact that the Agreement has yet to be initialled by South Africa, and the lack of clarity regarding the implications of the agreement for SACU, the source of approximately half GoL's revenue, remain sources of concern. It is hoped that future negotiations will account for the crucial role that SACU revenue plays in Lesotho's social and economic development, and will ensure that the resulting agreements complicates trading across borders in the SACU and SADC trading regions as little as possible.

I.3 Update on the Social Situation

I.3.1 Eradication of Poverty and Food Security

Lesotho's Agricultural Sector Strategic Plan is consistent with the priorities outlined in the National Vision 2020 and the PRS, and has six goals, which include among others: food security, poverty alleviation, and sustainable environment mangament and conservation. Increasing crop and livestock production is the key element of the Government's strategy to achieve food security at the national and household level.

In 2007, Lesotho experienced one of the worst droughts in 30 years, leading 400,000 Basotho (more than 20% of the population) to become reliant on emergency food aid. According to the Lesotho Vulnerability Assessment Committee's June 2007 report, maize production declined most steeply in the mountain and southern lowland areas, although serious declines were experienced in all areas. Because Lesotho produces only 30% of its food requirements even in a normal year, the impact of the failure of subsistence crops on food insecurity was compounded by high regional prices, which were caused by a similarly poor harvest in the entire region.

2007 saw the release of Lesotho's first full Household Budget Survey (HBS) since the early 1990s, which, while providing an unparalleled amount of data on household poverty in Lesotho, follows a five year compilation process as the source data was collected in 2002/03. Nevertheless, the 2002/03 HBS seems to show positive changes between 1993/94 and 2002/03: the proportion of households living below the poverty line¹⁰ fell from 62.1% to 50.2%, and there was also a significant shallowing of poverty, implying that households living below the poverty line in 2002/03 were better off than those of 1993/94. While such positive changes are important, they should not distract from the fact that Basotho remain by and large extremely impoverished, with the income of over a quarter of households failing to provide for food needs alone, even before other living costs are taken into account.

Poverty in Lesotho is most strongly associated with rural areas, a lack of a waged income and female-headed households. However, according to the 2002/03 HBS, improvement in poverty levels was greatest in rural areas, while Maseru saw a slight increase in the proportion of households living below the poverty line. While the 2002/03 HBS analysis also suggests that inequality has declined, there is little doubt that it remains severe in Lesotho: according to the 2007/08 UN Human Development Report, Lesotho has the second highest inequality in the world, after Namibia.

Lesotho faces severe challenges in attempting to achieve the Millennium Development Goals (MDGs). The MDG Status Report 2004 suggested that Lesotho would achieve or exceed several of the targets by 2015, including universal primary education, gender equality in education and -with substantial investments- improving access to safe drinking water and sanitation, but would fall short on health outcomes, child malnutrition, environmental sustainability and the first target, the eradication of hunger and extreme poverty. Monitoring and evaluation mechanisms (including statistical capacities) are variable and statistical gaps

¹⁰ The poverty line for 2002/03 is defined as an expenditure of 149.91 Maloti (18 Euro) per month per person. Below this amount, it is considered that a person cannot afford to purchase basic necessities, including food requirements and basic non-food items.

and delays in information dissemination are hindering the task of ensuring a consistent and continuous process of monitoring the achievement of the MDGs.

Finally, HIV/AIDS poses a grave threat to social and economic development in Lesotho, and in turn to the achievement of the MDGs. The pandemic has probably put the health-related MDG beyond reach already, including the targets for reducing death rates associated with the “old” killer disease in Lesotho, tuberculosis.

1.3.2 Education

In line with broad Government objectives laid out in the National Vision and PRS, the MoET's policy is to move decisively towards expanding enrolment, increasing retention and improving the quality of education in all educational sub-sectors. In addition, key ministerial objectives include ensuring that school curricula and vocational programmes are responsive to the skills sought by the private sector and the communities in general, and to mitigate the spread of HIV/AIDS through educational campaigns. GoL has prepared its ESSP to provide the MoET with an effective long-term planning instrument over the period 2005 to 2015, in line with the Education for All Fast Track Initiative. The ESSP anticipates that free education will gradually be expanded to include the first three years of secondary education.

While performance against some educational indicators has stagnated, the overall picture, when compared to the region and to other LDCs, is one of success. At 82%, literacy rates are far higher than the 64% average in the Sub-Saharan African region. The literacy rate remains higher for women (although the gap is now closing), as a result of the traditional ‘herd boy’ role for young males.¹¹ Literacy rates and other educational metrics received a boost when Government began rolling out its Free Primary Education program in 2000. The Net Enrollment Rate (NER) has reached 83 percent (2006) and continues to rise with new school construction in rural areas, making it feasible that Lesotho will meet the MDG goals for primary completion. Unsurprisingly, on the back of recent improvements, enrolment ratios have now stagnated at 84% for primary and 25% for secondary. The now much larger numbers of students graduating from primary school without, at present, the option to continue on to free secondary education has become a major policy issue for the sector.

1.3.3 Health¹²

The share of the health budget over the total Government budget has increased steadily from 5.8 percent in 2000 to about 11 percent in 2007. Although 79.5 percent of the population has reasonable access (5km radius) to health facilities, large regional disparities exist. Rural areas in particular have suffered worse health outcomes and benefited less from essential health services. This persists across almost all health outcomes (e.g.: child mortality, maternal mortality, and malnutrition) and health services (e.g.: immunization, antenatal care, and assisted delivery by medical staff). Human resources in health is also a major concern. Despite recent major recruitments, about 18 percent of the established posts continue to be unfilled (including 20-25 vacancies for doctors).

In terms of health outcomes, malnutrition among children remains a serious problem – the 2004 DHS classified 38% of children under five as chronically malnourished on the basis of their stunted growth. The problem was twice as severe in rural areas as in urban areas, no doubt reflecting spatial differences in poverty levels as well as an apparently severe decline in the quality of the rural roads network, on which much of the rural population relies for accessing regional health services.

Several key development partners are jointly supporting a long-term health sector reform led by the Ministry of Health and Social Welfare (MOHSW) in order to achieve a sustainable increase in access to quality preventive, curative and rehabilitative health care services in Lesotho. The support is envisaged through a Sector-Wide Approach (SWAP) with an agreed sector expenditure framework, harmonized fiduciary systems, and common performance

¹¹ For a full analysis, see the World Bank's Country Status Report for Education (First Final Report) (2005, p.3)

¹² HIV/AIDS is dealt with separately in the next section.

indicators. While Lesotho's health policy environment continues to progress, monitoring and evaluation remain hampered by a serious lack of capacity in the provision of statistics – the latest available government health statistics date from 2004.

1.3.4 HIV/AIDS

Lesotho has the third highest HIV infection rate in the world and a life expectancy of 34 years. Common to the entire southern African region, Lesotho's HIV epidemic is decimating health across a wide range of metrics. The Demographic and Health Survey in 2004 estimated the HIV infection rate to be around 23.5% among Basotho adults.¹³ As the AIDS epidemic spreads, so does the co-infection from tuberculosis (TB). TB prevalence has increased dramatically from 75 per 100,000 people in 1990 to 171 per 100,000 people by 2007. Girls and women suffer from higher HIV rates than boys and men; in the 15-19 age group, the ratio of females to males infected with HIV is 3:1; for the 20-24 age group, the ratio is just over 2:1.

The loss is greatest amongst the most productive demographic, decimating the human resource base of the country in the public and private sector. Another major consequence of the epidemic is that a generation of 180,000 orphans is growing up in an already harsh economic climate, without the financial, educational and emotional support of either parent, and in many cases, with the responsibility for raising a household of younger, orphaned siblings.¹⁴

The primary factor driving high HIV infection rates is the widespread practice of sustaining concurrent relationships with multiple partners without use of preventative measures; secondary factors are likely to be poverty, inequality, the legacy of a legal system which has long-since favored men explicitly, and an economy based heavily on migrant labour. While knowledge of preventative measures and AIDS itself is generally widespread, stigma is also highly prevalent; public knowledge that a person has AIDS – or has even tested for AIDS – will often severely hamper livelihood strategies such as working in the community for income.¹⁵

ARV treatment is only accessed by 14% of those in need, while coverage of prevention of mother-to-child transmission services is only 5%.¹⁶ PMTCT services were only been introduced in 2003, and many local health clinics still do not offer them. However a switch to an opt-out approach of HIV testing for pregnant women, as well as efforts to involve men in couple testing and counselling, are helping to improve the situation.

The establishment of the National Aids Commission (NAC) and the National AIDS Secretariat (NAS) in 2004, as well as the appointment of the NAS Chief Executive in March 2005, gave rise to high hopes, yet to be realised, for improving the coordination of Lesotho's national HIV-AIDS response. A National HIV-AIDS Strategy 2006-2010 has been developed and approved. Monitoring and evaluation mechanisms, however, remain weak.

All major donors in Lesotho are making a contribution to the fight against the HIV and AIDS pandemic. HIV prevention (PEPFAR, Irish Aid and the UN), access to quality HIV services (MCC, PEPFAR and Irish Aid), and supporting AIDS orphans (EC, UN, Global Fund) are the major priorities. GTZ is specifically supporting the decentralisation of the government's HIV and AIDS response.

1.3.5 Gender

Basotho culture and society are routinely described as patriarchal, by both Government and non-Government sources, and this has been and remains reflected in the legal system,

¹³ See the 2004 DHS, especially pp. 233-235. The full survey and data set are available online. Note that this is lower than previous prevalence estimates in Lesotho, as is the case with several more recent studies. The decline is largely accepted to have occurred as a result of improvements in methodology, rather than a declining real prevalence rate.

¹⁴ See UNICEF (2007), available online.

¹⁵ MOHSW (2005, pp.189-190)

¹⁶ See UNAIDS (2007), available online.

although to a diminished extent. The majority of Basotho men report to reject the notion of equal rights for women in favour of “traditional laws and customs,” but women themselves are evenly split, with 40% still strongly and explicitly rejecting “equal rights” in principle.¹⁷

Nevertheless, other evidence cautions against simple views on gender equality in Lesotho: more than half of those freely elected by Basotho during the first ever Local Government elections in 2005 were women, and women occupy many powerful positions in the country, including nine of the twenty three positions in Cabinet at the time of writing. From a low base, very significant legal reforms have been implemented recently: the enactment of the Legal Capacity of Married Persons Bill by Parliament in December 2006 greatly increased the rights of married women in Lesotho, who until then had the legal status of minors, requiring their husbands’ consent to access credit and a host of other basic services. However, the Legal Capacity of Married Persons Bill will only make a meaningful impact in the lives of women if supported by the judicial system and known about by all relevant parties. Furthermore, there are other areas where gender-discriminatory legislation still applies.

I.4 Update on the Environmental Situation

Lesotho's environmental policy mainly derives from the National Environment Policy (1996), which harmonised previous action plans. This policy is being implemented by the Department of Environment under the Ministry of Tourism, Environment, and Culture, in collaboration with other ministries. The Department made a critical breakthrough towards the achievement of a legislative framework for environmental management with the Environment Act in 2001, which mandates Environmental Impact Assessments for large construction projects. However actual implementation and regulation activities suffer from a lack of capacity in the Department.

Specific environmental problems include soil erosion, with an estimated 36 M tons of topsoil lost annually. The topography and soil texture play an important role, but over-stocking and overgrazing are also major contributors to the problem. The Ministry of Agriculture and Food Security is now actively embracing conservation farming in order to address that problem. The Ministry of Forestry and Land Reclamation's National Forestry Policy's target is to reduce the loss of topsoil to 20 M tons by 2015.

The situation of severe food insecurity in Lesotho in 2007 was linked to global warming, with erratic weather patterns causing the failure of local subsistence crops as well as regional commercial crops. Such changes in weather patterns should be expected to continue as a result of global warming. An average increase of five degrees is expected for Southern Africa with already-poor countries like Lesotho suffering disproportionately from food insecurity. A National Adaptation Plan of Action on Climate Change is being developed, with support from the Global Environment Foundation.

Pollution of the environment is of increasing concern. Pollution of surface and ground water by industrial activity (in particular by the “wet” textile industries), agricultural chemicals, pit-latrines, uncontrolled urban drainage and landfills is not insignificant. Industrial pollution is caused by industries failing to pre-treat their used water before they release it. Although the only way to remedy this problem is to transfer the water treatment responsibility from industries to government, the Water Treatment Facility is yet to be upgraded to accommodate industrial waste.

II OVERVIEW OF PAST AND ONGOING COOPERATION

During the year 2007 performance under the EU-Lesotho Cooperation showed very mixed result, but overall performance can be considered satisfactory.

¹⁷ Afrobarometer (2005, p.10), available online

Implementation results and progress under the ongoing programmes are set out in the sections II.1 and II.2 below. Progress in programming the utilisation of resources under the 10th EDF NIP is detailed in section II.5.

Financial performance for the 9th EDF improved significantly during 2007, both in terms of individual commitments and disbursement. The 9th EDF programme was very slow in starting but gathered significant momentum in 2007.

The table below indicates that with global commitments (project approvals) increasing by 60% over the previous year's total, the comparable 2007 figures for individual commitments (contracts signed) and disbursements (payments made) show increases of almost 150% and 400% respectively.

Financial situation at year end 2006 and 2007

NIP 9th EDF	Total Global Commitments	Total Individual Commitments	Total Disbursements
31/12/2006	64,535,100	13,918,974	2,376,438
31/12/2007	103,785,100	34,405,479	11,810,905
Increase	39,250,000	20,486,505	9,555,533
%	60.8%	147.2%	402.1%

II.1 Focal Sectors

II.1.1 Water and Sanitation Sector

Aiming at achievement of the water-related MDGs by 2015, GoL has given high priority to improved access to water and sanitation and the sector was selected as the first focal point for EC-Lesotho cooperation under the 9th EDF NIP. The resulting strategy takes a two-pronged approach, aiming both to secure sufficient medium- to long-term bulk water supplies for the lowlands, and to strengthen sustainable water delivery and sanitation systems in six urban areas.

The EIB remains closely involved in the water and sanitation sector operations (refer to Annex XI).

a) Results

The results as defined in the Intervention Framework for the 9th EDF NIP are summarised as follows:

- Provision of Medium-term water and sanitation services to Six Towns (now three towns – see details under “progress in activities” below).
- Medium to long-term investment programme for the Lesotho Lowlands bulk water supply prepared.
- Public and private sector capacity for water supply and waste water treatment enhanced.
- Existing Maseru wastewater system expanded.
- Development of a Sector-Wide Approach (SWAp).

b) Progress in activities

The Lesotho Water Supply and Sanitation Sector Programme (LWSSP) comprises four components, developed on the basis of studies carried out with 8th EDF support during 2003 and 2004:

1. Design of Lesotho Lowlands Bulk Water Supply Scheme
2. Three Towns Water Supply Project (former “Six Towns”)
3. Maseru Wastewater Project
4. Technical Assistance to WASA

Design of Lesotho Lowlands Bulk Water Supply Scheme

The Government has placed the highest priority on developing an investment programme for securing affordable potable water supplies for domestic and commercial use. The project included in 9th EDF LWSSP provides the Detailed Design and the preparation of tender documents for the construction works for the Lowlands Water Supply Scheme which will make available bulk treated water for domestic and industrial use in the Lowlands based on river extraction. In addition, a National Water Sector Information Management System (NWSIMS) will be developed for all available sector data held by the water sector institutions and studies.

Detailed design work commenced in January 2007, following the awarding of the contract to a consortium lead by Scott Stewart International of South Africa. The period of performance was extended to the 29th August 2008, at no extra cost to the Project. The Inception Report was submitted in February 2007 and approved in April 2007. Conceptual Design Reports for Zones 1, 6, 7 and 8 are expected to be submitted in early 2008. So far the project progressed well and with only minor delays.

At the time of tendering for the services it had been envisaged that the NWSIMS would be “driven” by wireless technology. However, subsequent discussions between the Consultant and the relevant service providers has elicited the fact that the present wireless systems are incapable of providing the necessary “speed” for an information management system as comprehensive as the NWSIMS. Possible solutions are being discussed with the Ministry of Communication and the Ministry of Finance.

