National Political Economy Analysis and Fiscal Space Profiles of countries in the Eastern and Southern Africa region

Political Economy Analysis Lesotho

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unicef for every child

Political Economy Analysis – Kingdom of Lesotho
Final version

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Table of contents

List of abbreviations

ABC	All Basotho Convention
AD	Alliance of Democrats
BNP	Basotho National Party
BCP	Basutoland Congress Party
BFP	Budget Framework Papers
CBC	Cabinet Budget Committee
CBC	Cabinet Budget Committee
CGP	Cash Grant Programme
CSO	Civil Society Organisation
ECCD	Early childhood care and development
FPTP	First-past-the-post
IRSC	Improvement and Reform Steering Committee
IEC	Independent Electoral Commission
IFMIS	Integrated Financial Management Information System
IPA	Interim Political Authority
ISSAI	International Standards of Supreme Audit Institutions
JSC	Judicial Service Commission
LANFE	Lesotho Association of Non-Formal Education
LCD	Lesotho Congress for Democracy
LCN	Lesotho Council of Non-Governmental Organisations
LDF	Lesotho Defence Force
MFP	Marematlou Freedom Party
MTP	Marematlou Party
MTEF	Medium Term Expenditure Framework
MTFF	Medium Term Fiscal Framework
MP	Member of Parliament
MMP	Mixed-Member Proportional
NSC	National Steering Committee
NCSR	Net Cohort Survival Rate (NCSR)
NGO	Non-Governmental Organisation
PEA	Political Economy Analysis
PEFA	Public Expenditure and Financial Accountability
PFM	Public Finance Management
PFMA	Public Financial Management and Accountability
PFMRAP	Public Financial Management Reform Action Plan Programme
PSIRP	Public Service Improvement and Reform Programme
SACU	Southern African Customs Union
SADC	Southern African Development Community
INTOSAI	The International Organisation of Supreme Audit Institutions
UNICEF	United Nations Children's Fund

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Disclaimer

The opinions and views contained in this report reflect those of the authors and not that of UNICEF.

Executive Summary

The unstable coalition government structure and lack of majority support for existing political parties have resulted in political instability in Lesotho. In fact, political instability has intensified since 2012 when the Democratic Congress Party broke away from the Lesotho Congress for Democracy Party. Frequent elections (three elections held over the past five years) also disrupted the work of the government. Officials interviewed noted the existence of policies for the education, health and social protection sectors, but the current political environment slowed down the approval and execution of child-related policies.

The current political climate has created a politicized bureaucracy with government officials using their influence for personal gains. The legislative and executive branches also do not have adequate capacity to execute policies effectively. Within the civil service, high-level administrative appointments are made based on political patronage and nepotism. This resulted in bureaucrats using their influence to divert public resources to the politically-connected elite or to garner support for their own political agenda. For example, in the education sector, political patronage has led to salary increases in the teaching service, resulting in a ballooning wage bill. But as the teaching service and its unions are important stakeholders, there is also little political will to address rising wage costs.

At the same time, inadequate capacity in the executive and legislative branches has meant that substantial investments in key social sectors are not translated into better outcomes for children. This problem is exacerbated by the lack of accountability in the system along with regular turnover of ministers in the education, health and social protection sectors. The legislative branch faces a similar problem, where its limited capacity and skills restrict its ability to scrutinize and oversee government policies and budgets.

UNICEF has strong relationships with civil society and development partners, placing it in a strategic position to influence national budget processes for benefit of children. Some of the key entry points to bolster advocacy and influence are summarized as below.

- **Engage with ministries during budget planning processes to highlight children's issues and resource needs:** Working more closely with the Ministry of Finance and other child-related ministries early on in the budget planning process can better ensure that priority is given to expenditure on children's welfare. The Ministry of Finance prepares the Budget Strategy Paper, which provides a key window opportunity for UNICEF to advocate for resources to be allocated to child-related priorities. Budget Framework Papers prepared by the Ministries of Education, Health and Social Development offer an additional entry point for UNICEF to influence the size and composition of resources directed toward children. In addition, UNICEF can supplement ministries with accurate information to ensure that the costs of scaling up effective programs are taken into account and reflected in budget submissions. Underlying the budget preparation processes, UNICEF can identify policies in key social sectors that need to be costed, and commission studies to evaluate the costs and benefits.

- **Support the capacity of the legislature to review child-focused policies and budgets:** The legislature is a critical stakeholder in the budget process, and supporting this body with analytical capabilities can better ensure that resources are spent efficiently on child-friendly sectors. Some examples include conducting rapid analysis of the budget proposal, assessing the value for money of proposed or ongoing interventions, or developing a children's budget that identifies how much of the national budget is allocated to child-related priorities. Likewise, by providing information on policy outcomes, UNICEF can paint a picture of what is being achieved with the monies spent.

- **Strengthen budget execution and sectoral development:** A major weakness in Lesotho's budget process is capital expenditure, and delays in the provision of infrastructure can deny children access to public services, particularly in the health sector. UNICEF can consider developing a tracking tool to monitor capital expenditure in priority sectors. In addition, the social development sector does not have a comprehensive strategic plan unlike the education and health sectors. UNICEF can further support the social development sector to adopt a comprehensive social protection strategic plan.

- **Enhance collaboration with other development partners and civil society organizations around advocating for more and better investments in child-focused sectors:** In addition to working with influential actors like the World Bank, IMF and African Development Bank to achieve child-friendly outcomes, UNICEF should coordinate advocacy efforts with these partners during the budget preparation process. UNICEF can also build on its current role as a mediator between the government and civil society groups to strengthen overall advocacy efforts, including through its formalized working agreement with the Ministry of Finance. One obvious opportunity is to develop a schedule of engagements with civil society organizations, and then provide their feedback to the finance and social sector ministries throughout the budget process.

Lesotho's volatile political system disrupts the planning and execution of child-friendly policies, yet UNICEF is strategically positioned to help ensure that budget processes integrate children's issues irrespective of institutional uncertainties. Technical support, both to the executive and legislative branches, offers a variety of opportunities for raising children's issues and integrating them throughout the budget cycle. Working closely with social sector ministries and partners to improve the performance of existing budgets, as well as to review current policy frameworks, are additional avenues that can help deliver more and better spending to address children's deprivations. Lastly, UNICEF can foster a more integrated advocacy approach by brining influential development actors and civil society organizations on board through a structured strategy.

1 Introduction

1.1 Background

With a population of about 2.1 million and a total land area of 30.4 square metres, the Kingdom of Lesotho ("Lesotho") is one of the smallest countries on the African continent.[1] The country has a relatively young population. Around 729 020 children, or 33.5% of the population, were under the age of 15 in 2016.[2] Only 27.3% of the population resided in urban areas in 2015, with the rest of the population living in rural and mountainous regions.[3] Child poverty in Lesotho is a widespread problem and impacts negatively on the cognitive and psycho-social development of children.

Access to education is a major challenge for children in Lesotho. Net enrolments ratios in primary schooling were 83.5% in 2015 or marginally higher than the 80.9% in 2001.[4] Although, there has been some improvement in school participation rates in primary school, the number of children that make it to secondary school remains low. Equally concerning are the low progression and throughput rates. About 90% of children between the ages of six and nineteen enrolled in primary and secondary education reported some delay in progression. In other words, children either dropped out or had to repeat an academic year, often delaying their graduation from the schooling system.[5]

Whereas, there has been some improvement in the extension of education services to children, access to health care remains inadequate and unequal. In 2014, the neonatal mortality rate was 34 deaths per 1,000 births. In other words, about "one out of 29 children die in the first month of their life". High mortality rates are closely associated with the prevalence of HIV/AIDs amongst women, the socio-economic circumstances faced by a new-born and a lack of access to primary health services. The high prevalence of HIV/AIDs amongst the adult population has left many children orphans. UNAIDs, estimates that there are approximately 73 000 under the age of 17 who are orphans because of AIDS.[6]

Malnutrition in Lesotho is a serious and pervasive problem. The Lesotho Health and Demographic Survey, commissioned by the Ministry of Health and finalized in 2016, reports that about a third of children under the age of five are stunted as a consequence of undernutrition. Only one in every two children sought advice from a health facility or provider to treat diarrhoea, one of the leading causes of mortality in under-five-year-olds in Africa.[7] The most commonly cited reason for not seeking the advice of a health care professional amongst households is a lack of funds.[8]

To combat child poverty, the Lesotho Child Grant Programme (CGP
) was established in 2007, and initially funded by the European Union.[9] The CGP is an unconditional cash transfer given to poor and vulnerable households with children. It seeks to increase school enrolment, improve attendance and enhance health outcomes amongst children.[10] Since 2013, the Government of Lesotho has taken over responsibility for the funding and

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1 (World Bank, 2017).
2 (Country Meters, 2016).
3 (Central Intelligence Agency, 2015).
4 (UNESCO, 2017).
5 (Oxford Policy Management, 2012).
6 (UNAIDS, 2015).
7 (Ministry of Health, 2016).
8 (Oxford Policy Management, 2012).
9 (Ayala Consulting Group, 2013).
10 (Oxford Policy Management, 2012).

disbursement of the CGP. By doing so, government re-affirmed its commitment to funding child-related priorities.

1.2 Approach to this study

This Political Economy Analysis (PEA) of Lesotho investigates the political, economic and social factors which drive policy-making and resource allocations for children. Through this study, the PEA identifies improvement opportunities as well as spaces in which UNICEF Lesotho can position itself, and leverage its comparative advantage to serve the interests of children better.

The PEA contained in this report is drawn from several sources. Secondary data includes government policy documents, internal UNICEF documents, annual reports and publications from relevant departments, and documents produced by development partners and civil society stakeholders.

The methodology for collecting data consisted of face-to-face interviews and written exchanges via email. The research team met with the relevant chiefs within UNICEF Lesotho, as well as the Representative and the Deputy Representative in the country. The UNICEF chiefs, in turn, provided documentation and facilitated meetings with the main stakeholders in government ministries where possible. This also included a meeting with the Secretary-Generals of three political parties. In addition, interviews were conducted with several non-state actors that are involved in or contribute to policy-making, resource allocation and delivery processes in the area of children's services. These stakeholders include development partners and civil society organisations, many of whom were interviewed during the in-country visit. Appendix 1 contains a list of the key informants and institutions surveyed in this PEA.

The in-country visit was undertaken at turbulent time in the politics of Lesotho. At the time of writing this report, the Prime Minister of Lesotho, Pakalitha Mosisili, had lost a vote of no confidence, prompting the dissolution of Parliament. A general election was called and is scheduled to take placed on the 3 June 2017. As Parliament was dissolved before the tabling of the 2017/18 National Budget, funding for government programmes has not been appropriated by the legislature. Although section 113 of the Constitution does allow for the authorisation of expenditure in advance of the appropriation for four months (within spending limits), this clause only comes into effect if the budget for the year was tabled.[11] Some interviewed officials point out that all government expenditure in the coming months will be incurred outside the legal framework. With the uncertainty around the elections, interviewed officials could not to answer several research questions. However, they did draw on their past experience to sketch out the possible scenarios of what could transpire over the next few years.

1.3 Structure of this report

As the political landscape in Lesotho changes, UNICEF will have to adapt its country programme to work under conditions of increased uncertainty. This PEA provides some guidance to the UNICEF country office on entry points into the budgeting process that could help mitigate the effects of political uncertainty on their work. It also identifies ways of enhancing and strengthening the work of the country office in these uncertain times.

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[11] Clause 113: This clause was set for instances where the budget was tabled but would not come into operation by the beginning of the financial year.

This report is organised as follows:

- **Section one** describes the background to, and purpose of this study. It details the approach to gathering information and evidence on this study;
- **Section two** provides an overview of the political, economic and social context within Lesotho. It details in the historical roots of the political instability and the implications of the continued political uncertainty on the policymaking, resource allocation and policy execution processes. Moreover, the section ends with the key challenges that influence the allocation of resources towards child-related priorities;
- **Section three** reviews the policy and legislative framework that guides the work of Government and other stakeholders in the education, health and social protection sectors. It discusses key achievements in the implementation of child-related policies and on-going challenges in each of these sectors. The section also discusses the work of UNICEF Lesotho in these sectors;
- **Section four** reviews the reforms in Public Financial Management. This section goes on to explain the budgeting process in Lesotho, detailing the steps and timing of the process and the role of various stakeholders;
- **Section five** contains some concluding remarks and recommends entry points for UNICEF Lesotho.

2 Political, Economic and Social Context

2.1 Political context

Since its independence in 1966, Lesotho has experienced waves of political instability. This section presents the key developments in the political history of Lesotho and contextualises the evolution of public policies and reforms discussed in the rest of the report. Politics in Lesotho have played an integral part in shaping the country's development trajectory over the last five decades. It is, therefore, worth expanding on the key events in the country's political history.

In 1965 one year before its independence, Lesotho held elections, contested by four main political parties of that time, namely: the Basotho National Party (BNP), the Basutoland Congress Party (BCP), the Marematlou Freedom Party (MFP), and the Marematlou Party (MTP). This election was narrowly won by the BNP, which went on to become the first independent government in Lesotho. A year later, in October 1966, Lesotho gained its political independence from Great Britain. Over the next four years, the newly elected government set out to entrench the rule of law and encouraged political tolerance, achieving some degree of political stability in this period.[12] Despite its early successes, the BNP struggled to hold on to power. In the 1970 elections, the BNP and BCP were tied with 23 parliamentary seats each. With no party achieving the required majority to form a government, events took an unfavourable turn. Faced with imminent defeat, the ruling BNP government halted the 1970 election and prevented the release of the results. They cited political intimidation, national security and communist threats as the reasons for their decision. While the official results of the 1970 election were never released, unofficial statistics reveal a landslide victory for the BCP.

In January 1970, Chief Leabua Jonathan, the leader of the BNP appointed himself as Prime Minister of Lesotho[13]. A state of emergency was declared, effectively suspending the Constitution and the Judiciary, and placing a five-year moratorium on politics. The Prime Minister called for the arrest of all opposition leaders and was the architect of the King's exile to Holland. Prime Minister Jonathan went on to rule Lesotho for 16 years, using aggressive and sometimes violent means to neutralise any opposition to his rule.[14]

Between 1986 and 1993, successive military coups further entrenched military rule within the government. The military regime banned party politics and called off all elections. The strong civil society, that still exists today, emerged during this period. In 1993, General Ramaema handed over power to the democratically-elected government.[15] The subsequent election delivered a landslide victory for the BCP and signalled the return to civilian rule.[16]

However, the euphoria of a democratically-elected government did not last long before fractures within the BCP began to show. In 1997, a faction – the Lesotho Congress for Democracy (LCD) spilt from the BCP. Under a permissive floor-crossing arrangement, many members of Parliament

12 (Matlosa, K, 2006).

13 This was supported by with the Commissioner of Police, John Hindmarsh and Frederick Roach, Officer commanding the Police Mobile Unit (PMU), a Special Forces unit of the police. Evidence also suggests that the government of Apartheid South Africa also supported this coup d'état.

14 In 1974, BCP (the true winners of the 1970 election) led an attempt to overthrow government, but their attempts were thwarted, resulting in their exile until 1991.

15 (Matlosa, K, 2006).

16 (Matlosa, K, 2006).

were allowed to move over to the LCD. As a result, the BCP lost its stronghold over Parliament and became an opposition party.

In the aftermath of the May 1998 elections, the opposition, including a newly formed BNP-BCP Alliance, questioned the outcome of the elections. They mounted rolling mass action which escalated into violence. The Lesotho Defence Forces mutinied in September 1998, prompting the Prime Minister of Lesotho to appeal to SADC for help. The South African Defence Force (SANDF) were sent into Lesotho and ultimately restored Government to power under an SADC-brokered political settlement.

