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Draft country programme document for Lesotho (2013-17)

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I. Situation analysis

1. Lesotho is a small, lower-middle income country that has made some development progress over the past decade but remains vulnerable to internal and external shocks. The country has built democratic institutions with good representation of women, established key policies and legislation conducive to social transformation and embarked on public sector reform to enhance institutional effectiveness. It has largely overcome disputes from the 2007 elections through political dialogue culminating in the adoption of an improved electoral law in 2011.

2. Yet, governance institutions and non-state actors lack capacity to delivery services, especially at the local level. The potential for conflict linked to political and social instabilities remains high, especially given the emergence of intra-party divisions on the eve of the 2012 national elections.

3. Economically, while the country exceeded the 2010 GNI target of US\$ 600 per capita, it is unlikely to reach the annual GDP growth target of 7% for 2016-2020, and poverty levels remain high (56.6%), especially in rural areas. Excessive dependence on Southern Africa Customs Union (SACU) receipts and miners' remittances (equivalent to 34% and 39% of the 2010/11 budget respectively) makes the country vulnerable to external shocks and slows its growth trajectory. This situation is exacerbated by the lack of an internally sustainable economic model, a weak private sector, mismatch between skills and needs, and undiversified productive capacity with issues of access to finance. The result is acute unemployment at 29% (51% and 67.6% for women and youth, respectively¹). Joblessness soared between 2007 and 2010 when retrenchment of migrant mineworkers and decline in textiles exports led to large job losses², affecting a large proportion of female workers.

4. From a socio-economic perspective, progress towards the MDGs³ is mixed. Achievements in education and gender are strong, with a net enrolment rate of 81% in 2009 and a gender ratio favouring girls. Lesotho is ranked first in Africa and eighth in the world on bridging the gap between the sexes, and has adopted several gender-sensitive laws. Nevertheless, women continue to face challenges due to cultural norms that limit their ability to take advantage of newly-attained opportunities. The other MDGs are mostly off-track with particular challenges in health, manifested in high maternal child/infant mortality. With an HIV prevalence of 23%, Lesotho ranks as the third worst-affected country in the world, limiting life expectancy to 40 years in 2010.

5. Lesotho is uniquely positioned in a mountainous landscape fully surrounded by Sub-Saharan Africa's biggest economy. It has a wealth of natural resources: water, wind, solar energy and diamonds. This poses opportunities to generate resources but it also deepens inequalities between remote, rural mountain regions – with limited access to energy and markets - and the more urbanized lowlands. In the regional context, opportunities for cooperation are many, especially with South Africa, yet these have not been fully harnessed. Similarly, even with a small donor base, Lesotho has strong development partnerships (European Union, World Bank budget support, the Millennium Challenge Account/MCA) but it is unable to fully leverage these due to capacity constraints, weak management and lack of collaborative approaches.

6. With regard to the environment, Lesotho enjoys a low-carbon footprint and has successfully piloted renewable energy solutions. Its topography, however, makes it vulnerable to natural disasters (floods and droughts), worsened by climate change in the form of shifting precipitation patterns. This has serious implications for agro-ecological conditions and threatens livelihoods and food security. Potential for conflict is enhanced as 70% of the population depends on arable land limited to 10% of the country's land surface due to land degradation. Shortfalls in production for any reason quickly result in

1 Calculated from the Labour Force Survey (2008).

2 Retrenchments brought about 10,000 and textile exports 3,000 jobs lost (of which 85% women)

3 Draft Lesotho MDG Report, 2010

increased need for food imports. Moreover, the lack of a coordinated national climate change policy or cross-sectoral mainstreaming of environmental concerns blocks the country from following an environmentally sustainable and resilient development path.

7. The National Strategic Development Plan (NSDP, 2013-17) aims to address these development challenges through increased access to global markets, trade and investment; job-led growth, powered by a dynamic private sector; strengthened governance and institutional coordination; and integrated environmental management.

II. Past cooperation and lessons learned

8. The previous country programme reflected an integrated approach across poverty reduction, environmental management, democratic governance and the cross-cutting areas of HIV/AIDS and gender based on policy support and strengthening of institutional capacities.

