
LESOTHO

INTRODUCTION

LESOTHO is a lower-middle income country with a gross national income (GNI) per capita of USD 980 in 2009 (WDI, 2011). Between 2005 and 2009 its economy grew at a rate of 3% per annum. It has a population of 1.8 million and 43% of the population lived below the USD 1.25 a day poverty line in 2003 (the latest year for which data are available) (WDI, 2011).

Net official development assistance (ODA) to Lesotho in 2009 totalled USD 146 million (OECD, 2011a). Since 2005, ODA has averaged 6% of GNI and 14% of the government budget (WDI, 2011). The five largest donors to Lesotho (the United States, the World Bank, Ireland, the EU Institutions, and the Global Fund) provide 63% of the country's total ODA (OECD, forthcoming). ■

SUMMARY OF PROGRESS

PROGRESS ON THE PARIS DECLARATION INDICATORS depends on improvements by both donors and partner governments. The 2011 Paris Declaration Monitoring Survey marks the first time Lesotho has participated in the survey. Since Lesotho ratified the Paris Declaration in 2008 and endorsed the Accra Agenda for Action in 2008, aid co-ordination has been receiving increased attention. Donors have been carrying out significant efforts in designing their individual strategic development frameworks, as well as aligning policies with priorities of the government. However, the aid co-ordination structure requires more investment and increased capacity. The lack of aid co-ordination and management by government institutions undermines the impact of donors' assistance.

Lesotho has not been able to achieve significant progress towards meeting the Paris Declaration targets. According to the 2011 Survey, only two out of ten indicators for which there were targets achieved the target, the remaining indicators need considerable further work. Lesotho's government was not able to meet the goal of ownership, receiving a C score on operational development strategies (indicator 1). The reliability of Lesotho's public financial management (PFM) systems; aligning aid flows to national priorities, the use of common arrangements and procedures; joint missions; analytic work between donors and the government; and building a result-oriented framework are all indicators in need of considerable improvement. Nevertheless, Lesotho has managed to perform exceedingly well in strengthening capacity by co-ordinating efforts with donors and untying aid. Lesotho's relatively slow performance in achieving these goals is related to the lack of human and financial resources of the government.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area. Throughout this document and for ease of reference, the term "country" is used to refer to partner countries and territories participating in the Survey on Monitoring the Paris Declaration.

TABLE 1:
Baselines and targets
for 2010

	INDICATORS	2005 REFERENCE	2007	2010 ACTUAL	2010 TARGET
1	Operational development strategies	C	C	C	'B' or 'A'
2a	Reliable public financial management (PFM) systems	3.0	3.0	3.5	3.5
2b	Reliable procurement systems	Not available	Not available	Not available	No Target
3	Aid flows are aligned on national priorities	--	--	66%	85%
4	Strengthen capacity by co-ordinated support	--	--	89%	50%
5a	Use of country PFM systems	--	--	38%	No Target
5b	Use of country procurement systems	--	--	42%	No Target
6	Strengthen capacity by avoiding parallel PIUs	--	--	12	No Target
7	Aid is more predictable	--	--	25%	No Target
8	Aid is untied	95%	73%	96%	More than 95%
9	Use of common arrangements or procedures	--	--	43%	66%
10a	Joint missions	--	--	12%	40%
10b	Joint country analytic work	--	--	54%	66%
11	Results-oriented frameworks	D	C	C	'B' or 'A'
12	Mutual accountability	Not available	Not available	N	Y

TABLE 2:
Learning from success
and challenges

	ACHIEVEMENT OR CHALLENGE	LESSON OR PRIORITY ACTION
Ownership	<p>Challenges:</p> <ul style="list-style-type: none"> The long-term vision of the national development plan is broad-based and aspirational. Monitoring and evaluation of Lesotho's Vision 2020 and the Interim National Development Framework is weak due to capacity constraints. 	<p>Priority action:</p> <ul style="list-style-type: none"> Creating more specific targets to guide and implement the national development strategy and strengthening the link to cross-cutting issues. Creating a framework to measure results and developing performance monitoring and evaluation systems and capacity so that ministries can oversee implementation.
Alignment	<p>Achievement:</p> <ul style="list-style-type: none"> A matrix of donors' involvement in the reform areas was developed and used by donors to minimise duplication and overlap of efforts. <p>Challenge:</p> <ul style="list-style-type: none"> No reliable centralised system of aid co-ordination and recording exists. 	<p>Lesson:</p> <ul style="list-style-type: none"> Donor development strategies in Lesotho are generally aligned with the government's priorities, creating more efficient handling of aid. <p>Priority action:</p> <ul style="list-style-type: none"> Creating a system to identify and track commitments and disbursement forecasts from donors in order to decrease corruption and increase legitimacy.
Harmonisation	<p>Challenges:</p> <ul style="list-style-type: none"> Encourage donors to use government systems by increasing the legitimacy of PFM systems and improving sector policies and strategies. Limited use of common arrangements and programme-based approaches (PBAs). 	<p>Priority action:</p> <ul style="list-style-type: none"> Establishment and institutionalisation of a sector-wide approach to planning and budgeting as well as investment to increase government capacity. Developing a system of co-ordinated monitoring of missions and PBAs that takes into account government capacity constraints.

