

Document of
The World Bank

Report No: RES21669

RESTRUCTURING PAPER

ON A

PROPOSED RESTRUCTURING OF THE
LESOTHO SMALLHOLDER AGRICULTURE DEVELOPMENT PROJECT (P119432)

10 November 2011

TO THE
KINDOM OF LESOTHO

July 18, 2016

Agriculture Global Practice
Sustainable Development Department
Country Department AFCS1
Africa Region

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.

DATA SHEET

Lesotho

Lesotho Smallholder Agriculture Development Project (P119432)

AFRICA

Agriculture

Report No: RES21669

Basic Information			
Project ID:	P119432	Lending Instrument:	Specific Investment Loan
Regional Vice President:	Makhtar Diop	Original EA Category:	Partial Assessment (B)
Country Director:	Guang Zhe Chen	Current EA Category:	Partial Assessment (B)
Senior Global Practice Director:	Juergen Voegele	Original Approval Date:	10-Nov-2011
Practice Manager/Manager:	Mark E. Cackler	Current Closing Date:	31-Mar-2018
Team Leader(s):	Ijeoma Emenanjo, Pedro Arlindo		
Borrower:	Kingdom of Lesotho		
Responsible Agency:	Lesotho Ministry of Agriculture and Food Security		
Restructuring Type			
Form Type:	Full Restructuring Paper	Decision Authority:	CD Decision

Restructuring Level: Level 1

Explanation of Approval Authority: For existing Projects supported by a Bank Loan, which are restructured to add contingent emergency response components that meet the requirements of the Immediate Response Mechanism (IRM), the Executive Directors have delegated to Management the authority to approve Level One restructurings (see paragraph 24 of this OP) that require changes in the Project's development objectives.

The IRM is a mechanism that requires CERCs to operate, hence this reference on the OP. It should be noted that Legal interpretation is that this paragraph is sufficient for delegating Level 1 approval authority to the CD.

Financing (as of 24-Jun-2016)

Key Dates

Project	Ln/Cr/TF	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date
P119432	COFN-C1250	Effective	19-Dec-2011	19-Dec-2011	13-Mar-2012	31-Mar-2018	31-Mar-2018
P119432	COFN-C1260	Effective	19-Dec-2011	19-Dec-2011	13-Mar-2012	31-Mar-2018	31-Mar-2018
P119432	IDA-50170	Effective	10-Nov-2011	16-Nov-2011	09-Mar-2012	31-Mar-2018	31-Mar-2018

Disbursements (in Millions)

Project	Ln/Cr/TF	Status	Currency	Original	Revised	Cancelled	Disburse	Undisbur	% Disburse
---------	----------	--------	----------	----------	---------	-----------	----------	----------	------------

						d	d	sed	d
P119432	COFN-C1250	Effective	XDR	3.15	3.15	0.00	1.50	1.65	48
P119432	COFN-C1260	Effective	XDR	3.15	3.15	0.00	1.50	1.65	48
P119432	IDA-50170	Effective	XDR	6.30	6.30	0.00	3.10	3.20	49



Policy Waivers

Does the project depart from the CAS/CPF in content or in other significant respects?	Yes []	No [X]
Does the project require any policy waiver(s)?	Yes []	No [X]

ABBREVIATIONS AND ACRONYMS

AIP	Agricultural Investment Plan
CERC	Contingent Emergency Response Component
CGP	Competitive Grants Program
MAFS	Ministry of Agriculture and Food Security
MIS	Marketing Information System
MTR	Mid-Term Review
NGOs	Non-Governmental Organizations
NRM	Natural Resource Management
PDO	Project Development Objective
PFOs	Project Field Officer
PMU	Project Management Unit
PIs	Productive Investments
PMU	Project Management Unit
RF	Results Framework
SADP	Lesotho-Smallholder Agriculture Development Project
ToC	Theory of Change

Regional Vice President:	Maktar Diop
Country Director:	Guang Zhe Chen
Practice Manager:	Mark Cackler
Task Team Leader:	Ijeoma Emenanjo

**LESOTHO
SMALLHOLDER AGRICULTURE DEVELOPMENT PROJECT**

LEVEL II RESTRUCTURING

Table of Contents

A. SUMMARY	7
B. PROJECT STATUS.....	8
B.1 Description of Key Sub-components.....	8
B.2 Rationale	9
Figure 1: Reinforcing the SADP Theory of Change (ToC)	10
Figure 2. Causal Results Chain.....	11
C. PROPOSED CHANGES	11
Reallocation Details (by sub-Component):.....	14
Table 1: Revisions to the RF	15
ANNEX 1: Results Framework and Monitoring	18
ANNEX 2: Reallocation of Proceeds	21
Table 2: Project Cost and Financing.....	22

SMALLHOLDER AGRICULTURE DEVELOPMENT PROJECT RESTRUCTURING PAPER

A. SUMMARY

This Paper seeks approval of the AFCS1 Country Director to restructure the Lesotho Smallholder Agriculture Development Project (SADP). The proposed changes to the SADP (original Credit 5017-LS) have been requested by the Kingdom of Lesotho's Ministry of Finance through its letter dated May 4, 2016. These changes are due to: the slow disbursement rates of some sub-components; the increased demand for other sub-components; the changing priorities in the country's agricultural landscape; and, the El Nino drought emergency in Lesotho.