9. The proposed programme will build on and scale-up key achievements. An innovative approach to *building capacities* for service delivery -creating an internal change management advisory service in the Ministry of Public Service to assist line ministries - will serve as a blueprint across the programme for transformative leadership and capacity development. Groundwork was laid in basic research and analysis in the area of statistics and use of *data* – e.g. establishment of continuous multi-purpose household survey, capacity assessment of national M&E systems etc. - which can evolve into more institutionalized monitoring of national development performance. Successes in *coordination* of stakeholder and community engagement to use renewable energy evidenced by increased access to energy in the rural communities facilitated by a public-private partnership, and the PPP model used in the Maseru City Council project establishing an innovative private-sector led waste management project (servicing roughly 10% of the population) pave the way for enhanced private sector engagement. Building *collaborative* capacities, for which UNDP is recognized, resulted in peaceful resolution of electoral/inter-party disputes; this methodology can be extended to address issues of collaboration and leadership in all substantive areas.

10. Despite clear results, evaluations have pointed to critical issues that require remedy in the new country programme: fragmented and uncoordinated interventions that had little impact; lack of effective cross-sectoral coordination; and poor integration of cross-cutting issues into programme. The UNDAF Evaluation (2011) also suggests that policy development should be accompanied by enhanced support for implementation, with more focus on building national capacities. These issues are tackled through a revamped programme strategy for 2013-17 and a division of labour within the UN Country Team that enables complementary investments by agencies to achieve shared outcomes.

III. Proposed programme

11. The CPD is an integral part of the new UNDAF (2013-17) approach where the UN family Delivering as One fully anchors its programme in the NSDP. It is also congruent with several elements of the 2011 Istanbul Action Plan for LDCs and the Rio+20 agenda for sustainable development. Further, the design and implementation of the programme allows for cross-thematic integration, for example, by linking policy and normative related issues such as access to energy, gender equity to decentralized public service delivery. This approach supports effective mainstreaming and responds to the Government's request for comprehensive implementation support.

12. The *programme* strategy is to support Lesotho in leveraging its development opportunities and resources to transform the economy, empower the Basotho people, and build resilience. UNDP will do this by addressing three key areas that lie at the core of the development challenge - *capacities, coordination* and *collaboration* - in each of the three pillars of sustainable development: economic, social and environmental. Two themes hold prominence in the programme strategy: a leadership engagement initiative and using UNDP's convening role.

13. *Capacity-development* will take place in three forms: (i) individual skill building (complemented by work of ILO and UNESCO), in a context where a large number of qualified workers are drawn away to South Africa, and existing skills training is inadequate, especially in leadership, collaboration, project management and technical skills; (ii) institutional transformation, with focus on strengthening organizational structures and processes, performance and incentive systems, and cultural change; and (iii) system-wide enabling environment. *Coordination* will address inter-ministerial coordination and leadership on key government-wide initiatives, such as decentralization and climate change, as well as cross-cutting issues of HIV/AIDS, gender and disaster risk management; and wider stakeholder coordination across governance institutions, civil society and private sector (e.g. private-public partnerships). Supporting *collaborative* capacities will bring new consensus-building behaviours into forums dealing with contested issues, especially political forums, but also public planning and decision-making. This will introduce and strengthen use of tools for good process, such as stakeholder analysis, joint process design, establishing diverse channels of input, and expanded use of report back to keep stakeholders informed.

14. Emphasis will be placed on addressing gender across all programmes, for example, on women's employment, targeting women in skills development, access to finance, and coordination of work on maternal health utilising the MDGs Acceleration Framework (MAF). In addition, a post-2015 MDG strategy anchored in the NSDP's timeframe will be reflected. On HIV/AIDS, UNDP will focus on coordination linked to AIDS governance, socio-economic research and analysis, and policy advisory and planning support that enables a strategic, multi-sectoral response.

15. ***Focus Area 1 - Acceleration of Inclusive Growth:*** The aim is to support the economy to be more resilient to external shocks/volatility through generation of inclusive employment. Building on policies in place, UNDP will facilitate private sector development and engagement with focus on growing medium-sized, small and micro enterprises based on access to technical and vocational skills as well as targeted financial products from micro finance institutions. In addition, the One-stop Business Facilitation Centre will be further strengthened to make it easier to establish and manage businesses (e.g. through easier registration). The programme will also explore leveraging skills in the Basotho Diaspora and remittances for entrepreneurship development; adoption of 'green technologies' and environmentally sustainable production; and trade capacities for external markets as donor facilitator for the Enhanced Integrated Framework (EIF).