The period between 2002 and 2012 was a relatively stable era in Lesotho politics. The LCD government took advantage of its majority and the relative political stability to introduce constitutional and electoral reforms. It convened a multi-party Interim Political Authority (IPA) which began introducing necessary changes to Lesotho's electoral politics, including the removal of the first-past-the-post[17] (FPTP) electoral system, the and introduction of the Mixed-Member Proportional (MMP) electoral model. Under the MMP model, which was first implemented in the 2002 election, several changes were made to the electoral process with the aim of broadening the representation of political parties in Parliament. The election in 2007 (which was won by the ruling LCD) was the second time the MMP model was used. While the opposition once again contested the results of the election, with allegations of irregularities made against the IEC, violence and unrest were avoided through the efforts of both SADC and the civil society.

In 2012, the Prime Minister broke away from the LCD to form a new political party – the Democratic Congress (DC). The 2012 election was contested by multiple parties, with no single party winning a simple majority. A coalition government was thus formed between the three former opposition parties led by the All Basotho Convention (ABC) (30 seats), the LCD (26 seats) and BNP (5 seats). This was the first time in the history of Lesotho politics that parties joined forces to form a government.[18] However, the coalition soon collapsed because of the lack of trust between coalition partners.

During this period of political instability, the military attempted to overthrow the government in August 2014 but was prevented from doing so, after an intervention by SADC. Early elections were called, and the Basotho people headed to the polls in February 2015. The 2015 election also did not produce a clear winner, resulting in another coalition government, this time with seven political parties, headed by the DC. In March 2017, opposition parties joined forces to table a vote of no-confidence against the Prime Minister. The motion of no-confidence was successful and forced the King to dissolve Parliament and call for an early general election in June 2017.

At the time of writing this report, it is hard to predict which party will win the election scheduled for June 2017. It is, however, likely that coalitions will be negotiated to secure the majority needed to form a new government. Coalition governments, although democratically elected, have proven to be unstable in Lesotho. In Lesotho, parties band together to form a coalition mainly for the purpose of winning an election. Often, these traditional opponents have little in common or at worse very different political agendas and policies. The result are often coalitions that are plagued by infighting and ongoing disputes. These relatively unstable coalitions disrupt the electoral cycle and paralyse government.

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17 A voting method is one in which voters are required to indicate on the ballot the candidate of their choice, and the candidate who receives more votes than any other candidate wins.

18 (BTI, 2016).

With no party having a clear majority and mandate from the Basotho people, it is likely that coalition governments will remain a feature of the political landscape over the medium term. It is therefore important that UNICEF understands the implications of coalitions politics on government policies and decisions. Understanding the influence of coalition policies can help UNICEF navigate the difficult times ahead.

2.1.1 Structure of government

As with many of the former colonies of Great Britain, Lesotho adopted the Westminster system of government after its independence. Under this system of government, the King is the Head of State and performs a largely ceremonial role. As a constitutional monarch, the King has no executive or legislative powers. In other words, he cannot interfere in the workings of the democratically-elected government. A Prime Minister is elected and appointed as the Head of Government. His powers are entrenched in the Constitution. The government is made up of three branches: the executive, legislature and judiciary.

The Executive Branch

The Head of Government leads the **executive branch** which consists of the Prime Minister and other Ministers who form the Cabinet. The Prime Minister appoints ministers, and they serve at his discretion. The executive branch is, in turn, accountable to the two houses of the legislature. Policymaking, resource allocation and policy implementation are the prerogative and preserve of the executive branch. Conversely, the Prime Minister and Ministers are accountable for the performance of their policies to Parliament.

Several political factors make it harder for the executive to function effectively. The Constitution confers extensive executive powers onto the Prime Minister. While this practice is not necessarily wrong in itself, these powers can be abused by an incumbent Prime Minister to achieve their ends.

In this already-fragile democracy, Cabinet reshuffles have become a feature of the Lesotho political landscape. The decision to reshuffle their Cabinet is left to the discretion of the Prime Minister. Fundamentally, the intention behind these reshuffles is to remove potential detractors from the government and reward patronage and political support. In the latest Cabinet reshuffle in November 2016, the Prime Minister consolidated his grip on power and removed all those who opposed his views. Consequently, Ministers supporting the Deputy Prime Minister were removed or demoted to less powerful portfolios.[19]

Cabinet reshuffles are highly disruptive to the work of government. For instance, Lesotho has had three Ministers of Education and Training between 2012 and 2017. Moreover, as some senior bureaucrats are political appointments, their tenure is linked to that of their political principals. Therefore, whenever a Minister is removed or redeployed within Cabinet, the Permanent Secretary and Technical Lead must also leave the Ministry. As a result of political instability, the turnover of senior government officials has increased, leaving the upper echelons of bureaucracy weakened and unaccountable.

Frequent changes to the political and administrative leadership of ministries also delay policymaking and the execution of policy. A new Minister will take the time to settle in and familiarise themselves with the policy, legislation and programmes of a ministry. Moreover, more often than not, they are removed from their positions, soon after they have settled in. The result is that bureaucrats are caught in an irregular cycle of policymaking.

[19] (Lesotho times, 2016a).

The Legislative Branch

The Constitution establishes a legislature and requires it to hold government to account for the expenditure of public monies and delivery of public services. The legislature consists of two houses: a lower house (known as the National Assembly) and the upper house (referred to as the Senate). The National Assembly comprises 120 seats, of which 80 MPs are elected in single-member constituencies and the remaining 40 by proportional representation. The Senate consists of 33 members made up of 22 principal Chiefs and 11 members who are appointed by the King on the advice of the Council of State.

In 2005, in an effort to manage their workload and strength their oversight function, the legislature established a system of Portfolio Committees. Policies and programmes relating to children are handled by the Portfolio Committee on the Social Cluster. This committee is responsible for the ministerial portfolios of health and social welfare, education and training, gender, youth, sport and recreation. Although, the mandate of the Portfolio Committee is broad, it plays a crucial role in law-making and overseeing the implementation of child-related policy, laws and programmes. Another important committee is the Portfolio Committee on Economic and Development Cluster. It oversees the Ministry of Finance, and scrutinises the budget. The HIV and AIDS committee is a sessional select committee that facilitates debate and discussions on matters relating to HIV/AIDs and oversees the implementation of policies and programmes that seek to prevent new infections and improve the treatment of HIV/AIDs. These committees could be an important entry point for UNICEF into policy and law-making processes.

The ability of the Legislature to discharge its constitutional responsibilities is severely impeded by the political instability in Lesotho. As mentioned before, coalition governments have become a feature of Lesotho's political landscape. In general, these coalition governments are fragile, often held together by weak political agreements. Within the coalition, each party has an incentive to maximise their own benefits. Thus, any party which believes that they can gain more by joining another coalition or by threatening to leave will use any mechanism at their disposal.

One such mechanism is the tabling of a vote of no confidence in the Prime Minister in the legislature. Over the last five years, MPs have used votes of no confidence to dissolve the coalition government, when relationships between coalition partners have broken down. The ease through which the vote of no confidence can be tabled means that coalition's governments are far less likely to remain in power for their entire term. These short-lived coalition governments tend to create incentives for myopic behaviour and rent-seeking by politicians. If elected representatives know that their term of office will be brief, they are incentivised to seek out public resources for their constituents, regions and themselves. This is a particular challenge for sustaining investments in social sectors over the long-term, which do not tend to produce short-term benefits.

Another worrying trend in the political landscape is rise of factionalism within Lesotho politics. Splinter parties are easy to form, and permissive floor crossing arrangements in Lesotho allow MPs to change their political allegiances without losing their seats.[20] They simply have to notify the Speaker of the House of their intention to do so. Floor-crossing provisions has been used to oust governments, dissolve parliaments and trigger new elections. It has created the conditions for political opportunism and rent-seeking amongst MPs and threatens the continued existence of coalition governments, fuelling political instability and uncertainty. Although many have called for the banning of floor-crossing in Lesotho like South Africa did when it enacted legislation to outlaw the process, nothing has yet been done to reform the parliamentary process. However, in a multi-party and highly contested electoral system, there are few incentives for parties, particularly smaller ones, to change the floor-crossing rules.

[20] (Lesotho Times, 2015).

In many instances, political instability has brought the Legislature's work to a halt. Following the collapse of the coalition government in 2012, the Lesotho Parliament did not enact a single piece of legislation in 2013.[21] During that year, portfolio committees did not meet or met sporadically, and law-making stopped. As a consequence, interviewed officials highlight that many of the proposed child-related policies did not make it to the Legislature delaying their implementation.

The Judicial Branch

The **judicial branch** of Lesotho comprises the High Court, the Court of Appeal, the Magistrate Courts, and traditional (customary) courts. In terms of the Constitution, the courts are independent and exercise complete discretion over judicial matters. The political strife in Lesotho requires courts to mediate between political parties and on spats within political parties. For example, the courts were asked to rule on a leadership battle within the Lesotho's People's Congress (LPC) in March 2017. These types of cases tie up juridical time and resources. Courts are also under-resourced and case backlogs have risen over time.[22] This means that the prosecution of crimes against children takes a long time to get to court.

2.1.2 Decentralisation of government

Formed as a unitary state, the Constitution establishes and decentralises decision-making powers to local government to "enable urban and rural communities to determine their affairs and to develop themselves".[23] Whereas the Constitution does not specify the powers and functions of local government, it requires the government to enact a statute to define such functions. The Local Government Act, 1997 creates three local structures: community, urban and rural councils. To accommodate the diverse tribes that exist in Lesotho, the Act allows for the election of tribal chiefs to these councils. Ward councillors, elected by their constituencies, are also members of these councils.[24]

Although the first local government elections following military rule were held in 2005, local councils remain weak and largely ineffective. Part of the problem is that these councils lack the autonomy and resources to make decisions that benefit their local communities. Rigid rules imposed by national government around the funding and operations tend to constrain the ability of councils to grow and evolve into effective governance and delivery structures.

It has taken almost a decade for the government to commit to meaningful decentralisation. The coalition government adopted a new decentralisation policy in 2014, which seeks to devolve power and strengthen local government structures. It is too early to tell whether this decentralisation policy has increased the autonomy of local authorities. However, it remains to be seen whether the new government will continue to pursue its predeccessor's policy on decentralisation. Regardless, improving the capacity of councils to deliver essential services is key to the wellbeing of children, and should be given priority.

2.2 Economic context

As a small middle-income and landlocked country, Lesotho is subject to domestic pressures, and heavily exposed to the economic and political uncertainty experienced by South Africa, its larger neighbour. Political risk is a key determinant of economic performance in Lesotho. As Figure 2.1

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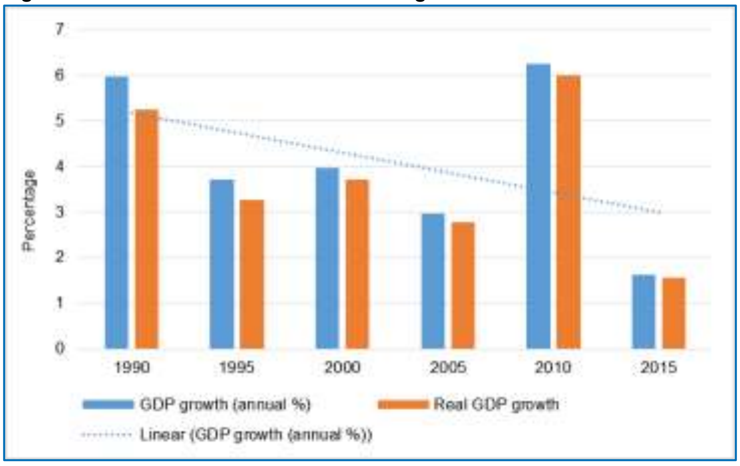
21 (Lesotho Legal Information Institute, n.d.).
22 (Lesotho Times, 2017).
23 Constitution of Lesotho.
24 (Kapa, 2013).

reveals, the Lesotho economy began to recover in the aftermath of the 2009 global financial crisis and experienced two years of relatively high growth rates after that. However, this promising recovery was cut short by political uncertainty and civil unrest brought about by the collapse of the coalition government in 2012.

Annual GDP growth rates dropped from a peak of 7% in 2011 to 2% in 2013. Continued political uncertainty in 2015 and 2016 further depressed growth rates, and the nominal GDP growth rate averaged about 3.4% a year from 2012 to 2015. Over the same period, gross national income fell from US$1 610 to US$1 280.[25] Unemployment remains pervasively high within the country. The African Development Bank estimates that the unemployment rate averaged 24% between 2010 and 2015.[26] Put simply, nearly one in every four citizens of working age are unemployed. High levels of unemployment also drive migration, often into South Africa, as citizens look for better economic opportunities. They are also linked to high levels child abuse in Lesotho.[27]

Figure 2.1 Annual GDP nominal and real growth rates



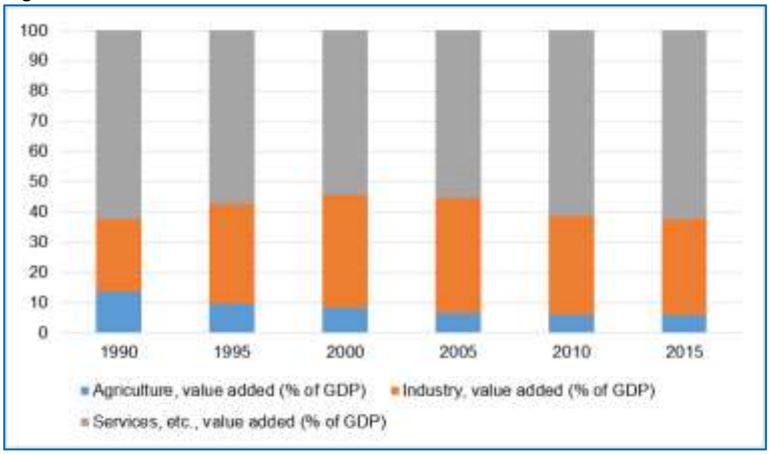
Source: World Bank Development Indicators.

The structure of the Lesotho economy has undergone some important changes since the 1990s (see Figure 2.2). Agricultural output as a percentage of GDP has declined from 13.6% to 5.6% between 1990 and 2015. There is some concern that this decline in the share of agricultural output reflects the deterioration in the country's ability to achieve food security and is a contributing factor to the undernutrition pandemic amongst children.

In contrast, the service sector has remained relatively constant when compared to agriculture and industry. In general, periods of rapid economic growth have been driven by the manufacturing sector. Between 2001 and 2017, Lesotho's main exports were clothing (40% of total exports) and diamonds (22%). About 35 percent of exports was destined for the United States, which benefited from preferential tariffs under the African Growth and Opportunity Act (AGOA), followed by South Africa (30%). [28]

[25] (World Bank, 2017).
[26] (African Development Bank Group, 2017).
[27] (Lesotho Times, 2016).
[28] (Trading Economics, 2017).

Figure 2.2 Contribution to GDP



Source: World Bank Development Indicators.

Lesotho relies heavily on revenue from the SACU revenue pool to fund public expenditure. Two key risks that have arisen over the last five years pose a threat to the fiscal and financial sustainability of Lesotho. First, since the 2002 SACU Agreement, Lesotho, Botswana, Namibia, South Africa and Swaziland have agreed to pool and share excise and customs duties by a pre-determined formula. Although the method provides some certainty of the revenue expected from the excise component of the pool of income, customs revenues are volatile. In effect, this means that there could be large variations in total revenue from the SACU revenue pool between years.

