ICR Review

Operations Evaluation Department

Report Number : ICRR11884

1. Project Data:		Date Posted :	07/16/2004	
PROJ ID :	P001402		Appraisal	Actual
Project Name :	Ag Pol & Cap Bldg	Project Costs (US$M)	US$ 14.28 million	n.a.
Country:	Lesotho	Loan/Credit (US$M)	US$ 6.80 million	US$ 6.61 million
Sector(s):	Board: RDV - Central government administration (93%), Agricultural extension and research (4%), Agricultural marketing and trade (3%)	Cofinancing (US$M)	$US 6.90 million	n.a.
L/C Number:	C3105			
		Board Approval (FY)		98
Partners involved :	GTZ, AfDB, DFID, EU	Closing Date	12/31/2001	12/31/2003

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2. Project Objectives and Components

a. Objectives

To put in place improved institutional and policy arrangements for the sustainable and efficient management, financing and delivery of public and private agricultural services in Lesotho .

b. Components

Amounts in parentheses refer to the IDA portion of project costs only, since neither other donor cofinancing nor total projects costs are available in the ICR .

(1) **Sector strategy and management** (US$ 0.56 million at appraisal and US$ 1.46 million actual): Improving sector strategy and management by strengthening capacities in the Ministry of Agriculture and Food Security (MAFS) for policy analysis and, particularly at district level, for planning and budgeting, and setting up a monitoring and evaluation system.

(2) **Agricultural support services** (US$ 0.58 million at appraisal and US$ 2.46 million actual): Redirecting agriculture support services to become more client-responsive for effective and sustainable natural resource management .

(3) **Land management and administration** (US$ 1.58 million at appraisal and US$ 0.80 million actual): Facilitating the development of a new land policy and legislation that is compatible with sustainable land use systems and that enhances modern land management and administration practices, together with strengthening the capacity for effective land management.

(4) **Change process management** (US$ 4.08 at appraisal and US$ 1.89 actual): Introducing changes in management through institutional restructuring, privatization and divestiture of activities, and market liberalization .

c. Comments on Project Cost, Financing and Dates

According to the project design, the four cofinanciers were to provide parallel co -financing in which each donor managed the financing of its contribution independently while at the same time allowing the financing of a number of activities jointly by several donors. However, GTZ did not approve its contribution until September 1999 -- two months after effectiveness -- and DFID not until July 2001, around the time of the MTR. The EU withdrew its contribution altogether in November 2000, following agreement with the Government of Lesotho (GOL) to transfer these funds to other sectors. The original three-year duration was unrealistically short for such an ambitious project . The project became effective 10 months behind schedule due to disruptions in government operations on account of the civil disturbances in August/September 1998 following strongly contested elections, and to delays in finalizing the cofinancing agreements. It consequently closed 2 years later than originally planned.

3. Achievement of Relevant Objectives:

The objectives of the project were highly relevant, since modernization and sustainable growth of the agricultural sector was hindered by an inadequate policy and institutional framework, some of which had been put in place in response to the former apartheid regime in South Africa. The project was originally conceived as an Agricultural Sector Investment Program (ASIP). The bulk of the preparatory work between 1993 and 1997 took place within this framework, and then the project was scaled back due to the lack of human resource capacity to implement such a broad-based ASIP. However, the project, which had 4 components and 15 subcomponents, was still too ambitious, even as simply the first phase of a long-term (15 year) program of policy and institutional reform in the agricultural sector.

The achievement of the objectives has been mixed. On the one hand, the project achieved some notable policy and institutional reforms such as completing the district economic strategies and the national agricultural sector strategy, drafting the agricultural subsidy and land policies, unifying the extension system, streamlining of the MAFS, with ongoing restructuring of the central and district offices and decentralizing functions. On the other hand, several key objectives still remain to be accomplished, such as completing the land legislation, full privatization of public enterprises, market liberalization of some agricultural commodities, and completion of the restructuring of MAFS national and district offices. Upgrading the skills of MAFS personnel, in the context of capacity building, was also limited since the training program was short term in nature.

4. Significant Outcomes/Impacts:

(1) MAFS completed district economic strategies in 2000/2001, to serve as the basis for its agricultural extension services for the country's ten districts, and drawing upon these district strategies, prepared the first ever national Agriculture Sector Strategy document in August 2003, which now represents the government's national policy and strategy in the agricultural sector.

(2) MAFS made substantial progress in unifying the public agricultural extension system -- the main subcomponent of the agricultural support services component. After developing and consolidating the UES extension model in March 2001, and piloting it in three districts, the MAFS then introduced the UES in all 10 districts through training of district extension staff in the action learning cycle and in the preparation and implementation of Community Action Plans (CAPs). All staff have been trained in 7 of the 10 districts, with 90 percent or more staff trained in the remaining 3 districts. About 160 CAPs have been prepared with implementation underway on 80 of them.

