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MEMORANDUM AND RECOMMENDATION
OF THE
PRESIDENT OF THE
INTERNATIONAL DEVELOPMENT ASSOCIATION
TO THE
EXECUTIVE DIRECTORS
ON A
PROPOSED CREDIT
OF SDR 18.9 MILLION
(US\$25.2 MILLION EQUIVALENT)
TO THE
KINGDOM OF LESOTHO
FOR AN
EDUCATION SECTOR DEVELOPMENT PROJECT

JUNE 19, 1991

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CURRENCY EQUIVALENTS
(April 1991)

Currency Unit = Maloti (M)
US\$1 = M2.7
M1 = US\$0.37

FISCAL YEARS

IDA Fiscal Year = July 1 - June 30
Government Fiscal Year = April 1 - March 30

ABBREVIATIONS AND ACRONYMS

CSP	Country Strategy Paper
EC	European Community
ESAF	Extended Structural Adjustment Facility
GNP	Gross National Product
IDA	International Development Association
IMF	International Monetary Fund
LHDA	Lesotho Highlands Development Authority
LHWP	Lesotho Highlands Water Project
MOE	Ministry of Education
ODA	Overseas Development Administration
PCR	Project Completion Report
PPF	Policy Framework Paper
PPAR	Project Performance Audit Review
SAF	Structural Adjustment Facility
SIDA	Swedish International Development Agency
TVE	Technical and Vocational Education
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
USAID	United States Agency for International Development

KINGDOM OF LESOTHO
EDUCATION SECTOR DEVELOPMENT PROJECT

CREDIT AND PROJECT SUMMARY

Borrower: Kingdom of Lesotho

Beneficiary: Ministry of Education

Amount: SDR 18.9 (US\$25.2 million equivalent)

Terms: Standard, with 40 years maturity

Financing Plan:^{1/}

Government	US\$20.3 million
IDA	US\$25.2 million
USAID	US\$24.9 million
EC	US\$ 4.2 million
TOTAL	<u>US\$74.6 million</u>

Economic Rate of Return: Not applicable

Staff Appraisal Report: Report no. 9529-LSO

Map: IBRD No. 23059

1/ Includes taxes and duties of US\$3.4 million.

MEMORANDUM AND RECOMMENDATION OF THE PRESIDENT
OF THE INTERNATIONAL DEVELOPMENT ASSOCIATION
TO THE EXECUTIVE DIRECTORS
ON A PROPOSED CREDIT
TO THE KINGDOM OF LESOTHO
FOR AN EDUCATION SECTOR DEVELOPMENT PROJECT

1. The following memorandum and recommendation on a proposed development credit to the Kingdom of Lesotho for SDR 18.9 million (US\$25.2 million equivalent) is submitted for approval. Part I of this document discusses Lesotho's development prospects and economic performance, and the Bank Group's assistance strategy. It draws upon the fourth Policy Framework Paper, covering the period 1991/92 to 1993/94, which was considered by the committee of the whole on May 14, 1991. Part II of the document describes the proposed credit.

I. Country Policies and Bank Group Assistance Strategy

Background

2. Lesotho's economy is dominated by its dependence on South Africa, which surrounds the small kingdom. About half of Lesotho's per capita income of \$440 (1989 est.) is derived from remittances of some 140,000 migrant workers in the neighboring republic. Similarly, more than half its budget revenues emanates from a South Africa-centered customs union. As a member of the Common Monetary Area (CMA), Lesotho's currency is tied at parity with the South African rand. Given the openness of the Lesotho economy and the lack of exchange rate flexibility, the scope for conducting independent monetary policy is very limited. Fiscal policy is therefore the primary means available to the Government to control domestic absorption, while the rate of inflation closely follows price developments in South Africa. Lesotho is not a debt-distressed country. In 1990/91, debt service was only 5.0 percent of exports of goods and services.

3. The links between Lesotho and South Africa have been extended through a bilateral treaty that will enable Lesotho to export its only plentiful natural resource -- water -- to the industrial Transvaal. The Lesotho Highlands Water Project (LHWP) will create an extensive system of dams and tunnels, to be constructed under a Bank-assisted project; a 70 MW hydropower station will be included. The financing requirement of the water transfer and hydroelectric power components is estimated at approximately \$2.2 billion and \$0.24 billion, respectively, over the period 1988 to 1997 at 1989 prices. The funding for the water transfer component is expected to come from commercial sources, and will be repaid and serviced by South Africa, while the Government of Lesotho is arranging concessional and grant funding for the hydroelectric power component. The scheme will create substantial benefits for Lesotho, with water royalties and customs union rebates expected to equal about \$900 million net present value (1989 prices), as well as providing the stimulus for spin-off enterprises.

4. While developing this profitable long-term link with South Africa, Lesotho is vulnerable elsewhere in its relationship with its neighbor; notably, the diminishing profitability of the South African gold mining

industry, and strong employment pressures in the republic, threaten the job security of many of the Basotho migrant workers. The prospect of escalating revenues and a changing relationship with South Africa highlights the importance to Lesotho of effective macroeconomic planning and budgetary management, and the need to be strategically prepared for the geopolitical fallout.

5. Economic management has suffered seriously from the lack of a system for prioritizing and monitoring public expenditures. Delays in financial reporting, weak budgetary control in the infrastructure ministries, and virtually non-existent linkages between the development plan and annual expenditure allocations contributed to a serious escalation of the fiscal deficit during the late 1980s.

6. Although Lesotho has achieved robust economic growth in the past five years, with average real GDP increasing eight percent annually, the country faces a number of serious structural problems, namely: (a) inefficient and inequitable use of communal land, contributing to serious environmental degradation; (b) lack of an enabling environment for economic diversification to help address a growing unemployment problem and reduce dependence on mine labor in South Africa; and (c) low implementation capacity and a marked decline in the quality of education at a time of expanding employment opportunity. The traditional land-allocation system, dominated by the chiefs, has failed to regulate livestock overgrazing and has supported inequitable distribution of grazing rights. Land-use regulations have protected inefficient or absentee farmers, while ignoring the tenurial security of women, who run many of the farms in the absence of the menfolk in South Africa. Arable production has overemphasized food self-sufficiency at the expense of higher-value crops, which were once successfully produced in Lesotho. In education, Lesotho has traditionally enjoyed high literacy rates compared with other sub-Saharan countries, especially among women, making effective use of a comprehensive network of church-linked schools. However, high enrollment growth has not been matched by quality control and development and maintenance of infrastructure; as a result, overcrowded classes are taught by underqualified teachers, with high repeater and drop-out rates. In the parastatal sector, poor management and high subsidies result in a budgetary drain of about \$10 million a year. These factors contributed to substantial deterioration in the external current account and overall balance of payments in the mid-1980s. The fiscal deficit (including grants) reached an estimated 19.8 percent of GDP (10.4 percent of GNP) in 1987/88.

7. To address this situation, the Government, in collaboration with the World Bank and the IMF, has designed a program of macroeconomic and sectoral reforms. A major objective of the program is to sustain domestic growth and increase employment, while strengthening the economy's fiscal and external current account position. Government strategy seeks to maximize benefits from an expanding and changing relationship with South Africa while doing more to develop new markets (e.g. the EEC) and deal with the structural weaknesses that inhibit diversification of exports. Manpower development is seen as an essential underpinning of these objectives. The Government has also begun the politically-sensitive

openly declared their support for population control, and the Government has begun to formulate a population policy.