Three Towns Water Supply Project

This project, to be implemented by the Water and Sewerage Authority (WASA), was designed to cover the medium-term (2015) upgrading of water supply and sanitation in six urban areas of Lesotho (Maputsoe, Mapoteng, Teyateyaneng, Roma, Morija and Quthing), which have a combined population of over 130,000 inhabitants and are important economic and social centres with a high potential for development. It covers the upgrading/replacement and expansion of groundwater wells, river intake works, pumping stations, treatment plants, pipelines, storage tanks and yard connections. Sanitation works include the rehabilitation and expansion of the sewerage networks, pumping stations and small wastewater treatment facilities.

Following an unsuccessful initial tender process in 2006, the contract for Stage 2 (Implementation of Works detailed in Feasibility Studies and Designed produced during Stage 1) was re-advertised in January 2007. On the expiry of an extended submission period, two tenders were received, both of which were partial, despite being over-budget. Neither included a bid for Lot C – Quthing. Following the calling of both potential contractors for negotiation, the contract was awarded to UNIK, a contractor based in Botswana which is already working for WASA. To fit the budget, the scope of the project was reduced, now to cover Maputsoe, Teyateyaneng and Roma, whilst optimizing the numbers of beneficiaries. Reflecting this, and following a subsequent formal change to the Financing Agreement, the project has been renamed the “Three Towns Water Supply Project.” Commencement is expected in May 2008.

Maseru Wastewater Project

The Three Towns Water Supply Project (referred to above) does not include the city of Maseru. The Maseru Wastewater Project is an emergency intervention to rehabilitate the present sewerage system of Maseru. Sewerage infrastructure suffers from lack of maintenance and from WASA's constrained capacity in the area of management and operation maintenance. The component under LWSSP covers the execution of immediate works and the supply of equipment and materials only. Following an unsuccessful initial tender process in 2006, the tender for the supply element of the Immediate Works was re-launched on 3 January 2007, leading to the Supply Contract being awarded to Farmex Technology of France in October 2007. The local open tender for the immediate works was launched in November 2007 and a clarification meeting and site visit took place prior to end 2007. Tenders were received in January and award of the contract is expected in April 2008.

In 2007 WASA obtained the estimated required funding for Medium Term Works (totaling EUR 28.6 million) from the EIB (EUR 14.3 million loan, Agreement signed July 2007), the ACP-EU Water Facility (EUR 10 million grant, contract signed December 2007) and the GoL (EUR 4.3 million grant).

Technical Assistance Support to WASA

A long-term TA Adviser is to provide technical support and advice to WASA, in order to ensure the effective supervision of the above mentioned Maseru Wastewater Project, whilst providing technical support for the development of the capabilities of the O&M department, and to assist the Chief Executive of WASA in planning and reporting. The Adviser will also cover advice on operations and maintenance of the Six Towns project, as well as WASA's other urban water supply and sanitation schemes.

The Procurement Notice was published on 21 January 2006, the contract awarded to Hydroarch S.r.l of Italy, and the TA took up position in March 2007. The Adviser is working with the Director of Operations and Maintenance and has prepared the tender dossier for a technical training programme for WASA operations and maintenance staff - for which tender was launched in March 2008 - and in the procurement processes for the Three Towns Project and the Maseru Wastewater Project.

II.1.2 Road Transport Sector

The intervention strategy under the 9th EDF for the transport sector seeks to improve social welfare by improving access to isolated areas, markets and economic and social services, and through improvements in road safety.

a) Results

Results envisaged in the 9th EDF intervention for the sector are summarised as follows:

- To define and adopt a transport sector policy;
- To strengthen the road sector institutional framework;
- To improve the Lesotho road network;
- To improve road safety.

In addition it was envisaged that a significant amount of temporary employment would be generated through the application of labour-based road maintenance and upgrading technologies.

b) Progress in activities

9th EDF

The Financing Decision for the Upgrading and Strengthening of 110km Paved Primary Road Network (21.5 €M - incl. supervision), was made in July 2007 and the Financing Agreement

signed in September 2007. The Feasibility and Design study had in essence been completed during 2006 and the tender dossier was substantially completed during 2007, after the decision was made to prepare the tender in four separate lots. It is now anticipated that the tender for the works contract will be launched in the first quarter of 2008. A service contract for assistance with tendering and supervision will be signed with the BKS Group of South Africa, in association with Louis Berger SA (France) and SM Consulting Engineers (Lesotho), which undertook the feasibility and design of tendering and supervision.

Given the significant upward pressure on prices in the regional construction market, linked to the enormous construction programme for the South African-hosted 2010 football world cup, it is fortuitous that the GoL has made provisions under the development budget 2008/9 for LSL 40 M (approx. 3.2 €M) to supplement the EDF resources.

During the first quarter of 2007, the Financing Agreement on Transport Sector Policy and Institutional Reform Support Programme (TSPiRSP) was signed between the GOL and the EC. The TSPiRSP (7.85 €M) is a capacity building programme aimed at supporting the Government's proposed institutional reforms in the transport sector and one of the three components of the WB/IDA funded Integrated Transport Project (ITP) officially launched in July 2007. More specifically, the Programme aims to provide a sustainable road sector management which is efficient in planning, developing, and maintaining the Lesotho road network and in coordinating and integrating it in the national transport system.

The Contribution Agreement between the World Bank and the EC which was originally planned to be signed towards the end of 2007 was not signed due to the need to clarify a number of implementation modalities between the two institutions. The delay in signing impacted negatively on the normal operations of the ITP Programme Management Unit (PMU) as it meant that some critical activities had to be put on hold until the Agreement was signed (planned to be in February 2008). However, good progress was made with the TA to the Roads Branch, which was in place by December 2007 and a number of other service tenders, which were under evaluation at that time.

8th EDF

During the final stage of the Road Transport Infrastructure Project (8 ACP LSO 002), whose implementation is to be completed by the 31st of March 2008, additional support was programmed for rural road construction and road safety measures through Programme Estimates, which came to an end on the 31st of December 2007. The upgrading of 10.6 km of earth tracks to all-weather standard was still ongoing at the end of the reporting period, as was the implementation of the Installation of Thetsane Street Lights. By the end of 2007 virtually 100% of the programme's resources (37.7 €M) had been committed and 96.4% (36.3 €M) had been disbursed.

All TA support under the programme had been completed in 2006 and implementation of remaining activities was slow. Implementation capacity in the road sector remains weak and the capacity building component of the ITP (see above) is much needed to address this.

II.1.3 Measures against HIV/AIDS¹⁸

a) Results

Expected results are as follows:

- Programme for combating HIV/AIDS and operational home-based care system established.
- Awareness of HIV/AIDS increased.
- Neediest of OVCs in Lesotho provided with multi-dimensional support packages.

¹⁸ This new focal sector was introduced in the 2005 Addendum to the 9th EDF CSP/NIP, following the 2004 Mid-term Review.

- Capacity to support OVCs built within GoL and in particular the Dept. of Social Welfare.
- Coordination and networking improved for all actors in the OVC Sector.

b) Progress in activities

The Financing Agreement was signed in February 2007 for a 12 €M project to assist the neediest OVCs through a holistic approach that covers cash transfers, access to education, food security, advice and support. A Contribution Agreement was signed between the Commission and UNICEF (March 2007) to implement the project.

The first year of the project has mostly focused on getting the structures together, sharing the responsibilities, and refining the activities of the project. All attention is on establishing the modalities and structures for cash transfers.

Although first activities were supposed to be implemented by the end of 2007, the project is running late, notably because of staffing issues and lack of strong commitment within the Ministry of Health and Social Welfare to get the project going. UNICEF has not taken on full project management responsibility.

II.1.4 Macroeconomic Support and Capacity Building

General Budget Support

Following a review of the 8th EDF Poverty Reduction Budgetary Support Programme (PRBS) in 2004, the EC decided that continuing problems in public financial management precluded the preparation of the planned 9th EDF budget support programme. Instead, GoL and the principal donors continued efforts to enhance capacity in PFM, with a view to resuming co-operation in the form of budget support under the 10th EDF.

Capacity Building in Economic Planning (CBEP)

Expected results and progress for the CBEP Project are described below. In February 2007, an External Review of CBEP was completed, and the 'lessons learnt' transformed into a Financing Proposal for CBEP II, which is a continuation of the efforts of CBEP but with a shift in the focus of activities towards institutional and management strengthening across technical departments. During 2007, Terms of Reference were drawn up and a procurement notice was published. The Evaluation Committee recommended a shortlist of eight companies to the EC which have been contacted for the full proposal. There are several linkages between activities in CBEP and CBEP II, the implications of which for CBEP are highlighted below, where relevant.

a) Results

The results for CBEP as defined in the Intervention Framework for the 9th EDF NIP are summarised as follows:

- Improvement in quality and timeliness of statistical reports;
- Macroeconomic planning based on rigorous economic analysis;
- Sustained upgrading of analytical and planning capacity within the Planning Cadre;
- Capital Budget targeted at national development objectives;
- Ministerial/sectoral planning procedures and practices established and adhered to;
- Sector programming, Monitoring and Evaluation a routine feature of public expenditure management;
- Medium Term Expenditure Framework approach to planning and budgeting introduced and operational.

b) Progress in activities

TA for the Bureau of Statistics

Technical Assistance to the Office of the Director of the Bureau of Statistics (BoS) was mobilised in early January 2007, for an assignment spanning 35 months. The Adviser has become an integrated part of the management team. The Quarterly Reports and the Adviser's monthly "Quick Reports" (a summary sheet of issues and activities) show that the Bureau is gaining traction in addressing its challenges and the Adviser has clearly assisted the Bureau in addressing these in a more systematic fashion. Work on a new 5-year Strategic Plan began in 2007, and is expected to be finalised in April 2008. Capacity building and skills development is being achieved, but the pace continues to be hampered by Lesotho's endemic capacity problems.

Macro-economic Support

A consultancy to develop and implement a macroeconomic model for Lesotho, including a substantial relevant training programme, began in November 2005. An extensive financial programming and economic theory training programme was implemented throughout 2007. As expected, the consultancy has revealed weaknesses and inconsistencies in a number of important data sets, including the National Accounts. Additional consultants were employed to rectify NA deficiencies beginning in early 2007 and initially funded under the EDF, with DfID providing supplementary funding. It is expected that the NA will have been reworked by end-2008.

The contract of the Macroeconomic Adviser (since 2002 funded under a separate project), was extended for 27 months effective from 1 January 2006. Although this contract cannot be extended further, provision for a similar position will be included in CBEP II; the ToR for this position will reflect the changing requirements, in particular in relation to the MTEF and to ensure coherence with the PFM Programme.

Training

A Training Needs Assessment for planning and budgeting officers was completed in February 2007. It produced a detailed training programme, which forms the backbone and the largest financial component of CBEP II.

Support to NAO/Coordination

The TA to the NAO, in place since May 2004, will finish his assignment in July 2008. Provision for a TA to the NAO is made under CBEP, Phase Two. Mobilisation is expected in August 2008. The TA Coordination Adviser, hired in May 2005, is to complete his assignment in March 2008.

In preparation for the launch of CBEP II, a consultant was hired in July 2007 with a one year contract covering an estimated five assignments to help MFDP in preparing the groundwork for the institutional reform components of CBEP II, with emphasis on the planning and budgeting framework and associated institutional arrangements. By year-end the consultancy had produced two reports with an overview of the institutional issues and recommendations for their resolution. In further assignments in 2008 the consultancy will need to focus on the core objectives of facilitating consensus on the planning and budgeting system and the accompanying institutional and manpower arrangements.

Public Financial Management (PFM)

One of the key elements of the Public Sector Improvement and Reform Programme (PSIRP) is the introduction of an Integrated Financial Management and Information System (IFMIS), including software, hardware, communication technology, change management and intensive training for all users. Following the decision taken during the Mid-term Review of November 2004 not to proceed with General Budget Support under the A-envelope of the 9th EDF NIP, and the subsequent revision of the 9th EDF CSP, it was agreed that funds would be reallocated

to implement IFMIS in the Treasury. The Financing Agreement for IFMIS was signed by MFDP and the EC in December 2006: IFMIS is expected to cost 7.5 €M over a three year period.

Following unsuccessful tendering - all tenders being in excess of budget - a contract for the provision of IFMIS was successfully negotiated in April 2007 without sacrificing any of the scope of services. The Contract was signed in August 2007 and implementation started in November 2007. Soft-Tech Consultants (Tanzania), the IFMIS Contractor, mobilised its staff and site surveys were undertaken as the Contractor established office space in Maseru; user training for the core IFMIS team commenced in December 2007. Minor implementation delays, in particular in connection with ensuring full-time availability of the agreed Project Manager, were addressed and it is anticipated that IFMIS will go live across central Government from September 2008, as originally planned.

II.2 Projects and Programmes outside Focal Sectors

II.2.1 TCF

The first TCF (2 M€) has been well employed to assist the NAO office and the EC to design projects funded by the 8th and 9th EDF, as well as to complement activities in on-going projects. Since its implementation period ended in 2007, a second phase (TCF 2, for 0.6 M€) was designed to assist in the identification phase of the 10th EDF projects. Until now, it has only been used to recruit technical assistance for the preparation of the Performance Assessment Framework necessary for the 10th EDF general budget support.

II.2.2 Micro-projects, Decentralisation & NSAs

The Third Multi-Annual Micro-project Programme (8 ACP LSO 003) was completed by the end of 2006. It was agreed that there will not be a future micro-projects programme, and support for community-based activities will in future be channelled through the proposed Local Governance and Non-State Actors Support Programme (LGNSP). During 2007 work was undertaken to develop the Financing Proposal for the LGNSP, based on the outputs of a consultancy undertaken during 2006 to prepare the project for financing from resources of the 9th EDF NIP.

The 6.4 M€ programme will run over 54 months and seeks to promote poverty reduction and equality through the development of a demand-driven approach, which is more responsive to needs and demands of the rural population. The programme purpose is to enhance the NSAs role and capacity for greater involvement and effective participation in the sustainable and integrated development process, and to reinforce dialogue, interaction and cooperation between state actors, local authorities and non state actors at all levels of the decision making process in the context of decentralization. One of the activities is a 2 M€ small scale local community development fund, which will give grants to CBOs, thus strengthening the communities' involvement in decentralised development.

The Financing Agreement for LGNSP was signed in December 2007 and by the end of 2007 applications had been evaluated and a proposed shortlist had been recommended to the EC Delegation. Tendering is expected to take place in early 2008.

II.3 Utilisation of Resources for Non State Actors (NSA)

Apart from the involvement of a number of non-governmental educational organisations in the implementation of the Micro-projects Programme, until the development of the LGNSP referred to above, the engagement with Non-State Actors in the context of the EDF programmes had been at a rather low level. No specific funds had been earmarked for NSA under the 9th EDF. The aforementioned LGNSP will be a fundamental shift, with its strong emphasis on capacity building for NSAs and the provision of financial resources for grant-funding of community based and NSA initiatives. The provisions of the 10th EDF foresee a continuation of this initiative, as well as providing for specific resources for NSA.

II.4 Utilisation of Envelope B

Lesotho did not use the B-envelope and the allocation was reduced to zero after the ETR of the 9th EDF CSP/NIP.

II.5 Utilisation of ECHO Assistance

In the light of emergency needs arising from the severe drought and resulting food shortages as of mid-2007, the European Commission mobilised a total of € 2,944,033 from its food aid budget line (managed by DG Humanitarian Aid - ECHO) to support the distribution of food aid (through WFP), the organisation of seed fairs for vulnerable farmers (through FAO) and nutritional surveillance (through Action Against Hunger - Spain). These interventions targeted 20,000 beneficiary families (over 100,000 people).

II.6 Programming the Utilisation of Resources under the 10th EDF NIP

In line with the new procedures adopted for identification and formulation of projects and programmes, it was agreed that for the 2008 Annual Action Programme (AAP) the priorities would be:

- General Budget Support
- Water and Sanitation Sector Support
- Governance.

II.6.1 General Budget Support (GBS)

A group of donors¹⁹, under the leadership of the European Commission, began discussions on a resumption of budget support in 2006, and these discussions intensified in 2007. During the meeting reviewing progress towards budget support,(8th-11th October 2007) it was agreed that, as part of the GBS preparations, government would prepare a Performance Assessment Framework (PAF). The PAF provides the framework for monitoring and assessing progress vis-à-vis agreed priority policy objectives, under-pinning a program of general budget support. In drafting the PAF, the Government and technical assistants organised a workshop on GBS - involving all concerned ministries - followed by a round of bilateral discussions with ministries in December 2007. The resulting PAF includes sets of targets in four clusters: growth and macroeconomic performance, governance and PFM issues, human development, and capacity development. It is currently envisaged that progress against targets will be assessed annually, in September.

