

# Country Partnership Framework for the Kingdom of Lesotho 2024-2028

MAY 2023



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International Development Association and International Finance  
Corporation and Multilateral Investment Guarantee Agency

**Country Partnership  
Framework for  
the Kingdom of Lesotho  
for the period 2024-2028**

The date of the last Country Partnership Framework was June 2, 2016.

## CURRENCY EQUIVALENTS

(Exchange Rate as of April 17, 2023)

Currency Unit = Lesotho Loti (LSL)

LSL18.1 = US\$1

FISCAL YEAR

April 1 – March 31

## ABBREVIATIONS AND ACRONYMS

<b>AfCTFA</b>	African Continental Free Trade Agreement	<b>LCS</b>	Livelihood Coping Strategy Index
<b>AfDB</b>	African Development Bank	<b>LEAP</b>	Lesotho Enterprise Assistance Program
<b>AGOA</b>	Africa Growth and Opportunities Act	<b>LEQEP</b>	Lesotho National Development Corporation
<b>APPSA</b>	Agriculture Productivity Program Southern Africa	<b>LHWP</b>	Lesotho Highlands Water Project
<b>ASA</b>	Advisory Services and Analytics	<b>LLWDP II</b>	Lesotho Lowlands Water Development Project (Phase 2)
<b>BESP</b>	Basic Education Strengthening Project	<b>LNHSSP</b>	Lesotho Nutrition and Health System Strengthening Project
<b>BOS</b>	Bureau of Statistics	<b>LREEAP</b>	Lesotho Renewable Energy and Energy Assistance Project
<b>CAD</b>	Current Account Deficit	<b>MCC</b>	Millennium Challenge Corporation
<b>CAFI</b>	Lesotho Competitiveness and Financial Inclusion Project	<b>MFD</b>	Maximizing Finance for Development
<b>CBL</b>	Central Bank of Lesotho	<b>MICS</b>	Multiple Indicator Cluster Surveys
<b>CCDR</b>	Country Climate and Development Report	<b>MNO</b>	Mobile Network Operator
<b>CE</b>	Citizen Engagement	<b>MODP</b>	Ministry of Development Planning
<b>CEM</b>	Country Economic Memorandum	<b>MOET</b>	Ministry of Education and Training

<b>CERC</b>	Contingent Emergency Response Component	<b>MOF</b>	Ministry of Finance
<b>CGP</b>	Child Grant Program	<b>MOFDP</b>	Ministry of Finance and Development Planning
<b>CLR</b>	Completion and Learning Review	<b>MOH</b>	Ministry of Health
<b>CMA</b>	Common Monetary Area	<b>MOTIBDT</b>	Ministry of Trade, Industry, Business Development and Tourism
<b>CMA</b>	Creating Markets Advisory	<b>M&amp;E</b>	Monitoring and Evaluation
<b>CPF</b>	Country Partnership Framework	<b>MIGA</b>	Multilateral Investment Guarantee Agency
<b>CPSD</b>	Country Private Sector Diagnostic	<b>MSME</b>	Micro, Small and Medium Enterprises
<b>CRS</b>	Catholic Relief Services	<b>MTEF</b>	Medium-Term Expenditure Framework
<b>CRW</b>	Crisis Response Window	<b>MTR</b>	Mid-Term Review
<b>CSO</b>	Civil Society Organization	<b>NDC</b>	Nationally Determined Contribution
<b>DFS</b>	Digital Finance Service	<b>NISSA</b>	National Information System for Social Assistance
<b>DLIs</b>	Disbursement-Linked Indicators	<b>NSDP2</b>	Second National Strategic Development Plan
<b>DPCF</b>	Development Partner Coordination Forum	<b>NSPS</b>	National Social Protection Strategy
<b>DRM</b>	Disaster Risk Management	<b>OAP</b>	Old-Age Pension
<b>DPCF</b>	Development Partner Coordination Forum	<b>PA</b>	Public Assistance Program
<b>DPO</b>	Development Policy Operation	<b>PCG</b>	Partial Credit Guarantee
<b>DSA</b>	Debt Sustainability Analysis	<b>PER</b>	Public Expenditure Review
<b>ECCDE</b>	Early Childhood Care Development and Education	<b>PFM</b>	Public Financial Management
<b>ECDE</b>	Early Childhood Development and Education	<b>PFMA</b>	Public Financial Management and Accountability
<b>EFT</b>	Electronic Funds Transfer	<b>PIU</b>	Project implementation Unit
<b>e-GP</b>	Electronic Government Procurement Systems	<b>PPAs</b>	Performance and Policy Actions
<b>EU</b>	European Union	<b>PPP</b>	Purchasing Power Parity
<b>FAO</b>	Food and Agriculture Organization of the United Nations	<b>PPP</b>	Public Private Partnership

<b>FDI</b>	Foreign Direct Investment	<b>PSLP</b>	Pathways to Sustainable Livelihood Project
<b>FSAP</b>	Financial Sector Assessment Program	<b>QMMH</b>	Queen Mamahato Memorial Hospital
<b>FSDP</b>	Financial Sector Development Plan	<b>SA</b>	South Africa
<b>FSDF</b>	Financial Sector Development Strategy	<b>SACU</b>	Southern African Customs Union
<b>GCI</b>	Global Competitiveness Index	<b>SADP II</b>	Smallholder Agriculture Development Project II
<b>GDP</b>	Gross Domestic Product	<b>SAP</b>	Social Assistance Project
<b>GIZ</b>	German Agency for International Cooperation	<b>SCD</b>	Systematic Country Diagnostic
<b>GNI</b>	Gross National Income	<b>SDFP</b>	Sustainable Development Finance Policy
<b>GPE</b>	Global Partnership for Education	<b>SADC</b>	Southern African Development Community
<b>GRM</b>	Grievance Redress Mechanism	<b>SCD</b>	Systematic Country Diagnostic
<b>GRID</b>	Green, Resilient, and Inclusive Development	<b>SMEs</b>	Small and Medium Enterprises
<b>GVC</b>	Global Value Chain	<b>SMLs</b>	Shorter-Maturity Loans
<b>G2B</b>	Government-to-Business	<b>SOEs</b>	State-Owned Enterprises
<b>G2P</b>	Government-to-Person	<b>SUW</b>	Scale-Up Window
<b>GVC</b>	Global Value Chains	<b>TICP</b>	Transport Infrastructure and Connectivity Project
<b>HLO</b>	High Level Outcome	<b>TTL</b>	Task Team Leader
<b>HCI</b>	Human Capital Index	<b>UNDP</b>	United Nations Development Programme
<b>HRH</b>	Human Resources and Health	<b>UNFPA</b>	United National Population Fund
<b>HRMIS</b>	Human resource management information system	<b>UNICEF</b>	United Nations Children's Fund
<b>ICM</b>	Integrated Catchment Management	<b>VHWs</b>	Village Health Workers
<b>ICR</b>	Implementation Completion and Results Report	<b>WASCO</b>	Water and Sewage Company
<b>ICT</b>	Information and Communication Technology	<b>WASH</b>	Water, Sanitation and Hygiene
<b>IFAD</b>	International Fund for Agricultural Development	<b>WBG</b>	World Bank Group

<b>IFC</b>	International Finance Corporation	<b>WFP</b>	World Food Programme
<b>IFMIS</b>	Integrated Financial Management Information System	<b>WHO</b>	World Health Organization
<b>ILO</b>	International Labor Organization	<b>WV</b>	World Vision
<b>IOM</b>	International Organization for Migration		
<b>IMF</b>	International Monetary Fund		
<b>ISR</b>	Implementation Status and Results Report		
<b>ITC</b>	International Trade Center		
<b>JICA</b>	Japan International Cooperation Agency		

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# Acknowledgements

The World Bank Group (WBG) appreciates the close collaboration with the Lesotho authorities in the preparation of this Country Partnership Framework (CPF). The preparation of the document involved extensive discussions with government representatives as well as many stakeholders, including development partners, academia, civil society, and the private sector. The CPF builds on the Systematic Country Diagnostic (SCD) Update that was led by Precious Zikhali (Senior Economist, EAEPV). The CPF was led by Yoichiro Ishihara (Resident Representative for Lesotho, AEMLS), Lolette Kritzinger-van Niekerk (Consultant, AECS1) and Alema Siddiky (Consultant, AWCGR) for IDA, Adamou Labara (Country Manager, CAJZA), Rajeev Gopal (Senior Country Office, CAJZA) and Bushra Ghulam Mohammad (Strategy Officer, CAFCE) for IFC, and Olanrewaju Malik Kassim (Risk Management Officer, MIGEC) and Jessica C. Wade (Senior Risk Management Officer, MIGEC) for MIGA, under the guidance of Marie Françoise Marie-Nelly (Country Director, AECS1) and Asmeen Khan (Operations Manager, AECS1). The core team comprises the World Bank staff members in the table below. The team thanks Laura B. Rawlings (Lead Economist, HGNDR), Vincent Palmade (Lead Economist, ETIMT), Feyifolu Boroffice (Resident Representative, AWMGM) and Nagaraja Rao Harshadeep (Lead Environment Specialist, SENCR) for serving as peer reviewers. The team is also grateful for the excellent guidance and support from Amit Dar (Director, Strategy and Operations, AFEVP), Sajjad Ali Shah (Manager, Development Effectiveness, AFEDE) and Vinaya Swaroop (Economic Advisor, AFEDE). The team expresses its profound gratitude to the many people involved – in the WBG and on the side of the Government of Lesotho – in preparing the CPF.

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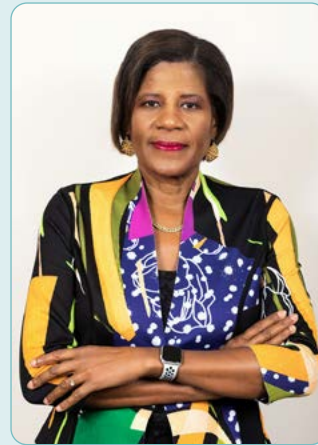






# Preambles

**T**he Country Partnership Framework (CPF) demonstrates the World Bank Group's (WBG) commitment to support Lesotho's development goals for its people. This new CPF has been developed at an opportune time. The new Government, which came into power in November 2022, is set to embark upon a new private sector led growth model and restore the capacity of weakened core government functions. There is a sense of urgency and eagerness to embark upon change, and an 'ask' for deeper WBG engagement and financing.



Lesotho has been in economic stagnation with average real GDP growth of around 2 percent for a decade prior to the COVID-19 pandemic. The pandemic took its toll with GDP falling by 5.6 percent in 2020. It recovered to 1.8 percent in 2022 and is projected at 2.6 percent this year, which in per capita terms is close to zero. Despite some progress, poverty and inequality are persistently high and Lesotho remains vulnerable to climate and socio-economic shocks.

Addressing these development challenges requires a focus on the following areas.

- Rebalancing Growth: Shifting to private investment and exports for job creation.
- Strengthening human capital and improving service delivery especially in rural areas and lagging regions.
- Strengthening climate risk management and resilience.

Weak development performance also reflects gaps in implementation. The laws, policies and institutions that are meant to support the efficient and effective delivery of development outcomes exist but are often not well implemented or distorted.

The overarching objective of the CPF is to promote a private sector driven, export-oriented economy for job creation and support an efficient and effective public sector and is well aligned with the priorities of the new authorities. Building on the achievements of previous country strategies, the new CPF aims to consolidate previous efforts, strengthen the nature of the engagement, and achieve impact at scale. We will be deploying a broader range of instruments and strengthening our support to project implementation. The CPF program will directly support improvement in governance and capacity building of the public sector, while adopting a territorial development approach to sharpen our focus on the poorer regions. Specific attention will be given to gender equality and digitalization in all World Bank activities.

Lesotho is fortunate to have several strengths and opportunities on which to build a much brighter growth and development future. South Africa provides Lesotho with access to markets and advanced infrastructure, and the country's favorable access to international markets through, for example, the African Growth and Opportunity Act (AGOA) will enable Lesotho to realize export-led growth. Abundant natural resources, such as water, could support economic growth, livelihoods, and development of renewable energy. Demographic trends are favorable with an increase in life expectancy and supply of working age population. Also, Lesotho enjoys significant financial and technical support from the development partner community.

I look forward to collaborating with all stakeholders, including the government, the private sector, communities, youth, women and development partners in working towards better growth and development outcomes for all Lesotho's people.

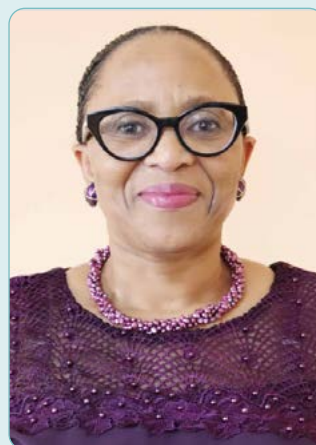


**Marie Françoise Marie-Nelly**

*Country Director for Lesotho*

I am very glad that this joint Country Partnership Framework (CPF) between the Government of Lesotho and the World Bank Group (WBG) has been prepared at this opportune moment right after the establishment of the new Government in November 2022.

The Kingdom of Lesotho has been facing difficult challenges of consistent deteriorating economic conditions for about a decade. The COVID-19 pandemic, the war in Ukraine and resulting food and fuel prices increase, as well as recurrent natural disasters have been additional pressures on people's livelihoods in Lesotho.



During the budget speech for the fiscal 2023/24 in February 2023, I set the stage for boosting the private sector to generate meaningful growth, whilst rebuilding our fiscal and financial buffers so that we can strengthen our resilience and restore macro/fiscal stability and stimulate growth. Priorities to secure inclusive and sustainable growth are focusing on food security through improved productivity in agriculture, aggressive industrialization and building of value chains, rehabilitation and building of key infrastructure that supports the private sector to thrive, improving our beneficiation in the extractive industries, making the best use of our natural resources, and, of course, strengthening governance and accountability in all institutions, especially in the public sector and key institutions.

The CPF is fully aligned with the new Government's priorities articulated in the second National Strategic Development Plan (NSDP II, 2023-28) including growth progression; social transformation; infrastructure development; and good governance and accountability. Key cross-cutting issues are environment and climate change, youth, gender, digital technology, and renewable energy.

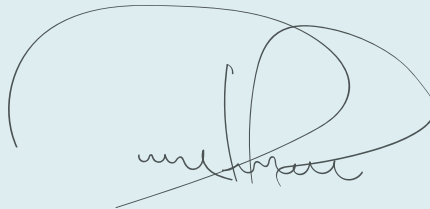
I welcome the innovations agreed to in the CPF, including a territorial development approach – improving service delivery especially in rural and mountainous areas

as well as harnessing opportunities for private sector development in urban areas. Also, use of digital technology has a strong development potential to transform the economy and improve service delivery. Successful implementation of the CPF requires regular monitoring and evaluation (M&E) of the progress. Thus, I welcome the establishment of the CPF M&E dashboard as a key tool for this purpose.

Though the CPF is an agreement with the Government of Lesotho, it is about the development and prosperity of all the people in Lesotho. I am glad that the private sector, civil society organizations (CSOs), academia, youth group and development partners have been consulted during various stages of the CPF preparation process. Similarly, Cabinet Ministers and Senior Officials were engaged throughout the preparation of the CPF, including the final in-country consultation in January 2023. The CPF M&E dashboard will be a tool that all of us could use to monitor the progress of our CPF agreement, and to flexibly adapt our interventions where circumstances require over the next 5 years.

Finally, let me extend a word of gratitude to the WBG for their continued support to the development of Lesotho.

*Khotso, Pula, Nala*

A handwritten signature in black ink, consisting of a large, stylized initial 'A' followed by the name 'Adelaide Retselisitsoe Matlanyane' in a cursive script.

**Adelaide Retselisitsoe Matlanyane**

*Minister of Finance and Development Planning  
The Kingdom of Lesotho*





## CHAPTER I

# INTRODUCTION

**1. The Kingdom of Lesotho is a small, mountainous, landlocked, lower-middle income country in Southern Africa with a per capita Gross National Income (GNI) of US\$1,270 in FY23** and high income inequality levels among its population of about 2.3 million people in 2021. It is geographically surrounded by and deeply integrated with South Africa (SA), the second largest economy in Sub-Saharan Africa. Its economic policies are linked to SA's through membership of the Common Monetary Area (CMA) and Southern African Customs Union (SACU), and SA's economic performance is directly impacting on Lesotho's economy through changes in remittances, trade and financial flows and fiscal transfers.

**2. Lesotho has lost its growth momentum over the past decade.** The consumption driven public sector plays a disproportionately large and increasing role in the economy accounting for 45-50 percent of Gross Domestic Product (GDP), crowding out private sector participation and resulting in a weak and largely informal private sector. The private sector is largely concentrated in two sectors, mining and textile/apparel manufacturing. Economic diversification has proven challenging due to structural constraints. The declining trend in GDP growth has been characterized by high volatility due to the country's vulnerability to exogenous shocks. Frequent and severe weather events have material impacts on the economy, the budget, livelihoods, poverty, and inequality. The COVID-19 pandemic has exacerbated weak development outcomes. In addition, the economic shock associated with Russia's invasion of Ukraine has led to food insecurity and higher inflation.

**3. The unemployment rate is estimated at 22.5 percent and 29.1 percent among youth aged 15 to 24 in 2019<sup>2</sup>.** Incomes and living standards were declining in the years prior to the COVID-19 pandemic, with per capita household consumption falling in real terms by over 5 percent between 2015 and 2019.<sup>3</sup> Inequality is high by global standards, with the Gini coefficient at 44.9 (2017 data). Lesotho's poverty rate fell from 56.6 percent in 2002 to 49.7 percent in 2017, based on the national poverty line. When using the international poverty

<sup>2</sup> 2019 Labor Force Survey Report. The unemployment rate is 38.3 percent by expanded definition including discouraged job seekers.

<sup>3</sup> Using the new 2017 purchasing power parity.

line of US\$2.15 per person per day in 2017 purchasing power parity (PPP), a sharper decline is observed with poverty falling from 66.3 percent to 32.4 percent over the same period.<sup>4</sup> Poverty reduction gains were made largely in urban areas, while rural and mountainous regions, where 58 percent of the population resides, are continuing to be the poorest. The skewed spatial distribution of poverty is strongly correlated with levels of human capital, economic opportunities and access to services as well as natural-disaster risks. The COVID-19 pandemic together with other recent major shocks, such as price inflation and recurrent climate anomalies, have reversed the downward trend in poverty reduction, with recent projections suggesting that poverty has increased to 35.8 percent in 2021 during the pandemic and decreasing slightly to 35.3 percent in 2022.

**4. In the past, Lesotho’s political structure and weak institutions have contributed to instability.** In October 2022, a new administration took office. The new government is committed to improve service delivery, increase public sector efficiency and transform the economy through developing the private sector. The new government extended the second National Strategic Development Plan (NSDP2) for five years from 2023/24 to 2027/28. The extended NSDP2 maintains the strategic focus of the original NSDP2 including private sector-led job creation and inclusive growth through four priorities: growth progression; social transformation; infrastructure development; and good governance and accountability. Cross-cutting topics include environment and climate change, youth, gender, digital technology, and renewable energy. The NSDP2 identifies four areas of comparative advantage: agriculture; manufacturing, mining, and tourism.

**5. The World Bank Group (WBG) Country Partnership Framework (CPF) lays out the strategic direction for the period of FY24-28.** The previous CPF, discussed by the Board of Directors on June 2, 2016, ended on June 30, 2020. The preparation of a new CPF was postponed due to the COVID-19 pandemic and to align the CPF with Lesotho’s political cycle. This CPF is fully aligned with the goals of NSDP2 and strategic priorities of the new government. It builds on the Completion and Learning Review (CLR) of the previous CPF (annex 3), and findings of the Systematic Country Diagnostic (SCD) Update 2021. Both the NSDP2 and SCD Update confirmed the importance of keeping the broad focus areas of the previous CPF for the new CPF, while the CLR also proposed ways to address implementation gaps and achieve impact by building on synergies across programs and projects and focusing on lagging regions.

