

IMPLEMENTING PD/AAA COMMITMENTS: DEVELOPMENT PARTNERS' CONSULTATIVE FORUM - LESOTHO

Lesotho has a population of approximately two million with per capita income of 1,541USD in 2008. Proportion of the population living under the poverty line is about 50% and is increasing due to the high incidence of HIV and AIDS. The Official Development Assistance (ODA) per capita was 65USD in 2007.

Lesotho ratified the Paris Declaration in 2008 and participated in and endorsed the Accra Agenda for Action as a result of which Aid Coordination is receiving increased attention. However, the aid coordination structure requires more investment and an infusion of capacity. In the past much of aid coordination has taken place at the sector level led by sector ministries and agencies.

Considerable efforts have been made on the side the donors in aligning priorities with government policies. The Development Partners in the country have created a Development Partners Consultative Forum (DPCF), which is open to all active development partners in Lesotho. The Forum represents resident and nonresident development Partners including the UN agencies. The resident development Partners are U.K. Department for International Development (DFID), Irish Aid, European Commission, German Technical Cooperation (GTZ), Government of Libya, U.S. Government, World Bank, Peoples Republic of China, , French and Denmark Honorary Consuls and UN Agencies. The nonresident Development Partners, amongst others, being the African Development Bank, IFAD, and Japan are included in the distribution list and provide inputs to the forum.

Donor Development strategies in Lesotho are generally aligned with the government's priorities as set out in the different subsequent National Development Plans. At present, the government is working on its National Development Plan as a successor for the PRS which expired in beginning of 2008 (after being extended in 2007). This new plan will provide the basis for partners' Country Assistance Programmes.

The donors who provided responses for the purposes of this report were DFID, European Commission, Global Fund, GTZ, IFAD, Irish Aid, FAO, UNDP UNFPA, UNICEF, WFP and the World Bank. The responses were considered alongside work done on aid coordination in Lesotho as well as information gathered from the Ministry of Finance and Development Planning.

1. Aligning Aid Flows on National Priorities: (Indicator 3)

Alignment: The degree to which aid flows are aligned with national priorities using proportion of aid recorded in the budget as a proxy. The indicator measures the discrepancy between national budget and the actual disbursements from the donors. The extent to which donor commitments are fully and accurately reflected in the budget indicates the degree to which there is a serious effort to align aid with country's policies and processes.

Lesotho does not have a coordinated system of recording aid despite some attempts from the Ministry of Finance and Development Planning to identify aid flows from the development partners through annual surveys. Development partners are mostly dealing directly with line ministries and while the Ministry of Finance and Development Planning is informed of these matters, these contributions have not been accurately recorded at the central level. The national budget captures the budget support and some of the donor funded projects. Grants are not fully covered in the budget and technical cooperation is also not registered. The government's inability to provide a comprehensive coverage of aid flow is attributed to the absence of proper mechanisms to identify and track commitments and disbursements forecast from the Development Partners.

Table I: Are Aid Flows aligned National Priorities?

	Disbursement Recorded by Government	Total Aid Disbursed	ODA to government Sector	Baseline Ratio (%)
Development Partner	a	b	c	a/b or b/a*
ADF		-	0.9	-
DFID		9.3	4.4	-
European Commission		26.6	25.3	-
Global Fund		10.3	8.7	
GTZ		4.0	3.6	-
IFAD		1.97	1.97	
Irish Aid		13.10	11.9	-
World Bank		10.0	10	
UN Agencies		13.78	9.59	-
Total	54.0	89.1	75.4	0.61

*Base ratio $c=a/b$ except where government estimates are greater than disbursements $c=b/a$

Table 1, provides government's budget estimates of aid flows for 2008 (numerator) as a percentage of aid disbursed by donors for the government sector for the same period (denominator). This ratio indicates the degree to which there is a discrepancy between budget estimates and actual disbursements. The discrepancy can result from either higher or lower budget estimates. The baseline value for Lesotho is 61% while the general target set by Paris Declaration for Indicator 3 is 85% in 2010. From the survey, it is clear that the government lacks a systematic approach of tracking aid flows from individual donors which has resulted to capturing that is not comprehensive. Other possible reasons for the discrepancy are; ODA data that is not integrated into the national budget particularly for the stand alone projects, inaccuracy in estimation of programme implementation upon which disbursements depend.