The CSP/NIP 2008-2013 provides an indicative amount of 53 €M for GBS. A Project Identification Fiche (PIF) is to be prepared by March, 2008, followed by the Action Fiche in June/July.

The World Bank, a key donor for GBS, is likely to begin disbursing funds early in FY 2008/9, followed later in the year by the European Commission, while other donors may be ready to follow within the next 2 years.

II.6.2 Water and Sanitation Sector Support

The decision to adopt a SWAp for the management and development of the water and sanitation sector in Lesotho is embedded as Policy Statement 5 of the Water and Sanitation Policy (February 2007). The major benefits of the adoption of a SWAp are seen as the following: a broader ownership over decision-making with respect to sector policy, strategy, and sector spending; increased coherence between sectoral policy, spending and results; and minimised transaction costs associated with the provision of external financing.

An EC-funded two-phase study to look into the feasibility and to undertake the preparatory work for a sector support programme took place during May/June and September/October 2007. The study concluded that subject to certain institutional weaknesses being addressed, a

¹⁹ The group, in addition to the Commission, comprised the World Bank, African Development Bank, Irish Aid and DFID. GTZ, representing Germany, joined the discussions as an observer.

Sector Policy Support Programme (SPSP) was feasible. An Identification Fiche, based on the output of Phase II of the abovementioned study was elaborated and submitted in March 2008, with the aim to include the Action Fiche for the SPSP in the 2008 Annual Action Programme. The amount reserved for this purpose under the 10th EDF NIP is 32 M€.

II.6.3 Governance

Under the non-focal area of the 10th EDF, the NAO expressed the GoL's interest in support for the judiciary, helping to fight corruption, putting in place of anti-money laundering measures and assistance with Government audits. Accordingly 3M € was allocated for a Justice Sector programme. A consultant was engaged under a framework contract to do the preparatory work including a Feasibility Study and a draft PIF. This work was close to completion by the end of 2007. Based on cost estimates prepared by the consultant, it was agreed to increase the amount of the programme to 4M €, by reallocation of 800,000 € from GBS and 200,000 € from Human Development.

The programme seeks to strengthen the rule of law in Lesotho by strengthening all stakeholders taking part in criminal case handling. Furthermore the Directorate for Corruption and Economic Offences will be supported in their operations.

III POLICY COHERENCE FOR DEVELOPMENT (PCD)

While aid and development cooperation are crucial in enabling the EC to help developing countries achieve the MDGs, the external impact of EU policies outside the development sphere can also greatly influence social and economic development across the world. The EC is committed to promoting greater synergies between those policies and development objectives.²⁰ The following section highlights some of the PCD areas and developments most relevant to Lesotho.

The most significant PCD development for Lesotho in 2007 was the relaxation of the EU's Rules of Origin regime under the Interim SADC-EU EPA.²¹ GoL remains committed to a development path based on rapid and sustained private-sector growth as a first priority. Lesotho's garments industry grew from employing approximately 10,000 workers in 2001 to approximately 40,000 in 2006, largely through rapid growth in the export of clothes made from Chinese cloth to the United States, free from tariffs through the provisions of the African Growth and Opportunities Act (AGOA). Previously, Lesotho could not export the same garments to Europe because the EU deemed them to be insufficiently a 'product of Lesotho,' due to the use of Chinese fabrics. Under the Interim EU-SADC EPA, initialled in November 2007, this is no longer the case; accordingly, as a result of EU policy decisions, the sector faces a wealth of new opportunities for export, with the potential to create rapidly a large number of new jobs for Basotho, particularly low-skilled workers with limited opportunities elsewhere.

As a Least Developed Country with high poverty levels, where welfare is dependent in several ways on domestic and regional agriculture, Lesotho will and may already be suffering from the effects of global climate change. The negative effects of recurrent poor regional harvests in the coming decades have the potential to greatly exceed any foreseeable positive effects of EC development aid to Lesotho. The EU has always been in the vanguard of efforts to combat climate change; the success or failure of the EU's climate control policies and programmes such as the Greenhouse Gas Emissions Trading Scheme will greatly influence overall PCD assessments for Lesotho for the foreseeable future.

IV JOINT EU-AFRICA STRATEGY (JEAS)

²⁰ See ec.europa.eu/development/icenter/repository/Publication_Coherence_DEF_en.pdf

²¹ Previous to the signing of the EPA, the negative effects of the previous Rules of Origin regime on Lesotho were highlighted in the EC's general report on Policy Coherence for Development (ibid, p. 62).

In terms of peace, security and democratic governance, Lesotho continues to perform exceptionally well especially when compared to countries with similar income levels (see section I.1), largely meeting the goals of JEAS Strategic Priority areas *a* and *b*.²² The only area of intervention here is economic governance, via. CBEP and CBEP II, helping GoL to ensure the transparent and accountable management of public funds, and to further strengthen capacity in economic planning. However, urgent action is required if Lesotho is to address issues relating to priority areas *c* and *d*: trade and regional integration, and accelerating progress towards the MDGs. It is these areas where EC-GoL cooperation has been and continues to be focused.

Sectoral interventions continue to have a clear focus on infrastructure (specifically, roads and transport, water and sanitation), the third priority area in GoL's Poverty Reduction Strategy,²³ with a high potential for contributing to increased economic growth through increased investment productivity, and to human development directly via. improved health outcomes and access to health services. Progress in the Road Transport Sector (detailed in II.1.2) clearly accords with JEAS Action Plan 3, Priority Action 3 (Trade and Regional Integration: Implement the EU-Africa Infrastructure Partnership). Progress in the Water and Sanitation Sector (detailed in II.1.1), as well as in HIV/AIDS, accords clearly with JEAS Action Plan 4, Priority Action 3 (Millennium Development Goals: accelerate progress towards Health Targets). As described in the 2008-2013 CSP/NIP, EC-GoL cooperation will focus increasingly on HIV in the future, due to the obvious and overwhelming impact that the pandemic is having on all progress towards all MDGs.

Economic policy support provided under the EDF funded programmes, latterly under CBEP, has proved invaluable in helping GoL achieve and sustain macroeconomic stability through good economic governance and fiscal management, the central pillar of economic growth. JEAS states that closing the financing gap is priority action 1 for achieving MDGs and, as has been made clear through the PRS costing,²⁴ while Lesotho's policy environment generally exemplifies best practice, GoL faces a very large financing gap. CBEP and its successor CBEP II, are therefore more than sectoral capacity-building interventions: stronger financial management systems and an enhanced capacity for economic planning will be essential in allowing Government to push for general budget support in the long-term. Budget support will provide the greatest chance that development aid in Lesotho will be used efficiently, with minimal transaction costs and conditionalities, aligned with GoL priorities, and aiding Donor Partners in achieving Paris Declaration targets. EC-GoL cooperation embodies many other JEAS recommendations in terms of the New Approach to development cooperation articulated in JEAS section III.²⁵

Two concerns in terms of meeting JEAS goals are worth reiterating. Firstly, while the EC and EU Member States provide the best example of a coordinated approach to development aid in Lesotho, further improvements are required. Secondly, as discussed in section I.2.4 above, clarifications and further progress will be required if GoL is to remain confident that the Interim SADC-EU EPA will remain workable and will not adversely affect economic development in Lesotho, either through unnecessarily complicating regional integration through interference with SADC/SACU free trade arrangements and relations with South

²² See "The Africa-EU Strategic Partnership: A Joint Africa-EU Strategy," pp. 4-19 for a full exposition of the four Strategic Priority areas.

²³ The first and second PRS priority areas, growth and employment creation and agriculture and food security form the two components of DfID Lesotho's Priority Support Program; therefore, while maintaining a clear division of labour, the EC and EU Member States occupy lead/active donor roles in each of the top three GoL poverty reduction priority areas.

²⁴ A loose attempt at costing the PRS (described in PRS Annexes) demonstrated that implementation would require the accessing of M3 billion over and above the (accurate) forecasts of Government revenue.

²⁵ For example, and as discussed elsewhere in this report: Development aid from the EC and EU Member State is clearly aligned with Government's highest priorities; EC explicitly incorporates lessons learnt from past successes and failures into its the new CSP; capacity building and institutional strengthening form central components of every EC Project, and CBEP will increase GoL's capacity to harness aid finance from non-EU donors as well.

Africa, or by posing a serious threat to GoL revenue in the medium- and long-term via effects on SACU.

V DONOR COORDINATION AND HARMONISATION

Coordination in the Water and Sanitation Sector continued to strengthen in 2007, with an EC study providing further evidence of the potential benefits of a SWAp and beginning to lay the ground work for such an approach. In the Transport Infrastructure sector the Integrated Transport Programme (ITP) is co-funded between EDF and WB/IDA. Although there are no such structures in the transport sector, the Delegation works jointly with the World Bank on the Integrated Transport Project. The Delegation also participates in all coordination efforts concerning OVC programmes, by attending quarterly National OVC Coordination Committee (NOCC) meetings and monthly Global Fund meetings.

European Development Partners in Lesotho (EDAL)²⁶ remained the most active and effective aid coordination forum in Lesotho, historically accounting for 75% of total development grant transfers. However, this proportion will effectively fall due to the new presence of the MCC in Lesotho, whose planned disbursements dwarf those of current bilateral donors. In line with the Paris Declaration, the EC and MS have embarked on the process of aligning their responses to the needs of Lesotho, based on a joint analysis, and moving towards the synchronisation of programming rounds with GoL's budget cycles, systems and procedures.

VI DIALOGUE WITH NSAS, LOCAL AUTHORITIES AND PARLIAMENT

Regular coordination meetings take place between the Delegation and the Office of the NAO. In principle these meetings take place on a bi-monthly basis and minutes are kept. Both sides consider these meetings very useful.

NSAs were actively involved in the drawing up of the 2008-2013 CSP/NIP. Structured consultations between the NAO and NSA representatives from the business and NGO community as well as elected representatives from Local Authorities were lively and constructive, and generated significant input for the final draft CSP/NIP. In this way, the NAO hopes to have ensured that the invaluable views of NSAs influence the activities of the EC in Lesotho at a foundational level. GoL's commitment to strengthening the mechanisms through which NSAs influence Government activity at all levels is clearly indicated by the large-scale and ongoing parliamentary reform process, which is already providing a platform for NSAs to express their views to Government at the highest level, and also through its ambitious decentralisation program.

Copies of the draft Joint Annual Report have been sent for comments to the Speaker, the Chair of the Finance and Economic Development Cluster Portfolio Committee and the Chair of the PRC. Understandably, as the ambitious Parliamentary reform programme begins, Parliamentary capacity is being focussed on committees involved in budgetary monitoring and HIV/AIDS issues.²⁷ It is hoped that Parliament will play an increasingly active role in the monitoring and reporting on EU-Lesotho cooperation in coming years.

VII CONCLUSIONS

Although Lesotho continues to score highly on international indices relating to national democratic governance, 2007 was, relatively speaking, a politically tumultuous year for the country as the result of the February elections was disputed by a coalition of opposition parties, who began a series of corresponding legal challenges.

²⁶ Comprising the EC, DfID, Irish Aid and the GTZ

²⁷ Development aid forms only a small fraction (<15%) of Government revenue in Lesotho.

The establishment of a cross-party Parliamentary Reform Committee (PRC) underlines the strong political commitment to increased transparency and public accountability. In terms of Decentralisation, progress in 2007 continued to focus on preparing the groundwork for fiscal decentralisation, which will greatly impact on incentive structures faced by Local Authorities, and therefore on their performance. Financial governance in Lesotho continued to be improved through the Public Financial management programme and strengthened by the introduction of an Integrated Financial Management and Information System (IFMIS).

The average annual growth in real GDP was about 4% over the period 2001-2006 with real GDP falling to 0.7% in 2005-2006. Growth in real GDP increased to 8 % in 2007 and future projections indicate continued growth of 4-5 % p.a. in real GDP. Creating an environment conducive to private sector growth (in terms of policy, regulation, infrastructure etc.) remains Government's number one objective.

The initialling in November 2007 of the Interim SADC-EU EPA formed a milestone in the integration of Lesotho in the world economy, allowing for 100% liberalisation by the EU as of January 1st 2008 and 86% liberalisation by value by Lesotho.



During the year 2007, performance under the EU-Lesotho Cooperation showed mixed results, but overall performance can be considered satisfactory.

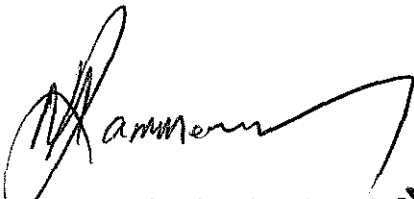

The financial performance for the 9th EDF improved significantly during 2007, both in terms of individual commitments and disbursement: global commitments (project approvals) increased by 60% over the previous year's total, while the comparable 2007 figures for individual commitments (contracts signed) and disbursements (payments made) show increases of almost 150% and 400% respectively.

Preparations for 10th EDF started in earnest focussing on General Budget Support, Sector Budget Support for water and sanitation and support for the justice sector, with the aim to commit some 65% of the financial resources of the A envelope by the end of 2008.

For the European Community

For the Kingdom of Lesotho



Head of Delegation
of the European Commission in Lesotho


Deputy National Authorising Officer


ANNEXES

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“Country at a Glance”

Macroeconomic indicators

Indicator		2001*	2002	2003	2004	2005	2006	2007	2008
Basic data								Proj	Proj.
1	Population <i>de jure</i> ¹ (in millions)	1.862 (1996)					1.880		
	- average annual change in % 1996 - 2006 Census	0.1 1996	0.1	0.1	0.1	0.1	0.1 →1%		
2a	Nominal GDP in GDP (US\$ millions)	923	1,052	1,166	1,280	1,403	1,540	1,689	1,860
2b	Nominal GDP per capita in US \$	348	317	467	599	674	608	628	987
2c	-annual change in %	-13.1	-9.0	47.3	28.4	2.5	²		
3	Real GDP (annual change in %)	3.2	3.8	3.3	5.0	0.7	8.0	5.1	4.0
4	Gross Fixed Capital Formation in % of GDP	42.8	44.2	44.2	41.0	40.5	³		
	GDP in millions of Maluti	7,541	8,249	8,342	8,758	10,292	11,797	13,398	15,000
International transactions									
5	Exports of goods and service as % of GDP	37.0	50.7	44.2	51.3	44.0	42.2	43.2	na
	Of which the most important : in % of GDP	na	na	na	na	na	na	na	na
6	Trade balance in % of GDP	-51.8	-57.7	-48.6	-43.3	-41.4	46.1	45.7	na
7	Current account balance including official transfers in % of GDP	-18.0	-10.8	-5.7	-7.5	4.3	12.7	-1.5	-5.5
8	Net Inflows of FDI in % of GDP	na	na	na	na	na	na	na	na
9	Public and public guaranteed external debt (in % of GDP)	95.	69.6	55.0	57.4	46.8	41.9	42.9	40.9
10	Service of external debt in % of exports of goods and non-factor service	4.8	1.7	2.6	6.0	6.7	4.8	3.1	na
11	Foreign exchange reserves (in months of imports of goods and non-factor services)	4.8	1.7	4.4	4.7	6.1	7.1	6.9	6.8
	Gross Official Reserves in millions of US\$	408.4	436.9	513.3	556.5	747.7	1012.4	1077.5	1078.7
Central Government									
12	Revenues (in % of GDP)	40.2	41.7	47.7	50.4	57.5	58.5	58.8	50.6
	- of which: grants (in % of GDP)	3.9	2.2	2.4	2.1	1.1	1.3	2.6	4.1
13	Expenditure and net lending (in % of GDP)	48.5	43.1	44.6	47.6	45.8	48.2	56.9	55.3

¹ de jure population is population residing within the country and Basotho citizens residing outside Lesotho.. The data is based on the preliminary results of the 2006 Census compared to the 1 Census in 1996

² Since the population census has not been concluded – per capita estimates are problematic and where there is a any doubt on the data this has not been included