14. In the meantime, however, Lesotho faces a growing imbalance between the growth in its labor force and its capacity to provide productive employment. Although LHWP will be an important source of employment, with the workforce reaching some 8,500 to 10,000 when construction peaks, the Government has given priority to the preparation of an industrial sector strategy, which is being supported by an ongoing IDA-financed Industrial and Agroindustries Project. The strategy aims to attract more foreign investment, do more to help Basotho entrepreneurs take advantage of the liquidity in the banking system by developing bankable projects, and deepen non-bank financial instruments for providing venture capital.

15. Education is another key element of the program, which is described in Section II.

16. Poverty Alleviation. The Government's anti-poverty program is being carried out on two fronts: (i) through positive measures for increasing per capita incomes; and (ii) through safeguards targeted at vulnerable groups. The PFP program, and the relatively high economic growth achieved in recent years, has had a generally favorable impact on standards of living. This has been complemented by the expansion of Government programs for family planning, improved health-care provision in remote areas, and special, permanent programs for tuberculosis, sexually-transmitted disease and mother and child care. However, malnutrition is prevalent among rural dwellers who lack both land and access to migrant remittances, and the Government has agreed with donors to restructure its food relief program to achieve better targeting. Safeguards are being provided to low-income groups in the cost-recovery measures being taken by the Government in health care, while a broad spectrum of tax increases exempts basic foodstuffs.

17. Economic Prospects. Under the Fourth PFP, the target for real GDP growth is set at an annual average of 7.6 percent over the period 1991/92 through 1993/94, while gross investment as a share of GNP is targeted at an average of 53 percent over the same period, of which LHWP investment would comprise 21 percent. Similarly, national savings are targeted at an average of 50 percent of GNP. This reflects the substantial transfers to Lesotho associated with the financing of the water-transfer component of the LHWP. To consolidate the improvements in the external position, and to achieve a more comfortable level of foreign exchange reserves, the fiscal deficit as a proportion of GDP is targeted to fall from an estimated 2.2 percent (1.2 percent of GNP) in 1990/91 to a surplus of 0.3 percent (0.2 percent of GNP) in 1993/94. The external current account deficit (including unrequited transfers, and those associated with the LHWP) is projected to fall to about 3 percent of GNP by 1993/94. The main risk is that, given declining profits in gold mining in South Africa, and strong internal employment pressures, there will be a significant repatriation of Basotho miners with an associated fall in miners' remittances below those projected. To maintain a satisfactory external position in such an event, public spending would have to be cut to levels substantially below those

targeted, with potentially adverse effects upon both public sector efficiency and the social sectors, while domestic unemployment would be exacerbated by the return of migrant mineworkers.

Bank Group Operations

18. Bank strategy is closely identified with the objectives of the Government's program, and has three main points of focus: (a) sustaining the recent improvement in the fiscal situation, while strengthening long-term economic management; (b) addressing structural problems in the key sectors; and (c) maximizing the economic opportunities of LHWP, and generally helping the Government prepare and implement a long-term strategy to deal with the geopolitical changes taking place. These objectives are supported by the Policy Framework Paper, a comprehensive technical assistance operation by UNDP and the Bank to improve public sector management, policy-oriented sector lending by IDA, and Bank economic and sector work. Since 1986, the Government-Bank dialogue has intensified, as the Lesotho authorities took on a daunting agenda of policy reform following years of inaction. A new military government installed in April 1991 has reaffirmed its commitment to the reform program, and has made arrangements for registration of voters prior to national elections scheduled for June 1992. A significant part of the ongoing democratization process is the granting of greater powers to elected village development councils in the allocation and protection of land. An ongoing IDA-assisted project will help these communities prepare and implement their own land-use plans. Other policy issues on the Government's agenda include: (a) the array of measures to stimulate industrial development, including privatization of agro-industrial parastatals; (b) reform of land legislation to encourage greater equity and efficiency in agriculture, especially in regard to women; (c) further improvement of budget management, building on recent successes; (d) long-term reform of the civil service; and (e) achieving a consensus on population policy.

19 Composition of Lending Through FY90. Since 1966, IDA has provided Lesotho with credits totaling \$180 million for 19 projects. Some \$47 million, or almost 26 percent of total assistance, has been for human resource development. Lending for roads amounted to \$34.6 million (19 percent), for agriculture and land management \$27.6 million (15 percent), and for urban development \$26.4 million (15 percent), and for industrial development \$27.5 million (15 percent). Other credits have provided resources for water supply, and for the engineering and technical assistance necessary for preparing LHWP. Lending for infrastructure and basic services dominated lending for the first 17 years; more recently, projects have supported sectoral policy reforms (e.g. in land management and housing finance) and addressed previously neglected areas such as family planning and social sector financial management and cost-recovery. With the exception of the LHWP engineering credit, implementation of IDA-assisted projects has been subject to delays. These have been caused mainly by capacity constraints, despite the provision of technical assistance and training in projects. Several current donor initiatives are addressing the capacity problem, as well as the proposed IDA-supported project (Section II) and intensive technical assistance by the Bank, UNDP and donors.

20. Through the IDA-financed Industries and Agroindustries Project (FY91), the Bank is supporting Government policies that focus on production with an export orientation -- e.g. textiles and garments, footwear, processed wool, and mohair production -- as well as industries and services stimulated by the LHWP construction. Emphasis will be placed upon developing the activities of two nascent institutions: the Lesotho Investment Promotion Center (LIPC) and the Business Advisory Promotion Services (BAPS). These institutions offer support to foreign investors and indigenous entrepreneurs, respectively. The LIPC will have a technical assistance agreement with an experienced investment promotion organization, and training will be provided in investment promotion techniques and management. The BAPS will receive similar support and staff training, and will develop a comprehensive data base regarding the resource requirements of activities relating to the LHWP, large-scale companies, and the LIPC. To further encourage industrial development, and to improve the environment within which these two institutions will operate, the Government will maintain newly-adopted policies of: (a) streamlining work permit processing; (b) increasing land availability for industrial development; and (c) regularly reassessing the level of both the sales tax on public utilities and the minimum wage to reduce the impact of large unanticipated increases in labor and other costs, and to protect Lesotho's competitive position in the region. An equity fund administered by the Lesotho National Development Corporation (LNDC) will offer significant encouragement to the development of small-scale industry. The Basotho Enterprises Development Corporation (BEDCO) has ceased its lending operations, but will continue to provide industrial and workshop space, and will assist entrepreneurs in preparing bankable projects. A six-year investment plan has been initiated recently by the Lesotho Electricity Corporation (LEC), which will permit a substantial expansion in power connections to industrial premises. Future investments in telecommunications infrastructure will also support industrial investment.

21. The Bank, with donors, is supporting a major expansion of the Government's population and health program. A first IDA-funded population and health project (FY85) successfully established a TB control program, upgraded clinics, and created a system for developing manpower in the sector. It also introduced basic family planning program into the health-delivery system, while emphasizing safe motherhood and reduced infant mortality. Most of the goals were achieved, although the family planning program lagged behind mainly because of inadequate consultation with communities. A second project (FY90) is helping to train far greater numbers of health and family planning workers at clinic and community level, and aims to exploit the high levels of female literacy and good communications channels through expanded information and education programs. The project will learn from the experience of the first project, and enhance the role of local communities, church NGOs and the private medical system in health-care delivery and family planning.

