

AGENCY FOR INTERNATIONAL DEVELOPMENT PROGRAM ASSISTANCE APPROVAL DOCUMENT (PAAD)		1. PAAD Number 632-0230 ; 632-T-602	
		2. Country Lesotho	
		3. Category Sector Cash Grant	
		4. Date August 1991	
5. To F. Gary Towery Mission Director		6. OYB Change Number N/A	
7. From <i>Jean Du Rette</i> Jean Du Rette Project Development Officer		8. OYB Increase N/A To be taken From:	
9. Approval Requested for Commitment of \$6.082 Million		10. Appropriation Budget Plan Code 72111/21014; GSSI-91-31632-IG39; 181-61-632-01-53-11	
11. Type Funding <input type="checkbox"/> Loan <input checked="" type="checkbox"/> Grant	12. Local Currency Arrangement <input checked="" type="checkbox"/> Informal <input type="checkbox"/> Formal <input type="checkbox"/> None	13. Estimated Delivery Period FY 1991-1992	14. Transaction Eligibility Date
15. Commodities Financed N/A			
16. Permitted Source N/A		17. Estimated Source N/A	
Limited F.W.		Industrialized Countries	
Free World		Local	
Cash		Other	
18. Summary Description The purpose of the six-year \$25.0 million Primary Education Program (PEP) is to improve the quality and efficiency of primary education through the establishment of a new policy framework and reformed institutional structure. PEP will provide \$18.6 million in a sector cash grant and \$6.4 million in project assistance. The conditionality for the sector cash grant disbursement includes government actions to increase funding for the education sector and primary education, improve the quality and efficiency of primary education and improve educational management. USAID is seeking a waiver of the requirement under Section 575(b)(1) of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1991, to establish a separate dollar account and specify dollar use. At least for the first two years of the Program, the GOL will deposit the Maloti equivalent of the cash sector grant release into a Special Local Currency Account. The local currency will be used for primary education sub-sector support and a USAID Trust Fund.			
19. Clearances		20. Action	
GDO: JMeadowcroft <i>JM</i>	Date 8/24/91	<input checked="" type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED Authorized Signature <i>F. Gary Towery</i> Date 8/30/91	
CONT: RZelaya <i>RZ</i>	8/29/91		
EXO: CEwards <i>CE</i>	8/29/91		
		Title Mission Director, USAID/Lesotho	

PRIMARY EDUCATION PROGRAM
Program Assistance Approval Document (PAAD) (632-0230;632-T-602)
Project Component (632-0225)

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AGENCY FOR INTERNATIONAL DEVELOPMENT		1. TRANSACTION CODE		DOCUMENT CODE	
PROJECT DATA SHEET		<input type="checkbox"/> A = Add <input type="checkbox"/> C = Change <input type="checkbox"/> D = Delete		Amendment Number	
2. COUNTRY/ENTITY Lesotho		3. PROJECT NUMBER 632-0225		3	
4. BUREAU/OFFICE Africa Bureau		5. PROJECT TITLE (maximum 40 characters) Primary Education Program			
6. PROJECT ASSISTANCE COMPLETION DATE (FACD) MM DD YY 08 31 97		7. ESTIMATED DATE OF OBLIGATION (Under "B" below, enter 1, 2, 3, or 4) A. Initial FY 91 B. Quarter 4 C. Final FY 95			

8. COSTS (\$000 OR EQUIVALENT \$1 =)						
A. FUNDING SOURCE	FIRST FY 91			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	1,450	250	1,700	5,500	900	6,400
(Grant)	(1,450)	(250)	(1,700)	(5,500)	(900)	(6,400)
(Loan)	()	()	()	()	()	()
Other U.S.						
1. Host Country	500		500	4,765		4,765
2. Other Donor(s)						
TOTALS	1,450	750	2,200	5,500	5,665	11,165

9. SCHEDULE OF AID FUNDING (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) DEA	600	680				6,400		6,400	
(2)									
(3)									
(4)									
TOTALS						6,400		6,400	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)						11. SECONDARY PURPOSE CODE			
634	636	660							
12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)									
A. Code									
B. Amount									

15. PROJECT PURPOSE (maximum 480 characters).

To improve the quality and efficiency of primary education through the establishment of a new policy framework and reformed institutional structure.

14. SCHEDULED EVALUATIONS				15. SOURCE/ORIGIN OF GOODS AND SERVICES			
Interim	MM YY	MM YY	Final	MM YY	MM YY	MM YY	MM YY
	03 93			08 96			
				<input checked="" type="checkbox"/> 000 <input checked="" type="checkbox"/> 941 <input checked="" type="checkbox"/> Local <input checked="" type="checkbox"/> Other (Specify) 935			

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of _____ page PP Amendment.)

The provisions of the payment verification policy regarding methods of implementation and financing, financial capability of recipients, and adequacy of audit coverage have been adequately addressed in this document.


 Rafael Zelaya, Controller Date

17. APPROVED BY	Signature	F. Gary Towers	18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION
	Title	Mission Director USAID/Lesotho	

PROJECT AUTHORIZATION

Cooperating Country: Lesotho
Project Title: Primary Education Program
Project Number: 632-0225

1. Pursuant to the Foreign Assistance Act of 1961, as amended, the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1991, State 222590, and Africa Bureau Delegation of Authority (DOA) No. 551, as amended, I hereby authorize the Primary Education Program (Program) for the Kingdom of Lesotho (Grantee), involving planned obligations of not to exceed Six Million Four Hundred Thousand United States Dollars (\$6,400,000) in grant funds from the Development Fund for Africa (DFA), over a five-year period from the date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the Program. Except as A.I.D. may otherwise agree in writing, the planned life of the Program is six years from the date of initial obligation.

2. The Program is designed to improve the quality and efficiency of primary education in Lesotho through the establishment of a new policy framework and reformed institutional structure. Implementation support to be provided under the Program will include technical assistance, training and commodities.

3. The Program Grant Agreement, which may be negotiated and executed by the officers to whom such authority is delegated in accordance with A.I.D. regulations and delegations of authority, shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

a. Source and Origin of Commodities, Nationality of Services

The source and origin of commodities and the nationality of suppliers of commodities and services financed under the Program shall be in accordance with Africa Bureau DOA 551, Section 5F. Accordingly, commodities financed by A.I.D. under the Program shall have their source and origin in Lesotho, the United States or any other country included in A.I.D. Geographic Code 935, except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services shall have Lesotho, the United States or any other country included in A.I.D. Geographic Code 935 as their place of nationality, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Program shall, except as A.I.D. may otherwise agree in writing, be financed only on a flag vessel of the United States. Procurement of commodities and services shall be from the U.S. to the maximum practicable extent.

b. Conditions Precedent to Initial Disbursement

The Program Grant Agreement shall contain, in substance, the following conditions precedent to initial disbursement under the Grant:

Prior to the first disbursement under the Grant, the Grantee shall, except as the parties may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D.:

(i) a written statement setting forth the name of the person holding or acting in the office of the Grantee, and the names and titles of any additional representatives, who are authorized to sign Program documents and communications, together with a specimen signature of each person specified in such statement;

(ii) an opinion of counsel acceptable to A.I.D. that the Program Grant Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Grantee, and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms; and

(iii) (i) a written commitment that all Basotho who are provided long-term training (training in excess of one year) under the Program will, upon completion of training, be employed to work directly in the Program's activities for a period of not less than two years for every year of training, unless A.I.D. otherwise agrees in writing, and (ii) a standard written loan bursary scheme agreement for signature by the Grantee and each such trainee.

c. Special Covenant

The Program Grant Agreement shall contain, in substance, the following special covenant:

(i) The Grantee agrees to enter into an A.I.D.-approved standard written loan bursary scheme agreement (hereinafter "bonding agreement") with each of its employees who receives long-term training (training in excess of one year) funded under the Program. Said agreement shall be signed by both the trainee and the Grantee. The Grantee agrees to monitor closely all aspects of the bonding agreement. In the event the Grantee does not take all reasonable actions to remedy any violation of any of such agreements, the Grantee shall be responsible to repay to A.I.D. any costs of training due under the particular bonding agreement, unless A.I.D. otherwise agrees in writing.

F. Gary Towery

F. Gary Towery
Mission Director

Date

8/20/91

Clearance:

GDO:JMeadowcroft *JM*
PDO:JDu Rette *JDR*

Drafted:DKeene/TRiedler: 7/12/91

LIST OF ACRONYMS AND ABBREVIATIONS

AG	Auditor General
AID	Agency for International Development
API	Assessment of Program Impact
APR	Annual Progress Report
APTC	Advanced Primary Teacher Certificate
BANFES	Basic and Nonformal Education Systems Project
CBL	Central Bank of Lesotho
CMA	Common Monetary Area
COSC	Cambridge Overseas School Certificate
CP	Conditions Precedent
DFA	Development Fund for Africa
DRC	District Resource Centre
DRT	District Resource Teacher
EEC	European Economic Community
EMIS	Education Management Information System
ERE	Education Recurrent Expenditure
ESAF	Enhanced Structural Adjustment Facility
ESAP	Enhanced Structural Adjustment Program
ESDP	Education Sector Development Plan
ESP	Education Sector Project
EXO	Executive Officer
FY	Fiscal Year
GDO	General Development Officer
GDP	Gross Domestic Product
GNP	Gross National Product
GOL	Government of Lesotho
GRE	GOL Recurrent Expenditure
IEMS	Institute of Extra Mural Studies
IIEP	International Institute for Educational Planning
IMF	International Monetary Fund
IMRC	Instructional Materials Resource Centre
IQC	Indefinite Quantity Contract
IRR	Internal Rate of Return
LDTTC	Lesotho Distance Teacher Centre
LHWP	Lesotho Highlands Water Project
LIET	Lesotho In-Service Education for Teachers
LOGFRAME	Logical Framework
LOIC	Lesotho Opportunities Industrialization Centre
LTI	Lerotholi Technical Institute
M	Maloti (local currency unit)
MT	Metric Ton
M&E	Monitoring and Evaluation
MOE	Ministry of Education
MOF	Ministry of Finance

MVD	Manufacturing Value-Added
NCDC	National Curriculum Development Centre
NPA	Non-Project Assistance
NPV	Net Present Value
NTTC	National Teacher Training College
NUL	National University of Lesotho
O&M	Operation and Maintenance
PAAD	Program Assistance Authorization Document
PEP	Primary Education Program
PFP	Policy Framework Paper
PM	Person Month
PSLE	Primary School Leaver Examination
PSC	Personal Services Contractor
PTA	Preferential Trade Area
PTC	Primary Teacher Certificate
RCO	Regional Contracting Officer
RFP	Request for Proposals
RSA	Republic of South Africa
SACU	South African Customs Union
SADCC	Southern Africa Development Coordination Conference
SAF	Structural Adjustment Facility
SAP	Structural Adjustment Program
Sq.Kms.	Square Kilometers
SSU	School Supply Unit
STC	Secondary Teacher Certificate
STTC	Secondary Technical Teacher Certificate
SY	School Year
UNDP	United Nations Development Programme
UNICEF	United Nations International Children's Education Fund
USAID	U.S. Agency for International Development (Lesotho)

I. SUMMARY AND RECOMMENDATIONS

Rationale and Sector Constraints. Lesotho faces various constraints to growth including a population with limited basic education skills, a limited natural resource base, a high population growth rate and weak institutional capacity. The economy is highly dependent on that of South Africa and approximately 50 percent of its male labor force are migrant mineworkers in that country. To provide for the increased productivity and participation of Basotho in social and economic development generally, it is essential to improve the primary education system.

Education is emerging as an important sub-sector of the tertiary sector of the economy. But its low efficiency and deteriorating quality require that the Government of Lesotho (GOL) undertake reforms if the system is to meet the challenge of providing Basotho with improved basic skills. While the country made major strides in expanding primary education in the 1970s and 1980s, additional effort is needed to increase completion rates and reduce the years required to produce a primary school graduate. The recently prepared Ministry of Education (MOE) Education Sector Development Plan, 1991/92-1995/96, identifies these critical constraints to increasing system efficiency and quality: (a) inadequate sectoral resources and inappropriate allocation of resources among sub-sectors, resulting in major neglect of primary education; (b) poor quality and inefficient education at all levels, but particularly at the primary level; (c) weaknesses in educational management at all levels; and (d) inadequate cost-containment, notably at the secondary and post-secondary levels.

Program Description. The goal of the Primary Education Program (PEP) is to contribute to the economic and social development in Lesotho by providing Basotho with improved basic education without reducing access. The purpose of the program is to improve the quality and efficiency of primary education through the establishment of a new policy framework and reformed institutional structure. PEP will address these constraints identified in the MOE Plan: (a) inadequate financial resources, especially for primary education; (b) the poor quality and inefficiency of primary education, including inadequate teachers, weak curriculum and instructional materials and overcrowded school conditions in lower primary schools; and (c) weaknesses in educational management. By the end of the six-year program, requisites to improve primary education will be in place and some improvements in efficiency and quality will be emerging. In the longer term, a greater percentage of Basotho children enrolled in primary school will complete their primary education, with more effective basic skills. The primary beneficiaries of the reforms are the more than 348,000 currently enrolled and future primary school pupils in Lesotho. Other beneficiaries are the primary school teachers, teacher college staff and pupils' families and communities.

USAID, the World Bank and other donors are co-financing investments for the MOE Plan under a common reform framework. USAID and the World Bank have worked closely with MOE in developing the overall sector strategy and are providing the major investment support for primary education. PEP life-of-program funding is \$25.0 million, of which \$18.6 million will be provided in four cash transfer sector assistance tranches for acceptable performance on agreed-upon

reforms. The remaining \$6.4 million is for project assistance to support implementation, including financing for 168 person months (PMs) of long-term and 35 PMs of short-term technical assistance in education management information systems, financial management, tests and evaluation and teacher college administration; related commodities; a USAID Program Coordinator; participant training; and evaluation and audit services. World Bank funding totals \$25.0 million, with the bulk allocated for primary education and smaller amounts for secondary, higher and technical education.

PEP is consistent with Agency and Africa Bureau policies on basic education, especially their emphases on broad sector reform, indigenous responsibility for educational policy initiatives and donor coordination.

MOE has demonstrated strong commitment to the reforms by allocating increased resources to the sector, particularly during the initial fiscal year, and by moving ahead with MOE restructuring. The analysis for PEP indicates that based on the targeted allocations to the MOE budget, the GOL can sustain projected recurrent expenditures under PEP and the Education Sector Development Plan.

Implementing Agencies and Process. The GOL implementing agency will be the MOE. Within MOE, the Planning Unit will be responsible for coordinating the implementation of sector reforms and compiling reports for donors for monitoring and review purposes. The General Development Officer (GDO) will be charged with day-to-day monitoring of the program for USAID, assisted by a Program Coordinator financed by the project component.

GOL performance on four sets of Conditions Precedent (CPs) applicable to the sector cash transfers will be jointly reviewed with the World Bank in September 1991, March 1993, September 1994 and December 1995. Upon satisfaction of CPs to disbursement, USAID will disburse U.S. dollars to a GOL-account in a U.S. Federal Reserve bank. Shortly thereafter and as its contribution to PEP, the GOL will deposit the Maloti equivalent of the U.S. dollar cash transfer into an interest-bearing Special Local Currency Account in the Central Bank of Lesotho and a USAID Trust Fund. Local currency deposits by the GOL for budget support may be only for two years, depending upon the findings and recommendations of the interim evaluation in 1993. Ninety percent of the Maloti, and interest accumulations, will be jointly programmed as budget support for the primary education sub-sector; 10 percent will be for a USAID Trust Fund. PEP will finance a long-term technical adviser for the MOE Support Services Division to assist with the improvement of financial management and accounting systems. Further, MOE will employ outside financial management assistance to assist with system improvement and audits of local currency expenditures.

Procurement Plan. USAID will be responsible for the procurement of the U.S. principal contractor, the USAID Program Coordinator, most of the commodities, and evaluation and audit services. The principal contractor will be responsible for administering training and procuring short-term technical advisers, computers, administrative staff and supplies. A minimum of 10 percent of the principal contract value will be reserved for qualified socially and economically

principal contract value will be reserved for qualified socially and economically disadvantaged entities. In accordance with Development Fund for Africa guidelines, all responsible efforts will be made to maximize procurement of commodities and services of U.S. source/origin/nationality.

Waivers. USAID has obtained a waiver of the requirement under Section 575(b)(1) of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1991, to establish a separate dollar account and specify and monitor dollar use. On June 26, 1991, the Mission Director approved a waiver of the requirement that the GOL be responsible for costs of international travel, including incidental expenses en route, for participants.

Monitoring and Evaluation. The Planning Unit in MOE will be responsible for monitoring Plan implementation and providing USAID with annual plans with budgets, annual plan progress and expenditure reports, periodic donor review reports on conditionalities, quarterly local currency expenditure reports and monthly Special Local Currency Account bank statement reconciliations. USAID and the World Bank will jointly conduct mid-term and final external evaluations to assess the effectiveness of technical assistance in strengthening institutional capacity, MOE progress on reforms and impact on the educational system. Short- and long-term technical advisers provided under PEP and the World Bank will assist MOE to improve its monitoring capacity, enhance its use of data analysis for policy formulation and conduct special studies to assess impact.

Program Analyses. The numerous technical analyses conducted during the past year indicate that the planned reforms are technically sound. Extensive institutional analysis indicates that MOE officials are committed to the reform program and have the capacity to implement the reforms, with selected technical assistance and training to improve institutional aspects. The economic return analysis shows that returns to investment in primary education in Lesotho are positive, based on the cost-saving in producing a primary school completer. The economic analysis for 1991-2000 shows that the internal rate of return to investing GOL-owned local currency and project funding under PEP in primary education reforms is 51.3 percent, while the return to total funding for basic education provided by donors and the GOL under the Education Sector Project is 16.7 percent. With PEP, the average graduation rate per cohort increases from 47.7 to 48.3 percent while the average completion period per cohort decreases from 13.8 to 13.2 years over the analysis period. The approach is socially sound, as the MOE will provide information on reforms through public campaigns, monitor the effects of reforms on age restrictions to enrollment during the program and identify options to address out-of-school youth needs. Further, PEP is expected to benefit female pupils in particular, since their primary school participation rates exceed those of male pupils.

Recommendations: That the PAAD for PEP totaling \$25.0 million be approved and that the project component totaling \$6.4 million be authorized. This PAAD includes analyses and other information and documentation required for a Project Paper (PP) for the project component and constitutes a PP as well as a PAAD for PEP.

II. BACKGROUND

A. Macro-economic Framework

1. Macro-economic Overview

Introduction. The Kingdom of Lesotho, a mountainous country of 30,444 sq. kms., is wholly surrounded by the Republic of South Africa (RSA) and has a population of 1.6 million (1987 estimate), growing at an annual rate of 2.6 percent. Poverty is pervasive and income distribution is highly skewed; in 1986, 67 percent of all households and 71 percent of rural households had income below Maloti (M)86 per month per consumption unit. In 1988, per capita gross national product (GNP) was \$420. Indicators of nutrition, health, crude death rate and life expectancy are below the average for low-income countries. The economy is characterized by its close links to and dependence on that of RSA.

Structure of Economy. The structure of GNP and the domestic economy has changed over the last two decades: the share of net factor incomes from abroad, mainly workers remittances, in GNP has increased and the contribution of agriculture to gross domestic product (GDP) has fallen, while that of manufacturing and construction has grown. Commodity and factor prices are closely influenced by RSA prices, and domestic manufacturing depends on imported inputs and services. Some structural indicators of dependency are given in Table 1 below:

Table 1
Selected Indicators of Changing Economic Structure and Dependency

<u>Indicators</u>	<u>1966</u>	<u>1980</u>	<u>1983</u>	<u>1988</u>
1. Net Factor Income Abroad/ Domestic Factor Incomes (%)	11	83	136	90
2. Labor Income From Abroad as % of GDP	12	82	130	84
3. Mineworkers in RSA (000)	77	121	115	122
4. Customs and Excise Duties as % of GDP	4	29	32	23
5. Imports of Goods and Services as % of GDP	56	154	197	154
6. Trade Balance as % of GDP	-40	-131	-181	-132
7. Current Account Deficit as % of GDP	-3	3	4	21

Aggregate Supply and Demand. Despite relatively slow growth in the 1980s, long-term growth in both GNP and GDP since independence has been impressive, with per capita GNP growing at 5.2 percent between 1965-1988 (compared to 0.4 percent in RSA). Growth was highest in the 1970s: during 1970-1979, both real GNP and real GDP rose at approximately 8 percent annually. But by the beginning of 1980, the downturn in domestic aggregate supply had begun. Lesotho realized little gain between 1983-1989 as annual real per capita GNP fell by 1.3 percent and annual real per capita GDP rose by only 0.8 percent.

Between 1984-1989, the annual share of GDP in total goods and services was 46 percent and workers' remittances accounted for 48 percent of GNP. Further, nominal gross national saving, as a ratio of GNP, averaged 20

percent, while the ratio for nominal gross domestic investment was 26 percent, indicating an annual domestic resource gap of 6 percent of GNP. Real private final consumption fell from 80 percent of the total supply of resources in 1984 to 70 percent in 1989, contributing to declining demand.

Key Sectors of Domestic Economy. Despite declining share in GDP (19 percent in 1989), agriculture remains the dominant source (66 percent) of domestic employment. However, only 34 percent of all households derive their main source of income from farming and livestock. Average annual total cereal output in 1985/86-1988/89 was 176,530 metric tons (MTs) with maize accounting for 68 percent. Self-sufficiency ratios were 49 percent for maize and 22 percent for wheat. Livestock production is now the dominant sectoral activity, contributing 52.2 percent of total agricultural output in 1988. The share of manufacturing in GDP rose from 5.6 percent in 1980 to 12.9 percent in 1989, accompanied by increasing manufacturing value-added (MVA), which grew at 13 percent annually. The textile and clothing sub-sector has increased its share of MVA and is now the largest export earner. The construction sector also grew rapidly (12 percent) in the 1980s, with its share in real GDP rising from 11.5 to 14.6 percent. Prospects for further growth in construction, and in the electricity and water sub-sectors, are strong due to construction activity being generated under the Lesotho Highland Water Project (LHWP), a \$2.54 billion project aimed at supplying water to RSA and generating electricity for Lesotho.

Labor, Wages and Prices. The 1985/86 total labor force, with a participation rate of 56 percent and an unemployment rate of 23 percent, was projected to rise by about 20,000 annually to 754,000 in 1990. In 1985-86, 66.2 percent and 12.6 percent of the labor force were employed in agriculture and the formal sector, respectively. An acute shortage of skilled labor and an overwhelming surplus of unskilled labor exist. The number of migrant mineworkers in RSA fell from 124,491 in 1978 to 114,071 in 1984 but rose again to 126,264 in 1989. However, the number again declined to an average of 103,040 in 1990 and to 95,551 in February 1991. Nominal minimum monthly wages and civil service salaries, including those for defense forces, have been increasing in the 1980s. Annual inflation is currently estimated at 13.7 percent.

Fiscal Situation. Over the period 1985/86 to 1989/90, the annual budget deficit was 7.5 percent of GNP, but fell to 1.2 percent in 1990/91. Customs duty was the major source of revenues. Revenues rose from 26.4 percent of GNP in 1985/86 to 30.7 percent in 1990/91, while expenditures remained fairly constant at 30 percent. Personal emoluments accounted for 30 percent of total expenditures and 43 percent of recurrent expenditures before the Structural Adjustment Program.

Money and Banking. The financial sector consists of the Central Bank of Lesotho (CBL), four commercial banks and five lending institutions. The CBL sets the minimum savings deposit and prime lending rates and the minimum liquid assets and cash reserve ratios, while the market sets the other interest rates. During 1985/86-1988/89, money supply increased at an annual rate of 17 percent, but the ratio of broad money to GNP averaged 28 percent. Banks'

liquidity ratios are high but lending is low, although the domestic credit supply has increased since 1985/86. More credit is now going to production, moving away from consumption.

External Sector. The external sector account worsened progressively over the 1985-1989 period, due mainly to a steady deterioration in the goods and services balance. However, exports grew annually at 21 percent; the structure of exports changed with textiles dominating; and the direction of export changed, with increasing exports to the European Economic Community (EEC) and North America. Over the 1986/87-1990/91 period, import volume increased at 2.5 percent annually. Between 1982 and 1988, Lesotho received \$699 million in net aid disbursement. Total external debt was \$281 million in 1988, representing 36.5 percent of GNP. Long-term debt service represented 3 percent of GNP in 1988 and 4.7 percent of exports of goods and services in 1990/91.

Regional Links with Domestic Economy. The dependency of Lesotho on a regional economy dominated by RSA is based on geography, has historical antecedents and is operationalized through a number of institutional links, principally through the Southern Africa Customs Union (SACU), the Common Monetary Area (CMA), the Southern Africa Development Coordination Conference (SADCC) and the Eastern and Southern African Preferential Trade Area (PTA). SACU is an economic integration arrangement among RSA, Lesotho, Botswana, Swaziland and Namibia which allows duty-free movement of goods and services, but not labor, among member countries and the imposition of a common external tariff against its trading partners. Under SACU, customs and domestic excise duties collected by member countries are placed in RSA's State Revenue Fund and distributed according to each member's proportional share in total imports and domestic production bearing excise duty. Under the CMA, the RSA Rand is circulated as legal tender with the local currency at par value, and the Maloti is fully backed by the Rand and other convertible currencies held by RSA. These institutional links have strong implications for trade and balance of payments for Lesotho.

2. Structural Adjustment Programs

The major objectives of the Structural Adjustment Program (SAP), 1988/89-1990/91, were to restore a viable balance of payments position, restore domestic balances and maintain stable price levels in order to lay the foundation for sustainable growth. Key conditionalities included domestic and net government credit, public expenditures and external sector issues. The major policy measures covered agricultural and land reforms, industrial development, public enterprises, monetary and credit policy, external sector and debt management. GDP grew annually at 9 percent although agricultural production fell. Inflation fell and the current account improved, but both were below programmed targets. However, targets for the budget deficit and growth of money and domestic credit were met. Interest rates are now positive in real terms and more in line with those of RSA. The share of government credit in total domestic credit declined while private sector credit increased. However, civil service reforms were

not on track and delays ensued in levying grazing fees. To institutionalize and deepen reforms initiated under the SAP, the GOL has decided to continue its adjustment program with the Enhanced Structural Adjustment Program (ESAP) for the period 1991/92-1993/94. The ESAP will cover four main areas of policy and structural reforms in agriculture, industry, public sector and financial sector.

3. Constraints to and Prospects for Growth

Lesotho has little arable land and its soils are degraded due partly to overgrazing. It also has few natural resources; water is a major resource but is yet to be exploited for agriculture and energy. The road transport network is limited: in 1986, there were only 2,775 Kms of primary roads, of which only 17 percent were tarred. Rail transportation is limited to a short-link line between Maseru, the capital, and the RSA network. The population is young with 41 percent being in the 0-14 year age group. The dependency ratio was 82 percent in 1986, and females form a high proportion of the resident population. The quality of the manpower base is low due to low educational levels; in 1986, 55 percent of the labor force had not completed primary education or had only informal training. The productivity of the dominant sector, agriculture, is low while the emerging manufacturing sector is dependent largely on foreign imports. Institutions for technology generation and extension, resource mobilization and investment promotion are undeveloped. Further, the formal private sector is small, due partly to the lack of indigenous entrepreneurial skills. The economy is highly dependent on RSA for employment, national income generation and imports, including food and energy. Additionally, the country has limited economic policy freedom, especially in the monetary, fiscal and foreign sectors.

Future economic growth outcomes are difficult to forecast since the prospects for growth depend on multiple factors, including changes in the regional labor market, economic policies adopted, impact of the LHWP and political and economic developments in RSA. However, one analysis comparing the impacts of timely LHWP completion, continued export growth and no fall in net factor incomes from abroad with a pessimistic scenario, predicted low incremental growth effects of LHWP over the period 1988-2010, due mainly to its high import content: that is, GDP and GNP growth will rise by about 1 percent while gross fixed capital formation will remain unchanged. According to medium-term SAP projections, GDP will grow at an average annual rate of 6.9 percent between 1991/92 and 1995/96; but, GNP will expand more slowly due to a reduction in migrant workers' remittances. At the same time, the budget will be in surplus in 1993/94, and the external balance is likely to improve if complementary monetary and fiscal policies are implemented. In the long-term, Lesotho could regain its previous levels of growth, but only if it contains population growth, improves natural resource management, and makes constructive socio-economic policy choices, including improvements in the quality of education, and if developments in RSA prove favorable. (See Annex L for the detailed macroeconomic framework analysis.)

B. Sector Framework

1. Sector Overview

The education sector in Lesotho consists of schools at the primary, secondary, technical and vocational, and university levels as well as non-formal education institutions. About 64 percent of the population possess simple reading and writing skills while 46 percent can perform everyday calculations.

a. Structure and Organization of Education Sector

The structure of the educational system consists of 7 years of primary, 5 years of secondary (3 years junior secondary/vocational and 2 years senior secondary/technical) and 4 to 6 years of higher (diploma or degree) education. One year each is added for internship for advanced primary and secondary teacher training.

The development and management of schools in the primary and secondary education sub-sectors involves a three-way partnership among church secretariats, MOE and the parents. Although the GOL plays the major role in funding and regulating education, the private sector's role in the country's educational development is significant. Almost all primary (97 percent) and secondary (86 percent) schools are owned and operated by churches, which have been responsible for overall school administration, maintenance and recruitment and assignment of teachers. MOE has responsibility for the administrative, financial and academic control of formal education and training, including providing materials for building new schools, reviewing and authorizing curricula; training, appointing and paying teachers; providing curriculum and designing instructional materials; inspecting schools and setting the school calendar. The parents pay fees for school services and instructional materials and supplies and provide labor input for school construction.

Primary Education. In comparison with other sub-Saharan African countries, the primary education system in Lesotho is fairly well developed. Nearly 80 percent of the population aged between 6-12 years has been enrolled in the system. Primary education is conducted in the national language (Sesotho) for the first four years and thereafter in English. Details on the growth of primary education are included in Section III.A.

Secondary Education. Secondary education covers five years. The sub-sector has experienced significant growth over the last decade with the number of secondary schools increasing from 96 in 1980 to 171 in 1989 and enrollment rising from 21,000 in 1979 to 45,000 in 1989. The student:teacher ratio is low, estimated at 21:1 in 1987.

Technical, Vocational, Business and Agricultural Education. Vocational courses are offered in about 11 junior secondary-level and five senior secondary-level schools in addition to the Lesotho Opportunities Industrialization Centre. Technical training is provided at the Polytechnic of the

Lesotho Technical Institute School, while the Institute of Accountancy Studies provides accountancy training and the Institute of Extra-Mural Studies (IEMS) offers certificate courses in bookkeeping, business and management. Agricultural education is provided at six Farmer Training Centres and the Lesotho Agricultural College, which offers certificates and diplomas, the latter jointly with the National University of Lesotho (NUL).

Teacher Training. The National Teacher Training College (NTTC) trains primary and secondary teachers. NTTC provides four courses leading to certificates for Primary Teaching (PTC), Advanced Primary Teaching (APTC), Junior Secondary Teaching (STC) and Secondary Technical Teaching (STTC). Senior secondary teacher training is conducted by the NUL. In addition to the regular training program, NTTC provides in-service training to under-qualified teachers and headteachers under the Lesotho In-service Education for Teachers (LIET) program. As a result of in-service training programs operated jointly by NTTC and the Lesotho Distance Teaching Centre (LDTC), the percentage of under-qualified primary school teachers has dropped greatly.

Tertiary Education. The National University of Lesotho is the sole university in Lesotho. It operates four professional institutes for education, extra-mural studies, Southern African studies and labor studies in addition to several faculties. The majority of graduates are in education, social sciences and humanities (76 percent of graduates in 1986). GOL finances university education for students through a loan system.

Non-Formal Education. Various institutions provide non-formal education, including LDTC; the Ministries of Agriculture, Health and Interior; IEMS at NUL and more than 400 church and voluntary groups. LDTC provides basic literacy, numeracy and practical skills training as well as correspondence courses for the Junior Certificate and the Cambridge Overseas School Certificate (COSC) examinations. In 1989/89, 817 students were enrolled in the certificate courses. The IEMS also operates programs in community and leadership skills, business training and institutional development.

b. Education Sector in the Economy

The education sector is emerging as one of the most important sub-sectors within the tertiary sector of the economy. In real terms, the share of education in GDP at factor costs rose from 10.3 percent in 1980 to 12.7 percent in 1989, representing a 23 percent increase. The importance of education and training for human resource development can be seen from the fact that in 1986/87, 78 percent of the employed population had some formal training, although approximately 55 percent had not completed primary school or had only non-formal training.

The GOL, private sector and foreign donors have jointly financed education. GOL expenditure on education is high: together with foreign aid, it constituted about 70 percent of overall investment and recurrent expenditure in 1987. Between 1985/86-1989/90, nominal education recurrent expenditure

(ERE) rose from M35.7 million to an estimated M77 million, an average annual increase of 22 percent, compared to 15.6 percent for total GOL recurrent expenditure (GRE). In real terms, the ERE grew by an annual average of 7 percent, compared to 6 percent for GRE and 4.8 percent for real GDP; but, the increase in ERE was still inadequate to maintain sectoral quality and efficiency. Over the period of the Education Sector Development Plan, both recurrent and investment expenditures on education are programmed to increase substantially.

The following characteristics of the labor force and market in Lesotho, have several implications for the development of education. Unemployment is high, but local skilled manpower is in short supply; the secondary sector provides little employment; women play a significant role in wage earning; opportunities for domestic job creation are limited; and traditional employment in South African mines is at best uncertain for the future. To improve the human resource base to meet future labor requirements, given this scenario, it is essential to improve the education system to enhance Basotho competitiveness in the national and regional labor markets. This requires providing expanded basic education with strong basic skills; enhancing and maintaining the quality of primary and secondary education, with emphasis on science; and improving system efficiency, especially at the tertiary level, to make more resources available for human resource development. To achieve these goals, the sector has to overcome several constraints.

2. Sector Constraints

The major problems in primary and secondary education are low efficiency and quality. Constraints to improving primary education are discussed in Section III.

The quality of secondary education is poor with high failure rates; in 1989 only 31 percent of the students passed the COSC examination. The low pass rate is partly due to the rapid increase in secondary schools which has surpassed the nation's ability to maintain an adequate supply of complementary inputs such as trained teachers, instructional materials and laboratories. Although expenditure per student is lower than the norm, considering Lesotho's GNP, the student:teacher ratio is too low for efficient use of available resources. The number of qualified teachers is low, an acute shortage of science teachers exists (81 percent of science teachers were expatriates in 1989), and laboratories and teaching equipment are in short supply. Further, the poor quality of primary education affects the performance of secondary school students.

Great demand for technical and vocational training exists; institutional capacity is inadequate, especially with regard to qualified teaching staff. Financial resources for capital needs of technical training are lacking while cost-recovery is low in GOL-operated institutions. A fair degree of mismatch exists between curricula and labor market requirements. Following suspension of testing in the mid-1980s, a large number of trainees remain to be tested. Curricula among institutions providing training in the same fields are not uniform in content and standards. Institutional support from MOE for technical and vocational training is

inadequate. Finally, the poor quality of primary education results in school leavers with insufficient skills to readily undertake vocational education.

Although the faculty at the National University (NUL) is generally well trained and the physical infrastructure is adequate, a number of constraints exist. The most critical in terms of national development is NUL's inability to expand training in science and technology. NUL administration is characterized by high per capita expenditures for students and non-academic activities with inadequate financing of research and library materials. Cost-inefficiency is also engendered by a low student:faculty ratio of about 10:1 for some courses. The time faculty spends on direct teaching and research activities is inadequate. Finally, NUL does not regularly enforce student loan repayment.

A number of systemic constraints cut across all educational levels. The structure of MOE hinders effective system oversight and management. The relationship among MOE, churches and parents/communities is characterized by confused authority and guidelines. Poor service conditions and inadequate professional support for teachers have contributed to low teacher motivation, low teaching effort and high rates of attrition, mainly from resignations. Sector financing is inadequate while intra-sectoral allocation of expenditures is sub-optimal with post-primary-levels receiving a disproportionate share of financial resources. Available estimates indicate that the share of primary education in nominal education recurrent expenditure showed a declining trend, falling from 37.4 percent in 1987/88 to 27.8 percent in 1988/89 before recovering slightly to 33.6 percent in 1989/90. Including parents' contributions, expenditures per student at NUL was 13 times larger than for secondary students and 71 times greater than for primary school pupils in 1986/87.

3. Education Sector Development Plan

The major challenge for Lesotho is to increase the quality and efficiency of the education system. The broad goals of the Education Sector Development Plan, 1991/92-1995/96, are to: (a) provide basic education for all, focusing first on the improvement in the quality of primary education; (b) clarify the roles of MOE, church organizations, communities and parents in education management; (c) provide sufficient numbers of people with appropriate occupation, technical and managerial skills to ensure modern economic sector development; (d) provide opportunities for continuing education through non-formal programs in literacy skills, vocational and occupational programs; and (e) increase the involvement of families and communities in school management.

Major actions to be undertaken during the Plan period are to: (a) revise education legislation to improve the management of education; (b) restructure MOE headquarters to streamline decision-making; (c) decentralize educational management to the districts and strengthen the inspectorate; (d) improve the management and resource use at the school level; (e) improve teachers' conditions of service and establish a career pattern; and (f) increase financial resources for education, particularly for primary education, and cost-containment at the secondary and post-secondary levels. Key Plan targets include:

- **Primary education:** achieve a 60 percent primary education completion rate by 2000 and decrease pupil:teacher ratio from 56:1 to 54:1;
- **Secondary education:** increase pupil:teacher ratio from 21:1 to 25:1;
- **Technical/vocational education:** improve quality, upgrade existing institutions and increase intake; and
- **National University:** increase efficiency; contain costs at 1990/91 level.

While the Plan is ambitious and not all objectives may be fully met during the Plan period, the priority given to the improvement of primary education should stem system deterioration and establish quality factors that will lead to improved primary completion rates. The introduction of cost containment at the secondary level and especially at the University level will take considerable will on the part of MOE to realize, since these levels have traditionally been favored by the more vocal and educated elite. Further, as an increasing number of children complete primary school as improvements are effected, the public will likely exert increasing pressure for expanded opportunities for secondary and technical training. While the Plan addresses some improvements in the quality and relevance of secondary and technical training, these improvements will not increase substantially the places for secondary and technical training. Consequently, it will be important for MOE to follow developments in the overall sector closely and as gains in improving primary education are realized, shift its emphasis for later plans accordingly. Overall, however, the Plan represents a genuine effort to address the critical constraints to education systemwide.

C. Relationship to Other Donor Assistance

1. Relationship to World Bank Program

USAID and the World Bank are the major donors for the Lesotho Education Sector Development Plan, 1991/92-1996/97, providing \$25.0 million each in investment funding. USAID and the World Bank have worked closely with MOE since 1989 on sector review and plan development. The three have agreed on a common policy framework and will jointly review progress and conduct external evaluations. USAID shares support for reforms in overall sector financing, primary education and education management with the Bank. The Bank will also finance investments for improving teacher and secondary, university and technical/vocational education. World Bank assistance is projectized and extends for five years, whereas the bulk of the USAID program is non-project sector assistance and extends for six years.

Bank financing will complement PEP-generated local currency budget support for primary education by providing direct assistance for primary classroom and school sanitary facility construction, headteacher training and inspectorate strengthening, devolution of professional support to district levels, MOE reorganization, teacher training, and some monitoring and evaluation

activities. GOL-deposited local currency associated with USAID sector assistance will supplement Bank and limited other donor funding to support the implementation of reforms to improve primary education. Further, both USAID and the World Bank will finance technical advisers and training in critical and complementary areas to strengthen capacity and systems.

2. Relationship to Other Donor Programs

The MOE has also sought other donor support for Plan investments across the sector. Multi-donor support under the Plan framework ensures that efforts are complementary at the sector- or sub-sector level. The International Institute of Educational Planning (IIEP) will provide assistance on the development and improvement of key indicator data collection for basic education, which directly complements USAID efforts. The EEC will provide assistance for secondary and post-secondary technical, vocational education and some primary classroom construction. The Irish will continue assistance for training technical vocational teachers. The African Development Bank will assist with secondary school construction, while the British through the Overseas Development Association will provide major assistance for training secondary school teachers and upgrading the secondary school inspectorate. The World Food Programme will continue to assist with school feeding and with agricultural education activities designed to replace school feeding programs. The United Nations International Children's Education Fund (UNICEF) will provide assistance for special education, early childhood education and out-of-school youth. Additionally, the United Nations Development Programme (UNDP) is expected to assist vocational educational institutions for junior secondary students and out-of-school youth.

III. PROGRAM DESCRIPTION

A. Program Rationale and Major Constraints

1. Program Rationale

a. Background

Beginning in the mid-1970s, the government began increasing its political and financial commitment to education, which had previously been left to the churches. During the 1980s, substantial progress was made toward democratizing access to primary education. Primary school enrollments increased by 43 percent (from 244,000 to 348,000) between 1980 and 1989. Primary school completion rates increased from 41 to 53 percent during the same period, with the total years required to pass the primary school examination decreasing from 15 to 12.8 percent. The GOL also increased the portion of qualified teachers from 64 to 81 percent of all primary teachers. Lesotho's gross primary enrollment ratio approximated 118 percent by 1989; the net enrollment was 79 percent. Further, Lesotho has the highest percentage of females enrolled in primary school in Africa, outnumbering males by approximately 25 percent. The substantial progress in the expansion of the primary education system was assisted by A.I.D., World Bank and other donor investments since the late 1970s, including USAID assistance under the Basic and Non-Formal Education Systems Project (see Annex H for additional information).

In spite of the important achievements in expanding enrollments during the 1980s, GOL financing for schooling did not keep pace with the expansion. In fact, the MOE share of the budget decreased from 17.9 percent in 1980 to a low of 13.9 percent in 1985 during the period of greatest expansion in enrollments. Consequently, Lesotho entered the 1990s with critical problems of a low and deteriorating quality of education. Poor test results and high levels of pupil drop-out and repetition, especially in lower primary, reflected system degeneration and have negatively affected the efficiency of resource use. A continuing annual population growth rate of 2.6 percent has exacerbated the situation.

The major educational challenge confronting Lesotho in the 1990s is halting the widespread decline in educational quality and further increasing efficiency. Special effort is necessary to reduce further the years required to produce a graduate and achieve a 60 percent completion rate for the primary population. Accordingly, the GOL Education Sector Development Plan, 1991/92-1995/96, focuses explicitly on addressing quality and efficiency issues, especially at the primary level, while restraining further expansion of the total system. PEP will support those sections of the Education Sector Development Plan that target increasing resources for pupils in standards 1-3 with the aim of bringing about substantial improvements in the quality and efficiency of primary education generally.

b. Relationship to USAID Strategy

This program is consistent with the current Country Development Strategy Statement for FY 1986 and the evolving Country Program Plan currently under development. Specifically, the strategy targets these areas: (1) educational policy and institutional reform to improve the overall cost-effectiveness of education sector investments; and (2) the provision of a quality primary education for the large majority of Basotho to enable them to participate more effectively in the developing economy and society. The USAID strategy is also consistent with that of the GOL which places priority on the improvement of primary education in its recently prepared Education Sector Development Plan.

2. Major Constraints

a. Sector and Sub-sector Financing

Inadequate sectoral financing as well as inappropriate allocation of financial resources among sub-sectors have contributed to the deterioration of the quality of primary education, increased inequity of access and lower social returns from the sectoral investment.

Government allocations/expenditures for education were disappointing during the 1980s when real per capita recurrent spending on education declined substantially at a time of expanding enrollments, contributing to the deterioration in educational quality. Between 1982 and 1987, real per capita recurrent expenditure dropped from M31 to M22.9 million over the five-year period. The level of recurrent spending has been lower than in many other African countries where it generally equals approximately 20-22 percent of the total budget.

Per student public expenditure at NUL in 1986/87 was M7,922 or more than 23 times that for secondary (M338) and nearly 150 times that for primary (M53). To balance sector needs and help to provide the finances to improve primary education, changes in resource allocation among subsectors is critical.

The bulk of educational costs in Lesotho are borne jointly by parents and the government (including donor assistance). By comparison with other African countries at similar income levels, the proportion of costs borne by parents in Lesotho is relatively high, accounting for approximately 30 percent of total sectoral expenditures. Parents finance a substantially higher portion of costs at the primary, secondary, technical and vocational institutions because of the greater cost-recovery efforts at these institutions. The scope for additional cost recovery, at least for basic education, is limited by broad equity considerations. While increased cost recovery could be an option at NUL, its small student body limits potential for affecting overall sectoral financing. Overall, Lesotho must rely on public funds, and donor assistance, to fill funding gaps having a serious impact on the lower levels of the system.

b. Quality and Efficiency of Primary Education

Primary education also suffers from a poor quality and supply of teachers; inadequate curriculum guidelines, materials and assessment; and an adverse school environment. These constraints are detailed below:

(1) Teachers

The primary education system experiences poor instructional quality associated with a shortage of fully trained teachers, insufficient in-service training opportunities for employed but not fully certified teachers and poor supervision by frequently inexperienced headteachers.

The quantity and quality of pre-service training has often been inadequate to prepare teachers for the reality of teaching in poorly equipped and ineffectively managed schools, especially in terms of the skills needed to manage large classes of lower primary pupils (standards 1-3). Lack of preparation contributes to lower teacher morale and professionalism. USAID and other donors have assisted with the initiation of in-service activities--e.g., LIET that was designed to upgrade skills and certify teachers; however, these efforts have remained ad hoc and have not been systematically incorporated into the MOE programs or linked to specific teacher development strategies.

The lack of professional support for teachers at the local level has impeded their ability to improve their skills. USAID has been supporting the initiation of District Resource Teachers (DRTs) and a curriculum dissemination network to provide teachers with information on curriculum innovations and how to deal with multi-grade classes. This program needs to be expanded.

The primary education system suffers from a high pupil:teacher ratio of 56:1, which may be as high as 100:1 in many lower primary schools. While a major portion of the overall MOE recurrent budget goes for teacher salaries, the MOE budget for primary education has not increased sufficiently to finance an adequate supply of teachers. To reach the Education Sector Development Plan target of a pupil:teacher ratio of 54:1 will require the addition of 1,300 new teaching posts and another 500 to 600 new teachers to fill vacated posts. Capacity to prepare teachers also needs to be increased.

The poor conditions of service (low salaries and pension benefits) for teachers have undermined teacher morale and led to attrition from the profession to other jobs in Lesotho or South Africa. Teachers' salaries have been 40 percent or greater below prevailing respective civil service levels, considering academic qualification requirements. Retirement benefits have also differed substantially. The real value of minimal hardship incentives for teaching in remote, highland areas has also eroded over time. Growing discontent over conditions of service led to a three-month teachers' strike in mid-1990, which was settled with a significant increase in teacher salaries.

The Education Sector Development Plan calls for expanding the teaching services to provide a teacher:student ratio of 54:1 over the Plan period, giving all teachers access to certification training through expanded pre- and in-service training programs, improving salaries and conditions of service and improving professional support for teachers as means to address these constraints.

(2) Curriculum and Instructional Materials

Weaknesses exist in the teaching of basic skills at all primary levels, particularly in standards 1-3. Among the weaknesses are the overloaded list of priority subjects to be covered at the primary level, the lack of a timetable with time periods for each subject and an outdated syllabi for each subject. Further, standards 1-3 have limited instructional materials available for pupil use. The capacity to conduct school-based assessment of pupil achievement in primary schools is also limited.

The MOE last issued guidelines for primary school curriculum in 1967. Since then, major changes have ensued in primary education in terms of subjects covered and the amount of time allotted to each subject. The Education Sector Development Plan includes actions to prioritize and schedule curriculum offerings.

The MOE, through a national book loan program (financed by school fees) and USAID-funded activities, has made substantial progress in providing basic textbooks (an average of 4.4 books per primary pupil) for primary school pupils and some progress in providing teacher guidelines; but, shortages of supplementary materials, teachers' guides and pupils' textbooks remain. Further, standard 1 pupils have an average of 3.8 texts per pupil; standard 3, 3.9 texts per pupil; and standard 7, 6.2 texts per pupil. While standard 1 pupils require fewer texts relative to skill level, the existing discrepancy plus the fact that texts provided at lower primary include considerably fewer pages suggest a need for more equitable provision of texts at the lower standards. Better organization and integration of curriculum development functions, fuller staffing of responsible units and improved systems for contracting with publishers will also contribute to improved operational efficiency.

Begun with A.I.D. funding, the MOE has developed systematic competency testing of pupil academic performance and has modified the Primary School Leaving Examination, administered at the end of standard 7, to function better in assessing pupil achievement in relation to the curriculum. The MOE has also improved test reliability through the development of a computerized item bank of test questions. But a sound system of end-of-level guidelines for school-based testing and a standard 3 level test for measuring pupil achievement mid-way in the primary cycle are also needed. Improving teachers' capabilities in pupil assessment is essential to reduce repetition and improve the cost-effectiveness and internal efficiency of the primary system.

(3) School Environment

Severe overcrowding adversely affects the learning environment in primary schools, especially at standards 1-3. In 1989, the average pupil:classroom ratio was 67:1, including church halls serving two or more classes. Additionally, 14 percent of the pupils were without classrooms; 40 percent, without desks; and an additional 22 percent, without seats or desks. (A 1987 MOE survey indicates that 54 percent of all lower primary school pupils have no furniture, while others have only chairs or benches.)

High rates of repetition, with about a quarter of pupils held back annually, exacerbate overcrowded conditions. Repetition is highest in lower primary and at standard 7. Overcrowding and concomitant repetition create swollen classes, which in turn contribute to poor pupil attention, lower pupil achievement and low teacher morale. This cycle is constantly repeated when poor academic performance leads to a large proportion of repeaters at each grade. The presence of over-age children results from repetition, late enrollment of boys after extended periods as herders, and erratic pupil attendance over the seven-year cycle. Further, a policy restricting enrollment to children six or over exists but has not consistently enforced, resulting in increasing numbers of under-age pupils in the schools. The Plan proposes addressing these various problems through stricter enforcement of existing policies and new measures to reduce school crowdedness.

c. Management of Education

The principal constraints in sector management are weaknesses in the MOE structure and organization (including management style and procedures) and the relationship among the MOE, school proprietors (churches), and parents/local community in the management of schools.

(1) MOE. The structure and organization of MOE is characterized by a combination of weaknesses which together restrict its ability to implement planning, regulate and monitor educational institutions and programs at all levels, and hold individuals and units accountable for specified performance. Major obstacles identified in the Education Sector Development Plan include:

- A central overly complex structure, characterized by lack of integration between the main management structure and networks of donor-assisted projects;
- Weak organization at the regional and district levels resulting in ineffective monitoring and audit of the education system;
- Inadequate separation of the operational management functions of institutions such as the NTTC and planning and monitoring functions of MOE;

- Inadequate staffing and equipment of key units responsible for planning/monitoring and financial management;
- Blurred patterns of delegation and accountability within MOE;
- Inadequate definition of individual responsibilities and tasks at all MOE levels; and
- An incoherent salary structure not related to responsibilities and without incentives for efficiency.

(2) **MOE, Proprietors and Parents/Community.** The lack of a clear definition of the roles of the three partners in Lesotho's primary and secondary education system -- MOE, proprietors and parents/community -- has constrained efforts to improve educational quality and efficiency. Specifically, it has contributed to significant inefficiencies in resource allocation and weak management throughout the system, especially at primary and secondary levels.

Prior to the mid-1970's, the churches were the major providers of schooling in Lesotho. They continue to own and operate the large majority of primary and secondary schools. However, MOE currently finances the bulk of educational costs through general grants, with churches providing less financial support, mainly for building maintenance and management. Recognizing that Lesotho's high school participation rates were achieved with church support and the high value Basotho place on education, the GOL maintains a strong commitment to the tri-partite relationship. But, the partnership needs to be modified if the government is to exercise control over important policy implementation and system regulation.

Ineffective coordination among partners has led to the diversion of public resources (e.g., teaching posts and facilities) from primary to secondary schools or from lower primary to upper primary. Clear criteria seldom exist in Lesotho's present educational system for the allocation of public funds to proprietors or the use of funds granted. Even where criteria exist, non-compliance by proprietors is rarely addressed through effective penalties for fear of repercussions. At the same time, little progress has been made in formalizing the involvement of parents and local communities through the establishment of school committees to facilitate local accountability for school operation. In this context, school proprietors have been able to use parental and public funds to pursue objectives inconsistent with sector development.

MOE district and circuit (three districts) offices are generally too weak to delegate increased school management responsibilities to the local level. Inspectorate services at these levels need strengthening to ensure proper management of resources to maximize quality and efficiency improvements. Limited cooperation between inspectors and school managers, teachers and professional educators exists--e.g., on school inspection teams--and needs to be developed to ensure broader participation in school operations.

MOE officials believe that establishing an explicit contractual relationship between the MOE and proprietors; a stronger presence at regional, district and school levels; and greater empowerment of parents and local communities to influence school management will result in an enhanced partnership and accountability.

This section has discussed the major constraints to the improvement of primary education. Program objectives, outputs and strategy are discussed below in relation to specific policy and institutional reforms planned by GOL.

B. Program Objectives and Outputs

1. Objectives

The goal of the Primary Education Program (PEP) is to contribute to the economic and social development in Lesotho by providing Basotho with improved basic education without reducing access. The purpose of the program is to improve the quality and efficiency of primary education through the establishment of a new policy framework and reformed institutional structure. These objectives support GOL objectives as detailed in their Education Sector Development Plan, 1991/92-1995/96. PEP will address these constraints identified in the Plan: inadequate financial resources, especially for primary education; the poor quality and inefficiency of primary education; and the weaknesses in educational management.

By the end of the six-year program, requisites to improve primary education for children will be in place and some improvements in educational efficiency and quality will be emerging. Achievement, as measured by the end-of-level assessment test for standard 3, will not have decreased. In the longer term, average educational achievement of primary school completers measured in year ten (2001) is expected to equal or exceed the baseline achievement level established during the pilot testing of standard 3 end-of-level test. The Mission expects to measure such longer term achievement levels and impact as part of future sector assessments or special studies. Program impact is expected to be realized as net enrollment expands from 79 to 80 percent of the 6-12 age cohort by the end of the program, as school completion rates increase from 46.3 percent of enrollees in 1991 to 46.8 percent in 1997 and to 60.3 percent in 2000, and as the number of years to complete primary education decreases from 14.1 years in 1991 to 13.0 years in 1997 and to 10 years in 2000. Inadequate financing for the expanding primary education system for a number of years has contributed to such serious deterioration that even with substantial increases in MOE budgets over the program period, it will take a considerable period of time to realize the full effects of inputs to improve quality and efficiency. Unlike most other developing countries in Africa, Lesotho has already achieved quite a high rate of primary school participation. However, the improvement of quality and efficiency in the face of continuing high birth rates is more complex and significant measurable gains are expected to take longer to achieve.

Primary education is a requisite for higher skills training or employment generally as well as is important for improving adoption of practices in support of economic and social development. For example, primary education skills for farmers is important for improving acceptance and the institutionalization of new agricultural and natural resource conservation practices. Further, basic education can contribute to improved social development by educating women in better maternal and child health practices. Lower population growth rates are also associated with higher levels of education of women; this is important in Lesotho for lowering the high 2.6 annual population growth rate. Finally, a better educated populace will enhance Lesotho's efforts to continue a democratic form of government in the country during 1992 and beyond.

2. Outputs

The following policy and institutional reforms are expected to be accomplished by the end of the program:

- MOE budget increased to a level to sustain an efficient and effective primary education system;
- Number and quality of teachers increased, particularly for standards 1-3 of primary education;
- Pre- and in-service primary teacher training programs upgraded, especially for standards 1-3 of primary education;
- Primary standard 1-3 curriculum streamlined, with improved syllabi, additional instructional materials and improved end-of-level guidelines for student assessment;
- Primary standard 1-3 classroom environment improved through the addition of pupil and teacher desks and the reduction of repeaters and over- and under-age children;
- MOE structure and functions reorganized, with selected MOE operations devolved to District Education Offices, and MOE, proprietors and community/parents participating more effectively in school management;

- MOE financial management capacity strengthened through the establishment of cost-center based budgeting for better accountability and more timely budgeting and expenditure reporting; and
- MOE management and monitoring systems and capacity improved through the establishment of planning and upgraded primary education data collection, analysis and use for policy formulation.

C. Program Strategy

As discussed in Section III.A, the MOE has made considerable progress in establishing the basic system and increasing student intake at all levels, but much remains to be done. In order to prepare Basotho more effectively and efficiently for participation in social and economic development, fundamental reforms affecting primary schooling are needed. Accordingly, PEP provides sector and project assistance to the GOL to support educational policy and institutional reforms critical to improve the quality and efficiency of primary education. The Education Sector Development Plan, 1991/92-1995/96, details these reforms. USAID and the World Bank have worked closely with MOE officials to develop the overall educational policy framework of the Plan and, together with other donors, will co-finance reforms to improve primary education.

USAID will provide sector assistance to the GOL in the form of generalized foreign exchange in tranches over a six-year period for acceptable performance on the implementation of agreed-upon reforms affecting primary education. In turn, the GOL will provide for at least two years local currency in an amount equivalent to the sector assistance to finance the implementation of primary education reforms and a USAID Trust Fund. USAID will also provide a limited amount of project assistance--including technical advisers, training and limited commodities--to strengthen MOE capacity in implementing the agreed-upon reforms. Major reforms to be supported are described below:

1. Increased Financial Resources

As discussed, inadequate financing is a key constraint to improving educational output. The program supports fundamental reforms in two areas: (a) increases in public expenditure on education generally, and (b) a shift in Intra-sector allocation to increase expenditures for primary education to maximize social returns. These two reforms will result in the availability of increased funds for employing teachers at adequate salary levels at the primary level and for other operational expenses. Over time, the shift in expenditures is expected to lower the unit cost of graduating primary students. The intra-sectoral shift in resources will increase the per student expenditure at the primary level as well as focus MOE efforts on the primary education sub-sector where social returns

are generally higher in lesser developed countries. Further, the shift will encourage cost-containment at the post-primary levels, which have previously received a disproportionate share of resources, and gradually reduce the GOL per student expenditure at these levels.

The policy and institutional reform matrix (Annex D) includes two actions to increase finances. First, the MOE recurrent budget is expected to increase from Maloti 72.6 million (\$29 million) in 1990/91, the base year, to Maloti 131.1 million (\$35 million) in real terms in 1995/96. The share of GOL recurrent budget, in real terms, allocated to MOE is expected to increase by 35.9 percent in the first year, by 4.5 percent in the second, by 1.7 percent in the third, by 0.8 percent in the fourth and by 1.2 percent in the fifth. The projected increases in recurrent spending will bring Lesotho's expenditure up to the average level of spending for education of other sub-Saharan Africa countries. Second, the share for primary education of the MOE real recurrent budgetary increases, using 1990/91 as the base year, is to be at least 70 percent through the program period. The Ministry of Finance, Planning, Economic and Manpower Development (MFPEMD) is responsible for allocating budget levels to MOE and the MOE Support Services and Teacher Services Divisions are responsible for budgeting allocations to primary education.

2. Improved Quality and Efficiency of Primary Education

The program supports a combination of reforms that impact directly on the quality and efficiency of primary education at the school level. Reforms targeted under this rubric are divided into those affecting teachers, curriculum and materials, and school environment.

a. Teachers

As noted, a critical constraint to improving primary education in Lesotho, especially at standards 1-3, is an insufficient number of qualified teachers. The program supports MOE efforts to improve the quality of the primary teaching force through: (1) the expansion of the number of teacher posts and the assignment of 70 percent of these teachers to standards 1-3 where the pupil:teacher ratio is highest; (2) the establishment of the Primary and In-service Education Divisions to emphasize pre- and in-service programs, respectively, at NTTC to address the specialized primary teacher training needs; (3) the upgrading of pre- and in-service teacher training programs at NTTC and training of additional teachers under these programs; (4) the improvement in the management of NTTC; and (5) the expansion and maintenance of the network of trained DRTs, resulting in 70 DRTs located throughout Lesotho to provide more accessible professional support on curriculum matters for primary teachers in the districts.

NTTC is responsible for implementing its structural reforms, improving its management operations and for improving teacher training programs. The MOE Teaching Services, Support Services and Inspectorate are responsible for the creation of additional teacher positions, assignment of teachers and training of DRTs, respectively. By the end of the program, MOE will have

created 1,300 additional teacher positions, assigned 910 positions to lower primary and trained a sufficient number of DRTs to maintain 70 DRTs located throughout Lesotho. Additionally, NTTC will have established improved pre- and in-service teacher training programs with lower and upper primary specializations and will be employing improved management systems. Over the program period and beyond, these reforms will contribute greatly to improving the number and quality of teachers in primary schools, especially at standards 1-3. To support NTTC efforts in upgrading its offerings and operations, USAID is providing a technical adviser for two years.

b. Curriculum and Instructional Materials

To address the overloaded primary education curriculum and enable teachers to provide adequate coverage of critical subjects and skills and to improve the assessment of pupil learning progress, PEP supports MOE efforts to: (1) develop and implement a revised timetable and syllabi in standard 1-3 core subjects and provide guides to teachers to implement the syllabi; (2) provide instructional materials to schools in math, reading (Sesotho, the national language), English and agriculture; (3) develop and implement end-of-level guidelines for teachers to guide pupil continuous assessment and promotion decisions; and (4) design and administer on a sample basis a test to measure achievement trends at the end of standard 3. These reforms are expected to result in an updated and "trimmed" syllabi, including the specification of core subjects for primary schools and the amount of time per week for teaching core subjects and the provision of revised teachers guides and pupil books to primary schools.