Second, the recent Article IV Consultation between the IMF and the Government of Lesotho highlights the impact of the rapidly increasing wage bill on government expenditure. In their report, the IMF points out that:

> *"Lesotho faces a challenging economic outlook. The imminent sharp drop in SACU revenues could threaten macroeconomic stability, unless a major fiscal adjustment is implemented. While existing buffers provide a cushion to allow an orderly adjustment over the next 2-3 years, it is critical that the authorities take a substantial first step in the upcoming fiscal year to ensure credibility. Containing recurrent expenditures—most importantly, the extraordinarily large government wage bill—should be central to the adjustment effort."*[29]

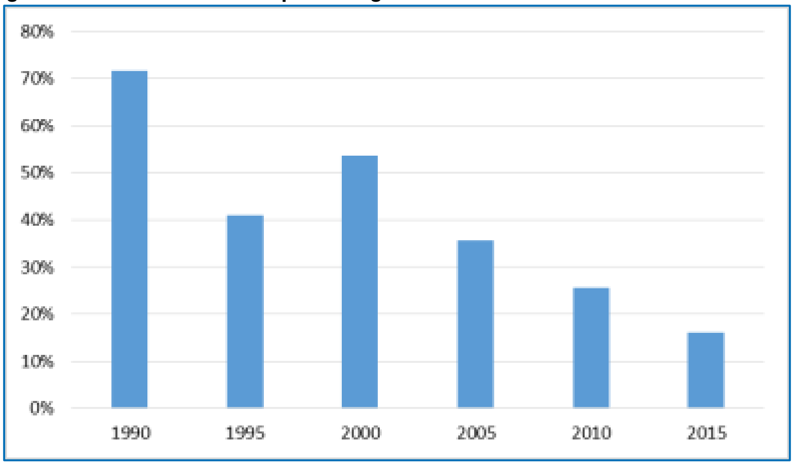
The increase in the wage bill has largely been funded by the unexpected windfalls in SACU revenues over the last few years. As one interviewee notes the Government has given civil servants generous salary increases on the back of buoyant SACU revenues. However, Government may struggle to maintain the current wage bill if SACU revenues begin to decline over the medium term on the back of an economic downtown in the SACU region. This could potentially lead to a situation where civil servants may be retrenched in order to reduce the wage bill. As education and health employ the highest number of civil servants, these sectors are likely to be the most affected by retrenchments. Any decision to let go of civil servants is likely to cause widespread protests and strikes throughout the country and will impact adversely on the delivery of public services to children.

Lesotho and its neighbour, South Africa share a long history of interactions, tensions and collaboration. Under the apartheid regime, Lesotho supplied South African mines with labourers. Many of the migrant workers were temporary migrants, entering the South Africa for a limited time, and sending remittances back to their families. Hence, remittances received by families left behind

[29] (International Monetary Fund, 2016).

became an important source of income for the country. In 1990, income from remittances stood at about 71% of GDP. By 2015, remittances as a percentage of GDP had fallen to 16% (see Figure 2.3).

Figure 2.3: Remittances as a percentage of GDP



Source: World Bank Development Indicators.

As Figure 2.3 show, from 2000 onward, the remittances to Lesotho declined sharply as the number of workers employed by the mining sector in South Africa decreased. Remittances are an important source of income for poor households in Lesotho. In one of the earlier pieces of research on the economic benefits of remittances, the Central Bank of Lesotho found that about 14% of the remittance was spent on education and health.[30] A considerable proportion of this money was spent on the children. Hence, remittances, as a form of intra-household transfer reduces child poverty and improves access to education and health services for children in Lesotho. However, this source of income for households will continue to decline over the medium term with the contraction of the South African mining sector and slowdown in the South African economy.

2.3 Social context

Access to the basket of social services is still a struggle for many children in Lesotho. Levels of access to services vary considerably across education, health and social services. We discuss each of these sectors in turn below.

2.3.1 Education

Despite its small size and economy, Lesotho has made progress in extending access to education services for children. Net enrolment ratios in primary schooling had increased from 80.9% in 2001 to 83.5% in 2015. There also appears to be an increase in access to pre-primary education. Enrolments in pre-primary education increased by 29%, rising from 41 507 to 53 530 between 2001 and 2015.[31] In general, school participation across most levels of the education system has improved over the period.

Whereas the trends in school participation are encouraging, delays in school progression are concerning. About 90% of children between the ages of six and nineteen enrolled in primary and secondary education reported some delay in progression.[32] Often delays in school progression are

30 (Central Bank of Lesotho, 1996).
31 (UNESCO, 2017).
32 (Oxford Policy Management, 2012).

caused by social norms. Boys drop out of school to herd cattle and often do not return to finish secondary school.

2.3.2 Health

Although the country has seen improvements in health outcomes amongst children, access to health care remains inadequate and unequal. In most areas of maternal and child health, Lesotho' performance is sub-optimal. The proportion of children between the ages of 12 and 23 months that have received all their basic vaccines was 68% in 2014.[33] Mortality rate, under five (per 1 000 births) remains high, particularly compared to other countries in the SADC region, and significantly higher than the SDG target of 25 deaths per 1000 live births by 2030 (see Figure 2.4).

Figure 2.4: Mortality rate, under-5 (per 1,000 live births)

Source: World Bank Development Indicators.

The country's performance on other health indicators is equally worrying. The latest Health and Demographic Survey, commissioned by the Ministry of Health and published in 2016, reports that about a third of children under the age of five are stunted as a consequence of undernutrition. Only one in every two children sought advice from a health facility or provider to treat diarrhoea, one of the leading causes of mortality in under-five-year-olds.[34] The most commonly cited reason for not seeking the advice of a health care professional amongst households is a lack of funds.[35]

2.3.3 Social development

Lesotho has amongst the highest prevalence rates of HIV in the world. In 2015, UNAIDs estimated that about 22.7% of all adults aged between 15 and 49 in Lesotho were infected with HIV. HIV/AIDs has had a devastating effect on children and families in Lesotho. In 2015, about 73 000 children between the ages of 0 and 17 were orphans because of AIDs and another 13 000 children aged between 0 and 14 were living with HIV. Often, these orphans will live with their grandparents or older siblings.

The CGP is one of the main instruments through which government fights child poverty. Whereas, the CGP was not originally planned by government, it was, as one interviewee recounts, a "happy accident". In 2007, the EU Commission stopped disbursements of budget support to the Government over their failure to meet the performance targets set out in the bilateral agreement. Instead of repatriating the funds, the EU commission and Government decided to establish and

33 (Ministry of Health, 2016).
34 (Ministry of Health, 2016).
35 (Oxford Policy Management, 2012).

fund the CGP. Since 2009, the CGP grew from an initial 1 000 households to about 27 000 households with 81 000 children by the end of 2016.[36] It is one of the more successful government programmes and, as an impact study reveals, has increased school enrolments and improved health outcomes amongst beneficiaries. Alongside, old-age pensions, the infant child grant and disability, these cash grants provide an important safety net for poor and vulnerable households in Lesotho.

2.4 Key challenges for the future

Lesotho is confronted by three immediate and strategic challenges that affect the education, health and social development sector. The first challenge is the **political instability** and its adverse impacts on the work of government. Coalition governments are inherently unstable forms of governance in a contested electoral system where there is no clear majority. In 2016, the DC had to form a coalition with six other parties to establish a government. Bringing political parties that are traditional adversaries into a single coalition is already a difficult exercise, but keeping them together is even more challenging. In addition, the military has significant power in Lesotho and yields it to overthrow governments. The history of Lesotho is littered with examples of military coups. It also appears that political groups can exert significant influence over the army and use it to do their bidding.

To some extent, the existence of long-term policies and plans in the education, health and social protection sectors minimises the negative effects of political instability in the children's sector. In education, health and social development, these long-term policies provide some certainty over the scale and direction of reforms. Thus, with these policies in place, some work can continue in spite of the frequent political changes.

The second challenge is the large, growing and politicised bureaucracy. Appointments to the top positions in the administration are made on the basis of political patronage, nepotism and not necessarily competency. The politicisation of bureaucracy has worsened as the government has grown and the number of political appointments has increased at all levels of government. Setting aside the question of whether political appointees have the requisite skills and knowledge for the position, these types of appointments fuel and institutionalise corruption. Once they gain influence over scarce resources, political appointees can divert public funds to the politically-connected elite.

In the education sector, political patronage manifests itself in the salary increases given to the teaching service, which has contributed to the rapid growth in the wage bill. Given the fact that the teaching service and unions are important constituencies, there is little political will to address the rising wage costs in the education sector.

The third and final challenge is the lack of capacity within and across government to implement its policies and programmes. Despite spending a large proportion of its budget on education, health and social protection, this investment has not translated into better outcomes for children, indicating serious operational inefficiency in the management of public resources. While there has been some improvement in child education and health outcomes, change has been disappointingly slow. Part of the problem is that the civil service lacks the capacity to implement many of the reforms. For example, there are simply not enough Early Childhood Care and Development (ECCD) teachers or centres in Lesotho to meet the demand. Many teachers are volunteers and do not have the necessary qualifications to teach children. Thus, government capacity is a key challenge in Lesotho and an area where UNICEF's support will remain critical.

[36] Figures received from UNICEF Lesotho.

3 Advocacy for Children

3.1 Priority setting on children's matters

Presently, the government articulates its long-term goals and objectives in the Lesotho Vision 2020. The overarching objective of Vision 2020 is to create a "stable democracy, a united and prosperous nation at peace with itself and its neighbours. It shall have a healthy and well-developed human resource base. Its economy will be strong; its environment well managed and its technology well established".[37] With regards to children, Vision 2020 highlights the need to improve access to, and the quality of health, education and social protection.

Since its launch in 2001, several plans have supported the implementation of the Vision 2020. These include Poverty Reduction Strategy[38] (2004/ 05 – 2006/07) (PRS), the Interim National Development Framework[39] (2009/ 10 – 2010/11) (INDF), and the current National Strategic Development Plan[40] (2012/13 – 2016/17) (NSDP). The NSDP was developed by the Ministry of Finance and Development Planning in consultations with the private sector, civil society, academia and other stakeholders. In-country UN offices (including UNICEF), and other development partners provided the technical support in the drafting of the NSDP.[41] Sector plans strengthen this planning framework.

Who sets and influences priorities in the children's sector? In answering this question, the research team reviewed the literature and carried out interviews with a variety of stakeholders. A few key findings emerge from this analysis:

- Cabinet plays an important role in the policymaking process. Whereas, the Prime Minister articulates the broad goals and objectives, it is the individual Ministers and their ministries that formulate policy and design programmes. The Ministries of Education, Health and Social Development have developed their own policy frameworks and legislation to guide the development of their sectors. The Minister of Finance oversees the budgeting processes, through which funds are allocated to priority policies and programmes. Interviewees point out that the Minister of Finance has a considerable sway over which policies are funded. In general, the Minister of Finance has had the support of the Prime Minister. Hence in Lesotho politics, the Minister of Finance influences which policies are given priority. For UNICEF, this means that by influencing key points in the budget process, they can ensure that resources are allocated to child-related priorities. This ability to influence the budget process is especially important when it comes to the funding of new programmes;
- Development partners in Lesotho provide either financial support (e.g. grants and loans), technical assistance or a combination thereof. When it comes to research, development partners play a significant role in providing the evidence needed for the policymaking process. This was the case in the evaluation of the Child Grant Programme, where development partners such as the EU and UNICEF stepped in to commission the impact study and oversee its execution. Thus, an important entry point for development partners into the policymaking process is through the research they fund;

37 (Kingdom of Lesotho, 2001).
38 (Kingdom of Lesotho, 2004).
39 (Kingdom of Lesotho, 2009).
40 (Kingdom of Lesotho, 2011).
41 (Kingdom of Lesotho, 2011).

- At the same time, development partners fund, implement and monitor programmes in the children's sector. Their experience in programme implementation is often drawn into the policymaking process through their participation on reference panels and steering committees;
- There is some disagreement about the extent to which government consults with civil society on policy. Some civil society organisations view government as dirigiste, taking unilateral policy decisions. Others seem to have developed strong relationships with line ministries. It may be that the extent of engagement between government and civil society depends on the sector. Civil society organisations appear to be well established in the education sector and can engage constructively with the government;
- Civil society organisations have found alternative ways through which to influence policy. Recognising that government and development partners have established strong relationships, civil society organisations have begun to interact and collaborate with development partners on policy matters. This relationship allows them to influence views of development partners, and their inputs into the policymaking process. Consequently, development partners like UNICEF have become a mediating mechanism in the policymaking process.

3.2 Policy making and implementation in the education sector

3.2.1 Policy framework governing the education sector

The importance of education for children in Lesotho is enshrined in Section 28 of the Constitution. The Constitution of Lesotho introduces the concept of free education and tasks government with the responsibility of making it happen. In this regard, Lesotho is ahead of many of its SADC counterparts in that it binds the government to the goal of free and accessible education in its Constitution. Vision 2020 of Lesotho reinforces the constitutional imperatives and sets goals for the development of the education sector: In relation to children, Vision 2020 specifies the following goals:

i. *"The Basotho will have access to quality education fully responsive to the country's needs, accessible at all levels, limited only by intellectual ability not by income or wealth;*
ii. *Lesotho will have the system of education that is closely linked and well researched to enhance the student's talents and capabilities;*
iii. *Education will be free and compulsory up to senior secondary level.* [42]

To achieve these goals, Vision 2020 enjoins government and stakeholders in the education sector to: improve education infrastructure and facilities, set a curriculum that is responsive to the country's needs, strengthen institutional management and human resource capacity, and promote special education programmes for people with disabilities. A single indicator, education expenditure as a percentage of GDP, is used to measure the progress of government in achieving the policy objectives of Vision 2020. In 1990, spending on education as a share of GDP was 20%. The intention behind Vision 2020 was to increase expenditure to 30% of GDP by 2030,[43] however, achieving this target will require a major re-allocation of resources towards the education sector. Presently in the 2015/16 FY, expenditure on education as a percentage of GDP stands at 9%.

Education policy is dynamic and continues to evolve in response to more information on the scale and nature of education challenges and changing government priorities. The latest iteration of the NSDP (2021-2017) places more emphasis on the enablers of good quality education. In contrast to its predecessors, the NSDP now set specific goals for the education system to build teacher capacity and improve infrastructure for mathematics and science; two issues that are closely associated with the quality of education. Therefore, it appears that more attention is being given to

[42] (Kingdom of Lesotho, 2001).
[43] (Kingdom of Lesotho, 2001).

the quality of education in the policy framework. Table 3.1 shows the evolution of education policy in Lesotho.

Table 3.1 High-level objectives for education (children) in the three National Development Plans

Poverty Reduction Strategy (2004 – 2008)	Interim National Development Framework (2009 – 2011)	National Strategic Development Plan (2012 – 2017)
Expand and promote Early Childhood Care and Development (ECCD)		Improve the quality and coverage of Early Childhood Care and Development (ECCD
Ensure that all children have access and complete basic and secondary education	Continuation of the PRS	Improve the quality of basic education
Improve relevance and quality in basic and secondary education		Improve access to secondary and high school education
Address the challenges posed by HIV and AIDS in education		Improve teaching capacity
		Improve infrastructure for science and mathematics at all levels
		Address the challenges posed by HIV and AIDS in education

Source: (Kingdom of Lesotho, 2011).

The education sector has a comprehensive policy framework and a well-established planning system. Government and non-state actors have formulated a 10-year Education Sector Strategic Plan (2005-2015) [44;45] that guides the actions of all stakeholders in the sector. Its objectives were to:

i. *"To improve access, efficiency and equity of education and training at all levels;*
ii. *To improve the quality of education and training;*
iii. *To ensure that curricula and materials are relevant to the needs of Lesotho, are consonant with the appropriate standards and gender responsive;*
iv. *To effectively participate in regional and international educational sector development initiatives;*
v. *To promote gender equality and ensure empowerment disadvantaged groups;*
vi. *Address the challenges posed by HIV and AIDS in education and training."*[46]

The plan is supported by legislation that seeks to give effect to the constitutional imperatives. These include the Free Primary Education Act (FPE) (2000) and the Education Act (2010). Policies exist for certain priority areas within the education system. These thematic policies guide interventions in the field of early childhood care and development[47], school health, free primary education and curriculum and assessment.

Whereas the Education Sector Strategic Plan came to an end in 2015, the new education sector strategy has not been approved because of the changes in the political and administrative leadership of the Ministry of Education and Training. It is unlikely that the plan will be approved until the Prime Minister appoints a new Minister for Education and Training in June 2017.

