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CO-OPERATION BETWEEN THE
EUROPEAN UNION
AND THE
KINGDOM OF LESOTHO**

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1. Executive Summary

2002 has been another year of political progress and economic consolidation for Lesotho. On the political front the most significant event has been the successful general election held in May 2002. The conduct of the elections received accolades from a wide number of organisations and the process and principles employed following the repercussions of the 1998 post-election civil disturbances have been held up as a model for other emerging democracies. Although one party (Lesotho Congress for Democracy) won 77 of the 78 seats contested on Election Day, the introduction of a Mixed Member Proportional (MMP) system ensured that the other parties contesting the election were awarded a total of 40 seats in the new National Assembly, thus providing Lesotho with the opportunity for a constructive opposition in parliament.

The macroeconomic and fiscal recovery that emerged in 2001 was slowed by the famine experienced in parts of southern Africa, by the ongoing political and economic difficulties being encountered in Zimbabwe and by the effects of the dramatic devaluation of the South African Rand. A result of this was that widespread hardship was experienced throughout Lesotho due to localised crop failure and substantial increases in the price of basic foods, fuels and other household commodities. In part this negative occurrence has been offset by the continuing strong growth in the textiles and garment manufacturing industry. Despite having to address the challenges posed by the crisis in purchasing power amongst the rural and urban poor, Lesotho has remained on track with its performance under the IMF-PRGF and progress continues to be made in the areas of macro-economic and fiscal reform, in particular Government's decision to proceed with the establishment of the Lesotho Revenue Authority (LRA), the introduction of value-added tax (VAT) and the privatisation/commercialisation of key utilities (telecommunications, electricity). However, sustainable economic growth and the public sector reform process are under serious threat from the effects of the HIV/AIDS pandemic, as Lesotho ranks amongst the countries with the highest HIV prevalence in Africa. The most recent estimates suggest that the incidence of sero-positivity is in excess of 30% of the adult population, a level of incidence which could have serious social and economic consequences.

Lesotho's performance under its cooperation programme with the European Union has continued satisfactorily. The country support strategy and indicative programme (CSS/NIP) for the 9th EDF was signed on the 16th September 2002 and provides € 86 million in programmable resources plus an allocation of € 24 million to cover unforeseen needs. Primary commitments approved during the year totalled € 3.5 million whilst disbursement over 2002 (for all EDF) amounted to € 7.7 million or LSL 76.8 million (inclusive of budgetary support payments).

2. The Policy Agenda of Lesotho

Government's commitment to poverty reduction and improved governance is embodied in two initiatives that are to provide a longer-term framework for appropriate strategies and policies. Of these two initiatives Vision 20/20 is an articulation of long-term national aspirations, whilst the second, the Poverty Reduction Strategy Paper, will provide a medium-term perspective for

Government policies and interventions in both social and economic sectors. Under both initiatives employment creation, a well-developed human resource base, sustainable economic growth, public sector reform and democratisation have been identified as priorities. In order to give a more coherent basis to the two initiatives the processes for their formulation have been combined, notably in the conducting of widespread village-level consultations during the year as a means of canvassing public opinion. Following the publication of the results of these consultations work has continued on the preparation of both the Vision and the PRSP and both documents are now scheduled for presentation during the latter half of 2003.

In 2000 the Lesotho Government obtained IMF agreement to a three-year support programme via the IMF Poverty Reduction and Growth Facility (PRGF). Under the PRGF a number of structural reforms and macro-economic, fiscal and monetary policy objectives have been set, the purpose of which is to strengthen fiscal management, promote accelerated growth, improve social services and reduce poverty. The structural reforms are focussed on a limited number of key areas, including tax administration, tax policy, public expenditure management, civil service reform and privatisation. The primary macro-economic policy objectives are: to reach and maintain economic growth of at least 3.9% a year in the medium-term; keep gross international reserves at the equivalent of at least six months imports of goods and services; and maintain the external current account deficit at a sustainable level. In terms of fiscal policy the objective is to strike a balance between medium-term growth, poverty reduction targets and short-term balance of payments constraints. GoL expenditure control will focus on recurrent expenditures, with the target of rationalising and lowering the government wage bill and gradually reducing the budget deficit to less than 1% of GNI

In recognition of Lesotho's extremely limited natural resource base, the retrenchment of migrant mine labour and agriculture's inability to provide a significant living to more than a few commercially oriented families, GoL has given the highest priority to economic policies aimed at creating job-opportunities. In this context GoL strategies are divided into two approaches: the first being to continue labour-intensive technologies for public works programmes as a short-term measure and the second being to take advantage of the trade opportunities offered by the African Growth Opportunities Act (AGOA) initiative and by the EU under the Cotonou Agreement.

To counter possible decreases in SACU revenues and lower dependence on the same as the primary source of government revenue, GoL has embarked on a number of measures which include: strengthening tax administration through the establishment of an independent Lesotho Revenue Authority (LRA) in December 2002; introducing value-added tax (VAT) by October 2003; and adopting more prudent public expenditure management.

Following the adoption of primary health care in 1979 as the focal strategy for attaining *health for all* good progress was achieved throughout the 1980's in strengthening the provision of health service. However, a lack of clear policies, a changing health environment brought on by the AIDS

pandemic, the loss of medical staff to South Africa and lack of co-ordination between GoL and its non-state partner (CHAL) have undermined these previous accomplishments. To address the problem GoL has for the past seven years undertaken to reform the health sector, with the aim of attaining affordable, universal coverage and equity in health services delivery. However, due to the low levels of institutional capacity that are systemic to the public service, the first five years of the reform programme have focussed on institutional capacity building with the preparation of an action plan for the reform process with clearly defined goals and the means of achieving them being a key aspect of the programme. Progress continues to be relatively modest, though with technical assistance there have been significant improvements in the preparation, administration and monitoring of the sector budget.

Since the mid-1970s the principal policies for the education sector have been to provide every Mosotho with access to primary education; to offer non-formal programmes in literacy and numeracy, to facilitate the acquisition of occupational, technical and managerial skills and to ensure the quality, efficiency and relevance of the education system. Current interventions to realise the policy include the introduction of free primary education, the expansion and improvement of vocational and technical training and greater use of opportunities for cooperation with South Africa. Of these interventions the most significant has been the introduction of free primary education, which is to be extended to include the fourth year commencing January 2003.

In the area of rural resource security Government's policies are focussed on the optimal use of that labour which is available to rural households together with the sustainable utilisation of Lesotho's limited natural resource base. In this context government's involvement in the agriculture sector is focussed on rationalising the respective roles of government, farmers and commercial operators and the creation of a market driven, sustainable and dynamic agri-products sector. Some of the measures being implemented to attain these objectives include: the restructuring of public sector institutions; the privatisation of agricultural parastatals; the reform of land tenure; and soil and water conservation. Of these measures, progress in the reform of the MoACLR continues to be slow, some 50 agricultural parastatals have been offered for sale and a white paper on Land Reform and Land Tenure has been completed for national debate and presentation to parliament.

The water and sanitation ¹ supply sector in Lesotho is undergoing considerable institutional, legal and regulatory reform. Driving the reforms are the completion of the first phase of the Lesotho Highlands Water Project, without the immediate prospect of further phases; a focus on attracting wet industries to drive the country's industrialisation programme; and a dramatic increase in urbanisation with the consequent increase in the demand for domestic water supply and sewerage collection. The policy framework for water supply is provided by the Water Resources Management Policy (WRMP) of 1999, which in addition to the development of secure long-term sources of supply, emphasises the need for: institutional reform; cost recovery through an appropriate tariff structure; greater involvement of the private sector in water distribution; regional

¹ Sanitation is also taken to include waste water collection and treatment and solid waste collection and disposal.

cooperation; and the systematic treatment of wastewater. Furthermore, to consolidate the disaggregated water sector organisations and provide a focus for the coordination of the reforms and related investment, a Commissioner of Water is to be appointed to the Ministry of Natural Resources (MoNR) in early 2003.

In December 2002 the Ministry of Public Works and Transport (MoPWT) released the first draft of a transport sector policy document. In the document GoL's the underlying premise for overall policy for the transport sector is to develop a network capable of supporting national economic development and providing access to all communities, in particular those in isolated rural areas. Specific intra-sector objectives are to: facilitate and optimise traffic circulation; lower vehicle running costs; reduce the incidence of road accidents; provide employment through labour-based road construction and maintenance; and enable the establishment of rural social infrastructures such as schools, clinics, markets and water supply schemes. The policy is to be discussed with a wider representation of stakeholders in early 2003 and is expected to be adopted by Cabinet before the end of the year.

3. Update on the Political, Economic and Social Situation

As a signatory to the Millennium Declaration the Government of Lesotho is committed to the concept of addressing the problems facing its people through the process of establishing a single framework of inter-related goals on development, governance, peace, security and human rights. Each of the goals (Millennium Development Goals – MDG) are associated with time bound targets and within an international context a number of indicators have been established to assist the systematic monitoring of national progress against the Millennium Declaration. The Government of Lesotho has incorporated the principle of the MDGs within the framework of the Vision 2020 and the PRSP initiatives where the respective targets and indicators are to provide a focus for the design and implementation of policies that can effectively lead to real poverty reduction and the improved well-being of the Basotho people.

With approximately 31% of the population between 15 and 49 years being HIV+ve it can be expected that the impact on all levels of society will be significant and could threaten to erode decades of progress in human development. In part the early impact of the pandemic can be seen in the decline in the Human Development Index, particularly in the areas of education, health and life expectancy and in Lesotho's HDI ranking which dropped from 127 in 2000 to 134 in 2002 out of 174 countries. Hence, whilst the 8 key MDG's² are strongly interrelated and mutually dependent, in Lesotho none is more critical for progress in human well-being than the goal of reversing the incidence of HIV/AIDS. Effectively combating HIV/AIDS would yield significant benefits in child and maternal welfare, in human resource development and is considered critical for eradicating extreme poverty and improved household resource security. Because of the

² Combat HIV/AIDS; Eradicate extreme poverty and hunger; achieve universal primary education; promote gender equality and empower women; reduce child mortality; improve maternal health; ensure environmental sustainability; develop a global partnership for development.

significance of HIV/AIDS in Lesotho the global targets set by the Millennium Declaration have been shaped to fully reflect the national context.

Type	Indicator	2000	2001	2002	2003	2015
Impact	i) Proportion of population below US\$1 per day	58%				40%
	ii) Prevalence of underweight children (<5 yrs)		22%			11%
	iii) Under five years mortality rate (per 1000 live births)	111	113			N/A
Outcome	iv) Net enrolment ratio in primary education	68.9%	69%	69.2%	73%	85%
	v) Primary education completion rate	85.6%	86.3%	75.5%	85%	90%
	vi) Ratio of girls to boys in:					
	• Primary education	51:49				50:50
	• Secondary education	57:43				50:50
	• Tertiary education	55:45				50:50
	vii) Proportion of births attended by skilled health personnel	76% *				80%
	viii) Proportion of 1 year-old children immunised against measles	77%				90%
	ix) HIV prevalence amongst 15 – 24 year-old pregnant women	31%				25% **
	x) Proportion of population with sustainable access to an improved water source	77%				81%
	xi) Child Mortality rate (per 1000 survivors to age 1 yr)		35			10
	xii) Proportion of people with access to basic sanitation		45%			67%

Sources: Bureau of Statistics, Ministry of Health and Social Welfare, LAPCA, UNAIDS/WHO, UNDP, UNICEF, Ministry of Education

* Includes trained traditional birthing attendants

** MDG goal is to have halted and begun to reverse the spread of HIV/AIDS by 2007

Although values have been given for most indicators their relevance and accuracy could be considered questionable. With the exception of some education data there is very little useful time-series data on which to establish evidence based planning and the evaluation of progress in the attainment of the MDGs. The data that is available is frequently derived from ad hoc studies of uncertain statistical significance or from extrapolations based on data produced in the eighties. This weakness is symptomatic of the general low level of institutional capacity throughout government together with the lack of appreciation of the role of data and information in effective governance ³. If measures targeted at poverty reduction and effective public expenditure

³ An example of the problem with data collection, analysis and the monitoring of indicators is the health sector where there has been no collection, entry, validation and analysis of basic data from the health service areas between 1998 and 2001. Hence, no epidemiological profiles have been produced for this period and no figures on health service delivery. Similarly, Government has produced no financial accounts since 1995/96.

management are to be effective greater attention will need to be applied to the collection, analysis and use of accurate data and information.

3.1. Overall update on the political situation

In 2001, after extensive discussions on the relative allocation of seats under the proposed Mixed Member Proportional (MMP) system ⁴ it was decided that the number of seats in the National Assembly should be 120, 80 of which should be constituency seats and 40 party seats. Registration of voters took place in mid-2001 with the first voters list being published in November 2001 and in March 2002 the final list was given to the political parties contesting the general election. Polling in the General Election took place in 2,308 polling stations on 25th May 2002 with a total of 554,386 voters casting their ballot papers, a turn out of 68.1%. In a further improvement to the transparency of the elections, the results once tallied at the constituency level were transmitted for verification and publishing to a National Election Results Centre in Maseru. In the constituency vote, contested using the FPTP system, the ruling party (Lesotho Congress for Democracy - LCD), won 77 seats and the Lesotho Peoples' Congress (LPC) won 1. In two constituencies the elections were delayed due to the death of candidates prior to the election. The party vote, using a modified PR system, awarded the remaining 40 seats to a further 8 parties which following the fresh elections in the two uncontested constituencies has meant that the LCD presently holds 79 seats in the National assembly to the opposition parties' 41. A total of 255 international observers and a number of representatives from domestic groups were deployed to all 80 constituencies and in all instances expressed their satisfaction with the election process and concluded that the IEC had successfully delivered an "acceptable, free, fair, transparent and accessible election to the Basotho nation" ⁵.

3.2. Human rights, rule of law, good governance and the fight against corruption

Lesotho is a signatory to the major international conventions on human rights and continues to receive the approbation of Amnesty International and the US State Department for its efforts in ensuring the humane treatment of prisoners and acceptable working conditions for those employed in the garment and other industries. Further, although the death penalty remains on the statute books there has been a de facto moratorium for a number of years.

The justice sector has been the subject of an external reviewing under Lesotho's bilateral programme with British aid and it is expected that more substantive assistance will commence in 2003 with the aims of removing the backlog of cases that continues to plague the system, strengthening the police force and providing some of the instruments necessary for the effective operation of the legal system (collated, cross-referenced records of judgements and case law, etc.).

Although good governance is at the centre of Lesotho's proclaimed strategies for poverty reduction and the attainment of the longer-term national aspirations, it is an element that continues to receive

⁴ A combination of the First-past-the-post (FPTP) and Proportional Representation (PR) systems

⁵ "Report on the 2002 General Election held on 25th May 2002 for the National Assembly for the Kingdom of Lesotho", Independent Electoral Commission of Lesotho, October 2002

insufficient attention and which through systemic weaknesses in the public sector is a very real threat to the stated goals in terms of social and economic upliftment. Of particular relevance is the current failure of public expenditure management, and within this function the failure of public finance management, to provide consistency to the principles of allocative efficiency, economy and accountability in resource use and cohesive support to policy implementation. Support for measures to overcome these deficiencies is of serious concern to Lesotho's main cooperating partners and under the coordination of the World Bank discussions are ongoing for a possible "Public Sector Improvement and Reform Programme".

In the fight against corruption Lesotho has taken a proactive stance with the most significant event in 2002 occurring in May when a former Chief Executive of the Lesotho Highlands Development Authority was sentenced to eighteen years in prison for accepting payments from international consultancy firms and construction companies. In October 2002 one of these companies was fined approximately € 2.5 million and actions against a further eighteen individuals and companies are pending. The Government has also established a Directorate against Corruption and Economic Crime and through this body has commenced investigating public sector corruption and has begun to prosecute offenders.

3.3. Macroeconomic and structural reform performance, including external debt burden

For most countries the key indicator of economic performance is the real rate of growth within the country as measured by GDP. However, Lesotho is unusual in that it receives substantial inflows, both of net income from migrant labour remittances and of net transfers from the SACU revenue pool. In constant prices real growth in GDP at market prices has fluctuated over the last six years, from a strong level of 8.1% in 1997 to a negative 4.6% in 1998 and the subsequent modest increases of 0.2% in 1999, 1.4% in 2000, 3.4% in 2001 and a provisional of 3.9% for 2002. Over the same period the real performance of GNI has been significantly worse with falls of 9% in 1998 followed by 3.9% in 1999, 3.1% in 2000 and 1/7% in 2001, a trend that despite the provisional forecast of a positive growth of 3.2% in 2002 is disturbing as it indicates a consistent fall in household income and is likely to be a contributory factor to a worsening poverty situation. In nominal terms GNI per capita fell in 1998 to LSL 3,114 and has risen to a provisional level of LSL 4,126 in 2002. However, when expressed in US\$ (using the average annual exchange rate) there has been a dramatic decline from \$ 667 in 1997 to \$ 410 in 2002, which given the extent of income inequality (the Gini coefficient for Lesotho was put at 0.57 in 1997) confirms that a majority of the population (estimated at 58% in 2000) is living below the widely accepted poverty line of US \$ 1 per capita per day.

Within the context of the IMF-PRGF structural reform is intended to strengthen fiscal policy implementation through improved tax administration and public expenditure control and to support the climate for increased FDI and local investment through financial sector reform. Although GoL's efforts have achieved a measure of success there are areas which if not adequately addressed could negate the gains made to date. The most significant area in which progress has been made during the year has been that of improving tax administration, with the Lesotho Revenue Authority

(LRA) becoming operational in December 2002. On the obverse side, although strengthening public expenditure management is a critical requirement for reducing Lesotho's exceptionally high level of Government spending, progress has been limited. An EDF-financed study conducted in mid-2002 confirmed the very weak state of public financial management and recommended a number of measures for improvement. Several of these measures, construction of Government's balance sheet as of 31st March 2002, appointment of senior management to the Accountant General's office, a review of financial legislation and the initiation of measures for introducing a new financial management information system, were incorporated as structural benchmarks and performance criteria for the IMF/, PRGF. However, with the exception of the appointment of the Accountant General, none of the measures have been implemented within the envisaged timeframe, a factor that when taken together with the poor state of other areas of public expenditure management (macroeconomic forecasting and policy development, planning and budgeting and public audit) raises concerns over government being able to bring expenditure under control in the short- to medium-term, and to subsequently recast expenditures for sustainable poverty reduction through economic growth.

The value of public debt outstanding has more than doubled in the past four years, principally as a result of the dramatic depreciation in the South African Rand, which started in the last quarter of 2001 and persisted throughout most of 2002. External debt is presently estimated at LSL 5,680 million and although this is expected to increase to LSL 6,196 million by 2006, the highly concessionary nature of much of the debt means that annual debt service for the present remains manageable.

3.4. Integration into the world economy and trade arrangements

Three key features that impact upon Lesotho's economy are: 1) the fact that it is surrounded entirely by South Africa which, should Lesotho embrace greater economic integration with its neighbour, opens opportunities for Lesotho to link into wider global markets via South African supply chains and the better developed infrastructure that exists in that country; 2) In culmination of a number of years renegotiation a new Southern Africa Customs Union (SACU) ⁶ Treaty Agreement was signed in August 2002. As the least developed member of SACU Lesotho is expected to experience little change in the share of the revenues generated by the Union. This is considered to be of significance as a large portion (approximately 50%) of Government's revenues are derived from SACU receipts. 3) As a LDC Lesotho should be able to take advantage of the trading preferences associated with such status and should be able to position itself to be more competitive than its SACU partners in attracting FDI. One of the negative aspects of Lesotho's business environment, as compared to other Sub-Saharan countries is a lower quality infrastructure within the country as reflected in the poor condition of the Maseru railhead and container terminal; growing water supply constraints, power interruptions and poor quality internet and voice communications and bottlenecks in the cross-border movement of goods and people.

⁶ SACU consists of South Africa and the BLNS States of Botswana, Lesotho, Namibia and Swaziland

Given the openness of Lesotho's economy and the extremely limited scope of its natural resource base, Lesotho is most vulnerable to exogenous events and the changing international and regional trade environment could have a profound impact on future macroeconomic stability and growth. It is thus essential that Lesotho is able to participate in and/or assess effectively the impact of negotiations of *inter alia*, the Free Trade Area within SADC, the EU-South Africa Trade, Development and Cooperation Agreement, and further rounds of trade liberalisation under the auspices of the WTO. Similarly, despite the poor quality of internal business related infrastructure notwithstanding, Lesotho as a member of SACU is in a position to benefit from its unique association with the one of Africa's largest economies and from the proposed free trade negotiations with EFTA, the United States of America, MERCOSUR and others. The major areas of uncertainty regarding the future are the possible implications of the ending of the Multi-fibre Agreement in 2005 and the upcoming Economic Partnership Agreement negotiations with the EU , where it there is uncertainty regarding the nature of the grouping within which Lesotho would be included.

Lesotho has requested to be a part of the Integrated Framework, whose purpose it is to facilitate coordination of trade-related technical assistance and promote an integrated approach to enhance the trading opportunities of LDCs.

The initial component of the IF has been the preparation of a Diagnostic Trade Integration Study (DTIS). Work on this began in November 2001 with consultations with core participating agencies in Geneva (ITC, UNDP, UNCTAD) and government and non-government organizations in Maseru, Lesotho. The study was officially launched by the government on March 26, 2002 at the National Integrated Framework Conference in Maseru, Lesotho. The study has been completed and Government is expected to approve it shortly.

3.5. Quality of management of public finances and budgetary expenses

Recent studies conducted under the auspices of various donor cooperation programmes have concluded that the financial control function in the Government of Lesotho has been neglected for some twenty years or more and has now deteriorated to a point where government's expenditure controls do not foster effectiveness, transparency or accountability. The result is that overall public expenditure management is extremely weak with little effective budgeting, limited application of Financial Regulations and other controls and, since 1996 there has been no presentation to Parliament of Government's annual financial reports. To counter this critical deficiency Government has expressed a commitment to public sector reform which in addition to improving public service management and the decentralisation of service delivery is intended to address the issue of improving public expenditure management. A number of donors have expressed an interest in supporting the programme which will be long-term and which will need to extend to the

regulatory and macroeconomic frameworks, planning and budgeting, financial management, accountability and reporting. However, the success of the reforms programme will be dependent upon the proposed measures being based on an assessment of present capacities and the commitment of the executive towards real and sustained reform.

3.6. Update on the Poverty Reduction Strategy Paper (PRSP) process

During 2002 the process of undertaking the community-level consultations for both the National Vision and the PRSP process were amalgamated in order to avoid duplication. A total of 200 villages were visited by teams drawn from both government and civil society to elicit the opinions of the grassroots population on the causes of poverty and possible solutions. The consultations were well attended though with hindsight it is possible that insufficient coverage was given to the rapidly growing urban and peri-urban areas, amongst whose populations there are increasing signs of severe poverty and even destitution. The findings of the consultations have been aggregated into a single report which, together with the reports prepared by the sector/thematic working groups, was used to provide a zero draft of the PRSP. This draft is expected to be discussed with stakeholders in early 2003 and the first drafts of both the Vision and the PRSP are to be submitted to Cabinet and the donors in July 2003. This delay has largely been occasioned by the amalgamation of elements of the two initiatives.

3.7. Interventions in the social sectors that impact on poverty reduction

It is becoming increasingly recognised that Government's actions and interventions in the social sectors, particularly health and the associated sector reforms, could be seriously threatened by the HIV/AIDS pandemic. The most recent estimates suggest that the incidence of sero-positivity is in excess of 30% of the population aged between 15 and 49 years, a level that ranks Lesotho amongst the countries with the highest HIV prevalence in Africa and which, when taken in the context of the country's LDC status means that the threat of HIV/AIDS to Lesotho's economic and social development will be of increasing significance and there will be a need for government to give greater attention to the wider and more insidious implications of the disease. Particular areas of concern will be the disease's impact on: decreased productivity due to absenteeism caused by increased sickness and death; increased expenditure on health care, funerals, etc., with the attendant reduction in consumer spending on other goods and services; accelerated loss of skilled workers, including those in government service; the need to care for large numbers of orphans; and the disruption to household resource security as a result of factors such as the need to redirect income to health care and the loss of economically active family members. To-date these considerations have not been accorded sufficient attention and it will be necessary for them to be included in the development of poverty reduction and development policies in all sectors, though the effectiveness with which this is achieved may be constrained by the existing institutional capacity problems.

3.8. Regional politics and progress in regional integration

In terms of regional integration the most significant issue facing the Government is that of encouraging greater economic integration with South Africa while protecting Basotho cultural, economic and political independence. Lesotho is member of the Southern Africa Customs Union

(SACU), the Common Monetary Area (CMA), and the Southern Africa Development Community (SADC) and in April 2001 established a Joint Bilateral Commission on Cooperation (JBCC) with the Government of South Africa as a vehicle for closer integration with its sole neighbour. The JBCC, which has the objective of lifting Lesotho out of LDC status within five years, is expected to lead to greater political and economic cooperation between the two countries and to joint investments in infrastructure.

3.9. Food security situation

The overall low level of agricultural potential that derives from the limited area of arable soils (approximately 9% of total land area) and inherently low levels of soil fertility over a large part of this area, the sharp decline in fertility for those soils which could be considered as having moderate to good potential, plus generally unfavourable climatic conditions, lead to a situation in which Lesotho must rely extensively on imports to meet its food requirements. As a result of an accumulation of circumstances encountered during the 2001/2002 crop season, Lesotho in 2002 experienced a relatively difficult humanitarian crisis which worsened the vulnerability of those sections of the population already suffering from social and economic poverty. To counter the problem Government embarked on a programme of mitigation. With assistance from the donor community and the private sector a number of activities were undertaken which were aimed at either relieving the current situation (schools feeding programmes, subsidizing unsifted maize flour, food distribution, etc) or assisting in the rehabilitation of crop production (subsidised ploughing, crop inputs, etc). Although the former is reported to have been relatively successful in relieving what was essentially a problem associated more closely to endemic poverty or purchasing power, for the 2002/03 cropping season the present prognosis is mixed as, even though the climatic situation has not been unfavourable to crop production it is possible that the more disadvantaged, will continue to experience problems during 2003. The factors underpinning this prognosis are:

- The marked fall in the value of the South African rand during the first part of 2002 lead to substantial price increases both for food and a broad range of basic household requirements (paraffin, gas, soap, etc). Although the currency began to show signs of recovery during the latter part of the year it is unlikely that the impact will be reflected in lower food prices to the consumer.
- The late distribution of GoL-subsidised agricultural inputs meant that the main plantings were delayed in many parts of Lesotho. This can be expected to lead to lower yields and a reduction in overall crop production;
- The impact of the HIV/AIDS pandemic on household resource security (loss of labour/main breadwinner; increased numbers of orphans) will almost certainly increase the proportion of people considered as being economically vulnerable; and

- The regional factors that contributed to the problem have not been overcome and will continue to affect food security throughout Southern Africa.