22. Future Lending. Lending during the FY92-95 period will be dominated by the Lesotho Highlands Water Project, for which a \$110 million IBRD enclave loan is proposed. Most of the funding will come from commercial sources; the Bank's financing will be directed towards construction supervision and the continued institutional development of the

pecially-created Lesotho Highlands Development Authority (LHDA). Bank finance will help LHDA implement comprehensive programs for limiting the environmental impact of the project, and providing compensation and rural development support for affected communities.

23. IDA lending, which is constrained by Lesotho's small size, will give the highest priority to arresting the decline in the quality of education. A Bank education sector study recommended a series of actions required to improve quality of instruction and student achievement and begin to address sectoral management and financing issues. The Government and Bank have concluded discussions on how these goals can be supported through the IDA-supported project proposed in this report, which would be coordinated with assistance from donors (Section II).

24. In the infrastructure sectors, a Bank Public Expenditure Review faulted the Government for promoting new construction at the expense of maintenance. In particular, agricultural marketing and rural development is constrained by the frequently impassable condition of mountain roads, while roads constructed with IDA assistance in the late 1960s and the 1970s are in need of repair or rehabilitation. Infrastructure maintenance is included in the IDA lending program, subject to the outcome of a proposed study that will prepare an inventory on the maintenance needs of roads and other infrastructure (e.g. bridges, mountain airstrips), while recommending long-term strengthening of maintenance services. The study will be linked to the Government's PFP-related effort to prioritize capital expenditure and give special emphasis to maintenance.

25. Future IDA lending to the productive sectors will be determined by progress with the ongoing land management project, the outcome of proposed agricultural sector work, and Government effectiveness in implementing the ongoing industrial strategy, and a proposed energy review.

26. As a contingency measure, the Bank would respond to any large-scale and sudden return of migrant miners by readjusting the IDA lending program to give greater emphasis -- possibly within the framework of an ongoing health project -- to social welfare, particularly nutritional programs. It would be crucial in such circumstances for the Government to maintain momentum in its program for increasing employment through economic diversification and the creation of skills.

27. No IDA adjustment lending is envisaged for Lesotho. The ongoing PFP/SAF/ESAF program has been effective in preparing a comprehensive agenda of policy reform, backed by investment and technical assistance projects which support Government initiatives in sector adjustment.

28. Technical Assistance. The Bank's technical assistance has been provided through a number of vehicles (e.g. SPPFs and Bank-executed projects funded by the UN and donors), and has been specifically designed to support the objectives of the PFP. There has been early success in a coordinated effort by SIDA, ODA the Bank and Fund in strengthening budgetary management and accounting; an effective pilot program introduced in key ministries is gradually being extended throughout the bureaucracy, with extensive retraining of personnel. A Bank SPPF has proposed a phased

process of land reform, environmental protection and reduction of population growth.

8. The specific policy measures and strategies were first set out in a Policy Framework Paper (PFP) for 1988/89 to 1990/91, and have been reaffirmed and extended in three subsequent PFPs which have received the support of the Fund through a SAF and ESAF. The main components of the program are: (a) measures designed both to restrain government expenditure growth and raise additional revenue; (b) initiatives aimed at raising the efficiency of the civil service, strengthening the planning process, and improving budgetary management; (c) reform of the land tenure system and improvements in range management; and (d) policy reforms in the industrial and agro-industrial sectors to stimulate employment, private investment and savings, improve parastatal efficiency, and encourage privatization.

Recent Performance and Future Policies

9. Lesotho's performance was mixed over the first two years of the PFP program. While growth performance was encouraging, with an estimated average growth rate in real GDP over the two years of 8.3 percent, implementation of the reform program during the first year, 1988/89, was disappointing, with major slippages in the implementation of expenditure control and revenue-raising measures, and consequently little improvement in the external position. In 1989/90, the situation was substantially reversed, as the Government implemented appropriate revenue-raising measures and, more importantly, introduced and substantially strengthened a number of expenditure controls. Provisional estimates indicate that, given both the implementation of revenue-raising measures and restraints upon expenditure growth, the fiscal deficit fell to 4.5 percent of GNP during 1989/90 and is expected to narrow to 1.2 of GNP in 1990/91. The external current account deficit improved correspondingly from 7.6 percent of GNP in 1988/89 to an estimated 5.2 percent of GNP in 1989/90 and is expected to be reduced to 3.3 percent of GNP in 1990/91, compared with a growth rate of real GNP of 2.3 percent.

Selected Economic Indicators

	1988/89 Proj.	1989/90 Proj.	1990/91 Proj.	1991/92 Proj.
GDP growth rate	7.7	7.1	7.6	8.6
GNP growth rate	2.8	8.9	8.1	4.2
GNP/Capita growth rate	-0.8	-1.7	0.5	1.6
Government revenues/GDP 1/	58.1	51.8	56.7	49.2
Government expenditures/GDP	55.2	52.4	52.8	48.9
Deficit (-) or surplus (+)/GDP 1/	-2.2	-1.2	-1.6	0.3
Deficit (-) or surplus (+)/GNP 1/	-1.2	-0.7	-1.0	0.2
Export growth rate (real)	-0.2	10.0	9.0	9.0
Import growth rate (real)	-8.9	-2.7	-1.4	0.8
Debt service/Exports of goods and services	4.7	4.4	4.1	3.6

Sources: Data provided by the Lesotho authorities; and staff projections.
1/ Including grants.

10. Under the structural adjustment program, the Government has also taken a number of steps to encourage both domestic savings and investment. The domestic prime lending rate and the minimum savings deposit rate have been regularly adjusted according to interest rate developments in South Africa, with a convergence to South African levels. The export financing scheme, first launched in October 1988, has been maintained as a means of increasing the flow of credit to productive industrial investment and exports. Tax exemption on income from treasury bills has been abolished, thus increasing the relative attractiveness of lending to the private sector. Agricultural production and exports are expected to increase as a result of the introduction of a revolving fund, financed by the United Nations Capital Development Fund (UNCDF), to provide short and long-term credit to farmers through the commercial banks.

11. Under the PFP, the Government is coordinating its efforts with the Bank, UNDP and bilateral donors to support a program to reform macroeconomic management and the budgetary process and restructure the civil service. As part of the program, the function of parastatals will be reassessed, privatization encouraged where appropriate, and future performance monitored. Substantial progress has already been achieved in budgetary and personnel management and in the provision of management training to civil servants. A new budget management system recently introduced in key ministries contributed to the reduction of government expenditures; with strong donor and Bank assistance, the Government is planning an expansion of the system to other ministries, while adapting it to cover capital expenditures. To ensure effective and equitable use of Highlands Water revenues, the Government is in the process of creating a special development fund.

12. In other areas, progress has been slower. In agriculture, the aim is to improve productivity and quality, and in turn provide the basis for the creation of agro-industrial and other non-farm employment. In particular, farmers are being encouraged to exploit Lesotho's potential for the production of high-value crops, in which there has been some demonstrated success (e.g. asparagus, melons and vegetables). Overgrazing is to be reduced through both the maintenance and expansion of a number of existing programs and the introduction of grazing fees in selected areas. There have been delays in implementing important proposals for land reform, which include the extension of land-use rights to women and measures to promote informal leasing arrangements; however the Government has begun a process of democratization which will enable village communities to play a greater role in land allocation and conservation.