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44 (Ministry of Education and Training, 2005).
45 The new sector plan is still in draft format, and could not be obtained for use in this study.
46 (Ministry of Education and Training, 2005).
47 The Early Childhood Care and Development Policy has not yet been approved by the Ministry of Education and Training.

The Ministry of Education and Training is responsible for primary, secondary and tertiary education in Lesotho. Even though decision-making power is centralised, there was substantial evidence from interviews that the Ministry works in close collaboration with development partners and civil society. Civil society, in particularly, has a long and established history in Lesotho. CSOs are involved in providing education, often complementing government's existing programmes, lobbying and advocating on behalf of children. However, during interviews with different ministries, there were repeated concerns that civil society is being driven by “foreign” agendas, which limits the credibility and impact of different groups on government.

Development partners provide technical assistance but also fund specific projects. Examples of projects financed by development partners including the construction of new schools, the school feeding scheme, teacher development, school management and improvement programmes, and access to education for special needs learners. In many respect, the development partners step in to fund areas in the education sectors, where the government does not have the funding to do so. They also support pilot programmes that contribute to building evidence around “what works” in the education sector in Lesotho.

While this form of participatory policymaking and policy implementation has served the education sector well, some uncertainty remains around the future role and presence of development partners in the country. Now classified as a middle-income country and with the continued political instability, development partners are re-locating their funding to low-income countries. Moreover, the unstable political situation has caused some development partners to withhold funding. Over time, interviewed officials expect donor aid to decline. This situation will have dire consequences for the education sector, as there may not be enough public resources to compensate for the loss of donor funds.

3.2.2 Achievements and ongoing challenges

The Ministry of Education and Training, together with its partners, have undertaken several initiatives to improve access to education in Lesotho. The Ministry has established the regulatory framework through the promulgation of the Free Primary Education Act (2000) and the Education Act (2010), which made primary school compulsory and free. The introduction of the FPE Act has helped increase the net enrolment rate (primary school) from 60.2% to 83% between 1999 and 2015.[48] However, there have been unintended consequences associated with the roll-out of free education in a resource-constrained sector. The introduction of the FPE Act increased enrolments and by association the average size of primary school classes. More children are now packed in classrooms. As funding for new classrooms is limited, overcrowded classrooms will remain a problem in the near future.

In addition to strengthening the legislative framework, the Ministry of Education and Training has implemented several interventions to increase access to education. These responses include the construction of new schools and the provision of free materials and resources. To combat the problem of hunger, the Ministry has introduced a school feeding programme, which has become one of the more successful interventions in a country where a large proportion of children are undernourished or stunted. While these initiatives have had some successes which are well documented[49], little has been done to improve access to ECCD, secondary education, and special needs education.

[48] (UNESCO, 2017).
[49] For example: (Kingdom of Lesotho, 2013).

Despite being a policy priority, the rollout of ECCD has been weak, with only 240 of the registered 1477 public schools offer these reception classes.[50] Two main challenges hinder the implementation of the ECCD policy. First, there are not enough reception-grade classes to accommodate the demand for ECCD. Reception grade infrastructure differs from classroom infrastructure used for other grades. Classrooms have to meet certain safety standards and contain age-appropriate toys and equipment. Thus far, government officials acknowledge that there is not enough funding to finance the construction of new ECCD infrastructure. Second, there are not enough teachers trained in ECCD. Currently, many of the ECCD teachers are more like child-minders that are volunteers with little or no pedagogical training.

Unlike primary education, secondary education in Lesotho is not free. Before the introduction of the FPE, 66.8% of all learners who completed primary school and transited to high schools in 2000. By 2012, this figure had increased to 75%. Therefore, twelve years on, only 8.2% more learners enrolled in secondary schools.[51] This low transition rate is despite the fact that an additional 24.6% students had completed primary school in 2012 as compared to 2000. Analysts explain that further increases are constrained by the high tuition fees at the secondary level. While the government has introduced scholarship scheme for orphans and vulnerable children (OVC), demand far outstrips supply. As such, enrollment in secondary schools is limited to those families who can afford the fees, or to those fortunate enough to get a bursary.

While in many countries around the world, female attendance in school is lower than that of their male counterparts. In Lesotho, however, the opposite is true, particularly for secondary education. Data from the MDG report shows that the female to male ratio in primary education was 105:100 in 2012. In the same year, the female/ male ratio in secondary education was 133:100, climbing to 146:100 in tertiary education. Interviewed officials explain that cultural rites of passage play a significant role in male learners leaving school to become herd boys.[52] To address this problem of early drop-outs amongst male learners, the government has implemented an alternate (non-formal) education programme which follows the same curriculum as the formal primary school system.

However, the programme's inability to secure a continuous stream of teachers and appropriate facilities for learning limits its effectiveness. Teachers who participate in the non-formal programme receive only a stipend and will often move on to better teaching opportunities, whenever these arise. Furthermore, teaching is done in environments that are not conducive to learning.

Access to special needs education is limited. While the government had adopted an inclusive education policy and begun renovating classrooms and sanitation facilities in selected schools to cater for learners with disabilities, the pace of the rollout has been slow, because of a lack of funding.

Finally, it is important to mention that churches own the majority of school buildings and infrastructure in Lesotho. In order to roll-out its FPE policy, government agreed to pay for the salaries of teachers. In return, churches would maintain the buildings and infrastructure. However, traditionally these organisations raised funds to maintain their schools by charging a small fee. But, since government introduced the FPE policy, churches receive less funding to maintain their school infrastructure, leaving buildings and fixtures to fall into disrepair. These dilapidated structures pose a grave risk to teachers. Hence, it is necessary for government to set minimum standards for school infrastructure. Here again, UNICEF may be of assistance in helping government to formulate these minimum standards and costing their implementation.

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50 (Lesotho Bureau of Statistics, 2015).

51 (UNESCO, 2017).

52 Male learners tend to drop out by Grade 3.

What emerges from the analysis is that the Government of Lesotho has developed a strong policy and legislative framework within the education sector. The continued implementation of the policy and legislation framework has, however, been hindered by a lack of capacity in the education sector.

While the commitment of the government to education is laudable, the implementation of its policies is made harder by the fact that none are costed. Hence, although government makes policy, it does not fully understand how much funding will be needed to execute them. Providing technical assistance in costing education policies is potentially a major entry point for UNICEF and development partners. Without a reliable estimate of the cost of these education policies, it is difficult for the government to make decisions around prioritisation and resource allocation. Another policy entry point for UNICEF is in providing support to government in developing the regulatory framework for private providers of ECD services.

3.3 Policy making and implementation in the health sector

3.3.1 Policy framework of the health sector

The constitutional provisions relating to health are fairly prescriptive and specify the responsibilities of government in great detail. The Constitution of Lesotho requires the government to adopt:

"… policies aimed at ensuring the highest attainable standard of physical and mental health for its citizens including policies designed to:

i. *provide for the reduction of stillbirth rate and of infant mortality and for the healthy development of the child;*
ii. *improve environmental and industrial hygiene;*
iii. *provide for the prevention, treatment and control of epidemic, endemic, occupational and other diseases;*
iv. *create conditions which would assure to all, medical service and medical attention in the event of sickness; and*
v. *improve public health.*

The Vision 2020 sets ambitious goals for the health care system. It seeks to promote access to high-quality health services, eradicate new HIV infections and provide a full range of health services provided to those already infected and the orphans of parents that have succumbed to the disease. By 2020, it envisages that all Basotho will understand what it means to maintain a healthy lifestyle through physical activity, proper nutrition and adequate hygiene.[53] Aside from a passing mention of orphans, the Vision 2020 document does not identify the health needs of children. It was thus left up to the Health Sector Strategic Plan 2012/13 – 2016/17 to define the health priorities for children. The plan identified three essential priorities in relation to maternal and child health:

- Raising and sustaining immunisation;
- Managing childhood illnesses (neonatal conditions, ARI and diarrhoeal diseases);
- Ensuring safe motherhood, newborn, child and adolescent health.[54]

Several developmental partners work in close collaboration with government to set priorities in the health sector. As of their efforts, reproductive, maternal and child health, is and remains a policy priority in Lesotho. Development partners who work in the space include UNICEF, PEPFAR, the Red Cross and the EU. They often work alongside implementing agencies such as the Catholic Health Association of Lesotho (CHAL), Red Cross and Blue Cross who deliver health services.

53 (Kingdom of Lesotho, 2001).
54 (Ministry of Health, 2016a).

3.3.2 *Achievements and ongoing challenges*

The Ministry of Health is the custodian and steward of the health sector. Its responsibilities are to advise on national policies and priorities, develop its policy and strategy based on national imperatives and drive change through the mobilisation of resources to achieve policy objectives. Within the Ministry of Health, the Family Health Division and Disease Control Division are the primary organisational units involved in the health of children.

As mentioned before, health outcomes for children are poor, relative to other countries in the SADC. Although primary health care services are free, many children, particularly those in rural areas, have to travel long distances to access services. Problems with the inaccessibility of primary health care services is reflected in information on the performance of public services. For example, coverage of all four major immunisations antigens (i.e. DPT, Polio, BCG and Measles) fell between 2008 and 2015. Low vaccination rates are the result of frequent stock-outs and rigid immunisation schedules that do not meet the needs of mothers, particularly those that work.[55]

HIV prevalence amongst children is unacceptably high. About 13 000 children aged between 0 and 14 were living with HIV in 2015. Only about 57% of the 13 000 children in Lesotho that require anti-retroviral treatment are currently receiving it. The Government has established the Fast-Track programme which targets ART coverage of 85% by 2020. Meeting these ambitious targets will require significant progress over the next three years.[56]

There are several social and economic factors affect the ability of HIV-positive children to access much needed treatment. These factors will make it particularly difficult for government to achieve their goals. First, HIV is often only diagnosed in children when they become ill. Caregivers may not be willing or able to get their kids tested. Second, many caregivers cannot afford to take their children to facilities for regular treatment. This means that children are more likely to drop-out of a treatment plan. Finally, caregivers have an important responsibility in ensuring that their child adheres to their anti-retroviral treatment plan. Where the caregiver is a young parent, grandmother or older sibling, they may not be able to understand or have the discipline to shoulder this responsibility.[57]

Aside from these social and economic factors, the lack of capacity in government is itself a major impediment to service delivery in the health sector. The Lesotho's Health Sector Strategic Plan 2012/13 – 2016/17 recognises the dire situation in the health sector, stating that "*Lesotho faces an acute human resource for health crisis".*[58] When the strategy was developed, there was 8 600 personnel working in Lesotho's health sector of which 75% is funded by the Government of Lesotho, 22% by the Catholic Health Association of Lesotho and 3% in other NGOs.[59] Acute shortages of staff are experienced amongst nursing and clinical support staff. Nurses, in particular, provide critical primary health care services and are overworked because of the shortages in the number of nurses.

In 2015, the government spent about 11% of this budget on health or about 8% of GDP. This level of spending is still below the Abuja declaration in 2001 where countries pledged to allocate at least 15% of their budget on health.[60] However, even if the health resources were increased to meet the

55 (Open Society Initiative for South Africa, 2013).
56 (Ministry of Health, 2016a).
57 (Ministry of Health, 2016a).
58 (Ministry of Health, 2016a).
59 (Government of Lesotho, 2013).
60 (World Health Organisation, 2011).

Abuja declaration, given the severe shortages in personnel, infrastructure and equipment, the additional resources may not be enough. However, for government to truly understand whether its health policies are achieving the child health outcomes intended, it must have a clear sense of how much is spent on child health and nutrition, and how much more funding is required. Here again, UNICEF can provide technical support to enhance budgeting and costing of children's policies and programmes.

Another factor contributing to the shortage of personnel is the country's topography. With a significant proportion of the population living in rural and hard-to-reach areas, many of them face long journeys to access health care. To improve access to health services, the government, development partners and NPOs funded the Village Health Workers (VHW)[61] programme. These health workers travelled from village to village, providing promotive, preventive and rehabilitative health care. Over the years, public funding for the VHW programme has dried up. This situation is of particular concern with regard to maternal and child health. In many cases, the VHW is the only contact that a mother and her children will have with the health care system. When trained well, VHWs raise awareness and educate parents about antenatal care, nutrition and child health.
The above discussion sheds some light on the challenges faced by the health sector in Lesotho. The sector suffers from a pervasive lack of funding that constrains access and impacts negatively on the quality of health services. Within this resource-constrained environment, there is little information on how much is spent on child health. Most of the expenditure data is aggregated and includes spending on reproductive and maternal health. Without some level of detailed data, it is hard to forecast the funding requirement or estimate the cost of policy interventions, making it all the more challenging for the Ministry of Health to manage their budgets.

3.4 Policy making and implementation in the social protection sector

3.4.1 Policy framework and governance of the social protection sector

With ever growing pressure to address the country's social protection issues, the government established a dedicated ministry to create and implement a national framework related to social protection - formally establishing the Ministry of Social Development in 2012. Before this, issues related to social welfare were administered under the department of social welfare which fell under the Ministry of Health.[62] The Ministry of Social Development sets out to achieve the following objectives:

- i. *"Formulate policy and strengthen legal frameworks for facilitating Social Development of the poor and marginalised groups;*
- ii. *Oversee the provision of Social Development services to foster universal and equitable access to all poor and vulnerable groups;*
- iii. *Protect and promote the rights of all poor and vulnerable groups to ensure that their basic needs are met;*
- iv. *Mitigate the impact of HIV/ AIDS pandemic on vulnerable groups;*
- v. *Advocate and lobby for prioritisation of the needs of the poor and vulnerable groups in the national development agenda and all aspects of life;*
- vi. *Develop and promote innovative, evidence-based interventions and approaches to Social Development."*[63]

When the Vision 2020 was formulated (more than ten years ago), social welfare was still a part of the Ministry of Health. Thus, it is not surprising that in contrast to their education and health

[61] More commonly known as Community Health Workers.
[62] Previously referred to as the Ministry of Health and Social Welfare.
[63] Ministry of Social Development, 2012.

counterparts, the Ministry of Social Development does not have a detailed sector plan. The Vision 2020 makes mention of a single strategic action related to social protection. It engenders government to:

- *"Reallocate government resources to expenditure with higher impact on poverty;*
- *Develop and implement a Policy on social security and safety nets;*
- *Develop safety nets for Aids orphans."*[64]

In the past, the Ministry has received funding from some of its external development partners, such as UNICEF, EU, PEPFA, and the World Bank. Much of this funding was to pilot social protection programmes including the CGP. The CGP is the department's flagship programme. In 2017, the CGP disbursed a cash grant to 27 000 households with about 81 000 children. The amount of the cash grant depends on the number of children in the household. In general, however the cash grant ranges from 360 to 750 Maloti till 2016.

Although, the Ministry of Social Development is relatively new, there is already a well-established relationship between it and the development partners. Some interviewed officials suggest that freed from the purview of the Ministry of Health, the Ministry of Social Development is more open to collaboration and cooperation with development partners.

In response to the HIV/AIDs pandemic in Lesotho, a number of Civil Society Organisations (CSOs) emerged in the health and social sectors to help families to deal with the physical and social impacts of the disease. Health and social welfare CSOs work closely with the Ministry of Social Development to deliver services to households.

One of the key issues raised during interviews was the lack of cooperation and coordination between the Ministries of Social Development, Health and Education. Often, the ministries operate in silos. Therefore, although the Ministry of Social Development administers the CGP targeted at vulnerable children, it is unclear whether the school feeding scheme is reaching the same beneficiaries. Going forward, there is significant scope to enhance the effectiveness of social protection by improving coordination between ministries. There may be a role for UNICEF to help in improving coordination on programmes across ministries.

