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LESOTHO AGRICULTURAL POLICY SUPPORT PROGRAM

MID-TERM EVALUATION

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Presented to:
The Government of Lesotho
and
USAID/Lesotho

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LIST OF ACRONYMS

ABACOR	South African Abattoir Corporation
AID	Agency for International Development (used in the report to refer to the entire Agency or to AID Washington)
CPs	Conditions Precedent
ESAF	Enhanced Structural Adjustment Facility (of the International Monetary Fund)
GOL	Government of Lesotho
IMF	International Monetary Fund
IPIC	Agricultural Inputs Program Implementation Committee
LAPIS	Lesotho Agricultural Production and Institutional Support Project
LAPSP	Lesotho Agricultural Policy Support Project
LPIC	Livestock Program Implementation Committee
MI	Ministry of The Interior
MOA	Ministry of Agriculture, Cooperatives & Marketing
NAFC	National Abattoir and Feedlot Complex
PC	Program Chairman
PMC	Program Management Committee
PRC	Program Review Committee
REDSO/ESA	Regional Economic Development Support Office/Eastern and Southern Africa
RSA	Republic of South Africa
USAID	United States Agency for International Development (used in the report to refer to the USAID Lesotho Mission)
VDC	Village Development Council

PREFACE

This evaluation was undertaken for the LAPSP Program by a team engaged through the Implementing Policy Change Project with support from AID/REDSO ESA. The evaluation is based on field work in Lesotho in April and May 1992. The report incorporates the comments of Government of Lesotho, USAID, and LAPSP Secretariat staff on an earlier review draft.

We are indebted to the support and guidance we received from the Government, USAID, and the LAPSP Secretariat. All individuals we contacted connected with the Program were extremely cooperative and we are grateful for their frank discussion of this complex Program.

We, of course, take full responsibility for this report.

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EXECUTIVE SUMMARY

The Lesotho Agricultural Policy Support Program (LAPSP), begun in 1988, is an ambitious policy reform program in the areas of livestock and agricultural input distribution. This is the first program of its kind for both the Government and USAID/Lesotho. Given the innovative nature of the Program and the difficulties anticipated with policy implementation, the Program Agreement called for a mid-term evaluation to assess achievement, identify problems, and propose corrective measures. More than two years have now passed since the release of the first tranche of funds, and meeting the indicators for release of the second tranche is not imminent. Consequently USAID and the Government are interested in re-examining the Program, analyzing its progress to date, and identifying ways in which it may be improved.

A team of three experts reviewed the Program in April/May 1992 and found that the Program goal and objectives, although not without controversy, remain central to Government's macro-policy, are consistent with USAID's strategic plan for assistance to Lesotho, and coincide with conditionalities of the current IMF structural adjustment facility. Views on the pace and problems of implementation differ but there is general agreement in the Government and USAID on the overall direction and continued appropriateness of the policies.

The policy initiatives represent significant and far-reaching changes for Government and society. Both in livestock and agricultural input distribution reforms, resistance and opposition are inevitable, and a long time horizon is necessary to realize the full impact of these changes. There appears to be wide understanding in Government of the administrative, technical, and political complexity of the proposed changes, and of the pros and cons of these and alternative policies. Similarly, there is general agreement in Government and USAID that the conditions precedent stated in the Program Agreement are accurate reflections of the policy reform objectives.

There has been considerable progress but it has been difficult and slower than anticipated at the start of the Program. There have been several highly visible accomplishments like gazetting of the grazing fee regulations and ending of the parastatal monopoly on agricultural input distribution, as well as less visible progress made through technical and educational preparatory activities necessary to lay the groundwork for policy implementation. In addition, the Program has focused attention on the issues and has led to active learning by Government of what is involved in implementing policy change.
Progress is not irreversible, but the forces set in motion by the Program make abandoning the course very unlikely.

This progress, however is not accurately reflected in the current status of the verifiable indicators that must be met for release of the second tranche of funds. Although these benchmarks represent the best estimate of hoped for accomplishments at the time of Program design, in retrospect they appear overly ambitious and to have underestimated the time and effort required in laying the groundwork for policy implementation, overcoming resistance, and learning from experience as the process goes forward. Particularly on the livestock side, several of the indicators do not represent so much a progression of sequential steps in implementation, but more a series of separate accomplishments.

The Evaluation Team believes that it is doubtful that the Program can meet the indicators for release of the second tranche of funds by the end of 1992. Unless present issues are resolved it is unlikely that they can be met by the current program assistance completion date. Nevertheless, failure to fulfil any single indicator jeopardizes continued funding of the entire Program. It should be recalled as well that the Program plays an important facilitative role in assisting the Government to meet IMF structural adjustment conditionalities. Failure to meet targets for continued funding of LAPSP policy reforms would be detrimental to the continued IMF support.

Although there is general agreement between the Government and USAID on policy objectives and the importance of the reform program, contentious issues have arisen over the use of local currency funds of the Program to finance activities in support of policy reform. After the Program was initiated, AID approval and oversignt procedures regarding local currency funds were modified. These mandated changes have complicated a common understanding of Program procedures.

The Government policy reform program is much wider than the LAPSP Program, and these activities have to fit within the broader picture of ongoing changes and policy actions. Meshing the requirements of both sides has not been easy and has led to an increasing focus on complex Program activities, which has been detrimental to the policy dialogue process. This inclination has been reinforced by time and human resource constraints on both sides, and communication problems between Government and USAID.

Given the complex nature of the reforms, the Program established a set of committees to ensure wider participation and coordination. This structure appears to be an appropriate response to the demands of the Program. However, the committee structure has not ensured high level, timely Government participation. Similarly, USAID involvement has not been intense enough to ensure collegial, facilitative influence over either policy dialogue or activity development in support of movement toward program goals.

Servicing the committees and providing linkage is the LAPSP Secretariat. The concept of the Secretariat is appropriate, but the competing demands of Government and USAID on the Secretariat members creates inevitable tension between their advocacy, implementation, advisory roles. The advisory role needs to be strengthened.

Policy dialogue and program-funded activities are complementary and interactive parts of the Program. The interplay and coherence between the two are important in achieving Program goals, and this balance is difficult to achieve. In the management of Program activities there is a poor fit between work flows, in both Government and USAID, and coordination mechanisms. This is evidenced by lack of a common understanding of processes for approval, funding, and implementation of LAPSP activities; poor communications; and the lack of clear conflict resolution processes. The end result of this situation is an increasingly adversarial relationship regarding approval of Program activities -- even though there is agreement on policy objectives. This concentration of attention on the activity approval process undermines substantive discussion of ongoing policy issues.

In both USAID and the Government, insufficient attention has been given to the strategic management of the policy implementation process. The overall goals are well understood as are the mechanics of the individual activities. What is less clear is how the parts fit together, in what sequence and with what resources to achieve the broader Program goals. This is evidenced in the programming of local currency, where the priorities funded do not necessarily correspond to the priority requirements for release of the second tranche of funds to keep the Program going.

Problems in the approval process are recognized by all, but the design of the Program has dictated procedures for local currency management under standard AID guidelines. It is beyond the USAID Mission's control to move to a more open management system without undertaking complicated redesign tasks.

The Evaluation Team should be seen as providing an external, objective view of the situation, and its recommendations need to be weighed by both Government and USAID. The Team believes that LAPSP is a good and valuable Program and that it deserves continued Government and USAID support. Given the continued importance of the Program objectives and the unrealistic time frame originally envisioned for completion, the Team recommends that the program assistance completion date be extended for two to three years, provided a series of changes take place.

The Team recommends the re-examination of the verifiable indicators of the policy matrix as the starting point for Program adjustment. In addition, in order for the Program to meet its objective more attention by both senior Government and USAID officials must be given to it. The USAID Mission Director, Program Officer, and Agricultural Development Officer should dedicate more time performing an advisory role in the Program. The existing formal committees do not appear to present good opportunities for doing this, although the Steering Committee may be one appropriate vehicle.

Communication of Government positions and views to USAID should be taken over more by high level Government officials, with corresponding USAID listening, and less by the Secretariat. The advisory role of the Secretariat should receive greater emphasis. As part of the process of improving dialogue and renewing the common understanding of the issues, there should be an annual workshop for USAID and Government participants to review progress and air policy issues. Although the present system has its drawbacks, unless the completion date of the Program is extended, the existing system of local currency management system is appropriate for LAPSP.

More time needs to be spent by USAID clarifying to Government the rationale for its decisions, either based on its mandated obligations, or on technical considerations. On the other hand, USAID involvement early on in the proposal and approval process of program activities needs to be made more systematic. How to do this must be worked out jointly by the Government and USAID.

Chapter 1. INTRODUCTION

1.1 Program Description

The Lesotho Agricultural Policy Support Program (LAPSP) represents the first assistance of its kind for both the Government of Lesotho (GOL) and the United States Agency for International Development in Lesotho (USAID). The Program Agreement, signed 14 June 1988, stated the goal of LAPSP "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 Program provides USAID assistance for the Government's ambitious policy reform agenda in the areas of agricultural input marketing and livestock, with the following objectives:

1. 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 the budgetary cost to the Government of interventions in agriculture by removing subsidies and greatly reducing the roles of a parastatal organization; and

2. To reduce 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.

Both of these policy initiatives represent significant and far-reaching changes for Government and society. It was recognized from the outset that the full impact of these reforms could only be realized over the long term.

The Program establishes several phases of funding in each policy area, triggered by the completion of a set of conditions precedent (CPs) and corresponding verifiable indicators (see Annex A). Like other more recent policy reform programs funded by USAID in Lesotho and other parts of the world, LAPSP aims at policy reform in the sense of redirecting public resources and authority to induce or deter, increase or decrease some behaviours thought desirable or undesirable for the long-term benefit of society. In the LAPSP Program these include livestock production practices that affect natural resource degradation and the role of government in commercial activities.

Also like most policy reform programs, implementation requires actions by a network of organizations, making responsibility and accountability more complicated. To account for this, the LAPSP Program established a set of committees and a Secretariat to propose, approve, monitor, and report on activities carried out to promote the policy objectives.

On the other hand, this program differs from the majority of current African policy reform programs. Because of the unique currency situation of Lesotho, USAID grant funds are not prized as valuable for balance of payments support, but (outside of foreign technical assistance and other US dollar items) are transformed into local currency for use in support of policy objectives and in carrying out activities needed to satisfy the conditions precedent. Although other uses of these funds are permitted, the Program establishes clear priorities for their use in this regard with direct support for the targeted reforms receiving first consideration.