The MOE is also undertaking complementary activities to orient the Primary School Leaving Examination to measure pupil achievement in relation to curriculum objectives as well as upgrade its reliability as a testing instrument. PEP is financing the services of a technical adviser for three years to assist the MOE in preparing the end-of-level guidelines and the achievement test for standard 3.

By the end of the program, standard 1-3 teachers will be implementing the revised timetable and syllabi and the end-of-level guidelines for continuous assessment. Further, increased core subject materials will be in use in standard 1-3 schools. To meet these targets, MOE is to reorganize units responsible for curriculum development and assessment. The MOE National Curriculum Development Center (NCDC) is responsible for implementing curriculum reforms, distributing materials to schools and implementing pupil assessment improvements.

c. School Environment

As discussed in Section III.A, inadequate facilities, overcrowding and high pupil-teacher ratios seriously constrain efforts to provide quality primary education, especially at the standard 1-3 levels. The program supports MOE efforts to alleviate these constraints, including reforms to allocate an estimated 41,225 pupil desks and an estimated 850 teacher desks for new

classrooms and additional pupil desks for an estimated 200 existing classrooms at primary standards 1-3 and in mountain area schools. Additionally, the program supports reforms on repetition and the enrollment of under- and over-age children. The World Bank is financing major classroom construction and rehabilitation and sanitary facility construction, thus complementing efforts under this program to improve facilities. Further, communities are being encouraged to donate labor to construction and facility improvement. The Support Services Division is responsible for implementing the classroom and facility element of the Plan, and the World Bank is financing engineering assistance to help with the implementation of construction.

Regulations prohibiting the enrollment of children under age six exist but have not been enforced. Beginning in January 1992 and thereafter, school officials will enforce these regulations. Restrictions on the enrollment of children over age eight will be phased in gradually during the plan period, beginning in 1994 in the most crowded lowland schools. The MOE will also undertake special studies to address the constraints for over-age children (including herd boys) and identify options for addressing their educational needs. The MOE will develop a plan for and initiate implementation of the limitation of the number of repetitions per pupil to two per the seven-year primary cycle. Under the MOE Management Division, the Inspectorate is the primary unit (centrally and regionally) to ensure the introduction of these policies. The MOE plans to undertake information campaigns to inform the public of these policy reforms.

Given the annual population growth rate of 2.6 percent, these measures are expected to provide classrooms for all primary students and during the Plan period prevent further deterioration in the overall average primary pupil:classroom ratio of 67:1 (excluding church halls used as classrooms, the average is 106:1). Further, these measures should improve the pupil:furnished classroom ratio at standards 1-3 where overcrowded conditions and lack of classroom and furniture have been most serious. Formal agreements will be signed between the MOE and each school concerning the use and maintenance of facilities in order to prevent diversion of government-provided facilities to upper primary or secondary schools, as has occurred in the past, and to encourage appropriate maintenance. Taken as a whole, these measures will contribute to the improvement of the school environment to permit more effective learning and, ultimately, improve overall educational quality and efficiency.

3. Improved Educational Management

To improve educational management for improved primary education quality and effectiveness, the program supports reforms: (a) to strengthen organization (structure and roles) of the MOE and (b) to improve the relationships among MOE, school proprietors (churches) and parents/local communities in managing school resources. A discussion of specific reforms to be supported follows.

The program supports reforms affecting MOE internal operations at the central level and leading to the devolution of selected functions

to the district or circuit level. Based upon recommendations on the proposed reorganization of the MOE structure (see Annex H), the GOL will reorganize MOE into five major senior management divisions under the Principal Secretary -- Support Services, Curriculum Services, Teaching Services, Educational Management and Planning Unit. Additionally, donor-established project units will be integrated into the mainstream MOE structure. The Ministry of Public Service is to approve the MOE proposed reorganization by the first program review and implementation by phases will follow. The reorganization is expected to consolidate Ministry functions and better integrate central MOE operations, including residual units from past donor-assisted projects. In addition, day-to-day management responsibilities for the NTTC and Lerotholi Polytechnic will be shifted to the respective institutions under autonomous status. A rational personnel grading structure linked to function and type of decision-making responsibility will also be introduced. Further, the MOE will initiate management procedures aimed at decreasing the overly centralized approach to decision-making. Another reform included in the planned restructuring is the devolution of responsibilities for school inspection to the district and circuit levels. Only minimal increases in inspectorate staff will be required, but training and support will be provided. Under the devolved organization, inspection teams headed by the circuit chief inspector, locally based teacher training staff and support teachers and managers will inspect schools. Responsibility for administrative functions such as signing teachers' contracts and assisting in inspecting school accounts are also expected to be transferred to the circuit level during the program period. By the end of the program, the MOE reorganization should be implemented and operational.

PEP also encourages the clarification of the roles of the three partners in managing Lesotho's primary and secondary education system -- the MOE, proprietors (churches) and parents/local communities. Legislation that delineates responsibilities is in draft and is expected to be approved by the first program review. The modifications will place responsibility with MOE for employment, management and placement of teachers; put school management under a headteacher rather than a separately appointed (usually proprietor-appointed) school manager; and provide greater parental and community representation on school committees. Further, the MOE plans to introduce explicit contracts with school proprietors for physical facility use and sanctions (i.e., the withdrawal of public funds) for operation of unauthorized or sub-standard schools. Additionally, MOE will strengthen its district levels to monitor school compliance with the new legislation. It will also institute a comprehensive program for supporting the community/parent role in educational management, decentralize some teacher administration functions to the circuit/district levels, institute training programs in school management for existing headteachers and establish technical panels for the selection of new headteachers. These various reforms are expected to improve the efficiency of primary education and school operation at the local level and encourage greater local responsibility and accountability. By the end of the program, the modifications in relationships should be completed and operating effectively.

MOE financial management capacity is weak, principally because of inadequate staff with the requisite skills and experience and the lack

of an effective system of cost-center based budgeting (decentralized planning/budgeting). The program encourages MOE to develop and implement a plan to strengthen its capacity in these areas, including the addition of staff and the procurement of an accounting firm to provide training and periodic assistance with financial system development, including budgeting and expenditure record keeping. The program also supports improved coordination of planning and budgeting functions. PEP is to provide a technical adviser to assist the MOE in improving the systems and providing on-the-job training as needed to improve financial management functions. By the end of the program, the MOE financial management functions within the Support Services Division are expected to have adequate capacity to sustain MOE financial management operations.

Finally, PEP supports the improvement of the MOE monitoring and evaluation functions, including an improved system for monitoring performance on Education Sector Development Plan targets, particularly those involving primary education. As part of the reform, the MOE Planning Unit will prepare guidelines for the preparation of annual plans. In turn, heads of MOE departments will prepare annual plans for their own use and that of the Planning Unit for Plan coordination and performance monitoring. Overall MOE coordination of Plan monitoring will be centered in the Planning Unit. Under an arrangement with IIEP, the MOE will undertake training and research to improve data collection and use of data for policy-making and implementation. To complement MOE efforts, PEP will provide a technical adviser to assist with strengthening Planning Unit capacity to use its Educational Management Information System (EMIS) for policy analysis and formulation. By the end of the program, the MOE, but especially the Planning Unit, will have capacity to monitor overall Plan performance and to analyze and utilize data better for policy and implementation decisions.

D. Relationship to A.I.D. Policies

PEP fits well within the Agency's "Framework for Action to Meet Basic Learning Needs" and the Africa Bureau's "Basic Education Action Plan" as discussed below.

The program is consistent with the Agency's Framework emphases on broad sectoral reform, encouragement of indigenous responsibility for educational policy and initiatives, and effective donor coordination. The program also supports reforms that will lead towards quality primary education for all by 2000. USAID and the World Bank have worked closely with MOE, school leaders and school proprietors among others to identify critical constraints and a strategy for improving the quality and efficiency of primary education within a broad sectoral approach. The Education Sector Development Plan, 1991/92-1995/96, is a result of MOE efforts to translate recommendations from various sector and sub-sector studies (see Annex N for a list) into priority policy initiatives and strategies. Multiple donors will be participating in providing support for Plan implementation and in reviewing progress.

Both Agency and Africa Bureau strategies emphasize the increased use of targeted budget support, linked with project assistance as appropriate, to

support host country policy and institutional reform efforts in critical areas -- e.g., more effective allocation and management of education resources, integration of public and private resources, decentralization of school management, more efficient use of teacher time and skills, and strengthening of assessment and monitoring tools for policy formulation and implementation. PEP supports these policies by conditioning cash disbursements on MOE reforms of increased financial resources for education generally and increased allocations for the primary level; improving the management of education at all levels through clearer definitions of roles among the MOE, private school proprietors and communities and increased parental and community responsibility for school management accountability; by devolving responsibility for inspection and the provision of professional support to teachers to regional levels; and by encouraging the adoption of a streamlined timetable for primary schools, improved guidelines for teachers, additional materials for pupils and an improved teacher:pupil ratio to utilize teachers more effectively. Project assistance will support advisers to assist with the improvement of data analysis skills, assessment of education achievement, financial management practices and teacher training and training to improve capacity.

E. Project Component

1. Objective

The objective of the project component is to support reform implementation. Assistance to be provided includes: technical advisory services, a USAID Program Coordinator, participant training, commodities, and evaluation and audit services. Project elements are described below:

2. Technical Advisory Services

The project will provide long- and short-term technical advisory services through an institutional technical assistance contract. Four long-term advisers will be placed in the MOE (three) and NTTC (one) to provide technical advice related to reforms under implementation. One adviser will assist the MOE Head of the Statistics Unit for a five-year period to use data in analyzing the current educational situation and identify trends and the consequences of alternative courses of action. He/she will report to the Head of the Planning Unit. A second long-term adviser will directly advise the MOE Financial Controller over a four-year period on strengthening their financial management systems, including improved budgeting, expenditure tracking and cost analysis of policy and program options. He/she will report to the MOE Head of Support Services. A third adviser will provide advice to the MOE NCDC/Evaluation Unit over three years on the development and implementation of end-of-level guidelines for teachers and an intermediate test at the end of level of standard 3. He/she will report to the NCDC Director. Finally, a long-term adviser will assist the NTTC Director during a two-year period on the overall reorganization and operational matters, including the strengthening of the pre- and in-service teacher training programs for primary teachers. All four advisers will work closely with the respective counterparts and staff in developing skills to sustain reforms upon program completion. A limited

amount of administrative staff will be provided under the technical assistance contract to support the technical advisers.

Approximately 35 person months of short-term technical services will be provided in various areas to support MOE in implementing reforms. Specialized areas include, but are not limited to, the following: the production and distribution of curriculum materials, development of a public information campaign to complement reform efforts related to restrictions on enrollment of under- and over-age pupils, development and implementation of in-service training programs for district resource teachers, implementation of annual cost-center based planning and budgeting, development of policy review skills for decision-making and library operations.

3. USAID Program Coordinator

The project will finance the services of a personal services contractor (PSC) who will be the Program Coordinator for at least a five-year period to assist USAID in managing program performance.

4. Training

The project will finance long- and short-term participant training in the U.S. Long-term Master's Degree or certificate training will be provided for two MOE officials in evaluation and EMIS and for up to five NTTC officials in specialized primary education subjects such as curriculum methods in core subjects. Up to 24 person months of short-term training or study tours in the United States or Africa (excepting South Africa, unless USAID otherwise agrees) will be provided for education officials. This training will strengthen institutional capacity for implementing the planned reforms. The technical assistance contractor will be responsible for administering the training.

Consistent with program objectives, efforts will be made to identify female participant trainees, such that the percentage of female trainees funded under PEP is consistent with the established pattern of 50 percent or greater participation achieved under the A.I.D.-funded Basic and Non-Formal Education Systems (BANFES) Project.

5. Commodities

The project will finance a limited amount of commodities, principally to support the technical advisers and the USAID Program Coordinator. Planned commodities include two vehicles, computers, a photocopier, office and household furniture and office supplies.

6. Evaluation and Audit Services

The project will provide funds for mid-term and final external evaluations and one or more non-Federal audits of the technical assistance contract.

F. Beneficiaries

The primary beneficiaries of the program will be the more than 348,000 pupils currently enrolled in improved primary schools in Lesotho as well as future pupils. If targets are met, the net enrollment will have increased from 79 to 80 percent of the 6-12 year-old age group during the program period. Over the program and beyond more children will attend primary school, and those attending will receive a better education and enjoy better classroom conditions. Physical improvements to schools, including increased numbers of furnished classrooms, will provide a better learning environment. Pupils will also benefit from improved and increased instructional materials, better trained and committed teachers, better pupil:teacher ratios, and less crowded classrooms as age groups are consolidated and repetition is reduced. Some benefits will be evident early in the program period, such as the transition from outdoor classes to adequately furnished facilities. Other benefits will occur over time as instructional materials are developed, teachers are trained and age restrictions are phased in. Over time, more primary pupils than previously will complete standard 7, expected to be 60.3 percent by 2000.

Enhanced benefits will accrue to boys and girls attending standards 1-3, since these are the most crowded, age-divergent and under-resourced classes in the primary system. Over time the elimination of over- and under-age children combined with improved learning conditions will contribute to improved achievement and enhanced self-images for these lower primary pupils. Since the number of girls attending primary school in Lesotho is greater than the number of boys, more girls are likely to benefit from the reforms than boys.

While herd boys and children coming from poor rural households may be disadvantaged in the short term by the introduction of age restrictions, in the long term they will benefit from improved monitoring of Plan outcomes by MOE and A.I.D.-funded studies to identify their constraints and recommend programs to address these constraints. These studies can serve as a basis for strengthening or developing GOL non-formal education programs with donor assistance, including that of UNICEF.

More than 7,000 primary teachers, the majority (77 percent) of whom are women, will directly benefit from training, increased salaries and benefits, better working conditions, and available instructional materials and guides. In turn, Lesotho may benefit from a reduced qualified teacher attrition rate.

Instructors and staff at NTTC will also benefit from management improvements and training. MOE staff responsible for management, planning, budgeting, policy formulation, and evaluation will benefit from an improved structure and operations and training. Female staff members are expected to benefit from participation in long-term training at rates equal or greater than those for male staff.

Pupil families and communities will benefit indirectly as children become better prepared to participate in social and economic development, to

compete for employment opportunities and to participate in the evolving democracy. With increased efficiency over time, wastage will be reduced, resulting in likely cost savings for parents and the public on education expenditure.

G. Sustainability

1. Financial Sustainability

Summary Conclusion. The basic financial sustainability issue is the ability of GOL to generate and provide adequate financial resources to support reforms under PEP during PEP implementation and thereafter. Since PEP represents parallel co-financing of the MOE Education Sector Development Plan (ESDP) through the Education Sector Project (ESP), it is essential to ascertain the extent to which the GOL is likely to finance and sustain the financing of incremental expenditures generated by the ESDP to determine the financial sustainability of PEP.

The GOL plans to finance ESDP expenditures by increasing education sector expenditures and the share allocated to primary education. International Monetary Fund (IMF) and World Bank projections indicate that increases in overall expenditures can be achieved without increases in either the government or external deficits because of the projected increases in national income and government revenues during the ESP period. Beyond that period, the GOL should be able to sustain the ESP recurrent expenditure pattern because national income growth is expected to be sustained, building on the foundation laid by the ESAP, while education sector additional recurrent resource needs are expected to decrease.

PEP and the Plan. USAID, other donors and GOL are co-financing the ESDP under the Education Sector Project. The ESP is estimated to cost M236.5 million (\$74.6 million) for the period 1991/92 to 1995/96 as indicated in Table 2 below:

**Table 2
Cost Breakdown of Education Sector Project by Element**

<u>Element</u>	<u>Amount (a)</u> <u>(\$million)</u>	<u>Portion</u> <u>(%)</u>
Basic Education	36.1	48.4
Teacher Training	9.3	12.5
Technical & Vocational	2.9	3.9
National University	2.6	3.5
Sector Management	13.2	17.7
Project Preparation	0.9	1.2
Contingency	<u>9.6</u>	<u>12.9</u>
Total	74.6	100.0

(a) Figures are rounded off.

Source: World Bank Staff Appraisal Report, No. 9529-LSO, 1991, p. 49.

The GOL will provide the Maloti equivalent of \$23.1 million (31 percent of total ESDP cost) as budget support under PEP. Components of the basic education sub-sector of interest to the achievement of PEP objectives include the provision of school facilities, professional support to primary school teachers, in-service training, and financial management, monitoring and evaluation.

Recurrent Costs Implications. The total additional nominal recurrent costs generated by the ESP for MOE is M59.6 million (\$17.9 million), constituting 24 percent of total ESP costs, including contingencies. Due to the additional recurrent costs generated by ESP expenditures, the total annual recurrent costs for MOE will be M21.1 million (\$5.6 million). Salaries make up 85 percent of recurrent and 21 percent of total ESP costs. Operation and maintenance of buildings, furniture and vehicles constitute 13 percent of total additional recurrent costs generated by ESP. The major recurrent cost under the ESDP is teacher salaries and benefits. Excluding teacher salaries, which are common to the whole program, the nominal recurrent costs of programs, which local currency deposits under PEP will likely finance, will amount to \$3.8 million over the program period. Of this, the GOL will finance \$1.5 million (40 percent) and local currency deposits under PEP, \$2.3 million (60 percent).

Generating Projected National Revenue. The sustainability of ESP depends both on the ability of the GOL to achieve the economic growth necessary to generate requisite budgetary needs and the economic cost of allocating adequate budgetary resources to education development. IMF projections of economic growth in Lesotho show that average annual real GDP and real GNP will grow at 6.9 percent and 2.7 percent, respectively, during the 1991/92-1995/96 period. Real government revenue, including donor grants, is projected to increase at an annual rate of 3.4 percent. The overall deficit/GNP ratio turns positive in 1993/94 and the government account remains in surplus during the rest of the period. Furthermore, the overall external balance will remain positive throughout the period. Hence, the increase in education sector recurrent expenditure will be achieved by increasing overall government expenditure without increasing the domestic and external deficits.

Increasing Recurrent Resource Allocation to Education. To cover the recurrent costs of ESDP, the GOL increased the nominal recurrent budget target allocation for MOE from M72.6 million (\$29 million) in 1990/91 (base figure) to M243.1 million (\$64.8 million) in 1995/96, representing an increase of 243 percent (123 percent in dollars). In real terms, the recurrent budget will rise by 81 percent (21 percent in dollars) to M131.1 million (\$35 million). The proposed real increase in recurrent resource allocation to education is consistent with GOL budgetary targets as projected by the IMF for the ESAF. The GOL has already met the programmed 54 percent real increase in MOE's budget in 1991/92. In subsequent years, the annual real increase of 4 percent in the MOE budget matches the annual average real increase in the GOL budget projected by IMF under the ESAF.

Increasing Share of MOE Recurrent Budget of GOL Budget. The share of the education sector in the total GOL recurrent budget is targeted to

increase from 16.4 percent in 1990/91 to 22.3 percent in 1991/92 and to reach 24.2 percent in 1995/96. This increase in the MOE recurrent budget is in line with expenditure recommendations in Lesotho's Policy Framework Paper for the SAP/ESAP and the World Bank's 1988 Expenditure Review, which analyzed the education sector's financial requirements. Sectoral requirements to be financed under ESP are derived from sectoral objectives and expenditure allocations to improve quality and efficiency under Lesotho's Fifth Development Plan (1991/92-1995/96).

Increasing Share of Primary Education in Sector Budget. A major financial target of ESP/PEP is that at least 70 percent of real increases in the MOE budget should be allocated to primary education while the MOE recurrent allocation for NUL should not increase in real terms. Increasing the share of primary education of the MOE budget, as indicated, reflects intra-sectoral expenditure allocations required to finance the ESP, based on the relative cost of primary education reforms compared to programmed developments in the other sub-sectors. This increase is also necessary to achieve equity in intra-sectoral resource allocation. It will be feasible to achieve this shift in intra-sectoral allocation. Under the ESP, total basic education expenditure will constitute 57.6 percent of total project costs compared to 3.8 percent for NUL while total additional expenditure for NUL will be 6.5 percent of that for basic education.

Meeting Sectoral Recurrent Resource Needs From MOE Budget. The major share of programs under ESDP will be financed through ESP; hence, analyzing the adequacy of the projected MOE recurrent budget to meet resource needs of the ESP/PEP will address such issues for the ESDP as a whole.

During the ESP period, the sum of annual increments to the nominal MOE recurrent budget, using 1990/91 as the base year, is M170.5 million (\$54.9 million), compared to the M59.5 million (\$17.9 million) total nominal recurrent costs of ESP. In real terms, the sum of annual increments to the MOE recurrent budget is M58.5 million (\$20.3 million), compared to total real ESP recurrent costs of M38.3 million (\$11.7 million). Thus, considering the projected ESP costs and the total annual projected budget allocations, the real incremental recurrent cost of ESP represents 66.3 percent of the additional real recurrent budget to be allocated to MOE. Consequently, the GOL can finance projected sectoral recurrent resource requirements, including the cost of hiring 1,300 additional primary teachers during the plan period.

Releasing Programmed MOE Budget. The ability of GOL to meet programmed resource needs of the education sector depends on its preparedness to approve targeted MOE allocations. The crucial period in terms of budgetary allocation to sustain the PEP is 1991/92 when the MOE recurrent budget is targeted to rise by 54.4 percent in real terms over the 1990/91 level, mainly to cover a one-time increase (average 67 percent) in teachers' salaries and to recruit 260 new primary teachers. Of the M127 million recurrent expenditure targeted for 1991/92, the GOL had already approved M123 million at the time of the ESP/PEP design. This action demonstrates GOL ability and willingness to

approve targeted allocations required to cover programmed expenditures under the ESP and PEP.

Post-1996 Sustainability. Based on the projected medium-term performance of the Lesotho economy, partly as a result of the SAP and ESAP, prospects exist for maintaining real economic growth, at least at 1995/96 levels, beyond the program. Analysis of medium-term IMF projections indicates that gross national savings will follow an increasing trend and domestic saving will also experience long-term growth. As stated in Section II (Macroeconomic Framework), both real GDP and GNP growth are projected to increase during the period 1988-2000 as a result of the LHWP. Furthermore, present prospects for improvement in the RSA economy bode well for the Lesotho economy.

As a result of the expected growth in national income and, consequently, government revenue, it is likely that public expenditure projections for 1995/96 will be maintained beyond the program period. In that event, the GOL can maintain the share of the education sector in public recurrent expenditure at the end-of-program level of 24 percent, possibly increasing it.

The end-of-project annual incremental recurrent cost of the ESDP to be financed by GOL is 9 percent of the projected MOE recurrent budget for 1995/96. This level of additional annual recurrent expenditure is considerably lower than that to be financed during the program period. Since it is likely that the GOL will maintain national income and public revenue growth, as well as the projected share for the education sector in public expenditure, it can provide the resources necessary to finance the annual recurrent expenditures to sustain ESP/PEP reforms after 1995/96. Furthermore, some of the post-project annual incremental recurrent cost will be financed with accrued bank interest on donor funding for ESP disbursed through the domestic banking system.

GOL ability to sustain ESDP investments will be facilitated if program targets on admission and increased efficiency are achieved, in which case the GOL would not require additional numbers of teachers beyond the end-of-program level to maintain the desirable pupil:teacher ratio.

Details of the financial sustainability analysis, including supporting tables, are in Annex L.

2. Institutional Sustainability

Overall sustainability will also depend on the institutional capacity and commitment maintained beyond the program period. MOE officials have demonstrated strong commitment to undertaking the reforms by their initiation of new legislation and regulations to realign relationships among the MOE, church secretariats and parents and to restructure the MOE for improved management. To ensure necessary public support for the more sensitive reforms enforcing age restrictions on primary school enrollment, the MOE will undertake public information campaigns. Employment opportunities are becoming increasingly dependent on the education level and preparation of Basotho; thus,

parents are likely to support improvements in primary education that directly affect their children's learning environment and basic education preparation. The one group that has been less supportive of the planned sector reforms is the university community, which will be required to contain costs, limit expansion and explore ways to increase revenues. They have agreed to institute reforms, nevertheless.

Institutions. The approval process for a restructured MOE is underway. Further, MOE is actively devolving functions to the district level, including the re-assignment of staff, and is preparing to train primary school headteachers and school committees to support the devolution process.

Programs and Staff. Reforms supported under PEP will focus on the improvement and expansion of already existing MOE programs. With few exceptions, the MOE has sufficient staff to implement the reforms. Where staff is limited, the MOE is committed to reassigning staff. MOE has also stated that quality staff will be assigned in needed positions, so that past problems of inefficient or ineffective personnel will be eliminated. Further, the preparation of annual plans by participating units has begun and will provide a means to monitor unit performance and hold staff accountable for agreed-upon actions. Widespread participation by various MOE staff in Plan preparation and discussions with donors on reform conditionality have helped to build commitment for planned actions and establish a basis for enforcing shared accountability.

Curriculum staff is already in place and the textbook revolving fund (financed by school fees) is established for producing and distributing instructional materials. The addition of one staff for the expansion of testing and guidelines development is a condition which the MOE is expected to fill by the first program review. The MOE has already established positions for DRTs, is recruiting incumbents for training and placement and is already providing operating costs for the ten district DRCs, including staff positions.

NTTC teaching positions for the PTC program are in place. The LIET in-service teacher training program at NTTC will be required to produce the additional teachers to maintain the pupil teacher ratio of 54:1 until efficiency measures result in a leveling off of the primary school pupil population. During the program, two cycles of in-service training for teachers will be undertaken. The program will be phased out thereafter, and the NTTC PTC program will be expected to produce the 260 teachers needed annually for attrition. NTTC staff are likely to sustain the institutional autonomy because of the improved status and salaries permitted under the revised structure.

The MOE Planning Unit and Support Services Division will have major roles in coordinating plan implementation and maintaining financial records, respectively. Both units will be strengthened by increased staff, training and technical advisory services. MOE officials have agreed to provide additional staff and requested advisers to assist in improving systems for overall program and financial management. Advisers will be responsible for providing on-the-job training. The MOE has demonstrated its commitment to improve these areas by identifying ways to transfer positions and institute systems to improve functions.

As the improved systems permit better and more timely information for decisions, the staff are likely to value and sustain the systems. With increased numbers of better qualified staff, these units should be able to sustain the activities upon program completion.

An important unknown in the sustainability equation is the potential impact of changes in South Africa on MOE capacity to retain staff and teachers. South Africa lacks a sufficient supply of trained teachers for its expanding education program; the higher salaries offered will continue to attract Basotho to migrate for work. However, the greatest demand in South Africa will be for secondary rather than primary teachers since their primary teachers must be fluent in local languages. The large teacher salary increase together with improved benefits being implemented this year will also help to stem the migrant flow. Further, USAID will encourage the retention of trained MOE personnel through enforcement of a bonding arrangement. MOE officials are aware of the potential "brain drain" and will track teacher attrition rates as part of their data collection efforts for informed decision-making.

IV. IMPLEMENTATION PLAN

A. Implementing Entity Roles

1. Government of Lesotho

The implementing agency for the program will be the MOE. Within the MOE, the Planning Unit will be responsible for coordinating the implementation of the sectoral policy and institutional reforms and compiling reports for donors for monitoring and review purposes. The Head of the Planning Unit has coordinated the preparation of the Education Sector Development Plan and oversees the Statistics Unit. Through plan preparation by the various other entities responsible for reform implementation, the Planning Unit will monitor plan progress. It will also be responsible for approving MOE development budget allocations to implement reforms. The Planning Unit, supported by the addition of two staff members, a long-term technical adviser in planning financed by the World Bank and a USAID-financed adviser in data analysis and monitoring should have the capacity to handle the increased and expanded coordination workload.

Other MOE entities involved in reform implementation include the Curriculum Services Division, the Education Management Division (Inspectorate), the Support Services Division and the Teaching Services Division. With the addition of planned staff and USAID-financed advisers, these units will have the capacity to undertake the planned reforms.

The MOE Support Services Division under the Deputy Principal Secretary and, more specifically, the head of the Controller and Finance Unit will oversee financial recordkeeping for expenditures from resources deposited by the GOL for reform implementation. With USAID- and GOL-procured financial advisory services, this unit will be better able to handle the increased workload. The Central Bank of Lesotho (CBL) will be responsible for monitoring the Local Currency Special Account until funds are released to MOE.

2. USAID

The General Development Officer (GDO) will be charged with program monitoring. The project will finance a Program Coordinator to work under the supervision of the GDO for at least a five-year period to serve as the liaison with the Planning Unit staff on overall program concerns, including GOL progress in meeting conditionalities. She/he will also monitor implementation of the project component and be responsible for monitoring local currency use and reports with the USAID Controller.

Other USAID staff to be involved in program reform progress monitoring include the Program and Project Development Officers. The Executive Officer (EXO) will provide administrative support for all contractors and assist with commodity procurement. The Regional Contracting Officer (RCO) will procure the technical assistance contractor and the Program Coordinator. The Regional Legal Adviser will provide assistance as required.

B. Program Implementation and Conditionality

1. Overview

USAID and the GOL will obligate DFA funds for PEP in four installments, from FY 1991-FY 1996 as outlined in Table 4 in Section V.B. Disbursements under the sector assistance and project assistance components will be subject to the CPs listed in Section IV.B.3.a below. Disbursements of the cash transfer sector assistance will also be subject to the satisfaction of CPs listed in Section IV.B.3.b below. Upon the satisfaction of CPs, USAID will notify the Minister of Finance, Planning, Economic and Manpower Development; the Governor of the Central Bank; and the Minister of Education in writing that CPs have been met for a particular disbursement and commence disbursement procedures.

2. Conditionality

USAID and the World Bank have worked closely with the MOE to develop conditionality that supports the Education Sector Development Plan's emphasis on improving primary education and is consistent with the World Bank/International Monetary Fund structural adjustment requirements. USAID conditionality in some areas is broader than that of the World Bank, principally to ensure sufficient staff availability during the program for institutionalizing reforms. Additionally, USAID includes conditions for the provision of additional instructional materials that are part of the ESDP Plan and for the development of a standard 3 achievement test for measuring impact on a sample basis.

Progress on the implementation of reforms will be formally reviewed four times during the life of the program--September 1991, March 1993, September 1994 and December 1995. For each review the MOE must submit to USAID for acceptance the required written information on actions taken. USAID recognizes that the required actions appear quite numerous. However, the MOE is new to the process of program assistance and the detail will provide a guide for them to follow in ensuring that all necessary actions are addressed systematically. USAID and World Bank representatives have reviewed the matrix several times with the MOE and believe that the actions, some of which are now underway, can be met as scheduled.

3. CPs to Disbursements

a. CPs to Initial Disbursement

Prior to the initial disbursement under the Grant, the Grantee will, except as the Parties may otherwise agree in writing, furnish to USAID in form and substance satisfactory to USAID:

(1) A written statement setting forth the name of the person holding or acting in the office of the Grantee, and the names and titles of any additional representatives, together with a specimen signature of each person specified in such statement;

(2) An opinion of counsel acceptable to A.I.D. that the Program Grant Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Grantee, and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms; and

(3) (a) A written commitment that all Basotho who are provided long-term training (training in excess of one year) under the Program will, upon completion of training, be employed to work directly in the Program's activities for a period of not less than two years for every year of training, unless A.I.D. otherwise agrees in writing, and (b) a standard written loan bursary scheme agreement for signature by the Grantee and each such trainee.

b. CPs to Cash Transfers

Four tranches of cash transfer sector assistance are planned. A tabular format of the reform matrix is included in Annex D.

(1) First Tranche. Prior to the first tranche of the cash transfer sector assistance under the Grant, which shall be in the amount of \$6,082,000, except as A.I.D. may otherwise agree, or prior to the issuance by A.I.D. of any documentation pursuant to which any such disbursement may be made, the Grantee will furnish to A.I.D., in addition to those documents required under Section IV.B.3.a above if they have not already been so furnished:

- The name of the U.S. bank and account number for the Grantee's account to be used for the transfer of U.S. dollars from A.I.D. to the Grantee during Program implementation;
- Evidence that the Grantee has established the Special Local Currency Account, together with confirmation that this account has been established and will be maintained according to procedures described in Section V.C of this document;
- Evidence that the Grantee has deposited, or promptly following A.I.D.'s first tranche cash transfer will deposit, a commensurate amount of local currency (as reduced by 10 percent deposited in a U.S. Government Trust Fund account) to the Special Local Currency Account; the amount of such deposits will be computed on the basis of the highest commercial rate of exchange which, at the time of applicable cash transfer disbursement, is not unlawful in the country of the Grantee;

Increased financial resources for primary education:

- Evidence from the Ministry of Finance that the MOE recurrent budget allocation for Fiscal Year 1991/92 has increased by at least 54.4 percent in real terms from Fiscal Year 1990/91 and evidence that MOE has allocated 70 percent of these recurrent budgetary increases to primary education in Fiscal Year 1991/92;

Improved quality and efficiency of primary education:

- Evidence that MOE has created and shall fill 260 additional primary education teacher posts in Fiscal Year 1991/92 from the Fiscal Year 1990/91 base level and that MOE has assigned 70 percent of these posts to primary education standards 1-3 in Fiscal Year 1991/92;
- Evidence that MOE has established 70 DRT positions, has identified and recruited candidates for all posts for training and has appointed an Acting DRT Coordinator;
- A detailed written plan approved by MOE to upgrade the Lesotho in-service education certification program (LIET) and to establish a division of in-service education at NTTC;
- Evidence of the appointment of coordinators for Primary and In-service Education Divisions at NTTC;
- A detailed written plan for improved management, operation and staffing at NTTC and evidence that a NTTC Director has been appointed;
- A detailed written plan approved by MOE to set primary education curriculum priorities and to adopt a curriculum timetable and syllabi;
- A detailed written plan approved by MOE to provide additional instructional materials to primary schools for standards 1-3 in math, reading (Sesotho), radio English and agriculture;
- A detailed written plan approved by MOE to develop and revise end-of-level guidelines for pupil promotion and evidence that at least one additional professional staff member has been assigned to the Testing and Evaluation Unit, NCDC;
- A detailed written plan approved by MOE for the provision of furniture and equipment for standard 1-3 classrooms, including a list of the first group of new schools to be furnished and costs for furnishing the first group of existing schools;
- Evidence that MOE has informed parents and school officials of tighter enforcement of regulations on non-enrollment of pupils under six;

Improved educational management:

- Evidence that the Ministry of Public Service has approved the MOE restructuring plan;

- Evidence that the Grantee (Office of Government Secretary) has approved the revised education legislation to delineate MOE-proprietor-parent relationships;

- A written assessment of MOE financial management capacity, a detailed plan to improve capacity and to introduce cost-center based budgeting and a schedule to provide additional staff to the accounts section;

- Written guidelines for preparing MOE annual plans, including strategy, target indicators and budget; and evidence that two MOE planning staff positions have been filled; and

- A detailed written plan approved by MOE to improve the capacity for establishing an information dissemination system on primary education, a list of primary education indicators and a system for monitoring the Education Sector Development Plan.

(2) **Second Tranche.** Prior to the second tranche of the cash transfer sector assistance under the Grant, the Grantee will furnish to A.I.D.:

- Evidence that the Grantee has deposited, or promptly following A.I.D.'s second tranche cash transfer will deposit, a commensurate amount of local currency (as reduced by 10 percent deposited in a U.S. Government Trust Fund account) to the Special Local Currency Account; the amount of such deposits will be computed on the basis of the highest commercial rate of exchange which, at the time of applicable cash transfer disbursement, is not unlawful in the country of the Grantee;

Increased financial resources for primary education:

- Evidence from the Ministry of Finance that the MOE recurrent budget allocation for Fiscal Year 1992/93 has increased by at least 4 percent in real terms from Fiscal Year 1991/92 and evidence that MOE has allocated 70 percent of these recurrent budgetary increases to primary education in Fiscal Year 1992/93;

Improved quality and efficiency of primary education:

- Evidence that MOE has created and filled 260 additional primary education teacher posts in Fiscal Year 1992/93 for a total of 520 additional posts from the Fiscal Year 1990/91 base level and that MOE has assigned 70 percent of these to primary education standards 1-3 in Fiscal Year 1992/93;

- Evidence that MOE has trained and posted 70 DRT's, geographically distributed according to the annual plan, by March 1993; evidence that MOE has appointed a permanent DRT Coordinator;

- Evidence that the existing LIET has been upgraded to PTC equivalent, that the lower primary education program for the pre-service training program has been established and that the first entry-level class of 450 teachers under the upgraded LIET program has been initiated by June 1992;
- Evidence that the Primary and In-service Division Coordinator positions at NTTC continue to be filled;
- Evidence that the plan for improved management, operation and staffing at NTTC has been substantially implemented;
- Evidence that MOE has adopted the primary education curriculum priorities and curriculum timetable and has initiated revision of the primary education syllabi;
- Evidence that additional materials for primary schools in radio English and reading (Sesotho) for standards 1-3 have been partially distributed, that additional agriculture materials for standards 1-3 have been fully developed and that additional math materials for standards 1-3 have been partially developed;
- Evidence that MOE has distributed the end-of-level guidelines for standards 1-3 and evaluated their use in five sub-districts;
- A written and tested achievement test and the written results from the administration of the achievement test in a sample of standard 3 classes in September 1992;
- A detailed mapping of schools nationwide and a detailed plan approved by MOE for providing furniture and equipment to new and existing standard 1-3 classrooms throughout the Program period; evidence that furniture and equipment have been provided for the new and existing standard 1-3 classrooms per the schedule in the approved plan;
- Evidence that restrictions on the enrollment of under-age children are being effectively enforced, beginning in January 1992;
- A detailed written plan approved by MOE for phasing out over-age pupils, including a detailed design for the information campaign on new restrictions of admission to standard 1 of children over eight and a list of targeted schools by region using the new classification prepared by the Lands, Survey and Physical Planning Division;
- A detailed written plan adopted by MOE to limit the number of repetitions to two per cycle, including a detailed design for the information campaign on repetition limits;

Improved educational management:

- Evidence that Phase I of the MOE restructuring Included in the Education Sector Development Plan has been fully implemented;
- Evidence that the revised legislation on MOE-proprietor-parent relationships has been fully implemented and a written detailed plan to establish primary school committees nationwide;
- Evidence that the plan to improve MOE financial management capacity has been fully implemented as scheduled, including staffing, and the MOE-approved annual cost-center based budgets for Fiscal Years 1992/93 and 1993/94;
- Written annual plans for the implementation of the Education Sector Development Plan for Fiscal Years 1992/93 and 1993/94 and a written detailed report on the progress of Plan implementation to date by program; and
- Evidence that a written report on national education statistics using improved data collection and analysis has been submitted for publication annually for Schools Years 1991 and 1992.

(3) **Third Tranche.** Prior to the third tranche of the cash transfer sector assistance to be provided under the Grant, the Grantee will furnish to A.I.D.:

- Evidence that the Grantee has deposited, or promptly following A.I.D.'s third tranche cash transfer will deposit, a commensurate amount of local currency (as reduced by 10 percent deposited in a U.S. Government Trust Fund account) to the Special Local Currency Account; the amount of such deposits will be computed on the basis of the highest commercial rate of exchange which, at the time of applicable cash transfer disbursement, is not unlawful in the country of the Grantee;

Increased financial resources for primary education:

- Evidence from the Ministry of Finance that the MOE recurrent budget allocation has increased by at least 4 percent in real terms between Fiscal Years 1992/93 and 1993/94 and by a further 4 percent in real terms between Fiscal Years 1993/94 and 1994/95 and evidence that MOE has allocated 70 percent of recurrent budgetary increases to primary education in Fiscal Years 1993/94 and 1994/95, respectively;

Improved quality and efficiency of primary education:

- Evidence that MOE has created and filled 260 additional primary education teacher posts in Fiscal Year 1993/94 for a total of 780 posts from the Fiscal Year 1990/91 base level and has created and shall fill a further 260 posts in Fiscal Year 1994/95 for a total of 1,040 additional posts from the Fiscal Year 1990/91 base level and that MOE has assigned 70 percent of these to primary education standards 1-3 in Fiscal Years 1993/94 and 1994/95, respectively;
- Evidence that MOE continues to post 70 DRT's, geographically distributed according to the annual plan;
- Evidence that the lower primary specialization for the in-service training program for teachers has been partially developed and that the number of teachers currently in training in September 1994 under the upgraded LIET and PTC programs totals at least 550;
- Evidence that the Primary and In-service Division Coordinator positions at NTTC continue to be filled;
- Evidence that the plan for improved management, operation and staffing at NTTC has been fully implemented;
- Evidence that the revised primary education syllabi in core subjects, including teacher guides, in standards 1-3 has been partially implemented in School Year beginning January 1994;
- Evidence that additional materials for primary schools for standards 1-3 in reading (Sesotho) have been fully distributed, that additional radio English materials for standards 1-3 have been substantially distributed, that additional agriculture materials for standards 1-3 have been partially distributed and that additional math materials for standards 1-3 have been fully developed and partially distributed;
- Evidence that the workshops for all DRTs on school-based assessment have been completed, using end-of-level guidelines for standards 1-3, and that guidelines have been disseminated to schools nationwide;
- The written results from the administration of achievement tests in a sample of standard 3 classes in both September 1993 and September 1994;
- Evidence that the furniture and equipment have been provided for standard 1-3 classrooms per the schedule in the approved plan;
- Evidence that restrictions on the enrollment of under-age children have continued to be enforced effectively in primary schools;

- Evidence that the information campaign on phasing out over-age pupils has been fully completed and that enforcement in standard 1 has begun in January 1994 in all targeted schools;
- Evidence that the information campaign on limiting the number of repetitions to two per primary education cycle has been fully implemented and that nationwide enforcement has begun;

Improved educational management:

- Evidence that Phase II of the MOE restructuring included in the Education Sector Development Plan has been fully implemented;
- Evidence that the revised legislation on MOE-proprietor-parent relationships continues to be implemented and that primary school committees have been established nationwide;
- The MOE-approved annual cost-center based budget for Fiscal Year 1994/95;
- Written annual plans for the implementation of the Education Sector Development Plan for Fiscal Year 1994/95 and a written report on the progress of Plan implementation to date by program; and
- Evidence that a routine process for data collection and reporting has been established and that a written report on national education statistics using improved data collection and analysis has been submitted for publication for School Year 1993.

(4) **Fourth Tranche.** Prior to the fourth tranche of the cash transfer sector assistance to be provided under the Grant, the Grantee will furnish to A.I.D.:

- Evidence that the Grantee has deposited, or promptly following A.I.D.'s fourth tranche cash transfer will deposit, a commensurate amount of local currency (as reduced by 10 percent deposited in a U.S. Government Trust Fund account) to the Special Local Currency Account; the amount of such deposits will be computed on the basis of the highest commercial rate of exchange which, at the time of applicable cash transfer disbursement, is not unlawful in the country of the Grantee;

Increased financial resources for primary education:

- Evidence from the Ministry of Finance that the MOE recurrent budget allocation has increased by at least 4 percent in real terms between Fiscal Years 1994/95 and 1995/96 and evidence that MOE has allocated 70 percent of these recurrent budgetary increases to primary education in Fiscal Year 1995/96;

Improved quality and efficiency of primary education:

- Evidence that MOE has created and filled 260 additional primary education teacher posts in Fiscal Year 1995/96 for a total of 1,300 additional posts from the Fiscal Year 1990/91 base level and that MOE has assigned 70 percent of these to primary education standards 1-3 in Fiscal Year 1995/96;
- Evidence that MOE continues to post 70 DRT's, geographically distributed according to the annual plan;
- Evidence that the number of teachers currently in training in December 1995 under the upgraded LIET and PTC programs totals at least 550, that the first entry-level class under the upgraded in-service training program with specializations in lower and upper primary has been completed, and that NTTC is prepared to initiate the second entry-level class of 450 teachers under the upgraded in-service training, beginning in January 1996;
- Evidence that the Primary and In-service Division Coordinator positions at NTTC continue to be filled;
- Evidence that the plan to improve management, operation and staffing at NTTC continues to be fully implemented;
- Evidence that the revised primary education curriculum syllabi in core subjects, including teacher guides, has been fully implemented nationwide in standards 1-3;
- Evidence that additional materials for standards 1-3 of primary schools in radio English, agriculture and math have been fully distributed and that distributed materials continued to be used in standards 1-3;
- Evidence that the standard 1-3 end-of-level guidelines are in use in all primary schools for pupil promotion;
- The written results of the achievement tests administered to a sample of standard 3 classes in September 1995;
- Evidence that furniture and equipment have been provided for standard 1-3 classrooms per the schedule in the approved plan;
- Evidence that restrictions on the enrollment of under-age children continue to be effectively enforced;
- Evidence that the enforcement of phasing out of over-age pupils is being effectively implemented in standard 1 in January 1995 in all targeted schools;

- Evidence that MOE and primary school officials are taking actions to enforce the policy of limiting repetitions to two per primary cycle nationwide;

Improved educational management:

- Evidence that full implementation of Phases I and II of the MOE restructuring included in the Education Sector Development Plan continues;

- Evidence that the revised legislation on MOE:proprietor-parent relationships and the established primary school committees continue to be effectively implemented nationwide;

- The MOE-approved annual cost-center based budget for Fiscal Year 1995/96;

- Written annual plans for the implementation of the Education Sector Development Plan for Fiscal Year 1995/96 and a written detailed report on the progress of Plan implementation by program; and

- Evidence that a written report on national education statistics using improved data collection and analysis has been submitted for publication for School Year 1994.

4. Special Covenants

The following Special Covenants will be included in the Program Agreement:

- **Bonding agreement:** The Grantee agrees to enter into an A.I.D.-approved standard written loan bursary scheme agreement (hereinafter "bonding agreement") with each of its employees who receives long-term training (training in excess of one year) funded under the Program. Said agreement shall be signed by both the trainee and the Grantee. The Grantee agrees to monitor closely all aspects of the bonding agreement. In the event the Grantee does not take all reasonable actions to remedy any violation of any of such agreements, the Grantee shall be responsible to repay to A.I.D. any costs of training due under the particular bonding agreement, unless A.I.D. otherwise agrees in writing.

- **Program-related Policies or Actions:** The Grantee will not, without A.I.D.'s written statement of agreement or non-objection, adopt any policy or initiate any action which would have the effect of materially changing any of the policies adopted or actions taken by the Grantee in fulfillment of the Conditions Precedent to Disbursement.

5. Donor Coordination

As discussed in Section IV.A.1, the MOE Planning Unit will be responsible for donor coordination. USAID and the World Bank will conduct joint reviews in September 1991, March 1993, September 1994 and December 1995, sharing the assessment of performance and reports on MOE implementation progress. Section VI will provide additional details on joint monitoring and evaluation activities. The USAID Program Coordinator will participate in meetings with the MOE and donors as appropriate for status updates on donor activities.

C. Implementation of Project Component

1. Overview

USAID/Lesotho will directly procure most commodities and the evaluation and audit services. The RCO will procure the institutional technical assistance contractor and the USAID Program Coordinator. The institutional technical assistance contractor will be responsible for administering training and providing short-term technical services, administrative staff, computers and supplies. A.I.D.-financed procurement will follow A.I.D. Handbook 1B on Procurement Policies, A.I.D. Handbook 14 on Procurement Regulations (including the Federal Acquisition Regulations) and other A.I.D. handbooks and policies as appropriate. Training will be subject to A.I.D. Handbook 10 on Participant Training.

2. Procurement Plan

a. Technical Advisory Services

Technical Assistance Contractor. A.I.D. will directly procure technical advisory services under a single institutional contract to assist the MOE with the implementation of policy and institutional reforms over a five-year period. MOE officials will participate in the technical review of proposals for the institutional contract. As described more fully in Section III.E, the contractor will provide 168 PMs of long-term assistance, including specialists in EMIS (60 PMs), financial management (48 PMs), tests and evaluation (36 PMs) and teacher college administration and programs (24 PMs). Additionally, the contractor will provide an estimated 35 PMs of short-term technical assistance in various educational specialties throughout the program period. The contractor will also administer training and provide computers.

USAID will provide official vehicles and housing and procure services for housing maintenance and furniture as needed. The GOL will provide office space for the long-term advisers.

The Request for Proposals (RFP) will encourage submission of proposals from U.S. organizations with experience in providing short- and long-term advisory services in specialized educational fields, in administering participant training and in procuring computers following A.I.D. procedures.

Gray Amendment. The RFP for the technical assistance contract will require offerers who are not themselves disadvantaged enterprises to identify at least 10 percent of the value of their proposal as being sub-contracted to specific disadvantaged enterprises.

USAID Program Coordinator. A.I.D. will procure the services of an educational specialist under a personal services contract to assist with management and monitoring of the program. At least 60 PMs of services will be provided. The RCO will advertise in the United States, other USAID Missions and in professional journals, as appropriate. USAID will provide housing, housing maintenance services, furniture and a computer for the PSC.

Evaluation and audit services. USAID will likely process U.S. or regional Indefinite Quantity Contract (IQC) resources for project-financed evaluations and audits.

b. Training

Training will include long-term participant training for seven Basotho at the Master's Degree or certificate level and an estimated 24 PMs of short-term participant training. The location of long-term training will be in the United States and short-term training may be in the United States or Africa (excepting South Africa, unless USAID otherwise agrees). The institutional technical assistance contractor will be responsible for reviewing with MOE specific training needs and a corresponding schedule during the first 90 days of the contract and for administering the training. U.S. income taxes have not been budgeted for long-term trainees in the United States as all training will be related to each trainee's job and of 24-month or shorter duration, thereby qualifying for exemption.

c. Commodities

The USAID EXO will be responsible for procuring non-consumable commodities (except for computers for the principal contractor), including vehicles, computer for PSC, photocopier and necessary furniture. Responsibilities for receiving and clearing commodities will be determined during project implementation. A.I.D.-financed commodities include the following:

A.I.D.-financed Commodity List

<u>Item</u>	<u>Probable Quantity</u>	<u>Amount</u>	
		<u>Source/Origin</u>	<u>U.S.Dollars</u>
Computers	5	000	25,000
Photocopier	1	935	3,000
Office/Household Furniture	-	941/935	46,000
Vehicles	2	935	50,000
Training/Office Supplies	-	935/941	26,000
Contingency			<u>1,000</u>
Total			151,000

The USAID EXO will procure the vehicles locally, employ the services of the Central Procurement Office of the U.S. Embassy in Tokyo and order them directly from Japan, in the event that a Japanese vehicle is selected, or as otherwise practicable .

Development Fund for Africa Procurement Analysis. Program financing will come from the DFA account. Per Congressional guidelines for DFA, all reasonable efforts will be made to maximize procurement of project-financed commodities and services of U.S. source/origin/nationality. The above list has been reviewed by the RCO, Swaziland. Only those items not currently made in the United States, or those which because of the nature of the item(s) cannot be shipped to Lesotho from the United States at a reasonable cost or are unsuitable for use in Lesotho, have been designated as eligible for purchase from Code 935/941 source/origin. The institutional contractor will provide the USAID GDO with an annual source/origin report on all commodities procured under its contract. In accordance with Africa Bureau DFA procurement guidelines, long-term technical assistance and training will be U.S. based. Cargo Preference Act and "Fly America" Act rules will be followed, though U.S. air carriers are not currently available for flights to and from southern Africa and thus will not be used for these legs of air travel.

The authorized source and origin for vehicle procurement is Code 935 and no "Special Circumstances" waiver is required to be executed by the Mission Director to purchase them from non-U.S. sources. Non-U.S. source/origin procurement is justified for vehicles since the United States does not manufacture right-hand drive vehicles of the type required for project implementation. Right-hand drive vehicles are necessary for safety and conformance with driving practices in Lesotho. Code 935 origin vehicles will be procured in Lesotho if available at prices competitive with Code 935 sources, such as Japan, or otherwise practicable.

Based on the above, the RCO has concluded that USAID/Lesotho is in accordance with Agency Africa Bureau guidelines of maximizing U.S. procurement whenever practicable. However, to ensure that the contractor complies with these guidelines, the USAID/Lesotho GDO will keep records of all commodities purchased by Geographic Code and will in turn report this information to AFR/PD annually as part of Buy America reporting.

In accordance with DFA procurement guidelines, the contractor will follow this order of preference for procurement (subject to the qualifications noted above): (1) U.S. only; (2) host country; (3) Code 941 (Selected Free World); and (4) Code 935 (Special Free World).

As required by Africa Bureau DFA procurement guidance, a brief summary of this DFA procurement plan will be cabled to AFR/PD, including the intended percentage in terms of dollars of both U.S.-based commodity and technical assistance procurement, including training. Further, the cargo shipping plan for PEP will be sent to MS/OP/TRANS.

Commodity marking. The USAID/Lesotho GDO will be responsible to ensure that A.I.D.-financed commodities are appropriately marked with the A.I.D. handclasp emblem.

D. Implementation Schedule

<u>Month/Year</u>	<u>Action</u>	<u>Actors</u>
9/91	Program/Trust Agreements signed	MOF/USAID
9/91	PSC and TA PIO/Ts signed	MOE/USAID
9/91	PSC candidates solicited	RCO
9/91	MOE 91/92 Plan/budget reviewed	USAID/MOE
9/91	Progress on first tranche cash transfer CPs reviewed	USAID/MOE WBank
10/91	Vehicle procurement begun	USAID
10/91	First tranche released	USAID/AID/W
10/91	Local currency deposited	CBL
10/91	API Report prepared from EMIS (1990)	USAID
10/91	Initial CPs met	GOL
10/91	TA RFP advertised	RCO
11/91	PSC selected	USAID
11/91	TA Proposals reviewed	RCO/USAID/ MOE
12/91	PSC on board	USAID/PSC
1-2/92	TA Contract negotiated/signed	RCO
2-3/92	MOE 91/92 Plan/disbursements reviewed	
	MOE 92/93 Plan/budget approved	MOE/USAID
3/92	Contractor arrives Maseru	USAID/TA
	EMIS/Policy TA - 5 yrs.	
	Fin. Mgmt. TA - 4 yrs.	
	Tests/Eval. TA - 3 yrs.	
	NTTC admin. TA - 2 yrs.	
10/92	API Report prepared from EMIS (1991)	PSC
2-3/93	MOE 92/93 Plan/disbursements reviewed	
	MOE 93/94 Plan/budget approved	MOE/USAID
3/93	External evaluation undertaken	USAID/MOE
3/93	Progress on second tranche CPs reviewed	USAID/MOE/ WBank
4/93	Second tranche released	USAID/AID/W
4/93	Local currency deposited	CBL
10/93	API Report prepared from EMIS (1992)	PSC
2-3/94	MOE 93/94 Plan/disbursements reviewed	
	MOE 94/95 Plan/budget approved	MOE/USAID
3/94	Non-Federal audit: TA contract/tentative	USAID
3/94	NTTC TA departs	TA/USAID
9/94	Progress on third tranche CPs reviewed	USAID/MOE/ W/Bank

10/94	API Report prepared from EMIS (1993) and review report	PSC
12/94	Third tranche released	USAID/AID/W
12/94	Local currency deposited	CBL
2-3/95	MOE 94/95 Plan/disbursements reviewed	
	MOE 94/96 Plan/budget approved	MOE/USAID
3/95	Tests/evaluation TA departs	TA/USAID
10/95	API Report prepared from EMIS (1994)	PSC
12/95	Progress on fourth tranche CPs reviewed	USAID/MOE/ WBank
1/96	Fourth tranche released	USAID/AID/W
1/96	Local currency deposited	CBL
2-3/96	MOE 96/97 budget reviewed/approved	MOE/USAID
3/96	Financial mgmt. TA departs	TA/USAID
6/96	Non-Federal audit: TA contract/tentative	USAID
8/96	External evaluation undertaken	USAID/MOE/ WBank
10/96	API Report prepared from EMIS (1994)	PSC
12/96	PSC departs	PSC/USAID
3/97	EMIS TA departs; TA contract ended	TA/USAID/ RCO
8/97	PACD	USAID/MOE

E. Waivers

The Africa Bureau has approved the inclusion in the Congressional Notification of a waiver of Section 575(b)(1) of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1991, requirement to establish a separate dollar account and specify and monitor dollar use. See Annex I for justification for waiver request. Clearance of the Congressional Notification without objection will constitute final approval of the waiver.

On June 26, 1991, the Mission Director authorized a country waiver of the requirement that Lesotho be responsible for the cost of international round-trip travel, including incidental costs en route, for participants.

V. COST ESTIMATES AND FINANCIAL PLAN

A. Funding and Obligation Schedule

Over a six-year period, the program will provide \$25 million in DFA funds, of which \$18.6 million will be for sector assistance and \$6.4 million will be for project assistance. An initial obligation of \$7.782 million is planned in FY 1991. Of that, \$6.082 million is expected to be disbursed in the first quarter of FY 1992 for performance on meeting initial conditions precedent for sector reform. Program funds will be obligated per the schedule in Table 3. GOL contributions will be at least 25 percent of the total program cost and will include office space for technical advisers, provided in kind and estimated at \$12,000, and the Maloti equivalent of \$18.6 million (or less if local currency deposits by GOL are required for the first two years only) to be disbursed for performance on sector reforms and a USAID Trust Fund. The Program Assistance Completion Date is six years from the date of obligation.

The expected allocation of A.I.D. funds over the life of the program as shown in Table 3 is: sector assistance, 74 percent; technical advisory services, 19 percent; program coordinator (USAID), 3 percent; training, 2 percent; commodities, 1 percent; and evaluation/audit, 1 percent. (Details on project expenditures by fiscal year and project element are included in Annex G.)

Table 3
Estimated Obligation of A.I.D. Funds
by Fiscal Year and Component
Amount (\$000)

<u>Component</u>	<u>FY 91</u>	<u>FY 92</u>	<u>FY 93</u>	<u>FY 94</u>	<u>FY 95</u>	<u>FY 96</u>	<u>Total</u>
Sector Assistance	6,082		5,500		3,400	3,618	18,600
Project:							
Technical Advisers	1,330	1,155	1,090	694	395	-	4,664
Program Coordinator	150	170	170	210	130	-	830
Training	69	200	180	21	-	-	470
Commodities	151	-	-	-	-	-	151
Evaluation/Audit	-	75	60	75	75	-	285
Project Subtotals	<u>1,700</u>	<u>1,600</u>	<u>1,500</u>	<u>1,000</u>	<u>600</u>	<u>-</u>	<u>6,400</u>
Totals	7,782	1,600	7,000	1,000	4,000	3,618	25,000

B. Disbursement Procedures for Program Dollars

A.I.D. will release a total of \$18.6 million in four tranches into a GOL-owned U.S. dollar account in a U.S. Federal Reserve Bank upon GOL satisfaction of four sets of agreed-upon CPs for education sector reforms. Upon acceptance of GOL performance progress, USAID will prepare a financing request to AID/Washington Financial Management Office for transfer of the tranced U.S. dollars to the GOL-designated account. In turn, and for at least the first two years, the Central Bank of Lesotho will deposit in a Special Local Currency Account and

a USAID Trust Fund the equivalent in Maloti of the dollar disbursement, using the highest commercial exchange rate in effect on the date of the dollar disbursement.

Cash transfer dollar sector assistance will be disbursed in four tranches upon the satisfaction of the specified CPs to each disbursement. See Table 4 for the links between the planned dollar releases and the program reviews:

**Table 4
Tranched Dollar Disbursements Linked to Performance Reviews**

Review Mo./Yr.	Disbursements by U.S. Fiscal Year (\$000)				
	FY 92	FY 93	FY 95	FY 96	Totals
9/91	6,082				6,082
3/93		5,500			5,500
9/94			3,400		3,400
12/95	—	—	—	3,618	3,618
Totals	6,082	5,500	3,400	3,618	18,600

USAID has obtained a waiver of the Section 575(b)(1) of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1991, requirement to establish a separate dollar account and specify and monitor dollar use. The basis of the waiver request was that the foreign exchange system in Lesotho is accessible and open and that such a requirement would interfere with the effective functioning of the system (see Annex I). Accordingly, USAID is not planning to specify and monitor dollar uses.

C. Local Currency Plan

1. Local Currency Use

Ninety percent of the GOL-deposited local currency associated with U.S. dollar releases for satisfactory performance on sectoral reforms and any local currency interest accumulations will be used for education budget support. USAID and MOE will jointly program the local currency on an annual basis to support the implementation of the Education Sector Development Plan, which includes critical primary education reforms. The amount of local currency expected to be available for such purposes is the Maloti equivalent of \$16.74 million*, plus any accumulated interest, or less if local currency deposits are not required for this purpose after two years. Additionally, USAID project assistance totaling \$6.4 million will directly support implementation of Education Sector Development Plan reforms. A cost analysis of the Plan indicates that planned investments total an estimated \$74.6 million. Table 5 below indicates the amounts and shares to be provided by the major donors, GOL and local communities as well as the residual that is under negotiation with other donors.

*Excludes GOL-provided Maloti equivalent of \$1.86 million for USAID Trust Fund.

USAID is the major donor supporting reform in the primary education sub-sector and the GOL-deposited local currency will contribute substantially to Plan implementation in this sub-sector.

Table 5
Financing of Plan by Entity

<u>Donor</u>	<u>Amount in U.S. \$Million</u>	<u>Percentage of Total Cost</u>
USAID	*23.1	31.0%
World Bank	25.2	33.8%
EEC	4.2	5.6%
GOL	18.8	25.2%
Local Communities	1.5	2.0%
Residual	<u>1.8</u>	<u>2.4%</u>
Total	74.6	100%

*Figure includes \$16.74 million in local currency deposits and \$6.4 million in project assistance; estimated interest is not included.