	ACHIEVEMENT OR CHALLENGE	LESSON OR PRIORITY ACTION
Managing for results	<p>Achievement:</p> <ul style="list-style-type: none"> A project appraisal committee determines whether major capital projects have the results necessary to warrant the required investment. <p>Challenge:</p> <ul style="list-style-type: none"> Substantially improve monitoring and evaluation systems to allow credible assessment of progress. 	<p>Priority action:</p> <ul style="list-style-type: none"> Establishing a mechanism to determine whether projects achieve the results they set out to achieve. Include a detailed results-oriented framework in the National Strategic Development Plan currently under development.
Mutual accountability	<p>Challenge:</p> <ul style="list-style-type: none"> No arrangements are currently in place for joint reviews of aid effectiveness. 	<p>Priority action:</p> <ul style="list-style-type: none"> Develop a formalised aid policy, including a framework for agreeing aid effectiveness indicators with different donors as well as provisions for assessment of these indicators.

ABOUT THE SURVEY

This chapter assesses progress against the quantitative indicators provided by the Survey on Monitoring the Paris Declaration, drawing on data provided by the government and donors, the OECD and the World Bank. In addition to this, it draws on qualitative evidence submitted to the OECD by the national government which incorporates feedback from donors and other stakeholders.

This chapter is based on evidence submitted to the OECD by the Government of Lesotho and the responses of 11 donors (United States, World Bank, Ireland, EU Institutions, Global Fund, United Nations, United Kingdom, African Development Bank, Germany, Japan, and IFAD) which provide 83% of Lesotho's total ODA. Spain and the Arab donors did not participate in the survey, although they together contributed over 10% of total ODA received. ■

OWNERSHIP

AID IS MOST EFFECTIVE when it supports a country-owned approach to development. It is less effective when aid policies and approaches are driven by donors. In the context of the Paris Declaration, ownership concerns a country's ability to carry out two, inter-linked activities: exercise effective leadership over its development policies and strategies; and co-ordinate the efforts of various development actors working in the country.

Indicator 1 assesses the operational value of a country's development strategy. In particular, it looks at the existence of an authoritative country-wide development policy (*i.e.* a unified strategic framework), the extent to which priorities are established, and whether these policies are costed and linked with the budget. All of these features are important to harness domestic resources for development, and to provide a basis for the alignment of aid to development priorities. Each country has provided evidence against these criteria, and this has been translated into a score by the World Bank using the same methodology as in the 2006 and 2008 Surveys. A five-point scale runs from A (highest score) to E (lowest score). The Paris Declaration targets 75% of partner countries achieving a score of A or B by 2010.

The overall score for Lesotho's operational development strategy was a 'C' in 2010, the same score that the country received in 2005 and 2007. The national development strategy (NDS) is guided by the long-term vision – Vision 2020. However, the long-term vision is an aspirational document in which the NDS does not feature prominently. While there is a medium-term fiscal framework (MTFF) and a medium-term expenditure framework (MTEF), the lack of costing of the NDS and the weak link between the MTFF/MTEF still remain as challenges.

INDICATOR 1

Do countries have operational development strategies?

Along with the long-term vision development strategy, “Vision 2020”, there is the Interim National Development Framework (INDF), which was formulated in 2008/2009 following the expiration of the Poverty Reduction Strategy (PRS). The INDF extends the priorities of the expired PRS and outlines how the new planning framework will function. It is a strategic plan for two fiscal years to guide resource allocation and planning activities. This interim plan was created to support Vision 2020, while the new National Strategic Development Plan is being drafted.

In terms of ownership, Lesotho’s many challenges resulted in being awarded a score of ‘C’. Lesotho faces important capacity constraints, which hinder the successful implementation of its long-term development strategy, “Vision 2020.” Moreover, the lack of progress reports written for stakeholders is one of the issues undermining the NDS. This creates issues of transparency that need to be addressed by the government. Another issue is the lack of sub-national strategies linked to Vision 2020. Even though there are sectoral strategies, the link to the INDF is very weak. Furthermore, the targets in Vision 2020 are ambitious but not specific and the monitoring and evaluation framework of Vision 2020 and the INDF is weak, according to the World Bank’s assessment. In addition, there is no sequencing of the documents used in the implementation of Vision 2020. ■

ALIGNMENT

AID THAT IS DONOR DRIVEN AND FRAGMENTED is less effective. For aid to be effective, it must make use of national development strategies and use and help strengthen capacity in national systems, such as those for procurement and public financial management. The Paris Declaration envisions donors basing their support fully on partner countries’ aims and objectives. Indicators 2 through 8 of the Paris Declaration assess several different dimensions of alignment.

There is not enough information to analyse trends over time given that Lesotho only participated in the 2011 Survey. However, Lesotho met the targets for strengthening capacity by co-ordinated support and untying aid. More work needs to be done in terms of aligning aid to national priorities, improving and using their public financial management and procurement systems. Other challenges include the lack of predictability of aid received from donors. Besides this, a consolidated matrix of donors’ engagement in the reform areas was developed and used to map donor efforts in order to minimise duplication and overlaps. Lesotho’s results are mainly due to the lack of capacity of the government to institute systems to improve aid alignment.

Indicator 2 covers two aspects of country systems: public financial management (PFM) and procurement. Do these systems either adhere to good practices or are there plans for reform? If countries have reliable systems, donors are encouraged to use them for the delivery and management of aid. This helps to align aid more closely with national development strategies and enhances aid effectiveness.

Indicator 2a of the Paris Declaration assesses whether PFM systems meet broadly accepted good practices or whether credible reform programmes are in place. The assessment is based on the World Bank’s Country Policy and Institutional Assessment (CPIA) score for the quality of PFM systems, which uses a scale running from 1 (very weak) to 6 (very strong).

To score highly, a country needs to perform well against all three of the following criteria: a comprehensive and credible budget linked to policy priorities; an effective financial management system to ensure that the budget is implemented as intended in a controlled and predictable way; and timely and accurate accounting and fiscal reporting, including timely and audited public accounts with effective arrangements for follow up. Meeting the global 2010 target requires half of partner countries to move up at least one measure (*i.e.* 0.5 points) between 2005 and 2010.