The application of these local currency funds, the approval procedures governing their use, and the very specific and detailed nature of the CP verifiable indicators combine to impart important project-like characteristics to the LAPSP Program. The concept of "local currency funds" consequently acquires great, and somewhat unique, importance within this program.

In the initial design of the Program, it was estimated that the conditions would be met for the first tranche of funds in September 1988; that the three phases of the inputs component would be completed by end of 1990; and the four phases of livestock component by end of 1991. The first release of funds, however, occurred in December 1989 for inputs and April 1990 for livestock. No funds have been released since then. The planned program assistance completion date is May 14, 1993.

The Program goal and objectives, although not without controversy, remain central to Government's macro-policy, are consistent with USAID's strategic plan for assistance to Lesotho, and coincide with conditionalities of the current IMF structural adjustment facility. Nevertheless, more than two years have now passed since the first release of funds, and meeting the indicators for release of the second tranche is not imminent. Consequently, both USAID and the Government are interested in re-examining the Program, analyzing its progress to date, and identifying ways in which it may be improved.

1.2 Evaluation Methodology

Given the innovative nature of the Program and the difficulties anticipated with implementation of the policies, the Program Agreement called for a mid-term evaluation to examine "the implementation of policy reforms, the use of local currency, and other appropriate administrative and management matters. The evaluation will assess the achievement, or lack of achievement, and propose appropriate means for continuing the successful activity(ies). It will also identify problems and propose measures to correct them. Recommendations from the initial evaluation will be critical to improving program implementation or revising the program implementation plan." The Evaluation Team's actual terms of reference follow closely the objectives anticipated during program design and are presented in Annex B.

A team of three experts was fielded to Lesotho for a four-week period in April/May 1992. The team comprised two members of the Implementing Policy Change Project staff, one with expertise in institutional aspects of policy change and one with expertise in the management of policy change. The third member of the team was the Chief of the Agriculture/ Natural Resource Division of AID/REDSO/ESA, an economist with extensive experience in policy assessment and knowledge of USAID policy and regulations concerning nonproject assistance.

In Maseru, the Evaluation Team conducted a series of interviews with USAID staff, GOL officials, private sector representatives, and contracted technical assistance staff. A list of contacts is provided in Annex C. The team also reviewed extensive written material and documentation available at the USAID Mission and LAPSP Secretariat. Team members visited several Coop Lesotho retail outlets and the Pelaneng Range Management Area.

The Evaluation Team's findings, conclusions, and recommendations are contained in the present draft report, which is presented to USAID staff, GOL officials connected with the Program, and the LAPSP Secretariat. Comments from these individuals will be incorporated into the final version of this report, to be completed by 15 May 1992.

1.3 Report Structure

The remainder of this report is organized into four chapters. Chapters 2 and 3 contain a summary of findings relating to the policy reform agenda and program organization. Chapter 2 focuses on the LAPSP Policy Reform Agenda in the two areas of livestock policy and agricultural inputs. For each area, the chapter outlines a) the current validity of the Program's policy objectives and logic in light of developments since program design, b) progress to date and factors influencing prospects for achieving policy reform objectives, and c) the conditions precedent, their relation to policy implementation and prospects for completion.

Chapter 3 analyzes program organization with regard to structure, roles and responsibilities of various actors in the process, and issues relating to local currency management. Chapter 4 provides a summary of the conclusions that lead from the findings presented in Chapters 2 and 3, and Chapter 5 contains recommendations.

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Chapter 2. LAPSP POLICY REFORM AGENDA

2.1 Livestock Policy

2.1.1 Policy Objectives and Program Logic

The Program's livestock policy objective is cast in quite specific terms (reduce the overstocking of livestock; induce owners to take into account the costs and benefits of open grazing; and increase efficiency and competitiveness of marketing). The LAPSP livestock component should be seen in the broader context, however, of the 1987 National Livestock Development and Resource Management Policy and subsequent Implementation Plan. This national plan had its origins in a national livestock task force created by the Minister of Agriculture in 1986.

The livestock plan, and by extension the LAPSP policy objective, encompasses four areas: the implementation of a grazing fee, rangeland adjudication, livestock improvement, and improved marketing. Although the grazing fee is the most controversial and has received most attention in the Program, it is important to retain the larger vision of what the livestock policy hopes to accomplish. This vision includes improving natural resource management through enhanced local control, the rationalization of range use, the payment of the social cost of using common resources, the increasing use of livestock as a productive rather than an investment asset, and promoting the appropriate role of Government in livestock production, marketing and natural resource management. Although emphasis may differ, there is reasonable consensus in Government that these are the salient issues.

All aspects of the LAPSP policy objective remain controversial (e.g., the degree of overstocking; what should be considered in "costs and benefits" of the present system; or what the role of Government should be in efficient and competitive markets). Nevertheless, these objectives reflect the best efforts and informed opinion of the Ministry of Agriculture technical leadership, and to a large extent represent policy directions formulated independently of the LAPSP Program. On the basis of the interviews and documentation reviewed, there appears to be wide understanding in Government of the administrative, technical, and political complexity of the proposed changes, and of the pros and cons of these and alternative policies.

The policy reforms deal directly with a number of highly visible and deep-seated economic, social, and cultural practices. The livestock implementation plan makes clear that a long time horizon is called for -- it is unrealistic to assume that changes of this nature can happen overnight or even over the course of a few years.

In analyzing prospects for success, it is important to emphasize that LAPSP livestock policy has "policy champions" in Government committed to implementing reforms. The benefits of the changes will only be felt over the long term, and will be dispersed throughout society. On the other hand, the costs or "the pain" of the reforms will be felt over the short term, will be more visible to the public, and will accrue to those individuals with the largest herds and hence the most political clout. Significant bureaucratic and public resistance to the reforms is inevitable.

The implementation plan and the LAPSP Program have anticipated this reaction and have incorporated educational activities directed at local communities and politicians to minimize or counteract resistance. According to several GOL officials interviewed, it is likely that private support and recognition of the necessity of these reforms is greater than public political pronouncements would indicate.

In summary, although the specifics of the policy reform measures continue to be debated, the issues raised and the general direction of the program goal and objectives remain valid in the eyes of Government and USAID. There is a sense that reforms of this nature are called for, that they will have to be implemented sooner or later, and that their implementation will only become more difficult if not acted upon now.

2.1.2 Progress to Date

There has been notable progress but it has been slow and difficult. It has certainly been much slower than anticipated at the start of the Program and even given the complexities, slower than could have been expected. Nevertheless, there has been significant progress and Government is moving in the direction specified in the reforms.

Comparisons with other countries are judgemental and imperfect but it is the Evaluation Team's opinion that few cases could be found where the equivalent magnitude of change was contemplated in such a short time period. Such rapidity of change would be more characteristic of a strong central power than of a government concerned with broad based acceptance.

The most visible accomplishment is the preparation and gazetting of the national grazing fee regulations. This was a long and arduous process that encountered numerous setbacks and delays. Its implementation remains complex but it represents a major achievement.

Less visible but equally important progress has been made through technical and educational preparatory activities necessary to lay the groundwork for policy implementation. With regard to the grazing fee these include training of a large number of village development council (VDC) members in every district of the country, and special training for principal chiefs and district development officers. Other activities have prepared the mechanics of grazing fee administration.

Other livestock program accomplishments include considerable data gathering and analysis, including cattle post surveys undertaken in preparation for the range adjudication program. Systematic market surveys have been initiated and disseminated. Legislation addressing the legality of VDCs to collect and retain grazing fees has been prepared and is under review. A working relationship has been established between the National Abattoir and Feedlot Complex (NAFC) and the Abattoir Corporation (ABACOR) of the Republic of South Africa (RSA) in preparation for upgrading the abattoir and increasing meat exports. There has also been increased contact between NAFC and potential RSA buyers. Finally, progress has been made in setting up a monitoring system to track the implementation of the livestock policy reforms.

In a broader sense, the Program has forced a great deal of ongoing discussion regarding livestock and natural resource policy. It has focused attention on the issues and has led to active learning by Government of what is involved in implementing policy change, how to go about it, the kind of resistance it generates, and alternatives to enlist support and counter opposition.

This situation also applies to policy dialogue between the Government and USAID, discussed in more detail in Chapter 3. Livestock policy is largely set out in the Government's detailed policy statement and implementation plan, making high level dialogue more relevant to encouraging <u>implementation</u> than formulation. However, significant policy issues have developed as a result of implementation that require greater attention. An example is the proposed Government monopoly on meat and slaughter animal imports (or licensing thereof). Approval of local currency use to fulfil indicators of conditions precedent have received much greater attention and detracted from discussion of more important issues relating to the essence of the policy reforms. This situation is discussed in greater detail below.

The factors indicated above that have limited progress to date will continue to be felt over the remaining life of the Program. In addition, as the country enters the election process, political opposition is likely to mount. A former high-ranking Government official and grazing fee advocate, for example, has come out publicly against the grazing fee. Although this may represent pre-election political posturing, it demonstrates the difficulties involved. The drought and anticipated reductions in miner remittances will also complicate matters. This is not a context in which bold policy moves would be anticipated.

Progress should continue to be made, however. Several areas important to the overall policy objectives are less political in nature (e.g., increasing exports to RSA) and even the more sensitive areas (e.g., the grazing fee) enjoy considerable support in some areas of the country. Implementation remains a difficult and daunting challenge. Collecting the grazing fee will be administratively and politically complicated, as will other measures associated with promoting increased local control over natural resource use.

The context and political will are less than ideal for bold reforms, but it is unlikely that things can go back to what they once were. Progress is not irreversible, but the forces set in motion by the Program make abandoning the course very unlikely. Policy decisions have been taken and put into law. Major parts of the policy have been incorporated into IMF structural adjustment conditionalities. Progress will likely remain uneven over the next year, but the policy reform themes will not go away.

Changes in external environment due to continued political and economic change in Southern Africa reinforce the need for reforms -- both in range and livestock management and enhancing the role of the private sector. Even if the grazing fee or other policy aspects are not a total success, the lessons learned and the progress made will be important. All those interviewed in Government consistently expressed this view.

Progress has been slow, but there has been progress. Like a ship, course correction can only take place when in motion. If politics is the art of the possible, a policy reform program is the art of strategically enhancing what is possible given inevitable opposition and resistance. The reasons Government has embarked on this course and requested help in doing so remain valid.