3.4.2 Achievements and ongoing challenges

The Ministry of Social Development has done well in creating the framework for social protection and setting clear implementation milestones. Their implementation plan contains two leading indicators for social welfare; namely, increased social welfare budget, and the formulation of social welfare and protection policy.[65] There has been some progress towards the achievement of these indicators. Indeed, budgetary allocations towards Social Development have increased over the years (from M11 million in FY2012/13 to M210 million in FY2015/16).

Furthermore, the Ministry introduced the National Social Protection Strategy (NSPS) covering the period FY2014/15 – FY2018/19. The five-year plan seeks to implement the country's National Policy on Social Development (NPSD) over the medium term. The implementation plan proposes a host of programmes to address vulnerabilities within the child population through to the elderly population. Table 3.2 below outlines the NSPS' proposed social protection implementation plan.

[64] Kingdom of Lesotho, 2000.
[65] (Kingdom of Lesotho, 2014).

Table 3.2 Proposed Core Social Protection Implementation Plan

Stage in Lifecycle	Pregnancy & early childhood	School age & youth	Working age	Old age	Disability & chronic illness	Shocks
Core social assistance programme	**Infant grant**	**Child grant**	**Seasonal employment guarantee**	**Old-age pension**	**Disability grant**	**Public assistance grant**
2014/15	Planning and design	CCT[66] pilot; expand to all districts	Coordination and concept	Increase value of transfer	Mapping and design	Review and redesign
2015/16	Universal pilot in one district	Increase coverage to 15% of HHs w/ children	Piloting	Reduce age of eligibility to 69	Cover 25% of those with severe disability	Transfer PwDs[67] to disability grant
2016/17	Three more districts	Increase coverage to 20% of HHs w/ children	Piloting		Cover 50% of those with severe disability	Continue PA grant as temporary safety net
2017/18	Three more districts	Increase coverage to 25% of HHs w/ children	Negotiation of funding for scale-up	Reduce age of eligibility to 68	Cover 75% of those with severe disability	Continue PA grant as temporary safety net
2018/19	Final three districts	Increase coverage to 30% of HHs w/ children	Design of national scale-up		Cover 100% of those with severe disability	Continue PA grant as temporary safety net
Situation in 2018/19	Universal infant grant to all pregnant women and mothers of under-2s	Poverty-targeted child grant to all extreme poor HHs with children (30%)	Design and funding in place for national seasonal employment guarantee scheme	Universal old-age pension to all over-68	Universal disability grant to all with a severe disability	PA grant available as temporary safety net to all suffering personal/ HH shock

[66] Conditional cash transfer.
[67] Persons with disabilities.

Stage in Lifecycle	Pregnancy & early childhood	School age & youth	Working age	Old age	Disability & chronic illness	Shocks
Core social assistance programme	**Infant grant**	**Child grant**	**Seasonal employment guarantee**	**Old-age pension**	**Disability grant**	**Public assistance grant**
Cost in 2018/19	M366 million	M249 million	[not costed in Phase 1]	M497 million	M127 million	M35 million
as % of GDP in 2018/19	1.13	0.77	0	1.53	0.39	0.11
Visio for 2025	Universal infant grant to all pregnant women and mothers of under-2s	Poverty-targeted child grant to all poor HHs with children (50%)	National Seasonal employment guarantee scheme	Universal old-age pension to all over-65	Universal disability grant to all with a severe disability	PA grant available as temporary safety net to all suffering personal/ HH shocks

Source: (Kingdom of Lesotho, 2014).

As shown in Table 3.2, the Ministry of Social Development is responsible for several grants that span across the different population age groups. The Ministry has two main programmes related to children, in particular, the infant grant as well as the child grant. By the end of its term, the NSPS seeks to achieve universal coverage on the child grant by giving it to all pregnant women and mothers to children under the age of two. The intention is also to scale-up its poverty-targeted child grant to 30% of poor households.

In 2013/14, the government took full financial responsibility of the CGP. Before that, this programme was supported and funded by development partners (UNICEF and the EU) since its establishment in 2007. Under this new arrangement, the full financial liability is borne by the government. While research shows that the CGP is affordable within the current fiscal framework as a standalone item, it is unclear whether it will remain affordable within the context of the broader package of social protection grants set out in Table 3.2.[68] There is also the risk that other competing priorities might impact on the rollout the CGP. Nonetheless, in March 2017 the Cabinet committed to finance the expansion of the CGP and to index the size of benefits to inflation, which has not been practice; whether this will be included in the new budget—whenever approved—is yet to be seen.

Nevertheless, to accommodate the ministry's target of an increase in the distribution of child grants, as well as scale up the CGP to M100, the budget allocated to social protection will, therefore, need to increase substantially. At the same time, the Ministry of Social Development will need to build the internal capacity to manage the expansion of the CGP.

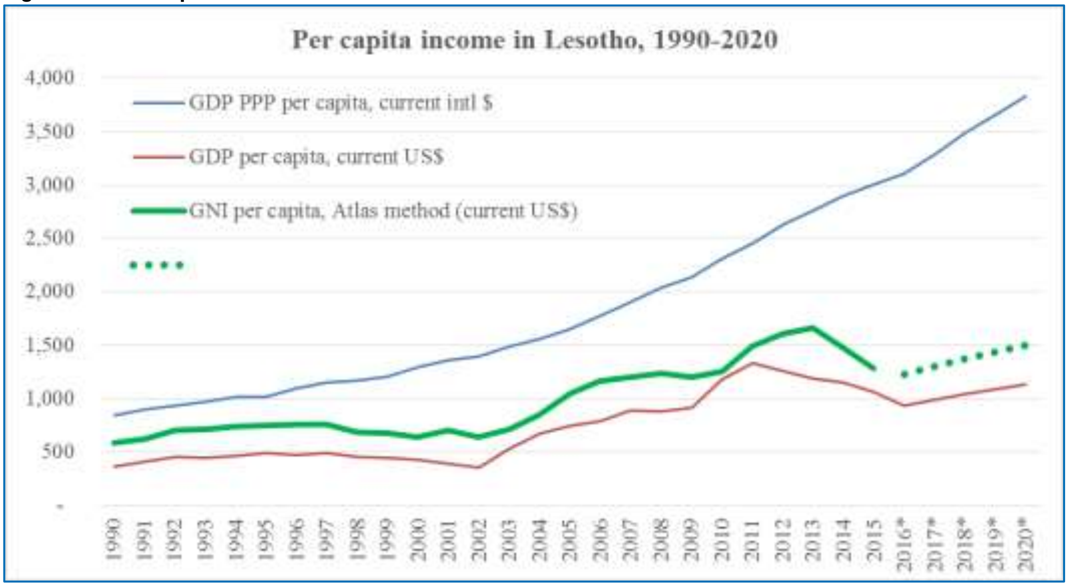
[68] (Oxford Policy Management, 2012).

3.5 UNICEF's engagement and advocacy objectives

Lesotho does not receive large amounts of donor resources, say for example, such as Mozambique, Tanzania, and Uganda. Donor aid flows hover around 3% of GDP. Over the last decade, aid flows have declined considerably. The reasons for this decline have been discussed earlier, but to briefly recap, aid flows have shifted away from Lesotho (which is now classified as a middle-income country) to low-income countries, where humanitarian aid is needed. Political instability also plays a major role in the decline of aid funding. Moreover, the capacity of government to spending funding is limited. Finally, unlike some of its SADC counterparts, Lesotho is of limited strategic value to development partners seeking trade and economic opportunities.

However, Lesotho is in a unique situation since the recent period of negative GDP growth may have pushed the country back into low income status (see Figure 3.1). The next World Bank update on country income classification will reveal if this indeed takes place (usually released in July). If so, Lesotho could benefit from a sudden increase in aid flows, including from IDA; this would also positively impact funding to the UNICEF country office.

Figure 3.1: Per capita income in Lesotho



Source: Based on IMF World Economic Outlook (October 2016) for GDP PPP and GDP current US$ and World Development Indicators for GNI Note: GNI projections are based on the average of the projected trends for GDP PPP and GDP current US$.

One of the main findings emerging from an analysis of development partners and their in-country interactions is that aid coordination has improved considerably in Lesotho. Most development partners, with the exception of US agencies, provide funding through budget support and Sector Wide Approaches (SWAps). On-budget support and SWAps increase transparency and aligns donor aid to government priorities. In the children's sector, this approach is particularly beneficial as aid can augment scarce budgetary resources and improve allocative efficiency in a country. Nevertheless, some interviewed officials note that the inability of ministries to meet agreed targets had driven development partners away from budget support back to project funding. This is an unfortunate development for Lesotho as it reverses the gains that can be achieved from untied aid.

Amongst development partners, UNICEF Lesotho plays a critical role in providing thought leadership on child-related policies. Although, the country office does not provide budget support, it leverages the financial muscle of other development partners to influence policy and planning. For instance, UNICEF has positioned itself strategically to leverage donor funds, especially from the EU; the office is currently managing up to US$20 million of EU funding to support the single registry and other social sector activities.

UNICEF has also helped to facilitate the flow of funds to child-related priorities. In 2015/16, the Government of Lesotho and UNICEF asked the World Bank to fund the shortfall in the CGP when government funds were diverted towards draught relief.

UNICEF Lesotho works closely with the Government of Lesotho to advance the rights of all children and women to survival, development, participation, and protection and specifically in the areas of health and HIV, social policy, planning and monitoring and evaluation, basic education, and child protection.

The organisation's work is guided by a country programme document which is the output of a situational analysis. Also, UNICEFs has signed a series of agreements with the government and ministries in Lesotho. All UNICEF's country interventions is approved by the government under this agreement. In other words, all UNICEFs work in these sectors is aligned to the sector strategies and plans of the ministries. Under its agreements with the Government of Lesotho, UNICEF is committed to the following five priorities:

(i) advocating for children's issues on the basis of emerging evidence;
(ii) preventing HIV transmissions and providing care and treatment to infected children and mothers;
(iii) promoting optimal nutrition and health care for pregnant women and children;
(iv) ensuring that all children go to school and receive a quality education; and
(v) providing an effective child protection system to nurture every child.[69]

Education

In the education sector, UNICEF has three priorities. The first priority is to help improve the quality and access to ECCD services, whereas the second priority focuses on supporting the delivery of primary education to all, especially those with disabilities. Lastly, UNICEF supports non-formal education, especially for herd boys and over-aged learners.

Health

In the health sector, UNICEF's priorities are to:

- improve and scale up services to eliminate mother-to-child transmissions of HIV;
- improve the treatment of HIV-infected children and reduce adolescent vulnerability to HIV infections; and
- increase nutrition, water and sanitation interventions.

Social protection

UNICEF's work in the area of child protection is focused on creating a safe and caring environment for vulnerable children. Its priorities in this regard centre on:

- Reducing child poverty;
- Expanding social protection;
- Enhancing public finances to increase transparency, service quality and investment in child protection;
- Strengthening decentralised service delivery to reach the most vulnerable children.

69 (UNICEF Lesotho Pamphlet, 2017).

One of UNICEF's biggest contributions to date was assisting in the establishment of the Ministry of Social Development in 2012 after it spilt from the Ministry of Health (previously the Ministry of Health and Social Welfare). To support the Ministry of Social Development, UNICEF pays for the salaries of key staff who are contracted to the Ministry.

To summarise, UNICEF renders technical assistance in policy-making and planning to the Government of Lesotho. It works closely with individual Ministries to create sector strategies and long-term plans. The government also makes use of the evidence produced by UNICEF to inform policy and decision-making. Based on the interviews, it appears UNICEF and the government has developed a strong, collaborative working relationship. This PEA therefore recommends that UNICEF continue to build on its relationship with government to steer, guide and direct expenditure towards child-related priorities.

4 Political Economy of the Budget Process

The budget process is the primary mechanism through which governments make decisions on resource allocation. It is during the budget process that states decide on what priorities to fund and consider the trade-offs between competing priorities. A key question that arises in any PEA is who decides on the budget? In general, several state and non-state actors are involved in the budget process. They act according to the incentives they face[70], and the objectives they seek to achieve. Most countries have a legislative framework that articulates the roles and responsibilities of different actors in the budget process. However, these formal processes are not the only ways through which these actors can interact with the budget process. There are also informal means through which they can exert influence over resource allocation decisions.

Budget decisions are never merely a technical process. Instead, a wide range of state and non-state, national and international organisations interact with the process. The fiscal outcomes achieved through the budget process is the result of their interactions and decisions. The incentives of different stakeholders are kept in check by various factors. Most countries will adopt fiscal rules that set expenditure ceilings. Moreover, Public Finance Management (PFM) legislation can also regulate the budget process to keep the powers of these actors and institutions in check. International commitments may further limit the ability of state actors to make decisions on their level of spending. Once, a deficit target is agreed between a government and multilateral organisation, the overall resource envelope available for spending is set.

This section of the PEA describes the budget process in Lesotho. It covers the status quo, recent reforms, identifies the primary stakeholders, and discusses the key factors that influence the allocation of resources during the budget process. This section also highlights the interactions between state and non-state actors in the budget process and seeks to understand their incentives and decisions.

4.1 PFM developments and reforms

The legal and regulatory framework for Public Finance Management (PFM) can be traced back to the Finance Act (1973), and later the Finance Order (1988). The present-day PFM framework is underpinned by the Constitution of Lesotho (1993).[71] The Public Finance and Accountability Act (2011) and the 2014 Treasury Regulations give effect to the constitutional provisions and guide the control of public funds, management of debt, accounting for expenditure and reporting on budget spending. Similarly, the Income Tax Act (No. 9 of 1993)[72] and the Customs and Excise Act (No. 10 of 1982)[73] set the legal framework for the collection of revenue. These pieces of legislation are administered by the Lesotho Revenue Authority (LRA),[74] whereas the Public Finance and Accountability Act falls under the purview of the Ministry of Finance. The audit of public finances is governed by Article 117 of the Constitution which provides for the appointment of an independent Auditor-General whose actions are prescribed the Audit Act (No. 12 of 1973).[75]

70 (Hallerberg, et al., 2009).
71 (Kingdom of Lesotho, 1993).
72 (Kingdom of Lesotho, 1993).
73 (Kingdom of Lesotho, 1982).
74 Under the Lesotho Revenue Authority Act (No. 14 of 2001).
75 (Kingdom of Lesotho, 1973).

PFM reforms in Lesotho can be split into two waves. The first wave of reforms between 2001 and 2010 was implemented under the Public Service Improvement and Reform Programme (PSIRP. Many of these reforms were aimed at building fairly basic PFM systems and processes. The second period begins in 2011 with the adoption of the Public Finance Management Reform Action Plan 2012 – 2017/18. This set of reforms builds on previous efforts and aims to redress many of the capacity constraints had impeded the efficacy of PFM processes.

4.1.1 First wave of reforms between 2001 and 2010

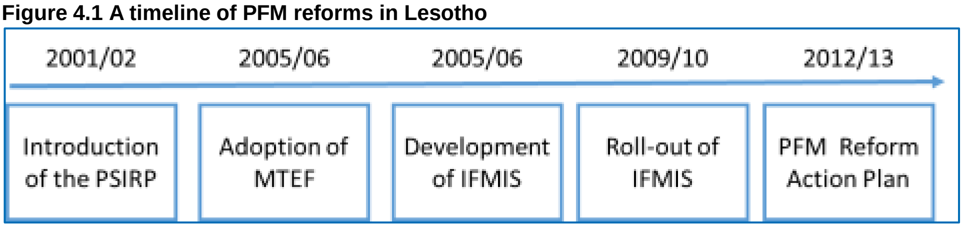
In 2001/2002, the government announced the Public Service Improvement and Reform Programme (PSIRP). The objective of the PSIRP was to improve the delivery, effectiveness, accountability and transparency in the delivery of public services. A specific focus area of the plan was on strengthening PFM, decentralising public services and enhancing civil service's capacity to manage and deliver public services.[76] PFM reforms under the auspices of the PSIRP began in in 2004.[77]

The PFM reform programme was focused on improving and strengthening the following four key areas:

1. **Planning and budgeting processes** – including the strengthening of macroeconomic analysis and forecasting linked to fiscal policy, budget performance and monitoring; and the introduction of integrated planning and budgeting processes (through the adoption of a Medium Term Expenditure Framework (MTEF));
2. **Accounting and reporting** – including the introduction of an integrated accounting and reporting information system (known as the Integrated Financial Management Information System (IFMIS)), strengthening internal and financial controls, and improving technical and professional training;
3. **Audit and oversight** – including addressing the backlog of financial reports, and the establishment of strong independent supervisory bodies and mechanisms (Office of the Auditor General); and
4. **Administration** - strengthening of capacity in the then Ministry of Finance and Development Planning, particularly in areas of macroeconomic management, the collection and analysis of statistics, and sector policy analysis.[78]

Since the introduction of the PSIRP, Lesotho has implemented reforms in a piecemeal manner, starting with the formal adoption of the MTEF in 2005. By 2012, the reforms in the PSIRP had stalled, leading the government to recommit to PFM reforms through the PFM reform action plan. Figure 4.1 shows the evolution of PFM reforms in Lesotho.