INDICATOR 2

Building reliable country systems

INDICATOR 2a

How reliable are country public financial management systems?

Because Lesotho has not improved its score of 3.0 since 2005, it did not reach the target for this indicator. However, there is a PFM reform programme in place that has resulted in some improvements to PFM in Lesotho. The new way of preparing budgets in the MTEF using budget framework papers (BFP), has strengthened the Cabinet's role in budget allocations. Furthermore, the Ministry of Finance and Development Planning has taken steps to restructure the Treasury in order to enhance its operations. These improvements to the PFM systems have also had a positive effect on a wide range of sectors. However, there are still issues relating to auditing of public accounts, in particular the three-year backlog and independence of the Office of the Auditor General. These are deterrents for donors that may otherwise wish to consider increased alignment to Lesotho's PFM systems

Indicator 2b was first measured in 2008 by 17 countries. The process is one of self-assessment, using the Methodology for the Assessment of National Procurement Systems developed by the OECD-DAC Task Force on Procurement. The methodology includes baseline indicators to compare a country's systems to internationally-accepted good practice, as well as a new set of indicators. These indicators assess overall performance of the system, compliance with national legislation and standards and whether there is a reform programme in place to promote improved practices. The results are expressed as grades on a four-point scale running from A (the highest) to D (the lowest). The 2010 target is for a third of partner countries to move up at least one measure (*i.e.* from D to C, C to B or B to A) although not all countries will perform an assessment.

There is no information available to track progress on this indicator since Lesotho did not conduct a self assessment using the proposed methodology. In 2007, the Government of Lesotho developed new procurement regulations. Government procurement is decentralised, with units still being set up in line ministries, district council offices and other government bodies, where responsibility and accountability for procurement systems now lies. The new system introduced the Policy Procurement Advisory Division to oversee procurement and the Government of Lesotho, with the support from some donors, launched a capacity development programme to ensure that this institution can fulfill its mandate.

A World Bank-led Country Procurement Assessment Review in 2007/08 noted some improvements in regulatory and institutional frameworks following the adoption of the 2007 regulations and the establishment of the Procurement Policy and Advisory Division. Further weaknesses were identified in the regulatory and institutional framework and transparency and management of procurement which cannot guarantee the transparency and integrity of the procurement system. An action plan has been drawn, including the review of the legislation and the establishment of a more autonomous procurement structure.

There have been several measures taken by the government to control corruption and strengthen the national procurement systems. One of the measures adopted was the establishment of the Directorate on Corruption and Economic Offences (DCEO), mandated to investigate all suspected cases of corruption, except those related to the King. However, this office is only authorised to make recommendations and may therefore not be effective. In addition, a variety of anti-corruption legislation relating to procurement processes has been adopted.

Comprehensive and transparent reporting on aid, and its use, helps ensure that donors align aid flows with national development priorities. When aid directed to the government sector is fully and accurately reflected in the national budget it indicates that aid programmes are well connected with country policies and processes. This also allows partner country authorities to present accurate and comprehensive budget reports to their parliaments and citizens.

As a proxy for alignment, indicator 3 measures the percentage of aid disbursed by donors for the government sector that is included in the annual budget for the same fiscal year. The indicator reflects two components: the degree to which aid is aligned with government priorities, and the extent to which aid is captured in government's budget preparation process. Budget estimates can be higher or lower than disbursements by donors and are treated similarly for the purpose of measuring indicator 3 despite the different causes.

INDICATOR 2b

How reliable are country procurement systems?

INDICATOR 3

Aligning aid flows on national priorities

TABLE 3:
Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows in 2010 (USD m) a	Aid disbursed by donors for government sector in 2010 (USD m) b	2005		2007		2010*		Total aid disbursed through other donors (USD m)
			(for reference)		(for reference)		(%) c = a / b c = b / a		
African Dev. Bank	10	9	--	--	--	--	89%	0	
EU Institutions	43	8	--	--	--	--	18%	0	
GAVI Alliance	--	0	--	--	--	--		0	
Germany	1	3	--	--	--	--	39%	0	
Global Fund	8	16	--	--	--	--	51%	0	
IFAD	--	2	--	--	--	--		0	
Ireland	7	12	--	--	--	--	62%	1	
Japan	2	5	--	--	--	--	37%	0	
United Kingdom	1	4	--	--	--	--	29%	0	
United Nations	5	1	--	--	--	--	28%	0	
United States	34	21	--	--	--	--	62%	0	
World Bank	25	13	--	--	--	--	53%	0	
Average donor ratio			--	--	--	--	47%		
Total	136	89	--	--	--	--	66%	1	

* Ratio is $c = a / b$ except where government's budget estimates are greater than disbursements ($c = b / a$).

The 2010 target is to halve the proportion of aid flows that are not currently reported in government budgets with at least 85% of aid reported in budget documents.

Lesotho is 19% below the target for alignment of aid flows to national priorities. As shown in Table 2, the main reason for Lesotho not meeting the target is that the EU Institutions, the African Development Bank, the United States, and the World Bank provided less aid than was previously estimated by the government. These four donors together represent 82% of the total aid the government expected to receive in 2010, but in fact, they only contributed 57% of total aid disbursed by donors.

As far as the EU Institutions are concerned, disbursement was lower than forecast because the first payments were not released due to non-compliance with pre-conditions. Furthermore, the US contributed only 61% of what had been estimated by the Government of Lesotho. The discrepancies regarding the United Nations maybe due to the different methods used by the government and the various UN agencies to record aid throughout the year.

