A.I.D. EVALUATION SUMMARY - PART I

1. BEFORE FILLING OUT THIS FORM, READ THE ATTACHED INSTRUCTIONS.
2. USE LETTER QUALITY TYPE, NOT "DOT MATRIX" TYPE.

IDENTIFICATION DATA

A. Reporting A.I.D. Unit:

Mission or AID/W Office: Lesotho

(ES# ______)

B. Was Evaluation Scheduled in Current FY Annual Evaluation Plan?

Yes [ ] Slipped [ ] Ad Hoc [X]

Evaluation Plan Submission Date: FY 94 Q ___

C. Evaluation Timing

Interim [ ] Final [ ] Ex Post [X] Other [ ]

D. Activity or Activities Evaluated (List the following information for project(s) or program(s) evaluated; if not applicable, list title and date of the evaluation report.)

Project No.	Project /Program Title	First PROAG or Equivalent (FY)	Most Recent PACD (Mo/Yr)	Planned LOP Cost (000)	Amount Obligated to Date (000)
632-0224	Lesotho Agricultural Policy Support Program (LAPSP)	1988	8/13/93	15,000	3,393

ACTIONS

E. Action Decisions Approved By Mission or AID/W Office Director

Action(s) Required	Name of Officer Responsible for Action	Date Action to be Completed
1. Complete the close-out of project files and send necessary documents to AID/Washington	Lepele/Lewis/ Du Rette	12/93
2. Complete Program Evaluation Summary	Lepele	12/93
3. Finalize LAPSP audit	ERNST & YOUNG	12/93
4. Complete LAPSP close-out Report	Lepele	12/93

(Attach extra sheet if necessary)

APPROVALS

F. Date Of Mission Or AID/W Office Review Of Evaluation: (Month) (Day) (Year)

G. Approvals of Evaluation Summary And Action Decisions:

	Project/Program Officer	Representative of Borrower/Grantee	Evaluation Officer	Mission or AID/W Office Director
Name (Typed)	Gary E. Lewis	Habofanoe Makhooane	Jean Du Rette	F. Gary Towery
Signature	[signature]	[signature]	For [signature]	[signature]

H. Evaluation Abstract (Do not exceed the space provided)

See Pages 3 & 4

COSTS

Evaluation Costs

1. Evaluation Team Name	Affiliation	Contract Number OR TDY Person Days	Contract Cost OR TDY Cost (U.S. $)	Source of Funds
Seth D. Vordzorgbe, Program Economist	USAID/Lesotho	6 weeks	7,387.00	PD&S

Mission/Office Professional Staff Person-Days (Estimate) 30	3. Borrower/Grantee Professional Staff Person-Days (Estimate) 5

LAPSP EVALUATION ABSTRACT

LAPSP, initiated in 1988 as a sector reform program, aimed to increase the productivity of Lesotho agriculture by liberalizing input marketing and reducing rangeland overstocking. Dollar funding was linked to policy reforms: fertilizer subsidy removal, Coop Lesotho divestiture, national grazing fee installation, and livestock marketing restructuring and broadening. The Ministry of Agriculture, Marketing and Cooperatives (MOA), with the cooperation of Ministry of Home Affairs (formerly Ministry of Interior), was the implementing agency.

The mid-term evaluation, conducted in April 1992 identified problems retarding disbursements and reviewed options for moving the program and extending the Program Assistance Completion Date (PACD). USAID extended the PACD to enable the MOA to complete actions under the second phase and to provide new senior government counterparts time to become familiar with and communicate their commitment to the objectives of the policy reforms. On July 16, 1993 the GOL gazetted "Legal Notice No. 150 of 1993, Range Management and Grazing Control (Amendment) Regulations 1993." To amend the 1990 regulations, revoking the provision to implement the national grazing fees which was a conditionality met in Phase I. On July 27, 1993, USAID informed the government that it would not extend the PACD of the LAPSP beyond August 13, 1993. USAID thereafter conducted this final evaluation. Major conclusions of this final evaluation are:

-- The LAPSP concept was relevant and the broad policy objectives were pertinent, but the government could not implement such politically sensitive reforms.

-- The government focused more attention on the programming and control of local currency use than on progress towards achieving broad policy goals.

-- USAID performed its grant approval, programming and monitoring roles adequately, but could not engage the GOL with more policy dialogue.

-- GOL achieved some gains in liberalizing agricultural input marketing and developing a competitive market, facilitating increased private sector participation, removing an inefficient parastatal from agricultural input marketing and eliminating the direct subsidy on fertilizer.

-- The major achievement of the livestock component was to implement the national livestock policy, and to start upgrading, improving and restructuring the National Abattoir and Feedlot Complex (NAFC).

-- Political events in Lesotho since the initiation of the program contributed significantly to the slow implementation of reforms.

Key Lessons:

-- In non-project assistance design, it is important to identify or develop steps in implementing policy reform linked to appropriate and achievable indicators.

-- Existing government structures and systems in relevant line ministries are often inadequate to manage and implement policy reform programs.

-- When there is no group of technocrats promoting a particular reform within the host government, and the reform is driven by government reaction to donor conditionality, as was the case of the privatizing of Co-op Lesotho, the reform lacks the constituency of support within government needed for success.

A.I.D. EVALUATION SUMMARY - PART II

SUMMARY

J. Summary of Evaluation Findings, Conclusions and Recommendations (Try not to exceed the three (3) pages provided)
Address the following items:

- Purpose of evaluation and methodology used
- Purpose of activity(ies) evaluated
- Findings and conclusions (relate to questions)
- Principal recommendations
- Lessons learned

Mission or Office:	Date This Summary Prepared:	Title And Date Of Full Evaluation Report:
USAID/Lesotho	12/10/93	LESOTHO AGRICULTURAL POLICY SUPPORT PROGRAM: END OF PROGRAM EVALUATION-DEC.'93

See Pages 6 to 13

SUMMARY OF LAPSP END-OF-PROGRAM EVALUATION

1. Background

The Government of the Kingdom of Lesotho (GOL) and the Agency for International Development in Lesotho (USAID) signed the Lesotho Agricultural Policy Support Program (LAPSP) Grant Agreement on June 14, 1988. To support the costs to GOL of implementing this program, USAID provided $15.0 million, including $12.75 million in non-project assistance (NPA) and $2.25 million in project assistance. Full implementation of LAPSP activities was programmed to be completed by the Program Assistance Completion Date (PACD) of May 13, 1993.

On July 16, 1993 the Lesotho government gazetted "Legal Notice No. 150 of 1993, Range Management and Grazing Control (Amendment) Regulations 1993." The objective of this notice was to amend the Range Management and Grazing Control Regulations 1990 to revoke the provision on implementation of the national grazing fees. The GOL took this action without agreement with USAID. Article 5. Special Covenants Section 5.1 of the LAPSP Program Agreement states: "The Grantee shall not in any way discontinue, reverse or otherwise impede any action it has taken in satisfaction of any condition precedent set forth in Article 4 above, except as mutually agreed to in writing by USAID and Grantee." Following the decision by the GOL to revoke the grazing fee regulation, USAID wrote to the GOL on July 27, 1993 indicating that it would not extend the PACD of the LAPSP beyond August 13, 1993.

2. LAPSP Goal, Purpose, Planned Disbursement Schedule and End of the Program

The LAPSP goal has been to improve the productivity and efficiency of domestic resources in crop and livestock agriculture through policy reform. LAPSP supports the Mission strategic objective of sustaining and improving output and productivity of selected agricultural subsectors. The purposes are:

(a) to increase private sector participation, competitiveness, input availability and cost-recovery in agricultural input marketing by opening up the input marketing, removing subsidies and reducing the role of a parastatal in input marketing; and (b) to bring into closer balance herd size and grazing potential and improve competitiveness and efficiency of livestock marketing by reducing overstocking on fragile lands and facilitating increased private sector marketing and expanded operations of the National Abattoir and Feedlot Complex (NAFC).

3. Purpose of Evaluation and Methodology Used

The purpose of the evaluation was to document overall program accomplishment, problems and lessons learned. Therefore, the evaluation covered: (a) the major issues that led to the termination of the program; (b) the progress of LAPSP towards achievement of its goal and objectives; and (c) the lessons learned from this program that might be relevant to programming, design and implementation of future policy programs. It was conducted over a six-week period in August through September by the USAID/Lesotho Program Economist. The evaluator reviewed program and related documentation, interviewed 26 people, including USAID staff, GOL officials and Private Sector representatives.

4. Key Findings

Several factors have affected overall implementation progress and reform impacts. The major ones include: management factors; program extension requirements; GOL experience with reform programs; issues of communication; political factors and the recent drought.

Management Factors

In general, the technical issues of program implementation were largely resolved after the mid-term evaluation, but political factors then came to the fore. The GOL was able to mobilize financial and administrative resources but could not provide the political support needed to carry the program forward. LAPSP was the first GOL privatization program and the first non-project assistance program implemented by USAID in Lesotho. Hence, implementation problems were mainly those of a prolonged learning process but were compounded by political factors.

Program Extension Requirements

USAID supported the GOL request to extend LAPSP in principle, partly because the GOL met conditions of USAID, IMF and the World Bank to complete a national livestock inventory, to gazette the grazing fee order and to begin collecting the fees during a period of increased reluctance of top officials to make politically-sensitive decisions as a result of the uncertain political environment leading to the elections.

Also, terminating LAPSP on the original PACD of May 13, 1993, would have signalled lack of donor support for the new democratically elected government. Moreover, the GOL and USAID needed time to prepare the necessary documentation to move the program forward and for the GOL to express its commitment to the reforms; the three-month interim extension was to provide time for those actions.

GOL Experience with Reform Programs

Some GOL officials indicated that they regarded LAPSP essentially as a project because it had a technical assistance team and local currency funds were to be used to finance specific activities, albeit only those broadly agreed with USAID. Given the GOL's relative unfamiliarity with NPA, a major consideration affecting the termination was the GOL's experience with other donors funding structural adjustment reforms. During 1991/92, the GOL could not meet the timetable for initiating the grazing fee collection and for implementing several agreed-upon liquidation or privatization actions, but IMF funding for the programs continued, after the necessary reviews. Some GOL officials stated that they felt they could re-negotiate parts of LAPSP, after cancelling the grazing fee provision.

Issues of Communication

In adequate communication between the new government officials and USAID was exemplified, at great cost, by the episode of the extension and the fee cancellation. The GOL position and action regarding the grazing fees were not formally or informally communicated to USAID; USAID was informed through public pronouncements of senior GOL officials and press publications. Hence, USAID could not communicate the implication of revocation to the GOL before it occurred. USAID's response was conditioned by the legal imperatives of the Agreement.

Political Factors

LAPSP reforms fell prey to the political environment and changes ongoing in Lesotho since the start of the program. These included the change in military governments and uncertainty regarding the holding of elections. The previous military governments sought to legitimize their rule in part by seeking both internal public favour and international support. On the one hand, obtaining domestic public support required the government not to take unpopular measures, including legislating compulsory national grazing fees and privatizing parastatals. Hence, the first military government agreed to introduce the national grazing fees in 1989 on condition that certain categories of livestock owners were excluded from paying fees. On the other hand, obtaining donor support for the overall GOL reform program required implementation of these same measures. The tensions produced by this conflict, coupled with the strain on bureaucratic initiative caused by the uncertain political atmosphere, contributed significantly to the overall tardy implementation of structural reforms.

The Recent Drought

In terms of overall program implementation, the drought affected progress by diverting scarce GOL, especially MOA, staff resources to administering drought-relief programs; this affected performance of the inputs marketing component especially.

5. Progress

Agricultural inputs marketing component: The aim of the input marketing component of the program was to open up the agricultural input marketing system to permit more competition and greater input availability. The target of the input component was to implement new policy measures that would reduce the budgetary cost to the government of interventions in agriculture by removing subsidies and greatly reducing the role of the major parastatal. Achieving this was expected to contribute to opening up the agricultural input marketing system for increased private sector participation.

Reduced budgetary costs of government intervention: LAPSP achieved significant gains in liberalizing the marketing of agricultural inputs and increasing competition in the sub-sector: the role of the dominant parastatal was eliminated and inputs are now freely available through private sector dealers. The GOL implemented a set of measures to achieve these input marketing reform targets, including the removal of the fertilizer subsidy, announcement of freedom of participation by private traders in input marketing, provision of market information and liquidation of Coop Lesotho.

Increased private sector participation: In addition to curtailing the activities of Coop Lesotho, the GOL also allowed increased private sector operators to provide the mechanization (mainly land preparation) services previously being provided by the Operations of the Technical Operations Unit (TOU) of the MOA. Expansion of mechanization service delivery by the private sector complements their expanded role in input provision. These actions have contributed to reducing the role of parastatal input marketing institutions.

Livestock Component: The purpose of the livestock component of the program was to reduce the overstocking of cattle, sheep and goats on fragile rangelands and thereby bring into closer balance herd size and grazing potential. In the process, livestock owners were to be induced to take into account the costs and benefits of open grazing, through payment of grazing fees, and the livestock marketing system was to become more efficient and competitive. Opening up the livestock marketing system, especially restructuring and improving the NAFC, was seen as necessary to enable the market-expected increases in animal off-takes in the domestic and export markets. Thus, the mission of LAPSP was to improve the policy environment for achieving balanced herd sizes in the long-term through the fee program, in association with several other programs, and to provide the implementation support to achieve reform goals. The mid-term evaluation found these overall goals of livestock reform policy still valid, but the implementation steps, particularly for the restructuring of the NAFC, and indicators for assessing progress in livestock reforms needed to be reviewed. After the evaluation, progress on implementing the livestock component was rapid as the GOL submitted documentation to USAID satisfying the to-be-revised second phase indicators on December 4, 1992, pending formal amendment of the Agreement.

Payment of grazing fees: The grazing fee program consists of a package of measures involving: rangeland adjudication; livestock inventory; installing a fee administration unit within the MOA; enacting the enabling legislation; training and organizing Village Development Councils (VDCs) to collect fees and manage fee utilization; and, educating and sensitizing the public on the program. The Ministry of Interior's Rural Development staff were responsible for monitoring the administration of the grazing fee program. The MOA made substantial progress in implementing these related and complex activities. At present, the MOA has prepared adjudication maps for Butha-Buthe and Mokhotlong districts. The VDCs started collecting grazing fees in August/September 1992. Prior to the commencement of fee collection, the MOA conducted meetings and training sessions with chiefs, farmers and the VDC on the program.

Improving livestock marketing: The GOL also made some progress in improving livestock marketing competitiveness and effectiveness. The MOA instituted a weekly radio livestock marketing news service and other publications to provide information on prices in Lesotho and the Republic of South Africa. The MOA also streamlined the requirements and process for obtaining government permits to trade in livestock and meat products. The NAFC increased its purchases of livestock from auctions as a result of the LAPSP revolving fund which increased the frequency of livestock actions. The revolving fund supported the culling and exchange program, contributing to a slight increase in off-takes. Domestic marketing opportunities for livestock marketing improved as the NAFC increased by 46 percent from 1989 to 1991 while the value of total NAFC sales of livestock and meat products increased by 67 percent between 1990 and 1991. Also, private sector activity in livestock marketing increased: for example, cattle speculators at livestock auctions increased 25 percent between 1989 and 1992.

Broad program impacts: The overall systemic impacts of LAPSP are significant. The GOL has gained valuable experience in the design and implementation of policy reform programs from LAPSP. LAPSP strongly complemented the overall GOL economic reforms under the IMF and Structural Adjustment Program and the Enhanced Structural Adjustment Program (ESAP). Both supported common reforms and conditionality involving liquidation of Coop Lesotho and institution of a national grazing fee. USAID and IMF/World Bank also coordinated activities through joint consultations in these reform areas. The design of LAPSP was finalized just before that of the SAP. Hence, the experience gained by the GOL from one program mutually reinforced that from the other.

LAPSP reforms in input marketing have led to greater private sector participation in policy dialogue with the GOL. For example, private traders now meet more regularly with MOA officials to discuss input pricing and marketing issues.

One significant impact of LAPSP has been increased input of Basotho in shaping the GOL's privatization program: the GOL team that attended the training course on privatization recommended the establishment of an autonomous Privatization Unit to implement the GOL's program which will be set up under the planned World Bank supported privatization project.

LAPSP promoted the development of local participation by supporting the organization and empowerment of grassroots structures mobilized to address cross-cutting environmental and developmental problems through self-help. By promoting the payment of grazing fees, ninety percent of which remained at the village level to be programmed by VDCs for local developmental activities, while the remainder stays at the district level, LAPSP contributed to strengthening village-level initiative, thus promoting decentralization of development decision-making.

6. Major Lessons Learned

The design, implementation and ending of LAPSP provide significant lessons to both the GOL and donors in designing and managing future policy programs.

Program design: In non-project assistance design, it is important to identify or develop steps in implementing policy reform linked to appropriate and achievable indicators. Progress in achieving reform goals is often difficult to measure when indicators of reform do not adequately track actions needed to achieve these goals. The program structure should not be too restrictive in linking disbursement to achieving all indicators: conditionalities should not be so complex and rigid that inability of the host government to meet any single benchmark negatively affects program funding and implementation. When reforms to be implemented are complex and the number of activities is large, splitting the program into discrete but related components facilitates effective implementation. LAPSP should have been composed of three separate programs: inputs marketing, grazing fees, and livestock marketing. The timeframe for implementing reforms under NPA should be realistic: the design of non-project assistance programs should include adequate time for the government to learn to manage new and complex programs such as LAPSP, which have economic, socio-cultural, political and environmental implications.

Program management: In managing sectoral NPAs, existing project management structures and systems in relevant line ministries are often inadequate. Hence, it is essential to create the appropriate management unit for NPAs. It is also useful to have a full-time host-government manager of the program as head of the management unit since NPA programs are management-intensive. To facilitate effective privatization, it is also essential that government staff are trained in divestiture policy, planning, management and monitoring. In the absence of a continuous trend of strong commitment by the government, ministerial-level approval of sensitive reforms could be inadequate to move reforms forward, as exemplified in the case of the privatization of Coop Lesotho. Above all, the commitment and support of the highest political and administrative authorities are crucial for success. Non-project assistance programs are management-intensive for donors, as for governments, since non-project initiatives require project-type management-intensive oversight; often donor staff time input is higher than envisaged.

Donors provide sectoral budget support for implementing policy reform activities but it is essential that the host government provides the necessary supplementary funds to ensure that funds are fully available to complete reform activities within the planned timeframe. Under LAPSP, USAID grant funds were often the sole source of funding for many key reform activities such as the grazing fee program. This situation partly reflected the perception within some sections of the GOL of LAPSP being a projectized intervention which would provide full funding for reform activities.

Socio-Political considerations: When there is no group of technocrats promoting a particular reform within the host government, and the reform is driven by government reaction to donor conditionality, as was the case of the privatizing Coop Lesotho, the reform lacks the constituency of support within government needed for success. Although the existence of a technical pressure group, as exists for the livestock program, does not guarantee success, it helps the leadership of the government to be aware of the technical aspects of the reform program.

Policy reform programs have political implications that often require extensive exposure and discussion with the public. But the political leadership needs to communicate adequately with stake holders, including government officials, donors, farmers and the private in undertaking reform changes. The national leadership, not bureaucrats, needs to take the lead in selling complex policy reforms, especially those that break new ground, such as the payment of grazing fees, to the people.