To address the continuing situation it is likely that Government's mitigating measures will continue to focus on humanitarian assistance for the most vulnerable, a further extension of school feeding schemes, the zero-rating of basic foodstuffs and other essential items under the proposed VAT system and an expansion of labour intensive public works programmes. For the longer-term Government will need to give greater emphasis to those policies related to creating greater job opportunities

3.10. Critical environmental trends

The Highlands region of Lesotho is a Centre of Endemism of continental and global significance and the high quality water flowing from the region is Lesotho's most valuable natural resource. Very little of the area is formally protected and there is the concern that unregulated infrastructure development in the area may have direct negative effects on biodiversity (species and habitat destruction) and indirectly by improving access into previously isolated areas it will allow for further exploitation and an intensification of unsustainable land-use practices leading to a cycle of biodiversity loss, erosion, land degradation and a decline in the volume and quality of water flows.

The Lesotho Environmental Act of 2001 provides a legislative framework for environmental control and protection but as yet has not been properly enabled by the promulgation of detailed regulations. These regulations have been in draft form for a number of years and it is not clear when they will be completed. This creates a degree of uncertainty in the planning and implementation of both infrastructure and commercial development and lessens the effectiveness of environmental impact assessments (EIA).

3.11. Other cross-cutting issues and the adequacy of public policy responses

The main area in which GoL has been unable to meet the commitments made at the time signing the 8th EDF National Indicative Programme has been that of greater movement towards gender equality. After the good progress made towards the development of a framework document on a national gender policy during 1997, there has been little further progress. Although a draft policy document had been drawn and discussed in government, proposals for wider national consultation and debate were delayed by the preparations for the 1998 General Election, the subsequent disturbances of September 1998 and the ensuing focus on constitutional and political reform to accommodate changes to the electoral and parliamentary systems, which have only now been resolved in 2002 with the conclusion of the General Election process. It is now expected that following the completion of public consultations on the draft gender policy that a formal submission will be made to Cabinet and Parliament and that the issue will be finalised with the adoption of a formal gender policy during 2003. The importance of a formal gender policy is particularly pertinent given the close inter-relationship between gender and certain aspects of HIV/AIDS and social reform.

4. Overview of past and ongoing cooperation

For the purpose of this Annual Report the framework of interventions agreed for EU/Lesotho development cooperation are the major considerations included under the 8th EDF National Indicative Programme together with a number of indicators agreed during the 2001 annual review. The reasons for adopting this approach are:

- Although the framework of interventions foreseen for cooperation under the 9th EDF was signed in September 2002, implementation of activities associated with the Country Strategy Paper and National Indicative Programme will only commence in earnest in 2003;
- The annual review for 2001 identified a number of specific issues together with related indicators of achievement, which were agreed as being of importance for the successful implementation of the EU/Lesotho cooperation programme.

The framework for co-operation between the European Community and Lesotho for the period of the Eighth European Development Fund (8th EDF/EDF 8) is based on the following priorities:

- *The development and consolidation of democracy and the rule of law as well as respect for human rights and fundamental freedoms.*
- *The campaign against poverty*
- *Sustainable economic and social development, with particular stress being given to the development of human resources, in particular to the issues of gender and environmental protection; and*
- *Integration into the world economy, in particular through the promotion of the private sector and the development of trade.*

The primary objective of the support given to the Government of Lesotho (GoL) has been to assist GoL in its efforts to alleviate poverty through measures that will place the economy on a more sustainable footing. Hence, within the general framework of the NIP, the main sectors for co-operation are the Road Transport Sector and the Social Sectors, particularly water supply. Supplementary assistance is being provided in support of Health Sector Reform, capacity building in macroeconomic management and in the administration of the EDF programme. The resources allocated to the 8th EDF-NIP were € 61.5 million, to which an additional € 18.5 million of macroeconomic budgetary support was added in 2001. The levels of primary and secondary commitment and disbursement for the 6th, 7th and 8th EDF as at 31st December 2002 are:

EDF		Amount allocated to NIP*	Primary commitment	Secondary commitments	Disbursements at 31.12.02
6 th EDF	€ mio	41.5	40.3	40.3	40.3
	%	100%	97%	97%	97%
7 th EDF	€ mio	50.0	48.9	47.5	46.6
	%	100%	98%	95%	93%
8 th EDF	€ mio	61.5	53.8	33.1	20.2
	%	100%	88%	54%	33%

* Programmable resources only, incorporating initial allocation plus additional resources provided after mid-term review

4.1. Focal sectors and macroeconomic support

4.1.1. Road transport

a) Results

The policy objective for the road transport sector in Lesotho is the enhancement of economic opportunities through the development and maintenance of a road transport network that will support sustainable economic growth and is capable of giving improved access to isolated areas. This attainment of this objective is to be measured by:

- i) *The provision of finance for road maintenance through the establishment of a Road Fund and through ensuring an increase in the level of recurrent expenditure on road maintenance, both proportionately and in real terms.*
- ii) *The creation of a Road Board for planning and monitoring of expenditures financed from the Road Fund.*

During the 2001 joint Annual Review it was noted that the success in the implementation of the Road Fund was constrained by the short period in-office of both Board members and the staff engaged to manage the Fund. The indicator agreed as a measurement of improvement in the situation was that the period of office/contract for persons associated with the Road Board/Fund be extended from two to three years.

b) Progress in activities

In recent years external assistance to the road transport sector has been channelled through a multi-donor funded sector-wide programme. Within this programme EDF-financed assistance has focussed on a **Road Transport Infrastructure Project (8 ACP LSO 002)**, for which a Financing Agreement in the amount of € 37.7 million was signed in August 1999. By the end of 2002

approximately 76% (€ 27.7 million) of the resources approved for the programme had been committed and 50% (€ 18.9 million) had been disbursed. It is anticipated that the balance of the uncommitted funds will be allocated during 2003 to activities presently under preparation (road safety works, rural roads, technical assistance) and that all activities will be completed by the designated date of project completion.

The purpose of the RTIP has been to provide substantive support to a number of aspects in the Government's programme of sectoral reform in the road transport sector. Specific activities financed under the RTIP are:

- i) To upgrade 114 km of roads to bitumen status, in areas presently constrained by a lack of good year-round access;
- ii) To upgrade 61.5 km of un-engineered earth tracks to Labour Construction Unit (LCU) standard;
- iii) To support the training of local contractors;
- iv) To strengthen the institutional capacity of the Ministry of Public Works and Transport (MoPWT); and
- v) To introduce a Road Safety Improvement Programme.

Although the contractor mobilised in October 2000 effective implementation of the contract for upgrading the designated district roads to bitumen status was delayed until early 2001. The reason for this delay was the discovery of errors in the designs produced by the feasibility study, which necessitated an extensive design review. After further interruptions due to exceptional rainfall during 2001 and a lack of access arising out of delays in land appropriation the contractor has been able to make good progress with approximately 65 km out of the total 114 km bitumenised, and with the remaining work well advanced. As of the end of the year the value of the works completed amounted to LSL 124.4 million out of an estimated final cost of LSL 181 million. Although this represents an increase of approximately 72% over the tender award price much of the difference is due to inflation adjustments, additional work and the approved extension of contract time of 92 months. Just before the close of the year the contractor submitted a request for additional payment in excess of LSL 180 million. This request is to be reviewed and if necessary submitted to the relevant expertise for advice. The expected completion date has been revised from January 2003 to July 2003.

Building on a long established "tradition" for labour-intensive public works schemes, the Department of Rural Roads is responsible under the project for upgrading a total of 61.5 kms of earth tracks to all-weather gravel status, using labour-based techniques. The roads being upgraded under this element of the programme are located in two lowland and two mountain districts and with the exception of one major river crossing all works were completed during the year. The final costs of the works carried out was LSL 20.312 million, which is an over-run of 16.4% compared with the approved budget cost of LSL 17.457 million. The major reasons for the increase in costs

have been the twenty-five per cent increase in the minimum wage for persons engaged on public works programmes and the increase in the standard width for rural roads from 5 m to 6 m.

Lesotho has one of the poorest road safety records in the world. Under the RTIP, financial and technical assistance has been given for a programme of Road Safety Improvement and in recognition of the potential for serious accidents in the vicinity of the rapidly expanding industrial estates in Maseru South a number of measures have been proposed including the construction of pedestrian walkways, service roads and a taxi terminus. A contract for the construction of the road safety works was awarded in December 2002 for an amount of LSL 22.25 million, with the works to be completed in the third quarter of 2003.

In addition to the 8th EDF financed RTIP a number of road transport sector related interventions have been financed from the residual reserves of the 7th EDF. Of these actions only the **Axle Load Control Project (7 ACP LSO 038)** is ongoing. A contract was awarded in March 2002 for the construction of permanent weighbridges at the two major border posts (Maseru Bridge and Maputsoe) and for the supply of mobile weighbridge equipment to be used and designated lay-byes built under the project. After delays due to minor amendments in the designs of the two permanent sites the contract has progressed satisfactorily and trials are expected early in 2003 with provisional acceptance at all sites being completed in the second quarter 2003.

c) Cross-cutting themes, institutional development and capacity building

Two problems identified both at the preparatory stage and continuing throughout implementation have been the lack of a specific and cohesive set of policies for the sector and, in common with the public service in general a low level of institutional capacity and little if any perception and implementation of the principles economy, efficiency and effectiveness. In part this is due to general systemic weaknesses associated with public sector terms and conditions (particularly in comparison to the parastatal and private sectors and with neighbouring South Africa) and with the prevailing situation in which there is little incentive or encouragement for improvements in the overall performance of the public service. As a short-term measure pending the development of more substantive capacity building proposals the RTIP is providing technical assistance for strengthening and building up the institutional capacity of the ministry Planning Unit and the Department of Rural Roads in MoPWT. The advisers for these assignments took up their positions in October and September 2000 respectively. Initially both TA were required to give greater attention to ensuring that the activity oriented elements of the project were initiated but during the past year the issue of transport sector policy analysis and development has been tackled and a draft sector policy document was completed in December 2002. This document is to be discussed amongst all relevant stakeholders during 2003 with the intention that it be adopted as national policy by the end of the year.

4.1.2. Social Sectors

In identifying the social sectors of health, education and water as the second focal area for the 8th EDF NIP the Government of Lesotho has demonstrated its recognition of the linkage between future economic progress, the development of the Nation's human resource base and the requirement for meeting the basic human needs of the people. In the period following the signing of the National Indicative Programme it was agreed that programme assistance under the NIP would be directed towards the Health and Water Supply sectors and that education would only be supported through the medium of community-based activities under the Microprojects Programme. This decision emanated from a joint assessment that the support provided to the education sector by other donor agencies (Ireland Aid, World Bank/IDA, African Development Bank and UNICEF) would be sufficient within the context of government's annual budget and within the limits of existing institutional and absorptive capacities

4.1.2.1 - Health Sector

a) Results

For the health sector the indicators agreed during the 8th EDF-NIP negotiations, for the achievement of GoL's policy objectives in the sector were;

- i) Completion of the health sector review and development of a programme of action for health care reform*

Progress to-date in achieving this measure of progress has been slower than originally projected. This has largely been due to an underestimation of the work involved, an overestimation of institutional capacities within the sector, a general misconception that the reform process is separate from the overall activities in the sector and a failure to view reform as being a process of change whereby the health sector adapts to changing circumstance. Although at first sight this may appear to have been a failure it has meant that the process of understanding and developing the various components of reform has been carried out in a more participatory manner and that by giving recognition to the capacity constraint it has been possible to address this problem at the outset.

- ii) Decentralisation of financial and administrative management.*

Of the areas targeted under the reforms most progress has been made in the area of financial management within the health sector. With support from World Bank (IDA) funding several innovations have been introduced including: the introduction of activity based budgeting, the production of three year expenditure forecasts, the computerisation of accounts and the establishment of a financial management committee. However, for the improvements to be sustainable it will be necessary for them to be integrated with Government's central accounting system.

- iii) Introduction of a multi-sectoral approach to combating HIV/AIDS.*

Based on sentinel site surveillance the indications are that the overall HIV prevalence amongst the adult (15 to 49 years) population is approximately 30%, which places Lesotho as one of the countries most affected by the pandemic. HIV prevalence has risen sharply since 1992 and there is no evidence that rates are yet reaching a plateau. If the indicative levels of prevalence are correct, then over the next ten years HIV/AIDS can be expected to severely impact on all aspects of Basotho life with: increasing levels of ill-health; sharply rising mortality rates; large numbers of orphans; and the likelihood that Lesotho may find it extremely difficult to reach even the relatively modest health oriented MDG's set for 2015. As a means of providing a focus for coordinating the fight against HIV/AIDS Government has established the Lesotho AIDS Programme Coordinating Authority (LAPCA), which is to lead the way in the development and implementation of a broader approach to combating the problems caused by the pandemic. As yet LAPCA is generally under-resourced in both human and financial aspects and has been unable to put in place a cohesive programme of measures that will effectively address both the immediate and resultant aspects of the disease. It is hoped that the assistance being sought from the Global Fund will provide the support and resources needed to redress current weaknesses and that this will lead to a more proactive programme of prevention and control.

b) Progress in activities

Project assistance to the **Health Sector** has been provided through support to the health sector reform process in the form of technical assistance to planning (monitoring and evaluation) and the decentralisation of health services (**Support to Health Sector Reform – 8 ACP LSO 008**). The implementation of these activities is considered to be integral to the reform process and of particular relevance in the current stage of capacity building as a precursor to sector wide reform. Following a restricted international tender a contract was awarded to the National Research and Development Centre for Welfare and Health in Finland. As of 31st December 2002 approximately 75% of the funds allocated had been committed but although the activities had been under full implementation for some six months no disbursements have taken place.

Decentralisation: Initially this component was to assist MOHSW in developing and implementing the decentralisation of health service delivery to the Health Service Areas, including the development of a District Health Package and the devolution of authority and decision-making powers. However, following the mobilisation of the technical assistance and the subsequent review of the status of health sector reform it was found that the overall health sector policy framework was insufficiently developed and that little attention had been given to the definition and structure of an agreed District Health Package. Consequently, the technical assistance input was redirected to support the process of developing a comprehensive health sector policy and to compliment this with the development of a district health package and a strategic plan for piloting the system in three learning areas as a preliminary for the deconcentration of functions and responsibilities to all HSA's.

Monitoring and Evaluation: There is no effective Health Information System in Lesotho and as a result decision-making is rarely evidence-based and the health service is ill prepared to respond to changing demands. Under the project the technical assistance has conducted a review of the existing health management information systems and a key finding has been that since 1998 the collection of data has been incomplete, what has been collected has not been captured for analysis and there has been no production of indicators or reports on the epidemiological profile of diseases in Lesotho or on the performance of the health services. During 2003 it is intended to make good this deficiency by completing, where possible, the collection of data, capturing and verifying the backlog for 1998 through 2002, carrying out the analysis of the data and producing reports for both the individual years and the overall period 1998 – 2002.

Water Supply

The water sector plays an important role in Lesotho's economy, with the Lesotho Highlands Water Project (LHWP) having dominated Lesotho's capital investment programme in recent years and with the sale of water to South Africa contributing some LSL 150 million per year to GoL revenues. However, the emphasis given to the LHWP and water for export from the highlands is in contrast to the lack of action on the development of water resources and supplies for Lesotho as a whole and the populous western lowlands in particular. The lowlands region covers a little less than half of the country's total area but holds more than two-thirds of the population. The critical situation of the water resources in the lowlands and its effects on the well-being of the people, are apparent in increasingly unreliable supplies to existing consumers and an inability to meet the increasing demand of new consumers, especially in Maseru. Other factors contributing to the already fragile situation include:

- Movement of population from the highlands to the more water-scarce lowlands;
- Demand for higher levels of service, with an increasing expectation of reticulated water systems in both urban and rural areas;
- A rapidly increasing demand for industrial water;
- Increased environmental problems, including declining dry season flows in the Mokokare/Caledon river, high sediment loads and inadequate wastewater treatment;
- The inability of the formal institutions to supply sufficient water to the whole population, leading to situation in which has a disproportionate impact on the poor.

a) Results

The primary objective for the 8th EDF-NIP in the water sector is to give adequate access to safe water supplies and sanitation facilities for the majority of Lesotho's people, with the objective to be measured by:

- i) The development of a sustainable operations and maintenance system with defined roles and responsibilities of all parties concerned with rural water supply.*

With hindsight it has been recognised that the indicator selected for the primary objective is peripheral to the more major problems of ensuring access to safe water supplies and adequate sanitation. The “Water Resources Management: Policies and Strategies” study (supported under the Fourth Structural Adjustment Support Programme) indicated that such an objective will require a major re-organisation of the sector’s institutional structures, followed by considerable investment, particularly in the supply of bulk water, water storage and delivery.

During the 2002 Joint Annual Review the importance of the institutional constraints in the sector was given prominence and the initial indicator agreed for the 2002 review, as a demonstration of GoL’s commitment to remedying the deficiencies was that a Water Commissioner be appointed and that both a Water Directorate and a Policy Planning and Strategy Unit be in place by March 2003.

Associated with the rapid urbanisation and industrial development is the concern over adequate wastewater treatment. This is a particularly relevant issue given that the water sector is a focal area for the 9th EDF and it is with this in mind that Government has embarked on a number of measures, the first of which is the adoption of a national policy on wastewater management and the second being the conducting of a feasibility study into improving wastewater treatment in Maseru. Indeed, such is the importance of the issue of wastewater that the 2001 joint review established that an indicator for the 2002 joint review should be that a draft Wastewater Management Policy be completed by December 2002. It is anticipated that a contract for a consultancy to carry out a review of the existing wastewater treatment capacity and feasibility study for improving the situation in Maseru to meet medium term demands will be awarded during 2003.

b) Progress in activities

In addressing the problem of water supply to the lowlands the main area of EU/Lesotho cooperation to-date has been the **Six Towns Water Supply Project (7 ACP LSO 041)** which reached practical completion during 2001. However, during implementation the reservations regarding the adequacy of the measures undertaken in the face of mounting urbanisation and increasing demands for industrial water were confirmed and in consequence it was agreed that a second phase for the project would be necessary and that the issue of wastewater treatment would need to be given greater attention at each location. Building on the initial studies carried out during the first phase it is proposed that a more detailed feasibility study, leading to detailed designs for augmentation schemes, be conducted during 2003 and that this study also take into account any implications that may derive from wider sector proposals, and in particular those associated with longer-term plans for the Lesotho Lowlands. It is regretted that the implementation of the second phase has been delayed by three years as a result of the European Commission’s rejection of GoL’s proposals for implementing what are relatively simple and unsophisticated schemes on a design and build basis and insisting instead on the conducting of a costly and detailed study which in terms of the augmentation of water supplies is unlikely to lead to an alternative conclusion.

During 2002 GoL launched the tender for a medium/long-term study (**Lesotho Lowlands Water Supply Feasibility Study – 8 ACP LSO 011**), which is to address the problem of Lowland Lesotho becoming “water critical” by 2015. The social and economic implications of such a situation are severe and in recognising this, the Government has placed a high priority on developing an investment programme for securing affordable potable water supplies for domestic and commercial use in the rapidly urbanising lowlands of Lesotho. A contract for the study was awarded in December 2002 and work on this most significant activity is to commence in early 2003, with the first presentation of possible options for developing the necessary sources of supply to be presented in late 2003.

b) Cross-cutting themes, institutional development and capacity building

A fundamental premise underlying EU/Lesotho cooperation is that water is a key factor in poverty reduction both as a contributor to economic development, improved public health and in improving the status of women through reducing the drudgery in collecting household water requirements. EU/Lesotho cooperation in water is being undertaken in the context of a sector wide approach in coordination with a number of other donors (Ireland Aid, DfID, World Bank/IDA, ADB).

4.1.3. Macroeconomic support

GoL’s medium-term macroeconomic objectives continue to focus on employment creation infrastructure development, natural resources management, human development and good governance. The strategies for achieving these objectives are sound fiscal and monetary policies, structural measures to make their implementation more effective and development of the private sector. Thus government seeks to bolster confidence in the economy, promote domestic and foreign investment, stimulate export growth and create an environment for the private sector to create employment opportunities. The intended result of this strategy is to raise real per capita income by at least 1% per year. Both 8th and 9th EDF strategies for EU/Lesotho cooperation express support for the strategy adopted by GoL and for the structural reforms and liberalisation being undertaken within the framework of GoL’s arrangement with the IMF for support under its Poverty Relief and Growth Facility (PRGF).

a) Results

Although economic growth is estimated to have risen from 3½% in 2001 to over 4% in 2002, largely driven by a sharp rise in textile and garment exports to USA, a number of negative influences were experienced some of which are in part a result of a failure to pursue the necessary structural reforms and the non-observance of some the quantitative performance criteria agreed for the PRGF. Of continuing concern is Government’s problems in bringing public expenditure under control, an issue that is illustrated by the criterion on the ceiling for domestic financing being exceeded, largely as a result of overruns in recurrent expenditures on goods and services. Similarly,

with the exception of measures implemented to improve revenue collection ⁷, GoL performance in meeting agreed PRGF structural benchmarks has been less satisfactory. The indicator agreed for the 2002 review was for GoL to identify and obtain Delegation agreement on a number of indicators directly related to the improvement of public finance management. During discussions held in conjunction with the IMF, the indicators agreed were:

- i) Government is committed to building a strong Treasury Department and to this effect will initiate the process by seeking to put in place a qualified Accountant General by June 2003.
- ii) In recognition of the importance of transparency and public accountability in the conduct of its financial business, Government decided that in light of the regrettable situation in which no annual financial reports had been submitted or audited since 1996, that the best way to proceed was to establish a balance sheet or “statement of affairs” as of end-March 2002. In this way Government would have a clean starting point for future annual audits beginning with the 2002/03 financial year. The implementation date set for this indicator was set at 31st December 2002, though no request for EDF-financed assistance has been agreed by this date.
- iii) Lesotho’s current computerised funds management system has been identified as inadequate for the purpose of sound public financial management in that it lacks a number of key modules (e.g. General Ledger, Payroll, Capital Budget Monitoring, Debt Management etc.) and the applications software module is not suitable for expansion to form a Core Budget and Accounting System without drastic modifications to its structure. As part of the Action Plan promulgated by the Minister of Finance the Ministry is to initiate a two part study aimed at either improving or replacing the present system (GOLFIS). Although it was agreed that Phase 1 of the study would commence by October 2002 no actions had been completed by the year’s end.

b) Progress in activities

As a consequence of the agreement with the IMF on a three-year PRGF, a Financing Proposal for EDF assistance was submitted in the first quarter of 2001 and received Commission approval on the 23rd July 2001. The **Poverty Reduction Budgetary Support Programme (8 ACP LSO 009 and 010)** amounting to € 18.5 million provides direct budgetary support to GoL’s annual budget for the fiscal years 2001/2002 and 2002/2003. The resources (€ 17.0 million) under the programme are intended to cover general budget expenditures that are linked to poverty reduction activities in the fields of health, education and social services with disbursement being partly dependent on performance indicators in the areas of social sector service delivery and public expenditure management. Following the conclusion of a memorandum of understanding and fulfilment of the conditions set for the release of the first tranche, € 6 million (LSL 56.7 million)

⁷ The Lesotho Revenue Authority, an independent agency intended to bring the Income Tax, Sales Tax and Customs Departments under common management, became operational in December 2002.

was transferred to Government's general revenue account. This represents 35% of the allocated resources. The release of the second tranche of € 3 million is dependent upon agreement being reached on a range of indicators related to public expenditure management and government service delivery in the social sectors. To-date no progress has been made in the identification and agreement of suitable indicators. The reasons for this lack of progress lies in the generally very poor state of data collection, analysis and reporting in Lesotho, which renders the accurate setting and measurement of meaningful outcome (and some process) indicators most difficult. It is likely that the indicators to be developed during 2003 will focus more on the processes that will lead to improved performance monitoring and reporting.

c) Cross-cutting themes, institutional development and capacity building

Institutional weakness at the central ministry (Development Planning, Finance) level is considered to be the single most important constraint in the sustainable improvement of public sector service delivery and good governance. In an attempt to address what may be considered a worsening situation Government has restarted dialogue with the World Bank and other donors (EU/EDF, DfID, Ireland Aid) on the possibility of assistance in public service reform and strengthening. In addition a proposal is under preparation for strengthening the macroeconomic policy and planning components of public expenditure management.

4.2. Projects and programmes outside focal sectors

Outside of the focal sectors NIP supported programmes have largely focussed on the management and administration of NIP resources, community based development projects, capacity building in statistics and macroeconomic policy and planning and in general issues associated with addressing the problem of HIV/AIDS.

During the 2002 review it was noted that mitigation of the impact of the disease will require the development and implementation of aggressive policies aimed first at prevention amongst the non-affected part of the population and second at assisting the affected. Government has attempted to give recognition to the importance of the problem through the establishment of a central coordinating body (LAPCA) and by directing that all ministries devote 2% of their recurrent budget to fighting the disease. However, despite these intentions there are indications that LAPCA is seriously under-resourced both in terms of experience, manpower and finances. This issue was raised as a concern during the EU/Lesotho joint annual review held in 2001 and the indicators set as measures of improvement in the situation were:

1. LAPCA to be fully staffed and allocated sufficient resources under 2003/04 annual estimates; and
2. LAPCA to complete an inventory of all agencies and initiatives associated with addressing the HIV/AIDS problem in Lesotho and to put in place a means for coordinating the fight against the disease.

An EDF-financed study (**8 ACP LSO 016 – Review of current HIV/AIDS activities and initiatives in Lesotho**) carried out in the second half of the year addressed the latter of the two indicators, but in assessing the situation and making recommendations for improvements the study confirmed the concerns over the institutional and organisational weaknesses in LAPCA. Indeed, the general findings of the study suggested that unless the capacity issue is given serious attention and the profile of LAPCA raised to give credence to more proactive, aggressive policies it would be difficult for Lesotho to achieve its aims of mitigation and that this in turn could threaten the attainment of many social and economic targets for the medium-term.

a) Progress in activities

Current assistance to non-focal areas under the 8th EDF-NIP has been directed at measures ranging from support for the administration of EU/Lesotho cooperation programmes, to rural development and decentralised cooperation, and capacity building in macroeconomic planning and policy development.