The Government of Lesotho provides several reasons why this discrepancy might have occurred: there is no systematic recording and tracking of information provided by donors; donors might be slow in providing information on projected and actual disbursements; and the Government of Lesotho at times lacks the capacity to produce sufficient documentation as required by donors for the release of disbursements. The lack of information on donor future spending plans in Lesotho may have led to unrealistic estimates and expectations. The Development Partners Consultative Forum (DPCF) should help foster more transparent information exchange on this matter in the future. There are other challenges that constrain Lesotho and therefore the government concludes that it is not possible to determine if this gap is an indication of poor alignment to national priorities, or if it is purely a systemic shortcoming.

For many countries, aid is a vital source of revenue and resources. Being able to predict aid disbursements – both in terms of how much aid will be delivered and when – is important to enable countries to manage public finances and undertake realistic planning for development. The Paris Declaration calls on donors to provide reliable, indicative commitments of aid over a multi-year framework, and to disburse aid in a timely and predictable manner according to agreed schedules.

INDICATOR 7
Providing more predictable aid

Indicator 7 examines the in-year predictability of aid for the government sector by measuring the proportion of planned disbursements (as reported by donors) that are recorded by governments in their accounting system as having been disbursed. Indicator 7 therefore assesses two aspects of predictability. The first is the ability of donors to disburse aid according to schedule. The second is the ability of government to record disbursements for the government sector as received in its accounting system. Indicator 7 is designed to encourage progress in relation to both, with the aim of halving the proportion of aid not disbursed (and not captured in the government's accounting system) within the fiscal year for which it was scheduled by 2010. The ultimate goal is to improve not only the predictability of disbursements, but also the accuracy with which they are recorded in government systems – an important element to support ownership, accountability and transparency.

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

	Disbursements recorded by government in 2010 (USD m) a	Aid scheduled by donors for disbursement in 2010 (USD m) b	2005		2007		2010*		For reference: Aid disbursed by donors for government sector in 2010 (USD m) d	For reference: % of scheduled aid disbursements reported as disbursed by donors in 2010**	
			(for reference)		(for reference)		(%)			(%)	
							c = a / b	c = b / a		e = d / b	e = b / d
African Dev. Bank	5	0	--	--	--	--		0%	11		0%
EU Institutions	--	52	--	--					78		66%
GAVI Alliance	--	0	--	--					0		94%
Germany	--	3	--	--					3		97%
Global Fund	--	21	--	--					24		87%
IFAD	--	0	--	--					3		0%
Ireland	1	0	--	--			0%		12		0%
Japan	5	0	--	--			0%		5		0%
United Kingdom	--	8	--	--					3	35%	
United Nations	0	16	--	--			0%		18		90%
United States	27	71	--	--			38%		44	61%	
World Bank	15	38	--	--			39%		42		89%
Average donor ratio			--	--			13%				52%
Total	53	209	--	--			25%		243		86%

* Ratio is $c=a/b$ except where disbursements recorded by government are greater than aid scheduled for disbursement ($c=b/a$).

** Ratio is $e=d/b$ except where disbursements recorded by donors are greater than aid scheduled for disbursement ($e=b/d$).

In 2010, Lesotho was able to predict 86% of total aid disbursed by donors, as seen in the table above. Together, donors scheduled a total of USD 209 million for disbursement, and actual disbursement was USD 243 million, 16% more than scheduled disbursements. The United States and the United Kingdom were the only two countries that provided more aid than predicted. Lesotho was not able to predict disbursements from the African Development Bank, the International Fund for Agriculture and Development (IFAD), Ireland, and Japan; nonetheless, it was able to predict most of the aid provided by the other donors.

The African Development Bank and Ireland provided no information on the schedule of their disbursements. Ireland reported that it was difficult for them to provide a schedule for their disbursement due to the 2010 global financial crisis. The discrepancy in the payments made by the EU Institutions was due to a single payment made in 2010 under the V-Flex instrument to support the government in the financial crisis. The additional funds from the UN system were linked to the One UN Fund.

These results call for the improvement of the mechanism of notifying and recording donor disbursements. This would allow the Government of Lesotho to better position itself so as to be able to plan according to the availability of resources. Furthermore, as the table shows, only 25% of the funds disbursed by donors were recorded by government agencies. The main reason provided by the Treasury was that project funding

bypasses treasury systems because their disbursements are channeled directly to the separate commercial accounts of the US dollar accounts with the central bank. Donors on the other hand, identify a number of other reasons for the lack of timely disbursement of funds, including absorptive capacity constraints, delays in project implementation and bureaucratic procedures.

INDICATOR 4

Co-ordinating support to strengthen capacity

Capacity constraints present significant challenges to development and poverty reduction efforts and their sustainability. These relate both to aid management capacities (the ability of the government to capture, co-ordinate and utilise aid flows more effectively) and also to broader capacities for the design and implementation of policies and service delivery.

Under the Paris Declaration donors committed to providing technical co-operation that is co-ordinated with partner country strategies and programmes. This approach aims to strengthen capacities while also responding to the needs of partner countries. Successful capacity development is led by the partner country.

Indicator 4 focuses on the extent to which donor technical co-operation (an important input into capacity development) is country-led and well co-ordinated. It captures the extent to which technical co-operation is aligned with objectives articulated by country authorities, whether country authorities have control over this assistance, and whether arrangements are in place to co-ordinate support provided by different donors. The Paris Declaration target is for 50% of technical co-operation flows to be implemented through co-ordinated programmes that are consistent with national development strategies by 2010.