Figure 4.1 A timeline of PFM reforms in Lesotho



Source: Adapted from (Kelly, et al., 2011).

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76 (Kingdom of Lesotho, 2012).

77 The reform programme was led by UK Department for International Development (DfID) but was funded and implemented by several international development partners including the European Union Commission (EU), Irish Aid, the World Bank, the United Nations Development Programme (UNDP), the African Development Bank (AfDB), and the International Monetary Fund (IMF).

78 (Kelly, et al., 2011); (Kingdom of Lesotho, 2012); (World Bank, 2014).

The adoption of the PSIRP set in motion several institutional reforms. The Ministry of Finance and Development Planning was re-organised, and a Fiscal Analysis and Policy Unit was established to strengthen macroeconomic forecasting. Improved macroeconomic forecasts allowed the government to determine the expenditure ceilings and the total resource envelope available over the medium term. With the institutional structures in place, the Ministry of Finance and Development Planning introduced the MTEF to Lesotho in 2005. The MTEF put renewed emphasis on fiscal discipline and allocative efficiency in the budget process.

To direct and oversee the implementation of these PFM reforms, the government established an MTEF task team and the Cabinet Budget Committee. Six ministries were selected to pioneer the MTEF, including the Ministry of Education and Ministry of Health and Social Welfare.[79] Before the adoption of the MTEF, the government maintained an annual budget. Under the MTEF, the government expanded the budget horizon to three years. Thus, the Ministry of Finance and Development Planning developed three-year macroeconomic revenue and expenditure projections. These reforms were devolved to the line ministries who were asked to prepare Budget Framework Papers (BFPs), linking all sector objectives to national policies.[80]

By 2011, the government has achieved some successes in implementing the MTEF. There is better integration between planning and budgeting and cabinet had become more involved in budget decisions. Nonetheless, various PFM assessments including the Lesotho Public Expenditure Review (2012), the Lesotho Public Investment Management Review (2012), and the PEFA Assessment (2012) identify several factors that limit the effectiveness of the PFM reform. These include the slow pace of implementation, fragmented approach to changes, capacity constraints within government, poor quality data and information systems, and a lack of serious commitment to a three-year budgeting cycle. [81]

The government tried to resolve some of these problems by introducing new PFM systems. The Government of Lesotho Financial Information System (GoLFIS) was a largely paper-based and antiquated system, did not support any of the PFM reforms. In 2006, the government implemented the Integrated Financial Management Information System (IFMIS). However, implementation of IFMIS in 2009 was however plagued by several challenges. The system itself was overly complex and had not be designed with the users in mind. Also, there were practical issues that complicated the rollout of IFMIS; staff were not adequately trained and current financial management processes were not aligned or compatible with the new system. Simple accounting activities such the reconciliation of bank accounts became time-consuming exercises.

In hindsight, the problems with the IFMIS reflect broader challenges with the accountability arrangements within the government. In particular, it appears that the government lacked a powerful pilot agency with the political capital and technical wherewithal to drive PFM reforms. Many of the reforms seem to have fallen by the wayside because of a lack of oversight over the process. Ministries were not held accountable for the quality of the information they provided. This situation was aggravated by a lack of coordination between government and development partners.

In addition, the political executive and legislature did not hold the bureaucracy accountable for the failures in PFM reform. As a result, the budget process in Lesotho has become a mechanical exercise that does not achieve the growth outcomes intended by the government. As the Parliamentary Committee on Economics and Development notes:

79 (Oxford Policy Management, 2002).

80 (Kelly, et al., 2011).

81 (Kingdom of Lesotho, 2012); (Kingdom of Lesotho, 2012); (Kelly, et al., 2011).

“The 2016/17 budget reflects the same old story of (a) laissez-faire attitude to budgeting. One of the economic experts consulted by the committee said ‘it lacks creativity’ and ‘employed a template approach to the budget processes.”[82]

4.1.2 Current reforms to PFM and the budget process

The 2012 PFM Reform Action Plan seeks to address some of the challenges experienced during the first wave of reforms. It now articulates eight strategic PFM reforms (see Box 1). The government has developed a centrally coordinated three-year Public Financial Management Reform Action Plan Programme (PFMRAP) as a means of achieving the eight strategic reforms.

This PFM Reform Programme commenced in 2014 and will run for three years ending in 2017. It is a joint commitment by the Government of Lesotho, the European Union, the World Bank, and the African Development Bank, to work together to improve the budget process by strengthening fiscal management institutions, accountability and oversight.

Box 1: Eight core components of the PFM Reform Action Plan

Reform component 1: Implementation of a modern regulatory framework for PFM

Years of political instability have eroded the public trust in the system of public finances. To redress this situation, the government will review and modernise the legal framework governing PFM. The revised PFM legislation will put in place standard policies and procedures for the management and accounting of public finances. Moreover, the government will take steps to enhance the capacity in the legislature to improve oversight over PFM matters.

Reform component 2: Policy-based budgeting

To address shortcomings in macroeconomic forecasting and policy-based budgeting, the government will develop how-to manuals to ensure that the budget is linked back to policy. The guidance in these manuals will also help strengthen coordination between the Ministry of Planning and the Ministry of Finance, and between government and development partners.

Reform component 3: Establishment of the Cash Management Unit in the Treasury

Cash flow management is a critical aspect of PFM. Effective cash flow management ensures that government has sufficient funds to cover its obligations. Cash forecasts must align to revenue and expenditure. The government will procure a system for cash flow management, recruit and train personnel with the skills they need to operate the system.

Reform component 4: Strengthening internal controls for operational efficiency and effectiveness

Internal auditing provides assurance that public money has been used in an efficient, effective and economical way while allowing for errors to be picked up and corrected. Government efforts to improve internal auditing processes will focus on providing guidance, building experienced internal auditors, and establishing an audit committee with a robust mandate and oversight powers.

Reform component 5: Accounting and fiscal reporting compliant with the regulatory framework and accounting standards

To address weaknesses in the existing IFMIS system, the government will upgrade the IT system. This will strengthen the system for budget preparation, cash management, budget execution and payroll. The upgraded system will also allow users to respond to data requests more timeously, and help with data analysis.

[82] (Lesotho Times, 2016b).

Reform component 6: Alignment of public procurement with international best practice
The government will review both the legislative framework for procurement as well as the processes.

Reform component 7: External audit and oversight compliant with INTOSAI standards (ISSAI)
The government undertakes to address the challenges hampering the duties of the Auditor General and the Public Accounts Committee and to reduce delays in the tabling of audit reports.

Reform component 8: Improved governance and institutional management of PFM reforms to facilitate ownership, monitoring and evaluation of progress
The government will establish the Improvement and Reform Steering Committee (IRSC), the PFM Reform Technical Committee and the Public Financial Management Reform Secretariat to coordinate and monitor all components of the Action Plan.

Source: (Kingdom of Lesotho, 2012).

4.2 The budget process

The Public Finance and Accountability Act prescribes the formal process for budgeting and specifies the responsibilities of different role-players in the budget process. Aside from the formal processes, there are informal processes that happen between role-players at critical stages of the budget that influence resource allocation.

Within government, there are two broad groups of role-players in the budget process: the executive and the legislature. The primary role of the executive is to draft and implement the budget in line with its policy objectives. The legislature scrutinises the draft budgets, legislates it, and monitors its execution. Once the budget is implemented, the legislature's role shifts to holding the executive to account for the public resources entrusted to them.

The budget cycle in Lesotho consists of five key stages over an 11-month period, beginning in April of each year, and ending in March of the following year. The five stages are listed below, with the first three detailed in Figure 4.2:
- Stage 1: Budget (strategic) planning;
- Stage 2: Budget preparation (executive);
- Stage 3: Budget approval (legislative);
- Stage 4: Budget execution (implementation);
- Stage 5: Auditing and reporting.

These five stages are for the most part aligned with international practice and would be the same in many other countries. In the discussion that follows, this study compares what should happen to what occurs in practice during the budget process. It highlights how different institutions and role-players exert influence over the budget process.

Stage 1: Budget planning
The first stage in the budget cycle is now dedicated to budget planning. The purpose of this stage is to improve the allocative efficiency of the budget by linking resource allocation to government priorities. The budget planning stage runs from April to August of each year and involves the identification and setting of broad national policy priorities by the executive for the medium term. It

culminates in a National Budget Strategy Paper that documents the macroeconomic developments, outlooks and risks. The paper reflects on past performance and set out the priority areas for the next financial year. Fundamentally, the purpose of the National Budget Strategy Paper is to provide sufficient guidance to ministries on the priorities while ensuring that they consider the fiscal outlook when preparing the Budget Framework Papers (BFPs). During the budget planning stage, the Prime Minister and his Cabinet will agree on the broad policy priorities. These priorities generally come from the National Strategic Development Plan. In general, Ministers will lobby for the inclusion of their priority areas in the National Budget Strategy Paper. In this way, they ensure that resources are allocated to these priorities during the budget process. Once the National Budget Strategy Paper is ready, it is presented to the Cabinet for approval. Once approved, the National Budget Strategy Paper reflects the influence and political power of key role-players.

Under a dominant party regime, the budget planning is generally informed by the policy priorities of the main political priority. However now that coalition politics have become a feature of the political landscape, there may competing priorities across different parties within the coalition, and compromises will be made during the budget planning process. The key risk is that pork-barrel politics lead to inefficient resource allocation decisions.

In coalition governments, Ministers from different parties within the coalition have a greater incentive to influence the allocation of resources towards priorities that they deem necessary and those that will get them re-elected. To some extent, this is already happening in Lesotho. The interviewees point out that the coalition government gave priority to economic rather their social sectors in their budget. The political executive argues that investments in productive economic sectors will raise national income and improve the wellbeing of citizens. While, this argument seems sound; education, health and social protection expenditures must at least be maintained to combat the high levels of vulnerability amongst children. Similarly, the generous wage increases show the willingness of politicians to keep unions and the civil service happy.

Once the National Budget Strategy Paper is approved, the Ministry of Finance issues the call for BFPs to the line ministries. To some extent, the National Budget Framework Paper has instilled fiscal discipline in the budget process. In its absence, line ministries would submit unrealistic budgets, or “wish-lists” as one interviewee called it.

The BFPs of the line ministries are then reviewed by the Central Budget Department to ensure that the priorities identified by the line ministries are aligned to the priorities in the National Strategy Paper. Interviews with the ministries (finance and line ministries) reveal that disputes rarely arise around discrepancies between the various policies, as the long-term, medium-term, and sector strategies of Lesotho are coherent and consistent with each other. More substantive discussions take place when new programmes that are considered urgent are introduced outside of the policy framework. Ultimately, the final decision on budget allocations is made by the Minister of Finance. Interviewed officials highlight that the Minister of Finance has the final say in a dispute between the two ministries over resource allocation.

Once the consultations are complete, the Ministry of Finance then compiles the Medium Term Fiscal Framework (MTFF) based on the national accounts. The MTFF is a statement of integrated medium-term macroeconomic and fiscal targets and projections[83] which guide the setting of the aggregate budget ceiling. The setting of the budget ceiling in Lesotho has been a challenge for the Ministry of Finance. They rely on the timely submission of the national accounts from the Lesotho Bureau of Statistics. National accounts are frequently delayed because of a lack of capacity and resources within the Bureau. One of the biggest challenges identified is that the MTFF is not

83 (Oxford Policy Management, 2000).

developed until August or September, well after the budget ceilings have been approved; the IMF is currently working with the Ministry of Finance to develop much earlier (e.g. by March or April).

To overcome these delays, the Ministry of Finance sets the budget ceilings by adjusting the data of the previous year. Once the national accounts are available, the MTFF and budget ceilings are recalculated and revised. While this modified process is an interim measure, there is always the risk that the provisional budget ceiling may overestimate the resource envelope. This means that if the budget ceiling is revised down considerably, ministries will have to cut programmes. In the health and education sectors, a large part of their expenditure is non-discretionary and taken up by compensation of employees. If these ministries are called on to cut on their budget, they may reduce critical spending on discretionary items such a textbooks, nutrition programmes and health care programmes. Therefore, if national accounts are produced much later in the budget process, the risk that the estimates of expenditure must be revised substantially increases.

Once determined, the budget ceiling is then presented to the Cabinet Budget Committee and tabled at Cabinet for approval. Whereas the Cabinet has full discretion in setting the budget ceiling, in practice, the macroeconomic environment and the bi-lateral agreements with development partners constrain their decision-making powers. The aggregate budget ceiling is broken down into individual limits for each ministry. When fixing the upper limit for ministries, the Ministry of Finance takes into account their past performance and their capacity to spend.[84]

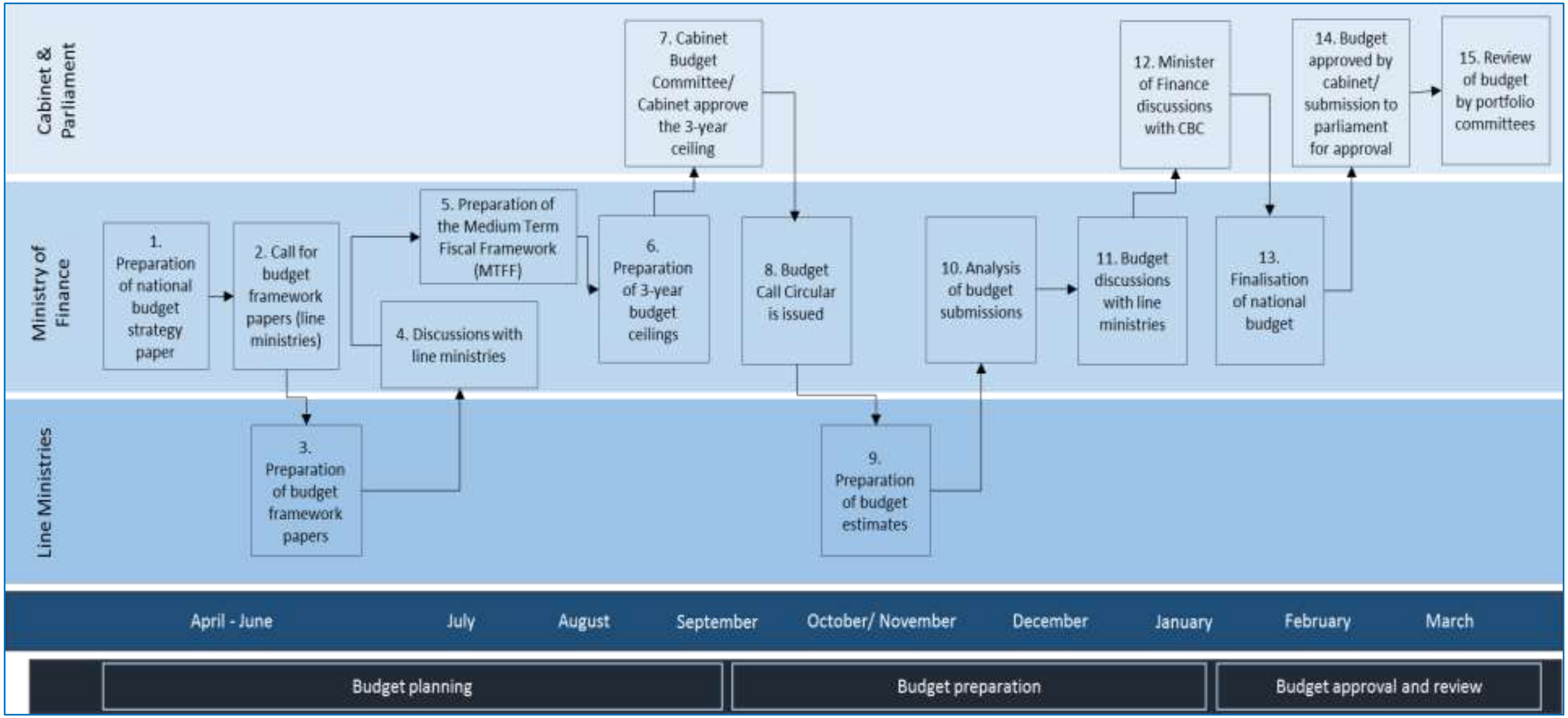
Although the budget process is supposed to follow these steps, it appears that the political instability in the country has reversed some of the early successes of the reform programme. The top-down approach to budget planning was first adopted in 2013 (for the budget process for the fiscal year 2014/2015) with the executive successfully meeting to identify the medium-term policy priorities. However, subsequent waves of political instability have led to a situation where Cabinet is not involved in the budget planning stage, merely meeting to approve the budget before it is tabled in the legislature. Effectively, this means that the Minister of Finance determines the budget priorities for the medium term.