When a new government assumes existing donor-supported reform programs that are politically-sensitive, it needs to review and assimilate the reforms and seek public mandate. Often, this involves review of actions which constitute conditions precedent to the disbursement of donor funds or relate to agreement provisions. One key lesson is that in a democracy, technocratic solutions must pass the political test and policy reforms undertaken can be reversed if they do not match the political agenda of the incumbent political administration. However, reversals of reform conditionalities may affect the legal agreement between governments and donors, and jeopardize continuity.

7. Recommendation

In an atmosphere such as that created by the termination of LAPSP it is essential that the donor and the government seek fresh grounds for revitalizing cooperation. In the case of Lesotho: the overall goals of LAPSP reforms are still valid, a lot of planning and management work has been done, government and donor resources have been invested, the GOL has gained useful experience in policy reform implementation and there is new democratic government in place. Therefore, this evaluation recommends that donors, including USAID, continue to support policy and other interventions that promote decentralized natural resource management in Lesotho.

ATTACHMENTS

K. Attachments (List attachments submitted with this Evaluation Summary; always attach copy of full evaluation report, even if one was submitted earlier; attach studies, surveys, etc., from "on-going" evaluation, if relevant to the evaluation report.)

EVALUATION REPORT

COMMENTS

L. Comments By Mission, AID/W Office and Borrower/Grantee On Full Report

LESOTHO AGRICULTURAL POLICY SUPPORT PROGRAM

(LAPSP)

END OF PROGRAM EVALUATION

Conducted by:

Seth D. Vordzorgbe
Program Economist

USAID/LESOTHO
Maseru

October 1993

TABLE OF CONTENTS

ACRONYMS AND ABBREVIATIONS

AEPRP	African Economic Policy Reform Program
A.I.D.	Agency for International Development
BCP	Basotholand Congress Party
CNRM	Community Natural Resource Management
COOP-LESOTHO	Co-operative Lesotho Limited.
ECPR	Executive Committee for Project Review
EEC	European Economic Community
ESAP	Enhanced Structural Adjustment Program
DEM	Department (or Director) of Marketing and Economics
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
IPIC	Inputs Program Implementation Committee
LAPSP	Lesotho Agricultural Policy Support Program
LPIC	Livestock Program Implementation Committee
MOA	Ministry of Agriculture
MOF	Ministry of Finance
MOP	Ministry of Planning
NAFC	National Abattoir and Feedlot Complex
PAAD	Program Assistance Approval Document
PACD	Project Assistance Completion Date
PRC	Program Review Committee
P.S.	Principal Secretary
SADCC	Southern Africa Development Coordinating Council
SAP	Structural Adjustment Program
TOU	Technical Operations unit
USAID	United States Agency for International Development in Lesotho
U.S.A	United States of America
VDC	Village Development Committee

EXECUTIVE SUMMARY

The Government of the Kingdom of Lesotho (GOL) and USAID signed the LAPSP grant Agreement on June 14, 1988. The objectives of the program were to open up the agricultural input marketing system for private participation, to reduce the overstocking of livestock on fragile rangelands and to make the livestock marketing system more efficient and competitive. A.I.D. provided U.S. $15.0 million, comprising $12.75 million in non-project funding and $2.25 million in projectized assistance with disbursement of the grant tranches linked to GOL achievement of specified policy reform implementation actions in the Grant Agreement regarding: removal of the fertilizer subsidy, divestiture of Coop Lesotho, installation of the national grazing fee and restructuring and broadening of the national livestock market. The Program Assistance Completion Date (PACD) was May 13, 1993 and USAID disbursed the first tranche grant on December 7, 1989.

The program made some progress, but disbursement of the second tranche was behind schedule by three years. A mid-term evaluation in May 1992 recommended extension of the program to allow it time to achieve its objectives. However, the GOL and USAID needed to review progress indicators to reflect accomplishments and the implementation time frame for completing the program. On 27 April 1993, the GOL requested an extension of the Program Assistance Completion Date (PACD) to August 13, 1996. USAID, on Africa Bureau agreement, extended the PACD to August 13, 1993 to enable the GOL to complete actions under the second phase and to provide the new government time to become familiar with LAPSP reform objectives and to communicate its commitment to the LAPSP reforms. USAID met with the relevant senior GOL officials to discuss the extension and to present actions to be taken by the GOL in order for USAID to request AID/Washington approval of the three-year extension: fulfilment of conditions precedent for phase two disbursements under the inputs component; reconfirmation of its commitment to continue with the grazing fee reforms; and publicizing of government discussions on these issues. The GOL indicated its wish to consult the people on the grazing fee issue and assured USAID that it would provide an answer on the Coop Lesotho divestiture by August 14, once the King's Commission completed its work. However, the GOL cancelled the grazing fee on July 16, 1993, without agreement with USAID, as stipulated in Article 5. Special Covenants Section 5.1 of the LAPSP Program Agreement. Consequently, USAID responded by informing the GOL on July 27, 1993 that USAID would allow LAPSP to end on August 13 1993, and assured the GOL that the termination of LAPSP did not affect other USAID programs. As of August 1993, about 13.3 percent of the policy reform grant was disbursed; 76 percent of project support grant was committed; and 100 percent of the grant support was obligated.

The GOL was responsible for implementing the reforms and managing the program but program management focused more attention on the programming and use of local currency than on progress toward achieving broad policy goals. The Inputs Program Implementation Committee (IPIC) did not function effectively and several GOL staff expressed dissatisfaction with the performance of the PRC. Two

GOL-contracted audits conducted in September 1992 and in March 1993 confirmed weaknesses in the MOA management of local currencies and major defects in the internal control structure but no case of fraud nor major adverse findings on funds accountability. USAID suspended expenditures from the LAPSP accounts, except for salaries, and the GOL took several remedial actions.

After the mid-term evaluation, the MOA, jointly with USAID, drafted the necessary LAPSP revisions, including modifying the implementation schedule and selected indicators and means of verification. The MOA also re-programmed local currency available for only priority activities. The GOL submitted documentation in fulfilment of conditions precedent for the second phase of the livestock component on April 12, 1992. However, the indicators were not legally changed since the program terminated before the GOL and USAID could modify the Program Agreement Amendment to change the indicators and extend the program for three years. On the whole the MOA management of the program improved after the mid-term evaluation, although some issues remained unresolved.

USAID took the lead in designing the program and LAPSP design defects reflected inadequate USAID familiarity with program non-food assistance when LAPSP was designed, as LAPSP was among the earliest programs to be authorized by A.I.D under the African Economic Policy Reform Program (AEPRP). USAID initiated the move for the mid-term evaluation and the turning around of management of the program. However, there were problems with USAID management of the program due partly to initial USAID inexperience with program management and changing U.S. direct-hire staff in the Mission. The 'mid-term' evaluation might have been more effective if carried out about one year earlier when it became obvious that the program would not achieve its objectives in the remaining time period before the original PACD. The GOL felt that USAID assumed increasing control over the management of the program; on the other hand, USAID perceived the need to exercise greater oversight over the projectized elements of LAPSP to ensure effective overall program implementation, if the program was to be extended.

LAPSP achieved significant gains in liberalizing the marketing of agricultural inputs and increasing competition in the sub-sector: the GOL removed the fertilizer subsidy; the role of the dominant parastatal was eliminated and inputs are now freely available through private sector dealers. Although the GOL provides budgetary support to public input delivery organizations, traders feel that the playing field is now levelled in terms of subsidies and that the commercial environment is conducive to expansion of private sector input trading. Numerous private wholesale and retail traders are now in the market; the MOA indicated that more farmers are now being reached, despite the closure of Coop Lesotho; and donor-supported inputs are now distributed more efficiently.

Private sector participation increased mainly in response to the planned divestiture of Coop Lesotho. The divestiture program was delayed under previous governments due to late approval by the GOL and the management of Coop Lesotho, and inability of the MOA to develop an overall divestiture implementation plan. Finally, the MOA decided to liquidate, rather than divest, Coop Lesotho and developed a liquidation program with the assistance of Price Waterhouse. Employment of all 230 staff was terminated with compensation on March 19, 1993 and all Coop Lesotho stores were closed by March 30, 1993. However, the program faced several problems, including difficulty of administering the employees compensation plan and two lawsuits brought against the GOL. The divestiture process was suspended several times and no assets were sold as of June 11 when implementation of Coop Lesotho divestiture ceased due to lack of funds. As of April 5, 1993, thirty-six interested parties had contacted the office of the contractor enquiring about purchasing Coop Lesotho assets. The new GOL stopped the liquidation of Coop Lesotho and appointed a Kings Commission on June 26, 1993 to investigate circumstances leading to the liquidation and to recommend modalities for restructuring the national cooperative movement in Lesotho. The commission has yet to present a final report.

The major achievement of the livestock component was the implementation of thc grazing fee program package. The MOA has prepared adjudication maps for some districts and the VDCs started collecting grazing fees in August/September 1992. The GOL also made some progress in improving livestock marketing competitiveness and effectiveness, including instituting a livestock marketing information service and increasing livestock purchases and throughput of the NAFC. Also, private sector activity in livestock marketing improved and the MOA developed a program to upgrade the physical facilities of the abattoir for certification for export to South Africa. However, the drought of 1992 affected NAFC performance while most local butchers continued to purchase their supplies from South Africa.

Despite the slow pace of LAPSP reforms, the systemic impacts of the program are significant. These include contributing to GOL familiarity with policy reform program implementation, especially privatization, and increased private sector dialogue with the MOA. LAPSP-funded structures for providing extension and communication to farmers have greatly increased farmer awareness of the need for controlled management of the rangelands. The program also contributed significantly to decentralization by supporting the organization and empowerment of grassroots organizations to address developmental concerns.

Major factors that have affected the overall implementation progress and reform impacts include: management factors; program extension requirements; GOL inexperience with reform programs; issues of communication; political factors and the recent drought. LAPSP was the first GOL privatization program and the first non-project assistance program implemented by USAID in Lesotho. Hence, implementation problems were mainly those of a prolonged learning process compounded by political factors.

The political environment and changes ongoing in Lesotho since the start of the program affected LAPSP reforms. Public awareness of the genesis of the grazing fee program was inadequate, resulting in the publicly-expressed perception that the program was imposed by donors or bureaucrats. LAPSP reforms became major political campaign issues during the elections. Consequently, USAID felt that it should not be seen to be exerting pressure on the new GOL to continue to implement politically-sensitive reforms it inherited from previous governments if it did not wish to do so. USAID requested the new GOL to show its political commitment to the reforms and the GOL indicated to USAID that it was under political pressure to seek popular mandate on the issue. However, the ultimate position of the GOL regarding the grazing fees was not formally or informally communicated to USAID. Hence, USAID could not communicate the implication of revoking the fee to the GOL before it occurred. Some GOL officials stated that they felt that the GOL could re-negotiate parts of LAPSP, after cancelling the grazing fee provision.

The design, implementation and ending of LAPSP provide significant lessons to both the GOL and donors in the programming, design and management of future policy programs. In non-project assistance design, it is important to link implementation steps to appropriate and achievable indicators but the program conditionalities should not be rigid. The implementation time frame should be realistic and include adequate time program managers to learn to manage new and complex programs such as LAPSP, which have economic, socio-cultural, political and environmental implications. In managing sectoral NPAs, existing project management structures and systems in relevant line ministries are often inadequate. Non-project assistance programs are management-intensive for donors too but they should strike a balance between flexible management of NPA programs and the need to maintain strict oversight control over projectized activities of these programs. Clear communication between donors and host governments is essential, since reform programs involve significant policy dialogue. Reform programs have political implications but in seeking public mandate, there should be clear understanding between the government and donors regarding the extent to which a new government that assumes existing reform programs can review reform conditionalities, since the review could affect program continuity.

Chapter 1. Background and Purpose of the Evaluation

1.1 Background

The Government of the Kingdom of Lesotho (GOL) and the United States of America Agency for International Development in Lesotho (USAID) signed the Lesotho Agricultural Policy Support Program (LAPSP) grant Agreement on June 14, 1988. The goal of the program was to make more productive and efficient use of Lesotho's domestic resources in crop agriculture and in livestock through a process of policy reform and implementation. The purpose of the program was two-fold: (a) to open up the agricultural input marketing system to facilitate more competition among suppliers and greater input availability to consumers by removing subsidies and greatly reducing the role of a parastatal organization; (b) to reduce the overstocking of livestock on fragile rangelands and make the livestock marketing system more efficient and competitive.

To support the costs to GOL of implementing the program, the Agency for International Development (A.I.D.) provided under the Grant Agreement U.S. $15.0 million, comprising $ 12.75 million in non-project funding and $2.25 million in projectized assistance. Disbursement of dollar grant tranches are linked to GOL achievement of specified policy reform implementation actions in the Grant Agreement regarding: removal of the fertilizer subsidy, divestiture of Coop Lesotho, installation of the national grazing fee and restructuring and broadening of the national livestock market. Dollar program support funds are converted to local currency and programmed by GOL to support implementation of activities to achieve LAPSP goals and related agricultural objectives. LAPSP was implemented by the Ministry of Agriculture (MOA), with the cooperation of the Ministry of Home Affairs (formerly Ministry of Interior). USAID disbursed the first tranche grant on December 7, 1989.

Full implementation of LAPSP activities was programmed to be completed by the Program Assistance Completion Date (PACD) of May 13, 1993. The program made substantial progress, including the enactment by the GOL of the Range Management and Grazing Control (Amendment) Regulations, 1992 on March 10, which allowed Village Development Committees (VDCs) to collect national grazing fees. However, disbursement of the second tranche was behind schedule by three years. To review progress, identify problems and review options for solving them to move forward on achieving program policy reform objectives, GOL and AID conducted a LAPSP mid-term evaluation in May 1992. One recommendation focused on the need to extend the program to allow it time to achieve its objectives. Also, the GOL and USAID needed to review indicators for measuring progress and the implementation timeframe to more adequately reflect accomplishments and future actions required to complete program implementation. During the period, the GOL and USAID reviewed and refined indicators that would be changed with a program agreement amendment and program extension. On 27 April 1993, the GOL requested an extension of the Program Assistance Completion Date (PACD) to August 13, 1996. To support this request, USAID needed to ascertain the continued commitment of the newly elected government of Lesotho to completing LAPSP reforms. Because of the A.I.D./Washington decision to combine the management of Lesotho and Swaziland programs, USAID was required to seek Africa Bureau concurrence to extend LAPSP. Africa Bureau only agreed to an initial three-month extension. Therefore, USAID/Lesotho extended the PACD for three months to August 13, 1993 to enable the GOL to complete actions under the second phase and to provide new senior government counterparts time to become familiar with the objectives of the policy reforms required by LAPSP and to communicate their commitment to the reforms. If at the end of the three months the Mission determined that the new government was not committed to the program reforms, the program would be brought to an orderly close.

On July 16, 1993 the Lesotho government gazetted "Legal Notice No. 150 of 1993, Range Management and Grazing Control (Amendment) Regulations 1993". The object of this notice is to amend the Range management and Grazing Control Regulations 1990 to revoke the provision on implementation of the national grazing fees. The GOL took this action without agreement with USAID. Article 5. Special Covenants Section 5.1 of the LAPSP Program Agreement states: "The Grantee shall not in any way discontinue, reverse or otherwise impede any action it has taken in satisfaction of any condition precedent set forth in Article 4 above, except as mutually agreed to in writing by USAID and the Grantee." Following the decision by the GOL to revoke the grazing fee regulation, USAID wrote to the GOL on July 27, 1993 indicating that it would not extend the PACD of the LAPSP beyond August 13, 1993.

1.2 Purpose

The purpose of the end-of-program evaluation was to document overall program accomplishment, problems and lessons learned. Therefore, the evaluation covered: (a) the major issues that led to the present status of the program; (b) the progress of LAPSP towards achievement of its goal and objectives; and (c) lessons learned from this program that might be relevant to programming, design and implementation of future policy programs.

1.3 Principal Questions

The principal questions of the evaluation, and the topics that address them, are as follows:

(a) How was the program managed? What is the sequence of events leading to the termination of the program?
- Government and USAID roles and management

(b) What are the accomplishments of the program?
- Progress and accomplishments of the input and livestock components
- Broad and cross-cutting impacts

(c) What factors affected implementation and progress?
- Management, communication, political and other considerations
- Drought

(d) What are the effects of ending program reforms and implementation?
- Effects on sustainability of program activities
- Broader implications of the termination

(e) What inferences can be drawn from the experience? What are the lessons learned?

- Conclusions of major findings
- Key lessons learned

The detailed Scope of Work for the evaluation is in Annex 1.

Chapter 2. Program Management and Implementation

2.1 Overall program implementation

USAID support to the GOL for reforms implemented under LAPSP was programmed to be completed over a five-year period. Consequently, the GOL planned to undertake all the reforms contained in the LAPSP Program Assistance Approval Document (PAAD) within this five-year timeframe in three phases for the input component and four phases for the livestock component. Each component was of about fifteen months duration. The complete original policy reform matrix for LAPSP is given in Annex 2.

The original design planned to disburse grant dollars, keyed to achievement of phased reforms, as shown in Table 1.

Table 1

PROJECTED PHASING OF LAPSP REFORMS AND GRANT DISBURSEMENTS

	1988 (Phase I)	1989 (Phase II)	1990 (Phase III)	1991 (Phase IV)
Major input reforms	Plan to remove subsidies; allow private sector input marketing	Start progressive divestiture of Coop/Lesotho; start removing subsidies	Complete divestiture; eliminate GOL ownership of Coop/Lesotho; complete fertilizer subsidy removal	-
Major livestock reforms	Prepare livestock policy plan	Restructure livestock marketing; complete preparations to start grazing fee collection	Start grazing fee collection	Continue grazing fee collection
Grant disbursement - Inputs	500	1,000	2,750	-
Grant disbursement - Livestock	1,200	2,300	2,500	2,500

The overall implementation of LAPSP was considerably delayed, as the GOL was unable to implement the phased reforms as planned, resulting in the disbursement of only one tranche of the dollar grant in 1989 and 1990. As of the time of the mid-term evaluation, the implementation of LAPSP was two to three years behind schedule. A full chronology of key LAPSP events is given in Table 2.

Table 2

CHRONOLOGY OF MAJOR LAPSP EVENTS

Event	Date or Period
GOL letter of request for LAPSP grant	1/18/88
LAPSP PAAD approved	6/10/88
LAPSP Grant Agreement signed/obligated	6/14/88
USAID contracts for TA personnel	Aug. 1988
LAPSP Agreement Amended	3/10/89
Technical assistance team arrives	3/15/89
Major commodities arrive	4/12/89
First meetings of LAPSP Committees:	
-The Program Review Committee	10/17/89
-The Program Management Committee	8/02/89
-The LPIC	7/26/89
-The IPIC	6/05/89
First disbursement of grant dollars - inputs	12/7/89
First local currency activity funded	2/14/90
Monitoring benchmark study completed	Feb. 1990
First disbursement of grant dollars - livestock	3/30/90
LAPSP monitoring plan developed	June 1991
First Inputs Marketing Specialist departs	July 1991
Second Inputs Marketing Specialist hired	April 1992

Mid-term evaluation conducted	May 1992
First LAPSP quarterly monitoring report produced by MOA	May 1992
National grazing fee legislation gazetted	3/10/92
Revised indicators agreed by USAID pending Agreement	1/29/93
Coop Lesotho closed/liquidation started	Feb. 1993
Civilian government elected	3/27/93
LAPSP PACD extended for initial 3 months	4/20/93
GOL request for 3-year extension submitted	6/23/93
Coop Lesotho Commission appointed	June 1993
National grazing fee regulation revoked	7/16/93
USAID notified GOL on ending LAPSP after 8/14/93 PACD	8/09/93
End of program evaluation completed	Sept 1993

A final report on the financial status of LAPSP is not yet available but an indicative status of major LAPSP inputs as of August 1993 is given in Table 3. From the Table, 13.3 percent of the policy reform grant was disbursed; 76 percent of project support grant was obligated; and the program provided 100 percent of the projected TA support.