TABLE 5:
How much technical co-operation is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m)	Total technical co-operation (USD m)	2005 (for reference)	2007 (for reference)	2010 (%)
	a	b			c = a / b
African Dev. Bank	2	2	--	--	100%
EU Institutions	2	4	--	--	47%
GAVI Alliance	0	0	--	--	--
Germany	2	2	--	--	100%
Global Fund	0	0	--	--	--
IFAD	1	1	--	--	100%
Ireland	0	0	--	--	100%
Japan	5	5	--	--	100%
United Kingdom	6	6	--	--	100%
United Nations	8	8	--	--	100%
United States	5	10	--	--	55%
World Bank	36	37	--	--	96%
Total	67	75	--	--	89%

The Government of Lesotho succeeded in reaching the target of strengthening capacity by co-ordinated support. Of the USD 75 million of technical co-operation received, 89% or USD 67 million was co-ordinated, implying consistency with the government's strategies. Seven donors – the African Development Bank, Germany, IFAD, Ireland, Japan, the United Kingdom, and the United Nations – implemented all of their technical support through co-ordinated programmes. Of the top four donors, three did not co-ordinate all of their technical assistance. The United States, the largest ODA contributor, co-ordinated only 55% of their technical assistance, the World Bank co-ordinated 96%, and the EU Institutions 47%.

In order to strengthen capacity by co-ordinated support, challenges need to be addressed. The government currently has a limited capacity to support, monitor and evaluate capacity development and still has a serious problem in retaining personnel. Furthermore, the absence of a national strategy on capacity building impedes co-ordination of capacity building interventions, including technical co-operation. Moreover, the provision of technical co-operation is often donor and/or donor consultancy-driven without any regard to the

Government of Lesotho's real needs and/or absorptive capacity. Technical co-operation provided by external experts also makes excessive use of foreign know-how at the expense of local capacity.

Donor use of a partner country's established institutions and systems increases aid effectiveness by strengthening the government's long-term capacity to develop, implement and account for its policies to both its citizens and its parliament. The Paris Declaration commits donors to increase their use of country systems that are of sufficient quality, and to work with partner countries to strengthen systems that are currently weak. Indicator 5 is directly linked to indicator 2 on the quality of public financial management (PFM) and procurement systems.

Indicator 5a measures the extent to which donors use partner country PFM systems when providing funding for the government sector. It measures the volume of aid that uses partner country PFM systems (budget execution, financial reporting and auditing) as a proportion of total aid disbursed for the government sector. The 2010 target is set relative to indicator 2a on the quality of PFM systems. For partner countries with a score of 5 or above on indicator 2a scale the target is for a two-thirds reduction in the proportion of aid to the public sector not using the partner country's PFM systems. For partner countries with a score between 3.5 and 4.5 on indicator 2a, the target is a one-third reduction in the proportion of aid to the public sector not using partner country's PFM systems. There is no target for countries scoring less than 3.5.

INDICATOR 5

Using country systems

INDICATOR 5a

Use of country public financial management systems

TABLE 6:

How much aid for the government sector uses country systems?

	Aid disbursed by donors for government sector (USD m)	Public financial management						Procurement			
		Budget execution (USD m)	Financial reporting (USD m)	Auditing (USD m)	2005 (for reference)	2007 (for reference)	2010 (%)	Proc. systems (USD m)	2005 (for reference)	2007 (for reference)	2010 (%)
	a	b	c	d			avg(b,c,d)/a	e			e/a
African Dev. Bank	11	3	3	3	--	--	25%	3	--	--	25%
EU Institutions	78	48	48	48	--	--	62%	48	--	--	62%
GAVI Alliance	0	0	0	0	--	--	0%	0	--	--	0%
Germany	3	0	1	0	--	--	13%	1	--	--	39%
Global Fund	24	0	0	0	--	--	0%	0	--	--	0%
IFAD	3	3	3	3	--	--	100%	3	--	--	100%
Ireland	12	12	0	0	--	--	34%	9	--	--	78%
Japan	5	5	0	0	--	--	33%	5	--	--	100%
United Kingdom	3	1	1	1	--	--	55%	0	--	--	0%
United Nations	18	8	7	8	--	--	42%	8	--	--	43%
United States	44	0	0	0	--	--	0%	0	--	--	0%
World Bank	42	24	24	24	--	--	58%	24	--	--	58%
Total	243	105	88	88	--	--	38%	102	--	--	42%

Only 38% of the aid disbursed for the government uses country PFM systems. Even though there is no set target for this indicator, the Government of Lesotho needs to encourage donors to use country systems to channel their aid. Only the International Fund for Agriculture Development (IFAD) channeled 100% of their aid through Lesotho's PFM systems. The largest donor, the United States, did not channel any of its aid through PFM systems; neither did the GAVI Alliance or the Global Fund. The World Bank, Ireland, and the EU Institutions used PFM systems for 58%, 34%, and 62% of their aid respectively. Furthermore, the table above indicates that most of the aid disbursed for the government sector was mainly used for budget execution more than for financial reporting and auditing.

One of the reasons why aid is being channeled outside the systems is low capacity of line ministries in budget execution. Therefore, more work should be undertaken to strengthen these types of systems so that more aid could be channeled through PFM systems.

INDICATOR 5b
Use of country
procurement systems

Indicator 5b follows a similar graduated target to indicator 5a which is set relative to indicator 2b on the quality of procurement systems. For partner countries with a procurement score of 'A', a two-thirds reduction in the proportion of aid for the public sector not using the country's procurement systems and for partner countries with a procurement score of 'B' to reduce the gap by one-third.

Even though the use of procurement systems was higher than the use of PFM systems, it is still low, with only 42% of aid using this system. It is impossible to say whether Lesotho has made progress on this indicator, since it did not participate in the previous surveys. The EU Institutions was the donor that made the greatest use of country procurement systems with 62%. The World Bank provided the second largest proportion through the country's procurement systems (58%).