16. An important complementary effort will aim to boost resilience through contributions to a UN joint programme that will provide an assessment of vulnerability and propose policy and institutional options for a path to social protection in the medium- to long-term that addresses the needs of target groups such as women, the young and people living with HIV/AIDS.

17. ***Focus Area 2 - Sound Environmental Management for Sustainable Development:*** UNDP assistance will emphasise three inter-locking issues that will enable adaptation to climate change and increase resilience – a low-carbon economy, conserve natural resources to secure livelihoods and production, and better manage risks related to natural disasters. Policy advisory and technical assistance will aim at improving governance mechanisms to address environmental and climate change issues, in partnership with the private sector and civil society and increase awareness, investment (including from international climate change funds) and partnerships. Another effort will support the development and implementation of a rural renewable energy policy that can provide institutional, financial and technological incentives for use of 'green energy', with special attention to assisting women in both household and economic functions. Productivity and livelihoods will also be secured through conservation of natural resources/ecosystems and the establishment of a sustainable land management model that improves food security. Finally, as part of a joint UN programme, disaster risk management will be integrated into sectoral plans and a more comprehensive disaster early warning and recovery system will be built-up in a phased manner.

18. **Focus Area 3 - Good Governance and Accountable Institutions:** Emphasis will be placed on four complementary efforts that together boost institutional leadership, performance and accountability, citizen participation and mechanisms for maintaining social peace, targeting core democratic institutions such as the Independent Electoral Commission, Ombudsman, Parliament, Human Rights Unit and Ministries critical to policy and institutional reform. First, in order to build capacities for accountability of institutions, both state and non-state, the programme will help establish agreed performance and efficiency standards and monitoring mechanisms, complemented by a robust civic education programme and support to the private sector to encourage public awareness, advocacy and demand for accountability. Both elements will incorporate specific measures to set gender-sensitive standards and outreach and participation targets. Second, the programme will support decentralization through the establishment of a legal and institutional decentralisation framework and capacity development of local government, with emphasis on improved service delivery to meet performance benchmarks that can fulfil criteria for general budget support and access to the MCA.

19. Third, UNDP's advisory work on policies affecting HIV/AIDS and work on national coordination structures and civil society capacities will provide one critical means of testing ways of improving the outcomes of public services and programmes, including sharpening their relevance and access to women and youth.

20. Fourth, for all of these efforts to take root, a stable and peaceful democracy is needed, and UNDP will facilitate the creation of a national peace architecture with special attention to building capacity for mediation, conflict prevention and social cohesion that provides scope for women to play an active role in securing social peace.

21. Finally, as a separate but interlinked area on *socio-economic data and analysis*, performance and accountability will be reinforced through support to the National Strategy on Development Statistics and the National Monitoring and Evaluation System. The programme will expand the capabilities of the national statistical system and associated institutions for data collection, analysis, monitoring and evaluation, generating information, among other things, on key disparities by gender and other socio-economic parameters. It will also support adoption of practical and standardized methodologies for socio-economic analysis for evidence-based policy-making and planning.

IV. Programme management, monitoring and evaluation

22. NIM with support services will be the preferred modality with other implementation modalities, such as DIM, utilized in agreement with the Government. Management, monitoring and evaluation of the programme will include regular quarterly progress reviews, Joint Annual Reviews, programme and outcome evaluations, and joint monitoring and evaluation of the UNDAF Action Plan.

23. The office has already begun restructuring to align to the proposed programme and strengthening operational capacities to enable faster and more efficient implementation. Continuous monitoring of the needs will allow for further adjustments if required.

24. UNDP will strengthen its *model of engagement* with partners, stressing clear need as a basis for involvement, expanding research and analysis as a foundation for all work, supporting national ownership and leadership, and exercising flexibility in programme implementation. UNDP will actively seek opportunities to expand South-South cooperation, including regional cooperation, not least by leveraging the proximity of South Africa. Furthermore, UNDP will support government efforts on aid coordination and play an active role in the development partners' forum. Within the Delivering as One context, UNDP will participate in the implementation of HACT.