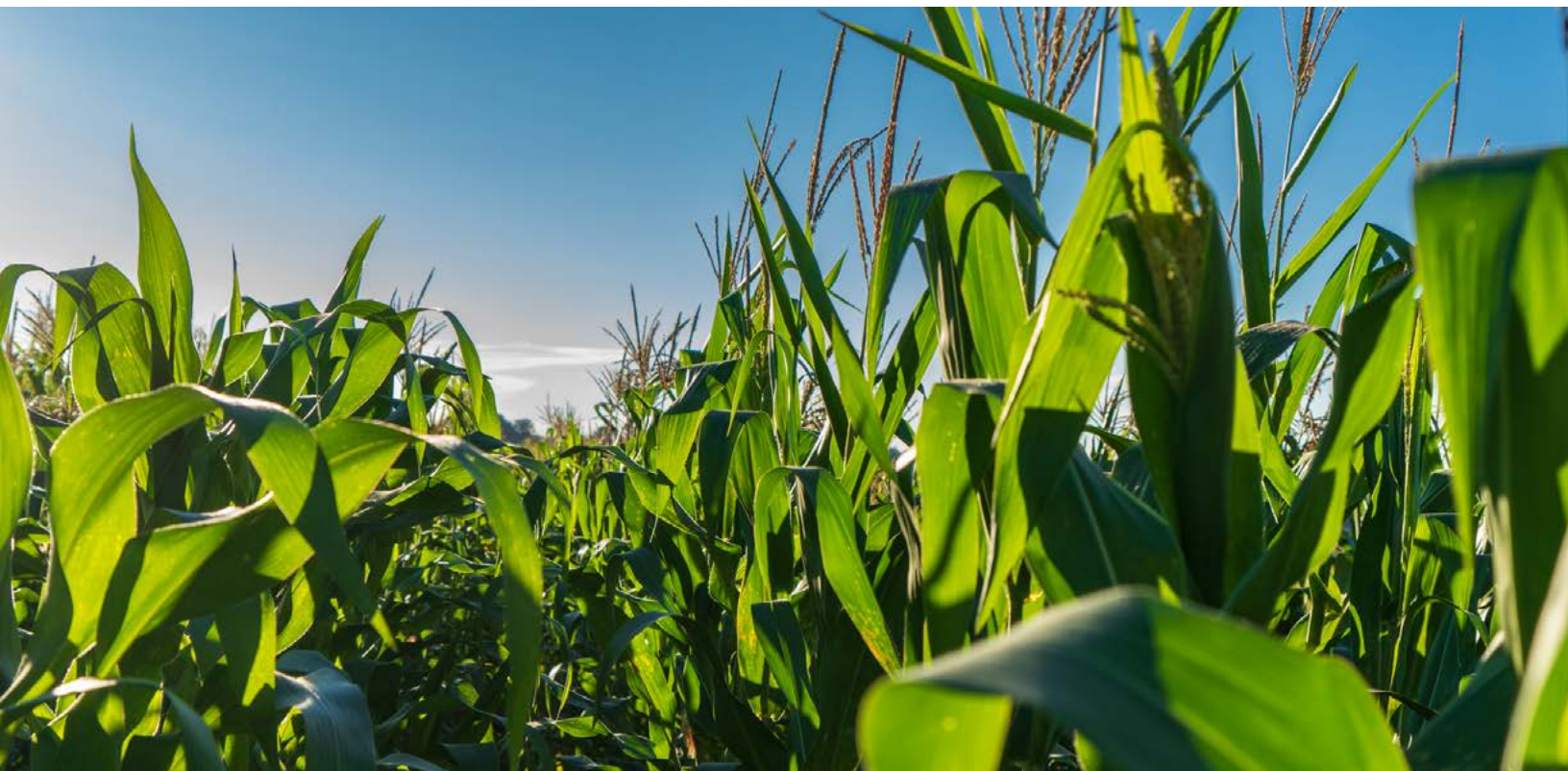
**6. The overarching goal of the CPF is to promote a private sector driven, export-oriented economy for job creation and support an efficient and effective public sector.** This will be supported by three High-Level Outcomes (HLOs) which are: Increased employment in the private sector (HLO1), Improved human capital outcomes (HLO2) and Improved climate resilience (HLO3). Digitalization and gender equality are cross-cutting themes. In order to improve its implementation and impact, the CPF aims to mainstream governance and capacity building, and improve service delivery in lagging regions, while seizing economic opportunities in leading regions. HLOs are mutually reinforcing: e.g., improved climate resilience and resulting macroeconomic stability is a foundation for private sector development. The interventions supported through HLO2 will have strong impacts on labor productivity, private sector development and jobs. These HLOs are also fully aligned with the WBG Evolution Roadmap in scaling up and optimizing efforts for impact, revamping WBG diagnostic work in Lesotho (e.g., broadening to a Country Private Sector Diagnostic (CPSD) and Country Climate and Development Report (CCDR)) and focusing on Lesotho’s climate, social and fiscal resilience in the wake of exogenous shocks.

**7. The CPF will scale up activities and approaches that worked well to consolidate development gains made in previous IDA cycles.** Within the envelope of SDR77.1 million (equivalent to US\$110.2 million<sup>5</sup>) over

<sup>4</sup> If assessed against the lower middle-income-country threshold of US\$3.65 per person per day (in 2017 PPP), poverty fell from 83.6 percent to 54.7 percent over the same period.

<sup>5</sup> The amount is based on the IDA20 replenishment exchange rate (SDR/US\$ = 1.42934).





the remaining IDA20 cycle in FY24-25 and indicative IDA21 country allocation (SDR 92.6million, equivalent to US\$132.3 million<sup>6</sup>), the envisaged lending program will support operations in public sector modernization and rationalization; private sector development; economic transformation; human capital development; and climate change and resilience. To achieve impact at scale, the WBG will strengthen its support to project implementation using a wider range of instruments including development policy financing. Implementation will be further enhanced through mainstreaming governance and capacity building across the portfolio and adopt “a territorial development approach” to sharpen focus and ensure synergies in poor regions as well as the urban agglomerates. Progress will be monitored closely through the establishment of a CPF monitoring and evaluation (M&E) dashboard to proactively guide activities. The International Finance Corporation (IFC) will utilize its Creating Markets Advisory (CMA) to understand market failures preventing private sector development. IFC’s Upstream Advisory will also be critical to develop bankable projects addressing development priorities. Multilateral Investment Guarantee Agency (MIGA) will utilize de-risking tools to mitigate perceived country risks and to mobilize foreign investment into Lesotho. The WBG will step up its engagement with development partners through a reinvigorated Development Partner Coordination Forum (DPCF) to enhance synergy of interventions. The overall risk is considered as Substantial. Among the risk categories, capacity for implementation and sustainability risks is High. To mitigate the risk, the WBG will (a) use the Governance Facility<sup>7</sup>, (b) ensure effectiveness and efficiency of World Bank-financed projects and (c) continue supporting capacity building efforts.

<sup>6</sup> Actual performance-based allocations (PBA) will be determined annually and will depend on: (i) total IDA resources available; (ii) the number of IDA-eligible countries; (iii) the country’s performance rating, per-capita gross national income, and population; (iv) implementation of IDA’s Sustainable Development Finance Policy (SDFP); and (v) the performance and other allocation parameters for IDA borrowers.

<sup>7</sup> The Governance Facility focuses on factors relevant to World Bank policy dialogue and program/project design including (a) incentives and capabilities of state actors and (b) options to improve core public sector functions (details in box 3).



## CHAPTER II

# COUNTRY CONTEXT AND DEVELOPMENT AGENDA

## 2.1. Social and Political Context

**8. Lesotho attained independence in 1966 and from 1993 started its transition to a parliamentary democracy with a constitutional monarchy.** Separation of powers between the three arms of the government namely the legislature (Parliament), judiciary (Courts of law) and executive, (Cabinet), is entrenched in the Constitution. Lesotho's dual legal system comprises customary and general laws that are operating side by side but with contradictions on critical aspects. Customary law and practice have prevented gender equality in areas of traditional leadership, inheritance, and marriage and divorce. There are ten administrative districts with ten district councils and one municipal council for the capital city of Maseru. Local government elections were held in 2005, 2012 and 2017. Nevertheless, decentralization is still nascent, with local councils remaining weak and largely ineffective due to lack of a clear legal and institutional framework, resources, and capacities.

**9. Characteristics of Lesotho's constitutional dispensation have contributed to instability and undermining of policy formulation and implementation.** The Mixed Member Proportional Representation electoral system<sup>8</sup> has led to the proliferation of political parties and coalition governments. With 120 seats in the National Assembly and about 50 parties, the parties necessarily must form coalitions to advance their agendas leading to an unstable government. The resulting frequent turnover of ministers and senior civil servants has undermined policy design and implementation for development due to: (a) an unstable civil service - NSDP2 stated that "the review of NSDP1 revealed that one of the key factors that led to the sub-optimal implementation of NSDP1 was the chronic political uncertainty and the politicization of civil service management."; (b) the erosion of policy design and implementation capacity associated with weak ownership; and (c) overreliance on external actors to compensate for weakened administration. This situation, together with a weakly capacitated anticorruption agency, has created an environment vulnerable to corruption and impunity.

<sup>8</sup> Used by only one other country in the world, New Zealand.

### Box 1. Economic Relationship between Lesotho and South Africa

Being geographically surrounded by SA and with economic policies linked to SA's through the CMA and SACU Agreements, Lesotho has close relationships with SA, the second largest economy in Sub-Saharan Africa.

#### Institutional and economic policy linkages

- Due to the CMA agreement South Africa's monetary and exchange rate policy changes have immediate impacts on Lesotho's economic and financial conditions. According to the CMA agreement, Lesotho's currency is pegged at one-to-one with South African Rand (i.e., Lesotho cannot conduct a separate exchange rate policy).
- The 2004 SACU Agreement, replacing the 1969 Agreement, introduced extensive changes to SACU's tariff setting mechanism, but its full implementation has not yet been achieved. An independent SACU tariff board to take the responsibility of all tariff-related functions and ensure a common approach to trade policy is yet to be established. The functioning of a SACU tariff board is dependent on all SACU member countries establishing their respective designated national institutions, but except for SA, no other SACU member state has established such a national institution yet, resulting in SA's national institution's decisions, responding to SA's situation, to also bind the other SACU member states. Being a customs union, the entire group of countries is entering into regional and international trade relations such as the Africa Continental Free Trade Agreement, where SACU has submitted its trade offer in February 2023.

#### Trade, Financial and Fiscal Linkages

- **International Trade**  
SA is Lesotho's largest trading partner and is accounting for 36 percent of Lesotho's exports, largely water and textiles, and 90 percent of Lesotho's consumer goods and services imports. South Africa's share of exports to Lesotho has been increasing over the years due to the trade arrangement between the two countries in terms of SACU.
- **Financial Flows**  
SA is the largest source of foreign direct and portfolio investment for CMA countries. Retail-chain stores, commercial banks, insurance companies, mobile network companies are mostly South African companies. Furthermore, South Africa is an important source of remittances for Lesotho, accounting for 22 of GDP between 2019 and 2021, reflecting the large number of migrant workers in SA.
- **Revenues**  
The SACU revenue sharing mechanism links SA's imports with transfer revenues in the other SACU countries. In Lesotho, SACU revenues accounted for an average of 20 percent of GDP and 44 percent of total government revenue from 2019 to 2021. The level and fluctuation of revenue flows are largely dependent on SA's policies and economic performance.

**10. Implementation failures have been evident in constitutional amendment and legislative processes.**

The judicial system is a case in point, insofar as its strength is critical to economic development: (a) Progress is slow in addressing the lack of clear or explicit separation of powers clauses in the constitution to protect judicial independence, while budgetary constraints further impede operational efficacy;<sup>9</sup> and (b) Despite having made strides in creating an enabling legal framework to promote gender equality, inconsistent implementation of gender-progressive laws and policies is a major barrier. The process of harmonizing common and customary laws is particularly lengthy, while insufficient financial resources and capacity limit implementation and monitoring of actions related to gender equality.

**11. The new three-party coalition government, assuming power in November 2022 after the general election in October 2022, has introduced promising and decisive changes early on.**

For example, the new government immediately reduced the number of ministries from 28 to 15. It has also inherited a daunting development agenda from the previous administrations and acknowledged that addressing every detail of the agenda would be counterproductive. Rather it will focus on a prioritized set of objectives, e.g., job creation especially for youth and women with allocation of resources towards these objectives. During the budget speech for FY23/24 in February 2023, the Government further elaborated on its priority areas including food self-sufficiency through improved productivity in agriculture; rehabilitation and building of key infrastructure that supports the private sector to thrive. To strengthen governance and accountability, the Government is committed to focus on developing, enacting and enforcing several bills on revenue mobilization and public financial management (PFM). To promote transparency and citizen engagement, the Government acknowledges the need for regular communication of priorities and progress with the public.

**12. External actors play a significant role in Lesotho's political and economic situation.**

Lesotho has received extensive external assistance from development partners since independence. SA is geographically and economically the most influential external stakeholder (box 1). The dependence on external actors has reduced incentives for reforms towards greater stability and accountability for service delivery, as many citizens can rely on donor initiatives and/or SA for jobs and some basic services.

## 2.2. Recent Economic Developments and Outlook

**13. Lesotho has had an uneven economic performance over the past two decades with relatively good economic growth in the early 2000s, but with a secular decline since the late 2010s.**

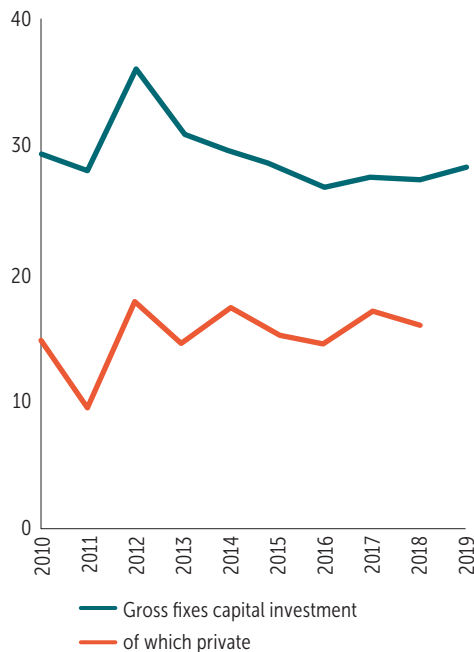
While structural transformation contributed to a steady real GDP growth at 3.8 percent per annum in the first half of the 2010s, over the past decade, the GNI per capita has contracted by 1.2 percent per year. The economy has been in recession since 2017, exacerbated by natural disasters, political instability, and the COVID-19 pandemic. Real GDP contracted by 3.1 percent in 2017, 1.5 percent in 2018, 0.8 percent in 2019 and then by 5.6 percent in 2020 due to the COVID-19 pandemic. Weak growth in SA has also contributed to Lesotho's slow growth in recent years due to the close links between Lesotho's economic and social development with SA's policies and performance. In five of the past 10 years, SA and Lesotho's economies have accelerated or declined in unison, with SA's slow-growing South African economy presenting downside risks for Lesotho.

**14. Historically, growth has been excessively reliant on the public sector which has retained a disproportionate role in the economy, crowding out private participation and resulting in a weak and largely informal**

<sup>9</sup> SADC Lawyers' Association (2021) "Report on the Independence of the Judiciary in the Kingdom of Lesotho" [http://www.lcn.org.ls/news/Report%20on%20the%20Independence%20of%20the%20Judiciary%20in%20the%20Kingdom%20of%20Lesotho%20\(SADC%20Lawyers%27%20Association\).PDF](http://www.lcn.org.ls/news/Report%20on%20the%20Independence%20of%20the%20Judiciary%20in%20the%20Kingdom%20of%20Lesotho%20(SADC%20Lawyers%27%20Association).PDF)

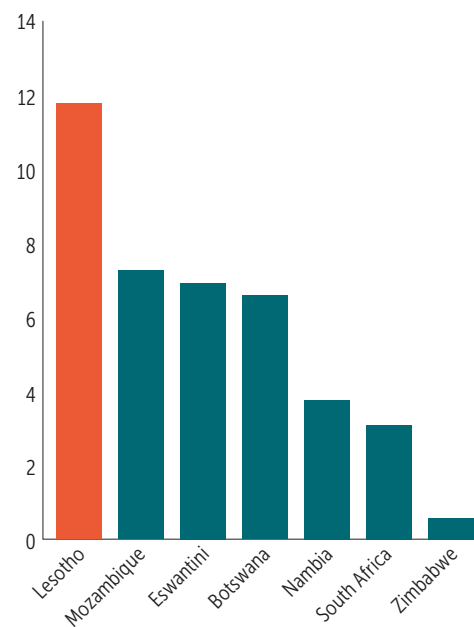
private sector. Public spending has accounted for 45-50 percent of GDP in recent years. The private sector remains largely concentrated in two sectors, textile/apparel manufacturing and mining, with economic diversification having proven to be challenging due to structural constraints. These two sectors, which account for 84 percent of all formal sector employment and over two-thirds of all exports, are also facing serious challenges. Textile and apparel exports have been declining due to competitiveness and labor market challenges contributing to Lesotho falling behind Kenya as the leading apparel exporter to the United States under the African Growth and Opportunity Act (AGOA). Growth and job creation prospects from the mining sector (primarily diamond exports) are also limited. The (net) contribution of the external sector to GDP has been structurally negative, as the value of imports is higher than that from exports, despite a relatively good performance. Nevertheless, the current account balance is volatile depending on SACU revenues.

**Figure 1. Gross Fixed Capital Investment, 2010-2019 (percentage of GDP)**



Source: Bureau of Statistics

**Figure 2. Public Investment compared to Peers (percentage of GDP, average of 2010-2018)**



Source: World Development Indicators

**15. Lesotho’s weak growth performance suggests that its growth model has become increasingly unsustainable, also in the wake of further downside risks presented by climate change and the weak regional and international economic outlook.** Lesotho’s lost momentum over the past decade can be explained by both demand and supply side factors of the economy, but on both sides, the role of capital investment appears as the main factor. On the demand side, the economy has become dependent only on consumption. While investment was a key driver up to 2014, it has contracted over the period 2015-21. Gross fixed capital investment has been led to a large extent by the public rather than the private sector (figure 1). Between 2010-2018 (figure 2), overall public sector investment levels ranked amongst the highest in the world as a percentage of GDP, but it has been falling in recent years from over 14 percent of GDP in 2018/19 to 12 percent of GDP in 2020/21. On the supply side, the decline in economic growth over the past few years is mainly explained by the limited accumulation of physical and human capital.

**16. The challenges for fiscal policy and management have increased over time.** Fiscal policy has traditionally played a critical role. With little autonomy to conduct an independent monetary policy being a member of CMA, the main policy instrument in the hands of the authorities has been to adjust the government budget. As a result, with economic growth reliance on public sector spending, the economy is prone to boom-and-bust cycles of procyclical fiscal policy. The cyclicity of fiscal policy is associated to a large extent with the large and volatile external transfers from the SACU, which have averaged 35 percent of GDP annually over the previous 15 years (figure 3). During periods of higher SACU revenues, the government tends to increase expenditures, which then become difficult to adjust downwards, especially the wage bill, when SACU revenues decline.

**17. Recently, fiscal deficits and public debt have been rising.** Increases in public spending have been driven by high civil servant wages, one of the world's highest at 17.3 percent of GDP in 2021. The fiscal gap has widened due to declines in tax revenues and SACU receipts (the largest component of revenue) and has been worsened by increased expenditures to respond to the COVID-19 pandemic (box 2).