Progress in the implementation of these activities has been positive with the programme for support in the administration of EU/Lesotho cooperation providing essential back-stopping services to the National Authorising Officer's function (**Support to the Department of Economic Cooperation – 8 ACP LSO 007**). This is evident in the performance of EDF-financed activities in GoL's investment programme relative to those for other donors, where the actual disbursement for EDF-financed projects under the Annual Capital Budget Estimates was 101% of the amount projected and approved for the year compared to the average of 58% for all other donors and 71% for the "next best" performing donor⁸.

Following the recent hiatus in the implementation of the Microprojects Programme (**8th EDF Multi-annual Microprojects Programme – 8 ACP LSO 003**) the unit responsible for its coordination was re-established during the year and a Work Plan drawn up for the identification, preparation and implementation of community-based projects in the areas of water supplies, sanitation, education (rural schools and classrooms), rural roads and small, medium and micro-enterprises (SMME). By the end of the year 8 agreements had been signed, 94% of the funds allocated to the AWPCE (LSL 7.7 million) had been committed and 48% of the funds committed had been disbursed⁹.

A significant weakness in GoL's management of public expenditure has been the complete lack of a formally adopted fiscal strategy and no macroeconomic framework on which to base the same. With guidance and assistance from the technical assistant recruited for the Department of Economic Policy (**Support to the Department of Economic Policy – 8 ACP LSO 012**) a

⁸ Japanese commodity aid under KR2 and KR4 reached 86% of forecast disbursement but is not considered as a comparator as implementation is the responsibility of the donor.

⁹ The period of the AWPCE for 2002/03 runs from 1st September 2002 to 31st August 2003

macroeconomic working group has been set, drawing on participation from the Ministries of Development Planning and Finance, the Central Bank of Lesotho and key donors, including the EC Delegation. The working group has met on a regular basis and has been able to prepare a basic macroeconomic framework for use in the preparation of the PRSP and of a draft Fiscal Strategy. The assistance provided by the project has also enabled the Ministry of Development Planning to revive the annual planning process, with a first iteration of a three-year rolling plan expected in 2003/04.

In addition to the aforementioned the implementation of the **Information, Workshops, Conference and Cultural Initiatives Project – 8 ACP LSO 005** has continued under-perform in terms of expectations. It is likely that the project and the means of implementation will need to be reviewed during 2003.

Shortly before the 2002 General Election the European Commission gave it approval for a project that would provide assistance to the Election (**Support to the Independent Electoral Commission – 8 ACP LSO 013**). The assistance provided is to take the form of a refinancing of GoL expenditures on agreed items associated with logistical requirements in the immediate run-up to polling day and during the rollback period after the Election. Disbursement of the resources allocated will be effected once the accounts for the Election have been finalised, though due to the late approval¹⁰ of project it is unlikely that the full level of planned disbursements will be achievable as the period and number of activities eligible will be limited .

Outside of the activities financed from the 8th EDF the most significant project has been that of **Assistance to the Bureau of Statistics – 7 ACP LSO 045**. Agreed in 1999 the project, which provided assistance the Bureau through technical assistance, training and equipment was completed in December 2002. In addition to technical areas of national statistical collection, analysis and dissemination, the technical assistance financed under the project helped BoS to revise its strategic plan and advised on measures for monitoring poverty reducing strategies and interventions. The first major activity in this context is the implementation of a Household Income and Expenditure Survey which when combined with the outputs expected of the technical assistance in support of health sector reform will be able to provide a sounder basis for defining relevant development indicators. This last will be of significant importance for future EU/Lesotho annual programming and review.

b) Cross-cutting themes, institutional development and capacity building

The majority of the actions supported outside of the focal areas may be considered as being directed at a broad range of cross-cutting themes, institutional development and capacity building issues. Aside from the specific interventions targeted at raising the levels of competency in aid

¹⁰ Although a Financing Proposal for a project of less than € 2 million was submitted to the European Commission in early October 2001 approval and signature of the Financing Agreement was only obtained on 15th May 2002, thirteen days before the Election of the planned project period of three months.

coordination, planning and budgeting the microprojects programme is of particular relevance in that the eligibility criteria set for support under the programme require the active involvement and participation of both communities and women.

4.3. Utilisation of resources for Non-State Actors

In 2000 whilst reviewing the ways in which the Microprojects Programme was conducted it was proposed that the identification, preparation and implementation of project should be decentralised and that the role of the former Microprojects Management Unit (MMU) be revised to that of a coordinating body providing guidance, assistance and advice to a range of community-based organisations, NGO's and other Non-State Actors (NSA) who would be used as partner implementing agencies under the Microprojects Programme. Because of the innovative nature of the approach it was decided that the initial campaign would be limited to sixteen NSA and a workshop was organised to discuss and agree on strategies and procedures for cooperation. For the first round of projects agreements were drawn up with three NGO's (Lesotho Red Cross Society, Development for Peace and Education and the Lesotho-Durham Link) for projects in water and sanitation and education. Agreements were also concluded with three faith-based organisations for the development of education facilities. In total approximately LSL 6.2 million out of the total programme for 2002/03 of LSL 7.2 million has been allocated to programmes of community-oriented projects implemented by partner NSA.

The initial experiences from the involvement of NSA have been mixed as most of the partner implementing agencies have shown weaknesses in one or more areas of management and administration. Of particular concern have been: the low levels of technical and managerial skills amongst the staff of the NSA, particularly in community mobilisation, project design, monitoring, reporting; weak logistics and administration procedures; and insufficient accounting and financial control systems. There have also been several instances where it is clear that the internal organisation of some of the agencies is deficient with inadequate communication between the implementation (field) level and headquarters. The conclusions to be drawn from experience to-date is that some form of initial scoping or management audit should be conducted with a potential partner NSA both under the decentralised form of a Microprojects programme and under any other form of cooperation with an NSA in the implementation of EU/Lesotho cooperation. Further, it would be appropriate that as a preliminary to wider involvement of NSA there should be some form of programme assistance in capacity building for NSA and that careful attention should be given to the establishment of formal criteria for assistance and cooperation.

4.4. Other Instruments

4.4.1. European Investment Bank (EIB)

The European Investment Bank's objective is to contribute favourably to the long-term sustainable development of Lesotho. In pursuit of this aim EIB can fund economically, financially, technically and environmentally viable projects at attractive conditions in all key sectors of the economy.

As at the end of 2002 EIB's loan portfolio for Lesotho stood at € 89.6 million (Annex 9). Under the two Financial Protocols of the Lomé IV Convention the Bank has signed commitments for a total of € 77 million (comprising € 59 million on the Bank's own resources and € 18 million on risk capital resources), an amount which exceeds the indicative amounts envisaged at the time. These resources were made available for the co-financing of the following projects:

Muela Hydropower Project: The Muela Hydropower Project is part of Phase 1A of the Lesotho Highlands Water Project (LHWP). Appraisal of the project was carried out between 1990 and 1993, a period during which the political situation in the region was still fluid and Lesotho regarded increased independence from South Africa as important. The possibility of getting locally generated power from renewable sources therefore outweighed the low initial returns expected from the project. 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. During the implementation of the project allegations of corruption were raised against the Chief Executive of the Lesotho Highlands Development Authority (LHDA) who was later dismissed and convicted. As a consequence of the conviction, legal action has been instituted against a number of the companies and individuals that were mentioned during the legal proceedings, with the first case heard (Acres International – Canada) resulting in a guilty verdict and a fine of LSL 22 million. Further cases will be introduced to the High Court during 2003. After a difficult implementation period, electricity generation at Muela started in early 1999. However, major issues regarding the necessary reform of the power sector, such as the privatisation of the Lesotho Electricity Corporation (LEC) and the finalisation of a new Power Sales Agreement, based on tariffs which over time would generate acceptable returns on Muela's assets, were still outstanding at the end of 2002.

Lesotho Highland's Water Project – Phase 1B: Following the completion of Phase 1A in 1998, which comprised Katse and Muela dams and a system of tunnels for the transfer of 16.8 cubic metres per second to South Africa and the generation of 72 MW electricity, the LHWP moved into Phase 1B which had as its aim the transfer of an additional 11.8 cubic metres per second of water to South Africa. EIB support to Phase 1B consisted of two loans from own resources for a total of € 54 million for the construction of the Matsoku Diversion Weir and Tunnel. These works were completed on time and within budget and were inaugurated in October 2001. In this context it is worth noting that EIB also supports Phase 1B of the project under its South African lending programme with a loan of € 45 million to the Trans Caledon Tunnel Authority (TCTA) for the construction of Mohale Dam which was substantially completed in 2002.

Lesotho National Development Corporation (LNDC): Following three Global Loans of € 3 million each made to LNDC under previous Lomé Conventions, a fourth global loan 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. Whilst the "A" loan was fully and the "B" largely allocated and disbursed, no equity allocations were made under the "C" Loan and it was therefore partly reassigned to meet the costs of carrying out a small study of possible options for the disposal of wastewater in the Maseru South industrial estates. This study is to be followed by a feasibility study (financed from the 8th EDF-NIP) into measures for improving wastewater treatment in Maseru, which in turn is expected to lead to a financing proposal. Subject to a satisfactory organisation of the water and waste water sectors, including a clearly defined industrial waste water policy, future investments in these sectors could be supported by EIB.

Outlook on EIB's possible future activities in Lesotho: The Bank will continue to follow closely all opportunities for viable projects in Lesotho, in line with the focus of the Investment Facility under the Cotonou Agreement, with particular attention being given to possible projects from the private sector.

The financing of infrastructure projects in the power, water and sewerage, transport and telecommunications sectors is expected to remain one of the main poles of EIB activity in Lesotho. The emphasis will be to help to eliminate the significant backlog of investments and to improve the efficiency of public utilities, notably by a substantially increased private sector participation.

4.4.2. *Stabex*

Lesotho was awarded STABEX transfers for both mohair and wool in the application years 1991 to 1994. These transfers (nine in total) amounted to € 3.705 million, to which was subsequently added a transfer of € 1.224 million from Lomé III for mohair. The resulting total of € 4.929 million has been utilised through two Frameworks of Mutual Obligations (FMO) agreed between the European Commission and GOL. Whilst the first Framework of Mutual Obligations (FMO 1) allocated counterpart funds of approximately 17 million Maloti to a range of activities in the livestock sub-sector, the second framework (FMO 3) saw the counterpart funds (approximately LSL 22 million) being used to refinance rural infrastructure activities (Rural Water Supply, Rural Feeder Roads and Rural Health Clinic) in the main livestock producing areas of rural Lesotho. Following the food crisis of 2001/02 it has been proposed that the most suitable use of the funds remaining (approximately LSL 8 million) would be to provide income support to communities in the most drought affected livestock producing areas of southern Lesotho. The funds would be channelled provided through the implementation of labour intensive public works schemes (feeder road rehabilitation, maintenance and construction).

5. Programming perspective for the following years

The focal sectors for the 9th EDF are those of road transport, water and macroeconomic support. During 2002 a number of steps have been carried out which will lead to the submission of requests for EDF-financial assistance. The most significant of these has been the development of terms of reference for a study into prospective options for meeting the medium- and long-term requirements

for domestic and industrial water in the Lesotho Lowlands. Following the commencement of the study in early 2003 it is anticipated that possible options for the development of primary sources of supply will be proposed for public discussion in September 2003 and that following agreement on the choice of the most suitable option work will commence on the preparation of a Financing Proposal for submission in the second half of 2004. In conjunction with the main Lowlands Study two further studies are to commence during 2003. The first is the preparation of short-term water and sanitation measures for six urban centres in the lowlands and the second is a study and design of proposals for improving the wastewater treatment capacity in Maseru. Both studies and the eventual investment proposals are considered of urgent importance as there is a very real possibility that the current urban and industrial expansion could exceed the existing treatment capacity to the extent that the environmental implications could be serious and the demands on water supply could have negative effects on poverty reduction. Proposals emanating from the two studies are scheduled for mid to end 2004 with the result being that a total financial commitment of € 30 million would be made in 2005.

For the transport sector terms of reference have been drawn up for a feasibility study leading to proposals for the rehabilitation and strengthening the main arterial road linking both rural and urban centres in the west of the country together with the construction of a bridge over the Senqu River that would allow improved access to communities in areas in and adjacent to the Senqu Valley, one of the areas identified as being most affected by social and economic poverty. The proposed programme will also include provision for feeder roads (built using labour intensive techniques) leading off these two major investments together with a complementary programme of road safety measures. The study is expected to commence in early 2004 and a financing proposal will be submitted in the second half of the year for an amount of approximately € 21 million.

The Maseru railhead and container terminal is the primary bulk arterial connecting Lesotho to South Africa and is a key factor in economic growth. It is instrumental in keeping garment transport prices low, but the deteriorating condition of the terminal limits the numbers of containers it can load, unload and store, and acts as a potential bottleneck for further growth of the garment industry. In recognition of the importance of the container terminus discussions are to be initiated with the main operator of the facility with view to drawing up proposals for improving and expanding the facilities. The development of the terminus is seen as complementing the measures proposed for the road transport sector and together with concurrent measures for further strengthening the capacity of the relevant government agencies will form part of a programme of integrated investment for the sector.

If Lesotho's plans for poverty reduction are to be successful, it is indispensable to strengthen the government's capacity for efficient and effective public expenditure management. A project proposal to address the long-standing weaknesses in this area and to build capacity for sector-wide planning, collection and analysis of statistics, demographic research and manpower modelling has

been submitted to the EDF for support. The financing proposal for this intervention, amounting to €17.5 million, is to be submitted in mid-2003.

The present CSP/NIP foresees that, if the necessary conditions are met, the EC will be able to directly assist the GoL's poverty reduction strategy by continuing to provide budgetary support. The conditions will include improvements in public expenditure management, indicators of positive performance in those sectors most closely associated with the social aspects of poverty and satisfactory evaluation of the ongoing EDF8 Poverty Reduction Budgetary Support Programme, due for completion mid-2004. It is foreseen in the EDF9 NIP that budgetary support would be delivered under three year programmes, with funds to be disbursed on an annual basis and subject to monitoring of the fulfilment of the above conditions. The amount of such budget support will need to be determined in due course in the light of conditions prevailing at the time as well as the requirements of the other focal sectors for EC support.

Outside of the focal areas the programming perspective from 2003 onwards is to be directed towards a further programme of decentralised cooperation through Microprojects, combined with a proposal for building up the capacity of NSA to take advantage of opportunities available for cooperation with the EC in a national drive to reduce poverty..

It is estimated that the programming perspectives outlined above would lead to the commitment of all available funds - total €100.3 million, made up of balances from previous EDFs (€14.3 million) and the 9th EDF allocation (A-envelope €86 million) - by the end of 2005 or 2006.

EDF	Amount Allocated	Amount Committed	Amount disbursed	Amount to be decommitted	Balance available for commitment
6/4	42,600,903	41,461,177	41,352,009	1,248,894	2,488,620
7/5	56,495,500	54,202,158	51,078,972	400,000	2,693,342
8	61,500,000	53,825,720	20,195,093	1,500,000	9,174,280
9	86,000,000	0	0	0	86,000,000
Total available for commitment					100,356,242

6. 2003 Annual Operational Review - specific themes

6.1. The speeding up of the use of old EDF resources

As of the end of 2002 the national reserves for previous EDF (6/4, 7/5 and 8) resources totalled approximately € 11.2 million. With the completion of activities in hand and scheduled for submission as financing proposals (Technical assistance to the water sector, feasibility studies for the 9th EDF Road Transport Sector Programme and Institutional Capacity Building) it is expected that this entire amount together with any amounts to be decommitted will be committed to new projects by the end of 2003.

6.2. Setting indicators and targets for measuring results in focal sectors

With the late signature of the CSP/NIP for Lesotho (September 2002) and the late implementation of the first trial review process (November 2002), the indicators considered for the 2002 review have been limited to those agreed as part of the 8th EDF NIP. In reviewing the indicators initially identified as parameters for the 9th EDF review process (Appendix 2 of the CSP) a major constraint has been the general lack of accuracy in measured indices and the absence of meaningful time-series data on which to base comparators and the monitoring of progress. As a result it is difficult to determine indicators that are SMART compliant, particularly those that would be related to output efficacy and outcomes. In view of this deficiency which renders both evidence based planning and evaluation difficult, it is proposed that during 2003 steps be taken to formally assess the applicability of a range of social and economic indicators with the objective of identifying those that could be used as meaningful measures of progress in poverty reduction and the delivery of government services. Amongst the measures foreseen are: the evaluation of health sector data through the respective EDF-financed project (8 ACP LSO 008), with the major activity being the collection and analysis of Health Service Area data for 1998 – 2002; a review of general social sector data with a view to identifying those particular measurements that have an acceptable level of accuracy and consistency; and support for the 2003 Household Income and Expenditure Survey as a means of establishing a number of poverty related baseline indicators. It is also expected that the preparatory studies for 9th EDF financed interventions (Lesotho Lowlands Water Supply Feasibility Study) will provide a number of water sector relevant indicators. In addition it is expected that these indicators will be supplemented by what might be termed “process indicators” which would be measures of progress in the improvement of institutional capacity, public finance management, etc.

6.3. Dialogue in-country with the NAO and non-State actors

In addition to the regular dialogue between the NAO and the EC Delegation and the half yearly Joint (NAO/Delegation) Monitoring Committee meetings, separate donor community meetings and six-monthly EU Heads of Mission meetings take place outside of the framework of Lesotho/EU cooperation.

As regards Non-State Actors (NSA), while their role is well established at the level of project implementation, this is not the case with their involvement in programming and assessing EC-Lesotho cooperation policy. A strategy for regular dialogue with civil society needs to be elaborated and agreed.

7. Conclusions

7.1. Political environment

The success of the 2002 elections has done much to restore confidence in the democratic process. The new parliament must now achieve inclusive debate and consensus building and establish its role vis à vis the executive. Given the history of institutional suspicion and of politicisation in the public service it may take time before GoL and parliament can cooperate effectively.

The next significant issue will be the local elections and the decentralisation of responsibilities to local authorities. The elections are scheduled for late 2003 but there are reservations whether the capacity exists to organise the elections in that timeframe. There are other uncertainties regarding the legal basis and the impact of decentralisation on the recurrent budget.

7.2. Economic environment and progress with poverty reduction

Sustainable economic growth and real poverty reduction in Lesotho are threatened by economic uncertainties, low levels of institutional capacity and the impact of HIV/AIDS, as well as by vulnerability to exogenous shocks arising elsewhere in the sub-region.

The economic uncertainties have a number of causes, especially:

- Gross national income (GNI) is declining because of stagnation in mineworker remittances and deterioration in the terms of trade;
- Industries have not fully recovered from the political events of 1998 in spite of the positive effects of the USA Africa Growth and Opportunity Act (AGOA);
- Consumption has grown faster than investment, a trend exacerbated by the completion of the first phase of the Lesotho Highlands Water Project (LHWP);
- Public revenue has grown less strongly than expenditure, resulting in an increase in the fiscal deficit;
- The increase in public consumption has not generated economic growth and has probably discouraged private investment;
- The value of public debt outstanding has more than doubled during past 5 years;
- The forecasted strong GDP growth - 4.5% annually - is highly exposed to risk. In particular, the manufacturing industry has a narrow focus on garments and textiles. It could be adversely affected by changes in AGOA and by the ending of the multifibre agreement.

7.3. Governance, institutional issues and public financial management

The economic uncertainties mean that public financial management will assume the highest importance, as the resources available for poverty reduction are unlikely to increase.

All the indications are that the basic functions of public financial management are not at the level required for the challenges ahead. Institutional weaknesses throughout the public service and the increasing impact of HIV/AIDS make it unlikely that Lesotho can attain all the Millennium

Development Goals (MDG). In summary, it will be difficult for Lesotho to attain the level of public service delivery necessary for sustainable economic growth and reduction of poverty.

The implications for cooperation with EC and other donors are that significant attention will need to be given to capacity building and to public sector improvement. The proposed EDF9 programme of institutional capacity building, linked to budgetary support, will address the problems of economic analysis, policy formulation, planning and budgeting, and statistics.

This issue of economic governance is critical for real poverty reduction in Lesotho. Although the water and transport sectors will be the focus of the EC's support to poverty reduction during EDF9, it is a pre-requisite that sufficient attention be given to capacity building. The instruments will be direct project support (technical assistance, training, etc) and the application of indicators within the review process, coupled with budgetary support, complementary to, and conditioned by, the achievements in the other areas.

7.4. Cooperation with the European Community

During the year under review the implementation of Lesotho's cooperation with the European Community has continued satisfactorily. The country support paper and national indicative programme (CSP/NIP) for EDF9 was signed on the 16th September 2002. It provides €86 million in programmable resources (A-envelope) plus €24 million to cover unforeseen needs (B-envelope). Primary commitments approved in 2002 totalled €3.5 million whilst disbursements amounted to €7.7 million. Of the balances remaining from past EDFs, financing proposals in hand are expected to absorb the entire amount by end-2003. Regarding EDF9 programmable resources, on the basis of studies to be initiated during 2003 it is anticipated 100% should be committed by end 2005 or in the course of 2006.

In view of the timing of the first trial review process, the indicators then considered were limited to those included in EDF8 NIP. For the present exercise, in reviewing the indicators identified in the EDF9 NIP a major constraint has become apparent, that is, the unreliability of information on public sector performance, the inaccuracy of published indices and the absence of times series data. It is very difficult to determine indicators that are appropriate, reliable and SMART compliant. There is an urgent need to assess other possible indicators and to identify those that could be used as measures of poverty reduction and delivery of services. These would be supplemented by "process indicators", measuring progress in improving institutional capacity as well as the effects of interventions supported by EC cooperation.

As regards Non-State Actors (NSA), while their role is well established at the level of project implementation, this is not the case with their involvement in programming and assessing EC-Lesotho cooperation policy. A strategy for regular dialogue with civil society needs to be elaborated and agreed.

SIGNED

Khosi Letsie

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5th December 2003

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11th December 2003

Annexes

Annex 1: Focal sectors of NIP's and Government of Lesotho's development priorities 1986 -2006

EDF	Focal sectors of NIP's	Lesotho development priorities in 5 year development plans
6 th EDF 1986– 1990	<ol style="list-style-type: none"> 1. Agriculture and rural development 2. Natural resources, in particular water and energy 	<p><u>4th National Development Plan</u> (1985 – 90/91)</p> <ul style="list-style-type: none"> - Poverty reduction through rural development and popular participation - Increase of agriculture production - Employment by labour intensive rural development programmes
7 th EDF 1991 – 1995	<ol style="list-style-type: none"> 1. Natural resources in particular water and energy 2. Agriculture and rural development 	<p><u>5th National Development Plan</u> (1991/92 – 95/96)</p> <p>“To improve the <i>quality of life</i> of all Basotho, particularly in the rural areas”</p>
8 th EDF 1996 – 2000	<ol style="list-style-type: none"> 1. Road transport sector 2. Social sectors: health, education, water supply 	<p><u>6th National Development Plan</u> (1996/97 – 98/99)</p> <ul style="list-style-type: none"> - Poverty reduction - Employment - Health and population management
9 th EDF 2001 - 2006	<ol style="list-style-type: none"> 1. Macroeconomic support and capacity building 2. Road transport sector 3. Water supply and sanitation 	<p>Within the context of poverty reduction priority policy objectives are:</p> <ul style="list-style-type: none"> - employment creation - development of economic (road) and social (water) infrastructure - good governance (planning, budgeting and financial management) - sustainable management of natural resources - human resource development - fight against HIV/AIDS <p><i>Priorities as established by LCD party manifesto and endorsed by Cabinet after 1998 General Elections</i></p>

Annex 2: EC-Lesotho CSP/NIP 2002-2007: Intervention framework and performance indicators – Review of sector indicators

TYPE OF INDICATORS	Main Performance indicators	Latest data covering two periods		Target	
				Data	Year
Focal sector: Macro-economic support and capacity building <i>(Indicators drawn from Government's policies, Millennium Development Goals and/or agreed between the Delegation and the Government)</i>					
a. Input indicators					
	– Development and approval of a full Poverty Reduction Strategy Paper		10/2002		07/2003
	– GoL's annual recurrent budgetary allocations for education maintained - 2002/03 & 2003/04 (% of GoL total recurrent budget)	25.2%	24.0%	25%	2004/05
	– GoL's annual recurrent budgetary allocations for health maintained – 2002/03 & 2003/04 (% of GoL total recurrent budget)	7.9%	7.9%	8%	2004/05
	– Fiscal deficit maintained at less than (% GDP) - 2002/03 & 2003/04	-5%	-5.2%	-1%	2005/06
	– GoL wage bill reduced (% GDP) - 2002/03 & 2003/04	14.0%	12.9%	12.6%	2004/05
	– Economic growth increased per annum – 2001 & 2003	3%	5%	4%	
	– Introduction of Value Added Tax (VAT)				07/2003
b. Output Indicators					
	– Annual proportion of under 1 yr vaccinated against measles – (1990 & 1999)	80%	77%	80%	2006
	– Tuberculosis treatment success rate			75%	2003
	– Supervision of deliveries by qualified birth attendants			65%	2003
	– Contraception prevalence rate (1991/92 and 2000)	19%	41%	60%	2006
	– Complete GoL accounts for 2002/03 and present to Auditor General				30/09/03
	– Submit for audit a report on below-the-line accounts				30/09/03

TYPE OF INDICATORS	Main Performance indicators	Latest data covering two periods		Target	
				Data	Year
	– Present plans for the introduction of “Medium Term Economic Framework” planning and budgeting as a basis for improved Public Expenditure Management.				31/12/03
c. Outcome Indicators					
	– Net enrolment rate in primary school increased (2000 & 2001)	69%	69%	73%	2003
	– Equitable access to quality education and training increased – (1990 and 2000)				
	– Ratio of girls to boys in primary education (per 100 boys)	121	102	100	2007
	– Ratio of girls to boys in secondary education	149	131	100	
	– Ration of girls to boys in tertiary education	111	123	100	
	– Pass rate in primary school leaving examinations increased – (1990)	64%		85%	2003
	– Repetition rate in primary schools reduced			19%	2003
	– Adult literacy (2002)	82%		85%	2006
d. Impact Indicators					
	– Unemployment rate reduced – (2000 est)		45%	35%	2007
	– Proportion of population living below the poverty datum reduced – (1986/87 and 1994/95)	59%	58%	45%	2006

