ASSESSMENT OF PROGRAM IMPACT

FY 1992

USAID/LESOTHO

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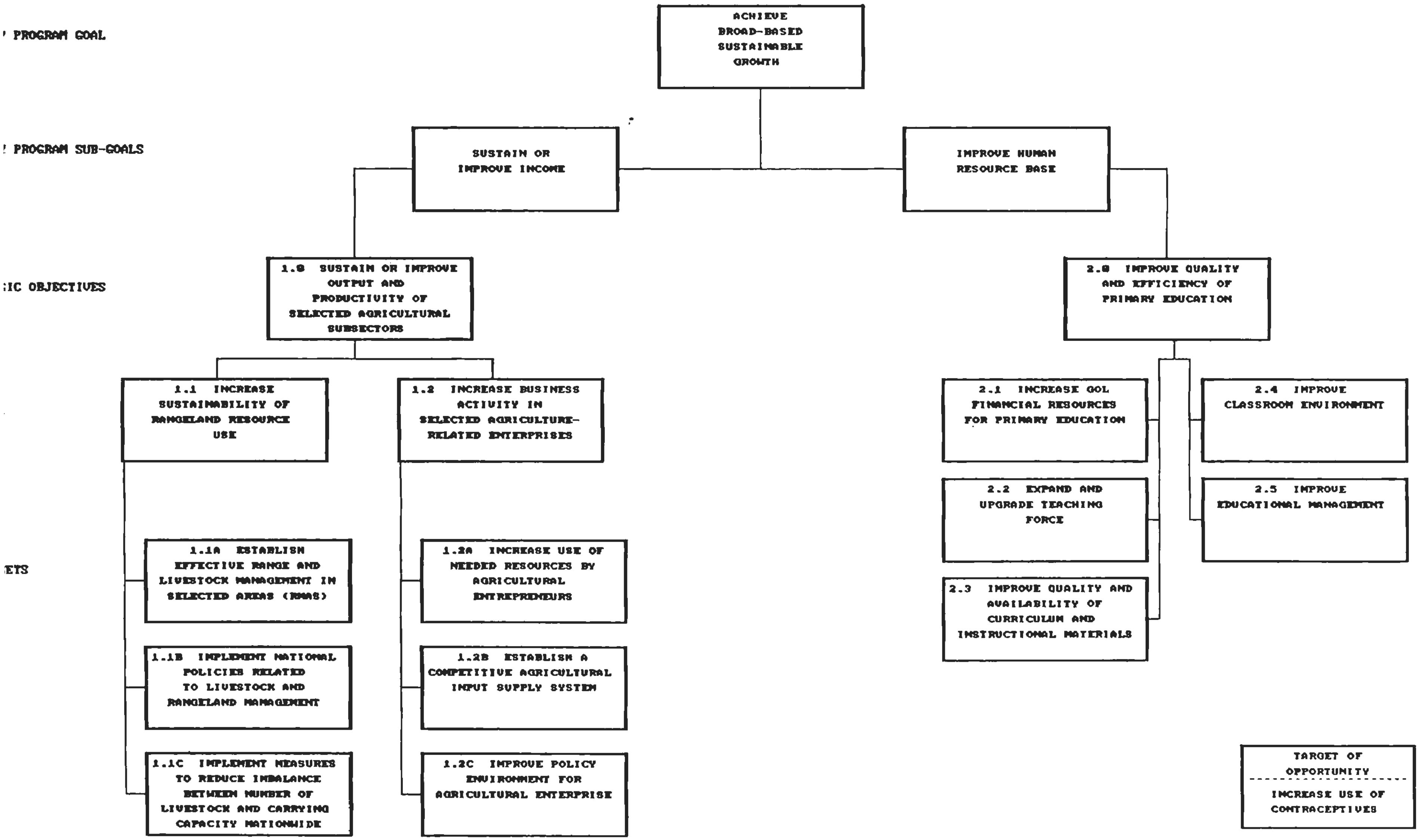
TABLE OF CONTENTS

LIST OF ACRONYMS AND ABBREVIATIONS

AID	Agency for International Development
AIDS	Acquired Immune Deficiency Syndrome
AEI	Agricultural Enterprise and Initiatives Project
API	Assessment of Program Impact
CPSP	Country Program Strategic Plan
CNRM	Community Natural Resource Management Project
ESDP	Education Sector Development Project
ESAP	Enhanced Structural Adjustment Program
FAO	Food and Agriculture Organization of the United Nations
FY	Fiscal Year
GDP	Gross Domestic Produce
GNP	Gross National Product
GOL	Government of Lesotho
HDI	Human Development Index
HIV	Human Immunodeficiency Virus (AIDS virus)
LAPSP	Lesotho Agricultural Policy Support Program
LHWP	Lesotho Highland Water Project
M	Maluti (Unit of currency in Lesotho)
MOE	Ministry of Education
MOA	Ministry of Agriculture
MOF	Ministry of Finance
NGO	Non-Government Organization
NTTC	National Teacher Training College
PID	Project Identification Document
PSLE	Primary School Leaving Examination
RCI	Range Condition Index
RMA	Range Management Association
RSA	Republic of South Africa
SACU	Southern African Customs Union
STD	Sexually Transmitted Disease
SSIAP	Small Scale Intensive Agriculture Production Project
TBD	To Be Determined
UNDP	United Nations Development Programme
USDH	United States Direct Hire Employees
VDC	Village Development Council

USAID/LESOTHO
OBJECTIVE TREE - 1992-1996



FY 1992 ASSESSMENT OF PROGRAM IMPACT

FOREWORD

USAID/LESOTHO used the Country Program Strategic Plan (FY 1992/96) approved by AID/W in December 1991 (see State 042247) for this FY 1992 Assessment of Program Impact report. However, it should be noted that the Mission's agreement with AID/W was to operationalize the proposed CPSP strategy for FY 1992 and FY 1993 with the understanding that the strategy would be revisited in two years to determine if the strategy is still appropriate. The approved CPSP strategy included proceeding with analysis and PID preparation for two projects, one in agriculture and one in human resource development.

This guidance was modified in April 1992 when the Mission received the BLS Transition Strategy Guidelines cable (State 135715) which set the funding level for FY 1993 at $8.3 million. New project starts were restricted to only those that were part of the Missions' post-transition strategy and have commensurate reductions in the present portfolio. The cable stated that the Bureau would try to meet the funding needs of the ongoing programs but that the trend would be downward, with final allocations in FY 1995 based on the performance based budgeting system. However, missions would not be able to maintain staffing at current levels until the current project portfolios were completed. In addition, USDH Staffing levels would need to be reduced in FY 1993 and again in FY 1995 with steps being taken to administer existing portfolios with fewer staff.

