

**ANNUAL PROGRESS REPORT**

**PROGRAMME TITLE: DEEPENING DECENTRALISATION PROGRAMME (DDP)**

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**LIST OF ACRONYMS**

**AWP** Annual Work Plan

**CBG**  Capacity Building Grant

**CSOs**  Civil Society Organisations

**DDP** Deepening Decentralisation Programme

**DESs** District Economic Strategies

**DPM** Deputy Prime Minister

**DPS**  Deputy Principal Secretary

**EU** European Union

**GIZ** The Deutsche Gesellschaft für Internationale Zusammenarbeit

**IFMIS** Integrated Financial Management System

**LAA** Land Administration Authority

**LAs** Local Authorities

**LDG** Local Development Grant

**LIPAM** Lesotho Institute of Public Administration and Management

**MCC** Maseru City Council

**MoF** Ministry of Finance

**MoLGCPA** Ministry of Local Government, Chieftainship and Parliamentary Affairs

**MoPS** Ministry of Public Service

**PS** Principal Secretary

**MOU** Memorandum of Understanding

**PSC** Programme Steering Committee

**PTC** Programme Technical Committee

**UNCDF** United Nations Capital Development Fund

**UNDP** United Nations Development Programme

**TORs** Terms of Reference

**TOT** Training of Trainers

1. **SUMMARY AND CONTEXT OF THE ACTION**

In order to reduce poverty, promote inclusive economic growth and entrench democratic principles through improved decentralization, the Government of Lesotho (GoL) through the Ministry of Local Government, Chieftainship and Parliamentary Affairs, Ministry of Finance and Ministry of Public Service has in partnership with the European Union (EU), United Nations Capital Development Fund (UNCDF) and United Nations Development Programme (UNDP) embarked on implementation of the Deepening Decentralization Programme (DDP). The EU is the main funding partner with Euros 8,000,000.00 and Euros 880,000 from UNCDF. DDP is a multi-stakeholder programme whose overarching purpose is to promote decentralized service delivery for social and economic growth through the development of transparent funding mechanisms and by improving the accountability of local authorities. Specifically, the three main challenges that the programme seeks to address are limited decentralization among line ministries with few staff and functions devolved, limited budget discretion for district and community councils, and limited central, but mostly local level capacity to deliver decentralized services. These challenges provided the general baseline for the three key outputs of the programme, namely improving local development funding, developing accountability systems at local level and enhancing the capacity of line ministries to decentralize functions and resources.

January to December 2014 has been a period of considerable progress on the outputs of the programme. Major systems and frameworks for decentralisation were attained. The National Decentralisation Policy was passed by the government of Lesotho, the Local Development Grant (LDG) was ceremonially handed over and disbursed to local authorities and the Local Government Association was established as part of the new decentralisation regime brought about by the new policy.

1. **ACTIVITIES CARRIED OUT IN THE YEAR UNDER REVIEW** 
   1. **OUTPUT 1: IMPROVED DEVELOPMENT FUNDING THROUGH LOCAL AUTHORITIES**

The achievement of this output is expected through the provision of funds for local development to Local Authorities (LAs). The objectives are to develop the capacity of LAs to plan, budget and provide resources for local development and basic service delivery; pilot a discretionary capital fiscal transfer system at the local level and to act as an incentive for decentralisation reforms as the lessons and experiences are documented and systematically fed into the reform process to improve service delivery.

**2.1.1 LDG Training for District Economic Planners, Procurement Officers and Finance Managers**

As part of the preparatory processes towards the disbursement of the LDG to local authorities, a total of 68 key staffs which accounts for almost 100% of the planning, procurement and finance officers at local level were trained on the LDG. The training targeted the District Economic Planners, Procurement Officers and Finance Managers from all the ten districts of Leribe, Berea, Maseru, Butha Buthe, Mokhotlong, Mafeteng, Mohale’s Hoek, Quthing, Qacha’s Nek, Thaba Tseka and Maseru City Council. The purpose was to introduce the participants to the Deepening Decentralization Programme (DDP), the Local Development Grant (LDG) and the roles and responsibilities of the different stakeholders. The officials were selected from the district level and Maseru City Council because the LDG is intended to start at district level and the Maseru City Council. The mentioned categories were targeted because of the key role they play in planning and budgeting, public procurement and disposal of assets and financial management.

The outcome of the training is that all the councils were able to prepare the District work plans for 2014/15 in time compared to the previous year. The financial statements for the previous year (2013/14) were prepared and submitted to the Ministry of Local Government within the timeframe of three months which is in line with the requirements compared to the previous year where none of the districts met this criterion. All the final accounts have been submitted to the Office of the Auditor General for external audit. It is expected that the next assessment will find an improved situation in the councils regarding annual plans and financial statements.

In the evaluation of the training, participants raised concerns about the positioning of the District Economic Planners which currently doesn’t give them enough room to work with the District Councils and support the planning and budgeting processes in a timely manner. This question has been addressed by the newly approved decentralization policy and model which proposes re-organization and restructuring of Local Government systems and functions to enhance service delivery at the local level.