The proposed restructuring covers five areas:

- I. **Inclusion of a Contingent Emergency Response Component (CERC) (US\$0.00 million equivalent):** This contingent emergency response component, with a zero-dollar allocation, is included under the project in accordance with OP10, paragraphs 12 and 13, for situations of urgent need of assistance. This will allow for rapid reallocation of project proceeds in the event of a natural or man-made disaster or crisis that has caused or is likely to imminently cause a major adverse economic and/or social impact.
- II. **Change to the Project Development Objective (PDO):** Due to the addition of the CERC the following sentence will be added to the PDO: *...and, in the event of an Eligible Crisis or Emergency, to provide immediate and effective response to said Eligible Crisis.*
- III. **New PDO Indicators Included:** (i) change in total cash crop production (in t/year), (ii) change in yields (tons/ha) of major cash crops in the target area (iii) average change in smallholder livestock production (t/per year) in the target area (disaggregated by type) have been added. These indicators will be collected by the PMU in collaborations with the Lesotho Ministry of Agriculture and Food Security (MAFS) M&E unit.
- IV. **Changes to Intermediate Results Indicators:** Target values in the Results Framework (RF) have been modified in particular to reflect the new scope of the Competitive Grants Program (CGP), under sub-component 1.1, and the AIPs under sub-component 2.1, in order to align them with implementation progress and projections. A CERC indicator has also been added in case the CERC is triggered.
- V. **Strengthening the Project Management Unit (PMU) and District Agricultural Investment Planning (AIP) Teams:** While the performance of the PMU and AIP teams has improved over time, with greater understanding of roles and responsibilities, the Ministry of Agriculture and Food Security (MAFS) has taken steps to adjust PMU staffing and to contract additional individual consultants to strengthen project

implementation capacity as proposed in the Mid-Term Review (MTR)¹. These changes are reflected in the scope of the Project Management component (Component 3) and the AIP sub-component (sub-component 2.1).

- VI. **Reallocation of Project Resources across Components:** Measures taken in response to the MTR recommendations and on implementation progress will result in adjustments across budget categories and component costs. In particular, funds will be reallocated to the CGP from the AIP, Marketing Linkage, and Smallholder Technology Packages sub-components. This reallocation is aligned with the proposed streamlining of the AIP sub-component, the increase in number of grants funded under the CGP, and reduction in the number of Smallholder Technology Packages to be administered. These changes also result in shifts in budget category, primarily from non-grants (Category 1) to grants (Category 3). New cost estimates have been prepared for each sub-component.

B. PROJECT STATUS

The Lesotho Smallholder Agriculture Development Project was approved by the Board on 10 November, 2011 and declared effective on 9 March, 2012. The project has three components which focus on four districts (Leribe, Botha-Bothe, Berea and Mafeteng): (1) Increasing Agricultural Market Opportunities; (2) Increasing Market-oriented Smallholder Production; and (3) Project Management. During the first two years of implementation, performance was adversely affected by limited capacity and understanding of the project complexities and a lack of ownership by some implementation partners.

B.1 Description of Key Sub-components

Sub-Component 1.1: Promotion of Innovative Agri-Business Initiatives. The main objective of this sub-component is to support, through a Competitive Grants 2 Program (CGP), the introduction, testing and demonstration of new business initiatives and technological innovations by small and medium agriculture-related and rural businesses, registered associations and cooperatives. The business initiatives and innovations focus on measures to increase competitiveness, improve market access, add value, and improve service provision, thereby increasing opportunities and demand for local smallholder produce.

Sub-Component 1.2: Market Linkage Development. The main objective of this sub-component is to develop and improve links between agricultural producers and markets, reduce market transaction costs, and align production decisions with business and market opportunities. The sub-component targets commodity-based farmer associations, district and local apex associations, registered farmer cooperatives, informal farmer organizations or producer interest groups, market intermediaries, agri-businesses, input suppliers and other market participants.

¹ The MTR was completed in July 2014.

Sub-component 2.1: Preparation and Implementation of Agricultural Investment Plans (AIPs). The Agricultural Investment Plans identify promising agricultural activities, establish investment priorities, and indicate training that will be needed to ensure that the activities can be taken up successfully. The AIPs target three main groups of beneficiaries: (a) existing producer groups that want to improve the production and productivity of their crops, improve their market integration, increase their membership or join forces with other groups; (b) broader community-based groups that manage resources or facilities which are important for market-oriented production; and (c) poorer farmers who have an interest in joining a group or committed farmers with a common interest wishing to form new groups.