It is clear from the BLS Transition Strategy Guidelines and the parameters for the Transition Management Study (see State 269214), which stated that the BLS countries and Namibia will not plan any new bilateral projects, that the planned program strategy proposed in the 1992/96 CPSP can not be implemented with these restrictions. The strategic objectives for the agricultural and educational sectors remains valid. However, adjustments were required for the targets in the agriculture sector. Evaluations undertaken during FY 1992 on both of the major agricultural activities revealed important insights on the impact of these activities and on the validity of data sources. These evaluations provided useful information to assist the Mission in reexamining the indicators and where appropriate to make adjustments to bring the indicators into line with the data that is both available and reliable. The same exercise was applied to the educational program, however, fewer adjustments were required. The rationale for these changes is stated in Section III.

SECTION I. <u>SPECIAL FACTORS AFFECTING THE USAID PROGRAM</u>

Last year's API identified political stability and the structural adjustment as principal factors affecting the USAID program in Lesotho. Economic and political issues continue to play a key role in program implementation and are joined this year by two more important factors, the drought in southern Africa, and AID's transition program for Lesotho.

<u>Economic Issues</u> - Achievement of broad-based sustainable growth is the country program goal of USAID/Lesotho. However, Lesotho is no longer achieving a rate of economic growth that could be characterized as broad-based and sustainable. Section II discusses some of the reasons for this decline. The current portfolio of program activities focus on two sub-goals: (1) to sustain or improve income and (2) to improve the human resource base. The growth rates for GNP and GDP have declined in recent years while the population growth rate is increasing. Despite periodic wage increases in the formal sector, overall real wage increases are not keeping up with the inflation rate. Low income households, especially those in the rural areas, face more hardship brought about by low domestic production of basic food crops and the need to increasingly rely on higher priced imported foods and loss of wage remittances is placing an increasing hardship on vulnerable rural households. It is also important to understand the relative importance of migrant labor working in the Republic of South Africa (RSA) when addressing the sub-goal to sustain or improve income. Approximately half of the Basotho male labor force works in South Africa principally in the mining sector. This traditional source of employment for so many Basotho is rapidly contracting thereby eliminating many higher paying jobs. Low international gold prices and inefficiency in older labor intensive mines contribute to mine closures. Mine employment dropped by 6,000 to just over 122,000 in 1991 with further declines anticipated. Still nearly half of the GNP comes from wage remittances, however, this figure will likely drop as fewer Basotho are able to find or retain comparatively higher wage employment in South Africa. The aftermath of sanctions on South Africa's economy and a prolonged recession in the region do not bode well for increased employment opportunities for migrant Basotho labor. Retrenchment of migrant Basotho labor continues to contribute to the ranks of the unemployment in Lesotho and reduction in household income.

Lesotho's ability to improve its human resource base will depend on how successful efforts are to increase Government of Lesotho (GOL) revenue and maintaining adequate budget support for education and other human resource development activities. The Primary Education Program (PEP) contribution to improving the human resource base can only be sustained over the long term if there is sufficient economic growth to form the base for increased GOL revenue. An estimated 2.9% annual increase in population translates into a significantly higher rate of primary school enrolment. The funding implications in real terms are profound if education quality and access are to be maintained. The healthy economic growth that Lesotho experienced in the 1980's have diminished. While Lesotho tries to remain competitive in the business sector, the lifting of economic sanctions against South Africa has reduced Lesotho's appeal especially in the export apparel industries. Source diversification for GOL revenue has improved with the introduction of new taxes and improvements in revenue collection. These measures have reduced dependence on the Southern Africa Customs Union (SACU) from 70 per cent of GOL revenues in the early 1980's to approximately 50 per cent today. Lesotho has few alternative revenue sources available to replace SACU receipts and reductions in SACU revenues without corresponding increases from other sources will have implications for the GOL's ability to meet its recurrent budget obligations including those associated with education. Failure of the GOL to meet budgetary targets for primary education could jeopardize meeting PEP conditionality for release of funds.

Lesotho is in the midst of a three-year Enhanced Structural Adjustment Program (ESAP). Several benchmarks under this program complement conditionality in LAPSP, but progress in structural reform has been slow in several areas including implementation of the national grazing fee and privatization of the parastatal agricultural input supply service - Coop/Lesotho. Adhering to the conditions of the ESAP and meeting the conditionality of LAPSP would help Lesotho reverse the decline in agricultural productivity caused in part by deterioration in soil fertility/environmental degradation and an unattractive policy environment for agricultural and agro-business investment.

Political Developments - Speculation continues as to the actual date for the first general elections in Lesotho in more than a decade. Originally scheduled for June 1992 and later rescheduled to November, and now scheduled for January 1993. The military council has repeatedly stated its intention to hand over to civilian rule following elections. The former King, deposed two years ago by an earlier military council, returned from exile in July, although not in his capacity of King. There is strong support from some sections of Lesotho for the monarchy and potential for a constitutional crisis on the issue of the monarchy exists.

For much of this year the mood of the country could be characterized as a preoccupation with the run up to general elections. The postponement of elections in June simply extended the period. The lifting of the ban on political activity resulted in the registration of numerous political parties. Having functioned for nearly a decade under a suspended constitution, state of emergency, or military rule, Lesotho is once again attempting to establish democratic institutions which in all likelihood will not be fully responsive and functional just because a general election took place. The development of these democratic institutions and responsible elective government will take time to establish. Uncertainty exists relative to the actual transition process and what will be the ultimate policies of a new government.

Major changes in the cabinet and other key Ministry offices have influenced program implementation as time was required for these new officials to become familiar with their project portfolio and establish working relationships with the

Mission and other donors. Concurrent with the changes in the Ministries was a pervasive aversion on the part of many government officials to make decisions during this transition period to civilian rule. They are concerned that making what may be considered an unpopular decision may jeopardize their chances of retaining their position under a new government. Reluctance to act on crucial and timely issues is delaying implementation of AID-funded activities and progress in meeting conditionality is behind schedule, especially in the Lesotho Agriculture Policy Support Program (LAPSP). The reluctance shown by the GOL to respond positively to policy changes and policy implementation as noted above for LAPSP are contributing to delays in Mission program implementation including funds disbursements. Mission has been actively engaging the Government, through an evaluation of LAPSP and on-going dialogue, to reverse this situation. If these efforts with both the out-going and incoming governments are not successful, lower impact levels are anticipated.