The survey therefore, suggests the need for the government to undertake measures to improve the accuracy of the budget with respect to donor funding in order to increase the credibility of the budget as an instrument governing actual allocation and utilization of donor commitments.

The Ministry of Finance and Development Planning (Debt Division) is currently streamlining mechanisms for reporting aid at the central level. This should improve the government's ability to capture with accuracy the amount of aid and subsequently reflect this as part of the national budget.

Other plans aimed at improving alignment in terms of aid being reflected on national budget; include the development of a roadmap for the provision of budget support in order to provide greater clarity and transparency in the expectations of development partners and the government, development of Donor Assistance Database (DAD), capacity building in the budget process to improve accuracy of reporting; identification of capacity gaps in the utilization of donors' funds by the government; and for the development partners to improve the provision of timely and accurate information on planned disbursements. The newly introduced Integrated Financial Management should also facilitate the integration of ODA data into the national budget.

2. Strengthening Capacity by Coordinated Support (Indicator 4)

The Paris Declaration recognizes capacity building as an important condition for ownership of development agenda and strengthening country's systems. The Declaration therefore commits donors to coordinated capacity development under the country's leadership with a target of 50% of technical support provided in this form by 2010

One such example of coordinated support to capacity development in Lesotho is the Public Sector Improvement and Reform Programme (PSIRP) which is now succeeded by the Service Delivery Agenda and includes support to the Public Financial Management (PFM) Systems, Decentralization and Civil Service Reform. Development partners are jointly providing support to these efforts. The programmes have identified the areas of need and eight Development Partners are collectively supporting the government in specified areas of intervention. The donors are Irish Aid, DFID, EU, GTZ, UNDP, WB, Commonwealth and AFDB. For example on the PFM, the technical support is coordinated through the Ministry of Finance and Development Planning. The programme is governed by the Steering Committee which is chaired by PS Finance and draws representation from development partners and relevant government departments. It meets bi annually to discuss and consolidate the work plans and review progress on separate areas.

The survey results in Table 2 reveal that 33% of reported technical assistance is considered coordinated, indicating that bulk of technical assistance is fragmented. Exceptions to the general uncoordinated technical support are the GTZ and DFID and UN agencies with proportions of 90% and 75% and 58% respectively of their technical assistance being provided in a coordinated manner. The other donors however indicated that technical cooperation is developed through substantive input from the government. Nevertheless; with the exception of procurement, Lesotho government does not have a comprehensive strategy for capacity development and as such development partners' capacity support is generally uncoordinated. It is therefore important to note that while Development Partners should seek to improve the level of coordinated support, it also requires the relevant counterpart to be able to communicate clear capacity development objectives as part of broader national or sector strategies. This is an area where more support is required.

Table 2: How Much Technical Assistance is Coordinated with Country Programmes?

Development Partner	Coordinated Technical Cooperation. (USD m) a	Total Technical Cooperation. (USD m) b	Baseline Ratio. C=a/b %
ADF			
DFID	4.6	6.2	75.1
European Commission	0.0	11.0	0.0
Global Fund	0.0	2.4	0.0
GTZ	1.8	2.0	90.0
IFAD	0.0	0.0	0.0
Irish Aid	0.0	0.1	0.0
World Bank	0.0	0.0	0.0
UN Agencies	1.9	3.3	57.6
Total	8.3	25.0	33.4

3. Using Country Systems: (Indicators 5 a)

The Paris Declaration encourages donors to make increasing use of country's systems. For Lesotho, the estimates for donor funded project expenditures are included in the national budget which is approved by the Parliament. Projects are however not managed through Government Accounting Systems but separate systems are prepared through accounting units in line ministries. The Accountant general requests Central Bank to open the separate projects' accounts that are not linked to the Treasury consolidated fund. The accounts are operated by the project management units. These funds are captured outside the budget framework and controlled between the project management unit and the donor supporting the project. Except for the budget support, the average rate in the use of Public Financial Management Systems is still very low.

The survey results in Table 3 below reveal that the use of Public Financial Management System averaged across the three components stands at 43%. For Procurement, 49% of aid to the Government makes use of the country's systems. The main reason for this low rate in utilization of

country's system is that, most of external funding is channeled through projects and as such does not flow through the treasury and budget execution systems. The ADF, Global Fund, IFAD Irish Aid and World Bank however have made a significant headway in the utilization of the country's PFM. The ongoing Public Financial Management reforms, should work towards gaining donors' confidence in the use of Country's systems. However it is still not certain whether all donors will resort to using them.