**2.1.2 Local Development Grant Training of Trainers (TOT)**

One of the major activities in the work plan for 2014 was the implementation of the Local Development Grant (LDG). There are a number of preparatory activities that had to be carried out before the actual disbursements could happen, including the thorough sensitization and training of the Local Authorities on the LDG, its objectives, allocation across the districts, minimum conditions and performance measures, fund flow and utilization, financial management, procurement and disposal of assets procured under the DDP, audit and reporting. The Training of Trainers (TOT) was therefore conducted to create a team of facilitators who could be dispatched to the districts to sensitize and train the Local Authorities to ensure proper management and utilization of the LDG. The training was attended by twelve selected participants from MoLG, MoF, MoPS and the Local Authorities.

The specific objectives of the training were: to ensure trainers are aware of the purpose and objectives of the LDG; to help the Trainers understand how the LDG is allocated across districts; to become familiar with how the LDG can and cannot be used; to understand the Minimum Conditions and Performance Measures, how they are assessed and how the results of the assessment affect the LDG allocation; to understand the process of funds flow and how certain accounting and reporting requirements affect the LDG releases; to become familiar with how to use the LDG handbook to train others; to provide practical tips, skills and knowledge to the Trainers to correctly sensitize and train Local Authorities on the use and management of the LDG.

The outcome of the training was the creation of a team of facilitators that are conducting the trainings on LDG in the ten districts and Maseru City Council. In the evaluation of the training, majority of the participants mentioned that this was a learning opportunity and that they are more equipped to do their work better. The training was also seen as a team building exercise that brought the different cadres of staff together. Participants recommended that: there is need to provide uniform planning, monitoring and reporting formats for the District councils. This has been addressed in the LDG operational manual.

The outcome of the training is that the team undertook countrywide training of local authorities on LDG which has assisted the local authorities to develop LDG and capacity building grant (CBG) -specific plans for 2014/15. All the districts have submitted the LDG and CBG-specific plans.

**2.1.3 Launch of the LDG**

The Programme Steering Committee (PSC), on the 13th of February 2014 approved the programme’s plan to start disbursing the LDG grants by May 2014. However the PSC advised that a lot of publicity should be given to the process for purposes of public education prior to the disbursement. In order to respond to this call, the week of the 24th – 28th Feb 2014 was marked as the week of publicity and media campaign about the programme. The campaign started with the successful press conference by the Deputy Prime Minister and Minister of Local Government, Chieftainship and Parliamentary Affairs (DPM) on the 24th followed by media presentations on the 25th, both on TV and radio. The essence of the campaign messages was to emphasise the fact that after the pre-disbursement assessment for the LDG, it is possible that some districts may not qualify for the grants. The districts that would not qualify for the LDG would nevertheless  benefit from the capacity building grant in the programme, and also that they would still continue to benefit from the normal government funding to the councils.

The campaign culminated with the Launch of the LDG by the DPM on Friday the 28th February 2014. The purpose of the launch was not only  to avert possible misinterpretation of the initiative but it was also intended to be the awareness raising exercise about the initiative to the members of the public. The activity was a high-level activity which was attended by 153 participants including the Ministers, Members of Parliament, Development Partners, Principal Secretaries and Local Authorities.

**2.1.4 Assessment of District Councils and Maseru City Council for accessing the LDG**

At the beginning of March 2014 the independent assessor was appointed to undertake the assessment of 10 district councils and Maseru City Council for purposes of accessing the Local Development Grant. The Assessment lasted for more than a month. The long-term goal of the annual local authorities assessment exercise is to encourage improved local government performance at key functional areas including good governance, improved planning and budget execution, and prudent financial management and accountability among others.

The specific objectives of the assessment were: to determine the Local Authorities that have the capacity to manage discretionary LDG and therefore eligible to access the LDG under the DDP; to verify compliance of Local Authorities to the provisions of the laws and regulations in regard to development planning and budgeting, financial management and staffing; to assist the Local Authorities to identify functional capacity gaps and needs that can be used to prepare a targeted capacity development plan; to establish information that will strengthen the monitoring and evaluation processes; to enhance transparency and accountability, service delivery and overall resource management efficiency.

The 10 Districts and Maseru City Council were assessed on three minimum conditions namely:

1. District Annual Development Plan (DAP) for the current financial year (FY) approved by council.
2. Complete Final Accounts for the previous FY produced and submitted to the MoLG within the given time (3 months after the end of the FY).
3. Fulltime District Council Secretary, Finance Manager, Principal Technical Officer (engineer), Human Resource Manager, Procurement officer and Administration Manager with written job descriptions.

The overall assessment results reveal that there was no Local Authorities that met all the three minimum conditions out-right. However, five local authorities managed to pass all the 3 minimum conditions, with late submission of final accounts to the Ministry of Local Government. The local authorities are *Berea, Butha Buthe, Maseru, Mokhotlong, and Maseru City Council*. These are the local authorities which the assessment team found to have met all the three minimum conditions that were assessed provided the DDP Steering Committee approves a waiver of the timely submission.