Table 3

STATUS OF MAJOR LAPSP INPUTS (AS OF AUGUST 1993)

Dollar grant programmed	: $ 12.75 million
Dollar grant disbursed	: $ 1.7 million
Project Support programmed	: $ 2.25 million
Project Support committed	: $1.72 million
Local Currency deposited	: Maloti 4,430,700.00
Total local currency generations	: Maloti 5,975,706.00
Total local currency uses approved	: Maloti 10,131,584.00
Technical Assistance support programmed	: $ 1.1 million

Technical Assistance support provided	: $ 1.0 million*
Technical Assistance support programmed	: 96 man-months
Technical Assistance support provided	: 96.5 man-months
USAID Management Support programmed	: $452,000
USAID Management Support committed	: $423,178

*Commitment of $991,979 as of August 1993.

2.2 Government of Lesotho role and management

The main role of the Government of Lesotho (GOL) was to implement reforms and manage the program. The MOA was responsible for implementation and day-to-day management, with involvement from the Ministry of Home Affairs in the grazing fee program, but the Ministry of Planning (MOP) was responsible for overall program oversight, including local currency programming. A major concern that was identified and rectified very early during program implementation was the inappropriate original design of the organizational structure for GOL management of the program and membership of LAPSP Committees. The original GOL structure for managing the program is shown in Annex 3 while the structure and membership of committees during program implementation is given in Annex 4.

The structure and membership of LAPSP Committees contributed to the delayed overall implementation of the program, particularly the inputs component. The MOA delegated significant authority to levels lower than the main decision-making level within the ministry. For example, the Inputs Program Implementation Committee (IPIC) was chaired by an official below the rank of a director for some time. While members of Livestock Program Implementation Committee (LPIC) were subject-matter specialists whose LAPSP responsibilities coincided with their official duties, the official duties of members of the Inputs Program Implementation Committee (IPIC) were different from the subject matter of input price reform and privatization. Hence, committee members spent inadequate time on IPIC mattes since they had to attend to their normal duties. Also, the effectiveness of both the IPIC and LPIC was impaired by the low attendance and high turnover of members from other ministries. The leadership and membership of IPIC changed frequently, a key GOL official such as the Commissioner of Cooperatives was not a member while several MOA officials indicated that Coop Lesotho membership created implementation problems. Furthermore, the first expatriate Inputs Marketing Specialist departed post in July 1991 which affected the performance of the IPIC. Consequently, the IPIC experienced more difficulties than the LPIC with managing its tasks. However, MOA management of Coop Lesotho divestiture and the National Abattoir and Feedlot Complex (NAFC) restructuring improved considerably after key MOA and Ministry of Finance (MOF) officials took a privatization training course at the George Washington University during March 8-19, 1993.

At the level of the Program Review Committee (PRC), which was the highest level of program management, the composition of the committee was ideal but, overall, its functioning was less than effective partly due to frequent changes in its leadership: between 1991 and August 1993 there were three Principal Secretaries of Planning. This contributed to the break in continuity at the top leadership of the program.

One defect of the overall LAPSP management structure was the absence of a GOL staff designated as Program Manager within the MOA where management of the program was delegated to the Department of Economics and Marketing (DEM). Several MOA officials indicated that this would have been a more effective approach. Although the standard MOA procedure is for the DEM to be responsible for overall project management, the heavy workload of the Department and staff shortages made it difficult to devote the managerial resources required for effective LAPSP oversight, especially since LAPSP was a non-project intervention involving a fairly wide scope of policy changes.

The mid-term evaluation of April 1992 found that while progress had been slower than anticipated, the objectives remained valid and represented significant changes for the GOL and Basotho society. The evaluators identified problems of GOL inexperience with policy reform programs, an unrealistic time frame for accomplishing numerous steps of the reforms and a committee system which did not ensure timely and high-level GOL and USAID policy dialogue and problem solving. Principal recommendations included review and appropriate revision of verifiable indicators of reform implementation, and establishment of mechanisms to improve communication among USAID and GOL counterparts on policy implementation and local currency approval procedures. The evaluation served as a constructive mechanism to resolve implementation constraints.

After the evaluation, the MOA focused attention on actions to address the recommendations. The MOA organized a workshop in August 1993 to review the recommendations of the evaluation and to plan actions to address them. Thereafter, the MOA, jointly with USAID, drafted revisions in the following aspects of LAPSP: implementation schedule; objectively verifiable indicators and means of verification; dollar tranche disbursements under Phase Four of the livestock component and local currency management procedures. Also, communication between the MOA and USAID improved because more informal contacts resumed, including revival of the monthly Steering Committee meetings between the Secretariat and USAID.

During the review of the original input market reform indicators in the PAAD, the GOL eliminated the lease option in Phase II, since it planned to sell outright remaining Coop Lesotho stores in Phase III. It also introduced the alternative of liquidating Coop Lesotho, given its preference to liquidate, rather than privatize. The MOA also added another indicator to track full divestment of GOL as a shareholder in Coop Lesotho to ensure that GOL actually divested all its shares by the end of Phase II. In effect, the sectoral problem identified in the PAAD was expanded to encompass liquidation of Coop Lesotho and direct promotion of increased private sector participation in input marketing, as recommended in the evaluation.

To more effectively monitor livestock sector reforms, the MOA eliminated unnecessary indicators of grazing fee preparatory actions and expanded the scope of the indicator tracking restrictions to full private sector participation in all stages of livestock marketing. The MOA also added new indicators to reflect the revised sequence of upgrading and privatizing the NAFC which involved transferring the upgrading and certification of the NAFC to Phase III and moving the separation of the management and business account of the abattoir and feedlot to Phase IV. In effect, modifying the indicators of livestock marketing reform to encompass the broad goal of promoting full private sector participation follows the recommendation of the evaluation and parallels the scope of input marketing reforms.

Subsequent to finalizing these revisions in draft at the end of January 1993, the GOL submitted documentation in fulfilment of conditions precedent for the second phase of the livestock component on April 12, 1992. The proposed revisions to the original LAPSP policy reform matrix, agreed to jointly by the GOL and USAID, pending the modification of the Agreement, are given in Annex 5. The indicators were not legally changed since the program terminated before the GOL and USAID could modify the Program Agreement Amendment to change the indicators and extend the program for three years.

One other design problem identified in the mid-term evaluation was in relation to the timeframe for program implementation. In the PAAD, the disbursement of dollar grants was programmed to end in 1991, two years before the PACD, as no disbursements were planned in 1992 and 1993. Programmatically, this pattern of disbursement would provide the MOA with the necessary local currency budget to implement activities required to achieve the reform goals. However, compressing the disbursement of dollars into a four-year timeframe implied a tight timeframe for implementing difficult policy reforms. After the mid-term evaluation, the MOA proposed to resolve this problem, in part, by re-programming local currency available to finance priority activities required to achieve program objectives, and, in part, by re-phasing implementation steps of some programmed activities.

The mid-term evaluation did not focus extensively on the system of accounting for local currency funds, but weaknesses in the MOA programming and management of local currencies documented in the report were confirmed during two GOL-contracted audits conducted in September 1992 and in March 1993, the latter covering the period June 1988 to December 1992. The first audit revealed that the poor state of the LAPSP accounts could not allow a proper audit. Consequently, the MOA hired a private firm to reconstruct the books and to reconcile four years of records prior to the second audit. These audits showed that, overall, there was no case of fraud, no major adverse findings on funds accountability and no material instances of non-compliance with grant provisions and U.S. government regulations. However the audits revealed major defects in the internal control structure: the project accounting system was not capable of properly accounting for and reporting transactions; the control over bank account reconciliations was weak; and the fixed assets register was not properly kept. Consequently, USAID suspended expenditures from the LAPSP accounts, except for salaries. Thus, GOL expenditure of local currency on major LAPSP activities virtually ceased during the last ten months of the program, apart from expenditures on Coop Lesotho divestiture activities. The MOA rectified the LAPSP financial management defects identified on several fronts, including: terminating the services of the LAPSP Accountant and hiring a new one; instituting monthly and quarterly reporting to USAID; and engaging a private accounting firm to audit the accounts quarterly.

There were some outstanding implementation and management issues that the GOL could not resolve after the mid-term evaluation. One of these, which later had a negative impact on the program, was infrequent meetings of the PRC. As the highest committee in the LAPSP management structure, the PRC did not meet during the critical period of April - July 1993 to discuss the GOL's intention to stop the divestiture of Coop Lesotho and the grazing fee program. Such meetings would have alerted USAID of the GOL's plans to stop the grazing fee, and USAID, in turn, would have indicated the implications of those actions to the GOL.

Another unsolved issue was the role and performance of the LAPSP Secretariat. The mid-term evaluation identified conflicts among the advocacy, advisory and information roles of the Secretariat staff and recommended a shift towards increased provision of advisory services. For example, in the PAAD, the Secretariat was to be responsible for monitoring LAPSP and preparing monitoring reports but these tasks were later performed by the DEM. Rectification of defects in the performance of the Secretariat required the MOA to review the structure and function of the Secretariat, but this was one of the few evaluation recommendations not fully addressed before the end of the program as the MOA made no substantive changes in the management of the Secretariat. However, the MOA instituted regular weekly meetings between the Secretariat staff and the DEM/MOA. But effective DEM supervision of the Secretariat was further weakened because the second Inputs Specialist was recruited under an A.I.D. contract, instead of a host country contract, as was the case for the other advisors, and because the Specialist was directly accountable to the Minister of Planning.

The MOA found it difficult to improve the monitoring of program outputs and people-level-impacts. The program developed a monitoring plan in February 1991 which was reviewed and re-designed in August 1991 but was not implemented until June 1992 when the MOA produced the first quarterly monitoring report. However, monitoring reporting stopped after the third quarterly report in September 1992, mainly because of the lack of staff.

On the whole MOA management of the program improved after the evaluation. When it became obvious to MOA staff that the grazing fee regulation could be revoked, they prepared extensive and comprehensive briefing documents and held several meetings with the new Minister of Agriculture to provide him with all necessary information on the grazing fee, including implications of cancelling the grazing fee. However, increased MOA attention to the technical aspects of the program was counteracted by the uncertainty regarding the policy position that the political leadership would adopt on critical LAPSP reforms.

2.3 USAID role and management

The major role of USAID in the transformation of the LAPSP concept into an actionable program was to take the lead in the design of the program. However, the first PAAD contained serious design flaws that were noted in comments of the Executive Committee for Project Review (ECPR) which reviewed the document for A.I.D./Washington approval in February 1988. These comments included: (a) unclear differentiation between project and non-project assistance elements; (b) the lack of a program log-frame in the PAAD linking outputs with inputs and specifying assumptions underlying projected targets; (c) the absence of an illustrative list of actions needed to reach program objectives; (d) no specification of indicators for desired outcomes at the macro as well as micro levels which will enable monitoring and evaluation activities to assess whether program adjustments are needed. These design defects reflected inadequate familiarity with the concept of non-project non-food assistance within USAID when LAPSP was designed, as LAPSP was among the earliest programs to be authorized by A.I.D under the African Economic Policy Reform Program (AEPRP). USAID addressed these issues, with mixed results, in the final PAAD but several of the implementation problems identified during the mid-term evaluation, especially those relating to progress indicators, were due to original design problems.

The actual implementation role of USAID in LAPSP was broader than those ascribed to USAID in the mid-term evaluation report. As originally envisaged in the PAAD, and nurtured during the development of GOL-USAID working relations during program implementation, the key roles of USAID were to: (a) review GOL compliance with conditions precedent to disbursement of grant dollars and approve and monitor grants to the GOL; (b) agree on uses of, review GOL requests for, and monitor use of, local currency; (c) monitor GOL progress on overall program implementation; (d) procure the services of the expatriate technical assistance team and USAID management support; and (e) generate and maintain policy dialogue through participation in the committee structure at the level of the PRC. USAID performed some of these roles well, including: initiating Steering Committee meetings as a forum for direct MOA-USAID dialogue; ensuring MOA adherence to the local currency handbook regulations; increasing its oversight responsibilities for managing local currency expenditures and accounting in response to audit findings in 1992 and fully participating in PRC meetings.

Perhaps the single most effective management action by USAID was to initiate the move for the mid-term evaluation to decide on the future of the program, after the long delay in implementing the reforms. After the evaluation, USAID turned around the management of the program through more direct oversight. This improved management by USAID helped the MOA to expediently address concerns raised by the evaluation and to thereafter submit the documentation for meeting the conditions precedent for the second disbursement under the livestock component, to move ahead on plans to divest Coop Lesotho and to upgrade the abattoir for exporting and to develop a schedule of the proposed extension, as discussed in the preceding Section. The new government formally requested the three-year extension of LAPSP on June 23, 1993.

USAID supported in principle the GOL request to extend the program for three years and promptly initiated work on the internal documentation needed to seek the concurrence of A.I.D./Washington for the extension. USAID devoted considerable staff resources to this review and planning exercise from May 1992 to August 1993 and completed all preliminary internal documentation prior to modifying the agreement.

The GOL provided assurances to USAID that it could meet LAPSP policy reform targets in a three-year extension. However, to fully justify the extension, USAID informed the GOL that USAID required evidence of continued GOL commitment to implementing the politically-sensitive LAPSP reforms because the issue of grazing fees had become a campaign topic for the political parties, several of which stated their intention to discontinue the fee program. Also, the timing of the Coop Lesotho divestiture, which involved laying off workers, coincided with the assumption of office of the new government which planned to transform Coop Lesotho into an apex cooperative organ. Given the political sensitivity of LAPSP reforms, and because they were implemented by the previous military governments, USAID felt that the increased pace of activity by the former GOL after the mid-term evaluation was not an adequate guide to future action by the new government.

Consequently, USAID held a meeting with the Minister of Finance and several with the Minister of Agriculture, Cooperatives and Marketing to discuss issues concerning the extension and to present actions required by the GOL in order for USAID to request AID/Washington approval of the three-year extension to complete the program. USAID correspondence with the MOA on the issue required that the GOL fulfilled conditions precedent for phase II disbursements under the inputs component. Regarding the livestock component, USAID required reconfirmation of GOL commitment to continue with the grazing fee reforms, including a plan for resolving implementation problems. Regarding both inputs and livestock components, USAID expected that government discussions on these issues would be publicized.

The GOL indicated its wish to consult the people on the grazing fee issue and assured USAID that it would provide a definitive answer on the Coop Lesotho divestiture by August 14, once the King's Commission completed its work. However, the GOL did not communicate with USAID regarding its plans to terminate the grazing fee and when the GOL cancelled the fee on July 16, 1993, USAID responded legally by informing the Deputy Prime Minister and the Minister of Agriculture that USAID will allow LAPSP to terminate on the PACD of August 13 1993. A copy of the GOL legislative order cancelling the grazing fees is attached in Annex 6.

USAID was committed to facilitating the extension of the program: USAID proposed the three-year extension to A.I.D./Washington which allowed the initial three-month extension. Also, USAID projected LAPSP to be an integral part of the future Mission program portfolio and made provisions to provide staff resources to manage the program from 1993 to 1996. Other evidence of this was that USAID did not terminate the program after the cancellation of the grazing fee, but allowed the PACD to lapse; the effect was the same but the significance of the two actions are different. Nevertheless, USAID assured the GOL, after the end of LAPSP, that the ending of LAPSP did not affect other USAID programs.

USAID management of the program was not without faults and problems, several of which were due to: initial USAID inexperience with program management; changing U.S. direct-hire staff in the Mission; an excessively hand-off style during the early years of implementation which was opposite to the management style adopted in the latter years; inadequate attention to GOL progress on the larger policy mandate and excessive focus on individual activities. Some of these problems were identified in the mid-term evaluation report. One major outcome of these internal USAID management defects was that the mid-term evaluation was conducted late: the 'mid-term' evaluation should have been done about one year earlier when it became obvious that the program would not achieve its objectives in the remaining time period before the original PACD. Also, USAID senior management staff could have been more involved in policy dialogue with GOL counterparts.

Several USAID actions perceived by the GOL as contributing to strained relations before the mid-term evaluation were documented in the evaluation report. USAID addressed several of these concerns after the evaluation but some GOL staff stated that USAID had come to assume increasing control over the management of the program, which they perceived as contrary to their understanding of the degree of freedom they expected to exercise in implementing the program. The GOL staff cited several USAID actions as evidence of the trend of increased micro-management of the program by USAID, including unilateral suspension of the GOL use of local currency funds by USAID during review of the financial management of LAPSP. Also, some GOL officials viewed the post-evaluation USAID style of management as increasingly uncompromising, stating the following: USAID linking second phase dollar disbursements to the extension of the program; the rigid stance of USAID regarding conditions that the GOL had to meet within a short timeframe before the three-year extension could be granted; and the ending of the program, which the GOL regarded as sudden, after the cancellation of the grazing fee.

On the other hand, USAID perceived the need to exercise greater oversight over the projectized elements of LAPSP to ensure effective overall program implementation, if the program was to be extended. Again, similar to the conclusions of the mid-term evaluation, several of these perceptions by GOL staff of USAID management of LAPSP were due to misconceptions arising from inadequate or strained communication between the GOL and USAID. For example, some GOL staff believed that USAID's informal concurrence with the proposed revisions to the indicators was sufficient to warrant the release of grant dollar funds. However, that was only the first step since the revisions then had to be formally legalized through the legal mechanism of an amendment of the Program Agreement. Following their assumption, several GOL staff expected USAID to disburse dollars once the GOL submitted documentation demonstrating compliance with second phase livestock conditionalities and the proposed revised indicators. That would normally be the case if implementation were on schedule, but USAID indicated that since time had ran out on the program, it would disburse second tranche dollar grants only if the program was to be extended to enable it to achieve its objective, thereby linking the disbursement to the extension. Perhaps the most unfortunate case was the belief of some GOL staff that USAID would re-negotiate the LAPSP program with the GOL after the cancellation of the grazing fee.

2.4 Program close-out actions

The USAID notified the GOL on August 9, 1993 of its intent to allow LAPSP to lapse after the expiration of the PACD. The LAPSP technical assistance team departed Lesotho on/about August 14, 1993, the employment of LAPSP-related staff in the MOA was terminated and LAPSP commodities (vehicles, computers and office equipment) were transferred to the Community Natural Resource Management project, another USAID-supported project in the MOA. The GOL planned to established a committee to take the necessary actions to close-out USAID assistance to the program and has contracted Marais & Crother to close the accounts and to prepare the last quarterly financial report. The report is expected by the end of October. Between GOL and USAID, close-out actions to be completed include: cataloguing and archiving LAPSP documentation in the Secretariat; performing a final financial auditing; and transferring unused local currency funds to the GOL's budget funds in the Ministry of Finance. The Auditor-General of Lesotho has identified Ernst & Young to do the final financial audit. USAID contracted the former Local Currency Program Manager of LAPSP to assist with actions necessary to close the program; residual close-out actions completed will be detailed in a Program Close-Out Report to be prepared by USAID.