**Figure 3. Grants and SACU Receipts (% of GDP)**



Source: Central Bank of Lesotho, Lesotho Ministry of Finance

### Box 2. COVID-19 – Government responses and WBG support

Since its first case in May 2020, there were 34,790 cases with 723 deaths (fatality rate at 2.1 percent) as of March 2023. The government has taken several measures including lockdowns. The government scaled up diagnostic capacity through the National Reference Laboratory, regional laboratories and the use of rapid antigen testing, as well as case management capacity with the opening of the Mafeteng COVID-19 Treatment Center supported by the World Bank, the opening of an oxygen plant supported by PIH, and the establishment of a new 45-bed facility using a military base that acts as a step-down facility for stable patients to decongest the treatment hospitals. The World Bank has been supporting government relief and recovery measures. Lesotho COVID-19 Emergency Preparedness and Response Project (P173939, P176307) (US\$29.5 million IDA, US\$3.5 million grant from Health Emergency Preparedness and Response Trust Fund) has supported the procurement of critical equipment and medical supplies. This project also provides financing to purchase and deploy COVID-19 vaccines and strengthen relevant health systems that are necessary for a successful deployment. Give the recent development of COVID-19 infections and hospitalization, the government decided to lift all the COVID-19 restrictions in August 2022. As of February 26, 2023, 47 percent of the population and 63 percent of the eligible population (age 18+) have been vaccinated. In addition, 39 percent of population aged 12-17 has been vaccinated.

**Table 1. Selected Macroeconomic Indicators (2019-2028)**

	2019 (a)	2020 (a)	2021 (a)	2022 (e)	2023 (f)	2024 (f)	2025 (f)	2026 (f)	2027 (f)	2028 (f)
<b>Annual percentage change, unless otherwise indicated</b>										
Real GDP growth	0.8	-5.6	1.6	1.8	2.6	3.1	3.3	3.3	3.0	2.8
CPI (Annual Average)	5.2	5.0	6.0	8.3	6.5	5.2	5.0	5.0	4.9	4.8
<b>Percent of GDP, unless otherwise indicated</b>										
Expenditures	50.4	44.2	53.6	46.7	47.0	45.2	44.9	45.3	47.8	50.2
Revenues and grants	48.7	48.3	49.4	39.1	48.7	44.3	42.7	42.3	42.8	43.8
General Government Balance	-1.7	4.2	-4.2	-7.5	1.7	-0.9	-2.2	-3.0	-5.0	-6.4
Public Debt (end-of-period)	50.3	51.2	59.1	59.0	56.5	56.5	57.3	57.0	58.1	62.1
<b>Annual percentage change, unless otherwise indicated</b>										
Broad Money (M2)	-8.9	16.9	4.1	5.1	6.2	6.7	6.7	6.7	6.7	6.7
Credit to non-government	8.2	0.7	13.1	2.1	3.9	6.1	6.1	6.1	6.1	6.1
<b>Percent of GDP, unless otherwise indicated</b>										
Current account balance	-4.8	-2.8	-1.4	-2.4	0.7	-1.5	-2.1	-2.9	-4.0	-4.7
NIR (in US\$)	847.0	768.8	658.2	628.9	658.2	660.7	660.7	665.3	670.5	778.3
Gross Reserves (months of imports)	4.0	4.7	5.0	4.3	4.9	5.4	5.4	5.2	5.1	5.3
External debt	38.0	37.0	44.0	43.0	41.0	41.0	42.5	43.6	46.5	49.8

a/e/f denotes actuals, preliminary estimates, and forecasts, respectively

Source: Lesotho's Authorities and the World Bank

Borrowing to finance the fiscal gap has resulted in an increase in public debt to 59.1 percent of GDP in 2021. Public debt is expected to moderate to an average of around 55.3 percent in the medium term. External borrowing accounts for about 70 percent of the total debt, while the rest is financed from the domestic credit market, drawdowns of government deposits with the Central Bank of Lesotho (CBL) and the drawdown of international reserves. Although the 2022 debt sustainability analysis (DSA) shows that the risk of public and external debt distress remains moderate, risks have significantly increased. To ensure fiscal sustainability, government has to address inefficiencies in its payroll, reform public procurement, and prevent arrears accumulation.

**18. The economy is projected to rebound in the medium and long term** (table 1). Real GDP is expected to rebound to 1.8-3.3 percent in 2022-25 and an average 3.0 percent in 2026-28. Medicinal cannabis and horticulture projects are expected to contribute to agricultural sector growth. In addition, a rebound in the mining and manufacturing (including textiles) as well as services is expected on the back of supportive external demand and improved business and consumer confidence. Public investment and growth will boost construction activities through the second phase of Lesotho Highlands Water Project (LHWP-II), road projects and the Maseru public-private hospital construction. Macroeconomic and fiscal resilience to shocks (e.g., heavy rains in 2021-23) have been deteriorating due to weak implementation and limited fiscal space. However, the new



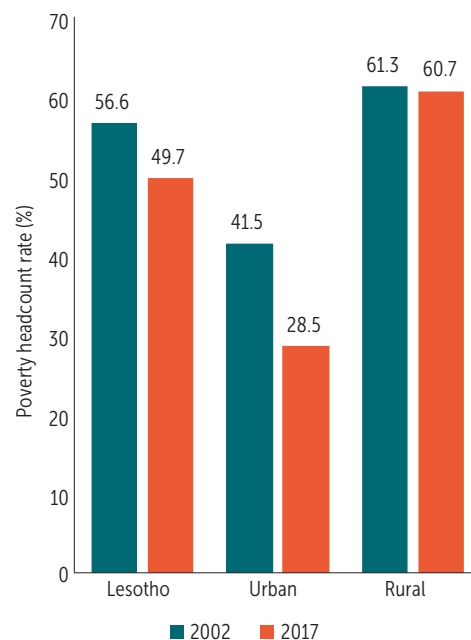
government has committed to balance allocations for effective service delivery and public investment that would boost the private sector to generate growth, to rebuild buffers for resilience, and to restore macro-fiscal stability<sup>10</sup>.

**19. Inflation has increased in line with developments in the region, and the current account deficit (CAD) has narrowed from 4.8 percent of GDP in 2019 to 2.4 percent in 2022.** The annual inflation rate rose from 5.2 percent in 2019 to 8.3 percent in 2022, which is above the upper limit of South African Reserve Bank's inflation target (3-6 percent). Heavy rainfall and drought, combined with supply chain challenges associated with the COVID-19 pandemic, has created inflationary pressures. The inflation rate increased to 9.8 percent in July 2022 due to high energy and food prices emanating from Russia's invasion of Ukraine, but has since decelerated to 7.4 per in February 2023. To facilitate recovery from the COVID-19 shock, the CBL maintained an accommodative monetary policy stance between July 2020 and November 2021 and kept the policy rate at 3.5 percent. The policy rate has since been increased eight times (up to January 2023) from 3.5 to 7.25 percent (cumulative 375 basis points per annum) to mitigate inflationary pressures, following global economic fallouts from Russia's invasion of Ukraine. Even though the policy rate reached 6.25 percent, it remains below the pre-COVID-19 level.

## 2.3. Poverty Profile

**20. Despite progress, poverty, assessed against the national poverty line, persists particularly in rural and mountainous areas.** The poverty rate fell from 56.6 percent in 2002 to 49.7 percent in 2017, based on the national poverty line (figure 4).<sup>11</sup> In urban areas poverty fell from 41.5 to 28.5 percent, driven by higher formal wage and self-employment income, and increases in educational attainment. In contrast, in rural areas, the rate stagnated from 61.3 to 60.7 percent, and increased in the rural mountains and Senqu River Valley (figure 5). A fall in remittances from SA and a contraction in agricultural output due to the El Niño phenomenon drove the rural poverty trend. Additionally, a high share of the population remains vulnerable to falling into poverty. More than 75 percent of the population were either poor or vulnerable to falling into poverty in 2017. In rural areas, this rises to over 90 percent due largely to a variety of socioeconomic and climatic shocks with limited effective measures to build resilience to shocks. Households are often forced to reduce food consumption in the face of a shock, placing them at risk of falling back into poverty.

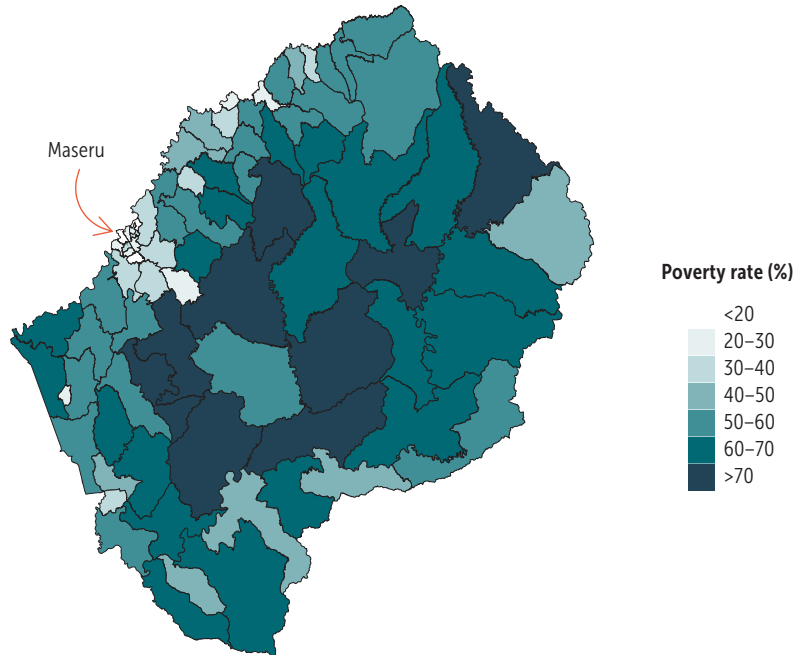
**Figure 4. National poverty rate, 2002–2017**



*Source:* World Bank 2019: Lesotho Poverty Assessment: Progress and challenges in reducing poverty.

<sup>10</sup> The Budget Speech for FY2023-24 by the Minister of Finance and Development Planning.

<sup>11</sup> The latest household survey available to officially measure poverty dates back to 2017/18. The national poverty line corresponds to LSL 648.88 (2017 prices) per adult equivalent per month.

**Figure 5. Poverty rate by constituency, 2017**

**Note:** Poverty is measured at the official national poverty line.

**Source:** World Bank (2019): Lesotho Poverty Assessment

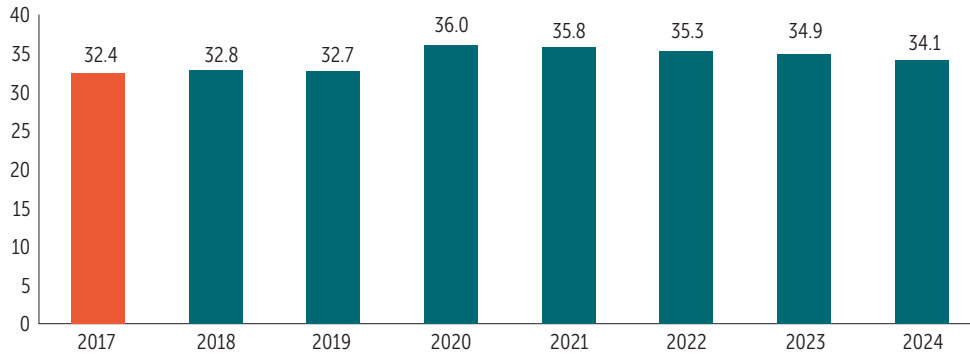
**21. Poverty assessed against international standards has declined but remains high.** If evaluated using the international poverty line of US\$2.15 per person per day (2017 PPP), poverty declined sharply from 66.3 percent in 2002 to 32.4 percent in 2017 (latest available data) (figure 6). Nevertheless, when assessed using the international poverty line of lower middle-income countries of US\$3.65/day (2017 PPP),<sup>12</sup> the poverty rate was still over half the population (54.7 percent) in 2017 indicating the country's poverty rate is not commensurate with its status as a lower-middle income country. The COVID-19 pandemic is likely to have had adverse impacts on poverty.<sup>13</sup>

**22. Lesotho remains one of the 20 percent most unequal countries in the world, though it has become less unequal than its neighbors.** Consumption of the bottom 40 percent of the population grew by 2.2 percent annually between 2002 and 2017, much faster than the top 60 percent of the population, which rose only by 0.1 percent annually. Expansion of social protection and an increase in wage incomes among the poor contributed to improved shared prosperity. The Gini index improved by 7 points from 51.9 to 44.6. In addition to high inequality of outcomes, Lesotho faces high inequality of opportunity and relatively low intergenerational mobility, exacerbating high inequality.

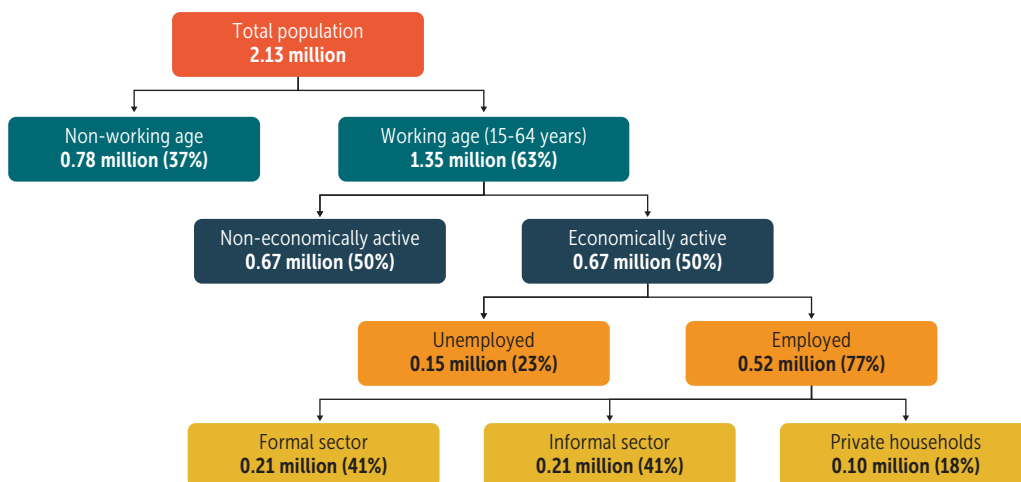
**23. Even before the COVID-19 pandemic, job opportunities were scarce while half of the labor force was inactive.** The national unemployment rate prior to the pandemic in 2019 was 22.5 percent (figure 7) and 38.3 percent according to the expanded definition of unemployment that includes discouraged workers. Fifty

<sup>12</sup> Poverty data are now expressed in 2017 PPP, versus 2011 PPP in previous editions. As price levels across the world evolve, global poverty lines have to be periodically updated since price changes usually increase the value of the lines in nominal terms. The new global poverty lines of US\$2.15, US\$3.65, and US\$6.85 reflect the typical national poverty lines of low-income, lower-middle-income, and upper-middle-income countries in 2017 prices. In addition to reflecting updates in nominal terms, upper-middle-income countries raised the standards by which they determine people to be poor from 2011 to 2017. Hence, the increase in the upper line is larger, and the population that does not meet the new standard is higher in most countries than it was with 2011 PPPs (see [pip.worldbank.org](http://pip.worldbank.org)).

<sup>13</sup> When using the international poverty line of lower middle-income countries of \$3.65/day (2017 PPP), an estimated 58.5 percent of the population lived below the poverty line, well above the pre-COVID level of 54.7 percent in 2017.

**Figure 6. Poverty rate based on the International poverty line, US\$2.15 (2017 PPP)**

Source: PovCalNet for 2017. The international poverty rates for 2018 to 2024 are based on projections using the 2017/18 Continuous Multipurpose Household Survey and the Household Budget Survey (CMS/HBS).

**Figure 7. Employment cascade, 2019**

Source: World Bank calculations using preliminary estimates from BOS.

percent of the working age population was inactive, indicating a worrying underutilization of the labor force. The unemployment rate is higher among women (31.1 percent compared to 27.1 percent among men) and the youth (29.1 percent). Women are less likely to participate in the labor force, have a higher probability of being unemployed, and tend to earn less than men.

## 2.4. Main Development Challenges

24. The 2021 SCD Update confirmed that the development challenges identified in the 2015 SCD remain valid. The 2015 SCD proposed to shift from a public sector-driven to a private sector-driven, export-oriented, and job-creating economic growth model. Domestic demand and a large public sector continue to drive economic activity. While high SACU transfers in some years created fiscal space for high recurrent expenditure, mainly on wages, and also investment, these commitments could not be easily reversed during episodes of

declining SACU transfers. Fiscal policy responses on the back of volatile SACU transfers have exacerbated macro-fiscal vulnerabilities by steadily increasing government debt while maintaining public sector expenditure levels. Shortcomings in public expenditure management has resulted in high government spending which has failed to promote inclusive growth and provide access to quality services for the poor. Meanwhile, the private sector remains small and weak. Despite nascent success in integration into the world economy through the AGOA, exports remain low, uncompetitive, undiversified, and with limited value addition.

**25. The 2021 SCD Update identifies four interconnected, broad priority policy areas that could potentially make the greatest contribution to eliminating extreme poverty and boosting shared prosperity.** These are: (a) bridging public sector implementation gaps; (b) rebalancing growth by shifting to private investment and exports for job creation; (c) strengthening human capital and improving service delivery, especially in lagging regions (mainly rural foothills and highlands areas); and (d) strengthening climate risk management and resilience.

**26. Climate related shocks and the impacts of COVID-19 have deepened the existing vulnerabilities and driven displacement.** Food insecurity has increased due to consecutive climate shocks, rising food prices and the economic impacts of COVID-19, with 521,000 people being affected in 2022/23 compared to 470,000 in 2021/22. In addition, the impact of Russia's invasion of Ukraine has added risk to global food security, with food prices likely to remain high for the foreseeable future and expected to push additional people into acute food insecurity. Costs of fertilizers have also been impacted and their soaring prices will negatively impact food accessibility, and therefore, food security in the upcoming months.

**27. Lesotho's geography and demography provide strong development opportunities.** First, Lesotho is surrounded by SA, the continent's second-largest economy, which provides Lesotho with access to markets and advanced infrastructure that create links with the rest of the world. Second, Lesotho enjoys preferential access to key international markets through, for example, SACU, SADC, the Africa continent (through the African Continental Free Trade Agreement (AfCTFA)), European Union (EU) and US (AGOA) which could support export-led growth. Third, Lesotho has abundant water resources that could ensure reliability and quality of water supply services and support economic growth and livelihoods and hydropower opportunities for both the domestic and regional power markets. Fourth, the country enjoys significant financial and technical support from development partners. Fifth, demographic trends are favorable, with an increase in life expectancy and the supply of working age people alongside declining dependency ratios. These demographic trends, together with a relatively harmonious labor-relations environment, can help Lesotho reap the benefits of the demographic dividend for economic growth. Sixth, greater gender equality could boost productivity and help fulfill Lesotho's growth potential while enhancing economic stability and resilience.

**28. By harnessing these opportunities, Lesotho could shift the balance in the economy for job-creation more towards private investment, broad-based economic participation, and exports.** For instance, Lesotho succeeded in expanding textile and apparel export manufacturing under AGOA and can build on this success to revitalize the manufacturing sector. Opportunities also exist in the non-textile and apparel sectors, automotive parts, horticulture, tourism, and the digital economy. Seizing the opportunities provided by digital development to provide stronger access to broadband internet and use of digital tools can help digitization of key sectors, financial services, and e-commerce. An increase in value added from agro-based industries, and agricultural trade, as well as a shift from traditional exports to higher-value agricultural products in international trade, present opportunities to unleash the potential of the agri-food sector for boosting exports and job creation.

**29. Progress on human capital outcomes could be accelerated.** Lesotho's Human Capital Index (HCI) improved from 0.34 in 2010 to 0.40 in 2020. A child born in Lesotho today will be 40 percent as productive when she grows up as she could be if she enjoyed complete education and full health. Equity in health outcomes is on track, with a decline in fertility, and maternal, neonatal, infant and under-five mortality along with their inequity levels. In

education, achievements include increasing emphasis on early childhood development and education (ECDE) services; signs of improvements in mathematics and science education; progress in strengthening communities' involvement in the management of schools; and several existing initiatives and extracurricular programs to support boys and girls to stay in school. The decline in fertility rates over the last 20 years opened windows of opportunities for Basotho youth, thanks to reduced dependency rates and the potential economic benefits arising from a productively employed young population. However, since educational outcomes are highly correlated with productivity levels in the labor market, low education levels especially for youth living in rural areas is limiting their opportunities of being productively employed.<sup>14</sup> The particularly high inactivity rate, especially among youth is pointing to an alarming level of social exclusion and a huge underutilization of human capital potential.