In 2007 the government introduced a new procurement system which is intended to be more transparent in line with international standards. The system created a Policy Procurement Advisory Division (PPAD) to oversee procurement. Procurement Units have been set up in line ministries to provide additional capacity to link implementation and procurement effectively.

The PPAD however, as a guiding institution does not have expertise to deliver in accordance with the new mandate. The government has therefore launched a capacity building program in this area with the support from the Irish Aid and DFID. The Minister of Finance has requested Irish Aid, DFID and WB to develop an action plan on strengthening the Procurement institutions. The completion of PFM reform which includes procurement is expected to assist in improving performance in this indicator across all development partners. Project audits carried out regularly by the Development Partners should be used to provide input into a discussion on capacity development requirements (over and above the PFM reforms) to ensure that development partners can increasingly use Government systems.

Table 3: How much aid for the Government Sector uses Country's Systems?

Development Partner	Aid disbursed by donors for the government (USD m) a	Budget Execution (USD m) b	Financial Reporting (USD m) c	Auditing (USD m) d	Baseline ratio (USD m) avg.(b,c,d)/a	Procurement Systems(US m) e	Baseline ratio (%) e/a
ADF	0.9	0.9	0.9	0.9	100.0		0.0
DFID	4.4	1.1	1.1	1.1	25.5	1.1	25.5
Global Fund	8.6	0.0	8.6	8.6	66.7	8.6	100.0
European Commission	25.3	0.0	0.0	0.0	0.0	0.0	0.0
GTZ	3.6	0.7	3.3	0.7	43.5	0.7	19.4
IFAD	2.0	2.0	2.0	2.0	2.0	2.0	100.0
Irish Aid	11.9	0.0	11.9	11.9	66.7	6.7	56.1
World Bank	10.0	8.7	8.7	8.7	87.0	8.7	87.0
UN Agencies	8.6	3.4	2.8	6.4	49.2	4.4	51.5
Total	75.3	16.8	39.3	40.3	42.7	36.6	48.6

4. Avoiding Parallel Implementation Structures (Indicator 6)

The Paris Declaration calls for two thirds reduction in the number of project implementation units (PIUs) that are parallel, where appointment decisions and accounting relationships involve the donor alone. The general pattern is that donors have project implementation structures, but accountability lines and recruitment are done jointly with the Government and as such, these are not considered parallel PIU. However, it is clear that even these units require attention as for example the salary structures are different to that of the Government which makes a true integration of the functions difficult if not impossible. Development partners are aware of the issues posed, but also recognize that the structures are necessary to infuse the required capacity to deliver into the existing Government structure. Development partners are committed to working with government partners to design viable exit- or sustainability strategies to better integrate these capacity into the existing structure especially at time of completion of the project. Several new projects already have such an exit strategy in place. The survey return reported that with the exceptions of Global Fund DFID and the World Bank none of the donors recorded use of parallel PIUs. The Global fund had a record high of 16 such structures in 2008 while DFID and World Bank registered 3 and 6 parallel PIUs respectively.

5. Providing more Predictable Aid (Indicator 7)

The Paris Declaration looks at predictability from two different angles. The first angle is donors' and government's combined responsibility to ensure that aid is disbursed as scheduled. The second angle assesses the Government's ability to record disbursements made by donors for the Government Sector comprehensively. The indicator encourages progress against both of these

angles so as to gradually close the predictability gap by half in 2010. The accuracy of how they are recorded in government systems is an important feature of ownership, accountability and transparency.

Table 4: Are disbursements on schedule and recorded by government?

Development Partner	Disbursement recorded by the government in 2008 (USD m) a	Aid scheduled by Donors for disbursement in 2008 (USD m) b	Aid actually disbursed by Donors in 2008 (USD m)	Baseline Ratio (%) c=a/b
ADF		1.7	0.8	
DFID		4.6	4.4	
European Commission		31.5	25.3	
GTZ		3.3	3.6	
Global Fund		7.2	8.6	
IFAD		-	2.0	
Irish Aid		12.5	13.1	
World Bank		0.0	10.0	
UN Agencies		11.8	10.4	
Total	54.0	72.7	78.2	0.7

* Baseline ratio is $c = a / b$ except where disbursements recorded by government are greater than aid scheduled for Disbursements $c=b/a$