Chapter 3. Progress and Accomplishments

3.1 Agricultural inputs marketing component

The aim of the input marketing component of the program was to open up the agricultural input marketing system to permit more competition and greater input availability. The target of the input component was to implement new policy measures that would reduce the budgetary cost to the government of interventions in agriculture by removing subsidies and greatly reducing the role of the major parastatal. Achieving these were expected to contribute to opening up the agricultural input marketing system for increased private sector participation.

3.1.1 Reduced budgetary costs of government intervention LAPSP achieved significant gains in liberalizing the marketing of agricultural inputs and increasing competition in the sub-sector: the role of the dominant parastatal was eliminated and inputs are now freely available through private sector dealers. The GOL implemented a set of measures to achieve these input marketing reform targets including: removal of the fertilizer subsidy, announcement of freedom of participation by private traders in input marketing, provision of market information and liquidation of Coop Lesotho. The program recorded one visible success when GOL eliminated the explicit subsidy on fertilizer marketed by the Coop Lesotho in 1989 by removing the direct budget subvention provided Coop Lesotho in the MOA annual budget, thereby reducing budgetary costs of government intervention in input marketing. However, the overall accomplishment on reducing subsidies is difficult to judge because, although the GOL eliminated the direct budgetary subsidy on fertilizer, it continued subsidizing Coop Lesotho. Annual Coop Lesotho audited financial reports showed continued GOL financial support to the company after the elimination of the fertilizer subsidy, in the form of loans, grants and capital support totalling Maloti 8.745 million ($4.13 million) in nominal values during the period 1987/88 - 1991/92. Coop Lesotho made some operating profits during that period but these transfers also supported the trading resource base of the company as cumulative trading losses totalled Maloti 5.824 million ($2.315 million) in nominal values.

The GOL also provides budgetary support to other public input delivery organizations. However, it is difficult to ascertain the exact amounts. Furthermore, the GOL re-introduced subsidies on the wholesale price of fertilizer as part of its drought relief and recovery efforts in 1992 and 1993. The 1992 subsidies, totalling about Maloti 5.2 million ($1.82 million), were financed by the World Bank and the FAO, while the GOL will finance the 1993 subsidy of 20 cents/KG which will likely total about Maloti 6.0 million (about $1.82 million) or higher. Nevertheless, the general feeling among traders is that the playing field is now levelled in terms of subsidies and that the commercial environment is conducive to expansion of private sector input trading Also, the subsidized inputs are effectively delivered through the private sector input marketing system.

3.1.1 Increased private sector participation: In addition to curtailing the activities of Coop Lesotho, the GOL also allowed increased private sector operators to provide the mechanization (mainly land preparation) services previously being provided by the Operations of the Technical Operations Unit (TOU) of the MOA. Expansion of mechanization service delivery by the private sector complements their expanded role in input provision. These actions have contributed to reducing the role of parastatal service institutions.

Another major element in the strategy to improve the environment for increased private sector participation was the provision of marketing information. The MOA implemented a LAPSP-supported activity aimed at developing the MOA's capability to provide marketing information. This was the only LAPSP local-currency activity directly related to the inputs component before that for the liquidation of Coop Lesotho was approved. Activities under this program include publication of weekly commodity market prices.

The improved policy (elimination of fertilizer subsidy) and regulatory environment (allowing private sector participation) facilitated increased competition in input marketing. At the time LAPSP was designed, the agricultural input marketing system consisted of Coop Lesotho, a few large private trader outlets, some small independent shopkeepers/cafes, newly-emerged specialized outlets, the MOA (especially the livestock division) and government area-based projects. The LAPSP Monitoring Baseline identified 88 input traders, including non-specialized input traders, in addition to the Coop Lesotho which operated 36 branch depots. However, the present largest private input trader, Frazers Lesotho Ltd., was selling virtually no inputs at the time. By the end of the program, the numbers of major private traders had increased: as of August 1993, the remaining 25 Coop Lesotho stores were closed while Frazers Lesotho Ltd. was operating 56 input stores in addition to stores run by 65 other traders. The increased role of the private sector has also facilitated the expansion of retail input marketing. Numerous private retail traders are now in the market; the MOA indicated that more farmers are now being reached, despite the closure of Coop Lesotho; and donor-supported inputs are now distributed more efficiently.

Furthermore, the emergence of specialized input marketing agencies has generated competition between them and general traders who also supply agricultural inputs. However, with the demise of Coop Lesotho, the main source of competition in the input market is the South African cooperative marketing outlets that also supply Lesotho farmers. But there is a growing request by specialized private input traders for protection from general traders. This protectionist call, although turned down by the MOA, may not augur well for the future expansion of private input marketing.

3.1.3 Reduced role of the major parastatal: Perhaps the critical factor that facilitated increased private sector participation was the planned divestiture of Coop Lesotho. The LAPSP Agreement called for the progressive divestiture of the retail and lock-up stores of Coop Lesotho, the complete withdrawal of the GOL from the ownership of Coop Lesotho and the transformation of Coop lesotho to a true cooperative wholesaler in competition with other private sector suppliers. The GOL took preparatory actions to divesting Coop Lesotho involving valuation of its assets. The Cabinet of the former military government approved immediate commencement of sale of Coop Lesotho depots on March 24, 1992, directing that Basotho should be given priority in the purchase of depots and that the sales must be completed by the end of 1992. However, resistance from affected interests increased: the Board of Directors of Coop Lesotho finally approved privatization of Coop Lesotho, as contained in the LAPSP PAAD, on October 20, 1992. But the program could still not start due to several management lapses and other constraints. The MOA had not developed an overall Coop Lesotho divestiture implementation plan, as it was still finalizing the termination and compensation plan; the MOA staff were still grappling with how to implement the privatization; and the management of Coop Lesotho intensified resistance to the privatization. But more significantly, a consensus began to emerge within the MOA as to the need to liquidate, rather than divest, Coop Lesotho.

The PAAD analyses underlying the divestiture option expected agricultural cooperatives to develop a viable input marketing system within which a re-structured Coop Lesotho would play the role of an apex cooperative input wholesaler. The expected evolution of cooperatives has not occurred, the cooperative movement is weak and cooperative marketing is undeveloped. Consequently, the MOA determined during the implementation review following the mid-term evaluation that the option of restructuring Coop Lesotho to play the role of a true cooperative input wholesaler in competition with other private sector retailers was unviable, while liquidation would achieve the intention of PAAD policy reforms which were aimed at creating an efficient non-governmental, un-subsidized agricultural input marketing system.

Thus the new GOL proceeded to implement the liquidation program as developed by the MOA after the mid-term evaluation in joint reviews with USAID. USAID contracted Price Waterhouse to help the MOA to develop a divestiture plan for Coop Lesotho before starting the divestiture process. The liquidation process started on February 16, 1993 when the GOL awarded a contract to Marais & Crother to manage the program; the program was to be complete by the end of December 1993. The scope of work of the contracting firm included: finalizing the method of divestiture; establishing the assets, inventory and obligations situation of Coop Lesotho; and establishing control over the company to facilitate divestiture, including attending to personnel issues of termination and compensation. To ensure effective and timely implementation, the LAPSP management established a Weekly Working Meeting team that was vested with oversight and monitoring responsibilities and chaired by the P.S. of Planning and included the P.S. of Agriculture, the Director of Marketing and Economics of the MOA, the Director of Crop Services and Chairman of the IPIC, representatives of USAID, the contractor responsible for the divestiture and the LAPSP Inputs Advisor. Employment of all 230 staff was terminated with compensation on March 19, 1993 and all Coop Lesotho stores were closed by March 30, 1993. As at April 5, 1993, thirty-six interested parties had contacted the office of the contractor enquiring about purchasing Coop Lesotho assets.

However, the program faced several serious problems. One major cause of the resistance to liquidation and the slow pace of implementing the divestiture was how retrenched employees were to be handled. After three efforts, the MOA developed a compensation plan for retrenched Coop Lesotho staff by the time of liquidation but this plan faced difficulties regarding the treatment of leave pay and taxation of benefits and had to be re-calculated several times, delaying termination and compensation. The plan was envisaged to be a model to be applied to other divestitures by the GOL but the novelty of the process, the unconducive political atmosphere for retrenchments and the fact that Coop Lesotho divestiture was a test case of privatization under the SAP/ESAP dictated that the compensation plan developed had to be unique to Coop Lesotho. As a result of several factors including the complexity of administering the compensation plan, incomplete Coop Lesotho personnel records and bureaucratic impediments to processing claims by affected workers, some retrenched workers had not received their entitlements as of August. Also, the liquidation program received adverse publicity partly because the MOA did not issue a press release or other public statement on the program. This was worsened by two lawsuits brought against the GOL and the contractor firm, the first on April 16 to stop the sale of non-perishable commodities, and the second on June 3 to halt the entire liquidation process. Progress was also retarded by GOL plans for the Registrar of Cooperatives to initiate investigations into the financial status of Coop Lesotho and through delays by the MOA in approving the method of selling Coop Lesotho movable and fixed assets. As a result of these problems, the divestiture process was suspended and resumed several times. Consequently, no assets were sold as of June 11 when implementation of Coop Lesotho divestiture ceased as the funding for the divestiture process ran out. The MOA scheduled the limited sale of assets to begin on July 4, 1993 but that did not occur.

The new GOL stopped the liquidation of Coop Lesotho by halting the programmed sale of fixed assets after all facilities were closed and the workers dismissed. The GOL appointed a Kings Commission on June 26, 1993 to investigate problems with Coop Lesotho and circumstances leading to its liquidation and to recommend modalities for restructuring the national cooperative movement in Lesotho. The commission presented a draft report in August 1993 and is currently sitting to produce a final report which MOA officials expect will have far-reaching consequences for input marketing in Lesotho.

3.2 Livestock Component

The purpose of the livestock component of the program was to reduce the overstocking of cattle, sheep and goats on fragile rangelands and thereby bring into closer balance herd size and grazing potential. In the process, livestock owners will be induced to take into account the costs and benefits of open grazing, through payment of grazing fees, and the livestock marketing system will become more efficient and competitive. Opening up the livestock marketing system, especially restructuring and improving the NAFC, was seen as necessary to enable the system market expected increases in animal off-takes in the domestic and export markets. Thus, the mission of LAPSP was to improve the policy environment for achieving balanced herd sizes in the long-term through the fee program, in association with several other programs, and to provide the implementation support to achieve reform goals. The mid-term evaluation found these overall goals of livestock reform policy still valid but, the implementation steps, particularly for the restructuring of the NAFC, and indicators for assessing progress in livestock reforms needed to be reviewed. After the evaluation, progress on implementing the livestock component was rapid as the GOL submitted documentation to USAID satisfying the revised second phase indicators on December 4, 1992 pending formal amendment of the Agreement.

3.2.1 Payment of grazing fees: The grazing fee program consists of a package of measures involving: rangeland adjudication; livestock inventory; installing a fee administration unit within the MOA; enacting the enabling legislation; training and organizing VDCs to collect fees and manage fee utilization; and, educating and sensitizing the public on the program. The Ministry of Interior's Rural Development staff were responsible for monitoring the administration of the grazing fee program. The MOA made substantial progress in implementing these related and complex activities. At present, the MOA has prepared adjudication maps for Butha Buthe and Mokhotlong districts. The VDCs started collecting grazing fees in August/September 1992. The total amounts of grazing and penalty fees collected in all 10 districts as at the end of July 1993 is shown in Annex 7. Prior to the commencement of fee collection, the MOA conducted meetings and training sessions with chiefs, farmers and the VDC on the program. A summary of public meetings on the grazing fee program and training courses for VDCs is shown in Annex 8.

3.2.2 Improving livestock marketing: The GOL also made some progress in improving livestock marketing competitiveness and effectiveness. The MOA instituted a weekly radio livestock marketing news service and other publications to provide information on prices in Lesotho and the Republic of South Africa. The MOA also streamlined the requirements and process for obtaining government permits to trade in livestock and meat products. The NAFC increased its purchases of livestock from auctions as a result of the LAPSP revolving fund which increased the frequency of livestock auctions. The revolving fund supported the small stock culling and exchange program, contributing to a slight increase in offtakes. Domestic marketing opportunities for livestock marketing improved as the NAFC increased its throughput and domestic sales. Feedlot purchases of animals increased by 46 percent from 1989 to 1991 while the value of total NAFC sales of livestock and meat products increased by 67 percent between 1990 and 1991. Also, private sector activity in livestock marketing increased: for example, cattle speculators at livestock auctions increased 25 percent between 1989 and 1992. However, the drought of 1992 affected NAFC performance as the animal throughput of the abattoir dropped by 26 percent from the 1991 level. Also, most local butchers continue to purchase their supplies from South Africa. Regarding exports, the MOA developed a program after the mid-term evaluation to upgrade the physical facilities of the abattoir so as to be certified for exporting to the uncontrolled areas of the South Africa. Meanwhile the NAFC expanded opportunities for export marketing by securing limited quotas to export meat to controlled areas in South Africa and explored other export markets.

3.2.3 Improving livestock productivity: To enhance expected impacts of LAPSP reforms on livestock productivity, the MOA also started a LAPSP local currency-funded activity to develop a small-stock holding and research facility. However, the GOL did not make much progress in utilizing the completed facility before the end of the program.

3.3 Broad program impacts

The overall systemic impacts of LAPSP are significant. The GOL has gained valuable experience in the design and implementation of policy reform programs from LAPSP. LAPSP strongly complemented the overall GOL economic reforms under the SAP and the on-going Enhanced Structural Adjustment Program (ESAP): both LAPSP and the SAP/ESAP support common reforms and conditionality involving liquidation of Coop Lesotho and institution of a national grazing fee. USAID and IMF/World Bank also coordinated activities through joint consultation in these reform areas. The design of LAPSP was finalized just before that of the SAP. Hence, the experience gained by the GOL from one program mutually reinforced that from the other.

The program strengthened the MOA capacity for agricultural policy planning, especially in the livestock sector, and implementation. In the livestock sector, LAPSP funding was instrumental in institutionalizing the functions of the Livestock Task Force while its rationale of livestock reforms provided a unifying paradigm on which the MOA based its entire livestock policy. LAPSP funding also provided support for the overall national program for strengthening VDCs.

In the inputs sector, the MOA indicated that the experience gained from the Coop Lesotho privatization effort will be invaluable in guiding implementation of the planned World Bank-funded privatization and private sector development project. One significant impact of LAPSP has been increased input of Basotho in shaping the GOL's privatization program: the GOL team that attended the training course on privatization recommended the establishment of an autonomous Privatization Unit to implement the GOL's program which will be set up under the planned privatization project.

LAPSP reforms in input marketing have increased private sector participation in policy dialogue with the GOL. For example, private traders now meet more regularly with the MOA to discuss input pricing and marketing issues. Also, as a result of LAPSP, the MOA established structures, including input and livestock marketing information systems, for providing extension and communication to farmers. These have greatly improved interaction with farmers in general and increased farmer awareness of the need for controlled management of the rangelands in particular. Because of these LAPSP structures now in place, the GOL can effectively implement a grazing fee program, once it decides to do so in the future.

LAPSP promoted the development of civil society and local participation by supporting the organization and empowerment of grassroots structures mobilized to address cross-cutting environmental and developmental problems through self-help. By promoting the payment of grazing fees, ninety percent of which remained at the village level to be programmed by VDCs for local developmental activities, while the remainder stays at the district level, LAPSP contributed to strengthening village-level initiative, thus promoting decentralization of development decision-making.

Chapter 4. Factors Affecting Overall Implementation, Progress and Impact

Several factors affected the overall implementation progress and reform impacts. The major ones included: management factors; program extension requirements; GOL experience with reform programs; issues of communication; political factors; and the recent drought

4.1 Management factors

The management factors affecting program implementation were extensively discussed in Chapter 2 while other implementation factors, especially regarding communication, will be discussed in this Chapter. LAPSP was the first GOL privatization program and the first non-project assistance program implemented by USAID in Lesotho. Hence, implementation problems were mainly those of a prolonged learning process but were compounded by political factors. In general, the technical issues of program implementation were largely resolved after the mid-term evaluation but political factors then came to the fore. Government was able to mobilize financial and administrative resources but could not provide the political support needed to carry the program forward.

4.2 Program extension requirements

USAID supported the GOL request to extend LAPSP in principle, partly because the GOL met conditions of USAID, IMF and the World Bank to complete a national livestock inventory, to gazette the grazing fee order and to begin collecting the fees during a period of increased reluctance of top officials to make politically-sensitive decisions as a result of the uncertain political environment leading to the elections. Other reasons included the continuing validity and importance of the policy objectives and the potential for achieving program objectives during the extended period. Nevertheless, since the grazing fee issue was a topic of political campaign, and because the reforms would have to be completed by the new government, USAID felt it was necessary to ascertain the new government's commitment to implementing the grazing fees prior to approving the program extension. USAID indicated during this evaluation that technically it could not release the second tranche of dollar grants because the proposed revised indicators were not formally and legally ratified by the GOL and USAID in the planned amendment to the Agreement before the cancellation of the grazing fee caused the program to be terminated.

An issue that needs to be considered is whether the three-month extension was adequate to allow time for the new government to become familiar with the program, review it and commit itself to continuing the reforms. Several GOL officials felt the time was too short but this must be balanced against other factors. Given the delays in implementation, there was the need for an interim measure to provide time to determine whether the program should continue. Also, terminating LAPSP on the original PACD of May 13 would have signalled lack of donor support for the new GOL. More, the GOL and USAID needed time to prepare the necessary documentation to move the program forward and for the GOL to express its commitment; the three-month interim extension provided the time relief for those actions.

4.3 GOL experience with reform programs

Some GOL officials indicated that they regarded LAPSP essentially as a project because it had a technical assistance team and because local currency funds were to be used to finance specific activities, albeit only those broadly agreed with USAID. Given the GOL's relative unfamiliarity with NPA, a major consideration affecting the termination was the GOL's experience with other donors funding the SAP/ESAP. During 1991/92, the GOL could not meet the timetable for initiating the grazing fee collection and for implementing several agreed liquidation or privatization actions, but, IMF funding for the programs continued, after the necessary reviews. Following this experience, some GOL officials stated that they felt that the GOL could re-negotiate parts of LAPSP, after cancelling the grazing fee provision. Thus, the response that the GOL expected from USAID to the cancellation of the grazing fee was apparently conditioned by how the IMF and the World Bank responded to GOL's delayed compliance with some structural reform conditionalities under the SAP/ESAP.

4.4 Issues of communication

For the GOL to seek public mandate for LAPSP reforms, it had to review and assimilate existing programs, which are politically sensitive, especially those that formed part of its political strategy. However, the GOL apparently misjudged the extent to which USAID would support all of its actions aimed at seeking this mandate. This is well exemplified in the case of the grazing fee. Immediately after the elections, the USAID position regarding the need to ensure political support for grazing fess was similar to that of the GOL: USAID requested the GOL to show its political commitment to the reforms while the newly-elected government indicated that it was under political pressure to seek popular mandate on the issue. This seeming similarity between the USAID request and the GOL action contributed to the feeling of GOL surprise at the quick USAID decision to allow the program to end without first asking the GOL why it cancelled the grazing fee. However, USAID has indicated that it called for the GOL to demonstrate increased communication with the people and to better sell the fee program to them, without suggesting or implying that the GOL should suspend or cancel the fees.