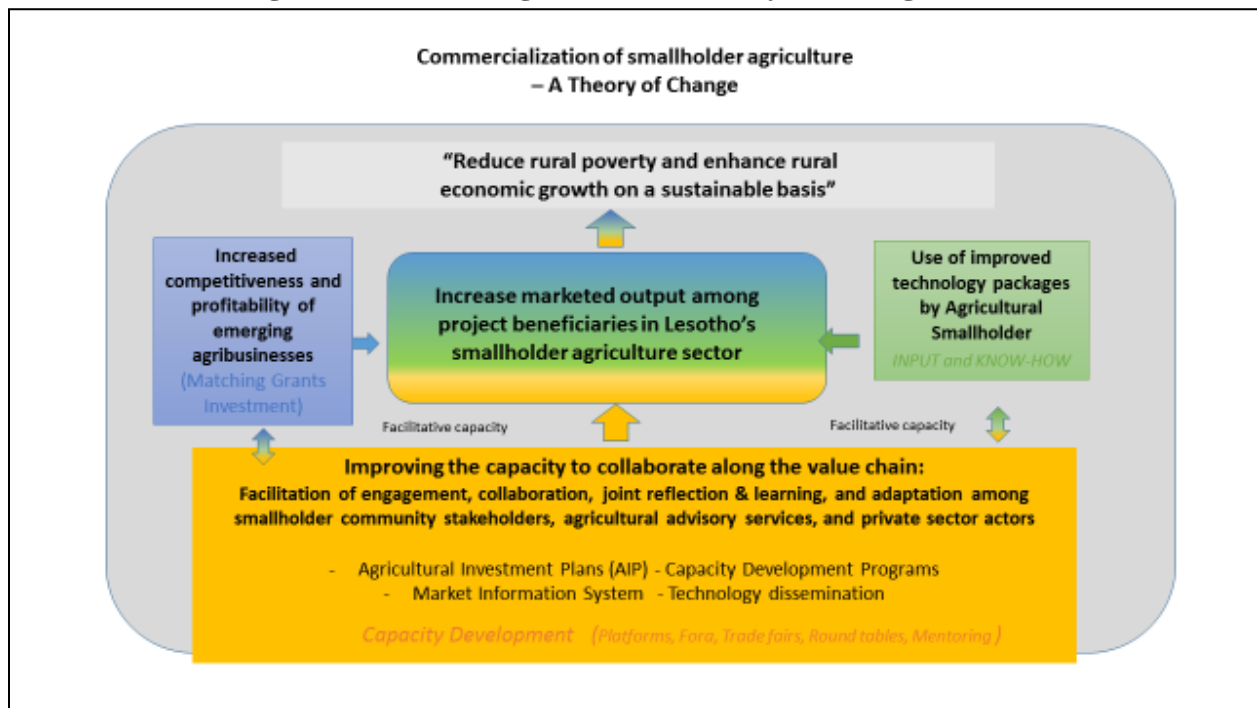
Sub-Component 2.2: Technology Packages for Smallholders. This sub-component supports the development of specific expertise or approaches that are available among non-state actors but not in the government system. Contracts are provided to locally-based NGOs and private operators to support the introduction, adaptation and dissemination of new and improved technologies, coupled with training and support. Topics are drawn from common themes emerging during the preparation of the AIPs and requiring innovative solutions not necessarily obvious to the local communities to be prioritized at annual technology forums attended by district and national staff and experts.

B.2 Rationale

Project performance has improved since the implementation of recommendations from MTR began in mid-2014. The PMU has been strengthened by improving project coordination and financial management, adding a deputy competitive grants officer, and retaining the project field officers (PFOs) responsible for coordination in each district. The AIP sub-component has been simplified most notably by aligning the procedures for approving the productive investments (PIs) with the CGP approach. Concerted efforts have also been made by the PMU, PFOs and District AIP Teams to increase the implementation pace including greater engagement of the District Coordinator of the Department of Forestry, Range and Soil Conservation. In addition, three additional natural resource management (NRM) consultants have been contracted to coordinate the Natural Resource Management aspects of the AIPs. The CGP sub-component has progressed very well with a total of 384 grants now awarded to registered associations and rural businesses, substantially more than the originally planned 164 grants. The Market Linkages sub-component is also progressing with 24 round table meetings and six trade fairs carried out, mentoring services being provided to groups, and value chain studies underway. Under the Technology Packages for Smallholders sub-component, three contracts with Non-Governmental Organizations (NGOs) and private sector operators are at the final stage with six demonstration sites established. Overall, disbursements have now reached 45% from about 20% at the MTR, and existing commitments are expected to increase the percentage to about 50% in mid-2016. Nevertheless, despite the recent improvements, there are still significant challenges facing SADP implementation including a low disbursement rate, delays in implementation, and weak capacity in the PMU in some areas. Due to financial management staff changes, withdrawal applications were delayed resulting in delays in making timely milestone payments for CGP grant winners. Accordingly, despite the improvement, the project status remains as “Moderately Satisfactory” in the category “Progress towards achieving the Project Development Objective” and “Moderately Unsatisfactory” on “Overall Implementation Progress”.

Due to capacity constraints and the complexity of the project design, the intended causal results chains of project activities and outputs leading to the intended outcome have lost some of their focus over time. The proposed restructuring will ‘reinforce’ the Theory of Change (ToC) of the project, as it is being reflected in the PAD’s project description, although not explicitly laid out as such.