13. The Government's proposals for land reform and improved agricultural productivity will generally be favorable to the environment. They are being consolidated in a national environmental action plan, adopted by the Government in 1989, which identifies the country's main environmental problems, and calls for more effective use of ongoing assistance programs before any new investments are embarked upon. To implement the plan, the Government intends to establish a supervising body to coordinate the environmental initiatives of sectoral ministries. The link between population and the environment is strong in Lesotho, given the limited carrying capacity of the land. Recently, the country's leaders

program for achieving this. In a complementary action, the Bank is working with the EEC in helping the Government create a special development fund to ensure that LHWP revenues are used effectively and equitably. In the broader field of civil service reform, the Bank joined a group of UN agencies in preparing a comprehensive project for restructuring the civil service and provide training to match. We expect to remain closely associated with the program. The Bank took a leading role in helping the Government prepare its Environmental Action Plan, which was adopted in 1989. We are continuing to provide substantial support to the Government in setting up the administrative machinery for implementing the plan. The Government has accepted a Bank proposal for training village development councils to implement simple technologies for sustainable agriculture; this effort will be complemented by recent legislation clarifying the role of the councils, and by the ongoing IDA-assisted land management project.

29. Economic and Sector Work. Bank economic and sector work helped provide the basis for the Government's reform program. A Bank agricultural review in 1985 focussed attention on the potential for high-value crops; a 1986 public sector management study was the genesis for present plans to reform the civil service; the Country Economic Memorandum of 1988 highlighted the vulnerability of Lesotho's dependence on South African gold mining, urged greater diversification of the domestic economy, and drew attention to the need for Lesotho's labor force to be ready to adjust to changing opportunities in South Africa. A recent Bank education sector review formed the basis for the proposed IDA assistance to the sector. In industry and agro-industry, a wide range of studies and strategy formulations prepared the ground for the recently-approved Industrial and Agroindustries Project.

30. During FY92-93, we are planning an economic update to assess the impact of the Government's PFP-linked reform program, and recommend follow-up actions. In agriculture, our strategy is to increase the value added within sustainable limits. We support the Government's policy for expanded production of high-value crops, given significant levels of imports of such crops, the prospect for export to Europe and South Africa, and the advantages for maximizing the value added from Lesotho's very limited cultivable land. Through our ESW, we expect to help Lesotho assess its experience in horticulture, and recommend ways of improving research, extension, marketing and enterprise promotion in the subsector. Family planning support is provided by the Government, but a concerted effort to reduce fertility has not yet been possible largely because of the resistance of the churches, through which more than half of the country's primary health care is delivered. In recent years the country's leaders have openly declared their support for a population policy, and the Government has begun to formulate one. The Bank will support this effort through a Population Policy Review. In the context of LHWP, we have helped the Government deal with institutional weaknesses in the power sector, which must prepare itself for dealing with greatly increased transmission when the LHWP hydropower component is complete. Our past technical assistance to the sector will be supplemented in the near future through our ESW program. A Women in Development Assessment is also planned, given the crucial role that women play in farming, social services and small-scale business.

31. IMF and Aid Coordination. Bank relations with the IMF have been close and constructive during the PFP/SAF process. The UNDP Donor Roundtable for Lesotho was revived at the Government's request in 1988 after a lapse of several years, during which donor interaction had been ad hoc and increasingly ineffectual. The Roundtable's opening conference has been followed by an ongoing series of smaller working groups organized on a sectoral basis. Bank documents have formed the basis for a number of meetings. The Policy Framework Paper has helped to serve as a medium-term agenda for assistance coordination, while LHWP has intensified coordination among interested donors. Widespread donor interest in the environment and public-sector management threatens to create problems of overlap and conflict of goals; thus special donor workshops in these sectors are planned.

32. Summary Assessment. Lesotho is at a crucial juncture in its economic development, facing unprecedented opportunities and risks. The proposed Highlands Water Project, and subsequent phases of the scheme, represent one of the largest infrastructure investments to be made in sub-Saharan Africa. The project will enable Lesotho to export its only plentiful natural resource -- water -- and benefit from substantial revenues and spin-off activities. But while developing this profitable long-term link with South Africa, Lesotho is vulnerable elsewhere in its relationship with its neighbor. Notably, the diminishing returns of the South African gold mining industry, and strong employment pressures in the republic, threaten the job security of many of the 140,000 Basotho migrant workers. Another risk is that Lesotho will not make the effective developmental use of LHWP revenues, thus wasting the best opportunity it has had to secure the economic future.

33. These circumstances make it imperative for Lesotho to be strategically prepared for the changing circumstances. The Government that came to power in 1986 accepted the need for such an approach, and set itself an agenda of adjustment and policy reform through the PFP/SAF process and through special initiatives such as an environmental action plan and a program to strengthen public sector management and budgetary control. The new Government has endorsed this program, and aims to: (i) achieve effective fiscal discipline and prioritization of development goals before major LHWP revenues begin to accrue; (ii) maximize the direct and long-term indirect opportunities of LHWP; (iii) reduce its dependence on South African mining by diversifying the domestic economy while seeking to take advantage of changing employment opportunities in the neighboring republic; and (iv) develop the human resources to meet these challenges, giving particular urgency to reversing the decline in the quality of education.

34. The Government has made good progress towards achieving some of these goals. A marked improvement in fiscal policy and management has arrested the escalating budget deficit and has contributed to encouraging GDP growth. Also the Government has worked constructively with the Bank and donors in preparing an agenda of policy reforms and other measures to help diversify the economy, encourage investors and develop new industrial and agroindustrial markets, and put agriculture on an environmentally-sustainable basis. The real test will be in implementation. Urgent action

is required to execute the proposed land reform program, which is prerequisite to sustainable agriculture; while the potential for high-value crops will be realized only with improvements to the marketing infrastructure and enhanced support for agribusiness. The Government must also build on the encouraging progress in improving fiscal management by addressing serious weaknesses in long-term economic planning, as well as improve civil service performance.

35. The Bank's assistance program has been closely identified with the reform program, both in its preparatory phase and in helping to implement specific objectives. While the Highlands Water Project dominates our lending for the next five years, our program in general aims to provide a sound macroeconomic framework for maximizing the benefits of LHWP to Lesotho and helping the country deal with the changing geopolitical risks and opportunities.

II. The Proposed Credit

36. The proposed credit of SDR 18.9 million (US\$25.2 million equivalent) would be on standard IDA terms with 40 years maturity and would help finance an education sector development project. The project would be financed on a parallel basis by the United States Agency for International Development (USAID) and the European Community (EC) for approximately US\$29.1 million.

Sector Background and Project Context

37. Over the past decade, Lesotho has successfully established a comprehensive, broad-based education system, spanning early childhood to university levels. Today, Lesotho's gross primary and secondary enrollments are about 116 percent and 24 percent respectively, among the highest in Africa. Also, uniquely in the Africa region, girls actually outnumber boys (who are expected to herd livestock and/or work in the mines) at all levels of the education system; the ratio of girls to boys in primary schools is 1.2:1 and as high as 1.5:1 at secondary and post-secondary levels.