³ Not available

	-of which :capital expenditure in % of GDP	16.3	24.7	22.8	19.7	18.9	20.3	20.3	na
14a	Balance (in % of GDP) including grants	-4.4	0.8	5.6	5.0	12.7	11.6	4.5	-0.6
14b	Balance (in % of GDP) excluding grants	-8.3	--1.4	-3.0	2.8	11.6	10.3	1.9	-4.7.
15a	Domestic Debt as % of GDP	12.9	13.2	11.5	12.4	9.1	6.3	6.2	na
15b	External Debt (in % of total public debt)	72.5	89.1	73.4	51.8	49.1	47.0	42.5	na
	Government Debt (in % of GDP) (IMF Source)	99.7	75.7	66.6	56.0	50.0	49.8	48.5	45.7
Other									
16	Consumer price index (annual average change in %)	12.2	6.4	4.4	5.0	3.4	6.1	8.0	11.2
17	Interest rate (for money actual rate in %)		9.72	11.49	12.75	11.75	10.75		
18	Exchange Rate Annual Average of National Currency per US\$ 1 and €1			6.46 8.03	6.38 7.93	6.78 8.46	7.34 9.65		
19	Unemployment (in % of Labour force (ILO Definition) /See Note below	-	-	-	-	-	-	-	-
20	Employment in Agriculture (in % of Total Employment)	-	-	-	-	-	-	-	-

* **Fiscal Year (FY) begins April 1 – all fiscal data are shown on a calendar basis. IMF data is highlighted and is the most reliable**

Note: Unemployment rate: The PRS sets a baseline unemployment rate of 31% from the 1999 Labour Force Survey and a target rate of 27% for 2006. No new labour force surveys have been undertaken .Since 1999 there have been respondent surveys – the 2001 LDS estimates an employment rate of 42.7% and the 2004 LDHS, using a different methodology estimates that 55% of women and 52% of men surveyed had not been formally employed or involved in subsistence agriculture in the year preceding the survey,

Sources:

1. PRS Progress Report Final Report MFDP August 2007 and MFDP estimates
2. Article IV Consultation Reports of the IMF with GoL
3. 2006 Lesotho Population and Housing Census Preliminary Results
4. A Review of Economic Performance, 1998-2002; Economic Prospects, 2003-2007 and Fiscal Strategy, 2004/5-2006/7, Ministry of Finance & Development Planning, February 2004.
5. Central Bank of Lesotho Quarterly Review, March 2006, (Volume XXV, Number 1).
6. Joint Annual Report on Co-operation between the European Union and the Kingdom of Lesotho, 2006

Indicators for the Millennium Development Goals⁴

Indicator	1990	2000	2004	2005	2006	2007	2008	2009	2013	2015
Impact										
1. Proportion of population living on less than \$ 1 per day	36.4 (1995)	58	~		56.6	~	~	~	~	29
2. Prevalence of underweight children (under five years of age)	16.9 (1992)	22.8 (2002)	~		~	~	~	~	~	8
3. Under-five mortality rate (per 1,000 live births)	101	108		132 ⁵	113 ⁶		~	~	~	37
Outputs										
4. Net enrolment ratio in primary education	65	69	~	~	84	85	~	~	~	95
5. Primary Completion Rate	73	74	~	~	79	85	~	~	~	100
6. Ratio of girls to boys in:										
- primary education	121	102	~	100	~	100	~	~	~	100
- secondary education	149	131	~	127	~	120	~	~	~	100
- tertiary education	~	122	~	~	~	~	~	~	~	100
7. Proportion of births attended by skilled medical personnel	50 (1993)	60	~	~	55		~	~	~	80
8. Proportion of one-year-old children immunised against measles	~	77	73	~	78	~	~	~	~	100
9. HIV prevalence among 15 to 24 year-old pregnant women	2.3	21	29	~	23.2	~		~	~	15
10. Proportion of population with sustainable access to an improved water source	64	77 (2001)	79	~	~	81	~	~	~	81

⁴ Data for 2006 from Lesotho PRS Progress Report 2007

⁵ The Development Economic, Development Data Group (DECDG) of the World Bank quotes this figure for 2005

⁶ The data from the DS and DHS surveys are used but given the differing methodologies and delays in the Census the results may be subject to confirmation

Comparison of 2004 Demographic Health Survey (DHS) with the 2001 Demographic Survey (DS) – (Irish Aid)

Health Indicator	2001 DS	2004 DHS
Infant Mortality Rate (per 1,000 live births)	81	91
Under Five Mortality Rate (per 1,000)	113	113
Maternal Mortality Rate	419/100,000	762/100,000
Life Expectancy	54 years	36.3 years
HIV/AIDS adult prevalence	29% (sentinel surveillance)	23%
Notification for TB	420/100,000	571/100,000
Treatment success for TB	51%	71%
Prevalence of wasting	5.4%	4%
Prevalence of underweight	17.8%	20%
Prevalence of stunting	45%	38%

Summary PEFA Scorings (2007)

A. PFM OUTTURNS: Credibility of the Budget		Score
PI-1	Aggregate expenditure outturn compared to original approved budget	B
PI-2	Composition of expenditure outturn compared to original approved budget	C
PI-3	Aggregate revenue outturn compared to original approved budget	A
PI-4	Stock and monitoring of expenditure payment arrears	D+
B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency		
PI-5	Classification of the Budget	C
PI-6	Comprehensiveness of information included in budget documentation	B
PI-7	Extent of unreported Government operations	B
PI-8	Transparency of Inter-Governmental fiscal relations	NA
PI-9	Oversight of aggregate fiscal risk from other public sector entities	D
PI-10	Public access to key fiscal information	C
C. BUDGET CYCLE		
C(i) Policy-based Budgeting		
PI-11	Orderliness and participation in the annual budget process	A
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	C+
C(ii) Predictability and Control in Budget Execution		
PI-13	Transparency of taxpayer obligations and liabilities	Not rated
PI-14	Effectiveness of measures for taxpayers registration and tax assessment	Not rated
PI-15	Effectiveness in collection of tax payments	Not rated
PI-16	Predictability in the availability of funds for commitment of expenditures	B
PI-17	Recording and management of cash balances, debt and guarantees	C
PI-18	Effectiveness of payroll controls	Not rated
PI-19	Competition, value for money and controls in procurement	Not rated
PI-20	Effectiveness of internal controls for non-salary expenditure	D

PI-21	Effectiveness of internal audit	D+
C(iii) Accounting, Recording and Reporting		
PI-22	Timeliness and regularity of accounts reconciliation	D
PI-23	Availability of information on resources received by service delivery units	Not rated
PI-24	Quality and timeliness of in-year budget reports	D+
PI-25	Quality and timeliness of annual financial statements	D
C(iv) External Scrutiny and Audit		
PI-26	Scope, nature and follow-up of external audits	D+
PI-27	Legislative scrutiny of the annual budget law	C
PI-28	Legislative scrutiny of external audit reports	D+
D. Donor Practices		
D-1	Predictability of Direct Budget Support	NA
D-2	Financial information provided by donors for budgeting and reporting on project and program aid	C
D-3	proportion of aid that is managed by use of national procedures	D

Source: Kingdom of Lesotho: Managing Government Finances for Growth and Poverty Reduction, Public Expenditure Management and Financial Accountability Review (World Bank)



FINANCIAL SITUATION FOR 9TH EDF (GRANTS)

31/12/2007

Project No.	Project Title	Date Committed	Global Commitment	Individual Commitments	%	Total Paid	%
9 ACP LSO 001	TA to Ministry of Natural Resources	1.8.03	650,000	650,000	100.0	611,442	94.1
9 ACP LSO 002	Capacity Building in Economic Planning (CBEP)	17.12.03	4,100,000	3,927,300	95.8	2,593,509	66.0
9 ACP LSO 003	Study - Upgrading & Strengthening Paved Primary Road Network	22.12.03	570,000	548,441	96.2	109,688	20.0
9 ACP LSO 004	Technical Cooperation Facility (TCF)	19.10.04	1,925,100	1,795,215	93.3	1,494,512	83.2
9 ACP LSO 005	Lesotho Water and Sanitation Sector Programme (LWSSP)	25.8.05	35,750,000	8,652,222	24.2	2,600,785	30.1
9 ACP LSO 006	Public Financial Management - IFMIS	23.11.06	7,500,000	7,299,701	97.3	2,800,379	38.4
9 ACP LSO 007	Supprt Lesotho HIV/AIDS Response - Empowerment of OVC	18.12.06	12,000,000	11,352,700	94.6	1,492,650	13.1
9 ACP LSO 008	Transport Sector Policy & Institutional Support Programme	01.02.07	7,850,000	0	0.0	0	0.0
9 ACP LSO 009	Upgrading & Strengthening of 110 km Paved Primary Road	01.08.07	21,500,000	0	0.0	0	0.0
9 ACP LSO 010	Local Governance and NSA Support Programme (LGNSP)	26.11.07	6,400,000	0	0.0	0	0.0
9 ACP LSO 011	Capacity Building in Economic Planning, Phase 2 (CBEP II)	20.09.07	4,940,000	0	0.0	0	0.0
9 ACP LSO 012	Technical Cooperation Facility II (TCF II)	28.07.07	600,000	179,900	30.0	107,940	0.0
	Total Ongoing Projects		103,785,100	34,405,479	33.2	11,810,905	34.3
	Total Closed Projects		0	0		0	
	TOTAL 9th EDF		103,785,100	34,405,479	33.2	11,810,905	34.3

Allocation, Envelope A	103,785,100	%
Global commitments	103,785,100	100.00
Global uncommitted	-	-
Individual commitments	34,405,479	33.15
Individual uncommitted	69,379,621	66.85
Payments	11,810,905	34.33
Global commitments in 2007	39,250,000	
Individual commitments in 2007	20,486,505	
Payments in 2007	9,434,467	



FINANCIAL SITUATION FOR 8TH EDF (GRANTS)

31/12/2007

Project No.	Project Title	Date Committed	Global Commitment	Individual Commitments	%	Total Paid	%
8 ACP LSO 002	Road Transport Infrastructure Programme	30/06/1999	37,700,000	37,659,327	99.9	36,287,527	96.4
8 ACP LSO 003	8th EDF Multi-Annual Microprojects Programme	09/09/1999	3,940,000	3,913,999	99.3	3,348,329	85.5
8 ACP LSO 007	Support to the Department of Economic Cooperation	16/01/2001	610,000	608,433	99.7	603,436	99.2
8 ACP LSO 008	Support To Health Sector Reform	24/04/2001	1,744,000	1,743,777	100.0	1,568,945	90.0
8 ACP LSO 010	Poverty Reduction Budget Support	13/09/2001	6,284,000	6,271,016	99.8	6,271,016	100.0
8 ACP LSO 017	Six Towns Water Supply - Phase II	24/10/2002	1,900,000	1,672,509	88.0	658,294	39.4
8 ACP LSO 018	Maseru Wastewater Feasibility Study	19/08/2002	750,000	749,812	100.0	743,045	99.1
	Total Ongoing Projects		52,928,000	52,618,873		49,480,592	
	Total Closed Projects		13,950,943	13,949,711		13,949,711	
	TOTAL 8th EDF		66,878,943	66,568,584		63,430,303	

Global commitments	66,878,943	%
Individual commitments	66,568,584	99.54
Individual uncommitted	310,359	0.46
Payments	63,430,303	95.29
Global commitments in 2007	-	
Individual commitments in 2007	268,471	
Payments in 2007	3,127,756	

FINANCIAL SITUATION FOR 7TH EDF (GRANTS)

31/12/2007

Project No.	Project Title	Date Committed	Global Commitment	Individual Commitments	%	Total Paid	%
7 ACP LSO 001	Muela Hydro-Electr Centrale	21.10.91	32,168,000	32,167,044	100.0	32,167,044	100.0
7 ACP LSO 045	Assistance to the Bureau of Statistics	25.5.99	736,000	735,036	99.9	735,036	100.0
	Total Ongoing Projects		32,904,000	32,902,080	100.0	32,902,080	100.0
	Total Closed Projects		66,847,159	66,847,158		66,847,158	
	TOTAL 7th EDF		99,751,159	99,749,238		99,749,238	

Global commitments	99,751,159	%
Individual commitments	99,749,238	100.00
Individual uncommitted	1,921	0.00
Payments	99,749,238	100.00
Global commitments in 2007	(405,542)	
Individual commitments in 2007	(239,815)	
Payments in 2007	-	

ANNEX V

SECTOR CONCENTRATION OF THE ENGAGEMENTS UNDER THE 9th EDF

STRATEGY FOR AFRICA	EUROPEAN CONSENSUS	SUB SECTOR AND PART SBS	Total cumulative commitments 31.12.07 Euro '000	
Human rights and governance	Governance, human rights and support to economic and institutional reforms	Governance	7,500	
		Economic and institutional reforms	9,040	
Peace and security	Conflict prevention and fragile states	Conflict prevention and fragile states		
Economic growth, regional integration and trade	Trade and regional integration	European Partnership Agreements		
		Regional economic integration		
		Private sector development		
	Water and energy	Infrastructure, communication and transport	Infrastructure, communication and transport	29,920
		Water and energy	Water	36,400
			Energy	
		Unspecified		
Investing in people	Social cohesion and employment	Social cohesion and employment		
	Environment and sustainable management of natural resources	Environment and sustainable management of natural resources		
	Rural development, territorial planning, agriculture and food security	Rural development and territorial planning		6,400
		Agriculture		
		Food security		
	Human development	Health		12,000
		Primary education		
Education unspecified				
Other	TCF	TCF	2,525	
	Support to NAO	Support to NAO		
	Unspecified	Unspecified		
Budget Support	GBS	General Budget Support		
TOTAL	TOTAL	TOTAL	103,785	
Level of sector concentration	Percentage of 9th EDF commitments covered by largest sectors of concentration plus GBS	Largest sector + GBS	36,400	
		Two largest sectors + GBS	66,320	
		Three largest sectors + GBS	78,320	
		Four largest sectors + GBS	87,360	
		Five largest sectors + GBS	94,860	
		No. of sectors + GBS to reach 85% of NIP	5	
		Sectors (NSA and GBS excluded)	6	

PROJECT SHEET

ANNEX VI

PROJECT SHEETS

(Ongoing projects and projects completed during 2007)

9th EDF

Title	Adviser to Ministry of Natural Resources / Commissioner of Water		N°	9 ACP LSO 001
Date of Financing Agreement/Primary Commitment	1 st October 2003			
Date of termination of Financing Agreement	31 st July 2012			
End Phase 1 - implementation:	31 st July 2010	Date of N+3:	30 th June 2006	
Global Commitment	€ 750,000	Total disbursement 2007	€	
Individual Commitment(s) 31/12/06	€ 650,000	Total disbursement to end 2007	€	
		Forecast disbursement to end 2008	€	
Objective	Provide technical support to the Commissioner of water and the Lowlands Water Supply Unit on matters related to the potable water and wastewater sectors, primarily, but not exclusively, in the Lesotho Lowland.			
Purpose	To advise and assist the Commissioner for Water in the implementation of EDF-financed studies and projects in the potable water and wastewater sectors, in particular the Lowlands Water Supply Feasibility Study (LLWSFS) and the Six Towns Water Supply – Phase II.			
Results expected	<ol style="list-style-type: none"> 1. The supervision of the LLWSFS in all its stages and phases resulting in recommendations, acceptable to GoL on the most suitable infrastructure development option, implementation schedule and financing options for securing the long-term availability for the population, institutions and industries in the Lesotho Lowlands; 2. The supervision of the studies and subsequent implementation of the Six Towns Water Supply Phase 2 Project (now “Three Towns Water Supply Project – see project sheet below), resulting in medium-term availability of potable water for Maputsoe, Teyateyaneng, Mapoteng, Roma, Morija and Quthing. 3. The supervision of the studies and subsequent implementation of the Maseru Wastewater Project. 4. Initiating, managing and supervising other studies and projects aimed at alleviating potable water shortages in Lesotho; 5. Strengthening the technical capacity of the Department of Water Affairs and the Office of the Commissioner for Water. 			
Results Achieved and/or Progress in 2007	<ul style="list-style-type: none"> • TA’s input extended again until 31/07/08, under EDF 9 funding, at request of CoW • Meeting the Millennium Development Goal for access to water in Lesotho remains possible, but float time is rapidly being used up, and success will be contingent on rapid improvement of procedures and policies of all parties concerned within the water sector. • Strengthening the technical capacity of the Office of the Commissioner for Water and of Department of Water Affairs is ongoing, although success continues to be constrained by Lesotho’s position as a Least Developed Country inside a major emerging market economy, severely hindering efforts to recruit and retain qualified staff, with obvious impacts on capacity building • Input by TA-CoW to WASA reduced following recruitment of TA to WASA, who took up his position in March 2007 • Details of results achieved/progress under Lesotho Water and Sanitation Sector Programme (9 ACP LSO 005) are reported in the Project sheet for that Programme. 			