The GOL-owned local currency deposited under PEP is part of the total resources that will support activities under the Education Sector Development Plan. Investments for primary education funded by donors will include: classroom construction, school furniture, curriculum development, production and distribution of materials, test development, professional support for teachers, public information campaign, improvements for the teachers college, in-service teacher training, improving inspectorate services and monitoring and evaluation.

USAID will review the usefulness of the local currency program to the GOL in facilitating policy reform implementation during the interim evaluation in FY 1993 to develop a recommendation on whether the local currency deposits for reform implementation should be continued or discontinued.

2. Local Currency Release and Control

a. Special Local Currency Account in CBL

Upon release of the initial tranche of the U.S. dollar cash transfer assistance, the GOL will deposit the Maloti equivalent of the U.S. dollar disbursement, using the exchange rate in effect on the date of the U.S. dollar deposit, into an interest-bearing Special Local Currency Account in CBL. No funds from other sources shall be commingled in this Special Account and any interest earnings shall be programmed as principal. Interest earned thereon shall be at the highest rate which is available from time to time and is not unlawful in the country.

The CBL will be the GOL agency responsible for managing the Special Local Currency Account in its bank. Under a similar arrangement for the Lesotho Agricultural Policy and Institutional Support Program, CBL has had oversight and control responsibility for the GOL-deposited local currency and has thus far demonstrated capacity to manage the funds properly. CBL accounts are

audited annually by the GOL Auditor General (AG) or an accounting firm under contract to the GOL AG.

Under PEP, USAID and the MOE will jointly review the annual investment budget for the Educational Sector Development Plan to ensure that sufficient funds are budgeted and available from various donors for agreed-to and planned primary education reforms. The GOL Fiscal Year begins April 1; therefore, reviews will take place prior to that date and thereafter as necessary to review progress. During the second year of the program and annually thereafter, USAID will also review budget disbursement levels for the prior year as well as future annual budgets to ensure compliance with agreed-to annual sector allocation and use.

b. MOE Education Sector Development Plan Account

Upon USAID and MOE agreement on an annual Education Sector Development Plan budget and agreement to release funds from the Special Account in CBL, the GOL Treasury will release funds from the Special Local Currency Account in CBL to an MOE Education Sector Development Plan Account in CBL. This latter account will commingle funds from different sources for financing the implementation of Plan activities. The MOE will be responsible for managing the funds in the MOE Plan Account, using established GOL procedures. USAID finds this arrangement, together with the annual Plan budget and disbursement reviews, satisfactory to ensure that agreed-to levels of funds will be used for support of primary education reform implementation. Audit arrangements and project-funded financial monitoring services will provide further assurances on fund accountability.

c. MOE Capacity to Manage Local Currency

To assess MOE capacity to manage and account for the deposited program local currency properly, USAID procured the services of the local affiliate of KPMG Peat Marwick (Peat Marwick) to conduct a financial management assessment (see Annex N for bibliographic reference). Based on assessment findings, USAID has determined that the GOL has established general procedures but that MOE financial management capacity needs to be strengthened. The initial disbursement of sector assistance will be conditioned on MOE commitment to dedicate resources to improve its capability to manage the allocated funds satisfactorily. Actions include MOE agreement to obtain a long-term project-financed expatriate financial management adviser, increase its staff to an adequate number of qualified line accountants and prepare a plan to enhance its financial management capacity. USAID will procure the expatriate financial adviser as part of the overall principal contract. The MOE will be responsible for procuring additional assistance from an internationally accredited accounting firm for capacity strengthening, using a portion of the deposited program local currency for these purposes, if necessary.

The Peat Marwick report also identifies a weakness in the MOE audit and financial assessment capabilities. The scope of work for the financial management adviser will include responsibility for strengthening MOE

capability to conduct audits and financial assessments in accordance with generally accepted audit and accounting standards.

USAID has not conducted a separate assessment of MOE budgeting procedures. However, MOE-World Bank-USAID have jointly identified the need to strengthen MOE budgeting systems as part of their joint sector review. Accordingly, conditions precedent requiring the preparation of annual plans and cost-centered budgets have been included in the Program. Prior to the release of the initial disbursement, USAID is providing technical assistance to MOE to assess and recommend actions to strengthen budgeting procedures at MOE. Additionally, the long-term financial management adviser will assist with establishing an improved budgeting system.

3. Local Currency Reporting

Until all funds in the Special Local Currency Account in CBL, including interest earnings, have been disbursed, the CBL will provide to USAID/Lesotho on a monthly basis a copy of the Special Account bank statement. MOE will be responsible for providing to USAID on a monthly basis a copy of each statement reconciliation. As required by A.I.D. Financial Management guidance, USAID will verify the accuracy of at least one bank statement for the Special Account every year. The CBL will also provide to USAID on a monthly basis a statement of deposits from the Special Local Currency Account into the MOE Education Sector Development Plan Account.

On a quarterly basis, MOE will submit financial reports to USAID showing budget disbursements against USAID/MOE jointly approved annual Education Sector Development Plan budgets. Other reporting requirements, when identified, and formats and substantiating documentation for required reports, will be established through program implementation letters. The MOE locally contracted accounting firm will verify the accuracy of quarterly reports. Failure by the GOL implementing agencies to comply with reporting requirements will result in the delay of future dollar disbursements and release of local currency until compliance is accomplished.

4. Trust Fund Arrangements

The GOL will provide the Maloti equivalent of 10 percent of each dollar disbursement for sector reform performance as a set aside for USAID administrative and program development and support expense use. This allocation of the Maloti equivalent of \$1.86 million will be deposited into an interest-bearing account designated by the U. S. Disbursing Officer for use by USAID. The Program Agreement will refer to a separate Trust Fund Agreement to be executed together with the Program Agreement by GOL and USAID officials. USAID will file an annual report with the designated GOL official on the use of Trust Funds. Further, USAID will follow A.I.D. regulations in the financial accounting and administration of the Trust Funds.

D. Methods of Implementation and Financing

Table 6 lists the implementation and financing methods for PEP:

**Table 6
Methods of Implementation and Financing**

<u>Component</u>	<u>Method of Implementation</u>	<u>Method of Financing</u>	<u>Estimated Amount (\$000)</u>
Sector Assistance	GOL Foreign Exchange Use	Dollar Transfers	18,600
Technical Advisers	A.I.D. Direct Contract	A.I.D. Direct Payment/Ltr. of Commitment	4,664
Program Coordinator	A.I.D. Direct Contract	A.I.D. Direct Payment	830
Training	A.I.D. Direct Contract	A.I.D. Direct Payment/Ltr. of Commitment	470
Commodities	A.I.D. Direct Contract	A.I.D. Direct Payment/Ltr. of Commitment	151
Evaluation/Audit	A.I.D. Direct Contract	A.I.D. Direct Payment	285
Total			<u>25,000</u>

E. Audits

GOL use and management of local currency will be in accordance with A.I.D. policy for DFA sector assistance and A.I.D. local currency policy, including Financial Management guidance. Current policy and financial management guidance on the use of local currency requires USAID missions to ensure that audits of local currency accounts are performed periodically. The CBL annual audits under the management of the Auditor General have already been discussed. GOL AG audits of MOE accounts have been performed selectively, with the last audit in 1989 covering the previous three years.

The Program Agreement will include language requiring annual audits of the Special Local Currency Account in CBL. Additionally, the Agreement will require MOE to arrange for an annual audit of the management of funds for Plan disbursements. The Agreement will also require that an assessment of the GOL AG's capacity to conduct fair, independent and timely audits will be undertaken during the first year of the Program. Based on the results of the assessment, USAID, at its option, may require the GOL AG to conduct audits of the accounts

and the management of funds for the Plan disbursements by an internationally accredited firm. USAID will approve the scopes of work for each audit and require the GOL to submit annual audit reports to USAID. Follow-up reports on deficiencies and recommended corrective actions will be submitted to USAID on a quarterly basis. Non-compliance with audit recommendations or audit recommendations outstanding for periods longer than six months may, at the option of A.I.D., result in discontinuance of dollar disbursements and the associated local currency deposits for sector reforms. Audits and related financial assessments of local currency management may be financed from GOL local currency deposited for the program.

In addition to the GOL-deposited local currency that may be used for audits, an estimated \$60,000 in project funds will be set aside for non-Federal audits of project component activities. Further, the U.S. Regional Auditor General may separately finance and conduct program and financial audits of PEP activities.

VI. MONITORING AND EVALUATION PLANS

A. Objective and Strategy

1. Objective

PEP will support the GOL Education Sector Development Plan which aims at improvements at three levels of the education system: (a) identifiable changes in central policy as evidenced by significantly increased GOL budgetary allocations to education, particularly to primary education; (b) gains in the administrative and management capacity of the MOE to implement the reforms and channel resources to primary education; and (c) over time measurable school-level effects at the primary level through higher net enrollment, greater efficiency in producing school completers, and improved instructional quality.

Monitoring and Evaluation activities within the MOE will assess the PEP at two levels:

- Monitor conditionalities to allow release of sector assistance; (these conditionalities require evidence of program implementation and intermediate program effects); and
- Evaluate the overall impact of the Plan on the educational system in terms of reform at the institutional level and of Program effects at the school level and on pupil population.

Additionally, USAID/Lesotho, in collaboration with the World Bank as appropriate, will:

- Evaluate the effectiveness of the USAID provided technical advisers in strengthening the institutional capacity of the MOE; and
- Conduct an independent external assessment of overall impact of program assistance on the education system at two points during the Plan period.

2. Information Users

The Monitoring and Evaluation (M&E) system will provide quantitative and qualitative information to enable the GOL, USAID, and other donors to assess progress toward reform implementation. The information generated by the M&E system (along with information from other sources) will be used by GOL, USAID, the World Bank and other participating donors to determine if and when conditionalities have been met. This information will also provide feedback on the appropriateness of GOL and donor implementation strategies and the effectiveness of the technical support. Further, the M&E system should provide the GOL with information on constraints which have not been eliminated and which will require continuing GOL attention and resource allocation.

3. Institutional Locus

MOE will be responsible for providing USAID and other donors with the data and analysis necessary to satisfy their M&E requirements. The MOE must (a) demonstrate to the donors that it has met the conditionalities and is implementing the measures prescribed, (b) assess the intended and unintended impacts of these initiatives in moving toward increased educational quality and efficiency, and (c) identify and recommend mid-course corrections to improve performance.

To coordinate the flow of information from various GOL entities, the MOE will establish the position of Program Coordinator in the Planning Unit. The Coordinator will be responsible for monitoring Ministry progress in implementing the Plan, collecting and compiling documentation required to demonstrate MOE progress in meeting the conditionalities, and serving as primary MOE liaison with the USAID Program Coordinator and GDO.

Responsibility for the M&E system rests with the MOE Planning Unit and will depend heavily on data collected through the MOE EMIS, located within the Statistics Office of the Planning Unit. While the Planning Unit already has a computer-based EMIS in operation, technical assistance is provided under PEP to assist the MOE in system strengthening.

USAID and, to a lesser extent, IIEP (discussed later) will take the lead in working with GOL to strengthen and extend the MOE M&E system. The Planning Unit, working with the USAID technical adviser on EMIS and the IIEP short-term consultants, will initiate the creation of an ad hoc data review committee which will operate for five years to assist the MOE Program Coordinator to identify specific donor data needs and to review the responsiveness of GOL data collection, analysis and reporting activities in meeting those needs. The data review committee will coordinate donor data and reporting requirements to eliminate duplication of effort and documentation. Initial committee efforts will assess GOL capacity to analyze and report the data it already collects in ways that contribute to decision making. The committee will also consider ways that information and findings relevant to school-level decision making can be more easily communicated back to the school level. The committee will include the MOE Program Coordinator, the Director of the Planning Unit (if different from the MOE Program Coordinator), the Director of the Statistics Office, the technical adviser assigned to the Statistics Office, the World Bank-financed technical adviser assigned to the Planning Unit and the USAID GDO and Program Coordinator.

IIEP is working with Lesotho in a follow-up on the "Education For All" initiative by assisting the MOE to expand the collection of key indicators for basic education. The aim of IIEP assistance is to help the MOE improve the accuracy and timeliness of information collection and reporting, focusing on indicators considered to be essential for use in making decisions improving the quality of education. The IIEP assistance will extend over three years and will consist of limited short-term technical assistance working with key personnel in the MOE Statistics and Planning Offices. MOE will cover local costs of the collaboration. IIEP efforts will complement those of the technical adviser financed by USAID.

The A.I.D.-financed technical adviser working with the Statistics Office will assist the Planning Unit to ensure the introduction of specific data needs for the Plan to develop appropriate report formats and structures to satisfy both M&E requirements. This adviser will also define and propose to the GOL short-term technical advisers and support interventions--such as a review of current reporting formats, assistance in elaborating neglected process and impact indicators, and/or special studies to collect qualitative data--to supplement GOL activities. However, the adviser's most important focus will be to help the Ministry conduct more effective policy analysis and better use such analysis in managing the education system. A scope of work for the adviser is in Annex K.

Additionally, 12 person months of short-term technical assistance is to be provided over five years to the Planning Unit. This assistance is expected to target: (a) policy analysis for decision-making, (b) design and conduct of qualitative studies and, where appropriate, organizational analyses, and (c) special studies requiring expertise not otherwise available.

B. Monitoring of Conditionalities

1. Approach

Monitoring of conditionalities will serve two purposes: (a) enable the donors to verify GOL support of the Plan and determine release of sector assistance, and (b) identify significant process and output indicators for the evaluation of intermediate and longer term impacts. Tracking GOL performance on conditionalities is not a substitute for evaluation, but a verification of GOL fulfilment of minimum performance criteria agreed to by the GOL as a basis for program review and disbursement of funds. Nevertheless, the monitoring of conditionalities is an integral part of the M&E System. Much of the information collected to track GOL fulfilment of conditionalities will serve as a data base for subsequent formative and summative evaluations.

Monitoring conditionalities is a shared donor function. The World Bank will take primary (but not exclusive) responsibility for monitoring GOL progress in meeting conditionalities related to MOE reorganization, legislative enactment and educational expenditures. USAID will take primary (but not exclusive) responsibility for monitoring conditionalities related to establishing minimal educational conditions in the primary schools, as described in the Plan document, and disbursement of PEP local currency. For example, USAID will need evidence in 1995 that under- and over-age children are no longer being enrolled and that instructional materials have been received in the schools. USAID and the World Bank will coordinate conditionality monitoring and share documentation.

Two means of assessing GOL responsiveness to conditionalities will be used: (a) written documentation to demonstrate the specified actions have been accomplished and (b) data collected through the EMIS.

2. Donor Reviews

Donor collaboration is a key element of PEP. The World Bank and USAID will jointly review GOL reports and documentation, addressing the conditionalities in a donor technical meeting prior to meeting individually (or together) with GOL representatives in formal review meetings. USAID will be represented by the USAID Program Coordinator and GDO. The technical adviser assigned to work with the EMIS will also participate.

USAID and the World Bank will require copies of reports and documentation responding to the conditionalities for which the other donor is taking primary responsibility for monitoring. The donor technical review meeting will be an opportunity to discuss perceptions of GOL performance, identify constraints to disbursements, and harmonize discussions with the GOL. Neither institution, however, is constrained by the other's assessment of GOL performance. Should, for example, USAID not be satisfied with GOL responsiveness, this by itself need not affect the World Bank's decision to proceed with fund disbursement. Nonetheless, the intent is that donors will coordinate and base discussion on the same data and preliminary conclusions in an effort to eliminate conflicting signals to the GOL.

USAID's formal review meeting with the GOL will result in either approval for disbursement of the subsequent dollar release(s) or in a request for further substantiating data. Should the GOL not meet the conditionalities, USAID will postpone disbursement until conditions are met. The MOE Program Coordinator located in the Planning Unit will coordinate PEP activities for the GOL. To assist the GOL in meeting the conditionalities, a Program Work Group will be formed, consisting of the USAID Program Coordinator and GDO, the Permanent Secretary, the MOE Program Coordinator, and the Director of Planning, to monitor GOL progress in fulfilling conditionalities and suggest solutions to constraints inhibiting Plan implementation.

Documentation demonstrating GOL fulfilment of conditionalities will include the written plans, reports and other documentation specified by USAID in its conditionalities, which will be produced according to a format agreed upon with the GOL. It is expected that the technical advisers assigned to the MOE Planning Unit and Statistics Office will assist the Planning Unit develop the data collection instruments and report formats that respond to USAID conditionalities.

C. Monitoring and Evaluation

In addition to monitoring conditionalities, both MOE and USAID will monitor program implementation and evaluate the impact of activities and policies supported through PEP, with the MOE taking primary responsibility. Included will be:

- GOL progress in implementing measures prescribed in PEP;

Effects of PEP on educational system and target groups (including effects on male and female students and over- and under-age children); and

- **Effectiveness of technical advisory services.**

MOE will monitor program implementation as well as conditionalities, covered earlier. However, it is anticipated that MOE will commission or conduct a series of special studies to examine possible unanticipated impacts of implementation, particularly the cross-impacts of program components, as a basis for mid-course adjustment in strategy, the design of component activities, and scheduling. For example, a conflict may exist between a parent's option of automatic promotion for his child and promotion based on the criterion-referenced test results. Or, the rapid influx of unqualified teachers may pose unanticipated problems in schools prior to the point when teachers receive sufficient in-service training. Further, effects on children who may be disadvantaged by the reforms will be assessed and recommendations made to address their problems during program implementation. A set of such special studies will be identified each year as part of the Ministry's strategic annual plan. It is anticipated that the technical advisers assigned to the Planning Unit and Statistics Office will provide assistance to the MOE in identifying and, as appropriate, designing such studies.

1. Assessment of Program Impact

Program impact will be assessed at three, progressively broader levels: program outputs, program purpose, and program goal. The following sections describe the types of evaluation questions that might be addressed at each level:

a. Program Outputs

Program outputs address the intermediate and terminal modifications and improvements in the education sector as a result of this program assistance. Intermediate issues include the extent to which the program components were implemented and the effectiveness of the technical support. The measurement of implementation provides an initial indication of the likelihood of success of the PEP, for program assistance is predicated on the assumption that these activities, if properly implemented, will result in a higher quality of education for a greater number of children.

The output-level question asks: To what extent has the GOL been able to improve its internal management and administration? Have resources been increased for primary education? Have the necessary steps been taken to ensure proper age-within-grade enrollment? Have the necessary steps been taken to increase teacher supply? Have conditions been put in place to allow for quality improvements, such as teacher upgrading and development and distribution of instructional materials to the schools? In essence, these questions aim at tracking the extent to which the GOL has followed the PEP blueprint.

Similar output-level questions will be posed with respect to the USAID technical support package: Has appropriate technical assistance, training and equipment been provided to the MOE to enable quality improvements in its operation and support of primary education? Has the technical adviser been effective in helping the MOE implement new procedures for budgeting, expenditure tracking, monitoring and evaluation?

Indicators that address these questions are discussed in Appendix J and include:

- Reduced student repetition and drop-out rates
- Increased availability of instructional materials in the schools
- Increased number of qualified teachers assigned to the primary level
- Drop in student/teacher ratio
- Increased amount of instructional supervision at the school level
- Increased furniture at the lower primary grades
- Improved patterns of school-Ministry and Intra-Ministry communications.

Most of the information used for assessing outputs will come from the documentation prepared for the conditionality review. These data will be collected on both a quarterly and an annual basis: financial allocations and expenditures will be presented in quarterly reports prepared by the MOE; progress on reform measures will be reported by the Planning Unit (and other departments) and incorporated into the GOL annual report to USAID. USAID and the World Bank will finance technical advisers to assist with identifying information requirements, upgrading MOE management information, conducting policy analysis and interpretation of available data, and developing report formats. In addition, USAID will provide 12 months of short-term technical assistance during the program to assist in the design and conduct of special studies and to provide expertise in areas not well represented in the Ministry or among the long-term technical advisers.

b. Program Purpose

The purpose of PEP is to improve the quality and efficiency of primary education through the establishment of a new policy framework and reformed institutional structure. The end-of-program status indicators will show the extent to which increased access to schooling, more efficient flow of students, increased availability of instructional materials, improved physical conditions, and more qualified teachers and instructional supervisors have been achieved and are being integrated to yield a more efficient education system. To a large degree, the extent that these ends have been achieved and are having a combined impact on the educational experience of Lesotho primary pupils will be indicated by changes in trends on indicators of student flow, teacher supply and demand, classroom environment, and the availability of instructional materials in the schools, data that will largely be available through the MOE EMIS.

c. Program Goal

The program goal is to contribute to the economic and social development in Lesotho by providing Basotho with improved basic education without reducing access. PEP is undertaken on the basis that it will contribute to creating the necessary conditions to achieve this longer term goal. The six-year time frame envisioned for the present program assistance is not sufficient to permit meaningful measurement at this level of impact.

d. Strategy for Impact Assessment

Program impact (at all three levels of specificity--outputs, purposes, and goal) will be assessed in three principal ways. The main source of data for these indicators will be the statistics compiled annually as part of the MOE EMIS and presented in the MOE annual statistical report. Second, the MOE Planning Unit will coordinate a series of evaluation studies and planning activities to provide MOE with information on the impact of activities and policies initiated under the Plan. For example, a special study might examine the extent that teachers with different levels of training actually employ different pedagogical practices. Many of these studies are built into the conditionalities. Additionally, the MOE will undertake evaluation activities to ascertain the cumulative impact of strategies and initiatives being undertaken. A list of indicators appropriate for assessing program impact, sources of those data, and a fuller discussion of impact assessment are presented in Annex J. Third, USAID and the World Bank will sponsor two external, independent evaluations, described below. A diagram of data flow that will support the monitoring and evaluation activities under the PEP is also included in Annex J.

2. External Evaluations

USAID and the World Bank will jointly sponsor two external evaluations, the first to occur during the second year and the second to occur in the final year. It is anticipated that USAID will be delegated responsibility for evaluation of primary education (except for monitoring of school construction and furnishings) and that the scope of work for the primary education evaluation will incorporate the more specific needs of USAID as well as the more general needs of the World Bank.

The first external evaluation will suggest any needed mid-course strategy corrections, based on MOE progress in meeting initial conditionalities, implementing the reforms, and managing the resulting activities. The rapid changes in the economic, political, and social conditions of the country and the region make it imperative that the appropriateness of the activities and conditionalities specified in PEP be re-examined at appropriate intervals. In addition to assessing the extent that the Plan is being implemented, the evaluation will examine unanticipated program impact and possible undesirable cross-impacts of program activities. Further, the evaluation will assess the usefulness of the local currency program to the GOL in facilitating policy reform implementation, including the financial management capacity of the GOL and the impact of the local currency

program workload on the Mission and the GOL. The evaluation must include a recommendation whether local currency deposits for reform implementation should be continued or discontinued.

The final external evaluation will focus on the overall impact of the Plan reforms on primary education development. A list of indicators for the assessment of program impact is in Annex J.

3. Coordination of Monitoring and Evaluation

The MOE Program Coordinator will have overall responsibility for ensuring that the various MOE Departments understand what activities they are to undertake, the schedule on which those activities are to occur, and what information they must provide to document their progress. The Coordinator will have responsibility for collecting and compiling the documentation from the relevant MOE units that must be presented as evidence that conditionalities have been met.

D. Data Collection and Information Management

MOE already has a computer-based EMIS system which collects school level data annually and prepares an annual statistical report. Under PEP, the range of data and the types of analyses will be expanded. The primary emphases under PEP will be to increase the use of these data for planning, resource allocation, and program management and to disseminate data summaries and interpretations in ways that assist education decision makers at lower levels of the education system. Ministry staff will be encouraged (and assisted) to conduct policy analyses to identify the possible consequences of alternative courses of action. Educational managers at the district and school level will be encouraged to consider local and regional data in their own decision making. A detailed plan for expanding the data collection, analysis and dissemination activities of the EMIS will be developed as part of the PEP and is a condition for the first disbursement of sector assistance.

E. Monitoring Local Currency

USAID and the MOE will monitor local currency expenditures to ascertain that the amount of local currency deposited by the GOL for the sector program is used for primary education sub-sector reforms. The MOE Financial Controller will be responsible for maintaining appropriate records and preparing the designated reports, as described in Section V.C. However, the MOE Program Coordinator will have overall responsibility for ensuring that the designated reports are submitted on time and are combined with the appropriate supporting documentation for submission to USAID.

F. Reporting

While the primary responsibility for conducting M&E activities under PEP rests with MOE, the schedule it adopts must also respond to the reporting

requirements to which USAID/Lesotho is held. The following list identifies three main reporting requirements:

-- On a quarterly basis, the MOE must submit reports to USAID on disbursements made for approved annual Plan budgets to provide USAID with the basis for certifying that the local currency has been expended for primary education activities.

-- In October of each year, USAID must submit to AID/Washington an annual Assessment of Program Impact (API) Report. The API will largely be based on the information contained in the EMIS for the prior school year and the annual Plan progress reports submitted by MOE to USAID/Lesotho in March of each year.

-- USAID, the World Bank, and MOE will conduct four progress reviews (in September 1991, March 1993, September 1994 and December 1995) to determine MOE progress in meeting the CPs to dollar disbursements, for which progress reports will be required.

VII. SUMMARIES OF ANALYSES

A. Technical and Institutional Analyses

1. Technical Analysis

From 1989 through early 1991, the MOE--with assistance from USAID, the World Bank and other donors--carried out education sector analyses and studies of approaches to address constraints to the improvement of primary education improvement within that overall context. Major technical analyses used in PEP preparation include: AED, BANFES, 1989-1991; Makhetha and Pitso, 1991; MOE, 1987; MOE, 1989; Mohapeloa, 1990; Read, 1991; Strathclyde, 1991a and 1991b; Turner, 1987; World Bank, 1988; and World Bank, 1989 (see Annex N for the bibliography). Recommendations from these analyses form the basis for the preparation of the Education Sector Development Plan, 1991/92-1995/96, and the policy and institutional reform matrix for the sector. The MOE Planning Unit has coordinated the development of the Plan by involving various MOE units, church education secretariats, school proprietors and educators in meetings, studies, and unit sub-plan development activities. USAID, AID/PPC and World Bank staff have worked closely with MOE officials in the final Plan drafting and matrix preparation.

The sector studies point clearly to the priority of improving primary education during the next five years to ensure that Basotho can participate more effectively in development in their country and the region. The quality and efficiency of primary education had begun to deteriorate at an accelerating rate while greater attention and more finances were directed to the secondary and higher education levels. But, given financial constraints, choices were needed among the various sub-sector investments. The Plan emphasizes these choices, placing priority on increased resources for primary education and limiting resource increases for other levels. Key areas identified for improving the quality and efficiency of primary education are those jointly supported by USAID and the World Bank.

2. Institutional Analysis

a. Overview

While the Plan exemplifies a comprehensive and technically sound approach to developing a quality efficient primary education system, it is ambitious and will require improved skills and, in some cases, additional staff. Institutional analyses point out the strengths and weakness of the implementing entities and recommends appropriate actions. Major institutional analyses used in PEP preparation include: Strathclyde, 1991a and 1991b; World Bank, 1989; KPMG Peat Marwick, 1991; Turner, 1987; Rideout, 1991; and Chapman, 1991 (see Annex N for bibliography). The planned reorganization and improved management will help address staffing gaps. Additionally, the MOE has agreed to provide additional staff to key units (Planning Unit, NCDC and Financial Controller) as part of the PEP reform actions. MOE has already expanded the number of Inspectors and District Resource Teachers. Further, USAID will provide

technical advisers where needed either to strengthen existing units (financial controller, policy analysis in planning unit) or to expand activities (NTTC, NCDC evaluation unit).

The analysis of training needs and available in-country training programs concluded that in-country and on-the-job training should be emphasized. Where long-term external training is needed (evaluation, teacher training), certificate rather than degree programs will be emphasized. USAID will also ensure that returned participants are retained by their institutions. Overall retention is good but the loss of returned participants in education to other GOL entities and to the region is a growing problem.

The restructuring of MOE into four key functional divisions--Support Services, Curriculum Services, Teacher Services and Management (Inspectorate)--and Planning Unit and the autonomy of NTTC should result in improved communication and management and better staff utilization. Staffing of the restructured MOE and NTTC involves the transfer of positions to needed areas, with some increase in staff for planning, evaluation, education management information systems, and financial management.

b. Key Implementing Units

Planning Unit. The Planning Unit currently has five staff positions, one of which is assigned to an international adviser in education planning. One staff member in training is soon to return. However, the demands of coordinating and monitoring the Plan will require two additional staff, which MOE has agreed to provide. The Statistics Unit within the Planning Unit is sufficiently staffed, but needs to improve data analysis capacity for policy formulation. USAID will provide a technical adviser for five years to assist with this strengthening.

Management Division. Inspectorate functions will be devolved to the district level and additional inspectors will be provided. Under the Inspectorate, District Resource Teachers will continue to provide professional support to teachers. Devolution of school management involves role changes for proprietors and communities leading to better accountability for education policy implementation. Reforms affecting this division are expected to proceed with no serious problems.

Curriculum Services Division. This division will be reorganized, especially NCDC, to improve the efficiency of curriculum revision and production. NCDC test and evaluation capacity will be expanded by one staff position to support continuous assessment and standard 3 achievement testing. Training for evaluation staff, possibly long term, will be provided. A technical adviser in evaluation will be provided for three years to help with the development of a standard 3 achievement test and end-of-level guidelines for pupil assessment. The modified role of the Instructional Materials Resource Center will lead to increased use of private publishers to produce instructional materials. The School Supply Unit will continue to produce and distribute textbooks through the text

revolving fund. With the planned improvements and staff additions, this unit should be able to improve its efficiencies.

Support Services Division. This division includes personnel, procurement, audit and the financial controller. While the GOL has an adequate financial system in place throughout the GOL, inadequate numbers and quality of staff in MOE require attention to improve timely budgeting, record-keeping and financial information for decision-making. PEP will provide a technical adviser to help improve systems. The MOE will provide additional accounting staff and employ the services of a public accounting firm to assist with improvements in its systems. Further, each unit will be responsible for the development and implementation of annual plans and budgets for planned programs. These measures should enable MOE to improve its system over the Plan period.

Teaching Services Division. The Plan calls for the consolidation of teacher personnel assignment and payment and eventual devolution to the District Education Offices. Further, MOE will assign teaching positions to schools based on student population, rather than making overall grants of teaching positions to education secretariats, as is done now. The division has made good progress in computerizing personnel records and payment. The anticipated reforms will improve efficiencies and with the training planned for district personnel should proceed as planned.

NTTC. The analyses call for the reorganization of NTTC into three programs (Primary, In-service, and Secondary) and expansion of the in-service teacher training program to train 260 teachers annually. Establishing the in-service training for primary teachers program will strengthen primary teacher training, which has heretofore been neglected in favor of secondary teacher training. Lesotho In-service Education for Teachers (LIET), a distance qualification program, will be shortened and made equivalent to the PTC. LIET will train some 450 unqualified new teachers in a three-and-one-half year program to help meet the expanded need for primary teachers. Additionally, NTTC management will be strengthened through autonomy, personnel administration measures and reorganization. USAID will provide long-term training for five staff to upgrade PTC staff. USAID will also provide a technical adviser for two years to help with the reorganization and strengthening of management at NTTC. Further consideration needs to be given to strategies for expanding new teacher training to 260 new teacher each year. Current plans call for raising student entry requirements to the completion of secondary school, possibly shortening the training program to two years and expanding facilities to accommodate more students. The Plan calls for NTTC construction and partial funding has been obtained. But, in the absence of full support greater attention should be paid to adjusting programs to meet short-term teacher requirements.

B. Economic Return Analysis

Summary Conclusions. The returns to investment in primary education in Lesotho are positive based on the cost saving in producing a completer. The economic analysis of primary education reforms for 1991-2000

shows that the internal rate of return (IRR) to investing GOL-owned local currency and project funding under PEP (hereinafter, PEP-related funding) in primary education reforms is 51.3 percent while the return to total funding for basic education provided by all donors and GOL under the Education Sector Project is 16.7 percent. The lower cost formula in a sense compensates for the unquantifiable positive externalities; hence, the higher IRR is not unreasonable. With the program, the average graduation rate per cohort increases from 47.7 to 48.3 percent while the average completion period per cohort decreases from 13.8 to 13.2 years over the analysis period. It is expected that the impact of the program on efficiency parameters will increase in the longer term. (The detailed economic analysis for PEP, including sources and tables is in Annex L.)

Analytical Approach and Assumptions. In analyzing the economic return to investing in primary education in Lesotho, the approach has been to determine the cost-effectiveness of reforms in the sub-sector. Accordingly, the economic benefits of primary education reform are estimated as the cost saving in producing a completer of the primary school cycle under the reform program, compared with the cost of completion under the existing system. The benefit of cost saving is obtained from efficiency gains achieved due to an expected decrease in cycle times for completing primary education arising from reduced dropout and repetition rates.

Graduation rates and cycle times were obtained from cohort analysis based on 1989 flow rates applied to annual intakes. It was assumed that no perceptible reform impacts on efficiency factors would occur in 1991 to 1993 and that the enforcement of limitations on repetitions per cycle would start in earnest in 1995. The 1991/92 expenditure on primary education per pupil was used to determine the base expenditure on completers.

Efficiency Parameters. The results of the economic analysis for 1991 to 2000 using the basic assumptions on entrants and annual changes in repetition, dropout and promotion rates outlined earlier are presented in Annex L. The average graduation rate without the program is 47.7 percent compared with 48.3 percent with reforms. The average cycle times of completion per cohort of entrants are 13.8 years without reforms and 13.2 years with reforms. These results are realistic compared to historical levels of graduation rates and completion cycles achieved in Lesotho. In the period 1980-1989, the annual average completion time was 14.4 years and the graduation rate, 44.9 percent. The lowest graduation rate of 40.0 percent was obtained in 1983, along with the highest cycle time of 15.3 years. During that period, the highest graduation rate was 53.2 percent in 1986 accompanied by the lowest cycle time of 12.7 years. The decline in efficiency parameters from 1986 to date has been due to underinvestment in education. The underinvestment contributes to the longer time needed to show substantial improvements in cycle times. Hence, the program begins to show substantial impacts on years invested in primary education from 1997. Given the time lag in observing the impact of reforms on efficiency, and historical levels of efficiency parameters, the projected efficiency ratios are plausible and not overly optimistic.

Economic Results. The base analysis is undertaken to determine the cost saving in producing a primary school completer associated with only PEP-related funding. This involves setting the incremental cost of the primary education reform program due to PEP-related funding against the benefit stream from the program. The net present value (NPV) of the net benefit stream discounted at 12 percent is \$23.5 million. At 18 percent discount, the NPV is \$14.4 million. The IRR to investing AID funding in primary education reforms is 51.3 percent.

The above IRR is high because only the incremental cost of AID PEP-related funding was considered. Since PEP-related funding represents only a portion of the total financing of the Education Sector Project (ESP), a second economic analysis has been undertaken to reflect the total additional cost of the reform in primary education due to funding from all sources. The results show that the NPV of the net benefit stream discounted at 12 percent is \$4.1 million but turns negative \$0.8 million at 18 percent discount. However, the IRR is 16.7 percent, representing a high rate of return to investment in basic education under the ESP.

Sensitivity analyses of the returns to PEP-related funding were conducted under three scenarios. The first involves a one-year delay in disbursement of PEP-related funding to reflect possible AID/Washington budget programming constraints. The results show that the NPV of the net benefit stream discounted is \$24.8 million at 12 percent and \$16.0 million at 18 percent. However, the IRR cannot be computed because of sign reversals in the net benefit stream.

The second sensitivity analysis tests the effects of a more pessimistic cycle time with reforms. Unlimited repetitions per cycle stop in 1997 compared to 1995 in the base case. Also, the rate of decline in both annual repetition and dropout rates per standard from 1994 is 0.001 compared to 0.015 and 0.006, respectively, in the base case. The average cycle time of completion with reforms increases to 14.7 years from 13.2 years in the base case. The NPV is \$22.8 million at 12 percent discount and \$13.3 million at 18 percent discount. The IRR drops to 45.2 percent because the average graduation rate with the program decreases to 42.7 percent compared to 48.3 percent in the base case.

The third sensitivity analysis tests the effects of worsening efficiency without the program by incorporating an annual increase of 0.001 in both repetition and dropout rates per standard from 1995 compared to a decline of 0.001 in the base case. Cycle times without the program rise from 14.1 years in 1991 to 14.9 years in 2000. Compared to the base situation, the average graduation rate without reforms drops from 47.7 to 45.3 percent while the average cycle time increases from 13.8 to 14.4 years. The NPV is \$10.9 million at 12 percent discount and \$12.8 at 18 percent discount. The IRR drops to 49.6 percent.

C. Social Soundness and Gender Analyses

1. Social Soundness Analysis

a. Targeted Groups

The targeted population of PEP includes students, teachers, district resource teachers and head teachers of primary schools in Lesotho. The main target is the children attending primary school, especially children in lower primary. More than 7000 primary teachers, the majority of whom are women, are targeted to undergo training or attend workshops and to benefit from increased salaries and better working conditions. The institutions of MOE and NTTC are targeted for expansion, reorganization and strengthening.

This section outlines the major social constraints to PEP and other social issues, and outlines how they will be addressed in the program. The principal social soundness analysis used in PEP preparation was Khabele, 1990 (see Annex N for details on all bibliographic references).

b. Constraints to Education of Basotho Children

Economic Constraints. Basotho children often perform work for their families instead of attending school. Many rural Basotho boys, herd and care for livestock from an early age. A lesser number of girls may be kept home to babysit, help with household chores, work in the fields, or collect firewood or wild vegetables. An estimated 29 percent of agricultural labor is carried out by children (Settergren and Crouch, 1989). Data on the economic importance of child labor is not available.

Payment of school-related costs by parents constitutes a constraint to school attendance by poorer pupils. Costs include annual tuition fees, textbooks, exercise books, and supplies and school uniforms. Total annual costs per child may prove a hardship on low income households in rural areas.

The inefficiency of the present school system is itself a constraint to education of Basotho youth. Even when attending school regularly, the child will not necessarily receive a good education. Parents may be reluctant to pay for the child to sit through the same overcrowded, understaffed standard for yet another year with little hope of improving skills.

Geographical Constraints. Mountainous terrain and lack of roads in rural areas hinder dissemination of teaching materials, information, and other supplies. Workshops and training for rural teachers involve logistical problems. Long distances to schools, harsh weather conditions and swollen rivers, especially in the mountains, may deter parents from sending young children to school.

Primary school completion rates reflect the regional differences in Lesotho: 21.8 percent of the population in Maseru have completed primary school; 24.4 percent in other urban areas; and 14.5 percent in rural areas (Household Budget Survey 1986/7). Major disparities exist among the wealth and conditions found in urban and rural areas, where 84 percent of the population live. Maseru, the capital city is unquestionably urban with high-rise buildings, paved roads, and traffic jams, while most rural areas are characterized by mountainous rangelands, subsistence farming, rondavel huts that lack electricity and sanitation, and poor or non-existent roads.

Sociopolitical Factors. Broad changes taking place in South Africa and throughout southern African are affecting the migrant status, work patterns, incomes, family relationships, and educational needs of Basotho men and women. At present Lesotho can educate only part of its population, resulting in a high rate of functional illiteracy. Social readjustment by Basotho, including a redefinition of the importance of a good basic education, is necessary to counteract the effect of large numbers of returning miners, high inflation rates, and increased competition for scarce jobs. Under those conditions, a primary education program in Lesotho becomes not only feasible but necessary to support social and economic development.

c. Impact of PEP

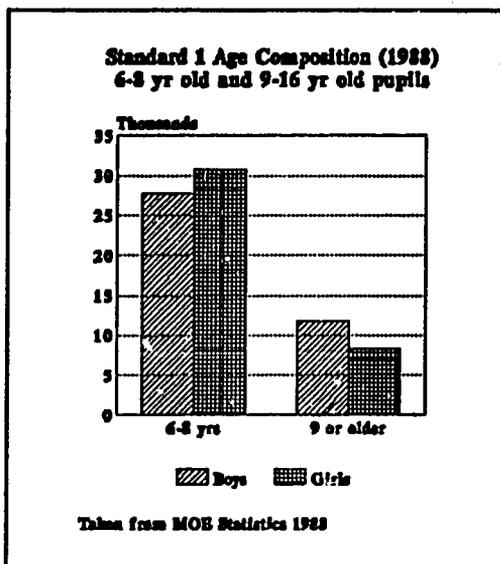
The major impact of PEP will be on the Basotho primary school system, its teachers, pupils, school managers, district resource teachers, and associated institutions. Primary beneficiaries of the PEP will be the more than 348,000 children enrolled in primary school, especially those in lower primary.

Some of the reforms under PEP will require social adjustment on the part of Basotho. The requirement that children younger than six years will not be admitted into standard 1 will help reduce the overcrowding in lower primary school and facilitate learning. However, especially in urban areas, it could cause problems for many women heads of households who migrate to find full-time domestic work and find it necessary to send children to school as young as four years old. The problem of what to do with these under-age children will likely be solved by the private sector as more kindergartens and nursery schools are started. Whether these will be affordable for women earning domestic wages is not known. The policy restricting under-age children probably will have little impact in the mountains, where children usually start school later.

The age limitation to six to eight years for children entering standard 1 will have an enormous impact on the efficiency of primary schools. Many social and learning problems will be avoided by removing over-age children from early primary grades. However, this policy may have the unintended impact in rural areas of excluding a substantial number of children from the formal education system (See Figure 1). For parents who rely on children to help with household tasks, difficult choices will be required. In the past, parents could retain children as needed and start them at school at a later date, even if over-age. Boys in particular are affected, since they traditionally herd livestock at an early age and

start school late. A lesser of number of girls will be excluded. Although non-formal education is available (for about 2,000 students) through programs administered by the Lesotho Distance Teaching Center and other organizations, there is no well developed or dependable alternative for children isolated from the primary school system.

PEP will not directly address all of these constraints to school attendance. Economic constraints may still induce parents to keep their children out of school to herd cattle, work in the fields or babysit, or to save funds otherwise going for school fees and/or school uniforms. However, if the program moves forward as intended, the number of repetitions per child and the numbers of years required to finish school should decrease, resulting in direct monetary savings to parents.



Teachers will be positively impacted by training programs, better teaching conditions and salaries. Those who teach in remote mountain areas will be rewarded with increased hardship allowances.

d. Social Issues and Proposed Solutions

Education of Over-and Under-age Children. Alternative education programs for children excluded from the formal school system because of age limitation are not provided directly addressed by reforms supported under PEP. However, PEP will provide technical assistance for special studies such as identifying constraints to school attendance, especially for the poorer rural children, including herd boys. Further, UNICEF is planning to assist with non-formal education programs for special groups including those unable to attend primary school.

The under-age enrollment reform will be enforced starting in January 1992. In order to prepare parents, which are mainly urban female-headed households, an information campaign will be conducted in 1991. Private sector development of preschools coupled with UNICEF assistance should provide alternatives for these children.

The age restriction policy for over-age pupils will be implemented mainly in lowland areas and only in the latter part of the program, after an intensive information campaign has been undertaken to give Basotho time to adjust and prepare. Further, the MOE plans to review the constraints associated with this measure as it monitors implementation of the reform and take necessary action to resolve problems as the reform progresses.

Geographical Considerations. Because most of the population in Lesotho live in rural areas, it is important to ensure that educational improvements extend there. The plans to decentralize and establish 10 District Resource Centers is a positive step to ensure distribution of benefits. Rural teachers will be supplied with venues for professional help through the establishment of District Education Officers and District Resource Teachers workshops and information. In turn, primary rural pupils will benefit.

Socioeconomic Issues. The long-term effect of PEP will be that young Basotho will be better educated to participate in the economic and social development of the country. In the short term, economic hardship affecting school attendance will still exist, especially in rural areas where many households have no cash income. Monitoring and evaluation objectives of PEP include a detailed study to investigate specific aspects of education to overcome causes of drop-out and repetition rates. This study could shed more light on the economic situation with respect to school issues and provide recommendations for GOL and donor support.

The increased efficiency of the school system will likely be an incentive for parents to send their children to school. The investment by parents is more likely to be valued with a child who successfully completes school.

Returning miners from South Africa and the decline in the available mineworker positions will affect the economic and social balance in Lesotho. The education of Basotho boys, hitherto at a much lower rate than that of girls, will be a necessary step to provide them skills to participate in social and economic development.

School feeding programs. The phasing out by the World Food Program of school feeding may have an effect on the capability of the child to learn, and on school attendance rates. One study suggests that school feeding has been a major incentive for poor families to send their children to school in rural Lesotho (Gay et al., 1990). Under World Bank conditionalities, however, the MOE will identify programs to ease out school feeding.

2. Gender Analysis

a. Overview

Lesotho is a society where women are largely responsible for household management, agriculture, and the maintenance of rural social, economic, and cultural life. This situation has evolved through necessity, since an estimated 50 percent of workforce-aged men (130,000-140,000) (Bureau of Statistics, 1989) are migrant laborers, predominantly in the mines of South Africa. Among the rural population, 28 percent of the households are headed by women, and an additional 27 percent are headed by males who are absent, making them de facto female headed households (Settergren and Crouch, 1989). Women are predominantly employed in private and parastatal organizations, businesses such as manufacturing, wholesale and retail services, and as civil servants. There are

significantly more women than men in the domestic labor force. However, this situation will change if, as predicted, the number of jobs available in the mines of South Africa for Basotho men declines sharply. The likely result will be a flood of uneducated and unskilled male labor force as miners return, very high unemployment rates, and increased poverty in rural areas.

The educational situation in Lesotho is very unusual for Africa -- namely, women are better educated than men. Women in Lesotho have a long history of access to education and higher rates of literacy than men, as well as higher literacy rates than women in most other African countries. School promotion rates are higher and dropout rates lower for females than for males. Women make up the majority (77 percent) (Bureau of Statistics, 1989) of primary school teachers and are well represented at the MOE in all but the highest positions.

Young Basotho boys are responsible for the herding and care of livestock, which prevents or limits their school attendance. During summer they escort the animals to distant mountain cattleposts for grazing, and during the winter, when animals are returned to the village, boys herd them in the surrounding hills on a daily basis. Because of these responsibilities, boys tend to enter primary school late or not at all, attend classes irregularly, and leave school early to work in the mines in South Africa. Often an over-age boy will be sent to school only after a younger brother has relieved him of his livestock duties. Education of boys has taken somewhat of a backseat in Lesotho due to the availability of jobs in the mines of South Africa, where, despite lack of education, the male migrant force is able to earn good wages. However, with the decline in migrant labor employment in South Africa, education for boys is urgently needed to improve their productivity.

A smaller number of girls are kept home from school to care for younger siblings, work in the fields, or collect wood or wild vegetables. Gender constraints are reflected in school attendance rates: only 10.6 percent of adult Basotho males have completed primary school, compared with 20.1 percent of the females. More than twice as many males (33.5 percent) as females (13.1 percent) receive no formal schooling at all (Bureau of Statistics, 1989).

Although better educated than men, Basotho women are constrained from fully participating in the economy by being subjected to the legal status of minors, unable to independently sign contracts or own property. A woman under customary Basotho law is under the guardianship first of her father, and later her husband. Without consent of her guardian a woman cannot enter into a business or legal contract, apply for a scholarship, enroll in an educational institution or undergo surgery. Furthermore, she cannot own property. Little progress has been made by policy makers to enact anti-discriminatory laws or to prohibit discriminatory practices. The legal situation of women in Lesotho is an impediment to economic development.

The USAID Gender Report, prepared semi-annually, gathers information on legal constraints for women. Information on PEP and the

legal status and rights of women in MOE will be included in this report. Also, USAID has recently executed a cooperative agreement with the Federation of Women Lawyers to carry out a campaign to inform women of their legal rights.

b. Approach

As part of the Plan, the MOE will conduct three studies to improve the quality of education, including investigation into the causes of drop-out and repetition. These studies will likely clarify the situation of boys and girls who do not attend school, recommend ways to include them in the system or develop alternative educational opportunities. This is especially important for herdboys, who because of their herding duties and tendency to start school late, may become isolated from the formal school system once the age restrictions have been imposed.

Basotho women often migrate to urban areas to find domestic work, and send their young (four years) children to school. These female-headed households are likely to be adversely affected by the barring of under-age children from primary schools. Private sector development of quality and affordable day care centers and kindergartens may fill the void. Donors such as UNICEF may become involved in pre-school education.

PEP teacher training programs will probably involve more women than men, since the majority of teachers are women. Care will be taken to include women at all levels of project training, to ensure that they achieve positions of authority such as headteacher, inspectorate and district resource teacher. USAID experience with the ongoing BANFES Project has been good: females made up 42.4 percent of overseas trainees, 62.9 percent of regional trainees and 68 percent of in-country trainees. PEP will likely do as well or better. Training under the program will be tracked and reported in the semi-annual USAID gender reports. Project counterparts at MOE will include women. In recruiting technical advisers for the project, every effort should be made to consider qualified women candidates.

The new instructional materials developed under the project will include stories about men and women, boys and girls, in a variety of situations, and will attempt to provide appropriate role models of both sexes engaged in traditional and non-traditional pursuits. All primary school children will benefit from the improved classroom materials.

D. Environmental Analysis

The Africa Bureau Environmental Officer has approved the Initial Environmental Examination recommending a categorical exclusion. (see Annex F). No further analysis is required.

ACTION COPY

ANNEX A

In reply please quote: HON. MIN/USAID/56

Cable address: PLANNOFF

Your Reference: ALT/LM

Telephone: 311619 Maseru

UNITED STATES
A. I. D.
14 MAY 1991
MASERU LESOTHO



USAID/LESOTHO

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OFFICE OF THE MINISTER
OF PLANNING, ECONOMIC
AND MANPOWER
DEVELOPMENT
P.O. BOX MS 630
MASERU 100
LESOTHO

13th May, 1991

Mr. Gary Towery
Director
USAID
Box 333
MASERU.

NAM	
Action Taken	
File:	
.....	
Initial	Date

Dear Mr. Towery,

The Government of Lesotho hereby requests a financial assistance grant of approximately \$25,000.00 to help improve the delivery of primary education to Basotho children. The program will involve policy reforms and institutional strengthening to improve the quality and efficiency of the primary education system.

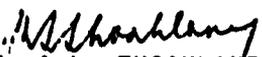
The program will involve the transfer of approximately US\$17 million to be released to the Government of Lesotho in tranches upon performance of reforms in the Education Sector. An additional estimated \$6.5 million will be provided to finance off-shore technical advisory and training costs related to the program. A further estimate \$1.7 million will be placed in a trust fund to support administration of the U.S. Economic Assistance program in Lesotho.

The Government of Lesotho will deposit in a special account an amount in Maloti equivalent to each dollar disbursement to support reform activities related to primary education, such as improved education management, improve capacity for monitoring and evaluation of education, improved teacher training and professional support, improved curriculum and instructional materials, and enhanced school environment. The ultimate goal is to create a primary education system that provides quality education for all Basotho children on a sustainable basis.

2/....

Please note that there has been consultations and cooperation between the staff of the MOE and that of the AID Lesotho in the development of a coordinated comprehensive education development plan - 1991/92 - 96, which will form the basis for the MOE's chapter of the Five-Year Development Plan. We look forward to negotiating and implementing the proposed program with USAID in the near future.

Yours sincerely,


HON. A.L. THOAHLANE.
Minister of Planning, Economic and Manpower Development.

c.c. P.S. EDUCATION
P.S. FINMIN

**PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK**

Life of Program:
From FY 1991 to FY 1997
Total US Funding \$ 25 Million
Date Prepared: August 30, 1991

Program Title & Number:
Primary Education Program, 832-0225, 632-0230

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Sector Goal</p> <p>To contribute to the economic and social development of Lesotho by providing Basotho with improved basic education, without reducing access</p>	<p>1) Increase in net enrollment from 79 to 80% of age 6-12 by 1997 2) Increase in percentage of enrollees graduating, from 46.3 to 60.3% by 2000 3) Decrease equivalent years per completer from 14.1 to 10.6 year 2000</p>	<p>- EMIS reports</p>	<p>Assumptions for achieving goal:</p> <ul style="list-style-type: none"> - MCE is able to attract and retain qualified staff & teachers under SAP restrictions - Late enrollment and high dropout by herdboys can be overcome
<p>Purpose</p> <p>To improve the quality and efficiency of primary education through establishment of a new policy framework and reformed institutional structure</p>	<p>End of Program Status</p> <p>1) Increased MOE budget and increased share for primary education 2) Improved quality and efficiency of primary education 2.1) Increased number and quality of lower primary teachers; improved teacher training programs 2.2) Improved curriculum, materials, and testing for lower primary 2.3) Improved classroom environment for lower primary 3) Effective MOE structure, MOE school parent relationship, MOE financial management, evaluation, and planning 4) Achievement levels as measured by Standard 3 test will not have decreased</p>	<p>- MOE Annual Budget and Financial Report</p> <p>- MOE EDP Annual Strategic Plan - MOE EDP Annual Progress Report - MOE EMIS including school data</p> <p>- Organizational staffing audit - Donor reviews reports; analyses - Evaluations</p>	<p>Assumptions for Achieving purpose</p> <ul style="list-style-type: none"> - GOL and MOE continue to deliver increased budget - MOE accomplishes planned reorganization and is able to implement policy reforms in a timely manner - Church education secretariats are held accountable for use of resources to improve Std 1-3

OUTPUTS	MAGNITUDE	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>1. <u>GOL Budget</u> for MOE increased to a level to sustain an efficient effective primary school system</p> <p>a) GOL Budget for MOE increased b) MOE Budget for Primary increased c) Disbursements in line with budgets</p>	<ul style="list-style-type: none"> - Initial 54.4% increase of recurrent budget over base year 1990/91, and 4% annually thereafter - 70% of increase in MOE recurrent budget to primary - Maintain disbursements in line with budget 	<ul style="list-style-type: none"> - GOL and MOE budgets - MOE Annual Financial Reports 	<ul style="list-style-type: none"> - GOL funds available - MOE remains committed to improving primary education as a priority
<p>2. <u>Improved quality & efficiency of primary education</u></p> <p>a) number and quality of lower Primary teachers increased</p> <p>a.1) Increased number of teachers allocated to Std 1-3</p> <p>a.2) District Resource Teachers (DRTs) network expanded</p> <p>a.3) National Teacher Training College (NTTC) Pre-service programme restructured to establish separate primary and In-service programs; NTTC operations improved</p> <p>a.4) Lesotho In-service Education Training (LIET) provided to unqualified teachers</p>	<ul style="list-style-type: none"> - 260 new primary teachers per year, (PTC, LIET); 70% to Std 1-3 - 70 DRTs visit schools Std 1-3 regularly each year - PTC, STC, and LIET coordinators appointed - All new pre-service trained primary teachers with PTC specialization, lower & upper primary - NTTC assigns appropriate administration staff; - Staff accountability improved - Upgrade LIET to PTC equivalent - 900 unqualified teachers trained through LIET 	<ul style="list-style-type: none"> - EMIS - DRT portion of ESDP Annual Progress Report (ESDP APR) - NTTC portion of ESDP APR - PTC portion of NTTC report - LIET portion of NTTC report 	<ul style="list-style-type: none"> - Sufficient new teachers can be trained & retained in Lesotho schools - NTTC (PTC, LIET) reorganization is timely & effective, results in more efficient teacher training programs
<p>2.b <u>Improved Curriculum & Materials</u></p> <p>b.1) Improved National Time-table, Streamlined curriculum syllabi</p> <p>b.2) Instructional materials in basic and practical subjects for Std 1-3 increased</p>	<ul style="list-style-type: none"> - Curriculum timetable and streamlined curriculum for Std 1-3 established - At least 1 text or materials per subject per Std 1-3 for each pupil: Sesotho Reader Sesotho Supplementary materials English radio programme and materials Maths text and aids Agriculture text 	<ul style="list-style-type: none"> - NCDC portion of ESDP APR - EMIS 	<ul style="list-style-type: none"> - MOE/NCDC reorganization is timely and effective

OUTPUTS	MAGNITUDE	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>2.b continued.....</p> <p>b.3) School based assessment of pupil achievement improved</p> <p>b.4) Pupil achievement measure developed for Std 3</p>	<ul style="list-style-type: none"> - Guidelines for pupil assessment in 3 basic subjects, Std 1-3 (English, Math and Sesotho) - Pupil achievement test developed and piloted in a small sample of classrooms 	<ul style="list-style-type: none"> - NCDC portion of ESDP A.R - DRT portion of ESDP APR 	<ul style="list-style-type: none"> - NCDC evaluation staff are sufficient
<p>2.c <u>Improved School Environment in Primary Schools</u></p> <p>c.1) Facilities Equipment provided for Std 1-3 classes: pupil-desks, teachers desk and chair, chalkboards</p> <p>c.2) Pupil/Teacher Ratio improved in Std 1-3</p> <p>c.2.1) Limited 1st Std enrollment of underage 6, and overage 8 Campaign conducted to encourage parents to enroll children in school at appropriate age</p> <p>c.2.2. Repetition limited per primary cycle</p>	<ul style="list-style-type: none"> - 75% of Std 1-3 classes with pupil desks, chalkboards, teachers desk and chair - Average from 56 to 54 pupils per teacher in Std 1-7 - Limit Std 1 enrollment to age 6-8 - Campaign conducted nationwide by 1994 - Limit child's repetition to two per primary cycle/ or accept automatic promotion 	<ul style="list-style-type: none"> - EMS - EMS - EMS - EMS - ESDP Annual Progress Report - EMS 	<ul style="list-style-type: none"> - Equipment not misassigned to upper standard - Teachers assigned to Std 1-3, not upper Stds - Parents can & do enroll children in school by age 8 - Parents accept repetition limit
<p>3. <u>Improved Educational Management</u></p> <p>a) Improved MOE structure and functions</p> <p>b) Improved MOE proprietor-parent relationship for school management</p> <p>b.1) Inspectorate expanded to assess each school regularly</p>	<ul style="list-style-type: none"> - MOE reorganized into four divisions, per Strathclyde report. MOE operations decentralized to 10 District Education Offices - Revised education legislation enacted - Head teachers and teachers appointed by MOE - Parents participating on all school committees - 10 District Education Offices established - Inspectorate to inspect each school every year 	<ul style="list-style-type: none"> - ESDP APR - ESDP APR 	<ul style="list-style-type: none"> - GOL/MOE legislation and reorganization approved and implemented in a timely manner
<p>c) MOE financial management system and accounting expanded and strengthened</p>	<ul style="list-style-type: none"> - MOE budgets and disbursements planned and implemented with cost center based budgeting so that MOE operations receive appropriate funding 	<ul style="list-style-type: none"> - MOE Annual Budgets and Annual Financial Reports 	<ul style="list-style-type: none"> - Weak financial management can be overcome quickly with additional staff plus T.A.

OUTPUTS	MAGNITUDE	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
3 continued..... d) MOE ESDP plan management capacity improved	- Annual ESDP strategic plan established - Statistics office strengthened to provide regular reports for policy analysis	- ESDP Annual Strategic Plan - EMIS	- Planning Unit and Statistics offices are able to retain qualified staff
e) MOE capacity for evaluation and monitoring of strengthened and improved primary education	- Primary Education Statistics collected annually, processed and used for following year strategic plan	- EMIS	

INPUTS	IMPLEMENTATION TARGET	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
AID Inputs (\$000) 1. Sector Assistance	(\$000) 1. 18,600	n/a - Dollar tracking waived	
2. Project: a) Technical Advisors b) Program Coordinator (PSC) c) Training d) Commodities e) Evaluation/Audit	2. 6,400 a) 4,664 b) 830 c) 470 d) 151 e) 285	- T.A. contractor financial reports - USAID PSC financial report - T.A. contractor financial reports - USAID MACS reports	- Availability of DFA funds over LOP
<u>GOL inputs:</u>	- Office space - \$12,000 - Maoti equivalent for primary sector reforms: \$16,740 - Trust fund - OE \$ 1,860	- CBL/MOE monthly & quarterly financial reports - USAID Annual Report	- Availability of GOL funds over LOP

GUIDANCE CABLE AND RESPONSE

From April 1990 to April 1991, MOE has been preparing the Education Development Plan with USAID and World Bank assistance. A brief summary of responses to the AID/Washington guidance cable (State 127331) on this and related matters follows. The paragraphs are keyed to those of the guidance cable.

1.A. Policies on school enrollments will include restrictions on the enrollment in standard one of children under age 6 and over age 8. The number of repetitions will also be limited to two per primary cycle. These measures will limit enrollment to the appropriate age for primary school to reduce class size and the net enrollment in primary schools over the long term.

1.B. The World Bank, MOE, and USAID have worked closely on the analysis and preparation of the Education Development Plan. The result is an overall plan for education investment over the next five-year development plan period (1991-1996). The comprehensive education sector policy framework is included in Annex L. Plan implementation details are described in an extensive Plan document. For its matrix emphasizing primary education, USAID selected portions from the comprehensive framework. The World Bank is expected to seek approval for their \$25.0M project in May/June 1991. Other donors will also be participating in financing the comprehensive sector Plan.

1.C. Program initiation has been delayed to FY 1991.

1.D. PEP is now oriented to a program approach, with MOE taking major responsibility for implementation. Project assistance has been reduced to limited technical assistance and training to assist with institutionalizing MOE capacity in key reform areas.

1.E. USAID is seeking a waiver for a dollar special account and dollar use tracking.

1.F. Local currency will be jointly programmed for primary education sub-sector support and will be controlled and monitored in accordance with existing Agency policy.

1.G. MOE will arrange any local contracting with program funds; project funds will provide expatriate technical assistance, external training, limited commodities and audit and evaluation services.