TYPE OF INTERVENTION/INDICATORS	Indicators	Source	Latest data covering two/three periods			Target	
						Data	Year
Focal sector: Water Supply and Sanitation (<i>Indicators drawn from Government's policies, Millennium Development Goals and/or agreed between the Delegation and the Government</i>)							
a. Input							
<ul style="list-style-type: none"> - Long-term strategy adopted for potable water supply to the Lesotho Lowlands - GoL implements its investment policy in the sector - Wastewater policy adopted - Government policy for private sector participation in respect of water supply and waste water treatment developed and adopted 	<ul style="list-style-type: none"> - Strategy document submitted to donor as basis for development cooperation in the water sector - Government and donor expenditures in the sector - Wastewater policy document used as basis for government and donor investment - Private sector participation in water supply and waste water treatment 	<ul style="list-style-type: none"> - Cabinet minutes - Financial Report and donor reports - Cabinet minutes - Financial Report and donor reports - Annual reports 					2004 2006 2004 2006
b. Output							
<ul style="list-style-type: none"> - Investment Plan for bulk supply and distribution of water to population residing in Lesotho Lowlands - Investment Plan for industrial and domestic wastewater treatment in Greater Maseru area - Capacity building in public institutions (Office of the water Commissioner and WASA) - Water supply augmented and respective waste water treatment systems developed/constructed in Six Towns 	<ul style="list-style-type: none"> - Lesotho Lowlands Water Supply Feasibility Study completed and investment proposals included in Public Sector Investment Programme (PSIP) - Maseru Wastewater Study completed and investment proposals included in PSIP - Proposals for reform of WASA management and operational structures approved by the respective boards/MoNR - Annual work programme published - Timely annual audits (technical and financial) - Number of private companies involved in the water sector - Number of private companies involved in the sanitation sector - Capacity (in m³/d) of abstraction, treatment and supply facilities increased by the end of the period 	<ul style="list-style-type: none"> - PSIP; Annual Govt. Estimates; External Funding agency Financing Agreements and report - WASA Annual reports - WASA Annual reports - Baseline and periodic surveys - Baseline and periodic surveys 					2005 2005 2004
c. Outcome							
<ul style="list-style-type: none"> - Access to water services for domestic use 	<ul style="list-style-type: none"> - Water coverage in urban and peri-urban areas (population) 	<ul style="list-style-type: none"> - Baseline and periodic 					

TYPE OF INTERVENTION/INDICATORS	Indicators	Source	Latest data covering two/three periods			Target	
						Data	Year
<ul style="list-style-type: none"> - Access to water services for industrial use - Sanitation improved - Incidence of water-borne diseases reduced 	<ul style="list-style-type: none"> - Sanitation coverage in urban and peri-urban areas (population and SMEs) - Incidence of waterborne infections - Percentage of mortality – adult/infant 	<ul style="list-style-type: none"> surveys, WASA and DRWS reports - MoHSW Annual Statistical Reports 					
d. Impact			2000	2001			
<ul style="list-style-type: none"> - Improve standard of living of the rapidly urbanising population of Lesotho. 	<ul style="list-style-type: none"> - Population with sustainable access to safe water - Population with access to basic sanitation 	<ul style="list-style-type: none"> - Population Census 2006; Baseline and periodic reports 	77%	45%		81% 67%	2015 2015

TYPE OF INTERVENTION/INDICATORS	Indicators	Source	Latest data covering two/three periods			Target	
						Data	Year
Focal sector: Transport (<i>Indicators drawn from Government's policies, Millennium Development Goals and/or agreed between the Delegation and the Government</i>)							
a. Process interventions (input/assumption).							
GoL develops and adopts transport sector policy	- Policy document adopted by Cabinet	Cabinet Minutes					2003
Road maintenance strategy confirmed and implemented	<ul style="list-style-type: none"> - Annual programme for routine and periodic maintenance - Level of annual budget for maintenance 	MoPWT Annual Work Plan; Local Government and MCC Work Plans; Road Fund Reports Annual Budget Estimates					2003 2003
Review of Road Fund/Road Board operations completed and recommendations introduced	- Road Fund/Road Board assumes responsibility for funding all	<ul style="list-style-type: none"> - Review Report - Road Fund Annual Report 					2003 2004

TYPE OF INTERVENTION/INDICATORS	Indicators	Source	Latest data covering two/three periods			Target	
						Data	Year
	routine and periodic maintenance	- GoL Annual Estimates					
b. Sector intervention (output/outcome)							
Department of Rural Roads capacity enhanced	<ul style="list-style-type: none"> - DRR operating LRMS system as basis for maintenance planning - DRR has in-house capacity for rural road planning/design, training/supervision of contractors, monitoring and evaluation of GoL rural roads investment/maintenance programmes 	<ul style="list-style-type: none"> - DRR Annual Maintenance Plan - DRR Annual Report; Baseline and periodic surveys 					2004
Roads Department capacity enhanced	<ul style="list-style-type: none"> - LRMS operating as basis for planning routine and periodic maintenance of entire road network and as basis for decision making on rehabilitation and upgrading of priority roads - Roads Department has in-house capacity for checking/approving roads and bridges designs for national road network; - Roads Branch has capacity for timely implementation of appropriation plans, supervision of consultants and contractors; 	<ul style="list-style-type: none"> - PSIP, Project Implementation Reports 					2006
Road Fund management transparent and accountable	<ul style="list-style-type: none"> - Annual work programme published - Timely annual audits (technical and financial) 	Annual Road Fund Report					2003
Sufficiency of road maintenance resources	Resource allocation to road maintenance via Road Fund matched to maintainable network needs	Annual Estimates Annual Road Fund Report					2003

TYPE OF INTERVENTION/INDICATORS	Indicators	Source	Latest data covering two/three periods			Target	
						Data	Year
Improved road network in peri-urban and rural areas	- Kms of roads in good/fair/poor condition Network traffic flows – all modes – for roads, motorised and non-motorised	Annual road condition survey Annual road traffic (LRMS) surveys by MoPWT					
Improved Road safety	Number of fatalities and accidents reduced by 20%	Annual Road Safety Report LRMP Accident Reports/Statistics					2006
c. Impact Intervention (impact)							
Access to basic services and markets using feeder, district and main arterial roads.	- Condition of strategic road network (main +other roads) in peri-urban and rural areas - Number of SMEs served by bitumen access - Number (%) of communities served by all-weather roads - Road traffic mix on feeder, district and arterial roads - Transport expenditure relative to household expenditure - Time spent travelling and average length of trips - Freight tariffs and passenger fares	- Annual road condition survey (LRMS) - Specific survey of SMEs - Household expenditure surveys carried out by Bureau of Statistics - Baseline and periodic surveys to supplement LRMS - Household surveys carried out by Bureau of Statistics - Domestic, regional truckers/haulage association and bus companies					From 2004
Employment generated by labour intensive road maintenance and construction	Employment statistical data desegregated by income groups, family type, gender	- DRR baseline and periodic surveys - DRR monthly reports					From 2003
Transport sector capable of supporting national economic activities	- Transport cost element of export/import and internally traded goods; - Trade flows (Total, by category and by mode of transportation)	- Freight forwarders and/or regional and domestic truckers/haulage associations - MoTIMC surveys and reports					

TYPE OF INDICATORS	Main Performance indicators	Latest data covering two periods		Target	
				Data	Year
Cross-cutting issues – Fight against HIV/AIDS/Gender: (Indicators drawn from Government's policies, Millennium Development Goals and/or agreed between the Delegation and the Government)					
a. Input indicators		2002/03	2003/04		
Annual recurrent budgetary allocation to Health Services reflects National Development Policy	– GoL's annual recurrent budgetary allocations for health maintained at a minimum of 8 % of GoL total recurrent budget allocation	7.9%	7.9%	8.0%	2004/05
National Programme for combating HIV/AIDS and related diseases	– Government establishes realistic estimate of HIV/AIDS sero-prevalence as basis for national policy on HIV/AIDS epidemic				2003
	– National policy on measures to combat HIV/AIDS epidemic reviewed, adopted by Cabinet and introduced into Annual Development Plan/Annual Estimates				2004
	– High level Government committee or similar body established to oversee development and implementation of national plan for combating HIV/AIDS				2003
	– LAPCA fully staffed with professional and administrative staff and provided with sufficient resources to carry out mandate				2003
	– Treatment guidelines and strategy for application of Anti-retroviral drugs developed				2003
	– HIV/AIDS data/information incorporated into health services reporting systems				2003
	– Government to enhance Population modelling capacity in Dep. of Pop. & Manpower Development, MoDP				
Strategy developed for support to orphaned and vulnerable children	– Study completed into numbers, distribution and geographic location of orphaned children				2004
	– Plan of action for support to orphaned and vulnerable children developed and included in annual National Development Plan and Budget Estimates				2005/06
National Gender Policy	– National Gender Policy document completed and adopted by Cabinet				

TYPE OF INDICATORS	Main Performance indicators	Latest data covering two periods		Target	
				Data	Year
	– Married Persons Equality Act presented to Parliament and passed into law				
b. Output Indicators		2002/03	2003/04		
Effective implementation of National Strategic Plan for combating HIV/AIDS	– Strategic plan for a national/regional approach to combating HIV/AIDS adopted and implemented				2003
	– LAPCA sub-offices established in all districts			10	2004
	– Number of patients on Antiretroviral drugs			2,000	2004
	– Number of Voluntary counselling and testing sites established	5	5	17	2003
	– Number of Home-based care Centres established			30	2007
	– Population model developed and incorporated into national planning process				2006
	– HIV/AIDS impact integrated into macro-economic modelling and planning				2006
	– Use of condoms increased per year	No data			
c. Outcome Indicators					
	– Increase in number of orphans attending school and decrease in number of school drop-outs	No data : baseline survey required			
	– Decrease in number of deaths due to AIDS and Tuberculosis				
d. Impact Indicators		1999	2001		
Effects of HIV/AIDS on social and economic life in Lesotho mitigated and reversed	– Incidence of HIV/AIDS amongst pregnant women 15-24 years of age decreased - (1999) ¹¹	26.4%	31.1%	25%	2015
	– Number of worker days in the formal and commercial sector lost to absenteeism reduced	No data: baseline survey required			

¹¹ UNAIDS

TYPE OF INDICATORS	Main Performance indicators	Latest data covering two periods		Target	
				Data	Year
	– Life expectancy at birth increased to 65 years				
Gender Equality strengthened	– Proportion of seats held by women in National Assembly increased (1993 & 2002)	0.4%	12%	30%	2007

Annex 3: Chronogramme of Activities - 9th EDF (including use of balances from previous EDF)

Lesotho – Indicative Programme – EDF 9 Grant aid – Total € 86 million Balances from previous EDF – Approximately €12.2 million	2002		2003		2004		2005		2006		2007		2008	
	1 st half	2 nd half	1 st half	2 nd half	1 st half	2 nd half	1 st half	2 nd half	1 st half	2 nd half	1 st half	2 nd half	1 st half	2 nd half
Focal Sectors														
1) Road Transport Infrastructure (± € 17.2 mio)														
Road Transport Infrastructure Programme 2 (National roads, LCU roads, Road Safety, Technical Assistance)				<i>FS</i>	<i>PF</i>	<i>FP</i>	<i>FD</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>
2) Water supply sector (± € 17.2 mio)														
Water sector (Lowlands Water Supply)			<i>FS</i>	<i>FS</i>	<i>PF</i>	<i>FP</i>	<i>FD</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>
Six Towns Water Supply Phase 2				<i>PF</i>	<i>FP</i>	<i>FD</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>
Maseru Wastewater				<i>FS</i>	<i>FS</i>	<i>PF/FP</i>	<i>FD</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>
3) Macroeconomic support and Capacity Building (± € 43 mio)														
Poverty Reduction Budgetary Support				<i>PF</i>	<i>FP</i>	<i>FD</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM/PF</i>	<i>IM/FP</i>	<i>FD/IM</i>	<i>IM</i>
Institutional capacity building	<i>PF</i>	<i>PF</i>	<i>FP</i>	<i>FD</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM/MR</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>
	<i>PF</i>	<i>PF</i>												

Lesotho – Indicative Programme – EDF 9 Grant aid – Total € 86 million Balances from previous EDF – Approximately €12.2 million	2002		2003		2004		2005		2006		2007		2008	
	1 st half	2 nd half	1 st half	2 nd half	1 st half	2 nd half	1 st half	2 nd half	1 st half	2 nd half	1 st half	2 nd half	1 st half	2 nd half
Other sectors/interventions (± € 8.6 mio)														
Microprojects decentralised cooperation					<i>PF/FP</i>	<i>FD</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>
Capacity Building Support to Non State Actors			<i>PI</i>	<i>PF/FP</i>	<i>FD</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM/MR</i>	<i>IM</i>	<i>IM</i>
Fight against HIV/AIDS					<i>FS</i>	<i>PF</i>	<i>FP</i>	<i>FD</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>

FS = Planned action

FS = Actual action

Abbreviations:

FS Feasibility Study
 PF Project Formulation
 FD Financing Decision
 MR Mid-term Review

PI Project Identification
 FP Financing Proposal
 IM Implementation
 EV Evaluation

Annex 4: Chronogramme of Activities - 8th EDF (Based on 2001 Annual Review for ongoing activities only)

Lesotho – Indicative Programme – EDF 8 Grant aid – Total € 61.5 million	1999		2000		2001		2002		2003		2004		2005	
	1 st half	2 nd half	1 st half	2 nd half	1 st half	2 nd half	1 st half	2 nd half	1 st half	2 nd half	1 st half	2 nd half	1 st half	2 nd half
Focal Sectors														
1) Transport Sector														
Road Transport Infrastructure Programme 1 (National roads, LCU roads, Axle Load 2, Road Safety, Technical Assistance)	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>PC</i>		
	FD	IM	IM	IM	IM	IM	IM	IM						
2) Social sectors														
Health Sector	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>PC</i>							
			PF	FP	FD	IM	IM	IM						
Water sector (Phase 2)	<i>FS</i>	<i>PF</i>	<i>FP</i>	<i>FD</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>PC</i>	
	Due to delay in agreement on means of implementation project is to be financed from 9 th EDF													
Water sector (Phase 3 – Lowlands Water Supply Feasibility Study)		PF/FP	FD	IM	IM	<i>IM</i>	<i>IM</i>	PC						
					PF/FP	FD	IM	IM						
Other Programmes														
Multi-annual microprojects programme	<i>PF</i>	<i>FP</i>	<i>FD</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM/MR</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>PC</i>
	PF/FP	FD	IM	IM	IM	IM	IM	IM						
Agriculture, forestry, conservation (3 interventions)														
High Value Crops	Project proposal abandoned following negative findings of pre-feasibility study)													
Community forestry	Ministry of Agriculture unable to identify acceptable project intervention													

Lesotho – Indicative Programme – EDF 8 Grant aid – Total € 61.5 million	1999		2000		2001		2002		2003		2004		2005	
	1 st half	2 nd half	1 st half	2 nd half	1 st half	2 nd half	1 st half	2 nd half	1 st half	2 nd half	1 st half	2 nd half	1 st half	2 nd half
Drakensberg/Maloti Conservation	6 th EDF pilot project subsumed into Government's annual budget under subvention to LHDA													
Other (approx 3 interventions foreseen but not identified under NIP)														
Information, Workshops, Conferences and Cultural Initiatives Fund	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>PC</i>	<i>EV</i>							
			PF/FP	FD	IM	IM	IM	IM						
Support to Dept. of Economic Cooperation		PF/FP	FD	IM	IM	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>IM</i>	<i>PC</i>	<i>EV</i>			
			PF/FP	FD	IM	IM	IM	IM						
Support to Economic Planning														
							PF/FP	FD	IM					
Support for Lesotho Independent Electoral Commission	<i>Not foreseen under the NIP</i>													
							PF/FP	FD	IM					
Maseru Wastewater Feasibility Study	<i>Not foreseen under the NIP</i>													
								<i>PF/FP</i>	<i>FD</i>					
Macroeconomic support	<i>Not foreseen under the NIP</i>													
				PF	FP	FD	IM	IM						FD

FS = Planned action

FS = Actual action

Abbreviations:

FS Feasibility Study
PF Project Formulation
FD Financing Decision

PI Project Identification
FP Financing Proposal
IM Implementation

MR Mid-term Review
PC Project Closed
EV Evaluation

Annex 5: Chronogramme of Activities -7th EDF (Based on 2001 Annual Review for ongoing activities > € 0.25 m only) 1991- 2002

Focal Sector	Project/Intervention	Date of Primary Commitment	Amount Committed		Amount disbursed at 31.12.2002		Date expected closure/Date closed
			€ m	% of NIP	€ m	% of NIP	
Grant aid – Total € 50.0 m *							
<u>Focal Sector:</u> Natural resources (water and energy) Nominal allocation 80% of NIP or approximately € 34 m	Muela Hydro-electric Project	08.10.91	34.00	68.0	31.8	63.4	31.12.2003
	Six Towns Water Supply Project	27.01.98	1.99	3.98	1.75	3.5	31.12.2003
<u>Focal Sector:</u> Agriculture and rural development Nominal allocation 10 – 15 % of NIP or approximately € 4.25m - € 6.4 m	1 st EDF 7 Microprojects Programme	21.11.91	1.00	2.0	0.96	1.9	21.08.1996
	2 nd EDF 7 Microprojects Programme	10.05.94	2.00	4.0	1.98	4.0	29.02.2000
	3 rd EDF 7 Microprojects Programme	17.09.96	2.00	4.0	1.77	3.5	30.06.2003
	8 th EDF Microprojects Programme	18.06.99	0.41	0.8	0.22	0.3	31.03.2004
<u>Other Sectors</u> - Nominal allocation 5 – 10 % or approximately € 2.2 m – 4.2 m							
Road Transport	Feasibility Study for upgrading district roads	13.08.96	0.55	1.1	0.45	1.0	30.06.2003
	Roads and bridges design standards	27.08.96	0.25	0.5	0.23	0.5	22.12.1999
	TA to Roads Branch	25.07.97	0.27	0.5	0.24	0.6	17.04.2000
Capacity building	Assistance to Bureau of Statistics	37.12.98	1.10	2.2	0.36	0.8	30.06.2003
Structural Adjustment Facility Nominal allocation under NIP - € 8.5 m Additional allocations € 20.7 m	1 st Structural Adjustment Programme	28.09.92	8.5		8.5		12.12.1997
	2 nd Structural Adjustment Programme	08.06.94	8.0		7.9		09.04.1997
	3 rd Structural Adjustment Programme	21.09.95	4.1		4.1		07.04.1997
	4 th Structural Adjustment Programme	01.07.96	5.7	11.4	5.7	11.4	19.11.2001

* Initial allocation € 42.5 million to which an additional amount of € 7.5 million was allocated after mid-term review. All proportional estimates are based on the total allocation of € 50 million

Chronogramme of activities – 6th EDF (Based on 2001 Annual Review for ongoing activities > € 0.25 m only) 1986 - 2002

Focal Sector	Project/Intervention	Date of Primary Commitment	Amount Committed		Amount disbursed at 31.12.2002		Date expected closure/Date closed
			€ m	% of NIP	€ m	% of NIP	
Grant aid – Total € 31.5 m *							
<u>Focal Sector:</u> Agriculture and rural development Nominal allocation 50 -55 % of NIP or approximately € 13.2 m – 14.6 m	Mphaki Area Development (Phase 2)	29.10.86	3.7	8.9	3.3	8.2	06.09.2002
	Asparagus expansion programme	03.07.87	4.8	11.6	4.7	11.3	16.03.1998
	Drakensberg/Maloti Mountain Conservation Programme	18.07.96	0.3	0.7	0.2	0.5	17.10.2001
<u>Focal Sector:</u> Natural resources (water and energy) Nominal allocation 35 – 40 % of NIP or approximately € 9.3 m - € 10.6 m	Lesotho Natural Resources Sector (Manpower development)	25.02.88	7.7	18.6	7.0	18.6	22.12.1999
<u>Other Sectors</u> - Nominal allocation 5 – 15 % or approximately € 1.3 m to 4.0 m							
Road Transport	Mekaling to Quthing road (Works contract)	28.03.88	9.8	23.6	9.8	23.6	24.01.1996
Health	Rehabilitation Queen Elizabeth II Hospital	26.06.89	4.6	11.1	4.4	10.6	15.03.1996
Capacity building	TA to Lesotho National Development Corporation	12.10.87	0.28	0.6	0.25	0.6	07.03.1996
	TA to Lerotholi Polytechnic	31.05.89	0.28	0.6	0.27	0.6	28.11.1994
Special Loans (managed by EIB) Nominal allocation under NIP - € 10.0 m	Lesotho Highlands Water Scheme (Hydro-electric project)	13.07.86	9.5	22.9	9.5	22.9	19.03.1996
	Mekaling to Quthing road (TA to Ministry of Works)	28.03.88	0.5	1.2	0.4	1.0	07.03.1996

* Initial allocation € 36.5 million (€ 26.5 mio grant aid, € 10 mio special loans) to which an additional amount of € 5 million (grant aid) was allocated after mid-term review. All proportional estimates are based on the total allocation of € 41.5 mi

Annex 4: Indicative timetables for commitments and disbursements

1. EDF 9 - Indicative commitments schedule (€ millions) including use of reliquats from previous EDF
Planned commitments as attend 2002 vs Actual commitments as at end 2002

Lesotho NIP EDF 9	Indicative allocation € 86 million plus € 12.2 million from previous EDF Total € 98.2 million	Primary commitments (€ million)													
		2002		2003		2004		2005		2006		2007		2008	
Focal Sectors		S1	S2	S1	S2	S1	S2	S1	S2	S1	S2	S1	S2	S1	S2
<u>Road Transport sector</u> (Nominal allocation under NIP – up to 20% or approximately € 17.2 m)		-	-	-	0.75	-	0.15	21.0	-	-	-	-	-	-	-
		-	-												
<u>Water sector</u> (Nominal allocation under NIP – up to 20% or approximately € 17.2 m)		-	-	0.75	-	0.6	-	35.0	-	-	-	-	-	-	-
		-	-												
Macroeconomic Support and capacity building (Nominal allocation under NIP – 50% or approximately € 43 m)															
Poverty Reduction Budgetary Support		-	-	-	-	-	-	30.0	-	-	-	-	-	-	-
Institutional capacity building		-	-	-	16.5										
Other programmes (Nominal allocation under NIP – 10% or approximately € 8.63 m)															
Microprojects and decentralised cooperation		-	-	-	-	-	5.0								
		-	-												
Capacity Building Support to Non-State Actors		-	-	-	-	2.5									
		-	-												
Fight against HIV/AIDS		-	-	-	-	-	-	-	2.0	-	-				

Lesotho NIP EDF 9	Indicative allocation € 86 million plus € 12.2 million from previous EDF Total € 98.2 million	Primary commitments (€ million)													
		2002		2003		2004		2005		2006		2007		2008	
		-	-	-	-	-	-	-	-	-	-				
Annual totals		-	-	0.75	17.25	3.1	5.15	86.0	2.0	-	-				
		-	-												
Cumulative totals		-	-	0.75	18.0	21.1	26.25	112.25	114.25	114.25					
		-	-												

2. EDF 9 - Indicative disbursements schedule (€ millions) including use of reliquats from previous EDF

Planned disbursements vs Actual disbursements

Lesotho NIP EDF 9	Indicative allocation € 86 million plus € 12.2 million from previous EDF Total € 98.2 million	Primary commitments (€ million)													
		2002		2003		2004		2005		2006		2007		2008	
		S1	S2	S1	S2	S1	S2	S1	S2	S1	S2	S1	S2	S1	S2
Focal Sectors															
<u>Road Transport sector</u> (Nominal allocation under NIP – up to 20% or approximately € 17.2 m)		-	-	-	0.25	0.4	0.05	0.1	2.10	4.0	5.0	5.0	3.0	2.0	-
		-	-												
<u>Water sector</u> (Nominal allocation under NIP – up to 20% or approximately € 17.2 m)		-	-	-	0.25	0.4	0.34	0.4	2.5	4.0	5.0	5.0	6.5	5.0	4.0
		-	-												
Macroeconomic Support and capacity building (Nominal allocation under NIP – 50% or approximately € 43 m)															
Poverty Reduction Budgetary Support		-	-	-	-	-	-	-	5.0	-	10.0	-	15.0	-	-
Institutional capacity building		-	-	-	-	-	1.0	1.0	2.0	2.0	2.0	2.0	2.0	1.5	1.0

Lesotho NIP EDF 9	Indicative allocation € 86 million plus € 12.2 million from previous EDF Total € 98.2 million	Primary commitments (€ million)													
		2002		2003		2004		2005		2006		2007		2008	
Other programmes (Nominal allocation under NIP – 10% or approximately € 8.63 m)															
Microprojects and decentralised cooperation		-	-	-	-	-	-	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
		-	-												
Capacity Building Support to Non-State Actors		-	-	-	-	-	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2
		-	-												
Fight against HIV/AIDS		-	-	-	-	-	-	-	-	0.2	0.3	0.5	0.5	0.3	0.2
		-	-												
Annual totals		-	-	-	0.5	0.8	1.59	2.3	12.4	11.0	23.10	13.3	27.7	9.6	5.9
		-	-												
Cumulative totals		-	-	-	0.5	1.3	2.89	5.19	17.59	28.59	51.69	64.99	92.79	102.39	108.29
		-	-												

1. EDF 8 - Indicative commitments schedule (€ millions)

Planned commitments as attend 2001 vs Actual commitments as at end 2002

Lesotho NIP EDF 8	Indicative allocation € 61.5 million	Primary commitments (€ million)													
		1997		1998		1999		2000		2001		2002		2003	
Focal Sectors		S1	S2	S1	S2	S1	S2	S1	S2	S1	S2	S1	S2	S1	S2
<u>Transport sector</u> (Nominal allocation under NIP – 45% or approximately € 27.7 m)		-	-	19.0		-	-	8.5	-	-	-	-	-	-	-
		-	-	-	-	37.7	-	-	-	-	-	-	-	-	
<u>Social sector</u> (Nominal allocation under NIP – 35% or approximately € 21.5 m)		-	3.5	7.5	3.0	-	-	4.5	3.0	-	-	-	-	-	-
		-	-	-	-	5.3	-	-	1.8	-	1.8	1.9	0.8		
Other programmes (Nominal allocation under NIP – 20% or approximately € 12.3 m)		-	-	1.5	2.0	2.5	3.0	2.5	1.0	-	-	-	-	-	-
		-	-	-	-	-	-	0.5	1.1	-	0.8	1.9	0.2		
Macroeconomic support (not foreseen in NIP)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	18.5	-				
Annual totals		-	3.5	28.0	5.0	2.5	3.0	15.5	4.0	-	-	-	-	-	-
		-	-	-	-	43.0	-	0.5	2.9	18.5	2.6	3.8	1.0		
Cumulative totals (excluding macroeconomic support)		-	3.5	31.5	36.5	39.0	42.0	57.5	61.5	61.5					
		-	-	-	-	43.0	43.0	43.5	46.4	46.4	49.0	52.8	53.8		
Cumulative totals (including macroeconomic support)		-	-	-	-	43.0	43.0	43.5	46.4	64.9	67.5	71.3	72.3		

