

Document: EC 2018/102/W.P.4
Date: 17 August 2018
Distribution: Public
Original: English

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Investing in rural people

Kingdom of Lesotho

Management Update on the Response to the Project Performance Evaluation of Rural Financial Intermediation Programme

Note to Evaluation Committee members

Focal points:

Technical questions:

Donal Brown
Associate Vice-President
Programme Management Department
Tel.: +39 06 5459 2448
e-mail: d.brown@ifad.org

Rodney Cooke
Regional Director, a.i.,
East and Southern Africa Division
Tel.: +39 06 5459 2291
e-mail: r.cooke@ifad.org

Dispatch of documentation:

Deirdre McGrenra
Chief
Governing Bodies
Tel.: +39 06 5459 2374
e-mail: gb@ifad.org

Evaluation Committee — 102nd Session
Rome, 4 September 2018

For: Review

Management Update on the Response to the Project Performance Evaluation of Rural Financial Intermediation Programme

I. Introduction

1. The 100th session of the Evaluation Committee, held on 23 March 2018, reviewed the project performance evaluation (PPE) for the Rural Financial Intermediation Programme (RUFIP) in the Kingdom of Lesotho (EC 2018/100/W.P.3/Rev.1).¹
2. The Evaluation Committee members noted the moderately unsatisfactory rating received by the programme, which was mainly attributed to over-ambitious design, high staff turnover in the programme management unit and changes in country programme managers (CPMs), all of which hampered achievement of the programme's specific objectives. Nevertheless, the Committee also noted that the programme was strongly aligned to the overall objectives of the government's poverty reduction strategies and had yielded positive results in terms of gender equality, women's empowerment and the sustainability of results.
3. While welcoming Management's response to and agreement with the four recommendations of the PPE,² the Committee emphasized that there was also the need for a fundamental change in programme design and other approaches, to ensure that future projects achieved better results. Members were of the view that Management should inform the Committee of the steps taken to address the issues raised in the PPE, such as; overreliance on government agencies for implementation (which had proved ineffective); invalid assumptions at design; and efficiency issues.
4. The present note has been drafted in response to this request. It provides an overview of: (i) IFAD's engagement in Lesotho and the current portfolio (three projects); (ii) how IFAD's engagement in Lesotho will be strengthened through the upcoming COSOP; and (iii) Management's actions to improve the performance of the ongoing portfolio in Lesotho.

II. Management's actions in the portfolio of Lesotho to address the recommendations and concerns raised by members of the Evaluation Committee at its 100th session

A. Overview of IFAD's engagement in Lesotho

5. Since 1995, IFAD has supported nine programmes in the country for a total of US\$78.9 million, benefiting more than 179,000 poor rural households.
6. The current IFAD portfolio in Lesotho consists of three ongoing operations. Attention has been given to ensuring synergies and linkages within the ongoing portfolio, in order to adopt a more programmatic approach in Lesotho. IFAD has also worked on strengthening partnerships in Lesotho, which is evident in the two operations being implemented with the World Bank and Global Environment Facility (GEF). These partnerships are expected to strengthen the sustainability of the operations, as well as promoting scaling up. The current portfolio includes:
 - Smallholder Agriculture Development Project (SADP), with an IFAD investment of US\$9.9 million. The project's objective is to increase marketed output among beneficiaries in Lesotho's smallholder agriculture sector, and to

¹The programme was approved by the Executive Board of IFAD on 8 September 2007 and was completed on 31 March 2015.

²Elaborated on in the published management response to the PPE (EC 2018/100/W.P.3/Rev.1).

improve the recipient's capacity to respond promptly and effectively to an eligible crisis or emergency.

The project also includes other activities, funded through additional financing from the World Bank: (a) increasing agricultural market opportunities; and (b) increasing market-oriented smallholder production (climate-smart package for smallholders). In order to accommodate the additional financing from the World Bank and the restructuring of the project, IFAD approved budgetary revisions and a no-cost extension of its loan and grant (from 31 March 2018 to 31 March 2020), thus enabling the Lesotho Adaptation for Small-scale Agricultural Production ([LASAP]; see below) to be fully integrated into SADP activities. The additional financing means that the geographical scope of the project area expands from four to seven districts, and increases opportunities for interaction with the Wool and Mohair Promotion Project (WAMPP).

- Lesotho Adaptation for Small-scale Agricultural Production, with a GEF grant amounting to US\$4.3 million. The grant is expected to increase the resilience of small-scale agriculture and agricultural productivity in the face of climate change impacts, by promoting climate-proofed investments for agriculture-based development. The financing agreement for LASAP was signed in early February 2017 and a mission was subsequently fielded in May to work with the SADP project management unit (PMU) to integrate the LASAP grant and agree on the way forward. There has been a slight delay in implementation, due to the negotiations for the additional World Bank financing to SADP.
- Wool and Mohair Promotion Project, with an IFAD investment of US\$18.6 million. The goal of WAMPP is to boost the economic and climate resilience of poor smallholder wool and mohair producers to the adverse effects of climate change in the mountain and foothill regions of Lesotho. The development objectives are: (i) to enable smallholder livestock producers to generate higher incomes and more sustainable livelihoods; and (ii) to increase their ability to cope with and recover from natural shocks. WAMPP began implementation in June 2016, one year after the signature of the financing agreement. The Prime Minister of Lesotho launched WAMPP on 16 June 2016 and urged all parties to contribute to making this project successful.