ACTION: AID-3 INFO: CHGE ECON//7

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SUBJECT: LESOTHO EDUCATION PID/PAIP REVIEW (ADDITIONAL INFORMATION)

REF: (A) MASERU 00635; (B) STATE 391784

1. THE PROJECT COMMITTEE REVIEWED REFTTEL (A) ON 3/22 AND COMPLIMENTS THE MISSION ON AN EXCELLENT CONCISE PRESENTATION OF A RESPONSE TO ECPR QUESTIONS AND GUIDANCE. WE AGREE WITH THE MISSION THAT A NUMBER OF IMPORTANT ANALYTICAL QUESTIONS CANNOT BE ANSWERED AT THIS TIME. HOWEVER, GIVEN THE PROPOSED STRATEGY FOR PURSUING THE PE/PAAD LEVEL ANALYSES AND BASED UPON THE PID/PAIP SUBMITTED EARLIER WITH THE ADDITIONAL INFORMATION CONTAINED IN REFTTEL (A) THE PC CONCLUDES THAT THE MISSION MAY PROCEED TO DEVELOP A PE/PAAD SUBJECT TO THE FOLLOWING GUIDANCE.

A. THE PC DISCUSSED THE NATURE OF THE MISSION'S PROPOSED INTERVENTIONS IN THE POLICY AREA. REFTTEL (A) AND THE PID/PAIP APPEAR TO INDICATE THAT THE MISSION WILL FOCUS ITS EFFORTS ON POLICIES SURROUNDING SECTOR FINANCING. WE AGREE WITH THE MISSION THAT INVESTMENT

AND RECURRENT COST FINANCING ARE VERY IMPORTANT TO THE KIND OF EDUCATION SYSTEM LESOTHO WILL BE ABLE TO AFFORD IN THE FUTURE. HOWEVER, IN REVIEWING THE MISSION'S ANALYSIS, THE PC NOTED THAT THE POLICY OPTIONS AND DECISIONS TO BE MADE WHICH WILL AFFECT THE NUMBERS OF STUDENTS ATTENDING PRIMARY SCHOOL ARE PROBABLY PRIORITY AT THIS TIME. IT WOULD APPEAR THAT THE IMPLEMENTATION OF POLICIES TO REDUCE SCHOOL ENROLLMENTS (E.G., LIMITS ON THE NUMBER OF YEARS THE STUDENT IS PERMITTED TO ATTEND PRIMARY SCHOOL OR THE NUMBER OF PERMITTED GRADE REPETITIONS) MUST BE MADE PRIOR TO DESIGNING OR IMPLEMENTING FINANCING ARRANGEMENTS. POLICIES TO REDUCE ENROLLMENT WILL DIRECTLY AFFECT THE NUMBER OF NEW SCHOOLS AND TEACHERS REQUIRED WHICH, IN TURN, WILL AFFECT THE AMOUNT OF INVESTMENT AND RECURRING COST FINANCING REQUIRED. THUS, IT APPEARS THAT THE POLICIES AFFECTING SCHOOL ENROLLMENTS ARE PRIORITY AND MAY BE WORTHY OF A.I.D. SUPPORT EARLY IN THE PROGRAM, BUT

CERTAINLY SHOULD BE NEGOTIATED WITH THE GOV PRIOR TO DECIDING OVERALL LEVELS OF INVESTMENT. OTHER POLICIES, SUCH AS INCREASING THE STUDENT/TEACHER RATIO IN SECONDARY SCHOOLS, MAY HAVE A SIMILAR IMPACT UPON INVESTMENT NEEDS. THUS, THE ANALYSIS SUPPORTING THE CONTENT AND TIMING OF SPECIFIC POLICY REFORMS ARE NECESSARY UP FRONT AND SHOULD BE NEGOTIATED JOINTLY WITH THE GOV AND THE WORLD BANK PRIOR TO FINALIZING AN INVESTMENT PLAN.

B. THE PC DISCUSSED THE TIMING AND LINKAGE OF THE MISSION'S EFFORT WITH THE PROPOSED WORLD BANK EDUCATION SECTOR PROGRAM. WE SEE NO REASON FOR THE MISSION TO RUSH AHEAD JUST TO MEET THE EDUCATION EARMARK, AND WE URGE THE MISSION TO WORK CLOSELY WITH THE WORLD BANK AND THE GOV IN DEVELOPING A JOINT EDUCATION STRATEGY. DEVELOPMENT OF THAT STRATEGY TOGETHER WILL ENSURE THAT THE SECTOR OBJECTIVES AND MEANS OF ACHIEVING THEM WILL BE CONSISTENT AMONGST DONORS AND THE GOVERNMENT. AGAIN IT IS LIKELY THAT SOME GENERAL POLICY DECISIONS WILL HAVE TO BE MADE PRIOR TO THE DEVELOPMENT OF THE EDUCATION SECTOR DEVELOPMENT PLAN. THOSE DECISIONS AND THE INVESTMENT PLAN IN APPROVED FORM OR AT LEAST WITH AGREEMENT IN SUBSTANCE, SHOULD FORM THE BASIS OF THE PAAD. IMPLEMENTATION OF POLICY REFORMS AND THE INVESTMENT PLAN THEN BECOME THE FOCUS OF THE PROGRAM.

IN SHORT, THE MISSION SHOULD SUBMIT THE PAAD ONLY AFTER

ALL ANALYSES OF THE EDUCATION SECTOR ARE COMPLETE AND AGREEMENT IN PRINCIPLE ON OBJECTIVES AND MEANS OF ACHIEVING THEM HAVE BEEN REACHED. WE UNDERSTAND THAT THIS MEANS THAT THE PAAD SUBMISSION WOULD PROBABLY HAVE TO BE DELAYED UNTIL FY 1991.

C. THE AMOUNT OF FY 1990 OYB ALLOCATED FOR THIS PROGRAM WILL NEED TO BE OBLIGATED AGAINST THE AGENCY EARMARK FOR BASIC EDUCATION. THE PROJECT COMMITTEE AGREED THAT IT WOULD BE INAPPROPRIATE TO OBLIGATE ADDITIONAL FUNDS TO THE BANKS PROJECT JUST TO PRESERVE AN EDUCATION OBLIGATION IN LESOTHO; MOREOVER, THE FLEXIBILITY EMBODIED IN THE DEA ALLOWS AN EASY SHIFT OF OYB TO ANOTHER EDUCATION EFFORT IN AFRICA. WHILE THIS WOULD RESULT IN A REDUCTION IN THE FY 1990 OYB IN LESOTHO, WE WOULD EXPECT TO COMPENSATE THE LOSS IN THE FY 1991 OYB.

D. THE PROJECT COMMITTEE QUESTIONS THE NEED FOR CONTINUING SUCH HEAVY PROJECT TYPE INVESTMENTS IN EDUCATION IN LESOTHO OVER THE NEXT DECADE. CAN IT BE THAT DESPITE TEN-TWENTY YEARS OF SUCH EDUCATION-SECTOR EXPERIENCE IN LESOTHO, THE BASUTO ARE UNABLE TO ASSUME LEADERSHIP FOR DESIGNING AND IMPLEMENTING PRIMARY

EDUCATION IMPROVEMENTS? WHILE WE RECOGNIZE THAT THE TECHNICAL ASSISTANCE CALLED FOR IN THIS PROJECT IS MUCH LESS THAN THAT USED IN BANFES, WE WONDER IF THE LARGE AMOUNT OF TECHNICAL ASSISTANCE PROPOSED MIGHT ACTUALLY LESSEN THE PARTICIPATION OF BASUTO IN THE TOP-LEVEL DECISION-MAKING PROCESS. WE ENCOURAGE THE MISSION TO RETHINK ITS APPROACH.

F. THE MISSION SHOULD NOTE THE FY 1998 DOLLAR TRACKING REQUIREMENT FOR NON PROJECT SECTOR ASSISTANCE WILL LIKELY APPLY TO THIS PROGRAM. STATE 50769 OF 15 FEB 98 PROVIDES DETAILED GUIDANCE ON THE IMPLICATIONS FOR PAAD DESIGN.

F. WITH RESPECT TO LOCAL CURRENCY DEPOSITED PURSUANT TO A CASE DISBURSEMENT, THE MISSION MUST DESIGN AND INCLUDE A USE PLAN. THIS PLAN MUST BE FULLY CONSISTENT WITH STANDING AGENCY GUIDANCE (STATE 327494 OF 21 OCT 87 AND STATE 369925 OF 27 NOV 97) AS WELL AS BUREAU PREFERENCE FOR LESSENING THE MISSION MANAGEMENT INTENSITY OF LOCAL IMPLEMENTATION WHILE RECOGNIZING THE NEED FOR AN APPROPRIATE LEVEL OF A.I.D. OVERSIGHT OF THESE FUNDS.

G. THE MISSION'S PROPOSAL TO REQUIRE THE PRIME CONTRACTOR TO SUB-CONTRACT WITH LOCAL ENTITIES

DESIGNATED BY THE MISSION IS COUNTER TO THE FAR REQUIREMENT FOR COMPETITIVE SUB-CONTRACTING. IT IS POSSIBLE TO ARRANGE A SUB-CONTRACTING MODE IN THIS MANNER, BUT THE MISSION SHOULD CONSULT WITH THE REGIONAL CONTRACTING OFFICER AND THE REGIONAL LEGAL OFFICER TO PREPARE A SUPPORTING EXPLANATION AND OBTAIN APPROVAL OF A DEVIATION FROM THE FAR REQUIREMENT FOR COMPETITIVE SUB-CONTRACTING.

H. PLEASE ADVISE REVISED SCHEDULE FOR PP/PAAD SUBMISSION AT YOUR CONVENIENCE. BAKER

BT
#7331

NNNN

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UNCLASSIFIED

STATE 127331/v2

ACTION COPY

ACTION: AIL-3 INFO: AME DCM//5

UNITED STATES
A. I. D.
-9 JUL 1991
MASERU LESOTHO

LOC: 05 467
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 CN: 17624
 HRG: AID
 IST: AID

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E.C. 12356: N/A

TAGS:

SUBJECT: LESOTHC PRIMARY EDUCATION PROGRAM (632-4232/4225) ECFB PAAD/PP REVIEW GUIDANCE

1. SUMMARY: AFR/PD DIRECTOR TIM FORK CHAIRED ECFB PAAD/PP REVIEW OF SUBJECT PROJECT ON JUNE 5, 1991. REPRESENTATIVES OF AFR/PD, AFR/SA, AFR/DE/PAR, AFR/TR/EHR,

GC/AF, AND EFC ATTENDED THE ECFB. THE MISSION DIRECTOR, F. GARY TOWERY, REPRESENTED USAID/ LESOTHC. THE ECFB COMMENDS THE MISSION FOR EXEMPLARY PARTICIPATORY EFFORT WITH THE GOVERNMENT OF LESOTHC AND THE IBRD IN DESIGNING THE PRIMARY EDUCATION PROGRAM. THE ECFB RECOMMENDED THAT AA/AFR MAKE AN AD HOC DELEGATION OF AUTHORITY TO THE DIRECTOR, USAID/LESOTHC TO AUTHORIZE THE LESOTHC PRIMARY EDUCATION PROGRAM/PROJECT, SUBJECT TO SATISFACTORY REVIEW OF ECONOMIC ANALYSIS IN AID/W. ECFB GUIDANCE FOR FINALIZING THE PAAD/PP FOLLOWS. END SUMMARY.

2. PROGRAM IMPACT ACHIEVEMENT.

A. ISSUE: DOES THE PURPOSE STATEMENT ADEQUATELY DEFINE THE OBJECTIVE OF THE PROGRAM? DO ITS INDICATORS DEMONSTRATE GAINS IN EFFICIENCY?

B. DISCUSSION: THE PAAD'S ORIGINAL PURPOSE STATEMENT SEEMED MORE ORIENTED TOWARD PROGRAMMATIC INDICATORS THAN OVERALL DEVELOPMENTAL IMPACT OF THE PROPOSED EFFORT. IT IS CLEAR THAT REFORMS WILL BE CARRIED OUT AND THAT MEASURABLE ECONOMIC EFFICIENCIES WILL OCCUR, BUT MORE EMPHASIS NEEDS TO BE PLACED ON THE LATTER. THE NUMBER OF STUDENTS IN CLASSES IN THE BADLY OVERCROWDED AND UNDER-EQUIPPED LOWER PRIMARY GRADES WILL BE REDUCED. THE NEW STANDARD 3 TEST WILL PROVIDE A MEANS OF MEASURING GRADUAL QUALITATIVE AND QUANTITATIVE CHANGES, INCLUDING THE NEW CURRICULUM. THERE IS AN UNDERSTANDABLE LAG BETWEEN THE END OF PROGRAM INTERVENTIONS (1997) AND FULL ACHIEVEMENT OF AN OVERALL DEVELOPMENT OBJECTIVE; THIS NEEDS TO BE INCORPORATED INTO THE PROGRAM STRATEGY.

THE MISSION AND ECFB COMMITTEE MEMBERS WORKED ON MODIFYING

NAME	<input type="checkbox"/>
Action Taken	_____
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THE PURPOSE STATEMENT TO CONVEY MORE ACCURATELY THE RESULTS AND CONTEXT OF THE REFORMS, IDENTIFYING EARLY QUALITATIVE AND QUANTITATIVE IMPACT INDICATORS AT THE PURPOSE LEVEL AND PLACING INDICATORS INTO A TIME FRAME. THE NEW POLICY FRAMEWORK AND REFORMED INSTITUTIONAL STRUCTURE REMAIN OUTPUTS AS GIVEN IN PAAD/PP. WHILE REVISING PAAD MISSION SHOULD INCORPORATE REVISIONS/CORRECTIONS/ADDITIONS NOTED IN REVIEWS (SUCH AS ANNEX H TABLES).

C. RECOMMENDATIONS: THE REVISED PURPOSE STATEMENT AND ADDITIONAL ECPS FOLLOW:

(1). PURPOSE: TO IMPROVE THE QUALITY AND EFFICIENCY OF PRIMARY EDUCATION THROUGH THE ESTABLISHMENT OF A NEW POLICY FRAMEWORK AND REFORMED INSTITUTIONAL STRUCTURE.

(2). ADDITIONAL ECPS

(A) IMPACT MEASUREMENT FOR QUALITY OF ACHIEVEMENT.

AVERAGE EDUCATIONAL ACHIEVEMENT OF PRIMARY SCHOOL COMPLETES MEASURED IN YEAR 10 (2001) WILL EQUAL OR EXCEED THE BASELINE ACHIEVEMENT LEVELS ESTABLISHED DURING PILOT TESTING OF END OF LEVEL ASSESSMENT TESTS (SCHEDULED FOR YEAR 3). BY END OF PROGRAM THE LEVEL OF ACHIEVEMENT, AS MEASURED THROUGH THE NEW TESTS, WILL NOT HAVE DECREASED.

(B) MIL PROGRAM IMPACT AND END OF PROGRAM EFFICIENCY INDICATORS TIED TO ECONOMIC ANALYSIS ARE:

-- STANDARD 7 COMPLETION RATE TO RISE FROM 53

PERCENT TO 57 PERCENT BY YEAR 5 (1996), AND TO 61 PERCENT BY YEAR 10 (2001).

-- YEARS-PER-COMPLETER TO DECREASE FROM 13.5 TO 12.0 BY YEAR 5 (1996); AND FALLEN TO 10 BY YEAR 10 (2001).

2. ECONOMIC ANALYSIS

A. ISSUE: IS THE PROGRAM ECONOMICALLY FEASIBLE AND SUSTAINABLE?

B. DISCUSSION: THE PAAD'S ECONOMIC FEASIBILITY AND SUSTAINABILITY ANALYSES WERE INCOMPLETE AND IMPROPERLY DESIGNED. THE MISSION AND AFRICA BUREAU ECONOMISTS EXAMINED THEM BEFORE THE ISSUES MEETING AND DETERMINED

THAT AN APPROPRIATE WAY TO APPROACH THE ECONOMIC ANALYSIS WOULD BE ON THE BASIS OF COST SAVINGS IN PRIMARY EDUCATION. AFB/DE'S ECONOMIST FELT THAT THE MISSION'S JUNE 4 DRAFT ECONOMIC ANALYSIS PROVIDED AN APPROPRIATE BASIS FOR AN ANALYSIS. AFB/TR'S EDUCATION ECONOMIST BELIEVES THAT THE PROJECT EFFICIENCY GAINS IN THE EARLY YEARS OF THE LESOTHO PRIMARY EDUCATION PROGRAM WERE TOO OPTIMISTIC. THIS, ALONG WITH MODIFICATIONS TO THE COST CALCULATION, WILL ALTER BENEFIT SIDE OF THE COST-BENEFIT CALCULATION. AFB/TR AND AFB/DP PROPOSED IMPROVEMENTS TO THE ANALYSIS AND FAXED THEM TO MISSION ON JUNE 14. REGARDING BUDGETARY SUSTAINABILITY, AFB/DP HAS WORKED WITH IBER ON BUDGETARY PROJECTIONS OF EXPENDITURE ALLOCATIONS AND REVENUES. SUFFICIENT BUDGETARY RESOURCES APPEAR TO BE AVAILABLE TO SUSTAIN THE REFORMED PRIMARY EDUCATION PROGRAM.

THE ECFR NOTED THAT BOTH IMPLEMENTING AND MEASURING EFFICIENCY IN USE OF RESOURCES AT THE SCHOOL LEVEL ARE HANDLED THROUGH THE PROGRAM MONITORING SYSTEM (LPEP REFORMS INCLUDE STRENGTHENING THE INSPECTORATE). ALSO, EDUCATION SYSTEM REFORMS AND EMPLOYMENT OPPORTUNITIES IN SOUTH AFRICA WILL HAVE AN ENORMOUS IMPACT ON THE NEIGHBORING COUNTRIES. THEREFORE, IT IS IMPORTANT TO TAKE INTO ACCOUNT THE REGIONAL CONTEXT OF EDUCATION AND EMPLOYMENT WHEN DESIGNING AND EVALUATING HUMAN RESOURCE DEVELOPMENT PROGRAMS. IN ADDITION, REGARDING RETAINING TEACHERS, THE NEW PAY, BENEFITS AND CONDITIONS OF SERVICE PACKAGES SHOULD REINFORCE THE PREFERENCE OF TEACHERS (MOSTLY WOMEN) TO WORK CLOSE TO HOME, WHEN POSSIBLE.

C. RECOMMENDATION: AFB/DE/PAE AND TR/EHR WILL COMPLETE REVIEW AND REFORM CHANGES, IF NECESSARY, TO THE REVISED

ECONOMIC AND SUSTAINABILITY ANALYSES SO THAT THEY MEET STANDARDS. THE ANALYSIS OF THE BUDGETARY SUSTAINABILITY IS ACCEPTABLE, BASED ON THE ADDITIONAL INPUT FROM THE IBER. IT IS BEING FORWARDED TO THE MISSION. SINCE THE ECFR, AFB/DE AND TR STAFF HAVE FORWARDED DETAILED COMMENTS AND MODIFIED ACHIEVEMENT TARGETS TO MISSION, WHICH IS RECALCULATING DATA FOR THE REVISED COST-BENEFIT ANALYSIS. WE EXPECT THE RESULTS SHORTLY. ANALYSIS MUST BE APPROVED IN AIL/W.

4. LOCAL CURRENCY

A. ISSUE: WHAT IS GAINED FROM DIRECT A.I.D. INVOLVEMENT IN MANAGING AND ACCOUNTING FOR LOCAL CURRENCIES?

E. DISCUSSION: FOLLOWING TELCONS WITH FIELD, MISSION DIRECTOR AND ECFR DISCUSSED PROS AND CONS OF A LOCAL CURRENCY PROGRAM AND THE MANAGEMENT WORKLOAD THAT IT WOULD ENTAIL. SINCE MISSION IS SEEKING A WAIVER OF DOLLAR TRACKING UNDER LEGISLATION PASSED SINCE ISSUANCE OF THE 1988 NEA GUIDANCE, THE OPTION OF NOT REQUIRING DEPOSIT OF LOCAL CURRENCY CAN BE CONSIDERED. THE ECFR NOTED THAT SINCE MOST OF THE DEVELOPMENT IMPACT OF THE PROGRAM COMES FROM THE CONDITIONALITY TO THE DOLLAR DISBURSEMENTS,

DEPOSITING AND PROGRAMMING LOCAL CURRENCY IS NOT CRITICAL TO ACHIEVING THIS IMPACT. THE MISSION DIRECTOR CONCLUDED THAT IT WOULD BE HELPFUL TO THE MOE TO HAVE THE LOCAL CURRENCY EQUIVALENT DEPOSITED TO SUPPORT THE BUDGETARY ALLOCATION PROCESS.

AFTER DISCUSSION, ECPR CONCLUDED THAT THE MISSION PROCEED WITH THE LOCAL CURRENCY DEPOSIT FOR THE FIRST TWO YEARS, AND THAT THE LOCAL CURRENCY PROGRAM SHOULD BE EVALUATED IN THE FIRST EXTERNAL EVALUATION IN FY 1993.

C. RECOMMENDATIONS: THAT THE NPA PROGRAM REQUIRE A DEPOSIT OF LOCAL CURRENCY INTO A SPECIAL ACCOUNT FOR BUDGETARY SUPPORT OF THE PROGRAM OBJECTIVE AS PROPOSED IN THE PAAD. THE QUESTION OF HOW USEFUL THE LOCAL CURRENCY PROGRAM IS TO THE GOI IN FACILITATING POLICY REFORM IMPLEMENTATION SHALL BE EVALUATED IN TWO YEARS, AS PART OF AN EXTERNAL EVALUATION IN FY 1993. THE IMPACT OF THE LOCAL CURRENCY PROGRAM WORKLOAD ON THE MISSION AND THE GOI, AS WELL AS GOI'S FINANCIAL MANAGEMENT CAPACITY, SHALL BE EVALUATED AT THE SAME TIME. THE EVALUATION MUST CONTAIN A RECOMMENDATION WHETHER LOCAL CURRENCY DEPOSITS SHOULD BE CONTINUED OR DISCONTINUED.

5. OYB AVAILABILITIES AND SECTOR GRANT TRANCHING.

A. ISSUE: FOR TWO TRANCHES, THE MISSION PROPOSES TO DISBURSE FUNDS AS QUOTE SECOND TRANCHES UNQUOTE AGAINST PREVIOUSLY SATISFIED CONDITIONS. THIS CREATES THE APPEARANCE, IF NOT THE REALITY, THAT THOSE TWO DISBURSEMENTS ARE IN FACT FOR BALANCE OF PAYMENTS RATHER THAN SECTORAL DEVELOPMENTAL PURPOSES.

B. DISCUSSION: GIVEN THE PACE OF PROGRAM IMPLEMENTATION, THE SCHEDULE FOR JCINT IERD, GCL AND USAID REVIEWS OF EDUCATION SECTOR REFORM PACKAGE, AND PROGRAM LINKAGE AND BUDGET REQUIREMENTS OF DIFFERENT GOL AND U.S. FISCAL YEARS, THE MISSION WOULD LIKE TO PLAN FOUR DISBURSEMENTS INSTEAD OF THE ORIGINAL SIX. SINCE THE MISSION'S FLEXIBILITY IS LIMITED (IT HAS VERY FEW PROJECTS), THE MISSION DIRECTOR REQUESTS THAT THE OYB BE LUMPY, I.E., HIGH ONE YEAR AND LOW THE NEXT, BUT MAINTAIN THE SAME AVERAGE LEVEL OVER THE YEARS IN QUESTION. COMBINING FY 1991 AND 1992 DOLLAR RESOURCES WOULD INCREASE THE FY 1991 OYB BY DOLS 2.4 MILLION AND DRCP IT BY AN EQUAL AMOUNT IN FY 1992. THE FY 1993 OYB WOULD BE DOLS 3 MILLION HIGHER THAN CURRENTLY SCHEDULED, WHILE FY 1994 WOULD BE LOWER BY THE SAME AMOUNT.

C. RECOMMENDATION: THE ECFR RECOMMENDS THAT THE MISSION RELEASE CASH TRANSFER SECTOR ASSISTANCE IN FOUR TRanches, SUBJECT TO THE AVAILABILITY OF FUNDS. IN POST-ECFR DISCUSSIONS, AFR/DF HAS STATED THAT FUNDS ARE AVAILABLE AT PRESENT FOR INCREASING THE OYB BY DOLS 2.4 MILLION IN FY 1991 (FROM A PRESENT TOTAL OF DOLS 8,231,000, WHICH INCLUDES DOLS 1,231,000 RESTORED FROM PREVIOUS YEAR OYB), TO A NEW TOTAL OF DOLS 10,631,000, AND DECREASING IT BY THAT AMOUNT (DOLS 2.4 MILLION) IN 1992. A COMMITMENT CANNOT YET BE GIVEN REGARDING THE INCREASE IN THE FY 1993 OYB.

IF FUNDS ARE NOT AVAILABLE FOR CONSOLIDATION OF THE TRanches, SOME CONDITIONALITY MUST BE ESTABLISHED FOR THE FY 1992 AND 1994 DISBURSEMENTS. THE CONDITIONS COULD BE MAINTENANCE OF THE PRIOR YEAR REFORMS, IF THE PAAD CAN ESTABLISH THE FISK CF, AND NEED TO PREVENT, BACKSLIDING. A SIMPLER ALTERNATIVE MAY BE TO MOVE SOME OF THE NUMEROUS FISCAL YEAR CF'S TO FY'S 1992 AND 1994.

6. PAAD AUTHORIZATION. THE ECFR RECOMMENDED THAT THE PAAD BE AUTHORIZED IN THE FIELD SUBJECT TO THE APPROVAL OF THE ECONOMIC ANALYSIS AND SELECTION OF MEASURABLE INDICATORS AT THE PURPOSE LEVEL. FIELD AUTHORIZATION WILL REQUIRE THAT THE DETAILED LEGAL REVIEW OF THE PAAD BE DONE BY THE RLA.

7. CONCERNS

A. OVERLY DETAILED CONDITIONALITY. ECFR AGREED WITH MISSION THAT THE CONDITIONALITY, DEVELOPED BY MOE ITSELF TO ENSURE PROGRAM SUCCESS, MAY FACILITATE IMPLEMENTATION.

B. PROCUREMENT. MISSION DIRECTOR STATED THAT BECAUSE THE LARGE TECHNICAL ASSISTANCE PROJECTS ARE PHASING OUT RAPIDLY AND THE GCI HAS LIMITED CAPABILITY IN THIS AREA, HE PREFERENCES THAT THE MISSION HANDLE PROCUREMENT. REGARDING VEHICLES, THE MARKET WAIVER FOR SOUTHERN AFRICA HAS LAPSED AND WILL NOT BE REPLACED. SINCE THIS PROJECT USES DEA FUNDS, THE MISSION SHOULD JUSTIFY IN THE PAAD THE GEOGRAPHIC CODE 935 PROCUREMENT, PRESUMABLY ON GROUNDS OF SERVICING AND PARTS AVAILABILITY, AND ALSO NEED FOR RIGH-

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HAND DRIVE. MISSION SHOULD MONITOR THIS PROCUREMENT AS PART OF BUY AMERICA REPORTING.

C. WOMEN IN DEVELOPMENT. THIS PROJECT CLEARLY BENEFITS WOMEN, SINCE MORE GIRLS ATTEND AND COMPLETE PRIMARY SCHOOLS THAN BOYS AND MOST TEACHERS ARE WOMEN. THE PAAD AND AGREEMENT SHOULD INCORPORATE THE STANDARD REQUIREMENT THAT THE RATIO OF WOMEN TRAINED UNDER THE PROJECT MUST BE AT LEAST AS HIGH AS THOSE WHO ARE EMPLOYED IN THE SECTOR OR SUBSECTOR. IN ADDITION, WE SUGGEST THAT MONITORING OF PROGRAM IMPACT ON BENEFICIARIES AND VULNERABLE GROUPS INCLUDE TRACKING THE IMPLEMENTATION OF THE NEW SALARY AND BENEFITS PACKAGE, IN PARTICULAR THE PENSION PLAN, TO ENSURE THAT IT IS APPLIED EQUITABLY AND WITHOUT GENDER BIAS. ANY FOLLOW UP SHOULD BE DONE AS PART OF THE MISSION'S ONGOING WID PROGRAM ON LEGAL REFORM AND RIGHTS OF WOMEN.

D. STATUTORY CHECKLIST. THIS SHOULD BE REDONE IN FINAL PAAD USING FY 1991 VERSION.

8. ISSUES RESOLVED BEFORE ECPR MEETING:

A. POLITICAL COMMITMENT. THE ECPR DISCUSSION STRESSED THE IMPORTANCE OF HOST COUNTRY OWNERSHIP OF THE REFORMS AND COMMITMENT OF MOE. THE MISSION EMPHASIZED THAT THE GOV HAS DEMONSTRATED THIS COMMITMENT BY THE IMPRESSIVE PROGRESS ON THE DEVELOPMENT OF THE PROPOSED EXPANDED STRUCTURAL ADJUSTMENT FACILITY AND PLANNED IBRD EDUCATION SECTOR CAN DEMONSTRATE A LEVEL OF COMMITMENT. THE LPEP CLEARLY GAINED FROM THE COLLABORATIVE APPROACH TO SECTOR STRUCTURAL ADJUSTMENT AND INSTITUTIONAL REFORM.

E. TECHNICAL SOUNDNESS OF CONSTRAINTS ANALYSIS AND

RECOMMENDED SOLUTIONS. AFR/TR, AFR/LP AND AFR/PL WERE SATISFIED BY THE CONSTRAINTS ANALYSIS AND THE SOUNDNESS OF THE RECOMMENDED SOLUTIONS. IT IS CLEAR THAT CONSIDERABLE EFFORT WENT INTO ANALYSIS AND DEVELOPMENT OF SOLUTIONS BY DONORS AND HOST COUNTRY OFFICIALS ALIKE IN A COLLABORATIVE APPROACH TO PROGRAM DESIGN.

C. BENEFICIARIES. THE ECPR OBSERVED THAT THE PROGRAM RATIONALE SHOULD CENTER ON THE ECONOMIC BENEFITS OF BASIC EDUCATION PER SE. BASIC EDUCATION, IN AND OF ITSELF, IS NOT LIKELY TO HAVE MAJOR IMPACT ON REDUCING UNEMPLOYMENT OF UNSKILLED LABORERS IN THE FORMAL SECTOR. PAAD ANALYSIS AND MISSION DIRECTOR'S COMMENTS INDICATE THAT BOTH MISSION AND HOST COUNTRY ARE WELL AWARE OF POTENTIAL WINNERS AND LOSERS, AND ARE WILLING TO TAKE ACTION TO MITIGATE DAMAGING IMPACT UPON VULNERABLE GROUPS. ALSO, THE MISSION MAY WANT TO GIVE MORE ATTENTION TO MONITORING THE ECONOMIC IMPACT ON DISADVANTAGED GROUPS OF APPLYING THE NEW RULES REGARDING ENROLLMENT OF UNDER AND OVER-AGED CHILDREN IN CLASSES. THE FINAL PAAD SHOULD BE EDITED TO REDUCE THE LINK BETWEEN BASIC EDUCATION AND REDUCED UNEMPLOYMENT AND TO FOCUS ON THE IDENTIFICATION AND ANALYSIS OF QUOTE VULNERABLE GROUPS UNQUOTE.

D. MONITORING AND EVALUATING PROGRAM IMPACT. IN GENERAL, THE ARRANGEMENTS SEEM SOUND, ALTHOUGH PROBABLY MORE EMPHASIS SHOULD BE GIVEN TO MONITORING EARLY IMPACT TRENDS DURING LCP AND THE INTERFACE OF LPEP MONITORING WITH CPSP AND AFI. AFR/TR/EHR AND PPC/EDPR WILL FAX SUGGESTIONS TO THE MISSION. THE MISSION SHOULD AMPLIFY THE IMPACT MONITORING AND EVALUATION COMPONENTS IN THE FINAL PAAD.

E. WAIVER OF DOLLAR TRACKING. THE PROJECT COMMITTEE DISCUSSED THE ISSUE BEFORE THE ECPR AND AGREED THAT AID/W WILL SEEK AN EXEMPTION TO DOLLAR SEPARATE ACCOUNT LEGISLATION FOR THE MONETARY AREA.

F. GC ADVISED THAT, EVEN THOUGH THE GCL EDUCATION SYSTEM IS PARTLY IMPLEMENTED BY ONE OR MORE RELIGIOUS ORGANIZATIONS, THERE ARE NO LEGAL IMPEDIMENTS TO THE MISSION'S AGREEING TO THE GOV'S ALLOCATION OF HOST COUNTRY OWNED LOCAL CURRENCY FOR PRIMARY EDUCATION ACTIVITIES IN LESOTHO.

G. DELEGATION OF AUTHORITY. AA/AFR HEREBY MAKES AN AD HOC DELEGATION OF AUTHORITY TO THE MISSION DIRECTOR, USAID/LESOTHO TO AUTHORIZE THE LOIS 25 MILLION LESOTHO PRIMARY EDUCATION REFORM PROGRAM, SUBJECT TO AFRICA BUREAU ACCEPTANCE OF THE REVISED ECONOMIC ANALYSIS, DOLLAR

SEPARATE ACCOUNT EXEMPTION AND OTHER GUIDANCE CONTAINED IN THIS CABLE. THIS AD HOC DELEGATION OF AUTHORITY IS TO BE EXERCISED SUBJECT TO THE TERMS AND CONDITIONS OF DCA 551, EXCEPT FOR THE DOLLAR AMOUNT LIMITATION. THE FINAL PAAD/FP AND AUTHORIZATION PACKAGE SHALL BE SUBMITTED TO AFR/PL WITHIN TWO WEEKS OF AUTHORIZATION FOR RECORDS AND

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**POLICY AND INSTITUTIONAL REFORM MATRIX
PRIMARY EDUCATION PROGRAM**

Annex D

	OUTPUTS	INDICATORS	CONDITIONS PRECEDENT TO INITIAL DISBURSEMENT/ ACTIONS BY 9/91	CONDITIONS PRECEDENT TO SECOND DISBURSEMENT/ ACTIONS BY 3/93	CONDITIONS PRECEDENT TO THIRD DISBURSEMENT/ ACTIONS BY 9/94	CONDITIONS PRECEDENT TO FOURTH DISBURSEMENT/ ACTIONS BY 12/95
I.	Increased Financial Resources for Primary Education					
A.	Increased education recurrent expenditure in real terms	% Increase of education recurrent budget allocation in real terms using base year 1990/91	MOFPEMD to increase education recurrent budget allocation by at least 54.4% in real terms from 1990/91	MOFPEMD to increase education recurrent budget allocation by at least 4% in real terms from 1991/92	MOFPEMD to increase education recurrent budget allocation by at least 4% in real terms between 1992/93 and 1993/94 and by a further 4% in real terms between 1993/94 and 1994/95	MOFPEMD to increase education recurrent budget allocation by at least 4% in real terms between 1994/95 and 1995/96
B.	Increased share of MOE budget in real terms for primary education	% Increase of MOE real recurrent budget/ expenditures for primary education using base year 1990/91	MOE to allocate at least 70% of MOE real recurrent budgetary increases to primary education	MOE to allocate at least 70% of MOE real recurrent budgetary increases to primary education	MOE to continue to allocate at least 70% of real recurrent budgetary increases to primary education	MOE to continue to allocate at least 70% of real recurrent budgetary increases to primary education

	OUTPUTS	INDICATORS	CONDITIONS PRECEDENT TO INITIAL DISBURSEMENT/ ACTIONS BY 9/91	CONDITIONS PRECEDENT TO SECOND DISBURSEMENT/ ACTIONS BY 3/93	CONDITIONS PRECEDENT TO THIRD DISBURSEMENT/ ACTIONS BY 9/94	CONDITIONS PRECEDENT TO FOURTH DISBURSEMENT/ ACTIONS BY 12/95
II.	Improved Quality and Efficiency of Primary Education					
A. Teachers						
1.	Increased allocation of teachers to achieve pupil:teacher ratio of 54:1, with emphasis on Standards 1-3	Establishment register for posts created; teacher assignment records; base year FY 1990/91	MOE to create and shall fill 260 additional posts for primary teachers in FY 1991/92 and assign 70% to Primary Standards 1-3 in FY 1991/92	MOE to create/fill 260 additional posts in FY 1992/93 for primary teachers for a total of 520 from FY 1990/91 base and assign 70% to Primary Standards 1-3 in FY 1992/93	MOE to create/fill 260 additional posts for primary teachers in FY 1993/94 and a further 260 posts in FY 1994/95 for a cumulative total of 1,040 and assign 70% to Primary Standards 1-3 in respective years	MOE to create/fill 260 additional posts for primary teachers in FY 1995/96 for a cumulative total of 1,300 additional posts and assign 70% to Primary Standards 1-3 in 1995/96

	OUTPUTS	INDICATORS	CONDITIONS PRECEDENT TO INITIAL DISBURSEMENT/ ACTIONS BY 9/91	CONDITIONS PRECEDENT TO SECOND DISBURSEMENT/ ACTIONS BY 3/93	CONDITIONS PRECEDENT TO THIRD DISBURSEMENT/ ACTIONS BY 9/94	CONDITIONS PRECEDENT TO FOURTH DISBURSEMENT/ ACTIONS BY 12/95
2.	Expanded network of trained District Resource Teachers (DRTs)	Establishment register for DRTs/sub-districts identified/trained (target of 70) DRT coordinator appointment; DRT interview data	MOE to establish 70 positions; identify and recruit candidates for DRT for training, appoint acting DRT coordinator	MOE to train and post 70 DRTs, geographically distributed per annual strategic plan; MOE to appoint permanent DRT coordinator	MOE to continue to post 70 DRTs, geographically distributed per annual strategic plan	MOE to continue to post 70 DRTs, geographically distributed per annual strategic plan
3.	Improved quality of pre- and in-service training for primary teachers and headteachers	Plan to upgrade In-service training; National Teachers Training College (NTTC) organization; NTTC offerings; teachers trained	MOE to develop and approve detailed plan to upgrade in-service certification programs (LIET) and establish division of in-service education at NTTC	Upgrade existing LIET to primary certificate (PTC) equivalence and establish lower primary stream for pre-service program; initiate first in-take of 450 teachers in 6/92 for revised LIET training	Expand number of teachers in training under revised LIET and PTC to at least 550; partially develop lower primary stream for in-service program	Maintain at least 550 teachers in training under revised LIET and PTC; complete first in-take under revised LIET; be prepared to initiate second in-take of 450 in revised LIET by 1/96

8/05/91

	OUTPUTS	INDICATORS	CONDITIONS PRECEDENT TO INITIAL DISBURSEMENT/ ACTIONS BY 9/91	CONDITIONS PRECEDENT TO SECOND DISBURSEMENT/ ACTIONS BY 3/93	CONDITIONS PRECEDENT TO THIRD DISBURSEMENT/ ACTIONS BY 9/94	CONDITIONS PRECEDENT TO FOURTH DISBURSEMENT/ ACTION BY 12/95
4.	Improved structure of NTTC	NTTC organizational plan and personnel staffing records	Establish and appoint coordinators for Primary and In-service Divisions at NTTC	Continue to fill two coordinator positions	Continue to fill two coordinator positions	Continue to fill two coordinator positions
5.	Improved management and efficiency of NTTC	Plan; NTTC operations and staffing	Prepare detailed plan for improved management, operation and staffing; appoint NTTC Director	Substantially implement plan for improved management, operation and staffing	Fully implement plan for improved management, operation and staffing	Continue to implement plan fully for improved management, operation and staffing
B.	Curriculum/ Materials					
1.	Improved national priority list, timetable and syllabi for primary education	Revised timetable, syllabi and teacher guides; school site visit data	Prepare detailed plan approved by MOE to set priorities and adopt curriculum timetable and syllabi for core subjects in Standards 1-3	MOE to adopt priorities and timetable; begin to revise the syllabi for core subjects in Standards 1-3	Partially implement revised syllabi in Standards 1-3 in core subjects, including teacher guides in SY 1994	Fully implement revised syllabi in Standards 1-3 nationwide in core subjects, including teacher guides

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	OUTPUTS	INDICATORS	CONDITIONS PRECEDENT TO INITIAL DISBURSEMENT/ ACTIONS BY 9/91	CONDITIONS PRECEDENT TO SECOND DISBURSEMENT/ ACTIONS BY 3/93	CONDITIONS PRECEDENT TO THIRD DISBURSEMENT/ ACTIONS BY 9/94	CONDITIONS PRECEDENT TO FOURTH DISBURSEMENT/ ACTIONS BY 12/95
2.	Increased amounts of instructional materials for Standards 1-3	Plan to prepare and distribute materials; data from site visits to schools	Prepare detailed plan approved by MOE for providing additional instructional materials to primary schools for Standards 1-3 in math, reading (Sesotho), radio English and agriculture	Partially distribute additional materials to Standards 1-3 in radio English and reading (Sesotho); fully develop agriculture materials; partially develop math materials	Fully distribute reading (Sesotho) materials; substantially distribute radio English; partially distribute agriculture; fully develop/partially distribute math materials	Continue to use distributed materials; fully distribute radio English, math and agriculture materials to schools
3.	Improved school-based assessment of pupil achievement in primary schools	End-of-level (EOL) guidelines; evaluation; EMIS data; training materials/ records	Prepare detailed plan approved by MOE to develop/revise EOL guidelines for pupil promotion; assign at least one additional staff member to NCDC Testing and Evaluation Unit	Distribute and evaluate use of EOL guidelines for Standards 1-3 in five sub-districts	Complete workshops for DRTs on school-based assessment using guidelines; disseminate guidelines to schools nationwide	Use EOL guidelines in all primary schools for pupil promotion

	OUTPUTS	INDICATORS	CONDITIONS PRECEDENT TO INITIAL DISBURSEMENT/ ACTIONS BY 9/91	CONDITIONS PRECEDENT TO SECOND DISBURSEMENT/ ACTIONS BY 3/93	CONDITIONS PRECEDENT TO THIRD DISBURSEMENT/ ACTIONS BY 9/94	CONDITIONS PRECEDENT TO FOURTH DISBURSEMENT/ ACTIONS BY 12/95
4.	Maintained and improved pupil achievement measure for Standards 1-3	Test; achievement results		Design, test and administer achievement test to sample of Standard 3 classes in September 1992	Continue to administer test to sample Standard 3 classes in September of 1993 and September 1994	Continue to administer test to sample Standard 3 classes in September 1995
C. School Environment						
1.	Improved allocation of furniture/ equipment in Primary Standards 1-3 and mountain areas	Plan; school site visits and EMIS school data on nos. of classrooms/ schools	Prepare detailed plan approved by MOE for provision of furniture and equipment for Standards 1-3 classrooms, including a list of first group of new schools and costs for furnishing first group of existing schools	Complete nationwide school mapping; provide furniture and equipment for new and existing Standards 1-3 classrooms per approved plan	Plan furniture and equipment for Standards 1-3 classrooms per approved plan schedules	Provide furniture and equipment for Standards 1-3 classrooms per approved plan schedules

	OUTPUTS	INDICATORS	CONDITIONS PRECEDENT TO INITIAL DISBURSEMENTS/ ACTIONS BY 9/91	CONDITIONS PRECEDENT TO SECOND DISBURSEMENTS/ ACTIONS BY 3/93	CONDITIONS PRECEDENT TO THIRD DISBURSEMENT/ ACTIONS BY 9/94	CONDITIONS PRECEDENT TO FOURTH DISBURSEMENT/ ACTIONS BY 12/95
2.a	Improved teacher -pupil ratio in primary school	Type and extent of information campaign; % of Standards 1-3 classrooms implementing; interview with head teachers	MOE to inform parents and school officials of tighter enforcement of regulations of non-enrollment of pupils under six	Effectively enforce restrictions on enrollment of under-age children, beginning January 1992	Continue to enforce restrictions on enrollment of under-age children effectively	Continue to enforce restrictions on enrollment of under-age children effectively
2.b	Improved teacher-pupil ratio in primary school	Plan; circular; campaign plan; nos. of schools implementing		MOE to complete and approve detailed plan for phasing out of over-age pupils, including detailed design of information campaign on new restrictions of admission to Standard 1 of children over 8; list targeted schools by region*	Fully implement information campaign; initiate enforcement of phasing out of over-age pupils in Standard 1 in January 1994 in all targeted schools*	Effectively implement of age restrictions in Standard 1 in January 1995 in all targeted schools
2.c	Improved teacher-pupil ratio in primary school	Plan; circular; schools implementing		MOE to develop and adopt plan (including design for information campaign) to limit repetition to two/ primary cycle	Fully implement information campaign and begin enforcement nationwide	MOE and school officials are taking actions to enforce policy of limiting repetition nationwide

*Selection of schools will be based on classification by Lands, Survey and Physical Planning Division currently underway

	OUTPUTS	INDICATORS	CONDITIONS PRECEDENT TO INITIAL DISBURSEMENTS/ ACTIONS BY 9/91	CONDITIONS PRECEDENT TO SECOND DISBURSEMENTS/ ACTIONS BY 3/93	CONDITIONS PRECEDENT TO THIRD DISBURSEMENT/ ACTIONS BY 9/94	CONDITIONS PRECEDENT TO FOURTH DISBURSEMENT/ ACTIONS BY 12/95
III.	Improved Educational Management					
A.	Improved MOE structure and roles	Copy of approval letter from MOPS; staffing audit	MOPS to approve MOE restructuring plan	Complete Phase I restructuring implementation*	Complete Phase II restructuring implementation*	Maintain Phases I and II restructuring
B.	Improved MOE-proprietor-parent relationship in educational management	Enacted revised legislation; MOE plan for school committees; school data	Military Council to approve revised education legislation to delineate MOE-proprietor-parent relationships	Fully implement legislation; prepare detailed plan to establish primary school committees nationwide	Continue to implement revised legislation; establish school committees nationwide	Continue to implement revised legislation and school committees nationwide
C.	Improved MOE financial management system	Assessment study; plan; annual budgets	Complete assessment of MOE financial management capacity; prepare detailed plan to improve capacity and introduce cost-center based budgeting; agree on timetable to provide additional staff to accounts section	Fully implement plan, including staffing; prepare annual cost-center based budget for FYs 1992/93 and 1993/94	Prepare annual cost-centered based budget for FY 1994/95	Prepare annual cost-centered based budget for FY 1995/96

* GOL Education Sector Development Plan includes details

	OUTPUTS	INDICATORS	CONDITIONS PRECEDENT TO INITIAL DISBURSEMENT/ ACTIONS BY 9/91	CONDITIONS PRECEDENT TO SECOND DISBURSEMENT/ ACTIONS BY 3/93	CONDITIONS PRECEDENT TO THIRD DISBURSEMENT/ ACTIONS BY 9/94	CONDITIONS PRECEDENT TO FOURTH DISBURSEMENT/ ACTIONS BY 12/95
D.	Improved MOE capacity for managing/ monitoring plan implementation	Guidelines for preparing annual plan; annual strategic plans; donor review reports	Develop guidelines for preparation of annual strategic plans, including strategy, target indicators and budget; fill two MOE planning staff positions	Prepare strategic plans for FYs 1992/93 and 1993/94; prepare detailed report for GOL/donor review on plan implementation by program	Prepare annual strategic plan for FY 1994/95; prepare report for GOL/donor review on plan implementation by program	prepare annual strategic plan for FY 1995/96; prepare report for GOL/USAID review on plan implementation by program
E.	Improved MOE capacity for monitoring and evaluation of primary education	Plan for capacity improvements; data reports and analyses; applications of reports for policy making	Prepare and MOE to approve detailed plan to improve capacity for establishing information dissemination system on primary education; develop list of primary education indicators and system for monitoring the ESDP	Complete national data collection using improved education data for planning; and submit reports for publication for SYs 1991 and 1992	Establish routine process for data collection and reporting; complete national data collection and submit report for publication for SY 1993	Complete national data collection and submit report for publication for SY 1994

5C(2) - ASSISTANCE CHECKLIST

Listed below are statutory criteria applicable to the assistance resources themselves, rather than to the eligibility of a country to receive assistance. This section is divided into three parts. Part A includes criteria applicable to both Development Assistance and Economic Support Fund resources. Part B includes criteria applicable only to Development Assistance resources. Part C includes criteria applicable only to Economic Support Funds.

CROSS REFERENCE: IS COUNTRY CHECKLIST UP TO DATE?

YES
Country checklist was included with Community Natural Resources Management Project authorized June 26, 1991

A. CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUNDS

1. Host Country Development Efforts (FAA Sec. 601(a)): Information and conclusions on whether assistance will encourage efforts of the country to:
(a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions.

N/A

2. U.S. Private Trade and Investment (FAA Sec. 601(b)): Information and conclusions on how assistance will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

U.S. private companies will be invited to submit proposals for providing technical services for the Program

3. Congressional Notification

a. **General requirement (FY 1991 Appropriations Act Secs. 523 and 591; FAA Sec. 634A):** If money is to be obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified (unless the notification requirement has been waived because of substantial risk to human health or welfare)?

Congress will be notified in July 1991; the Agreement will be signed only after the notification has been cleared without objection.

b. **Notice of new account obligation (FY 1991 Appropriations Act Sec. 514):** If funds are being obligated under an appropriation account to which they were not appropriated, has the President consulted with and provided a written justification to the House and Senate Appropriations Committees and has such obligation been subject to regular notification procedures?

N/A

c. **Cash transfers and nonproject sector assistance (FY 1991 Appropriations Act Sec. 575(b)(3)):** If funds are to be made available in the form of cash transfer or nonproject sector assistance, has the Congressional notice included a detailed description of how the funds will be used, with a discussion of U.S. interests to be served and a description of any economic policy reforms to be promoted?

Yes, though waiver of dollar use/tracking requirement has been requested.

4. **Engineering and Financial Plans (FAA Sec. 611(a)):** Prior to an obligation in excess of \$500,000, will there be: (a) engineering, financial or other plans necessary to carry out the assistance; and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

Financial plans and detailed budgets are included in the PAAD and annexes.

5. **Legislative Action (FAA Sec. 611(a)(2)):** If legislative action is required within recipient country with respect to an obligation in excess of \$500,000, what is the basis for a reasonable expectation that such action

Only one CP includes GOL approval of revised legislation on MOE proprietor/parent roles; revised legislation is in draft and expected to be approved prior to the first reform progress review scheduled for September 1991.

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will be completed in time to permit orderly accomplishment of the purpose of the assistance?

6. **Water Resources (FAA Sec. 611(b); FY 1991 Appropriations Act Sec. 501):** If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.)

N/A

7. **Cash Transfer and Sector Assistance (FY 1991 Appropriations Act Sec. 575(b)):** Will cash transfer or nonproject sector assistance be maintained in a separate account and not commingled with other funds (unless such requirements are waived by Congressional notice for nonproject sector assistance)?

The CN included a request for a waiver of the Section 575(b)(1) of the Foreign Operations, Export Financing, and Related Appropriations Act, 1991, requirements to establish a separate dollar account and specify and monitor dollar use.

8. **Capital Assistance (FAA Sec. 611(e)):** If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively?

N/A

9. **Multiple Country Objectives (FAA Sec. 601(a)):** Information and conclusions on whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

N/A

10. **U.S. Private Trade (FAA Sec. 601(b)):** Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

U.S. private companies will be invited to submit proposals for providing technical services under the Program.

11. **Local Currencies**

a. **Recipient Contributions (FAA Secs. 612(b), 636(h)):** Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.

The GOL will contribute the Maloti equivalent of \$18.6 million in local currency to support program costs, including contractual and other services, and a USAID OE trust fund.

b. **U.S.-Owned Currency (FAA Sec. 612(d)):** Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

No.

c. **Separate Account (FY 1991 Appropriations Act Sec. 575).** If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies:

(1) Has A.I.D. (a) required that local currencies be deposited in a separate account established by the recipient government, (b) entered into an agreement with that government providing the amount of local currencies to be generated and the terms and conditions under which the currencies so deposited may be utilized, and (c) established by agreement the responsibilities of A.I.D. and that government to monitor and account for deposits into and disbursements from the separate account?

(1)
(a) Yes, in the Program Agreement;

(b) Yes;

(c) Yes, in the Agreement and supporting documentation.

(2) Will such local currencies, or an equivalent amount of local currencies, be used only to carry out the purposes of the DA or ESF chapters of the FAA (depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government?

(2) Local currencies will be used to support Program objectives and to finance OE requirements through a Trust Fund arrangement.

(3) Has A.I.D. taken all appropriate steps to ensure that the equivalent of local currencies disbursed from the separate account are used for the agreed purposes?

(3) Yes. The Program Agreement stipulates uses and procedures for joint approval of uses.

(4) If assistance is terminated to a country, will any unencumbered balances of funds remaining in a separate account be disposed of for purposes agreed to by the recipient government and the United States Government?

(4) Yes.

12. Trade Restrictions

a. Surplus Commodities (FY 1991 Appropriations Act Sec. 521(a)): If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?

N/A

b. Textiles (Lautenberg Amendment) (FY 1991 Appropriations Act Sec. 521(c)): Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of

N/A

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textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel?

13. Tropical Forests (FY 1991 Appropriations Act Sec. 533(c)(3)): Will funds be used for any program, project or activity which would (a) result in any significant loss of tropical forests, or (b) involve industrial timber extraction in primary tropical forest areas?

N/A

14. PVO Assistance

N/A

a. Auditing and registration (FY 1991 Appropriations Act Sec. 537): If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.?

b. Funding sources (FY 1991 Appropriations Act, Title II, under heading "Private and Voluntary Organizations"): If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government?

15. Project Agreement Documentation (State Authorization Sec. 139 (as interpreted by conference report)): Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision).

N/A

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16. **Metric System** (Omnibus Trade and Competitiveness Act of 1988 Sec. 5164, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy):

N/A

Does the assistance activity use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

17. **Women in Development** (FY 1991 Appropriations Act, Title II, under heading "Women in Development"): Will assistance be designed so that the percentage of women participants will be demonstrably increased?

The Program will benefit a higher proportion of female than male primary education students.

18. **Regional and Multilateral Assistance** (FAA Sec. 209): Is assistance more efficiently and effectively provided through regional or multilateral organizations? If so, why is assistance not so provided? Information and conclusions on whether assistance will encourage developing countries to cooperate in regional development programs.

No, though the Program involves significant collaboration with the World Bank.

19. Abortions (FY 1991 Appropriations Act, Title II, under heading "Population, DA," and Sec. 525):

N/A

a. Will assistance be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization?

b. Will any funds be used to lobby for abortion?

20. Cooperatives (FAA Sec. 111): Will assistance help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life?

N/A

21. U.S.-Owned Foreign Currencies

a. Use of currencies (FAA Secs. 612(b), 636(h); FY 1991 Appropriations Act Secs. 507, 509): Describe steps taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. are utilized in lieu of dollars to meet the cost of contractual and other services.

N/A

b. Release of currencies (FAA Sec. 612(d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

N/A

22. Procurement

a. Small business (FAA Sec. 602(a)): Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed?

Full and open competition procedures will be followed for contractor and commodity procurement. Ten per cent of contract value will go to a socially/economically disadvantaged entity.

b. U.S. procurement (FAA Sec. 604(a)): Will all procurement be from the U.S. except as otherwise determined by the President or determined under delegation from him?

Reasonable efforts will be made to maximize the procurement of U.S. source/origin commodities required in the Program. Proposals from U.S. organizations will be solicited. Finally, candidates from the U.S. will be sought for the USAID Program Coordinator position and LT-TA and LT training will be U.S.-based.

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c. **Marine insurance (FAA Sec. 604(d)):** If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company?

N/A

d. **Non-U.S. agricultural procurement (FAA Sec. 604(e)):** If non-U.S. procurement of agricultural commodity or product thereof is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.)

N/A

e. **Construction or engineering services (FAA Sec. 604(g)):** Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those countries which receive direct economic assistance under the TAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.)

N/A

f. **Cargo preference shipping (FAA Sec. 603):** Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates?

No.

g. **Technical assistance (FAA Sec. 621(a)):** If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the

Yes.

facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

No, N/A.

h. U.S. air carriers (International Air Transportation Fair Competitive Practices Act, 1974): If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available?

Yes.

i. Termination for convenience of U.S. Government (FY 1991 Appropriations Act Sec. 504): If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States?

Yes.

j. Consulting services (FY 1991 Appropriations Act Sec. 524): If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)?

N/A

k. Metric conversion (Omnibus Trade and Competitiveness Act of 1988, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance program use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest

N/A

documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

1. **Competitive Selection Procedures** (FAA Sec. 601(e)): Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

Competitive selection procedures will be used

23. **Construction**

N/A

a. **Capital project** (FAA Sec. 601(d)): If capital (e.g., construction) project, will U.S. engineering and professional services be used?

b. **Construction contract** (FAA Sec. 611(c)): If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?

c. **Large projects, Congressional approval** (FAA Sec. 620(k)): If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million (except for productive enterprises in Egypt that were described in the Congressional Presentation), or does assistance have the express approval of Congress?

24. **U.S. Audit Rights** (FAA Sec. 301(d)): If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights?

N/A

25. **Communist Assistance** (FAA Sec. 620(h)). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries?

Yes.

26. Narcotics

N/A

a. **Cash reimbursements (FAA Sec. 483):** Will arrangements preclude use of financing to make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated?

b. **Assistance to narcotics traffickers (FAA Sec. 487):** Will arrangements take "all reasonable steps" to preclude use of financing to or through individuals or entities which we know or have reason to believe have either: (1) been convicted of a violation of any law or regulation of the United States or a foreign country relating to narcotics (or other controlled substances); or (2) been an illicit trafficker in, or otherwise involved in the illicit trafficking of, any such controlled substance?

27. Expropriation and Land Reform (FAA Sec. 620(g)): Will assistance preclude use of financing to compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President?

N/A

28. Police and Prisons (FAA Sec. 660): Will assistance preclude use of financing to provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs?

N/A

29. CIA Activities (FAA Sec. 662): Will assistance preclude use of financing for CIA activities?

N/A

30. Motor Vehicles (FAA Sec. 636(i)): Will assistance preclude use of financing for purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained?

The DFA permits financing for vehicles of Code 935 source/origin. Such use is justified on the bases of unavailable service and parts for U.S. vehicles in Lesotho and the necessity of using right-hand drive vehicles for safety reasons.

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31. **Military Personnel (FY 1991 Appropriations Act Sec. 503):** Will assistance preclude use of financing to pay pensions, annuities, retirement pay, or adjusted service compensation for prior or current military personnel?

Yes.

32. **Payment of U.N. Assessments (FY 1991 Appropriations Act Sec. 505):** Will assistance preclude use of financing to pay U.N. assessments, arrearages or dues?

Yes

33. **Multilateral Organization Lending (FY 1991 Appropriations Act Sec. 506):** Will assistance preclude use of financing to carry out provisions of FAA section 209(d) (transfer of FAA funds to multilateral organizations for lending)?

Unnecessary, since waiver submitted for dollar tracking.

34. **Export of Nuclear Resources (FY 1991 Appropriations Act Sec. 510):** Will assistance preclude use of financing to finance the export of nuclear equipment, fuel, or technology?

Yes.

35. **Repression of Population (FY 1991 Appropriations Act Sec. 511):** Will assistance preclude use of financing for the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights?

Yes.

36. **Publicity or Propaganda (FY 1991 Appropriations Act Sec. 516):** Will assistance be used for publicity or propaganda purposes designed to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propaganda purposes not authorized by Congress?

No.

37. **Marine Insurance (FY 1991 Appropriations Act Sec. 563):** Will any A.I.D. contract and solicitation, and subcontract entered into under such contract, include a clause requiring that U.S. marine insurance companies have a fair opportunity to bid for marine insurance when such insurance is necessary or appropriate?

Yes

38. **Exchange for Prohibited Act (FY 1991 Appropriations Act Sec. 569):** Will any assistance be provided to any foreign government (including any instrumentality or agency thereof), foreign person, or United States person in exchange for that foreign government or person undertaking any action which is, if carried out by the United States Government, a United States official or employee, expressly prohibited by a provision of United States law?

No

B. CRITERIA APPLICABLE TO DEVELOPMENT ASSISTANCE ONLY

1. **Agricultural Exports (Bumpers Amendment) (FY 1991 Appropriations Act Sec. 521(b), as interpreted by conference report for original enactment):** If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities: (1) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (2) in support of research that is intended primarily to benefit U.S. producers?

N/A

2. **Tied Aid Credits (FY 1991 Appropriations Act, Title II, under heading "Economic Support Fund"):** Will DA funds be used for tied aid credits?

N/A

3. **Appropriate Technology (FAA Sec. 107):** Is special emphasis placed on use of appropriate technology (defined as relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

N/A

4. **Indigenous Needs and Resources (FAA Sec. 281(b)):** Describe extent to which the activity recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.

The Program supports MOE reforms to improve basic education for Basotho to enable them to participate more effectively in economic and social development and in their evolving democracy. Education is viewed as important by Basotho.

5. **Economic Development (FAA Sec. 101(a)):** Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

Program will increase the productivity of human resources.

6. **Special Development Emphases (FAA Secs. 102(b), 113, 281(a)):** Describe extent to which activity will: (a) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions; (b) encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries

(a) PEP will support reforms affecting the rural poor majority who attend primary schools with inadequate resources and facilities;

(b) N/A;

(c) Reforms included in PEP encourage greater parental/community involvement in school management;

(d) PEP encourages improved basic education for all, including female students;

and the improvement of women's status; and
(e) utilize and encourage regional
cooperation by developing countries.

7. **Recipient Country Contribution**
(FAA Secs. 110, 124(d)): Will the
recipient country provide at least 25
percent of the costs of the program,
project, or activity with respect to which
the assistance is to be furnished (or is
the latter cost-sharing requirement being
waived for a "relatively least developed"
country)?