Box 2: Key points: Budget planning stage

- The MTEF was adopted in 2005 and introduced the budget planning stage into the budget process;
- This stage seeks to integrate planning and budgeting and uses the National Budget Strategy Paper as the primary mechanism to do this;
- All line ministries must prepare a Budget Framework Paper. The Central Budget Department reviews and scrutinises these papers to ensure that proposed allocations are aligned to national and sector priorities
- This oversight role is of particular importance in the education, health and social protection sector, where policy priorities are clearly stated in the National Budget Strategy Paper;
- Ultimately, it appears that the Ministry of Finance has substantial control over the budget planning stage, particularly in light of the political situation in Lesotho;
- Political instability has made it harder for the Cabinet to meet at this stage of the budget process and deliberate on the priorities contained in the National Budget Strategy Paper and those set out in the Budget Framework Papers submitted by line Ministries.

84 Interview with the Ministry of Finance.

Figure 4.2: The budget cycle of Lesotho



Source: Adapted from (Kelly, et al., 2011)*;* (Kingdom of Lesotho, 2012).

Stage 2: Budget preparation

The second stage in the budget process of Lesotho begins with the issuance of the Budget Call Circular by the Budget Controller in the Ministry of Finance. This call is the signal to initiate the process of developing and submitting estimates of revenue and expenditure. The circular, which is usually issued in September of each year, provides guidelines and deadlines for the preparation of the estimates. The contents of the circular have evolved with the adoption of the MTEF and now includes the MTFF, the aggregated fiscal envelope, and the ceilings for each line ministry. Line ministries are also given a list of drafting conditions to follow. The box below sets out the conditions that were given to mine ministries in the call circular for the 2017/18-2019/20 medium-term budget period.

Box 3: Conditions for preparation of budget estimates

i. Ministries should ensure that their budget estimates are linked to the BFPs;
ii. Submissions must include all commitments already made by the Government which will have the effect of incurring expenditure over the coming years;
iii. Submissions should identify measures that will be taken to improve the policy environment and to build up institutional capacity to implement approved activities in a timely manner;
iv. In view of the prevailing resource constraint, ministerial submissions should clearly indicate the priority ranking of allocations by programmes;
v. Ministerial submissions should include realistic estimates to meet the recurrent costs arising from projects which are scheduled for completion in the medium-term period as well as for the maintenance of existing assets;
vi. In compliance with Public Financial Management and Accountability (PFMA) Act, virements will only be allowed for 20% of the approved programme of the recurrent budget and 10% of the capital project;
vii. New salaries, vacant positions, software licences, consultancies and training will continue to be centralised in the Ministry of Finance under Centralized Item Head 30. (However, it is still essential that each ministry budget for these items while preparing ministerial budgets);
viii. The submissions must also demonstrate that they include policy measures and resource allocations required to satisfy agreements with Development Partners.

Source: (Ministry of Finance, 2016).

The line ministries must develop a three-year rolling budget based on the call circular. It begins with each programme manager (or division head) being asked to submit financial and non-financial information about their particular programme to the finance division in the line ministry. This information will be reviewed, and if accepted will feed into the drafting of the budget estimates for the Ministry as a whole. The draft budget is then discussed with senior management before it is approved by the Principal Secretary who is also the Accounting Officer of the Ministry, who submits it to the Ministry of Finance.

Ministries are given two months to prepare their budget estimates which must be presented to the Ministry of Finance by December of each financial year. The budget estimates of each line ministry are reviewed and analysed with discussions held with the line ministries as required. Where disputes arise, further discussion between the Ministry of Finance and the line ministries take place, with the Minister of Finance being the final arbiter of the dispute.

Whereas much of what has been described is the technocratic process, it is possible that discussions about the budget and resource allocations occur behind the scenes of the budget process. Often, line ministers will lobby the finance minister and advocate for specific programmes. In a stable government, where the ruling party has a clear majority, and the Prime Minister is secure in this position, these types of requests may be turned down by a finance minister who has the political backing of the prime minister. Turning down these demands is much harder to do in coalition politics. Instead, the finance minister may have to entertain these requests to maintain cohesion within the coalition government.

The nature of the budget process opens itself up to some form of gaming. In Lesotho, while the budget estimates of the line ministries should be guided by the contents of the call circular, ministries in practice tend to ignore the ceilings. The result is that the budget estimates by the line ministries exceed the ceiling leading to the complicated process of negotiation and the downward revision of budget estimates. According to the Ministry of Finance, line ministries have become creative with these downward revisions, frequently omitting strategic priority programmes from the revised budget estimates. This strategic “cutting” is done with the full knowledge that these priority programmes would need to be re-introduced once their omission is discovered. Ultimately once a priority programme is re-introduced in the budget, the line ministry has achieved its objective. It would have gotten its full budgetary request and exceeded its ceiling.

This sort of behaviour will continue unless sanctions are introduced in the budget process. It can be particularly detrimental if it causes the Ministry of Finance to cut require all Ministries to cut their budgets. These types of blanket cuts also affect the Ministries of Education, Social Development and Health, can be particularly detrimental if they lead to a reduction in priority expenditure on children. It is worth highlighting that since about 90% of the budget of these Ministries is spent on compensation of employees, any budget cuts will come from discretionary expenditure on good and services.

The research team asked the three line ministries responsible for the priority sector for children if the final line ministry budget used in the Estimates of National Expenditure differed substantially from the first budget estimate submitted. All three ministries admitted that the first budget presented is an attempt to get as much money as they can get. They will then make cuts when asked to do so by the Ministry of Finance but will keep the most important priorities.

Another weakness of the budget process is that the outer years of the MTEF contain unreliable estimates. Budget officials pay little attention to the outer years and often increase expenditure incrementally. The fundamental problem with this approach is that it does not provide a reliable indication of the resources needed to fund multi-year programmes. For instance, the Minister of Social Development plans to expand the coverage of the CGP and increase the amount of the grant. Ideally, the outer years of the MTEF should reflect increased expenditure on grants.

Box 4: Key points: Budget preparation stage

- The line ministries prepare their revenue and expenditure estimates during the budget preparation stage;
- The Ministry of Finance reviews these estimates and assess that all priorities are reflected in the estimates of income and expenditure;
- There are no other role-players involved formally in the process at this stage, although it is possible that line ministers may lobby the Minister of Finance outside the formal budgeting process;

- Line ministries game the system by omitting priority programmes from their budget, knowing that these omissions will be picked up at a later stage, and re-included in their budget. This reward from this form of gaming is an increased budget allocation, beyond the original budget ceiling.

Stage 3: Budget approval

The budget approval stage begins with the Ministry of Finance presenting the budget estimates of the individual ministries as well as the statutory expenses[85] to the Cabinet Budget Committee for review. The Cabinet Budget Committee (CBC) was established in 2006 as an *ad hoc structure*. It is chaired by the Deputy Prime Minister and serves to build consensus during the preparation of the budget. Its primary roles are to sign off on the budget ceiling and the draft budget estimates. As the CBC only comprises members of some ministries, members of the CBC may use their membership as a means of elevating their ministerial interests above those of non-members.

Once the Cabinet Budget Committee has approved the estimates, the Ministry of Finance compiles the Estimates of National Expenditure and presents it to Cabinet, who can opt to change them. They can propose re-allocations, reduce the estimates for individual line ministries, and increase it in others. It is in these approval meetings that line ministries push for “special” projects which may not have been included in the BFP of the line ministry. The Estimates of Expenditure is then finalised, and tabled in Parliament for approval.

As is the norm, the Legislature approves the appropriation of public funds but cannot itself propose any appropriations, nor does it get involved in budget debates or vote presentations. That said, Parliament does have some indirect influence over budgets through its deliberative power.

As the legislature does not have any research or analysis capacity, budget proposals are subject to limited scrutiny. This is an area in the budget process whether UNICEF could potentially support MPs by providing training on the basics of budget analysis.

Interviewees also report that the budget tabled in Parliament does not include the two-outer year estimates. The information presented is only for the first year for which the appropriation is sought. Thus, the Legislature only considers the year one of the three-year expenditure estimates in making its decision. While it is not unusual for legislatures to only appropriate funds for one year, in general, governments will table the full MTEF in Parliament. Thus, if the reliability of MTEF improves, the Government may be more open to tabling the full MTEF in the legislation.

The budget approval process is also rushed. The PFM framework gives the legislature less than two months to examine and review the budget between the tabling of the budget and the start of the new fiscal year. While this is in line with the 2014 fiscal transparency code[86], it is slightly below the three months suggested by the PEFA framework.

Overall, there some improvement in the transparency and completeness of the national budget between 2008 and 2015. As a study by the Collaborative Africa Budget Reform Initiative reveals (see Table 4.1), Lesotho had made progress in implementing the MTEF and incorporating the estimates of new policies in the budget.

Table 4.1 Budget transparency and comprehensiveness

Element	2015	2008
The main macroeconomic assumptions	✓	✓

[85] This includes the repayment of debt, the costs of running statutory institutions, and the cost of running His Majesty’s home and offices.

[86] (Collaborative Africa Budget Reform Initiative, 2008).

Element	2015	2008
Medium-term fiscal policy objectives	✓	✓
A medium-term budget framework for central government	✓	
Comprehensive table of tax expenditures		
Non-financial performance targets	✓	✓
Estimates of the cost of new policies proposed in the budget	✓	
Fiscal sensitivity analysis of the macro-economic assumptions		

Source: CABRI (2015).

Box 5: Key points: Budget approval stage

- The Cabinet Budget Committee approves the budget before it is tabled in Parliament;
- The committee comprises of a select few cabinet ministers who deliberate on budget proposals;
- The legislature approves the budget but does not increase expenditure or add in new items;
- Parliament approves an annual appropriation but does not see any of the outer-year estimates.

Stage 4: Budget execution

The budget execution phase is often viewed as the 'active' phase of the budget. Once funding is appropriated, it is spent during the budget execution phase. Interviewed officials, and various PFM assessments point to different problems in the budget execution phase. Inadequate and weak information systems make real-time monitoring of the budget difficult. In the education, health and social protection, given the large amounts of public resources involved, there are no electronic financial management systems that provide timely information on variations between actual and planned expenditure. As manual reconciliations of planned and actual expenditure take time, public sector managers do not get the information they needed, when they need it to manage their expenditure.

Another serious problem with the budget execution phase is the lack of controls within the government. One of the major consequences of this lack of the checks and balances is the increasing levels of corruption in the public sector. This is exacerbated by reports of the political executive interfering in the procurement process. As the head of the anti-corruption unit points out:

DCEO Director-General, Advocate Borotho Matsoso said it was ironic that while public procurement remained the "most vulnerable area to corruption," procurement regulations and processes "usually do not say much, if anything at all about the ministries, yet from time to time, we get reports that Minister so and so has interfered procedurally with the procurement process".[87]

The Ministry of Health has been particularly vulnerable to corrupt practices as it handles multi-million contracts. Newspapers have widely reported procurement delays and corrupt practices in the health sector. These procurement challenges are particularly concerned as they lead to stock-outs in clinics of essential medicines needed by children. An example of the consequence of procurement irregularities and delays is the frequent stock-outs of vaccines reported by clinics.

Procurement irregularities have also delayed capital expenditure, resulting in continuous underspending of the capital budget, as showed in Table 4.2. This trend is consistent with one of the main findings in the PEFA, which reports that "execution of investment projects diverge significantly from the budget outlines" (PEFA, 2012: p10).

[87] (Lesotho Times, 2016c).

To summarise, Table 2 presents an overview of expenditure relative budget estimates in the five years leading to FY2015-16. Between 2011/12 and 2013/14, the government consistently spent more than estimated in terms of operational cost.

Table 4.2 Budget execution rates

	FY2011-12	FY2012-13	FY2013-14	FY2014-15	FY2015-16
Operational Expenditure	**106.40%**	**104.30%**	**107.70%**	**92.60%**	**96.20%**
Compensation of Employees	100.20%	98.20%	95.90%	95.70%	92.60%
Use of Goods and services	109.50%	110.40%	124.90%	84.80%	87.50%
Interest Payments	57.00%	74.30%	81.50%	73.80%	96.70%
Subsidies	249.30%	94.10%	105.40%	73.10%	89.10%
Grants	155.80%	155.60%	144.40%	147.50%	141.00%
Social benefits	96.90%	90.70%	105.40%	87.90%	95.80%
Other Expenses	98.40%	103.70%	107.80%	77.00%	117.90%
Capital Expenditure	**85.00%**	**78.60%**	**90.00%**	**75.90%**	**96.00%**

Box 6 Key points: Budget execution stage

- The budget execution phase involves the Ministry of Finance and line ministries;
- A fundamental challenge in the budget execution phase is the lack of controls and systems to support effective monitoring of the budget;
- The consequence of effective monitoring is the rising levels of corruptions within the public service that is driven by the rent-seeking behaviour of the politically-connected;
- Procurement delays have led to underspending on the capital budget.

Stage 5: Reporting and audit

Audit legislation is outdated. The Audit Act of 1973 and Statutory Bodies Act of 1973 set out the Auditor General's mandate and requires a full audit of all accounts of the consolidated funds of Lesotho for the purpose of providing an overall opinion on the accounts.[88] A revised draft of the Audit Act was tabled in 2010. Its purpose is to provide for the establishment and independence of the Office of the Auditor-General in line with section 117 of the Constitution. At present, the Auditor General audits the consolidated accounts of the government. Past audit opinions have been unfavourable. In 2014, the Auditor General found that the financial statements produced by the government do not fairly represent their financial state of affairs.

The auditing and reporting cycle is relatively weak in Lesotho. First, the government only submits consolidated financials to the Auditor General. Effectively, this means that the accounts of individual line ministries are not reviewed or audited. Moreover, as these accounts are not audited, they are often not made public. Second, government financials are submitted late, and there are long lead times in the production of an audit report. By the time, audit reports are presented to Parliament and passed onto the Public Accounts Committee; the information is no longer relevant. This undermines their ability to hold government accountable for their expenditure. Although legislation grants the Public Accounts Committee the power to summon witnesses, these powers are not frequently used. Finally, the government does not produce a mid-term expenditure review; a report traditionally used to ascertain progress on actual against planned expenditure.