<u>Drought</u> - The drought started during the 1990-91 growing season and continues today. Agricultural output declined 27 percent in 1991 with crop production alone dropping over 47 percent. Preliminary estimates for 1992 indicate a further reduction in agricultural output by 20.5 percent and crop production down by another 30 percent. While adequate supplies of imported foodstuffs continue to be made available through commercial channels and have thus far prevented loss of life or widespread malnutrition, the rapid decline in basic food crop production is having a negative impact on USAID-funded assistance programs. Rangeland conditions and that of livestock is rapidly declining just as the new Community Natural Resources Management Project (CNRM) embarks on a major expansion of the range management area concept. Furthermore, the introduction of a national grazing fee, a key condition precedent in Lesotho Agriculture Policy Support Program (LAPSP), which would face opposition under normal rainfall conditions, will likely be even more unpopular with livestock owners who are short on cash and have livestock in poor condition. Rainfall is not even sufficient to maintain the small home gardens activities of the Small Scale Intensive Agriculture Production Project (SSIAP). As a result food availability has been further reduced in the remote mountain areas served by SSIAP. Families are forced to spend a larger portion of their disposable income on imported food thereby reducing the amount of discretionary funds that they have for school fees and other essential non-food items. If the drought continues during this crop season, school enrolment will fall further.

<u>Mission Transition Program</u> - In May the Mission was informed that selected USAID Missions in southern Africa would undergo transition to a less management intensive mode of operation. All new project/program starts or major modification to existing projects/projects were put on hold. Further development of these new activities require that they be part of the approved Mission transition strategy. The first step in this process was the "Transition Management Assessment" completed in September followed by an AID/W review in early October. The transition calls for significant reductions in USDH staff in the Lesotho, Swaziland, Botswana and Namibia Missions and a further concentration of programs by applying the "no new project/program starts" instruction. Complying with stated guidance, the Mission

suspended further design efforts for the planned Agricultural Enterprise Initiatives Project (632-0227) and the Development Training Project (632-0232). The decision to suspend further design work on the two projects referred to above necessitated adjustments in the agricultural program activities reported in the API and may also result in only partial achievement of related specific objectives for the Mission's program.

SECTION II. PROGRESS TOWARD GOAL OF USAID/LESOTHO PROGRAM

Program Goal: To Achieve Broad-based Sustainable Growth

Country Trend Indicators	Baseline 1988	Provis. 1991	Proj. 1992	Proj. 1993	Proj 1994	Proj. 1995
Real Per Capita GDP	$98.7	$89.3	$89.9	$91.6	$94.0	$96.9
Real Per Capita GNP	$173.6	$131.4	$130.9	$131.1	$132.5	$134.0
UNDP Human Dev. Index	0.432 (1990)	0.432	TBD	TBD	TBD	TBD

Real rates are in constant 1980 prices and income projections are GOL targets. IMF fiscal-year estimates of 1991 real GNP growth rate and 1992 projections are significantly different from GOL calendar-year estimates. Domestic economic performance slowed in 1991 but external sector improvement continued despite a 14.8% reduction in real export earnings: the current account surplus increased to 2.2% of GNP from 1.5% in 1990 and reserves import coverage increased to 10.4 weeks from 8.2 weeks. The 1990 HDI was based on 1985-88 data while 1991 HDI was based on 1990 data. Lesotho maintained its HDI ranking of 107 among 160 countries between 1985 and 1990 and improved from 10th in Africa to 8th. Future annual HDI values and ranking will be presented as they are published by UNDP. (Sources: Central Bank of Lesotho, Bureau of Statistics, UNDP)

Growth Performance: Compared to the first phase of the structural adjustment program (SAP) from 1988-1990, when real GDP and GNP grew annually at 9.6% and 5.2% respectively, progress toward achieving the goal slackened as the ESAP began in 1991 on an inauspicious note. The general first-year ESAP objectives were achieved but income growth slowed in 1991: real GDP grew by 4.0% while real GNP growth fell by 4.0%. The GOL expects the slowdown to continue in 1992 with projected real GDP and GNP growth rates of 3.5% and 2.3% respectively but with no increase in real per capita income.

Factors affecting growth rate trend: Real GDP growth slackened in 1991 mainly because real agricultural output dropped by 27% due to the drought and manufacturing output growth slowed to 4.5%. The drought caused cereal crop losses amounting to at least 24% of 1991 agriculture GDP while the manufacturing sector was affected by industrial unrest involving more than 70 cases of labor disturbances, industrial tax reforms, higher utility costs, and tighter immigration controls resulting in reduced inflow of the entrepreneurial Far Eastern immigrants. Real GNP growth in 1991 was affected by a 14.9% real decline in net factor income from abroad due to a 8.9% real reduction in workers remittances, as the number of migrant mineworkers fell by about 6,000, and a more than ten-fold increase in dividend and profit repatriations by Lesotho Highlands Water Project (LHWP) firms. The number of mineworkers in the Republic of South Africa (RSA) will likely fall by a similar, or higher, level in 1992. Despite reduced inflows, remittances formed 48.2% of GNP in 1991, compared to 43.5% during 1988 to 1990. In contrast, Southern African Customs Union (SACU) receipts increased due to LHWP imports but its share in non-grant GOL revenue dropped to 54.7% from 56.6% in 1990. The national saving investment gap narrowed, despite a significant reduction in net private capital inflows from $18 million in 1990 to $6.9 million. The overall budget deficit remained at 0.6% of GNP but is projected to reduce to about 0.4% of GNP in 1992. In 1991, GOL received 46.3% less net domestic credit than in 1990 while private sector credit increased by 33.4%, as total domestic credit decreased marginally.

These macro outcomes reflect developments with the following major people-level impacts

- GOL increased its 1991 workforce, excluding teachers and forces, by 20.3% to 14,919; began major construction work on the $2.5 billion LHWP which generated at least 2,500 jobs; and plans to expand the food-for-work program to cater for 10,000 additional workers in 1992.

- GOL increased civil service and forces salaries by a cumulative 45%, teachers pay by 70% and minimum wages by about 14%, but public sector salaries and wages remain the lowest in the region;

- GOL, continuing with fiscal reforms, broadened the sales tax base, by eliminating all existing exemptions, and reduced the rate to 10% in alignment with the VAT rate in South Africa; widened income tax brackets, increased tax-free abatements for some categories and lowered the top marginal individual income tax rate to 48% from 53%;

- inflation, which rose to 17.9% in 1991, despite falling domestic credit, reflected pressures from wage increments, 18% drought-induced increase in the food price index, about 23% fuel price hikes and imported inflation from RSA; and is expected to rise in 1992;

- GOL began implementing several measures to mitigate the costs of adjustment and drought including a $7.6 million maize meal price subsidy, $7.3 million program to retrain retrenched mineworkers and $2.1 million World Bank/FAO funded seed and fertilizer subsidy scheme.

Major structural reforms, with long-term impacts on income and employment, were initiated in private sector development (including establishment of the Lesotho Investment Promotion Centre and Business Advisory and Promotion

Service) and parastatal reform (including appointment of a Parastatal Monitoring Committee for program implementation, formulation of a medium term comprehensive reform program based on a World Bank-assisted study, and liquidation of selected enterprises). Overall progress on parastatal reform was slow but these, and other, developments have significant implications for enhancing the potential of the economy to achieve sustainable growth, especially via impacts on incentives for generating or sustaining sectoral income at the sub-goal level. The need to provide opportunities for income enhancement or sustainability and improved capacity for Basotho to utilize opportunities to achieve the goal is reflected in the two program sub-goals.