**30. The progress towards universal access to public services and core infrastructure is slow, and there are significant disparities among regions.** For example, access to electricity is 47.4 percent (urban 77.7 percent, rural 34.9 percent), access to drinking water is 29 percent (urban 78 percent, rural 9 percent) and internet usage is 43 percent of population in 2020<sup>15</sup>. Aviation safety and security standards are falling short of international regulations and the quality of roads and bridges, particularly in the mountainous regions prone to regular incidents of flood damage, is further disadvantaging the poor's access to health and education services and markets.

**31. Climate risk management and resilience could be strengthened.** Lesotho can build on progress made in developing various bills, policies, strategies and plans to strengthen disaster risk management, advancing disaster risk financing and strengthening hydro-metrological services. Steps have been taken to develop renewable energy resources and this is expected to contribute to both mitigation of, and adaptation to, climate change, while also increasing energy security. The COVID-19 pandemic has provided an opportunity to accelerate certain disaster risk management (DRM) actions, including coordination of emergency operations.

**32. The weak development performance, including failures to realize opportunities, reflects gaps in public sector implementation.** Progress toward building lasting capability and improving development outcomes has been slow despite high levels of public spending, including with the significant financial and technical support from development partners. In most cases, the laws, policies, and institutions that are meant to support the efficient and effective delivery of development outcomes do exist, but they are often either not implemented or distorted. This has been due to deep dysfunctions related to foundational constraints such as a fragile political environment and deterioration in the quality of governance, as well as heavy economic reliance on external resources that enables high levels of public spending but weakens policy ownership. In addition, instability of government coalitions has been associated with a high turnover of ministers and principal secretaries between elections and led to weak coordination between government ministries / agencies and development partners, delaying implementation of key reforms.

**33. Addressing the implementation gap in the public sector requires concrete steps including to:** (a) enhance the capacity and performance of the public sector. This includes the early support for capacity building of the new Cabinet and rationalization of ministries and departments; (b) strengthen citizen engagement and community participation in development activities; (c) improve commitment, coordination and cooperation; (d) strengthen the monitoring and evaluation of implementation; and (e) strengthen public financial accountability. In bridging implementation gaps. Lesotho has an opportunity to build on progress made in the recent past: for instance, the National ID and Civil Registry System provides the seeds for more efficient, transparent, and citizen-centered service delivery.

<sup>14</sup> World Bank, 2019. Lesotho Poverty Assessment.

<sup>15</sup> World Development Indicators (Nov 2022)



## CHAPTER III

# THE WORLD BANK GROUP PARTNERSHIP FRAMEWORK

## 3.1. Government Program and Medium-term Strategy

**34. The Government defines its strategic direction through five-yearly medium-term strategies.** The new government extended the NSDP2 for five years. The revised NSDP2 for 2023/24-27/28 maintains the focus areas of the original NSDP2<sup>16</sup> including private sector-led job creation and inclusive growth through four priorities: growth progression; social transformation; infrastructure development; and good governance and accountability. Cross-cutting topics include environment and climate change, youth, gender, digital technology and renewable energy. It identifies four areas of comparative advantage: agriculture, manufacturing, mining, and tourism. The NSDP2 recognizes that implementation and M&E are critical.

**35. The extension of the NSDP2 is supported by the findings of the 2021 NSDP2 mid-term review (MTR).** The MTR acknowledged progress during its implementation period but confirmed that the NSDP2 remained relevant with specific focus on job creation and inclusive growth. It stressed that ‘enhancing inclusive and sustainable economic growth and private sector job creation’ would be a key priority in the remaining period especially in agriculture, manufacturing, mining, and tourism. The MTR also emphasized the need to link human capital and infrastructure development with private sector development and job creation. The MTR found that the NSDP2 required prioritization in its interventions and more effective use of its M&E framework. Overall, the MTR found that the implementation gap remained a critical bottleneck and called for a costed implementation plan and annual results-based work plans.

**36. As part of improving the accountability framework, local governance and decentralization, the enhanced role of chieftainship and citizen feedback are key initiatives to ensure implementation and M&E of the NSDP2.** The NSDP2 includes ambitious reform initiatives including: (a) establishment of a priority project implementation unit to ensure coordination and prioritization among projects; and (b) holistic civil service reforms including the introduction of a performance management system to enhance productivity, motivation and morale.

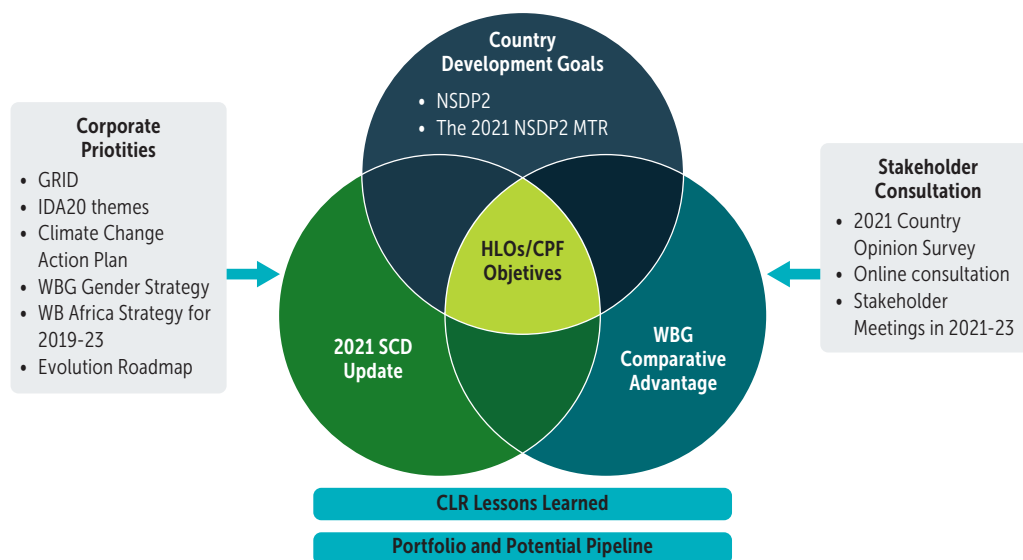
<sup>16</sup> The original NSDP2 covered from 2017/18 to 2022/23. The new government decided to extend the NSDP2 until 2027/28.

### 3.2. Proposed WBG Country Partnership Framework

37. The overarching goal of the CPF is to promote a private sector driven, export-oriented economy for job creation and support an efficient and effective public sector. The CPF’s HLOs, objectives and activities reflect a selective set of issues based on Lesotho’s development priorities, findings from the SCD Update, lessons learned from the CLR and areas of WBG’s comparative advantage.

38. The CPF has adopted objectives which are well aligned with the NSDP2 adjusted priorities and address selectively the challenges identified by the SCD Update. The CPF objectives will put greater emphasis on private sector development by improving the enabling environment for Micro, Small and Medium Enterprises (MSMEs) growth to crowd in private investment for enhanced job creation. In the education sector, the World Bank will continue to support basic and early childhood education outcomes based on the past and ongoing World Bank engagement, but will not directly support higher education. It will improve the management of natural resources and access to climate resilient infrastructure. Finally, the CPF will adopt a territorial development approach to focus on the geographic areas with the highest needs to reduce poverty and service gaps, while leveraging economic opportunities in the Maseru area for economic agglomeration. Digitalization and gender equality will cut across the CPF.

Figure 8. Selectivity Filter

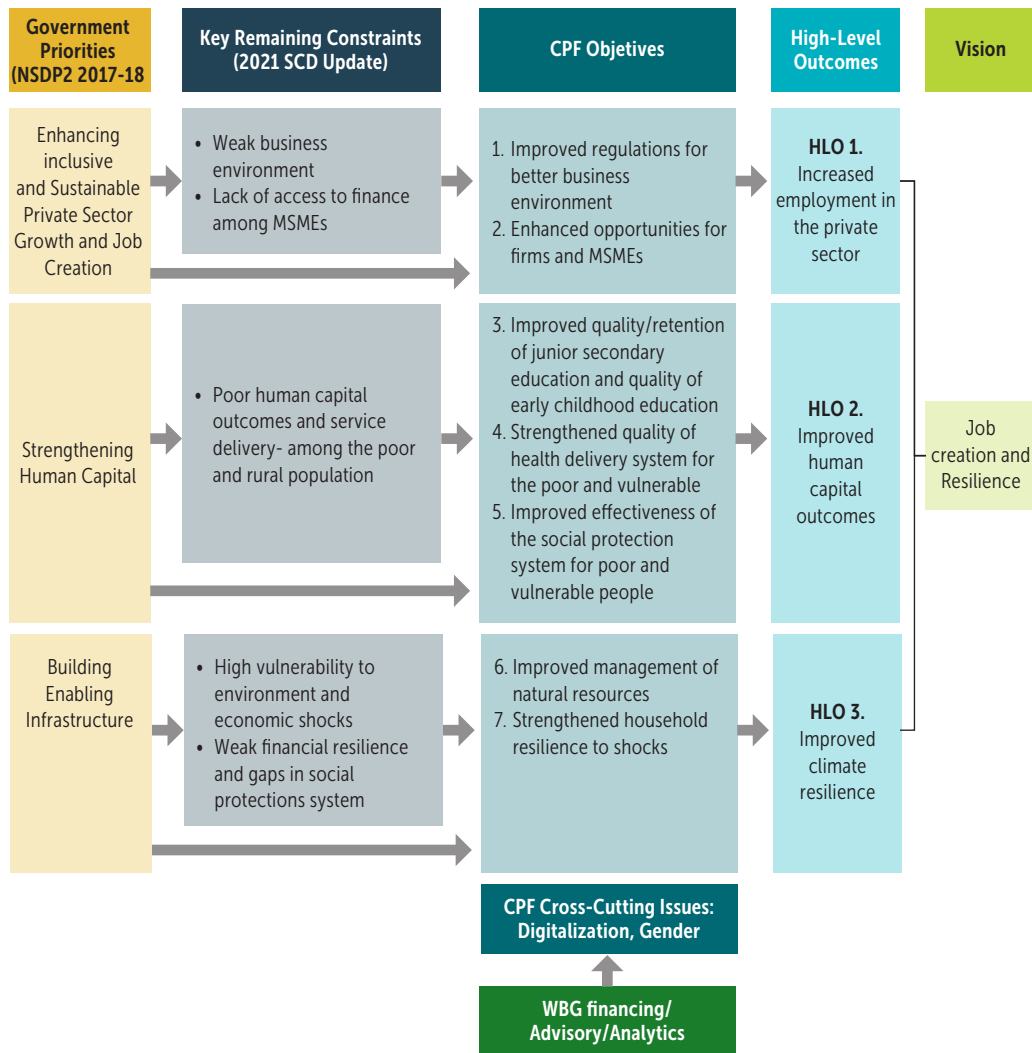


39. The CPF draws lessons from the CLR which concluded that the development outcome of the FY16-20 CPF was Moderately Satisfactory and the WBG performance was Fair (annex 3). The main lessons learned are fully reflected in the CPF. Specifically, the new CPF maintains the contents of the previous CPF focus areas, but pipeline projects are carefully selected to leverage the existing portfolio (table 3) and build on the gains made under the previous CPF. Implementation of the new CPF will put greater emphasis on systematic and proactive portfolio management. In collaboration with the government, the World Bank will provide more hands-on capacity building support to the client and its project implementation units (PIUs). In addition, the WBG will deepen collaboration with other development partners so that activities supported and projects financed will have more impact. The Results Framework (annex 1) reflects the CLR



lessons in its realism of timeframes, results measurement, reporting, and evaluation for better program monitoring and engagement. Thus, all objectives are supported by the existing projects and those planned in the pipeline of projects during the CPF period.

**Figure 9. CPF Results Chain**



40. In addition, the CPF reflects results of broader and deeper stakeholder consultations. This is the first Lesotho CPF for which the government established a CPF counterpart team led by senior government officials in the previous Ministry of Development Planning (MODP) and the Ministry of Finance (MOF). The government counterpart worked with WBG in conducting bilateral consultations with key development partners during preparation. These engagements were instrumental in identifying priority areas of future collaboration. A series of meetings with youth groups, Civil Society Organization (CSOs), media, women groups, and academia (e.g., the National University of Lesotho) helped to shape the CPF's focus on job creation through private sector development. Closer cooperation with development partners will enable synergies (e.g., with the EU, United Nations agencies, Japan International Cooperation Agency (JICA) and International Monetary

Fund (IMF)) and targeting specific areas of WBG comparative advantage. Finally, the first ever online consultation in Lesotho enabled the WBG to reflect broader views from all stakeholders, the results of which were consistent with the 2021 Country Opinion Survey<sup>17</sup>.

**41. The WB, IFC and MIGA will collaborate in leveraging private sector solutions.** Mutually reinforcing World Bank engagements through Advisory Services and Analytics (ASA) / investment and IFC advisory and upstream support will foster a better business environment, firm competitiveness, access to finance, improved trade facilitation, and integration into global value chains. IFC investment will explore investments in businesses and areas that benefit from the World Bank and IFC advisory and upstream support. For example, IFC has started a dialogue with a foreign private investor planning to make a direct investment in horticulture, which could benefit from the World Bank support to train horticulture workers and upgrading local agribusiness Small and Medium Enterprises (SMEs) as suppliers. MIGA will continue to explore opportunities to use political risk insurance guarantees in promoting cross-border investment in critical and emerging sectors. These efforts will be central to crowding in private finance in each CPF Objective. MIGA has been conducting a dialogue with a private foreign investor financing a solar power project. The planned CPSD will be an analytical basis to strengthen the collaboration within the WBG.

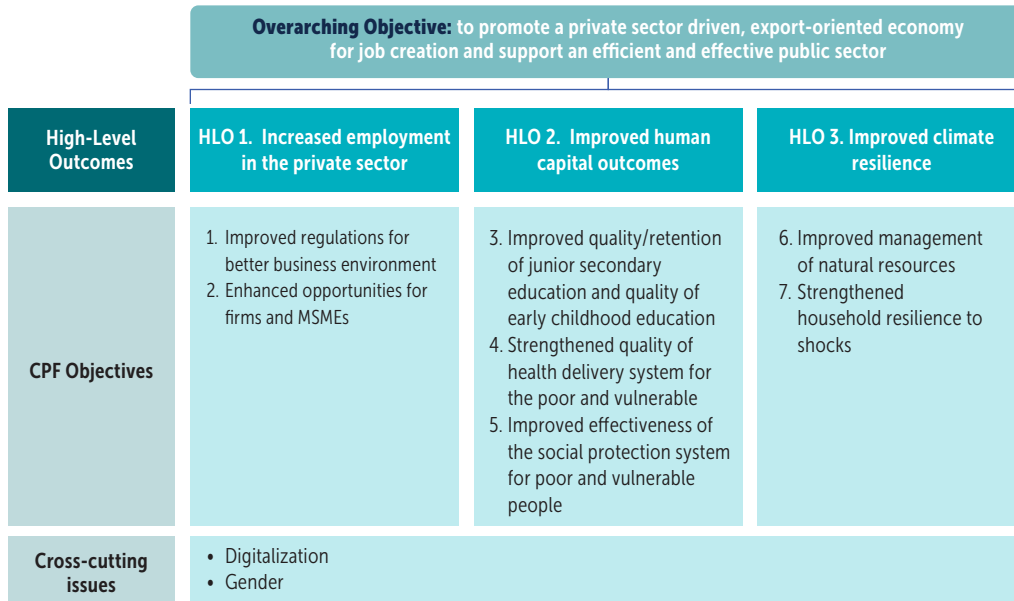
**42. The CPF focuses on selected corporate priorities,** which is aligned with the CLR's emphasis on selectivity and trade-offs<sup>18</sup>. For example, among the IDA20 special themes, the CPF focuses on climate change, gender, human capital and jobs and economic transformation. These form a subset of the Africa Regional Strategy 2019-23 priorities that also include building the digital economy and making institutions more efficient and accountable. In alignment with the WBG's Supporting Africa's Recovery and Transformation: Regional Integration and Cooperation Assistance Strategy Update for the period FY21-23, the CPF will promote opportunities for regional and global integration and cooperation in order to increase and broaden gains from: intra-regional trade, by enabling smaller producers to integrate into and benefit from cross-border and global value chains; addressing regional public goods such as in health and climate-related issues; and cooperation in pooling and sharing in resources and services such as water and energy<sup>19</sup>. These priorities are supported through specific objectives and cross-cutting issues of the CPF.

**43. The CPF is fully aligned with the GRID approach.** The three dimensions, cross-cutting enablers and WBG capacity of the GRID approach are all highly relevant for Lesotho. For example, on *green*, the CPF will focus on renewable energy (through the Renewable Energy and Energy Access Project (LREEAP, P166936) and climate-smart agriculture (through Smallholder Agriculture Development Project II (SADP II, P165228)). On *resilient*, HLO3 focuses on improved climate resilience. The Competitiveness and Financial Inclusion (CAFI) Project (P175783) has a component on enhancing financing inclusion and resilience of MSMEs, providing support for firms to be more resilient to shocks from climate, pandemic and other natural disasters. On *inclusion*, CPF Objective 5 focuses on improved effectiveness of the social protection system for poor and vulnerable people through the Pathways to Sustainable Livelihood Project (PSLP, P177814). It is important to note that also in its process, the preparation of the CPF has been inclusive of all stakeholders.

<sup>17</sup> <https://microdata.worldbank.org/index.php/catalog/4024>.

<sup>18</sup> IDA20 special themes and cross-cutting issues, Green, Resilient, and Inclusive Development (GRID), [Africa Regional Strategy](#), Africa Human Capital Plan, Climate Change Action Plan

<sup>19</sup> On regional integration, as described in the CLR, the Tuberculosis (TB) and Health System Strengthening Project and Agriculture Productivity Program for Southern Africa (APPSA) have been successfully implemented. In addition, the government demonstrated its interest in Food Systems Resilience Program for Eastern and Southern Africa. The regional Country Economic Memorandum (CEM) and Country Climate and Development Report (CCDR) are also expected to promote regional integration. The private sector and agricultural projects are supporting strengthening of regional value chains and lowering of trade facilitation costs. As a member of SACU, Lesotho and the neighboring countries, have submitted their trade preference offer for trading under the AfCFTA.

**Figure 10. Overview of WBG CPF**

44. The CPF is also aligned with the overall direction of the Evolution Roadmap<sup>20</sup>. “The roadmap process will need to prioritize new global challenges including climate change (mitigation and adaptation), pandemic preparedness, fragility, migration, and regional development, but recognizing that these priorities may change over time. The WBG has an opportunity to play an even greater role to support countries’ efforts to build human capital, create a robust business enabling environment, and unleash private sector growth”<sup>21</sup>. The proposed HLOs, Private sector development (HLO1), human capital (HLO2) and climate resilience (HLO3), are fully aligned with the Evolution Roadmap.

45. To promote a private sector driven, export-oriented economy for job creation and support an efficient and effective public sector, the CPF is structured around three HLOs and seven objectives (i) increased employment in the private sector through strengthening the business environment and enhanced opportunities for firms and MSMEs; (ii) improved human capital outcomes focusing on ECD and junior secondary education; health delivery system and the social protection system for poor and vulnerable people; (iii) improved climate resilience through better management of natural resources and an increase in households’ resilience to shocks. Digitalization and gender equality are cross-cutting themes, while implementation approaches such as application of the governance filter and a focus on territorial development will be used to maximize impact.