38. Despite these achievements (and in part because of the rapid rate at which enrollments grew), Lesotho enters the 1990s faced with a serious problem of low and deteriorating quality of education. This is reflected in poor test results and high rates of drop-out/repetition, with negative implications for the efficiency of resource use. Underlying this situation are: (a) weak sectoral management capacity, including failure to clearly define and implement the respective responsibilities of the Ministry of Education (MOE), parents, and church missions which own and operate over 90% of schools; (b) insufficient public resource allocations to the sector exacerbated by severe skewing of resources, with basic education severely underfunded relative to tertiary; and (c) long-standing neglect of conditions of service for teachers and associated issues of adequate managerial and professional support. Combined, these problems have led to: extremely high pupil:teacher and pupil:classroom ratios, low teacher morale, and inadequate instructional materials/curricula at primary level;

the proliferation of small, uneconomic secondary schools coupled with low quality of instruction; uneven formal vocational education and a failure to exploit opportunities for cooperation with employers in developing skilled manpower; a weak university government and high overheads; and, underutilization of existing capacity for non-formal education.

39. PCRs and PPARs for the first three Bank-supported education projects and review of the fourth project (which will close in 9/1991) indicated that while the projects' relatively narrowly-defined objectives had been substantially achieved, there had been inadequate attention paid to the underlying structural issues described in para 38. Comprehensive sector work was therefore undertaken in 1988/89 to analyze constraints to sectoral effectiveness, and, together with other Bank education policy studies and donor and Government analyses, formed the basis for dialogue with Government concerning sectoral aims and the objectives and composition of education sector development activities. Subsequently, Government, with IDA assistance, developed a coherent strategy and reform package comprising policy revisions, an action program and public expenditure plan to begin addressing sectoral problems during the Fifth Plan period (91/92-95/96). With regard to the structural issues identified, Government intends to: (a) undertake a reorganization of the MOE to rationalize its central structure as well as decentralize MOE activities; (b) implement a number of measures to establish an explicitly contractual relationship in education between the MOE and church missions; (c) substantially increase public recurrent resource allocations to education in real terms; (d) allocate a minimum of 70% of the incremental resources to primary education while constraining expenditures at the university; and (e) raise teachers' salaries to a level comparable with other civil servants, improve incentives for service in hardship posts, establish clear management lines and strengthen inservice training and other professional support. In addition, direct interventions to improve the quality and efficiency of education will also be implemented through a combination of new investments and policy measures, focusing on the needs at primary level, and building on initiatives already begun with assistance from IDA, USAID, EC, ODA, Ireland and Germany. While most attention will be paid to primary education (including teacher training), investments in the other subsectors are also foreseen to respond to identified priority issues.

The Project

40. Project Objectives. The main objective of the project is to assist Government in the implementation of its five-year action plan for sectoral reform in education, as laid out in a letter of development policy and detailed matrix of specific objectives and actions. Project support would focus on: (a) supporting investments aimed at increasing the quality, efficiency and relevance of educational programs at all levels of the education system, with a special focus on primary education, and (b) helping to address the key management, financing and resource allocation, and staffing issues which constrain overall sectoral performance.

45. Project Description. Within the framework of Government's policy/action matrix and investment plan, the project will support improvements in: (a) primary, by constructing/furnishing additional

classrooms in three phases beginning with the relatively-neglected highlands and ending with Maseru and other lowlands areas, increasing instructional materials, rationalizing the curriculum, improving pupil assessment (both continuous assessment and the public examinations), recruiting additional teachers to prevent deterioration of already high pupil:teacher ratios, and supporting policies to directly increase internal efficiency by limiting enrollments of over- and under-age pupils and reducing repetition;

(b) secondary, by supporting efforts to rationalize allocation of public resources to uneconomic schools and regulate opening of new ones, improving student assessment, and improving teaching by support to teachers in the form of teachers' guides and in-service refresher training; (c) teacher training, by expanding the output and quality of both the pre- and in-service teacher training programs and providing management support to the teacher college; (d) technical and vocational education (TVE) by raising the quality and cost-effectiveness of formal pre-service TVE through support for standardization of curricula at craft level and introduction of evening classes at selected institutions and encouraging involvement of employers in TVE through expansion of trade-testing capacity and policy studies; and (e) university, by assisting in implementation of cost-containment measures in non-teaching areas, introduction of a more coherent academic program, improvement of science and library facilities and support for faculty research.

46. Project support for improvements in sectoral management will focus on establishing a twinning arrangement between the MOE and a suitable counterpart institution abroad and establishment of a monitoring and evaluation system, including provision of TA and training attachments. In addition, office equipment for automation of MOE operations, construction/equipping of district MOE offices, operating costs and salaries for agreed new posts would be included under the project. Management training for headteachers would be supported through the project to improve school-level management. Project conditionality is the main vehicle for addressing issues of teachers' conditions of service and issues of sectoral financing, which are critical to ensuring the productivity and sustainability of project investments.

47. Agreed Actions. Prior to negotiations Government approved: (a) a satisfactory teaching service salary scale and career structure; (b) the agreed MOE reorganization plan, including decentralization measures; and (c) the agreed five-year education action plan. A signed letter of education sector development policy has been received by IDA subsequent to negotiations. The following are conditions of credit effectiveness: (a) enactment of a revised Education Order clarifying roles of Government, churches and parents and reinforcing MOE authority over teachers and opening/closing of schools; (b) enactment of a revised University Order and Statutes rationalizing university administration; and (c) execution of the grant agreement between USAID and Government for the USAID parallel-financed activities.

48. With regard to actions during the project's implementation period, Government has confirmed that it will implement the 5-year action plan agreed with IDA as set out in a letter of development policy, including the

following specific actions: (a) recurrent resource allocations to education would be increased by 54.4 percent in real terms between 1990/91 and 1991/92 and by at least 4.0 percent in real terms during each subsequent year of the Fifth Plan period; (b) independent evaluations of the vocational and agriculture programs in secondary and primary schools respectively would be undertaken by 3/93 and their recommendations implemented by 9/94; (c) 1300 new primary teachers would be recruited during the Plan period, with 70% of these allocated to lower primary; (d) evening classes would be introduced in 12 TVE institutions by 3/93; and (e) Government would conduct, jointly with IDA, two project implementation reviews in 3/93 and 9/94 respectively. Conditions of disbursement are as follows: (a) disbursements for the second phase of construction of school classrooms is conditional on public announcement of agreed policy changes related to primary attendance by under- and over-age children, repetition limits, and allocation of teaching posts to secondary school in accordance with a 25:1 minimum student:teacher ratio; (b) disbursement of funds for other classrooms (in the lowlands) is conditional on implementation of these announced policy measures; (c) construction of the trade-testing center is conditional on the completion of a feasibility study on the financial aspects of operating the center; and (d) laboratory construction at the university is conditional on completion of the conversion to a subject system or modified unit course system, implementation of agreed cost containment measures, and completion of a study of university overheads.

IDA Role and Benefits and Risks

49. Rationale for IDA Involvement. IDA's country assistance strategy, articulated in the recent CSP, stresses development of a well-educated, skilled labor force as a high priority for achieving long-term economic growth in natural resource-poor Lesotho. Having played an important role in helping the country to increase access to basic education, IDA's involvement is now regarded as important by both the Government and donors in helping the MOE to strengthen education planning and monitoring, rationalize spending and achieve needed quality and management improvements.