Program Sub-goal 1: To Sustain or Improve Income

Country Trend Indicators	Baseline 1988	Prov. 1991	Proj. 1992	Proj. 1993	Proj. 1994	Proj. 1995
Livestock Real GDP	$12.4 million	$10.7 million	$12.9 million	$13.5 million	$14.2 million	$15.1 million

The original CPSP indicator was changed due to program changes and data unavailability. Data refer to output of livestock and livestock products, including slaughter, poultry, milk, wool and mohair, net exports and stock changes. Projections for 1992-95 assumed the share of agriculture real GDP in total real GDP for 1987-1990 (16.9%) and the share of livestock real GDP in agriculture real GDP for 1987-1989 (45%) will remain unchanged during the CPSP period. Values are in constant 1980 prices. (Sources:Bureau of Statistics, Central Bank of Lesotho, USAID projections)

At the sub-goal level, sectoral considerations dominate: the sub-goal statement is general but the focus is on enhancing agriculture and natural resource sector income. The critical factor that adversely affected the opportunity to enhance or sustain natural resource-derived income was the drought which caused considerable output loss. Real value added in crop production in 1991 fell by 53.7% while that for livestock increased by only 4.6 percent. The 1991/92 cereal output was the lowest in 30 years and total estimated maize and sorghum crop loss was 98,100 MT, worth $16.6 million (Maloti 45.9 million) in 1991 domestic producer prices. Also during the review period

- o the unit real price of wool fell by 57.1% as the world price of Lesotho's main exports, wool and mohair, dropped further;
- o GOL continued rangeland use adjudication and gazetted the national grazing fee legislation to enable collection to begin in 1992;
- o GOL made significant progress toward enacting other legislation to facilitate agricultural land leasing, allow land mortgaging and facilitate use of land as credit collateral;
- o GOL advanced preparations for establishing at least 6 new range management areas as part of a comprehensive resource management program;

o private sector participation in agricultural input marketing intensified.

Program Sub-goal 2: To Improve Human Resource Base

In human development, Lesotho made further strides in improving the human resource base mainly through efforts to sustain long-term gains in literacy and skills and improve human capital. The proportion of primary school children (aged 6-12) attending school in 1991 marginally increased to 76.8% from 75.8% in 1990, as overall, the adult literacy rate improved from 74% in 1986 to about 78%. Enrolments in secondary, vocational and technical schools rose by 0.6% while university enrolments increased by 4.5%. Country trend indicators of sub-goal 2, reflecting educational achievement, are shown below.

Country Trend Indicators	Baseline 1988	Prov 1991	Proj 1992	Proj 1993	Proj 1994	Proj 1995
Primary school completers per 1000 population aged 6-24	33.6	32.4	33.0	34.0	34.0	35.0
Secondary school completers per 1000 population aged 6-24	4.3	4.8	4.8	4.8	4.8	4.8
University completers per 1000 population aged 6-24	.254	.288	.292	.292	.292	.292

(Sources: Ministry of Education, USAID projections).

Regarding progress in health, the life expectancy of the Basotho has improved by 15% from 50 years in 1985/86 to 57.3 years in 1990/91 reflecting the effect of enhanced health status. In 1990/91, 80% of the population had access to health services and child survival continues to improve as the infant mortality rate dropped from 106 per thousand in 1986 to 95. The proportion of the population with access to safe water fell from about 41% in 1991 as the drought affected water supplies. Unfortunately overall gains in human resource development and economic growth are increasingly frustrated by a high population growth rate which increased to 2.9% in 1991 from 2.6% in 1986, driven by the increase in the total fertility rate to 5.8 from 5.2 while the death rate has dropped from 15 to 12 and the birth rate has increased from 37 per thousand to 41.

In terms of key actions to improve and protect the human resource development, the GOL

o increased 1991 social sector expenditure to 31.6% of the total budget from 24.9 % in 1990 and increased resources were allocated for primary education, but reduced operating expense allocation for health threatens the viability of health programs;

- o began implementing the education sector development plan through the USAID/World Bank parallel-financed Education Sector Development Project (ESDP) which involves interventions at all levels of education and in educational management and is aimed at improving the quality, efficiency and relevance of education, without sacrificing access;

- o raised teachers' salaries and brought them at par with those of the civil service;

- o announced exemptions for the most vulnerable groups from paying user fees for health service;

- o enhanced primary health care by completing rehabilitation and improvement of several rural clinics;

- o launched its AIDS prevention and control program, providing education and awareness, as well as condoms, through public and private sector service deliveries;

- o developed plans to implement several initiatives to alleviate the effects of adjustment and drought on the most vulnerable groups, including an expanded safety-net program by NGOs, a WHO-supported health-monitoring program and a UNICEF-supported nutritional rehabilitation program for about 11,000 malnourished children;

- o made progress in improving monitoring of sector impacts by conducting the Demographic and Health Survey which will provide the basis for improved sector monitoring information.

USAID contribution: USAID contribution toward progress in achieving the goal and sub-goals was strengthened in 1991 through two new programs. The Primary Education Program (PEP), which parallel-finances the ESDP with the World Bank, supports macroeconomic fiscal reforms under SAP and improved human resource base. GOL improved teachers conditions to meet ESDP/PEP conditionality. The CNRM project will continue to promote sustainable natural resource use as well as increased local-level involvement in resource management begun under the Lesotho Agricultural Production and Institutional Support Project (LAPIS) project. The prototype for rangeland management developed under long-term USAID support forms the basis for nationwide efforts to improve utilization of and income from the natural resource base. The on-going LAPSP also supports the ESAP by promoting GOL adoption of measures to privatize agricultural input and initiate the national grazing fee.

Conclusion: Lesotho has demonstrated strong commitment to implementing reforms. However, USAID remains cautiously optimistic of Lesotho's growth prospect. Future progress, constrained by the long-term effects of the drought and increasing numbers of retrenched mineworkers, will be difficult given the current atmosphere of extreme uncertainty in political and economic developments in South Africa as well as Lesotho's progress towards a civilian multiparty government. Remaining structural, institutional and policy reforms are daunting and the outlook for future growth is modest compared to the recent past. Consequently, revised growth projections are below ESAP targets during the CPSP period. Nevertheless, prospects for continued economic growth are moderately positive, bolstered by the momentum of overall gains achieved up to 1991, expected progress in several areas of reform in 1992 and increasing evidence of GOL plans for responding to the changing regional economic environment.