<sup>20</sup> Evolution of the World Bank Group: A Report to Governors (March 2023)

<sup>21</sup> Ibid. Paragraphs 16-17

### 3.3. Objectives supported by the WBG Program

#### High Level Outcome 1 (HLO1) – Increased employment in the private sector

##### HLO1 Indicators:

- Number of jobs created in the private sector (gender disaggregated)
- Increase in score and ranking in Global Competitiveness Index (GCI)

**46. A weak private sector is a root cause of the high unemployment rate.** The private sector is largely concentrated and undiversified with two main sectors manufacturing (primarily textiles and apparel) and mining, together accounting for 84 percent of formal employment<sup>22</sup> and two thirds of exports. Informality is widespread in low productivity sectors with more than 80 percent of household businesses not being registered. Low productivity jobs are dominant especially in rural areas. Gender imbalances exist despite the highest rates of female participation in ownership of formal firms at 39 percent in Sub-Saharan Africa. Although women tend to have better education outcomes than men, this is not translated to the labor market, with unemployment being higher among women than men. Much more needs to be done to foster income generation among women and a narrowing of the earning and employment gender gaps.

**47. Under HLO1, the CPF will support Lesotho to address demand and supply side constraints to increase employment in the private sector, which is a long-term objective to be pursued over two to three CPF cycles.** The CPF will directly and indirectly contribute to HLO1 and lay the foundation for private-sector-led growth. Integrated interventions to improve the enabling environment for business and investment will target policy and regulatory reforms, enhance financial inclusion, strengthen the ecosystem for entrepreneurs and support MSMEs to enable them to participate more effectively in high potential regional and global value chains and tap opportunities from digital transformation. The territorial development approach will be applied to HLO1 to: (1) help develop a spatial understanding of Lesotho's natural endowments and existing economic efficiencies; (2) diagnose the potential of the different economic sectors in and around Maseru City and secondary/tertiary towns where the private sector can be engaged to deepen value-chains and create jobs; and (3) assess possible improvements in connectivity to improve the economic potential of lagging and leading regions.<sup>23</sup> During this CPF period, the WBG engagement will support government in implementing key business reforms, building on the previous CPF, to create a conducive environment for private sector (CPF Objective 1) and create growth opportunities for firms (CPF Objective 2). Creating opportunities for MSMEs and entrepreneurs is a new area the WBG will support, having been identified as a key challenge in the SCD Update. HLO1 will reinforce and deepen efforts under HLO2 on human capital development and under HLO3 on climate resilience (annex 2). The World Bank Group will continue to collaborate in maximizing finance for development (MFD) opportunities and emphasize youth and women's economic empowerment and gender equity where applicable through the above objectives.

**48. Macroeconomic and fiscal sustainability cuts across all CPF objectives but is especially critical for HLO1.** Macroeconomic and fiscal sustainability is an enabling factor for private sector development, as without its sustainability the private sector cannot invest in the country. At the same time, MSME development and job creation provide strong foundation for macroeconomic and fiscal sustainability. The World Bank's

<sup>22</sup> World Bank (2018) Unlocking the Potential of Lesotho's Private Sector: A Focus on Apparel, Horticulture and ICT

<sup>23</sup> Even though Lesotho is surrounded by South Africa with many border posts, not all of them are classified as commercial borders, which has an implication on the economic distance between the two countries. Most of Lesotho's commercial borders are located on the western side of the country with the one exception of Qacha's Nek on the eastern side. Incidentally, the eastern side lags the western side on many socioeconomic indicators.

instruments include the macroeconomic monitoring exercise, in collaboration with the IMF, which provides up-to-date information to all stakeholders. The planned regional CEM (Drivers of Growth in Southern Africa, P180069) will provide in-depth analysis on structural problems and practical recommendations, while a programmatic Development Policy Operation (DPO, P180876) is under discussion. The World Bank's Sustainable Development Finance Policy (SDFP) aims to ensure debt transparency and sustainability, which is closely linked with ongoing reforms<sup>24,25</sup>. The Public Expenditure Review (PER) has been prepared with strengthened stakeholder engagement with the government and the National University of Lesotho. Thus, the process has contributed to strengthening their capacities. The World Bank will support ongoing and planned reforms to achieve sustainability including (a) strengthening fiscal management through greater accountability and transparency including the reduction of the wage bill, enactment of the new Public Financial Management and Accountability (PFMA) Act and adoption of the new public procurement law; (b) promoting private sector development through the development of public private partnership (PPP) and improved access to finance through partial credit guarantee; and (c) enhancing economic resilience through improved disaster risk management. A new project, Public Sector Foundations for Service Delivery Project (P174171), which is currently under preparation, will cover various aspects of the government's public sector strengthening and modernization agenda.

**49. Cross-cutting themes.** Regarding digitalization, the CAFI Project will strengthen the delivery of efficient and reliable digital Government-to-Business (G2B) services for better business environment. The project will also enhance the capacity of existing MSMEs, particularly through support to digital transformation and improving access to reliable financial infrastructure (e.g., access to digital payments). The CAFI Project will target women entrepreneurs and business owners through targeted financing, business skills and other services. The World Bank's support to government's credit infrastructure system will enable businesses especially women owned businesses to increase their coverage rate by Credit Bureau.

### CPF Objective 1. Improved regulations for better business environment

**50. The business environment remains weak despite recent reforms.** Lesotho's ranking in the GCI dropped from 123 in 2014 to 131 in 2019. Despite some progress during the previous CPF period, the ranking continues to reflect an uncompetitive business environment. This is a key binding constraint on the growth of private enterprises, adversely affecting both foreign direct investment (FDI) and MSMEs. While progress is being made in trade facilitation, trade costs remain high as reflected in the Logistics Performance Index (139th in 2018)<sup>26</sup> due partly to Lesotho's heavy reliance for transit through SA. Improvements are needed in the areas of cross-border transport and transit bond operations and harmonization of regulations to help reduce the time and cost of export transport services. This is especially important for Lesotho to benefit from new regional value chain and trading opportunities with the progressive implementation of the AfCTFA and to retain its competitiveness in optimizing trading preferences under AGOA and the EU Partnership Agreement.

**51. Effective implementation of key business regulatory reforms and strengthening of the investment policy framework are critical for a competitive private sector.** Despite progress under the previous CPF, weak regulations and inadequate institutional capacity hinder the effective implementation of these required reforms. Some foundations of G2B services are in place; however, additional efforts are needed to improve

<sup>24</sup> <https://ida.worldbank.org/en/financing/debt/sustainable-development-finance-policy>

<sup>25</sup> For example, Performance and Policy Actions (PPAs) include (a) Ministry of Finance and Development Planning issues a Circular to mundanely use of Electronic Funds Transfer (EFT) through the Integrated Financial Management Information System (IFMIS) for all government's payments and (b) Ministry of Finance and Development Planning issues guidelines for a revised Medium-Term Expenditure Framework (MTEF).

<sup>26</sup> <https://lpi.worldbank.org/>

the regulatory framework and infrastructure of the Information and Communication Technology (ICT) sector, and strengthen interoperability, efficiency, and effectiveness in delivery of integrated G2B digital services to the private sector. Digital transformation of the economy is critical to realize its potential. Improved access to and affordability of connectivity devices and broadband services, particularly in underserved and rural areas, combined with improvements in the regulatory and business environment for the digital economy, digital skills and literacy, digitalization of payments and other financial services, and support to digital entrepreneurs can create new businesses and jobs.

**52. Under Objective 1, the WBG will support key reforms for a conducive business environment for private sector development.** The ongoing CAFI Project supports accelerated implementation of business environment reforms to reduce the time and cost of regulatory compliance for MSMEs and facilitate new businesses, including in rural areas. The CAFI Project also supports strengthening of efficient and reliable G2B digital services as well as other G2B service improvements to strengthen the business environment for MSMEs and entrepreneurs and reduce the cost of doing business. In addition, enhanced policies and regulations in the financial sector will expand financial resilience for businesses and their resilience to disasters and other shocks to the economy. The legal and regulatory reforms will be supported through an accompanying technical assistance program under the current Jobs Platform and the regional Trade Facilitation ASA, while the integrated transport project under HLO3 will support access to markets both for road and air transport.

**53. IFC will deploy its Creating Markets Advisory (CMA) to understand opportunities and market failures preventing private sector development, while MIGA will employ its political risk guarantees to de-risk foreign investment projects.** The CMA is exploring the possibility to launch a Public-Private Dialogue Forum to create a platform for the private sector to systematically engage with government to improve the investment climate. In addition, the IFC Upstream Advisory will explore opportunities to work with potential sponsors to develop bankable projects to attract private capital. IFC will also strive to identify where PPPs are feasible, especially the renewable energy sector where both public and private capital can be leveraged effectively. However, these will require utilization of de-risking tools to mitigate perceived country risks and/or to ensure bankability of projects for investors. IFC advisory will continue to collaborate with the World Bank to enhance the business environment, facilitate trade, and strengthen regional and global market linkages, including linking SMEs to the mainstream economy. IFC will continue to investigate investments opportunities in job creating sectors utilizing the IDA's Private Sector Window to deepen IFC's engagement. MIGA is working with an investor to provide political risk insurance for a solar power project which is expected to diversify the energy mix and strengthen reliance on green energy.

## CPF Objective 2. Enhanced opportunities for firms and MSMEs

**54. Strengthening the capacity of existing and new MSMEs<sup>27</sup> and entrepreneurship are critical to the development of the domestic private sector and economic diversification.** The export manufacturing sector, especially textiles and apparel, has potential to attract new investments and create jobs. However, current support programs are primarily concentrated in Maseru, but they have limited scope, impact and scalability, and they do not fully leverage considerable available resources in the regional entrepreneurship ecosystem, especially in SA. In addition, access to finance, including early-stage finance and existing financing opportunities, remains a critical challenge particularly for small firms, due to limited financial intermediation as well as use of digital financial services (DFS). Finally, digitalization can unlock new business opportunities, enable business owners to reach new markets and help MSMEs offer digital products.

<sup>27</sup> In 2015, 48 percent of new firms was MSMEs.

**55. Under Objective 2, the WBG will support establishment of a sustainable entrepreneurial ecosystem and expand opportunities for firms particularly for MSMEs, youth and women owned businesses.** The World Bank-financed projects, especially the CAFI Project, and ASA will support (a) establishing an Entrepreneurship Hub and Seed Financing Facility to increase the quality and scope of integrated startup business support services and increase access to early-stage financing; (b) scaling up the current Lesotho Enterprise Assistance Program (LEAP) to support MSMEs to adopt digital technologies that allow them to transact in the digital economy and upgrade their capabilities; and, (c) facilitating investment into productive value chains for MSMEs. The World Bank will also provide capacity building support for strengthening the competitiveness of the textiles and apparel global value chains (GVC) and expansion of smallholder horticulture production and exports through a Horticulture Incubation Program. The program will also support upgrading of skills and adoption of sustainable production practices by businesses to enhance productivity and green growth.

**56. IFC's potential investment is expected to complement the World Bank's support to the horticulture and textiles sectors<sup>28</sup>.** The proposed IFC project aims to expand grain and legume farming operations through (a) land improvements and installation of an irrigation system, and (b) the construction of a related processing plant. This is expected to lead to industrial-scale primary agriculture production on existing land leased from smallholders on a long-term arrangement through a win-win partnership. The expected outcomes are to address food security through increased local production and new processing capacity, as well as to encourage additional investments in commercial farming initiatives. The project will also create full-time employment opportunities, along with seasonal employment for the smallholder lessors. IFC will also collaborate with the World Bank to support the development of the private sector ecosystem for solar power solutions under the CAFI Project.

**57. The WBG will support access to financial services for MSMEs, particularly women owned ones.** Access to financial services will be achieved by (a) credit infrastructure system strengthening that facilitates access to business financing; (b) product development to support value chain financing; and (c) capitalization of the existing partial credit guarantee (PCG) scheme. IFC will support digital finance services through advisory services by engaging with mobile network operations (MNO). IFC will also explore potential partnerships with financial institutions through risk-sharing facilities structures to scale up finance for mobile money agents and merchants. A MIGA guarantee in the financial sector will free up capital for private sector lending to SMEs as they build back from pandemic shock. Increasing private sector investment in agent networks is likely to expand access to financial services to many informal small businesses. The World Bank has been collaborating with the International Labor Organization (ILO) and the International Trade Center (ITC) through the CAFI Project.

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<sup>28</sup> Building on the success of the World Bank supported first and second Private Sector Competitiveness and Economic Diversification Project (P144933 closed in June 2022).

## Higher Level Outcome (HLO) 2: Improved human capital outcomes HLO 2 Indicators:

Children under -5 year of age who are stunted

Children aged 7-14 years demonstrated foundational reading skills (English or Sesotho)  
or Children aged 7-14 years demonstrated foundational numeracy skills

**58. Investing in human capital is critical to maximize the life-time potential of individuals and to boost economic productivity and growth opportunities.** However, analysis of the HCI indicates that education and health outcomes remain well below the expected level of development. Low coverage of nutrition services and poor Water, Sanitation and Hygiene (WASH) services adversely affect human capital outcomes particularly stunting. In basic education, children from poor households are unable to complete school despite free schooling. Poverty is a key factor affecting the high dropout rate. Furthermore, children in rural areas, especially in the mountainous regions, are at a higher risk of dropping out of school than urban children. Rural boys are even more marginalized than rural girls. Only one in five boys complete secondary education, whereas more than half of girls in urban locations will complete school. The COVID-19 pandemic further affected these challenges particularly in marginalized and poor communities, as they have limited access to distance learning opportunities.

**59. The objectives under HLO2 would promote an integrated approach for service delivery in communities to improve human capital development.** More precisely, the World Bank activities under this HLO will support development of human capital by supporting equitable and quality early childhood development and junior secondary education, strengthening efficiency in health delivery systems for improved services and emergency reform and strengthening the social protection system to help build the resilience of poor households, enabling them so invest in their children's health and education as well as prepare themselves to cope with future shocks. Furthermore, to date, many of the resources invested by the government and non-government stakeholders to improve labor market outcomes among youth have focused on further increasing the employability of the most-educated youth as opposed to focusing on the poorest and addressing social exclusion and inactivity. Given the significant gaps in gender and among geographic locations in human development outcomes, the CPF will aim to achieve greater inclusion for women, youth and the vulnerable. This can be achieved through, for example, the territorial development approach (including a focus on lagging regions). HLO2 will complement HLO1 and HLO3 (annex 2). For example, the interventions supported through HLO2 will have strong impacts on labor productivity, private sector development and jobs. The territorial approach will be further applied to HLO2 to: (1) analyze gaps in basic infrastructure and service delivery for core public services that are essential for human capital investments; and (2) identify potential for education and health sector investments in leading and lagging areas to improve both access and quality of services.

**60. Cross-cutting themes.** Use of digital technology will improve human capital outcomes. Science skills and digital literacy in secondary schools will help improve overall quality and learning outcomes. The World Bank will support strengthening health information systems through implementation of a robust digital strategic agenda. Use of digital payments will improve effectiveness and efficiency of social protection. On gender, CPF Objectives under HLO2 have specific targets (e.g., Objective Indicator 4.1 on Women with institutional deliveries).



### CPF Objective 3. Improved quality/retention of junior secondary education and quality of early childhood education

**61. Improving quality and efficiency in junior secondary education including in early childhood remains a priority to close human capital gaps.** Access to Early Childhood Care Development and Education (ECCDE) remains low at 31 percent and inequitable. Only 15 percent of children aged five meets developmental milestones in literacy and numeracy. The ECCDE sub-sector remains underfunded<sup>29</sup> and quality remains a challenge due to an outdated curriculum, gaps in teacher training, and limited regulation. Despite high enrollment in primary education, there is a high level of inefficiency with many children dropping out before transitioning to, or completing, junior secondary education. Low retention is particularly acute in poor and rural areas and among boys. Poverty, pregnancy, and interest in attending school are additional contributors to the high dropout rate. Low quality of education is also a priority challenge for Lesotho. At the junior secondary level, learning outcomes in core subjects, including mathematics and science, are poor. Deficient teacher competency, lack of in-service support, and inefficient teacher management are drivers of poor quality. The COVID-19 pandemic has further exacerbated these challenges of learning loss due to school closures.

**62. The World Bank will prioritize its support to improve the quality of ECCDE and junior secondary education including retention to strengthen the foundation for future learning and skill acquisition.** The World Bank will focus on improving quality of services, complementing the government's effort to expand access including by opening publicly financed pre-school classes. The World Bank financed education project<sup>30</sup> will support a quality improvement package for ECCDE, consisting of teaching and learning materials, teacher training and support, and assessment of child literacy and numeracy outcomes. It will build on the support and pilot program during the previous CPF. To improve student retention at the junior secondary level, different options will be trialed for higher impacts of social protection programs (OVC-grant and the Child Grant Program (CGP)) on student retention. To address the complex social issues adolescents face, boys' and girls' clubs that provide life-skills education and mentorship will be scaled up in targeted areas, leveraging ongoing programs by NGOs. The WBG will work closely with various development partners including UN agencies, the Global Partnership for Education (GPE) and NGOs to build synergies and maximize impact.

### CPF Objective 4. Strengthened quality of health delivery system for the poor and vulnerable

**63. Health outcomes are moderate and lagging Lesotho's neighbors in most critical health indicators.** The government spends 13 percent of its total expenditure on health, a significant increase since 2010 and above the average of upper-middle-income countries, but the performance of the health system is weak and characterized by inefficient management. The largest share of health resources goes to facility-based care such as Queen Mamahato Memorial Hospital (QMMH), while there is no systematic community-based approach to deliver preventive health and nutrition services or a strong referral system that links communities to health facilities. The unequal resource distribution has led to disparities in access to preventive and primary care services and an increased burden on a few regional and one tertiary hospital. The COVID-19 pandemic has demonstrated the need for increased financing for primary health care and community health interventions to increase access for the vulnerable population. Despite these deficiencies, the government has been able to respond to the COVID-19 pandemic in a fast and coordinated manner. As of end February 2023, 47 percent of the population was fully vaccinated.

<sup>29</sup> About 0.3 percent of education sector financing in FY18/19

<sup>30</sup> Basic Education Strengthening Project (BESP, P175065),

**64. The World Bank will attempt to address supply side constraints to improve better health outcomes for a productive workforce.** Strengthening the government's health delivery system and managing the health impact of the COVID-19 pandemic, including preparing for future emergency responses, will be supported through ongoing projects. Support will focus on strengthening the quality of health care in District Health Centers and Hospitals, including primary care systems, and will cover health information systems, contract management and health worker training. World Bank engagements in transport and water are expected to have indirect contributions through reducing travel time to hospitals/clinic and providing safe water in targeted region. In addition, the ongoing agriculture project has been supporting nutrition through advocacy campaigns and investment in nutrition-sensitive food supply chains.

### CPF Objective 5. Improved effectiveness of the social protection system for poor and vulnerable people

**65. Over the last 20 years Lesotho has significantly invested in social protection programs as part of the government's commitment to protect vulnerable groups.** These programs have positively contributed to reduced poverty and vulnerability among beneficiaries and have provided a platform for responding to shocks such as the COVID-19 pandemic. However, at 6.4 percent of GDP, social protection spending is the highest in Africa and double that of its neighbors but, despite the positive impacts, the cost effectiveness and impact vary across social protection programs. Most social protection spending goes to old-age pensions, school feeding, and tertiary bursaries. In contrast, more cost-effective poverty targeted programs are small in scale and provide very low benefits<sup>31</sup>. To improve cost-effectiveness and efficiency, the government needs to consider: (a) reallocating spending from inefficient programs towards poverty-targeted effective programs; (b) strengthening and modernizing systems for targeting, identification, payments and grievances to reduce inefficient administrative spending and reduce leakages; and (c) turning safety net programs into more direct investment in human capital and productive inclusion for poor households to engage in resilient livelihoods activities.