50. Benefits and Risks. The project would assist in improving the quality of the educational system, helping to increase student achievement and maintain/improve Basotho productivity and competitiveness in the domestic and regional labor markets. In the medium- to longer-run, therefore, it should help raise household incomes, thus contributing to Government's poverty alleviation efforts. Through support for revision in education policy and resource allocation patterns, the project would also help establish a sound base for future investments. Finally, the project's focus on development of a coherent sectoral plan would help achieve much-needed improvements in donor coordination within the sector. The project's principal risk is that with the coming of elections in 1992, political candidates may promise further sectoral expansion, despite the need for, and current Governmental commitment to, consolidation during the Fifth Plan period. To reduce this risk, the project would finance a well-targeted public awareness campaign to increase popular appreciation of efficiency issues. A second risk is that Government, given its fiscal austerity

program, may not increase education budgetary allocations enough to allow timely implementation of the reform package. This risk is reduced by the strong support for continued real growth in education spending articulated in the Government's Policy Framework Papers as well as public pronouncements stating strong commitment to education.

Recommendation

51. I am satisfied that the proposed credit would comply with the Articles of Agreement of the Association and recommend that the Executive Directors approve the proposed credit.

Barber B. Conable
President

Attachments

Washington D.C.
June 19, 1991

Table 1. Lesotho: Structural Adjustment Facility—Policy Framework Paper Key Indicators, 1988/87-1993/94
(In percent; unless otherwise indicated)

	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96
					Prov.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Output and Income											
GDP growth rate	2.6	2.3	8.9	10.8	8.9	7.7	7.1	7.6	8.0	6.4	5.4
GNP growth rate	-3.6	1.5	5.7	6.1	5.3	2.3	0.9	3.1	4.2	3.3	2.2
Net Factor Income from abroad	-7.6	2.5	-1.3	3.5	1.8	-3.5	-3.0	-2.7	-1.0	-0.4	-0.9
o/w Workers' remittances:	—	6.2	-0.4	4.0	2.0	-2.7	-2.8	-2.8	-2.1	-1.3	-1.7
GNP/Capita growth rate	-6.1	-1.0	3.1	3.4	2.6	-0.3	-1.7	0.5	1.5	0.7	-0.4
GN/Capita growth rate	-6.5	-0.9	2.5	4.8	2.9	-0.2	-1.8	0.5	1.5	0.7	-0.4
Domestic absorption											
Final consumption/capita											
growth rate	-7.6	-6.3	10.4	5.0	3.1	-2.1	-0.6	-1.4	2.4	0.5	0.9
o/w private consumption	-10.1	-8.2	10.7	4.9	6.5	-1.5	-1.7	-2.8	2.7	0.4	1.1
Gross fixed capit. formation growth rate	14.2	-7.7	14.0	22.7	41.3	23.7	-6.2	13.0	10.0	4.7	-13.8
o/w LHM	—	—	—	—	427.8	57.9	-19.0	28.0	13.7	2.7	-39.9
Government revenues/GDP 3/	50.9	52.0	44.7	44.6	53.5	53.1	51.3	50.7	49.2	47.5	46.6
Government expenditures/GDP	62.9	65.6	64.6	62.0	61.7	55.2	52.4	52.3	48.9	47.2	46.0
Deficit (-) or surplus (+)/GDP 3/	-11.9	-13.6	-19.8	-17.4	-8.2	-2.2	-1.2	-1.6	0.2	0.3	0.6
Deficit (-) or surplus (+)/GNP 3/	-6.2	-6.9	-10.4	-9.5	-4.5	-1.2	-0.7	-1.0	0.2	0.2	0.2
Resource Balance In percent of GNP											
Gross investment/GNP 6/	28.1	25.9	28.0	31.9	42.6	52.4	49.8	53.9	56.8	57.2	48.2
Private investment/GNP 1/	21.1	19.0	21.1	22.2	21.9	28.0	25.1	25.7	28.5	27.1	27.5
Public investment/GNP	7.0	6.9	6.9	7.0	7.6	7.7	6.3	6.7	6.9	7.0	7.1
LHM investment/GNP	—	—	—	2.8	14.1	21.7	17.5	21.5	23.4	23.1	13.6
Savings including unreq. transfers:											
National savings/GNP 6/	25.5	25.7	20.9	24.3	38.4	49.1	45.6	50.8	53.7	54.2	46.2
National savings/GNP 1/	25.5	25.7	20.9	21.6	24.3	27.4	28.4	31.6	32.5	33.6	34.0
Private savings/GNP 1/	24.7	25.7	24.5	24.1	21.2	20.9	22.8	25.4	25.5	26.7	27.0
Public savings/GNP 3/	0.8	0.0	-3.6	-2.6	3.1	6.5	5.6	6.2	7.0	6.9	7.0
LHM transfers/GNP	—	—	—	2.8	14.1	21.6	17.2	19.0	21.2	20.6	12.3
Savings excluding unreq. transfers:											
National savings/GNP 1/ & 2/	8.0	12.0	8.9	12.1	10.4	14.6	16.8	19.8	21.2	23.2	23.6
Private savings/GNP 2/	24.2	25.5	24.3	23.7	20.6	20.4	22.2	24.9	25.0	26.3	26.5
Public savings/GNP 5/	-15.0	-16.4	-21.9	-21.4	-18.7	-16.5	-12.4	-14.8	-13.7	-13.4	-12.9
LHM transfers/GNP	—	—	—	—	14.1	21.6	17.2	19.0	21.2	20.6	12.3
Resource Balance = Current Account Deficit (CAD)											
CAD incl. unreq. transfers/GNP	-2.6	-0.2	-7.0	-7.6	-5.2	-3.3	-3.2	-3.3	-3.1	-3.0	-2.0
CAD excl. unreq. transfers/GNP	-20.1	-13.9	-19.1	-19.8	-33.2	-37.7	-32.1	-34.0	-35.6	-34.0	-24.6
CAD excl. official transfers/GNP	-19.6	-13.7	-18.9	-16.6	-18.6	-15.6	-14.3	-14.5	-13.9	-12.9	-11.9
Current account (incl. off. transf.) (in millions of USD)	-14.0	-1.1	-51.0	-56.4	-44.9	-34.3	-36.0	-39.8	-41.8	-45.7	-32.6
Current account (excl. off. transf.) (in millions of USD)	-105.6	-86.7	-138.8	-123.7	-159.7	-162.4	-159.7	-177.6	-189.1	-196.7	-197.3
External Sector											
Export growth rate (real)	-14.8	27.8	18.9	40.0	-16.1	-8.2	10.0	9.0	9.0	9.0	9.0
Exports of goods and services/GDP	113.6	121.8	114.9	107.6	101.6	92.6	89.5	84.1	78.9	75.4	73.4
Import growth rate (real)	-7.1	-5.9	11.4	3.8	7.5	-3.9	-2.7	-1.4	0.3	-0.8	-2.2
Consumer & intermediate goods imports	-10.7	-4.1	11.4	2.7	7.9	-5.7	-3.9	-3.1	-1.3	-2.4	-3.6
Capital goods imports	17.2	-15.0	11.3	10.1	5.4	6.1	2.6	5.9	6.9	5.1	3.4
Imports of goods and services/GDP	-152.3	-146.7	-148.9	-141.5	-150.9	-147.5	-135.6	-130.7	-126.0	-119.2	-104.7
Goods and services balance/GDP	-38.7	-24.9	-33.9	-33.9	-49.2	-54.9	-46.0	-46.6	-47.1	-48.8	-31.3
Debt											
Debt Service (in millions of USD)	19.2	14.1	16.0	22.0	21.7	26.1	26.8	26.6	24.9	24.8	24.3
Debt service/Exports of goods and services	6.2	3.7	3.5	4.7	4.5	4.7	4.4	4.1	3.6	3.3	3.0
Debt service/GDP	6.2	3.7	4.0	5.0	4.5	4.3	3.9	3.5	2.8	2.5	2.2
Price & Exchange Rate											
Retail price index (1985=100)	104.5	121.5	135.7	152.3	155.9	173.2	196.2	220.9	249.2	282.8	321.0
Real exchange rate (1985=100)	102.5	99.6	97.7	95.0	94.2	94.1	94.1	94.1	94.1	94.1	94.1
Net off. reserves in weeks of imports 4/	10.1	8.2	5.6	4.2	3.9	5.6	7.0	11.1	13.6	16.1	18.3

Sources: Data provided by the Lesotho authorities; and staff projections.