SECTION III. PROGRESS TOWARD STRATEGIC OBJECTIVES AND RELATED PROGRESS INDICATORS

A. Supporting Text for Agriculture

Strategic Objective 1.0:
SUSTAIN OR IMPROVE OUTPUT AND PRODUCTIVITY OF SELECTED AGRICULTURAL SUBSECTORS

Since the early to mid-1980's, the USAID/Lesotho agricultural program has concentrated primarily in two areas, high value crops and mountain rangelands. The objectives were: (1) to increase production and decrease imports in the high-value crops sub-sector (vegetables, fruits and some fodder and pulses) and (2) to check and reverse the degradation of Lesotho's mountain rangelands, caused by an imbalance between the number of livestock and the carrying capacity of the land.

The Mission intended to meet this Strategic Objective through the implementation of three major projects. These three projects are: the Lesotho Agricultural Policy Support Program (LAPSP); the Community Natural Resources Management (CNRM); and Agricultural Enterprises Initiatives (AEI). The pre-PID analysis concluded that there was limited scope for the AEI project and insufficient interest in developing agricultural enterprises in the present environment. This conclusion coupled with the restriction on no new project starts has resulted in the suspension of further project design in support of this strategic objective. Both indicators to do with the Agricultural Enterprise and Initiatives Project (CPSP 1.0.E and 1.0.F) were dropped as this project, which was envisaged to start in FY 1992, was not developed.

The indicators for ratio of average fleece weight within RMAs (CPSP 1.0.A) as compared to average national average fleece weight (CPSP 1.0.b) and ratio of average animal weight within RMAs (CPSP 1.0.C) compared to average animal weight outside RMAs (CPSP 1.0.D) were dropped as reliable data from areas outside RMA project sites cannot be obtained.

The indicators have been adjusted to reflect changes in average fleece weights and average weights of cattle and sheep sold within RMAs. The impact of the ongoing drought on Lesotho rangelands will be noticeable for several years after the rains return. Compounding the direct effect of the drought are extensive fires, due to dry conditions, and overgrazing of the lower-yielding rangeland. These factors have lowered the projections of mohair and wool indicators. The annual measurements for these indicators show a slight drop in 1993 with a gradual recovery in 1994 and 1995.

A new intermediary indicator (1.0.C), annual fertilizer sales, has been added to measure change in agricultural productivity and to reflect LAPSP input marketing reform impact. A review of available data indicates that changes in fertilizer sales track well with changes in agricultural productivity as an intermediary indicator.

Target 1.1: <u>Increase Sustainability of Rangeland Resource Use</u>

This target is intended to improve long-run agricultural sustainability through maintaining productivity of the mountain rangeland resource base by bringing carrying capacity and herd size into closer balance. One can address this objective by either decreasing herd size or by improving carrying capacity through better rangeland management, or both (in actual practice,the two are highly inter-related). While USAID has activities addressing both sides of the equation, most of the effort over the reporting period has been on the side of improving natural resource (rangeland) management through the establishment of Range Management Areas (RMAs). Hence, most indicators fall under this heading.

The indicator for improved management of rangelands (1.1.A) is straightforward; at the beginning of the USAID program in 1983, none of Lesotho's rangeland was under an organized management program that was stopping or reversing degradation of the natural resource base; today, 6 percent of the country's rangeland (133,000 hectares) is under such management and provides livelihood for 17,000 people. With the addition of six new RMAs over the life of Community Natural Resources Management Project (CNRM), an estimated 180,000 hectares will be brought under range management affecting the lives of 42,000 inhabitants. The effectiveness of this program to improve natural resource management is detailed in the target-level indicators. Measurements of range quality in the longest established Range Management Area (RMA) show a nearly three-quarter reduction in the surface exposed to erosion by rainfall and increases in forage quality and quantity. Improvements in the quality and productivity of animals have also been demonstrated in the RMAs.

Results on the range condition index (RCI) within RMAs are available but currently results from outside the RMAs are either not available or where available unreliable for comparison. The RCI tracks range condition on an open ended scale using a 1983 index of 44.2 as a base for future comparison. The RCI (Indicator 1.1.B) relates to the oldest RMAs where program impact is more evident. RCIs are usually measured every three to five years. These two indicators together continue to present a clear picture of significant improvements in the rangeland resource base through the RMA program.

The Mission intends to request the MOA/Range Management Division to have RCIs established in non-RMA areas to function as controls which can be used to measure progress in all future RMAs established by the CNRM project.

Sub-Target 1.1A: Establish Effective Range and Livestock Management in Selected Areas

This sub-target is intended to train the rural communities at grassroots level to be able to manage their rangelands and livestock in a sustainable way, starting with selected areas.

Regarding indicators A and B (number of RMAs established and number of RMAs implementing grazing management plans) for Sub-target 1.1A, there has been an increase from one RMA in 1984 to four in 1992. There has been a steady increase in the number of individuals participating in livestock and range management activities countrywide. The slight drop in 1992 is attributable to internal conflicts within a grazing associations which have since been resolved.

CPSP indicators C: Increased number of RMA animals culled; and E: Increased number of improved breeding programs in operation have been dropped because data to verify these indicators are not readily available and when available is not reliable.

Sub-Target 1.1B: Implement National Policies Related to Livestock and Rangeland Management

This sub-target is intended to implement a policy nationwide to reduce overstocking on fragile rangelands and thereby bring into closer balance herd size and grazing potential. Livestock owners will be induced to take into account the costs and benefits of open grazing.

Preparatory ground work for implementation of the national grazing fee has been done: public meetings (pitsos) for consultations with farmers, training of members of village development councils (VDCs), and printing of livestock registration books. Registration of livestock which started early August 1992 is reported to be progressing well and the actual collection of fees began in October. The fees thus collected will be used to improve the rangeland and livestock and other development activities in the communities. Support for the national grazing fee has become a political issue for one of the major parties in the upcoming election. That party has called for the repeal of the national grazing fee.

Indicator C (in CPSP), on changes in subsidies to the national abattoir, is now being dropped as data collection and interpretation is difficult. The remaining two indicators are considered to be adequate to measure impact for this sub-target.

Sub-Target 1.1C: Implement Measures to Reduce Imbalance Between Number of Livestock and Carrying Capacity Nationwide

This sub-target relates very well to Sub-Target 1.1B above. Indicators A and B monitor the movement of livestock onto adjudicated rangeland while Indicator C monitors livestock off-take from the rangeland.

CPSP indicators related to the number of animals culled per year (1.1C (B)) and the number of animals exchanged per year through the national feedlot (1.1C (C)) have been dropped due to the short-term nature of the GOL program which would provide data available only for a few years.

Target 1.2 Increase Business Activity in Selected Agriculture-Related Enterprises

This target intends to expand the agricultural input marketing system to facilitate suppliers, more competition among suppliers, greater availability to consumers and reduce the budgetary cost to the government of interventions in agriculture by removing subsidies.

A change in GOL policy has removed the monopoly on agricultural input supply that has been dominated by an inefficient and non-competitive government parastatal COOP/Lesotho. To measure impact of this policy, a new indicator has been established to measure increases in private sector activity in this area following the removal of the parastatal monopoly in 1989. Preliminary data indicates increased private sector activity in agricultural input supply during 1992 in both new businesses and expansion of existing businesses.