**66. The PSLP<sup>32</sup> supports selected priorities identified in the second National Social Protection Strategy (NSPS II).** The World Bank' long-standing engagement in social protection, most recently through the previous Social Assistance Project (SAP)<sup>33</sup>, contributed to improving efficiency, equity and shock responsiveness of the social assistance. The PSLP focuses on: (a) investing in modern delivery systems to enhance cost-efficiency, reduce leakages, and improve targeting of adequate benefits; (b) providing enhanced livelihoods support (cash plus) to targeted poor households<sup>34</sup>; (c) assisting households impacted by the ongoing food insecurity situation linked to food price inflation as well as other shocks in the future; and, (d) strengthening delivery systems including by shifting from cash to digital payments, updating and making better use of National Information System for Social Assistance (NISSA) data and the national ID for targeting and identification, and building a rigorous grievance redress system.

<sup>31</sup> World Bank Review of Social Protection Programs and Systems in Lesotho (2021)

<sup>32</sup> Became effective in August 2022.

<sup>33</sup> Closed in June 2021

<sup>34</sup> It is expected that a majority of beneficiaries would be youth (18-35) and at least 50 percent or more of them women.

### High-level Outcome (HLO) 3: Improved Climate Resilience HLO 3 Indicators

Livelihood Coping Strategy Index (LCS) – stress/crisis/emergency

Adjusted Savings: Natural Resource Depletion (% of GNI)

Water Productivity, total

**67. Lesotho is highly vulnerable to climate change which negatively impacts livelihoods, the natural resources base, and infrastructure.** Drought and flooding are the biggest threats but strong winds, early and late frosts, hail, changes in rainfall patterns, and snowstorms are also problematic. Responding to these shocks *ex-post* is costly and hurts the country's macro-fiscal position by diverting resources away from other development priorities and making it harder to achieve lasting poverty reduction. For example, Lesotho loses between one and four percent of GDP annually during drought years.<sup>35</sup>

**68. Weak management of rich natural resources adversely affects development.** About half of exports depend on natural resources with water and agricultural exports being particularly vulnerable to poor landscape management and climate shocks. Lesotho's wetlands produce water consumed across the region and contribute to water sales that generate about eight percent of GDP. While agriculture productivity has been steadily declining since the 1990s (due to changes in rainfall patterns and frequency), more than 70 percent of the population participate in subsistence agriculture. Climate shocks destroy agricultural output, devastating livelihoods and half of the population regularly faces food insecurity<sup>36</sup>.

**69. Improving natural resource management and increasing climate resilience are a national priority to safeguard livelihoods, reduce fiscal pressure, and preserve important potential sources of economic growth.** The WBG program will support HLO3 by focusing on improving the country's ability to prepare and manage shocks. This includes knowledge products such as a regional CCDR, financial and fiscal tools and investment in climate-smart infrastructure and improving the overall health of its ecosystems (especially its wetlands) to improve climate resilience. This will be achieved through two CPF objectives of improving management of natural resources and improving physical and financial infrastructure for climate resilience. Improving natural resource management is likely to have a direct contribution to HLO1. Also, climate resilient infrastructure is critical to improving health, education, and social protection (HLO2). Furthermore, the territorial approach will be applied to HLO3 to identify climate hotspots that are at the risk of shocks (e.g., floods, droughts, and deep snow) with the aim of enhancing the resilience of both leading and lagging regions.

**70. Cross-cutting themes.** Increasing use of big data and other digital tools and analytics would improve climate change forecasting, monitoring and adaptation, disaster preparedness and response. For example, digitalization and remote sensing provide opportunities for better landscape change management and prediction. On gender, bridging the gender digital divide, including access to internet, access to digital devices (e.g., phones and computers), and higher levels of digital literacy, is critical for women and girls to increase their employment and business opportunities.

<sup>35</sup> Government of Lesotho Nationally Determined Contribution, December 2017.

<sup>36</sup> WFP <https://www.wfp.org/countries/lesotho>



## Objective 6. Improved management of natural resources

**71. Environmental degradation and erosion are the biggest threats to the natural resources base.** Lesotho loses about two percent of its topsoil annually due to erosion, contributing to a decline in agricultural production. Sustained land degradation has reduced the capacity of the country's wetlands to store water by an estimated 36 percent affecting domestic consumption as well as available water for export. Taken together, the government estimates that depletion of natural resources costs about 4.6 percent of gross national income annually. Moreover, poor management of ecological infrastructure, such as wetlands and mountain catchments, reduces the environment's natural defense against severe weather impacts and contributes to the reduction of ecosystem services. Targeted investment in land restoration or protection is critical to build and restore ecological climate resilience efficiently and effectively.

**72. The government identified priority reforms to improve the management of natural resources.** These include (a) developing an integrated natural resource management approach to promote more inclusive, resilient, and sustainable development; (b) strengthening the national hydro-meteorological system, village-level data collection, disaster risk monitoring procedures, weather forecasting systems, flood and drought management, and monitoring of natural resources; (c) piloting the mainstreaming of sustainable landscape management across catchments; and (d) adapting to the impacts of climate change and variability by mainstreaming the Climate Change Policy 2017–27.

**73. The WBG will contribute to the above reforms on agricultural, water and landscape management.** The ongoing Lesotho Lowlands Water Development Project (Phase 2) (LLWDP II, P160672) supports: (a) improved water resources planning and management and balancing the use of water for irrigation with expanded water supply in urban and rural areas; and (b) strengthened institutions for enhanced water governance, including by incentivizing performance improvements at Water and Sewage Company (WASCO), the national utility. In agriculture, the ongoing SADP II and Agriculture Productivity Program Southern Africa (APPSA, P164486) support increasing the availability and adoption of climate-smart agricultural technology, enhancing commercialization and improved dietary diversity, and diversifying horticulture and livestock value chains. Toward the end of the CPF cycle, support in the agricultural sector will contribute to building climate change resilience and readiness among farmers through (a) rehabilitation and modernization of irrigation infrastructure, (b) investments in soil fertility management and (c) integrated climate, weather, and market advisory services. The World Bank's technical assistance to support integrated catchment management (ICM) will help improve the evidence base on the impacts of land degradation to inform improvements to ICM budgeting and governance.<sup>37</sup> As governance is a critical bottleneck in natural resources management, the World Bank will apply the Governance Facility (Section 3.4) to identify opportunities for institutional strengthening and coordination. Support will be also provided to enhancing existing and creating new livelihood opportunities, improving natural resource management and services in poverty affected rural areas, aiming to create rural jobs, reduce the pressure on the natural resources, and restore the natural resource base.

## Objective 7. Strengthened household resilience to shocks

**74. Lesotho's poorest households and communities are highly vulnerable to climate shocks.** Damage to physical infrastructure, such as roads and bridges, is costly to repair and results in disconnecting communities from public services and value chains. The current design manual for roads and bridges does not properly account for climate impacts, nor does it consider the unique terrain of the country's catchments. Consequently, the road network has not been constructed to process and channel increased stormwater. This results in severe flooding, soil erosion and overall land degradation. Improving reliable access to energy is also critical as it supports connectivity to digital platforms, critical for early warning and emergency response.

**75. Improving financial infrastructure to withstand climate shocks is also critical.** Financial impacts of shocks are high, but Lesotho has limited financing capacity to respond and no comprehensive financial protection strategy. The government spends on average 1.6 percent<sup>38</sup> of its budget on disaster response, increasing to 2.6 percent of the budget for one-in-ten-year shocks. This constant disruption of the budget inhibits its effective implementation and the ability of government to achieve the twin goals. While government has two contingency funds,<sup>39</sup> they are often depleted early in the budget cycle, leaving the government exposed and forced to reallocate funding when disasters occur, particularly when late in the fiscal year. For instance, it mobilized US\$21 million (M318 million) in response to the 2015/16 drought, which took considerable time to execute and diverted resources from planned investments.

**76. The WBG will provide a comprehensive approach for vulnerable household to manage and prepare for climate related shocks through investments in physical and energy infrastructure<sup>40</sup>.** The World Bank's ongoing engagement will continue to support climate-resilient infrastructure services through technical assistance

<sup>37</sup> The Protection and Management of Ecosystem Services for Inclusive and Climate Resilient Future (P17246).

<sup>38</sup> Disaster Risk Financing Diagnostic

<sup>39</sup> One in MoF and one at Disaster Management Agency

<sup>40</sup> Current World Bank engagement includes the following: Transport Infrastructure and Connectivity Project (TICP, P155229); the LREEAP.

to improve road safety and capacity to respond to crises or emergencies, to assess the climate change and environmental vulnerability of the road and bridge network, especially in sensitive catchment areas in rural and peri-rural areas. Once an assessment tool is developed, a proposal to undertake a network-wide vulnerability assessment will be made to government. The outcome of the network-wide assessment may form the basis of a future climate resilience road infrastructure engagement. The WBG has been supporting increased renewable energy and improved energy access in vulnerable communities that lack reliable access with greater need, especially in the response to natural disaster.

**77. The World Bank will support the government in strengthening financial resilience with two sets of activities<sup>41</sup>** including: (a) reinforcing budget mobilization – ensuring the government has sufficient resources available to respond to shocks when they occur; and (b) strengthening budget execution – ensuring resources can be transparently and efficiently delivered to shock-affected segments of society. The CAFI Project will support the design, capitalization, and implementation of risk financing instruments to provide financial support during disasters to MSMEs that are otherwise viable but are affected by a shock (largely climatic shocks), to enable them to maintain operations. The instruments will focus on the MSMEs that are most vulnerable to shocks, particularly those that are women owned. In addition, the PER provides recommendations to strengthen the efficiency of budgetary resources allocated to shocks including by building on lessons learned from WBG financing provided in response to the COVID-19 pandemic. As the government currently does not have a disaster risk financing strategy, the World Bank plans to provide technical assistance to strengthen disaster risk finance capacity- through the CAFI Project including drafting a National Disaster Risk Finance Strategy.

**78. Achieving the objectives of the CPF will also require a focus on supporting the country's capacity to prepare for and respond to a range of crises.** The far-reaching impacts of the overlapping crises of the past few years point to the critical role of crisis preparedness in Lesotho. Strengthening country systems necessary to anticipate, prepare for and coordinate responses to different crises will make the country and its people more resilient to future crises. To do so, the World Bank will conduct an assessment of key country systems for crisis preparedness to help identify opportunities for enhanced support over the CPF cycle. Such an assessment could help identify “no regret” interventions that can build resilience and preparedness in the face of a range of shocks.

**79. More can be done to support an integrated approach to climate resilience.** Areas where the WBG can play a more active role include convening partners to coordinate responses, developing a strategy and protocol around fiscal preparedness, investing in emergency response (including improved information management around risk), supporting a ‘dig once’ approach, implementing sustainable landscape management practices and new financing streams for restoration of natural resources, nature-based solutions, and additional investment in infrastructure, including renewable energy. The government currently does not have a disaster risk financing strategy. The World Bank will help the government develop a disaster risk financing strategy and provide technical assistance to strengthen disaster risk finance capacity through the CAFI Project.

<sup>41</sup> Relevant projects include the CAFI Project, PER and the Lesotho COVID-19 Emergency Preparedness and Response Project (AF) (P176307)

## **Cross-cutting issues**

### **Digitalization**

**80. Building the digital economy is one of three priorities of the World Bank Africa Strategy for 2019-23. The SCD Update also highlighted the potential of digital transformation for Lesotho's development.** Grounded in the findings of the 2020 Lesotho Digital Economy Diagnostic, the CPF will promote digitalization as a cross-cutting theme by ensuring key interventions across the three pillars of the CPF, to stimulate digitally enabled private sector, citizens and government, address bottlenecks for digital economy development and use digital technology to help create jobs, enhance service delivery, and strengthen climate resilience. To achieve its digital economy goals, Lesotho will need to improve access and affordability of broadband internet and digital devices, ensure the foundations for digital service delivery are in place, including a core 'digital stack' comprising shared digital government infrastructure and platforms with, among others, digital identification, data exchange, and digital payments. The country will also need to strengthen its digital safeguards, including cybersecurity and data protection.

**81. The World Bank has identified opportunities to leverage digital development across the portfolio and for its M&E.** In addition, the proposed Lesotho Public Sector Foundations for Service Delivery Project would support the government to consolidate progress and ensure that the building blocks for digital government are in place e.g., to introduce an e-procurement system under HLO1. Areas of support under this project may include financing of core digital government systems, data interoperability, digital skills training, strengthening the ID system for access to services, and increasing data protection and cybersecurity capacity.

### **Gender**

**82. The 2022 Lesotho Gender Assessment sets out eight priorities to address gender gaps.** While Lesotho has made significant legislative progress, women continue to face cross-cutting barriers, due to patriarchal gender norms, contradictions between customary and statutory law, and constraints in effective implementation of progressive legislation. To address these gaps, the assessment recommends, inter alia: improving working conditions for women; supporting pregnant, parenting, and at-risk adolescent girls to stay in school and facilitate return; supporting boys and girls to enter and stay in secondary school and make it easy for them to return if they drop out; and promoting women's land rights, with a focus on rural women. Some of recommendations are under implementation through the active World Bank-financed project such as the PSLP.

**83. Building on the findings of the Gender Assessment, the WBG will take a gender informed approach.** The approach will be supported by a Gender Platform comprising activities under three pillars: addressing country-specific priority gender gaps for Lesotho, corporate and regional requirements on gender and knowledge sharing, policy dialogues and capacity building. The platform promotes strategic and operational support to address priority gender gaps by (a) identifying entry points and leveraging the pipeline and portfolio; and (b) generating and sharing knowledge across sectors and with clients towards building awareness and capacity on addressing gender issues. The platform coordinates these efforts on gender focused policy dialogue, along with ensuring a more efficient and streamlined approach to World Bank-supported operations for timely and high-quality inputs and technical assistance on gender issues.

**84. The CPF mainstreams gender in almost all objectives as indicated under each HLO.** More specifically, for Objectives 1 (Improved regulations for better business environment) and 2 (Enhanced opportunities for

firms and MSMEs), through the CAFI Project, the World Bank will continue supporting policy dialogue with government towards addressing identified legal and social barriers to equal participation of women in the labor force and specific hurdles to financial inclusion and entrepreneurship. Under Objectives 6 (Improved management of natural resources) and 7 (Strengthened household resilience to shocks), women commonly face higher risks and greater burdens from the impacts of climate change. The gender platform team will continue to highlight strategic entry points in the operational portfolio for opportunities to improve women's participation and leadership in decision-making bodies at the household and community level as it pertains to climate-related planning, policymaking and implementation.

### 3.4. Implementing the CPF

**85. The CPF, guided by the CLR and SCD Update, envisages an enhanced implementation approach.** Key among the new implementation approaches are: (a) applying a political economy lens through a Governance Facility for project preparation and implementation. The Facility has also supported capacity building of the new Cabinet and senior officials including in prioritization of its development agenda and rationalization of the Administration; (b) mainstreaming a gender focus supported by a Gender Facility; and (c) applying a territorial development approach to better respond to development needs the issues of both lagging and leading regions. In addition, the CPF will leverage the successes and build on the gains made in implementation of previous CPFs and use different instruments and approaches to overcome implementation bottlenecks. The CPF will introduce DPFs to support economic and governance reforms; consolidate projects to a reduced number and spread; and apply alternative supervision techniques to address risks associated with implementation in remote areas.

**86. Governance and Government Capacity.** Weak governance and government capacity is a constraint to implement the CPF which will be addressed in several ways: (a) developing a citizen-centric approach to service delivery; (b) building robust PFM systems; (c) fostering capacity through collaborative leadership and stakeholder engagement approaches; and (d) strengthening accountability and oversight functions, including from citizens. Although the World Bank has been tackling these issues at the project level (e.g., national ID and Human resource management information system (HRMIS)), the SCD Update and the CLR call for a more systematic approach. Thus, the World Bank will strengthen application of the Governance Facility (box 3). The application of the Governance Facility is expected to improve performance of selected public services. For example, through increased citizen engagement, expanding citizen feedback mechanism to selected sectors,<sup>42</sup> and increased number of services using the National ID system. For CPF implementation, the Facility is expected to mitigate political and governance risk (Section IV). Also, as project design and implementation take into account capacity constraints, it is expected to improve portfolio management at both project preparation and implementation stages.

**87. The World Bank also supports the country in developing a financial management strategy to strengthen the country system taking into account the systematic weaknesses identified at project level.** Due to PFM weaknesses, the World Bank-funded projects are implemented outside the country systems, except for external audit. There is an ongoing dialogue on centralizing the financial management and disbursement functions of the World Bank-funded projects to consolidate limited human resources and capacity. In the meantime, systematic country level weaknesses are addressed, and financial management and disbursement capacity buildings are offered to individual projects and the portfolio at large.

<sup>42</sup> The pilot started in mid-2021 with the Ministry of Health and Ministry of Transport (issuing drivers licenses).



### Box 3. Governance Facility and Its Application to Building the Cabinet's Capacity for Implementation

In Lesotho, the Facility focuses on four overarching issues. First, the incentives and capabilities of state actors to undertake meaningful reform in areas identified by the CPF. Second, options for fostering improvements across core public sector functions and select sectors. Third, entry points for sustainable change that would outlive political and economic disruptions. Fourth, the role of citizen engagement and performance-based financing in improving service delivery. Tailored support to the Lesotho country program during the CPF cycle includes:

- Country-level and sector level analysis of non-technical drivers of development challenges;
- Just-in-time operational and analytical support to select sector teams at both project design and implementation stages, including use of collaborative leadership;
- Collaboratively integrating citizen engagement across the portfolio;
- Enhancing M&E tools and results-based approaches to drive development outcomes; and
- Support to policy dialogue on select themes.

Following the election, the new governing coalition, led by the majority party, RFP, has been thrust into uncharted waters. In this context, one of the biggest challenges became the need to quickly translate the RFP's political platform into tangible results to build confidence and credibility with the majority of the citizenry, including the ones who did not vote for the RFP. To address this challenge, the Government of Lesotho requires a strong collective and strategic approach at the Cabinet level for fast delivery of transformational outcomes. Working with the Prime Minister's Office, the World Bank has organized a series of engagement with the Cabinet and individual Ministers to diagnose and address implementation challenges. Support is designed to strengthen existing structures, while providing a new way of working that addresses the needs of the new administration while laying a strong foundation for more effective formulation and implementation of government policies. The activity has three main objectives: (i) Building a Cabinet that Leads: by bringing the new Cabinet team together to reach consensus on the urgent priorities of this Government; (ii) Designing an Effective Cabinet: by strengthening the underpinning procedures and protocols to facilitate effective decision-making by the Cabinet; and (iii) Building a Results Oriented Cabinet: by building a cohesive team to deliver the vision of the Prime Minister based on actions derived from the Manifesto and in objective setting discussions within the Cabinet. The first of six planned sessions was held in January 2023 for Lesotho's Cabinet on "the Cabinet and its role in stewardship". The meeting was co-chaired by Lesotho's Prime Minister and joined by 12 Cabinet Ministers and the former Ministers from Mexico and the UK. Key discussion areas included (a) the importance of political capital and the difference in managing in the public versus the private sector, (b) the need for prioritization of reforms and delivery of quick wins, and (c) the importance of strategic communication to citizens and within the Government.