8. **Benefit to Poor Majority** (FAA
Sec. 128(b)): If the activity attempts to
increase the institutional capabilities of
private organizations or the government of
the country, or if it attempts to
stimulate scientific and technological
research, has it been designed and will it
be monitored to ensure that the ultimate
beneficiaries are the poor majority?

9. **Abortions** (FAA Sec. 104(f); FY
1991 Appropriations Act, Title II, under
heading "Population, DA," and Sec. 535):

a. Are any of the funds to be
used for the performance of abortions as a
method of family planning or to motivate
or coerce any person to practice
abortions?

b. Are any of the funds to be
used to pay for the performance of
involuntary sterilization as a method of
family planning or to coerce or provide
any financial incentive to any person to
undergo sterilizations?

c. Are any of the funds to be
made available to any organization or
program which, as determined by the
President, supports or participates in the
management of a program of coercive
abortion or involuntary sterilization?

(e) N/A.

The GOL will contribute the
Maloti equivalent of \$16.74
million toward the costs of
program, exceeding the 25%
minimal requirement. The GOL
will also provide in-kind
assistance, including office
space.

PEP will support reforms to
increase the capacity of MOE
and private schools to provide
more effective basic education
Data will be collected and
analyzed to ascertain that
reforms do not unduly
disadvantage the poor
majority.

(a) - (g) N/A

d. Will funds be made available only to voluntary family planning projects which offer, either directly or through referral to, or information about access to, a broad range of family planning methods and services?

e. In awarding grants for natural family planning, will any applicant be discriminated against because of such applicant's religious or conscientious commitment to offer only natural family planning?

f. Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?

g. Are any of the funds to be made available to any organization if the President certifies that the use of these funds by such organization would violate any of the above provisions related to abortions and involuntary sterilization?

10. Contract Awards (FAA Sec. 601(e)): Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

Yes

11. Disadvantaged Enterprises (FY 1991 Appropriations Act Sec. 567): What portion of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 40 percent of the students are Hispanic Americans, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)?

It is planned that at least 10% of the value of the principal technical contract will be awarded to economically and socially disadvantaged entities.

12. **Biological Diversity (FAA Sec. 119(g)):** Will the assistance: (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas?

N/A

13. **Tropical Forests (FAA Sec. 118; FY 1991 Appropriations Act Sec. 533(c)-(e) & (g)):**

N/A

a. **A.I.D. Regulation 16:** Does the assistance comply with the environmental procedures set forth in A.I.D. Regulation 16?

b. **Conservation:** Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent feasible: (1) stress the importance of conserving and sustainably managing forest resources; (2) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (3) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (4) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (5) help conserve forests which have not yet been degraded by helping to increase production on lands already cleared or degraded; (6) conserve forested watersheds and rehabilitate those which have been deforested; (7) support training, research, and other actions

which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (8) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (9) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (10) seek to increase the awareness of U.S. Government agencies and other donors of the immediate and long-term value of tropical forests; (11) utilize the resources and abilities of all relevant U.S. government agencies; (12) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land; and (13) take full account of the environmental impacts of the proposed activities on biological diversity?

c. Forest degradation: Will assistance be used for: (1) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; (2) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas; (3) activities which would result in the conversion of forest lands to the rearing of livestock; (4) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undergraded

forest lands; (5) the colonization of forest lands; or (6) the construction of dams or other water control structures which flood relatively undergraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development?

d. Sustainable forestry: If assistance relates to tropical forests, will project assist countries in developing a systematic analysis of the appropriate use of their total tropical forest resources, with the goal of developing a national program for sustainable forestry?

e. Environmental impact statements: Will funds be made available in accordance with provisions of FAA Section 117(c) and applicable A.I.D. regulations requiring an environmental impact statement for activities significantly affecting the environment?

14. Energy (FY 1991 Appropriations Act Sec. 533(c)): If assistance relates to energy, will such assistance focus on: (a) end-use energy efficiency, least-cost energy planning, and renewable energy resources, and (b) the key countries where assistance would have the greatest impact on reducing emissions from greenhouse gases?

N/A

15. Sub-Saharan Africa Assistance (FY 1991 Appropriations Act Sec. 562, adding a new FAA chapter 10 (FAA Sec. 496)): If assistance will come from the Sub-Saharan Africa DA account, is it: (a) to be used to help the poor majority in Sub-Saharan Africa through a process of long-term development and economic growth that is equitable, participatory, environmentally sustainable, and self-reliant; (b) to be used to promote sustained economic growth, encourage

(a) Yes. The principal beneficiaries will be the rural poor majority children who will benefit from improved basic education skills;

(b) PEP supports human resource development which is necessary for long-term economic growth;

private sector development, promote individual initiatives, and help to reduce the role of central governments in areas more appropriate for the private sector; (c) to be provided in a manner that takes into account, during the planning process, the local-level perspectives of the rural and urban poor, including women, through close consultation with African, United States and other PVOs that have demonstrated effectiveness in the promotion of local grassroots activities on behalf of long-term development in Sub-Saharan Africa; (d) to be implemented in a manner that requires local people, including women, to be closely consulted and involved, if the assistance has a local focus; (e) being used primarily to promote reform of critical sectoral economic policies, or to support the critical sector priorities of agricultural production and natural resources, health, voluntary family planning services, education, and income generating opportunities; and (f) to be provided in a manner that, if policy reforms are to be effected, contains provisions to protect vulnerable groups and the environment from possible negative consequences of the reforms?

16. Debt-for-Nature Exchange (FAA Sec. 463): If project will finance a debt-for-nature exchange, describe how the exchange will support protection of: (a) the world's oceans and atmosphere, (b) animal and plant species, and (c) parks and reserves; or describe how the exchange will promote: (d) natural resource management, (e) local conservation programs, (f) conservation training programs, (g) public commitment to conservation, (h) land and ecosystem management, and (i) regenerative approaches in farming, forestry, fishing, and watershed management.

(c) PEP was designed in consultation with local level organizations, educator groups, church organizations, parents, and women's organizations.

(d) Reforms supported include the increased involvement of parents and communities in school management;

(e) Yes. PEP addresses constraints of inadequate resources and management weaknesses in the education sector with a long-term objective of improving the quality and efficiency of basic education for Basotho to participate in development; (f) MOE will be assisted to assess the impact of new policies on over-age children and formulate programs to address their needs.

N/A

17. Deobligation/Reobligation (FY 1991 Appropriations Act Sec. 515): If deob/reob authority is sought to be exercised in the provision of DA assistance, are the funds being obligated for the same general purpose, and for countries within the same region as originally obligated, and have the House and Senate Appropriations Committees been properly notified?

N/A

18. Loans

N/A

a. Repayment capacity (FAA Sec. 122(b)): Information and conclusion on capacity of the country to repay the loan at a reasonable rate of interest.

b. Long-range plans (FAA Sec. 122(b)): Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities?

c. Interest rate (FAA Sec. 122(b)): If development loan is repayable in dollars, is interest rate at least 2 percent per annum during a grace period which is not to exceed ten years, and at least 3 percent per annum thereafter?

d. Exports to United States (FAA Sec. 620(d)): If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20 percent of the enterprise's annual production during the life of the loan, or has the requirement to enter into such an agreement been waived by the President because of a national security interest?

19. Development Objectives (FAA Secs. 102(a), 111, 113, 281(a)): Extent to which activity will: (1) effectively involve the poor in development, by expanding access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from

(1) PEP will support reforms affecting the rural poor majority who attend primary schools with inadequate facilities.

cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (2) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (3) support the self-help efforts of developing countries; (4) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (5) utilize and encourage regional cooperation by developing countries?

(2) N/A:

(3) PEP encourages the involvement of parents and communities in school management;
(4) PEP supports improved basic education for all children, including the majority of primary students which are female;
(5) N/A.

20. Agriculture, Rural Development and Nutrition, and Agricultural Research (FAA Secs. 103 and 103A):

N/A

a. Rural poor and small farmers: If assistance is being made available for agriculture, rural development or nutrition, describe extent to which activity is specifically designed to increase productivity and income of rural poor; or if assistance is being made available for agricultural research, has account been taken of the needs of small farmers, and extensive use of field testing to adapt basic research to local conditions shall be made.

b. Nutrition: Describe extent to which assistance is used in coordination with efforts carried out under FAA Section 104 (Population and Health) to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value; improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs; and the undertaking of pilot or demonstration programs explicitly addressing the problem of malnutrition of poor and vulnerable people.

c. Food security: Describe extent to which activity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution.

21. Population and Health (FAA Secs. 104(b) and (c)): If assistance is being made available for population or health activities, describe extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems, and other modes of community outreach.

N/A

22. Education and Human Resources Development (FAA Sec. 105): If assistance is being made available for education, public administration, or human resource development, describe (a) extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, and strengthens management capability of institutions enabling the poor to participate in development; and (b) extent to which assistance provides advanced education and training of people of developing countries in such disciplines as are required for planning and implementation of public and private development activities.

(a) The Program includes reforms: to emphasize a core basic curriculum, including basic reading and math skills and agriculture; and to improve educational management at all levels to contribute to higher primary school completion rates;

(b) A limited amount of long-term and short-term training will be provided to MOE officials to improve their capacity to utilize data for planning and policy formulation.

23. Energy, Private Voluntary Organizations, and Selected Development Activities (FAA Sec. 106): If assistance is being made available for energy, private voluntary organizations, and selected development problems, describe extent to which activity is:

N/A

a. concerned with data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of energy production; and facilitative of research on and development and use of small-scale, decentralized, renewable energy sources for rural areas, emphasizing development of energy resources which are environmentally acceptable and require minimum capital investment;

b. concerned with technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations;

c. research into, and evaluation of, economic development processes and techniques;

d. reconstruction after natural or manmade disaster and programs of disaster preparedness;

e. for special development problems, and to enable proper utilization of infrastructure and related projects funded with earlier U.S. assistance;

f. for urban development, especially small, labor-intensive enterprises, marketing systems for small producers, and financial or other institutions to help urban poor participate in economic and social development.

Attachment B

Initial Environmental Examination
or
Categorical Exclusion

Project Country: Lesotho

Project Title and Number: Primary Education Assistance
Package

Funding: FY 90-99 - \$37,493,750

IEE/CE Prepared By: Deborah Prindle, REDSO/ESA Project
Development Officer

Environmental Action Recommended:

Positive Determination _____

Negative Determination _____

Categorical Exclusion X

This assistance package consists of technical assistance and training. It therefore meets the criteria for a Categorical Exclusion as set forth in AID Regulations Section 216.2(c)(2)(i). Cash disbursements are also involved which fall under Section 216.2(c)(1)(ii).

Concurrence:

John J. [Signature]
Bureau Environmental Officer

Approved ✓

Disapproved _____

Date 4/18/90

Clearance:

AFR/GC: Mary Alice Kleuyin
Date: 4/18/90

SOURCE SELECTION INFORMATION - - See FAR 3.104

Annex
Detailed Budget - AID - Page 1 of 4

Technical Advisors	Yr. 1	Yr. 2	Yr. 3	Yr. 4	Yr. 5	Yr. 6	Totals
ENIS							
Technical Advisor (5 years)							
- Salary (70,000)	46667	73500	77175	81034	85085	32616	396077
- Post Diff (10%)	4667	7350	7718	8103	8509	3262	39608
- Fringe Benefits (25%)	11667	18375	19294	20258	21271	8154	99019
- DBA Insur. (3.44%)	1605	2528	2655	2788	2927	1122	13625
- Housing (Provided)	0	0	0	0	0	0	0
- Overhead (100% salary)	46667	73500	77175	81034	85085	32616	396077
- Education (1 @ elm/1 @ hig)	11467	17200	18060	18060	18963	6321	90071
- Settle-In Allow. (incl. appliances)	8000	0	0	0	0	0	8000
Travel Related Costs							
- Int. Travel (4x4000)	16000	0	0	0	0	18000	34000
- Air Freight	3500	0	0	0	0	9000	12500
- Travel (R&R & H L)	0	16800	17640	18522	19448	0	72410
- Storage (HNE)	1000	2100	2205	2315	2431	2553	12604
- Per Diem	3000	0	0	0	0	3450	6450
- Sub-Total	154239	211353	221921	232114	243720	117094	1180441 ENIS
FINMGT							
Technical Advisor (4 years)							
- Salary (65,000)	43333	68250	71663	75246	28844	0	287336
- Post Diff (10%)	4333	6825	7166	7525	2884	0	28734
- Fringe Benefits (25%)	10833	17063	17916	18811	7211	0	71834
- DBA Insur. (3.44%)	1491	2348	2465	2588	992	0	9884
- Housing (Provided)	0	0	0	0	0	0	0
- Overhead (100% salary)	43333	68250	71663	75246	28844	0	287336
- Education (1 @ elm/1 @ high)	11467	17200	18060	18060	6020	0	70807
- Settle-In Allow. (incl. appliances)	8000	0	0	0	0	0	8000
Travel Related Costs							
- Int. Travel (4x4000)	16000	0	0	0	18000	0	34000
- Air Freight	3500	0	0	0	9000	0	12500
- Travel (R&R & H L)	0	16800	17640	18522	0	0	52962
- Storage (HNE)	1000	2100	2205	2315	0	0	7620
- Per Diem	3000	0	0	0	3450	0	6450
- Sub-Total	46291	198835	208777	218313	105246	0	877462 FINMGT

SOURCE SELECTION INFORMATION - - See FAR 3.104

Page 2 of 4

Yr.1 Yr.2 Yr.3 Yr.4 Yr.5 Yr.6

TEST/EVAL

Technical Advisor (3 years)

- Salary (65,000)	43333	68250	71663	27471	0	0	210716
- Post Diff (10%)	4333	6825	7166	2747	0	0	21072
- Fringe Benefits (25%)	10833	17063	17916	6868	0	0	52679
- DBA Insur. (3.44%)	1491	2348	2465	945	0	0	7249
- Housing (Provided)	0	0	0	0	0	0	0
- Overhead (100% salary)	43333	68250	71663	27471	0	0	210716
- Education (1 @ elm/1 @ high)	11467	17200	16080	6020	0	0	52747
- Settle-In Allow. (incl. appliances)	8000	0	0	0	0	0	8000

Travel Related Costs

- Int. Travel (4x4000)	16000	0	0	18000	0	0	34000
- Air Freight	3500	0	0	9000	0	0	12500
- Travel (R&R & H L)	0	16800	17640	0	0	0	34440
- Storage (HME)	1000	2100	2205	0	0	0	5305
- Per Diem	3000	0	0	3450	0	0	6450
- Sub-Total	46291	198835	208777	101971	0	0	655874 TEST/EVAL

NTTC

Technical Advisor (2 years)

- Salary (65,000)	43333	68250	26163	0	0	0	137746
- Post Diff (10%)	4333	6825	2616	0	0	0	13775
- Fringe Benefits (25%)	10833	17063	6541	0	0	0	34436
- DBA Insur. (3.44%)	1491	2348	900	0	0	0	4738
- Housing (Provided)	0	0	0	0	0	0	0
- Overhead (100% salary)	43333	68250	26163	0	0	0	137746
- Education (1 @ elm/1 @ high)	11467	17200	6593	0	0	0	35260
- Settle-In Allow. (incl. appliances)	8000	0	0	0	0	0	8000

Travel Related Costs

- Int. Travel (4x4000)	16000	0	18000	0	0	0	34000
- Air Freight	3500	0	9000	0	0	0	12500
- Travel (R&R & H L)	0	16800	0	0	0	0	16800
- Storage (HME)	1000	2100	0	0	0	0	3100
- Per Diem	3000	0	3450	0	0	0	6450
- Sub-Total	46291	198835	99425	0	0	0	444551 NTTC

SOURCE SELECTION INFORMATION - - See FAR 3.104

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	Yr.1	Yr.2	Yr.3	Yr.4	Yr.5	Yr.6	
Admin. Staff							
- Adm'n. Office:	6000	12600	13230	13892	14586	6000	68308
- Secretary	6000	9450	9923	10419	10940	4193	50924
- Driver	2333	3675	3859	4052	4254	1631	19804
- Sub-Total (Staff)	16333	25725	27011	28362	29780	11824	139038
In-country Travel/Office Costs							
- Office Costs	5000	5000	500	5000	5000	1000	26000
- Vehicle Operations	5000	5000	500	5000	5000	2000	27000
- Per diem	5000	5000	500	4000	4000	2000	25000
- Sub-Total (Admin)	15000	15000	1500	14000	14000	5000	78000
Special Studies	20000	20000	2000	20000	20000	0	100000
- L/T Training	0	150000	10000	0	0	0	350000
- S/T/ Training	20000	35000	2500	20000	20000	0	120000
- Sub-Total (Training)	20000	185000	12500	20000	20000	0	470000
Short-Term Tech. Advisors - 35 mo @ 15,000	225000	60000	60000	45000	45000	0	435000
- Sub-total (categories)	889444	1113584	108591	679759	477746	133818	4380363
- General/Admin (10%)	88944	111358	108591	67976	47775	13382	438036
- Sub-Totals +6&A (Estimated Contract Cost)	978388	1224943	119450	747735	525520	147310	4818399
Commodities							
- Computers (4)	20000	0	0	0	0	0	20000
Indirect cost fee (2%) (non-consumable commodities)	400	0	0	0	0	0	400
Contractor Fee (5%)	48919	81247	59725	37387	26278	7365	240920
Total Contract Cost	1047708	1286190	1254228	785122	551796	154675	5079719

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SOURCE SELECTION INFORMATION - - See FAR 3.104

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	Yr.1	Yr.2	Yr.3	Yr.4	Yr.5	Yr.6	
USAID PROCUREMENT							
Housing							
- Maintenance/Utilities/Security	33467	50000	45000	35000	25000	13653	202120
Commodity Procurement							
- Vehicles	50000	0	0	0	0	0	50000
- Photocopier	3000	0	0	0	0	0	3000
- Office Furniture/Equipment	6000	0	0	0	0	0	6000
- Computers (1)	5000	0	0	0	0	0	5000
- Contingency	1000	0	0	0	0	0	1000
- Sub-Totals (Commodities)	65000	0	0	0	0	0	65000
Evaluation/Audit Services	0	75000	60000	75000	75000	0	285000
PSC Coordinator							
- Salary (60,000)	40000	68000	72600	79860	87846	38067	384373
- Post Diff (10%)	4000	6600	7260	7986	8785	3807	38437
- Fringe Benefits (25%)	10000	16500	18150	19965	21962	9517	96093
- DBA Insur. (3.44%)	1378	2270	2497	2747	3022	1309	13222
- Education (1 @ elm/1 @ high)	11467	17200	18060	18060	18963	6321	90071
- Settle-in Allow. (incl. appliances)	8000	0	0	0	0	0	8000
Travel Related Costs							
- Int. Travel (4x4000)	16000	0	0	0	0	18000	34000
- Air Freight	3500	0	0	0	9000	0	12500
- Travel (R&R & HL)	0	16800	17640	18522	19448	0	72410
- Storage (HME)	1000	2100	2205	2315	2431	2553	12604
- Per Diem	3000	0	0	0	0	3450	6450
- Sub-Total (PSC)	98343	127470	138412	149455	171456	83023	768160
Total USAID Procurement Cost	196810	252470	243412	259455	271456	96676	1320280
Total Contract cost - AID	1047708	1286190	1254228	785122	551796	154675	5079719
TOTAL COST - AID	1244517	1538660	1497640	1044577	823252	251352	6400000

Notes to the Budget

1. Annual inflation for salaries for technical advisors: 5% U.S.
2. Annual inflation for PSC salary: 10% U.S.
3. Commodities (base year - yr.1) with annual inflation factored in at 14.4% for in-country procurement, 12% RSA, 5% U.S., and 4% other overseas
4. Schooling costs are increased by 5% every other year
5. Year 1 is for 8 months; last year for each advisor is for 4 months

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Table 5
LESOTHO
PRIMARY EDUCATION INDICATORS

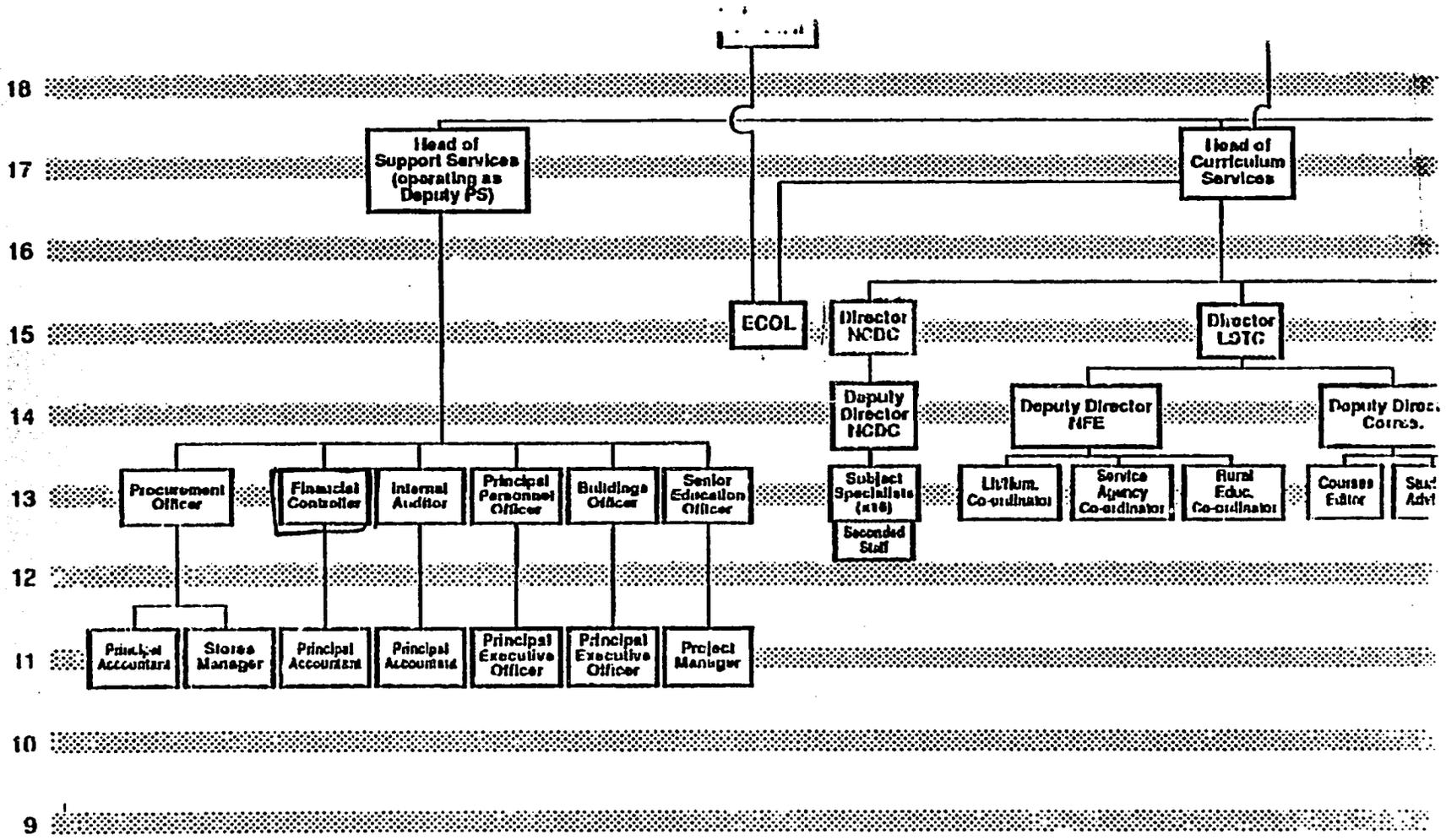
	<u>1975</u>	<u>1980</u>	<u>1985</u>	<u>1989</u>	<u>1990</u>
<u>Access</u>					
total enrollment	220,000	244,000	314,000	348,000	351,651
gross enrollment %				118	118
net enrollment (age 6-12)%				79	79
boys				69	70
girls				86	86
<u>Completion</u>					
all enrollees completing Std 7 & PSLE, %	28	41	48	53	46.3
Number of students completing				27,000	28,000
<u>Efficiency</u>					
total years for PSLE pass	17.	15	15.3	12.8	14.1
<u>Expenditure</u>					
GOL Budget for MOE, %	N/A	17.9	13.9	20	22.3 (FY91/92)
MOE Budget for Primary, %			37	40	
Expenditure per pupil, GOL(Mal)			53	78	70 (FY91/92)
Parents (fees & other costs)			100	141	45
<u>Schools</u>					
number	1050	1076	1141	1181	190
complete 7 Stds, %	38	52	63	69	69.6
<u>Qualified Teachers, %</u>	69	64	79	81	81
<u>Instructional Materials/</u>					
pupil			3.6	4.4	4.4
Pupils/Classroom	77	78	104	106 (67*)	-
Pupils/Teacher	42	48	55	56	56

*with church halls

Source: MOE Statistics Unit
Various Sources

Table is illustrative of overall trends in primary education which are more indicative of progress than year to year differences due to variability in data quality and coverage

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Principal Secretary

Head of Teaching Services

Deputy Head of TSU

Director of Planning

Chief Inspector (IQ)

Educ. Co-ordinating Officer

Coordinator ESIC

UNESCO Secy.

Secretary of Controlled Schools

Education Secys.

Assistant Secy (x2 or x3)

Senior Planner

Subject Inspectors (x8)

Primary Inspector

SEN Inspector

Early Childhood Inspector

RSET Co-ordinator

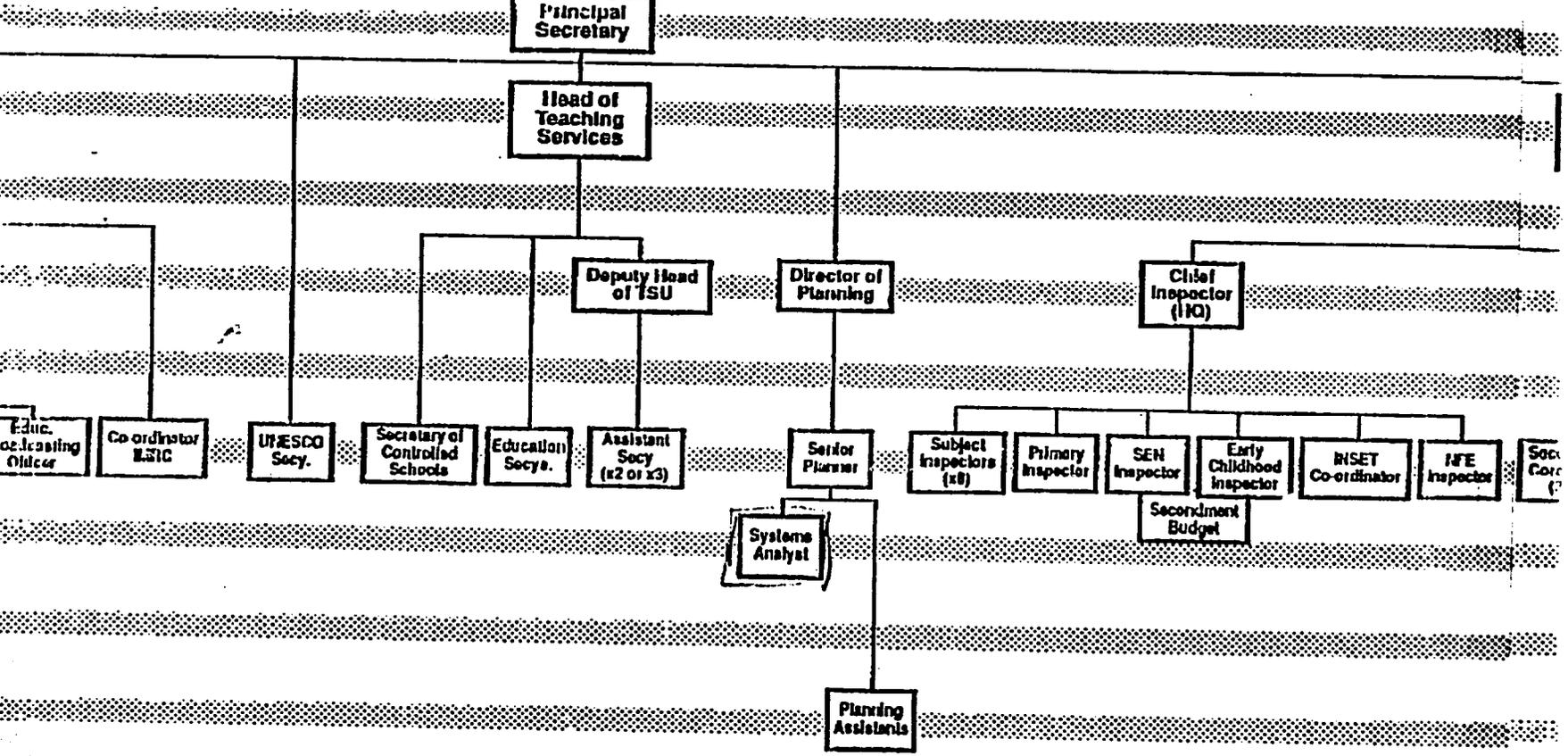
IFE Inspector

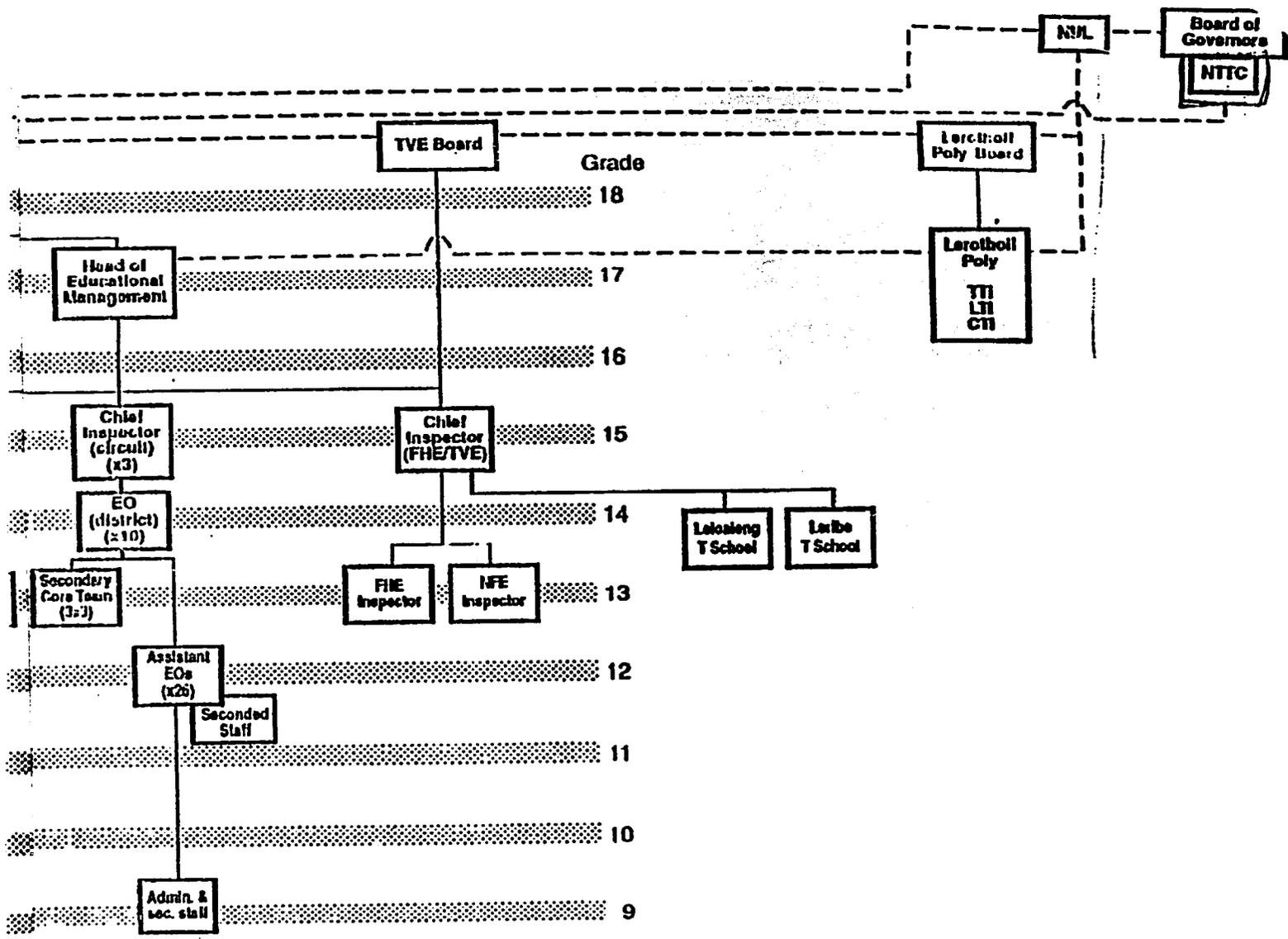
Soc. Coor. (P)

Systems Analyst

Secondment Budget

Planning Assistants





VZCZCMAI
PP RUEHC
DE RUEHRU #0635/01 057 **
ZNR UUUUU ZZH
P 261148Z FEB 90
FM AMEMBASSY MASERU
TO SECSTATE WASHDC PRIORITY 6155
BT
UNCLAS MASERU 00635

*file PEP
PID/PAIP July
632-0225, 1, 1*

CLASS: UNCLASSIFIED
CHRG: 02/23/90
APPRV: A/DIR:BPSANDOVA
DRFTD: S/GDO:JHMEADOWC
MM
CLEAR: CONT:AGORDON
DISTR: AID3 ECON CEG

AIDAC

E.D. 12356: N/A

SUBJECT: LESOTHO EDUCATION PID/PAIP REVIEW--ADDITIONAL
REQUESTED INFORMATION

REF: STATE 391784

1. SUMMARY:

- THIS IS A THREE PART CABLE WHICH RESPOND TO POINTS RAISED IN REPTTEL. WE OBSERVE THAT MANY OF THE POINTS AND LEVEL OF DETAIL USUALLY ARE RESERVED FOR PP/PAAD STAGE BUT RECOGNIZE BUREAU INTEREST IN WANTING THIS AMOUNT OF INFORMATION NOW. WE REGRET THAT THIS RESPONSE HAS TAKEN THIS LENGTH OF TIME, HOWEVER THE COLLABORATION WITH WORLD BANK IS, WHILE ESSENTIAL, VERY TIME CONSUMING. ALSO THE DATA REQUESTS OF THE ECPR WERE SUBSTANTIAL. THE CABLE, THEREFORE, PRESENTS INFORMATION THAT DIRECTLY RESPONDS TO CONCERNS ABOUT PROGRESS IN MEETING OVERALL MISSION OBJECTIVES IN EDUCATION OVER THE LAST TEN YEARS. IT REVIEWS THE CONSTRAINTS TO ACHIEVING GREATER PROGRESS AND EFFICIENCY IN PRIMARY EDUCATION IN LESOTHO, AND IT REVIEWS THE STRATEGIES PROPOSED TO OVERCOMING THOSE CONSTRAINTS. THIS ADDITIONAL INFORMATION IS BASED ON AVAILABLE STUDIES AND REPORTS, AS WELL AS ADDITIONAL MEETINGS WITH GOL OFFICIALS. FINALLY, THIS CABLE RAISES THE CONCERN THAT USAID/LESOTHO IS BEING REQUESTED TO ASSIST IN MEETING THE FY 90 BASIC EDUCATION OBLIGATION SCHEDULE (I.E. THAT USAID/LESOTHO HAVE AN APPROVED PP AND THEN GRANT AGREEMENT SIGNED WITH GOL BY SEPTEMBER) AT THE SAME TIME THE DATA GATHERING AND ANALYSIS OUTLINED IN REPTTEL AND THE OVERALL AID/W CONCERNS ARE REQUIRING MONTHS OF ADDITIONAL TIME. WE DO NOT QUESTION THE NEED FOR IN-DEPTH POLICY ANALYSIS, THOSE QUESTIONS NEED TO BE ADDRESSED AND ARE BEING ADDRESSED AS MOE, WDRLD BANK, AND USAID WORK TOGETHER TO DEVELOP A TEN YEAR INVESTMENT PLAN FOR PRIMARY EDUCATION.

- USAID/LESOTHO REQUESTS PROMPT RESPONSE TO THIS CABLE. WE NEED EARLIEST POSSIBLE APPROVAL OF THE PID/PAIP AND AUTHORIZATION IF WE ARE TO PROCEED SUCCESSFULLY TO PP DEVELOPMENT. PP TEAM SHOULD BE SCHEDULED FOR APRIL IN ORDER TO COORDINATE WITH WB TEAM.

WE MUST MOVE AHEAD QUICKLY IF FY 90 GRANT AGREEMENT AND OBLIGATION ARE TO BE MET. PLEASE ADVISE SOONEST. END SUMMARY.

EC A

UNCLASSIFIED

MASERU 00635

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PART ONE - PROGRESS IN EDUCATION IN LESOTHO**1. THE STATE OF EDUCATION IN LESOTHO TEN YEARS AGO (1980)**

TWO DOCUMENTS FORM THE BASIS FOR THIS SECTION: THE EDUCATION SECTOR SURVEY (1982) WHICH REPORTED RESULTS OF A TASK FORCE INVESTIGATION AND THE BANFES PROJECT PAPER (1983). BOTH DOCUMENTS ARE AVAILABLE IN AID/W. THE EDUCATION SECTOR SURVEY CARRIED OUT OVER TWO YEAR PERIOD IS AN IN-DEPTH REVIEW OVER 200 PAGES LDNG OF THE STATE OF EDUCATION IN LESOTHO IN 1980-1981. BANFES PROJECT DESIGN STEMMED FROM THAT REVIEW. THE MAJOR PROBLEMS CITED BY THE EDUCATION SECTOR SURVEY WERE:

A) SIGNIFICANT DECLINE IN QUALITY OF EDUCATION AS SCHOOL ACCESS WIDELY EXPANDED; THE COMPLETION OF SECONDARY SCHOOL EXAM PASS RATE DECLINED FROM 61% IN 1970 TO 21% IN 1980.

B) HIGH REPETITION AND DRDP OUT IN PRIMARY SCHOOL: ENROLLMENT WAS 245,000 STUDENTS, BUT UP TO 50% OF BOYS AND 12% OF GIRLS NEVER ENTERED SCHOOL. THE GREATEST REPETITION AND DROP DUT WERE IN STANDARDS 1-3. AN AVERAGE OF 19 YEARS OF PRIMARY SCHOOLING WAS INVESTED TO PRODUCE A 7TH STANDARD GRADUATE.

C) OVERCRDWDDED CLASSES AND POOR QUALITY CLASSROOMS: IN 1979 THERE WAS AN AVERAGE OF 83 STUDENTS PER CLASSROOM. THE PUPIL TEACHER RATIO AVERAGED 48, WITH VERY LARGE CLASSES IN STANDARDS 1-3.

D) POOR QUALITY INSTRUCTION: IN ORDER TO REDUCE THE PUPIL TEACHER RATIO, UNQUALIFIED TEACHERS WERE EMPLOYED, RISING TO 36% OF ALL TEACHERS. VERY FEW INSTRUCTIONAL MATERIALS WERE AVAILABLE.

E) THE SUPERVISION, INSPECTION AND ADMINISTRATION OF EDUCATION WERE VERY WEAK. THERE WAS NO STANDARD SET OF RULES AND PROCEDURES FOR SCHOOLS TO FOLLOW.

2. THE STATE OF EDUCATION IN LESOTHO BY 1989

THE BASES FOR THIS SECTION ARE BANFES PROJECT PROGRESS REPORTS AND THE WORLD BANK SPONSORED REPORT ENTITLED THE KINGDOM OF LESOTHO: IMPROVING QUALITY AND EFFICIENCY IN EDUCATION TO SHOW DIFFERENCE SINCE 1980. A COPY OF THE FEBRUARY 1990 BANFES PROGRESS REPORT TO THE EXECUTIVE COMMITTEE WAS MAILED TO AFR/TR/EEER ON FEBRUARY 10. AS A DIRECT RESULT OF BANFES AND WORLD BANK SUPPORT:

A) THE PASS RATE FOR COMPLETION OF SECONDARY SCHOOL EXAM ROSE TO ABOUT 30% BY 1986 (FROM THE LOWEST PASS RATE OF 19% IN 1981).

B) ENROLLMENT IN PRIMARY SCHOOLS ROSE FROM 245,000 PUPILS IN 1980 TO 320,000 PUPILS IN 1986. THIS WAS 116% OF AGE GROUP, ONE OF THE HIGHEST IN SUB SAHARAN AFRICA, AND SIGNIFICANTLY ABOVE THE REGIONAL AVERAGE. BY 1988, PRIMARY ENROLLMENT INCREASED TO 345,000. HOWEVER, REPETITION AND DROP OUT IN THE FIRST THREE STANDARDS WERE LESS THAN 1980 BUT CONTINUED TO BE UNACCEPTABLY HIGH. NONETHELESS, THE PRIMARY SCHEDOLING YEARS INVESTED PER GRADUATE WAS REDUCED TO 12.66.

C) PUPIL CLASSROOM AND PUPIL TEACHER RATIOS CONTINUED TO BE HIGH (82:1 AND 55:1, RESPECTIVELY). THESE RATIOS ARE ESPECIALLY HIGH IN THE FIRST THREE STANDARDS. HOWEVER, BY 1987, EIGHTY NEW PRIMARY SCHOOLS HAD BEEN BUILT AND THE NUMBER OF SCHOOLS OFFERING A FULL SEVEN YEARS OF INSTRUCTION INCREASED FROM HALF TO TWO THIRDS OF THE TOTAL.

D) INSTRUCTION, CURRICULUM, AND MATERIALS IMPROVED. BY 1987, THE PORTION OF UNQUALIFIED TEACHERS WAS REDUCED FROM 35% TO 20%. CURRICULUM SYLLABI WERE DISSEMINATED TO SCHOOLS AND TEACHERS GUIDES WERE DEVELOPED. THE WORLD BANK SELF RELIANCE PROJECT AND MOE SCHOOL SUPPLY UNIT DISTRIBUTED TEXTS TO ALL PRIMARY SCHOOLS AN AVERAGE OF 3.6 TEXTS PER STUDENT, PAID FOR BY SCHOOL AND TEXT FEES. A WIDE VARIETY OF SUPPLEMENTARY MATERIALS IN BASIC AND PRACTICAL EDUCATION WERE DEVELOPED AND DISTRIBUTED IN THE PAST TWO YEARS. THESE INCLUDED THE MAHLASELI SUPPLEMENTARY READER, OVER 200,000 COPIES DISTRIBUTED QUARTERLY; BREAKTHROUGH TO LITERACY SESOTHO READING PILOT TESTED IN 33 SCHOOLS; MATH TEACHING AIDS INCLUDING GAMES AND ABACUS; THE ENGLISH IN ACTION RADIO PROGRAMS FOR STANDARDS 1-3 USED IN OVER 1000 OF 1100 PRIMARY SCHOOLS; A GARDENING WALL CHART, A RESOURCE DIRECTORY AND BUSINESS EDUCATION BOOKLETS FOR THE UPPER STANDARDS SUPPORTED TEACHING PRACTICAL SKILLS. OVER 120,000 LAPBOARDS WERE DISTRIBUTED TO CHILDREN WITHOUT DESKS.

CURRENTLY, THE MOE IS INVESTIGATING CONTINUING SEVERAL PROGRAMS BASED ON THE INTERNAL ASSESSMENT OF THE IMPACT OF THESE NEW INSTRUCTIONAL MATERIALS. THE PRIMARY EDUCATION NEWS WAS PROVIDED TO ALL TEACHERS AND NOW IS DISTRIBUTED BY SUBSCRIPTION.

E) THE MOE HAS BEEN STRENGTHENED. THE TEACHER SERVICE

UNIT HAS ORGANIZED RECORDS SO THAT TEACHERS CAN BE APPROPRIATELY CLASSED, PLACED, AND PAID ON TIME. THE INSPECTORATE PROVIDES IN-SERVICE TRAINING TO TEACHERS THROUGH THE PRIMARY EDUCATION IN-SERVICE PROGRAM; THE NATIONAL CURRICULUM DEVELOPMENT CENTER PROVIDES TRAINING THROUGH THE NATIONAL DISSEMINATION NETWORK. THE INSTRUCTIONAL MATERIALS RESOURCE CENTER IS ABLE TO SUPPORT PRODUCTION OF MATERIALS FOR CLASSROOM INSTRUCTION. THE SELF RELIANCE PROJECT SCHOOL SUPPLY UNIT NOW HAS INVENTORY AND SUPPLY SYSTEMS ESTABLISHED. THE MOE FISCAL SYSTEM CURRENTLY IS BEING STRENGTHENED AND THE PLANNING UNIT NOW HAS COMPUTERIZED RECORDS INCLUDING ENROLLMENT, REPETITION, AND DROP OUT RATES ON A SCHOOL BY SCHOOL BASIS.

THE NATIONAL TEACHER TRAINING COLLEGE HAS BEEN STRENGTHENED BOTH IN ACADEMIC PROGRAMS, ESPECIALLY THROUGH INSTRUCTION IN PRACTICAL SKILLS, AND IN ITS ADMINISTRATION. THE PRIMARY SCHOOL LEAVING EXAM HAS BEEN IMPROVED, AND CONTINUOUS ASSESSMENT CHECKLISTS ARE FINALLY BEING DEVELOPED FOR THE LOWER PRIMARY STANDARDS PUPILS. THE CORE STAFF OF A STRENGTHENED MOE HAS BEEN ESTABLISHED BY LONG TERM TRAINING FOR 34 PARTICIPANTS, (28 AT THE MASTERS DEGREE LEVEL) AND MANY OTHER SHORT

TERM AND REGIONAL (169 PARTICIPANTS) AND IN-COUNTRY TRAINING (7,722 PARTICIPANTS) PROGRAMS.

ADDITIONALLY, NDN FORMAL EDUCATION WAS EXTENDED TO OUT OF SCHOOL YOUTH (250) AND COMMUNITY LEADERS (128) IN SIX SITES IN RURAL LESOTHO; AND THE THABA TSEKA SKILLS TRAINING CENTER WAS ESTABLISHED AND IS TRAINING RURAL YOUTH (235) IN EMPLOYABLE SKILLS.

F) THE WORLD BANK REPORTS NOTES "LESOTHO HAS ACHIEVED NOTABLE SUCCESSES OVER THE PAST DECADE. AT THE PRIMARY LEVEL, THE PROPORTION OF QUALIFIED PRIMARY TEACHERS HAS RISEN, MORE PRACTICAL SUBJECT CURRICULA HAVE BEEN DEVELOPED, AND TEXTBOOK AVAILABILITY HAS IMPROVED CONSIDERABLY". NONETHELESS, IT GOES ON TO SAY "WHILE LESOTHO HAS DONE AN ADMIRABLE JOB OF PROVIDING FULL AND EQUITABLE ACCESS TO PRIMARY EDUCATION, THOSE INVOLVED IN THE SYSTEM, INCLUDING TEACHERS, TEACHERS, ADVISORS AND GOV OFFICIALS ARE CONCERNED THAT QUALITY OF PRIMARY EDUCATION HAS BEEN DECLINING IN RECENT YEARS" (P. 33).

IN SUMMARY, OVER THE PAST TEN YEARS, AN EDUCATION SYSTEM HAS BEEN ESTABLISHED WHICH INCLUDES SUCH COMPONENTS AS: THE NATIONAL CURRICULUM DEVELOPMENT CENTER IN 1975, THE INSTRUCTIONAL MATERIALS RESOURCE CENTER IN 1978, THE SCHOOL SUPPLY UNIT IN 1983, THE NATIONAL TEACHER TRAINING COLLEGE IN 1975, THE LESOTHO DISTANCE TEACHING CENTER IN 1974. WHAT HAD BEEN SIMPLY HUNDREDS OF LOCAL SCHOOLS AND A GROUP OF DISPARATE CENTERS, SOME SPONSORED BY USAID, OTHERS BY WORLD BANK AND OTHER DONORS HAVE BEEN ORGANIZED INTO A FUNCTIONING MINISTRY OF EDUCATION.

G) OTHER USAID SPONSORED PROJECTS WERE DIRECTED TO NON PRIMARY EDUCATION SECTORS, BUT HAVE HELPED TO LAY BROAD BASE FOR EDUCATION DEVELOPMENT. THE INSTITUTE OF EXTRA MURAL STUDIES WAS ESTABLISHED AT THE NATIONAL UNIVERSITY OF LESOTHO TO PROVIDE UNIVERSITY EXTENSION COURSES IN TEN CENTERS AT THE DISTRICT LEVEL (1981 TO 1986). THE LESOTHO OPPORTUNITIES INDUSTRIALIZATION CENTER ESTABLISHED VOCATIONAL TRAINING IN MASERU. THE SOUTHERN AFRICA MANPOWER DEVELOPMENT AND TRAINING PROJECT (1978 TO 1989) PROVIDED LONG TERM TRAINING TO 80 PARTICIPANTS, AND LONG TERM TECHNICAL ASSISTANCE TO INCREASE GOV CAPABILITY IN PLANNING AND IMPLEMENTING NATIONAL ECONOMIC AND SOCIAL DEVELOPMENT PROGRAMS AND PROJECTS.

PART TWO - PLANNING THE FUTURE OF EDUCATION IN LESOTHO.

1. WHERE SHOULD PRIMARY EDUCATION BE IN THE YEAR 2000?

THE OBJECTIVES FOR PRIMARY EDUCATION ARE OUTLINED IN THE WB REPORT QUALITY AND EFFICIENCY IN EDUCATION AND IN THE 1988 MOE REPORT CLARIFICATION OF LESOTHO'S EDUCATION POLICIES AND PRIORITIES. THE WB REPORT BEGINS ITS RECOMMENDATIONS STATING, "THE GOVERNMENT'S OWN PLANNED ACTIONS FOR THE COMING YEARS ARE APPROPRIATE AND MERIT SUPPORT FROM DONOR AGENCIES".

THE WB REPORT LISTS TEN CORE RECOMMENDATIONS

- 1) RATIONALIZING THE MOE CAPITAL BUDGET (MALDTI 15-20 MILLION A YEAR) AND REORIENTING IT TOWARD PRIMARY (40%) AND SECONDARY (25%) EDUCATION;
- 2) INCREASING THE MOE RECURRENT BUDGET TO 20-22% OF THE TOTAL, AND RAISING THE SHARES FOR PRIMARY AND SECONDARY EDUCATION WHILE REDUCING THE PER CAPITA RATIO OF TERTIARY-TO-PRIMARY EXPENDITURES (THE 22% SHARE WAS RECOMMENDED IN THE 1998 WB ANALYSIS OF PUBLIC EXPENDITURE PRIORITIES. THE 22% IS AN ESTIMATE, WITH FURTHER ANALYSIS REQUIRED OF TOTAL RECURRENT COSTS FOR AN EFFICIENT EDUCATION SYSTEM);
- 3) STRENGTHENING FINANCIAL PLANNING AND MANAGEMENT THROUGHOUT THE EDUCATION SYSTEM;
- 4) IMPLEMENTING THE PROGRAM TO REDUCE OVERCROWDING IN PRIMARY SCHOOLS, THROUGH A COMBINATION OF ADDITIONAL CLASSROOMS, AN AGE LIMIT ON ATTENDANCE, SPLIT SHIFTS, AND LIMITED REPETITION;
- 5) PROVIDING BASIC SCHOOL FURNITURE TO ALL PRIMARY PUPILS;

6) PHASING OUT THE REMAINING 20% OF SECONDARY SCHOOL TEACHERS WHO ARE UNQUALIFIED, THROUGH IN-SERVICE UPGRADING OR REPLACEMENT;

7) INCREASING THE AVERAGE SECONDARY SCHOOL PUPIL:TEACHER RATIO FROM 21:1 TO 25:1 AND EVENTUALLY TO 30:1;

8) IMPLEMENTING THE QUALITY IMPROVEMENT PACKAGE FOR NATIONAL UNIVERSITY OF LESOTHO INCLUDING STREAMLINING OF THE COMMITTEE SYSTEM, ESTABLISHING A SYSTEM OF EXTERNAL EVALUATION, PREPARING INDIVIDUAL STAFF DEVELOPMENT PLANS, AND SETTING UP A RESEARCH FUND;

9) IMPROVING COST-EFFECTIVENESS AT NUL BY REDUCING NON-TEACHING EXPENDITURES BY ABOUT 30% AND INCREASING THE STUDENT:FACULTY RATIO FROM 10:1 TO AT LEAST 12:1; AND

10) PAISING COST-RECOVERY AT THE UNIVERSITY THROUGH PHASED INCREASES IN TUITION AND FEES TO COVER 50% OR MORE OF EXPENDITURES, COUPLED WITH STRENGTHENING OF THE STUDENT LOAN SCHEME.

THE FOLLOWING OBJECTIVES ARE STATED IN THE GOL POLICY CLARIFICATION REPORT (VOL. 1, P. 9):

A) BASIC EDUCATION FOR ALL (COMPLETE 7 YEARS PRIMARY EDUCATION).

B) EDUCATION WITH/FOR PRODUCTION.

C) EDUCATION FOR ECONOMIC INDEPENDENCE AND HUMAN DIGNITY.

E) LAND FOR SCHOOLS.

F) RELEVANT PRIMARY EDUCATION (BROAD LEARNING EXPERIENCE IN MATH, SCIENCE, SOCIAL STUDIES, PRACTICAL SUBJECTS, PHYSICAL AND HEALTH EDUCATION).

THESE ARE OUTLINED IN DETAIL IN VOL. 1, PART 3, PRIMARY EDUCATION AND IN VOL. 2 OPERATIONS PLAN.

USAID BASED ITS CHOICE OF EDUCATION STRATEGIES ON WHAT HAS BEEN LEARNED FROM PRIMARY EDUCATION PROJECTS IN LESOTHO, AND ESPECIALLY ON RESEARCH ON EDUCATION IN DEVELOPING COUNTRIES.

USAID PROPOSES TO FOCUS ON PROJECT STRATEGIES WITH THE GREATEST IMPACT ON EDUCATION ACHIEVEMENT FOR THE COSTS (ECONOMIC, SOCIAL, MANAGERIAL) INVESTED. THE PURPOSE IS TO INCREASE THE EFFICIENCY OF THE EDUCATION SYSTEM IN LESOTHO. THE EDUCATION STRATEGIES TO ACHIEVE THIS INCLUDE INSERVICE TEACHER TRAINING, INCREASED TEXTBOOKS AND INSTRUCTIONAL MATERIALS, PRACTICAL SKILLS IN CURRICULUM SYLLABI AND TEACHERS MANUALS, IMPROVED MANAGEMENT BY MDE, CHURCH SECRETARIATS (MID LEVEL MANAGERS) AND SCHOOL MANAGERS. POLICY REFORM STRATEGIES WILL COMPLEMENT PROJECT STRATEGIES. CHOICE OF POLICY REFORMS INVOLVES THOROUGH REVIEW AND ANALYSIS AND DISCUSSION OF THE EFFECTIVENESS OF VARIOUS POLICY REFORMS IN IMPROVING EDUCATION AND THE COSTS OF EACH PROPOSED REFORM IN ECONOMIC, SOCIAL, AND MANAGERIAL TERMS. GOL IS WILLING TO CHANGE POLICIES TO SHIFT MORE RESOURCES AND IS MAKING AN INVESTMENT BUDGET. FINAL DETERMINATION OF POLICY OPTIONS WILL BE MADE DURING PP/PAAD DEVELOPMENT.

2. WHAT ARE THE CONSTRAINTS TO ACHIEVING THESE OBJECTIVES?

A. OVERCROWDING: SEVERE SHORTAGE OF PRIMARY SCHOOL CLASSROOMS WITH AN AVERAGE OF 82 CHILDREN PER CLASSROOM, AND PARTICULARLY SEVERE OVERCROWDING IN THE LOWER PRIMARY GRADES. AN AVERAGE PUPIL/TEACHER RATIO OF 55:1 WITH EVEN HIGHER RATES IN THE LOWER GRADES. THESE TWO FACTORS ARE CONNECTED WITH THE HIGH RATES OF REPETITION IN THE LOWER PRIMARY GRADES. ON AVERAGE, NEARLY ONE QUARTER OF ALL PRIMARY SCHOOL PUPILS IN ANY RECENT YEAR WERE HELD BACK AND ASKED TO REPEAT.

B. TEACHER QUALITY: THERE ARE STILL 20% OF TEACHERS WHO ARE UNQUALIFIED AND LESS EFFECTIVE. HEAD TEACHERS AND SCHOOL PRINCIPALS OFTEN LACK THE NECESSARY BACKGROUND TO SUPERVISE TEACHERS.

C. SHORTAGES OF SCHOOL BOOKS AND FURNITURE: THE SCHOOL SUPPLY UNIT (SSU) PROVIDES AN AVERAGE OF 3.6 BOOKS PER PUPIL THROUGH THE BOOK LOAN SCHEME. SOME SCHOOLS STILL LACK ENOUGH BOOKS, AND BOOKS ARE ONLY AVAILABLE DURING SCHOOL HOURS. SSU HAS IMPROVED COLLECTION OF TEXTBOOK FEES BUT THERE ARE STILL ARREARS. SOME 43% OF PUPILS STILL DO NOT HAVE DESKS AND MUST SIT ON THE FLOOR. IN

STANDARD ONE, TWO THIRDS OF PUPILS HAVE NEITHER DESKS NOR CHAIRS.

D. WEAK INSPECTORATE SYSTEM: THE PRIMARY SCHOOL INSPECTORATE IS ESTABLISHED BUT UNDERSTAFFED TO PERFORM ITS TASK OF ENFORCING MINIMUM EDUCATION STANDARDS AND ASSISTING SCHOOL STAFF IN UPGRADING THEIR TEACHING. THERE ARE ONLY 12 DISTRICT OFFICERS FOR 1100 SCHOOLS.

E. INADEQUATE STUDENT ASSESSMENT: THERE ARE NO END OF STANDARD (GRADE) TESTS NOR DIAGNOSTIC TESTS TO GUIDE INSTRUCTION. TEACHERS DEVISE THEIR OWN LOCAL TESTS. BANFES HOWEVER, IS DEVELOPING END OF LEVEL TESTS IN ENGLISH AND MATH, AND SKILLS CHECKLISTS FOR THE LOWER PRIMARY STANDARDS.

3. WHAT IS REQUIRED TO OVERCOME CONSTRAINTS?

A. GOI STRATEGIES TO ENHANCE THE QUALITY AND RELEVANCE OF EDUCATION INCLUDE BUILDING AN ADDITIONAL 800 CLASSROOMS, REDUCING THE PUPIL TEACHER RATIO TO 50 TO 1, EXPANDING THE PRIMARY SCHOOL INSPECTORATE, AND TRAINING SCHOOL MANAGERS. TO THESE THE WB REPORT RECOMMENDS ADDITIONAL MEASURES TO IMPROVE THE CLASSROOM ENVIRONMENT BY PROVIDING DESKS AND CHAIRS FOR ALL PUPILS AND PROVIDING MORE TEACHING AIDS. IN ADDITION, ACHIEVING GOI OBJECTIVES FOR PRIMARY EDUCATION REQUIRES ORCHESTRATION OF SEVERAL RELATED POLICIES INCLUDING PROVIDING ADDITIONAL TEACHERS, POSSIBLY INCREASING THE CAPACITY OF NTTC, RECRUITING TEACHERS AIDES, OR LOWERING PRIMARY SCHEDULED ENROLLMENTS ALL OF WHICH ARE TO BE MET THROUGH NEW OR REFORMED POLICIES SUCH AS AUTOMATIC PROMOTIONS, AGE LIMITS AND SO FORTH.

B. THE TOP PRIORITY FOR IMPROVING EDUCATIONAL QUALITY IS TO REDUCE THE SEVERE CLASSROOM OVERCROWDING. HOWEVER, PROVIDING MORE CLASSROOMS AND TEACHERS IS NOT NECESSARILY A SIMPLE SOLUTION. JUST TO REDUCE THE PUPIL/CLASSROOM RATIO TO 75 TO ONE, AN ADDITIONAL 1,130 CLASSROOMS WOULD BE NEEDED. AT PRESENT ENROLLMENT LEVELS, TO REDUCE THE PUPIL/TEACHER RATIO TO 50:1 AN ADDITIONAL 500 TEACHERS WOULD BE REQUIRED. ANOTHER WAY TO INCREASE THE TEACHING FORCE INCLUDES EMPLOYING TEACHER AIDES. ALTERNATIVELY, THE NUMBER OF PUPILS CAN BE REDUCED BY USING AUTOMATIC PROMOTIONS, LIMITS ON UNDERAGE OR OVERAGE ENROLLMENTS, LIMITS ON NUMBER OF REPETITIONS, PROVIDING ALTERNATIVES TO FORMAL SCHOOLING THROUGH EXPANDING THE NON FORMAL EDUCATION PROGRAMS OF THE LESOTHO DISTANCE TEACHING CENTER.

IN ADDITION, THE WB REPORT RECOMMENDS THE FOLLOWING STRATEGIES FOR PRIMARY EDUCATION: 1) INCREASE INSTRUCTIONAL AIDS, 2) IMPROVE QUALITY OF TEACHING THROUGH UPGRADING UNQUALIFIED TEACHERS, AND IN-SERVICE EDUCATION FOR QUALIFIED TEACHERS, 3) MONITOR MORE EFFECTIVELY PUPIL, TEACHERS AND SCHOOL PERFORMANCE BY A SYSTEM OF PUPIL TESTING, AND 4) IMPROVE THE LEARNING ENVIRONMENT BY PROVIDING SCHOOL FURNITURE.