2. EDF 8 - Indicative disbursements schedule (€ millions)

Planned disbursements vs Actual disbursements

Lesotho NIP EDF 8	Indicative allocation € 61.5 million	Disbursements (€ million)						
		1997	1998	1999	2000	2001	2002	2003
Focal Sectors								
<u>Transport sector</u> (Nominal allocation under NIP – 45% or approximately € 27.7 m)		-	3.5	6.0	8.0	6.0		
		-	-	0.18	5.6	7.88	4.7	
<u>Social sector</u> (Nominal allocation under NIP – 35% or approximately € 21.5 m)		-	4.0	5.0	7.0	3.5		
		-	-	0.08	0.15	0.22	0.31	
Other programmes (Nominal allocation under NIP – 20% or approximately € 12.3 m)		-	1.0	2.5	5.5	2.5		
		-	-	-	-	0.21	0.35	
Macroeconomic support (not foreseen in NIP)		-	-	-	-	6.0		
		-	-	-	-	-	6.1	
Annual totals		-	8.5	13.5	20.5	18.0		
		-	-	0.26	6.28	8.31	11.46	
Cumulative totals (excluding macroeconomic support)		-	8.5	23.5	44.0	56.0		
		-	-	0.26	6.54	14.84	20.2	
Cumulative totals (including macroeconomic support)		-	-	0.26	6.54	14.84	26.3	

3. EDF 7 - Indicative commitments schedule (€ millions)

Planned commitments vs Actual commitments

Lesotho NIP EDF 7	Indicative allocation € 42.5 million	Primary commitments (€ million)											
		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Focal Sectors													
<u>Natural Resources</u> (Nominal allocation under NIP – 80% or approximately € 34 m)		34	-	-	-	-	-	-	-	-	-	-	-
		34	-	-	-	-	0.8	0.5	-	-	-	-	-
<u>Agriculture and rural development</u> (Nominal allocation under NIP 10 -15% or approximately € 4.25 m - € 6.4 m)		-	3.0	-	-	1.5	-	-	-	-	-	-	-
		1.0	-	-	2.0	-	2.0	-	-	0.4		-	-
Other programmes (Nominal allocation under NIP 5 - 10% or approximately € 2.2 m - € 4.25 m)		-	3.0	-	1.0	-	-	-	-	-	-	-	-
		-	<0.1	-	-	0.15	0.2	<0.1	1.2	0.1	0.1	0.1	-
Structural Adjustment (not foreseen in NIP)		-	-	-		-	-	-	-	-	-	-	-
		-	8.5	-	8.0	4.1	5.7	-	-	-	-	-	-
Annual totals (excluding Structural Adjustment Support)		34.0	6.0	-	1.0	1.5	-	-	-	-	-	-	-
		35.0	<0.1	-	2.0	0.15	3.0	0.5	1.2	0.5	0.1	0.1	-
Cumulative totals (excluding macroeconomic support)		-	40.0	40.0	41.0	42.5	42.5	42.5	42.5	42.5	42.5	42.5	42.5
		35.0	35.0	35.0	37.0	37.15	40.15	40.65	41.85	42,35	42.45	42.55	42.55
Cumulative totals (including macroeconomic support)		35.0	35.0	43.5	53.5	57.75	66.45	66.95	68.15	68.65	68.75	68.85	68.85

4. EDF 7- Indicative disbursements schedule (€ millions)

Planned disbursements vs Actual disbursements

Lesotho NIP EDF 7	Indicative allocation € 42.5 million	Disbursements										
		1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Focal Sectors												
<u>Natural Resources</u> (Nominal allocation under NIP – 80% or approximately € 34 m)		10.5	7.5	6.0	2.0	2.0	2.0	-	-	-	-	-
		4.7	1.9	8.3	2.6	4.3	4.9	4.0	0.3	0.4	0.16	0.13
<u>Agriculture and rural development</u> (Nominal allocation under NIP 10 - 15% or approximately € 4.25 m - € 6.4 m)		0.5	1.0	0.5	0.5	1.0	1.0	-	-	-	-	-
		0.25	0.12	0.9	0.6	0.9	0.65	0.8	0.74	0.1	< 0.1	<0.1
Other programmes (Nominal allocation under NIP 5 - 10% or approximately € 2.2 m - € 4.25 m)		-	0.5	1.0	1.0	1.0	0.5	-	-	-	-	-
		-	-	-	-	-	0.34	0.36	0.57	< 0.1	0.4	0.4
Structural Adjustment (not foreseen in NIP)		-	-	-	-	-	-	-	-	-	-	-
		-	8.4	3.9	4.0	4.1	4.1	4.2	0.9	< 0.1	-	-
Annual totals (excluding Structural Adjustment Support)		11.0	9.0	7.5	3.5	4.0	3.5	-	-	-	-	-
		4.95	2.0	9.2	2.8	5.2	5.89	5.16	1.61	0.5	0.56	0.63
Cumulative totals (excluding macroeconomic support)		15.0	24.0	31.5	35.0	39.0	42.5	-	-	-	-	-
		4.95	6.95	16.15	18.95	24.15	30.04	35.2	36.81	37.31	37.87	39.5
Cumulative totals (including macroeconomic support)		4.95	15.35	28.45	35.25	44.55	54.54	63.9	66.41	66.91	67.47	68.1

Annex 5: Summary of commitments, disbursements and balances for all active EDF as at 31st December 2002

	Total	Amount Primary Commitments @ end 2002	Amount secondary Commitments @ end 2002	Amount disbursements @ end 2002	Balance of NIP unallocated to Primary commitments	Balance of Primary commitments unallocated	Balance of NIP undisbursed
Programmable Aid							
Allocation under 6 th EDF NIP	41,500,000	40,308,030 (97%)	40,307,730 (97%)	40,298,862 (97%)	1,191,970 (3%)	300 (< 1%)	1,201,138 (3%)
Carry forward from 4 th EDF	1,100,903	1,053,147 (96%)	1,053,147 (96%)	1,053,147 (96%)	47,756 (4%)	0 (0%)	47,756 (4%)
Allocation under 7 th EDF NIP	50,000,000	48,898,413 (98%)	47,492,063 (95%)	46,599,441 (93%)	1,101,587 (2%)	1,406,350 (3%)	3,400,559 (7%)
Carry forward from 5 th EDF	6,495,500	5,303,745 (82%)	5,127,945 (79%)	4,579,531 (71%)	1,191,755 (18%)	175,800 (3%)	1,915,969 (29%)
Allocation under 8 th EDF NIP	61,500,000	53,825,720 (88%)	33,114,329 (54%)	20,195,093 (33%)	7,674,280 (12%)	20,711,391 (38%)	41,304,907 (67%)
“A” Envelope 9 th EDF	86,000,000	0 (0%)	0 (0%)	0 (0%)	86,000,000 (100%)	0 (0%)	86,000,000 (100%)
Total Programmable aid	246,596,403	149,389,055 (61%)	127,095,214 (52%)	112,726,074 (46%)	97,207,348 (39%)	22,293,841 (15%)	133,870,329 (54%)
Non-programmable aid							
“B” Envelope 9 th EDF	24,000,000	0 (0%)	0 (0%)	0 (0%)	24,000,000 (100%)	0 (0%)	24,000,000 (100%)
GRAND TOTAL	270,596,403	149,389,055 (55%)	127,095,214 (47%)	112,726,074 (42%)	121,207,348 (45%)	22,293,841 (15%)	157,870,329 (58%)

Note:

6th EDF : The initial allocation set in the NIP document signed in November 1985 (€ 36.5 million) was increased in March 1989 to € 41.5 million, of which a total of € 10 million was in special loans. These loans were subsequently converted into grants in 1997.

7th EDF: The allocation set in the NIP document signed in February 1991 amounted to € 58.5 million, of which €42.5 million was in the form of grants, € 8.5 million as a first allocation from the Lomé IV resources earmarked for Structural Adjustment Support and € 7.5 million in the form of Risk Capital managed by the EIB. To this were added additional allocations from the Structural Adjustment Facility (SAF) plus additional resources for the NIP (€ 7.5 million) to be used in conjunction with the SAF. The total programmable element of the NIP was thus raised to € 50 million.

8th EDF: The allocation set in the NIP document signed in February 1997 amounted to € 61.5 million of which € 43 million was available for immediate commitment. The balance of € 18.5 million was released for commitment following the mid-term review in 1999.

9th EDF: The nominal allocation contained in the 9th EDF (Cotonou Agreement) NIP, signed in September 2002, consists of a programmable “A” envelope of € 86 million and a non-programmable “B” envelope of € 24 million. Total nominal allocation € 110 million.

Annex 6: Financial situation for 8th EDF as at end 2002 (All amounts in €)

PROJ. No.	PROJECT TITLE	PROJECT AMOUNT	SECONDARY COMMITMENTS END 2001	SECONDARY COMMITMENTS END 2002	PAYMENTS END 2001	PAYMENTS END 2002	%	Status *
<u>A - NATIONAL INDICATIVE PROGRAMME (LOME IV bis – EDF 8 NIP)</u>								
8/002	Road Transport Infrastructure Programme	37,700,000	28,320,733	28,713,733	14,221,420	18,895,669	50	O
8/003	Multi-annual Microprojects Programme	5,300,000	638,100	1,563,511	416,689	729,379	14	O
8/005	Information, Workshops and Cultural Initiatives	476,000	172,900	242,200	33,316	53,097	11	O
8/006	Review of past EU/Lesotho Cooperation	66,522	66,521	66,522	66,522	66,522	100	C
8/007	Support to the Department of Economic Cooperation	1,100,000	334,000	445,000	98,598	200,975	18	O
8/008	Assistance to Health Sector Reform	1,800,000	0	1,345,000	0	0	0	O
8/011	Lesotho Lowlands Water Supply Feasibility Study	1,750,000	0	13,700	0	8,776	64	O
8/012	Support to the Department of Economic Policy	750,000	555,000	555,000	7,744	124,014	16	O
8/013	Support for Lesotho Independent Electoral Commission	1,900,000	0	68,500	0	52,094	3	O
8/014	Claim Assessment – Six Towns Water Supply	14,363	0	14,363	0	14,363	100	C
8/015	Establishment of National Elections Results Centre	48,844	0	47,300	0	43,236	91	Co
8/016	Review of current HIV/AIDS related activities	40,000	0	39,500	0	6,968	17	O
8/017	Six Towns Water Supply – Phase 2	1,900,000	0	0	0	0	0	O
8/018	Maseru Wastewater Feasibility Study	750,000	0	0	0	0	0	O
8/019	Adviser, Economic Planning and Budget Support	230,000	0	0	0	0	0	O
TOTAL A - LOME IV bis – EDF 8 NIP (net)		53,825,729	30,087,254	33,114,329	14,844,289	20,195,093	38	
<u>B - NON PROGRAMMABLE AID</u>								
STRUCTURAL ADJUSTMENT SUPPORT								
8/009	Poverty Reduction Budget Support	8,500,000	0	6,156,100	0	6,067,257	71	O
8/010	Poverty Reduction Budget Support	10,000,000	0	3,000,000	0	0	0	O
TOTAL STRUCTURAL ADJUSTMENT SUPPORT		18,500,000	0	9,156,100	0	6,067,257	33	
TOTAL B – NON PROGRAMMABLE AID		18,500,000	0	9,156,100	0	6,067,257	0	
GRAND TOTAL NATIONAL PROGRAMME IV bis (A - B)		72,325,729	30,087,254	42,270,429	14,844,289	26,262,350	36	
		Total	Amount Primary Commitments 2001	Amount Primary Commitments 2002	Amount secondary Commitments 2001	Amount secondary Commitments 2002	Amount disbursements 2001	Amount disbursements 2002
Allocation under 8 th EDF NIP		61,500,000	48,942,522 (80%)	53,825,720 (88%)	30,087,254 (49%)	33,114,329 (54%)	14,844,289 (24%)	20,195,093 (33%)
Macroeconomic (Budgetary) Support		18,500,000	18,500,000 (100%)	18,500,000 (100%)	0 (0%)	9,156,100 (49%)	0 (0%)	6,067,257 (33%)
GRAND TOTAL		80,000,000	67,442,522 (84%)	72,325,720 (90%)	30,087,254 (38%)	42,270,429 (53%)	14,844,289 (19%)	26,262,350 (33%)

C = Project closed; Co = All project activities completed; O = Project ongoing;

Annex 7: Financial situation for 7th EDF as at end 2001 (All amounts in €)

PROJ. No.	PROJECT TITLE	PROJECT AMOUNT	SECONDARY COMMITMENTS END 2001	SECONDARY COMMITMENTS END 2002	PAYMENTS END 2001	PAYMENTS END 2002	%	Status *
A - NATIONAL INDICATIVE PROGRAMME (LOME IV – EDF 7 NIP)								
7/001	Muela Hydro-electric Project	33,000,000	32,154,734	32,163,646	31,763,953	31,856,722	97	O
7/002	1 st EDF 7 Microprojects Programme	964,068	964,068	964,068	964,068	964,068	100	C
7/006	Preparation for Structural Adjustment Programme	14,283	14,283	14,283	14,283	14,283	100	C
7/014	2 nd EDF 7 Microprojects Programme	1,978,251	1,978,251	1,978,251	1,978,251	1,978,251	100	C
7/023	3 rd Structural Adjustment Programme	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	100	C
7/025	Preparation of Urban Water & Sanitation Project	140,220	140,220	140,220	140,220	140,220	100	C
7/030	4 th Structural Adjustment Support Programme	5,680,008	5,680,008	5,680,008	5,680,008	5,680,008	100	C
7/031	Feasibility Study of Roads B42, B43 and B47	550,000	550,000	550,000	452,770	452,770	82	Co
7/032	Preparation of Design Standards for Roads & Bridges	231,808	231,808	231,808	231,808	231,808	100	C
7/033	3 rd EDF 7 Microprojects Programme	2,000,000	1,085,479	1,766,689	1,750,162	1,766,689	88	Co
7/034	TA (Agronomist) to HVCP	70,000	70,000	70,000	70,000	70,000	100	C
7/035	HVC - TA Coordinator	110,000	90,000	90,000	78,750	78,750	72	Co
7/036	TA to Roads Branch, Ministry of Works	241,613	241,613	241,613	241,613	241,613	100	C
7/037	TA to LCU, Ministry of Works	185,643	185,643	185,643	185,643	185,643	100	C
7/039	EDF Procedures Seminar	22,954	22,954	22,954	22,954	22,954	100	C
7/040	Evaluation of EDF 7 Microprojects Programmes	14,918	14,918	14,918	14,918	14,918	100	C
7/043	Feasibility study - road safety	80,000	77,400	77,400	77,371	77,371	97	Co
7/045	Assistance to Bureau of Statistics	1,101,000	765,300	799,600	358,173	512,289	47	O
7/046	TA to Ministry of Health and Social Welfare	6,169	6,169	6,169	6,169	6,169	100	C
7/047	Study into privatisation of Lesotho Bank	81,068	81,068	81,068	81,068	81,068	100	C
7/048	8 th EDF Microprojects Programme	407,000	148,400	394,315	164,221	222,978	55	O
7/049	Development of Financial Admin. Software for NAO	25,000	16,000	25,000	15,794	15,910	64	O
7/050	Assistance Ministries of Planning, Finance & Trade	23,408	23,408	23,408	23,408	23,408	100	C
7/051	TA Water Feasibility Study	50,000	50,000	50,000	0	40,549	81	Co
7/052	Consultancy for the preparation of LDC 3	18,768	18,768	18,768	18,768	18,768	100	C
7/053	Preparation of EU/Lesotho CSS	24,600	24,600	24,600	24,600	24,600	100	C
7/054	Independent Electoral Commission – Capacity building	77,634	78,586	77,634	58,225	77,634	100	C
TOTAL A - LOME IV - NIP (net)		3384,972	47,282,992	4148,45	3289,169	3562,521	95	

PROJ. No.	PROJECT TITLE	PROJECT AMOUNT	SECONDARY COMMITMENTS END 2001	SECONDARY COMMITMENTS END 2002	PAYMENTS END 2001	PAYMENTS END 2002	%	Status *
B - TRANSFER OF BALANCE LOME II - NIP (5th EDF)								
7/008	Trade & Tourism Programme	28,375	28,375	28,375	28,375	28,375	100	C
7/009	Study into Lesotho Water Project Royalties	0	0	0	0	0	0	Cancelled
7/022	Asparagus Expansion Programme	530,143	557,057	530,143	554,437	530,143	100	C
7/027	TA to office of NAO	750,000	726,200	726,200	686,485	687,555	92	Co
7/028	Highlands Community Forestry	1,148,073	1,148,073	1,148,073	1,107,416	1,148,073	100	C
7/038	Axle Load Control	850,000	300,000	743,000	186,314	357,848	22	O
7/041	Six towns water supply	1,996,000	1,927,500	1,951,000	1,751,491	1,826,383	92	O
7/042	Assistance to General Elections	1,154	1,154	1,154	1,154	1,154	100	C
TOTAL B - TRANSFER OF BALANCE LOME II - NIP (5th EDF)		5,303,745	4,807,851	5,127,945	4,315,672	4,579,531	86	
TOTAL PROGRAMMABLE AID		54,202,158	52,090,843	52,620,008	50,532,870	51,178,972	94	
C - NON PROGRAMMABLE AID								
STRUCTURAL ADJUSTMENT SUPPORT								
7/005	1 st Structural Adjustment Programme	8,476,988	8,476,988	8,476,988	8,476,988	8,476,988	100	C
7/015	2 nd Structural Adjustment Programme	7,909,404	7,909,404	7,909,404	7,909,404	7,909,404	100	C
7/024	3 rd Structural Adjustment Programme	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000	100	C
7/029	4 th Structural Adjustment Programme	2,900,000	2,900,000	2,900,000	2,900,000	2,900,000	100	C
TOTAL STRUCTURAL ADJUSTMENT SUPPORT		21,586,392	21,586,392	21,586,392	21,586,392	21,586,392	100	
STABEX								
7/003	STABEX transfer 1991 (Wool)	385,688	385,688	385,688	385,688	385,688	100	C
7/004	STABEX transfer 1991 (Mohair)	550,816	550,816	550,816	550,816	550,816	100	C
7/011	STABEX transfer 1992 (Wool)	950,965	950,965	950,965	950,965	950,965	100	C
7/012	STABEX transfer 1992 (Mohair)	378,624	378,624	378,624	378,624	378,624	100	C
7/016	STABEX transfer 1993 (Wool)	1,009,444	1,009,444	1,009,444	1,009,444	1,009,444	100	C
7/017	STABEX transfer 1993 (Mohair)	72,664	72,664	72,664	72,664	72,664	100	C
7/021	STABEX transfer 1994 (Wool)	324,191	324,191	324,191	324,191	324,191	100	C
7/026	Redistribution STABEX transfers 1990 – 94	32,958	32,958	32,958	32,958	32,958	100	C
TOTAL STABEX TRANSFERS		3,705,350	3,705,350	3,705,350	3,705,350	3,705,350	100	
TOTAL C - NON PROGRAMMABLE AID		25,291,742	25,291,742	25,291,742	25,291,742	25,291,742	100	
GRAND TOTAL NATIONAL PROGRAMME IV (A - C)		79,493,900	77,382,585	77,911,750	75,824,612	76,470,714	96	

PROJ. No.	PROJECT TITLE	PROJECT AMOUNT	SECONDARY COMMITMENTS END 2001	SECONDARY COMMITMENTS END 2002	PAYMENTS END 2001	PAYMENTS END 2002	%	Status *
		Total	Amount Primary Commitments 2001	Amount Primary Commitments 2002	Amount secondary Commitments 2001	Amount secondary Commitments 2002	Amount disbursements 2001	Amount disbursements 2002
	Allocation under 7 th EDF NIP	50,000,000	48,919,357 (98%)	48,898,413 (98%)	47,282,992 (95%)	47,492,063 (95%)	46,217,198 (92%)	46,599,441 (93%)
	Carry forward from 5 th EDF	6,495,500	5,483,529 (84%)	5,303,745 (82%)	4,807,851 (74%)	5,127,945 (79)	4,315,672 (66%)	4,579,531 (71%)
	Stabex Transfers	3,705,350	3,705,350 (100%)	3,705,350 (100%)	3,705,350 (100%)	3,705,350 (100%)	3,705,350 (100%)	3,705,350 (100%)
	Macroeconomic (Structural adjustment) support	21,586,392	21,586,392 (100%)	21,586,392 (100%)	21,586,392 (100%)	21,586,392 (100%)	21,586,392 (100%)	21,586,392 (100%)
	GRAND TOTAL	81,787,242	79,694,628 (97%)	79,493,900 (97%)	77,382,585 (95%)	77,911,750 (95%)	75,824,612 (93%)	76,470,714 (93%)

C = Project closed; Co = All project activities completed ; O = Project ongoing

Annex 8: Financial situation for 6th EDF as at end 2002 (All amounts in €)

PROJ. No.	PROJECT TITLE	PROJECT AMOUNT	SECONDARY COMMITMENTS END 2001	SECONDARY COMMITMENTS END 2002	PAYMENTS END 2001	PAYMENTS END 2002	%	Status *
<u>A - NATIONAL INDICATIVE PROGRAMME (LOME III – EDF 6 NIP)</u>								
6/001	Lesotho Highlands Water Scheme (Hydropower Project)	9,475,199	9,475,199	9,475,199	9,475,199	9,475,199	100	C
6/002	Mphaki Area Development Project (Phase 2)	3,334,113	3,367,929	3,334,113	3,367,929	3,334,113	100	C
6/004	Asparagus Expansion Programme	4,701,117	4,701,117	4,701,117	4,701,117	4,701,117	100	C
6/005	TA to Lerotholi Polytechnic	139,964	139,964	139,964	139,964	139,964	100	C
6/006	Study assistance – Mekaling Road	3,840	3,840	3,840	3,840	3,840	100	C
6/007	TA to LNDC	250,700	250,700	250,700	250,700	250,700	100	C
6/009	Manpower Development Programme	7,033,659	7,033,659	7,033,659	7,033,659	7,033,659	100	C
6/010	Mekaling-Quthing Road	9,800,000	9,800,000	9,800,000	9,800,000	9,800,000	100	C
6/011	Mekaling-Quthing Road	366,802	366,802	366,802	366,802	366,802	100	C
6/012	Participation of Maseru Choir at Welsh Festival	45,375	45,375	45,375	45,375	45,375	100	C
6/014	Improvements to Queen Elizabeth II Hospital	149,081	149,081	149,081	149,081	149,081	100	C
6/015	TA to Lerotholi Polytechnic	273,716	273,716	273,716	273,716	273,716	100	C
6/016	Improvements to Queen Elizabeth II Hospital	4,427,185	4,427,185	4,427,185	4,427,185	4,427,185	100	C
6/022	Evaluation SSIVP 1 & appraisal of SSIVP 2	23,620	23,620	23,620	23,620	23,620	100	C
6/024	Drakensberg/Maloti Mountain Conservation Programme	209,586	209,586	209,586	209,586	209,586	100	C
6/032	Assistance to Bureau of Statistics	45,473	45,473	45,473	45,473	45,473	100	C
6/033	Pre-study Six Towns Water Supply – Phase II	28,600	28,300	28,300	16,731	19,432	58	Co
TOTAL A - LOME IV - NIP (net)		1576,8	1577,349	1576,5	1565,78	1567,632	99	
<u>B - TRANSFER OF BALANCE LOME I - NIP (4th EDF)</u>								
6/018	Study into Lesotho Highlands Water Project Royalties	118,717	118,717	118,717	118,717	118,717	100	C
6/019	Improvements to Queen Elizabeth II Hospital	181,591	181,591	181,591	181,591	181,591	100	C
6/025	Agricultural Policy Paper	129,228	129,228	129,228	129,228	129,228	100	C
6/026	Development of High Value Horticultural Crops	135,000	135,000	135,000	135,000	135,000	100	C
6/027	Feasibility Study – Axle Load Control & Road Safety	19,262	19,262	19,262	19,262	19,262	100	C
6/029	Privatisation Study – Plant & Vehicle Pool Services	19,507	19,507	19,507	19,507	19,507	100	C
6/030	Appraisal of SADC-HYCOS project	24,898	24,898	24,898	24,898	24,898	100	C

PROJ. No.	PROJECT TITLE	PROJECT AMOUNT	SECONDARY COMMITMENTS END 2001	SECONDARY COMMITMENTS END 2002	PAYMENTS END 2001	PAYMENTS END 2002	%	Status *
6/031	Drakensberg/Maloti Mountain Conservation Programme	424,944	424,944	424,944	424,944	424,944	100	C
TOTAL B - TRANSFER OF BALANCE LOME I - NIP (4th EDF)		1,053,147	1,053,147	1,053,147	1,053,147	1,053,147	100	
TOTAL PROGRAMMABLE AID		41,508,687	41,366,393	41,394,692	41,330,464	41,383,124	99	
<u>C - NON PROGRAMMABLE AID</u>								
STABEX								
6/013	STABEX transfer 1987 (Mohair)	3,140,313	3,140,313	3,140,313	3,140,313	3,140,313	100	C
6/023	STABEX transfer 1988 (Mohair)	1,224,000	1,224,000	1,224,000	1,224,000	1,224,000	100	C
TOTAL STABEX TRANSFERS		4,364,313	4,364,313	4,364,313	4,364,313	4,364,313	100	
TOTAL C - NON PROGRAMMABLE AID		4,364,313	4,364,313	4,364,313	4,364,313	4,364,313	100	
GRAND TOTAL NATIONAL PROGRAMME IV (A - C)		45,873,000	45,730,706	45,759,005	45,694,777	45,747,437	100	
	Total		Amount Primary Commitments 2001	Amount Primary Commitments 2002	Amount secondary Commitments 2001	Amount secondary Commitments 2002	Amount disbursements 2001	Amount disbursements 2002
	Allocation under 6th EDF NIP *	41,500,000	40,455,540 (97%)	40,308,030 (97%)	40,341,546 (97%)	40,307,730 (97%)	40,329,977 (97%)	40,298,862 (97%)
	Carry forward from 4th EDF	1,100,903	1,053,147 (96%)	1,053,147 (96%)	1,053,147 (96%)	1,053,147 (96%)	1,053,147 (96%)	1,053,147 (96%)
	Stabex Transfers	4,364,313	4,364,313 (100%)	4,364,313 (100%)	4,364,313 (100%)	4,364,313 (100%)	4,364,313 (100%)	4,364,313 (100%)
	GRAND TOTAL	46,965,216	45,873,000 (98%)	45,725,490 (97%)	45,759,006 (97%)	45,725,190 (97%)	45,747,437 (97%)	45,716,322 (97%)