1/ Excluding the Lesotho Highlands Water Project (LHM).

2/ Excluding unrequited transfers (official, private, and LHM).

3/ Including grants.

4/ Excluding imports associated with the LHM.

5/ Excluding grants

6/ Including the Lesotho Highlands Water Project (LHM)

KINGDOM OF LESOTHO
EDUCATION SECTOR DEVELOPMENT PROJECT

Project Cost Summary by Project Component
(US\$ Million)g/

	<u>Local</u>	<u>Foreign</u>	<u>Total</u>	<u>% F.E.</u>	<u>% Total Base Costs</u>
A. BASIC EDUCATION					
1. Facilities	7.5	14.2	21.7	65	34
2. Curric & Instruc Materials	0.8	0.2	1.1	21	2
3. Assessment	0.7	1.3	1.9	65	3
4. Professional Support	1.9	0.4	2.3	18	4
5. Efficiency	0.1	0.2	0.3	65	0
6. Teacher Recruitment	8.7	0	8.7	0	13
Sub-total	19.7	16.8	36.2	45	56
B. TEACHER TRAINING					
1. NTTC Strengthening/Output	2.3	3.9	6.2	63	10
2. Pre-/In-service Training	2.2	0.9	3.1	29	5
Sub-total	4.4	4.7	9.2	52	14
C. TECH & VOC EDUCATION					
1. Quality & Cost Effectiveness	0.6	0.9	1.4	61	2
2. Skills Cert/Indust Trng	0.5	0.6	1.1	54	2
3. Policy Development	0.1	0.1	0.3	49	0
Sub-total	1.2	1.6	2.9	57	4
D. NATIONAL UNIV. OF LESOTHO					
1. Quality & Cost Containment	0.5	2.2	2.7	62	4
E. SECTORAL MANAGEMENT					
1. Reorganization of MOE	3.9	2.7	6.6	41	10
2. Decentralization of MOE	1.2	2.3	3.5	66	5
3. Local Level School Mgmt	0.9	0.3	1.2	24	2
4. Monitoring & Evaluation	0.4	1.5	1.9	78	3
Sub-total	6.4	6.8	13.2	50	20
F. PROJECT PREPARATION FACILITY	<u>0.4</u>	<u>0.5</u>	<u>0.9</u>	<u>53</u>	<u>1</u>
Total BASELINE COSTS	<u>32.7</u>	<u>32.2</u>	<u>64.9</u>	<u>50</u>	<u>100</u>
Physical Contingencies	1.4	2.7	4.1	67	6
Price Contingencies	2.8	2.7	5.6	49	9
Total PROJECT COSTS	<u>36.9</u>	<u>37.7</u>	<u>74.6</u>	<u>51</u>	<u>115</u>

g/ Numbers may not add up exactly due to rounding.

Financing Plan
(US\$ Million)

	<u>Local</u>	<u>Foreign</u>	<u>Total</u>
Government	18.9	1.4	20.3
IDA	8.0	17.2	25.2
USAID	9.0	15.9	24.9
EC	1.0	3.2	4.2
TOTAL	36.9	37.7	74.6

KINGDOM OF LESOTHO
EDUCATION SECTOR DEVELOPMENT PROJECT

Procurement Arrangements a/ b/
(US\$ Million)

Project Element	-----Procurement Method-----				Total Cost
	ICB	LCB	Prudent Shopping	Other c/	
I. Investment Costs					
A. Civil Works-Primary	- (-)	18.7 (11.7)	- (-)	5.0 (-)	18.7 (11.7)
B. Other Civil Works	6.8 (1.4)	2.4 (0.4)	- (-)	- (-)	9.2 (1.8)
C. Equipment, Furniture, Vehicles Materials, Supplies, Books	1.0 (1.0)	0.4 (0.4)	0.8 (0.8)	8.8 (-)	10.8 (1.7)
D. Technical Assistance and Studies	- (-)	- (-)	- (-)	9.9 (5.8)	9.9 (5.8)
E. Training and Fellowships	- (-)	- (-)	- (-)	2.4 (1.5)	2.4 (1.5)
F. Meetings/Workshops	- (-)	- (-)	- (-)	4.1 (1.8)	4.1 (1.8)
G. Per Diems	- (-)	- (-)	- (-)	1.3 (-)	1.3 (-)
H. PPF	- (-)	- (-)	- (-)	0.9 (0.9)	0.9 (0.9)
II. Recurrent Costs					
A. Local Salaries	- (-)	- (-)	- (-)	15.3 (-)	15.3 (-)
B. Operation and Maintenance	- (-)	- (-)	- (-)	2.2 (-)	2.2 (-)
C. Supplies/Materials	- (-)	- (-)	- (-)	0.1 (-)	0.1 (-)
D. Services/Rents	- (-)	- (-)	- (-)	0.2 (-)	0.2 (-)
TOTAL	7.8 (2.4)	18.5 (12.5)	0.8 (0.8)	50.0 (10.0)	74.6 (25.2)

a/ Includes US\$ 8.4 million in local taxes and duties

b/ Figures in parentheses are the respective amounts to be financed under the IDA credit.

c/ USAID and EC procurement using their own procurement methods, procurement of consultants services, training and fellowships, and procurement of workshop costs, etc. using standard Government procedures.

LESOTHO
EDUCATION SECTOR DEVELOPMENT PROJECT

ALLOCATION AND DISBURSEMENT OF IDA CREDIT
(US\$ million)

<u>Disbursement Category</u>	<u>IDA Allocation</u>	<u>Percentage of Expenditure to be Financed</u>
1: Civil Works Primary		
(a) Phase I	3.6	85% of total expenditure
(b) Phase II	3.9	85% of total expenditure
(c) Phase III	3.9	85% of total expenditure
2: Civil Works University	0.4	100% of foreign expenditures and 80% of local expenditures
3: Civil Works Skills Cert. Center	0.4	100% of foreign expenditures and 80% of local expenditures
4: Civil Works NTTC/ District Centers	0.7	10% of total expenditure
5: Furniture, Vehicles, Equipment, Materials, Supplies	1.4	100% of total expenditures
6: Technical Assistance, Training, Fellowships, Workshops, Meetings, Studies	8.7	100% of total expenditures
7: Project Preparation Facility	0.9	100% of total expenditure
8: Unallocated	1.3	
<u>TOTAL</u>	<u>25.2</u>	