(3) The government made significant progress with respect to land policy and legislation, although the new legislation is still to be enacted. A Land Policy and Review Commission delivered its land policy review report in September 2000, which the GOL adopted as an official working document. Then the Ministry of Local Government (MOLG) appointed a task force to develop a Land Policy White Paper based on the report, which was delivered for Cabinet consideration and approval in August 2001.

(4) The MAFS has put in place a monitoring and evaluation system. A baseline survey in two pilot districts was undertaken in 2001, and a follow-up survey in 2003 to monitor impact.

5. Significant Shortcomings (including non-compliance with safeguard policies):

(1) Quality at entry was weak. While project design addressed the appropriate institutional and policy constraints in the sector, this failed to take account of the demanding nature of project activities, particularly considering their political sensitivities. Several reforms, such as land legislation, privatization, and liberalization of agricultural marketing required extensive time-consuming stakeholder consultations. While the project design and implementation period was scaled down from an ASIP to focus more on policy reform and capacity building, the scope remained too broad for the project's duration and the government's implementation capacity.

(2) The GOL introduced a large subsidy program in response to the weather-related food situation in 2002 which represented a significant policy reversal and undermined implementation progress. This subsidy program was fiscally unaffordable, had an adverse private sector impact, encouraged production on marginal lands, and perpetuated farmer dependency. While the GOL issued a more rational national policy statement on the use of agricultural subsidies in May 2003, the 2002 program temporarily reversed the efforts under the project to rationalize the design and use of subsidies (one of the key policy issues under the project). Seventy percent of MAFS staff time was spent on coordination of seed and fertilizer distribution under the 2002 subsidy program, which diverted attention from the implementation of the UES.

(3) The project did not address MAFS's agricultural research policy and the institutional needs under the research subcomponent, mainly due to the slow pace of the concerned Division in advancing the planning and execution of the subcomponent.

(4) Institutional restructuring of MAFS, and privatization, market liberalization, and divestiture of activities under the fourth project component made much less progress than anticipated at appraisal.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Unsatisfactory	Moderately Unsatisfactory	The ICR would have rated the project as moderately unsatisfactory if the ICR rating scale had so permitted.
Institutional Dev .:	Modest	Modest	
Sustainability:	Likely	Likely	
Bank Performance:	Satisfactory	Satisfactory	Good supervision outweighed weak quality at entry.
Borrower Perf .:	Unsatisfactory	Unsatisfactory	

Quality of ICR :	Satisfactory	

NOTE: ICR rating values flagged with ' * ' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

(1) Set realistic project objectives that take into account the human resource capacity of the country to achieve the objectives within the time-frame of the project, and where this is lacking, scale back the objectives in line with the capacity that can realistically be built up during the life of the project .
(2) Minimize the number of design issues required to be resolved during implementation . Delaying design issues for implementation simply delays implementation and impact .
(3) Policy reforms need to undergirded by strong analytical work and effective consultation with key stakeholders .
(4) The Bank needs to establish a clear monitoring framework, with appropriate management oversight, to guide decisions on project restructuring . When the enabling policy environment for effective project implementation begins to unravel (as occurred in Lesotho after the contested 1998 elections), it is often difficult to distinguish a temporary set-back (requiring intensive supervision but only minor changes in project design) from a fundamental deterioration in government commitment (requiring suspension, cancellation, or restructuring of the project).
(5) Donor coordination is fine in theory but hard to achieve in practice . It may make more sense for donors to agree on an overall strategy and then for each to finance parts of it rather than aiming for a single multi -donor operation of an ambitious scope .

8. Assessment Recommended? ○ Yes ● No

9. Comments on Quality of ICR:

The ICR is forthright about the project's strengths and weaknesses . This was an overambitious project in what turned out to be a difficult implementation environment .
Given the large role that was anticipated at appraisal to be played by four cofinanciers -- equal collectively to the Bank's financial support -- their role during implementation was inadequately discussed in the ICR . No data was provided in the tables in Annex 2 regarding their actual financial contributions . And conclusions concerning their contributions to the project seem inconsistent at times . For example, it is stated on page 14 that "Donor coordination under the project was strong, with joint donor missions the Bank worked actively to integrate and mainstream the separate IFAD project into the CAPs and UES, so as the minimize parallel programs and overburden limited capacities." Yet it is also stated on pages 13 and 15, that delays in cofinancing created difficulties, and on page 19 that the varying procurement requirements of different cofinanciers delayed the implementation of activities that were cofinanced .