C. THESE ARE THE ESTIMATED COSTS AND SAVINGS OF SEVERAL INTERVENTIONS AND REFORMS :

INVESTMENTS WITH RECURRENT COSTS (ANNUAL):	
- ADDITIONAL 600 TEACHERS	\$1,140,000
- INSTRUCTIONAL MATERIALS	\$ 720,000
- PRIMARY INSERVICE EDUCATION PROGRAM -	
STRENGTHENED INSPECTORATE	\$ 250,000
TOTAL FOR ANNUAL RECURRENT COSTS	\$2,110,000
INVESTMENTS WITH ONE TIME COSTS:	
- UPGRADING UNQUALIFIED TEACHERS	\$ 897,000
- 800 CLASSROOMS	\$16,800,000
- 66,000 DESKS	\$ 5,412,000
TOTAL FOR INVESTMENT COSTS	\$23,169,000

THE MAJOR GAIN TO BE PRODUCED BY INCREASED EDUCATION INVESTMENTS IS REDUCTION OF REPETITION. IF INVESTMENTS ARE MADE IN QUALIFIED TEACHERS AND INSTRUCTIONAL MATERIALS, EQUIPMENT AND FACILITIES, AND THE REPEATERS CAN BE REDUCED TO 5% OF ENROLLMENT, (FROM CURRENT 23%) THE COST SAVINGS WOULD BE \$2,764,800 PER YEAR, OR \$27,648,000 OVER A TEN YEAR LOP.

TAKING INTO ACCOUNT POPULATION GROWTH AND EDUCATION OF 80% OF CHILDREN THROUGH 7TH STANDARD, TOTAL COSTS OF SCHOOLING WILL RISE, EVEN IF COST EFFICIENCY PER GRADUATE IS ACHIEVED. PRODUCING AN EDUCATED POPULATION REQUIRES INCREASED INVESTMENT, BUT THE RETURNS TO SOCIETY AND INVESTMENT IN BASIC EDUCATION ARE ALSO INCREASED. THE MODERNIZING ECONOMY OF THE SOUTHERN AFRICAN REGION REQUIRES EDUCATED WORKERS TO INCREASE PRODUCTIVITY.

D. AN EDUCATION INVESTMENT STRATEGY TO INCLUDE 600 TEACHERS, PRIMARY, IN-SERVICE EDUCATION PROGRAM, INSTRUCTIONAL MATERIALS WOULD COST DOLS 2,110,000 ANNUALLY. OVER A TEN YEAR LOP, THIS TOTALS DOLS 21,100,000. INVESTMENT COSTS FOR QUALIFYING TEACHERS, PROVIDING DESKS FOR ALL STANDARD 1-3 PUPILS, AND CONSTRUCTING 800 CLASSROOMS TOTAL DOLS 23,109,600. THESE TOGETHER TOTAL DOLS 44,209,600 THOSE ARE DIRECT COSTS. THIS DOES NOT INCLUDE TECHNICAL ASSISTANCE, LONG TERM TRAINING, PROJECT OPERATIONAL COSTS, OR MANAGEMENT IMPROVEMENT STRATEGIES AS OUTLINED IN THE PID/PAIP. THIS TOTAL INVESTMENT PACKAGE FOR RECURRENT AND INVESTMENT COSTS IS BEYOND THE CAPACITY OF USAID ALONE. USAID AND WB ARE THE MAJOR DONORS FOR PRIMARY EDUCATION. ODA FOCUSES ON SECONDARY EDUCATION.

CALCULATING THE OPTIMUM MIX OF INVESTMENT OF STRATEGIES AND POLICY REFORMS TO PRODUCE MAXIMUM GAINS IN EDUCATION EFFICIENCIES AND ECONOMIC PRODUCTIVITY IS A COMPLEX TASK. THE TOTAL INVESTMENT PROGRAM NEEDED TO OVERCOME THE INEFFICIENCIES OF PRIMARY EDUCATION REQUIRE MOE, USAID, AND WB TO WORK TOGETHER.

AS INDICATED TO DATE, THROUGH POLICY REFORM DIALOGUE, GOL WILL COMMIT INCREASING FUNDS TO COVER RECURRENT COSTS. SOURCES OF ADDITIONAL REVENUE INCLUDE INCREASED PORTION OF GOL BUDGET FOR EDUCATION AND LESOTHO HIGHLANDS WATER AUTHORITY (LHWA) INCOME. USAID WILL WORK WITH GOL TO PLACE MOE EARLY IN LINE FOR RECEIPT OF LHWA REVENUES.

D. POLICY ANALYSIS HAS BEGUN, AS DETAILED IN THE WB AIDE MEMOIR (NOVEMBER 1989), WITH THE PROCESS TO BE CONTINUED IN APRIL 1990. THE WB WILL CONTINUE TO WORK WITH MOE IN POLICY CLARIFICATION TO REVEAL THE COST, (CAPITAL, SALARY, MAINTENANCE) EMPLOYMENT, AND EDUCATIONAL QUALITY (PUPIL: CLASSROOM AND PUPIL TEACHER RATIOS) EFFECTS OF SPECIFIC POLICY PACKAGES.

ADDITIONAL RESPONSE TO THE ISSUES RAISED IN STATE 391784 PARA 4 A, B, AND C CAN ONLY BE FULLY PREPARED BY THIS ANALYSIS. USAID/LESOTHO PLANS TO DEVELOP THIS RESPONSE WITH TDY ASSISTANCE AND THE WORLD BANK. THE FULL RANGE OF NECESSARY ACTIONS WILL BE THE EDUCATION INVESTMENT PLAN NOW BEING DEVELOPED JOINTLY BY MOE, USAID, AND WORLD BANK.

PART THREE

1. RELATED CONCERNS.

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UNCLASSIFIED

MASERU 00635

A) RELATIONSHIP OF THE PROJECT/NPA TO PROGRAM STRATEGY. DEVELOPMENT OF HUMAN RESOURCES IS NECESSARILY A LONG TERM PROCESS; PRIMARY SCHOOL ALDNE TAKES 7 YEARS. CHILDREN MUST BE EDUCATED AND TRAINED IN BASIC SKILLS, SO THAT THEY BECOME ADULTS WHO ARE USEFUL AND PRODUCTIVE AS WAGE EARNERS OR WHO CAN GENERATE THEIR OWN EMPLOYMENT THROUGH THEIR OWN AGRICULTURE OR BUSINESS VENTURES. THE ECONOMIC AND SOCIAL RETURNS TO INVESTMENT IN BASIC EDUCATION ARE THEDROUGHLY DEMONSTRATED. THESE ARE DOCUMENTED IN NUMEROUS REPDRTS INCLUDING FINANCING EDUCATION IN DEVELOPING COUNTRIES, AND IN THE USAID AFRICA BUREAU BASIC EDUCATION ACTION PLAN. FURTHER, THE SOCIAL RATES OF RETURN TO INVESTMENT IN FEMALE EDUCATION ARE SHOWN TM

SEC F

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MASERU 00635

THE LOWER RATES OF INFANT MORTALITY, DELAYS IN AGE OF MARRIAGE, AND LOWER RATES OF TOTAL LIFETIME FERTILITY PER WOMAN. THE AFRICA BASIC EDUCATION ACTION PLAN (P. 5) CITES LESOTHO DATA SHOWING DECREASING INFANT MORTALITY WITH INCREASING MOTHER'S EDUCATION. LOWERING THE BIRTH RATE IN LESOTHO WILL ALSO REQUIRE MORE INVESTMENT IN PRIMARY EDUCATION.

B) LENGTH OF PROJECT. AS YOU KNOW, EFFICIENCIES IN SCHODLING ARE NOT ACHIEVED OVERNIGHT. EVEN WITH POLICY REFORMS THAT ADDRESS LARGE CLASS SIZE AND, EVEN IF THE SIMPLEST SOLUTION OF ELIMINATING UNDERAGE AND OVERAGE CHILDREN FROM SCHOOL WERE DIRECTED, THE GLUT OF REPEATERS MUST STILL BE EDUCATED THROUGH SEVEN YEARS OF PRIMARY SCHOOLING. THE LONG TERM SOLUTION TO ACHIEVING EDUCATIONAL EFFICIENCY IS GREATER INVESTMENT OF INPUTS SUCH AS TEACHERS OR TEACHER ASSISTANTS, BOOKS AND MATERIALS, CLASSROOMS AND DESKS. WITH SOMEWHAT GREATER INVESTMENT PER STUDENT AT EACH STANDARD LEVEL, THE RATES OF REPETITION AND DROP OUT CAN BE REDUCED AND GREATER EFFICIENCY ACHIEVED, REDUCING THE TOTAL COST PER GRADUATE.

THE RECURRENT COSTS OF SCHOOLING ARE MET BY GOL (TEACHER SALARIES) AND BY PARENTS (SCHOOL FEES, TEXTBOOK FEES, SCHOOL UNIFORM, ETC). INVESTMENT COSTS ARE MET BY MOE (TEACHER TRAINING), AND PARENTS AND DONORS (BUILDINGS AND EQUIPMENT) AT PRESENT A GREAT DEAL OF THIS INVESTMENT IS WASTED BECAUSE OF GROSS INEFFICIENCIES IN THE FIRST THREE STANDARDS. IMPROVING THE QUALITY OF SCHOOLING AND SO REDUCING INEFFICIENCIES WILL REQUIRE GREATER INVESTMENT AND RECURRENT COSTS FOR EACH GRADE LEVEL. STRONG RECOMMENDATIONS HAVE BEEN MADE TO GOL TO INCREASE TOTAL FUNDING FOR EDUCATION TO 22% OF GOL BUDGET AND TO INCREASE THE PORTION FOR PRIMARY EDUCATION. THESE POLICY/BUDGET REFORMS MUST BE ADOPTED AS CONDITIONS TO PROGRAM INPUTS. THE MOE THROUGH ITS PRINCIPAL SECRETARY LETTER OF OCTOBER 9, 1989 STATED THAT THE MOE WOULD FUND ONE THIRD OF THE ADDITIONAL PRIMARY TEACHING POSITIONS REQUIRED, WITH ALL POSITIONS TO BE MOE FUNDED BY END OF PROJECT AS GREATER EFFICIENCIES IN THE TOTAL COST/INVESTMENT PER GRADUATE ARE ACHIEVED. THE NECESSARY POLICY REFORMS AND INVESTMENT OPTIONS TO ACHIEVE EFFICIENCIES IN PRIMARY EDUCATION ARE NOW BEING PREPARED IN THE EDUCATION INVESTMENT PLAN. GREATER EFFICIENCIES IN PRIMARY SCHOOLING MUST BE ACHIEVED IN ORDER FOR THE PROJECT TO BE SELF SUSTAINING, AND THE PROJECT IS DESIGNED TO ACHIEVE THOSE EFFICIENCIES.

C) CHURCH STATE RELATIONSHIPS. THE PRIMARY SCHOOLS OF LESOTHO ORIGINALLY WERE FOUNDED BY THE MISSIONARY CHURCHES. THE SCHOOLS STILL ARE CHURCH ADMINISTERED THROUGH THE CHURCH SECRETARIATS OF EDUCATION AND THE CHURCH APPOINTED SCHOOL MANAGERS. SINCE INDEPENDENCE, THE GOL HAS TAKEN MORE AND MORE CONTROL OVER SCHOOLS, BOTH SUPERVISING THEM AND PROVIDING FOR AND CONTROLLING THE TEACHING FORCE, CURRICULA AND INSTRUCTIONAL MATERIALS. THERE IS IN FACT TENSION BETWEEN MOE AND THE CHURCHES, AS MOE INCREASES ITS ROLE AND PRESSURE IN

SCHOOL ADMINISTRATION. MOE OFFICIALS COULD NOT AGREE ON OWNERSHIP OF SCHOOL BUILDINGS CONSTRUCTED BY WB (CHURCH HALLS USED AS CLASSROOMS DO BELONG TO CHURCHES). IT WAS FELT THAT THE NEW BUILDINGS BELONGED TO THE COMMUNITIES UNDER TRADITIONAL LAW, WHERE PROPERTY IS HELD IN COMMON AND ASSIGNED FOR USE BY THE VILLAGE CHIEF.

ALSO, THE 1967 CURRICULUM SYLLABUS INDICATES THAT RELIGIOUS KNOWLEDGE IS TO BE TAUGHT, BUT LEAVES THE CONTENT UP TO THE SCHOOLS. THERE ARE NO NATIONAL STANDARDS FOR RELIGIOUS CURRICULUM. BANFES HAS NOT GIVEN ANY SUPPORT TO ANY RELIGIOUS CURRICULUM OR MATERIALS WORK OR TO ANY RELIGIOUS ORIENTED WORKSHOPS.

D) RLA REVIEWED THE PID/PAIF IN SEPTEMBER 1989 AND HIS COMMENTS WERE INCORPORATED INTO THE PID/PAIF.

2. GOL COMMITMENT TO THE PROJECT.

A) CONCERNS EXPRESSED ABOUT GOL COMMITMENT TO OTHER PROJECTS, THE LESOTHO AGRICULTURAL POLICY SUPPORT PROGRAM (LAPSP) IN PARTICULAR, ARE ADDRESSED IN MASERU 3602 OF 5 DECEMBER, 1989. MASERU 3602 NOTES THAT LAPSP HAD OVERCOME INITIAL DELAYS, AND HAD MADE ITS FIRST

DISBURSEMENT AFTER MEETING THE FIRST CP'S. PROGRESS ON MEETING REMAINING CP'S IS ON SCHEDULE. DETAILED STATUS UPDATE ON LAPSP WILL SHORTLY BE TRANSMITTED.

B) IN THE MOE SECTOR, MOE ALREADY HAS INCREASED DISTRICT LEVEL INSPECTORATE TO 25 POSITIONS. IN THE BANFES PROJECT, GOL AND MDE CURRENTLY ARE EXPLORING THE TRANSFER OF 46 TEACHING POSITIONS TO THE INSPECTORATE TO CONTINUE THE WORK OF THE DISTRICT RESOURCE TEACHERS (PRIMARY IN-SERVICE EDUCATION PROGRAM). THIS IS A INDICATOR OF THE VALUE MOE PLACES ON THIS BANFES INITIATED PROGRAM. OTHER BANFES PROGRAMS WHICH ARE DEMONSTRATING POSITIVE EFFECTS AND LOW COSTS ARE ALSO BEING INTEGRATED INTO REGULAR MOE PROGRAMS. MANY BANFES INITIATIVES SUCH AS THE TEACHER SERVICE UNIT ARE INTEGRAL PARTS OF MOE. THESE ACHIEVEMENTS ARE SUMMARIZED ABOVE AND REPORTED IN DETAIL IN THE PROGRESS REPORT SENT TO AFR/TR/EHR ON FEBRUARY 10, 1990. NOT ALL OF THE WIDE VARIETY OF BANFES INITIATIVES HAVE GAINED SUPPORT; SOME PROVED FAR TOO EXPENSIVE TO CONTINUE (EVENING COLLEGE) WHILE OTHERS SHOWED NO SIGNIFICANT RESULTS (BREAKTHROUGH TO LITERACY). THE LONG TERM TRAINEES NOW ARE RETURNING TO THE MOE. THOSE WHO ARE BACK DO SHOW SIGNIFICANT IMPROVEMENTS IN THEIR MANAGEMENT OF MOE PROGRAMS. THEY HAVE DEVELOPED IDEAS FOR IMPROVING PROGRAMS AND ARE MORE CONFIDENT AND ASSERTIVE IN CARRYING THEM OUT. WE EXPECT THESE TRAINED STAFF TO CONTINUE TO HAVE A POSITIVE IMPACT ON MOE MANAGEMENT.

C) CONCERNS OVER THE LESOTHO HIGHLAND WATER PROJECT IMPACT SHOULD BE CLARIFIED BY MASERU 00428 OF 12 FEBRUARY 1990. THAT CABLE REPORTED THAT WB SUPPORT OF THE LHWDA

PROJECT HAS CONDITIONALITY RELATED TO DEVELOPMENT ISSUES INCLUDING THOSE IN SUPPORT OF THE IMF CONDITIONS UNDER SAF. WE ARE ADVISED THAT THIS WB APPROACH WAS INTENDED TO STIMULATE GOL TO KEEP TO ITS SCHEDULE TO MEET SAF TARGETS FASTER THAN A LOSS OF CONFIDENCE IN GOL'S ABILITY TO MEET THOSE TARGETS. THE CABLE NOTED THAT THE WB HAS BEEN WORKING WITH THE GOL ON SEVERAL BENCHMARKS

(ON DEVELOPMENT ISSUES) AND AT PRESENT ARE VERY PLEASED WITH PROGRESS. TWO OF THE THREE REMAINING ISSUES ARE OF CONCERN TO FUTURE EDUCATION PLANNING; THESE ARE THE ESTABLISHMENT OF A DEVELOPMENT FUND AND CIVIL SERVICE STRENGTHENING. BANK NEGOTIATIONS ON THE LHWDA PROJECT DEPEND ON ALL OF THEIR CONDITIONS BEING SATISFIED. IN SUM, THE GOL EVIDENCES THAT IT IS FINALLY DEALING WITH DEVELOPMENT ISSUES. USAID FEELS OPTIMISTIC THAT DEVELOPMENT ISSUES, INCLUDING DISTRIBUTION OF GOL RESOURCES AND REVENUES FOR DEVELOPMENT, WILL CONTINUE TO RECEIVE SERIOUS TREATMENT BY GOL. WE ALSO NOTE THAT THE OPPORTUNITIES DEVELOPING FROM LHWDA REVENUES CAN ONLY BE UTILIZED IF LESOTHO HAS AN EDUCATED POPULATION. WE THEREFORE BELIEVE THAT THE EDUCATION SECTOR IS A VERY APPROPRIATE PLACE FOR USAID ASSISTANCE. JETER

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Annex I

CLASS: UNCLASSIFIED
CHRG: AID 05/21/91
APPRV: A/DIR:JDURETT
DRPTD: ECON:SVORDZORG
CLEAR: CONT:RZELAYA
GDO:JHMEADOWCROF
DISTR: AID3 AMB DCM

AIDAC

FOR AFR/PD/SA AND AFR/SA

E.O. 12356 N/A
SUBJECT: PRIMARY EDUCATION PROGRAM (632-0225/632-0230):
REQUEST FOR WAIVER OF DOLLAR SEPARATE ACCOUNT AND TRACKING
REQUIREMENT

REFS: A) MASERU 1247, B) MASERU 1072 AND C) 90 STATE 50769

1. SUMMARY: USAID/LESOTHO REQUESTS AFRICA BUREAU APPROVAL TO SEEK A WAIVER OF THE REQUIREMENT UNDER SECTION 592(B) OF THE FOREIGN OPERATION, EXPORT FINANCING AND RELATED APPROPRIATIONS ACT, 1990, FOR DOLLAR SEPARATE ACCOUNT AND TRACKING UNDER THE PRIMARY EDUCATION PROGRAM (PEP). PER REPTTEL A, PEP PAAD WAS TO ARRIVE IN AFR/PD/SA MAY 17. USAID CONCLUDES THAT STIPULATING SPECIFIC USES FOR DOLLARS, BEYOND A MINIMUM LIST OF ARMS/AMMUNITION, WOULD INTERFERE WITH EXISTING FREE TRADE POLICIES AND PRACTICES THAT ARE BASED ON OPEN ACCESS TO FOREIGN EXCHANGE (FX), NON-DIRECTED ALLOCATION AND MARKET-DETERMINED EXCHANGE RATES. THIS CABLE ALSO PROVIDES ADDITIONAL INFORMATION TO REF B, CLARIFYING THE USE OF BUSINESS LICENSES AND IMPORT PERMITS. END OF SUMMARY.

2. DESCRIPTION OF LESOTHO'S FOREIGN EXCHANGE SYSTEM

A) THE CURRENCY OF LESOTHO, THE LOTI (PLURAL, MALOTI), IS PEGGED TO THE REPUBLIC OF SOUTH AFRICA (RSA) RAND WHICH IS ALSO LEGAL TENDER IN LESOTHO AT PAR VALUE UNDER THE COMMON MONETARY AREA (CMA) AGREEMENT. THE MAJOR INTERVENTION CURRENCY IS THE U.S. DOLLAR. THE CENTRAL BANK OF LESOTHO (CBL) CONTROLS EXTERNAL CURRENCY TRANSACTIONS, BUT AUTHORITY TO APPROVE LIMITED PAYMENTS FOR SOME TYPES OF CURRENT TRANSACTIONS IS VESTED IN COMMERCIAL BANKS. THE GOL, THROUGH THE CBL, LICENSES AUTHORIZED DEALERS WITHIN THE PUBLIC AND PRIVATE BANKING SYSTEM TO BUY AND SELL FOREIGN CURRENCY. LESOTHO IS A MEMBER OF THE CMA, TOGETHER WITH RSA AND SWAZILAND. UNDER THE AGREEMENT, THE MALOTI IS FULLY BACKED BY THE RSA RAND AND OTHER CONVERTIBLE CURRENCIES HELD BY RSA. NO RESTRICTIONS ON PAYMENTS EXIST WITHIN THE CMA AND CMA MEMBERS APPLY UNIFORM EXCHANGE CONTROL REGULATIONS IN RELATION TO THE REST OF THE WORLD.

B) THE MALOTI EXCHANGE RATE IS BASED ON THE FLOATING MIDDLE RATE OF THE RAND AGAINST THE DOLLAR. LESOTHO OPERATES A DUAL EXCHANGE SYSTEM; THE COMMERCIAL RATE AND

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THE FINANCIAL RATE FOR BLOCKED FUNDS. THE COMMERCIAL EXCHANGE RATE OF THE MALOTI FOR FOREIGN EXCHANGE (FX) TRANSACTIONS IS THE SAME AS THAT OF THE RSA RAND AND APPLIES TO ALL FX TRANSACTIONS OF THE PUBLIC SECTOR AND INDIGENOUS/RESIDENT PRIVATE SECTOR. AUTHORIZED DEALERS CHARGE COMMISSION ON FX SALES AND THE LEVEL OF THE COMMISSION VARIES FROM BANK TO BANK. THE LEVEL OF THE COMMISSION IS DETERMINED BY MARKET FORCES; THE CBL DOES NOT SET LIMITS. ONE BANK CHARGES 2 PER CENT, WHILE ANOTHER CHARGES 50 CENTS PER MALOTI 100 EXCHANGED.

C) UNDER THE DUAL EXCHANGE RATE SYSTEM, SALES INCOME FROM CMA SECURITIES AND OTHER INVESTMENTS OWNED BY NON-CMA RESIDENTS ARE RETAINED IN THE FORM OF "FINANCIAL MALOTI" (LIKE "FINANCIAL RAND" IN RSA) BALANCES. THESE BLOCKED FUNDS CAN BE INVESTED IN SECURITIES, NEW COMPANIES AND COMMERCIAL PROPERTY. FINANCIAL MALOTI ARE RARELY TRANSFERRED IN FOREIGN CURRENCY AND ONLY WITH GOL PERMISSION AND AT A DISCOUNT EXCHANGE RATE. THE EXCHANGE RATE USED FOR TRANSFERRING FINANCIAL MALOTI (FM) FLUCTUATES IN RESPONSE TO THE DEMAND FOR INVESTMENT IN RSA, BUT THE GAP BETWEEN THE FM AND COMMERCIAL EXCHANGE RATE IS CLOSING AND CBL OFFICIALS INDICATED THAT THE FM SYSTEM WILL LIKELY BE DISCONTINUED SOON.

D) ACCESS TO FX INVOLVES THE COMPLETION OF APPLICATION DOCUMENTATION. A RESIDENT INDIVIDUAL SEEKING FX FOR TRAVEL PRESENTS EVIDENCE OF TRAVEL AND PROOF OF ABILITY TO PAY MALOTI FOR THE FX REQUIRED (USUALLY EVIDENCE OF EMPLOYMENT) TO AN AUTHORIZED FX DEALER, FILLS OUT ONE FORM AND PURCHASES THE FX OVER THE COUNTER. THE COMPLETED FORM IS USED BY CBL TO MONITOR FX SALES BY DEALERS, USES BY BUYERS AND BANKS' COMPLIANCE WITH FX-HOLDING LIMITS. GOL APPROVAL OF FX PURCHASES, THROUGH THE DEALERS, IS TO ENSURE USES ARE LEGITIMATE AND NOT AGAINST THE NATION'S INTEREST, BUT THERE IS NO SPECIFIC NEGATIVE LIST, EXCEPT FOR ARMS AND AMMUNITION. PAYMENTS TO INDIVIDUALS FOR CURRENT TRANSACTIONS, SUCH AS TRAVEL, ARE SUBJECT TO CONTROL BUT ARE NOT RESTRICTED. THE ALLOWABLE LIMIT OF FX PURCHASED FOR PERSONAL TRAVEL TO NON-NEIGHBOURING COUNTRIES OUTSIDE THE CMA ZONE IS MALOTI 15,000 PER ANNUM. APPLICANTS FOR FX FOR BUSINESS TRAVEL FOLLOW THE SAME

PROCEDURES AS FOR PERSONAL TRAVEL, BUT ARE ALLOWED MALOTI 22,000 PER ANNUM. THESE ANNUAL LIMITS FOR TOURIST OR BUSINESS TRAVEL ARE WHAT DEALERS CAN SUPPLY WITHOUT SEEKING CBL'S APPROVAL. OTHER REQUESTS, SUCH AS FOR MEDICAL TREATMENT TRAVEL, ARE GRANTED ON APPLICATION BY AUTHORIZED DEALERS TO CBL UPON REVIEW BASED ON NEED, INTENDED USE AND FX AVAILABILITY. UNUSED ALLOWANCES CANNOT BE CARRIED OVER TO ANOTHER YEAR AND BY LAW, THE BALANCE OF UNUSED FX IS TO BE SOLD BACK TO DEALERS.

E) BUSINESS PROFITS, AFTER TAX, ARE FREELY REPATRIATED AT THE COMMERCIAL EXCHANGE RATE. INTEREST EARNED ON SAVINGS, NET OF 10 PER CENT WITHHOLDING TAX WHICH CAN BE DECLARED FOR ANNUAL TAX ASSESSMENT, IS ALSO TRANSFERRED AT THE COMMERCIAL EXCHANGE RATE. REVENUE FROM SECURITIES ARE NOW TAXED BUT CAN BE FREELY REPATRIATED AT THE COMMERCIAL EXCHANGE RATE.

F) LESOTHO IS A MEMBER OF THE SOUTHERN AFRICA CUSTOMS UNION (SACU) WITH RSA, SWAZILAND AND BOTSWANA. THERE ARE NO RESTRICTIONS ON IMPORTS ORIGINATING FROM SACU COUNTRIES. HOWEVER, IMPORTS FROM OUTSIDE THE UNION ARE LICENSED ACCORDING TO RSA TRADE REGULATIONS. COMMERCIAL/BUSINESS IMPORTERS ARE REQUIRED TO HAVE BOTH A BUSINESS LICENSE AND IMPORT PERMITS. A BUSINESS LICENSE IS A TRADING LICENSE PROVIDING GOL LEGAL AUTHORIZATION TO A BUSINESS (OR INDIVIDUAL) TO IMPORT (IF SOLE BUSINESS IS IMPORT TRADE) OR ENGAGE IN REGISTERED ENTERPRISES. THE MINISTRY OF TRADE AND INDUSTRY (MOTI) ISSUES LICENSES ANNUALLY. A LICENSE DOCUMENTS THE REGISTRATION OF A BUSINESS ENTERPRISE WITH MOTI, AS REQUIRED UNDER GOL'S COMMERCIAL AND INVESTMENT REGULATIONS.

G) AN IMPORT PERMIT IS ISSUED BY MOTI TO AUTHORIZE IMPORT TRANSACTIONS. IT COVERS SPECIFIC ITEMS BEING IMPORTED AND PROVIDES ARRIVAL DATES TO DOCUMENT ACTUAL IMPORTATION. THE IMPORT PERMIT IS USED TO PURCHASE FX AND FOR CUSTOM PURPOSES. POSSESSION OF AN IMPORT PERMIT DOES NOT NECESSARILY ENSURE ACCESS TO THE FULL AMOUNT OF FX APPLIED FOR DUE TO SUPPLY LIMITATIONS. HOWEVER, SINCE THERE IS NO A PRIORI ADMINISTRATIVE OR BUDGETARY ALLOCATION OF FX FOR SPECIFIC USES, IMPORT LICENSES AND PERMITS ARE USED TO REGULATE TRADE TO ENSURE THE ACHIEVEMENT OF BALANCE OF PAYMENT OBJECTIVES AND TO MONITOR THE RELATIVE ALLOCATION OF FX TO HOUSEHOLDS AND TO BUSINESSES, BASED ON CBL'S GUIDANCE ON OPTIMAL RELATIVE ALLOCATION FOR IMPORTATION OF HOUSEHOLD ITEMS AND CAPITAL GOODS. UNDER THE SACU ARRANGEMENT, LESOTHO RESERVES THE RIGHT TO RESTRICT SOME IMPORTS AND REQUESTS TO IMPORT CONSUMER ITEMS IN OVERSUPPLY IN LESOTHO ARE OCCASIONALLY DENIED, SINCE THE COMMODITIES COULD EASILY BE SOLD IN OTHER SACU COUNTRIES IN CONTRAVENTION OF SACU REGULATIONS.

3. DEGREE OF OPENNESS AND MARKET-RESPONSIVENESS OF FX ALLOCATION SYSTEM:

1) NO BUDGETARY ADMINISTRATIVE ALLOCATION OF FX RESOURCES EXISTS; ACCESS TO FX IS NOT REGULATED BY IMPORT PRIORITIES

SET BY GOL. ALTHOUGH FX DEALERS ARE LICENSED, THE GOL DOES NOT CONTROL THEIR OPERATIONS; THE CBL ONLY MONITORS THEIR TRANSACTIONS FOR COMPLIANCE WITH EXCHANGE REGULATIONS. INDIVIDUALS AND BUSINESSES HAVE ACCESS TO FX ON DEMAND, SUBJECT TO AVAILABILITY CONSTRAINTS COMMON TO LEAST DEVELOPED COUNTRIES SUCH AS LESOTHO. THE SYSTEM OF AUTHORIZED DEALERS IS WELL RUN AND EFFICIENT IN ALLOCATING AVAILABLE FX RESOURCES TO PROSPECTIVE USERS BASED ON THEIR ABILITY TO PAY MARKET-DETERMINED RATES. AMOUNTS ALLOCATED TO AND USES OF FX BY INDIVIDUALS, AND FOR BUSINESS TRAVEL AND MILITARY PURCHASES, ARE CONTROLLED BUT USES ARE LARGELY NOT RESTRICTED AND THE RESTRICTIONS ON USES OF FX ARE NOT LIMITING. CONTROLS ON ALLOWABLE LIMITS ARE DRIVEN BY FX RESOURCE LIMITATIONS. ACCESS TO FX FOR COMMERCIAL IMPORTS IS VIA IMPORT LICENSES BUT THESE ARE GENERALLY AVAILABLE AND NO CATEGORIES OF IMPORTS ARE RESTRICTED, EXCEPT ARMS AND AMMUNITION. LESOTHO'S TRADE LICENSING ARRANGEMENTS ARE PRIMARILY AIMED AT PREVENTING TAX EVASION AND GENERATING TRADE REVENUE AND NOT FOR RESTRICTING IMPORTS OR ALLOCATING FOREIGN EXCHANGE. THERE IS NO PREFERENTIAL TREATMENT OF PARASTATALS REGARDING ACCESS TO OR USE OF FX; THEY FOLLOW THE SAME PROCEDURES AND ARE SUBJECT TO THE SAME CONTROLS AS PRIVATE BUSINESSES. THERE ARE NO RESTRICTIONS ON CURRENCY PAYMENTS WITHIN THE CMA AND GOL APPLIES THE SAME RESTRICTIONS AS APPLIED BY OTHER

GMA MEMBERS TO PAYMENTS OUTSIDE THE SACU. BUSINESSES FREELY EXPORT PROFITS AND DIVIDENDS AT THE CURRENT EXCHANGE RATE, AND THE RESTRICTION ON TRANSFER OF FINANCIAL MALOTI FOLLOWS A SIMILAR PRACTICE IN RSA THAT IS DIRECTED TO STOPPING CAPITAL FLIGHT. THESE FEATURES OF THE FX ALLOCATION SYSTEM INDICATE THAT THE SYSTEM IS OPEN AND LARGELY NON-DIRECTED.

B) THE MALOTI IS FREELY CONVERTIBLE AT MARKET-DETERMINED EXCHANGE RATES; THE APPLICABLE EXCHANGE RATE OF THE MALOTI IS INTERNATIONALLY DETERMINED. ALTHOUGH THE HIGH COMMISSION RATE OF SOME DEALERS MAY BE SEEN AS A PROBLEM, THERE ARE ALSO CHEAPER SOURCES OF FX AVAILABLE, AS OCCURS IN ANY FREE MARKET SITUATION. THERE ARE NO TAXES OR SUBSIDIES ON PURCHASES OR SALES OF FX BY DEALERS. DEALERS ARE PERMITTED TO UNDERTAKE FORWARD EXCHANGE OPERATIONS THROUGH THEIR CORRESPONDENT BANKS ABROAD BASED ON RATES QUOTED BY THE LATTER, ALTHOUGH THE PRACTICE IS NOT COMMON. THE FINANCIAL MALOTI IS REPATRIATED AT A DISCOUNT RATE, IF ALLOWED. BUT ONCE THE FINANCIAL RAND SYSTEM IS ABOLISHED, ONLY THE COMMERCIAL EXCHANGE RATE WILL BE OPERATIVE. BASED ON THESE CONSIDERATIONS, THE FX MARKET IS DEPENDENT ON MARKET FORCES.

4. BASED ON THE ABOVE, USAID CONCLUDES THAT THE LESOTHO FX REGIME IS OPEN AND BASED ON MARKET FORCES. FX USES ARE LARGELY NON-DIRECTED. HENCE, STIPULATING SPECIFIC USES OF DOLLARS, BEYOND A MINIMUM LIST OF ARMS/AMMUNITION PURCHASES, WOULD INTERFERE WITH EXISTING FREE TRADE POLICIES AND PRACTICES THAT ARE BASED ON OPEN ACCESS TO FOREIGN EXCHANGE, NON-DIRECTED ALLOCATION AND MARKET-DETERMINED EXCHANGE RATES.

5. FYI: THE RECENT CHANGE OF GOVERNMENT IS NOT EXPECTED TO AFFECT THE CURRENT FX SYSTEM. A RESPECTED AND FORMER PRINCIPAL SECRETARY FOR FINANCE HAS BEEN NAMED FINANCE MINISTER. END FYI.

6. USAID REQUESTS AFRICA BUREAU SEEK A WAIVER OF SECTION 392(B) REQUIREMENTS BASED ON THE JUSTIFICATION PROVIDED HEREIN. PER REPTEL A, PLEASE INCLUDE THIS REQUEST AS ANNEX I OF PEP PAAD. SPEARMAN

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Agency for International Development
Washington, D.C. 20523

ACTION MEMORANDUM TO THE ASSISTANT ADMINISTRATOR FOR AFRICA

FROM: AFR/PD, Timothy Bork *Bozell*

SUBJECT: Separate Accounts/Dollar Tracking Requirements for Lesotho Non-Project Assistance

Problem: To request an exemption to the Separate Account/Dollar Tracking requirements of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1991, for the FY 1991 funding tranche for Lesotho's new non-project assistance (NPA), Primary Education Program (632-0230).

Background: The Lesotho Primary Education Program (LPEP) is a six year \$25 million program whose overall goal is to contribute to economic and social development in Lesotho by providing an increasing number of Basotho with basic education. LPEP intends to meet this goal by pursuing policy reforms to improve the quality and efficiency of primary education through the establishment of a new policy framework and reformed institutional structure.

Projectized activities, which amount to \$6.4 million of LPEP's \$25 million IOP, will facilitate implementing policy and institutional reforms in primary education in Lesotho. The \$18.6 million cash disbursing grant is divided into four tranches against a specific reform agenda to restructure primary education financing policy, improve quality and efficiency of primary education and strengthen management of primary education. The Mission intends to obligate \$6,082,000 of the NPA component in FY 1991.

Discussion: Pursuant to section 575 (b)(4) of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1991, an exemption to the separate account/dollar tracking requirements may be granted for cash disbursing, non-project sector assistance programs. The Africa Bureau, in 90 State 050769, outlined the conditions and procedures for processing exemption requests. This guidance states that the main criterion is the degree of interference implementing the section [575 (b)] would have on the host country's foreign exchange allocation system. It states that a waiver will be considered if the prior identification of specific foreign exchange uses and subsequent tracking of dollars interferes with existing policies and

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procedures that are less restrictive and more supportive of market allocation of foreign exchange.

USAID/Lesotho's request is based on the conclusion that stipulating specific uses for dollars, beyond a minimum negative list of military uses, would interfere with an existing foreign exchange allocation system that is based on open access to foreign exchange, non-directed allocation and market-determined exchange rates.

Description of the System. Lesotho is a member of the Common Monetary Area (CMA), i.e., the rand monetary union. Lesotho's currency, the loti (plural maloti) is equal to the rand, which is also legal tender in Lesotho at par value. The maloti is fully backed by the Rand and other convertible currencies held by the RSA. No payment restrictions exist within the CMA and CMA members apply uniform exchange controls regarding the rest of the world.

The Central Reserve Bank of the Republic of South Africa serves as the reserve bank of the Common Monetary Area, performing many central bank functions and directing nearly all monetary policies. In practice, the South African Central Reserve Bank sets foreign exchange rate policy and most aspects of monetary policy for the CMA member states. This leaves Lesotho's Central Bank as a "taker" of market determined foreign exchange rates under the rules of the South African Central Bank. The rand is a freely convertible hard currency which fluctuates very frequently.

In the case of Lesotho, the Government of Lesotho (GOL), through the Lesotho Central Bank (following the South African Central Reserve Bank rules), licenses authorized dealers within the public and private banking system to buy and sell foreign currency. Licensed dealers (primarily commercial banks) can approve current account (non-trade) transactions for non-CMA zone items such as travel within certain generous limits. Furthermore, the dealers can ask for, and are granted exceptions on a regular basis (depending on the general availability of foreign exchange).

Access to foreign exchange requires completion of application documentation. A resident individual seeking FX for travel or similar current usage outside the CMA zone goes to a commercial bank or authorized dealer, fills out one form and purchases the FX over the counter, upon presentation of evidence of travel. There are fairly generous limits for travel outside of the CMA, and requests can be made to the Lesotho Central Bank for an increased allocation. The completed form is used by the Central Bank to monitor dealers' sales, uses of FX by purchasers and banks' compliance with FX holding limits.

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Regarding trade, the Ministry of Commerce and Industry issues import licenses to commercial businesses or individuals to authorize import transactions from outside of the Southern African Customs Union (SACU). The importer then takes the license with him when he goes to the commercial bank/authorized dealer to obtain non-CMA foreign exchange. There is no specific negative list, except for military items. Parastatals do not receive preferential treatment. Possessing an import permit does not necessarily ensure access to the full amount of foreign exchange requested due to supply limitations. There are no a priori administrative or budgetary allocation of foreign exchange for specific uses. The primary reason for GOL approval of non-CMA zone FX purchases through dealers is to ensure that the uses of the FX are legitimate, for compliance with taxation and statistical information. Under the customs union arrangements, Lesotho reserves the right to restrict some imports and requests to import consumer items which are in oversupply in Lesotho are occasionally denied, since the commodities could easily be sold in other SACU countries in contravention of regulations.

Market Determined Exchange Rate. Lesotho operates a dual exchange system, equivalent in value and purpose to the dual rand system. The commercial exchange rate of the maloti for foreign exchange (FX) transactions is the same as that of the rand and applies to all public sector and indigenous/ resident private sector FX transactions. Authorized dealers charge commissions on FX sales and the market-determined level varies from bank to bank. The Central Bank does not set limits.

The financial maloti is a preferential foreign exchange rate used to promote foreign investment and discourage capital flight out of the CMA. It is equivalent to the financial rand. The exchange rate used for transferring financial Maloti fluctuates in response to the demand for investment in the RSA.

Openness of the Allocation System. No budgetary or administrative allocation of FX resources exists and access to FX is not regulated by import priorities. The FX dealers are licensed, but the GOL does not control their operations. The Central Bank only monitors their transactions for compliance with exchange regulations. Individuals and businesses have access to FX on demand, subject to availability constraints. The system is well run and efficiently allocates available FX resources to prospective users based on ability to pay market-determined rates. Access to FX for commercial imports is via import licenses but these are generally available and no categories of imports are restricted, except for arms and ammunition.

Market Responsiveness of the Foreign Exchange Allocation System. The Maloti is freely convertible at market-determined

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exchange rates and the applicable exchange rate of the maloti is internationally determined. Dealers are permitted to undertake forward exchange operations through their correspondent banks abroad based on rates quoted by the latter, although the practice is not common.

Based on the above, USAID/Lesotho concludes, and the Project Committee concurs, that Lesotho's FX regime is open and based on market forces. FX uses are largely non-directed. Stipulating specific uses of dollars, beyond a minimum list of arms/ammunition purchases, would interfere with an existing foreign exchange allocation system that is based on open access to foreign exchange, non-directed allocation and market determined exchange rates.

Authority: Pursuant to Section 575 (b)(4) of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1991, "Non-project sector assistance funds may be exempt from the requirements of subsection (b)(1) only through notification procedures of the Committee on Appropriations." Section 575 (b)(1) is that section which requires separate accounts for DA, DFA and ESF-funded cash transfers and non-project assistance programs.

Recommendation: That you approve the language in the Congressional Notification for the Lesotho Primary Education Program (632-0230) that would exempt funds authorized and obligated in FY 1991 for this program from the provisions of Section 575(b)(1) of the above referenced Act.

Approved: SM Spangler
 Disapproved: _____
 Date: 7-24-91

Attachment:

- A. CN for Lesotho Primary Education Program
- B. Maseru 01297

Clearances:

GC/AFR:MAKleinjan MA Kleinjan date 7/24/91
 AFR/DP:JGovan _____ (draft) _____ date 18 July 91
 AFR/SA:LADean _____ (draft) _____ date 17 July 91
 AFR/SA:RHarber _____ (draft) _____ date 12 July 91
 AFR/PD/SA:NBillig _____ (draft) _____ date 11 July 91

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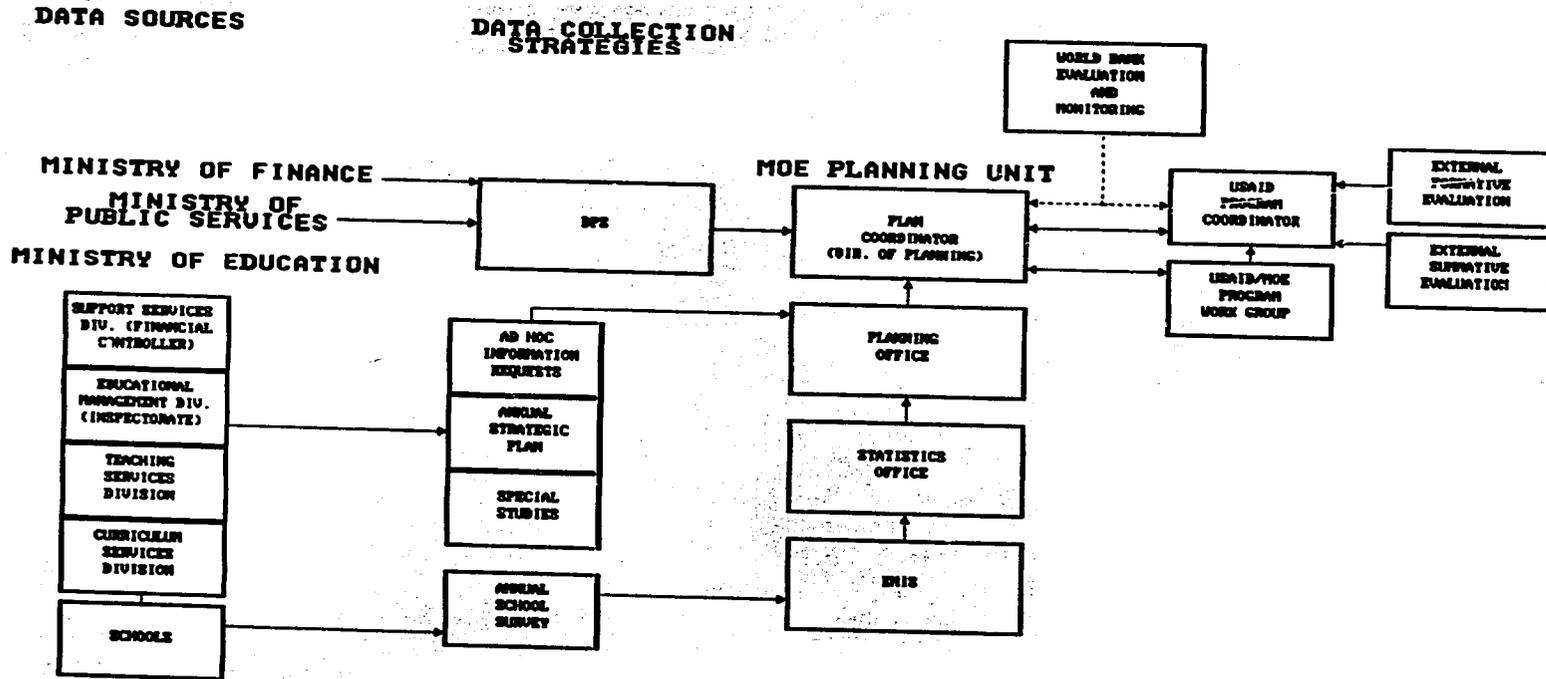
drafted by: AFR/PD/SA:AFessenden:USAID/Lesotho 23 July 91:x78818
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ANNUAL ASSESSMENT OF PROGRAM IMPACTS

SUPPORTING OBJECTIVE	INDICATORS	BASE YEAR OCT 1981	OCT 1982	OCT 1983	OCT 1984	OCT 1985	OCT 1986	OCT 1987	PERCENTAGE OF PROGRAM STATUS	PROJECTED END OF PROGRAM STATUS
Increase financial resources for primary education	% increase in MDE share of national budget and of primary share of MDE budget	% increase in MDE share of national budget over 1980/81	84.4% increase in Education recurrent budget over 1980/81	4% increase in Education recurrent budget over 1981/82	4% increase in Education recurrent budget over 1982/83	4% increase in Education recurrent budget over 1983/84	4% increase in Education recurrent budget over 1984/85	4% increase in Education recurrent budget over 1985/86	10% of GCL budget to Education 1980/81	24.2% of GCL budget to Education
Improve management of education system	Structural MDE Improved annual planning	MDE to approve MDE reorganization Complete school level data collection and submit SMO report, School Year 1989	Complete school level data collection and submit SMO report, School Year 1991	Complete school level data collection and submit SMO report, School Year 1993	Complete school level data collection and submit SMO report, School Year 1994	Complete school level data collection and submit SMO report, School Year 1995	Complete school level data collection and submit SMO report, School Year 1996	Complete school level data collection and submit SMO report, School Year 1997	MOE organization	MOE reorganized
Upgrade teaching force	Number of additional teachers recruited, trained, and assigned	Create and fill 200 additional teaching posts Assign 70% of new teachers to Dd.1-3	Create and fill 200 additional teaching posts Assign 70% of new teachers to Dd.1-3	Create and fill 200 additional teaching posts Assign 70% of new teachers to Dd.1-3	Create and fill 200 additional teaching posts Assign 70% of new teachers to Dd.1-3	Create and fill 200 additional teaching posts Assign 70% of new teachers to Dd.1-3	Create and fill 200 additional teaching posts Assign 70% of new teachers to Dd.1-3	Maintain teaching posts	6276 teachers in Dd.1-7	7000 teachers in Dd.1-7
Improve student flow	Appropriate age-appropriate enrollment; repetition rates	Enroll and fill 70 DRT positions Inform parents and school officials of higher enrollment of enrollment rules for pupils under 6 years old	Post 70 DRT per plan Implementation of enforcement of rules limiting underage enrollment	Maintain 70 DRT per plan Underage enrollment in Dd.1 to less than 5% of total Dd.1 enrollment Adopt plan for phasing out enrollment of children over 6 in Dd.1 Adopt plan to limit repetition to less during primary cycle	Maintain 70 DRT per plan Underage enrollment in Dd.1 to less than 5% of total Dd.1 enrollment Coverage 80% enrollment in Dd.1 to less than 5% of total Dd.1 enrollment Repetition to limited to less during primary cycle (less parent approval prearranged)	Maintain 70 DRT per plan Underage enrollment in Dd.1 to less than 5% of total Dd.1 enrollment Coverage 80% enrollment in Dd.1 to less than 5% of total Dd.1 enrollment Repetition to limited to less during primary cycle (less parent approval prearranged)	Maintain 70 DRT per plan Underage enrollment in Dd.1 to less than 5% of total Dd.1 enrollment Coverage 80% enrollment in Dd.1 to less than 5% of total Dd.1 enrollment Repetition to limited to less during primary cycle (less parent approval prearranged)	Maintain 70 DRT per plan Underage enrollment in Dd.1 to less than 5% of total Dd.1 enrollment Coverage 80% enrollment in Dd.1 to less than 5% of total Dd.1 enrollment Repetition to limited to less during primary cycle (less parent approval prearranged)	47 DRT average Dd.1, 7.4% Dd.1, 22.2% full school Repetition: Dd.1 20.4% Dd.2 20.2% Dd.3 22.2%	70 DRT average Dd.1, 6% Dd.1, 6% Standard school Repetition: Dd.1 20.1% Dd.2 20.2% Dd.3 22.2%
Improve instructional material at primary level	Availability of instructional materials in the schools	Adopt plan for developing math, English and instructional materials	Adopt materials + various syllabi Distribute Dd.1-3 instructional materials in math, English and reading (classical and modern English) develop agriculture materials	Distribute Dd.1-3 instructional materials in math, English, science and agriculture to all schools	Distribute Dd.1-3 instructional materials in math, English, science and agriculture to all schools	Distribute Dd.1-3 instructional materials in math, English, science and agriculture to all schools	All schools have math, English, reading, and agriculture instructional materials, Dd.1-3	Curriculum developed (change of instructional materials) per student Dd.1 2.8 Dd.2 2.8 Dd.3 2.8 Dd.4 4.2 Dd.5 4.8 Dd.6 5.8 Dd.7 6.2	Curriculum adjusted to a five-year All schools have math, science and English instructional materials for all students, Dd.1-6	
Improve physical environment of primary schools	Availability of furniture and equipment	Prepare plan for provision of furniture and equipment to Dd. 1-3	Distribute furniture and equipment according to distribution plan	Distribute furniture and equipment according to distribution plan	90% of Dd.1-3 pupils have furniture	90% of Dd.1-3 pupils have furniture	75% of Dd.1-3 pupils have furniture	No. seats or desks Dd.1 80.2% Dd.2 80.2% Dd.3 80.1% Dd.4 80.0% Dd.5 10.4% Dd.6 10.2% Dd.7 10.0%	No. seats or desks Dd.1 @ 80% Dd.2 @ 80% Dd.3 @ 22% Dd.4 < 20.0% Dd.5 < 10.4% Dd.6 < 10.2% Dd.7 < 10.0%	
Monitor and improve student achievement		Report corresponds to initial baseline report	Design a test for use at end of Dd.2	Administer test to sample of classrooms at end of Dd.2	Administer test to sample of classrooms at end of Dd.2	Administer test to sample of classrooms at end of Dd.2	Administer test to sample of classrooms at end of Dd.2	Administer test to sample of classrooms at end of Dd.2	Oct. 1982 test scores will serve as baseline	Trends showing modest increase in achievement
NO.76		Report corresponds to initial baseline report		Data will be taken from March 1982 baseline report	Report corresponds to 1984 baseline report					

MONITORING & EVALUATION DATA SOURCES AND FLOW



ANNEX J

MONITORING AND EVALUATION PLAN

Introduction

USAID/Lesotho, in collaboration with the World Bank and other donors, has joined with the Lesotho Ministry of Education to undertake a six year Education Development Plan. The USAID contribution of \$25 million over six years will be targeted primarily to improve the quality and efficiency of primary education, through a Primary Education Program (PEP). In support of that effort, USAID will assist the Ministry of Education in its development of a monitoring and evaluation system.

This section (a) reviews the status of monitoring and evaluation activities within the MOE; (b) describes the locus of responsibility within the Ministry for monitoring and evaluation; (c) suggests a plan for monitoring and evaluation of the program assistance; (d) identifies a series of indicators that will signal the extent to which the reforms are being appropriately implemented, having the intended impact, or yielding unintended outcomes; and (e) suggests a schedule for monitoring and evaluation over the life of the Plan.

Monitoring and evaluation of the reform program is primarily the responsibility of the Ministry of Education. As part of the terms of the Education Development Plan, USAID, the World Bank, and other donors have specified a minimum set of information they need to ensure that the PEP is being appropriately implemented and having the desired impacts.

Status of Monitoring and Evaluation Within the MOE

Evaluation activities have occurred essentially at three places within the Ministry. Development of measures for assessing student achievement has been the responsibility of the NCDC for the PSLE and for development of continuous assessment measures associated with the curriculum. A special Evaluation Unit operated within the BANFES Project, which was staffed by expatriates, and evaluated only BANFES activities, ended with the completion of BANFES.

Responsibility for the evaluation of sectoral programs and projects now has been largely vested with the Planning Unit of the Ministry of Education. This is particularly appropriate, since the Statistics Office, located within the Planning Unit, houses the computer based education management information system (EMIS). The EMIS has been strengthened substantially over the last five years with support under the BANFES Project and the Statistics Office has well established procedures for collecting and summarizing school data. Nonetheless, the Planning

Unit has not previously been charged with program monitoring and evaluation and may need assistance in the early phases of assuming this set of responsibilities. While the Planning Unit is highly respected, it is staffed by only three professionals, with a fourth to return from training in 1991. Coordinating the monitoring and evaluation across the Ministry and conducting much of it themselves represent a substantial evaluation workload and may constrain the ability of the Ministry of Education to meet the conditionalities, particularly in the early stages of the program when many of the conditions require the preparation of written plans

Availability of Educational Statistics

School level data that are regularly collected include:

- enrollment by grade, age, gender, and district
- teacher supply and demand, by qualifications, length of service, and subject area
- student flow: repetition and dropout
- Primary School Leaving Examination (PSLE)
- JC examination results
- facilities and furnishings
- availability of instructional materials
- selected trend data on the above indicators
- selected ratios based on the above data

Less attention has been given to ensuring distribution of the data summaries prepared by the Statistics Office or to using these data as the basis for monitoring, evaluation, and policy analysis. Emphasis during the next six years needs to be on the more effective use of the data in analyzing the implications of trends and to evaluate the consequences of alternative courses of actions.

Procedures for Data Collection

Responsibility for the design and conduct of data collection rests with the Statistics Office, located in the Planning Unit of the MOE. It is anticipated that data will be collected in five ways:

1. A set of core data which describes the status of the education system with respect to such variables as students, teachers, materials, facilities, and costs will be collected annually through an annual school survey conducted by the Statistics Office. These data will be merged with data collected by other units of the Ministry, most notably PSLE examination results and school expenditure data.
2. Selected data about school context (e.g., type of construction, urban/rural location) and student background characteristics that are expected to change more

slowly will be collected on a regular but less frequent basis. For example, data on the socioeconomic level of students might be collected only every third or fifth year, through special studies.

3. The school Inspectorate will file a report on each school they visit, often including more qualitative information than collected on the annual school survey. On a regular basis, this information will be coded and merged with the larger data base, to provide a more comprehensive picture of the schools. (It should be recognized, however, that even under the Education Sector Development Plan (ESDP) each school will only receive an average of one visit from the inspectorate every two years.)

4. Special studies will be conducted each year, focusing on policy issues of particular relevance at that point in the Plan. For example, a special study might investigate the possible conflict between basing student progression on criterion referenced checklists and the rule limiting repetition to two years during the primary cycle. A study might examine the pattern of parent choice between automatic promotion versus dropout when for children who have repeated twice during the primary cycle, and the implications of that pattern of choice on the instructional environment of classroom. It is expected that some special studies will collect more qualitative data on program impacts to assist in interpreting the more quantitative data available through the EMIS.

5. Cost and expenditure data will be compiled and maintained by the MOE Financial Controller. As appropriate this information will be merged with the larger data base as the basis for conducting cost analyses of educational activities.

The data described above will be used to establish trend lines with respect to key indicators of education system performance.

Status of the education system and multi-year trend lines will be reported annually in the Annual Statistical Report. The Planning Unit will also issue a series of evaluation reports that address operational and policy issues facing the Ministry. This status and trend information and the results of the special studies will provide the MOE with much of the information and documentation it needs for the annual USAID and World Bank reviews.

The MOE has a demonstrated capacity to collect and summarize qualitative data about the education system. Greater attention must be given to effectively use these data in planning, resource allocation, and program management. This will be addressed, in part, as MOE, through the Planning Unit initiates the preparation of the Annual Plans by all Heads of Departments. Although work plans were submitted in the past, they tended to state general activities rather than

specific objectives, steps needed to meet those objectives, and task-based budget required to implement the programs.

Monitoring Conditionalities

This section summarizes the conditions precedent to dollar disbursement by USAID, identifies the unit of Government responsible for taking action to meet each condition, suggests the means by which those conditionalities will be monitored, and suggests the units of GOL most likely to be responsible for collecting and reporting the relevant data. These conditionalities are drawn from the larger set already presented in the GOL/World Bank Education Development Plan. Assignment of responsibility to particular units of MOE for providing the needed information is an internal responsibility of the MOE and is suggested here only as a basis for the GOL/USAID analysis of the MOE capacity and resources needed to manage the monitoring and evaluation tasks.

Conditionalities, Indicators, and Responsible Units of GOL

YEAR 1: 1991 (Conditions precedent to initial disbursement)

<u>Condition Precedent</u>	<u>Means of Monitoring</u>
<u>Objective: Increased financial resources for primary education.</u>	
54.4 percent increase in education recurrent expenditure from 1990/91 base year (Min of Finance)	review of national budget allocation warrants and MOF letter of intent to provide full allocation for FY 1991/92 (PS, DPS, FC)
allocate at least 70 percent of total increase in MOE recurrent expenditure to primary education (DPS/TSD)	review of MOE expenditure reports on primary teachers and on other line items, pertaining to primary education (Planning Unit/DPS SEO Primary, PEO)

(** Indicates activities for which short-term technical assistance should be provided)

Objective: Expand and Upgrade Teaching Force

create and demonstrate intent to fill 260 additional teaching posts (TSD/DPS)	review of MOE establishment register; prepare letter of intent to fill positions in FY 1991/92 (TSD)
assign 70% of new teachers to primary standards 1-3 (TSD)	review of MOE teacher assignment records, and intent to assign in FY 1991/92 (TSD)
establish 70 DRT positions (TSD/Inspectorate)	review of MOE teaching force list, list of all permanent and seconded positions (TSD/Inspectorate)
Identify and recruit candidates for DRT training (Inspectorate)	review of personnel assignment records and DRT training (Inspectorate)
appoint Acting DRT Coordinator (Inspectorate)	review of personnel assignment record of Acting Coordinator (Inspectorate)
develop detailed plan to upgrade in-service certification programs (LIET) to PTC equivalent ** (NTTC)	review of NTTC plan, including objectives, target actions by year, strategy, schedule and budget implications (Planning Unit)
establish division of in-service education (LIET) (NTTC)	review of NTTC approved organizational plan (DPS)
appoint coordinators of primary and in-service education (PTC and LIET) (NTTC)	review written appointments for positions (MOE Personnel Unit/DPS)
prepare detailed plan for improved management, operations, and staffing (as	review of (a) NTTC plan, including objectives, target actions by year, strategy,

raised in Turner and Rideout reports)
Appoint NTTC Director (NTTC)

schedule and budget and staff implications (b) letter of appointment of NTTC Director (Planning Unit)

Objective: Improve the Quality and Availability of Curriculum and Instructional Materials

prepare detailed plan to set priorities and develop a curriculum timetable, and syllabi
(NCDC)

review of plan
(NCDC)

prepare detailed plan for providing additional instructional materials to schools in math, radio English, reading (Sesotho) and agriculture**
(NCDC/SSD)

review of plan
(NCDC)

develop detailed plan to develop/revise end-of-level guidelines for student promotion**; assign at least one additional staff member to NCDC Testing and Evaluation Unit
(NCDC)

review of plan and MOE assignment records
(Planning Unit)

Objective: Improve the Physical Environment of the School

prepare detailed plan for provision of furniture and equipment for Standards 1-3 classroom**, including the initial list for first group of newly constructed schools, and costs for furnishing first group of existing schools
(TSRP/SSD)

review plan
(Planning Unit)

Inform parents and school

MOE press release, and

officials of tighter enforcement of enrollment rules for pupils under age six (Inspectorate)

circular to school official on reforms; interview with selected headteachers (Inspectorate)

Objective: Improved Educational Management

Ministry of Public Service to approve MOE restructuring plan (Min of Public Svc.)

copy of letter of approval from Min of Public Svc. (DPS)

Military Council to approve revised education legislation to delineate MOE-proprietor-parent relationships (PS)

review legislation obtain approval in writing (PS)

complete assessment of MOE financial capacity; prepare detailed plan to improve capacity and to introduce cost center based budgeting; agree on timetable for staffing accounts section (Financial Unit/DPS)

review copies of assessment report and implementation plan (Financial Controller/DPS)

develop guidelines for preparation of annual plan, including strategy, target indicators and budget; fill two MOE planning staff positions (Planning Unit/DPS)

review written guidelines, and MOE staff assignments (Planning Unit)

prepare detailed plan for capacity improvement to information dissemination system on primary education; develop list of primary education indicators and system for monitoring ESDP (Statistics Unit)**

review written plan, indicators and ESDP monitoring system (Planning Unit)

YEAR 3: 1993

(Conditions precedent to second disbursement)

Condition Precedent

Means of Monitoring

Objective: Increased financial resources for primary education.