LESOTHO
EDUCATION SECTOR DEVELOPMENT PROJECT

Timetable of Key Processing Events

- (a) Time taken to prepare: 15 months
- (b) Prepared by: Government with IDA assistance
- (c) First IDA Mission: November 1989
- (d) Appraisal mission departure: March 1991
- (e) Negotiations: May 1991
- (f) Planned Date of Effectiveness: September 1991
- (g) List of relevant Bank documents: First Education Project
PPAR Report no. 2999-LSO
- Second Education Project
PCR Report no. 5356-LSO
- Third Education Project
PPAR Report no. 8239-LSO
- Fourth Education Project
Draft PCR Report no. 8855-LSO
- Kingdom of Lesotho: Improving Quality and Efficiency in Education: Toward a Plan for Reform and Revitalization
Report no. 8066-LSO
- Education Policies for Sub-Saharan Africa: Adjustment, Revitalization and Expansion
Report no. 6934
- Primary Education: A World Bank Policy Paper
World Bank, 1990
- Vocational and Technical Education and Training: A World Bank Policy Paper
World Bank, 1991

KINGDOM OF LESOTHO
EDUCATION SECTOR DEVELOPMENT PROJECT
SUMMARY STATEMENT OF LOANS AND IDA CREDITS

(As of March 31, 1991)

<u>Loan or Credit No.</u>	<u>Fiscal Year</u>	<u>Borrower</u>	<u>Purpose</u>	<u>Bank</u>	<u>Amount in US\$ million (less cancellations)</u>		<u>Closing Date</u>
					<u>IDA</u>	<u>Undisbursed</u>	
<u>Credits</u>							
13 Credit(s)	Closed						
C14810-LES	1984	LESOTHO	HIGHWAYS IV		15.20	2.31	08/31/91 (R)
C15120-LES	1985	LESOTHO	EDUC. IV		10.00	2.90	09/30/91 (R)
C15850-LES	1985	LESOTHO	HEALTH/POP.		3.50	1.84	12/31/91 (R)
C18970-LES	1988	LESOTHO	LAND MGT. & CONSERV.		16.00	15.82	12/31/97
C18980-LES	1988	LESOTHO	URBAN II		20.40	16.58	12/31/94
C20590-LES	1990	LESOTHO	HEALTH/POP. II		12.10	10.13	12/31/95
C21950-LES	1991	LESOTHO	INDUSTRY & AGRO-IN		21.00	20.41	06/30/96
TOTAL NUMBER OF CREDITS = 7					98.20	69.49	
TOTAL^{***} of which repaid					172.49		
					3.05		
TOTAL held by Bank & IDA amount sold of which repaid					169.44		
TOTAL undisbursed						69.49	

Notes:

- * Not yet effective.
- ** Note yet signed.
- *** Total approved: Repayments, and outstanding balance represent both active and inactive Loans and Credits.
- (R) Indicated formally revised Closing Date.
- (S) Indicates SAL/SECAL Loans and Credits.

The Net Approved and Bank Repayments are historical value, all others are market value.

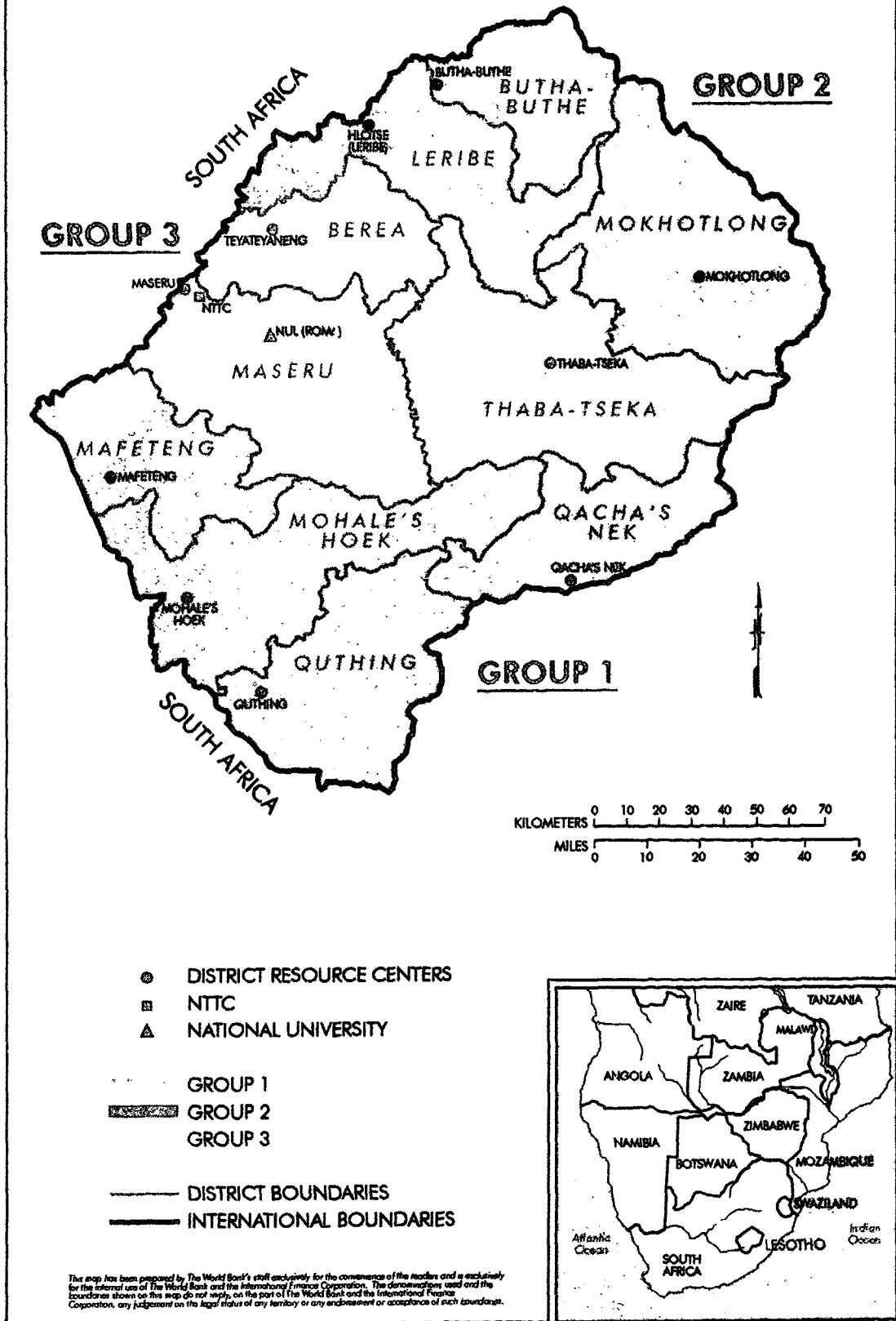
The Signing, Effective, and Closing dates are based upon the Loan Department official data and are not taken from the Task Budget file.

KINGDOM OF LESOTHO
EDUCATION SECTOR DEVELOPMENT PROJECT

STATUS OF BANK GROUP OPERATIONS
(As of September 30, 1990)

<u>Investment Number</u>	<u>FY</u>	<u>Obligor</u>	<u>Type of Business</u>	<u>Loan</u>	<u>Equity</u>	<u>Total</u>
406-LS0	1978	Quality Aggregate Ind.	Constr. Material	<u>0.8</u>	<u>0.0</u>	<u>0.8</u>
		Total Gross Commitment		0.8	0.0	0.8
		Less: Cancellation, terminations exchange, adjustment, repayments, write-offs, and sale				
		Total Commitments Held by IFC		<u>0.8</u>	<u>0.0</u>	<u>0.8</u>
		Total Undisbursed		0.0	0.0	0.0
		Total Disbursed		0.0	0.0	0.0

LESOTHO EDUCATION SECTOR DEVELOPMENT PROJECT



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