88 (Office of the Auditor General, 2017).

Box 7: Key points: Reporting and audit

- The key role-players involved in the reporting and audit phase are the Auditor-General and Public Accounts Committee;
- The government produces a consolidated set of financial accounts with sections for each ministry. Individual ministries do not produce their set of financial statements;
- There are delays in the tabling of the government that affects the auditing process.

Figure 4.3 shows how Lesotho compares to international best practice in relation to budget transparency. It reveals that most of the routine budget reports are not available to the public. If they are made public, they are often published late. Many of the traditional reports such as annual reports are produced by line ministries for internal use only. Overall, the lack of transparency in the budgeting process inhibits citizen participation and oversight by the legislation. It also makes it difficult to ascertain the full extent of priority expenditure on children. UNICEF has recognized this as a priority area and financed the implementation of the first-ever Open Budget Survey in the country. The final report will be released in January 2018, and will offer UNICEF and development partners a new entry point to support the government in improving budget transparency and participation, especially around social sectors.

Figure 4.3 Assessment of budget transparency by the Open Budget Survey

LESOTHO	Open Budget Survey 2015	December 2016 Update
Pre-Budget Statement	N/A	Produced for Internal Use Only
Executive's Budget Proposal	N/A	Not Available Online
Enacted Budget	N/A	Not Available Online
Citizens Budget	N/A	Published Late
In-Year Reports	N/A	Published Late
Mid-Year Review	N/A	Not Produced
Year-End Report	N/A	Produced for Internal Use Only
Audit Report	N/A	Produced for Internal Use Only

Source: Open Budget (2016).

5 Conclusion

For many of Lesotho's 729 020 children who live in poverty, public services provide some relief against the ill-effects of poverty and a chance at a better future. The Government of Lesotho has made some commendable efforts in dealing with child poverty. Flagship programmes such as the FPE encourage children to enroll in primary school, while the CGP ensures that households can feed, clothe and support children. However, given the widespread nature of child poverty in Lesotho, there is still much work to do.

UNICEF has positioned itself as a key development partner in government's efforts to fight child poverty. The contribution of UNICEF is clearly seen in many of the policies and programmes targeting children. UNICEF works across the education, health, social protection and humanitarian sector, and brings a wealth of experience and knowledge to bear in these sectors.

However, as the country enters an era of coalition governments, political uncertainty and instability will invariably affect the work of UNICEF. This PEA has identified the political, economic and social factors that influence the allocation of resources towards child-related priorities. A key risk identified by this PEA is the ever-changing political landscape that has in practice shortened the electoral cycle and delayed policy-making and policy execution in priority sectors. As a new government takes over the reins in June 2017, UNICEF must prepare for, and adapt to working in an uncertain political environment in the coming years. For UNICEF, this means adapting to shorter government terms and increased turnover in the upper echelons of the civil service.

In addition to the political instability, deteriorating economic fundamentals brought about by the slowdown in the economic growth in the SACU region will affect government revenues over the medium term.

To continue working in this unpredictable political environment, UNICEF must rethink some of this strategies and entry points into the policymaking and budgeting processes. This PEA along with the FSA analysis is meant to guide UNICEF in making these changes. Some of these entry points and recommendations require immediate attention, whereas others should introduced gradually over the medium term.

Entry Point 1: Influence the budget planning stage to ensure that child-related priorities are reflected in the budget

There are several entry points into the budget process that UNICEF could consider. First, during the budget planning stage, the Ministry of Finance prepares a National Budget Strategy Paper. To ensure that expenditure on children is given priority during the budgeting process, the National Budget Strategy Paper must reflect the child-related priorities. One possible way of influencing the preparation of the National Budget Strategy Paper is to engage with the Ministry of Finance early on in the budgeting process. It would therefore be useful for UNICEF to schedule annual engagement with the Ministry of Finance in March and April before the National Budget Strategy Paper is finalised.

Another equally important milestone in the budget process is the preparation of Budget Framework Papers by the line Ministries. Here again, UNICEF can exert influence over the Paper prepared by the Ministries of Health, Education and Social Development. UNICEF could potentially use these engagements to align their Country Development Programme (CDP) to the priority areas set out in the Budget Framework Paper. This annual exercise will ensure that UNICEF's CDP is well-aligned with government priorities. These annual engagements should ideally take place in June when Ministries prepare their Budget Framework Paper.

Current budget processes within government lack transparency. With regard to the budget process, UNICEF can advocate for the publication of the National Budget Strategy Paper in line with the practice adopted by South Africa and Botswana. The publication of the budget paper will allow UNICEF, development partners, non-state actors and the public to ensure that education, health and social protection remain priorities for government and are included in the budget.

Entry point 2: Support the budget preparation.

Budget preparation is a difficult exercise if Ministries do not have the right information on the cost of delivering programmes. Where this information is lacking, officials default to incremental budgeting, that does not take into account the cost of scaling up existing programmes or new programmes. Furthermore, estimates of outer years become questionable, as they often do not include the costs of implementing new policies in the last years of the MTEF.

UNICEF can help identify policies in the education, health and social protection sectors that need to be costed, and commission these studies. Already over the course of this study, we've identified a number of topics and policies that need to be costed further. They include:

- The cost of subsidising secondary schooling fees for orphans and vulnerable children;
- Cost of building new schools and expanding existing school infrastructure to reduce over-crowding;
- The cost of maintaining school infrastructure or in the case of church-owned schools, subsidising maintenance, repair and rehabilitation; and
- The cost of expanding the school feeding scheme to more pre-schoolers and high school learners.

Once completed, these types of costing studies can provide valuable evidence for government in making decisions on the affordability of new policies or the expansion of existing services. Costing studies can also provide government with alternative and cost-effective options around the roll-out of a policy. It is therefore crucial that UNICEF works in collaboration with the relevant ministry on these costing studies. The key aim is to ensure that Ministers understand the findings and are open to using the evidence produced by the study to make informed policy decisions.

Entry point 3: Strengthen engagement with the legislature during the approval of the budget

UNICEF can use their considerable skill and experience in analysing budgets to provide support to the legislature. They can support the legislature through several means. One way is to prepare a rapid analysis of the budget and present it at public hearings.

Another alternative is to develop a children's budget that identifies how much of the national budget is allocated to child-related priorities. The children's budget could be presented to the Portfolio Committee on Economic and Development Cluster during budget deliberations and published by UNICEF on its website. The purpose of the children's budget is two-fold: First, it gives the Portfolio Committee the information they need to scrutinise and question the budget allocation. Second, it increases transparency around allocations to child-related priorities by making the information public. In some respects, the children's budget will complement the citizen's budget published by the government.

Entry point 4: Support budget execution

A major weakness in the budget process is around capital expenditure. Delays in the construction, repair and rehabilitation of infrastructure can deny children access to public services. A key area of support that UNICEF could consider is in the development of a tracking tool to monitor capital expenditure in priority sectors. This monitoring tool could help the relevant Ministries monitor the bottlenecks and take remedial actions promptly.

Entry point 5: Support sector planning

UNICEF has played a pivotal role in the development of comprehensive plans for the education and health sectors. Presently, the social development sector does not have a comprehensive sector strategy. Its main policy instrument is the social protection plan that covers the types of grants that the government transfers to households and individuals. What is missing is a policy that covers welfare services such as family support, child protection, foster care, adoption services and child shelters. UNICEF can help in this regard by encouraging the Ministry of Social Development to adopt a comprehensive social protection and welfare services. In this way, financial assistance through the child grant is augmented by a comprehensive set of welfare services.

In the education sector, school infrastructure is a major constraint to high-quality and safe education. UNICEF's can help the department commission and assessment of the school infrastructure requirements. The assessment will determine the number of:

- schools needed;
- additional classrooms required in existing schools; and
- schools that require urgent repair and maintenance.

The school infrastructure tool could also identify schools that need to be merged to closed because of small and unviable class sizes. Armed with this information, UNICEF and the Ministry of Education and Training should consider developing a set of norms and standards for school infrastructure that determines the benchmarks for costing school infrastructure.

Moreover, with the adoption of the FPE policy, many church-owned schools are no longer able to recover the cost of repairs and maintenance through fees. In order to keep these schools safe, there is a need to find new sources of funding for repairs and maintenance. UNICEF should after consultation with the Ministry of Education and Training, investigate the possibility of developing a funding model for church-owned schools.

Entry point 6: Strengthen relationships with the legislature

There are three committees in the legislature whose work influences the policymaking and allocation of resources on child-related matters. First, the Portfolio Committee on Economic and Development Cluster scrutinizes the budget and recommends its approval to the legislature. This committee's interest lies in checking whether the budget aligns with national policy priorities. Second, the Portfolio Committee on the Social Cluster deals with policy and legislation pertaining education, health and social development. Traditionally, the social cluster committee does not specifically deal with the budget. Finally, the sessional committee on HIV/AIDs deliberates and facilitates policymaking and engagement on all matters related to the prevention and treatment of HIV/AIDS.

The legislature is a critical stakeholder in the budget process. Therefore, it is important for UNICEF to develop relationships with Portfolio Committees. These engagements should not be done on an *ad hoc* basis but rather integrated into the CDP. In addition, UNICEF can help to build capacity in the legislature by providing the Portfolio Committees with training on the budget process and analysis. Rapid analysis of expenditure can also provide portfolio committees with information on budget trends. By combining budget with performance information, UNICEF can paint a picture of what is being achieved with the monies spent. This type of analysis is especially important for the Portfolio Committee on Economic and Development Cluster which has just under two months to review and recommend the entire budget for approval. By providing rapid budget analysis, UNICEF can help parliamentarians can scrutinize priority expenditure on children more closely.

Entry point 7: Coordinate efforts with other development partners

UNICEF has positioned itself strategically to work with other development partners to achieve the better education, health and social outcomes. UNICEF should continue to leverage these relationships to plan and execute programmes. In parallel, UNICEF should coordinate their interventions in the budgeting process with those of other development partners including the World Bank, IMF and ADB. Opportunities may exist to co-deliver some of the interventions and actions described above. One such opportunity is around the compilation of national accounts. Presently, national accounts are published late in the budget process. However, the information from these national accounts is of crucial importance in budgeting for the health, education and social sectors. UNICEF should consider working with the IMF and World Bank to improve the timeliness and reliability of national accounts.

Entry point 8: Adapt to the political uncertainty created by coalition politics

UNICEF must understand the implications of coalition politics on their work in Lesotho and take cognizance of its effect when developing their annual programmes. This may include planning for shorter electoral cycles of 18 to 24 months over the medium term and having in place contingency plans to ensure that programme activities can continue even when the legislature is dissolved and snap elections called. UNICEF should ideally developed a structured programme that allows it to engage with political parties, while maintaining their objectivity and independence as a development partner.

In part, the political uncertainty can be minimized by developing stronger relationships with bureaucrats whose terms are not linked to that of the political executive. In the Ministries of Education, Health and Social Development, UNICEF can foster these relationships by developing training programmes or hosting dialogue sessions on matters of mutual interest.

Entry point 9: Improve engagements with civil society

UNICEF now plays a mediating role between government and civil society. It has become an important avenue for the views of civil society to be incorporated into the budgeting process. UNICEF should continue to engage with civil society organisations. It may be useful for UNICEF to develop a schedule of engagements that correspond to key milestones and stages within the budget process. UNICEF could then incorporate where appropriate this feedback into its comments or engagements with Ministries.

The table below summarises the entry points and the key actions associated with them.

Table 5.1 Summary of entry points and recommendations

No	Entry Point/Recommendation	No	Actions
1	Influence the budget planning stage to ensure that child-related priorities are reflected in the budget	1.1	Schedule an annual engagement with the Ministry of Finance in March to discuss how child-related priorities are incorporated into the National Budget Framework Paper
		1.2	Schedule annual engagements with the Ministries of Education, Health and Social Development to discuss which child-related priorities are included in their Budget Framework Papers. Where possible, align the CDP to the Budget Framework Paper
		1.3	Encourage government to publish the National Budget Framework Paper on their website.
2	Support the budget preparation	2.1	Identify the policy frameworks that need to be costed in the health, education and social develop sectors
		2.2	Commission costing studies in line with those identified.
		2.3	Disseminate findings and engage with relevant Ministries.
3	Strengthen engagement with the legislature during the budget approval	3.1	Prepare a rapid analysis of the budget tabled in the legislature, focusing on its allocations to child-related priorities
		3.2	Provide inputs into the hearings of the Portfolio Committees on Economic and Development Cluster and Social Cluster.
4	Support budget execution	4.1	Develop a tracking tool to monitor capital expenditure on education infrastructure (i.e. schools) for the Ministry of Education
5	Support sector planning	5.1	Support the Ministry of Social Development to prepare a comprehensive sector plan that covers the delivery of social protection and welfare services to children.
		5.2	Support the Ministry of Education to develop an assessment of the school infrastructure requirements
		5.3	Support the Ministry of Education in developing minimum norms and standards for school infrastructure
		5.4	Investigate the possibility and cost of developing a funding model for the maintenance of church-owned school infrastructure.
6	Strengthen relationships with the legislature	6.1	Incorporate a programme for legislative engagement into the CDP
		6.2	Provide training to the Portfolio Committee on the Social Cluster on the budget process and budget analysis
		6.2	Where needed, supply the Portfolio Committees on the Social Cluster and Finance with a rapid analysis on the priority expenditure allocated to children.
7	Coordinate efforts with other development partners	7.1	Establish whether there are opportunities to co-deliver the interventions and actions discussed in this PEA.
8	Adapt to the political uncertainty created by coalition politics	8.1	Take the *de facto* shorter electoral cycle into account when developing the CPD
		8.2	Develop contingency plans to ensure that programme activities continue even when the legislature is dissolved and snap elections are called.
		8.3	Develop relationships with bureaucrats in Ministries whose terms are not linked to that of their political executive.

No	Entry Point/Recommendation	No	Actions
9	Improve engagements with civil society	9.1	Develop a schedule of engagements with civil society to correspond to key milestones and stages within the budget process
		9.2	Engage with civil society and government through workshops and dialogues on child-related priorities and expenditure

Appendix 1: List of Interviewees

Name	Position	Organisation
Nadi Albino	Deputy Representative	UNICEF
Geert Pooteman	Chief: Education	UNICEF
Lati Lerotholi	Education Officer and ECD focal point	UNICEF
Anthony Asije	Chief: Health	UNICEF
Md Shafiqul Islam	Chief: Social Policy	UNICEF
Motena Tsolo	Chief Executive: Department of Macro-economic Policy and Management	Ministry of Finance
Mapaseka Kolotsane	Principal Secretary	Ministry of Education & Training
Ratsiu Majara	Deputy Principal Secretary	Ministry of Education & Training
Lineo Mokitimi	Director: Planning	Ministry of Education & Training
Matsepiso Ntsaba	ECCD Inspector	Ministry of Education & Training
Jone Andreas Marole	Regional inspector & Acting Chief Education Officer Secondary	Ministry of Education & Training
Teboho Moneri	Regional inspector: Central region	Ministry of Education & Training
Nkaiseng Monaheng	Director: Planning	Ministry of Health
Mantsenki Mpalane	Director: Children's Services	Ministry of Social Development
Omer Zang	Health Specialist	World Bank
Sara Troiano	Social Protection and Labour Consultant	World Bank
Mariam Homayoun	Governance Programme Manager	European Commission
Nicholas Ahadjie	Country Programme Director	World Vision
Seabata Motsamai	Chairperson	Lesotho Council for NGOs
Lenka Thamae	Programme head	Transformation Resource Centre
Sofonea Shale	Coordinator (Head Secretariat)	Development of Peace Education
Mokhele Moletsane	Secretary General	All Basotho Convention
Reggie Tekateka	Secretary General	Basotho National Party
Samonyane Ntsekele	Secretary General	Alliance of Democrats

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