Again, following pre-PID analysis and Mission review earlier this year and the subsequent decision to suspend further design efforts for AEI, all previous CPSP indicators in this target having to do with the Agricultural Enterprise Project have been deleted.

Sub-Target 1.2A: Establish a Competitive Agricultural Input Supply System

The indicators for this sub-target relate to policy change and implementation. These indicators will track specific actions undertaken by the GOL in support of a competitive agricultural input supply system. The adoption and implementation of these policy changes will directly impact on the GOL budget by reducing subsidies and other cash transfers to an unprofitable parastatal. Indicator A (number of retail outlets) relates to COOP/Lesotho privatization and Indicator B (removal of redundant COOP/Lesotho staff) relates to a reduction in costs to the government in paying redundant staff in COOP/Lesotho.

B. Supporting Text for Education

Strategic Objective 2.0:
IMPROVE QUALITY AND EFFICIENCY OF PRIMARY EDUCATION

While the joint GOL/USAID/World Bank-supported education sector development plan will address a number of significant constraints to improved primary education, major increases in the numbers of educated students and rapid improvements in test scores are unlikely in the near-term. Rather, the immediate goal of the Education Sector Development Project (which includes the AID-funded Primary Education Program (PEP) which only began in 1992) is to arrest the continuing decline in educational quality and efficiency which is projected to occur. Improvement in educational accomplishment indicators will be measurable only as new students move through the system and experience the benefits of better trained teachers, improved curriculum and instructional materials, and better management procedures -- that is, after approximately 6 years.

Improving the curriculum, providing more instructional materials, and teacher training should positively impact student achievement. However, improved instructional materials are not scheduled to be distributed to the schools until Year 3, 4 and 5 of PEP, and it will take several more years for teachers to learn how to use these new materials to best advantage. Most of the new teachers will not be fully trained until end of the Plan period. In the long-term, as the impact of these interventions converge, the Program is expected to have a positive effect on achievement scores. However, it is unlikely those benefits will be evident in the short-term indicators of educational efficiency.

2.0.a. It can be seen from the cohort analysis, that only 50 percent of the students entering the system graduate from Standard 7. The increase in 1991 to 50.4% is due to an increase in the number of pupils allowed by the GOL to pass the Primary School Leaving Examination (PSLE). Consequently, the increased number of completers is an artifact of Ministry policy, not an indication of a change in quality or efficiency of instruction. Changes in completion rate due to program interventions cannot be expected to be seen until the last year of the Program, since only then will pupils who have benefited from Program interventions be completing primary school. The projection of primary school completion rates by gender is not appropriate at this time, given the convergence of two factors. The unusually high completion rates in 1991 are an artifact of a change in the passing score on the PSLE and does not represent a valid basis for projection. Second, the male completion rate is heavily influenced by factors outside the effective control of the PEP. Specifically, the disparity in 1991 completion rates by gender (males=37%, females=63%) reflects the current practice of boys leaving school to tend their livestock while the fathers work in the South Africa mines. The recent closing of many mines and retrenchment of Basotho labor may result in increased male retention and eventually in a higher male completion rate.

2.0.b. The implementation of a national standard 3 achievement test will not take place until several years into the Program. Thus there is no data at this time upon which to measure educational achievement at the lower levels. More importantly, changes in achievement are not expected to be evident until the end of the Program, since the Program components that are expected to cause those changes will not be in place until the middle of the Program, and then they need several years to have a measurable effect. For example, unqualified teachers introduced into the system in year one will not finish in-service training for another 3 1/2 years. It will then take several more years for the impact of their training to be felt in the larger system.

2.0.c. Improvements in efficiency will be measured by the number of years required to produce one graduate. If all pupils are taken together, including dropouts, it can be seen that approximately 14 years are required to produce one graduate. The GOL is currently investing twice as much as would be required in a perfectly functioning system to produce one primary school graduate. Under the Primary Education Program (PEP), student flow will be improved by providing the minimum conditions for learning in all schools, by restricting the enrolment of under and over-age pupils, by limiting repetition, by improving teacher training and the supply of instructional materials, and developing national guidelines for pupil promotion. As these reforms take place increased efficiency will become apparent and cycle costs per cohort of completers become lower. Savings will be used to improve the quality of education and to produce more graduates for the same investment.

2.0.d. The reforms initiated under PEP are expected to decrease the cycle cost of primary education. Cycle cost (per cohort and per pupil) is expected to drop because (a) the exclusion of under- and over-age children will offset enrollment increases due to population growth, keeping overall enrollment increases relative low; (b) the participation rate is already high, further limiting the potential for future intake; (c) retention will be reduced (no more than twice per pupil); and (d) quality of instructional materials is expected to increase, presumably leading to better instruction and a higher pass rate on the PSLE. Together, these factors should lead to a lower number of equivalent years to complete standard 7. It is expected that the drop in equivalent years to complete standard 7 will more than offset the increased expenditures for primary education and increased cost of each year of schooling, resulting in an overall reduction in the cost of schooling.

Target 2.1: <u>Increase GOL financial resources for primary education.</u>

For the reforms under the Plan to be implemented successfully, adequate funding must be available. It is encouraging to note that the GOL recurrent budget for education in 1991/92 increased by 57 percent in real terms over the previous year. The share of total GOL recurrent budget allocated to education increased by 12 percent in real terms in 1991/92. This large rise in the budget has been used primarily to pay for increased salaries to teachers. We are pleased to report that more than 70 percent of this increase was allocated and used for primary education.

The original target was that GOL increase the education budget by an additional 4 percent per year (in real terms). This figure is now being revised based upon a more up-to-date estimate of the actual costs required to implement the Education Sector Development Project and to ensure that teachers salaries stay on par with those of the civil service.

Target 2.2: <u>Expand and Upgrade Teaching Force.</u>

To improve the pupil:teacher ratio, particularly at the lower standards, the primary teacher force will be expanded significantly over the life of PEP. To reach the goal of a pupil:teacher ratio of 54:1 by 1997, 260 new teaching posts are being created each year for a total of 1300 in the primary education system in 1997.

It is important to point out that some of these positions are being filled temporarily by unqualified teachers. Thus the lowering of the student teacher ratio may have a negative short-term effect on student achievement. Over the longer term however, all new teachers will receive in-service training which will provide them with skills to teach effectively at the lower levels. The number of qualified primary school teachers was increased with teacher training programs and professional support networks funded under the USAID Basic and Non-Formal Education System (BANFES) Project which ended in 1991. Under PEP, additional number of teachers are receiving training through upgraded teacher training programs. Approximately 100 teachers per year are graduated from the National Teacher Training College and by early 1996 450 teachers will have completed in-service training. The output of trained teachers from NTTC may not keep up with teacher attrition, if changes in South Africa result in more aggressive recruitment of Lesotho teachers by RSA.