In summary, there has been significant progress in moving in the direction of the policy reform agenda. Although this progress has been hampered by a series of obstacles and including delayed action by top Government administration, the accomplishments to date are far from insignificant. Views on the pace and problems of implementation differed in the evaluation interviews, opinion on the overall direction and continued appropriateness of the policies did not.

2.1.3 Livestock Component Conditions Precedent

The conditions precedent for both policy areas of the Program represent the best guess at the time of program design of suitable benchmarks along the way to meeting policy objectives. The Evaluation Team found general agreement on the appropriateness of the conditions and their indicators as important items to be dealt with.

The list does not, however, represent an "implementation plan" of the steps necessary to accomplish the policy reform objectives. Several Government officials emphasized the general lack of experience or clear understanding of "how to go about" implementing the reforms. The indicators, then, should be seen as milestones of accomplishments rather than as steps in the implementation process.

The divergence between the policy implementation process and a detailed list of desired outcomes relates primarily to the verifiable indicators of the conditions precedent, listed in the policy reform matrix (see Annex A). The Evaluation Team found no disagreement in Government regarding the appropriateness of the conditions precedent as acc ·.e reflections of the policy reform agenda. The only exception to this, is that the CPs for the third and fourth phases of livestock policy relate narrowly only to the grazing fee when in fact the policy objectives are much broader.

The current phase II conditions, for example, embody the desires of Government and USAID: 1) to design and approve an implementation plan for the grazing fee system, and 2) to restructure and broaden the system of livestock marketing to allow for greater private sector participation, a larger volume of exports, and greater NAFC utilization.

How to go about doing this, what is involved, how to manage the reforms are all important issues that require learning by doing. These activities were difficult to anticipate given the innovative nature of the Program for both the Government and USAID. The complexities involved in implementing the policy reforms, laying the groundwork, overcoming obstacles, and learning from the process are not reflected in the policy matrix, in either the CPs or the indicators.

On the livestock side of LAPSP, the accomplishments (indicators) came directly from the work of the national livestock task force. The evaluators understand that the external design team advised the task force against such detailed and ambitious targets, but they were included as indicators of what the technical leadership felt could and should be accomplished.

The Evaluation Team found general consensus that in retrospect, the list of indicators and the time frame estimated for their completion was overly ambitious and unrealistic. Phase II of the livestock policy, for example, contains thirteen separate accomplishments -- almost all of which entail a great deal of time and effort. Some examples include: gazetting of national grazing fee regulations, completion of a national livestock inventory, completion in all districts of an extension information campaign, approval by Cabinet and Military Council of institutional structures to handle the grazing fees collected, the certification by the RSA of the NAFC for meat exports, etc.

Each one of these items requires numerous, sequential activities carried out by a large number of institutions, many outside the control of the Program or even the Government. To estimate that completion of these indicators would take one year severely misjudged the complexities involved and manpower required. It was simply not realistic.

Progress in achieving the policy objectives is related to but not synonymous with fulfilling the CP indicators. Although confusing the two can be counterproductive, progress on the indicators is more easily recorded and has received most of the attention. The most recent report on progress in meeting the indicators is contained in the Seventh LAPSP Status Report of 20 December 1991. Briefly, the following items have been completed:

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Gazetting of National Grazing Fee regulations

Approval of grazing fee implementation plan

Initial extension campaign for grazing fee system

MOA grazing fee unit organized

Certification of no legislation hindering private sector participation

Institution of radio marketing news

Other items in an advanced stage of negotiation include the regulations relating to collection and use of the grazing fees by local VDCs, and the MOA - MOI protocol covering the collection of the fees. An example of the complex sequence of events needed for implementing the grazing fee is the special legislation is required to allow local councils to collect and utilize funds -- a function not envisioned in the original legislation establishing the councils. Similarly, the livestock inventory could not proceed until the grazing fee was gazetted, although considerable preparatory work has been undertaken.

The most contentious issues relate to the National Abattoir and Feedlot Complex (NAFC). The NAFC received a consultancy from ABACOR advising it of the steps necessary for certification for meat exports to the RSA. A proposal to use LAPSP local currency funds to upgrade the NAFC to meet these conditions was approved by the Livestock Implementation Committee (LPIC) and the Program Management Committee (PMC). Approval of this use of funds by the Program Review Committee (PRC) is pending resolution of reservations on the part of USAID and the request for further information justifying the activity. USAID's request for information has not been responded to by Government. USAID also believes that the correct procedure is to submit proposals to the PMC only after resolution of USAID comments at the implementation committee stage.

Related to this issue is the separation of accounts between the operations of the abattoir and the feed lot. USAID prefers to treat these two issues simultaneously, the Government as separate issues. The problems and complexities of local currency management within the Program are discussed in greater detail in Chapter 3.2. The abattoir issues are some of the most contentious and illustrate the discord that has arisen between Government and USAID over the use of program funds.

Even if this issue were resolved today, and it is far from resolution, it is doubtful that the Government could complete all the actions necessary to comply with the remaining indicators by the end of the year. Given the present state of affairs relating to the abattoir issues, it is doubtful that the Government can comply with the indicators by the program assistance completion date.

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Outside of the abattoir issues, the other indicators appear to be within reach of achievement by the end of the year, provided Government agencies outside of MOA complete the required activities relating to the grazing fee system.

As indicated above, the livestock policy reforms are very complex politically, administratively, and technically. Significant opposition and resistance is to be anticipated in both the public and bureaucratic arenas. Most of this resistance is still out there and will become critical as implementation moves forward. In spite of this, it is important to note that the present conflicts delaying program implementation are concentrated within the program's supporters, specifically over the use of local currency to upgrade the NAFC. The tension is not between advocates and opponents of the grazing fee or range adjudication, but within the group made up of USAID and the Government who are in basic agreement on the policy objectives and even the appropriateness of the conditions precedent.

In part, this surprising situation is due to the highly specific and rigid nature of the policy matrix indicators and the accountability required in USAID rules and regulations regarding local currency. Although the reasons for reaching this point are understandable, the concentration of attention on the detailed indicators has obscured the vision of policy reform and the larger issues that remain to be dealt with. No one is satisfied with the situation and it is clearly counterproductive in achieving the stated objectives of the Program. Failure to rectify this situation will lead to failure in meeting the conditions precedent for the release of the second tranche of funds, and derail progress already achieved.

If this were a project to improve Lesotho meat exports to South Africa and upgrade NAFC facilities to achieve that, the issues raised by USAID regarding project funds would be seen in a different context. Concerns over Government's long-term privatization plans for the abattoir, the least cost alternative for upgrading to meet certification requirements, etc. are reasonable within a donor financed project.

From the Government's perspective, the large national livestock plan is its own and the separation of accounts between the abattoir and the feedlot, for example, looks like a relatively narrow issue that should not hold up progress on (and funding for) other reform measures. USAID, on the other hand, sees the abattoir concerns as relating to broader policy issues regarding eventual commercialization or privatization of this aspect of the livestock industry. In addition, the USAID Mission believes that AID regulations and procedures contained in the Program Agreement mandate project-like approval and accountability procedures on their part. Both program issues (relating to policy) and project issues (relating to funding for this specific activity) are mixed together.

The Evaluation Team prefers not to judge the specifics of USAID's objections to the NAFC upgrading proposal, but to focus attention on the larger

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problem that this situation illustrates. In the context of the overall goals and policy objectives of the Program, and in light of the considerable progress made on the livestock side, the controversy over upgrading the abattoir and the real risk that this poses to halting all progress seems excessive and out of place. However, within the project-like framework in which this activity is judged, the abattoir issues may be very reasonable. Having both dynamics operating simultaneously within the LAPSP Program has caused a great deal of tension and mistrust between Government and USAID.

To reach the policy objectives the Program must be more than the sum of its parts. The way the Program is structured the parts have overshadowed and obfuscated the whole. What is worse, failure of any part threatens the entire Program. This is not to argue that USAID should "give in" on the abattoir issue, but that negotiation over this activity must logically be separated from analysis of program goals and the degree of progress in the Government meeting its policy objectives.

In summary, there is basic agreement within Government and USAID on the appropriateness of the conditions precedent as a reflection of the policy reform objectives. Similarly, there is little disagreement on the validity of each of the individual indicators specified. Although these planned accomplishments largely originated in the Government's own livestock task force, they are overly rigid and severely underestimate the complexity involved and the time frame necessary to carry them out. They do not represent an implementation plan of what is needed to reach the policy objectives, nor do they accurately gauge progress toward those objectives.

Significant progress has been made in meeting some of the most difficult indicators but completion of all thirteen required for release of the second tranche is far from imminent. Unless present issues are resolved it is doubtful that conditions can be met by the scheduled end of the Program. The contentious issues do not relate to broader issues in the Government or society in opposition to the reforms, but to relatively narrow issues relating to the use of local currency and project-like activities. The outstanding issues are not unimportant, but they should not be jeopardizing the entire Program at this point. Given all the complexities of these far-reaching reforms, and all the things that could create serious obstacles, these should be amenable to negotiation.

2.2 Agricultural Input Policy

2.2.1 Policy Objectives and Program Logic

In discussing agricultural input policy reform, it is useful to contrast its characteristics with those of the livestock reforms of the LAPSP Program. They are considerably different, and the differences must be taken into account in the analysis of progress and prospects.

The agricultural input policy objective is very straightforward: to open the agricultural input marketing system to facilitate more competition among suppliers and greater input availability to consumers. The objective also includes reduction in the GOL budgetary cost of interventions in agriculture by removing subsidies and reducing the role of a parastatal organization.

Although these reforms have been discussed in Government for a long time, there is no "national agricultural input distribution plan" or "divestiture plan" that would correspond to the national livestock policy statement and implementation plan. Similarly, there is no Government unit clearly identified with this policy, as there is in livestock, and no technical group providing leadership or playing the role of "policy champion."

Without pressure from the donors (particularly the IMF), it is unlikely that the Government would have proposed divestiture at this time, or at the pace envisioned in the structural adjustment facility and LAPSP policy agenda.

The Government has accepted the need for divestiture and greater private sector involvement in agricultural input distribution, and has taken decisions accordingly. However, it is important to recognize the origins and impetus for these reforms, and the contrast to livestock policy.