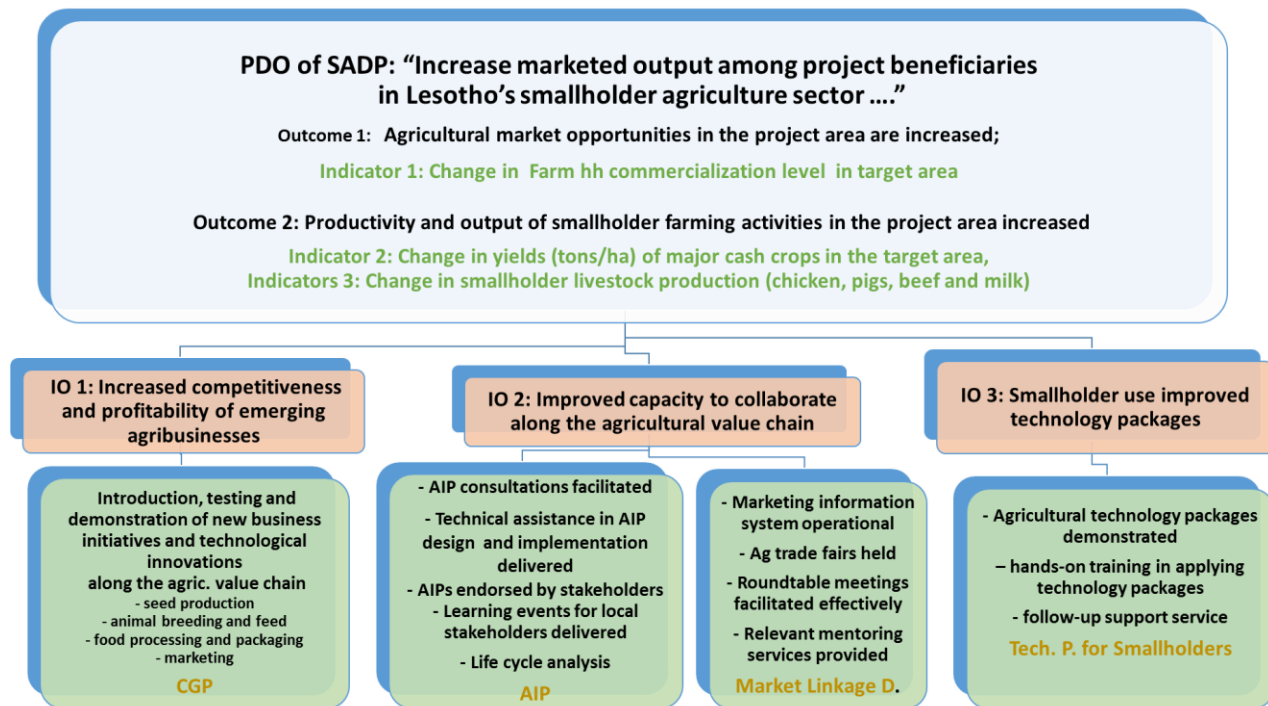
Figure 1: Reinforcing the SADP Theory of Change (ToC)



Although, the project has been under implementation for several years, there is value in using the ToC approach as a conceptual tool to help guide the restructuring process, and to re-assess the overall logical integration of the project as it is being implemented. The project pursues three investment pathways towards achieving the PDO: (i) developing the capacity of actors in the agricultural sector to collaborate (and leverage synergies) for promoting rural economic growth (component 1.2 and 2.1), (ii) increase competitiveness and profitability of emerging agribusinesses (component 1.1), and (iii) promote the use of improved technology packages by agricultural smallholder (component 2.2).

Refining the RF while upholding the original PDO: The ToC and the proposed refinements to the RF uphold the original development goal as it is stated in the PAD, which is “Reduce rural poverty and enhance rural economic growth on a sustainable basis”, and its Project Development Objective, namely “Increase in marketed output among project beneficiaries in Lesotho’s smallholder agriculture sector”. It is being complemented by a second objective, namely “emergency support in the event of a disaster and food security crisis”. Revisions to the project RF are being grounded in the restored and now more explicit ToC.

Figure 2. Causal Results Chain



The addition of the CERC is in response to the severe impact of the El Nino² phenomenon on the availability of water resources, which has led to a food security crisis in Lesotho. The latest growing season in southern Africa which ended in April 2015, developed under borderline conditions and its later stages took place under an El Nino event: severe rainfall deficits affected the core growing period between January and March leading to large regional crop production deficits. The CERC will enable the Lesotho government to directly utilize project funds for activities related to the El Nino induced drought.

C. PROPOSED CHANGES

- I. **Inclusion of a Contingent Emergency Response Component (CERC) (US\$0.00 million equivalent):** Due to Lesotho's high exposure to natural disasters, the Restructuring will include a CERC (Component 4) which will enable the Government to reallocate funds to El Nino related drought response and recovery. The CERC will be used for the procurement of goods, works and services in response to the urgent needs. Disbursements would be made, as required, against a positive list of critical goods or the procurement of works, and consultant services required to support the immediate response and recovery needs. An Emergency Response Operations Manual will be prepared for this component, detailing financial

² El Niño Southern Oscillation (ENSO) - commonly called El Nino- is the most dominant inter-annual signal of climate variability and it strongly influences many natural hazards (such as hurricanes and droughts) and their resulting socioeconomic impacts, including economic damage and loss of life.

management, procurement, safeguards and any other necessary implementation arrangements.

