r e p o r t s

DFID Department for International Development

EVSUM EV657

May 2005

EVALUATION OF DFID COUNTRY PROGRAMMES: COUNTRY STUDY LESOTHO 2000–2004

Julian Gayfer, Michael Flint and Annalize Fourie

Overall a good, largely conventional, small country programme: strategically positioned, with generally effective interventions and efficient management, but with limited external effectiveness in terms of progress towards intended programme outcomes. The inherent limitations of small bilateral programmes and Lesotho's economic and geographical position vis a vis South Africa, suggest there is a need to reconsider the nature and orientation of DFID's engagement.

The Country Programme Evaluation

This is the report of an evaluation of the Department for International Development, UK (DFID) country programme in Lesotho between 2000 and 2004. Bilateral aid over this period, when DFID has been the seventh largest donor, amounted to around £11 million. Lesotho is also a beneficiary of DFID's regional work managed from its office in South Africa.

The main objectives of the evaluation were to provide an account of the performance of the programme over this period - in terms of delivery against objectives and management of resources - and to derive lessons to inform future DFID programming. The evaluation also provided an opportunity to further refine the 'outcomes based' and 'rapid and light approach' to country programme evaluation (CPE).

Main Findings

This evaluation has used two main criteria for assessing the performance of the Lesotho programme: internal quality (strategy, relationships, organisation and portfolio) and external effectiveness (project results, influence and contribution to outcomes).

Overall the internal quality of the programme has been good with DFID regarded as a valued and respected development partner. The strategy has been well aligned with national priority areas, notably strengthening democracy in a fragile political context, and supporting the Poverty Reduction Strategy (PRS). However, the strategy is not strongly focused and a sharper focus of DFID effort (financial and advisory time) across a more limited number of outcome areas could have increased DFID's impact. Programme level monitoring has lacked a clear results orientation and has therefore not effectively challenged programme strategy and resourcing, including the balance between bilateral and regional actions.

DFID has built and managed good working relationships with all the important stakeholders: government, civil society, private sector and other donors. The professionalism of its technical assistance is well regarded and it has been 'quietly influential' in a number of important areas. DFID has not, as intended, refocused its activities on influencing larger players (notably the World Bank); achieved greater coherence with other parts of the UK Government (notably in respect to a partnership with the British High

Commission); nor been a sufficiently challenging partner to the Government of Lesotho (GoL).

DFID has contributed to improving donor coordination and harmonisation (although progress on the latter has been limited). It has not, however, followed through effectively on its aims to promote and support government coordination of donor activities; accorded sufficient priority to major non-European partners (such as USAID, Japan, or RSA); nor had a clear strategy for advancing donor harmonisation.

The programme has been delivered reasonably efficiently. The Field Management Office in Maseru has made a very positive contribution to delivery. Programme momentum has been constrained by a protracted and continually evolving regional strategy and programming process. Integration and learning across the programme (Lesotho/ region) has been weak.

The portfolio is generally relevant, well designed and well positioned in terms of delivering a set of specific outputs and making a contribution to outcomes, including valuable support to the PRS and innovative work with the private sector. DFID's response to the HIV/AIDS crisis has been insufficient and divergent, with DFID resources including technical expertise spread too thinly to have achieved any real and sustainable impact. Gender is mainstreamed across the programme.

DFID's external effectiveness with reference to the programme results framework compiled by the evaluators has ranged from good at the programme 'activity' level, fair on delivery of programme 'outputs' and variable against 'outcomes'. This reflects our assessment that DFID-supported interventions are generally performing well, that the delivery against a set of ambitious programme outputs is generally steady but slow, and whilst DFID's contribution to many outcome areas is significant the level of progress towards development outcomes is mixed. Of particular concern is HIV/AIDS where, despite a number of policy and delivery initiatives, Lesotho is still lacking a well coordinated, robustly monitored, and integrated response to the HIV/AIDS epidemic.

Two notable areas of high impact and high DFID contribution are: establishment of a new legitimate electoral process, and a gradual shift within GoL to a more strategic level response to food security addressing the causes/ drivers of vulnerability. On job creation, DFID support through ComMark has been significant and is valued for its 'grounded', responsive and pro-active approach. Given significant delays in the PRS process over the period 2001-2004 it is too early to judge its impact. Within GoL's Public Sector Improvement and Reform Programme (PSIRP) there has been fragmented delivery, no effective coordinated donor response, and overall mixed and potentially unbalanced progress. DFID have made an effective contribution on tax reform.

The lack and poor quality of data impede the assessment of development progress in Lesotho over the review period. The general sense is that the achievement of development goals in Lesotho is lagging behind MDG expectations. Where there has been progress (e.g. education, water supply) such gains look set to be drastically undermined as the impact of HIV/AIDS intensifies. The success (albeit fragile) of the US African Growth and Opportunity Act (AGOA) and the garment industry in Lesotho demonstrates the importance of trade for poverty reduction. An estimated 54,000 jobs have been created in the garment industry generating USD 75 million per year in wages for poor women in Lesotho.

