

Lesotho: Joint Staff Assessment of the Poverty Reduction Strategy Paper Progress Report

The attached Joint Staff Assessment (JSA) of the Poverty Reduction Strategy Paper Progress Report for **Lesotho**, prepared by the staffs of both the World Bank and IMF, was submitted with the member country's Poverty Reduction Strategy Paper (PRSP) or Interim PRSP (IPRSP) to the Executive Boards of the two institutions. A JSA evaluates the strengths and weaknesses of a country's poverty reduction objectives and strategies, and considers whether the PRSP or IPRSP provides a sound basis for concessional assistance from the Bank and Fund, as well as for debt relief under the Enhanced Heavily Indebted Poor Countries (HIPC) Debt Initiative. The Boards then decide whether the poverty reduction strategy merits such support.

To assist the IMF in evaluating the publication policy, reader comments are invited and may be sent by e-mail to publicationpolicy@imf.org.

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INTERNATIONAL MONETARY FUND AND
THE INTERNATIONAL DEVELOPMENT ASSOCIATION

LESOTHO

Joint Staff Assessment of the PRSP Preparation Status Report

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the International Development Association

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1. Lesotho's interim poverty reduction strategy paper (I-PRSP) was presented to the Executive Boards of IDA (March 6, 2001) and the IMF (March 9, 2001), and the first Preparation Status Report was presented to both Boards on March 1, 2002. That report envisaged completion of the full PRSP around November 2002, but for reasons outlined below, the full PRSP is now expected to be submitted to the IMF and World Bank no later than November 2003. Because about a year has passed since the consideration of the first status report by the two Boards, the authorities have completed a second PRSP Preparation Status Report (henceforth, the Report).
2. The Report states that considerable progress has taken place over the past year. Consultations at the village level were completed in May 2002 and, from June through October 2002, sector and thematic working groups prepared and presented their inputs. With these inputs in hand, all key stakeholders met to prepare the "zero" draft of the PRSP. As the Report notes, these stages took longer than expected. Part of the delay was due to the national elections of May 2002, and further delays were encountered on account of the desire of the new cabinet to merge the National Vision with the PRSP, which the PRSP secretariat has been instructed to coordinate. The consolidation of the two activities and task forces has resulted in administrative delays. Both the National Vision and the PRSP are planning processes that seek to improve living standards.
3. The IMF and World Bank staffs concur that the PRSP process involves considerable learning by doing and therefore some delays could be expected. In assessing the first progress report, the staffs acknowledged this fact and encouraged the authorities to take the time necessary to complete the PRSP. The staffs note that the "zero" draft was completed in November 2002, but the government decided that more work was necessary to ensure a quality product. The extra time needed to coordinate the PRSP with the National Vision is also well justified. It is clear that efforts to bring the two together has reduced public confusion about the two initiatives, and will help harmonize the resulting policy recommendations.

4. The revised timeline presented in the Report indicates that the PRSP will be completed in 2003, and that in all probability the document will be distributed to the IMF and World Bank no later than November 2003. The staffs observe that this completion date at first appears to be drawn out, especially as it signifies a delay of more than 12 months from the plan outlined in the March 2002 review. However, it is understandable that the government is reluctant to set overly ambitious deadlines because of the uncertainties already encountered in planning activities for the first time. In addition, the time required to cost the recommendations, a process that had not started as of end-December 2002, is also difficult to predict. A new zero draft (incorporating the work of the national Vision and the PRSP) is expected in June 2003. Thereafter various consultations would be held. It is expected that those would be completed by August 2003. The Report notes that it may take some time for cabinet to approve the PRSP, hence the November 2003 submission date.

5. Poverty monitoring and the medium-term macroeconomic framework are areas in which the Government of Lesotho has made considerable progress. As indicated in the Report, two measures of poverty, the National Human Development Index and the Core Welfare Indicator Survey, have been merged with the ongoing household budget survey (HBS) which is progressing well and is expected to be completed later in 2003. Although the new poverty baseline from the HBS will not be available for the PRSP, it will be an input into the poverty monitoring system of the PRSP. The government, in cooperation with the UNDP, has also undertaken a project to build poverty monitoring capacity. It will report on millennium development goals as well as the national vision and PRSP indicators. The government produced a comprehensive macroeconomic framework document as part of the PRSP sector working group inputs, and this framework was also used to set the macroeconomic assumptions for the 2003/04 budget discussions. During its regular consultations, the IMF staff recommended that the government build on this new capacity to incorporate alternative scenarios in the PRSP, for example to demonstrate the economic consequences of HIV/AIDS, which is well recognized by the government of Lesotho as a key policy concern. As part of their technical input into the PRSP, the staff of the World Bank, in collaboration with government and other stakeholders, has produced a growth and employment options study; the government may wish to incorporate its results and recommendations into the PRSP. Finally, in the preparation of the PRSP, the authorities may also wish to include recommendations of the Integrated Framework Report that bear on poverty reduction in Lesotho.

6. The government has taken a number of steps to ensure that the PRSP will be completed and presented to the IMF and World Bank by November 2003. The report indicates that the government and participating donors have guaranteed sufficient funds to complete the PRSP. Steps were also taken to improve resource management, including the establishment of a joint secretariat for the National Vision and PRSP. The staffs hope that these developments will ensure that the PRSP will be completed as scheduled. They welcome the Report's assessment that the spirit and goal of poverty reduction is now deeply

entrenched at all levels of Basotho society. Hence, the staffs of the World Bank and IMF consider that progress on the development of the full PRSP, as evidenced by the PRSP Preparation Status Report, is satisfactory and provides a sound basis for continued access to Fund concessional assistance and IDA lending. The staffs recommend that the respective Executive Directors of the World Bank and the IMF reach the same conclusion.