The end of the monopoly by Coop Lesotho in the distribution of agricultural inputs generated visible, short-term benefits. The benefits of the next steps of this policy through the divestiture of Coop Lesotho assets will be less pronounced over the short term. They will depend on a series of factors relating to the economics of agricultural input use and to private sector decisions to invest in new retail outlets. Reduction of the Government's budget deficit is an immediate benefit of this policy, but it is not an issue that stirs intense public reaction.

Over time, increased competition and availability of inputs will be enhanced by divestiture, but this will take time and the impact will vary among regions. Althpugh a small number of businessmen or member cooperatives will gain from taking over the retail outlets, the short-term benefits of divestiture to the general public and agricultural input purchasers may not be highly visible.

Similarly, the cost of the reforms will, on the whole, not be felt by society. Some farmers will be disadvantaged by the loss of nearby agricultural inputs, but no more so than in any normal business change. The "losers" in this reform are Coop Lesotho employees and members of the bureaucracy. This dynamic of support and opposition is considerably different from that of livestock policy and will have an impact on policy implementation.

The policy objective is broad and covers increased private sector participation and decreased Government intervention. Most attention has focused on the divestiture of Coop Lesotho retail outlets, which is consistent with this objective but far narrower in scope. On the livestock side, the national livestock policy and plan has helped avoid focusing narrowly on herd reduction, for example. On the input side, although the policy objective is broad, there is greater danger of concentrating only on the divestiture aspect and missing opportunities to enhance private sector participation.

To begin to move in this direction, however, it is imperative that the process be expanded to include wider participation by the private sector. This should include representatives of member cooperatives and agribusiness interests.

Although Government recognizes the need to move in this policy direction, the unique situation of the country and the overwhelming commercial and industrial advantage of the RSA make divestiture a potentially highly charged political issue. Government concern for how the process is managed and carried out is completely understandable.

The view was expressed by private sector representatives interviewed that Coop Lesotho does not represent significant competition for private agricultural input distributors. Rather, the real competition for Basotho dealers is the expanding presence of South African cooperatives in the country. According to this view, with the end of the virtual GOL monopoly on agricultural input distribution through the removal of the fertilizer subsidy, the objective of divestiture addresses more the issue of stopping the Government budgetary drain than removing Government competition that may crowd out private sector entrepreneurs.

The political considerations, the loss to Government employees, and the lack of experience or knowledge of how to go about selling off Government assets make implementation complicated. Nevertheless, Government is committed to the stated objectives and is under considerable pressure to move ahead. Nothing in this regard has changed since the LAPSP Program was designed to alter the basic objectives and logic of this policy area.

2.2.2 Progress to Date

A major policy change occurred with the ending of the Coop Lesotho monopoly on agricultural input distribution and the accompanying publicity that announced that the agricultural input market was open to all comers. This coincided with the removal of fertilizer subsidies. Conversations with private sector agricultural input distributors indicated that this change has already had significant impact in opening up the market to private sector participation. With regard to divestiture, most progress has related to preparation for the eventual disposal of Coop Lesotho assets -- no assets have actually been divested.

The Government has approved that "Government and Coop Lesotho depots should be sold. Coop Lesotho should remain with three to four wholesale stores at most." The Government statement also indicated that the sale should be completed by the end of 1992. In preparation for this divestiture, an appraisal of Coop Lesotho assets was undertaken by an independent firm, and 18 unprofitable stores were identified that qualify for immediate disposal. A buyer's qualification statement and application form has been prepared in English and Sesotho and has been sent to perspective buyers who expressed interest in the program. A full scale advertising and information campaign is in the planning stage but has not yet begun.

In spite of the Government's decision to sell retail outlets, several major issues remain to be ironed out. One relates to the ownership of Coop Lesotho assets and the claims of member cooperatives to them. There is a factual question of determining what Government support of Coop Lesotho over the years actually bought. This is also a political or educational issue in that member cooperatives will be unlikely to want to bid on assets that they believe they already own. The role of cooperatives in taking over Coop Lesotho assets will need to be given more attention, both to increase their chances of success and to decrease the political damage that they can cause by opposing the sale.

The other major issue currently being analyzed by Government concerns options open to Government in disposing of assets. This may involve the outright sale of assets to private traders or cooperatives, for example. Is leasing the stores to interested parties a viable option, or under what circumstances might it be? If no buyers are interested in acquiring the assets, what will happen to them? Some stores are very desirable from a commercial standpoint, others clearly are not. These issues and other practical implementation steps of how to conduct the divestiture can only be worked out as the process continues.

Although important questions still need answers and a number of steps still need to be operationalized, the implementation of the divestiture policy is less complex than the livestock side. It depends to a much higher degree on actions of the Ministry of Agriculture. The implementation process is complicated for other political and bureaucratic reasons, but it comes more under the control of staff directly connected to the LAPSP committees. In this sense, attributing responsibility and accountability is easier. Ultimately the pace of progress will depend on political will to carry out the policy.

2.2.3 Agricultural Input Policy Conditions Precedent

The conditions precedent of the agricultural input policy accurately reflect the intent of the policy objective, although they are narrowly conceived in terms of divestiture of retail sales outlets (outside of the fertilizer subsidy condition which has already been met). The Evaluation Team found little or no disagreement that the conditions are consistent with Government policy.

The phase II conditions call for the "progressive divestiture" by Coop Lesotho of its retail assets, while phase III calls for the completion of the divestiture. There are twelve indicators relating to phase II, and seven relating to phase III. Five of the phase II indicators relate to preparatory work leading up to

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the sale of assets. Of these, one is complete (the appraisal of assets) and two are in the works (the audit and reconciliation of Government and Coop Lesotho accounts and the approval of an implementation plan and schedule for the disposal of assets).

Completion of all the indicators relating to divestiture in phase II would require the actual sale or lease of at least 34 retail sales outlets or unused lock-up stores. Unlike the livestock indicators the agricultural input indicators represent progressive steps in the divestiture process (appraisal of assets, preparation of divestiture plan and timetable, sale or lease of assets, release and compensation of redundant personnel, etc.). Although there may be disagreement over how many disposed units constitutes "progressive divestiture," the only indicator that has aroused any controversy has been the compensation plan for released Coop Lesotho employees, and this appears to be on the road to resolution.

Although the indicators are highly specific, there is general agreement that they are appropriate measures of the divestiture process. Technically, the process leading to meeting the conditions for phase II could be accomplished by the end of the year. Progress will depend almost entirely on the effort that the Government, particularly the LAPSP committees, put into it.

As mentioned above, the divestiture of Coop Lesotho assets is also a conditionality of the IMF Enhance Structural Adjustment Facility. The conditions in this case closely parallel the USAID Program; the GOL agreed in the ESAF to liquidate or privatize the operations of Coop Lesotho by the end of September 1991.

The input policy objectives encompass a wide array of possible policy reforms that promote private sector participation in the distribution of agricultural inputs. The conditions precedent, however, focus on the divestiture of Government-owned retail sales outlets. No one has proposed that these conditions are inappropriate, and they reflect Government policy and are consistent with structural adjustment conditionalities.

Progress has been slow on divestiture, although it has so far been less contentious than livestock policy. This may be due to the slow pace of implementation and the situation may change as the process goes forward, retail outlets are sold, and redundant personnel are released . There is relatively little room for manoeuvre or interpretation of the basic policy intent -- Government must dispose of the retail outlets.

The Evaluation Team believes that considerable progress may be made by the end of 1992. The LAPSP Program should continue to support this initiative and offer guidance on the steps necessary to carry it out. Ultimately, however, success will depend almost entirely on the political will to see the process through.

In summary, although progress has been slow, there have been notable advances in both policy areas. The Program addresses high priority policy reform issues and continues to deserve support of Government and USAID. Progress in moving toward the policy objectives is not accurately reflected in the Program indicators, which should be re-examined. Fulfilment of the conditions precedent does not appear feasible by the current program assistance completion date (PACD). Given the progress to date, the continued importance of the reforms, and the unrealistic time frame originally envisioned for the Program, the Evaluation Team recommends that the PACD be extended by two to three years to allow for successful completion -- provided certain corrective measures are taken, described in the following chapters.

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Chapter 3. PROGRAM ORGANIZATION

3.1 Program Structure

3.1.1 Program Characteristics

The LAPSP Program is designed to initiate and sustain policy dialogue and change in two areas of central importance to the long-term development of Lesotho. For this reason the Program is intended to have a self-sustaining character to carry the intended policy actions into the future.

The LAPSP Program involves two basic processes: policy dialogue and activities that support policy change. The policy dialogue involves the Government, USAID, and other donors and is intended to bring about policy change to influence range preservation and private sector agricultural input distribution. The activity program supports the Government as it deals with specific problems or questions associated with the wider policy changes.

The two aspects of the program are interactive, with the intent that work on a specific activity will contribute to implementing policy change, while the lessons of implementing the reforms will feed back into the ongoing policy dialogue. This interaction is also supported by a monitoring and evaluation system, intended as a self-correcting policy reform mechanism.

The program goal and objectives embodied in the policy reform matrix (see Annex A) and project-like activities funded in support of these objectives are also interactive in a financial sense. The Program can fund project-like activities to meet the conditions precedent, which when met trigger the release of additional funds.

3.1.2 USAID Role and Responsibilities

Following from the Program characteristics described above, USAID has two roles in this "non-project assistance" program. The first is to initiate and maintain policy dialogue with the Government as the reforms progress. The second is to approve and monitor grant funds that facilitate or support achievement of the policy objectives.

The reforms addressed in the LAPSP Program form part of the conditionalities of the IMF Enhanced Structural Adjustment Facility (ESAF). They also encompass a much wider array of activities and implementation steps the Government must undertake than can be covered by LAPSP funds. USAID can play an important policy dialogue role because it is the largest bi-lateral donor and because it has a fully-staffed resident mission in the country.

Similarly, the USAID role should be seen as facilitative of the broader reforms, providing funding for technical assistance, policy studies, and other

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activities to aid the Government in analyzing policy options and in taking appropriate decisions and implementation actions.

This funding, however, demands that USAID fulfil its financial oversight requirements mandated by the U.S. Congress, and to insure that activities to be funded by LAPSP are compatible with the goals and purposes of the program as outlined in the Program Agreement. These rules and regulations have become considerably tighter and more demanding over the course of LAPSP implementation.

3.1.3 Government Roles and Responsibilities

The Government's role is to implement the policy reforms, and to carry them forward in both a management and political sense. It is responsible for specifying the exact shape of the policy change and garnering the political, budgetary, and administrative support necessary to make it happen. It is responsible for providing the human resources, and for specifying the management processes for the implementation of activities within its administrative structure.