- II. **Change to the Project Development Objectives (PDO):** The original PDO is: *“Increase marketed output among project beneficiaries in Lesotho’s smallholder agriculture sector”*. Due to the addition of the CERC, the new PDO will be *“Increase in marketed output among project beneficiaries in Lesotho’s smallholder agriculture sector and in the event of an Eligible Crisis or Emergency, to provide immediate and effective response to said Eligible Crisis”*.
- III. **New PDO Indicators Included:** As per the current RF two long-term outcomes are being envisioned: (i) agricultural market opportunities in the project area are increased, and (ii) productivity and output of smallholder farming activities in the project area increased. However, the current PDO indicators only monitor achievements for the first intended outcome. The second outcome is not being directly monitored by any PDO indicator. This is being corrected as part of the restructuring by including three additional indicators: (i) *change in total cash crop production (in t/year)*, (ii) *change in yields (tons/ha) of major cash crops in the target area* (iii) *average change in smallholder livestock production (t/per year) in the target area (disaggregated by type)*³. These indicators are also being collected by MAFS, so the PMU M&E team will coordinate with the Ministry to conduct the surveys, which should improve the reliability of the data collected.
- IV. **Changes to Intermediate Indicators:** In line with the changes in scope of the sub-components, the final target for intermediate indicator 1 (sub-component 1.1) will increase from 120 to 270 innovative and viable agricultural business initiatives demonstrated with a minimum satisfactory rating. These numbers are 70% of the expected number of grants awarded. In addition, the expected number of training days will increase from 11,000 to 30,000 primarily due to an increased number of field days and other demonstration activities held as part of each grant and through the information and training workshops held by the PMU before each round. Conversely, the indicators under component 2 will be reduced in line with the proposed lower number of AIPs to be carried out, including number of target beneficiaries who have adopted production technologies/farming practices (from a final target of 7,500 to 3,000) and the number of training days (from a final target of 260,000 to 60,000). Also, due to the addition of the CERC, the following indicator will be added to the Results Framework: *If the CERC is triggered: number of beneficiaries benefiting from emergency response and recovery activities*. Details are given in Table 1 and Annex 1.

Consolidating deliverables (including results indicators) from sub-component 1.2 and 2.1 under a separate intermediate outcome goal, namely “improved capacity of stakeholders to collaborate along the agricultural value chain”. The implementation of both component 1.2 and 2.1 have been comparatively weak, and so far have only led to little tangible results. Both components would need to be better integrated around selected value chains, with clearly defined tangible results. The refined RF therefore includes the following improved

³ In the longer-term, if smallholder livestock production is expanding substantially, it will be useful to also monitor the sustainability of livestock production through methods such as lifecycle analysis, or the measurement of natural resource use efficiency of livestock production.

intermediate outcome indicators: (i) # of CGP funded projects completed that are commercially viable; and, (ii) linkages between agri-businesses and farmers improved (# of new business contracts between farmer groups and the private sector as a result of the project's market facilitation activities).

- V. **Reallocation of Project Resources across Components:** The proposed increase in number of competitive grants and the concomitant increase in grant processing and monitoring costs results in an increase in the total allocation for sub-component 1.1 from 13 to 42% of total project costs. As a result, the beneficiary contribution, which is 40% of the grant amount, also substantially increases. To fund the CERC component and to increase the funds available to the CGP (sub-component 1.1), sub-component 1.2 will be reduced from 3.7 to 2.3% of total project costs and sub-component 2.1 will be reduced from 48 to 32%, and sub-component 2.2 will be reduced from 12 to 3.8%. The project management component will remain at about the same percentage of total costs. Details are given in Annex 2. These changes also result in shifts in budget category, primarily from non-grants (Category 1) to grants (Category 3), although the operating costs category is also reduced. The Project Preparation Advance was not all utilized and unused funds have been reallocated primarily to Category 3 expenditures.
- VI. **Strengthening the PMU and District AIP Teams:** The PMU has been strengthened by improving project coordination and financial management, adding a deputy competitive grants officer and retaining the PFOs responsible for coordination in each district to the end of the project. To support the NRM activities, three local NRM consultants are also included in the AIP sub-component.

VII. **Other Change(s)**

Change in Institutional Arrangements

In order to ensure the proper implementation of the CERC, the Recipient will prepare and furnish to the Association for its review and approval, an Operations Manual which shall set forth detailed implementation arrangements for the CERC, including: (i) designation of, terms of reference for and resources to be allocated to CoW as the responsible agency for coordinating and implementing the CERC; (ii) specific activities which may be included in the CERC, included as Eligible Emergency Expenditures, and any procedures for such inclusion; (iii) financial management arrangements for the CERC; (iv) procurement methods and procedures for Emergency Expenditures to be financed under the CERC; (v) documentation required for withdrawals of Emergency Expenditures; (vi) environmental and social safeguard procedures to be followed by the CERC, consistent with the Association's policies on the matter; and (vi) any other arrangements necessary to ensure proper coordination and implementation of the CERC.