The limited use of Lesotho's procurement systems could be due to the remaining deficiencies found in the new procurement regulations of 2007. Moreover, the process of amending the regulations in order to meet the World Bank's recommendation did not take place. There are two reasons cited for donors' reluctance to use Lesotho's procurement systems: (1) the slow progress in the procurement reform process does not inspire donor confidence; and (2) very often disbursement/expenditure cycles of donors require funds to be used in a much shorter timeframe than would be possible within Lesotho's government budget cycles.

INDICATOR 6
Avoiding parallel
implementation
structures

When providing development assistance, some donors establish dedicated project management units or implementation units (PIUs) – to support development projects or programmes. A PIU is said to be "parallel" when it is created by the donor and operates outside existing country institutional and administrative structures. In the short term, parallel PIUs can play a useful role in establishing good practice and promoting effective project management. However, in the long run, parallel PIUs often tend to undermine national capacity development efforts, distort salaries and weaken accountability for development.

To make aid more effective, the Paris Declaration encourages donors to "avoid, to the maximum extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects and programmes." Indicator 6 counts the number of parallel PIUs being used in partner countries. The target is to reduce by two-thirds the number of parallel PIUs in each partner country between 2005 and 2010.

TABLE 7:
How many PIUs are
parallel to country
structures?

	Parallel PIUs		
	2005 (for reference)	2007 (for reference)	2010 (units)
African Dev. Bank	--	--	2
EU Institutions	--	--	1
GAVI Alliance	--	--	0
Germany	--	--	0
Global Fund	--	--	0
IFAD	--	--	0
Ireland	--	--	0
Japan	--	--	0
United Kingdom	--	--	1
United Nations	--	--	4
United States	--	--	0
World Bank	--	--	4
Total	--	--	12

In Lesotho, there are relatively few parallel implementation units (PIUs). No conclusion can be drawn regarding progress on this indicator given that Lesotho did not participate in previous surveys. However, the above table shows that the World Bank and the United Nations, two of the largest aid contributors to Lesotho, have four PIUs each, accounting for more than half the total PIUs in the country. The United States and Ireland, the first and third largest contributors of ODA to Lesotho respectively, have no PIUs. However, it has been noted that

donors such as the United States and the Global Fund have structures that *are* parallel to government structures particularly in terms of salaries and contracts, although this survey does not treat them as PIUs.

Given the limited implementation capacity evidenced in Lesotho, quite a number of regular PIUs have been established. Even though these are not parallel to the government system, their sustainability is questioned. Therefore, the government is in the process of developing structures and programmes that will support the planning units within ministries so that they can in turn assume the implementation of donor supported projects and programmes.

Aid is “tied” when restrictions are placed on the countries that goods and services may be purchased from, typically including the donor country and/or another narrowly specified group of countries. Untied aid not only improves value for money and decreases administrative burdens, but also supports the use of local resources, country systems and the harmonisation of donor support provided through pooled or joint aid instruments and approaches.

Data on the extent to which aid is tied are based on voluntary self-reporting by donors that are members of the OECD’s Development Assistance Committee (DAC). The Paris Declaration target is to continue progress towards untying all aid between 2005 and 2010.

INDICATOR 8 Untying aid

TABLE 8:
How much bilateral aid
is untied?

	Total bilateral aid as reported to the DAC in 2009	Untied aid	2005 (for reference)	2007 (for reference)	Share of untied aid
Australia	0.8	0.8	--	100%	100%
Austria	0.0	0.0	--	100%	--
Belgium	0.0	0.0	--	100%	--
Canada	0.0	0.0	100%	0%	--
Denmark	0.0	0.0	--	--	--
Finland	0.0	0.0	--	--	100%
France	0.0	0.0	100%	100%	100%
Germany	0.0	0.0	82%	100%	--
Greece	0.0	0.0	--	--	--
Ireland	15.9	15.9	100%	100%	100%
Japan	2.3	2.3	100%	100%	100%
Korea	0.1	0.1	--	--	100%
Luxembourg	0.3	0.3	--	--	100%
Norway	0.0	0.0	100%	100%	100%
Spain	7.9	7.9	--	0%	100%
Sweden	0.1	0.1	100%	--	100%
Switzerland	0.3	0.3	3%	21%	100%
United Kingdom	1.1	1.1	--	--	100%
United States	33.9	31.6	65%	54%	93%
Total	63	61	95%	73%	96%

Source: OECD Creditor Reporting System.

The 2011 survey data shows that 96% of total bilateral aid was untied in 2010. In 2005, 95% of total bilateral aid was untied, but this was followed in 2007 by a sharp drop (73%). One of the donors showing significant progress was the United States, which untied 93% of its aid, up from previous years where 65% and 54% of aid was untied in 2005 and 2007 respectively.

The majority of development partners of Lesotho have untied their aid, and those that still place limitations on the origin of goods and services (*e.g.* the EU Institutions) have channeled large parts of their support through budget/sector support, where the Government of Lesotho procurement systems are used, thus somewhat mitigating their tied aid.

CONDITIONALITY

Currently, conditionality focuses almost exclusively on PFM reforms and only the associated performance assessment frameworks (PAFs) contain indicators of a broader basis. The aid policy will attempt to strengthen Lesotho's participation in the setting of conditionality and PAFs. It will include an explicit requirement that donors respect the priorities and objectives of the National Strategic Development Plan. Both the aid policy and the National Strategic Development Plan will create forums for inclusive participation in the preparation of development projects as well as monitoring of results. ■

HARMONISATION

POOR CO-ORDINATION OF AID increases the cost to both donors and partner countries and significantly reduces the real value of aid. Harmonisation of aid delivery procedures and the adoption of common arrangements help reduce duplication of effort and lower the transaction costs associated with aid management. The Paris Declaration focuses on two dimensions of aid as a proxy for assessing overall harmonisation: the use of common arrangements within programme-based approaches (PBAs) and the extent to which donors and partner countries conduct joint missions and co-ordinate analytic work.