PROJECT SHEET

Title	Capacity Building in Economic Planning		N°	9 ACP LSO 002
Date of Financing Agreement/Primary Commitment	17 th December 2003			
Date of termination of Financing Agreement	31 st December 2011			
End Phase 1 - implementation:	31 st December 2009	Date of N+3:	16 th December 2006	
Global Commitment	€ 5,800,000	Amount disbursed in 2006	€ 636,014	
Individual Commitment(s) 31/12/06	€ 4,232,844	Total disbursement to end 2007	€ 1,097,161	
		Forecast disbursement to end 2008	€ 2,530,645	
Objective	Poverty alleviation through increased economic growth and improved economic management			
Purpose	To strengthen GoL's capacity for macroeconomic management, sectoral planning, the collection, analysis and dissemination of statistical data, demographic research and population and manpower modelling			
Results expected	<ol style="list-style-type: none"> 1. Sustained upgrading of analytical and planning capacity within the Planning Cadre; 2. Capital Budget targeted at national development objectives; 3. Macroeconomic planning based on rigorous economic analysis; 4. Ministerial/sectoral planning procedures and practices established and adhered to; 5. Improvement in quality and timeliness of statistics reports; 6. Sector programming, Monitoring and Evaluation a routine feature of public expenditure management; 7. Medium Term Expenditure Framework approach to planning and budgeting introduced and operational 			
Results Achieved and/or Progress in 2007	<ul style="list-style-type: none"> • Technical Adviser to the Office of the Director of the Bureau of Statistics (BoS) mobilised in early January 2007 • Extensive financial programming and economic theory training programme implemented • Commencement of macroeconomic model design continues to be delayed due to inadequacy of statistical data • Training Needs Assessment for planning and budgeting officers completed in February 2007; recommended Training Programme to form backbone of CBEPII 			

PROJECT SHEET

Title	Study - Upgrading & Strengthening of Paved Primary Road Network		N°	9 ACP LSO 003
Date of Financing Agreement/Primary Commitment	17 th December 2003			
Date of termination of Financing Agreement	31 st December 2011			
End Phase 1 - implementation:	31 st December 2009	Date of N+3:	16 th December 2006	
Global Commitment	€ 750,000	Amount disbursed in 2006	€	109,688
Individual Commitment(s) 31/12/06	€ 548,441	Total disbursement to end 2006	€	109,688
		Forecast disbursement to end 2007	€	548,441
Objective	To improve access to isolated areas, markets and economic and social services			
Purpose	To provide the required information to enable decision making on the proposed Upgrading and Strengthening of 110km of the Paved Primary Network (A1-A2-A11-B23)			
Results expected	<p>The study is expected to deliver the following results:</p> <ul style="list-style-type: none"> • verification of the relevance of the proposed project to address the existing problems in the economic and social sectors in the western lowlands of the country; • detailed analysis of the technical, economic and financial, institutional and management, environmental and socio-cultural feasibility of the proposed Upgrading and Strengthening of 110km of the Paved Primary Network (A1-A2-A11-B23); • detailed analysis of the potential sustainability of the project results; • detailed plan which specifies indicators for project objectives, results and activities and incorporates required resources, the institutional structure for implementation and stipulates the responsibilities of various bodies, project timing/phasing, estimated costs and a logical framework planning matrix; • detailed engineering design, technical specifications and tender documents for physical works and supplies; • recommendations for the following steps and any further actions to secure project financing and implementation 			
Results Achieved and/or Progress in 2007	<ul style="list-style-type: none"> • 			

PROJECT SHEET

Title	Technical Cooperation Facility (TCF)		N°	9 ACP LSO 004
Date of Financing Agreement/Primary Commitment	13 th February 2004			
Date of termination of Financing Agreement	31 st January 2011			
End Phase 1 - implementation:	31 st January 2009	Date of N+3:	25 April 2007	
Global Commitment	€ 1,985,100	Amount disbursed in 2006	€ 214,412	
Individual Commitment(s) 31/12/06	€ 1,135,289	Total disbursement to end 2006	€ 696,646	
		Forecast disbursement to end 2007	€ 1,450,000	
Objective	<p>A. The implementation of the Government of Lesotho's Development Strategy through the support of sound development programmes financed from the European Development Fund (EDF).</p> <p>B. The fostering of a more coherent and informed approach to development and trade issues among decision-makers in Lesotho.</p>			
Purpose	The project purpose is the identification and implementation of actions under the NIP and other EDF funds together with improved awareness among key actors of general development and trade issues and of EU policies in these areas by means of training for beneficiaries in the Kingdom of Lesotho.			
Results expected	<ul style="list-style-type: none"> i. Identification of programmes to be financed from the EDF. Approximately six (6) such exercises will be completed during the project period; ii. Preparation and formulation of programmes to be supported from the EDF. Approximately five (5) such exercises will be completed during the project period; iii. The NAO's Office will be enabled to maintain satisfactory monitoring of - and tendering procedures for - ongoing projects - where this cannot be provided for in the projects themselves or other projects; iv. Audits and evaluations of other projects will be financed through this initiative whenever they cannot be financed out of the project itself or where it is convenient or efficient to combine a number of audits/evaluations of related interventions; v. Increased understanding of development and trade issues by key actors - to this end approximately eight (8) conferences and/or seminars will have been organised in Lesotho and the participation of (approximately) thirty-five (35) participants from Lesotho will have been financed in conferences, seminars etc. organised by bodies other than the Commission. 			
Results Achieved and/or Progress in 2007				

PROJECT SHEET

Title	Lesotho Water and Sanitation Sector Programme - LWSSP		N°	9 ACP LSO 005
Date of Financing Agreement/Primary Commitment	29 th November 2008			
Date of termination of Financing Agreement	31 st December 2012			
End Phase 1 - implementation:	31 st December 2010	Date of N+3:	28 th November 2008	
Global Commitment	€ 35,750,000	Total disbursement 2006	€ 0	
Individual Commitment(s) 31/12/06	€ 7,352,360	Total disbursement to end 2006	€ 0	
		Forecast disbursement to end 2007	€ 6,825,000	
Objective	Provision reliable and affordable water and sanitation services for domestic and industrial use to the Lesotho Lowlands			
Purpose	Capacity of the sector to provide water and sanitation strengthened in medium to long-term			
Results expected	<ol style="list-style-type: none"> 1. Medium-term water and sanitation services to Three Townsxx provided 2. Existing Maseru wastewater treatment enhanced 3. Public sector capacity for water supply and waste water treatment enhanced 4. Medium to long-term investment programme for the Lesotho Lowlands bulk water supply prepared 			
Results Achieved and/or Progress in 2007	<ul style="list-style-type: none"> • <u>Lesotho Lowlands Bulk Water Supply Project</u>: Detailed design work commenced in Jan. 2007; period of performance was extended to 29th August 2008, at no extra cost to the Project. The Inception Report was submitted in Feb. 2007 and approved in April 2007. Conceptual Design Reports for Zones 1, 6, 7 and 8 are expected to be submitted in early 2008; Implementation of the various contracts for undertaking the Zone 4/5 Source Works (inc. the Mettolong Dam) is suffering from apparent delays as conditionalities from key donor partners are met. The Raw Water Treatment Works remains the bottleneck in improving the water supply to Zones 4&5 in time to meet MDGs. • <u>Three Towns Water Supply Project</u>: (formally "Six Towns Water Supply Project) Contract for Stage 2 (Implementation of Works detailed in Feasibility Studies and Designed produced during Stage 1) re-advertised in January; submission date extended to 2nd May 2007. Two partial tenders received; contract was awarded to UNIK, a contractor based in Botswana which is already working for WASA, following subsequent negotiations. Reflecting this, and following a subsequent formal change to the Financing Agreement, the project has been renamed the "Three Towns Water Supply Project." Commencement is expected in early/mid 2008. • <u>Maseru Wastewater Project</u>: 2nd tender procedure lead to Supply Contract being awarded to Farmex Technology in September 2007 (1st tender procedure unsuccessful – no bids). Equipment instillation expected early 2008. • <u>TA WASA</u>: The Consultant took up his position in March 2007. Following lengthily user consultations, training program for operations and maintenance staff submitted to NAO for comments in December 2007. 			

PROJECT SHEET

Title	Public Financial Management – Integrated Financial Management Information System (IFMIS)		N°	9 ACP LSO 006
Date of Financing Agreement/Primary Commitment	23 November 2006			
Date of termination of Financing Agreement	31 ST December 2012			
End Phase I implementation:	31 st December 2010	Date of N+3:	22 nd November 2009	
Global Commitment	€ 7,500,000	Total disbursement 2006	€ 0	
Individual Commitment(s) 31/12/06	€ 0	Total disbursement to end 2006	€ 0	
		Forecast disbursement to end 2006	€ 0	
Objective	The overall objective of the PFM reform programme is to improve the efficiency effectiveness of the use of public resources.			
Purpose	The specific purpose of the IFMIS project is to improve the timeliness and accuracy of fiscal transactions and reporting.			
Results expected	<p>1: Improved linking of PRS objectives with budget allocations The introduction of IFMIS, alongside associated reforms to classification systems, will allow better identification of key Poverty Reduction Strategy (PRS) outputs to be delivered by budget votes and heads. This will also facilitate the alignment of the PRS budget with the MTEF.</p> <p>2: Financial control improved The IFMIS will ensure full control of financial commitments and full compliance with general ledger/vote book entry.</p> <p>3: Financial reporting improved IFMIS will be able to generate in-year financial reports on both a cash and commitments basis, thereby giving a timely and accurate picture of the Treasury position at any given time. Along with the associated classification reforms, this should also facilitate more in-depth analysis of the budget.</p>			
Results Achieved and/or Progress in 2007	<ul style="list-style-type: none"> • Financing Agreement for IFMIS was signed by MFDP and the EC in December 2006 • Contract awarded to Soft-Tech Consultants (Tanzania) in August 2007 • First Contractor mission mobilised in September 2007 • User training for core IFMIS team commenced in December 2007 • IFMIS anticipated to go live across central Government in September 2008 			

PROJECT SHEET

Title	Support to Lesotho HIV/AIDS Response – Empowerment of Orphans and Vulnerable Children		N°	9 ACP LSO 007
Date of Financing Agreement/Primary Commitment	18 December 2006			
Date of termination of Financing Agreement	31 st December 2013			
End Phase 1 - implementation:	31 st December 2011	Date of N+3:	17 th December 2009	
Global Commitment	€ 12,000,000	Total disbursement 2006	€ 0	
Individual Commitment(s) 31/12/06	€ 0	Total disbursement to end 2006	€ 0	
		Forecast disbursement to end 2007	€ 0	
Objective	The overall objective of the programme is to improve the present and future livelihoods of people affected by HIV / AIDS throughout Lesotho.			
Purpose	To enable OVC enabled to cope with their trauma and loss and to assist them in accessing services; acquiring life skills; formal and vocational skills; and to move on and grow into age appropriate roles and enjoy food security.			
Results expected	<p>The core of the programme strategy is to both strengthen and dynamize the resources at the grass root level for the communities to be able to take care of their OVC according to the main policies and strategic documents of GoL through locally appointed Caregiver Groups. The expected results to achieve the programme purpose are the following:</p> <p>A. OVC Supported: The neediest of OVC in Lesotho provided with the following modalities of support according to their individual requirements:</p> <p>A.1 Psychosocial support</p> <p>A.2 Guidance and protection: HIV/AIDS Prevention, Continuing in Education; Monitoring and prevention of sexual abuse, loss of assets and other forms of abuse</p> <p>A.3 Service brokerage by the Caregiver Group: accessing services and mobilisation of community support</p> <p>A.4 Food and nutrition security: training in conservation agriculture techniques, development of school gardens or access to communal fields for those OVC who lack their own plots of land.</p> <p>A.5 Provision of basic supplies for the OVC's wellbeing, i.e. toiletries, textbooks, school uniforms, household supplies etc.</p> <p>B. Capacity built within the Government of Lesotho and in particular within the Department of Social Welfare so as to be able to operate the Programme autonomously in the future.</p> <p>C. Coordination and networking improved for all actors in the OVC Sector.</p>			
Results Achieved and/or Progress in 2007	•			

PROJECT SHEET

Title	Transport Sector Policy and Institutional Reform Support Programme (TSPIRPS)		N°	9 ACP LSO 008
Date of Financing Agreement/Primary Commitment	31 January 2007			
Date of termination of Financing Agreement	31 st December 2012			
End Phase 1 - implementation:	31 st December 2010	Date of N+3:	31 January 2010	
Global Commitment	€ 7,850,000	Total disbursement 2006	€ 0	
Individual Commitment(s) 31/12/06	€ 0	Total disbursement to end 2006	€ 0	
		Forecast disbursement to end 2007	€ 3,925,000	
Objective	The overall objective of the programme is to achieve for all Lesotho citizens, improved access to services and market opportunities, through a sustainable, safe and integrated transport system.			
Purpose	TSPIRPS's specific purpose is to have in place a sustainable road sector management, which is efficient in planning, developing and maintaining the Lesotho road network and in coordinating and integrating it in the national transport system.			
Results expected	<p>The programme is quite complex and articulated in a number of activities grouped in three sub-components, which will give the following results:</p> <ol style="list-style-type: none"> 1. Rationalisation of the road sector; 2. Sustainable road financing and improved capacity of road sector management; 3. Reformulation of transport sub-sector policies. 			
Results Achieved and/or Progress in 2007	<ul style="list-style-type: none"> • 			

PROJECT SHEET

8th EDF

Title	Road Transport Infrastructure Programme (RTIP)		N°	8 ACP LSO 002
Date of European Commission approval	10 th June 1999			
Date of Financing Agreement/Primary Commitment	25 th August 1999			
Start Date:	30 th June 2000	End Date:	31 st March 2008	
Global Commitment	€ 37,700,000	Amount disbursed in 2005	€	1,412,994
Individual Commitment(s) 31/12/05	€ 37,498,802	Total disbursement to end 200	€	36,099,260
	34,686,266	Forecast disbursement to end 2007	€	37,400,000
Objective	To improve the well being and livelihoods of all Basotho			
Purpose	To improve access to isolated areas and to basic services			
Results expected	<ol style="list-style-type: none"> 1. Improved all-weather access in areas serviced by project roads 2. Enhanced private sector capacity for carrying out labour intensive road construction and maintenance 3. GoL capacity for management of roads sector policy and administration strengthened. 4. Improved Road Safety 			
Results Achieved and/or Progress in 2007				

PROJECT SHEET

Title	8th EDF Multi-annual Micro-projects Programme		N°	8 ACP LSO 003
Date of Financing Agreement/Primary Commitment				
Start Date:	31 st December	End Date:	31 st December 2006	
Global Commitment	€ 3,940,000	Total disbursement 2006	€ 1,023,158	
Individual Commitment(s) 31/12/06	€ 3,914,579	Total disbursement to end 2006	€ 3,318,038	
		Forecast disbursement to end 2007	€ 3,914,579	
Objective	Create sustainable social and economic development in the poorest areas of Lesotho			
Purpose	The implementation of a programme of self-help projects in rural and peri-urban areas			
Results Achieved and/or Progress in 2007	<ul style="list-style-type: none"> Following the successful implementation of 130 Micro-projects by a locally staffed coordination unit, a final audit of the Micro-projects components was completed in 2007. The Programme is now closed. 			