The CERC Manual shall be reviewed and approved by the Association before being adopted by the Recipient. The CERC Manual should not be modified without approval from the Association. Throughout the implementation of the CERC, the Coordinating Authority, with

adequate staff and resources, should remain in place. No activities should commence under the CERC unless and until the following conditions have been met:

- (a) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the CERC in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;
- (b) the Recipient has prepared and disclosed all safeguards instruments required for said activities, in accordance with the CERC Operations Manual, the Association has approved all such instruments, and the Recipient has implemented any actions which are required to be taken under said instruments.

Change in Procurement

Emergency Expenditures required for the CERC Part of the Project shall be procured in accordance with the procurement methods and procedures set forth in the CERC Operations Manual.

The CGP's demand-driven and competitive approach has helped to identify the most innovative applicants and to ensure that proposals are relevant to the needs of the beneficiaries. Given the high demand, there is solid justification to expand the program. The marketing linkage development activities complement the grant program by improving market information and facilitating market linkages, and even though progress has been slow, continuation of the program of trade fairs, business round tables and mentoring services is fully justified to help the development of Lesotho's small rural businesses and associations.

The AIP process is based on the Action Learning Cycle approach already adopted by the Extension Service in Lesotho, although it emphasizes the market focus in line with the Government's stated objectives. However, a slow start was made due to design complexities and involvement of many partners. The process has now been simplified and streamlined, and is now moving forward well and is technically sound with investments in productive investments at the community level, capacity building of local groups, and natural resource management. Further, in recognition that many of the innovative ideas and approaches at the production level originate with local NGOs, the technology packages for smallholders sub-component aims to build on the experience of locally-based NGOs while requiring improved linkages with the extension service. In particular, this sub-component has been slow, but the technical justification remains valid.

Reallocation Details (by sub-Component):

Sub-Component 1.1: Promotion of Innovative Agri-Business Initiatives. Around 170 grants were originally planned and a total of 384 have been funded through the first six rounds. 100 small grants and 70 larger grants were expected to be awarded but the demand for small grants has been negligible, mainly because the small grants are being covered under the AIPs (sub-component 2.1). Hence, as recommended by the MTR, the two grant categories will be merged and the number of grants will be increased up to a maximum of 400. Also, to improve the quality

of the initiatives, additional support for training and information for grant winners and their service providers will be provided.

Sub-Component 1.2: Market Linkage Development. The allocation to sub-component 1.2 will be reduced, due to a slower than anticipated demand. Given the remaining project period, it is proposed that the number of round tables is reduced from 90 to about 60, trade fairs (district marketing fairs) from 22 to 16 and mentoring services contracted from 12 to 8. It is expected that the Marketing Information System (MIS) will be put in operation and value chain studies completed.

Sub-component 2.1: Preparation and Implementation of Agricultural Investment Plans (AIPs). The number of AIPs at the sub-center level will also be reduced from the originally proposed 90 to 65. At present, 36 AIPs are under implementation and the remaining 29 are at the planning stage, and will be completed during the remaining implementation period. In addition, the allocations are fixed for each sub-center: 40% of the US\$ 80,000 per sub-center is allocated for productive investments (PIs), 40% for NRM and 20% for capacity-building. However, at this stage, 32% of the financial target has been achieved for PIs, only 6% for NRM and 35% for capacity building, representing 36%, 11% and 55% of the physical target. The fixed thresholds will be adjusted to ranges that better reflect local priorities and provide more flexibility. The new thresholds will be, up to: 50% of the sub-center grant for PIs; 20 to 40% for NRM; and 20 to 40% for capacity-building.

Sub-Component 2.2: Technology Packages for Smallholders. The Smallholder Technology Packages sub-component will be substantially reduced due to lower than anticipated demand. Originally, a total of 34 district-contracts with local NGOs or private sector operators were proposed, but at this stage only six (three contracts covering two districts each) are at the completion stage. An additional 12, two-year contracts- three contracts covering four districts each- are under consideration. The project will only fund more round of about three contracts after the present round.

Table 1: Revisions to the RF

Revisions to the RF		Rationale for Change
PDO		
<i>PAD (current)</i>	<i>Proposed</i>	<i>Rationale</i>
Increase in marketed output among project beneficiaries in Lesotho's smallholder agriculture sector.	Increase in marketed output among project beneficiaries in Lesotho's smallholder agriculture sector and, in the event of an Eligible Crisis or Emergency, to provide immediate and effective response to said Eligible Crisis.	Change due to the addition of a CERC component.
PDO Level Indicators		
Household commercialization level in project areas.	No change.	
Number of direct project beneficiaries and proportion of those	No change.	