More specifically it is Government's responsibility to identify what external support is necessary to implement the policy change process. With regard to LAPSP funds, it must process its plans through the LAPSP committee structure to receive USAID financial support for the activities proposed.

As discussed in Chapter 2 of this report, the characteristics of the two policy areas have a significant influence on how this implementation process is designed and carried out. In addition, the LAPSP Program was the first policy reform program undertaken, and has required a great deal of learning by doing and analysis of implementation experience. There were no previous, successful examples to relay on, and this program touches on many economic, political, cultural, and administrative issues.

Secondly, the livestock and range management component of LAPSP emerged from a collection of largely Basotho professionals with a common interest in the issue. It was what some have called an organic structure, with no real hierarchy, a high sense of purpose and no set procedures that resulted in a strong vision. It was also legitimated by participation of strong political personalities. This vision was the source of the policy statement that is the cornerstone of the LAPSP and ESAF agreements and the implementation plan that evolved from that policy position is the core plan for the set of activities anticipated under the LAPSP.

3.1.4 LAPSP Committee Roles and Responsibilities

There are three levels of committees established in the Program Agreement. There are implementation committees for both Livestock (LPIC) and Agricultural Inputs (IPIC). Above these is the Program Management Committee

(PMC) chaired by the Principal Secretary Agriculture and made up of the key MOA Directors. Above the PMC is the Program Review Committee (PRC) chaired by the Principal Secretary Planning and made up of the PSs of Agriculture, Finance, and Interior. Overseeing all of this is the Program Chairman (PC) who is the Minister of Planning, and who makes decisions in consultation with the USAID Director. The duties and responsibilities of these committees are described in detail in the Program Agreement and need not be repeated here.

The committee structure was established to ensure high level participation of all ministries and departments involved in the implementation of these ambitious reforms. Although this requirement remains sound, it has been often very difficult for the committees to meet given the heavy demands on the time of senior Government administrators. The turnover in committee membership has been high, and considerable time has been spent on informing the new members about the Program, its history, procedures, and problems.

Although the committee structure was designed to ensure high level participation, the Evaluation Team found that frequently high level political intervention was slow or lacking and that was necessary to get the process moving beyond the technical recommendations of the implementation committees. The committee structure in this regard has not guaranteed timely high level political support.

It is important to note that the Program Agreement envisioned that USAID would be represented on all committees. In practice and in the spirit of the policy reform program, USAID has only participated at the PRC level. This reflects Government opinion that USAID participation at the lower committee levels is not warranted on a formal basis. According to the procedures contained in the Local Currency Handbook, USAID is to be consulted informally as proposals for funding are examined in the implementation committees. At this level, the informal process has frequently broken down.

The Evaluation Team believes that the committee structure in itself is not a problem -- it is appropriate and can work. There have been difficulties in both the GOL and USAID in making it work, however. As mentioned above, the committee structure has not ensured high level, timely Government participation. Similarly, USAID involvement has not been intense enough to ensure collegial, facilitative influence over either policy dialogue or activity development in support of movement toward program goals.

3.1.5 LAPSP Secretariat

Servicing all the committees is the LAPSP Secretariat. The role of the Secretariat is described somewhat differently in several of the program documents, but the intent was to create a group of highly skilled experts that would dedicate full attention to the program (in contrast to the committee members who only meet periodically). The Secretariat was to advise

Government on policy, contribute to implementation, and serve as intermediaries among the committees and between Government and USAID.

The views of Government and USAID on how the Secretariat should function are also somewhat different. The Government stresses the implementation role of the Secretariat, USAID the intermediary role. The Government clearly sees the Secretariat as part of the Ministry's team. This view was reinforced from the start by discussion with USAID on the nature of policy reform programs and non-project assistance. The contracts of the first two Secretariat members were host country contracts. USAID believes that the role of the Secretariat should be more neutral, providing policy implementation advice and serving as an intermediary between the Government and USAID.

As in other areas of the LAPSP program discussed in this report, the characteristics of the two policy areas are sufficiently distinct to demand different tasks and support from the Secretariat. Add to this the controversial nature of the policies and the contention relating to the local currency activities and it is not surprising that the Secretariat has become a point of discord.

The appropriateness of having a secretariat at all does not seem to be questioned by either the Government or USAID. Given the nature of the Committees, a Secretariat to service them and dedicate full attention to program work carried out between committee meetings and decisions appears to be a logical setup. The Evaluation Team found it surprising that both of the Secretariat's technical team members were expatriates. Another option for a secretariat of this nature would be made up of national staff supported by expatriate technical assistance advisors.

As pointed out above, it is important to separate the demands placed on the Secretariat in each policy area. For livestock, the Government has a detailed national livestock policy statement and implementation plan. The Livestock Implementation Committee arose out of the national livestock task force. It's chairman is the Director of Livestock Services of the Ministry, the unit most closely associated with the policy reforms envisioned.

Within this context, the natural tendency of the Secretariat advisor, and the demands placed on that person, would inevitably lead to close integration and identification with the national team. This has tended to preclude the Secretariat from serving as an intermediary between USAID and Government, particularly when tension and frustration rose over the use of local currency. It has not been useful as an avenue for imparting information on AID local currency regulations, nor has it been effective in transmitting USAID's substantive reservations on particular activities or policy issues.

This aspect is discussed in more detail below, but it is important to recognize that transmitting USAID's point of view (based on procedural and legal requirements) is more effectively done in this case by a high ranking USAID official, rather than an expatriate technical assistance person.The

Program Agreement and the source of funds in this program demand certain approval and oversight functions by the USAID Mission. Although there is latitude for interpretation, on the whole USAID regulations require the type of intervention that it has exercised.

It is important to point out that the weakness in the intermediary role is counterbalanced by effectiveness of the Secretariat in supporting the Ministry in implementing livestock policies. In addition, the Secretariat has been called upon by Government to analyze policy options with regard to the livestock implementation plan (e.g., the relative merits of a grazing permit auction vs. a generalized grazing fee). This type of activity should be expanded to include analysis of other broader policy issues as they arise, in order to assist Government decision making. An example would be a paper on the advantages and disadvantages of the proposed Government control of meat and slaughter animal imports. To a certain extent this type of activity has been displaced by Secretariat focus on project activities, discussed in section 3.2.1.

The situation is somewhat different in emphasis with regard to agricultural inputs. Given the nature of the policies and the lack of a Government unit with clear responsibility for their implementation, the natural tendency will be for the Secretariat member to provide advice on implementing divestiture from a more neutral stance. It is important that both the Government and USAID understand the complexities of this role and why it will tend to be different than the livestock advisor's role.

In summary, the Evaluation Team finds that having a secretariat is appropriate and necessary, but that there is inevitable tension between its advocacy role (carrying the committees' points of view to USAID), its control role (over information flows and local currency management), and its advisory role. The advisory role is the one that needs strengthening at this point.

3.2 Management of Policy Dialogue and Program Support Activities.

Looking at indicators of management effectiveness, there are increasing signs of a number of negative tensions. On the policy dialogue side, true exchange on the issues associated with range management and private sector participation in input distribution has been infrequent. The focus, at all levels of the LAPSP committee structure is on activities and the administrative and budgetary problems associated with them.

Reasons for this displacement of focus away from policy dialogue are outlined below. Indicators of this situation include: misunderstandings of agreed-upon procedures; surprises for both the GOL and USAID; cumbersome, lengthy, and contentious local currency approval processes; Government feelings of USAID "interference" rather than support; and a growing "us vs. them" atmosphere in the Committee structure.

It is useful to see both the dialogue and activity components as involving reciprocal interdependence for AID and the GOL management. To a great extent the slowness of disbursing funds has been due to conflicts or poor fit between USAID and GOL management structures. To be sure, the management concentration on meeting policy matrix indicators and conditions precedent have also played a role in this tension. But to have changed those indicators without correcting underlying managerial tensions would not necessarily alter the pace of disbursal or enhanced the quality of the policy dialogue.

3.2.1. The Policy Dialogue Process

The policy dialogue process is most active on the livestock side of the Program. This dialogue on substantive policy issues between USAID and Government has been increasingly blocked. There are several reasons for this.

-- Displacement of focus on project activities

The focus of managers in the program, both in USAID and the GOL, has come to be one of concern with the mechanics of the supporting activities and how those are developed, approved and implemented. Policy dialogue has taken a back seat to project-like activities because these are what will unblock the funds to continue the Program.

The managerial consequence is that scarce management time, even at the PS and USAID Program levels, is going into the mediation of issues that have emerged at the activity planning level.

-- Leadership changes

While current GOL leadership on committees appears to be strong, few members have been in a position long enough to master the complex issues that are emerging in the implementation of the policies. It should also be noted that over the past year, the first year of participation for several key members, most attention has focused on project-like activities and approval conflicts, rather than on substantive policy issues.

Leadership played an important part in getting this program started and directed in terms of policy focus and vision. As the previous leadership moved out of the picture for one reason or another, a certain commonality of overall program vision diminished.

-- Failure of review procedures to trigger policy re-examination

The Program Agreement calls for periodic review of the progress toward policy goals at the level of the Program Review Committee. The process of periodic assessment was intended to be triggered by several different items, including reviews of the fulfilment of the conditions precedent, the completion of supportive activities, and other key events. No general review was required by this Committee independently of these specific items. Rather it seems to have been assumed that GOL and USAID leadership would maintain continuous policy dialogue. They did not for several reasons.

The failure to meet conditions precedent targets did not trigger attention to <u>policy</u> issues, but more to <u>management</u> issues. When the Program fell behind in its disbursal schedule, there were numerous other issues requiring review. Correspondence indicates that managerial issues were identified as the constraints to reaching the CPs, not anything inherently difficulties in the policy changes. Similarly, those most in contact with the operations of the Program were those least responsible for higher level policy decisions.

The Secretariat did not play a significant role in the furthering of a dialogue. In part this was due to the abrupt departure and nine-month vacancy in the post of agricultural inputs advisor and the additional demands that this placed on the Livestock Advisor and the LAPSP Accountant/Administrator.

USAID staff were increasingly occupied with implementing new procedural guidance in program and project oversight, and during the past year have been involved in time consuming Mission strategy and design activities. This reinforced the other factors that mitigated against regular policy dialogue activities and greater attention to the implementation problems of the Program.