Six local authorities failed on at least one of the minimum conditions assessed. These Local Authorities include the districts of *Mafeteng, Mohale’s Hoek, Qacha’s Nek, Thaba Tseka, Leribe and Quthing*

Three local authorities failed only due to absence of key staff. They are *Leribe, Mafeteng and Quthing districts*. This represents a special category of failure LGs because, as constantly argued by all local governments, the responsibility to provide LG staff falls entirely outside the control of local authorities. The Ministry of Local Government is entirely responsible for recruiting all categories of LG staffs**.** For that matter, it was recommended that the DDP Steering Committee should consider this category as a potentially qualified group provided the Ministry of Local Government can recruit and deploy the missing staff before the disbursement date of LDG.

**Table 1: Summary of Findings per Functional Area**

|  |  |  |
| --- | --- | --- |
| **Indicator** | **Local Authorities that Met the indicator** | **Local Authorities that did not meet the indicator** |
| **District Annual Development Plan (DAP) for the current financial year (FY) approved by council.** | **Nine (9)**  Berea, Botha Buthe, Leribe, Maseru City council, Maseru district, Mokhotlong, Quthing, Mafeteng and Thaba Tseka | **Two(2)**  Mohale’s Hoek and Qacha’s Nek |
| **Complete Final Accounts for the previous FY produced and submitted to the MoLGCPA within the given time (3 months after end of FY)** | **Eight (8)**  Berea, Mafeteng, Botha Buthe, Leribe, Maseru City council, Mokhotlong, Maseru district and Quthing | **Three(3)**  Mohale’s Hoek, Qacha’s Nek and Thaba Tseka |
| **Fulltime District Council Secretary, Finance Manager, Human Resource Manager, Principal Technical Officer (engineer), Procurement officer and Administration Manager with written job descriptions** | **Five (5)**  Berea, Botha Buthe, Maseru City council, Maseru district, and Mokhotlong) | **Six (6) -**  Leribe, Quthing, Thaba Tseka, Mafeteng, Mohale’s Hoek and Qacha’s Nek, |

**2.1.5 Verification of staffing in the Districts of Leribe, Mafeteng and Quthing**

The assessment of the districts for purposes of the LDG had found that, three of the districts i.e. Leribe, Mafeteng and Quthing didn’t meet the condition regarding staffing as indicated in the table above. The assessment report recommended that the MoLG should take immediate action (latest by May, 2014) to recruit the missing staffso that these LGs can be prepared to join the first group of LGs to receive LDG during this Financial Year.

This recommendation was presented and discussed at DDP Technical Committee meeting which took place on 17th of April 2014 and later presented to the DDP Steering Committee for approval. The DDP Steering Committee that sat on the 29th April 2014 approved the recommendation whereby the MoLG was granted the month of May 2014 to fill the vacant positions in the three districts. The PSC also approved a waiver on the timely submission of financial reports for only the first assessment.

However, a strong emphasis was placed on the fact that condonation of late submission of final accounts will not be done again in the next assessment. The EU strongly emphasized that for the next year and for the rest of the programme NO leniency would be applied on late submission of final accounts.

As a follow-up to the recommendations of the DDP Steering Committee, the DDP Technical Committee meeting which took place on Friday 30th May 2014, agreed to carry out a verification exercise to confirm whether the vacant positions in the three districts had been filled. The Ministry of Finance, Ministry of Public Service and UNDP/UNCDF were assigned to carry out the verification on the 3rd and 4th June 2014.

The verification report indicates that the condition was **met** with regard to Leribe and Quthing, and **not met** for Mafeteng. For Mafeteng, the position of the Human Resource Manager was still vacant due to the early retirement of the incumbent following a suspension case. MoLG had initiated the recruitment process but the position could only be filled in July 2014. The recommendation was that the two districts should be included in the list of districts to receive the first round of LDG as decided by the Steering Committee and for Mafeteng MoLG should complete the recruitment process for the Human Resource Manager as planned (July 2014) and Mafeteng be considered for late disbursement. By the end of July, the Ministry of Local Government had not completed the recruitment process, therefore an acting Human Resource Manager was appointed for Mafeteng. On that basis Mafeteng qualified to join the districts that received the 1st cycle of the LDG in 2014.

**2.1.6 Allocation of the LDG**

The formula-based allocation to district councils which is based on the variables of *land area (15%)*, *poverty count* (40%) and *population* (45%) was agreed. The annual allocation of USD 1,200,000.00 (One million two hundred thousand dollars) equivalent to Euros 904,800.00 (Nine hundred four thousand eight hundred Euros) was divided into 80% for capital development and 20% for capacity building as hereunder appears:

**Table 2: Local Development Grant (For only Districts that Met the Minimum Conditions)**

|  |  |  |
| --- | --- | --- |
| 1. **LOCAL DEVELOPMENT GRANT ( for only districts that met the minimum conditions)** | | |
| **No.** | **Name of District** | **Amount (USD)** |
| 1 | Maseru | 140,355.80 |
| 2 | Maseru City Council | 123,724.75 |
| 3 | Butha Buthe | 77,294.36 |
| 4 | Leribe | 183,151.18 |
| 5 | Berea | 150,406.32 |
| 6 | Mafeteng | 124,248.58 |
| 7 | Quthing | 80,707.53 |
| 8 | Mokhotlong | 80,111.48 |
|  | **Total** | **960,000.00** |

Table 3: **Capacity Building Grant (Distributed among all Districts)**

|  |  |  |
| --- | --- | --- |
| 1. **CAPACITY BUILDING GRANT (distributed among all districts)** | | |
| **No.** | **Name of District** | **Amount (USD)** |
| 1 | Maseru | 28,500.19 |
| 2 | Maseru City Council | 19,251.85 |
| 3 | Butha Buthe | 14,060.38 |
| 4 | Leribe | 32,212.86 |
| 5 | Berea | 26,931.24 |
| 6 | Mafeteng | 21,875.93 |
| 7 | Quthing | 18,381.13 |
| 8 | Mokhotlong | 19,399.21 |
| 9 | Mohales Hoek | 24,476.01 |
| 10 | Qacha’s Nek | 12,298.35 |
| 11 | Thaba Tseka | 22,612.87 |
|  | **Total** | **240,000.00** |

**Table4: Combined Allocation of the Local Development Grant and Capacity Building Grant per District**

|  |  |  |
| --- | --- | --- |
| 1. **ALLOCATION OF THE LOCAL DEVELOPMENT GRANT AND CAPACITY BUILDING GRANT** | | |
| **No.** | **Name of District** | **Amount (USD)** |
| 1 | Maseru | 168,856.00 |
| 2 | Maseru City Council | 142,976.60 |
| 3 | Butha Buthe | 91,354.73 |
| 4 | Leribe | 215,364.03 |
| 5 | Berea | 177,337.56 |
| 6 | Mafeteng | 146,124.51 |
| 7 | Quthing | 99,088.65 |
| 8 | Mokhotlong | 99,510.69 |
| 9 | Mohales Hoek | 24,476.01 |
| 10 | Qacha’s Nek | 12,298.35 |
| 11 | Thaba Tseka | 22,612.87 |
|  | **Total** | **1,200,000.00** |

**2.1.7 Announcement and Handover of LDG and CBG to Local Authorities**

The Honourable Deputy Prime Minister and Minister of Local Government, Chieftainship and Parliamentary Affairs, Hon, Mothetjoa Metsing, officially announced and handed over the first discretionary Performance Based Local Development Grant (LDG) and Capacity Building Grant (CBG) to all the 10 District Councils and Maseru City Council on Friday 18th July 2014. The activity was also attended by the Minister of Planning and Deputy Minister of Local Government. The councils were handed of the symbolic cheques as presented in table 4 above. The activity received wide media coverage. The LDG account was opened by MoF in the second week of October 2014 following a request by the MoLG. This process experienced some delays due to the changes in the Principal Secretaries in the two Ministries. In December, 46% of the total LDG was disbursed to councils.

**2.1.8 Sensitization of councils on the operational management of the LDG**

Following the ceremonial handover of the LDG, the LDG operational manual was published. All the ten district councils and Maseru City Council were trained on the operationalization of LDG.

A total of 930 participants from all the 10 District Councils and Maseru City Council were sensitized on the operation and management of the LDG and CBG using the operational manual. The participants list covered all the District Council Secretaries, Town Clerks, District Economic Planners, Procurement Officers, Environment Officers, Finance Managers, Information Officers, Administration Managers, Human Resource Managers, Principal Technical Officers, Physical Planners and all members of the District Tender Boards. Following the training all the councils have submitted their LDG and CBG work Plans for funding on this financial year. The plans were reviewed, feedback provided to councils and necessarily revisions were made by the councils.

In the evaluation, participants were happy that the LDG is discretionary and performance based which on one hand will enable the local authorities to address priority needs of the communities and on the other hand reward the performing districts. Participants recommended increasing the number of Local Authorities’ representatives on the PSC in particular a representative of the District Council Secretaries and MCC who will be able to bring in practical experiences from the local level as the projects are being implemented. The councils also requested the DDP partners to help expedite the formation of the Local Government Association.

* 1. **OUTPUT 2: DECENTRALIZATION AND ACCOUNTABILITY SYSTEMS AT THE LOCAL LEVEL PROMOTED**

This output is designed to provide a national enabling policy environment and preconditions to Output 1, in particular to ensure proper capacities are in place for the rollout of decentralization. The minimum conditions and performance measures for local development funding mechanisms are expected to provide incentives to improve transparency and accountability at the local level, and capacities to be developed in support of it.

**2.2.1 Decentralisation Policy (Model) Development**

After intensive and broad-based consultations in 2013 and early 2014, the Government of Lesotho adopted the National Decentralisation Policy on the 25th February 2014. The process of the development of decentralisation policy was led by the Ministry of Local Government, Chieftainship and Parliamentary Affairs through a joint support between DDP and GIZ. The adoption of the decentralisation policy is a major milestone in the processes of deepening decentralisation in the Country.