PROJECT SHEET

Title	Support to Health Sector Reform		N°	8 ACP LSO 008	
Date of Commission Approval	19 th February 2001				
Date of Financing Agreement/Primary Commitment	2 nd April 2001				
Latest Start Date:	30 th June 2001		End Date:	27 March 2005	
Global Commitment	€ 1,800,000		Total disbursement 2006	€ 293,173	
Individual Commitment(s) 31/12/04	€ 1,792,289		Total disbursement to end 2006	€ 1,451,279	
			Forecast disbursement to end 2006	€ 1,800,000	
Objective	An affordable equitable health care system				
Purpose	The purpose of the project is to support the development of a unified health information system and the development and piloting of a strategic plan for decentralisation				
Results expected	<ol style="list-style-type: none"> 1. Regular and timely production of valid and reliable data of key health performance indicators; 2. Health Service Area boundaries redefined 3. Unified M&E system within MoHSW and in 3 pilot Health Service Areas; 4. Proposals for District Health Management Teams developed and implemented 5. Health Boards revitalised. 				
Results Achieved and/or Progress in 2006					

PROJECT SHEET

Title	Feasibility Study - Six Towns Water Supply Phase 2		N°	8 ACP LSO 017
Date of Commission Approval	18 th October 2002			
Date of Financing Agreement/Primary Commitment	24 th October 2002			
Latest Start Date:	31 st December 2002	End Date:	31 st December 2007	
Global Commitment	€ 1,900,000	Total disbursement 2006	€ 0	
Individual Commitment(s) 31/12/05	€ 1,568,000	Total disbursement to end 2006	€ 658,294	
		Forecast disbursement to end 2007	€ 750,000	
Objective	The provision of medium-term security (10 to 15 years) of safe and reliable water supplies together with adequate wastewater treatment in six urban centres (Maputsoe, Mapoteng, Teyateyaneng, Roma, Morija and Quthing)			
Purpose	<p>The purpose of the study is:</p> <ul style="list-style-type: none"> - To investigate and develop in greater detail the works identified in earlier reports as being necessary for the medium term security of water supply at the six urban centres - To investigate and develop proposals for any additional works (e.g. sewage treatment, water reticulation, etc) that may be appropriate at each centre - To develop a financing proposal for submission to the European Commission under the 9th EDF European Development Fund. - Subject to the launch of tender for works, to assist the Supervisor, in the launch evaluation of tenders for construction works for Phase II. - Subject to the award of the works contract for Phase II, to assist the Supervisor, in the adequate supervision of the works during the construction period of 18 months and the subsequent maintenance period of 12 months. 			
Results expected	<ol style="list-style-type: none"> 1. A feasibility study report, including the appropriate technical, environmental and financial/economic annexes and relevant tender documentation in sufficient detail to enable GoL to prepare a financial proposal for the Six Towns Water Supply Project – Phase II for submission to the EC. 2. A contract for the works of Phase II; and 3. The completion of the works of Phase II of the Six Towns Water Supply Project 			
Results Achieved and/or Progress in 2007	<ul style="list-style-type: none"> • Contract for Stage 2 (Implementation of Works detailed in Feasibility Studies and Designed produced during Stage 1) re-advertised in January; submission date extended to 2nd May 2007. • Two partial tenders received; contract was awarded to UNIK, a contractor based in Botswana which is already working for WASA, following subsequent negotiations. • Following a subsequent formal change to the Financing Agreement, and reflecting negotiations with UNIK, the project has been renamed the “Three Towns Water Supply Project.” • Commencement is expected in early/mid 2008 			

PROJECT SHEET

7th EDF

Title	Muela Hydropower Project		N°	7 ACP LSO 001
Date of Financing Agreement/Primary Commitment		29 th July 1991		
Start Date:	8 th October 1991	End Date:		
Global Commitment	€ 32,300,000	Total disbursement 2006	€ 32,907	
Individual Commitment(s) 31/12/06	€ 32,273,967	Total disbursement to end 2006	€ 32,167,044	
32,134,137		Forecast disbursement to end 2007	€ 32,167,044	
Objective	To develop hydroelectric potential sufficient to meet Lesotho's normal requirements by 2003			
Purpose	The construction of a 72 Mw Hydroelectric Power Plant			
Results expected	<ol style="list-style-type: none"> 1. The construction of a 72 Mw underground powerhouse and associated waterways; access facilities; upstream surge shaft, downstream surge chamber; tailpond and dam; operations building; transmission lines and sub-stations 2. Environmental Action Plan and Awareness Programme 3. Technical training 4. Institutional support for the Lesotho Highlands Water Commission (formerly JPTC) 5. Environmental protection and enhancement in the `Muela area 			
Results Achieved and/or Progress in 2006	<ul style="list-style-type: none"> • The final activity of the project was the provision of a treated water supply to nine villages in the `Muela area. • The survey and design phase commenced in September 2003 and the works were completed by March 2004. Final acceptance was done in 2005 and final payment was done in 1st quarter 2006. • Final audit of the Micro-projects components completed in 2007; project now closedxx 			

PROJECT SHEET

Title	Assistance to the Bureau of Statistics		N°	7 ACP LSO 045
Date of Financing Agreement/Primary Commitment				
Start Date:	8 th April 1999		End Date:	
Global Commitment	€ 851,000	Total disbursement 2006	€ 0	
Individual Commitment(s) 31/12/06	€ 799,600	Total disbursement to end 2006	€ 735,036	
32,134,137		Forecast disbursement to end 2007	€ 735,036	
Objective	The implementation of effective economic and social policies based on sound statistical data and national census			
Purpose	To develop in the Bureau of Statistics a capacity to provide accurate, relevant and timely information for decision making, policy formulation, planning and research by both the public and private sectors			
Results expected	<ol style="list-style-type: none"> 1. Timely production of effective user oriented economic, social and environmental data 2. Restructured BoS with an improved scheme of service 3. Master sample established 			
Results Achieved and/or Progress in 2006	<ul style="list-style-type: none"> • All activities of the project were completed in 2002. 			

REGIONAL PROJECTS

The 9th EDF RIP for SADC region has been allocated 145 M€ (the initial amount of 161.6 M€ was reduced due to the little absorption capacity). The on-going regional projects are (none of these are managed by the Delegation to Lesotho):

Regional integration and Trade

Customs Modernisation Programme - 18 M€
Standards, Quality Assurance, Accreditation and Metrology - 14.2 M€
SADC Foot and Mouth Disease Project - 12.6 M€
EPA Support Facility - 6.5 M€
Support to Trade in Services - 1.1 M€
Technical Cooperation Facility - 4.95 M€
Implementation of the SADC Finance and Investment Protocol - 13 M€
Capacity building on residue control - 7.5 M€
Capacity building for regional integration - 12.5 M€
Regional statistical training project - 3.85 M€
EU-SADC Investment Promotion Programme - 14 M€

Other sectors

Road upgrading project in Angola - 25 M€
Implementation and Coordination of Agricultural Research and Training in SADC - 13.9 M€
Land & Water Management Applied Research Programme - 4.1 M€
Promotion of Regional Integration in the Livestock Sector - 7.9 M€
HIV / AIDS - 3.14 M€
Health and Development Innovative Consortium - 5 M€

ANNEX VIII

FINANCIAL SITUATION FOR BUDGET LINES

2007	ONG-PVD/2007/ 013-932	235966.01	EUR	Lesotho	DEUTSCHES ROTES KREUZ EV (DRK) Home Based Care
2007	ONG-PVD/2007/ 014-231	129652.51	EUR	Lesotho	DEUTSCHES ROTES KREUZ EV (DRK) Livelihood intervention
2007	ONG-PVD/2007/ 014-829	143172.00	EUR	Lesotho	SKILLSHARE LIMITED INTERNATIONAL BY GUARANTEE
2007	ONG-PVD/2007/ 014-834	132276.00	EUR	Lesotho	SKILLSHARE LIMITED INTERNATIONAL BY GUARANTEE



INDICATIVE TIME TABLE FOR DISBURSEMENT 2008 2011

		2008	2009	2010	2011
	8th EDF				
	1. WATER & SANITATION				
8 ACP LSO 017	Six Towns Water Supply - Phase II	202,843	405,686	405,686	
	2. ROAD TRANSPORT SECTOR				
8 ACP LSO 002	Road Transport Infrastructure Programme	1,371,800			
	Sub-total 8th EDF	1,574,643	405,686	405,686	0
	9th EDF				
	FOCAL SECTORS				
	1. WATER & SANITATION				
9 ACP LSO 005	Lesotho Water and Sanitation Sector Programme				
	<i>Lesotho Lowlands Water Supply (Design)</i>	4,300,000	669,312		
	<i>Three Towns Water Supply (Works)</i>	4,740,385	11,376,923	6,067,600	2,465,000
	<i>Maseru Wastewater</i>	649,249	153,016		
	<i>TA to WASA/MoNR</i>	306,700	220,000	219,200	
		9,996,333			
	2. ROAD TRANSPORT SECTOR				
9 ACP LSO 003	FS 110 km of PPR Network	420,000			
9 ACP LSO 009	Upgrading & strengthening 110 km of PPR Network	4,400,000	7,700,000	7,700,000	2,200,000
9 ACP LSO 008	Transport Sector Policy and Institutional Reform	4,000,000	2,617,000	1,233,000	
	3. MACRO SUPPORT & CAPACITY BUILDING				
9 ACP LSO 002	Capacity Building Economic Planning	1,150,000	150,000	150,000	
9 ACP LSO 011	Capacity Building Economic Planning II				
9 ACP LSO 006	PFM/ IFMIS	2,600,000	1,800,000	300,000	
	4. HIV/AIDS				
9 ACP LSO 003	Support OVC	2,500,000	3,000,000	3,500,000	1,600,000
	5. NON-FOCAL				
9 ACP LSO 010	Local Governance and NSA Support	1,750,000	1,900,000	1,900,000	850,000
9 ACP LSO 004	Technical Cooperation Facility (TCF)	300,000			
9 ACP LSO 012	Technical Cooperation Facility II (TCF II)	450,000	42,000		
	Sub-total 9th EDF	37,562,667	29,628,251	21,069,800	7,115,000
	TOTALS	39,137,310	30,033,937	21,475,486	7,115,000



Financial Donor Matrix

ANNEX X

Donor disbursements in Lesotho as per 31/12/07 and Planned donor disbursements for 2008

in million Euro

Donor	GBS*		Health / HIV-AIDS		Education		Transport (Roads)		Water / Sanitation		Energy		Governance		Decentralisation		Food Security / Agriculture		Environment		Private Sector		
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	
EC (excl EIB)	0	0	1.64	2.5			0.39	9.81	2.74	10.2			1.96	3.83	0	4	2.67	1.5					
Irish Aid			4.19	6.6	2.35	2.55			2.45	2.7			1.7	1.9									
GTZ				N/A											1.75	1.92							
DfID	0	1	0.6	0.6					0.54	0			0.96	0.6			1	1			0.4	0.4	
TOTAL - EU	0	1	6.43	9.7	2.35	2.55	0.39	9.81	5.73	12.9	0	0	4.62	6.33	1.75	5.92	3.67	2.5	0	0	0.4	0.4	
MCC			2.96	12					3.28	14.1			0.47	4.76									
WB*			1.94	1.5	1.36	2	0.3	10	1.15	2.82									0.58/		0.44	1.13	
UN systems																							
ADB							7.9	5.3															
Chinese																							
Arab Funds (BADEA, SAUDI, Kuwait Fund)																							
Japan																							
PEPFAR			7.3	10																			
Global Fund																							
TOTAL - OTHER DONORS	0	0	12.2	23.5	1.36	2	8.2	15.3	4.43	16.9	0	0	0.47	4.76	0	0	0	0	0	0	0	0.44	1.13
TOTAL - ALL DONORS	0	1	18.6	33.2	3.71	4.55	8.59	25.1	10.2	29.8	0	0	5.09	11.09	1.75	5.92	3.67	2.5	0	0	0.84	1.53	

* Including Macroeconomic support and support to poverty reduction strategies

Note: This matrix is an example of a donor matrix that can be drafted at country level to show 1) the disbursements by donors in 2007 2) the planned donor disbursements in 2008 (indicative figures, entry into the table does not constitute an entitlement)

* Disbursed in July 07 - May 08/ Planned July 08 - June 09

Annex X – Member States Donor Support to Projects

Republic of Ireland

PRSP National Challenge	Project Code/Sun Code	Project Partner	Budget in € 2005	Budget in € 2006	Proposed Budget in € 2007	Objective/Purpose
Cross Cutting No.1 HIV/AIDS	HIV					Objective: To reduce the impact of HIV/AIDS in Lesotho Specific Objectives: (i) National Co-ordination Mechanisms Strengthened (ii) Civil Society response to HIV/AIDS supported
National Co-ordination		NAC / DATFs	€ 310,000.00	€ 460,000.00	€ 460,000.00	
Civil Society		Positive Act and others	€ 260,000.00	€ 400,000.00	€ 400,000.00	
Mainstreaming		Irish Aid	€ 20,000.00	€ 20,000.00	€ 20,000.00	
Migrant Workers (MoLE)		Ministry of Labour	€ 300,000.00			
Sub Total			€ 890,000.00	€ 880,000.00	€ 880,000.00	
No. 1 Job Creation			€ 0.00	€ 0.00	€ 0.00	
No. 2 Food Security			€ 0.00	€ 0.00	€ 0.00	
No. 3 Infrastructure Development (rural access)	RA					(i) Support to selected rural access projects continued with particular emphasis on the construction of footbridges. (ii) Smooth transition ensured between Irish Aid, DRR and other development partners as Irish Aid disengages from the sector
Gravel Roads		DRR MoPWT	€ 200,000.00	€ 0.00	€ 0.00	
Footbridges		DRR MoPWT	€ 500,000.00	€ 250,000.00	€ 0.00	
Cross Drainage Structures		DRR MoPWT	€ 150,000.00	€ 0.00	€ 0.00	
ILO /TRL study on design standards		DRR MoPWT	€ 45,000.00	€ 45,000.00	€ 0.00	
Capacity Building		DRR MoPWT	€ 25,000.00	€ 0.00	€ 0.00	
Sub Total			€ 920,000.00	€ 295,000.00	€ 0.00	

Annex X – Member States Donor Support to Projects

PRSP National Challenge	Project Code/Sun Code	Project Partner	Budget in € 2005	Budget in € 2006	Proposed Budget in € 2007	Objective/Purpose
No. 3 Infrastructure Development (rural water and sanitation)						Strategic Plan of the Department of Rural Water Supply implemented
Contribution to sub-sector programme (pooled fund)	RWS	DRWS	€ 2,350,000.00	€ 2,465,000.00	€ 2,590,000.00	
No. 4 Governance	Gov					Strengthened Democracy, transparency and accountability in Lesotho
Donor Co-ordination			€ 200,000.00	€ 200,000.00	€ 200,000.00	
Civil Society PRS monitoring		LCN	€ 250,000.00	€ 250,000.00	€ 250,000.00	
PRS Monitoring		MoFDP	€ 250,000.00	€ 250,000.00	€ 250,000.00	
Elections Support		IEC	€ 250,000.00	€ 150,000.00	€ 150,000.00	
Parliamentary Reform		Parliament	€ 50,000.00	€ 50,000.00	€ 50,000.00	
Office of the Ombudsman		Ombudsman	€ 80,000.00	€ 80,000.00	€ 80,000.00	
Sub Total			€ 1,080,000.00	€ 980,000.00	€ 980,000.00	
No.5 Improved Health And Social Welfare	HLT					(i) Improved health service delivery (ii) Health Sector Response to HIV/AIDS improved (iii) Donor Harmonisation Advanced
Improved Service Delivery (including HIV/AIDS response)		MoHSW and CHAL	€ 900,000.00	€ 3,240,000.00	€ 4,230,000.00	
Civil Society		LPPA	€ 50,000.00			
Sub Total			€ 950,000.00	€ 3,240,000.00	€ 4,230,000.00	

Annex X – Member States Donor Support to Projects

PRSP National Challenge	Project Code/Sun Code	Project Partner	Budget in € 2005	Budget in € 2006	Proposed Budget in € 2007	Objective/Purpose
No.6 Well established Human Resource Development						(i) Improved quality of education in line with ESSP (ii) Institutions strengthened in line with PSIRP (iii) Enhanced Donor Co-ordination in the Education Sector (iv) Strengthened capacity of civil society to support monitor and implement PRS.
Quality Basic Education		MoET	€ 1,200,000.00	€ 1,200,000.00	€ 1,200,000.00	
Systems Strengthening		MoET	€ 100,000.00	€ 100,000.00	€ 100,000.00	
HIV/AIDS mainstreaming		MoET	€ 250,000.00	€ 250,000.00	€ 250,000.00	
Process Fund		MoET	€ 10,000.00	€ 10,000.00	€ 0.00	
Bursaries		Lesotho SCF	€ 100,000.00	€ 0.00	€ 0.00	
Sub Total			€ 1,660,000.00	€ 1,560,000.00	€ 0.00	
No.8 Public Sector Improvement	Gov					Improved efficiency and responsiveness of the Public Service in Lesotho
Public Financial Management and Public Sector Improvement		MoFDP and MoPS	€ 1,400,000.00	€ 1,400,000.00	€ 1,400,000.00	
Programme Support Process Fund		Irish Aid	€ 250,000.00	€ 250,000.00	€ 250,000.00	Programme Support Costs
TOTAL			€ 2,600,000.00	€ 2,715,000.00	€ 2,840,000.00	