Target 2.3: <u>Improve quality and availability of curriculum and instructional materials.</u>

Under BANFES USAID-financed supplementary reading, radio English and math materials. However, additional materials are needed to replace those which have worn out and improved materials are needed to enable pupils to increase their reading and knowledge competencies. Curriculum revision has just begun under PEP and a plan for distribution of additional materials is being developed. Revised syllabi and teacher guides will be developed and distributed to all schools over the life of the project. The MOE Education Management Information System (EMIS) is collecting data on distribution of instructional materials. It should be noted that curriculum revision activities are being assisted mainly through the World Bank assistance, which is behind schedule. The World Bank had encountered several delays in fielding their long- and short-term technical assistance due to issues concerning a GOL policy change to tax Bank-funded advisors.

Target 2.4: <u>Improve Classroom Environment.</u>

A classroom ratio of 65:1 shows the severe crowding in the classroom. As more schools and classrooms are built under the Plan (850 new rooms planned), particularly in remote areas, this ratio will not deteriorate. It is significant to note that without these new facilities the ratio would deteriorate to approximately 77 pupils per room. Furniture, desks and chairs, particularly for standards 1-3 is also a major problem. The lack of a proper writing surface, combined with the discomfort of sitting on a cold floor makes learning very difficult. A plan is being developed to target the purchase of furniture where the need is greatest, particularly lower primary schools in the mountain districts.

Target 2.5: <u>Improve Educational Management</u>

2.5.a. The MOE has developed a restructuring plan to improve educational management. Briefly, the Ministry will be re-organized into four main divisions in order to streamline and decentralize decision making and management and create a more efficient structure. A major emphasis will be upon the creation of an effective field structure at the district level. The implementation of these plans will take place over the five year program period, with the bulk of the changes occurring in the first three years. The four main divisions, each to be headed by a Chief Education Officer will be Educational Management, Curriculum Services, Teaching Services, and Support Services. The filling of over 100 new positions, necessary to implement this plan will be carried out in three Phases. The creating, filling and upgrading of positions under Phase I, including key positions in the Planning Unit, the NCDC and the Inspectorate is now underway.

2.5.b.&c. Plans for improved MOE financial management and for monitoring and evaluation of PEP have been developed. The arrival of the PEP-funded Financial and EMIS Advisors in November 1992 will facilitate these planned improvements.

C. Target of Opportunity and Other Program Activity

Increased Use of Contraceptives

USAID/Lesotho is supporting the commercial distribution of condoms through the centrally-funded Contraceptive Social Marketing Project. The Lesotho project, whose primary objective is to increase the availability and accessibility of affordable condoms through retail outlets, began distribution of condoms in July 1992. Data on condom distribution, expected to be available early next year, will give an indication as to whether the population has begun to change their behavior and use condoms for family planning and to prevent the further spread of HIV infection.

AIDS

USAID/Lesotho's objective in the area of AIDS is to help prevent the spread of HIV infection through two approaches: (1) education and awareness activities, particularly among the nation's youth; and (2) increased availability and use of condoms through commercial retail outlets. The Mission has transferred bilateral funds to the AIDSTECH project to build awareness and education about AIDS and its sexually transmission through the community networks of non-governmental organizations.

HIV infection rates among Basotho are higher than previously estimated. Recently analyzed sentinel surveillance data indicate that prevalence rates in pregnant women range from an average of 2 percent in Leribe and Maluti hospitals to 5.5 percent at Queen Elizabeth II hospital in Maseru. HIV prevalence rates in STD patients reach levels of 5-7 percent. Such surveillance data suggest approximately 20,000 Basotho are currently HIV infected. Model simulations project this number to reach 60,000 by 1996. AIDS cases appear to double every six months, with approximately 100 cases reported to date. One could expect approximately 6,000 AIDS cases by 1996.[1]

Factors which facilitate the rapid spread of HIV in Lesotho include a high rate of sexually transmitted disease, a sexually active youth, limited use of condoms, frequent migration patterns, and a large concentration of workers in the Highlands Water Project. Given the above factors and the small size of the size of Lesotho, sero-prevalence rates and AIDS cases will reach epidemic proportions within the next one to two years unless effective interventions are implemented immediately.

It is encouraging to note that the government recognizes the seriousness of the AIDS threat and has developed an aggressive plan of action which a number of donors have pledged support. USAID has taken the opportunity to fill a niche where we have particular experience and skills.

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[1]World Bank Aide Memoire following field investigations in July/August 1992 for the report Lesotho Population Sector Review.

USAID/LESOTHO

Table I: Goal and Subgoal Indicators Matrix

	COUNTRY TREND INDICATORS	BASELINE 1988	PROVIS 1991	PROJ 1992	PROJ 1993	PROJ 1994	PROJ 1995
GOAL: Achieve Broad-based Sustainable Growth	A. Real Per Capita GDP	$98.7	$89.3	$89.9	$91.6	$94.0	$96.9
	B. Real Per Capita GNP	$173.6	$131.4	$130.9	$131.1	$132.5	$134.0
	C. UNDP Human Development Index	0.432 (1990)	0.432	TBD	TBD	TBD	TBD
	Sources: A) and B) GOL data, with real rates in constant 1980 prices; C) UNDP HDI Report.						
SUBGOAL 1: Sustain or Improve Income	A. Livestock Real GDP	$12.4 million	$10.7 million	$12.9 million	$13.5 million	$14.2 million	$15.1 million
	Source: GOL data and USAID projections.						
SUBGOAL 2: Improve Human Resource Base	A. Primary School Completers per 1000 population aged 6-24	33.6	32.4	33.0	34.0	34.0	35.0
	B. Secondary School Completers per 1000 population aged 6-24	4.3	4.8	4.8	4.8	4.8	4.8
	C. University Completers per 1000 population aged 6-24	.254	.288	.292	.292	.292	.292
	Source: GOL data and USAID projections.						