**4 percent increase in education
recurrent expenditure from 1991/92
(Min of Finance)**

**review of national budget
allocation warrants
(DPS/Planning Unit)**

**allocate at least 70 percent of
total increase in MOE recurrent
expenditure to primary education
(TSD/DPS)**

**review of MOE
expenditure reports on
primary teachers and other
line items pertaining to
primary education
(Planning Unit/Inspectorate)**

Objective: Expand and Upgrade Teaching Force

**create and fill 260
additional teaching
posts
(TSD/DPS)**

**review of MOE establishment
list
(TSD)**

**assign 70% of new teachers
to primary standards 1-3
(TSD)**

**review of MOE teacher
assignment records
(TSD)**

**complete training of DRTs
(Inspectorate)**

**review of training records,
interviews with selected
DRTs**

**post 70 DRTs geographically
distributed according to
annual plan
(Inspectorate TSD)**

**review of MOE personnel
records, and annual
plan
(TSD)**

**upgrade existing LIET
certificate to PTC equi-
valent and establish
lower primary stream for
both pre-service (PTC) and
in-service (LIET)
(NTTC)**

**review of NTTC records and
MOE written approval of PTC
and LIET programs
(TSD)**

**continue to staff NTTC PTC
LIET Coordinator positions
(NTTC)**

**review of NTTC staffing
records
(Planning Unit)**

**begin first entry level
of 450 teacher trainees
under upgraded LIET by
June 1992
(NTTC)**

**review of NTTC-LIET
records
(Planning Unit)**

**enroll 100 new students in
PTC annually
(NTTC)**

**review of NTTC-PTC records
(Planning Unit)**

**implement plan for
improved management,
operation, and staffing
at NTTC
(NTTC)**

**written review of NTTC
progress in implementing
plan
(Planning Unit)**

**Objective: Improve the Quality and Availability of Curriculum and Instructional
Materials**

**adopt curriculum priorities
and curriculum timetable
primary grades, begin revision
of syllabi
(NCDC)**

**review of written plan with
priorities and timetable;
review of NCDC progress in
implementing plan
(Planning Unit)**

**begin distribution of Std
1-3 instructional materials
to all schools in reading
(Sesotho) and radio English;
develop math and agriculture
materials for Std 1-3
(NCDC)**

**site visits to selected
schools; data from EMIS and
SSD; sample materials
(Planning Unit)**

**distribute and pilot end-of-
level guidelines in five
sub-districts
(NCDC)**

**review of evaluation report
on piloting of these guidelines
materials
(Planning Unit)**

**develop and pilot an achievement test in a sample of Std 3 classrooms in September 1993
(NCDC)**

**review of report on piloting the achievement test and on test results
(Planning Unit)**

Objective: Improve the Physical Environment of the School

detailed mapping of schools nationwide and detailed plan for providing furniture and equipment to new and existing Std 1-3 classrooms

**review of plan
(Planning Unit)**

**provide furniture and equipment for Standards 1-3 classroom according to distribution plan
(SSD/TSRP)**

**site visits to selected schools; data from EMIS
(Planning Unit)**

**enforce restrictions on enrollment of under-age children, beginning January 1992
(Inspectorate)**

**site visits to selected schools; data from EMIS
(Planning Unit)**

**complete detailed plan for phasing out of over-age pupils including detailed design of information campaign on new restrictions for admission to Standard 1 of children over 8 years of age; list of targeted schools by region
(Inspectorate)**

**review of written plan, including design of campaign and list of schools
(Planning Unit)**

adopt detailed plan to limit repetition to two per primary cycle, including design of information campaign

**review of written plan, including design of campaign
(Planning Unit)**

Objective: Improved Educational Management

complete implementation of phase I staffing activities of MOE restructuring plan (Personnel/MOE)	staffing audit of MOE (Planning Unit)
fully implement revised legislation on MOE-proprietor-parent relationships; prepare detailed plan to establish school committees nation-wide (Inspectorate)	review of inspectorate reports and plan (Inspectorate)
Implement plan and staffing to improve financial management; use cost-center based budgeting for FY 1992/93 and FY 1993/94 (Financial Controller)	review of plan and staffing records; review of budget preparation documents and annual budget; comparison of budget with prior year budget (DPS)
prepare ESDP annual plan (Planning Unit)	review of ESDP annual plan (MOE Program Coordinator)
prepare written report for GOL/donor review on plan implementation (Planning Unit)	review of written report (MOE Program Coordinator)
establish routine process for data collection and reporting (Planning/Stat Units)	review of data collection and reporting documents (MOE Program Coordinator)
demonstrate improved use of national education statistics for EMIS and submit written EMIS report for school year for 1991 and 1992 (Stat Unit)	review of written EMIS report (Planning Unit)

YEAR 4: 1994

(Conditions precedent to third disbursement)

Objective: Increased financial resources for primary education.

**4 percent increase in education recurrent expenditure from 1992/93 and from 1993/94
(Min of Finance)**

**review of national budget allocation warrants
(Planning Unit)**

**continue to allocate at least 70 percent of total increase in MOE recurrent expenditure to primary education
(TSD/DPS)**

**review of MOE expenditure reports on primary teachers and on other items pertaining to primary education
(Planning Unit)**

Objective: Expand and Upgrade Teaching Force

**create 260 additional primary teaching posts in 1993/94, and 260 in 1994/95
(TSD/DPS)**

**review of MOE establishment register
(TSD)**

**assign 70% of new teachers to primary standards 1-3
(TSD/DPS)**

**review of MOE teacher assignment records
(TSD)**

**maintain network of 70 DRT according to the annual plan
(TSD/Inspectorate)**

**review of DRT program records; interviews with selected DRTs
(Planning Unit)**

**total of at least 550 teachers trainees under LIET and PTC programs (450 LIET and 100 in each year of PTC)
(NTTC)**

**review of LIET and PTC records
(Planning Unit)**

**continue to staff NTTC PTC and LIET Coordinator positions
(NTTC)**

**review of NTTC staffing records
(Planning Unit)**

**successfully implement management, operation and staffing improvement plans
(NTTC)**

**written review of NTTC progress on implementing plan
(Planning Unit)**

Objective: Improve the Quality and Availability of Curriculum and Instructional Materials

implement revised syllabi and teacher guides for standard 1-3 core subjects in all schools, for school year beginning January 1995

(NCDC)

site visits to selected schools; review of EMIS data on materials availability

(Planning Unit)

distribute Std 1-3 instructional materials for Sesotho and radio English; begin to distribute agriculture and math materials

(NCDC/SSD)

site visits to selected schools, EMIS and SSD data

(Planning Unit/SSD)

complete workshops for DRTs on using end of level guidelines; disseminate guidelines to schools

(Inspectorate)

review of DRT training records, review of NDN workshops, review of EMIS data

(Planning Unit/Inspectorate)

implement achievement tests in a sample of std 3 classrooms in September 1993 & 1994

(NCDC)

review of written reports on tests and test results

(Planning Unit)

Objective: Improve the Physical Environment of the School

provide furniture and equipment for Standards 1-3 classroom according to approved plan

(SSD/TSRP)

site visits to selected schools; data from EMIS

(Planning Unit)

complete implementation of information campaign for phasing out of over-age pupils

(Inspectorate)

review of written reports on information campaign, MOE circulars, site visits, EMIS data

(Planning Unit/Inspectorate)

continue to enforce restrictions on enrollment of under age children, beginning January 1992

(Inspectorate)

site visits to selected schools; data from EMIS

(Planning Unit)

implement information campaign for limiting repetition to two per primary cycles; begin enforcement nationwide
(Inspectorate)

review of written reports on campaign; site visits to selected schools; EMIS data
(Planning Unit)

Objective: Improved Educational Management

complete implementation of phase II staffing activities of MOE restructuring plan
(DPS/Personnel Unit)

staffing audit of MOE
(Planning Unit)

continue to fully implement revised legislation on MOE-proprietor-parent relationship; implement plan to establish school committees nationwide
(Inspectorate)

site visits to selected schools; review of inspectors reports
(Inspectorate)

continue improved financial management and use of cost-center based budget preparation
(Financial Unit/DPS)

review of annual budget preparation documents and annual budget; comparison of budget with prior year budget
(DPS)

prepare ESDP annual plan
(Planning Unit)

review of ESDP annual plan
(MOE Program Coordinator)

prepare written report for GOL/donor review on plan implementation
(Planning Unit)

review of written report
(MOE Program Coordinator)

demonstrate establishment of routine process for data collection and reporting
(Planning Unit)

review of data collection and reporting documents
(MOE Program Coordinator)

demonstrate use of national data for EMIS and submit written EMIS report for school year 1993
(Statistics Office)

review of EMIS report
(Planning Unit)

YEAR 5: 1996

(Conditions precedent to fourth disbursement)

Condition Precedent

Means of Monitoring

Objective: Increased financial resources for primary education

4 percent increase in education recurrent budget from 1994/95 base
(Ministry of Finance)

review of national budget allocation
(Planning Unit)

allocate at least 70 percent of total increase in MOE recurrent expenditure to primary education
(TSD/DPS)

review of MOE expenditure reports on primary teachers, and other line items pertaining to primary education
(Planning Unit/DPS Inspectorate)

Objective: Expand and Upgrade Teaching Force

create and fill 260 additional primary teaching posts
(TSD/DPS)

review of MOE establishment register
(TSD)

assign 70% of new teachers to primary standards 1-3
(TSD)

review of MOE teacher assignment records
(TSD)

continue to post 70 DRTs, geographically distributed, according to the annual plan
(TSD/Inspectorate)

review of DRT program records; interviews with selected DRTs
(Planning Unit)

at least 550 teachers trainees under LIET and PTC programs; first entry LIET class has completed the program, and preparations completed for second entry class of 450 LIET teacher trainees to begin in January 1996
(NTTC)

review of LIET and PTC records
(Planning Unit)

continue to staff NTTC PTC, and LIET coordinator positions
(NTTC)

review of NTTC staffing records
(Planning Unit)

continue to fully implement improved management, operation, and staffing at NTTC
(NTTC)

written review of NTTC progress
(Planning Unit)

Objective: Improve the Quality and Availability of Curriculum and Instructional Materials

continue to fully implement revised primary education syllabi for Std 1-3 in core subjects, including teacher guides nationwide
(NCDC)

site visits to selected schools, review of EMIS data on materials availability
(Planning Unit)

continue to use distributed instructional materials for Std 1-3 reading (Sesotho); and radio English fully distribute materials for Std 1-3 math and agriculture, and continue to use them
(NCDC/SSD)

site visits to selected schools, EMIS and SSD data
(Planning Unit/SSD)

continue to use Std 1-3 end of level guidelines for pupil promotion in primary schools
(Inspectorate)

site visits to selected schools; review of EMIS data
(Planning Unit)

implement achievement tests in a of Std 3 classrooms in September 1995
(NCDC)

review of written reports on tests sample and test results
(Planning Unit)

Objective: Improve the Physical Environment of the School

provide furniture and equipment for Std 1-3 according to improved plan
(SSD/TSRP)

site visits to selected schools; data from EMIS
(Planning Unit)

continue to enforce restrictions on enrollment of under age children
(Inspectorate)

site visits to selected schools; data from EMIS
(Planning Unit)

implement phasing out of enrollment of over age pupils in Std 1 by January 1995 in all targeted schools
(Inspectorate)

site visits to selected schools; data from EMIS
(Planning Unit/Inspectorate)

continue to take action to limit repetitions to two per primary cycle, nationwide
(Inspectorate)

site visits to selected schools; data from EMIS
(Planning Unit/Inspectorate)

Objective: Improved Educational Management

continue to fully implement phase I and II of MOE restructuring plan
(DPS/Personnel Unit)

staffing audit of MOE
(Planning Unit)

continue to implement revised legislation on MOE-proprietor-parent relationships, and to implement primary school committees
(Inspectorate)

site visits to selected schools, review of inspectors reports
(Inspectorate)

continue improved financial management and use of cost center based budget preparation
(Financial Unit/DPS)

review of annual budget preparation documents and annual budgets, comparison of budget with prior year budget
(DPS)

prepare ESDP annual plan
(Planning Unit)

review of ESDP annual plan
(MOE Program Coordinator)

prepare written report for GOL/Donor review on plan implementation
(Planning Unit)

review of written report
(MOE Program)

prepare and submit written report on national education statistics for school year 1994
(Statistics Office)

review of EMIS report
(Planning Unit)

Assessing Program Impacts: Selecting Indicators

Overall program goals are that students demonstrate higher achievement and that graduates are better able to enter the workforce. But these are long-term goals, outcomes that will not be achieved until long after this Plan period. Within the timeframe of the PEP itself, this program assistance is aimed at creating a set of necessary (though probably not sufficient) conditions for improving the efficiency of the education system. As these conditions are met and the component activities of the Development Plan converge, it is anticipated that both access and efficiency will improve. It is important, then, that appropriate

indicators of what can reasonably be expected to be accomplished in this Plan period are identified for use in assessing program impacts.

It is also important to operate from a realistic understanding of what level of impact should result from this set of interventions. Without the interventions provided under this Program Assistance, educational quality and efficiency in Lesotho are projected to decline rapidly, as GOL is unable to expand access or maintain quality in the face of rapidly rising demand for education. Consequently, a major accomplishment of the Program is to at least maintain present levels of efficiency. While there may be small marginal improvements in pupil achievement by year 5 (as the impacts of key school-level interventions converge), the most meaningful comparison is between end-of-program status at the end of the program and the projected status of the education system by that time if the Program had not occurred. From this perspective, even small pupil achievement gains must be understood as meaningful, compared to the anticipated loss in achievement levels if the education system had continued to decline.

This section suggests a set of indicators for assessing the impact of this program assistance on primary education in Lesotho, most of which focus on level of plan implementation and changes in student and teacher flow. While indicators are suggested for several different components of the program assistance, it is anticipated that data to address many of these issues would be collected in a single set of site visits to schools and district offices. This section concludes with an analysis suggesting that, while it is important to monitor student achievement, it is inappropriate to expect meaningful increases in student achievement by the end of the first six years. A plan for monitoring achievement is presented.

Overall Goal: To contribute to the sustained economic and social development of Lesotho.

Strategic Objective: To improve basic education for Basotho, without reducing access.

Indicator: Increase net enrollment to 80% by 1997; increase percentage graduating to 60% by 2000; decrease equivalent years per completer to 10.6 by 2000.

Target: To improve the quality and efficiency of the primary education system through establishment of a new policy framework and reformed institutional structure.

Indicator: Stable or increasing trend line in pupil achievement at end of Standard 3; improved student flow with reduction in dropout rate by .005 and repetition rate by .015 annually from 1994.

Subtarget: Increase the financial resources available for primary education.

Indicator: Increase in the MOE share of the GOL recurrent expenditure of at least 54 percent (1990/91 base year).

Sources of Data: GOL expenditure.

Indicator: At least 70 percent of increase in MOE expenditure (over 1991/92 base year) is devoted to primary education.

Sources of Data: MOE expenditure; Data from EMIS

Subtarget: Improve the availability, quality, and efficiency of instruction at the primary level.

Indicator: Creation of 1300 additional teaching posts; Assignment of 70 percent of those posts to primary education.

Sources of Data: Teacher supply and assignment data from EMIS.

Indicator: 550 teacher trainees in training through revised LIET and PTC and receive PTC equivalent training. (100 new PTC per year and 450 LIET every 3 1/2 years)

Sources of Data: EMIS data; Classroom observation and student achievement study

Indicator: Comparable classroom performance of teachers receiving different types of training.

Sources of Data: comparison of teachers' classroom pedagogical behaviours and student achievement between (a sample of) classes taught by LIET trained and PTC trained teachers

Indicator: Improved student attainment at Standard 3

Sources of Data: Administration of achievement test at end of Standard 3 in sample of schools (see discussion below)

Indicator: Improved operation of NTTC, as evidenced by its independent legal status, improved management, full teaching staff contingent, and increased production of trained teachers.

Sources of Data: EMIS data; NTTC data

Indicator: Assignment of two trained Inspectors to each district and 70 trained DRTs, geographically distributed according to the annual plan.

Sources of Data: Inspectorate records; Data from EMIS

Indicator: Headteachers, teachers, and MOE officials perceive DRTs and Inspectors to be effectively assisting teachers to improve their instruction.

Sources of Data: Site visits; Interviews with teachers, headteachers and MOE officials in sample of subdistricts nationally.

Subtarget: Improve the efficiency of student flow through the primary education.

Indicator: By the end of the Plan, less than 5% under- or over-age children are enrolled in standard 1, in lowland schools.

Sources of Data: EMIS data; Site visits to a sample of schools.

Indicator: Grade repetition limited to twice per primary cycle.

Sources of Data: EMIS data; Site visits to selected schools;

Special study of parent decision for automatic promotion versus student dismissal;

Special study of cross-impact of criterion referenced checklists as the criteria for promotion versus the two repetitions per cycle policy.

Subtarget: Improve curriculum and instructional materials used at the primary level

Indicator: Revised syllabi and additional teaching materials in maths, reading (Sesotho), radio English, and agriculture available in all schools in Standards 1-3.

Sources of Data: EMIS data: site visits to a sample of schools.

Indicator: All Standard 1-3 teachers to have received guidelines for end-of-level assessment of student performance and understand how to apply those guidelines

Sources of Data: EMIS data; Interviews with teachers during site visits at a sample of primary schools; DRT reports

Subtarget: To improve the quality of the physical environment of primary schools.

Indicator: By the end of the Plan period, furniture will be provided to 75% of standard 1-3 pupils

Sources of Data: EMIS data; Site visits to a sample of schools.

Subtarget: Improve the management of the education system.

Indicator: Restructured MOE

Sources of Data: Organizational analysis study that examines school-MOE communications, work flow, and constraints on policy formulation and implementation.

Indicator: Improved financial management capacity and staffing. Use of cost-center based budgeting by MOE.

Sources of Data: Budget preparation documentation.

Indicator: Development of a strategic and operational annual plan by MOE and a demonstrated good faith effort at implementing those plans.

Sources of Data: Document review; Interviews with selected school, district and central Ministry level educators.

Indicator: Improved MOE capacity for monitoring and evaluation of primary education at both national and school level.

Sources of Data: Independent assessment of timeliness, accuracy, and relevance of data contained in the EMIS

Audit of data accuracy on a sample of schools.

Site visits to selected District Offices to determine extent DEOs are familiar with national education data summaries and know how to use them.

Site visits to selected schools visited by inspectorate to assess extent services were offered and were perceived as relevant and helpful.

Independent team to examine ways that data summaries have been disseminated and used in decision making process.

Measuring Student Achievement

One of the above indicators requires fuller discussion. Pupil achievement will be monitored in a sample of classroom at the end of Standard 3 over the six years of the program in the anticipation that activities under the Program will contribute to a small marginal gain in pupil achievement. This will require the development of a special test, since no national achievement measure is presently available for this level. This is judged appropriate (and necessary) since most of the USAID supported components are targeted at Standard 1-3 and it is at this lower primary level that the greatest impact of the Program should be evidenced.

Even then, while increased student achievement is the most important goal for the education system and the ultimate goal of this Plan, large increases in student achievement should not be expected during the first six years of the Education Sector Development Plan. Activities during the first six years are only aimed at establishing the necessary preconditions for that larger goal to occur. Five factors need to be considered in formulating expectations for student achievement gains during the ESDP.

1. The rapid expansion of the teaching force will necessitate the recruitment of less qualified teachers, a point clearly acknowledged in ESDP documents. Under the most optimistic implementation plan, the in-service training of these teachers will not be complete until the fifth year of the Plan. The infusion of less well qualified teachers will exert a downward pressure on student achievement scores.
2. Reducing the number of over-age students within a grade will most likely reduce average student achievement, since the students being excluded are those with the greatest maturity and learning readiness. While the decision to narrow the age range within grade levels may have long-term benefits, the short-term impact may be a decline in achievement scores.
3. The plan to reduce grade repetition may also lower student achievement as students are faced with a more appropriate intellectual challenge instead of repeating material they have already mastered. If the new rules regarding student progression result in some students being advanced before they have mastered the earlier material, student achievement scores will drop even more as students are unable to keep up.

4. **Many of the interventions planned under the ESDP will not directly change the nature of the teacher-student interaction, the point at which most learning occurs. Most of the interventions expected to directly effect achievement will not be fully implemented until relatively late in the Plan.**

For example, reorganizing the Ministry of Education, strengthening the Ministry's management information system, and improving teacher salaries, while important to do, are not expected to change students' classroom experience. Similarly, marginally lowering student/teacher ratios, providing furniture, and building new classrooms do not, by themselves, raise student achievement. By themselves, these interventions are achievement neutral. Achievement only increases if teachers use the improved conditions to offer more effective instruction. Some will, but overall it is problematic. Research suggests that these interventions will probably improve teachers' job satisfaction (and possibly their retention in teaching) but that teachers will often continue to offer the same instruction they have been offering, and they will continue to look for the same levels of student achievement. Change in teachers' expectations of their students' achievement will change only slowly.

On the other side of the equation, improving the curriculum and providing more instructional materials are expected to positively impact student achievement, since those activities organize, sequence, and pace students' encounter with content. However, the improved instructional materials are not scheduled to be distributed to the schools until years 3, 4 and 5, and it takes several years of use for teachers to learn how to use the materials to best advantage.

These points are not offered in criticism of the Plan. The proposed activities under the Plan address important issues in improving educational quality and efficiency in Lesotho. It would be a mistake, however, to expect meaningful gains in student achievement scores by the end of the first 5 years. Rather, the MOE, USAID, and the World Bank should judge this program successful if student achievement could be held constant or show a modest increase during the time that these other changes in efficiency are taking place.

SCOPES OF WORK

A. EDUCATION MANAGEMENT INFORMATION SYSTEMS ADVISOR

Position: ADVISOR TO STATISTICS UNIT
LESOTHO MINISTRY OF EDUCATION

Duration: Two years, with the possibility of renewal
for up to five years

Location: Maseru, Lesotho

Background:

The Lesotho Ministry of Education has a demonstrated capacity to collect and summarize quantitative data about the education system. The Statistics office, located within the Planning Unit of the Ministry, distribute, collects, and summarizes annual school surveys and publishes an Annual Education Statistics Yearbook. As part of a major new Educational Development Program, the Ministry now seeks to increase the use of these data in planning, resource allocation, and program management. A long-term technical advisor will assist the Ministry in moving toward the more effective use of data in analyzing the current educational situation, the implications of trends and in evaluating the consequences of alternative courses of action. The technical advisor will advise the Director of Statistics, and will report to the Head of Planning.

The long-term technical advisor assigned to work in the Statistics office of the Ministry of Education will have four main areas of responsibility.

1. To assist the Statistics Office and Planning Unit of the Ministry in design, conduct, and reporting of special studies which analyze the current educational situation, the implications of trends in the education system and evaluate the consequences of alternative courses of action the MOE might take.
2. To assist the MOE Head of Planning to monitor MOE progress in meeting program conditions and assist the Director of Planning in collecting and compiling the information the Ministry needs to provide to donors.
3. To assist the Statistics Office in (a) refining, extending, and improving the indicators it collects on the education system, (b) improving its annual school data collection procedures, and (c) extending the types of analyses and reporting of these data.
4. This Technical Advisor also will hold the primary role in representing the contractor in discussions with USAID.
5. As appropriate, to assist in design and implementation of a national sample

survey of primary schools to assess wider range of qualitative data relating to pupil achievement, school conditions, and teacher perception.

Qualifications:
REQUIRED:

1. PhD in an area relevant to education policy analysis and planning.
2. Experience in working with education management information systems and familiarity with major data management and data analysis software.
3. Experience in working in data and policy analysis in developing country settings.
4. Excellent interpersonal and intercultural skills.

B. TEACHERS COLLEGE MANAGEMENT ADVISOR

Position: ADVISOR TO THE DIRECTOR OF NATIONAL TEACHER TRAINING COLLEGE

Duration: Two years

Location: Maseru, Lesotho

Background:

Over the next 5 years, NTTC is being reorganized and is moving toward greater autonomy with respect to the Ministry of Education. NTTC will be organized into three programs -- Primary Teaching Certificate, Lesotho In-Service Education for Teachers, and Secondary Teaching Certificate. NTTC will also be provided legal autonomy under a board of governors in order to improve administration of its programs.

Responsibilities:

The Advisor to the Director will serve as counterpart to the Director of NTTC to advise on the overall reorganization and operation of NTTC, including:

- financial management
- administration
- maintaining of student records
- personnel administration
- develop and implement procedures for staff accountability
- evaluation of effectiveness of training
- assist in management issues pertaining to establishment of Division of Primary Education (PTC)
- assist in management issues related to strengthening Division of In-Service Education (LIET)
- assist in strengthening PTC and LIET curriculum, particularly for

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- Standards 1-3 teacher training**
- suggest ways of increasing the efficiency of NTTC operations
 - examine feasibility, and implementation as appropriate, of raising PTC entry requirements and reducing length of PTC courses
 - advise on adaptation of LIET course to PTC equivalent

Qualifications:

1. Doctorate in education administration, teacher training or other appropriate field
2. Experience with administration and management of teacher training institutions.
3. Experience in developing country settings
4. Excellent interpersonal and intercultural skills

C. TESTING/EVALUATION ADVISOR - NATIONAL CURRICULUM DEVELOPMENT CENTER

Position: ADVISOR IN TESTING AND EVALUATION TO THE EVALUATION UNIT, NCDC

Duration: Three years

Location: Maseru, Lesotho

Background:

NCDC has begun work in developing guidelines to help primary school teachers in assessment of pupils learning. However, as the curriculum is trimmed teachers need more concrete and specific guidelines and training to help in continuous assessment and end of year assessment of pupils learning. Also, currently no general test of pupil achievement is made until Standard 7. An intermediate test at end of Standard 3 is needed to help assess the impact of changes in education policy and practices.

Responsibilities:

1. To assist the NCDC to develop and administer a Standard 3 achievement test to be used in sample of schools, each year
2. To assist NCDC to develop printed guidelines, and to train teachers in their use, for Standards 1-3, basic subjects, Sesotho, English, maths.
3. To assist in design and conduct of special studies, particularly at the school level
4. Assist in conducting evaluations of draft curriculum materials, and examining the effectiveness of published materials being considered for purchase.

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5. Assist in design and implementation (including training) associated with end of level student assessment measures.
6. Assist in revision and implementation, analysis and reporting of PSLE.
7. Assist in preparation for transferring PSLE to ECOL.

Requirements:

1. Doctorate in appropriate field
2. Substantial experience in student assessment, curriculum and program evaluation

Preferred:

- Experience in developing countries
- Excellent interpersonal and intercultural skills

D. FINANCIAL MANAGEMENT ADVISOR

Position: ADVISOR TO HEAD, SUPPORT SERVICES, AND FINANCIAL CONTROLLER

Duration: Four years

Location: Maseru, Lesotho

Background:

A financial management assessment of MOE operations was made in early 1991. This showed areas needing strengthening, especially for the additional funds to be processed through budget supports. Prior technical assistance to MOE in financial management has been relatively limited.

Responsibilities:

1. Assist the Financial Controller and other managers to prepare annual budgets. Provide training in preparation of budgets.
2. Assist the Financial Controller to administer budgets. Provide training in administration of budgets.
3. Assist MOE managers to analyze budget and accounting problems and recommend solutions.
4. Assist with analysis of fiscal staffing requirements and training of new staff.
5. Assist with improving systems for reporting capital and recurrent expenditures, and analyses of annual figures and trends so that more effective use of funds can be made.

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6. **Assist with improving planning and cost analysis of programs and policy options.**
7. **Assist with review of accounting and budgeting systems to increase computerization of records, accounts, and analyses.**
8. **Assist to teach disbursements against budgets, especially for NPA.**
9. **Assist the MOE in achieving a financial analysis capability and liaise with accounting firm audit performed on the activity, including follow-up and implementation of audit recommendations.**

Qualifications:

- **MA or higher degree in public finance, economics, or public administration.**
- **Experience in public finance, education, preferably with education finance in developing countries.**
- **Excellent interpersonal and intercultural skills.**

E. PRIMARY EDUCATION PROGRAM PSC

Responsibilities:

1. **Manage all aspects of the primary education program, including monitoring contractor technical advisors and arrangements for long and short term training.**
2. **Liaise with the Ministry of Education Planning Unit, and with other MOE units responsible for program implementation, such as the National Teacher Training College, the Inspectorate, National Curriculum Development Center, and School Supply Unit.**
3. **Liaise with the MOE Planning Unit and other MOE units responsible for program monitoring, such as the Statistics Unit, and the Financial Controller.**
4. **Assist in monitoring GOL and MOE performance under the program components, including keeping USAID advised on GOL progress in meeting conditions precedent to disbursement, program outputs, and purpose level objectively verifiable indicators in the program logframe. Assist in monitoring assessment of program indicators for USAID on an annual basis, including social/gender disaggregated data.**
5. **Assist with preparation of annual pre-tranche and tranche disbursement reviews. Manage annual financial assessment and management reviews.**
6. **Identify and propose solutions to problems of program planning, implementation, monitoring and evaluation as they arise; alert USAID to problems and assist in resolving them.**

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7. **Prepare USAID project implementation reports, project implementation letters, pio/ts and pio/c s, and other documentation as required.**
8. **Prepare scopes of work for formative and summative evaluations, and for any special evaluations. Provide information and be of general assistance to evaluators and auditors. Carry out any other tasks that may be required by USAID to plan, implement, and evaluate Primary Education Program activities.**

Qualifications:

1. **Doctorate in a relevant field, such as development education, primary education, or, possibly, the social sciences.**
2. **At least ten years relevant experience with education in developing countries, with an international organization, preferably in Africa.**
3. **Experience in administration of development projects, preferably with basic knowledge of USAID regulations and procedures.**
4. **Excellent interpersonal and intercultural skills.**

MACROECONOMIC ANALYSIS

A. Macroeconomic Framework

1. Macroeconomic Overview

Introduction: The Kingdom of Lesotho, a small mountainous country of 30,444 sq. km., is wholly surrounded by the Republic of South Africa (RSA) and has a population of 1.6 million (1987 estimate) growing at an annual rate of 2.6 percent. Poverty is pervasive and income distribution is highly skewed; in 1986, 67 percent of all households and 71 percent of rural households had income below M86 (\$34.40 using M2.5 = \$1.00) per month per consumption unit. In 1988, per capita GNP was \$420. Indicators of nutrition, health, crude death rate and life expectancy are worse than the average for low-income countries. The dominant characteristic of the economy is that it is closely linked to and dependent on that of RSA.

Structure of the economy: The structure of gross national product (GNP) has changed over the last 15 years. In the mid-1970s, net factor income from abroad, mainly remittances for Basotho workers in RSA mines, constituted about 41 percent of national income but reached almost 52 percent by 1981 before dropping to almost 46 percent in 1989. The structure of domestic output also changed drastically. At independence in 1966, the economy of Lesotho was heavily dependent on agriculture as the major source of domestic output contributing almost 45 percent of GDP at factor cost. This declined substantially to 22 percent by 1978/88 while the share of both manufacturing/handicrafts and building/construction rose from a little over 2 percent to 14.3 percent and 14.6 percent, respectively, over the same period. The share of services in the tertiary sector remained almost constant, although there were significant intra-sectoral changes.

Other indicators of the changing structure of the economy, presented in Table 1 below, show its increasing dependence on labour income from abroad, due to a phenomenal increase in the number of mine workers in RSA, and on customs and excise duties, due to its membership of the South African Customs Union (SACU). The dependence on imports has also risen, accompanied by rising trade and current account deficits.

Table 1
Selected Indicators of Changing Economic Structure and Dependency

<u>Indicators</u>	<u>1966</u>	<u>1980</u>	<u>1983</u>	<u>1988</u>
1. Net Factor Income Abroad/ Domestic Factor Incomes (%)	11	83	136	90
2. Labor Income From Abroad as % of GDP	12	82	130	84
3. Mineworkers in RSA (000)	77	121	115	122
4. Customs and Excise Duties as % of GDP	4	29	32	23
5. Imports of Goods and Services as % of GDP	56	154	197	154
6. Trade Balance as % of GDP	-40	-131	-181	-132
7. Current Account Deficit as % of GDP	-3	3	4	21

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Source: Petersson Lennart (1990), Lesotho's Economic Policy and Performance under the Structural Adjustment Program; The External Dependence, Institute for Economic Research, Lund University, September 1990.

Aggregate supply and demand: Despite the relatively slow growth in the 1980s, the long-term growth in both GNP and GDP since independence has been impressive, with per capita GNP growing at 5.2 percent between 1965-1988 (compared to 0.4 percent in RSA). Growth was highest in the 1970s: during 1970-1979, real GNP and real GDP rose at about 7 percent and 8 percent annually respectively due to several factors. These included high agricultural production, expanding construction and service sectors, increased migrant workers' remittances which was related to high customs union earnings and the start of diamond production in 1972.

But by the beginning of 1980, the downturn in domestic aggregate supply had begun due largely to the prolonged drought in 1980-83, the closure of the diamond mine, a fall in both remittances and customs earnings and a devaluation of the RSA Rand to which the Maloti is pegged at par. Real annual GDP fell by 1.1 percent in 1980-83 and progressively to 0.7 percent from 1985 to 1987 but recovered at a growth rate of 7.3 percent during 1987-1989. Real GNP, however, rose at an annual rate of 5 percent during the drought period but fell to 2.3 percent during 1984-1989. In sum, between 1983-1989, real annual per capita GNP fell by 1.3 percent, while real annual per capita GDP rose at only 0.8 percent, even excluding the early drought period. Thus, the decade of the 1980s was nearly lost to Lesotho.

Between 1984-89, the annual share of GDP in the total supply of goods and services was 46.4 percent, while workers' remittances accounted for 48 percent of GNP. Over this period, nominal gross national saving, as a ratio of GNP, averaged 20 percent while the ratio for nominal gross domestic investment was 26 percent, indicating an annual domestic resource gap of 6 percent of GNP. Domestic demand is closely linked to consumption expenditure. In the post-drought period of the past decade, real private final consumption has followed a declining trend, falling from 79.6 percent of the total supply of resources in 1984 to 69.9 percent in 1989 thus contributing to declining demand.

Key sectors of the domestic economy

Agriculture: Despite the declining share of agriculture in GDP (19 percent in 1989), it is still the dominant source (66 percent) of domestic employment although only 34 percent of all households and 38 percent of rural households derive their main source of income from farming and livestock. During the 1980s, the sector grew at slightly more than 2 percent per annum. Landlessness is increasing, arable land is only 13 percent of the total land area while cultivated land fell from 450,000 HA in 1960 to an annual average of 318,000 Ha in 1986-89. Average annual total cereal output in 1985/86-1988/89 was 176,530 MT with maize accounting for 68 percent, sorghum 21 percent and wheat 11 percent. Crop yields are low, averaging 694 KG/HA for maize during the period. Due to low domestic production, self-sufficiency ratios for the period were 49 percent for maize and 22 percent for wheat. Livestock production is now the

dominant sectoral activity, contributing 52.2% total agricultural output in 1988. In 1986, 55% of all households owned livestock. Over the period 1985/86-1988/1989, average annual livestock numbers were 0.59 million cattle, 1.56 million sheep and 1.07 million goats, with annual wool production per sheep of 3.7 KG and mohair production 1.7 KG.

Manufacturing: The sector, consisting mainly of agroindustries, especially food mills, breweries, canneries, textiles and leather, increased its contribution to growth in the last decade. Its share of GDP rose from 5.6 percent in 1980 to 12.9 percent in 1989, accompanied by increasing manufacturing value added (MVA) which grew at 13 percent. The sector maintained its share in GDP in 1990/91. The textile and clothing sub-sector has increased its share of MVA from 11 percent in 1981 to 40.2 percent in 1989 and is now the largest export earner. Most of this expanded activity is due to relocation of RSA firms and some Far East investors in Lesotho to take advantage of the investment incentives and escape sanctions. Industrial development policy focuses on improving the investment climate and strengthening the institutional base.

Construction and electricity/water: The building and construction sector also grew fast in the 1980s, at a rate of 12 percent, while increasing its share in GDP from 11.5 to 14.6 percent of real GDP. The prospects for increased growth are strong due to construction activity being generated under the Lesotho Highland Water Project (LHWP). The potential is also bright for the electricity and water sub-sectors due to the LHWP. This \$2.54 billion project, aimed at diverting surplus water from the Senqu (Orange) river system to RSA and generating electricity for Lesotho, was initiated in 1986/87 and would provide several spin-offs for the Lesotho economy, including increased industrial development, tourism and employment.

Regional linkages with the domestic economy: Apart from the increasing dependence on labour income and trade revenues, other facets of Lesotho's dependency on RSA include commodity and factors prices which are closely influenced by RSA prices, falling crop production partly due to rising levels of mine labour wages which make farming less attractive, increasing imports of food and manufactured products, and a high content of imported inputs and services in domestic manufacturing. A major example of dependency is RSA financing of the LHWP. The dependency of Lesotho on a regional economy dominated by RSA is geographic, has historical antecedents and is made functional through a number of institutional linkages, principally, SACU and the Common Monetary Area (CMA). Other regional institutions are the Southern African Development Coördination Council (SADCC) and the Eastern and Southern African Preferential Trade Area (PTA).

SACU is an economic integration arrangement between RSA and Lesotho (L), Botswana (B) and Swaziland (S) in 1969, with Namibia (N) joining in 1990. The arrangement allows duty-free movement of goods and services among member countries, but not labour, and the imposition of a common external tariff against its trading partners. Under SACU, customs and domestic excise duties collected by member countries are placed in RSA's State Revenue Fund and

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distributed according to each member's proportional share in total imports and domestic production that bear excise duty. The revenue-sharing and compensatory payment arrangement is based on a basic rate, a stabilization factor which guarantees the LBSN countries a minimum payment of 17 percent of the member's dutiable base, but with a lag of two years, and a compensation factor. Under the CMA, the RSA rand is circulated as legal tender, along with the local currency at par value and the Maloti is fully backed by the rand and other convertible currencies held by RSA. The arrangement also requires unrestricted transfer of funds between member countries, including a uniform exchange control regulation in relation to the rest of the world. These institutional linkages have strong implications for employment, prices, fiscal and monetary policy, trade and balance of payment of Lesotho.

Labor, wages and prices: The total labor force of 623,385 (1985/86), with a participation rate of 56 percent (76 percent for males and 37 percent for females) and unemployment rate of 23%, was projected to increase by about 20,000 annually to 754,000 in 1990. In 1985-86, 66.2 percent of the labor force was employed in agriculture, 7.3 percent in the secondary sector and 25.6 percent in services. The formal sector accounted for 12.6 percent, with government jobs representing 48 percent of total modern sector employment. This structure of employment partly reflects the dual-structure of the labor market, with a shortage of skilled labor and an overwhelming surplus of unskilled labor, and has important implications for the role of education. A key feature of the labor market is the number of migrant mineworkers in RSA. From a high level of 124,491 in 1978, the number progressively declined, reaching a low of 114,071 in 1984 before rising again to 121,450 in 1986, 125,934 in 1987, 124,781 in 1988 and 126,264 in 1989. However, the situation changed in 1990 when falling world gold price, rising mine operation costs, absolute reductions in RSA mine labor force and the RSA policy of replacing migrant workers with South African labor precipitated a decline in the number of Basotho migrant workers to an average of 103,040 in 1990 and to 95,551 in February 1991, according to RSA estimates. This declining trend portends dire consequences for the Lesotho economy.

Domestic labor wages tend to be determined by the government policy of minimum wage fixation and the tendency of private sector remuneration to be linked to public sector wage levels. In the 1980s, minimum monthly wages were increased in 1984, 1987 and 1989. A recent 51 percent rise in April 1991 took it to M 180 for unskilled labor. Civil service and forces salaries were increased by 22 percent on average in April 1991 while teachers received 67 percent increase. Civil service and forces salaries were increased by a further 20 percent in June 1991. Annual Inflation (CPI) is currently estimated at 13.7 percent in 1990/91, down from 15.2 percent in 1985/86.

Fiscal situation

Due to the customs union arrangement, the GOL has relatively little direct control over budget revenue such that expenditure control is the main instrument of fiscal policy in controlling the deficit. Over the period 1985/86 to 1989/90, the annual budget deficit was 7.5 percent of GNP, but due to revenue-

generating measures and the expenditure controls initiated under the Structural Adjustment Program (SAP) in 1988/89, the deficit was reduced considerably, reaching 1.2 percent of GNP in 1990/91. The deficit is usually financed by domestic public borrowing but more by foreign borrowing from 1989/90. Revenues and grants rose from 26.4 percent of GNP in 1985/86 to 30.7 percent in 1990/91 while expenditures and net lending rose from 32.6 percent to 34.2 percent in 1989/90 before falling to 31.9 percent in 1990/91. Government revenue is mainly derived from tax revenue, including customs duties. Although the share of customs duties in total receipts has fallen from the high level of 68 percent in 1979 to 50 percent in 1987/88, it is still the major source of revenue, followed by sales tax inflows. Mine workers' income is not taxed, but partial action was taken in 1990/91 to introduce a tax. Recurrent expenditure is the major share of GOL spending, with personal emoluments accounting for 30 percent of total budgetary expenditure and 43 percent of recurrent expenditure before the SAP.

Money and banking: The financial sector consists of the Central Bank of Lesotho (CBL), 4 commercial banks, 2 non-bank financial institutions and 3 institutions that lend. The CBL sets the minimum savings deposit rate and the prime lending rate while the market sets the other interest rates. Generally, the interest rate is lower than in RSA but the current savings deposit rate of 15.5 percent is higher than for similar deposits in RSA. Due to the CMA, the CBL does not use the interest rate as an active policy instrument. The CBL also sets minimum liquid assets and cash reserve ratios for the banking sector aimed at reducing commercial banks' holding of foreign exchange reserves. However, due to the openness of the economy and linkage of the Maloti to the Rand, independent monetary policy is limited.

Money supply is influenced by the level of foreign assets and domestic credit supply. During 1985/86-1988/89, money supply increased at an annual rate of 17 percent but the ratio of broad money to GNP averaged 28 percent during the period. During this period, the annual increase in total domestic credit supply was 39.7 percent, with credit to government expanding at 56.9 percent annually. But beginning in 1988, there has been an attempt to redirect credit away from consumption to production, especially in the construction and manufacturing sectors. However, credit to agriculture has declined in recent years. Banks' liquidity ratio is high (at 80 percent at the end of 1989), implying large capacity to lend, but lending is low, although increasing, due to low private sector demand for credit, lack of acceptable collateral and risk-aversion.

The external sector: Due to the restriction on monetary policy by membership in the CMA and the large propensity to import, expansionary fiscal policy affects the current account balance, since deficits can only be financed by reducing foreign assets or borrowing from internal or external sources.

The overall external sector account worsened progressively over the period 1986/87- 1990/91, despite increasing exports, unrequited transfers and rising net official capital inflows, due mainly to a deterioration in the goods and services balance. The average annual current account deficit as a ratio of GNP

from 1986/87 to 1990/91 was 4.7 percent; the ratio worsened until 1988/89 but improved thereafter, although it is yet to turn positive. During this period, the annual increase in export volume was 12.5 percent. Three developments characterize Lesotho's export trade in recent years. First, exports have grown substantially, albeit from a low base, at an annual rate of 21 percent from 1985-1989. Secondly, the structure of exports has changed with manufactured goods, especially textiles, dominating, even as food, wool and mohair exports also grew. Third, the direction of merchandise export changed as exports to the EEC and North America grew while the share to SACU countries fell from 93 percent in 1984 to 79 percent in 1988. Rising exports were facilitated by the establishment of new factories, supported by attractive investment incentives and a growing export financing scheme. Over the period 1986/87 - 1990/91, annual percentage change in import volume was 2.5 percent due to the high import volume in 1987/88.

Aid per capita stood at \$64.4, the third highest among low income countries in 1988, corresponding to 26.3 percent of GNP; between 1982 and 1988, Lesotho received \$699 million net aid disbursement. Total external debt rose from \$8 million in 1970 to \$281 million in 1988, representing 36.5 percent of GNP. Long-term debt service represented 3 percent of GNP in 1988 and 4.7 percent of export of goods and services in 1990/91. Net official reserves covered 5.6 weeks of imports in 1990/91.

2. Structural Adjustment Program (SAP)

The SAP (1986/89-1990/91): As a result of persistent low growth in the domestic economy, worsening internal and external balances and rapidly dwindling foreign reserves, the GOL sought access to IMF financing under the Structural Adjustment Facility (SAF) in 1988/89 financial year. The major objectives of the SAP were to restore a viable balance of payment position by reducing the current account deficit, restore domestic balances by reducing the budget deficit, and maintain stable price levels in order to begin to lay the foundation for sustainable growth. Key conditionalities under SAP covered domestic and net government credit, government budget deficit and public expenditures, exchange rate, and, external sector issues of net concessionary debt, net external reserves, current transaction restrictions and bilateral payment agreements. The major policy measures and instruments covered agricultural and land reforms, industrial development, public enterprises, monetary and credit policy, the external sector and debt management. The GOL planned to expand and diversify agricultural production and improve land tenure, among others, improve extension, create grazing associations and introduce grazing fees to reduce overgrazing, legalize land leasing and adopt competitive pricing policies. Under industrial reform, the GOL was to further expand manufacturing by encouraging private investment in export-oriented and import substitution industries and set up an investment promotion unit. To ensure that public enterprises require minimal or no budgetary support for recurrent operations, the program involved flexible pricing, especially of utilities and services, increased cost recovery from consumers to achieve full price pass-through, establishment of evaluation unit for SOEs and divestiture of selected public enterprises. In order to redirect financial resources

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from government borrowing to the private sector and mobilize domestic savings, the GOL intended to maintain ceilings for total domestic and government credit, retire outstanding government debt, introduce new financial instruments and encourage capable non-bank enterprises to issue financial paper, and, pursue appropriate interest rate policies. To achieve viable BOP by diversifying sources of external revenue, containing import demand and reducing external debt service, the GOL planned to further develop the export finance scheme, facilitate increased remittances, adopt prudent debt management and increase net official reserves to 8.5 weeks of imports.

Major quantitative targets at the end of the plan period were to (a) increase real GDP annual growth rate to 4 percent, (b) reduce the government budget deficit to 4 percent of GDP, (c) reduce the current account deficit to 3 percent of GDP, and, (d) reduce annual inflation rate to 7.5 percent. In terms of performance, the average annual growth rate of real GDP was 9.1 percent over the 3-year period although agricultural production fell, due mainly to drought. Inflation fell and the current account improved, but both were below programmed targets. Government budget position improved; revenue and grants exceeded programmed targets except in 1990/91; expenditure slowed and the deficit met programmed targets by 1989/90. Similarly, the growth of monetary and domestic credit aggregates were within targets. Deposits with banks increased, due to increased interest rate, which are now positive in real terms and more in line with those of RSA, and the share of government credit in total domestic credit declined while private sector credit increased. However, there were delays in implementing several structural reforms. Civil service reforms were not on track; taxation of migrant workers' income was not introduced; there were delays in land reform, including creating grazing associations and levying grazing fees and creating the investment promotion unit. On the whole, however, economic performance improved under the SAP.

The Enhanced Structural Adjustment Program, ESAP (1991/92-1993/94): The GOL has decided to continue its adjustment process through access to the Enhanced Structural Adjustment Facility (ESAF). The overall aim of ESAP is to institutionalize and deepen reforms initiated under the SAP and consolidate gains made towards achieving domestic and external balance so as to expand employment opportunities and improve living standards and lay the basis for long-term sustainable growth. The ESAP will cover four main areas in agriculture and land reform; industry export promotion and diversification; parastatals and civil service; and the financial sector. In agriculture, the process of introducing national-level grazing fees and facilitating legal recognition of the practice of informal land leasing will continue. Industrial reforms will focus on continuing the process of expanding productive capacity oriented to export promotion and diversification. Public sector reforms will address the issues of improving the performance of and privatizing selected SOEs, and enhancing the performance of the Civil Service mainly through improving the compensation structure and skills of civil employees. To facilitate private sector development, efforts will continue to develop the financial market, including the expansion of treasury bills market and development of money and capital markets. Programmed quantitative benchmarks under ESAP are to achieve (a) average annual GDP and GNP growth rates of 8 percent and 3

percent respectively, (b) increased aggregate annual saving and investment to 19 percent and 53 percent of GNP respectively, (c) reduced inflation to 12.8 percent in 1993/94 from 13.7 percent in 1990/91, (d) positive fiscal balance, (e) reduced external current account deficit to less than 3 percent of GNP by 1993/94, (f) increased net official reserves to cover 14 weeks of import by end of program period, compared to 5.6 weeks in 1990/91, and (g) reduced debt service as a ratio of exports of goods and services from 4.7 percent in 1990/91 to 3.6 percent by end of 1993/94.

3. Constraints to and prospects for growth

Constraints: Despite the resurgence in economic growth in recent years and GOL's commitment to structural adjustment, several factors constrain Lesotho's economic development.

The country is mountainous with little arable land, degraded soils prone to erosion and the vegetation contains virtually no forests. The system of communal land ownership and absence of a land market hinders efficient land use for agriculture and promotes land degradation. Lesotho has few exploitable non-renewable natural resources; thus mining is limited to clay and stone deposits. Water is a major resource but is yet to be utilized for agriculture and energy. The LHWP is mainly geared to selling water to RSA, although Lesotho will benefit from increased energy supply to facilitate expanded distribution to large parts of the country. The road transport network is limited while rail transportation is limited to a short link line between the capital and the RSA network. In 1986, there was only 2,775 KM of primary roads of which 17 percent was tarred. Hence, there is high reliance on costly air transportation which is supported by 31 airfields. Telecommunication links exist only between a few urban centres. Road infrastructure development under LHWP is expected to help ease the transportation constraint.

The demographic aspects of the population are worrisome. Although the annual population growth rate of about 2.6 percent is not high by African standards, it is projected to remain constant over the present decade. The population is young with 41 percent being in the 0-14 year group while the dependency ratio was 82 percent in 1986. Furthermore, due to male migration, females form a high proportion of the resident population with adverse implications for domestic income generation, given the lower employment rate of females. The quality of the manpower base is low with the educational status of the economically active population low; in 1986, 21 percent of the labor force (36 percent of males and 12 percent of females) had no formal education while 55 percent did not complete primary education or had only informal training. This low education level results in a critical shortage of skilled manpower, hinders productivity growth in the economy and reduces the competitiveness of Basotho migrant workers in the regional labor market. The manpower problem is exacerbated by the lack of science, engineering and medical graduates from the educational system and inappropriate domestic compensation of skilled personnel which encourages their external exodus.

There are three key structural constraints to growth. First, the productivity of the dominant sector, agriculture, is low while the emerging manufacturing sector is dependent largely on foreign imports. Thus, there are few output linkages between domestic agriculture and industry. Second, the formal private sector is small, due partly to the lack of indigenous entrepreneurial skills and is constrained by several factors including low infrastructure, low quality of labor supply, inadequate financing and a small domestic market. Furthermore, the land-locked nature of the country places it at a great competitive disadvantage. Third, the economy is largely dependent on that of RSA in terms of employment and trade tax, and hence, national income generation, and imports, including food and energy. The LHWP is being financed mainly by RSA. A paralysing aspect of the country's dependency is the lack of economic policy freedom, especially in the monetary, fiscal and foreign sectors.

Domestic institutions for agricultural and industrial technology generation and extension are undeveloped, contributing to the low productivity of the domestic economy. Similarly, the institutional base for domestic resource mobilization and investment promotion is inadequate.

Growth prospects: The prospect for economic growth is dependent on several factors including the pace of agricultural and industrial development, changes in the migrant labour market, economic policies, progress in education, impacts of the LHWP, and political and economic developments in RSA.

It is difficult to forecast future growth outcomes. However, it is generally expected that successful implementation of the LHWP would exert a pull-effect on the economy via the impact on government revenue from royalty payments, SACU revenues and benefits from concessionary finance, tax and other related income sources associated with the project. However, one analysis which incorporated the impacts of the LHWP, predicted a slight incremental growth effect (Department of Energy, 1989). Assuming an optimistic scenario involving timely completion of project construction, initiation of water supply in 1996, continued export growth and no fall in net factor incomes (NFI) from abroad, in contrast with a pessimistic scenario of a 3-year delay in completing LHWP and water supply, stagnating export sector from 1995 and a 57 percent decline in NFI, GDP growth will rise by 1 percent and GNP by 1.3 percent while gross fixed capital formation will remain unchanged. Growth in agriculture will increase by 1 percent, industry by 1.5 percent but growth in electricity and water will fall by 1 percent. The low marginal beneficial impact of the LHWP on long-term growth is primarily due to the high import content (more than 70 percent) of project goods and services, most of which will be imported under rebate of duty, and the consideration that energy is not the major critical constraint to long-term economic growth.

Short-term prospects for economic growth are high if there are no adverse external shocks, weather is favourable and the country stays the course of structural adjustment. According to SAP projections, GDP will grow at an average annual rate of 6.9 percent between 1991/92- 1995/96, but GNP more slowly due to a reduction in migrant workers' remittances. Government

expenditure will rise at the same rate as GNP growth resulting in a budget surplus in 1993/94, and the external balance is likely to improve if complementary monetary and fiscal policies are implemented. In the long-term, Lesotho could regain its previous levels of growth only if it contains rapid population growth, improves natural resource management, makes the right socio-economic policy choices, including improvements in the quality of education, and developments in RSA prove favorable.

References:

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Financial Sustainability

Summary Conclusion. The basic financial sustainability issue is the ability of GOL to generate and provide adequate financial resources to support reforms under PEP during PEP implementation and thereafter. Since PEP represents parallel co-financing of the MOE Education Development Plan (EDP) through the Education Sector Project (ESP), it is essential to ascertain the extent to which the GOL is likely to finance and sustain the financing of incremental expenditures generated by the EDP to determine the financial sustainability of PEP.

The GOL plans to finance EDP expenditures, including the recurrent costs of primary education reform, by increasing education sector expenditures and the share allocated to primary education. IMF and World Bank projections indicate that increases in overall expenditures can be achieved without increases in either the government or external deficits because of the projected increases in national income and government revenues during the ESP period. Beyond that period, the GOL should be able to sustain the ESP recurrent expenditure pattern because national income growth is expected to be sustained, building on the foundation laid by the ESAP, while education sector additional recurrent resource needs are expected to decrease.

PEP and the Plan. USAID, other donors and GOL are co-financing the EDP under the Education Sector Project. The ESP is estimated to cost M236.5 million (\$74.6 million) for the period 1991/92 to 1995/96 (World Bank estimates, June 1991) as indicated below:

Cost Breakdown of Education Sector Project by Element

<u>Element</u>	<u>Amount (a)</u> <u>(\$million)</u>	<u>Portion</u> <u>(%)</u>
Basic education	36.1	48.4
Teacher Training	9.3	12.5
Tech & Voc.	2.9	3.9
National University	2.6	3.5
Sector Management	13.2	17.7
Project Preparation	0.9	1.2
Contingency	<u>2.6</u>	<u>12.9</u>
Total	74.6	100.0

(a) Figures are rounded off.

Source: World Bank Staff Appraisal Report, Lesotho Education Sector Development Project, Report No. 9529- ILO, June 1991, page 49.

The GOL will provide the Maloti equivalent of \$23.1 million (31 percent of total EDP cost) as budget support under PEP. Components of the basic education sub-sector of interest to the achievement of PEP objectives include the provision of school facilities, professional support to primary school teachers, in-service training and financial management, monitoring and evaluation.

Recurrent Costs Implications. The total additional nominal recurrent costs generated by the ESP for MOE is M59.6 million (\$17.9 million). This constitutes 24 percent of total ESP costs, including contingencies. Due to the additional recurrent costs generated by ESP expenditures, the total annual recurrent costs for MOE will be M21.1 million (\$5.6 million). Salaries make up 85 percent of recurrent and 21 percent of total ESP costs. Operation and maintenance (O&M) of buildings, furniture and vehicles constitute 13 percent of total additional recurrent costs generated by ESP. The major recurrent cost under the EDP is teacher salaries and benefits. During the first year, most of the additional education recurrent expenditure will finance the improvement in teachers' conditions of service and the recruitment of 260 new primary teachers. Also, a substantial portion of incremental recurrent expenditures in subsequent years will finance recruitment of additional primary teachers. O&M expenditures, especially those for running the District Resource Centres (DRCs) and in-service training courses will be financed during ESP by donors, and local currency deposits under PEP, but by GOL recurrent budget allocations thereafter.

Excluding teacher salaries, which are common to the whole program, the nominal recurrent costs of programs which local currency deposits under PEP will likely finance will amount to \$3.8 million over the program period. Of this, the GOL will finance \$1.5 million (40 percent) and local currency deposits under PEP, \$2.3 million (60 percent).

Generating Projected National Revenue. The sustainability of ESP depends both on the ability of the GOL to achieve the economic growth necessary to generate requisite budgetary needs and the economic cost of allocating adequate budgetary resources to education development. Analysis of Lesotho's medium-term growth prospects indicates a strong basis to expect GOL to generate the increased national revenue without increasing the domestic and external deficits.

IMF projections of economic growth in Lesotho during the period of ESP show that real national income will increase: average annual real GDP and real GNP will grow at 6.9 percent and 2.7 percent, respectively, during the 1991/92-1995/96 period. Real government revenue, including donor grants, is projected to increase at an annual rate of 3.4 percent, as shown below:

	<u>Medium-Term Real National Income and Revenue Growth Rates</u>					
	(Percent)					
	<u>1991/92</u>	<u>92/93</u>	<u>93/94</u>	<u>94/95</u>	<u>95/96</u>	<u>Avg</u>
GDP	7.1	7.6	8.0	6.4	5.4	6.9
GNP	0.9	3.1	4.2	3.3	2.2	2.7
Revenue	0.4	6.1	5.1	2.7	2.8	3.4

Sources: IMF Staff Report for Lesotho's ESAF, Report No. EBS/91/71, April 1991. GDP & GNP figures are from page 36, while revenue rates were computed from data on page 38, using CPI index on page 90 of World Bank Report No. 9529-LSO with 1990/91 as the base year.

The overall deficit/GNP ratio turns positive in

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1993/94 and the government account remains in surplus during the rest of the period. Furthermore, the overall external balance will remain positive throughout the period, as shown below:

Real Sector and External Sector Projections

	<u>1991/92</u>	<u>92/93</u>	<u>93/94</u>	<u>94/95</u>	<u>95/96</u>
<u>Budget deficit</u>					
GNP	-0.7	-1.0	0.2	0.2	0.4
<u>Extrn. Surplus</u>					
GNP	1.6	4.1	2.7	2.4	1.4

Source: IMF Staff Report for Lesotho's ESAF, Report No. EBS/91/71, April 1991, pages 36, 37 and 39. The budget deficit is the overall deficit, including donor grants, and the external sector surplus is the overall balance.

Hence, the increase in education sector recurrent expenditure will be achieved by increasing overall government expenditure as a result of increased revenue without increasing the domestic and external deficits.

Increasing Recurrent Resource Allocation to Education. To cover the recurrent costs of EDP, the GOL increased the nominal recurrent budget target allocation for MOE from M72.6 million (\$29 million) in 1990/91 (base figure) to M243.1 million (\$64.8 million) in 1995/96, representing an increase of 243 percent (123 percent in dollars). In real terms, the recurrent budget will rise by 81 percent (21 percent in dollars) to M131.1 million (\$35 million). Hence, the critical source of additional resources for primary education will be increases of the overall education budget, in real terms, coupled with MOE intra-sectoral allocations. GOL ability to increase the overall education budget depends partly on the growth trend in educational expenditures in relation to the national budget and revenue and GOL adherence to public expenditure recommendations under the SAF and ESAF programs.

Programmed real increases in MOE recurrent budget and recurrent public expenditure are shown below:

Projected Real Increases in GOL and MOE Recurrent Expenditures (Percent)

	<u>1991/92</u>	<u>1992/93</u>	<u>1993/94</u>	<u>1994/95</u>	<u>1995/96</u>
Education	54.4	4.0	4.0	4.0	4.0
GOL (Bank)	13.5	-0.4	1.9	3.5	2.6
GOL (IMF)	7.2	6.4	3.8	3.5	2.6

Sources: Education figures obtained from World Bank Report No. 9529-LSO and GOL (Bank) figures calculated from the same Report, page 90. IMF estimates are calculated from IMF Report EBS/91/71, page 36. Nominal figures were deflated by CPI figures used in the World Bank Report.

These estimates indicate that the proposed real

increase in recurrent resource allocation to education is consistent with GOL budgetary targets as projected by the IMF for the ESAP. The GOL has already met the programmed 54 percent real increase in MOE's budget in 1991/92. In subsequent years, the annual real increase of 4 percent in the MOE budget matches the annual average real increase in the GOL budget projected by IMF under the ESAP. These public expenditure projections are higher than those calculated from GOL nominal expenditure data documented in the World Bank Report.

Increasing Share of MOE Recurrent Budget of GOL Budget. The share of the education sector in the total GOL recurrent budget is targeted to increase from 16.4 percent in 1990/91 to 24.2 percent in 1995/96, as indicated below:

Share of MOE Recurrent Budget of Total GOL Recurrent Budget
(Percent)

<u>1990/91</u>	<u>1991/92</u>	<u>1992/93</u>	<u>1993/94</u>	<u>1994/95</u>	<u>1995/96</u>
16.4	22.3	23.3	23.7	23.9	24.2

Source: World Bank Staff Appraisal Report for Lesotho Education Sector Development Project, Report No. 9529-LSO, June 1991, page 90.