The issue of inadequate communication between the GOL and USAID was exemplified, at great cost, by the episode of the extension and the fee cancellation. The position and action of the GOL regarding the grazing fees were not formally or informally communicated to USAID; USAID was informed through public pronouncements of senior GOL officials and press publications. Hence, USAID could not communicate the implication of revocation to the GOL before it occurred. But, as explained by some GOL officials, it was difficult for the GOL to notify USAID of its intention to revoke the fee regulation while seeking an extension of the program. Some GOL staff also felt that revoking the grazing fee provision pending public consultations, while simultaneously raising penalties for trespassing animals on controlled grazing areas with the same legislation, signalled the commitment of the new GOL to implementing broad measures aimed at managing rangeland degradation - the same objective that the spirit of LAPSP pursued. Nevertheless, the LAPSP Agreement between the GOL and the Government of the U.S.A. contained the covenant that the GOL shall not in any way discontinue, reverse or otherwise impede any action it has taken in satisfaction of any condition precedent, except as mutually agreed to in writing by USAID and the GOL. Hence, GOL cancellation of the fee provision without prior written agreement with USAID prompted USAID's response which was conditioned by the legal imperatives of the Agreement.

Some GOL officials opined that, perhaps, USAID should have more strongly indicated to the GOL that the program would be allowed to end, without the option of a review, if the GOL did not show its commitment to the reforms or if it reversed them. But USAID felt that it should not be seen to be exerting pressure on the GOL to continue implementing politically-sensitive reforms it inherited from previous governments if it did not wish to do so. Also, some GOL officials felt that USAID could have discussed its intention to allow the program to lapse with the GOL before serving documentary notice of that intent to the GOL as a fait accompli. Since USAID communicated extensively with the GOL on the issue, it is clear that the GOL interpreted the overall message USAID was sending to it regarding the extension differently from what USAID intended to get across.

The mid-term evaluation report identified several factors that hindered progress, including frequent changes in GOL leadership and insufficient policy dialogue between the highest levels of GOL and USAID management, partly due to the displacement of program management focus from broader policy goals to project activities. It, however, concluded that adequate measures had been taken by the GOL to include stakeholders in the grazing fee program in the process through information, training and planning for their roles in implementation. Nevertheless, the new GOL cited the lack of consultation with farmers and other public stakeholders as the reason for revoking grazing fee payments, stating that the national parliament had exerted strong pressure on the MOA to suspend the payment of grazing fees to enable members to consult with their constituencies on the program. Public awareness of the genesis of the grazing fee program was inadequate. This resulted in the public perception, often expressed in the press, that the program was imposed by donors or rushed through by bureaucrats with donor support. The background to the introduction of the mandatory national grazing fee is given in Annex 9. What is clear is that the issue of communicating with, and obtaining the mandate of, the public was crucial in shaping the GOL's decision.

4.5 Political factors

LAPSP reforms fell prey to the political environment and changes ongoing in Lesotho since the start of the program. These included the change in military governments and uncertainty regarding the holding of elections. The previous military governments sought to legitimize their rule in part by seeking both internal public favour and international support. On the one hand, obtaining domestic public support required the government not to take difficult measures, including legislating compulsory national grazing fees and privatizing parastatals. Hence, the first military government agreed to introduce the national grazing fees in 1989 on condition that certain categories of livestock owners were excluded from paying fees. On the other hand, obtaining donor support for the overall GOL reform program under the SAP and LAPSP required implementation of these selfsame measures. The tensions produced by this conflict, coupled with the strain on bureaucratic initiative caused by the uncertain political atmosphere, contributed significantly to the overall tardy implementation of structural reforms.

Implementation delays resulted in the non-completion of reforms before the transition to a civilian government. For example, previous military governments delayed approval of the Livestock Implementation Plan and the Grazing Fee Implementation Plan. The change in military governments in 1990 also affected program implementation due to the frequent change of ministers in the Ministries of Agriculture, Finance and Interior. The GOL officials turned wary of taking administrative initiatives under these circumstances. Hence grazing fee collection that should have started in October 1990 started only in April 1992.

Some GOL officials indicated during this evaluation that the real intention of government was to suspend the grazing fee, pending public consultations, not to cancel it; several GOL officials interpreted the GOL action on the fees as such. Other GOL staff pointed out that, in part, the government's action was in response to the royal injunction to take the issue of grazing fees to the people contained in the King's speech to parliament on June 4, 1993.

The political circumstances jeopardized the success of LAPSP. For USAID, the extension of LAPSP was at risk on the issue of GOL political commitment while, for the GOL, continuing LAPSP was jeopardized by its decision to suspend the Coop Lesotho divestiture and its plans to stop the grazing fee payment. Ultimately, it was the decision to stop the grazing fees that led to the demise of the program. However, given the slow implementation of Coop Lesotho privatization and time constraints for extending the program, it was likely that LAPSP could have suffered even if the grazing fee was not been cancelled. This was because it appeared unlikely that the GOL decision on Coop Lesotho, which was to be based on the recommendations of the King's Commission, would have been communicated to USAID in time to allow USAID complete A.I.D. processes required to extend the program for three years.

Based on speeches by the new GOL and from press reports, it appears that the GOL plans to develop a nationwide cooperative movement based on grassroots associations. Hence, it sees Coop Lesotho as a vehicle for developing true cooperatives. In a way, this approach echoes the original concept in the LAPSP PAAD whereby it was envisaged that a strong cooperative movement could emerge, with a restructured and privatized Coop Lesotho at the apex as a wholesale operation. However, no program targeted the development of the cooperative movement. More, the deteriorating trading position of Coop Lesotho, coupled with the need to level the playing field for the private sector, required a reappraisal of the envisaged role of Coop Lesotho. Consequently, the former GOL decided to liquidate Coop Lesotho since it was not performing its envisaged role. But on the development agenda of the new GOL, Coop Lesotho was to be used as a key instrument in developing the cooperative movement. Thus, the decision to terminate LAPSP reforms in input marketing partly originated from the felt need of the new GOL to implement its agenda for the overall cooperative movement in its own timeframe.

4.6 The recent drought

The drought of 1991/92 and 1992/93 increased the need for public support for farmers, thereby making the case for liquidation of Coop Lesotho more difficult to defend politically. This was because of the common perception that liquidating Coop Lesotho would disrupt the supply of vital agricultural services and also eliminate the major conduit of government subsidies or support. This anxiety arises from a misconception that the private marketing system cannot deliver government-financed services and that a public entity is more likely to be benevolent and socially-responsive. As it turned out, the MOA was able to administer the delivery of donor and government-subsidized inputs under the drought-relief program to farmers in the 1992 and current seasons successfully through private traders, demonstrating the effectiveness of private distribution of inputs.

The drought also contributed to the observed resistance to grazing fee collection; in a period when farmers were losing livestock, it was difficult for them to begin to pay fees for grazing their livestock. Nevertheless, the drought situation presented an opportunity for officials to point to the significantly better condition of animals on areas situated in Range Management Areas 1 and 2 where farmers had been implementing range management practises based on the fee approach. Thus, the drought indirectly strengthened the case for grazing fees by demonstrating its benefits.

However, in terms of overall program implementation, the drought affected progress by diverting scarce GOL, especially MOA, staff resources to administering drought-relief programs; this affected the performance of the inputs marketing component especially.

Chapter 5. Effects of Ending Program Reforms and Implementation

5.1 Effects on sustainability of program activities

5.1.1 Agricultural inputs marketing component

Sustainability of input marketing reforms will depend on GOL support, the institutional capability of the MOA and political or other factors. The cancellation of LAPSP would affect the divestiture of Coop Lesotho to the extent that LAPSP provided financial, technical and international support for the process. The MOA has submitted a funding request to the MOF for continuation of services of Marais & Crother to sell perishable commodities and for securing locked-up stores and premises. However, stopping the process has left financial obligations that the GOL has to meet, including the need to pay off debtors and other residual liabilities.

LAPSP reforms have facilitated increased private sector participation in input marketing, but most of the private traders are located in larger towns. The stoppage of Coop Lesotho store sales has reduced the opportunity to extend private marketing to smaller and to more remote localities which were serviced only by Coop Lesotho through privatization of Coop Lesotho.

Sustaining reforms in input pricing depends on GOL commitment not to reverse the decision on subsidizing fertilizer and on limiting the role of parastatal input marketing channels. Given the continued importance of donor-financed agricultural development projects, some of which involve the provision of subsidized inputs, sustaining fertilizer pricing reforms requires that the GOL does not extend current subsidized-input activities on equity or other grounds.

Within the context of overall GOL policy on farmer support, it is likely that the gains in marketing reform could be reduced. Press reports indicate that the MOA program of developing a mass cooperative movement includes free provision of farm equipment, such as irrigation equipment and land preparation tools, to unit cooperatives. This may initially be justified on 'infant-organization' grounds but it would distort the incentive for competitive market pricing of inputs.

5.1.2. Livestock component

The cancellation of the grazing fee regulation and the cessation of LAPSP have disrupted the key component of the overall national program to address the urgent issue of overgrazing of the rangelands. However, the GOL has not yet stated what replacement program it has planned, although the MOA has indicated its intention to continue implementing vital support and administration activities in the grazing fee program, including rangeland adjudication and the livestock inventory, both of which are continuing activities. The MOA has requested supplementary MOF funding to support the continued implementation of key LAPSP activities of adjudication, the NAFC revolving fund and the culling and exchange program. However, activities such as the grazing fee administration, including the salaries of LAPSP-supported staff employed in the Grazing Fee Unit; upgrading of the abattoir; provision of livestock marketing information; improved meat inspection laboratory services support and the development of small stock research facilities appear unsustainable due to constraints on GOL budget resources. Inability of the GOL to support the program at historic levels will result in the loss of several jobs at the Grazing Fee Unit and the NAFC. Also, the cessation of LAPSP local currency funding for livestock activities could contribute to increased cross-breeding, since the MOA may no longer be able to regulate and monitor the expansion of small stock to prevent contamination of the local mohair produce, which could have long-term adverse consequences for the rural economy.

5.2 Broader implications

In addition to reduced sustainability of specific program activities, the systemic gains from LAPSP could also be diminished. LAPSP was a key tool of broad adjustment: both LAPSP and the SAP/ESAP contained conditionality requiring institution of grazing fees and divestiture of Coop Lesotho. Therefore, cancellation of the grazing and stopping the divestiture may likely affect GOL compliance with Enhanced Structural Adjustment Program (ESAP) conditionalities. The cancellation of the grazing fee has also adversely affected chances of success of other related donor programs in rangeland management, including the World Bank-supported Land Management and Conservation Project. In addition, the ending of LAPSP has created difficulties for the MOA program to improve the national abattoir which involved complementing LAPSP-supported physical upgrading and training with World Bank-supported management technical assistance under the Agro-Industrial Development Project. This disruption of the NAFC/World Bank plan has serious negative implications for the upgrading, commercialization and eventual privatization of the abattoir. Also, since LAPSP was partly funded by USAID from the A.I.D. support for SADCC, its cancellation has reduced Lesotho's overall access to SADCC resources.

The reversal of LAPSP reforms created an air of uncertainty within the donor community regarding the continuity of policies in Lesotho. A priori, stopping the Coop Lesotho divestiture has implications for the GOL's planned privatization and private sector development project in terms of the signals it sends on the GOL's commitment to privatization. Furthermore, recent press reports have stated that the MOA would likely revive Coop Lesotho. Nevertheless, the GOL has stated its continued commitment to privatization and private sector development, both in the King's Speech to parliament and the 1993/94 Budget Statement, and is also proceeding with negotiations with the World Bank to finalize a Privatization and Private Sector Development Project.

The cancellation of these reforms has created a policy void in the MOA. The MOA has to develop a new policy framework to address the problems tackled through LAPSP. The termination of LAPSP has disrupted plans of the DEM to institutionalize privatization analytical capability within the MOA by attaching an economist to the LAPSP Secretariat to start analytical programs on privatization. Also, the termination of the employment of LAPSP-funded staff of the Range

Management Unit has eroded the capability of the MOA to monitor and evaluate range management activities.

The removal of grazing fees eliminated the power of development councils to control grazing on common pastures. It has also created problems with enforcing encroachment by range riders of range management areas and has encouraged farmers to graze on other people's areas. Without a compulsory and legally-enforceable national grazing fee, the enforcement role of VDCs has been severely curtailed. However, elimination of the fee has convinced communities reluctant to develop range management areas and grazing associations being facilitated by GOL/donor teams that formation of RMAs and GAs did not necessarily imply payment of national grazing fees. But cancelling the fees has generated expectations in some grazing communities that the GOL will reverse other measures regarding grazing restrictions and trespassing fees, the latter of which was increased in the legislation that stopped the grazing fees.

The impact on the decentralization process could be significant, since the grazing fees were the first significant source of revenue for the development councils to finance their development projects. It could also require the GOL to finance VDC programs from the budget which will exert further pressure on central government resources, if alternative VDC income sources are not developed quickly.

Chapter 6. Inferences from the Evaluation

6.1 Conclusions

The LAPSP concept was relevant and the broad policy objectives (sustainable herd populations on conserved ranges and improved livestock and input marketing) are pertinent, but the GOL could not implement such politically difficult reforms; several GOL officials stated that the new GOL needed more time to accept the policy changes. The design was complex and the implementation timeframe ambitious. The delays in achieving reform goals were due to design defects, implementation difficulties, apparent lack of will, political factors and drought. Also, due to the close linkages between LAPSP and the Structural Adjustment Program, slow implementation of LAPSP was a reflection of overall delayed implementation of structural reforms. However, GOL staff quickly climbed the steep learning curve of implementing policy reforms, developing broader understanding of the nature, requirements and impacts of reforms. The mid-term evaluation served as a constructive mechanism to resolve implementation constraints and both the GOL and USAID made significant progress thereafter. However, both the timing of the evaluation and the implementation of its recommendations were too late to allow adequate time for the GOL to meet the requirements for extension. Consequently, the original objectives were not met when the program terminated.

Program management focused more attention on the programming and control of local currency use than on progress toward achieving broad policy goals. The MOA programming of the local currency fund was weak, resulting in over-programming of available funds, and the internal control of these funds was inadequate, although there was no case of fraud. The PRC was not as effective as envisaged, not because of the membership, but because of its inability to meet as frequently as necessary. The Livestock Program Implementation Committee (LPIC) and the Input Program Implementation Committee (IPIC) did not receive sufficient representation from other ministries but the LPIC was more effective partly because the livestock program was supported by a well-analyzed plan and a well-qualified group of professionals providing sound technical leadership. The program had no mechanism for evaluating the performance of the TA team and monitoring of program impacts was inadequate. Overall MOA oversight and implementation of the program would have been more effective if there was a program manager responsible for day-to-day management of the whole program.

USAID performed its grant approval, programming and monitoring roles fairly adequately but its roles of engaging the GOL in policy dialogue and in monitoring overall progress to determine the need for changes were less effective. While the MOA preferred the informal approach to dealing with USAID on LAPSP management, USAID had to increasingly adopted a more formal approach to better perform its management role. The tensions that the difference in preferred approaches caused was in part due to inadequate GOL familiarity with USAID procedures. Two-way communication between USAID and the GOL improved after the mid-term evaluation, but was inadequate in the crucial last weeks of the program as the GOL failed to inform USAID of its intentions. USAID favoured the three-year extension of LAPSP in principle, but required GOL completion of remaining second phase reforms and its commitment to continue implementing them. Given the delays in implementation and the short time remaining to complete outstanding reforms, the program could not be extended without the review and preparatory work done by the MOA and USAID to ensure that reforms goals could be achieved. Unfortunately, the GOL was unable to meet all the requirements of the three-year extension, including second phase conditionalities for the input component.

The GOL achieved some gains in liberalizing input marketing and developing a competitive market, facilitating increased private sector participation, removing an inefficient parastatal from input marketing and eliminating the direct subsidy on fertilizer. However, achievement of reform goals has been problematic due to political factors, employment implications and the lack of knowledge and experience of divestiture implementation. The MOA learned a great deal about how to implement divestiture but the complexity of divesting Coop Lesotho was far greater than the program design, the divestiture plan and the program managers anticipated. The fragile gains achieved thus far could be reversed if the MOA re-instates Coop Lesotho and continues to expand the subsidization of fertilizer introduced under the drought-recovery program, including free provision of farm equipment to newly formed cooperatives.

The major achievement of the livestock component was to implement the national livestock policy, including the grazing fee collection, and to make preparation to start upgrading, improving and restructuring the NAFC. However, these achievements are in jeopardy due to the cancellation of the grazing fee regulation and the likely reduction in funding for livestock component activities.

The political events in Lesotho since the initiation of the program contributed significantly to the slow implementation of reforms. However, the MOA made significant progress in resolving the technical causes of slow program implementation after the mid-term evaluation. The political circumstances surrounding the program jeopardized its chances of success, especially when two of the key program reforms became topics of political campaigning during the elections. Thereafter, political factors (USAID's decision to await GOL political commitment and the GOL decision to cancel LAPSP reforms) came to the fore, resulting in the cancellation of the grazing fee and the termination of the program. Hence, non-technical factors decided the ultimate fate of the GOL reforms. The decision of the government to stop the Coop Lesotho divestiture and the grazing fees is not totally unexpected, given the politicization of the reforms. Nevertheless, one key factor that contributed to the actions of the GOL and the response of USAID was the lack of adequate and transparent two-way communication, especially during the crucial last two months of the extended program assistance completion period.

Despite the slow pace of implementing LAPSP reforms, the systemic impacts of the program are significant. These include contributing to GOL familiarity with policy reform program implementation, especially privatization, improved interaction with farmers and increased private sector dialogue with the MOA. The program also contributed significantly to decentralization by supporting the organization and empowerment of grassroots organizations to address developmental concerns.

In addition to affecting the sustainability of input marketing and livestock policy reform activities, the cancellation of the grazing fee and the termination of the Coop Lesotho divestiture may affect GOL progress on structural reforms since LAPSP was a key GOL tool of broad adjustment under the SAP/ESAP. It has also created a policy vacuum in the MOA and sent out signals of MOA inconsistency implementing policy reforms to farmers and the donor community.

6.2 Major lessons learned

The design, implementation and ending of LAPSP provides significant lessons to both the GOL and donors in the programming, design and management of future policy programs.

6.2.1 Program design: In non-project assistance design, it is important to identify or develop steps in implementing policy reform linked to appropriate and achievable indicators. Progress in achieving reform goals is often difficult to measure when indicators of reform do not adequately track actions needed to achieve these goals. The program structure should not be too restrictive in linking disbursement to achieving all indicators: conditionalities should not be so complex and rigid that inability of the host government to meet any single benchmark negatively affects program funding and implementation. Where reforms to be implemented are complex and the number of activities is large, splitting the program into discrete but related components facilitates effective implementation. LAPSP should have been composed of three separate programs: inputs marketing, grazing fees, and livestock marketing.

The timeframe for implementing reforms under NPA should be realistic: the design of non-project assistance programs should include adequate time for the government to learn to manage new and complex programs such as LAPSP, which have economic, socio-cultural, political and environmental implications. This is essential when the program is new to both the host government and donors. This is especially important where reforms include privatization because the complexity of divesting parastatals is often far greater than anticipated during program design and the development of a privatization plan. Program designs and reform implementation plans should allow for periodic review of policy objectives, of policy issues arising from implementation and of the validity of progress indicators. Hence, targets and timeframe should not be overly ambitious.