ANNEX: RESULTS AND RESOURCES FRAMEWORK

NATIONAL PRIORITY OR GOAL: High shared and employment creating economic growth					
UNDAF/COUNTRY PROGRAMME OUTCOME #1: By 2017, public and private institutions promote increased investments, manufacturing, trade and financial services and create decent employment in an inclusive and sustainable manner. Outcome indicator: No. of jobs created for women and youth; Increase in number of microfinance service providers; Increase in no of people accessing microfinance; No. of people with decent employment. Related Strategic Plan focus areas: Poverty reduction and the achievement of the MDGs.					
GOVERNMENT PARTNER CONTRIBUTION	OTHER PARTNER CONTRIBUTIONS	UNDP CONTRIBUTION	INDICATOR(S), BASELINES AND TARGET(S) FOR UNDP CONTRIBUTIONS	INDICATIVE PROGRAMME OUTPUTS	INDICATIVE RESOURCES BY OUTCOME (US\$)
<u>Ministry of Finance</u> and Development Planning (MoFDP), <u>Min. of Trade, Industry Cooperatives and Marketing (MTICM):</u> participation in analysis; enabling taxation, credit, business registration and trade policies and regulations for private sector development; support for green technology standards.	<u>UN agencies:</u> joint programme on social protection; technical collaboration on trade facilitation and value chains. <u>Natl., regional research institutes & civic actors:</u> conduct socio-economic analysis; advisory support; mobilisation of target groups; monitoring of performance. <u>Dev. Partners:</u> financial/technical support to private sector initiatives.	'Enablers' for private sector development: promote MSME formation and sustainability (taxation, credit, registration, insttit. setup); entrepreneurship skills development; access to financing; technical support to OBFC; trade capacity development. Assessment and development comprehensive social protection options (HIV sensitive).	Indicators/Baselines/Targets: <i>% of target group provided entrepreneurship skills training</i> Baseline: tbd Target: 5% youth entering labour market (60% women) <i>Access to financial services</i> Baseline:<30% of population Target:45% (at least 33% women) <i>No. of days to register a business</i> Baseline:40 days Target:7 days <i>An agreed social protection framework</i> Baseline: no framework; Target: cross-party/stakeholder support for a HIV-sensitive social protection policy	Policy and regulatory options for an 'MSME friendly' business environment endorsed by stakeholders and being implemented. (Re)design of national skills dev. programmes for market relevance, sustainability. Targeted financial products for MSMEs. OBFC fully functional. Social protection policy options assessed and endorsed through broad consultation.	Regular: 720,000 Other: 500,000
NATIONAL PRIORITY: Reverse environmental degradation and adapt to climate change					
UNDAF/COUNTRY PROGRAMME OUTCOME #2: By 2017 Lesotho adopts environmental management practices that promote a low-carbon climate-resilient economy and society, sustainably manages natural resources and reduces vulnerability to disasters. Outcome indicator: No. of national/sectoral policies and strategies that promote low-carbon, climate resilient economy and society; No. of national/sectoral policies that promote conservation of natural resources; No. of local communities, which implement disaster risk reduction measures. Related Strategic Plan focus area: Environment and Sustainable Development					
<u>MoFDP:</u> translate NSDP environment priorities into concrete sectoral plans and budgets. <u>GoL:</u> establish CC coordination; provide enabling environment for private sector participation; commit to a market-led rural electrification;	<u>UN agencies:</u> joint programming on DRM, CC/SLM initiatives. <u>CSOs:</u> public awareness-raising and mobilisation. <u>Private sector:</u> participation in the design/launch/extension of PPP arrangements and options for adoption of climate change-sensitive	Policy advocacy, coordination and integration (into ntl.& sectoral plans), of financing, investment and partnership options for CC & renewable energy in rural areas. Scaling-up of a sustainable land management model (SLM). Technical assistance to	Indicators/Baselines/Targets: <i>Increase in funding for CC from int. sources;</i> Baseline: appr. \$6m Target: 100% increase <i>No. of low GHG installations tested through PPP arrangements</i> Baseline: >9,000 Target: 10,500 <i>Access to renewable energy in rural areas (No. of rural communities, households (women-led disaggregated)</i> Baseline: 50 rural communities, 1,300 hh Target: 60 addtl. communities; 1,500 hh <i>An operational national SLM model</i> Baseline: none Target: In place & meeting rollout targets	Sectoral plans with CC implementation, related institutional arrangements in place. Rural renewable energy policy applied in communities in all districts. SLM in place with sustainable income generating activities. An early warning system	Regular: 1,200,000 Other: 6,000,000