B. Strengthening IFAD's engagement in Lesotho through the upcoming COSOP

7. IFAD is currently elaborating an interim country strategy note, in order to establish a strategic framework that will provide the basis for immediately accessing the Eleventh Replenishment of IFAD's Resources (IFAD11). While working on the country strategy note, we will be conducting a thorough assessment of where we are in Lesotho and what our options are for the future. While the current portfolio in Lesotho does not include a rural finance focus, Management values the learning generated through the PPE and will use that as a basis for any future engagement in rural finance in the country.
8. This assessment will feed directly into the development of a fully-fledged results-based country strategy opportunities programme (RB-COSOP), to be approved by Management and subsequently reviewed by the Executive Board, in December 2019. In-depth analysis of the baseline data is ongoing and will inform the development of the new COSOP, as well as the ongoing targeting of the WAMPP. The upcoming COSOP – as well as future IFAD project designs – will also make use of additional data from the World Bank national survey currently being planned, and the just-finalized Food and Agriculture Organization of the United Nations' rural atlas of Lesotho with rich biophysical information.

9. Discussions are ongoing with the GEF operational focal point for Lesotho, to invest GEF-7 funds to increase nutritional diversity and agrochemical management and for further promotion of climate-smart approaches in the rangelands, with a strong focus on wetlands. This initiative will build on the findings of the Multidimensional Poverty Assessment Tool baseline assessment and on pilot activities in wetland management carried out under the SADP. These will form the basis for stakeholder consultations planned for launch of the COSOP process in late 2018. This process will be preceded and run concurrently with the COSOP results review process, which in turn will be used to guide the COSOP design process as well as the new project design. A first stakeholder consultation is scheduled for early August 2018.

III. Management's actions to improve the performance of the ongoing portfolio in Lesotho

10. Management agreed with the main concerns raised by the Evaluation Committee members, particularly those related to over-ambitious design and to implementation arrangements in the country. Since that PPE, Management has taken the following actions to improve portfolio performance:
 - (a) Fundamental changes have been made in project design and other approaches to ensure that future projects achieve better results. A strengthened participatory approach was adopted, to ensure broader consultations with a wider range of stakeholders in the context of the design of the most recent projects in Lesotho. Indeed, there was broad consultation throughout the design process of WAMPP, including with key government implementation agencies and with representatives of beneficiaries – among them the Lesotho National Wool and Mohair Growers Associations – and relevant non-governmental and community-based organizations.

In order to avoid over-ambitiousness, identified as one of RUFIP's main challenges, the most recent project in the Lesotho portfolio (WAMPP) focuses on two closely related value chains (wool and mohair), while adopting a multi-sector approach to ensure that the value chain and all relevant actors are provided with sufficient capacity.

The WAMPP design process was also more evidence-based, by making extensive use of available data sets within the country (see recommendation 4 in the Management response contained in document EC 2018/100/W.P.3/Rev.1), as well as of data from the Geoinformatics Unit of the International Center for Research in Agroforestry and the European Space Agency, to identify the status of the rangelands.

Additionally, at the corporate level the design process has been reviewed and revised under the Operational Excellence for Results initiative. This is expected to improve the overall efficiency and effectiveness of the programme design, review and clearance processes, to address some of the concerns raised by the Independent Office of Evaluation of IFAD and the Evaluation Committee.

- (b) Steps have been taken to address high staff turnover in the programme management unit and changes in country programme managers. Implementation of IFAD's corporate decentralization plan, and the grouping together of a critical mass of CPMs in the South Africa subregional hub (in Johannesburg), will ensure the stable presence of CPMs. PMU staff turnover is an issue that has been candidly discussed with the implementing ministries and the Ministry of Planning, and in turn more attention has already been given in the recruitment process to ensure the competency and integrity of key staff, through a more robust and transparent recruitment process.

- (c) Implementation support/service provision has been provided to mandated agencies/NGOs and international organizations, as required, so as to ensure effective partnerships for enhanced project delivery. The provision of start-up costs, in line with the financing agreement, helped the WAMPP project management unit and key service providers benefit from an enhanced capacity-building programme to ensure timely implementation.
- (d) Support has been provided to strengthen monitoring and evaluation (M&E) systems and capacities, which were identified as a weakness both in the PPE and during the Evaluation Committee discussion. New tools like the Multidimensional Poverty Assessment Tool have been introduced, and the M&E teams of both WAMPP and SADP have been trained in their application.

In addition, under the terms of M&E capacity-building support being provided by IFAD, the M&E officers from both WAMPP and SADP are expected to participate in the upcoming training under IFAD's flagship Programme in Rural M&E. Given the rigorous curriculum and assessment framework, it is expected that successful completion of this certification will enhance the skills of project staff in M&E, which have been identified as being weak.

Significant investments have also been made in terms of knowledge management and communications, but further support will be provided to ensure that lessons learned are shared both nationally and regionally, and that they are integrated into other agencies' investments as well. Initial steps to improve knowledge management effectiveness have been facilitated by the communication team of the Environment, Climate, Gender and Social Inclusion Division, through regional training workshops and monthly teleconferences aimed at sharing lessons.

11. Additionally, Management believes that the improved political stability in the country will be a key factor contributing to enhanced project performance.
12. Finally, Management values the guidance provided by the Evaluation Committee and the learning from the PPE, which will help to improve performance in Lesotho. Management is committed to cross-fertilizing the learning from the PPE to other rural finance programmes in similar contexts in Africa, as well as in other countries as relevant.