Aid effectiveness is enhanced when donors use common arrangements to manage and deliver aid in support of partner country priorities. A good mechanism for aid co-ordination can be described as one that has shared objectives and integrates the various interests of stakeholders. Indicator 9 assesses the degree to which donors work together – and with partner governments and organisations – by measuring the proportion of total ODA disbursed within programme-based approaches (PBAs). In practice, there are many different approaches and modalities which can use PBAs and harmonisation takes place at various levels.

At one level, the partner country is responsible for defining clear, country-owned programmes (*e.g.* a sector programme or strategy) and establishing a single budgetary framework that captures all resources (both domestic and external). At another level, donors are responsible for taking steps to use local systems for programme design and implementation, financial management, monitoring and evaluation. Finally, partner countries and donors are jointly responsible for donor co-ordination and harmonisation of donor procedures. The 2010 target is that two-thirds of aid flows are provided in the context of PBAs.

The table above shows that only 43% of aid is being channeled through PBAs, with roughly 70% of that being channeled for budget support. Lesotho's low score on this indicator is mainly due to the fact that out

INDICATOR 9 Using common arrangements

TABLE 9:
How much aid is
programme-based?

	Programme-based approaches			Total aid disbursed (USD m) d	2005 (for reference)	2007 (for reference)	2010 (%) e = c / d
	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c = a + b				
African Dev. Bank	13	0	13	13	--	--	100%
EU Institutions	48	0	48	78	--	--	62%
GAVI Alliance	0	0	0	0	--	--	100%
Germany	0	0	0	3	--	--	0%
Global Fund	0	25	25	25	--	--	100%
IFAD	0	0	0	3	--	--	0%
Ireland	0	0	0	14	--	--	0%
Japan	0	5	5	5	--	--	100%
United Kingdom	0	0	0	8	--	--	0%
United Nations	4	1	6	33	--	--	18%
United States	0	5	5	72	--	--	7%
World Bank	24	0	24	42	--	--	58%
Total	90	37	127	295	--	--	43%

of the top five donors, only the Global Fund channeled all of its aid through PBAs. The United States, the largest donor to Lesotho, only used such an approach for 7% of its aid, the World Bank 58%, the United Nations 18%, and the EU Institutions 62%. Considerably more work needs to be done to encourage these large donors to use PBAs more systematically.

According to the Government of Lesotho's country report, donors may not want to use this type of approaches due to lack of confidence in Lesotho's public financial management as well as its under developed sector policies and strategies. The Government of Lesotho has invested heavily over the past six years in strengthening various aspects of public financial management. The new National Strategic Development Plan will also try to mitigate donors' reluctance to use PBAs by institutionalizing sector-wide approaches (SWAs), which are recognised as the preferred modality of aid.

A common complaint of partner countries is that donors make too many demands on their limited resources: country authorities spend too much time meeting with donor officials and responding to their many requests. The Paris Declaration recognises that donors have a responsibility to ensure that, to the greatest extent possible, the missions and analytical work they commission are undertaken jointly – *i.e.* that the burden of such work is shared. The 2010 target is that 40% of donor missions to the field are conducted jointly.

INDICATOR 10a
Joint missions

TABLE 10:
How many donor
missions are
co-ordinated?

	Co-ordinated donor missions* (missions) a	Total donor missions (missions) b	2005* (for reference)	2007* (for reference)	2010* (%) c = a / b
African Dev. Bank	1	4	--	--	25%
EU Institutions	1	13	--	--	8%
GAVI Alliance	0	0	--	--	--
Germany	0	0	--	--	--
Global Fund	1	5	--	--	20%
IFAD	2	5	--	--	40%
Ireland	1	1	--	--	100%
Japan	0	2	--	--	0%
United Kingdom	2	2	--	--	100%
United Nations	15	36	--	--	42%
United States	1	67	--	--	1%
World Bank	4	18	--	--	22%
Total	18	153	--	--	12%

*The total of coordinated missions has been adjusted to avoid double counting.
A discount factor of 35% is applied.

There are a large number of missions in Lesotho that have not been co-ordinated among donors. Only 12% out of a total of 153 missions were undertaken jointly, which is well below the target of 40%. The United States has the largest number of donor missions in Lesotho, of which only 1% are co-ordinated. The other donors with a large number of missions (United Nations, World Bank, and EU Institutions) co-ordinate 42%, 22%, and 8% of their missions respectively. According to the Government of Lesotho, a large number of these are arranged at very short notice placing excessive demands on senior officials in the government.

The Government of Lesotho will impose two measures in its aid policy to better co-ordinate missions. First, an embargo will be placed on missions for a period of one-two months during the budget preparation period. Second, requirements will be imposed for donors to submit planned missions on a quarterly or semi-annual basis to allow the government to enforce harmonisation of missions and to better utilise available resources. Furthermore, the establishment of sector-wide approaches (SWAs) will also foster joint missions, and it is expected that the general budget support will also move in the same direction in the future.

INDICATOR 10b
Joint country analytic work

Country analytic work is the analysis and advice necessary to strengthen policy dialogue, and to develop and implement country strategies. It includes country or sector studies and strategies, country evaluations and discussion papers. The Paris Declaration foresees that donors should conduct analytic work jointly where possible as it helps curb transaction costs for partner authorities, avoids unnecessary duplicative work and helps to foster common understanding. Indicator 10b measures the proportion of country analytic work that is undertaken jointly. The 2010 target is that 66% of country analytic work is carried out jointly.