Over this period, few meetings were held by the LAPSP management committees and high-level Government involvement was sporadic. Consequently, there appears to have been insufficient discussion of emerging policy issues with USAID, such as the monopoly role of the NAFC in meat imports and conditions relating to the disposal of Coop Lesotho assets.

Finally, the lack of a systematic review of policy issues between the GOL and USAID was aggravated by the slow start of an operational monitoring and evaluation system, which presented its first report in May 1992. This system should be used for validating the effectiveness of policy choices and assessing implementation progress.

3.2.2 The Activity Management Process

This area has generated most of the attention in the last year. It is in this area that the interdependence of the LAPSP committee structure and USAID are most evident. Problems in this area hinder the advancement of the policy dialogue. From an operational standpoint, it plays a major role, along with inappropriate indicators of progress, in delaying disbursal of the second tranche of LAPSP funds.

<u>The fit between work flow and coordinating mechanisms</u>

Several major managerial areas are problematic. These include the following:

-- Lack of understanding of the processes that had been agreed upon for the identification, approval, funding and implementation of activities under LAPSP.

-- Lack of early involvement of USAID in analyzing funding proposals, or failure to address USAID concerns have led to approval bottlenecks at the upper committee levels.

-- There is inadequate communication either within the program committee structure or between the structure and AID.

-- The planning and implementation structure required the meshing of two sets of procedures, AID's and GOL/LAPSP. Problems developed along several points as the program developed.

At the activity identification level, early discussion of ideas became difficult and more formalized through memoranda rather than dialogue.

Conflict resolution processes were not spelled out (e.g., the contension regarding funding of the NAFC upgrading).

The "rules of the game" (i.e., the degree of USAID involvement in approval and monitoring of local currency) changed over time, and the changes were not sufficiently understood.

All of these aspects made it difficult to identify how well specific activities were contributing to policy reform progress.

Wider inclusion of stakeholders

Policy dialogue ideally entails ever-widening circles of involvement by stakeholders as their interests become affected. In the livestock area, particularly with regard to the grazing fee, stakeholders have been brought into the process through information, training, and planning for their roles in implementation. There is little evidence of this in the divestiture or livestock marketing policies. Other stakeholders, in addition to GOL and USAID, that could be involved include private sector traders, representatives of member cooperatives, and meat distributors.

The agricultural input reforms could have moved more quickly with greater contributions from policy dialogue activities. For instance, interviews indicate that there is hesitance on the part of IPIC because they cannot anticipate the impact on farmers in some areas. Including coop managers and members of primary coops would help to deal with that issue.

Policy and activity management interaction

The management of the Program on both the GOL and USAID sides is not functioning well as indicated by several measures. Activities to support policy change are not progressing as planned and the indicators for release of funds are slow in being met. One aspect of this is that the original sense of vision in the livestock task force has been displaced by a focus on the attainment of specific policy-related activities.

The management systems for both the policy dialogue and activity areas need to be collectively reviewed. In particular the Secretariat's role and composition needs to be re-examined so that the advisory role initially envisaged (and increasingly required) can be expanded.

Overview functions in policy and activity areas are not consistent and strong, again on both the USAID and GOL side. Manpower constraints and mixed lines of authority and responsibility pertain to both. Related to this is the poor flow of information on policy and activity management issues. This has the consequence that interrelated policy and activity issues remain unrecognized until they surface as conflicts. Two recent examples illustrate this point.

The new agricultural input advisor's contract is different than the previous one's because of new AID regulations that make host country contracts exceedingly difficult to implement. Although this situation was discussed by USAID with the PS Agriculture, it was not adequately transmitted throughout the Ministry, and led to suspicion that the new contract was the result of USAID desires for more direct control of the advisor.

Similarly, USAID comments regarding the proposal to use local currency funds to upgrade the abattoir were transmitted to the Director of Livestock Services by the Local Currency Manager of the Program. USAID believed this to be the correct procedure (i.e., supplying comments to the implementation committee). The timing, content, and authorship of the letter were perceived by Government as inappropriate and as overturning work already completed at the technical level. This reflects the lack of a common understanding of USAID's role and the procedures relating to activity approval. Conflict over this activity is particularly unfortunate as it impedes discussion of larger policy issues relating to the future of the abattoir and examination of technical alternatives.

For these and other reasons, the facilitative role of USAID in helping Government achieve the LAPSP (and IMF) policy objectives is often overshadowed by the conflictive nature of the discussion over local currency issues. The level of frustration on both sides is unnecessarily high and is a block to solving already complex policy and activity issues.

In order to ensure that USAID acts and is perceived as acting as a facilitator in the policy reform process, several things need to be done. Perhaps most important is an effort to renew the common understanding of program goals, evident in the livestock task force in the period of the development of the initial policy statement and program design. When upcoming USAID and GOL staffing changes have been completed it would be helpful to have a program orientation and planning workshop to achieve this commonality of purpose.

A significant level of the tension in the project is generated by the pressure to meet the condition precedent indicators, which in turn control the flow of financial disbursements to activities. It would be helpful to bring all LAPSP participants together to generate the information necessary to re-examine these indicators. USAID and GOL should consider a large group planning session that would generate activity plans for the various components of the program. This approach has the advantage of:

Creating understanding of and consensus around goals that may have been lost due to changes in personnel;

Generating an understanding of coordination requirements between USAID and GOL:

Generating a set of self-defined tasks that will have strong support in the implementing organizations.

It is also necessary to increase awareness and common understanding of each side's requirements for information and accountability. The relationship between USAID and the one committee in which it does participate needs to be re-examined. No change may be necessary, but the advantages and disadvantages of alternate arrangements needed to be brought up and discussed. It is important that the mix of informal practices regarding information flows and the formal consultation and approval roles of USAID be thoroughly aired.

The balance between USAID/GOL policy dialogue and concern with specific policy support activities should evolve in order to sharpen and broaden understanding of the outstanding policy issues and reform process. Failure to do this will result in substantive as well as procedural disagreement in the future.
This can only be done through more regular policy reviews by GOL and USAID leadership.

In summary, the Evaluation Team found a high level of understanding of the overall policy objectives, as well as a good understanding of the more mechanistic aspects of individual activities. What is lacking is a clear appreciation of how the pieces fit together and contribute to the whole. This vision may be thought of in terms of strategic management of the policy implementation process, of knowing what has to happen when and why in order for the overall effort to be successful. Insufficient attention to overall strategic management has been given by both the Government and USAID.

3.3 Local Currency Activities and Management

The keystone of LAPSP is the support given to the Government to assist with activities which contribute to the implementation of policy changes in the agricultural and livestock sub-sectors of the economy. The U.S. dollar disbursements are converted into Maloti (M) and deposited in a special account. These funds are then programmed for discrete projects or activities by a formal Government structure with review and approval by USAID. The programming process is designed to insure that funds are allocated for priority purposes under the Program agreement, that management structures exist to ensure timely and efficient conduct of the activity, and that monitoring mechanisms are in place to ensure programmatic and financial responsibility. Of the $12,75 million to be programmed in this manner, $1.7 million has been dispersed and deposited as M4,480,000 in an account in the Central Bank of Lesotho. The account earns interest and to date credits totalling M1,086,000 have brought the amount available for Program activities to M5,567,000.

The Evaluation Team found that eleven activities had been approved with a combined life of activity budget of M8,181,584. This total is significantly higher than the funds available because the length of life of the activities; three will run through 1994 and three will operate through 1995. To date M3.0 million has been deposited in activity accounts, M2.5 million is available for disbursement from the special account in the Central Bank, and M2.7 million of the allocated eight million remains to be obtained from anticipated Program second tranche disbursements.

USAID has put a temporary hold on any further approvals until the second tranche can be approved for disbursement, or until "outyear" money from approved activities is freed up for proposed new activities. While such a suspension of new commitments is appropriate from a financial management standpoint, it neglects the Governments need to undertake a number of additional activities in order to fulfil the requirements of the next tranche disbursement. It would appear appropriate under the current conditions to reassess priorities and the need to reserve funds for future years operation of any activity in order to complete the minimum to receive new funds as soon as is possible.

All of the activities approved contribute either directly to the meeting of the conditions precedent or to the general operation of the agricultural policy reform program. There is, however, some question about the timing of some of the major allocations. For example, M3.3 million was set aside for grazing fee administration while nothing is allocated for assisting with the certification of the National Abattoir for the export of meat products. Yet the latter is a second tranche verifiable indicator while the former is predominately a third tranche requirement. As stated above, a careful evaluation of the priority actions necessary to have additional monies released must be done at once. The Team believes this should be a joint activity of the Program Implementation Committees, the Secretariat, and the USAID Program Manager.

The procedures for acquisition, disbursement and monitoring of LAPSP local currency, together with general guides for the development and processing of new proposals, are to be found in a LAPSP Handbook. The Team found the Handbook reasonably complete, easy to understand, and appropriate to the needs of local currency management in the current USAID environment. It is dated July 1991 and it was revised several times before being formally approved. The changes have all been in the direction of increased accountability for actions and have been the result of policy and/or administrative changes in USAID as an Agency and not as a unilateral action of USAID/Lesotho. The types of changes which were required could easily be expected to result in conflict because they increased the direct role of USAID in approval and monitoring of funds and reduced Government autonomy to apply the funds as it saw fit within agreed upon categories.

The Evaluation Team found that the purpose for changing local currency management continued to be imperfectly understood by Government officials and a source, in some cases, of a residual of ill will. The procedures for managing the use of local currency appear to be understood by the users in part because of necessity and in significant part because of numerous training sessions conducted by the Secretariat Administrative Assistant. Thus, while people know how to process the paper, they still do not know exactly why they have to do it. It can be anticipated that repeated explanations will be required on the part of Mission management, the Program manager and the Secretariat over the remaining life of the Program. The Evaluation Team believes this will be time well spent.

The principal determinant of how local currency generated by a USAID program must be managed is the design of the program. Briefly, the greater the involvement of USAID personnel in the types of projects which can receive the money, the more USAID must be involved in monitoring the work and the money. Because of the original design of LAPSP, USAID staff have no choice except to follow procedures of the type currently being used. This does, however, raise the question of why not change the design of the Program. Such a process is not simple; essentially it means preparing all of the justifications associated with the design of an essentially new program.