The purpose of the decentralisation policy is to deepen and sustain grassroots-based democratic governance and promote equitable local development by enhancing citizen participation and strengthening the local government system, while maintaining effective functional and mutually accountable linkages between central and local governments’ entities. Specifically, the policy provides for the following key strategic reform actions, amongst others:

* Adoption of devolution as the model of decentralised governance and service delivery;
* Establishment of Local Governments with autonomy and executive authority
* Development and implementation of the strategic framework for participatory and integrated planning;
* Establishment of Fiscal decentralisation and prudent public financial management;
* Development of a framework for exercising local autonomy and Inter-governmental relations

**2.2.2 Assessment of the State of IFMIS in the districts**

One of the key indicative activities under this output is the rollout of the IFMIS to the districts. Having earlier established in the programme that there is no need for a separate system for local authorities, the approach has been the decentralisation of IFMIS not only to the de-concentrated government departments in the districts but even to the local authorities. However, the issue of ICT infrastructure in the districts is quite inhibiting on the processes of decentralising the system. The rapid assessment was done to ascertain the state of ICT infrastructure for the system in the districts. The team was lead from the Ministry of Finance, Office of the Accountant General. The report shows that the councils lack necessary ICT infrastructure to sustain IFMIS. Some investment on this may be necessary. The programme will build ICT capacity of councils to roll out IFMIS.

**2.2.3 Sensitisations about the Decentralisation Policy**

While Line Ministries at central level had been sensitised about the Policy and the changes envisaged by the policy, not all local level stakeholders have been sensitised. Thus, the purpose of the sensitisation programme during the reporting period was to introduce the new policy to the local stakeholders. The policy intends to shift a lot of power and responsibilities to the local authorities. The sensitisation was done in all the ten districts and Maseru City Council. The specific objectives of the sensitisations were, amongst others: to introduce the newly adopted decentralisation policy to the local stakeholders; to open a platform for dialogue on the critical issues emanating from the policy; to distribute the policy; and to share the implementation strategy and approach for the policy, particularly for the financial year 2014/15. The targeted stakeholders were all the councillors; all Local Government Staff; all District Administrators and their staff. The sensitisations also included other stakeholders such as NGOs and other line ministries staff in the districts.

**2.2.4 Implementation of Decentralisation Policy**

After the adoption of the decentralisation policy, certain key implementation processes have started. These are demonstrated below.

*2.2.4.1 Draft Decentralization Policy Implementation and Results Framework:* After the development of the decentralization policy, the key process is to develop the implementation strategy. Draft Decentralization Policy Implementation and Results Framework have been produced in partnership with GIZ.

*2.2.4.2 Review of the Local Government Act:* The process of recruiting the team which will review the Local Government Act is almost complete. The team will be composed of an international expert and the local counterpart. The purpose of the review is rendering the legal framework for decentralisation in Lesotho to be in harmony with the new vision of decentralisation as espoused by the National Decentralisation Policy (2014). Whilst Local Government is the organic legislation for decentralisation in Lesotho, it exists side by side with other pieces of legislation that have a bearing on decentralisation. These other pieces of legislation also need to be harmonised to bring them in tandem with the decentralisation policy.

*2.2.4.3 Re-Demarcation of Leribe and Maseru:* As part of the implementation of the new decentralisation reform which calls for stronger devolution and coordination of local authorities, the Ministry Local Government started re-demarcation of two main urban centres in Lesotho, Masreru and Leribe The purpose of these boundary re-demarcations is to recognize urbanization trends in certain areas in Leribe and Maseru, and the need for better planning and management.

*2.2.4.4 The Local Government Association:* The Local Government Association is envisaged by the decentralisation policy as the statutory organisation of local authorities that will assist to deepen decentralisation. The inaugural conference of the association was held on the 24th -25th September 2014. The conference produced interim structure of the association with a clear programme on when the substantive association will be in place. The interim committee of the association was elected by the local authorities whose key mandate is to prepare for a fully-fledged association within a year.

* 1. **OUTPUT 3: CAPACITIES OF LINE MINISTRIES AND LOCAL AUTHORITIES ENHANCED TO DECENTRALIZE FUNCTIONS**

Under this output, the DDP is expected to support the MoLG and decentralizing ministries on devolving functions to District councils, provide support in function mapping, business process improvement, organizational design –helping restructure and reorganize councils to fit new functions, train ministries on monitoring and evaluation and provide a wide a range of Human Resource support functions including role profiling, and the development of competency frameworks.

**2.3.1 Pilot Ministries for Decentralisation of Functions**

Pilot ministries have been identified by Ministry of Local Government for decentralisation of functions, namely Ministry of Mining, Ministry of Forestry, Ministry of Health, Ministry of Works, Ministry of Development Planning and Ministry of Local Government. These are the ministries that are selected and willing to start the process of Decentralization policy implementation through the decentralisation of functions, functionaries and resources. In order to galvanise the process of decentralisation of functions and functionaries at the central level, regular *ad hoc* meetings have been agreed and are taking place between the PS Ministry of Health, Ministry of Public Service and Ministry of Local Government.