TABLE 11:
How much country analytic work is co-ordinated?

	Co-ordinated donor analytic work* (units) a	Total donor analytic work (units) b	2005* (for reference)	2007* (for reference)	2010* (%) c = a / b
African Dev. Bank	0	0	--	--	--
EU Institutions	2	2	--	--	100%
GAVI Alliance	0	0	--	--	--
Germany	0	0	--	--	--
Global Fund	0	1	--	--	0%
IFAD	2	2	--	--	100%
Ireland	0	0	--	--	--
Japan	0	0	--	--	--
United Kingdom	2	2	--	--	100%
United Nations	18	26	--	--	69%
United States	2	3	--	--	67%
World Bank	2	3	--	--	67%
Total	21	39	--	--	54%

*The total of coordinated missions has been adjusted to avoid double counting. A discount factor of 25% is applied.

Lesotho was not able to meet the target of co-ordinating 66% of total analytic work, as donors co-ordinated 54% of the total analytical work. The United Nations, the donor with the largest number of analytic work, co-ordinated 69% of their analytical work. Given that the United Nations produces the most analytic work in Lesotho, more co-ordination is needed to improve this indicator.

FRAGMENTATION

Fragmented aid – aid that comes in many small slices from a large number of donors – creates high transaction costs and makes it difficult for partner countries to manage effectively their own development. Aid fragmentation also increases the risk of duplication and inefficient aid allocation among donors.

According to OECD data (OECD, 2011b), Lesotho's aid fragmentation levels are increasing. In general terms, fragmentation increased from 6.2 donors per sector (2005) to 8.8 (2009). This increase is mainly due to a rise in the number of donors contributing relatively smaller amounts of aid from 2.7 (2005) to 5.1 (2009). Lesotho's donors contributing relatively larger amounts of aid remain fairly constant from 3.5 per sector in 2005 to 3.7 in 2009. Fragmentation increased in every sector with the exception of general budget support and government and civil society. Fragmentation in government and civil society remained stable, while donors have reduced general budget support. ■

MANAGING FOR RESULTS

BOTH DONORS AND PARTNER COUNTRIES should manage resources according to well-defined, desired results, measuring progress toward them and using information on results to improve decision making and performance. Achieving this implies strengthening capacity to undertake such management and emphasising a focus on results. Countries are expected to develop cost-effective and results-oriented reporting and performance assessment frameworks, while donors commit to use them and refrain from requiring separate reporting.

Indicator 11 assesses the quality of a country's results-oriented frameworks. In particular, it considers the quality of the information generated, stakeholder access to information, and the extent to which the information is utilised within a country level monitoring and evaluation system. The government provides evidence against these criteria through the survey, and this is translated by the World Bank into a score running from A (highest score) to E (lowest score).

The Paris Declaration 2010 global target is to reduce the proportion of countries without transparent and monitorable performance assessment frameworks by one-third.

Lesotho was not able to achieve the target for this indicator, receiving a score of 'C' for its results-oriented framework. This was an improvement from 2005, having moved up one grade. Lesotho's national development strategy (NDS) has a monitoring and evaluation (M&E) framework, that is not yet functional. The existing M&E framework was developed independently of the National Strategic Development Plan (which is still being developed). Once the NSDP is completed the government will need to ensure linkages between the priorities and results outlined in it and the national M&E framework, so as to avoid parallel monitoring tools.

Several institutions are involved in data collection, analysis and reporting, but they do not have well-co-ordinated arrangements and different systems are used to monitor and evaluate their own performance. Furthermore, the Project Appraisal Committee determines whether all major capital projects have the results necessary to warrant the required investment.

There is no mechanism in place to determine whether the projects that are budgeted do indeed achieve the results they set out to achieve. The core challenge therefore, is developing a standardised national M&E framework that will harmonise the existing systems. The guidelines for the monitoring and evaluation framework have been approved. The next step will be to develop the national monitoring and evaluation plan.

The M&E framework covers the entire country of Lesotho. Baseline data is available for 80% of the quantitative indicators found within the M&E framework. The progress against the national development strategy is not reported in a consistent manner, which makes it difficult for stakeholders to track progress. Additionally, it is only published in English and there is no translation into local languages. ■

MUTUAL ACCOUNTABILITY

STRONG AND BALANCED MECHANISMS that support accountability are required at all levels for aid to be most effective. Donors and partner country governments should be accountable to their respective publics and to each other for implementing their commitments on aid, its effectiveness, and the results to which it contributes.

Indicator 12 examines whether there is a country-level mechanism for mutual assessment of progress on partnership commitments, including on aid effectiveness. There are three criteria that must all be met: the existence of an aid policy or strategy agreed between the partner country government and donors; specific country-level aid effectiveness targets for both the partner country government and donors; an assessment towards these targets undertaken by both partner and donors in the last two years, and discussed in a forum for broad-based dialogue.

INDICATOR 11

Do countries have results-oriented monitoring frameworks?

INDICATOR 12

Mutual accountability

The 2010 target is for all partner countries to have mutual assessment reviews meeting these criteria in place. Lesotho has not developed a system of mutual accountability between donors and the government, so the target for indicator 12 has not been met. The Government of Lesotho states in its country report that no arrangements are currently in place for joint reviews of aid effectiveness. The government is in the process of developing a formal aid policy, which will contain a framework for agreeing aid effectiveness indicators with different donors as well as provisions for assessment of these indicators. There have been discussions about using the annual budget support missions as a platform for mutual accountability between all donors (not just budget support donors) and the government. ■

NOTES

The quantitative information presented in the chapter is taken from data provided by national co-ordinators up to 31 July 2011, following the data validation process with stakeholders at the country level. It was not possible to modify or correct any data received after this date.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

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