The decision process involves weighing the costs and benefits associated with the change. Among the information which must be considered are the following items: 1) the money for all currently approved activities will remain under the current system of monitoring and oversight as only new money to the extent it is not already programmed would be eligible for a new system of operation; 2) the development of a Program amendment can be expected to take up to three months of mission time to develop, not including the additional time necessary for AID Washington approval; 3) the current Program has one year to the PACD and only minor extensions of this date can be anticipated at

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this time; 4) the current method of operation is not expected to be altered again by AID/Washington; 5) the current operation of the program is understood by those working with it; and 6) the so called simpler system of budgetary support will still call for USAID to certify that the funds will be used for the purposes intended.

As pointed out earlier in this report, the Evaluation Team believes that the program assistance completion date should be extended by two to three years. The PACD extension relates directly to the decision to alter the local currency management system. Given the set of factors listed above, the Evaluation Team has concluded that continuation of the existing system is appropriate for LAPSP only if the PACD is not extended by at least two years.

In summary, the design of this Program has dictated specific operating methods because of AID regulations. The USAID Mission has to follow these regulations or undertake a lengthy process of amending the Program and the Memorandum of Understanding. The officials of the Government understand the necessary financial management system as presented in to local currency Handbook. The Team concluded that, unless the Program is extended several years (as it recommends), the current system would be appropriate for LAPSP. There is concern that the selection of activities will not provide sufficient assistance for meeting the second tranche conditionalities and some revision of the priorities may be in order.

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Chapter 4. SUMMARY OF CONCLUSIONS

This chapter presents a summary of the conclusions drawn from the findings in Chapters 2 and 3.

1. The policy objectives remain valid and are shared by Government and USAID.

   a. Views on the pace and problems of implementation differ but there is general agreement in the GOL and USAID on the overall direction and continued appropriateness of the policies.

   b. The objectives reflect the best efforts and informed opinion of the Ministry of Agriculture technical leadership, and to a large extent represent policy directions formulated independently of the LAPSP program.

   c. There appears to be wide understanding in Government of the administrative, technical, and political complexity of the proposed changes, and of the pros and cons of these and alternative policies.

   d. The conditions precedent stated in the Program Agreement are accurate reflections of the policy reform objectives, and there is general agreement on this in both the GOL and USAID.

2. There has been considerable progress.

   a. There has been notable progress but it has been difficult and slower than anticipated at the start of the program.

   b. There have been several highly visible accomplishments like gazetting of the grazing fee regulations and ending the Coop Lesotho monopoly on agricultural input distribution, as well as less visible progress made through technical and educational preparatory activities necessary to lay the groundwork for policy implementation. A good example of this is setting up national administrative and public information programs for implementation of the grazing fee program.

   c. The Program has focused attention on the issues and has led to active learning by Government on the actions necessary to reach the policy objectives and the complexity of implementing policy change.

   d. Progress is not irreversible, but the forces set in motion by the Program make abandoning the course very unlikely.

3. The progress that has been made is not accurately reflected in the current status of the verifiable indicators.

a. The complexities involved in implementing the policy reforms, laying the groundwork, overcoming obstacles, and learning from the process are not reflected in the policy matrix indicators.

b. The indicators, particularly on the livestock side, do not represent a sequential implementation plan of what is needed to reach the policy objectives, nor do they accurately gauge progress toward those objectives.

4. It is doubtful that the Program can meet the indicators for release of the second tranche of funds by the end 1992. Unless present issues are resolved it is unlikely that they can be met by the current program assistance completion date.

5. Failure to fulfil any single indicator jeopardizes continued funding of the entire Program.

6. The LAPSP Program plays an important facilitative role in assisting the Government to meet IMF structural adjustment conditionalities. Failure to meet targets for continued funding of LAPSP policy reforms would be detrimental to the continued IMF support.

7. The concentration of attention on the detailed indicators has obscured the vision of policy reform and the larger issues that remain to be dealt with.

8. The tension relating to current program activities on livestock policy is not between advocates and opponents of the grazing fee or range adjudication, but within the group made up of USAID and the Government who are in basic agreement on the policy objectives and even the appropriateness of the conditions precedent.

9. There is not as strong an advocate group within the Government for privatization as there is for livestock policy. Donor pressure has been critical in the timing and pace of this policy.

10. Although the policy objectives of the agricultural input distribution side of the Program are broadly conceived, almost all attention has been focused on the divestiture of Coop Lesotho. Wider participation is needed to examine the overall policy issues relating to private sector promotion.

11. The dynamics of the implementation process of livestock policy and agricultural input distribution policy are significantly different and need to be analyzed separately.

12. Policy dialogue and Program funded activities are complementary and interactive parts of the LAPSP Program. This interaction needs to be kept in mind in discussing progress and problems.

13. During the Program, AID approval and oversight procedures regarding local currency funds were modified. These have changes have complicated a common understanding regarding of Program procedures.

14. The Government policy reform program is much wider than the LAPSP Program, whose activities have to fit within the broader picture of ongoing changes and policy actions.

15. That the above two characteristics do not always mesh easily has led to an increasing focus on complex Program activities and has been detrimental to the policy dialogue process. This inclination has been reinforced by time and human resource constraints on both sides.

16. In the management of Program activities there is a poor fit between work flows, in both Government and USAID, and coordination mechanisms. This is evidenced by:

a. lack of a common understanding of processes for approval, funding, and implementation of LAPSP activities;

b. poor communications; and

c. lack of clear conflict resolution processes.

17. The end result of this situation is an increasingly adversarial relationship regarding approval of Program activities.

18. Even though there is agreement on policy objectives, this conflict undermines substantive discussion of policy issues.

19. There is good understanding of overall policy objectives and of the mechanistic aspects of individual activities. There is inadequate understanding of how these are linked; of how the parts come together to reach the broad objectives.

20. The committee structure in itself is not a problem -- it is appropriate given the inter-ministerial coordination necessary. However, the committee structure has not ensured high level, timely Government participation. Similarly, USAID involvement has not been intense enough to ensure collegial, facilitative influence over either policy dialogue or activity development in support of movement toward program goals. There is a lack of common understanding of how USAID should participate in committee deliberations.

21. Having a Secretariat is an appropriate arrangement, but there is inevitable tension between its advocacy, control, and advisory roles. The advisory role needs to be strengthened. More direct contact between USAID and GOL officials in LAPSP activity development will lesson the need for the advocacy role of the Secretariat in representing the Government's position to USAID.

22. There is currently no systematic review of policy issues between GOL and USAID. This has been aggravated by the slow start of the monitoring and evaluation system.

23. There is insufficient attention in Government and USAID to this overall strategy and management of the reform process.

24. The design of the Program has dictated procedures for local currency management under standard AID guidelines. It is beyond the USAID Mission's control to move to a more open management system without undertaking complicated redesign tasks.

25. Although the Program was never envisioned as the only source of funds for achieving all policy objectives, it is the major and often only funding source for several important policy reform activities. In light of this fact, the funds dispersed for the first tranche were insufficient to undertake everything necessary to meet the conditions for release of the second tranche when activities are fully funded.

26. In programming local currency, all activities are directly related to the Program but insufficient attention has been given to the sequencing of activities required to meet the conditions precedent.

27. Once the difficult local currency approval process is complete, Government accounting procedures are sufficient to manage the funds. The local currency handbook is judged to be most appropriate.

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Chapter 5. RECOMMENDATIONS

The Evaluation Team believes that the following actions should be taken to improve performance and ensure that LAPSP successfully meets its ambitious and important goals over the remaining life of the Program.

1. The verifiable indicators of the policy reform matrix should be re-examined. As a first step Government, with the help of the Secretariat, should prepare an analysis of the sequential steps required for implementation of the policy reforms specified in the Conditions Precedent of the LAPSP Policy Matrix (left-hand column of Annex A), including an estimate of the time required for each. This analysis should be based on the insight and lessons learned since the Program was designed reflecting the complexity of implementing these reforms. This should be given highest priority and completed as soon as possible.

2. This analysis should form the basis for appraisal of progress made to date in any eventual discussion between GOL and USAID on reformulation of the verifiable indicators.

3. Provided Government develops this analysis of sequential implementation steps, and it serves as the basis for the successful reformulation of the verifiable indicators, the PACD should be extended for two to three years to allow sufficient time for successful completions of the policy objectives. It is important to recognize that failure to expeditiously carry out the steps necessary for reformulation of verifiable indicators will jeopardize the possibility of extension and lead to completing the Program in May 1993 (the current PACD).

4. High-level, timely Government participation in Program decisions must be increased for LAPSP to meet its goals, and for the successful reformulation of the Program.

5. If the PACD is extended, the local currency management system should be re-examined by GOL and USAID, particularly with regard to reorganizing of local currencies to sector budgetary support. If the PACD is not extended for at least two years, a continuation of the existing system is most appropriate for LAPSP.

6. There should be an annual workshop for USAID and GOL participants to review progress and air policy issues. The first of these should be held as soon as planned USAID/ADO personnel changes have taken place.

7. The Evaluation Team recommends a group planning session to generate activity plans for various components of the program. The purpose of this workshop would be to create understanding of and consensus around goals that may have been lost due to changes in personnel (both GOL and USAID); increase understanding of coordination requirements

13. To improve communication, Government views on policy and activities should be expressed directly to USAID by senior GOL officials, rather than predominantly through the Secretariat.

14. Wider stakeholder participation should be accommodated in the discussion of agricultural input policy, including private sector representatives. An option for doing this would be to alter the makeup of the Input Policy Implementation Committee.

ANNEX A LAPSP POLICY REFORM MATRIX

Livestock

PHASE I

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 and Military Council approval documentation; review of gazette.

PHASE II

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 MOA and approval by the PPC and PC of a comprehensive implementation plan for installation of a national grazing fee system.	(2) Review of implementation plan and PC approval.
	(3) Completion of a national livestock inventory as 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 betwwn 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. Approval by GOL and USAID of criteria for local community use of grazing fee revenues.	(7) Review of Cabinet Military decision.
Restructure and broaden the system of livestock marketing in Lesotho to allow for:	(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.
-- Greater private sector participation in all phases of livestock marketing;	(2) The gazetting of meat hygiene regulations for the National Abattoir.	(2) Review gazette.
-- A larger volume of exports of live animals and livestock products to the RSA; and	(3) 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.
-- A greater degree of NAFC utilization as demonstrated by increased numbers of local livestock products handled.	(4) Presentation of documents to the PPC demonstrating successful certification of a 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)(a) Review certification (4)(b) On site inspections.
	(5) Presentation of documents to the PPC which establish that the GOL has separated the business accounts of the Feedlot Complex from the National Abattoir and reoriented the operations of the Feedlot Complex from a commerical feedlot to	(5)(a) Review feedlot and abattoir financial records. (5)(b) On site inspections.