**88. The preceding CPF set a strong foundation for citizen engagement.** The 2020 portfolio review of citizen engagement found that all projects approved in FY16-20 had a citizen-oriented design and beneficiary feedback indicators. All PIUs of World Bank-financed projects also have grievance redress mechanisms (GRM) in place but require additional support to enhance their accessibility and effectiveness<sup>43</sup>. Efforts were made to

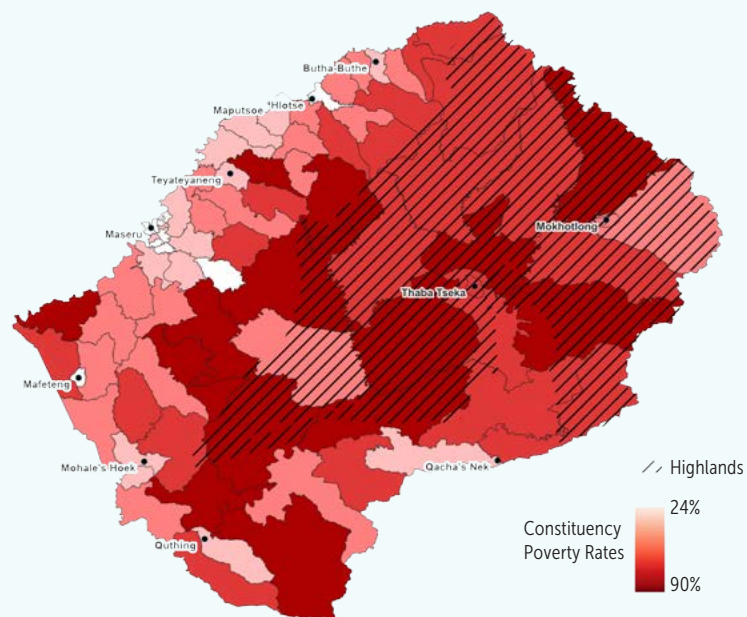
<sup>43</sup> The World Bank provided GRM training to the government and PIUs in February 2022.

### Box 4. Territorial Development in Lesotho

The territorial development approach analyzes poverty and prosperity from a spatial lens and brings spatial differentiation to policy reforms and investment programs in lagging and leading regions with two main objectives: (1) convergence of living standards between leading and lagging regions for improved spatial equity; and (2) tapping into the economic potential and endowments of leading and lagging regions with the goal of improving spatial efficiency and creating jobs and improved economic opportunities. In this way, it aims to create the right mix of spatially-agnostic policies and spatially-targeted investments that focus on poor places and poor people to foster economic growth and development.

In general, it can be said that Lesotho's topography is a driver of 'lagginess' or the extent to which districts and their constituencies lag. Overlaying the poverty map with the digital elevation model (figure 11), a strong overlap can be seen between elevation (shaded areas are higher elevation) and poverty rates (darker red areas are poorer). As elevation increases from lowlands to foothills to highlands: (a) population and population density generally decrease; (b) access to services and infrastructure tends to weaken; and (c) access to connective infrastructure (e.g., roads and broadband) tends to drop. Analyzing economic density, economic distance, and disparity in access to services alongside the poverty and elevation data helps define leading and lagging regions. In general, urban lowlands are leading, followed by urban highlands. The rural lowlands, even though they are often adjacent to the richer urban lowlands are more lagging as the urban-rural divide is a greater determinant of poverty than the lowland-highland divide. Finally, the majority of the country, however, is classified as rural highlands, which are the most lagging based on the metrics discussed above. In addition to the metrics on density, distance, and disparity, disaster risk is being assessed as a way to better understand the risks to the leading and lagging regions of Lesotho.

**Figure 11. Overlay of poverty rates map with digital elevation model**



**Source:** World Bank analysis using the Lesotho Poverty Assessment and Digital Elevation Model.

#### Box 4. Territorial Development in Lesotho (continued)

Territorial development is an important approach for the implementation of the CPF because understanding spatial inequalities and efficiencies will enable the WBG to develop more targeted interventions and support the three HLOs of the CPF by: (1) identifying existing and potential areas of spatial efficiencies for private-sector led job creation; (2) diagnosing key service delivery gaps that hamper the impact of human capital investments; and (3) identifying hotspots and developing targeted responses to boost country's resilience to climate events.

improve stakeholder engagement by: conducting internal training on enhancing virtual stakeholder engagement to adapt to the COVID-19 pandemic context; adopting new M&E tools for project monitoring; as well as a undertaking a stakeholder mapping exercise to identify grassroots organizations, local and traditional structures in lagging regions.

**89. A citizen engagement (CE) platform will be implemented.** During the CPF implementation period, the World Bank will implement a strengthened approach to citizen engagement which will seek to both build on country systems and be integrated into the lending portfolio. The objective of the CE platform is to strengthen citizen engagement and community participation in development activities. In alignment with the territorial development approach (including the lagging region approach) the CE platform will focus on improving systems for citizen engagement in areas where poverty ratios are high and service delivery is weak. The specific scope and activities of the platform will be developed in collaboration with the government of Lesotho and could include a dual focus on a portfolio and system level approach.

**90. Territorial Development Approach. The SCD Update makes it clear that advancing poverty reduction and shared prosperity in Lesotho requires focusing on regions where the poverty ratios are high and service delivery is weak<sup>44</sup>.** The ongoing analytical work on territorial development will assist the World Bank in formulating recommendations on evidence-based territorial development initiatives in both lagging and leading regions through the lens of four elements, the 4Ds: (a) density – concentration of economic activities/people; (b) distance – barriers to connectivity between people/firms and markets; (c) disparity – gaps in living standards and lack of access to basic services and infrastructure especially in lagging regions; and (d) disaster risk—vulnerability to and preparedness against climate and non-climate related disasters.

**91. By targeting the poorest regions with weak service delivery and access to core infrastructure, the territorial development approach will contribute to making progress on the issue of universal access.** The World Bank will start synergizing World Bank-financed projects (e.g., health, education, social protection, and infrastructure) at selected geographical areas using the Project360 initiative, a modern cloud-based digital project management platform developed by the World Bank, on a pilot basis<sup>45</sup>. Two new projects (PSLP and the CAFI Project) have taken the territorial development approach (including the lagging-region approach) into account. The territorial development approach will be further strengthened by a more systematic focus, through the citizen engagement platform, on building the enabling environment for improving social accountability and engagement with citizens in areas with high rates of poverty and poor service

<sup>44</sup> Many countries use Place-Based Policies (agglomeration, equity and connectivity) to jump start growth in particular locations (e.g., Bhutan).

<sup>45</sup> Key benefits of Project360 include interaction with geospatial maps and data. View and customize all project data in interactive maps with locations, photos, videos, and more. Access high-resolution satellite and drone imagery and see the latest news headlines and conflict events near your project locations.

delivery. The objective of the CE platform is to strengthen citizen engagement and community participation in development planning and decision making through a systems and portfolio level approach.

**92. Lagging areas, where service delivery is weak, are strongly associated with remoteness and accessibility as well as weak local government capacity.** In particular, weaknesses have been widely acknowledged in the capacity of elected councils (district, community, and urban councils) to perform their duties such as inclusive planning, engagement with citizens, CSOs, and development partners, and monitoring and evaluation. Hence, the focus on lagging regions requires increased attention to empowering councils (in particular community councils) by supporting them in adopting systems and strengthening technical and administrative capacity particularly in the areas of (a) two-way communications; (b) inclusive citizen and CSO participation in decision-making; (c) reliable monitoring and evaluation; and (d) increasing transparency, accountability, and access to information. This approach to strengthening community councils aligns with the strategic objectives for building the capacity of councils set out in the Lesotho Local Government Bill 2020 and the National Decentralization Policy of 2014.

**93. The World Bank will attempt to strengthen communications at the local level to ensure communities, CSOs and other non-state actors are engaged in decision making.** This requires (a) capacity development at the council level for stakeholder engagement and (b) strengthening the environment for public accountability. In doing so, the World Bank will establish an umbrella GRM by leveraging World Bank-financed projects, launch a portfolio-wide approach to citizen satisfaction surveys, and provide a standardized package of citizen engagement support to projects at the design stage.

**94. The CPF envisages a smaller number of projects to leverage synergies.** The twelve active projects are already contributing to the new CPF HLOs, but eleven of these have an end-date during the new CPF period (table 2). The CPF assumes a similar level of IDA21 country allocation during the implementation period (SDR 25-30 million a fiscal year), but plans to develop only a few IPF projects (in addition to series of budget support operations). The limited number of IPF projects is expected to strengthen synergies and to reduce transaction costs (given the limited government capacity) (table 3)<sup>46</sup>.

**95. The CPF will also address the knowledge gap, with core ASAs to be conducted during the CPF period.** The SCD Update articulated several important knowledge gaps, some of which the WBG has filled in recent years, while some are still active analytical works including Lesotho Territorial Development for Resilient and Inclusive Growth (P177781). Most of the remaining knowledge gap centers in HLO1. During the CPF period, the WBG will complete core diagnostic ASAs, including regional CEM in FY24 and a Poverty Assessment in FY25, to bolster the analytical basis for WBG engagement.<sup>47</sup> In addition, to support private sector development, a CPSD will be conducted in FY25. A combined CCDR for Lesotho and Eswatini will be undertaken in FY24, which will strengthen WBG interventions particularly under HLO3.

**96. Strengthening portfolio management is critical as outlined in the CLR lessons (annex 4).** In the absence of a country financial management system, in the meantime, systematic country level weaknesses are addressed, and financial management and disbursement capacity buildings are offered to individual projects and the portfolio at large. Furthermore, the World Bank will continue to ensure client ownership and dialogue during project preparation by engaging with the client from the very initial phase of project preparation. On the existing portfolio, the World Bank plans to implement remaining action plans in the

<sup>46</sup> Lesotho is a non-Small State Gap country, Lesotho is subject to blend terms (30-year credits) and receive 24% of its country allocation in the form of Shorter-Maturity Loans (PBA-SMLs). Lesotho is currently eligible to access the Regional Window, Crisis Response Window (CRW), Regular Scale-Up Window (SUW), SUW with SML terms, and Private Sector Window (PSW). For PSW, extended eligibility is applied till December 31, 2023.

<sup>47</sup> The WBG has not conducted the CEM, and the last Public Expenditure Review (PER) was in FY18 and Poverty Assessment in FY20. The new PER will be prepared by the end of FY23.

**Table 2. World Bank-financed Active Projects Contributing to the HLOs (US\$ million)**

Project Name		Total Amount	IDA Amount	Trust Funds	Effect. Date	Closing Date
	<b>HLO1 (Increased employment in the private sector)</b>	<b>52.5</b>	<b>45.0</b>	<b>7.5</b>		
1	Lesotho competitiveness and financial inclusion project (P175783)	52.5	45	7.5	Sep 2022	Jul 2028
	<b>HLO2 (Improved human capital outcomes)</b>	<b>154.0</b>	<b>139.0</b>	<b>15.0</b>		
2	Education Quality for Equality (LEQEP, P156001)	25.0	25.0	-	Jul 2016	Apr 2023
3	COVID-19 Emergency Preparedness and Response (P173939, P176307)	33.0	29.5	3.5	May 2020	Jun 2024
4	Lesotho Nutrition and Health System Strengthening Project (LNHSSP, P170278)	26.4	22.0	4.4	Aug 2021	Jun 2026
5	Pathways to Sustainable Livelihoods Project (P177814)	26.5	26.5	-	Sep 2022	Jun 2027
6	TB and Health System Strengthening Project (TB, P155658, P173228)	36.0	36.0	-	Dec 2016 Nov 2020	Apr 2024
7	<b>(TF)</b> Lesotho Basic Education Strengthening Project (P175065)	7.1	-	7.1	Feb 2022	Feb 2025
	<b>HLO3 (Improved climate resilience)</b>	<b>226.2</b>	<b>211.3</b>	<b>14.9</b>		
8	Lesotho Lowlands Water Development Project (LLWDP, P160672)	78.0	78.0	-	Aug 2019	Mar 2025
9	Smallholder Agriculture Development Project II (SADP2, P165228)	52.0	50.0	2.0	Aug 2019	May 2026
10	Renewable Energy and Energy Access Project (LREEAP, P166936)	52.9	40.0	12.9	Jul 2020	Jan 2027
11	Transport Infrastructure and Connectivity Project (TICP, P155229)	18.3	18.3	-	Dec 2017	Dec 2023
12	Agriculture Productivity Program Southern Africa (APPSA, P164486)	25.0	25.0	-	Apr 2019	Jan 2025
	<b>Total (of which regional IDA)</b>	<b>432.7 (61.0)</b>	<b>395.3 (61.0)</b>	<b>37.4</b>		

2020 Portfolio Review (e.g., strengthening synergies among World Bank-financed project). Deepening collaboration with other development partners through joint meetings with senior government officials and joint field missions will support the performance of existing projects (annex 10). As investor appetite remains subdued given the persistent macroeconomic and political uncertainties, which limits FDI and overall private investments, IFC will need to rely on instruments such as blended finance for its prospective investments.

**97. Partnerships and coordination with other development partners have been strengthened.** During the preparation of the CPF, the WBG conducted extensive consultations with other development partners and broader stakeholders (annexes 10). Although the coordination has been taking place at the project level (e.g., collaboration with EU on ICM and Lowlands Water Development Project), the consultations enabled the WBG to identify areas of further strengthening collaboration with existing and new partners. For example, the collaboration with World Food Programme (WFP) would be extended to the area of disaster risk management.

**Table 3. World Bank Proposed Commitments FY24-28 (US\$ million)**

		FY24	FY25
		IDA20	
1	Lesotho Development Policy Operation (P180876, programmatic)	15	15
2	Education Project	20	
3	Integrated Transport Project		40
4	Public Sector Foundations for Service Delivery Project (P174171)	10	
5	TBD	10	
<b>Total</b>		<b>45+</b>	<b>55+</b>

Also, there is potential to partner with International Organization for Migration (IOM) and World Vision in lagging regions, as both organizations have strong presence at the community level.

**98. The WBG will support initiatives by key stakeholders.** The government is developing a CSO policy and has already initiated civic engagements to strengthen M&E of project formulation and implementation. Together with the EU, the World Bank is a main supporter of the initiative. Also, the World Bank, through the jobs platform, has been supporting youth engagements. For example, the Youth Summit in November 2021 provided an opportunity for youth to voice their concerns and opportunities and link them with all stakeholders. Nevertheless, government capacity to coordinate all stakeholders remains limited. For example, the DPCF is a coordination mechanism between the government and development partners, but which has not functioned well. The WBG has (partly) filled this vacuum, and will continue to exercise its convening role to strengthen partnership and coordination at the project, sector and national levels.

**99. The CPF plans to improve M&E of the CPF through:**

- **Introduction of an M&E dashboard to track CPF implementation.** The M&E dashboard will track not only HLO indicators and CPF Objective and Progress Indicators, but also other relevant data and information such as policy recommendations of ASAs. The M&E dashboard will benefit from project Implementation Status and Results Reports (ISRs) and Implementation Completion and Results Reports (ICRs) to strengthen the link between the CPF, ISRs and ICRs. The M&E dashboard will be made available to the public to strengthen stakeholder engagement and transparency.
- **Using digital technology for more effective and efficient M&E and project management.** The Project360 will enable improved frequency and quality of M&E (e.g., incorporating feedback from beneficiaries). Also, it will enable improved synergies among World Bank-financed projects as well as synergies with government-initiated and -financed projects and projects of other development partners. A part of these government- projects (e.g., footbridges, schools and hospitals) have been included in a pilot, and the government has demonstrated its interest in adopting the Project360 more comprehensively for project management and M&E.

**100. Lesotho's statistics remains weak, detracting from evidence-based policy formulation.** The World Bank supported statistics development on household surveys and national accounts through the Public Sector Modernization Project (closed in November 2021). Subject to government request, the WBG will be able to support further statistics development.



**Table 4. Knowledge Gap and Proposed ASAs**

Knowledge identified in the SCD Update	Proposed Core ASAs
<p><b>HLO1</b></p> <ul style="list-style-type: none"> <li>• Better understanding business environment issues</li> <li>• Export diversification (e.g., impact of the AfCFTA on exports and growth)</li> <li>• Labor Force Survey analysis</li> <li>• Understanding of within-country migration trends</li> </ul> <p><b>HLO2</b></p> <ul style="list-style-type: none"> <li>• Student retention in secondary education</li> </ul> <p><b>Cross-Cutting Theme and Implementation Approaches</b></p> <ul style="list-style-type: none"> <li>• Gender assessment</li> <li>• Territorial development framework for Lesotho</li> <li>• CEM</li> <li>• Fiscal decentralization for service delivery</li> <li>• Impacts on climate change on the financial sector (e.g., climate risk and climate finance)</li> </ul>	<p><b>FY24</b></p> <ul style="list-style-type: none"> <li>• Regional CEM</li> <li>• Semiannual economic update (June and December)</li> <li>• Lesotho Territorial Development for Resilient and Inclusive Growth</li> <li>• Implementing Citizen Engagement Roadmap</li> <li>• Financial Sector Development Strategy (FSDS)</li> <li>• CPSD</li> </ul> <p><b>FY25</b></p> <ul style="list-style-type: none"> <li>• Regional CDDR</li> <li>• Poverty assessment</li> <li>• Semiannual economic update (June and December)</li> </ul> <p><b>FY26</b></p> <ul style="list-style-type: none"> <li>• Semiannual economic update (June and December)</li> </ul>





## CHAPTER IV

# MANAGING RISKS TO THE CPF PROGRAM

101. While the risk evaluation has not significantly changed from the 2019 PLR, this CPF will take bolder measures to mitigate key risks. The CLR has identified that political instability and limited client capacity had affected the implementation of the previous CPF. Also, relatively low growth is likely to continue especially in the first few years of the CPF period (table 1). Thus, capacity for implementation and sustainability risk is rated as High (table 5).

102. During the CPF implementation, the following measures will be taken to mitigate the risks:

103. **Political and governance risks are substantial.** Given the recent political development, the CPF implementation in the first few years is likely to be affected by politics (e.g., appointments of new ministers and principal secretaries as well as merging of ministries). To mitigate the risk, the WBG will (a) conduct political economy assessments using the Governance Facility, (b) reduce political / government transition risks for the program. A recent example of mitigation measure includes the

**Table 5. Systematic Operations Risk-Rating**

Risk Categories	Risk Rating
Political and Governance	Substantial
Macroeconomic	Substantial
Sector strategies and policies	Substantial
Technical design of project or program	Moderate
Capacity for implementation and sustainability	High
Fiduciary	Substantial
Environmental and Social	Substantial
Stakeholders	Moderate
Other	N/A
<b>Overall Risk</b>	<b>Substantial</b>

production of 'Lesotho Policy Notes'<sup>48</sup> to immediately kick start dialogue with new executive and administration incumbents to familiarize them with WBG activities; (c) strengthen engagement with all the levels of the government to ensure continuity; (d) consult with the government on result-based financing to depoliticize World Bank-financed projects and (e) strengthen engagement with non-state actors. At the same time, key institutions are expected to maintain good performance. In the past, despite continued political instability the Lesotho Revenue Authority and Lesotho Highlands Development Authority maintained strong and uninterrupted performance.

**104. Macroeconomic risks are substantial.** The macroeconomic and fiscal situation have continued to deteriorate in the past few years, and low growth rates are likely to continue in the next few years. Thus, resource allocations and project implementation of government own projects would be constrained, which could directly affect HLOs. In order to mitigate the risk (and the fact that World Bank credits account for 30 percent of the total external debt), the World Bank will ensure effectiveness and efficiency of World Bank-financed projects. In addition, the World Bank will ensure debt transparency and sustainability through SDFP. Furthermore, the WBG will collaborate with the IMF to implement the program. Also, planned DPO, SDFP and ASAs (e.g., CEM) are expected to contribute to mitigating macroeconomic risks.

**105. Sector strategies and policies risks are substantial.** Sector strategies and policies were formulated unsystematically, and M&E were limited under the previous government. As the new government was established in late 2022, the translation of the government priorities in the NSDP2 into sector strategies may require some more time. In order to mitigate the bottlenecks, through the World Bank-financed projects and ASAs, the World Bank will be more engaged in sectoral-level discussions. The reinvigorated DPCF has been contributing to sector-level discussions (e.g., gender and youth development).

**106. Capacity for implementation and sustainability risks are high.** Despite continuous capacity building exercises provided during the previous CPF cycle, client capacity has not significantly improved. To address the bottleneck, the World Bank has conducted measures such as a project readiness filter, capacity building for M&E, PIU assessment, GRM training workshop, and procurement training, and efforts to revive the IST and strengthen its functioning. To further mitigate the risk, the WBG will (a) conduct a capacity building program at both project and CPF program levels and (b) work with the Ministry of Finance and Development Planning to formulate a capacity building program. At the project level, the capacity building program has been incorporated into all World Bank-financed projects. The capacity building program with the Ministry of Finance and Development Planning (MOFDP) includes improving civic engagement, M&E, planning function and macroeconomic analysis/policy formulation. Also, it is important to note that capacity development is a long-term issue rather than a medium-term one to be addressed in one CPF cycle.