being women.		
	Change in total cash crop production (in t/year).	Added to measure the 2nd long-term outcome of the project: <i>productivity and output of smallholder farming activities in the project area increased.</i>
	Change in yields (tons/ha) of major cash crops in the target area.	
	Average change in smallholder livestock production (t/per year) in the target area (disaggregated by type).	
Intermediate Level Results (Component 1)		
<i>Intermediate Result indicator One:</i> Innovative and viable agricultural business initiatives demonstrated with a minimum satisfactory rating.	Changed to: <i>Number of CGP projects completed that are commercially viable.</i>	Increased demand for larger grants.
<i>Intermediate Results Indicator Two:</i> Percentage of targeted beneficiaries recording better access to markets.	No change	
<i>Intermediate Results Indicator Three:</i> Percentage of farmers and traders in project districts who use public market information.	No change	
<i>Intermediate Results indicator Three:</i> Client days of training provided.	Revised. Training days will increase from 11,200 to 30,000 (disaggregated by type).	Due to an increased number of field days held by the PMU before each round.
Intermediate Level Results (Component 2)		
<i>Intermediate Result indicator One:</i> Number of target beneficiaries who have adopted production technologies/farming practices in targeted areas, of which % female.	Revised. Due to the reduced number of AIPs being implemented the final target for this indicator will be reduced from 7,500 to 3,000.	
<i>Intermediate Results Indicator Two:</i> Incremental net value of marketed production of smallholders in targeted sub-centers.	<i>Intermediate Result indicator Two:</i> Linkages between agri-businesses and farmers improved (# of new business contracts between farmer groups and the private sector as a result of the project's market facilitation activities).	The project does not have the capacity to measure incremental net value accurately, at this time, in Lesotho. The proposed improved intermediate outcome indicator is better integrated around selected value chains, with clearly defined tangible results that shows the project beneficiaries' proliferation into the private sector.
<i>Intermediate Result indicator Three:</i> Targeted beneficiaries satisfied with improved performance of agricultural service providers.	No change.	
<i>Intermediate Results indicator Four:</i>	Revised. Due to the reduced number	

Client days of training provided in the use of improved technologies: - Male clients - Female clients	of AIPs being implemented the number of training days from a final target of 260,000 to 60,000.	
Intermediate Level Results (Component 4)		
	<i>Intermediate Result indicator One (if the CERC is triggered):</i> number of beneficiaries benefiting from emergency response and recovery activities.	Added due to the new CERC component.

ANNEX 1: Results Framework and Monitoring
LESOTHO: Smallholder Agriculture Development Project
Results Framework

Project Development Objective (PDO)⁴: Increase in marketed output among project beneficiaries in Lesotho's smallholder agriculture sector and, in the event of an Eligible Crisis or Emergency, to provide immediate and effective response to said Eligible Crisis.

PDO Level Results Indicators*	Core	Unit of Measure	Baseline	Cumulative Target Values**						Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)	
				YR 1	YR 2	YR3	YR 4	YR5	YR6					
Results Indicator One: Household commercialization level in project areas	<input type="checkbox"/>	%	15			20				40	Mid-term and end of project	Baseline and impact surveys; Program M&E records	PMU	Value of produce and products sold as percentage of total value of produce and products.
Results Indicator Two: Number of direct project beneficiaries and proportion of those being women	<input checked="" type="checkbox"/>	%	N/A			25,000 >50				66,000 >50	Annual	Baseline and impact surveys; Program M&E records	PMU	Project participants and anyone else deriving direct benefit from project.
Results Indicator Three*: Change in total cash crop production (in t/year)	<input type="checkbox"/>	%	N/A								End of project	Baseline and impact surveys; MAFS M&E records	PMU/MAFS	Project participants and anyone else deriving direct benefit from project.
Results Indicator Four*: Change in yields (tons/ha) of major cash crops in the target area	<input type="checkbox"/>		Farmer Recall								End of project	Baseline and impact surveys; Program M&E records	PMU	Given that we are already the last third of project duration, the baseline value will be established ex-post through recall interviews of farmers

⁴ *= New Indicator.

Results Indicator Five*: Average change in smallholder livestock production (t/per year) in the target area (disaggregated by type).	<input type="checkbox"/>		Farmer Recall							End of project	Baseline and impact surveys; Program M&E records		Given that we are already the last third of project duration, the baseline value will be established ex-post through recall interviews of farmers
INTERMEDIATE RESULTS													
Intermediate Result (Component One): Agricultural market opportunities in the project area increased.													
<i>Intermediate Result indicator One*:</i> Number of CGP funded projects completed that are commercially viable	<input type="checkbox"/>	Number	0		12	35	70	90	270	Annual	Program M&E records; Grant evaluation reports. Each grant supported under the program will be evaluated and rated	PMU/CGS	Targeted beneficiaries who initiate and successfully operate after one year a viable activity
<i>Intermediate Result indicator Two:</i> Percentage of targeted beneficiaries recording better access to markets.	<input type="checkbox"/>	Number	0			15			50	Mid-term and end of project	Project and survey data	PMU/CGS/ Component 1 Specialist	Increased market sales or increased sales resulting from commercial contracts and/or increased trade partnerships between farmer groups and enterprises.
<i>Intermediate Result indicator Three:</i> - Client days of training provided • Male clients • Female clients	<input checked="" type="checkbox"/>	Number	0 0 0	900 450 450	2,600 1,300 1,300	5,000 2,500 2,500	7,800 3,900 3,900	15,000 7,5000 7,5000	30,000 15,000 15,000	Annual	Project data such as training plans and district team reports	PMU/ Component 1 Specialist, CGS	Total training days provided by type and gender
Intermediate Result (Component Two): Productivity and output of smallholder farming activities in the project area increased.													
<i>Intermediate Result indicator One:</i> Number of target beneficiaries who have adopted production technologies/farming practices in targeted areas, of which % female.	<input checked="" type="checkbox"/>	Number	0 0			500 50			3,000 50	annually	Project data and AIP evaluation reports	PMU/Comp 2 specialist/ PFO	Adoption by beneficiaries of improved technologies and practices.