Looking forward

The findings of the evaluation raise two larger questions regarding the nature and appropriateness of DFID's engagement with Lesotho.

Has DFID's approach to aid management been appropriate given the small size of the programme and the small population of Lesotho?

Has the DFID programme focused on the right strategic priority given Lesotho's special and changed context?

The first of these relates to the significant fixed costs of running small bilateral programmes in small countries. DFID needs to forge more effective partnerships (involving the sharing of management resources) with other donors and the Foreign and Commonwealth Office (FCO). The second relates to Lesotho's vulnerable yet uniquely advantaged position surrounded by the Republic of South Africa (RSA). DFID has not responded sufficiently or appropriately to this special context. An externally rather than internally orientated development programme is now required, one which seeks to support and maximise Lesotho's favourable economic integration with South Africa. It is this, coupled with action on international trade and support for private sector development, which offers the best chance of reducing poverty and achieving the Millennium Development Goals (MDGs) in Lesotho. This needs to be the focus of future HMG (DFID, FCO and others) engagement with Lesotho, more than the traditional 'inward looking' focus on technical assistance and direct budget support in support of the PRS.

Lessons for DFID

The evaluation suggests five lessons; three specific to the Lesotho programme and two general lessons:

There is a real opportunity and necessity for DFID to advance the harmonisation agenda by entering into partnership with one or more European donors in Lesotho.

The key development challenge for DFID is to support and promote Lesotho's regional economic integration.

The Republic of South Africa is a key development partner with respect to Lesotho for DFID and the FCO.

Trade issues need to be a central part of DFID's bilateral and regional programmes.

DFID's partnership with the FCO, within the particular context of small developing countries, needs to be improved.

Response from DFIDSA/LFO

This is a very clear and good quality report that, we think, makes a fair assessment of DFID's work in Lesotho over the period evaluated. There is much in the report with which we agree, and we welcome the evaluators' recognition of the positive contribution and performance of the Lesotho Field Office team, the overall effectiveness of the programme, and the independent and transparent manner in which the evaluation was conducted.

The conclusions and lessons for DFID are broadly right. The Lesotho team is already considering action on a number of the findings. However, there are some areas that we consider require further reflection given the context of the programme and realities of the political economy.

The report underplays the effort that was required to re-orientate the programme in support of the Poverty Reduction Strategy and the Public Sector Investment Reform Programme.

It recognises DFID's efforts in furthering donor collaboration and alignment between the European donors. The Lesotho Government has recently stated their desire for better donor harmonisation and we will continue to proactively pursue this.

We agree that there are lessons to be learnt about building effective partnerships with the FCO. Now that the Post is closing we will discuss with the Mission in South Africa how to advance this.

We agree that not enough has been done in-country to respond to the HIV/AIDS crisis. Regional programmes have not delivered the desired impact. Now that Lesotho's National AIDS Commission is being established we can assess the opportunities for further support to HIV/AIDS.

An issue not raised by the evaluation team, but one that DFID will need to consider is whether and when to provide Poverty Reduction Budget Support (PRBS). Lesotho is special in this regard. Nearly 50% of the Government's income is in the form of off-budget revenues from the Southern African Customs Union agreement. While these are due to decline, they will remain very significant and will continue to dwarf current levels of external funding. The off-budget nature of SACU revenues poses a possible challenge to Lesotho's Medium Term Expenditure Framework process and for discussions on PRBS with donors.

As the evaluation points out, Lesotho is a low-income country completely surrounded by South Africa, a powerful middle-income country. We agree that this unique context requires a special response, one that is being proactively considered by DFIDSA. The relationship between South Africa and Lesotho is important. A Joint Bilateral Commission of Co-operation exists between the two countries and DFIDSA has already begun to consider how we can support the evolution of that agreement into a more strategic partnership. This requires commitment to change from all parties, and we must recognise the historical and political challenges that impact on Lesotho's relationship with South Africa.

We also agree that stronger regional integration will help tackle Lesotho's poverty in the medium-to-long term. But we do not agree that DFID's support to Lesotho should be solely externally focused. Lesotho has a number of pressing vulnerability and food insecurity problems that require more immediate action and support. DFIDSA will continue to work with Lesotho in tackling these pressing problems through assistance to the priority areas in the Poverty Reduction Strategy. At the same time we will support progress on Lesotho's regional integration through our regional programmes and in developing Lesotho's partnership with South Africa.

LONDON
1 Palace Street
London
SW1E 5HE
UK

GLASGOW
Abercrombie House
Eaglesham Road
East Kilbride
Glasgow
G75 8EA
UK

Tel: +44 (0) 20 7023 0000
Fax: +44 (0) 20 7023 0016
Website: www.dfid.gov.uk
E-mail: enquiry@dfid.gov.uk
Public Enquiry Point: 0845 300 4100
If calling from abroad: +44 1355 84 3132

Printed & Supplied by John McCormick & Co. Ltd. Tel: 0141-429 4222 Ref: 52213