Annex X – Member States Donor Support to Projects

FEDERAL REPUBLIC OF GERMANY

PRSP National Challenge/Priority	Project Code/MIS Code	Project Title	Project Amount	Start date	End Date	Objective/Purpose
No.1 Job Creation	03.2245.3-001.03	DRDP GTZ - Support to Decentralised Rural Development Lesotho - 3) Performance of Local Government and Other Service Providers (Responsible body: Ministry of Local Government)	5.800.000,- Euro - this is for all components of DRDP up to 2007	4/1/04	2007/28/02	Local governments (UCs, CCs) as well as governmental and private service providers carry out their functions in promoting participatory rural development and land management. • National planning guidelines are drawn up and in force, based on a harmonized legislation. • In at least two of the four districts there is an increase in communal development measures, which have been planned in accordance with the national planning guidelines. • At least 50% of the sector and donor financed district projects are planned in accordance with the national planning guidelines. • The share of resources for poverty oriented development measures increases out of the total resources. • The communities have access to national and donor funded development funds (number of development measures financed from these funds) Ongoing, GTZ input to PSIRP.
No.1 Job Creation		DRDP - GTZ/DED Support to LED, 4 Southern Districts, 4 DED DWs	78.011,- Euro p.a. per Development Worker + additional project budget and GTZ programme support			Support to Land use planning, Mafeteng; Marketing especially re Forestry and Business Development, Mofales Hoek; Eco-tourism, Quthing; Agriculture, Qacha's Nek; Note: Quthing Wildlife Development Trust (QWDT) is a NGO with the aim to support sustainable use of the natural resources in the Quthing District. DED assists QWDT in the aim to conserve the natural living conditions, to conserve key species, to promote sustainable use of the natural resources and to develop alternatives for income generating for the rural population.
No.1 Job Creation		DED - PPP Support	78.011,- Euro p.a. per Development Worker + additional project budget and GTZ programme support	2005	2007	Support to public private partnerships
No.1 Job Creation		DED - Advisor to organisations	78.011,- Euro p.a. per Development Worker + additional project budget and GTZ programme support	2005	2007	Advisor to local organisations and monitoring of PRSP, LCN / DED
No.2 Food Security	03.2245.3-001.01	DRDP GTZ - Support to Decentralised Rural Development Lesotho - 1) Legal and Institutional Framework Conditions for Decentralization and of Land Management (Responsible body: Ministry of Local Government, MoLG)		4/1/04	2007/28/02	The essential parts of legal, organizational and institutional regulations necessary for a decentralised rural development have been put in force. • The implementation regulations concerning local governance (Local Government Act, LAG) are adapted empirically (measured by the inputs from Urban (UCs) and Community Councils (CCs)). • From the budget year 2004/2005 onwards UCs and CCs during the first quarter of the financial year receive at least 75% of their running costs assigned to them from the centre (proved using the budget planning of the Ministry of Finance) • The legal and institutional structures foreseen in the Land Law have been created. • Sufficient share of the budget has been allowed, to enable their completion. Ongoing, GTZ input to PSIRP

Annex X – Member States Donor Support to Projects

PRSP National Challenge/Priority	Project Code/MIS Code	Project Title	Project Amount	Start date	End Date	Objective/Purpose
No.3 Governance, Safety & Security	03.2245.3-001.01	DRDP GTZ - Support to Decentralised Rural Development Lesotho - 1) Legal and Institutional Framework Conditions for Decentralisation and of Land Management (Responsible body: Ministry of Local Government, MoLG)		1-Mar-04	28-Feb-07	<p>The essential parts of legal, organisational and institutional regulations necessary for a decentralised rural development have been put in force.</p> <ul style="list-style-type: none"> • The implementation regulations concerning local governance (Local Government Act, are adapted empirically (measured by the inputs from Urban (UCs) and Community Councils (CCs)). • From the budget year 2004/2005 onwards UCs and CCs during the first quarter of the financial year receive at least 75% of their running costs assigned to them from the centre (proved using the budget planning of the Ministry of Finance) • The legal and institutional structures foreseen in the Land Law have been created. • Sufficient share of the budget has been allowed, to enable their completion. Ongoing, GTZ input to PSIRP
	03.2245.3-001.02	DRDP GTZ - Support to Decentralised Rural Development Lesotho - 2) Development Planning and Financing (Responsible body: Ministry of Finance and Development Planning)				<p>The districts carry out their co-ordination role for an integrated development</p> <ul style="list-style-type: none"> • National planning guidelines are drawn up and in force, based on a harmonised legislation. • In at least two of the four districts there is an increase in communal development measures, which have been planned in accordance with the national planning guidelines. • At least 50% of the sector and donor financed district projects are planned in accordance with the national planning guidelines. • The share of resources for poverty oriented development measures increases out of the total resources. • The communities have access to national and donor funded development funds (number of development measures financed from these funds) Ongoing, GTZ input to PSIRP.
	03.2245.3-001.03	DRDP C6GTZ - Support to Decentralised Rural Development Lesotho - 3) Performance of Local Government and Other Service Providers (Responsible body: Ministry of Local Government)				<p>Local governments (UCs, CCs) as well as governmental and private service providers carry out their functions in promoting participatory rural development and land management.</p> <ul style="list-style-type: none"> • National planning guidelines are drawn up and in force, based on a harmonised legislation. • In at least two of the four districts there is an increase in communal development measures, which have been planned in accordance with the national planning guidelines. • At least 50% of the sector and donor financed district projects are planned in accordance with the national planning guidelines. • The share of resources for poverty oriented development measures increases out of the total resources. • The communities have access to national and donor funded development funds (number of development measures financed from these funds) Ongoing, GTZ input to PSIRP.
No.8 Public Service Delivery		DRDP GTS/DED - Support to Decentralised Rural Development Lesotho - 3) Performance of Local Government and Other Service Providers (Responsible body: Ministry of Local Government) 4 DED DW in Southern Districts				<p>Local governments (UCs, CCs) as well as governmental and private service providers carry out their functions in promoting participatory rural development and land management.</p> <ul style="list-style-type: none"> • National planning guidelines are drawn up and in force, based on a harmonised legislation. • In at least two of the four districts there is an increase in communal development measures, which have been planned in accordance with the national planning guidelines. • At least 50% of the sector and donor financed district projects are planned in accordance with the national planning guidelines. • The share of resources for poverty oriented development measures increases out of the total resources. • The communities have access to national and donor funded development funds (number of development measures financed from these funds) Ongoing, GTZ input to PSIRP.

Annex X – Member States Donor Support to Projects

PRSP National Challenge/Priority	Project Code/MIS Code	Project Title	Project Amount	Start date	End Date	Objective/Purpose
No.8 Public Service Delivery	03.2245.3-001.05	5) GTZ - Support to Decentralised Rural Development Lesotho - focal area co-ordination				The partner ministries view the German Development Co-operation as transparently and coherently acting partners. • Timely and culturally adapted concepts, instruments and systems of human resource management are applied in all ministries. • At least 30% of leadership positions in the ministries are filled in a transparent manner according to technical criteria and a public advertisement of the positions. • The efficiency of the personnel (measured by an assessment by the superiors) in the ministries has improved. Ongoing GTZ input to PSIRP.
No.4 Infrastructure Development		Financial Co-operation - Labour intensive Road Construction				
No.4 Infrastructure Development	03.2245.3-001.03	DRDP GTZ - Support to Decentralised Rural Development Lesotho - 3) Performance of Local Government and Other Service Providers (Responsible body: Ministry of Local Government)		4/1/04	2007/28/02	Local governments (UCs, CCs) as well as governmental and private service providers carry out their functions in promoting participatory rural development and land management. National planning guidelines are drawn up and in force, based on a harmonised legislation. • In at least two of the four districts there is an increase in communal development measures, which have been planned in accordance with the national planning guidelines. • At least 50% of the sector and donor financed district projects are planned in accordance with the national planning guidelines. • The share of resources for poverty oriented development measures increases out of the total resources. • The communities have access to national and donor funded development funds (number of development measures financed from these funds) Ongoing, GTZ input to PSIRP.
No.5 Improved Health & Social Welfare	03.2245.3-001.03	DRDP GTZ - Support to Decentralised Rural Development Lesotho - 3) Performance of Local Government and Other Service Providers (Responsible body: Ministry of Local Government)		4/1/04	2007/28/02	Local governments (UCs, CCs) as well as governmental and private service providers carry out their functions in promoting participatory rural development and land management. • National planning guidelines are drawn up and in force, based on a harmonised legislation. • In at least two of the four districts there is an increase in communal development measures, which have been planned in accordance with the national planning guidelines. • At least 50% of the sector and donor financed district projects are planned in accordance with the national planning guidelines. • The share of resources for poverty oriented development measures increases out of the total resources. • The communities have access to national and donor funded development funds (number of development measures financed from these funds) Ongoing, GTZ input to PSIRP.
	1995.3542.8	Study and Expert Fund	€5000,00	1-Jan-95		Ongoing GTS.
No.6 Well established Human Resource Development	03.2245.3-001.04	DRDP GTZ - Support to Decentralised Rural Development Lesotho - 4) Support to the Mediator Levels of Decentralised Rural Development		4/1/04	2007/28/02	The human resource departments of all ministries at central level relevant to decentralisation are improving their service delivery in human resource management in preparation for an adequate provision of personnel to decentralised administrative structures.
No.7 Environmental Management		DRDP GTZ /DED Marketing/Forestry Moleale Hoak. Follow Up to Social Forestry and Conservation Program	Supported by DRDP (GTS)	1-Mar-03	31-Dec-04	
No.7 Environmental Management		CIM - Support to Forestry	Own finances + supported by GTS			

Annex X – Member States Donor Support to Projects

PRSP National Challenge/Priority	Project Code/MIS Code	Project Title	Project Amount	Start date	End Date	Objective/Purpose
No.7 Environmental Management	LE-PROBEC 1.1	DED - Co-operation with GTZ Program on Biomass Energy Conservation	78.011 EURO p.a. per Development worker + additional support by GTS	1/7/04	30/6/06	To promote technologies and techniques to use biomass energy for cooking, baking, heating and food processing. Private households and institutions are the groups to be addressed. Given that in the foreseeable future biomass will remain the primary source of basic energy for up to 80% of total energy consumption for families and small businesses, it is important that the available energy (biomass) be used in an environmentally sound and socially responsible way. The programme therefore aims at promoting a comprehensive package of solution, appropriated to Lesotho, with which it is feasible to reach multiple, long lasting environmental, economic and social benefits.
No.7 Environmental Management	LE-QWDT 1.1	DRDP GTZ / DED - Support to Quthing Wildlife Trust	78.011,- Euro p.a. per Development Worker + additional project budget	1/4/03	30/4/05	Quthing Wildlife Development Trust (QWDT) is a NGO with the aim to support sustainable use of the natural resources in the Quthing District. DED assists QWDT in the aim to conserve the natural living conditions, to conserve key species, to promote sustainable use of the natural resources and to develop alternatives for income generating for the rural population.
No.7 Environmental Management	03.2245.3-001.03	DRDP GTZ - Support to Decentralised Rural Development Lesotho - 3) Performance of Local Government and Other Service Providers (Responsible body: Ministry of Local Government)		4/1/04	2007/28/02	Local governments (UCs, CCs) as well as governmental and private service providers carry out their functions in promoting participatory rural development and land management. <ul style="list-style-type: none"> National planning guidelines are drawn up and in force, based on a harmonised legislation. In at least two of the four districts there is an increase in communal development measures, which have been planned in accordance with the national planning guidelines. At least 50% of the sector and donor financed district projects are planned in accordance with the national planning guidelines. The share of resources for poverty oriented development measures increases out of the total resources. The communities have access to national and donor funded development funds (number of development measures financed from these funds) Ongoing, GTZ input to PSIRP.
No.7 Environmental Management	03.2245.3-001.01	DRDP GTZ - Support to Decentralized Rural Development Lesotho - 1) Legal and Institutional Framework Conditions for Decentralization and of Land Management (Responsible body: Ministry of Local Government, MoLG)		4/1/04	2007/28/03	The essential parts of legal, organisational and institutional regulations necessary for a decentralised rural development have been put in force. <ul style="list-style-type: none"> The implementation regulations concerning local governance (Local Government Act) are adapted empirically (measured by the inputs from Urban (UCs) and Community Councils (CCs)). From the budget year 2004/2005 onwards UCs and CCs during the first quarter of the financial year receive at least 75% of their running costs assigned to them from the centre (proved using the budget planning of the Ministry of Finance) The legal and institutional structures foreseen in the Land Law have been created Sufficient share of the budget has been allowed, to enable their completion. Ongoing, GTZ input to PSIRP
No.8 Public Service Delivery		Financial Co-operation - Support to District Administration and Local Government Infrastructure	€2,560,000			
No.8 Public Service Delivery		CIM - Support to Regional Planning	Own finances	3/6/02	2/6/06	Institutionalised decentralisation of planning administration. Preparation of a physical, spatial Planning framework for the whole country. Frameworks therefore are gazetted
No.8 Public Service Delivery		CIM - Support to Urban Planning	Own finances	1/2/02	31/1/06	Regional-, district-, Structure- and Local area plans on the basis of the Town and Country Planning Act. The CIM-Experts advise, instruct and train the responsible Physical Planners. Establish a well functioning Database within the LSPP on a GIS base to serve for customers needs in terms of planning, survey, lands and cartography.
No.8 Public Service Delivery		CIM - Support to Central Bank	Own finances			

Annex X – Member States Donor Support to Projects

PRSP National Challenge/Priority	Project Code/MIS Code	Project Title	Project Amount	Start date	End Date	Objective/Purpose
National Cross Cutting No.1 HIV/AIDS	GH-Aids 1.1	DED - Support to HIV/AIDS Mitigation, Qacha's Nek Schools Programme	78.011,-Euro p.a. per Development Worker + additional project budget	1/11/03	30/10/05	School Awareness-programme concerning HIV/Aids for pupils and teachers of secondary- and High schools in the district. Assistance to the District Aids Task Force of Qacha's Nek that this organ is more able to play its role. Support to the Decentralised Rural Development Programme by surveying the functioning of information and supply structures between communities and the national level and vice versa in the field of HIV/Aids.
National Cross Cutting No.1 HIV/AIDS		DRDP - GTS/ DED Support to Mainstreaming of HIV/AIDS, 4 Southern Districts	78.011,-Euro p.a. per Development Worker + GTZ programme support	2005	2007	Support and technical assistance to the National University of Lesotho (students trained on HIV/AIDS)
National Cross Cutting No.1 HIV/AIDS			78.011,-Euro p.a. per Development Worker + GTZ programme support	2001	2007	Support and technical assistance to the Lesotho College of Education (teacher training on HIV/AIDS)
National Cross Cutting No.1 HIV/AIDS		CIM		2005	2007	Technical Advice to the Youth Centre Kumbetsoana
National Cross Cutting No.1 HIV/AIDS	GH-Aids-CARE 1.1	DED - Support to HIV/Aids Mitigation, Workplace-Policy-Programmes	78.011,-Euro p.a. per Development Worker + additional project budget	1/9/04	30/9/06	Develop HIV/Aids Workplace-Policy-Programmes together with private companies and institutions in Lesotho and facilitation of implementation.
National Cross Cutting No.1 HIV/AIDS	03.2245.3-001.03	DRDP GTZ - Support to Decentralised Rural Development Lesotho - 3) Performance of Local Government and Other Service Providers (Responsible body: Ministry of Local Government)		4/1/04	2007/28/02	Local governments (UCs, CCs) as well as governmental and private service providers carry out their functions in promoting participatory rural development and land management. <ul style="list-style-type: none"> • National planning guidelines are drawn up and in force, based on a harmonised legislation. • In at least two of the four districts there is an increase in communal development measures, which have been planned in accordance with the national planning guidelines. • At least 50% of the sector and donor financed district projects are planned in accordance with the national planning guidelines. • The share of resources for poverty oriented development measures increases out of the total resources. • The communities have access to national and donor funded development funds (number of development measures financed from these funds) Ongoing, GTZ input to PSIRP.
National Cross Cutting No.1 HIV/AIDS	03.2245.3-001.01	DRDP GTZ - Support to Decentralised Rural Development Lesotho - 1) Legal and Institutional Framework Conditions for Decentralization and of Land Management (Responsible body: Ministry of Local Government, MoLG)		4/1/04	2007/28/02	The essential parts of legal, organisational and institutional regulations necessary for a decentralised rural development have been put in force. <ul style="list-style-type: none"> • The implementation regulations concerning local governance (Local Government Act) are adapted empirically (measured by the inputs from Urban (UCs) and Community Councils (CCs)). • From the budget year 2004/2005 onwards UCs and CCs during the first quarter of the financial year receive at least 75% of their running costs assigned to them from the centre (proved using the budget planning of the Ministry of Finance) • The legal and institutional structures foreseen in the Land Law have been created. • Sufficient share of the budget has been allowed, to enable their completion. Ongoing, GTZ input to PSIRP