Ministry of Local Government held the ministerial retreat whereat the Ministry agreed to decentralise finance, information, planning and other services. The Ministry is in the process of decentralising staff and resources to local

**2.3.2 Engagement of Ministry of Development Planning**

Ministry of Development Planning is facilitating the decentralisation of NSDP through the development of District Economic Strategies (DESs). The decentralisation of the planning function is one of the key processes in deepening decentralisation and enhancing budgetary management and flow at local level. The process of validating the DESs was completed this quarter. The agreement with the Ministry of Development Planning is to institutionalize the DESs in the district councils as the medium-term plans for the councils. The plans will feed into the annual plan of the councils, which in turn provides the basis for the LDG-specific plan for the districts.

**2.3.3 Engagement of LIPAM for training and capacity building**

Lesotho Institute of Public Administration and Management (LIPAM) have been nominated by the Ministry of Public Service as the strategic partner in capacity building and support to change management activities in the roll-out of the programme. Engagements with LIPAM are intended to position it for this responsibility. Capacity building on the gaps already identified by the assessment of the districts is the priority. The recruitment of the consultancy firm for assessment of the institutional capacity of LIPAM to deliver on this activity is in final stages. The overall objective of this assignment is to carry out an assessment of LIPAM’s institutional capacity to deliver on its mandate, responsibilities and functions. The specific objective(s) of the assignment are to: (a) identify LIPAM’s key organizational, technical and functional capacity and assess the degree to which LIPAM’s structure and departments are aligned to deliver its mandate (b) Propose Recommendations on how LIPAM can be effective and efficient and (c), develop capacity development plan for LIPAM based on the recommendations from the assessment.

* 1. **OUTPUT 4: PROGRAMME MANAGED EFFECTIVELY AND CONSISTENTLY (TECHNICAL OUTPUT)**

**2.4.1 Programme Steering and Technical Committees**

*The Programme Steering Committee (PSC*) is the programme board for oversight and is intended to ensure that the programme is implemented to achieve its ultimate objectives with proper annual work plans and budget, overall national ownership of the programme; provide policy oversight and guidance on issues as they emerge from programme implementation; pave the ground for the enhancement of the national context for Decentralization; give direction to the programme ensuring that it remains within the specified scope; take management actions that address specific risks to the programme; review and approve the work plans and progress reports; assess and decide on programme changes through revisions and ensure programme Quality Assurance. For 2014, the PSC met three times in January, April and September. The steering committee approved the annual plan, the LDG allocations amongst, the recommendations of the District assessment report, the mode of participation of NSA at the PSC, rolling out the national IFMIS, recruitment of M&E and the Communications consultant, among others.

The Steering Committee and technical meetings have been regular except for the period between April and September 2014 when the regularity of the PSC was disturbed by the transition in the office of Principal Secretary, Ministry of Local Government who is the chairperson of the PSC. Otherwise PSC has been receiving quarterly reports, approving quarterly plans and handling programme issues.

**2.4.2 Capacity Assessment for the Ministry of Local Government**

As a procedure for working with Implementing Partners, UNDP and UNCDF undertook the capacity assessment of the Ministry of Local Government as the implementing partner on areas such as managerial, administrative, technical and financial capacities. The assessment was done by KPMG. The report was validated by the ministry, and it is now finalised and concluded. The Ministry was assessed on technical capacity, managerial capacity, administrative capacity and financial capacity. Using the risk rating of high, significant, moderate and low whereby ‘high’ means the highest risk and ‘low’ means lowest risk. The overall risk rating on all the areas was Moderate. The overall recommendation is that MoLG should liaise with the Ministry of Finance to ensure that any issues arising during the disbursement of funds to the District Councils and District Administrators are resolved promptly to curb unnecessary delays. In addition, MoLG should build the capacity of finance teams at the District level to ensure timely and accurate reporting.

**2.4.3 CSO Coordination and engagement**

The coordination meeting was held on 16th January 2014 whereat all the four civil society organisations that are grantees under the NSASP were in attendance together with EU, DDP and the NAO. The purpose of the meeting was the annual coordination platform envisaged by the EU Financing agreement. The meeting agreed to the proposal that the two steering committees should be merged and that the coordination meeting should be biannual.

Furthermore, a side meeting was held with CSOs on the 28th February at the launch of the LDG. The purpose of the meeting was to start conversation with CSOs, not only the four grantees, about their participation in the DDP programme. The general agreement was that there is a need for closer cooperation between DDP and the civil society, particularly on advocacy areas such as awareness raising and dialogue about decentralisation and decentralisation reforms.

Another inter-programme meeting was held on the 29th August whereat it was agreed that in order to enhance collaboration between the two programmes, CSOs involvement in the processes of the Decentralisation Policy will be enhanced.