This increase in the MOE recurrent budget is in line with expenditure recommendations in Lesotho's Policy Framework Paper for the SAP/ESAP and the World Bank's 1988 Expenditure Review, which analyzed the education sector's financial requirements. Sectoral requirements to be financed under ESP are derived from sectoral objectives and expenditure allocations to improve quality and efficiency under Lesotho's Fifth Development Plan (1991/92-1995/96).

Increasing Share of Primary Education in Sector Budget. A major financial target of ESP/PEP is that at least 70 percent of real increases in the MOE budget should be allocated to primary education. A complementary ESP conditionality, met by GOL assurances to the World Bank, is that the MOE recurrent allocation for NUL should not increase in real terms. These stipulations will facilitate the redress of the imbalance in educational financing indicated by the decline in the share of primary education and the increase in that of university education over previous years. As noted in the PEP strategy, achieving overall educational sector goals requires emphasizing and improving primary education along the lines of the MOE Education Development Plan. Thus, increasing the share of primary education of the MOE budget, as indicated, reflects intra-sectoral expenditure allocations required to finance the ESP, based on the relative cost of primary education reforms compared to programmed developments in the other sub-sectors. This increase is also necessary to achieve equity in intra-sectoral resource allocation.

It will be feasible to achieve this shift in intra-sectoral allocation. Under the ESP, total basic education expenditure will constitute 57.6 percent of total project costs over the 1991/92-1995/96 period, compared to 3.8 percent for NUL.

The shift will be greater if the costs of training primary teachers are included. During the ESP period, total additional expenditure for NUL will be 6.5 percent that for basic education. The trend in total expenditure ratios is shown below:

Total Expenditure Ratios under ESP
(Percentages)

	<u>1991/92</u>	<u>92/93</u>	<u>93/94</u>	<u>94/95</u>	<u>95/96</u>	<u>Tot</u>
<u>Basic Ed.</u>						
Total ESP	40.2	45.7	55.4	72.4	69.1	576
<u>NUL</u>						
Total ESP	13.0	2.0	1.8	2.1	2.3	38
<u>NUL</u>						
Basic Ed.	32.5	4.5	3.2	2.9	3.3	65

Source: Ratios are calculated from cost data in Annex 5 (page 106) of World Bank Report No. 9529-LSO, June 1991.

Meeting Sectoral Recurrent Resource Needs From MOE Budget. The major share of programs under EDP will be financed through ESP; hence, analyzing the adequacy of the projected MOE recurrent budget to meet resource needs of the ESP/PEP will address such issues for the EDP as a whole.

To determine whether the projected MOE budget is adequate to cover sectoral recurrent resource requirements, the sum of annual increments to the MOE recurrent budget is compared with the total recurrent costs of ESP during the 1991/92-1995/96 period. The sum of annual increments to the nominal MOE recurrent budget, using 1990/91 as the base year, is M170.5 million (\$54.9 million), compared to the M59.5 million (\$17.9 million) total nominal recurrent costs of ESP. In real terms, the sum of annual increments to the MOE recurrent budget is M58.5 million (\$20.3 million), compared to total real ESP recurrent costs of M38.3 million (\$11.7 million). Thus, considering the projected ESP costs and the total annual projected budget allocations, the real incremental recurrent cost of ESP represents 66.3 percent of the additional real recurrent budget to be allocated to MOE. Consequently, the GOL can finance projected sectoral recurrent resource requirements, including the cost of hiring 1,300 additional primary teachers during the plan period.

Releasing Programmed MOE Budget. One crucial factor determining the ability of GOL to meet programmed resource needs of the education sector is its ability to approve targeted MOE allocations. The crucial period in terms of budgetary allocation to sustain the PEP is 1991/92 when the MOE recurrent budget is targeted to rise by 54.4 percent in real terms over the 1990/91 level, mainly to cover a one-time increase (average 67 percent) in teachers' salaries and to recruit 260 new primary teachers. GOL performance on releasing targeted MOE allocations of recurrent budget this year is encouraging and indicates a departure from the past: of the M127 million recurrent expenditure targeted for 1991/92, the GOL had already approved M123 million at the time of the ESP/PEP design. This action

demonstrates GOL ability and willingness to approve targeted allocations required to cover programmed expenditures under the ESP and PEP.

Post-1996 Sustainability. Sustaining resource flows to the education sector to maintain reforms made under the ESP/PEP after the cessation of donor support depends on several factors. These include GOL ability to achieve the economic growth necessary to generate requisite budgetary needs and its continued allocation of adequate budgetary resources to education development. A review of these considerations indicates that the GOL will sustain the level of resource flows needed to maintain ESP/PEP reforms.

Based on the projected medium-term performance of the Lesotho economy, partly as a result of the SAP and ESAP, prospects exist for maintaining real economic growth, at least at 1995/96 levels, beyond the program. Analysis of medium-term IMF projections indicates that gross national savings will follow an increasing trend due to projected growth in private savings. Domestic saving will also experience long-term growth, exclusive of the LHWP. As stated in Section II (Macroeconomic Framework) of the PAAD, both real GDP and GNP growth are projected to increase during the period 1988-2000 as a result of the LHWP. Furthermore, present prospects for improvement in the RSA economy bode well for the Lesotho economy.

As a result of the expected growth in national income and, consequently, government revenue, it is likely that public expenditure projections for 1995/96 will be maintained beyond the program period. In that event, the GOL can maintain the share of the education sector in public recurrent expenditure at the end-of-program level of 24 percent, possibly increasing it.

Recurrent cost analysis of the EDP shows that the end-of-project annual incremental recurrent cost of the EDP to be financed by GOL is 9 percent of the projected MOE recurrent budget for 1995/96. This is equal to M21.9 (\$5.8 million) in nominal values and M11.8 million (\$3.2 million) in real terms (with 1990/91 as the base). This level of additional annual recurrent expenditure is considerably lower than that to be financed during the program period. Since it is likely that the GOL will maintain national income and public revenue growth, as well as the projected share for the education sector in public expenditure, it can provide the resources necessary to finance the annual recurrent expenditures to sustain ESP/PEP reforms after 1995/96. Furthermore, some of the post-project annual incremental recurrent cost will be financed with accrued bank interest on donor funding for ESP disbursed through the domestic banking system.

The ability of GOL to provide the requisite number of qualified teachers will largely determine program sustainability. GOL ability to sustain EDP investments will be facilitated if program targets on admission and increased efficiency are achieved, in which case the GOL would not require additional numbers of teachers beyond the end-of-program level to maintain the desirable pupil:teacher ratio. Improving efficiency will

lower the demand for additional teachers and per pupil expenditure, which, in turn, should reduce the costs of sustaining ESP/PEP.

Financial sustainability also depends on institutional sustainability, especially in terms of the adequacy of financial planning, expenditure allocation and cost control. Reforms planned in MOE reorganization and management, including financial management and local-level school administration, are expected to improve the efficiency of financial resource use in the sector and increase GOL's ability to sustain the education reform program after 1995/96.

drafted by: Seth D. Vordzorgbe, USAID/Lesotho Economist, 07/19/91

ECONOMIC RETURN ANALYSIS

SUMMARY CONCLUSIONS It is generally documented that the returns to investment in education in developing countries are high and there are significant positive effects of primary education on economic growth. In Lesotho, as in other African countries, investment in education should help increase the quality of life, increase productivity and generate positive economic returns. The returns to investment in primary education in Lesotho are positive based on cost-saving in producing a completer. The economic analysis of primary education reforms for 1991-2000 shows that the internal rate of return (IRR) to investing GOL-owned local currency and project funding under PEP (hereinafter, PEP-related funding) in primary education reforms is 51.3 percent while the return to total funding for basic education provided by all donors and GOL under the Education Sector Project is 16.7 percent. The higher IRR obtained with the lower cost formula in a sense compensates for the unquantifiable positive externalities. With the program, the average graduation rate per cohort increases from 47.7 percent to 48.3 percent while the average completion period per cohort decreases from 13.8 to 13.2 years over the analysis period. It is expected that the impact of the program on efficiency parameters will increase in the longer term.

ANALYTICAL APPROACH There are several approaches to estimating the worth of investing in the education sector depending on the purpose of analysis and data availability. In the cost-benefit approach to determining program worth, the benefits from an educational program are monetized and quantified as the incremental lifetime earnings of the program participants. However, it is difficult to estimate additional lifetime earnings, especially from primary education, in developing countries where necessary data are often unavailable to verify underlying assumptions. Some of these data are on the time trend in wage rates for various income sources for completers and dropouts. Others are on job placements and promotion rates for workers with basic education. Others relate to shifts in workforce composition in terms of the extent to which educated workers displace uneducated ones and unemployment and attrition rates for unskilled workers with basic education. These data are unavailable in Lesotho. Hence, in analyzing the economic return to investing in primary education in Lesotho, the approach has been to determine the cost-effectiveness of reforms in the sub-sector. In this approach, the economic benefits of primary education reform are not quantified, as in conventional cost-benefit analysis, but are estimated as the cost saving in producing a completer of the primary school cycle under the reform program, compared with the cost of completion under the existing system. The benefit of cost saving is obtained from efficiency gains achieved due to an expected decrease in the number of equivalent-years for completing primary education arising from reduced dropout and repetition rates.

ECONOMIC RETURN COMPUTATION The computation of measures of project worth proceeded as follows. First, the number of completers per cycle under the

existing system was estimated based on projections of standard 1 entrants and completion rates. Second, this number of graduates was multiplied by the product of projected years invested in completing the primary school cycle without reforms and the current cost of primary education per pupil to obtain the base cost for producing the completers. A major initiative under the Lesotho education reform program is to improve the efficiency of primary education by reducing overcrowding, partly through reducing the enrollment of under- and over-age pupils. Hence, Standard 1 enrollments under the program are expected to be different from those under the present pattern. Consequently, similar computations as in the first and second steps, based on projected entrants, completion rates and program cycles under the reform program, were done to estimate the cost of completion under the reformed system. Next, the reform benefit, which is the cost saving, was computed as the difference between the cost of completion without the program and the cost under the reform program. Then, the annual total cost of the program was subtracted from this benefit stream to obtain net benefits. Finally, the stream of net benefits were discounted and measures of project worth were computed.

DATA FOR ANALYSIS Standard 1 entrants in 1991 to 2000 without the program were projected based on the 1989 age structure of standard 1 enrollment while entrants projections with the reform program were obtained from the MOE. Standard 1 enrollments with the program are lower than without the program. This reduction is due to the impact of age restrictions and other reforms in standard 1 enrollment. Graduation rates and cycles times were obtained from cohort analysis based on 1989 flow rates applied to annual intakes. The numbers of completers refer to periods seven years after enrollment. It was assumed that no perceptible reform impacts on efficiency factors such as graduation rates and completion time will occur in 1991 to 1993. From 1994, annual repetition and dropout rates are expected to improve but at different rates with and without reforms. Enforcement of limitations on repetitions per cycle is expected to start in earnest in 1995. Details on entrants and annual changes in repetition, dropout and promotion rates per standard used for projecting completers, graduation rates and cycle times are given in the notes to Table 1.

In calculating cost savings, base 1991/92 expenditure on primary education was estimated as the sum of private and public expenditures. Current annual private expenditure per pupil in primary school was determined as M145/year on the basis of the following, with school uniforms amortized over two years:

Tuition	: M 30
School feeding	: M 5
School building fee	: M 15
Books fee	: M 5
School supplies	: M 20
Uniform	: <u>M 70</u>
Total	M 145

The base 1991/92 level of public sector expenditure on primary

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education is as follows:

<u>Capital expenditure</u>	<u>(M million)</u>
Primary	0.68
Self-Reliance Project	3.48
BANFES	<u>2.52</u>
Sub-total	6.68
Amortized (15 years)	0.45
<u>Recurrent expenditure</u>	
Teachers salaries	57.76
Inspectorate	<u>1.07</u>
Total public expenditure	59.28

Based on MOE's projection of total primary school enrollment of 345,942 in 1991, the sub-total of public expenditure is M171.36 per pupil. Hence, total private and public expenditure per pupil in 1991/92 is M316.36 (\$116.30). This was used in determining the base expenditure on primary school completers for computing the cost reduction per completer. It was assumed that the cost/pupil remains constant over the period of primary education for any enrolled cohort to facilitate the computation of completion costs. The Maloti to dollar exchange rate used (M2.72) was as projected by the World Bank for 1991/92.

EFFICIENCY PARAMETERS The results of the economic analysis for 1991 to 2000 using the basic assumptions on entrants and annual changes in repetition, dropout and promotion rates outlined earlier are presented in Table 1. The average graduation rate without the program is 47.7 percent compared with 48.3 with reforms. The average cycle time of completion per cohort of entrants without reforms is 13.8 years. This is reduced to 13.2 years with reforms. These results are realistic compared to historical levels of graduation rates and completion cycles achieved in Lesotho. In the period 1980-1989, the annual average completion time was 14.4 years and a graduation rate of 44.9 percent. The lowest graduation rate of 40.0 percent was obtained in 1983 along with the highest cycle time of 15.3 years. During that period, the highest graduation rate was 53.2 percent in 1986 accompanied by the lowest cycle time of 12.7 years. The decline in efficiency parameters from 1986 to date was due to underinvestment in education. The underinvestment contributes to the longer time needed to show substantial improvements in cycle times. Hence the program begins to show substantial impacts on years invested in primary education from 1997. Given the time lag in observing the impact of reforms on efficiency, and historical levels of efficiency parameters, the projected efficiency ratios are plausible and not overly optimistic.

ECONOMIC RESULTS The measures of project worth in Table 1 are based on the cost saving in producing a primary school completer associated with only PEP-related funding. This involves setting the incremental cost of the primary education reform program due to PEP-related funding against the benefit stream from the program. The net benefit stream is negative for the first four years. Undiscounted total net benefit is \$64.3 million. The net present value (NPV) of the

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net benefit stream discounted at 12 percent is \$23.5 million. At 18 percent discount, the NPV is \$14.4 million. The internal rate of return (IRR) to investing PEP-related funding in primary education reforms is 51.3 percent.

The above IRR is high because only the incremental cost of PEP-related funding under PEP was considered. However, PEP represents associated cofinancing of the Education Sector Project (ESP) with other donors and GOL who will also finance the reforms in primary education. Consequently, a second economic analysis was done to reflect the total additional cost of reform in primary education due to funding from all sources. The analysis was based on the incremental cost of the ESP which was attributed to basic education under the Basic Education sub-category of costs in the World Bank's Staff Appraisal Report of the Lesotho Education Sector Development Project (Report No. 9525-LSO). These costs, together with additional basic education costs for 1996/97 to 2000/2001 derived from unpublished detailed ESP cost tables prepared by World Bank staff, are presented in Table 2. The results of the economic analysis using these costs of basic education are presented in Table 3. The net benefit stream turns positive in the fifth year and undiscounted net benefit is \$29.4 million. The NPV of the net benefit stream discounted at 12 percent is \$4.1 million but turns negative \$0.8 million at 18 percent discount. However, the IRR to investing these additional funds in primary education reforms is 16.7 percent. This represents a high rate of return to investment in basic education under the sector development plan.

Sensitivity analyses of the returns to PEP-related funding were conducted under three scenarios. First, disbursements of PEP-related funding were delayed by one year to reflect possible AID/Washington budget programming constraints. The results are in Table 4. Under this scenario, the NPV of the net benefit stream discounted at 12 percent is \$24.8 million and \$16.0 million at 18 percent. However, the IRR cannot be computed due to sign reversals in the net benefit stream.

The second sensitivity analysis tests the effects of a more pessimistic cycle time with reforms. Unlimited repetitions per cycle are stopped in 1997 compared to 1995 in the base case. Also, the rate of decline in both annual repetition and dropout rates per standard from 1994 is 0.001 compared to 0.015 and 0.005 respectively in the base case. The results are in Table 5. The average cycle time of completion with reforms increases to 14.7 years from 13.2 years in the base case. The NPV at 12 percent discount is \$22.8 million and \$13.3 million at 18 percent discount. The IRR drops to 45.2 percent. The declines in the NPV and IRR from the base case are not large because, due to the inverse relationship between cycle time and graduation rates, the average graduation rate with the program decreases to 42.7 percent compared to 48.3 percent in the base case.

The 'without' case analyzed in Table 7 incorporates some improvements in annual repetition and dropout rates per standard. However, it is likely that the efficiency of primary education could get worse without the reforms. Consequently, the third sensitivity analysis tests the effects of an annual increase

of 0.001 in both repetition and dropout rates per standard from 1995 compared to a decline of 0.001 in the base case. The results are in Table 6. Cycle times without the program rise from 14.1 years in 1991 to 14.9 years in 2000. Compared to the base situation, the average graduation rate without reforms drops from 47.7 percent to 45.3 percent while the average cycle time increases from 13.8 years to 14.4 years. The NPV at 12 percent discount is \$20.9 million and \$12.8 at 18 percent discount. The IRR drops to 49.6 percent. As in the case of the second sensitivity analysis, the declines in the NPV and IRR are not large because cycle times increase with the fall in graduation rates.

CONCLUSION In conclusion, the results of the economic analysis show that the returns to investment in primary education reforms in Lesotho are positive based on the cost-saving in producing a completer. But cost-saving is just one class of quantifiable program benefits. The economic worth and rate of return to investment in the program will be greatly enhanced with the inclusion of other benefits. Of course, the benefits of the program to society will be further enhanced from unquantifiable gains such as impacts on fertility, child health and nutrition, agricultural technology adoption and other social benefits. The lower program costs based on only PEP-related funding used in the sensitivity analysis in some sense compensates for the unquantifiable positive externalities associated with the program. Hence the high IRRs obtained using this incomplete cost formula may not be unreasonable.

drafted by: Seth Vordzorgbe, USAID/Lesotho Economist, 07/15/91

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Table 2
Additional Primary Education costs of Education Sector Project

Including Contingencies

(\$ '000)

Category	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/2000	2000/2001
Facilities 1/	3,502	4,821	5,997	6,750	4,954	83	83	83	83	83
Curr & Materials 2/	295	370	296	158	75	0	0	0	0	0
Assessment 3/	312	588	424	439	454	110	110	110	110	110
Professional Support 4/	538	481	484	514	532	22	22	22	22	22
Efficiency 5/	218	56	59	0	0	0	0	0	0	0
Teacher Recruitment	569	1,205	1,892	2,608	3,371	3,371	3,371	3,371	3,371	3,371
TOTAL	5,434	7,529	9,152	10,469	9,386	3,586	3,586	3,586	3,586	3,586

Note: All items under the Program/Project Costs category contain the costs of USAID funded Technical Assistance as appropriate.

- 1/ Construction and rehabilitation of school facilities.
- 2/ Development, production and distribution of curricula and instructional materials.
- 3/ Assessing and examining pupils.
- 4/ School-based teacher support.
- 5/ Public awareness campaigns to improve efficiency.

Source: 1991/92-1995/96 costs are from World Bank, Staff Appraisal Report, Kingdom of Lesotho: Education Sector Development Project Report No. 9529-LSO, June 19, 1991, Annex 5, page 7. Costs for other years were obtained from unpublished detailed cost tables prepared by World Bank staff.

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Table 3
Economic Analysis Lesotho Primary Education Program

(Total Basic Education Costs)

(US \$)

A	B	C	D	E	F	G	H	I	J	K	L	M	N
Year	Entrants Without Program 1/	Graduation Rate Without Program 2/	Graduates Without Program	Entrants With Program 3/	Graduation Rate With Program 4/	Graduates With Program	Cycle Time Without Program 5/	Cycle Time With Program 6/	Cycle Cost Without Program (000,000) 7/	Cycle Cost With Program (000,000) 8/	Reform Benefit (Cost Saving) (000,000) 9/	Incremental Prim. educ. cost in ESDP (000,000) 10/	Net Benefits (000,000) 11/
1991	78545	46.3	36366	74823	46.3	34643	14.1	14.1	59.63	56.81	2.83	5.434	-2.608
1992	76453	46.3	35398	74319	46.3	34410	14.1	14.1	58.05	56.43	1.62	7.529	-5.909
1993	77461	46.3	35854	74140	46.3	34327	14.1	14.1	58.81	55.29	2.52	9.152	-6.631
1994	75794	46.8	35472	73206	49.7	36383	14.0	13.3	57.75	56.28	1.48	10.469	-8.992
1995	78015	47.3	36901	72038	38.0	27374	13.9	15.3	59.65	48.71	10.94	9.386	1.557
1996	79037	47.6	37622	70792	42.3	29945	13.8	14.1	60.38	49.10	11.28	3.586	7.690
1997	81954	48.2	39502	69512	46.8	32532	13.7	13.0	62.94	49.18	13.75	3.586	10.168
1998	80787	49.1	39666	68213	51.4	35061	13.5	12.1	62.28	49.34	12.94	3.586	9.353
1999	82632	49.4	40820	66901	55.7	37264	13.4	11.3	63.62	48.97	14.64	3.586	11.057
2000	85266	49.7	42377	65579	60.3	39544	13.4	10.6	66.04	48.75	17.29	3.586	13.706
Sum	795944		379988	709523		341483			609.15	519.86	89.29	59.900	29.392
Average		47.7			48.3		13.8	13.2					

NPV (12%) 4.08 million
NPV (18%) -0.81 million
IRR 16.73 percent

Notes: See notes to Table 7 except as indicated below.

10/ 1991-1995 costs are the sub-total for basic education in Projects Components by Year Cost Table in the World Bank Staff Appraisal Report for the Lesotho Education Sector Development Project, Report No.9529-LS0 page 106. The 1996-2000 costs were derived from unpublished detailed cost tables prepared by World Bank staff for the project.

11/ Column L - Column M

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Table 6
 Economic Analysis - Sensitivity III
 ("Without" reform situation worsens)

(US \$)															
A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
Year	Entrants Without Program 1/	Graduation Rate Without Program 2/	Graduates Without Program	Entrants With Program 3/	Graduation Rate With Program 4/	Graduates With Program	Cycle Time Without Program 5/	Cycle Time With Program 6/	Cycle Cost Without Program (000,000) 7/	Cycle Cost With Program (000,000) 8/	Reform Benefit (Cost Saving) (000,000) 9/	Cost of Tied NPA In Reform Program (000,000) 10/	PAAD Project Components (000,000) 11/	Total PEP Cost (000,000)	Net Benefits (000,000) 12/
1991	78545	46.3	36366	74823	46.3	34643	14.1	14.1	59.63	56.81	2.83	3.682	1.244	4.926	-2.100
1992	76453	46.3	35398	74319	46.3	34410	14.1	14.1	58.05	56.43	1.62	2.400	1.539	3.939	-2.319
1993	77461	46.3	35864	74140	46.3	34327	14.1	14.1	58.81	56.29	2.52	2.500	1.498	3.998	-1.477
1994	75794	46.8	35472	73206	49.7	36383	14.1	13.3	58.17	56.28	1.89	3.000	1.045	4.045	-2.155
1995	78015	46.1	35965	72038	38.0	27374	14.2	15.3	59.39	48.71	10.68	3.400	0.823	4.223	6.462
1996	79037	45.3	35804	70792	42.3	29545	14.4	14.1	59.96	49.10	10.86	3.618	0.251	3.869	6.988
1997	81954	44.7	36633	69512	46.8	32532	14.5	13.0	61.78	49.18	12.59	0.000	0.000	0.000	12.592
1998	80787	44.3	35789	68213	51.4	35061	14.6	12.1	60.77	49.34	11.43	0.000	0.000	0.000	11.429
1999	82632	43.7	36110	66901	55.7	37264	14.8	11.3	62.15	48.97	13.18	0.000	0.000	0.000	13.183
2000	85266	43.0	36664	55579	60.3	39544	14.9	10.6	63.53	48.75	14.79	0.000	0.000	0.000	14.785
Sum	795944		360065	709523		341483			602.25	519.86	82.39	18.600	6.400	25.000	57.388
Average		45.3			48.3		14.4	13.2							
													NPV (12%)		20.89 million
													NPV (18%)		12.75 million
													IRR		49.56 percent

Notes: See notes to Table 7 except as indicated below.
 2/ & 5/ The assumptions underlying the cohort analysis which generated these parameters are:
 (a) 1991-1994 parameters are the same as in 1990.
 (b) Both repetition and dropout rates per standard increase by 0.001 annually from 1995.

Annex L

Cohort Analysis Based Upon 1989 Flow Rates Applied to 2000 Intake
With Program

Rates:	Std 1	Std 2	Std 3	Std 4	Std 5	Std 6	Std 7
Promote	0.723	0.813	0.824	0.847	0.862	0.893	0.904
Repeat	0.204	0.165	0.146	0.100	0.068	0.034	0.048
Dropout	0.073	0.022	0.030	0.053	0.070	0.073	0.048

By year:

Year:								Enrolled	Drops
2000	1000							1000	73
2001	204	723						927	31
2002	42	266	588					896	35
2003		74	302	485				861	48
2004			104	298	411			813	63
2005				116	280	354	Graduate	750	64
2006					117	253	316	286	49
2007						110	241	218	23
2008							110	99	11

Survival and Dropout by Grade:

	1000	901	864	819	761	696	640	603	Drops
Begin-	1000	901	864	819	761	696	640	603	397
Drop-	99	37	45	58	65	56	37		

Total pup/yr

Pup/yr-	1246	1063	994	899	808	717	667	6394
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Average duration of study for graduates:	7.69	Pupil/years:	6394
Average duration of study for drop-outs:	4.43	Output(grade):	603
Average study time for the cohort:	6.51	Years invested:	10.60
		Efficiency:	1.51
		Efficiency %:	66.0

- Assumptions: (a) Unlimited repetitions/cycle in 1991-1994.
 (b) No changes in annual repetition and dropout rates in 1991-1993.
 (c) From 1994 onwards, annual repetition and dropout rates change by -0.015 and -0.005 respectively.

Annex L

Cohort Analysis Based Upon 1989 Flow Rates Applied to 1999 Intake With Program

Rates:	Std 1	Std 2	Std 3	Std 4	Std 5	Std 6	Std 7	By years:		
Promote	0.703	0.793	0.804	0.827	0.842	0.873	0.884			
Repeat	0.219	0.180	0.161	0.115	0.083	0.049	0.063			
Dropout	0.078	0.027	0.035	0.058	0.075	0.078	0.053			
Year:								Enrolled	Drops	
1999	1000							1000	78	
2000	219	703						922	36	
2001	48	281	557					886	40	
2002		85	313	448				846	55	
2003			117	304	370			791	68	
2004				129	282	312		Graduate	723	69
2005					130	252	272	240	654	56
2006						121	237	210	358	27
2007							121	107	121	14
Survival and Dropout by Grade:								Graduates	Drops	
Begin-	1000	891	848	794	729	658	598	557	443	
Drop-	109	43	54	65	71	60	41			
Pop/yr-	1267	1069	987	881	782	685	630	Total pup/yr	6301	
Average duration of study for graduates:	7.76						Pupil/years:	6301		
Average duration of study for drop-outs:	4.47						Output(grads):	557		
Average study time for the cohort:	6.44						Years invented:	11.31		
							Efficiency:	1.62		
							Efficiency %:	61.9		

- Assumptions: (a) Unlimited repetitions/cycle in 1991-1994.
 (b) No changes in annual repetition and dropout rates in 1991-1993.
 (c) From 1994 onwards, annual repetition and dropout rates change by -0.015 and -0.005 respectively.

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Annex L

Cohort Analysis Based Upon 1989 Flow Rates Applied to 1998 Intake With Program

Rates:	Std 1	Std 2	Std 3	Std 4	Std 5	Std 6	Std 7	By year:		
Promote	0.683	0.773	0.784	0.807	0.822	0.853	0.864			
Repeat	0.234	0.195	0.176	0.130	0.098	0.064	0.078			
Dropout	0.083	0.032	0.040	0.063	0.080	0.083	0.058			
Year:								Enrolled	Drops	
1998	1000							1000	83	
1999	234	683						917	41	
2000	55	293	528					876	48	
2001		95	319	414				828	61	
2002			129	304	334			767	73	
2003				141	278	275	Graduate	694	71	
2004					141	247	235	203	623	59
2005						132	229	198	361	32
2006							131	113	131	18
Survival and Dropout by Grade:								Graduates	Drops	
Begin-	1000	800	828	765	693	619	558	514	486	
Drop-	120	52	63	72	74	61	44			
Pup/yr-	1289	1071	976	859	753	654	595	6197		
Average duration of study for graduates:							7.82	Pupil/years:		6197
Average duration of study for drop-outs:							4.48	Output(grade):		514
Average study time for the cohort:							6.34	Years invested:		12.06
								Efficiency:		1.72
								Efficiency %:		58.1

- Assumptions: (a) Unlimited repetitions/cycle in 1991-1994.
 (b) No changes in annual repetition and dropout rates in 1991-1993.
 (c) From 1994 onwards, annual repetition and dropout rates change by -0.015 and -0.005 respectively.

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Annex L

Cohort Analysis Based Upon 1989 Flow Rates Applied to 1997 Intake
With Program

Rates:	Std 1	Std 2	Std 3	Std 4	Std 5	Std 6	Std 7	By year:		
Promote	0.663	0.753	0.764	0.787	0.802	0.833	0.844			
Repeat	0.249	0.210	0.191	0.145	0.113	0.079	0.093			
Dropout	0.088	0.037	0.045	0.068	0.085	0.088	0.063			
Year:								Enrolled	Drops	
1997	1000							1000	88	
1998	249	663						912	47	
1999	62	304	499					865	55	
2000		105	324	381				910	66	
2001			141	303	300			744	79	
2002				152	272	241		Graduate	665	76
2003					151	237	201	170	589	63
2004						140	216	182	356	37
2005							137	116	137	21
Survival and Dropout by Grade:								Graduates	Drops	
Begin-	1000	869	807	736	658	580	515	468	532	
Drop-	131	62	71	78	78	65	47			
Pup/yr-	1311	1072	964	836	723	518	554	6078		
Average duration of study for graduates:							7.88	Pupil/years:		6978
Average duration of study for drop-outs:							4.49	Output(grades):		468
Average study time for the cohort:							6.24	Years invested:		12.99
								Efficiency:		1.06
								Efficiency %:		53.9

- Assumptions: (a) Unlimited repetitions/cycle in 1991-1994.
 (b) No changes in annual repetition and dropout rates in 1991-1993.
 (c) From 1994 onwards, annual repetition and dropout rates change by -0.015 and -0.005 respectively.

Annex L

**Cohort Analysis Based Upon 1989 Flow Rates Applied to 1996 Intake
With Program**

Rates:	Std 1	Std 2	Std 3	Std 4	Std 5	Std 6	Std 7	By year:	
Promote	0.643	0.733	0.744	0.767	0.782	0.813	0.824		
Repeat	0.264	0.225	0.206	0.160	0.120	0.094	0.100		
Dropout	0.093	0.042	0.050	0.073	0.090	0.093	0.068		
Year:								Enrolled	Drops
1996	1000							1000	93
1997	264	643						907	51
1998	70	315	471					856	62
1999		116	320	350				794	73
2000			153	300	268			721	85
2001				162	264	210	Graduate	636	81
2002					150	226	171 141	555	67
2003						145	202 166	347	41
2004							140 115	140	25
Survival and Dropout by Grade:									
Begin-	1000	858	787	708	623	540	472	423	578
Drop-	142	71	79	85	83	68	49		
Total pup/yr									
pup/yr-	1334	1074	952	812	690	581	513	5956	
Average duration of study for graduates:						7.92	Pupil/years:	5956	
Average duration of study for drop-outs:						4.52	Output(grads):	423	
Average study time for the cohort:						6.12	Years invested:	14.08	
							Efficiency:	2.01	
							Efficiency %:	49.7	

- Assumptions:** (a) Unlimited repetitions/cycle in 1991-1994.
 (b) No changes in annual repetition and dropout rates in 1991-1993.
 (c) From 1994 onwards, annual repetition and dropout rates change by -0.015 and -0.005 respectively.

Annex L

**Cohort Analysis Based Upon 1989 Flow Rates Applied to 1995 Intake
With Program**

Rates:	Std 1	Std 2	Std 3	Std 4	Std 5	Std 6	Std 7		
Promote	0.623	0.713	0.724	0.747	0.762	0.793	0.804		
Repeat	0.279	0.240	0.221	0.175	0.143	0.109	0.223		
Dropout	0.098	0.047	0.055	0.078	0.095	0.098	0.073		

								By year:	

Year:								Enrolled	Drops
1995	1000							1000	98
1996	279	623						902	56
1997	78	324	444					846	69
1998		127	329	321				777	79
1999			164	294	240			698	91
2000				170	254	183	Graduate	607	85
2001					163	214	145	117	522
2002						147	188	151	335
2003							140	113	140
								27	

	Survival and Dropout by Grade:						Graduates		Drops
Begin-	1000	845	766	678	586	501	431	380	619
Drop-	155	79	88	92	85	70	51		
Pup/yr-	1357	1074	937	785	657	544	473	5827	

Average duration of study for graduates:	8.01	Pupil/years:	5827
Average duration of study for drop-outs:	4.49	Output(grade):	380
Average study time for the cohort:	6.01	Years invested:	15.33
		Efficiency:	2.19
		Efficiency %:	45.6

Assumptions: (a) Unlimited repetitions/cycle in 1991-1994.
 (b) No changes in annual repetition and dropout rates in 1991-1993.
 (c) From 1994 onwards, annual repetition and dropout rates change by -0.015 and -0.005 respectively.

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Annex L

**Cohort Analysis Based Upon 1989 Flow Rates Applied to 1994 Intake
With Program**

Rate:	Std 1	Std 2	Std 3	Std 4	Std 5	Std 6	Std 7	By year:		
Promote	0.623	0.713	0.724	0.747	0.762	0.793	0.804			
Repeat	0.279	0.240	0.221	0.175	0.143	0.109	0.123			
Dropout	0.098	0.047	0.055	0.078	0.095	0.098	0.073			
Ye:								Enrolled	Drops	
1994	1000							1000	98	
1995	279	623						902	56	
1996	78	324	444					846	47	
1997	22	127	329	321				799	51	
1998	6	44	164	294	240			748	57	
1999	2	15	67	170	254	183	Graduate	691	58	
2000	1	5	26	79	163	214	145	117	631	54
2001	0	2	10	33	82	147	188	151	462	40
2002	0	0	3	13	37	78	140	113	271	22
2003	0	0	1	4	15	37	79	64	136	11
2004	0	0	0	2	5	15	39	31	61	5
2005	0	0	0	0	2	6	17	14	25	1
2006	0	0	0	0	0	3	7	6	10	1
2007	0	0	0	0	0	0	3	2	3	1
2008	0	0	0	0	0	0	0	0	0	0
2009	0	0	0	0	0	0	0	0	0	0
Survival and Dropout by Grade:								Graduates	Drops	
Begin-	1000	865	813	756	684	608	542	497	483	
Drop-	135	52	57	72	76	66	45			
Pup/yr-	1388	1140	1044	916	798	683	618	6587		
Average duration of study for graduates:								8.65	Pupil/years:	6587
Average duration of study for drop-outs:								4.55	Output(grade):	497
Average study time for the cohort:								6.77	Years invested:	13.25
									Efficiency:	1.89
									Efficiency %:	52.8

Assumptions: 1991-1993 rates are the same as for 1990 without the program. The repeat rate changes by -0.015 and the dropout rate changes by -0.005 from 1993 level.

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Annex L

**Cohort Analysis Based Upon 1989 Flow Rates Applied to 2000 Intake
Without Program**

Rates:	Std 1	Std 2	Std 3	Std 4	Std 5	Std 6	Std 7	By year:		
Promote	0.617	0.707	0.718	0.741	0.756	0.787	0.798			
Repeat	0.287	0.248	0.229	0.183	0.151	0.117	0.131			
Dropout	0.096	0.045	0.053	0.076	0.093	0.096	0.071			
Year:								Enrolled	Drop	
2000	1000							1000	96	
2001	287	617						904	56	
2002	82	330	436					848	45	
2003	24	133	333	313				803	50	
2004	7	48	170	296	232			753	57	
2005	2	16	73	176	254	175		Graduate	696	60
2006	1	5	28	84	168	212	130	10	636	55
2007	0	2	10	35	87	152	185	48	471	40
2008	0	0	3	13	39	84	144	15	283	23
2009	0	0	1	4	16	39	85	68	145	11
2010	0	0	0	2	5	17	42	34	66	5
2011	0	0	0	0	2	6	19	15	27	2
2012	0	0	0	0	0	3	7	6	10	1
2013	0	0	0	0	0	0	3	2	3	1
2014	0	0	0	0	0	0	0	0	0	0
2015	0	0	0	0	0	0	0	0	0	0
Survival and Dropout by Grade:								Graduates	ops	
Begin-	1000	866	814	757	684	607	541	497	482	
Drop-	134	52	57	73	77	66	44			
Pup/yr-	1403	1151	1054	923	803	688	623	Total pup/yr	6645	
Average duration of study for graduates:	8.71						Pupil/years:	6645		
Average duration of study for drop-outs:	4.60						Output(gradu):	497		
Average study time for the cohort:	6.83						Years invested:	13.37		
							Efficiency:	1.91		
							Efficiency %:	52.4		

Assumptions: 1991-1993 rates are the same as for 1990. Both repetition and dropout rates change by -0.001 annually from 1994.

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Annex L

**Cohort Analysis Based Upon 1989 Flow Rates Applied to 1999 Intake
Without Program**

Rates:	Std 1	Std 2	Std 3	Std 4	Std 5	Std 6	Std 7
Promote	0.615	0.705	0.716	0.739	0.754	0.785	0.796
Repeat	0.288	0.249	0.230	0.184	0.152	0.118	0.132
Dropout	0.097	0.046	0.054	0.077	0.094	0.097	0.072

Year:								By year:		
								Enrolled	Drops	
1999	1000							1000	97	
2000	288	615						903	56	
2001	83	330	434					847	46	
2002	24	133	333	311				801	50	
2003	7	48	171	295	230			751	58	
2004	2	16	73	176	253	173	Graduate	693	60	
2005	1	5	28	84	168	111	136	108	633	54
2006	0	2	10	35	86	152	184	146	471	43
2007	0	0	3	13	39	84	143	114	282	23
2008	0	0	1	4	16	39	85	68	145	11
2009	0	0	0	2	5	17	42	33	66	6
2010	0	0	0	0	2	6	19	15	27	1
2011	0	0	0	0	0	3	8	6	11	2
2012	0	0	0	0	0	0	3	2	3	1
2013	0	0	0	0	0	0	0	0	0	0
2014	0	0	0	0	0	0	0	0	0	0

	Survival and Dropout by Grade:						Graduates		Drops
Begin-	1000	864	810	754	680	604	538	494	487
Drop-	136	54	56	74	76	66	44		
Pup/yr-	1405	1149	1053	920	801	685	620	6633	

Average duration of study for graduates:	8.66	Pupil/years:	6633
Average duration of study for drop-outs:	4.65	Output(grade):	494
Average study time for the cohort:	6.81	Years invested:	13.43
		Efficiency:	1.92
		Efficiency %:	52.1

Assumptions: 1991-1993 rates are the same as for 1990. Both repetition and dropout rates change by -0.001 annually from 1994.

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Annex L

Cohort Analysis Based Upon 1989 Flow Rates Applied to 1998 Intake
Without Program

Rates:	Std 1	Std 2	Std 3	Std 4	Std 5	Std 6	Std 7	By year:		
Promote	0.613	0.703	0.714	0.737	0.752	0.703	0.794			
Repeat	0.289	0.250	0.231	0.185	0.153	0.119	0.133			
Dropout	0.098	0.047	0.055	0.078	0.095	0.098	0.073			
Year:								Enrolled	Drop	
1998	1000							1000	98	
1999	289	613						902	57	
2000	84	330	431					845	47	
2001	24	134	332	308				798	50	
2002	7	49	171	294	227			748	57	
2003	2	16	74	176	252	171	Graduate	691	58	
2004	1	9	28	86	169	210	134	106	633	56
2005	0	2	10	36	89	152	102	145	471	39
2006	0	1	3	14	41	85	143	114	287	23
2007	0	0	2	5	16	41	86	68	150	14
2008	0	0	0	2	6	17	43	34	68	6
2009	0	0	0	0	2	7	19	15	28	2
2010	0	0	0	0	0	3	0	6	11	2
2011	0	0	0	0	0	0	3	2	3	1
2012	0	0	0	0	0	0	0	0	0	0
2013	0	0	0	0	0	0	0	0	0	0
Survival and Dropout by Grade:							Graduates	Drop		
Begin-	1000	862	808	750	679	603	537	491	485	
Drop-	130	54	58	71	76	66	46			
Pup/yr-	1407	1150	1051	921	802	686	618	6635		
Average duration of study for graduates:	8.69						Pupil/years:	6635		
Average duration of study for drop-outs:	4.65						Output(grade):	491		
Average study time for the cohort:	6.82						Years invested:	13.51		
							Efficiency:	1.93		
							Efficiency %:	51.8		

Assumptions: 1991-1993 rates are the same as for 1990. Both repetition and dropout rates change by -0.001 annually from 1994.

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Annex L

**Cohort Analysis Based Upon 1989 Flow Rates Applied to 1997 Intake
Without Program**

Rates:	Std 1	Std 2	Std 3	Std 4	Std 5	Std 6	Std 7	By year:		
Promote	0.611	0.701	0.712	0.735	0.750	0.701	0.792			
Repeat	0.290	0.251	0.232	0.186	0.154	0.120	0.134			
Dropout	0.099	0.048	0.056	0.079	0.096	0.099	0.074			
Year:								Enrolled	Drops	
1997	1000							1000	99	
1998	290	611						901	59	
1999	84	330	428					842	69	
2000	24	134	330	305				793	50	
2001	7	49	171	292	224			743	58	
2002	2	16	74	176	249	168		Graduate	685	50
2003	1	5	28	86	167	207	131	104	625	54
2004	0	2	10	36	89	150	180	143	467	10
2005	0	1	3	14	40	85	141	112	284	14
2006	0	0	2	5	16	40	85	67	148	11
2007	0	0	0	2	6	17	42	33	67	6
2008	0	0	0	0	2	7	19	15	28	2
2009	0	0	0	0	0	3	8	6	11	2
2010	0	0	0	0	0	0	3	2	3	1
2011	0	0	0	0	0	0	0	0	0	0
2012	0	0	0	0	0	0	0	0	0	0
Survival and Dropout by Grade:							Graduates	Drops		
Begin-	1000	860	805	745	673	595	529	482	493	
Drop-	140	55	60	72	78	66	47			
Pup/yr-	1408	1148	1046	916	793	677	609	6597		
Average duration of study for graduates:	8.71						Pupil/years:	6597		
Average duration of study for drop-outs:	4.63						Output(grads):	482		
Average study time for the cohort:	6.79						Years invested:	13.69		
							Efficiency:	1.96		
							Efficiency %:	51.1		

Assumptions: 1991-1993 rates are the same as for 1990. Both repetition and dropout rates change by -0.001 annually from 1994.

Annex L

**Cohort Analysis Based Upon 1989 Flow Rates Applied to 1996 Intake
Without Program**

Rates:	Std 1	Std 2	Std 3	Std 4	Std 5	Std 6	Std 7	By year:		
Promote	0.609	0.699	0.710	0.733	0.748	0.779	0.790			
Repeat	0.291	0.252	0.233	0.187	0.155	0.121	0.135			
Dropout	0.100	0.049	0.057	0.080	0.097	0.100	0.075			
Year:								Enrolled	Drops	
1996	1000							1000	100	
1997	291	609						900	59	
1998	85	330	426					841	49	
1999	25	135	330	302				792	54	
2000	7	49	171	290	221			738	59	
2001	2	16	74	175	247	165		Graduate	679	59
2002	1	5	28	86	166	205	129	102	620	55
2003	0	2	10	36	89	149	177	140	463	40
2004	0	1	3	14	40	85	140	111	283	24
2005	0	0	2	5	16	40	85	67	148	14
2006	0	0	0	2	6	17	42	33	67	7
2007	0	0	0	0	2	6	19	15	27	2
2008	0	0	0	0	0	2	8	6	10	1
2009	0	0	0	0	0	0	3	2	3	1
2010	0	0	0	0	0	0	0	0	0	0
2011	0	0	0	0	0	0	0	0	0	0
Survival and Dropout by Grade:							Graduates	Drops		
Begin-	1000	859	802	741	667	589	521	476	499	
Drop-	141	57	61	74	78	68	45			
Pup/yr-	1411	1147	1044	910	787	669	603	Total pup/yr 6571		
Average duration of study for graduates:	8.72						Pupil/years:	6571		
Average duration of study for drop-outs:	4.62						Output(grads):	476		
Average study time for the cohort:	6.76						Years invested:	13.80		
							Efficiency:	1.97		
							Efficiency %:	50.7		

Assumptions: 1991-1993 rates are the same as for 1990. Both repetition and dropout rates change by -0.001 annually from 1994.

Annex L

Cohort Analysis Based Upon 1989 Flow Rates Applied to 1995 Intake

Rates:	Std 1	Std 2	Std 3	Std 4	Std 5	Std 6	Std 7	By year:		
Promote	0.607	0.697	0.708	0.731	0.746	0.777	0.788			
Repeat	0.292	0.253	0.234	0.188	0.156	0.122	0.136			
Dropout	0.101	0.050	0.058	0.081	0.098	0.101	0.076			
Year:								Enrolled	Drops	
1995	1000							1000	101	
1996	292	607						899	60	
1997	85	331	423					839	49	
1998	25	136	330	299				790	53	
1999	7	49	172	290	219			737	59	
2000	2	16	74	177	246	163		Graduate	678	61
2001	1	5	28	85	167	204	127	100	617	55
2002	0	2	10	36	88	150	176	139	462	40
2003	0	1	3	14	40	84	141	111	283	25
2004	0	0	2	5	16	40	84	66	147	14
2005	0	0	0	2	6	17	42	33	67	7
2006	0	0	0	0	2	6	19	15	27	2
2007	0	0	0	0	0	2	8	6	10	1
2008	0	0	0	0	0	0	3	2	3	1
2009	0	0	0	0	0	0	0	0	0	0
2010	0	0	0	0	0	0	0	0	0	0
Survival and Dropout by Grade:								Graduates	Drops	
Begin-	1000	857	799	738	664	585	517	473	503	
Drop-	143	58	61	74	79	68	44			
Pup/yr-	1412	1147	1042	908	784	666	600	6559		
Average duration of study for graduates:	8.71						Pupil/years:	6559		
Average duration of study for drop-outs:	4.63						Output(grade):	473		
Average study time for the cohort:	6.74						Years invested:	13.87		
							Efficiency:	1.98		
							Efficiency %:	50.5		

Assumptions: 1991-1993 rates are the same as for 1990. Both repetition and dropout rates change by -0.001 annually from 1994.

Annex L

Cohort Analysis Based Upon 1989 Flow Rates Applied to 1994 Intake
Without Program

Rates:	Std 1	Std 2	Std 3	Std 4	Std 5	Std 6	Std 7	By year:			
Promote	0.605	0.695	0.706	0.729	0.744	0.775	0.786				
Repeat	0.293	0.254	0.235	0.189	0.157	0.123	0.137				
Dropout	0.102	0.051	0.059	0.082	0.099	0.102	0.077				
Year:								Enrolled	Drops		
1994	1000							1000	102		
1995	293	605						898	61		
1996	86	331	421					837	50		
1997	25	136	325	297				787	53		
1998	7	50	172	288	217			734	60		
1999	2	17	75	175	244	161	Graduate	674	59		
2000	1	5	30	86	166	202	125	98	615	56	
2001	0	2	10	37	89	149	174	137	461	42	
2002	0	1	3	14	41	84	139	109	282	25	
2003	0	0	2	5	16	41	84	66	148	12	
2004	0	0	0	2	7	17	44	35	70	7	
2005	0	0	0	0	2	7	19	15	28	3	
2006	0	0	0	0	0	2	8	6	10	1	
2007	0	0	0	0	0	0	3	2	3	1	
2008	0	0	0	0	0	0	0	0	0	0	
2009	0	0	0	0	0	0	0	0	0	0	
Survival and Dropout by Grade:							Graduates	Drops			
Begin-	1000	855	797	735	659	582	514	468	508		
Drop-	145	58	62	76	77	68	46				
Pup/yr-	1414	1147	1061	904	782	663	596	Total pup/yr	6547		
Average duration of study for graduates:							8.75	Pupil/years:		6547	
Average duration of study for drop-outs:							4.61	Output(grade):		468	
Average study time for the cohort:							6.74	Years invested:		13.99	
								Efficiency:		2.00	
								Efficiency %:		50.0	

Assumptions: 1991-1993 rates are the same as for 1990. Both repetition and dropout rates change by -0.001 annually from 1994.

Annex L

Cohort Analysis Based Upon 1989 Flow Rates Applied to 1990 Intake
Without Program

Rates:	Std 1	Std 2	Std 3	Std 4	Std 5	Std 6	Std 7	By year:	
Promote	0.603	0.693	0.704	0.727	0.742	0.773	0.784		
Repeat	0.294	0.255	0.236	0.190	0.158	0.124	0.138		
Dropout	0.103	0.052	0.060	0.083	0.100	0.103	0.078		
Year:								Enrolled	Drops
1990	1000							1000	103
1991	294	603						897	62
1992	86	331	418					835	52
1993	25	136	328	294				783	54
1994	7	50	171	287	214			729	58
1995	2	17	75	175	243	159	Graduate	671	61
1996	1	5	30	86	165	200	123	96	57
1997	0	2	10	37	89	147	172	135	41
1998	0	1	3	14	41	84	138	108	26
1999	0	0	2	5	16	40	84	66	12
2000	0	0	0	2	7	17	43	34	7
2001	0	0	0	0	2	7	19	15	3
2002	0	0	0	0	0	2	8	6	1
2003	0	0	0	0	0	0	3	2	1
2004	0	0	0	0	0	0	0	0	0
2005	0	0	0	0	0	0	0	0	0
Survival and Dropout by Grade:							Graduates	Drops	
Begin-	1000	853	793	730	654	577	507	463	514
Drop-	147	60	63	76	77	70	44		
Pup/yr-	1415	1145	1037	900	777	656	590	6520	
Average duration of study for graduates:	8.73						Pupil/years:	6520	
Average duration of study for drop-outs:	4.61						Output(grade):	463	
Average study time for the cohort:	6.70						Years invested:	14.08	
							Efficiency:	2.01	
							Efficiency %:	49.7	

Assumptions: Failures and repetitions per cycle are unlimited.
The rates for 1990 apply to 1991-1993.

Definitions:

- (a) Output (graduates): Total pupil years x Std. 7 promotion (pass) rate
- (b) Years invested: Total pupil years/Output
- (c) Efficiency: Years invested/7 years
- (d) Efficiency % : 100/Efficiency

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DRAFT POLICY FRAMEWORK NDE EDUCATION SECTOR PROGRAM AND JOINT USAID/WORLD BANK ASSISTANCE FOR THE PROGRAM

OBJECTIVES	ACTIONS TO BE TAKEN BY 9/91	ACTIONS TO BE TAKEN BY 3/93	ACTIONS TO BE TAKEN BY 9/94
<u>A. Education Sector</u>			
<u>Financing and Expenditures</u>			
a. Education recurrent expenditure to grow in real terms, with a consequent increase in education's share of the recurrent budget	Education recurrent budget allocation to grow by at least 38000 in real terms from 1990/91 54,470	Education recurrent budget allocation to grow by at least 4% in real terms from 1991/92	Education recurrent budget allocation to grow by at least 4% in real terms between 1992/93 and 1993/94 and by a further 4% in real terms between 1993/94 and 1994/95
b. Increase share of recurrent budget devoted to primary education 1/	At least 70% of total increase in NDE recurrent budget to be allocated to primary education	At least 70% of total increase in NDE recurrent budget to be allocated to primary education	Continue to allocate at least 70% of real recurrent budgetary increases to primary education
c. Limit recurrent budgetary allocations to MUA	No real increases in MUA recurrent budget grant	No real increases in MUA recurrent budget grant	No real increases in MUA recurrent budget grant
d. Rationalise financial management of the education budget	Complete evaluation of NDE financial management capacity and develop plan for introduction of cost-centre based budgeting	Implement cost-centre based budgeting	Implement cost-centre based budgeting
<u>B. Institutional Development/School Management</u>			
a. Rationalise the structure and management of NDE	Formal approval of NDE restructuring plan by the government	Complete implementation of Stages 1-4 of restructuring plan	Complete implementation of Stages 5-7 of restructuring plan
b. Reduce NDE role in the direct provision of training	Develop legislation to grant autonomous status to LP and ITTC	Enactment of legislation and implementation	
c. Improve the structure and organisation of ITTC	Appoint Coordinators for the three new divisions (primary, secondary and in-service)	Three divisions established and operational	Complete implementation

OBJECTIVES	ACTIONS TO BE TAKEN BY 9/91	ACTIONS TO BE TAKEN BY 3/93	ACTIONS TO BE TAKEN BY 9/94
d. Revise legal framework governing NDE-proprietor partnership in the management of education and the teaching service	Government approval of revised education legislation	Implementation of revised legislation	Implementation of revised legislation
e. Increase involvement of parents and community in local school management		Establish plan for assisting communities to form school committees as provided for in the legislation	Satisfactory implementation of the plan
<u>C. Improvement of Quality and Efficiency in Primary Education</u>			
a. Improve pupil:teacher ratio to 54:1 with emphasis on Std. 1-3	Create 260 additional posts for primary school teachers of which 70% will be allocated to lower primary	Create 260 additional posts for primary school teachers during 1992/93, of which 70% will be allocated to lower primary	Create 260 additional posts for primary school teachers in 1993/94 and a further 260 posts in 1994/95 of which 70% will be allocated to lower primary
b. Expand network of district resource teachers to 70 teachers (1 per sub-district)	Identify and recruit candidates for DRT training and appoint DRT (In-service) Coordinator	Complete training and post one DRT per sub-district	Maintain network at 1 DRT per sub-district
c. Set national priorities for primary curriculum; establish time available per subject in line with priorities; and revise subject syllabi accordingly	Develop revised ToTs and constitution for ECC and implementation schedule for formulating national timetable and syllabi	National timetable adopted and revision of syllabi for all subjects underway	Syllabi revised in all subjects and implementation in schools underway in core subjects
d. Improve quality of pre- and in-service training for primary school teachers	Develop a plan to upgrade in-service certification programmes and establish a division of in-service education	Upgrade existing LIET certificate to PTC equivalence and establish streams for upper and lower primary in both pre- and in-service programmes	
e. Transfer PSLE from NDE to ECOL	Develop ToTs for the study of financial and human resource implications of transfer of PSLE to ECOL	Complete transfer to ECOL of packaging, printing, distribution and collection	Completion of transfer as recommended by study
f. Evaluate Education with Production (EWP) programme	Develop ToTs for an independent evaluation of the EWP programme	Complete evaluation of the EWP programme including development of specific recommendations concerning the future of the programme	Implement recommendations

OBJECTIVES	ACTIONS TO BE TAKEN BY 9/91	ACTIONS TO BE TAKEN BY 3/93	ACTIONS TO BE TAKEN BY 9/94
g. Eliminate enrollment of under-age pupils in primary schools	Inform schools and parents of tighter enforcement of regulations re. non-enrollment of pupils under age 6	Enforce restriction on enrollment of under-age pupils beginning Jan. 1992	Enforce restriction on enrollment of under-age pupils
h. Restrict admission of over-age pupils in primary school		Complete guidelines for phasing out over-age pupils including detailed design of information campaign to alert schools and parents of new restrictions on the admission to Std. 1 of children over age 8	Complete implementation of information campaign and, beginning Jan. 1994, enforce restrictions on enrollment of over-age pupils focusing on lowland areas
i. Limit repetition rates in primary schools		Complete guidelines for limiting repetition to two per cycle, including detailed design of information campaign new restrictions on repetition	Complete implementation of information campaign and begin enforcement of restrictions on repetition in lowland areas
j. Improve school-based assessment of pupil achievement in primary school		Distribute and pilot test end-of-level guidelines in 5 sub-districts and evaluate pilot	Complete workshops for DRTs in continuous assessment using revised guidelines, and disseminate guidelines to schools
<u>B. Improvement of Quality and Efficiency in Secondary Education</u>			
a. Improve learning in core subject areas	Develop strategy for introducing continuous assessment in science on a national basis	Implement system of continuous assessment in science at junior secondary level; develop continuous assessment tests for English and mathematics	Implement system of continuous assessment in English and mathematics at junior-secondary level
b. Control numbers of small economic secondary and high schools	Government to begin strict enforcement of existing regulations on establishment of new secondary and high schools	Complete school mapping exercise and revise regulation governing establishment of new school as necessary	Satisfactory implementation of revised regulations
c. Raise student:teacher ratio to 25:1	Alert secondary/high schools of government intention to allocate teaching posts according to minimum student:teacher ratio of 25:1	Begin allocating teaching posts strictly based on minimum student:teacher ratio	Continue allocating teaching posts strictly based on minimum student:teacher ratio

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OBJECTIVES	ACTIONS TO BE TAKEN BY 9/91	ACTIONS TO BE TAKEN BY 3/93	ACTIONS TO BE TAKEN BY 9/94
<u>E. Technical and Vocational Education and Training</u>			
a. Lower unit costs of TVE training	Develop plans to pilot the introduction of evening classes at LP, TSTC, LIS, Leribe and eight other institutions	Begin implementation of evening classes	Evaluate the pilot and determine whether to continue evening classes
b. Review the Technical and Vocational Training Act to increase responsiveness to industry needs	Engage a consultant to review portions of the TVE Act relating to composition of TVE Board and in-service training	Revise legislation and implement changes	Continue implementation
c. Generate increased revenue for industrial training	Develop ToRs for feasibility study of an industrial training levy	Complete study and begin implementation of recommendations	Continue implementation
d. Establish system of apprenticeship training	Develop ToRs to study the feasibility of an apprenticeship scheme	Complete study and begin implementation of recommendations	Continue implementation
e. Evaluate effectiveness of curriculum diversification at secondary level	Develop ToRs for an independent evaluation of the relevance and effectiveness of the practical subjects offered in secondary school	Conduct independent evaluation of the relevance and effectiveness of the practical subjects curriculum and complete plan to implement recommendations	Implement plan
<u>F. Improvement of Quality and Efficiency at NUL</u>			
a. Improve academic standards for undergraduate courses	Complete detailed plan for implementation of subject system or modified course unit system	Implement detailed plan for academic year 1992/93	Monitor and refine programme
b. Generate savings in operating budget	Agree with NICE/IDA on specific cost-saving measures on research institutes and non-teaching items	Reduce expenditures on research institutes and non-teaching items by 10% from 1990/91 level and complete study on further cost-containment in non-teaching areas	Reduce expenditures on research institutes and non-teaching items by 20% from 1990/91 level
c. Staffing plan for NUL academic programme	Freeze new recruitment during academic year 1991/92 to 1990/91 level	Achieve 12:1 student:academic staff ratio in all areas (except science and agriculture) and 10:1 in sciences by academic year 1992/93	Maintain student:staff ratios at 1992/93 levels

OBJECTIVES	ACTIONS TO BE TAKEN BY 9/91	ACTIONS TO BE TAKEN BY 3/95	ACTIONS TO BE TAKEN BY 9/96
d. Enhance MUL government and management capacity	Government approval of revised MUL order and statutes	Establish MUL development and planning office responsible directly to the Vice-Chancellor	
<u>G. Conditions of Service for Teachers</u>			
a. Improve incentive allowances for teachers in hardship areas	Identify schools in hardship areas and establish hardship allowance for teachers in these schools	Maintain real value of hardship allowance	Maintain real value of hardship allowance
b. Provide housing for teachers in mountain areas	Identify areas in which teacher housing is to be built using self-help construction plan with materials to be provided	Implement self-help construction of teacher housing in identified areas	Continue self-help construction
c. Improve career-structure for teachers	Assimilate existing teachers into new career structure	Continue implementation	Continue implementation
<u>H. Monitoring and Evaluation</u>			
a. Improve MOE capacity for monitoring and evaluation	Specify training needed for MOE personnel to establish information system on primary education	Provide training to Planning Unit and Inspectorate; prepare training scheme for schools. Improve data recording by inspectors	Implement training scheme. Improved data reporting procedures used throughout education system
b. Establish a speedy and accurate system of information on primary education	Develop a list of basic education indicators and a sample design for the information system, in collaboration with IIEP or similar group	Complete initial data collection and report dissemination of information	Establish routine process for data collection and reporting
c. Investigate specific aspects of education to improve quality (S studies)	Develop ToTs for 1 study; e.g. causes of drop-out and repetition	Complete the study and disseminate information; develop ToTs for, and complete, second study (e.g. causes of teacher attrition)	Complete third study; formulate corrective measures in accordance with study findings
d. Establish a system for guiding and monitoring plan information	Develop guidelines for preparation of annual implementation plan by each MOE programme, to include objective indicators, strategies and budget, and establish procedures for performance review	Develop targeted annual plans and budgets; prepare report for government/donor review on status of plan implementation by programme	Continue to develop targeted annual plans and budgets. Prepare report for government/donor review on status of plan implementation by programme.

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OBJECTIVES

**ACTIONS TO BE TAKEN BY
9/91**

**ACTIONS TO BE TAKEN BY
3/93**

**ACTIONS TO BE TAKEN BY
9/94**

e. Improve NOE capacity for annual planning and financial budgeting

Develop plan to upgrade NOE planning, objective budgeting, and performance review, and engage financial consultant

Provide training to relevant NOE officials, including all heads of all relevant NOE officials programmes

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