Livestock Phase II (cont'd)	primarily that of a holding ground for cull animals from the national range destocking program and fattening only when financial feasibility can be demonstrated.	
	(6) Increased volume of local livestock products processed by NAFC.	(6) Review abattoir records.
PHASE III		
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 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 off-take and animal owners' incomes, and development activities implemented by local communities using grazing fee receipts.	(1) Review of MOA and RMA records and MOA reports from DAOs. (2) On site inspections. (3) Periodic surveys to supplement and update national livestock survey.
PHASE IV		
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 off-take and animal oners' incomes, and development activities implemented by local communities using grazing fee receipts.	(1) Review of MOA and RMA records and MOA reports from DAOs.

Policy Reforms	Verifiable Indicator	Means of Verification
PHASE I		
Government support for and facilitation of 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 andgazette.
	(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 commencement of implementation of its announced	(1) Acceptance by the Program Review Committee (PRC) and the Program Chairman (PC) of an implementation plan and schedule for the phased eliminationof fertilizer subsidies, including provisionfor 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 or guidance to initiate fertilizer subsidy removal.
PHASE II		
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 PRC of an appraisal of Coop Lesotho assets by an independent accounting firm.	(2) Review appraisal study and a PRC recommendation to accept appraisal.
	(3) Acceptance by the PRC of an audit by an independent accounting firm and and issuance of a report thereunder reconciling government accounts with Coop Lesotho and Coop Lesotho's outstanding debts, the audit to be completed no later than 31 March 1989.	(3) Review audit report and a PRC recommendation to accept.
	(4) Submission to an acceptance by the PRC 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 PRC recommendation to to accept.
	(5) Acceptance by the PRC 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 II.	(5) Review copies of bills of sale for Coop assets.

Ag Input Phase II (cont'd)	(6) Issuance by the Ministry of Agriculture of a statement certifying that (a) the amount of the net proceeds realized from the outright sales and lease/purchase of Coop Lesotho assets and (b) the fair market assessed value of assets retained by the government.	(6) Review MOA certification letter.
Establishment by the GOL of a program to ease the transition of redundant 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 PRC acceptance.
	(2) Release of redundant Coop Lesotho personnel from retail outlets and lock-up stores sold and from 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 of GOL policy document published in Gazette.
	(2) Guidance issued by MOA on new fertilizer subsidy rates.	(2) Instructions by MOA to Coop Lesothos and DAOs.
	(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 III		
Completion of the divestiture of Coop Lesotho's retail outlets and lock-up stores.	(1) Acceptance by the PRC 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 (a) the amount of the net proceeds realized from the outright sale and lease/purchase of Coop Lesotho assets and (b) the fair market assessed value of assets retained by the government.	(2) Review of MOA statement.
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.	Review of GOL statement, and review of GOL estimated and actual budgetary outlays for current and next fiscal year.
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 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, and review of GOL estimated and actual budgetary outlays in current and next fiscal year.
	(4) Fully privatized and unsubsidized fertilizer distribution system.	(4) Survey of private sector ag. input suppliers.

ANNEX B

Statement of Work

I. **Background.** The Lesotho Agricultural Policy Support Program Grant Agreement was signed in June 14, 1988 between the Government of the Kingdom of Lesotho and United States of America (USAID). The purpose of the program is 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 cost to the goverment 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 cost and benefits of open grazing and the livestock marketing system will become more efficient and competitive.

To assist the Government of Lesotho to meet the costs of carrying out the Program, A.I.D. agreed to grant the Government of Lesotho under the terms of the Agreement not to exceed $15,000,000. The Grant would be used to finance foreign exchange and local currency costs of implementing the policy reforms. The funds are to be released in tranches when specified steps in implementing the policy reforms are completed.

The Program Agreement laid out a detailed list of policy implementation activities for each tranche, the completion of which are to be documented to USAID. Upon Mission approval, the tranche is released. Tranches, and the timeframe laid out in the Agreement for their release, are as follows:

Projected Grant Disbursements under the LAPSP

	FY 1988	FY 1989	FY 1990	FY 1991
Policy Reform Disbursements for the Agricultural Inputs Distribution Component				
First Tranche	500			
Second Tranche		1,000		
Third Tranche			2,750	
Policy Reform Disbursements for the Livestock Management Component				
First Tranche	1,200			
Second Tranche		2,300		
Third Tranche			2,500	
Fourth Tranche				2,500

2. Review the terms of reference for each LAPSP Committee and USAID management. Are these entities adequate, appropriate, and effective for moving the program forward? Does the GOL have the capacity to carry out the policy reforms?

3. Evaluate the contracted technical assistance input. Is it effective in achieving objectives? Is the technical assistance the right kind and mix for the remainder of the Program?

4. Appraise the local currency program, with regard to:

-- Adequacy of funding resources (from the LAPSP and from the GOL) to accomplish the steps for each phase of the policy reforms;

-- Alternative approaches to AID and the Government jointly approving and monitoring individual local currency activities;[1] and

-- Appropriateness of system established for prioritizing activities.

C. <u>Recommendations</u>. Finally, based on the team's overall review of the Program, judge the feasibility of attaining the Program's objectives and make specific recommendations related to program organization and reforms which would increase the potential for achievement of program purpose. In particular, specify whether steps might be taken, in the short- and long-term, which would be feasible for USAID and the GOL to achieve, and which would move the program forward.

IV. Reports and Deliverables.

A. The evaluation team will give weekly debriefings at USAID on progress in its assessment of the policy and organizational issues outlined above. (If the evaluation begins April 22, debriefings on April 29, May 6 and May 11.)

B. Fifteen copies of a draft written report, not more than 30 pages long (not including annexes), will be due at the end of two weeks of the study (May 6, if study begins April 22). The report format shall be that specified in the supplement to Chapter 12 of AID Handbook 3, with seven copies to the LAPSP Secretariat for distribution to the GOL, and seven copies to USAID. GOL and USAID comments will be delivered to the team within three days.

C. One copy of the final report, not more than 30 pages long (not including annexes), which incorporates USAID/Lesotho and GOL comments, and is in the format specified in the supplement to Chapter 12 of AID Handbook 3. The report is due at USAID before the team leaves the country. USAID will be responsible for copying and distributing to the GOL and within USAID.

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[1] In accordance with the Program Agreement and the local currency regulations in effect when funds were authorized, USAID has responsibility for approving local currency activity design and monitoring. In light of the management intensity required for both the Government and USAID, and new local currency guidance, should the Agreement's prescription be modified?

V. Personnel. The mid-term review will be performed by a three-person team. One member of the team will be the Chief of the Agriculture/Natural Resource Office of REDSO/ESA, who is trained as an agricultural economist and has considerable experience in policy assessment. His experience in Africa and understanding of African governments, as well as the U.S.A.I.D. and other U.S. Government bureaucracies, will assure that the review is cognizant of USAID policy and regulations concerning nonproject assistance.

The team leader and the second team member will be procured through the S&T/EID Implementing Policy Change project (IPC Project No. 936-5451). The IPC project is requested to participate in this midterm review because the IPC project has access to a broad range of expertise in the policy area through its contractor consortium (Contract No. DHR 5451-Q-00-0110). Also, the tasks described above fit squarely into the IPC's plan to respond to requests for diagnostic or trouble shooting consultations with USAID Missions on policy implementation issues.

One team member provided through the IPC will be a recognized expert in the institutional aspects of policy change. The second will have expertise in the managing policy change. The skills of these two members may overlap somewhat; because so much ground needs to be covered in four weeks, they will divide similar evaluative tasks in order to complete the review and reporting within the available time frame. It is preferred that one of the team members have experience in privatization of parastatals.

All team members will be fluent in English, with good writing ability and experience in evaluating policy reform programs.

VI. Roles and Responsibilities. The three-member team will report to the Supervisory Agriculture Officer, or his designee, at USAID/Lesotho. One of the IPC-provided team members will act as team leader, and will be responsible for coordinating the team's work, supervising debriefings, and presenting draft and final reports.

USAID and the LAPSP Secretariat will assist the team to meet with the Government of Lesotho's representatives for LAPSP, and with their counterparts at USAID/Lesotho.

VII. Logistics. The two IPC team members will work in Lesotho from April 22 until May 17, 1992 to complete the review. Their travel and preparation time will begin on or about April 13 and end on or about May 22. The team member from the IPC project will be supported through a buy-in to her/his contract firm which covers: travel and perdiem (including rental car in Maseru); communications (phone and fax); reproduction costs for the draft and final reports; their salaries, DBA/SOS and some home office support. Office space, some copying, and computer support will be provided by USAID/Lesotho.

The team member from REDSO/ESA will participate between April 27 and May 17. He will be supported by his agency and USAID/Lesotho.

VIII. Level of Effort. The entire effort is expected to be completed within the period of April 13 through May 22, 1992, including travel and preparation. Six-day weeks are authorized.

Annex C List of Persons Interviewed

Government of Lesotho

Hon. Leshele A. Thoalhane	Minister of Finance, Planning, Economic and Manpower Planning
Reid L. Ntokoane	Principal Secretary, Ministry of Agriculture, Cooperatives & Marketing
T.N. Thokoa	Principal Secretary, Ministry of Planning, Economic and Manpower Planning
L.T. Tuoane	Principal Secretary, Ministry of Finance
T.J. Ramotsoari	Director Economics & Marketing, Ministry of Agriculture, Cooperatives & Marketing
Lefu Lehloba	Director, Department of Livestock Services, Ministry of Agriculture, Cooperatives & Marketing
L.A. Putsoa	Director of Chieftainship Affairs and Rural Development, Ministry of The Interior
Joe Mokotjo	Chief Marketing Officer, Ministry of Agriculture, Cooperatives & Marketing
Bore Matsumai	Chief Range Management Officer, Ministry of Agriculture, Cooperatives & Marketing
P.M. Khanyane	Managing Director, Coop Lesotho Ltd.
M.E. Khuele	General Manager, National Abattoir & Feedlot Complex

USAID

F. Gary Towery	Mission Director
Jean Du Rette	Program Officer
Curt Reintsma	Supervising Agricultural Development Officer
Catherine McIntyre	Agricultural Development Officer
Gregg Wiitala	Project Development Officer