**2.4.4 Capacity Building of Programme Technical Committee**

A team of four (4) officials from the Government of Lesotho attended a 5-day training course at The Hague Academy in the Netherlands on Decentralisation and Local Governance from 7 – 11 July 2014. The officials were:

1. Mrs. ‘Matiisetso Libetso - Director General Local Government Service: Ministry of Local Government, Chieftainship & Parliamentary Affairs;
2. Mr. Makhetha Mokuoane - Chief Local Government Officer: Ministry of Local Government, Chieftainship & Parliamentary Affairs;
3. Mr. Tefo Mofolo - Town Clerk, Hlotse Urban Council: Ministry of Local Government, Chieftainship & Parliamentary Affairs;
4. Mrs. ‘Makoali Pompo - Consultant, LIPAM: Ministry of the Public Service.

The officers were sent to the training course in order to enhance the skill capacity of these key officers in relation to the implementation of the Deepening Decentralisation Programme (DDP) in the Ministry of Local Government; and to equip them with a deeper understanding of the concepts of decentralisation and local governance. The training programme was developed in joint partnership with UNCDF.

***2.4.5 Publicity and Visibility***

A lot of publicity materials have been produced e.g. brochures, publication of the annual reports, publication of the policy, publication of the state of decentralisation, LDG Operational manual and the first issue of the newsletter. The regular TV programme is also maintained with LTV while ad hoc programmes are held with various radio stations in the country about the programme. In the similar manner activity-based articles are often published with local newspapers. The process of recruiting a consultant to develop a communication strategy is complete. Most of the materials are uploaded on UNCDF and UNDP websites respectively (www. uncdf.org; [www.undp.org.ls](http://www.undp.org.ls))

1. **CHALLENGES AND ISSUES**

*Staffing*: The team that is directly paid under the programme comprises only the Programme Manager, Technical Specialist, the Driver and Programme Assistant. The component/activity managers are not strictly part of the team. This creates accountability and capacity challenges in the programme. Staffing capacity of the programme may need to be enhanced to make activity managers directly accountable to the programme. In an effort to strengthen the M&E function, the process for recruiting the M&E consultant is complete. This will contribute to expediting delivery of the programme.

*Coordination with CSOs:* The question of how DDP coordinates with CSOs that have been granted under NSASP has been a major issue in the programme. The agreement was reached at the steering committee in February 2014 that the two steering committees for programme be merged, and a modality for dealing with the merger has been agreed upon. The main issue is that the Contribution agreement has not been amended. It is recommended that contribution agreement and Financing agreement be amended to incorporate these new developments, and that DDP may need capacity beef-up to coordinate these two components. However, the issue was back on the agenda of the Steering Committee in April where it was agreed that CSOs be part of the steering committee, and that their modality of participation would be determined by them. They have been invited to the steering committee and participated. The representative Mr Malefetsane Lepele advised the steering committee that they have decided on rotational modality for their participation. It was agreed that they don’t necessarily report to the steering committee but to EU directly but their participation to the steering committee of DDP facilitates synergies of the programme.

*Inter-ministerial and intra-ministerial communication on DDP activities*: The DDP is implemented through the component managers based at the Ministries who are not necessarily supervised by the Programme Manager. While this model of integrating DDP activities within the normal activities of the ministries is recommended, communication within and between the implementing ministries is not at its best. Secondment of components managers to the programme for purposes of full dedication to the programme and better communication and coordination is recommended.

*Opening of LDG Account:* The opening of the LDG Account appears to have taken too long despite the handing over of symbolic cheques to councils in July 2014. However, the Ministry of Finance opened the account in October 2014. The programme is now working on disbursing the grants. The grants will only start to be disbursed in November 2014. The problem is that if the grants are not disbursed this year, it will affect future disbursements negatively and the programme might not document enough evidence to motivate the decentralization reforms and local development.