6.2.2 Program management: In managing sectoral NPAs, existing project management structures and systems in relevant line ministries are often inadequate. Hence, it is essential to develop appropriate implementation units or strengthen existing entities for host-government management of NPAs. It is also useful to have a full-time host-government manager of the program as head of the management unit since NPA programs are management-intensive. Regarding privatization programs, it is more effective to develop a separate unit of specialists, whose time is fully devoted to only privatization; it is not effective to implement a privatization program within a line ministry where officials have other demanding responsibilities. It is important to incorporate key stakeholders in the reform process but inclusion of heads of affected organizations in designing privatization policy and planning for its implementation could jeopardize effective and timely implementation where there is inadequate indication of top-level commitment to or a clear policy on privatization. To facilitate effective privatization, it is also essential that government staff are trained in divestiture policy, planning, management and monitoring. In the absence of a continual strong commitment by governments, ministerial-level approval of sensitive reforms could be inadequate to move reforms forward, as exemplified in the case of the privatization of Coop Lesotho. Above all, the commitment and support of the highest political and administrative authorities are crucial for success.

When the broad policy reform goal is private sector development via privatizing the role of the dominant parastatals in the sector, program management attention can potentially focus inordinately on the privatization component because it is often the most difficult to implement and the most politically sensitive.

Non-project assistance programs are management-intensive for donors, as for governments, since non-project initiatives require project-type management-intensive oversight; often donor staff time input is higher than envisaged. Therefore, the effectiveness of a hands-off approach to management by donors depends on the strength of the institutional base of the recipient country. Donors should strike a balance between flexible management of NPA programs and the need to maintain strict oversight control over projectized activities of these programs, especially when the latter involve funding from local currency generated from foreign exchange grants. Furthermore, changes in the style of donor management should be clearly communicated with host-government managers.

Donors provide sectoral budget support for implementing policy reform activities but it is essential that the host government provides the supplementary funds necessary to complete reform activities within the planned timeframe. Under LAPSP, USAID grant funds were often the sole source of funding for many key reform activities such as the grazing fee program. This situation partly reflected the perception within some sections of the GOL of LAPSP as a projectized intervention which would provide full funding for reform activities. Systems for managing program funds need to be developed as part of initial program design so that effective management and oversight of program funds is not compromised. Hence, it is essential to ensure that adequate capability to account effectively for program funds exist or can be developed in a timely manner.

6.2.3 Donor-government communication: Clear communication between donors and host governments is the key to effective management of NPA programs, since these programs involve significant policy dialogue. Donors need to communicate directly with the host government, not through expatriate technical assistance teams which they fund. Also, donors should effectively communicate their internal organizational or management changes that affect the collaborative implementation of programs they support to the recipient country. As pointed out in the mid-term evaluation of LAPSP, poor communication, especially lack of a clear understanding of procedures for programming funds and approving activities for implementation can impair program management relations between donors and governments. Furthermore, as concluded from the present evaluation, lack of clear communication on the consequences of contravening reform provisions may contribute to the host government taking actions that jeopardize the program.

6.2.4 Socio-Political considerations: Where there is neither a government policy on a reform nor a group of knowledgeable technocrats providing technical leadership and promoting a particular reform within the host government, and where the reform is driven by government reaction to donor conditionality, as was the case with the privatization of Coop Lesotho, it becomes difficult for the reform to gain the constituency of support within government needed for success. Although the existence of a technical pressure group, as exists for the livestock program under LAPSP, does not guarantee success, it helps the leadership of the government to be aware of the technical aspects of the reform program.

Policy reform programs have political implications that often require extensive exposure and discussion with the public. But the political leadership needs to communicate adequately with stake holders, including government officials, donors, farmers and the private business in undertaking reform changes. The national leadership, not bureaucrats, needs to take the lead in selling complex policy reforms, especially those that break new ground, such as the payment of grazing fees, to the people.

To ensure sustainability of reforms, stakeholders with interests in reforms need to be vocal and organized to present a unified voice of support for the reforms. Muted expressions of support for LAPSP reforms were no match for the more vocal and public articulation of resistance. In the case of the grazing fee, several groups of farmers expressed support for paying fees only after they were cancelled.

When a new government assumes existing donor-supported reform programs that are politically-sensitive, it needs to review and assimilate the reforms and seek public mandate. Often, this involves review of actions which constitute conditions precedent to the disbursement of donor funds or relate to agreement provisions. However, there should be clear communication and understanding between the government and donors regarding the extent to which the government can review reform conditionalities. In the case of LAPSP, the GOL apparently felt that USAID expression of support for it to demonstrate public support for the reforms implied that USAID would agree with the revocation of the grazing fee. One key lesson is that in a democracy, technocratic solutions must pass the political test and policy reforms undertaken can be reversed if they do not match the political agenda of the incumbent political administration. However, reversals of reform conditionalities may affect the legal agreement between governments and donors, and jeopardize program continuity.

6.3 Recommendation

In an atmosphere such as that created by the termination of LAPSP it is essential that the donor and the government seek fresh grounds for revitalizing cooperation. In the case of Lesotho: the overall goals of LAPSP reforms are still valid, a lot of planning and management work have been done, government and donor resources have been invested, the GOL has gained useful experience in policy reform implementation and there is new democratic government in place. Therefore, this evaluation recommends that donors, including USAID, continue to support policy and other interventions that promote decentralized natural resource management in Lesotho.

ANNEX 1

EVALUATION SCOPE OF WORK

LESOTHO AGRICULTURAL POLICY SUPPORT PROGRAM (LAPSP)

END OF PROGRAM EVALUATION

SCOPE OF WORK

I. Purpose of Evaluation. USAID/Lesotho has decided to undertake an internal final evaluation of the Lesotho Agricultural Policy Support Program (LAPSP) to document overall program accomplishment, problems and lessons learned.

I. Background. The Lesotho Agricultural Policy Support Program (LAPSP) Grant Agreement was signed between the Government of the Kingdom of Lesotho (GOL) and the United States of America Agency for International Development in Lesotho (USAID) on June 14, 1988. The goal of the program was to make more productive and efficient use of Lesotho's domestic resources in crop agriculture and in livestock through a process of policy reform and implementation. The purpose of the program was two-fold:

A. To open up the agricultural input marketing system to facilitate more competition among suppliers and greater input availability to consumers. New policy measures will reduce budgetary costs to the government of interventions in agriculture by removing subsidies and greatly reducing the role of a parastatal organization.

B. To reduce the overstocking of cattle, sheep and goats on fragile rangelands and thereby bring into closer balance herd size and grazing potential. Livestock owners will be induced to take into account the costs and benefits of open grazing and the livestock marketing system will become more efficient and competitive.

Program funding totalled U.S. $15.0 million, comprising $ 12.75 million in non-project funding and $2.25 million in protect assistance. Disbursement of dollar grant tranches were linked to GOL achievement of specified policy reform implementation actions in the Grant Agreement regarding: removal of the fertilizer subsidy, divestiture of Coop Lesotho, installation of the national grazing fee and restructuring and broadening of the national livestock market. The initial Program Assistance Completion Date (PACD) was May 13, 1993.

The program made progress but completion of second phase actions was behind schedule. USAID and GOL conducted a LAPSP mid-term evaluation in May 1992 to review progress, identify problems and review options for solving them. One recommendation focused on the need to extend the program to allow it time to achieve its objectives. GOL and USAID reviewed indicators for measuring progress and the implementation timeframe to more adequately reflect accomplishments and future actions required to complete program implementation. On 27 April 1993, the new GOL requested an extension of the PACD to August 14, 1996. USAID/Lesotho extended the PACD for three months to August 13, 1993. This interim extension was to enable GOL complete actions under the second phase and to provide new senior government counterparts time to become familiar with the objectives of the policy reforms required by LAPSP and to communicate their commitment to the reforms.

On July 16, 1993 the Lesotho government gazetted "Legal Notice No. 150 of 1993, Range Management and Grazing Control (Amendment) Regulations 1993". The object of this notice is to amend the Range management and Grazing Control Regulations 1990 to revoke the provision on implementation of the national grazing fees. The GOL took this action without agreement with USAID. On July 27, 1993 USAID confirmed its intention to the GOL not to extend the PACD beyond August 13, 1993.

III. SCOPE OF WORK

A. Objectives. An internal review at the closure of the program will be undertaken to assess:

1. What has been the progress of LAPSP towards achievement of its goal and objectives?

2. What are the major political, social and economic issues related to the present status of the program?

3. What lessons have been learned from this program that might be relevant to programming, design and implementation of future policy programs?

B. Specific Tasks:

1. Analyze the initial assumptions of the program design, identifying major issues impeding progress. This should build on but not duplicate the work of the mid-term evaluation.

2. Assess the overall progress and accomplishments in meeting objectives of the Policy Reforms for the Agricultural Inputs Distribution Component. Are any aspects of the reform sustainable?

3. Assess the overall progress and accomplishments in meeting objectives of the Policy Reforms for the Livestock Management Component. Are any aspects of the reform sustainable?

4. Assess the GOL role and management of the program. This should complement and not duplicate the mid-term evaluation work.

5. Assess the USAID role and management of the program. This should complement and not duplicate the mid-term evaluation work.

6. Assess the impact of any non-GOL non-USAID factors on the program.

7. Assess the extent to which the program has resolved original implementation problems, as identified before and during mid-term evaluation.

8. Identify any additional actions that needs to be taken on the program after the closure and who the actors would be.

9. Assess the overall impact of the program and lessons learned.

IV. METHODS AND PROCEDURES

1. Interview GOL and USAID officials.
2. Review LAPSP and other relevant documentation
3. Submit a draft and final report to the Mission.

V. REPORTING REQUIREMENTS

A. Draft Report

1. Date due. The evaluation will be performed during the six (6) weeks of August 14, 1993 to September 30, 1993.

2. The outline of the report will be as follows:
   - A. Executive Summary
   - B. PAAD/Project Identification Sheet
   - C. Table of Contents
   - D. Purpose and Principal Questions
   - E. Economic, Political and Social Context of Program
   - F. Findings
   - G. Conclusions
   - H. Lessons Learned
   - I. Annex - Scope of Work

3. Length of Report. The report should not exceed 30 double-spaced pages. Any other material should be contained in an annex.

B. Final Report. The final report is due by September 30, 1993.

ANNEX 2

LAPSP REFORMS AND INDICATORS

POLICY REFORM	MEANS OF VERIFICATION	VERIFIABLE INDICATOR
Agricultural Input Component		
PHASE ONE		
Government support for and facilitation of the development of an open and competitive market for the supply of agricultual inputs.	(1) Appropriate modification or revocation of legislation limiting private sector ability to freely market and distribute agricultural inputs on a competitive basis.	(1) Review of legislation and gazette.
	(2) Government publication of a policy statement which will clearly allow private sector entities to freely market and distribute agricultural inputs in Lesotho on a competitive basis.	(2(a) Review of GOL policy and copy of publication. (2(b) Survey indicating increased availability of ag. inputs in private sector, including fertilizer.
Government development and approval of an implementation plan for and commencement of implementation of its announced commitment to the progressive removal of all subsidies on fertilizers starting with the 1988-89 crop season.	(1) Acceptance by the Program Coordinating Committee (PCC) and the Program Chairman (PC) of an implementation plan and schedule for the phased elimination of fertilizer subsidies, including provision for semi-annual progress reports.	(1) Review of implementation plan and PC acceptance of document.
	(2) GOL commences implementation of a plan to eliminate fertilizer subsidies.	(2) Review MOA instructions/guidance to initiate fertilizer subsidy removal.
PHASE TWO		
Progressive divestiture by Coop Lesotho of its retail sales outlets and lock-up stores to private sector input suppliers, including primary and secondary cooperatives, private sector input suppliers and general traders, with the objective of reducing Coop Lesotho's role to that of a true cooperative wholesaler in competition with other private sector suppliers.	(1) Completion and publication of a GOL-approved study covering flows, sources of supply and major input purchasers.	(1) Review published study.
	(2) Submission and acceptance by the PCC of an appraisal of Coop Lesotho assets by an independent accounting firm.	(2) Review appraisal study and a PCC recommendation to accept appraisal.
	(3) Acceptance by the PCC of an audit by an independent accounting firm and issuance of a report thereunder reconciling government accounts with Coop Lesotho and Coop	(3) Review audit report and a PCC recommendation to accept.

POLICY REFORM	MEANS OF VERIFICATION	VERIFIABLE INDICATOR
	Lesotho's outstanding debts, the audit to be completed no later than 31 March 1989.	
	(4) Submission to and acceptance by the PCC by the Ministry of Agriculture implementation plan and schedule for the disposal of Coop Lesotho assets. This plan must include a listing of planned divestiture actions under three categories: -- Those assets to be sold outright to private sector agents. -- Those assets to be sold under lease/purchase arrangements to local cooperatives. -- Those assets which the GOL will withdraw from Coop Lesotho and retain for its own use.	(4) Review published plan for divestiture of Coop assets and PCC recommendation to accept.
	(5) Acceptance by the PCC and PC of copies of bills of sale for those assets sold outright during Phase Two and documentation establishing proof of irrevocable lease/purchase arrangements with cooperative organizations. A minimum of 14 retail sales outlets identified by the IFAD study as "non-viable" and 20 unused lock-up stores must be disposed of in Phase Two.	(5) Review copies of bills of sale for Coop assets.
	(6) Issuance by the Ministry of Agriculture of a statement certifying (i) the amount of the net proceeds realized from the outright sale and lease/purchase of Coop Lesotho assets and (ii) the fair market assessed value of assets retained by the government.	(6) Review MOA certification letter.

POLICY REFORM	MEANS OF VERIFICATION	VERIFIABLE INDICATOR
Establishment by the GOL of a program, to be funded out of the Special Local Currency Account, to ease the transition of redundant Coop Lesotho personnel into other employment.	(1) Acceptance by the PC of a GOL plan for severance pay for Coop Lesotho staff whose posts have been abolished, with proposed levels of compensation by grade. The plan must include payment transfer procedures and total local currency requirements for the compensation program.	(1) Review compensation program for Coop Lesotho personnel and PCC acceptance.
	(2) Release of redundant Coop Lesotho personnel for retail outlets/lock-up stores sold and for central operations supporting those operations.	(2) Review employment/payroll records of Coop Lesotho.
Implementation of the first phase of the plan to eliminate fertilizer subsidies.	(1) Publication of GOL policy establishing first phase of plan to eliminate fertilizer subsidies.	(1) Review GOL policy document published in Gazette.
	(2) Guidance issued by MOA on new fertilizer subsidy rates.	(2) Instructions by MOA to Coop Lesotho/DAO's.
	(3) Actual reduction of GOL fertilizer subsidies in accordance with the phased plan.	(3) Records/surveys of Coop Lesotho fertilizer prices.
	(4) Availability of fertilizer to private retailers for sale.	(4) Survey of private sector ag. input suppliers.
PHASE THREE		
Completion of the divestiture of Coop Lesotho's retail outlets and lock-up stores.	(1) Acceptance by the PCC and PC of copies of bills of sale and/or documentation of lease/purchase arrangements for the remaining Coop Lesotho retail sales outlets and lock-up stores.	(1) Review of Bills of Sale and PC acceptance.
	(2) Issuance by the Ministry of Agriculture of a statement certifying (i) the amount of the net proceeds realized from the outright sale and lease/purchase of Coop Lesotho assets (ii) the fair market assessed value of assets retained by the government.	(2) Review MOA statement.

POLICY REFORM	MEANS OF VERIFICATION	VERIFIABLE INDICATOR
Complete withdrawal of the GOL as a shareholder in Coop Lesotho.	Issuance of a statement by the GOL officially announcing its surrender of all shares in Coop Lesotho following a buy-out of its shareholdings through (i) the sale of retail and lock-up stores and (ii) receipt of compensatory funding from USAID.	Review of GOL statement.
Implementation of the final phase of the plan to eliminate fertilizer subsidies.	(1) Publication of GOL policy establishing the final phase of the plan to eliminate fertilizer subsidies.	(1) Review of GOL policy statement.
	(2) Guidance by MOA to Coop Lesotho on eliminating fertilizer subsidies.	(2) Review of MOA guidance.
	(3) Implementation of the final phase of plan to end fertilizer subsidy with evidence that there are no government outlays for fertilizer subsidy.	(3) Review of Coop Lesotho records.
	(4) Full availability of fertilizer to private retailers for sale.	(4) Survey to private sector ag. input suppliers.
Livestock Component		
PHASE ONE		
The preparation by the MOA and approval by the GOL Cabinet of a comprehensive implementation plan for the National Livestock Development and Resource Management Policy enunciated in September 1987. The policy implementation plan must cover the areas of resource management, livestock marketing, and livestock production and animal health.	(1) A written plan by the MOA for implementation of the National Livestock Development and Resource Management Policy.	(1) Review of implementation plan.
	(2) Ministry of Agriculture approval of livestock policy implementation plan; and the date upon which approval is granted.	(2) Review of MOA approval of implementation plan.
	(3) A Cabinet decision number and date for acceptance of the National Livestock Policy and the implementation plan, and corresponding Military Council record.	(3) Copy of Cabinet approval document; review of gazette.

LAPSP - OUTPUT VERIFICATION

POLICY REFORM	MEANS OF VERIFICATION	VERIFIABLE INDICATOR
Restructure and broaden the system of livestock marketing in Lesotho to allow for: - Greater private sector participation in all phases of livestock marketing; - A larger volume of exports of live animals and livestock products to the RSA; - A greater degree of NAFC plant utilization, as demonstrated by increased numbers of local livestock products handled.	(1) Repeal of all existing legislation which hinders the full participation of private sector agents in all stages of livestock marketing.	(1) Review gazette and legislation.
	(2) The gazetting of meat hygiene regulations for the National Abattoir.	(2) Review gazette.
	(3) The institution of a weekly radio marketing news service to provide information on prevailing livestock prices, livestock sale dates and sites.	(3) Review radio logs and radio programs.
	(4) The presentation of documents to the PCC demonstrating successful certification of National Abattoir for export of meat products to the RSA (or submission of a GOL statement documenting RSA refusal to grant certification for other than technical reasons).	(4) Review certification.
	(5) The presentation of documents to the PCC which establish that the GOL has separated the business accounts of the Feedlot Complex from the National Abattoir and reoriented the operations of the operations of the Feedlot Complex from a commercial feedlot to primarily that of a holding ground for cull animals from the national range destocking program and fattening only when financial feasibility can be demonstrated.	(5) Review Feedlot and abattoir financial records.
	(6) Increased volume of local livestock products will be procured by NAFC.	(6) Review abattoir record.