C = Project closed; Co = All project activities completed

Annex 9: Financial situation Regional projects as at end 2002 (All amounts in €)

PROJ. No.	PROJECT TITLE	PROJECT AMOUNT	SECONDARY COMMITMENTS END 2001	SECONDARY COMMITMENTS END 2002	PAYMENTS END 2001	PAYMENTS END 2002	%	Status *
6 th EDF								
6 RPR 262	Watershed Management Pilot Project	37,200	37,200	37,200	37,200	37,200	100	C
6 RPR 559	EU-SADC Conf. On management of shared river basins	73,668	73,668	73,668	73,668	73,668	100	C
TOTAL 6 th EDF		110,668	110,668	110,668	110,668	110,668		
7 th EDF								
7 RPR 304	Muela Hydropower Project	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	100	C
7 RPR 304	Establishment of SARTOC	97,621	97,621	97,621	97,621	97,621	100	C
7 RPR 600	SADC-HYCOS	1,964,000	1,916,843	1,957,107	1,506,786	1,600,086	81	Co
TOTAL 7 th EDF		12,061,621	12,014,464	12,054,728	11,604,407	11,697,707	97	
TOTAL REGIONAL PROJECTS		12,172,289	12,125,132	12,166,396	11,715,075	11,808,375	98	

C = Project closed; Co = All project activities completed

Annex 10												EIB Loan Portfolio as at 31.12.2002											
Loan No	Name of contract	Loan signed on	Loan amount	Loan disbursements (amounts in EUR)					Loan repayments														
				Amount disbursed	(Actual) Date of first disburse.	Amount cancelled	Amount to be disbursed	Contractual date of last disbursement	Amount of loan outstanding in EUR	First repayment date	Last repayment date												
Loans on EIB's own resources																							
17170	LESOTHO-MUELA HYDROPOWER <i>Conditions: grace period ; interest rate: 3%</i>	15/03/94	5,000,000	5,000,000	28/03/94	0	0	n/a	3,648,784	20/08/99	20/02/09												
17455	LESOTHO HIGHLANDS WATER A (PHASE 1B) <i>Conditions: grace period ; interest rate: open</i>	25/05/98	44,000,000	26,586,302	25/05/00	0	17,413,698	31/01/04	22,099,518	31/07/04	31/01/18												
17690	LESOTHO HIGHLANDS WATER - B (PHASE 1B) <i>Conditions: grace period ; interest rate: open</i>	07/10/98	10,000,000	0	n/a	0	10,000,000	31/07/03	0	31/01/04	31/07/18												
<i>sub-total own resources</i>			59,000,000	31,586,302		0	27,413,698		25,748,302														
Loans on risk capital resources																							
70206	LESOTHO - LNDC TOURISM STUDY <i>Conditions: grace period ; interest rate: 2%</i>	13/02/81	50,000	50,000	12/03/81	0	0	n/a	0	30/08/82	30/08/86												
70207	LESOTHO-LNDC CERAMICS STUDIES <i>Conditions: grace period ; interest rate: 2%</i>	13/02/81	50,000	47,517	16/09/81	2,484	0	n/a	0	30/08/83	30/08/87												
70259	LESOTHO - LNDC PG <i>Conditions: grace period ; interest rate: 2%-8%*</i>	17/12/81	3,000,000	2,513,000	07/06/82	487,000	0	n/a	0	01/03/86	01/03/06												
70560	LESOTHO - LNDC PG II <i>Conditions: grace period ; interest rate: 2%-8%*</i>	13/08/85	3,000,000	2,815,500	20/03/86	184,500	0	n/a	37,500	01/03/89	01/03/10												
70630	LESOTHO HIGHLANDS WATER STUDY <i>Conditions: grace period ; interest rate: 2%</i>	15/12/86	3,500,000	3,500,000	04/09/87	0	0	n/a	0	10/11/97	10/11/01												
70794	LNDC INDUSTRIAL ESTATE <i>Conditions: grace period ; interest rate: 5%</i>	26/10/89	3,000,000	1,459,171	25/11/92	1,540,829	0	n/a	1,430,805	01/10/05	01/10/09												
70942	LESOTHO-MUELA HYDROPOWER <i>Conditions: grace period ; interest rate: 2%</i>	15/03/94	15,000,000	15,000,000	18/09/95	0	0	n/a	15,000,000	20/02/05	20/02/14												
70968	LNDC IV GL A <i>Conditions: grace period ; interest rate: 1%</i>	28/09/94	750,000	750,000	20/09/95	0	0	n/a	560,850	31/10/99	31/10/13												
70969	LNDC IV GL B <i>Conditions: grace period ; interest rate: 1%</i>	28/09/94	1,750,000	1,265,000	03/09/96	485,000	0	n/a	759,000	31/10/99	31/10/08												
70970	LNDC IV GL C <i>Conditions: grace period ; interest rate: 1%</i>	28/09/94	500,000	73,000	20/01/00	300,000	127,000	n/a**	73,000	31/10/05	31/10/10												
<i>sub-total risk capital resources</i>			30,600,000	27,473,188		2,999,813	127,000		17,861,155														
Grand Total			89,600,000	59,059,490		2,999,813	27,540,698		43,609,457														

Current Status (Financial Resources available)

Balance on Euro Account at BBL	EUR	834,946.34
Balance on Counterpart Fund Account at CBL	LSL	793,549.67

Account Movements by Year*Euro Account at BBL (EUR)*

	<i>Transfers ex Stabex</i>	<i>Transfers to CBL</i>	<i>Other payments</i>	<i>Interest earned</i>	<i>Other income</i>	<i>Year end balance</i>
1993	2,160,504.00	0.00	0.00	77,002.53	0.00	2,237,506.53
1994	1,329,589.00	1,000,000.00	0.00	124,568.47	0.00	2,691,664.00
1995	1,039,672.00	0.00	0.00	178,112.70	0.00	3,909,448.70
1996	399,585.00	1,000,000.00	25,147.57	114,399.91	0.00	3,398,286.04
1997	0.00	0.00	30,867.02	103,248.65	0.00	3,470,667.67
1998	0.00	0.00	0.00	105,152.59	0.00	3,575,820.26
1999	0.00	0.00	1.09	61,086.72	0.00	3,636,905.89
2000	0.00	0.00	0.00	113,427.01	0.00	3,750,332.90
2001	0.00	3,000,000.00	0.00	66,290.82	0.00	816,623.72
2002	0.00	0.00	0.00	18,322.62	0.00	834,946.34
Total	4,929,350.00	5,000,000.00	56,015.68	961,612.02	0.00	834,946.34

Counterpart fund account at CBL (LSL)

	<i>Transfers ex BBL</i>	<i>Payments under FMO 1</i>	<i>Payment under FMO 3</i>	<i>Interest earned</i>	<i>Other Income</i>	<i>Year end balance</i>
1993	0.00	0.00	0.00	0.00	0.00	0.00
1994	4,163,518.19	590,000.00	0.00	191,419.29	0.00	3,764,937.48
1995	0.00	2,798,229.89	0.00	280,640.39	0.00	1,247,347.98
1996	5,500,757.00	3,171,473.21	0.00	462,822.86	52,967.66	4,092,422.29
1997	0.00	2,416,783.32	0.00	457,460.22	81,147.65	2,214,246.84
1998	0.00	211,200.00	0.00	368,823.10	0.00	2,371,869.94
1999	0.00	719,173.33	0.00	257,070.09	0.00	1,909,766.70
2000	0.00	342,860.00	0.00	145,612.46	0.00	1,712,519.16
2001	21,069,637.41	197,535.00	22,001,977.92	267,967.92	0.00	850,611.57
2002	0.00	104,024.42	0.00	46,962.52	0.00	793,549.67
Total	30,733,912.60	10,551,279.17	22,001,977.92	2,478,778.85	134,115.31	793,549.67

Utilisation through Frameworks of Mutual Obligation (FMO)

	<i>FMO 1</i>	<i>FMO 3</i>	<i>Total</i>
Duration as per FMO	1994-1999	2000-2001	
Budgeted amount per Cost Estimate (LSL)	17,000,000.00	25,000,000.00	42,000,000.00
Amount transferred (EUR)	2,000,000.00	3,000,000.00	5,000,000.00
Counterpart funds generated (LSL)	9,664,275.19	21,069,637.41	30,733,912.60
Counterpart funds disbursed (LSL)	10,551,279.17	22,001,977.92	32,553,257.09
Interest earned	752,888.67	1,725,890.18	2,478,778.85
Other income	134,115.31	0.00	134,115.31
Balance undisbursed	0.00	793,549.67	793,549.67

Project Sheets/Profiles (Ongoing projects and projects completed during 2002)

8th EDF

Title	Road Transport Infrastructure Programme		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 December 2006	
Project amount	€ 37,700,000	Total disbursement to end 2001	€ 14,221,421	
Amount disbursed in 2001	€ 5,857,161	Total disbursement to end 2002	€ 18,895,669	
Amount disbursed in 2002	€ 4,674,248	Forecast disbursement end 2003	€ 22,000,000	
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 2002	<p>The largest component of the RTIP is the <u>upgrading to bitumen standard</u> of the following gravel roads in Mafeteng and Maseru districts:</p> <ul style="list-style-type: none"> - B 42 from Ha Ramohapi to Ha Ralintsi (39.5 km) - B 43 from Masite Nek to Makintane (32.6 km) - B 47 from Maseru By-pass to Ha Sekete (41.8 km) <p>The Roads Department in the Ministry of Public Works and Transport is responsible for overseeing the improvement of these roads, with the work being carried out by WBHO Construction (Pty). The estimated final cost of the works is LSL 140,795,974 (compared with tendered price of LSL 105,516,717 . During December 2002 the contractor submitted a request for additional payments amounting LSL 180,700,327. This “claim” is to be passed to the Supervising Engineer for assessment and recommendation.</p> <p>As of the end of December 2002 the bitumen surface on approximately 65 km out of a total of 116 km has been completed, two (Tsoaing and Lekhetla) out the three river bridges are substantially complete whilst the remaining bridge (Liphiring) is more than 50% complete. It is expected that the remainder of the road surfacing will be completed by end June and that all final activities (making good, fencing and grass seeding) will be completed by the end of October 2003. This will represent a delay over the contract period at award of 13 months and a delay of approximately five months over the extended contract completion date. The extension of the contract period followed the discovery of significant deficiencies in the original data and designs, and the consequent need to make good these deficiencies.</p> <p>The supervision of the works contracts was awarded to Bergman-Ingérop, following a restricted tender. The amount of the contract has been increased to LSL 14,132,150 (compared with the price at award of LSL 8,380,191. The major part of the increase in the contract price has resulted from the additional services required for the design and supervision of the road safety measures in the Maseru South industrial and residential areas. These areas adjoin the B 47 road which is being upgraded under the project</p> <p><u>Upgrading of Earth tracks to LCU gravel standard:</u> Under the RTIP the Department of Rural roads is responsible for improving a number of earth tracks to all-weather gravel status, using labour-based techniques. The roads that are to be upgraded under this element of the programme are:</p> <ul style="list-style-type: none"> ▪ BB09 from Ha Selomo to Tsime in Butha Buthe district (19.3 km) ▪ BR02 from Teyateyaneng to Ha Senekane in Berea district (16 km) 			

Title	Road Transport Infrastructure Programme		N°	8 ACP LSO 002																																																												
<ul style="list-style-type: none"> ▪ MF13 (North) from Van Rooyen's Gate to Tsupane in Mafeteng district (9.3km) ▪ MK10 from Mokhotlong to Phahameng in Mokhotlong district (16.6 km) 																																																																
<p>Whilst DRR force-account teams have upgraded two of these roads, the remainder (BR 02 and MF 13) have been used to train and evaluate local contractors, who will be expected to play a major role in labour-based road construction and maintenance in the future. All the contractors successfully completed their trial contracts and are now undertaking similar work through both GoL and donor financed contracts .</p>																																																																
<p>Progress as at 31.12.02 (% of operations completed)</p>																																																																
<table border="1"> <thead> <tr> <th>Item</th> <th>BR02</th> <th>BB09</th> <th>MK10</th> <th>MF13</th> </tr> </thead> <tbody> <tr> <td>Formation</td> <td>100 %</td> <td>100 %</td> <td>100 %</td> <td>100 %</td> </tr> <tr> <td>Gravelling</td> <td>100 %</td> <td>100 %</td> <td>100 %</td> <td>100 %</td> </tr> <tr> <td>Drifts</td> <td>100 %</td> <td>100 %</td> <td>100%</td> <td>100 %</td> </tr> <tr> <td>Culverts</td> <td>100 %</td> <td>100 %</td> <td></td> <td>100</td> </tr> <tr> <td>Bridges</td> <td>100 %</td> <td>100 %</td> <td>100 %</td> <td>Contract failed</td> </tr> <tr> <td>Budgeted cost (LSL) *</td> <td>3,866,510</td> <td>4,766,780</td> <td>5,716,920</td> <td>2,197,220</td> </tr> <tr> <td>Final cost (LSL) **</td> <td>4,618,533</td> <td>5,882,105</td> <td>7,680,032</td> <td>2,807,440</td> </tr> <tr> <td>Of which paid by EDF</td> <td>3,854,778</td> <td>5,669,991</td> <td>7,366,689</td> <td>2,157,569</td> </tr> <tr> <td>Labour input (man days)</td> <td>69,015</td> <td>90,000 +</td> <td>84,295</td> <td>N.A.</td> </tr> <tr> <td>Productivity (man days/km)</td> <td>4,234</td> <td>Approx 4,660</td> <td>5,078</td> <td>N.A.</td> </tr> <tr> <td>Average cost (LSL) per km</td> <td>283,346</td> <td>304,772</td> <td>462,652</td> <td>280,744</td> </tr> </tbody> </table>	Item	BR02	BB09	MK10	MF13	Formation	100 %	100 %	100 %	100 %	Gravelling	100 %	100 %	100 %	100 %	Drifts	100 %	100 %	100%	100 %	Culverts	100 %	100 %		100	Bridges	100 %	100 %	100 %	Contract failed	Budgeted cost (LSL) *	3,866,510	4,766,780	5,716,920	2,197,220	Final cost (LSL) **	4,618,533	5,882,105	7,680,032	2,807,440	Of which paid by EDF	3,854,778	5,669,991	7,366,689	2,157,569	Labour input (man days)	69,015	90,000 +	84,295	N.A.	Productivity (man days/km)	4,234	Approx 4,660	5,078	N.A.	Average cost (LSL) per km	283,346	304,772	462,652	280,744				
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<p>* Estimated cost net of provisions for audit and baseline studies</p>																																																																
<p>** Where the final costs exceed the amount approved for the revised budgets the balance is paid by GoL from its own resources</p>																																																																
<p><u>Institutional strengthening and capacity building:</u> In support of the improvement to the road network, the Road Transport Infrastructure Programme is providing technical assistance for strengthening and building up the institutional capacity of the Ministry of Public Works and Transport Planning Unit and the Department of Rural Roads. The advisers for these positions took up their positions in September and October 2000. In the initial parts of their assignments both advisers were required to give substantial support to the implementation of the district/rural feeder road upgrading activities. However, throughout 2002 both advisers have been able to give greater attention to the issue of policy development with result that a draft national transport sector policy paper was completed in December 2002 and distributed for comment and discussion.</p>																																																																
<p>In response to the hardship experienced by the rural population in those areas that suffered adverse climatic conditions , which exacerbated an already difficult situation of rising food prices caused by the rapid devaluation of the SA R and regional political events, the Adviser - Rural Roads prepared a programme for income support through labour intensive road maintenance and construction. The programme will be implemented in 2003 using residual resources from the 1993/94 Stabex transfers and will be targeted at communities residing in the major livestock producing areas.</p>																																																																
<p><u>Road Safety Improvement Programme:</u> In addition to the construction activities and transport sector institutional issues, the RTIP, has a provision for financial and technical assistance in support of a Road Safety Improvement Action Plan. The introduction of this Plan, in conjunction with the simultaneous introduction of Axle Load Control (also EU-financed) will begin to address the problem of Lesotho's poor road safety record. The major activities carried out during the year have included monitoring the police surveillance programme, developing educational materials for schools and piloting the same through a number of schools in Maseru, developing recommendations for the establishment of a National Road Safety Council, setting up a survey to determine road accidents costs in Lesotho and initiating a programme for the identification and rectification of danger spots within Maseru.</p>																																																																
<p><u>Road Safety Works Maseru South:</u> The upgrading of the B 47 road under the project has highlighted the growing problem of pedestrian and vehicle safety within the area served by the interface between the B 47 and the main Maseru South arterial road. The rapid industrialisation and residential development in the Thetsane and Ha Tsolo areas of Maseru South has resulted in a situation where there are very large numbers of both pedestrian and vehicle traffic using the present road system during peak hours, with a corresponding increase in the risks of pedestrian and traffic accidents. In order to address the problem a proposal was submitted for the construction of suitable pedestrian facilities, a taxi/bus rank and service roads in the area. The design and supervision of the works are being carried out as an addendum to the Bergam-Ingerop contract and following a local open tender a construction contract is to be awarded to Lesotho Consolidated Civil Contractors for an amount of</p>																																																																

Title	Road Transport Infrastructure Programme	N°	8 ACP LSO 002
	LSL 22,247,291.15. The works are scheduled for completion in October 2003		

Title	8th EDF Multi-annual Microprojects Programme		N°	8 ACP LSO 003
Date of Financing Agreement/Primary Commitment		2 nd September 1999		
Start Date:	31 st December 1999	End Date:	30 th June 2005	
Project amount		€ 5,300,000	Total disbursement to end 2001	€ 416,689
Amount disbursed in 2001		€ 222,396	Total disbursement to end 2002	€ 729,379
Amount disbursed in 2002		€ 312,690	Forecast disbursement end 2003	€ 1,353,424
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 expected	Up to 405 Microproject Agreements successfully concluded and implemented by a locally staffed coordination unit			
Results Achieved and/or Progress in 2002	<p>Following the dissolution of the former management structure and the establishment of a new coordinating unit as a semiautonomous agency under the National Authorising Officer, the Microprojects Programme as been restarted with a greater emphasis on the coordination of decentralised implementation. A total of six project agreements have been established with an estimated total cost of LSL 10,854,531 of which the EDF/MPP contribution will be LSL 7,395,771 or approximately 68 %. Approximately 87% of the programmes , in monetary terms, will be implemented through five separate NSA agencies, which is a new departure for the Microprojects Programme. This is seen as a starting point for greater future involvement of NSA in the CSP/NIP for Lesotho.</p> <p>In terms of target beneficiaries it is expected that the water projects will benefit approximately 4,400 households, two-classroom blocks will be constructed for 30 primary schools ad one secondary school and 596 VIP pit-latrines will be constructed under the sanitation components. To ensure sustainability training will be given to communities in health ad hygiene, the training of Village water Committees and the training of Water Minders in simple maintenance and repair for each water scheme..</p>			
Project name	Sector	Implementing Agency	Total Cost (LSL)	EDF/MPP
Health & Sanitation in Qacha's Nek District – Phase 1			Health and Sanitation	Lesotho
Red Cross	2,456,252	1,187,661		
Water & Sanitation in Quthing Valley		Water and Sanitation	Plenty NGO	1,255,700 891,351
Education Facility Programme – Phase 1		Education	Education Secretariat of the Anglican	
Church of Lesotho	1,861,408	1,389,801		
Education Facility Programme – Phase 1		Education	Education Secretariat of the Lesotho	
evangelical Church	1,861,408	1,389,801		
Education Facility Programme – Phase 1		Education	Catholic Schools Secretariat	
	2,047,550	1,528,782		
Water Schemes in Marabeng Village		Water	Department of Rural Water Supply -	
Berea District	480,900	350,363		
Water Schemes in Ha Toloane and Masianokeng Villages			Water	Department of
Rural Water Supply – Maseru District		891,313	658,012	
		Total	10,854,531	7,395,771

Title	Information, Workshops, Conference and Cultural Initiatives		N°	8 ACP LSO 005
Date of Commission Approval		28 th July 2000		
Date of Financing Agreement/Primary Commitment		24 th October 2000		
Latest Start Date:	1 st January 2001	End Date:	30 th June 2004	
Project amount	€ 476,000	Total disbursement to end 2001	€ 33,316	
Amount disbursed in 2001	€ 33,316	Total disbursement to end 2002	€ 53,997	
Amount disbursed in 2002	€ 20,681	Forecast disbursement end 2003	€ 133,316	
Objective	To increase understanding of social and development issues in Lesotho			
Purpose	To support workshops, seminars, information dissemination and cultural activities in areas related to the NIP focal sectors, GoL reciprocal commitments under the NIP, EU/Lesotho cooperation, EU/SA trade development and cooperation, etc.			
Results expected	<ol style="list-style-type: none"> 1. Increased awareness of key social and development issues. 2. Increased understanding of Southern Africa regional issues. 3. Increased awareness and knowledge of EU/Lesotho cooperation. 			
Results Achieved and/or Progress in 2002	<p>Implementation of the project has continued to fall behind expectations and the approach used thus far for the administration of the Fund will need to be reviewed. Although the activities supported during the year have fallen below the number scheduled under the Work Plan the content of those supported has covered a wide range of issues that are pertinent to cross-cutting areas in the CSP/NIP. The activities included financial contributions to:</p> <ul style="list-style-type: none"> - The Lesotho Child Counselling Unit for a four day workshop on group counselling for sexually abused and commercially exploited survivors. A total 34 children aged between 4 and 19 yrs attended the workshop and received group counselling on a broad range of issues including sexual abuse, rape and commercial sex. Five counsellors attended the workshop, the results of which are to be used to refine child counselling methodologies in Lesotho; - The Federation of Women Lawyers for a "Labour Law and Gender" workshop aimed at promoting gender in the workplace by empowering women and sensitizing them of their rights. A total of 16 participants attended the workshop including members of trade unions, - The Lesotho and Swaziland Network n HIV/AIDS (LESWA) to assist 15 youth members ot attend a SADC Youth Conference on HIV/AIDS in Swaziland. - The Ministry of Environment, Gender and Youth Affairs for a conference Youth workshop on cultural norms and practices, including crime prevention, STI's , HIV and AIDS. Some 48 young people attended the workshop together with 6 facilitators. The workshop was addressed by the District Secretary, Leribe.; - The Morija Arts and Cultral Festival 2002. A grant for the hrire of tents to be used during the festival. - The Department of Energy for the production of a brochure on "Energy Saving". - Dr. R.K. Phororo for the publication of the bimonthly journal Thakaneng (The Monitor) 			

Title	Support to the Department of Economic Cooperation		N°	8 ACP LSO 007																											
Date of Commission Approval	22 nd December 2000																														
Date of Financing Agreement/Primary Commitment	6 th February 2001																														
Latest Start Date:	30 th September 2001	End Date:	31 st December 2004																												
Project amount	€ 1,100,000	Total disbursement to end 2001	€ 98,598																												
Amount disbursed in 2001	€ 98,598	Total disbursement to end 2002	€ 200,975																												
Amount disbursed in 2002	€ 102,377	Forecast disbursement end 2003	€ 520,000																												
Objective	To achieve and maintain levels of economic growth necessary for progress, the alleviation of poverty and social development																														
Purpose	To develop in Government a capacity for the effective coordination and management of external assistance																														
Results expected	<ol style="list-style-type: none"> 1. Policy on external assistance adopted by Cabinet. 2. External assistance management information system operating and producing regular reports 3. Guidelines on preparation and implementation of external assistance projects published 4. Lesotho/EC development cooperation strategy for 2000/2005 agreed and signed 5. National Indicative Programme for 9th EDF signed 																														
Results Achieved and/or Progress in 2002	<p>In terms of achievements during 2002 the major event was the signing of both the Country Support Paper and National Indicative Programme for EC/Lesotho cooperation between 2001 and 2007. Substantial support was also provided to the function of the National Authorising Officer in the in the finalisation of the 9th EDF CSS/NIP in the general administration of the EDF development cooperation programme and in the development of a system for monthly monitoring of donor inputs to capital programmes.</p> <table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: center;">2001</th> <th style="width: 20%; text-align: center;">2002</th> </tr> </thead> <tbody> <tr> <td>No. of Payment Orders issued</td> <td style="text-align: center;">2001</td> <td style="text-align: center;">202</td> </tr> <tr> <td>Value of Payment Orders issued (LSL)</td> <td style="text-align: right;">77,361,521</td> <td style="text-align: right;">137,661,439</td> </tr> <tr> <td>No contracts concluded</td> <td style="text-align: center;">13</td> <td style="text-align: center;">13</td> </tr> <tr> <td>Value contracts concluded (LSL)</td> <td style="text-align: right;">11,549,119</td> <td style="text-align: right;">55,176,484</td> </tr> <tr> <td>No. Primary Commitments opened</td> <td style="text-align: center;">6</td> <td style="text-align: center;">7</td> </tr> <tr> <td>Value Primary Commitment opened (€)</td> <td style="text-align: right;">20,374,600</td> <td style="text-align: right;">4,885,000</td> </tr> <tr> <td>No. Primary Commitments closed</td> <td style="text-align: center;">7</td> <td style="text-align: center;">5</td> </tr> <tr> <td>Value Primary Commitments closed (€)</td> <td style="text-align: right;">773,996</td> <td style="text-align: right;">5,104,326</td> </tr> </tbody> </table> <p>As part of the development of capacity within the Department of Economic Cooperation a review of training needs was conducted and a tentative plan drawn up for 2002/03. To-date the Director, Department of Economic Cooperation and the Senior Economic Planner responsible for external assistance have been sent on a 3-week course on Aid Coordination run by the University of Natal and arrangements have been made for two staff members to attend courses on “Financial Programming and Policy” and “Public Expenditure Analysis and Management” respectively run by the Macroeconomic and Financial Management Institute of Eastern and Southern Africa in early 2003.</p> <p>At the request of the National Authorising Officer the Financing Agreement for the project was extended to 31st December 2004.</p>					2001	2002	No. of Payment Orders issued	2001	202	Value of Payment Orders issued (LSL)	77,361,521	137,661,439	No contracts concluded	13	13	Value contracts concluded (LSL)	11,549,119	55,176,484	No. Primary Commitments opened	6	7	Value Primary Commitment opened (€)	20,374,600	4,885,000	No. Primary Commitments closed	7	5	Value Primary Commitments closed (€)	773,996	5,104,326
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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:	31 st December 2005	
Project amount		€ 1,800,000	Total disbursement to end 2001		€ 0
Amount disbursed in 2001		€ 0	Total disbursement to end 2001		€ 0
Amount disbursed in 2002		€ 0	Forecast disbursement end 2002		€ 400,000
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 2002	<p>The contract for technical assistance to the Ministry of Health and Social Welfare was awarded to the National Research and Development Centre for Welfare and Health (STAKES), Finland on 24th January 2002 and the technical assistance (Dr. P. Kuosmanen – Adviser, Decentralisation; Dr. D. Rumisha – Adviser, Health Information Systems) arrived to take up their posts in March 2002. The Inception Report presented on 28th June 2002 identified:</p> <ul style="list-style-type: none"> – The need to develop a comprehensive Health and Social Welfare Policy as a critical element for successful Health Sector Reform; – The requirement that skills will need to be built up and institutional systems revitalised before the generation of relevant and reliable health sector information would be possible. <p>With the assistance of the TA advisers the MoHSW initiated the development of a Health and Social Welfare Policy, which is to be made available for discussion in mid-2003.</p> <p><u>Decentralisation:</u> The primary focus during the year has been the development of the District Health Package (DHP), which is establishes the functions that are to be decentralised and the definition of the services (Essential Services Package = ESP) to be provided at the community, health centre, district hospital and referral levels. Progress to-date has been limited to the establishment of a Task Force for the coordinating the development of the DHP and setting up the framework for the development of the Essential Service Package. Consensus on the DHP is expected in 2003 with its introduction into pilot areas foreseen from late 2003 onwards.</p> <p><u>Monitoring and Evaluation:</u> The main aim of this component is to develop a capacity for monitoring and evaluation of the health care and social welfare system through a systematic and continuous process of tracking inputs/outputs/outcomes which will provide feedback for accountability, performance management and evidence based planning. Progress has been constrained by the lack of reliable data and an ineffective health management system. A major deficiency noted has been the complete lack of a database of health information for the period 1997 – 2001. It will therefore be necessary to reconstruct the database for this period before significant advances can be made.</p>				