DDP RESULTS TRACKING (CUMULATIVE) AT DECEMBER 2014

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| **Outputs** | **Indicative Activities** | **Progress towards Indicators** |
| **Output 1: Improved development funding through local authorities**  Key Indicators:  Mechanism for local development funding set up and functioning  No. of decentralizing ministries understand and adopt the principles of local development funding  Number of districts and community councils (or increase) supported through the local funding  % increase in resources flowing to local levels as proportion of total national development budget | 1. ***Finalize design of local development funding (LDF) mechanism***  * Technical design, conditions, performance measures, etc.  1. ***Support adoption of the new system***  * Ensure Government counterparts (MoF and MoLGC) understand and buy into the concept * Ensure counterparts are capacitated to adopt the system  1. *Operationalize the local development funding mechanism*  * Provide technical training to councils to operationalize the system and processes  1. *Operate the local dev. funding* mechanism with support of UNCDF in the first instance, following which the MoLGC will take full. | * Minimum conditions and performance indicators for Local Authorities (LAs) to access the LDG agreed. * Guidelines for related assessment prepared. Together with guidelines for conducting the assessment. * MoU on operation of the LDG signed by the partners. * The LDG training manual prepared and published * Key staff from the MoF and MoLG have been trained on the LDG * LAs have been trained on the LDG using the manual. * LDG launched by the Deputy Prime Minister in February 2014 * Publicity and sensitisation about LDG covered to a great extent * First Assessment of Districts on minimum conditions completed. 7 districts and MCC qualified to receive the 1st cycle of the LDG in 2014 * The formula for allocation of LDG and CBG agreed * LDG Operational Manual prepared and Published and disseminated * 1st LDG grants officially announced handed over to local authorities by Deputy Prime Minister – using dummy cheques * Local Authorities prepared and submitted work plans for the 1st LDG and CBG for implementation. * 46% of the LDG has been disbursed |
| **Output 2: Decentralization and accountability systems at the local level promoted**  Key indicators:  Existence of studies documenting current decentralization and accountability systems and proposing more appropriate principles  Existence of new principles/model for decentralization developed and piloted  Adoption of formula-based system of inter-governmental transfers; Integrated financial management Information System (IFMIS) linking the central financial operations and the district councils through the district sub-accountancies | *1)Conduct decentralization assessment and produce inception report*   * Commission Studies documenting current system and proposing more appropriate principles. * Resulting from the commissioned studies, test new and more appropriate principles   2)*Decentralization model:*   * Design the decentralization model (based on findings) and support the finalization and implementation of the decentralization model and system * Develop a solid programme of assistance to councils to decentralize      * Rollout decentralization   3)*Develop framework for linking up of inter-governmental transfer system and IFMIS for implementation* | * State of Decentralization Assessment completed; including institutional and organizational diagnostic of local authorities and fiscal decentralization in Lesotho. Final report produced and published * Some of the proposed principles, such as a system of providing incentives and rewards, allocation formula are being piloted through the LDG under Output 1. * The process of recruiting the consultants to conduct the quality of service delivery survey is in complete. * Decentralization Policy (including decentralization model) developed and approved jointly supported by GIZ and DDP. * Decentralisation Policy Published in Partnership with GIZ * Decentralisation Policy Implementation Strategy and Action Plan completed. * Central and District stakeholder sensitisations on the policy have been completed. * The process of recruiting the legal team to review the Local Government Act is in progress. * Design of the Local Councils Capacity building grants completed and trainings conducted * Local Government Association established with an interim committee. * Line Ministries sensitised about decentralisation policy and six ministries of Mining, Forestry, Agriculture, Health, Public Works and Transport and Local Government have been selected for piloting the implementation of the new decentralisation model. * Rapid Assessment on the readiness of district council for IFMIS completed. * Fiscal Decentralisation Team formed between the Ministry of Finance and Ministry of Local Government. |
| **Output 3: Capacities of line ministries and local authorities enhanced to decentralize functions**  Indicators  Number of line ministries supported in decentralization  % of functions effectively unpackaged at local level  % of staff transferred  Number of councils assisted in decentralization | 1) *Sensitization and strengthened administrative systems to facilitate the process of decentralization*   * Design & develop a communications strategy * Consult, involve and communicate with all key stakeholders * Conduct workshops to facilitate Interdepartmental decentralization working group * Develop and implement an agenda for change, implementation framework and monitoring arrangements * Conduct stakeholder workshops, training events, town halls and newsletter to disseminate information and highlight debate and discussion on decentralization * Conduct a work programme for the interdepartmental decentralisation working group   2*) Facilitate a Human Resource infrastructure, functions and systems to implement the decentralization process*   * Conduct reorganization and restructuring exercises in decentralizing ministries * Map functions and business processes * Support/facilitate the transfer of staff to councils; induction and capacity * Conduct training events/workshops monitoring and evaluation | * Process for hiring a communication consultant is in progress * Consultations with the Department of Information and communication in MoLG initiated in particular on how to revamp the MoLG Website to be able to share current updates on decentralization and other related information, newsletter, radio and TV programme. * MoLG commenced the exercise to unpack functions and identify those that have to be decentralized. * Sensitizations undertaken for LAs and MoLG, MoF, MoPS, MoH, MoDP, Ministry of Forestry, Ministry of Works and Transport |
| ***Output 4: Programme managed effectively and consistently***  ***(Technical output)***  Indicators  Existence of programme management structure  Timely monitoring, evaluation and reporting | 1. *Existence of programme management structure.*   *2) Timely monitoring, evaluation and reporting in every quarter and end of each year* | *Recruitment of Staff:* The Programme Manager, Technical Specialist and the driver are on board. On the side of Government counterparts, components Managers have been nominated: MoF, MoLG and MoPS appointed. Local government has taken the integrated approach to component managers whereas the Director planning is the focal point and the programme components are spread amongst the Director General, Director of Decentralization and the Fiscal Decentralization Adviser.   * Sitting of the Steering Committee is regular * Communication and visibility: Two components designed: branding and media outreach. Communication and visibility materials published. * Technical Meetings: regular * Quarterly and Annual Reporting:Regular and timely * Process of recruiting M&E and Communication consultants is in progress. * Capacity development for the programme management team has started with The Hague Academy. * Financial and Capacity Assessment of the MoLG concluded |