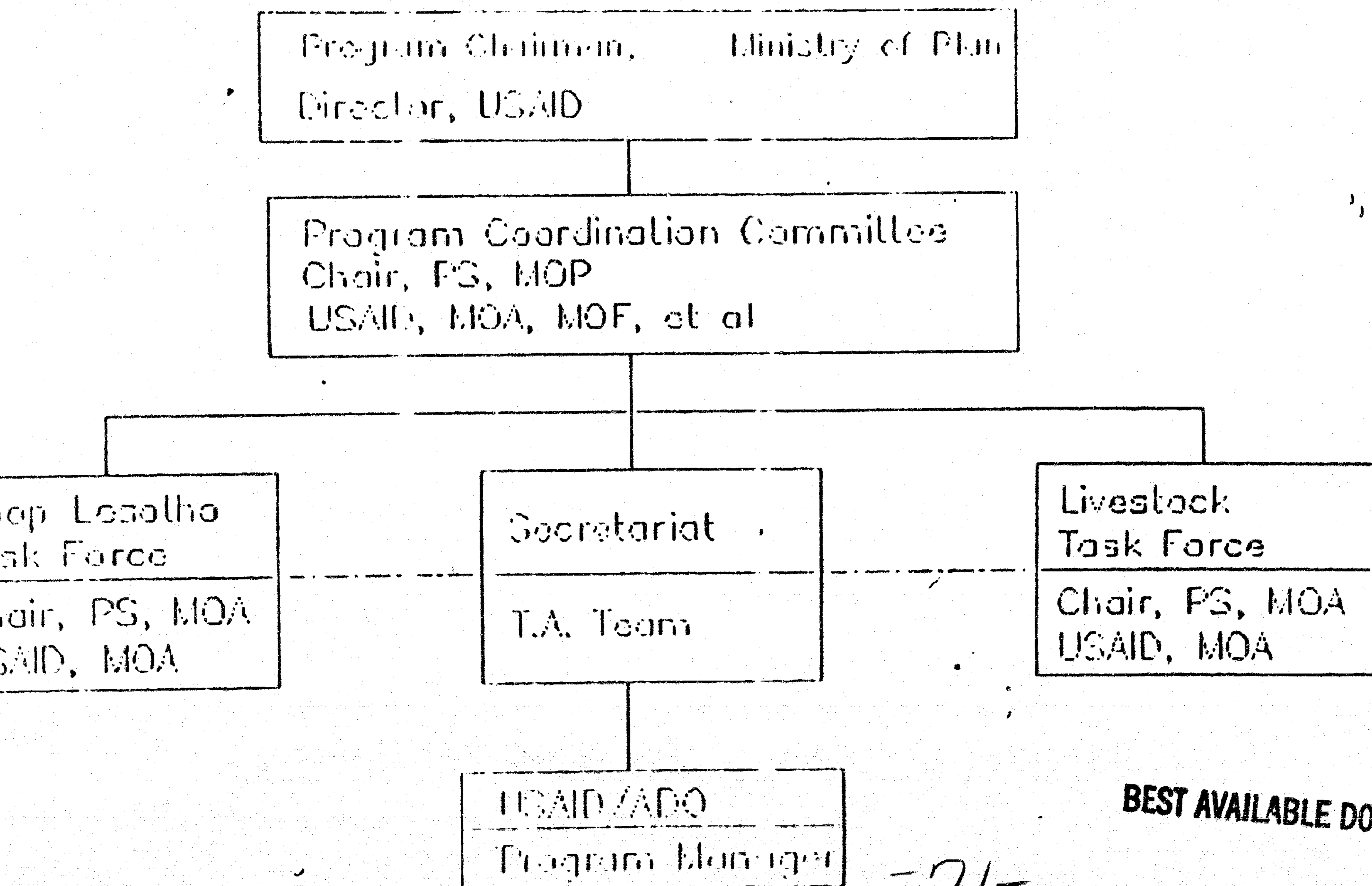
POLICY REFORM	MEANS OF VERIFICATION	VERIFIABLE INDICATOR
PHASE TWO		
The design and approval by government of an implementation plan for and completion of all preparatory steps toward installation of a national grazing fee system.	(1) Gazetting of National Grazing Fee Regulations.	(1) Review of gazette.
	(2) Submission by the Ministry of Agriculture and approval by the PCC and PC of a comprehensive implementation plan for installation of a national grazing fee system.	(2) Review of implementation plan and PC approval.
	(3) The completion of a national livestock inventory as a preparatory step in assessment of grazing fees and the installation of relevant data on grazing fee computer programs.	(3) Review of inventory.
	(4) Completion in all districts of the initial extension information campaign for the national grazing fee system.	(4) Review of MOA records.
	(5) Written protocol in place between MOA and MOI regarding grazing fee collection and procedures.	(5) Review of protocol.
	(6) Establishment, definition of duties, staffing of and personnel training for MOA national grazing fee administrative unit completed.	(6) Review of MOA records and instructions.
	(7) Approval by Cabinet and Military Council of creation or identification of appropriate institutional structures to assure proper disbursement and utilization of grazing fee revenues of criteria for local community use of grazing fee revenues.	(7) Review of Cabinet/Military Council decision.
	(8) Completion and acceptance by Principal Secretary and Ministers of Agriculture and Ministry of Interior's Chieftainship of final design of grazing fee collection processes.	(8) Review of final design and GOL acceptance.

POLICY REFORM	MEANS OF VERIFICATION	VERIFIABLE INDICATOR
PHASE THREE		
Implementation of the first year of operations, including the collection of grazing fees and allocation of grazing fee revenues, under the national grazing fee system.	GOL presentation of detailed records and accounts of: the total grazing fee receipts in the first year of system operations; the administrative costs incurred in implementing the system; and the disposition of all receipts dibursed by the GOL, including those to local communities for development activities. This presentation to be accompanied by a detailed report of the problems encountered, the estimated impacts of the grazing fee system on livestock offtake and animal owners incomes, and development activities implemented by local communities using grazing fee Matrix with the addition of frequency of inspections).	Review of MOA and RMA records and MOA reports from DAO's.
PHASE FOUR		
Implementation of the second year of the national grazing fee system.	GOL presentation of detailed records and accounts of: the total grazing fee receipts in the second year of system operations; the administrative costs incurred in implementing the system; and the disposition of all receipts disbursed by the GOL, including those to local communities for development activities. This presentation to be accompanied by a detailed report of the problems encountered, the estimated impacts of the grazing fee system on livestock offtake and animal owners incomes, and development activities implemented by local communities using grazing fee receipts.	Review of MOA and RMA records, and MOA reports from DAO's.

ANNEX 3

ORIGINAL LAPSP MANAGEMENT STRUCTURE

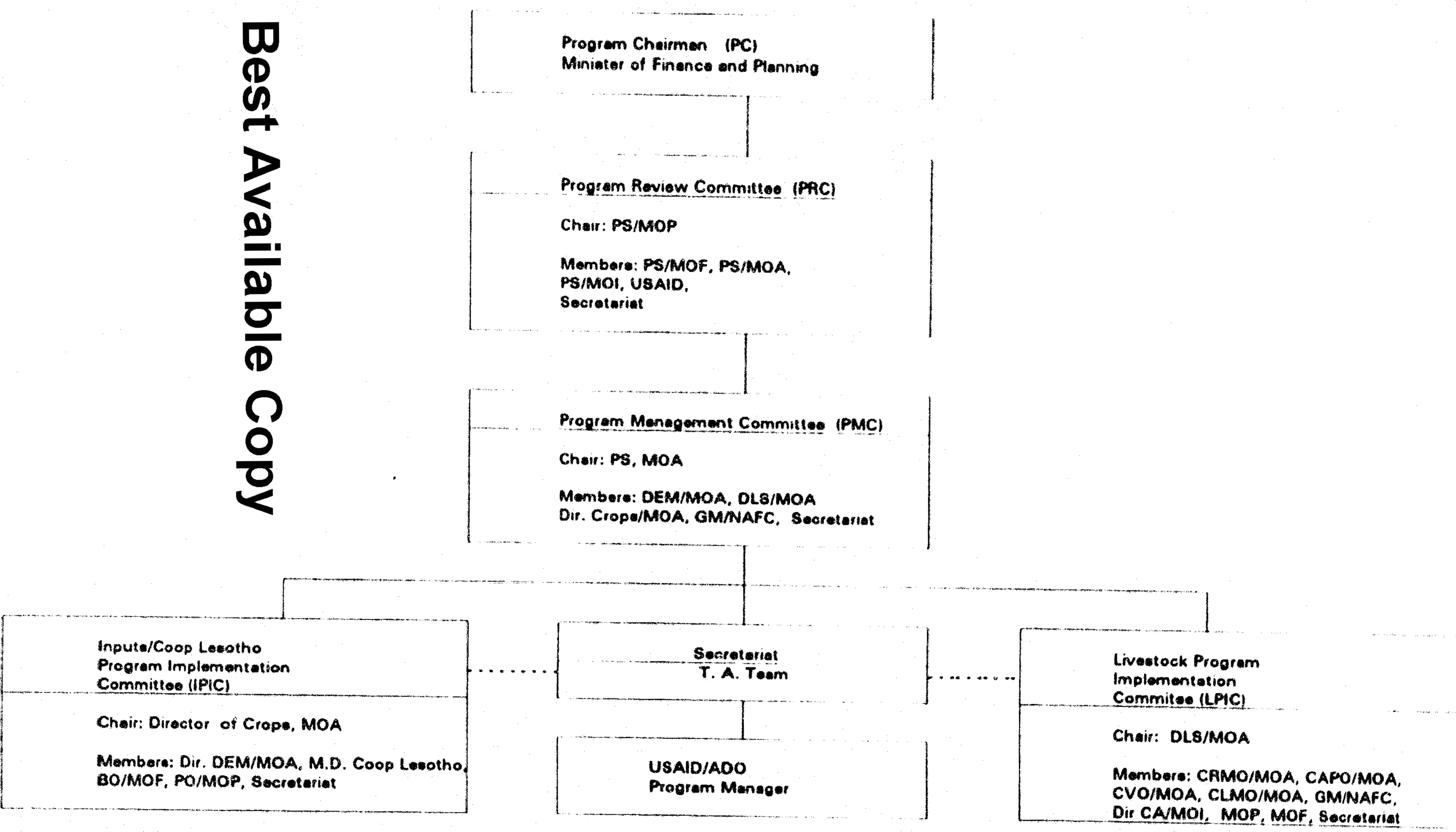
LAPSP Management Structure



ANNEX 4

LAPSP MANAGEMENT STRUCTURE IN PRACTICE

LAPSP MANAGEMENT STRUCTURE



ANNEX 5

REVISED LAPSP INDICATORS

outputs.lap: July 9, 1993

REVISED LAPSP OUTPUT VERIFICATION

Policy Reform	Verifiable Indicators	Means of Verification
LIVESTOCK COMPONENT		
PHASE I		
A. Preparation by the MOA and approval by the GOL Cabinet of a comprehensive implementation plan for the National Livestock Development and Resource Management Policy enunciated in September 1987. The policy implementation plan shall at least cover the areas of resource management, livestock marketing, livestock production and animal health.	1. A written plan by the MOA for implementation of the National Livestock Development and Resource Management Policy.	1. Review of implementation plan.
	2. Ministry of Agriculture approval of livestock policy implementation plan, and the date upon which approval is granted.	2. Review of MOA approval of implementation plan.
	3. A Cabinet decision number and date for acceptance of the National Livestock Policy and the implementation plan, and corresponding Military Council record.	3. Review of Cabinet and Military Council approval documentation; review of gazette.
PHASE II		
A. Establishment and approval by government of an implementation plan for and completion of all preparatory steps toward installation of a national grazing fee system.	1. Gazetting of national grazing fee regulations.	1. Review of gazette.
	2. Submission by the Ministry of Agriculture and approval by the Program Review Committee (PRC) and Program Chairman (PC) of a comprehensive implementation plan for installation of a national grazing fee.	2. Review of implementation plan and PRC and PC approval.

* Indicates changes in language.

3. The completion of a national livestock inventory as a preparatory step in assessment of grazing fees and the installation of relevant data on grazing fee computer programs.	3. Review of inventory.
*3. The completion of a national livestock inventory system as a preparatory step in assessment of grazing fees.	*3. Review of herd-books, receipt books, spreadsheets, data process, data output and grazing fee permit.
4. Completion in all districts of the initialextension information campaign for the national grazing fee system.	4. Review of MOA records.
5. Written protocol in place between MOA and MOI regarding grazing fee collection and procedures.	5. Review of protocol
6 Establishment, definition of duties, staffing of and personnel training for MOA national grazing fee unit completed.	6. Review of MOA records and instructions.
7. Approval by Cabinet and Military Council of creation or identification of appropriate institutional structures to assure proper disbursement and utilization of grazing revenues of criteria for local community use of grazing fee revenues.	7. Review of Cabinet/Military Council decision.
8. Completion and acceptance by Principal Secretary and Ministers of Agriculture and Ministry of Interior's Chieftainship of final design of grazing fee collection processes.	8. Review of final design and GOL acceptance.

4. The presentation of documents to the PCC demonstrating successful certification of National Abattoir for export of meat products to the RSA (or submission of a GOL statement documenting RSA refusal to grant certification for other than technical reasons).	4. Review certification.
*4. Development and adoption by GOL/MOA of a strategy which would include detailed studies on up-grading the abattoir health and hygiene standards, up-grading the abattoir to improve economic viability, and the training of abattoir management staff and floor personnel, providing alternative options for those activities recommended for which the abattoir does not exhibit a capability.	*4. Review of GOL approved strategy document, including time schedules for implementing strategy activities.
5. The presentation of documents to the PCC which establish that the GOL has separated the business accounts of the Feedlot Complex from the National Abattoir and reoriented the operations of the operations of the Feedlot Complex from a commercial feedlot to primarily that of a holding ground for cull animals from the national range destocking program and fattening only when financial feasibility can be demonstrated.	5. Review Feedlot and abattoir financial records.
6. Increased volume of local livestock products will be procured by NAFC.	6. Review abattoir records.

PHASE III

A. Implementation of the first year of operations under the national grazing fee system, including the collection of grazing fees and allocation of grazing fee revenues.	GOL presentation of detailed records and accounts of: the total grazing fee receipts in the first year of system operations; the administrative costs incurred in implementing the system; and the disposition of all receipts disbursed by the GOL, including those to local communities for development activities. This presentation to be accompanied by a detailed report of the problems encountered, the estimated impacts of the grazing fee system on livestock offtake and animal owners incomes, and development activities implemented by local communities using grazing fee Matrix with the addition of frequency of inspection.	Review of MOA and RMA records and MOA reports from DAO's.
	*1. GOL presentation of detailed records and accounts of: the total grazing fee receipts in the first year of system operations; the administrative costs incurred in implementing the system; and the disposition of all receipts disbursed by the Village Development Councils (VDCs) including those to Grazing Associations (GAs) and local communities for development activities.	*1. Review of grazing fee unit's records, other MOA and MOI records, including those of the VDCs and GAs, and other MOA monitoring reports.
	*2. Reports on: a. Problems encountered, and implications of problems for program implementation and recommendations for addressing problems identified.	*2. Review of MOA monitoring reports and analysis.

	b. Development activities implemented by local communities using grazing fee receipts.	
* B. Implementation of the first year of the plan to restructure and broaden the livestock marketing system, including upgrading of the abattoir for export certification.	*1. Enactment of meat hygiene regulations for major abattoirs processing meat products for export to RSA.	*1. Review of hygiene regulation gazette.
	*2. Abattoir upgrading completed as approved by GOL.	*2. Review of contractor, consultant and NAFC reports on abattoir upgrading, including training and facilities.
	*3. Abattoir certification to export to RSA.	*3. Review of official certificate allowing Lesotho meat exports to RSA.
	*4. Continuation of no legal and policy restrictions on full private sector participation in livestock marketing.	*4. Review of GOL's proceedings to determine that there is no legal, administrative or policy constraints hindering private sector participation in all stages of livestock marketing.
	*5. Continuation of market news activities initiated in Phase II.	*5. Review of LPMS records of radio programming and newsletters.
<u>PHASE IV</u>		
A. Implementation of the second year of operations under the national grazing fee system.	GOL presentation of detailed records and accounts of: the total grazing fee receipts in the second year of system operations; the administrative costs incurred in implementing the system; and the disposition of all receipts disbursed by the GOL, including those to local communities for development activities.	Review of MOA and RMA records, and MOA reports from DAO's.

	This presentation to be accompanied by a detailed report of the problems encountered, the estimated impacts of the grazing fee system on livestock offtake and animal owners incomes, and development activities implemented by local communities using grazing fee receipts.	
	*1. GOL presentation of detailed records and accounts on estimated impact of the total grazing fee receipts in the second year of the system operation; the administrative costs incurred in implementing the system; and the disposition of all receipts disbursed by the VDCs, including those to Grazing Associations and local communities for development activities.	*1. Review of grazing fee unit's records, other MOA and MOI records, including those of the VDCs and GAs, and other MOA monitoring reports.
	*2. Detailed reports on the problems encountered and estimated impact of the grazing fee system on livestock off-take.	*2. Review of MOA/consultant monitoring reports, including reports on the analysis of impact.
* B. Implementation of the second year of the plan to restructure and broaden the livestock marketing system, including separation of management and business accounts of the feedlot from the abattoir.	*1. Separation of the business accounts and management of the feedlot complex from the abattoir and reorientation of feedlot operations to hold livestock produced on rangelands.	*1. Review of abattoir financial and management records and inspection of operations records.
	*2. Strategy to privatize/divest the abattoir developed.	*2. Review of abattoir divestiture/privatization strategy document.

	*3. Continuation of no legal, administrative or policy restrictions on full private sector participation in livestock marketing.	*3. Review of GOL's procedures to determine that there is no legislation, administrative or policy constraints hindering full private sector participation in all stages of livestock marketing.
	*4. Continuation of market news activities initiated in Phase II.	*4. Review of LPMS records of radio programming and newsletters.

AGRICULTURAL INPUTS

PHASE I

A. Facilitation and support for the development of an open and competitive market for the supply of agricultural inputs.	1. Appropriate modification or revocation of legislation limiting private sector ability to freely market and distribute agricultural inputs on a competitive basis.	1. Review of legislation and gazette.
	2. Government publication of a policy statement which will clearly allow private sector entities to freely market and distribute agricultural inputs in Lesotho on a competitive basis.	2a. Review of GOL policy and copy of publication. 2b. Review of survey indicating increased availability of agricultural inputs in private sector, including fertilizer.
B. Preparation and approval of an implementation plan for and commencement of implementation by GOL of its announced commitment to the progressive removal of all subsidies on fertilizers starting with the 1988-89 crop season.	1. Acceptance by the Program Review Committee (PRC) and the Program Chairman (PC) of an implementation plan and schedule for the phased elimination of fertilizer subsidies, including provision for semi-annual progress reports.	1. Review of implementation plan and PC acceptance of document.
	2. GOL commencement of implementation of a plan to eliminate fertilizer subsidies.	2. Review of MOA instructions or guidance to initiate fertilizer subsidy removal.