TABLE II: Output and Productivity Strategic Objective Indicator Matrix

Program Logframe: Strategic Objective No. 1 - Sustain or Improve Output and Productivity of Selected Agricultural Subsectors

OBJECTIVE OR TARGET	INDICATORS	BASELINE (As per yr stated)	ACTUAL 1991	PRELIM-INARY 1992	PROJ 1993	PROJ 1994	PROJ 1995
STRATEGIC OBJECTIVE 1.0 Sustain or Improve Output and Productivity of Selected Agricultural Subsectors	A. Average fleece weight in RMAs increased	Mohair 0.91 kg/head) 1990 Wool 2.21 kg/head) 1990	Mohair 0.92 kg/head Wool 2.15 kg/head	Mohair 0.86 kg/head Wool 1.97 kg/head	Mohair 0.88 kg/head Wool 2.05 kg/head	Mohair 0.90 kg/head Wool 2.15 kg/head	Mohair 0.90 kg/head Wool 2.20 kg/head
	B. Average weight of RMA cattle sold within RMA as compared to LPMS auction sales	491.5 kg (RMA) 1991 462.2 kg National 1991	491.5 kg RMA 462.2 kg National	521.9 kg RMA 449.6 kg National	520.0 kg RMA 445.0 kg National	525.0kg RMA 450.5 kg National	530.0 kg RMA 455.0 kg National
	C. Average weight of RMA sheep sold within RMA as compared to LPMS auction sales (Data will be available in 1993)	0 1993	N/A	N/A	TBD	TBD	TBD
	D. National fertilizer sales (MT/YR)	15,041 1988	11,741	10,700	10,000	10,500	11,000
	Sources: A) RMA records; B) and C) Data from RMD woolsheds or LPMS and Data from RMA/CNRM records; and D) LAPSP Monitoring Unit						

OBJECTIVE OR TARGET	INDICATORS	BASELINE (As per yr stated)	ACTUAL 1991	PRELIM-INARY 1992	PROJ 1993	PROJ 1994	PROJ 1995
TARGET 1.1: Increase Sustainability of Rangeland Resource Use	A. % of rangeland under RMA management	0% 1983	6%	6%	7%	7%	8%
	B. Average range condition index (RCI) within RMAs	44.2 1983	137.4	137.4	140.0	140.0	144.0
	Source: RMD/MOA						
SUBTARGET 1.1A: Establish Effective Range and Livestock Management in Selected Areas (RMAs)	A. Number of RMAS	0 1983	4	4	6	6	8
	B. Number of RMAs implementing/enforcing grazing management plans	0 1983	3	3	4	5	6
	C. No. of individuals participating in various GA program activities disaggregated by gender (if possible)	0 1983	12,272	10,000	12,500	13,000	14,500
	D. Number of RMA members	0 1983	1,381	1,225	1,000	1,400	1,600
	Source: RMD/MOA/ARD Contract Team						
SUBTARGET 1.1B: Implement National Policies Related to Livestock and Rangeland Management	A. Amount of national grazing fees collected each year (Data will be available in 1993)	1993	N/A	N/A	TBD	TBD	TBD
	B. No. of stock owners paying national grazing fees each year (Data will be available in 1993)	1993	N/A	N/A	TBD	TBD	TBD
	Source: RMD/MOA						

OBJECTIVE OR TARGET	INDICATORS	BASELINE (As per yr stated)	ACTUAL 1991	PRELIM-INARY 1992	PROJ 1993	PROJ 1994	PROJ 1995
SUBTARGET 1.1C: Implement Measures to Reduce Imbalance Between Number of Livestock and Carrying Capacity Nationwide	A. No. of hectares adjudicated	0 1983	132,000	132,000	342,000	542,000	742,000
	B. No. of stock owners issued permits for grazing on adjudicated range lands by gender (if possible)	0 1993	N/A	N/A	TBD	TBD	TBD
	C. Number of animals marketed from RMAs	648 1990	464	373	440	450	500
	Source: (a) RMD; (b) LPMS records; and (c) LAPIS/CNRM records						

TARGET 1.2: Increase Business Activity in Selected Agriculture-related Enterprises	A. Number of agricultural input supply firms	1988 1	1	75	100	150	250
	Source: Marketing Department/MOA						
SUBTARGET 1.2A: Establish a Competitive Agricultural Input Supply System	A. Encouragement of private sector to participate in the sale of agricultural inputs supply B. Coop Lesotho privatization	Remove Coop Lesotho fertilizer subsidy Assess Coop Lesotho assets	Encourage private sector participa-tion Plan Coop Lesotho privatiza-tion	Develop Coop Lesotho retrench-ment plan	Remove redun-dant Coop Lesotho staff Begin Coop Lesotho privatiza-tion	Com-plete Coop Lesotho priva-tization	

'rogram Logframe: Strategic Objective No. 2 - Improve Quality and Efficiency of Primary Education

OBJECTIVE OR TARGET	INDICATORS	BASE LINE 1990	ACTUAL 1991	PRELIM-INARY 1992	PROJ 1993	PROJ 1994	PROJ 1995
STRATEGIC OBJECTIVE 2.0: Improve Quality and Efficiency of Primary Education	A. Percent primary school enrollees completing standard 7 by gender	46.3	50.4 M:37 F:63	48.0	46.4	46.5	46.6
	B. Standard 3 achievement test scores	N/A	N/A	N/A	Develop Test	Administer Test	Test Scores
	C. Equivalent years to complete standard 7 by gender	14.1	13.7 M:17 F:12	13.7	13.6	13.4	13.2
	D.(1) Cycle cost for cohort of completers (2) Per pupil cycle cost (in USD)	N/A 1640	56.8 1593	56.6 1593	56.3 1582	56.3 1558	48.7 1535
	Sources: A) and B) MOE/EMIS; C) MOE/EMIS/ECON						
TARGET 2.1: Increase GOL Financial Resources for Primary Education	A. Percent increase in MOE real recurrent budget	N/A	57	0	4	4	4
	B. Percent of the annual MOE recurrent budget increase allocated to primary education (70% target)	N/A	100	70	70	70	70
	Source: MOF Printed Estimates						
TARGET 2.2: Expand and Upgrade Teaching Force	A. Pupil teacher ratio for primary school	56:1	54:1	54:1	54:1	54:1	54:1
	B. Additional teaching posts established	N/A	N/A	260	260	260	260
	C. Number of primary teachers trained	N/A	100	100	100	100	500
	Source: MOE/EMIS						

OBJECTIVE OR TARGET	INDICATORS	BASE LINE 1990	ACTUAL 1991	PRELIM-INARY 1992	PROJ 1993	PROJ 1994	PROJ 1995
TARGET 2.3: Improve Quality and Availability of Curriculum and Instructional Materials	A. Text per pupil ratio in standards 1-3	40	3.9	3.9	4.0	4.0	4.0
	B. Availability of instructional material and teacher's guides (data will be available in 1993)						
	Sources: MOE/EMIS						
TARGET 2.4: Improve Classroom Environment	A. Pupils per classroom (includes church halls)	67:1	65:1	65:1	65:1	64:1	64:1
	B. Percent of pupils in standards 1-3 without seating	51.6	53.4	54	55	45	35
	Source: MOE/EMIS						
TARGET 2.5: Improve Educational Management	A. MOE restructuring plan	N/A	Plan Prepared	Phase I Underway	Phase II Underway	Phase III Underway	Fully Implement
	B. Improved MOE financial management	N/A	Plan Prepared	TA Arrives	Implement Plan	Implement Cost Centre Budgeting	Fully Implement
	C. Implementation of MOE MIS	N/A	Plan Prepared	TA arrives	Implement Plan	Report on Statistics use and analysis	Fully Implement
	Source: MOE/PEP						