Title	Poverty Reduction Budgetary Support Programme		N°	8 ACP LSO 090/010
Date of Commission Approval		23 rd July 2001		
Date of Financing Agreement/Primary Commitment		26 th October 2001		
Latest Start Date:	31 st December 2001	End Date:	31 st December 2003	
Project amount	€ 18,500,000	Total disbursement to end 2001	€ 0	
Amount disbursed in 2001	€ 0	Total disbursement to end 2002	€ 6,067,257	
Amount disbursed in 2002	€ 6,067,257	Forecast disbursement end 2003	€ 9,100,000	
Objective	To create a stable macroeconomic environment, which is conducive to for private sector development and equitable economic growth			
Purpose	To support government's general budget expenditures in the fields of health, education and social services.			
Results expected	<ol style="list-style-type: none"> 1. Reduction of Government's budget deficit and related financing gap to bring it below the figure of 2. Government foreign exchange reserves maintained at equivalent to 6 months of imports. 			
Results Achieved and/or Progress in 2002	<p>Implementation of the project has fallen behind expectations, largely due to internal misunderstandings on the administrative procedures for obtaining the release of the first tranche and difficulties in suitable SMART indicators that can be used as measurements of outputs and outcomes in terms of Government's achievement's in reducing poverty levels.. The administrative problems were overcome in early 2002 and the first tranche of € 6 million (= LSL 56,704,200) was transferred into Government's General Revenue Account in June 2003. Discussions have continued throughout the year on the definition of appropriate indicators and it is expected that a combination of process, output and outcome indicators will be agreed early in 2003.</p> <p>In addition to the budgetary support aspects of the Financing Agreement two studies have been carried out during 2002. The most significant of the two has been the study in to Governments financial management, which was carried in part as an accountability assessment and in part as a means of pinpointing deficiencies and recommending measures for improvement. The overall finding of the study was that public financial management in Lesotho, both in terms of the institutions and the systems involved, is extremely weak and that as such it reflects the overall weakness of public expenditure management. This was noted in the study as a cause for serious concern since the effective management of public expenditure is the sole area in which Government is able to influence and manage national fiscal policy. The major recommendations presented in the report are:</p> <ol style="list-style-type: none"> 1. To establish a base on which future financial management and control can be built though the establishment of Government's balance sheet as at 31st March 2002 comprising all government accounts and below the line financial assets and liabilities. 2. Once a clean financial base has been established, initiate the process of creating an effective management team in Treasury, which is capable of maintaining and improving on this base. This process would involve reviewing all aspects of Treasury and the human, technical and financial resources available to it; drawing up a strategy for the future role of Treasury and establishing a plan to implement this. Particular focus to be placed on ensuring that the principles of accuracy, comprehensiveness and transparency in government's accounts are established. 3. The Ministry of Finance to restructure itself to ensure that all aspects of Treasury fall under the management of Treasury and in particular that all computerised processes fall under its direct control and that the support of effective Internal Audit services are available to it. 4. Government to consider its current financial management structure and in particular whether the decentralisation of financial management responsibilities to Chief Accounting Officers for these processes would provide productivity and financial control gains. 5. The implementation of a review of critical support functions such as the legislative framework (including the relevant provisions within the Constitution), External Audit and the procurement 			

Title	Poverty Reduction Budgetary Support Programme	N°	8 ACP LSO 090/010
	<p>system.</p> <p>Following from the problems encountered in identifying suitable SMART indicators in the context of the programme and the need to give greater consideration to poverty monitoring assistance was requested by the Bureau of Statistics in the planning, design and implementation of the 2002/03 Household Budget Survey. To provide the assistance required a contract was awarded to Statistics Sweden for the provision of an expert to assist in :</p> <ul style="list-style-type: none"> – Scoping and producing an Action Plan for the Household Budget Survey (HBS); – Identifying the needs of end-users for data produced by the HBS; – Determining the subject content of the survey , designing and pre-testing the relevant questionnaire; – Sample design and estimation procedures; – Establishment of a procedural manual; – Formulate quality assurance criteria; – Providing back-up during data collection, the design of the data processing system; and – Analysis and dissemination of the survey results <p>The assignment commenced in March 2002 and expected to be completed by July 2003</p>		

Title	Lesotho Lowlands Water Supply Feasibility Study		N°	8 ACP LSO 011
Date of Commission Approval		8 th October 2001		
Date of Financing Agreement/Primary Commitment		23 rd November 2001		
Latest Start Date:	1 st March 2002	End Date:	1 st September 2004	
Project amount	€ 1,750,000	Total disbursement to end 2001	€ 0	
Amount disbursed in 2001	€ 0	Total disbursement to end 2002	€ 8,776	
Amount disbursed in 2002	€ 8,776	Forecast disbursement end 2003	€ 550,000	
Objective	To achieve sustainable economic growth and reduce poverty			
Purpose	The development of an investment programme that will secure the medium- and long-term water supply for human and industrial consumption to the urban and peri-urban populations of the lowlands of Lesotho.			
Results expected	<ol style="list-style-type: none"> 1. Financing Proposal for submission under the 9th EDF; 2. Tender dossier for the design of the proposed solution 3. Recommendations for institutional and management procedures and long-term capacity building 4. Water sector personnel trained for implementation phase. 			
Results Achieved and/or Progress in 2002	<p>The tender for a Lesotho Lowlands Water Supply Feasibility Study was launched on 14th February 2002, with seven (7) European and regional consultancy firms being invited to make submissions. The tender closed on 15th May 2002 and a contract was awarded to the Centre for Ecology and Hydrology (UK) to assist the Department of Water Affairs, Ministry of Natural Resources in the technical evaluation of the tenders submitted. Following the evaluation three companies were considered as being eligible to progress to the second stage (Price evaluation) and on opening the price envelopes for the three companies the offer submitted by Parkman International was found to be the lowest priced and an offer of award of contract followed. The contract with Parkman was signed on 11th December 2002 for an amount of LSL 13,537,244. The consultant is mobilise his team in early 2003 and the intermediate report outlining the prospective options is to be presented in September 2003. A decision on the chosen options is expected by December 2003 and a final report with Terms of Reference and Tender documents for the next phase (detailed design) is scheduled for April 2004.</p>			

Title	Support to Department of Economic Policy		N°	8 ACP LSO 012
Date of Commission Approval		1 st June 2001		
Date of Financing Agreement/Primary Commitment		1 st June 2001		
Latest Start Date:	31 st December 2001	End Date:	30 th November 2004	
Project amount	€ 750,000	Total disbursement to end 2001	€ 7,744	
Amount disbursed in 2001	€ 7,744	Total disbursement to end 2002	€ 124,014	
Amount disbursed in 2002	€ 116,270	Forecast disbursement end 2003	€ 152,744	
Objective	Strengthen the Ministry of Development Planning's capacity for guiding policy makers on development priorities through sound macroeconomic analysis and forecasting			
Purpose	The full integration of the work of the Department of Economic Policy into the budgetary process and the development of macroeconomic forecasting as a tool for ensuring an efficient allocation of government resources in accordance with the overall objective of augmenting economic growth and poverty reduction			
Results expected	<ol style="list-style-type: none"> 1. A clear definition of the functions of the Department of Economic Policy, and of the tasks, routines and individual job descriptions needed to fulfil the functions; 2. The development of a clear understanding of the relative roles of DEP, the Fiscal Analysis and Policy Unit in the Ministry of Finance and the Research Department in the Central Bank, together with the establishment of appropriate means of ensuring the complementarities and effectiveness of the three units; 3. The introduction of a macroeconomic forecasting model as a basic tool in Government's planning and budgeting process, 4. The annual production of the three-year rolling National Development Plan based <i>inter alia</i> on the scenarios and projections produced by the model; 5. The integration of the Public Sector Investment Plan into the National Development Plan; 6. The incorporation into the Poverty Reduction Strategy Paper of an "Economic Policy Framework" as a guide for subsequent strategic planning and decision making; 7. A training needs analysis and staff development plan for DEP; 8. The preparation of a broader institutional capacity building proposal for key areas within the central ministries. The proposal to be submitted for consideration under the 9th EDF National Indicative Programme. 			
Results Achieved and/or Progress in 2002	<p>Following restricted consultations on the basis of a short-list of candidates submitted by the European Commission a direct agreement contract was awarded to Mr. G. West. Mr. West took up his assignment on 1st December 2001.</p> <p>The technical assistance prepared a number of papers on the rehabilitation of the planning system in Lesotho and took a lead in the establishment of both sectoral working groups for the PRSP preparation process and a macroeconomic working group for the preparation of a fiscal strategy and future budget frameworks. Key policy papers presented included:</p> <ul style="list-style-type: none"> - A development planning framework for Lesotho - Economic analysis of budget outturn since 1990/91 - Preparing the Rolling Development Plan - Setting public expenditure priorities - Economic Review 1997 – 2001 <p>The next stage in the assignment is to be the production of the first iteration of an rolling development plan covering the period 2003/04 – 2005/06.</p>			

Title	Support for Lesotho's Independent Electoral Commission		N°	8 ACP LSO 013
Date of Commission Approval		14 th May 2004		
Date of Financing Agreement/Primary Commitment		15 th May 2002		
Latest Start Date:	25 th May 2002	End Date:	30 th June 2003	
Project amount	€ 1,900,000	Total disbursement to end 2001	€ 0	
Amount disbursed in 2001	€ 0	Total disbursement to end 2002	€ 52,094	
Amount disbursed in 2002	€ 52,094	Forecast disbursement end 2003	€ 1,800,000	
Objective	To promote political stability conducive to national development			
Purpose	To promote acceptance, transparency and legitimacy of the national election results			
Results expected	The successful and transparent completion of the 2002 General Election			
Results Achieved and/or Progress in 2002	<p>A Financing Proposal for a project to support the Independent Electoral Commission in the implementation of the 2002 General Election was submitted to the Delegation on 16th October 2001. Under the project it is proposed that EDF support would be used to re-finance the GoL budget contribution in the area of logistics for the distribution of election materials. With the Financing Agreement being signed on the 15th May 2002 the activities that would be considered eligible for refinancing were limited to the period immediately preceding Election Day (25th May 2002), the rollback of materials after the election and the new elections in the two constituencies (Hlotse and Mount Moorosi.</p> <p>Polling took place in 2,308 polling stations from 7 a.m. and closed at 5 p.m., though in order to ensure that no voter would be denied the opportunity to cast his or her ballot papers voting was extended to 12 p.m. the following at a number of stations where voting had begun late due to missing materials.</p> <p>In total 554,386 voters cast their ballot papers under the new two-ballot system, which represented a turnout of 68.1%, and the results were announced both at the constituency and at the National Elections Results Centre in Maseru.</p> <p>In the constituency vote the Lesotho Congress for Democracy won 77 seats and the Lesotho People's Congress 1 seat. Of the 40 party seats the Basotho National Party were allocated 21 seats and a total of 8 parties were allocated the remainder. The total number of women elected to parliament increased from 2 in the 1998 election to 14 in the 2002 election.</p> <p>255 international observers were in Lesotho for Election Day to join up with local observer teams. All observers expressed their satisfaction with the election process, concluding that "The election was peaceful, free, fair and transparent; it is thus a true reflection of the will of the people of Lesotho".</p> <p>The compilation and reconciliation of the IEC expenditures for the Election have continued throughout the latter part of 2002 and a consolidated request for refinancing from the project is expected early in 2003</p>			

Title	Assistance in establishment of a National Elections Results Centre		N°	8 ACP LSO 015
Date of Commission Approval		19 th March 2002		
Date of Financing Agreement/Primary Commitment		19 th March 2002		
Latest Start Date:	25 th March 2002	End Date:	1 st June 2002	
Project amount	€ 47,300	Total disbursement to end 2001	€ 0	
Amount disbursed in 2001	€ 0	Total disbursement to end 2002	€ 43,236	
Amount disbursed in 2002	€ 43,236	Forecast disbursement end 2003	€ 43,236	
Objective	To promote political stability conducive to national development			
Purpose	To promote acceptance, transparency and legitimacy of the national election results			
Results expected	The successful and transparent completion of the 2002 General Election			
Results Achieved and/or Progress in 2002	<p>Following a request from the Chairman of the Independent Electoral Commission a contract was awarded to Electoral reform International Services (ERIS) for assistance in the planning and design of a National Elections Results Centre, to be based out of the National Convention Centre Maseru. The Centre operated from 24th May to 1st June 2003 with the aim of receiving , verifying and publishing results as they came in. A large number of party agents observers, media representatives, NGOs and members of the public attended the Centre at various times thus enhancing the transparency of the electoral process which in turn assisted in encouraging stakeholders to accept the results. In addition to the constituency results which were published at the Centre, the calculation of seat distribution for the proportional party vote was carried out at the Centre and simultaneously displayed on a giant screen.</p> <p>The National Elections Results Centre acted as a focal point for the deliver of results and proved to be a good method of ensuring that the confirmation of the results was seen to be transparent. It wil become a regular feature of future elections in Lesotho.</p>			

Title	Review of current HIV/AIDS activities			N°	8 ACP LSO 016
Date of Commission Approval				13 th June 2002	
Date of Financing Agreement/Primary Commitment				13 th June 2002	
Latest Start Date:		1 st September 2002		End Date: 31 st December 2002	
Project amount		€ 40,000		Total disbursement to end 2001 € 0	
Amount disbursed in 2001		€ 0		Total disbursement to end 2002 € 6,968	
Amount disbursed in 2002		€ 6,968		Forecast disbursement end 2003 € 39,500	
Objective		<ol style="list-style-type: none"> 1. In the short- to medium term to control the spread of HIV/AIDS and mitigate its impact on society, both in terms of social concerns and economic development; 2. In the long-term to lead to an AIDS free society within a democratic, peaceful, prosperous, secure and self-reliant nation 			
Purpose		To provide the Lesotho AIDS Programme Coordinating Authority (LAPCA) with sufficient information for the agency to quickly assess the effectiveness of ongoing HIV/AIDS related activities and identify priority activity/resource gaps			
Results expected		<ol style="list-style-type: none"> 1. A comprehensive inventory of ongoing and imminent HIV/AIDS related initiatives and activities broken down by district and summarised nationally; 2. A document identifying possible interventions/resource gaps together with a prioritisation for addressing the gaps, the interventions needed and an estimation of their possible cost 			
Results Achieved and/or Progress in 2002		<p>A contract for the study was concluded with the Southern Africa HIV/AIDS Information Dissemination Service (SAFAIDS) in July 2003, supported by two local consultants. A total of 145 funding organisations and implementing agencies were interviewed throughout the 10 districts of Lesotho. A total of 90 projects, programmes or components thereof were reviewed and it was estimated that approximately LSL 99.6 million is alleged to be committed annually to the implementation of the National Strategic Plan. The main conclusions and recommendations of the study were:</p> <ul style="list-style-type: none"> – The flow of information between the various bodies involved in HIV/AIDS related activities is wholly inadequate. There are a substantial number of “briefcase organisations” involved and considerable duplication of effort and focus between agencies; – LAPCA is considerably under staffed and needs urgent training for its existing staff; – There are insufficient guidelines on the specific roles and responsibilities of government ministries and district AIDS task forces; – There is inadequate monitoring, evaluation and impact assessment of ongoing (and proposed) activities and interventions – There are comprehensive proposals for Home-based Care, Voluntary Counselling and Testing and treatment programmes but little in the way of financial and human resources sourced or planned – Donors are funding programmes without reference to the National Strategic plan. – To reduce the levels of duplication the NGO network needs to develop a stronger structure capable of regulating and coordinating the HIV/AIDS activities of NGOs. 			

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	
Project amount	€ 1,900,000	Total disbursement to end 2001	€ 0	
Amount disbursed in 2001	€ 0	Total disbursement to end 2002	€ 0	
Amount disbursed in 2002	€ 0	Forecast disbursement end 2003	€ 250,000	
Objective	The provision of medium-term ¹² security 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 8th 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 2002	Following the signing on 3 rd December 2002 of the Financing Agreement for the study, letters of invitation to tender were sent out to six (6) European and regional companies on 18 th December 2002. The date for closure of the tender is 6 th March 2003			

¹² Medium-term defined as a period spanning 10 to 15 years

Title	Maseru Wastewater Feasibility Study			N°	8 ACP LSO 018
Date of Commission Approval				1 st January 2002	
Date of Financing Agreement/Primary Commitment				1 st August 2002	
Latest Start Date:		1 st January 2003		End Date: 31 st December 2004	
Project amount		€ 750,000		Total disbursement to end 2001 € 0	
Amount disbursed in 2001		€ 0		Total disbursement to end 2002 € 0	
Amount disbursed in 2002		€ 0		Forecast disbursement end 2003 € 150,000	
Objective		The cost-effective, financially viable and environmentally sound collection, treatment and disposal of domestic and industrial wastewater in Maseru.			
Purpose		To identify an immediate, medium and long-term investment programme to meet realistic objectives			
Results expected		<ol style="list-style-type: none"> 1. The identification of feasible options for an appropriate immediate- (2 years), medium- (7 years) and long-term (20 years) policy for domestic and industrial wastewater collection, treatment and disposal; 2. The identification of rehabilitation/extension needs for wastewater collection and treatment facilities; 3. The preparation of an investment project to cover the immediate and mid-term needs of wastewater collection, treatment and disposal. The activities envisaged to include: <ul style="list-style-type: none"> – The rehabilitation and extension of Ratjomose wastewater treatment facilities including provisions for environmentally safe disposal of effluents and residues arising from wastewater treatment; – Construction of new treatment facilities as justified by the feasibility study and approved by the Government; – Abolishing of Maseru West Industrial Estate Wastewater treatment ponds. Installation of pre-treatment units in the individual factories in order to meet WASA standards for acceptance into the communal sewers. – Rehabilitation and extension of the sewerage system (trunk mains, interceptors, pumping stations and possibly limited secondary mains). 4. The determination of separate average full cost recovery tariffs for domestic and industrial customers, that will ensure the financial viability of the proposed investment project and the wastewater services in general. The tariff system recommended will cross checked against affordability and willingness to pay, and acceptability of higher-level service. 			
Results Achieved and/or Progress in 2003		Following their confirmation of intention to tender for the study, letters of invitation to tender were sent out to five (5) European and regional companies on 18 th December 2002. The date for closure of the tender is 6 th March 2003			

Title	Adviser, Economic Planning and Budget Support			N°	8 ACP LSO 019
Date of Commission Approval				6 th November 2002	
Date of Financing Agreement/Primary Commitment				7 th November 2002	
Latest Start Date:		16 th November 2002		End Date: 15 th November 2004	
Project amount		€ 230,000		Total disbursement to end 2001 € 0	
Amount disbursed in 2001		€ 0		Total disbursement to end 2002 € 0	
Amount disbursed in 2002		€ 0		Forecast disbursement end 2003 € 100,000	
Objective		To strengthen the Ministry of Development Planning's capacity for guiding policy makers on efficient and effective resource management			
Purpose		To optimise the contribution of the Department of Economic Cooperation to the preparation and implementation of economic policy, by reviving the Public Sector Investment Programme, by capacity building in public finance management, economic analysis and in the collection of national statistics			
Results expected		<ul style="list-style-type: none"> - The publication of the Public Sector Investment Programme as part of the annual National Development Plan; - A Project Appraisal Committee using established national development priorities as criteria for the approval and ranking of capital investment initiatives; - A Capital Budget Estimates document that can be used as a management tool; - The preparation of a capacity building proposal for submission to the EDF as a possible activity to be undertaken as part of the 9th EDF CSP/NIP 			
Results Achieved and/or Progress in 2002		A technical assistance contract was concluded with Mr. C. Olsen on 26 th November 2002 for a two year period.			

7th EDF

Title	Muela Hydropower Project			N°	7 ACP LSO 001
Date of Financing Agreement/Primary Commitment			29 th July 1991		
Start Date:			End Date:		
Project amount		€ 33,000,000	Total disbursement to end 2001		€ 31,736,953
Amount disbursed in 2001		€ 164,503	Total disbursement to end 2002		€ 31,856,722
Amount disbursed in 2002		€ 119,769	Forecast disbursement end 2002		€ 32,000,000
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 2002		<ol style="list-style-type: none"> 1. With the commissioning of the dam and hydropower station in 1998 the project reached substantial completion. The only remaining outstanding activity is the provision of a treated water supply to nine villages in the `Muela area. The contractor initially engaged to carry out the activities was been unable to carry out the actions required. The contract was subsequently terminated and as an alternative solution the project is to be implemented under the supervision of the Department of Rural Water Supply. Following the expected completion of the scheme in late 2003 the project is to be closed. 			

Title	Axle Load Control		N°	7 ACP LSO 038
Date of Financing Agreement/Primary Commitment			6 th November 1997	
Start Date:	8 th August 1998		End Date:	
Project amount		€ 850,000	Total disbursement to end 2000	€ 186,314
Amount disbursed in 2000		€ 186,314	Total disbursement to end 2001	€ 186,314
Amount disbursed in 2001		€ 0	Total disbursement to end 2002	€ 357,848
Amount disbursed in 2002		€ 171,534	Forecast disbursement end 2003	€ 800,000
Objective	To develop and maintain a road transport network capable of supporting sustained economic development and giving equitable access to basic services			
Purpose	To develop in Government a capacity to maintain the national road network and carry out effective road management			
Results expected	<ol style="list-style-type: none"> 1. Monitoring of heavy vehicle axle loads 2. Enforcement of axle load control legislation 3. Improved and up-to-date Traffic Information System 			
Results Achieved and/or Progress in 2002	<p>After lengthy delays in the preparation of suitable designs, the tender for the construction and installation of the permanent weighbridges and temporary lay-byes was launched in October 2000 and closed on 12th December 2000. Five tenders were received of which two were subsequently adjudged to be responsive. As the prices offered for the responsive tenders were in excess of the amount allocated under the project it was agreed that the tender should be annulled. The tender for works was annulled in May 2001. A new restricted tender for 2 lots was launched in late 2001 and a contract for both Lot 1 (Installation of permanent weighbridge sites at Maseru Bridge and Maputsoe) and Lot 2 (purchase and supply of portable weighbridges and construction of lay-byes) was awarded to M & C Construction in July 2002. The amount of the contract is LSL 3,391,504 and construction is estimated to be completed by the end of the first quarter in 2003.</p>			

Title	Assistance to the Bureau of Statistics		N°	7 ACP LSO 045
Date of Financing Agreement/Primary Commitment	8 th March 1999			
Start Date:	30 th June 1999	End Date:	31 st December 2002	
Project amount	€ 1,101,000	Total disbursement to end 2000	€ 9,031	
Amount disbursed in 2000	€ 9,031	Total disbursement to end 2001	€ 358,173	
Amount disbursed in 2001	€ 349,142	Total disbursement to end 2002	€ 512,289	
Amount disbursed in 2002	€ 154,116	Forecast disbursement end 2003	€ 958,173	
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 2002	<p>The contract with Statistics Sweden concluded on 31st December 2002. A proposal for a second phase of assistance and the recruitment of an Adviser to the Director of the Bureau has been incorporated into the financing proposal for capacity building in the Ministry of Development Planning. The key results achieved under the project included:</p> <ul style="list-style-type: none"> - New Mission, Vision and Values statements for the Bureau of Statistics; - A New Organisational Structure, including a new Office of the Director; - A draft Human Resources Development Plan; - The 2001/2-2004/5 Strategic Plan and associated Operative Plan. The new Strategic Plan was drawn up against the needs expressed by users in various government departments, international organisations, NGOs etc. In particular, the needs expressed in the report prepared for the PRSP Technical Working Group (TWG) (<i>Towards a Poverty Monitoring System in Lesotho, 2001</i>) have provided a focal point in the planning process; - A system for Annual Planning and Budgeting for the activities of BoS; - A Master Sample based on the 1996 Census, covering both urban and rural areas, sample designs for the Agricultural Production Survey and the 2002/3 Household Budget Survey, an estimation Manual for master sample surveys, etc.; - A Business Register (BR) system with the necessary forms and routines for automatic updating especially using data from the Ministry of Industry, Trade, Marketing and Cooperatives (MITMC) - Design and implementation of a business survey programme containing six surveys that cover manufacturing, wholesale and retail trades; - A programme for the development of price statistics up-to 2004/5 and the improved CPI transformed from a quarterly to a monthly series with coverage increased from 6 to 8 towns; - The design and implementation of a system for environment statistics including: the structure for the first publication, the table plan and compilation of a significant part of the tables, data collection procedures and contacts, etc.; - The work accomplished on the Household Budget Survey included: the Survey Plan, the Survey Instruments, Sample Design, Trained staff, Data collection for October and November 2002, etc. This work has partly been financed under an additional Agreement 04/02 for a Consultancy to support the Design and Implementation of the Household Budget Survey; - User-producer activities - one general user-producer workshop for each of the 3 subject-matter divisions; 5 economic statistics task team meetings, a user-producer workshop on the household budget survey content, and similar workshops on environment statistics; tourism statistics, and vital statistics; - Equipment and Infrastructure purchased for BoS including: Network connection for BoS 			