PHASE II

A. Progressive divestiture by Co-op Lesotho of its retail sales outlets and lock-up stores to private sector input suppliers, including primary and secondary cooperatives, private sector input suppliers and general traders, with the objective of reducing Co-op Lesotho's role to that of a true cooperative input wholesaler in competition with other private sector suppliers.	1. Completion and publication of a GOL-approved study covering flows, sources of supply and major input purchasers.	1. Review of published study.
	2. Submission and acceptance by the PRC of an appraisal of Co-op Lesotho assets by an independent accounting firm.	2. Review of appraisal study and a PRC recommendation to accept appraisal.
	3. Acceptance by the PRC of an audit by an independent accounting firm and issuance of a report thereunder reconciling Government accounts with Co-op Lesotho and Co-op Lesotho's outstanding debts.	3. Review of audit report and a PRC recommendation to accept the report.
	4. Submission to and acceptance by the PCC by the Ministry of Agriculture implementation plan and schedule for the disposal of Coop Lesotho assets. This plan must include a listing of planned divestiture actions under three categories: -- Those assets to be sold outright to private sector agents. -- Those assets to be sold under lease/purchase arrangements to local cooperatives. -- Those assets which the GOL willwithdraw from Coop Lesotho and retain for its own use.	4. Review published plan for divestiture of Coop assets and PCC recommendation to accept.
	*4. Submission by the Min-	*4. Review of divestiture plan

istry of Agriculture and approval by the PRC and PC of an implementation plan and schedule for the disposal of Co-op Lesotho assets. This plan must include a listing of planned divestiture under two categories: - Co-op Lesotho assets to be sold outright to the private sector which includes any local farmer cooperatives. - Co-op Lesotho assets which the GOL will acquire for its own use.	for Co-op Lesotho assets approved by the Minister of Planning.
5. Acceptance by the PCC and PC of copies of bills of sale for those assets sold outright during Phase Two and documentation establishing proof of irrevocable lease/purchase arrangements with cooperative organizations. A minimum of 14 retail outlets identified by the IFAD study as "non-viable" and 20 unused lock-up stores must be disposed of in Phase Two.	5. Review copies of bills of sale for Coop assets.
*5a. Acceptance by the PRC and PC of copies of bills of sale for a minimum of 14 retail sales outlets and 20 lock-up stores. or	*5a. Review of MOA records of Co-op Lesotho asset sales.

	*5b. Closing of all retail outlets, development and initiation of legal procedures for liquidation of Co-op Lesotho and termination of all staff. Further, selling of a minimum of 50% by value of movable assets, such as inventory, vehicles and other movable plant and equipment.	*5b. Review of legal procedures and confirmation of required actions.
	6. Issuance by the Ministry of Agriculture of a statement certifying (i) the amount of the net proceeds realized from the outright sales of Co-op Lesotho assets and (ii) the fair market assessed value of assets retained by the Government.	6. Review of MOA certification letter.
B. Establishment by the GOL of a program to be funded out of the Special Local Currency Accounts to ease the transition of redundant Co-op Lesotho personnel into other employment.	1. Acceptance and implementation by the PRC of a GOL plan for severance pay for Co-op Lesotho staff whose posts have been abolished, with proposed levels of compensation by grade. The plan must include payment transfer procedures and total local currency requirements for the compensation program.	1. Review of and PRC acceptance of compensation program for Co-op Lesotho personnel.
	2. Release of redundant Co-op Lesotho personnel from retail outlets and lock-up stores sold or closed and from central operations supporting those operations.	2. Review of employment/payroll records of Co-op Lesotho.

C. Implementation of phase one of the plan to eliminate fertilizer subsidies.	1. Publication of GOL policy establishing first phase of plan to eliminate fertilizer subsidies.	1. Review GOL policy document published in Gazette.
	2. Guidance issued by MOA on new fertilizer subsidies in accordance with the phased plan.	2. Instructions by MOA to Coop Lesotho/DAO's.
	3. Actual reduction of GOL fertilizer subsidies in accordance with the phased plan.	3. Records/surveys of Coop Lesotho fertilizer prices.
	4. Availability of fertilizer to private retailers for sale.	4. Survey of private sector ag. input suppliers.
	*1. Full elimination of fertilizer subsidy.	*1a. Review of public GOL announcement of full elimination of direct fertilizer subsidy. *1b. Review of Co-op Lesotho financial records indicating elimination of direct fertilizer subsidy outlay from GOL. *1c. Review of LAPSP monitoring reports indicating availability of fertilizer to private retailers for sale.

PHASE III

A. Completion of the divestiture of Co-op Lesotho's retail outlets and lock-up stores.	1. Acceptance by the PCC and PC of copies of bills of sale and/or documentation of lease/purchase arrangements for the remaining Coop Lesotho retail sales outlets and lock-up stores.	1. Review of Bills of Sale and PC acceptance.
	*1. Acceptance by the PRC and PC of copies of the Bills of Sale for the remaining Co-op Lesotho retail sales outlets and lock-up stores.	*1. Review and PRC acceptance of Bills of Sale.

	2. Issuance by the Ministry of Agriculture of a statement certifying (i) the amount of the net proceeds realized from the outright sale and lease/purchase of Coop Lesotho assets (ii) the fair market assessed value of assets retained by the govern-ment	2. Review MOA statement.
	*2. Issuance by the Ministry of Agriculture of a statement certifying (i) the amount of the net proceeds realized from the outright sale of Co-op Le-sotho assets, and (ii) the fair market assessed value of assets retained by the gov-ernment.	*2. Review of MOA statem-ent.
B. Full divestment of the GOL as a shareholder in Co-op Lesotho.	Issuance of a statement by the GOL officially announcing its surrender of all shares in Coop Lesotho following a buy-out of its share-holdings through (i) the sale of retail and lock-up stores and (ii) receipt of compensatory fund-ing from USAID.	Review of GOL statement.
	*1. Issuance of a statement by the GOL officially an-nouncing its surrender of all shares in unsold Co-op Lesotho assets.	*1. Review of the share regis-ter or other legal documenta-tion certifying GOL share-hol-ding divestiture.
	*2. Complete divestiture of all Co-op Lesotho shares and assets by GOL should no cooperative organization be in existence as a shareholder of Co-op Lesotho with the capa-bility of becoming a cooper-ative wholesaler.	*2. Review GOL statement regarding Co-op Lesotho share-holding.

* Indicates changes in language

C. Implementation of the final phase of the plan to eliminate fertilizer subsidies.	1. Publication of GOL policy establishing the final phase of the plan to eliminate fertilizer subsidies.	Review of GOL policy statement.
	*1. Continuation of elimination of full fertilizer subsidy as reviewed in Phase II.	*1a. Review of GOL documentation confirming that fertilizer subsidy policy has not been reversed.
	2. Guidance by MOA to Coop Lesotho on eliminating fertilizer subsidies.	2. Review of MOA guidance.
	3. Implementation of the final phase of plan to end fertilizer subsidy with evidence that there are no government outlays for fertilizer subsidy.	3. Review of Coop Lesotho records.
	4. Full availability of fertilizer to private retailers for sale.	4. Survey to private sector ag. input suppliers.
		*4a. Review of Co-op Lesotho documentation indicating continued elimination of fertilizer subsidy outlays from GOL.
		*4b. Review of LAPSP monitoring reports indicating availability of fertilizer to private retailers for sale.

ANNEX 6

RANGE MANAGEMENT AND GRAZING CONTROL GAZETTE

LESOTHO

Government Gazette

EXTRAORDINARY

Vol. XXXVIII Friday—16th July, 1993 No. 78

CONTENTS

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RANGE MANAGEMENT AND GRAZING CONTROL (AMENDMENT) REGULATIONS 1993

EXPLANATORY NOTE

(This note is not part of the Regulations but is intended only to indicate their general effect).

The object of these regulations is to amend the Range Management and Grazing Control Regulations 1980 so as to revoke the provision dealing with the grazing fees.

The grazing fees were inserted by the Range Management and Grazing Control (Amendment) Regulations 1992 (Legal Notice No. 78 of 1992). The 1992 regulations imposed grazing fees, made it an offence to cut grass on a communal grazing area and empowered a relevant Village Development Council and Ward Development Council —

(a) to issue livestock Registry Book and grazing permits; and

(b) to deposit any money they collected into the Development Fund.

The purpose of these regulations is to return to the same position in relation to grazing fees only as was the case before the introduction of those grazing fees by LN 78 of 1992.

LEGAL NOTICE NO. 150 OF 1993

Range Management and Grazing Control (Amendment) Regulations 1993

Pursuant to section 4(1) of the Land Husbandry Act 1969[1], I,

NTSUKUNYANE MPHANYA

Minister of Agriculture, Cooperatives and Marketing make the following regulations:

Citation

1. These regulations may be cited as the Range Management and Grazing Control (Amendment) Regulations 1993 and shall come into operation on the date of publication in the Gazette.

Trespass upon leboella

2. Regulation 6 of the principal regulations[2] is amended in sub-regulation (3) by omitting from paragraph (ii) "equal to 2 times the grazing fees set out in the Third Schedule" and substituting "of M60.00 for each cattle, M10.00 for each equine and M1.00 for each small stock".

Organisation of rotational grazing

3. Regulation 9 of the principal regulations is amended —

(a) by omitting from paragraph (c) "equal to one and one half times the grazing fees set out in the Third Schedule" and substituting "of M9.00 for each cattle, M15.00 for each equine and M.50 for each small stock";

(b) by omitting from paragraph (d) "a fine equal to one and one half time grazing fees set out in the Third Schedule for the excess stock" and substituting "for excess stock a fine of M9.00 for each cattle, M15.00 for each equine and M1.50 for each small stock";

(c) by omitting from paragraph (e) "equal to one and one half times the grazing fees set out in the Third Schedule" and substituting "of M9.00 for each cattle, M15.00 for each equine and M1.50 for each small stock".

Regulation of stock numbers

4. Regulation 10 of the principal regulations is amended in sub-regulation (3) —

(a) by omitting from paragraph (b) "equal to 2 times the grazing fees set out in the Third Schedule" and substituting "of M6.00 for each cattle, M10.00 for each equine and M1.00 for each small stock";

(b) by omitting from paragraph (c) "equal to 2 times grazing fees set out in the Third Schedule" and substituting "of M6.00 for each cattle, M10.00 for each equine and M1.00 for each small stock".

5. The principal regulations are amended by omitting regulation 14A.

6. The principal regulations are amended by omitting the Third Schedule.

N. Mphanya,
Minister of Agriculture, Cooperatives and Marketing.

NOTE

1. Act No. 22 of 1969 as amended by Act No. 18 of 1974

2. L.N. No. 39 of 1980 as amended by L.N. 144 of 1986 and L.N. 78 of 1992

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ANNEX 7

GRAZING FEE COLLECTIONS AS OF JULY 1993

Table 2. REPORT ON THE CURRENT STATUS OF GRAZING FEE COLLECTED AS AT END OF JULY,1993						
DISTRICT	NUMBERS THAT HAVE COLLECTED MONEY		TYPES OF RECIEPTS WHICH HAVE BEEN CODED INTO THE COMPUTERS INDICATING THE MONEY COLLECTED FROM DIFFERENT FEES			TOTAL AMOUNTS IN MALUTI
	VDC's	RECORDS	GRAZING FEE	IMPOUNDMENT FEE	TRESPASS FEE	
BUTHA BUTHE	24	24	854.00	1,897.50	6,485.50	9,237.00
LERIBE	53	742	8,129.20	3,415.66	8,867.25	20,412.11
BEREA	50	520	50,668.30	2,380.56	4,447.95	57,496.81
MASERU	1		737.00			737.00
MAFETENG	9	153	3,047.70	166.00	831.30	4,045.00
MOHALE's HOEK	3	249	2,831.50	752.80	692.40	4,276.70
QUTHING	5	64	3,968.50	64.00	276.00	4,308.50
QACHA's NEK	12	264	4,281.50	539.50	1,190.25	6,011.25
THABA TSEKA	5	106	1,938.50		615.90	2,554.40
MOKHOTLONG	57	1,355	531.10	201.20	24,245.37	24,977.67
TOTAL	221	3,479	76,989.30	9,419.22	47,653.92	134,058.44

ANNEX 8

SUMMARY OF TRAINING COURSES AND PUBLIC MEETINGS FOR VDCs

SUMMARY OF TRAINING COURSES FOR VDCs

District	Training Courses	Attendance
Butha-Buthe	5	150
Leribe	7	292
Berea	16	948
Maseru	23	690
Mafeteng	12	480
Mohales' Hoek	16	344
Quthing	7	209
Qachas' Nek	7	196
Mokhotlong	8	239
Tsaba-Tseka	8	256

SUMMARY OF PUBLIC MEETINGS

District	No. of Public Meetings	Attendance
Butha-Buthe	15	8300
Leribe	22	6981
Berea	20	4500
Maseru	32	9000
Mafeteng	22	6669
Mohales' Hoek	28	3000
Quthing	19	2000
Qachas' Nek	20	7900
Mokhotlong	15	4060
Tsaba-Tseka	20	4000

Source: Report on Extension Information Campaign for the National Grazing Fee System, Range Management Division, Ministry of Agriculture, Maseru. September 1992.

ANNEX 9

BACKGROUND INFORMATION ON INTRODUCTION OF GRAZING FEES IN LESOTHO

BACKGROUND INFORMATION ON INTRODUCTION OF GRAZING FEES IN LESOTHO:

An address made by the Hon. Minister for Agriculture, Cooperatives and Marketing in Parliament on Monday, 21 June 1993.

In 1979 His Majesty's Government convened a national farmers' conference with the aim of obtaining first hand guidance and recommendations on agricultural development strategies. The conference was held at the National Teacher Training College from 24 to 29 January, 1979.

The conference made recommendations on how best the country's agriculture could be run, and asked Government to consider for implementation. Recommendations are attached together with the names of district delegations. Annex 1. Grazing fee appears on page three, the last paragraph.

In 1984 and 1985, His Majesty's Government sent a group of Principal Chiefs and farmers to the United States of America on a study tour. The tour was meant to educate them on range management and introduction of a grazing fee programme. Names of the participants appear in Annexes 2 and 3. Their report is attached as Annex 4 (see page four paragraph (j).

In 1986 Government set up a National Livestock Task Force with membership drawn from the Ministries of Agriculture and Interior. The Task Force was mandated to prepare implementation plans based on recommendations from farmers and chiefs, and this was to be accomplished by using information from public meetings. This was done and consultation continue up to today.

Another National Farmers' Conference was convened at the Lesotho Agricultural College between 9-13 March 1987. At this conference, Government gave a report back to farmers on the status of progress in carrying out the 1979 recommendations. The report is in Annex 5. The conference concluded by showing that what had not yet been achieved, including introduction of grazing fees, be carried out.

In the same year, 1987, a Land Policy Review Commission was put in place by Government. Among others, the Commission put the question of grazing fees to the public. On page 11 of the Commission Report, paragraph 2.45 a - f, appear recommendations regarding grazing fees (see Annex 6).

Again in the same year (1987), Principal Chiefs (who have been responsible for management of grazing lands) were invited by the Ministry of Agriculture in consultation with the Ministry of Interior to Mazenod Training Centre (near Maseru) to look at possible solutions to the widespread range degradation problem.

Their recommendations appear as Annex 7, 1b on page 1.

ACTION BY GOVERNMENT

1. In June 1988, Government of Lesotho signed an agreed with the Government of the United States of America in order to endorse the wishes of farmers and the public. This was done und r the Lesotho Agricultural Policy Support Programme. Annex 8.

2. On February 1990 a document outlining the Livestock Policy Implementation Plan was produced (by the Livestock Task Force). Annex 9.

3. After approval of the Plan by the Governments of Lesotho and America, the first workshops were held in January 1991. Participants in these workshops were District Secretaries, District Agricultural Officers, Members of Development Councils, Wool and Mohair Growers, Customary Court Presidents, District Military Officers and District Police Officers-in-Charge. Discussions on the content of the Livestock Policy Implementation Plan were carried out together with exchange of ideas on grazing implementation. Out of these workshops was produced a Grazing Fee Implementation Plan for Lesotho (16 January 1991). Annex 10. These workshops recommended that the Grazing Fee Implementation Plan be explained to the public. The responsibility was placed on farmers and Development Councils, with the support of Agricultural Officers in the districts. Participants in these meetings is in Annex 10.

4. Public meetings throughout the country were held from April 1991, following the schedule shown in Annex 11.

5. The final workshop was held on 4 July 1991 at Hotel Victoria (in Maseru), where in attendance were Members of Development Councils, Livestock Farmers and District Officers. The purpose of the meeting was to review outcome of the public meetings, and it was reported that all districts approved of the intended introduction of grazing fees. There were, however, few exceptions such as the wards of Matsieng and Thaba-Bosiu in Maseru district. There was, in the majority of the representations, a plea to reduce the grazing fee levels because most farmers would not afford to pay at the proposed levels. List of participants is in Annex 12.

6. Following the last workshop, then His Majesty's Government published a gazette on Range Management and Grazing Control (Amendment) Regulations on 10 March 1992 (Legal Notice No. 78 of 1992). This gazette included introduction of grazing fees. See Annex 13.

7. The Legal Notice No. 78 of 1992 (9(1) and (3) of it) could not empower Village Development Councils to collect grazing

fees. Upon realisation of this shortcoming Development Council Order No. 13 of 1992 was gazetted so as to introduce a Development Fund. See Annex 14.

8. Development Councils commenced collection of grazing fees on 1 October 1992, and deposited such funds into newly opened accounts in banks of their choice. Collection was made at the peak of political party campaigns, and some parties did not have full insight into how the idea of grazing fee was conceptualised, and what it was meant to be used for. As a result some Development Councils felt intimidated by such political parties, for fear that they might be asked to return the monies upon their getting into power, and they therefore did not perform well. At any rate, implementation continues in the respective districts. Above all, the most important thing is improvement of living standards of every Mosotho farmer through improvement of rangeland and livestock productivity (Commercialisation of extensive livestock production). The livelihood of such farmers is dependent upon improved livestock production; and such livestock, in turn, depend on judicious utilisation of the natural resource base, particularly rangelands and water.

   Annex 15 shows that Berea was the leading district in collection of grazing fees.

9. As for what the accumulated collection would be used for, Annex 16 indicates some of the ideas brought forth by farmers and those involved in the process of development of grazing fee implementation since 1979. Final appropriation of funds to various development activities will be responsibility of each Development Council, with the advice of an appropriate Ministry.

ANNEX 10

LIST OF PERSONS CONTACTED

List of Persons/Organizations Contacted

Mr. Jan Auman, Chief of Party, Community Natural Resources Management Project

Mr. Gert Brits, Managing Director, Frazers Lesotho Limited, Maseru

Ms. Jean DuRette, Program Officer, USAID

Mr. Fanana, Director, Sectoral Planning, Ministry of Planning

Mr. A. M. Gugushie, Director of Crop Services, Ministry of Agriculture

Mrs. M. Khalikhane, Agricultural Specialist, USAID

Mr. Z. Khan, Assistant Controller, USAID

Mr. Khasi, Assistant Manager, National Abattoir & Feedlot Complex

Mr. M. E. Khuele, General Manager, National Abattoir & Feedlot Complex

Mr. M. J. Lepele, Development Assistance Specialist, USAID

Mr. L. Lehloba, Director of Livestock Services, Ministry of Agriculture

Dr. G. Lewis, Agricultutal Development Officer, USAID

Mrs. Libe, Accounts Office, National Abattoir & Feedlot Complex

Mrs. Makhake, Director of Central Planning, Ministry of Planning

Mr. C. Matete, Chief Animal Production Officer, Ministry of Agriculture

Mr. L. J. Mokotjo, Principal Secretary, Ministry of Trade & Industry

Mr. B. Motsamai, Chief Range Management Officer, Ministry of Agriculture

Ms. C. McIntyre, USAID/Mali, Bamako

Mr. L. B. Mokotoane, Financial Controller, Ministry of Finance

Mr. R. Nkotoane, Former Principal Secretary, Ministry of Agriculture

Mr. T. J. Ramots'oari, Director of Economics and Marketing, Ministry of Agriculture

Mr. Curt Reintsma, ARTS/FARA, AID/Washington (formerly ADO, USAID)

Mrs. A. Sepitla, Program Assistant, USAID

Mrs. Thabane, Financial Controller, National Abattoir & Feedlot Complex

Mr. F. Gary Towery, Director, USAID.

Mr. J. L. Zwane, Deputy Principal Secretary, Ministry of Finance