<i>Intermediate Result indicator Two*</i> : Linkages between agri-businesses and farmers improved (Number of new business contracts between farmer groups and the private sector as a result of the project's market facilitation activities).	<input checked="" type="checkbox"/>	Number	N/A						20	End of Project	Project data and AIP evaluation reports		As defined in the AIP and implemented thereafter
<i>Intermediate Result indicator Three</i> : Targeted beneficiaries satisfied with improved performance of agricultural service providers.	<input checked="" type="checkbox"/>	Percent	15			30			50	Mid-term and end of project	Project data and AIP evaluation reports	PMU/Comp 2 specialist/PFO	Beneficiary satisfaction with performance of agricultural service providers
<i>Intermediate Results indicator Four</i> : Client days of training provided in the use of improved technologies • Male clients • Female clients	<input checked="" type="checkbox"/>	Number	0 0 0	4,000 2,000 2,000	10,000 5,000 5,000	15,000 7,500 7,500	20,000 10,000 10,000	40,000 20,000 20,000	60,000 30,000 30,000	Annual	Project data	PMU/Component 2 Specialist, PFO	Total training days provided to smallholder farmers by type (e.g. field days) and gender
Intermediate Result (Component Four) : Number of people vulnerable in a disaster are reduced.													
<i>Intermediate Result indicator One*</i> : If the CERC is triggered: number of beneficiaries benefiting from emergency response and recovery activities.	<input type="checkbox"/>	Number							5,000	End of Project	Project data	PMU	Anyone deriving direct benefit from emergency response and recovery activities.

ANNEX 2: Reallocation of Proceeds

LESOTHO: SMALLHOLDER AGRICULTURE DEVELOPMENT PROJECT

P119432

CREDIT 50170-LS

Restructuring Paper

1. Proceeds per Category for *Lesotho: Smallholder Agriculture Development Project* Credit No. 50170-LS, P119432 will be reallocated as follows:

Category	Amount of the Credit Allocated (SDR)	Amount of the Credit Reallocated (SDR)	Percentage of Expenditures to be Financed including taxes
(1) Goods, works, non-consulting services, and consultants' services and Training (other than as covered by Category (3))	2,300,000	1,770,000	50%
(2) Operating Costs	750,000	304,000	50%
(3) Goods, works, non-consultant services, consultants' services and Training under Sub-Grants	2,700,000	3,902,000	50% of amounts disbursed
(4) Refund of Preparation Advance	550,000	324,000	Amount payable pursuant to Section 2.07 of the General Conditions
(5) Emergency Expenditures under the CERC	0	0	50%
TOTAL AMOUNT	6,300,000	6,300,000	

Table 2: Project Cost and Financing

Component and Sub-Component	IDA		IFAD		Government (US\$ m)		Beneficiaries (US\$ m)		% of Total Allocation	% of Total Reallocation
	Allocation (US\$ m)	Reallocation (US\$ m)	Allocation (US\$ m)	Reallocation (US\$ m)	Allocation (US\$ m)	Reallocation (US\$ m)	Allocation (US\$ m)	Reallocation (US\$ m)		
Project Preparation Advance	0.80	0.50							3.25	1.85
Off-set of PPA a)			0.80	0.50					3.25	1.85
1. Commercialization of Smallholder Agriculture										
1.1 Promotion of Agricultural Businesses	1.19	4.01	1.19	4.01	0.17	0.12	0.62	2.96	13.0	41.9
1.2 Market Linkage Development	0.42	0.29	0.42	0.29	0.06	0.02	0.00	0.00	3.7	2.2
Subtotal	1.61	4.30	1.61	4.30	0.23	0.14	0.62	2.96	16.7	44.1
2. Sustainably Improve Smallholder Production										
2.1 Preparation and Implementation of AIPs	4.74	3.29	4.74	3.29	1.85	1.78	0.36	0.26	47.8	31.9
2.2 Technology Packages for Smallholders	1.46	0.51	1.46	0.51	0.00	0.00	0.00	0.00	12.0	3.8
Subtotal	6.20	3.80	6.20	3.80	1.85	1.78	0.36	0.26	59.8	35.7
3. Project Management										
3.1 Project Management	1.30	1.31	1.30	1.31	1.32	1.70	0.00	0.00	16.0	15.7
3.2 Monitoring and Evaluation	0.09	0.09	0.09	0.09	0.08	0.08	0.00	0.00	1.0	0.7
Subtotal	1.39	1.40	1.39	1.40	1.40	1.78	0.00	0.00	17.1	16.4
4. CERC										
4.1 CERC	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Subtotal	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total PROJECT COSTS	10.00	10.00	10.00	10.00	3.48	3.70	0.98	3.22	100.0	100.0
Percentage Financing:	40.9	37.2	40.9	37.2	14.2	13.5	4.0	12.1		

a) The initial project withdrawal application was entirely financed from IFAD funds in order to reach parity with IDA disbursements under the PPA. Not all the agreed PPA amount was used and the unused funds have been distributed among other components. .