Title	Assistance to the Bureau of Statistics	N°	7 ACP LSO 045
	<p>head office; Internet connection for BoS head office; Website Development; Training equipment (laptops, LCD projector, etc.).</p> <p>Finally, as is indicated in the Strategic Plan, there is no doubt that BoS will need technical assistance in implementing the Plan, etc. This can be taken both from the perspective of consolidating the gains of the technical assistance so far provided, and from the needs of the next population census. this is planned for 2006 and the capacity of BoS in this area and in field surveys in general, remains rather limited. Three main areas are identified for support: Strategic planning, management and corporate functions; Household surveys and field organisation; Preparations for the 2006 population and housing census. Other areas include: Information technology and dissemination, cartography, social statistics, economic statistics, etc. The Strategic Plan is the <i>basis against which technical assistance to BoS during the period should be determined and provided in a co-ordinated manner by all co-operating partners that provide support to the BoS</i></p>		

Title	8th EDF Multi-annual Microprojects Programme		N°	7 ACP LSO 048
Date of Financing Agreement/Primary Commitment		2 nd September 1999		
Start Date:	31 st December 1999	End Date:	30 th June 2005	
Project amount	€ 407,000	Total disbursement to end 2000	€ 127,228	
Amount disbursed in 1999/2000	€ 127,228	Total disbursement to end 2001	€ 164,221	
Amount disbursed in 2001	€ 36,993	Total disbursement to end 2002	€ 222,978	
Amount disbursed in 2002	€ 58,757	Forecast disbursement end 2003	€ 350,000	
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 expected	Up to 405 Microproject Agreements successfully concluded and implemented by a locally staffed coordination unit			
Results Achieved and/or Progress in 2002	<p>This commitment has been used to finance technical assistance as an adviser to the Microprojects Programme. Under the project Mr. G. Monteforte was recruited for an initial period of 12 months, to assist in the re-orientation of the Microprojects Management Unit (MMU) and the development of a programme of microprojects for implementation. Unfortunately, shortly after the arrival of the technical assistance a number of serious financial and administrative deficiencies in MMU came to light and an agreement was reached that the Microproject Programme required radical restructuring. The restructuring was seen as requiring the dissolution of the existing administrative structure, the development of a new concept/approach, a new programme title, structure (including pertinent personnel and project procedures) and the development of the relevant AWP/CE.</p> <p>The technical assistance was required to assume the de facto role of Programme Director and was given the task of determining the new approach and structure for both the programme and the coordination function. Extensive work has been completed both in the area of outlining a framework of criteria for microproject assistance, and for the re-orientation of the programme to be more closely integrated into GoL's policies for poverty reduction. The acting Director has also been able to develop linkages with the other community based programmes (Lesotho Fund for Community Development, Rural Water Supply, Ireland Aid microprojects, etc) in Lesotho, and the development of a personnel manual for the future microprojects coordination structure.</p> <p>During the latter part of his assignment the acting Director was required to complete the arrangements for the dissolution of MMU and the retrenchment of the staff employed. This was successfully completed during 2002 and a new structure (Microprojects Programme Coordination Unit – MPCU) put in place for the restarting of the programme. An annual work programme and cost estimate for a programme of microproject over 2002/03 has been put in place and implementation is under way. A key feature of the revived programme is the use of microprojects as a core vehicle for the greater involvement of Non-State actors (NSA) in the EU/Lesotho programme of development cooperation.. The technical assistance assignment is to end in November 2003</p>			

Title	Development of financial administration software for the office of the National Authorising Officer		N°	7 ACP LSO 049
Date of Financing Agreement/Primary Commitment		12 th April 2000		
Start Date:	14 th August 2000	End Date:	13 th May 2001	
Project amount	€ 25,000	Total disbursement to end 2001	€ 15,794	
Amount disbursed in 2001	€ 4,841	Total disbursement to end 2002	€ 15,910	
Amount disbursed in 2002	€ 116	Forecast disbursement end 2003	€ 24,974	
Objective	To facilitate the payment procedure for EDF-financed projects and provide adequate information for the management of EU/Lesotho development cooperation			
Purpose	To provide the NAO and the EC Delegation with a Windows based programme that will assist in the preparation of payment orders and in the monitoring of the financial progress of projects and programmes implemented under the various EDF-financed instruments.			
Results expected	The production and installation of a complete software programme, able to prepare payment orders and record all necessary data for the efficient management of EDF-financed activities in Lesotho			
Results Achieved and/or Progress in 2002	During 2001 several revisions of the programme have been carried out in response to problems encountered and additional enhancements requested during trial operations. As of the end of the year all historical data for ongoing projects and commitments had been entered into the programme database and the programme has been used for making payments and monitoring disbursements at the level of the NAO's office. Further cleaning/verification of the database is still required and it is expected that the next phase (Development of reporting formats, etc.) will commence during 2003			

Kingdom of Lesotho

Summary of Donor Disbursement recorded in Capital Budget
200/2002 - 2002/2003

(LSL)

Donors	As indicated in Capital Estimates for 2001/02	% of Total	Total reported Disbursement for Year	% of Total	As indicated in Capital Estimates for 2002/03	% of Total	Total reported Disbursement for Year	% of Total
CAPITAL PROJECT GRANTS								
EC (EDF)	84,261,333	26	60,267,852	32	89,083,308	22	89,939,325	29
Ireland (IrelandAid)	38,243,000	12	30,950,934	16	83,600,000	21	59,137,982	19
Germany (GTZ/KFW/DED)	15,119,000	5	8,995,045	5	10,295,000	3	4,562,985	1
Britain (DFID/ODA)	2,284,222	1	354,229	0	6,000,000	1	1,852,994	1
Denmark (DANCED)	7,051,306	2	1,748,671	1	10,673,067	3	1,151,620	0
Total EU	146,958,861	46	102,316,731	54	199,651,375	49	156,644,906	50
UNICEF	6,842,000	2	1,381,963	1	2,952,000	1	45,796,399	15
UNDP	7,739,000	2	1,173,610	1	20,014,698	5	34,974,742	11
GEF (WB)	10,689,000	3	0	0	9,800,000	2	674,728	0
WFP	6,498,000	2	8,187,376	4	22,637,500	6	481,298	0
UNFPA	449,436	0	0	0	2,004,500	0	43,499	0
WHO	2,829,000	1	0	0	4,348,000	1	36,735	0
FAO	1,634,000	1	0	0	2,043,000	1	0	0
Total "UN Family"	36,680,436	11	10,742,949	6	63,799,698	16	82,007,401	26
Japan	54,000,000	17	49,000,000	26	15,000,000	4	12,931,424	4
ADF/ADB	11,668,900	4	4,576,580	2	0	0	1,267,292	0
Kellog Foundation	210,000	0	0	0	210,000	0	36,656	0
Swiss	228,000	0	214,986	0	220,000	0	0	0
China	5,000,000	2	0	0	5,000,000	1	0	0
India	1,032,000	0	0	0	1,290,000	0	0	0
BADEA	2,340,000	1	0	0	770,000	0	0	0
USA	0	0	0	0	0	0	0	0
Total Other Donors	74,478,900	23	53,791,566	28	22,490,000	6	14,235,372	5
Total Capital Project Grants	258,118,197	80	166,851,246	88	285,941,073	71	252,887,679	82
NON-PROJECT GRANTS								
EDF Budgetary Support	63,000,000	20	22,001,978	12	119,000,000	29	57,389,286	18
Total Non-Project Grants	63,000,000	20	22,001,978	12	119,000,000	29	57,389,286	18
GRAND TOTAL GRANTS	321,118,197	100	188,853,224	100	404,941,073	100	310,276,965	100
Of which EDF	147,261,333	46	82,269,830	44	208,083,308	51	147,328,611	47

Source: Ministry of Development Planning

Lesotho – Statistical Information

Table 1: Annual indicators

	1997	1998	1999	2000 ^a	2001	2002
GDP at market prices ^b (LSL m)	4,720	4,921	5,665	5,980	6,478	7,868 ^A
Real GDP growth ^b (%)	4.1	- 4.6	0.5	1.9	3.4	3.9
GDP per capita (US\$)	502.7	435.7	434.1	402.5	343.2	
GNI per capita (US \$)	666.6	558.3	550.5	505.0	423.4	
Consumer price inflation (av %)	8.5	7.8	8.7	6.2	11.3 ^D	11.9
Population (m; mid-year)	2.02	2.06	2.11	2.14	2.19	2.24
Exports fob (US\$ m)	196	192	188	223	296	497
Imports fob (US\$ m)	1,024	781	796	717	661	875
Current-account balance (US\$ in.)	- 269	- 219	- 210	- 153	- 95	- 93
Reserves excl gold (year-end; US\$ m)	572	575	500	418	386	406
Total external debt (US\$ m)	703	748.6	732	671	592	600
External debt-service ratio, paid (%)	6.6	9.4	10.9	11.4	12.4	11.0
Migrant miners (year-end; '000)	93.2	80.5	68.6	64.9	61.4	60.0
Exchange rate (av; LSL : US\$)	4.61	5.53	6.11	6.94 ^d	8.61	10.54
Exchange rate (LSL : €)	5.26	6.13	6.53	6.36	7.47	9.93

January 9th 2001 LSL 7.73 : US\$1

^a Estimates made by EIU ^b Based on fiscal years beginning 1st April^c GoL estimates^d Actual

Table 2: Forecast summary (% unless otherwise indicated)

	2000	2001	2002	2003	2004
Real GDP growth	14	3.4	3.9	4.2	4.5
Consumer price inflation:					
Average	11.3	11.9	11.9	9.0	7.5
Year-end	6.5	6.0	5.3		
Short-term interbank rate	17.0	16.5	13.0	12.0	11.0
Government budget balance (% of GDP)	- 2.5	- 1.5	-1.7	-2.2	-2.2
Exports of goods fob (US \$ m)	223	296	497	430	450
Imports of goods fob (US \$ m)	717	661	875	780	820
Current-account balance (US \$ m)	- 153	- 95	-93	- 145	- 145
% of GDP	- 16.6	-11.4	- 14.2	- 9.0	- 8.0
Total foreign debt (year-end; US \$ m)	716	730	735	740	740
Exchange rates (av)					
LSL : US\$	6.94	8.62	10.54	8.76	9.52
LSL : €	7.42	7.47	10.30	10.91	10.91

Source: Central Bank

Table 3: Summary of recent fiscal trends

	1995/96	1996/97	1997/98	1998/99	1999/2000	2000/2001	2001/2002
Total receipts (LSL m)	1,844.8	2,238.0	2,424.8	2,290.1	2,440.6	2,721.3	2,977.0
of which SACU receipts (% of total)	49.00	45.00	48.33	45.35	48.48	41.38	48.32
Total expenditure (LSL m)	1,736.5	2,052.7	2,342.1	2,438.4	3,373.4	2,899.2	3,024.5
of which capital expenditure (% of total)	36.0	43.0	42.3	20.3	14.2	16.3	24.6
Balance (% of GDP)	2.9	3.9	8.0	-3.9	-18.4	-3.1	-0.8

Source: Central Bank of Lesotho, *Quarterly Review*.

Table 4: GDP by Main Sector (Million Constant Maloti, Annual Averages)

Annual Average Growth Rates (%)							
	1980-'90	1990-'95	1995-'97	1998	1999	2000	2001
<i>Primary sector</i>	2.8	-4.2	8.7	3.0	4.3	2.9	2.9
Agriculture	2.8	-4.3	8.8	3.2	4.3	2.8	2.8
- Crops	2.3	-4.5	17.8	-4.9	-1.2	12.5	5.9
- Livestock	4.2	-5.2	-4.8	22.4	16.3	-10.7	-0.3
- Services	-1.1	6.7	2.2	-1.8	-8.3	-4.7	-17.0
Mining & Quarrying	-6.2	2.6	3.0	-247	3.8	19.8	4.7
<i>Secondary sector</i>	4.8	7.7	12.6	-11.8	0.9	5.3	3.8
Manufacturing	7.7	9.1	9.3	-3.5	-0.4	4.4	7.9
- Food products and beverages	3.9	5.1	6.2	-7.9	-2.1	-2.1	-3.0
- Textiles, clothing, footwear and Leather	27.4	13.9	16.8	-1.8	-3.8	8.3	16.6
- Other manufacturing	11.3	13.8	4.7	4.0	9.3	10.9	13.1
Electricity & water	7.7	13.8	72.1	-30.9	34.2	-2.7	1.4
Construction	3.0	6.0	4.5	-12.0	-7.6	9.7	0.8
<i>Tertiary sector</i>	3.9	4.9	6.4	1.3	0.4	-0.5	2.3
Wholesale & retail Trade, Repairs	6.0	8.3	8.6	-4.2	-5.0	-4.2	2.4
Hotels and Restaurants	1.2	5.7	10.6	-11.6	14.4	10.0	-2.3
Transport & communication	5.8	7.2	8.0	-4.7	5.2	4.6	3.5
- Transport and storage	3.6	6.4	4.4	-7.6	-3.6	0.3	3.1
- Post and communications	11.5	8.6	13.5	-0.8	14.8	9.0	3.9
Finance intermediation	3.3	-3.4	-4.3	-0.3	32.3	48.1	5.9
Real estate & Business services	3.3	1.8	6.1	-2.9	-2.1	0.4	-0.1
- Owner-occupied dwellings	2.6	2.0	2.0	2.0	2.0	2.0	2.6
- Other real estate and business services	5.1	1.1	15.8	-12.8	-11.8	-4.0	-6.2
Public administration	4.3	3.9	4.6	11.4	-1.	-1.7	-0.5
Education	2.1	4.8	4.4	2.9	1.8	1.4	5.3
Health and social work	5.2	4.6	2.7	20.2	2.6	-12.0	0.8
Community, social and personal services	1.5	1.2	1.0	1.2	1.3	1.3	1.3
Less Imputed bank service charges	2.4	-4.6	-11.5	-1.7	34.7	64.5	2.9
<i>GDP at factor costs</i>	3.9	3.8	9.3	-3.9	1.3	2.4	3.0

Source: Bureau of Statistics

Table 5: GDP by Main Sector (% GDP f.c., Annual Averages)

% Contribution	1980-'89	1990-'94	1995-'97	1998	1999	2000	2001
<i>Primary sector</i>	25.7	19.3	17.7	17.9	17.4	18.6	18.8
Agriculture	24.0	19.1	17.6	17.8	17.3	18.5	18.6
- Crops	13.5	10.6	11.1	11.1	10.2	11.7	12.5
- Livestock	9.0	7.4	5.4	5.6	6.1	5.8	5.3
- Services	1.5	1.1	1.1	1.1	1.0	0.9	0.7
Mining & Quarrying	1.7	0.2	0.1	0.1	0.1	0.1	0.2
<i>Secondary sector</i>	25.2	37.5	40.3	38.7	41.1	40.8	41.3
Manufacturing	12.2	15.3	16.2	17.5	16.4	16.8	17.4
- Food products and beverages	8.1	7.5	7.6	7.3	6.7	6.5	5.6
- Textiles, clothing, footwear and Leather	2.1	5.5	5.5	7.1	6.4	6.9	8.1
- Other manufacturing	2.1	2.4	3.2	3.1	3.2	3.3	3.7
Electricity & water	0.7	2.3	4.6	5.1	6.4	5.9	5.9
Construction	12.3	20.0	19.5	16.1	18.4	18.2	17.9
<i>Tertiary sector</i>	49.1	43.2	42.0	43.4	41.4	40.6	39.9
Wholesale & retail Trade, Repairs	7.5	8.5	9.3	9.2	8.4	9.0	9.3
Hotels and Restaurants	1.5	1.2	1.4	1.3	1.4	1.5	1.4
Transport & communication	4.4	4.2	3.9	3.6	3.6	3.5	3.6
- Transport and storage	3.5	2.5	2.5	2.4	2.1	2.0	2.3
- Post and communications	0.9	1.7	1.4	1.3	1.5	1.5	1.4
Finance intermediation	4.7	5.5	3.5	3.0	3.4	4.8	4.7
Real estate & Business services	15.9	10.1	6.7	6.2	5.4	5.4	5.1
- Owner-occupied dwellings	13.2	7.6	4.7	4.2	3.8	3.6	3.4
- Other real estate and business services	2.7	2.6	2.0	2.0	1.6	1.8	1.7
Public administration	9.1	7.2	7.8	9.2	8.9	8.5	8.3
Education	6.9	7.9	9.0	9.6	9.4	8.9	8.3
Health and social work	2.0	1.9	1.9	2.2	2.2	1.9	1.9
Community, social and personal services	1.8	1.5	1.3	1.2	1.1	1.2	1.2
Less Imputed bank service charges	-4.6	-4.8	-2.7	-2.2	-2.6	-4.0	-3.8
<i>GDP at factor costs</i>	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Bureau of Statistics

Table 6: National Disposable Income and Saving

Current prices LSL millions	1996	1997	1998	1999	2000	2001
<i>Gross National Disposable Income</i>	6,473.4	7,396.4	7,272.7	8,055.6	8,546.3	9,306.1
Final consumption expenditure	5,521.9	6,199.5	6,567.0	6,810.9	7,197.7	7,762.0
Households	4,485.4	4,974.7	5,043.4	5,169.4	5,512.0	6,034.8
Non-profit institutions serving households	378.0	423.6	500.3	553.7	541.3	551.3
General government	658.6	801.2	1,023.4	1,087.8	1,144.4	1,175.9
<i>Savings, gross</i>	951.5	1,196.9	705.7	1,244.7	1,348.7	1,544.1
Gross fixed capital formation	2,360.2	2,593.5	2,411.0	2,651.0	2,657.1	2,792.0
Changes in inventories	7.8	-47.1	-93.4	56.2	-138.1	-171.1
Net lending (+)/Net borrowing (-)	-1,416.6	-1,349.5	-1,611.9	-1,462.5	-1,1170.3	-1,076.9
Total	951.5	1,196.9	705.7	1,244.7	1,348.7	1,544.1

Source: Department of Economic Planning, MoDP

Table 7: Structure of merchandise exports (in per cent)

Commodity	1997	1998	1999	2000	2001	2002
Food	5.1	4.0	4.9	2.2	4.9	n/a
Other primary commodities	0.0	3.5	7.8	3.7	2.6	n/a
Machinery and Transport	15.5	15.1	11.0	7.7	13.1	n/a
Other manufacturers	79.4	77.4	76.3	86.4	79.4	n/a
Total	100	100	100	100	100	n/a

Source: Central Bank of Lesotho

Table 8: Summary National accounts data (LSL millions except where indicated)

Current prices	1997	1998	1999	2000	2001
GDP at factor cost	4,199.6	4,423.9	5,034.9	5,421.8	5,856.6
Net taxes	520.1	496.8	530.0	558.5	621.8
GDP at market prices	4,719.6	4,920.7	5,564.9	5,980.3	6,478.4
<i>% annual change</i>	16.4	4.3	13.1	7.5	8.3
Net income from abroad	1,538.9	1,384.7	1,492.5	1,522.3	1,514.4
GNI	6,258.8	6,305.4	7,057.4	7,502.6	7,992.8
<i>% annual change</i>	14.3	0.7	11.9	6.3	6.5
Population (millions)	2.01	2.06	2.10	2.14	2.19
GDP per capita (LSL)	2,348	2,389	2,650	2,794	2,958
GDP per capita (US\$)	503	436	434	402	343
GNI per capita (LSL)	3,114	3,061	3,361	3,506	3,650
GNI per capita (US\$)	667	558	550	505	423

Source: Department of Economic Planning, MoDP

Table 9 : Government Budget (% GNP)

	96/97	97/98	98/99	99/2000	2000/01	2001/02
Total receipts	39.0	37.1	35.2	33.3	37.3	37.0
Domestic Revenues	35.5	34.4	33.3	31.5	33.5	34.1
- Customs	17.5	18.0	15.9	16.5	15.3	15.3
- Taxes	9.5	9.5	10.1	9.1	10.2	10.6
* Sales Tax	3.4	3.4	3.6	3.3	3.8	3.9
* Income Tax	3.6	3.4	3.3	4.3	3.6	5.9
* Company Tax	1.6	1.8	1.6	0.8	1.8	0.0
* Other Tax	1.0	0.9	1.5	0.7	1.0	0.8
- Non-tax revenues	8.4	6.9	7.4	5.9	8.1	8.3
of which water royalties	2.5	1.3	2.0	2.0	1.8	0.0
Grants	3.5	2.7	1.8	1.8	3.8	2.8
Total Expenditures	35.8	35.8	37.5	39.0	41.7	39.9
Recurrent expenditures	20.5	22.6	29.8	32.4	32.8	32.6
- Personal Emoluments	10.5	11.0	12.9	11.7	12.8	12.5
- Interest Payments	1.2	1.4	2.0	2.6	3.4	3.5
o/w Bank restructuring	0.0	0.0	0.0	0.6	0.0	0.9
LHDA	0.0	0.0	0.0	0.7	0.0	0.0
- Subsidies and transfers	4.2	3.1	4.5	3.8	5.1	2.9
- Other expenditure	4.7	7.1	10.5	14.4	11.5	13.6
o/w Bank restructuring	0.0	0.0	3.7	0.3	0.0	0.0
LHDA	0.0	0.0	0.0	4.0	0.5	0.0
Capital Exp. & Net lending	15.2	13.3	7.6	6.7	8.9	7.4
- Domestically funded		3.8	3.6	3.5	...	3.7
- Externally funded		9.5	4.0	3.6	...	3.7
* Grant funded		2.7	1.8	1.8	...	2.2
* Loan funded		6.8	2.2	1.8	...	1.5
Surplus/Deficit before LHDA	3.2	1.3	-2.3	-1.1	-3.8	-3.0
Surplus/Deficit overall	3.2	1.3	-2.3	-5.7	-4.4	-3.0
Total Financing:	-3.2	-1.3	2.3	1.1	3.8	
- Foreign financing	6.1	5.3	0.3	-1.0	-1.3	
- Domestic financing	-9.4	-6.6	2.0	2.1	5.2	
* Bank financing	-9.1	-6.9	1.8	5.5	5.0	
* non-bank financing	-0.3	0.3	0.2	-3.5	0.1	

Source: Central Bank of Lesotho

Table 10: Lesotho's Central Government Operations, 1997/98-2005/06 (LSL millions – current prices)

Fiscal years 1/	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
Revenue	2,246.1	2,170.1	2,310.6	2,625.0	2,788.1	2,913.6	3,129.0	3,327.0	3,532.3
Customs revenue	1,172.7	1,033.4	1,183.1	1,126.1	1,438.5	1,470.0	1,502.3	1,535.4	1,569.2
Non customs tax revenue	620.5	661.6	704.3	797.9	939.8	1,035.3	1,203.4	1,335.5	1,482.2
Non tax revenue	452.9	475.1	423.2	683.0	409.9	408.4	423.3	456.1	480.9
Of which water royalties	83.3	120.0	138.3	157.9	176.1	176.1	220.8	254.7	273.8
Grants	178.7	120.0	130.0	96.2	188.8	289.9	344.8	301.7	262.5
Total expenditure and net lending	2,342.1	2,438.4	3,373.4	2,899.2	3,024.5	3,816.9	3,822.8	3,831.4	4,057.9
Current expenditure	1,473.8	1,924.7	2,318.7	2,469.2	2,398.9	3,053.	2,891.9	2,855.7	3,027.3
Wages and salaries	721.3	837.6	835.9	925.1	992.4	1,076.3	1,183.9	1,302.3	1,432.6
Interest payments	90.0	128.5	183.4	270.8	203.3	241.4	231.9	203.1	195.2
Other Goods and services	662.5	976.9	1,299.4	1,273.3	1,203.2	1,736.0	1,476.0	1,350.2	1,399.5
Capital expenditure	868.3	495.7	479.2	473.0	745.6	807.7	930.9	975.9	1,030.6
GoL funded	247.4	233.2	249.3	227.7	373.1	314.0	324.4	349.8	377.6
Grant funded	178.7	120.0	130.0	96.2	166.8	289.9	344.8	301.7	262.5
Loan funded	442.2	142.5	99.9	149.1	205.7	203.8	261.7	324.2	390.5
Net lending	0.0	0.0	575.5	-43.0	-120.0	-44.5	0.0	0.0	0.0
Overall balance before grants	-96.0	-268.3	-1,062.8	-274.2	-236.4	-903.3	-693.7	-504.4	-525.6
Overall balance after grants	82.7	-148.3	-932.8	-178.0	-47.6	-237.7	-94.8	-118.8	-172.4
Financing abroad	107.2	18.1	-70.9	-238.3	31.9	24.0	80.2	91.7	112.2
Domestic financing	-189.9	130.2	1,003.7	416.2	15.6	213.7	114.6	200.1	60.2
GNP at current prices (in millions of Maloti)	5,670.9	6,270.3	6,493.4	7,168.7	7,625.1	9,369.7	10,469.0	11,590.8	12,830.1
GDP at current prices (in millions of Maloti)	4220.1	4,769.9	5,081.8	5,668.7	6,104.8	7,877.0	8,938.6	10,017.1	11,207.4

Source: Department of Economic Planning, MoDP

1/ Fiscal year from 1st April to 31st March.

Table 11: Lesotho: Selected Social Indicators

	Lesotho	SSA
	1998	1998
Adult illiteracy rate (% aged 15 and above)		
Male	29	32
Female	7	49
Access to safe water		
Total (% population with access, 1990-96)	52	..
Immunisation (% of children under 12 months, 1995-98)		
Measles (in % of all)	53	58
DPT	57	53
Life expectancy at birth (years)	44.7	50
Mortality		
Infant (per thousand live births)	93	92
Under 5 (per thousand live births)	134	
Adults		
Male (per 1000 male adults)	320	432
Female (per 1000 female adults)	286	383
Human Development Index		
Overall HDI	Lesotho	1998
	rank	2002
	Value	0.569
Life expectancy index	0.50	0.40
Education index	0.74	0.58
GDP index	0.47	0.50
Gender related HDI	0.556	0.459
Human Poverty index (value: % population deprived)	23.3	30.0
Other indicators		
Aid per capita (current US\$) * 2000	31	18 *
HIV prevalence (% adults 15 – 45 years) - estimate	± 30%	
Contraceptive prevalence rate (%)	23%	
Access to health facility (< 2 hours)	80%	
Children under 1 year fully immunised	71%	77%
Households with toilets	49%	

Source: Human Development Report 2002 and World Development Indicators 2002