Annex X – Member States Donor Support to Projects

UNITED KINGDOM

PRSP National Challenge/Priority	Project/MIS Code	Project Title	Project Amount	Start date	End Date	Objective/Purpose	Status and Comments
PRS FOUNDATION PROGRAMME (£ 5m)							
	032-542-038	Strengthening GoL's Poverty Monitoring Function	£ 0.7m	1/10/04	31/12/07	To co-ordinate the implementation of PRS. To develop a national poverty information database for monitoring PRS. To support and strengthen the links of LVAC.	DfID approved a costed extension to LVAC, both TA (Peter Mugangi) and financial support of LVAC activities through CARE Lesotho-SA. The revised end date is now December 2007. PS/Cabinet issued memo confirming LVAC's institutional home will be DMA, and not MoAFS as outlined in the FS Policy. Clarification being sought from Minister. DfID also approved commitment of ~£ 140K to BoS through UNFPA to complete certain activities for the Census 2006.
	032-542-038	Civil Society Support Programme (CSSP)	£ 0.3m	8/1/04	31/7/2007	To support the development of a dynamic and sustainable civil society engaged in monitoring and shaping PRS implementation.	The first Annual Review has been scheduled for first week August 2006, led by Steve Godfrey supported by Itumeleng Kimane. Key issues to be assessed include institutional arrangements and LCN's effectiveness as implementing partner.
	032-542-038	Public Financial Management (PFM)	£ 3.1m	1/2/05	31/5/08	To strengthen GoL's Public Finance Management Systems including accountability and procurement.	Second Annual Review scheduled for 25th - 29th September 2006, to be led by Ken Robson. Participation on this joint review being actively sought from Irish Aid, EC and WB. Key issues continue to be accessing EC funds for IFMIS, and ensuring the complementarity with the other two PSIRP components of decentralisation and HR reform.
	032-004-001 032-542-036	Lesotho Revenue Authority (LRA)	£ 6m	18/3/02	31/3/09	To assist the GoL in establishing an Independent Revenue Authority	Second Phase three-year support approved of £ 2.1m and administered as Financial Aid. Four-month interim phase agreed with LRA/DfID to build the capacity of Finance Administration Department to effectively procure and manage TA using FA funds. A review is scheduled for end August 2006 to assess FAD's progress in putting in place suitable systems and procedures for FA.
	032-542-038	Donor Harmonisation	£ 0.4m	2004	2008	To support GoL to co-ordinate donor activities around the PRS and PSIRP more efficiently	Second commitment to UNDP for placement of economist Osteen Chulu in the Social Policy Unit. DfID continues to attend Development Partners Consultative Forum (DPCF) that discusses inter alia support to the Donor Roundtable Conference due in November 2006.

Annex X – Member States Donor Support to Projects

PRSP National Challenge/Priority	Project/ MIS Code	Project Title	Project Amount	Start date	End Date	Objective/Purpose	Status and Comments
PRS PRIORITY SUPPORT PROGRAMME (£ 7.5m)							
No. 1 Cross-cutting: HIV/AIDS	032-542-039	HIV/AIDS	£ 2m	2004	31/12/06	To reduce risk and improve capacity to care, and mitigate the impact of HIV	Annual Review undertaken in early June 2006, scoring '2'. UNDP 'Scaling up National Response' scheduled to end December 2006; UNAIDS TA (Henry Tabifor) in post from March 2006 for two years; PSCAAL Phase 2 concluded in November 2005; ComMark long-term intervention study now developed model for care/prevention in the garment industry branded as ALAFA and launched in June by Bono.
No.1 Job Creation	032-542-038	Job Creation	£ 2m	1/12/05	31/5/09	To improve the investment climate and increase market access for the poor	PMTC consortium contracted through international OJEU process. Inception Phase concluded end May 2006 with submission of report and detailed costed work plan to GoL/DEID. Output Managers have been identified in MoAFS (5) and MoTIMC (3), initial activities underway. First Annual Review scheduled for early 2007.
No.1 Job Creation	032-542-038	Making Commodity Markets Work for the Poor (ComMark)	£ 1.5m	21/02/02	3/1/08	To enhance the growth and development of selected commodity and service sectors in the SACU region for the sustainable benefit of the poor	Two agreed elements to Lesotho: support to garment sector and the wool and mohair markets. More precisely focussed key stakeholders on issues confronting textile and clothing industry. Provided technical support and advice on a range of trade and industrial policy issues. Also played a major role in attracting new investments to the country and some new buyers of garments.
No. 2: Food Security	032-542-038	Food Security	£ 2m	1/12/05	31/5/09	To reduce hunger and vulnerability in Lesotho	See above for Job Creation
No. 3: Governance, Safety, Security	032-542-037	Lesotho Justice Sector Development Programme (LJSDP)	£ 5.5m	1/8/03	28/2/08	To develop the Lesotho Justice Sector so that pro-poor policies are developed and implemented.	Second Annual Review took place in March 2006, scored at '3'. New Project Manager, Thandeka Dhlamini, in post since March; recruitment underway of Technical Adviser to replace Senior Programme Manager who retired end April 2006. Interviews to take place end August. Clarification of Secretariat roles and responsibilities currently underway.

European Investment Bank in Lesotho

Under the various EU mandates of the Cotonou and Lomé Agreements, EIB supports the economic development of the Kingdom of Lesotho through investments (loans, quasi-equity, equity and guarantees) into projects sponsored either by the public or the private sector. The existing portfolio of investments was funded from the Bank's own resources (with a guarantee cover from the EU Member States), risk capital resources from the EC under the various Lomé Agreements, as well as from the Investment Facility of the Cotonou Agreement.

At the end of 2007, EIB's signed portfolio of 10 loans, dating back to 1985, to Lesotho stood at € 97.3 million of which € 78.6 million have been disbursed to date, with a remaining balance of € 14.3 million still to be disbursed. Under the two Financial Protocols of the Lomé IV Convention, the Bank has signed commitments for a total of € 91.3 million (comprising € 73.3 million on the Bank's own resources and € 18 million on risk capital resources). So far, the portfolio only comprises one project financed under the Cotonou Agreement, signed in 2007 (see below). EIB supported projects in the following areas:

- Electric Power Infrastructure: The *Muela Hydropower Project* is part of Phase 1A of the Lesotho Highlands Water Project (LHWP) and EIB contributed to the funding of the project in the form of a € 15 million loan from risk capital resources and a € 5 million loan from own resources
- Water Sector: *Lesotho Highlands Water Project (LHWP)* – Phase 1B: EIB support to Phase 1B of the LHWP consisted of two loans from own resources for a total of € 54 million for the construction of the Matsoku Diversion Weir and Tunnel. Following a final disbursement of ZAR 21.5 million (€ 2.7 million) made in June 2004 and cancellation of the remaining balance of € 1.9 million, total disbursements under both loans now amount to € 52.1 million.
- SME support: *Lesotho National Development Corporation (LNDC)*: Following three previous global loans of € 3 million each, a fourth global loan facility of € 3 million from risk capital was provided to LNDC under Lomé IV in 1994 with the following components: Loan "A" (€ 0.75 million) for Government of Lesotho equity in LNDC, Loan "B" (€ 1.75 million) for the financing of small and medium-sized enterprises and factory shells and Loan "C" (0.5 million) for LNDC equity participations in SMEs.

Activities in 2007:

In July 2007 the EIB signed a € 14,3 millions loan from own resources coupled with a 3% interest subsidy from the Investment Facility in support of the *Maseru Wastewater Project (MWWP)*. From the second EU Water Facility, which was launched in March 2006, the MWWP has obtained a grant of € 10 millions. The EIB worked in close co-operation with the Commission and the promoter (the Water and Sewerage Authority, WASA) and has supported the project preparation by financing several studies. Tenders for consultancy within 1) Technical Assistance to the Project Implementation Unit, 2) Environmental and Social Impact Assessment, and 3) Detailed Design, Tender Documentation and Construction Supervision were commenced in late 2007, and expected to take 18 months, permitting construction works to commence in mid 2009.

No disbursements were made in 2007.

Outlook for EIB's possible future activities in Lesotho

Under the Cotonou Agreement/Investment Facility, the Bank will continue to follow closely all opportunities for supporting viable projects in Lesotho, while giving particular attention to possible private sector projects or public sector infrastructure projects that contribute to improving the efficiency of public utilities. In view of the priority GoL attributes to improved access to water supply and sanitation services, and in close cooperation with the EC regarding its activities in this focal sector, EIB funding could be provided in particular for sustainable investments in the water and sanitation sectors.

ANNEX XII

Questions on the EU Aid Effectiveness targets

Questions on the EU Aid Effectiveness targets

The Commission has to report its performance annually against the four EU targets on aid effectiveness. The data for this will be collected through the EAMR reporting system. You are therefore requested to complete the questions below with specific information as noted so that the current limited baseline we have can be updated and subsequently tracked annually. The information will also be important for you to exchange with your government colleagues, NGOs and with other donors, including MS.

Given the similarities between the Paris and the EU Targets, against the questions below reference is given to corresponding questions in the OECD survey. For specific definitions of terms please refer to the OECD/DAC "Definitions and Guidance", Section 5 of the 2006 Survey on Monitoring the Paris Declaration on Aid Effectiveness (link given below). Please follow the OECD definitions closely to ensure standardised reporting. For further clarification where necessary, footnotes have also been included. <http://www.oecd.org/dataoecd/13/29/36306366.doc>

EU Target 1: Channel 50% of government-to-government assistance through country systems, including by increasing the percentage of our assistance provided through budget support or SWAP arrangements.		
OECD ref: Q ^d 2	(i) How much ODA did you disburse at country-level for the government sector in FY 2006 (EUR)? ¹	F&C please
Q ^d 5	(ii) How much ODA disbursed for the government sector in FY 2006 used national budget execution procedures (EUR)?	None
Q ^d 6	(iii) How much ODA disbursed for the government sector in FY 2006 used national financial reporting procedures (EUR)?	None
Q ^d 7	(iv) How much ODA disbursed for the government sector in FY 2006 used national auditing procedures (EUR)?	None
Q ^d 9	(v) How much ODA disbursed for the government sector in FY 2006 used national procurement procedures (EUR)?	None
Definition of the indicator: $[(Qd5+Qd6+Qd7+Qd9)/4] / Qd2$		0%
Are there any significant initiatives to promote the use of country systems in your country? If so, please provide a short description. If not, highlight key constraints (use additional page if needed)		
<i>Under EDF 10 it is expected that a joint-donor General Budget Support Programme will be established together with SPSPs in the water and possibly health sectors. In both these support modes the use of country systems/procedures in terms of budget execution, financial reporting, auditing and procurement will be promoted.</i>		

¹ In practise this will cover all disbursements to the government sector for which the Delegation is the sub-delegated authorising officer.

EU target 2: Provide all capacity building assistance through coordinated programmes with an increasing use of multi-donor arrangements²		
OECD ref: Q ^d 3	How much technical cooperation did you provide in FY 2006 (Total TC in EUR)?	F&C please
Q ^d 4	How much technical cooperation did you provide through co-ordinated programmes in support of capacity development in FY 2006 (EUR)? (Please use definitions given in OECD guidance)	None
Definition of the indicator: Q ^d 4 / Q ^d 3		0%
Are there any significant initiatives to promote the use of coordinated programmes for technical cooperation in your country? If so, please provide a short description. If not, highlight key constraints.		
<p><i>The jointly financed WB-EC Integrated Transport Project provides since 2008 TA to the Ministry of Public Works and Transport implemented by the WB; EC and WB concluded an Administration Agreement on this Project. TA content and scope of service were agreed between WB and EC and GoL in 2006.</i></p> <p><i>In 2008, EC Delegation will be exploring with resident EU Member States (IRL, UK, G) and with WB the opportunities and scope for such coordinated programmes in the future with regard to accompanying measures to GBS and SBS.</i></p>		

² Despite the different wording the target is interpreted to correspond to Paris Declaration indicator 4. Please pay particular attention to the definition for the question Q^d4.

EU target 3: Avoid establishment of new project implementation units (PIUs).		
OECD ref: Q ^d 10	How many parallel project implementation units were funded by EC in FY 2006?	<i>none</i>
	How many integrated project implementation units were funded by EC in FY 2006?	<i>none</i>
	How many <u>new</u> parallel project implementation units were started with EC support in FY 2006?	<i>none</i>
	How many <u>new</u> integrated project implementation units were started with EC support in FY 2006?	<i>none</i>
Definition of the indicator: Were new parallel PIUs started with the support of the EC?		<i>No</i>
Are there any significant initiatives to decrease the number of parallel PIUs in your country? If so, please provide a short description. If not, highlight key constraints.		
<p><i>If EC and EU partner(s) decide to proceed in a SWAp for the health sector a condition will be the dismantling of the existing PIU (parallel unit) in the Health Ministry.</i></p> <p><i>Pressure from MCC resulted in establishing a fully separate PIU for supervising the design and construction of the Metolong dam and related infrastructure instead of using an existing unit within the Ministry of Natural Resources. Ccurrent plans being followed by the Millenium Challenge Corporation in Lesotho involve the establishment of at least 7-8 new PIUs.</i></p>		

EU target 4: Reduce the number of uncoordinated missions by 50%.		
OECD ref: Q ^d 15	How many missions to the field were undertaken in FY 2006? ³	12
Q ^d 16	How many of these were coordinated?	0
Please provide a breakdown of missions the Commission and its services have undertaken to your country in FY 2006 in the table below:		
Missions by:	Coordinated	Uncoordinated
Members of Commission		1
AIDCO		2
DEV		0
RELEX		1
TRADE		0
ECHO		1
FISH		0
OTHER DGs		0
ROM missions		1
Other consultants contracted by EC		6
Total		12
Definition of the indicator: (Q ^d 15 - Q ^d 16). This will become the baseline for subsequent reduction by 50%		0%
Are there any significant initiatives to decrease the number of uncoordinated missions in your country? If so, please provide a short description. If not, highlight key constraints.		
<p><i>The European Donor Agencies in Lesotho (EDAL) group (EC, IRL, UK, G) plans to introduce a comprehensive planning system for incoming missions to ensure better coordination. The current cooperation between donors in the context of preparing the General Budget Support Programme, eg. joint fiduciary assessment, is an example of the way we would wish to work in the future.</i></p>		

³ This question applies to the missions from the HQ

Other aid effectiveness related information (Optional)

Road map

- (i) Have the EU missions in your beneficiary country implemented the Council request to prepare an EU road map guiding the implementation of Paris Declaration? If not, briefly explain what the causes of non-implementation of such request are.

Not yet due to competing priorities and shortage of resources

- (ii) Who is in the charge of this work and are other stakeholders participating?

To be determined, but possibly IRL

- (iii) How is the road map being followed? What is the extent of the Government involvement on the Road Map, and more generally in the implementation of the Paris Declaration objectives?

- *Government and Parliament have approved the Paris Declaration*

Blue Book

- (i) Is there a 'Blue Book' tracking the donor activities at the national level?

No

- (ii) Who is in charge of this work and is it actively updated?

Not applicable

Web site

- (i) Is there a country website on donor coordination, harmonization or on aid effectiveness issues?

No

- (ii) Who is managing the website and is it actively updated?

Not applicable

- (iii) Please provide the URL of this site.

Not applicable