Table 4, depicts that the government recorded (Ministry of Finance Debt Division) 54 USD m of ODA while donors scheduled 72.7 USD m resulting in a predictability gap of 28%. These results confirm the results obtained in Indicator 3 that there is a need to develop a mechanism to improve the accuracy of the budget with regards to donor funding. Closing the current predictability gap over time will require both government and donors to work together to ensure that:

- Ministry of Finance and Development Planning is systematically informed about planned disbursements from Development Partners, irrespective of the sector (e.g. through a Donor Assistance Database)
- Government systems are progressively used for the disbursement of funds so that they are automatically captured in the government accounting system;
- Donors disclose full information with all necessary accounting details to the relevant government implementing agencies for aid that is to be captured ex post in the government accounting system;
- the information on disbursement held by the relevant government implementing agency on projects is comprehensive

The donors together scheduled USD 72.7 million for disbursements in 2008, and actual disbursement was 78.2 USD m, approximately 8% more than scheduled disbursements. The

discrepancy varied from one donor to another but generally donors' performance has been close to what was scheduled.

6. Using Common Arrangements and Procedures: (Indicator 9)

In order to qualify under this indicator ODA should be programme based and led by government through a formal coordination where more than one donor is involved. Assistance should further be provided through common funding arrangements, with coordinated technical support and efforts to use country's systems.

According to the survey results, Lesotho did not have any of these programmes in 2008. However, there has been a move towards Programme Based Approaches by some donors in the areas of Public Sector Improvement and Reform (now Service Delivery Agenda) including Public Financial Management and Decentralization and Road transport. SWAp has been adopted in the Health, Water and Education. These programmes have also contributed to coordinated technical support.

Apart from the SWAp in Health and Education, none of the programmes include the process of harmonizing donor procedures for reporting, budgeting, financial management and procurement; and efforts to increase the use the local systems for programme design and implementation

The survey results therefore, point to the need to further develop the PBAs in Service Delivery Agenda and Road sector into a single comprehensive budget framework, and work towards complying with the PBA definition set out in Survey Guidance.

7. Conducting Joint Missions and Sharing Analysis: (indicators 10 a & b)

The baseline figure for coordination of donor mission is 81%. It is worth noting that four donors and UN agencies conducted joint missions in 2008 while none of the European Commission missions are executed jointly. IFAD coordinated only one mission out of 6 missions conducted during the same period. The World Bank missions had the highest number of missions conducted in the country and these were reported to be coordinated with the AFDB and IMF.

It has been suggested that the Development Partners and the Government maintain a central calendar of missions to encourage co-ordination, of missions. The establishment of sector-wide approaches (SWAps) has fostered joint missions and it is expected that the general budget support will also move in the same direction into the future

In terms of coordinating country analysis the current baseline figure stands at 59% in which five donors registered 100% of their analytic work as coordinated. None of European Union Analytic work was coordinated in 2008.

Considerable progress is currently being made by the DPCF in this area where discussion papers on Poverty reduction and HIV and AIDS Hunger and Poverty Reduction have been developed. The aim to move into this direction is to engage government and other stakeholders in policy dialogue

in government's priority sectors. However, beyond initial discussions with the Ministry of Finance and Development Planning, the findings and recommendations of these papers have not been taken forward. This requires attention from both the Government and Development Partners to ensure that the coordination efforts of this analytical work are not lost.

Table 5: How many Donor Missions are Coordinated?

Development Partner	Coordinated Missions	Total no of Missions	Baseline Ratio	Coordinated Country Analytical Work	Total no. of analytic work	Baseline ratio
	a	b	c=a/b (%)	a	b	c=a/b
DFID	4.0	4.0	100.0	1.0	1.0	100.0
European Commission	0.0	5.0	0.0	0.0	7.0	0.0
GTZ	0.0	0.0	0.0	0.0	0.0	0.0
Global Fund	1.0	1.0	100.0	1.0	1.0	100.0
Irish Aid	2.0	2.0	100.0	1.0	1.0	100.0
IFAD	1.0	6.0	16.7	1.0	1.0	100.0
World Bank	30.0	30.0	100.0	3.0	3.0	100.0
UN Agencies	5.0	5.0	100.0	6.0	8.0	75.0
Total	43.0	53.0	81.1	13.0	22.0	59.1