implement DRR policy and legislation.	approaches and technologies.	DRM coordination and implementation.	<i>An operational early warning system.</i> Baseline: some elements; Target: In place.	operational.	
NATIONAL PRIORITY OR GOAL: Promote peace, democratic governance and build effective institutions					
UNDAF/COUNTRY PROGRAMME OUTCOME #3: By 2017, National and local governance structures deliver quality and accessible services to all citizens respecting the protection of human rights & access to justice, and peaceful resolution of conflict; Outcome indicator: Quality of public services (citizen surveys); No. and type of institutions promoting gender equality and human rights; Level of risk of conflict. Related Strategic Plan focus area: Democratic Governance					
GOVERNMENT PARTNER CONTRIBUTION	OTHER PARTNER CONTRIBUTIONS	UNDP CONTRIBUTION	INDICATOR(S), BASELINES AND TARGET(S) FOR UNDP CONTRIBUTIONS	INDICATIVE PROGRAMME OUTPUTS	INDICATIVE RESOURCES BY OUTCOME (US\$)
GoL: lead public administration reform. MoFDP, Min. of Local Governance: policies for and implementation of decentralization. Min. of Public Services: lead on capacity development for other government bodies. Govt. institutions (IEC, Parliament, etc.): lead policy implementation.	<u>UN Agencies:</u> joint programme on HIV <u>EU, IrishAid, GiZ:</u> coordinated response to public sector reform; financial support for decentralization. <u>EU, MCA, World Bank:</u> budget support <u>CSOs:</u> public awareness, mobilisation and participation for social accountability.	Development and follow-through for increased institutional performance & accountability through standards, organisational & process design, dialogue, technical inputs and targeted skill improvements focusing on public service, decentralisation, non-state actors, peace building. Facilitate HIV response coordination and mainstreaming across public service.	Indicators/Baselines/Targets: <i>% of targeted governmental entities (national and local) that meet revised standards of public service</i> Baseline: TBD Target: 45-50% of national institutions; and 25-30% of local governments <i>Increase in no. and quality of inquiries to democratic institutions (e.g. public spending)</i> Baseline: TBD Target: 25-30% increase <i>Evidence of non-state actors active in public oversight</i> Baseline: limited & varies Target: In two critical areas CSO meet int. benchmarks <i>An operational national peace architecture</i> Baseline: some elements exist Target: In place and meeting phased rollout targets	Revised gender-sensitive public service standards in place. Key services decentralized & better access in remote areas. Capacity assessments completed, structures/skills enhanced for key democratic institutions and CSOs to exercise oversight function. Public sector guidelines & action plan for HIV/gender mainstreaming. Functional national peace architecture in place.	Regular: 1,200,000 Other: 9,000,000
NATIONAL PRIORITY OR GOAL: Build effective institutions and promote democratic governance					
UNDAF/COUNTRY PROGRAMME OUTCOME #4: By 2017, national and lower level institutions make evidence-based policy decisions. Outcome indicator: Existence of a coordinated statistical and an integrated M&E system; Availability of up-to-date data on MDGs and human development indicators. Related Strategic Plan focus area: Poverty reduction and the achievement of the MDGs.					
GOVERNMENT PARTNER CONTRIBUTION	OTHER PARTNER CONTRIBUTIONS	UNDP CONTRIBUTION	INDICATOR(S), BASELINES AND TARGET(S) FOR UNDP CONTRIBUTIONS	INDICATIVE PROGRAMME OUTPUTS	INDICATIVE RESOURCES BY OUTCOME (US\$)
MoFDP: lead on the development of a national statistical and M&E system, and coordination of all state actors.	<u>UN agencies:</u> and <u>development partners:</u> coordinated support to national statistical/M&E system (based on sectoral expertise).	Dev. of systems, structures and skills for a natl. statistical and functional M&E system to monitor MDGs and for evidence-based analysis.	Indicators/Baselines/Targets: <i>Existence of coordinated, disaggregated data collection & analysis mechanism</i> Baseline: limited Target: in place <i>No. of line ministries linked to M&E mechanism</i> Baseline: none linked Target: all	National statistical and M&E system with timely, reliable and relevant data in place. Regular socio-economic analysis.	Regular: 600,000 Other: 400,000