**107. Fiduciary risks are substantial.** The current capacity, skills, planning and implementation weaknesses of government's procurement performance makes procurement/fiduciary a high risk to the CPF program. The MoFDP has already identified the national procurement system as a major risk area for the country development programs and realization of effective service delivery ambitions. However, the operationalization of the 2023 Public Procurement Bill is expected to facilitate the effective conduct of government operations and better delivery of services. The operationalization requires capacity development, skills and knowledge of public procurement practitioners, and adequate planning and monitoring in supply chain management to use public procurement as a strategic governance tool. Also, the Government needs to modernize and digitalize the public procurement system. The World Bank will continue to work closely with the MoFDP and

<sup>48</sup> Lesotho Policy Notes have been shared with the new government in November 2022.



support the procurement reform and modernization agenda. This and other activities are expected to be supported by a pipeline project, Public Sector Foundations for Service Delivery Project.

**108. Environmental and Social risks are substantial.** While the environmental and social regulatory framework is comprehensive, weak enforcement and implementation is a substantial risk to CPF implementation. Clients' limited technical capacity hinders preparation and implementation of environmental and social safeguards. To mitigate the risk, the World Bank will support strengthening of PIUs and central ministries staff through continuous training, capacity building and skill transfer, provision of, relevant information resources and material as well as peer learning initiatives. For example, the World Bank will initiate measures for regular interaction with the Department of Environment to ensure sustained collaboration, regular oversight and compliance monitoring. Regarding land acquisition, restrictions on land and involuntary resettlement, the World Bank will collaborate with development partners to collectively engage with and support the Government on harmonization of donor and national resettlement policies and related institutional strengthening.

# Annexures

## Annex 1. Lesotho CPF Results Framework FY24-28

### High-Level Outcome 1 (HLO1). Increased employment in the private sector

Focusing on rebalancing the economy from a public-sector dominated to a private-sector led, job-creating economy, continues from the previous CPF. The previous CPF focused on 'promotion of private sector job creation' under the second focus area. Relevant objectives were improving the business environment and growing the agriculture, water, and renewable energy sectors.

High-Level Outcome Indicators	Data Source	Current Value
Number of jobs created in the private sector (gender disaggregated) <sup>49</sup> Increase in score and ranking in GCI	Lesotho Labor Force Survey 2019 World Economic Forum Global Competitiveness Report	Private formal and informal jobs 385,000 (of which male %, female %) in 2019 <sup>50</sup> Score: 42.9; Ranking: 130 out of 141 countries (2019)

### High-Level Outcome Description

**Rationale.** Job creation remains a national priority of the NSDP2. Despite being a middle-income country, Lesotho experiences a high level of unemployment and informality. The COVID-19 pandemic has further exacerbated and negatively impacted the country's business sector and private sector job creation. Although women tend to have better education outcomes than men, this is not transmitted to the labor market, with unemployment being higher among women than men. The private sector is largely concentrated in manufacturing (primarily textiles) and mining. Exporting businesses, particularly in the textiles and apparel sector, are at a risk of losing competitiveness without new investments in skills and technology, putting critical jobs at risk. Informality is widespread in low productivity sectors with more than 80% of household businesses not registered. MSMEs, which account for more than 97% of total firms, are largely micro, informal, and in survival mode, limiting job creation. Private sector development is hampered by (a) a weak business environment that discourages foreign and domestic investment; (b) limited competition partly due to a large public sector role in key economic sectors through State-Owned Enterprises (SOEs); (c) limited access to financial services for MSMEs and (d) a weak entrepreneurship ecosystem and support system for MSMEs. Finally, the private sector is highly exposed to disasters and other economic shocks with few measures in place to build resilience. Shifting the balance of economic output and job creation to the private sector should begin with support to the nascent entrepreneurship ecosystem to establish and grow new, dynamic firms. Strengthening the capacity of existing MSMEs is also important, particularly through support to digital transformation and improving access to reliable financial infrastructure as well as telecommunications services, to enable them to grow and be resilient. Efforts are needed to strengthen the regulatory reforms for conducive business environment, increase the competitiveness of the country to participate in GVCs, and support targeted investment in firms within sectors with strong job creating potential including horticulture, textiles, and tourism.

**WBG engagement:** Creating private sector employment is a long-term goal that needs to be addressed over the next few CPF cycles. This CPF will directly and indirectly contribute to the HLO1 by addressing constraints to job creation and lay the foundation for a private sector led growth model to increase private sector jobs. This will be achieved through integrated interventions in improving the enabling environment for business and investment through targeted policy and regulatory reforms, enhancing financial inclusion, strengthening the ecosystem for entrepreneurs, support for MSMEs to enable them to participate more effectively in high potential regional and global value chains and tap opportunities from digital transformation, and assessing targeted investment opportunities in sectors with high-potential for job creation including horticulture. IFC has initiated a dialogue with a private investor in horticulture. The WBG engagement will address supply side (job creation) constraints through the implementation of key business reforms, building on the previous CPF, to improve regulations for better business environment (**CPF Objective 1**) and enhance opportunities for firms and MSMEs (**CPF Objective 2**). Enhancing opportunities for firms and MSMEs is a new area the WBG will support as it has been identified as key challenges in the SCD Update. Results achieved under the proposed objectives will complement HLO2 which addresses constraints to job creation for skilled workforce. Also, HLO3 will contribute to achieving HLO1 by increasing financial, economic, and ecological resilience of, particularly, small farmers and entrepreneurial activities in lagging regions.

<sup>49</sup> In addition, where data is available, development of formal / informal sector will be monitored.

<sup>50</sup> The number of unemployed people is 151,266 with the unemployment rate at 22.5 percent. The SCD Update used the 2019 Labor Force Survey to derive private sector employment.

<p><b>Knowledge gap.</b> The 2021 SCD Update identified several knowledge gaps relevant for HLO1 including (a) better understanding of specific business environment issues (e.g., considering in detail key remaining business environment constraints, especially sector-specific constraints), (b) a regional CEM will provide a comprehensive analysis of Lesotho's economic developments, prospects, and policy agenda, including policy reforms for key economic sectors, within a regional context; (c) scope for increasing and diversification of exports, including understanding the impact of changes in bilateral trade arrangements, such as with the EU and United States and new opportunities under the African Continental Free Trade Agreement; (d) Labor Force Survey analysis (including impact of the COVID-19 pandemic on the labor market) and (e) Value-chain analyses of growth sectors that generate jobs for youth. On statistics, it is important to have quality labor statistics (e.g., disaggregation on gender, formal vs. informal, public vs. private). In addition, the CPSP will provide in-depth analysis to upgrade WBG engagement in private sector development.</p> <p><b>SDG Associated.</b> SDG8 (Decent Work and Economic Growth), SDG5 (Gender Equality)</p>	<p><b>CPF Objective 1.</b> Improved regulations for better business environment</p>	<p>The current objective aligns with previous CPF's Objective 5 (Improve the Business Environment and Diversify the Economy) but deepens further to improve specific reforms for an efficient process for private sector to do better businesses</p> <p><b>Rationale for the CPF Objective and WBG Engagement.</b> Despite progress on business environment reforms, inadequate institutional capacity hinders the effective implementation of reforms. Firms face constraints such as political instability, high tax rates, practices of the informal sector, access to finance, access to land, getting electricity, customs, trade regulations and protecting minority investors. The foundations of G2B systems for business registration, business licensing, trade logistics, construction permitting, and credit reporting, as well as e-payment for these services and digitization of records and processes, are in place. However, additional efforts are needed for digital transformation of the economy to foster growth in the private sector by improving access and affordability of broadband services, strengthening interoperability, and efficiency in delivery of integrated G2B digital services. Therefore, it remains essential for the WBG to deepen engagements to support government's reforms in coordination with other development partners such as African Development Bank and the Millennium Challenge Corporation to create a more conducive and competitive environment for the private sector to play a greater role in the economy.</p> <p><b>Lessons Learned and New Knowledge.</b> The government's critical business regulatory reforms, supported during the previous CPF cycle, have not been fully implemented mainly due to limited implementation capacity of the government and complexity of certain reforms. Thus, it is important that the WBG deepens its engagement to implement these reforms. Similarly, critical ASAs related to improving the enabling environment were not fully utilized to inform government's policy formulation and implementation. As part of further support, it is important for the WBG to better understand the labor market. Thus, the WBG also plans to conduct an analysis of 2019 Labor Force Survey (including the impact of the COVID-19 pandemic on labor market), complemented by business pulse surveys for better understanding and targeting of labor market.</p>	<p><b>WBG Ongoing and Planned Support.</b> The WBG will continue to support government in improving regulatory reforms for access to efficient business process for growth of the private sector. Building on a successful previous World Bank financing and ASA<sup>51</sup>, the ongoing CAFI Project will further support implementation of business regulatory reforms to help reduce the time and cost of regulatory compliance for MSMEs and facilitate new businesses. The project will support strengthening the delivery of efficient and reliable digital G2B services, improving reliability of credit infrastructure and expanding access to digital financial services. It will provide system upgrades for business facilitation, trade facilitation and land registration to enhance functionality and inter-operability of key G2B systems. In addition, enhanced policies and regulations in the financial sector will expand financial resilience for businesses and their resilience to disasters and other shocks to the economy. Public Sector Foundations for Service Delivery Project will focus on improving the efficiency and effectiveness of the public procurement system including digitalizing the public procurement process (e-GP). The World Bank's support to government's credit infrastructure system will enable businesses especially women owned businesses to increase their coverage rate by Credit Bureau. The legal and regulatory reforms pertaining to access to finance, investment policy, and business environment reforms will be supported through an accompanying technical assistance program under the current Jobs Platform and the regional Trade Facilitation ASA. IFC will collaborate with the CAFI Project by assessing targeted investments in job creating sectors. For example, IFC has started a dialogue with a private investor in horticulture. Also, there is an opportunity to tap IDA's private sector window to deepen IFC's engagement. MIGA has initiated a dialogue on a solar power project which could enhance the resilience of the energy sector on which the private sector relies.</p> <p><b>Key Risks and Mitigation.</b> While job creation through private sector development remains the priority of the new government, coordination among relevant ministries is critical. In addition, lack of data on the impact of the COVID-19 pandemic makes it difficult to measure the actual impact on business and jobs. The World Bank has conducted a Business Pulse Survey to help inform policy dialogue with government in understanding the constraints, opportunities and impact of pandemic on businesses. The CAFI Project is expected to ensure continuity and coordination of private sector development with the new government. The CAFI Project will help mitigate this risk by identifying and supporting implementation of a clear reform agenda and accompanying institutional arrangements.</p>	<table border="1"> <thead> <tr> <th data-bbox="1177 315 1218 840">CPF Objective Indicators</th> <th data-bbox="1177 840 1218 1386">Supplementary Progress Indicators</th> <th data-bbox="1177 1386 1218 1953">WBG Program</th> </tr> </thead> <tbody> <tr> <td data-bbox="1218 315 1347 840"> <p><b>Objective Indicator 1.1</b> Percentage of enterprises accessing supported G2B systems (o/w women owned enterprises) <b>Baseline (2022).</b> 20% (27%) <b>Target (2027).</b> 45% (40%)</p> </td> <td data-bbox="1218 840 1347 1386"> <p><b>Progress Indicator 1.1.1.</b> Number of MSMEs registered for coverage in Resilience Fund Database <b>Baseline (2022).</b> 0</p> </td> <td data-bbox="1218 1386 1347 1953"> <p><b>Ongoing Financing CAFI Project, SADP II, APPSA Financing Pipeline.</b> Lesotho Development Policy Operation (P180876, FY24-25), Public Sector Foundations for Service Delivery Project (FY24)</p> </td> </tr> </tbody> </table>	CPF Objective Indicators	Supplementary Progress Indicators	WBG Program	<p><b>Objective Indicator 1.1</b> Percentage of enterprises accessing supported G2B systems (o/w women owned enterprises) <b>Baseline (2022).</b> 20% (27%) <b>Target (2027).</b> 45% (40%)</p>	<p><b>Progress Indicator 1.1.1.</b> Number of MSMEs registered for coverage in Resilience Fund Database <b>Baseline (2022).</b> 0</p>	<p><b>Ongoing Financing CAFI Project, SADP II, APPSA Financing Pipeline.</b> Lesotho Development Policy Operation (P180876, FY24-25), Public Sector Foundations for Service Delivery Project (FY24)</p>
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<sup>51</sup> Second Private Sector Competitiveness and Economic Diversification Project (P144933)

<p><b>Source.</b> CAFI Project; Government (Ministry of Trade, Industry, Business Development and Tourism)</p> <p><b>Objective Indicator 1.2:</b> Percent of women-owned enterprises recorded as being creditworthy in the credit bureau</p> <p><b>Baseline (2022):</b> 27%</p> <p><b>Target (2027):</b> 39%</p> <p><b>Source:</b> CAFI Project</p> <p><b>Objective Indicator 1.3:</b> Percentage of government procurement using e-procurement system</p> <p><b>Baseline (2022):</b> 0</p> <p><b>Target (2027):</b> TBD<sup>52</sup></p> <p><b>Source:</b> Public Sector Foundations for Service Delivery Project</p>	<p><b>Target (2025):</b> 8,000</p> <p><b>Source.</b> CAFI Project</p>	<p><b>Ongoing ASA.</b> IFC advisory work (Lesotho Investment Climate Program), Jobs Platform, PER</p> <p><b>ASA Pipeline.</b> Implement Country Action Plan for growth entrepreneurs (FY24), Technical Notes on SME Finance (FSAP) and Early-Stage Finance (FSDP) (FY24), Analysis of Labour Force Survey 2019 (FY24), Regional Trade Facilitation ASA (FY24), regional CEM (FY24), Note on informality in the labor market, Poverty Assessment (FY25), CPSD (FY25)</p>
<p><b>CPF Objective 2.</b> Enhanced opportunities for firms and MSMEs<sup>53</sup></p> <p>This is a new Objective. Given the importance of MSMEs in the findings of the SCD Update, increased opportunities for MSMEs and entrepreneurs is critical for private sector development and increased employment. Thus, the CPF proposes to include this Objective to clearly focus on entrepreneurship and MSMEs.</p> <p><b>Rationale for the CPF Objective and WBG Engagement.</b> MSMEs account for 97% of all firms and are mostly in the informal sector.<sup>54</sup> The rate of informality has not changed significantly over the last 20 years, with most businesses lacking access to formal financial services and being reliant on low levels of savings which limit their capacity to grow and create jobs. Women own 39% of all formal and informal businesses, but 67% of medium firms.<sup>55</sup> Women are more likely to venture into entrepreneurship than men but are hamstrung by several social, cultural, and legislative impediments and lack of technical skills, among other challenges. Thus, developing MSMEs and supporting entrepreneurship is likely to contribute to gender equality. The country's entrepreneurship ecosystem is small and concentrated in Maseru. Early-stage financing is a critical gap as entrepreneurs do not access to the types of financing needed for dynamic growth. Accelerating digital reforms, expanding digital financial services, and enhancing digital skills can unlock new business opportunities, enable business owners to reach new markets, and help MSMEs offer digital products. Ensuring that access and affordability to telecommunications services, particularly in underserved areas, is critical to driving uptake of digital financial services and ensuring that MSMEs and consumers have equitable access to services across the country. In addition, supporting new MSMEs (48% of new firms in 2015) and entrepreneurship is critical to building a domestic private sector and diversifying the economy. The WBG has been supporting the development of MSMEs through various instruments, such as the Jobs Platform, including activities related to development of the MSME ecosystem. During the CPF cycle the deepening (more active firms) and broadening (diversification across sectors) of the private sector through this support lays the ground for private sector job creation targeted by HLO1.</p> <p><b>Lessons Learned and New Knowledge.</b> WBG engagement in the past several years suggests that the development of MSMEs requires more hands-on support. For example, the entrepreneurship ecosystem requires strengthening, including through public-private coordination improvements and efforts to increase market-driven skills development, particularly for women and youth. Furthermore, it remains important for the WBG to keep focusing on sectors with growth potential for MSMEs such as commercial agriculture/horticulture, manufacturing (clothing and apparel, textile and other products) and services (tourism, transport and logistics, and digital economy). On new knowledge, during the CPF period, the World Bank has been conducting technical notes on SME financing (FSAP) and early-stage finance (FSDP). In addition, for small farmers, agricultural finance (including more innovative supply chain finance approaches facilitated by digital technologies), agricultural insurance, and agribusinesses/MSMEs in agricultural value chains will be explored.</p> <p><b>WBG Ongoing and Planned Support.</b> Building on the Jobs Platform ASA, the CPF will provide integrated investment and advisory services to firms particularly MSMEs to expand business opportunities for youth and women. The ongoing CAFI Project will support a fuller range of business needs such as early-stage financing, establishing of an entrepreneurship hub, strengthening firms' resilience to shocks, digitalization of MSMEs, and scale up of the Lesotho Enterprise Assistance Program to support MSMEs to improve productivity and growth. The project will target women entrepreneurs and business owners. The project will also provide technical assistance and capacity building support for strengthening the competitiveness of the textiles and apparel GVC and expansion of smallholder horticulture production through a Horticulture Incubation Program. The support for the textiles and apparel GVC is expected to accelerate the recovery of firms from the impacts of the pandemic and revitalize investments in Lesotho. Firms will take advantage of new opportunities emerging from the global reorganization of GVCs and expand business opportunities for (especially Basotho owned) SMEs through penetration of new markets, and enhancement of firm level productivity and employment conditions. The World Bank's support for horticulture is expected to be complemented by IFC's potential investments into the horticulture sector. To improve access to financial services for MSMEs particularly for the women owned MSMEs the World Bank will support strengthening government's credit infrastructure system, product development to support value chain financing and capitalization of existing PCG scheme. IFC will support digital financial services to expand access to finance and inclusion by increasing agent and customer acquisition activities. A MIGA guarantee in the financial sector will free up capital for private sector lending to MSMEs.</p>		

<sup>52</sup> The target value will be determined during the PLR.

<sup>53</sup> The opportunities refer to providing various support from financing, skills development, technical assistance, creating entrepreneurship hub to strengthen MSMEs and firms businesses to create better opportunities for them to expand and grow.

<sup>54</sup> Finscope Study, 2016

<sup>55</sup> World Bank (2021) Lesotho Gender Assessment (draft) based on the 2016 Lesotho Enterprise Survey.

Key Risks and Mitigation. The same as Objective 1.	CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p><b>Objective Indicator 2.1.</b> Percentage of enterprises supported by the program with increased revenue in real terms<sup>56</sup></p> <p><b>Baseline (2022).</b> 20%</p> <p><b>Target (2027).</b> 50% (o/w women Baseline: 25% and target: 40%)</p> <p><b>Source.</b> CAFI Project</p> <p><b>Objective Indicator 2.2.</b> Value of financing accessed by enterprises.<sup>57</sup></p> <p><b>Baseline (2022).</b> 0</p> <p><b>Target (2027).</b> US\$12 million</p> <p><b>Source.</b> CAFI Project</p> <p><b>Objective 2.3.</b> Enterprises in targeted value chains with increased value of exports (Number)</p> <p><b>Baseline (2022):</b> 0</p> <p><b>Target (2027):</b> 45</p> <p><b>Source:</b> CAFI Project</p>	<p><b>Progress indicator 2.1.</b> Number of entrepreneurship hub and LEAP program supported enterprises that adopt new digital technologies</p> <p><b>Baseline (2022).</b> 0</p> <p><b>Target (2025).</b> 150</p> <p><b>Source.</b> CAFI Project</p> <p><b>Progress Indicator 2.2.</b> Number of enterprises accessing early-stage finance</p> <p><b>Baseline (2022).</b> 0</p> <p><b>Target (2025).</b> 25</p> <p><b>Source.</b> CAFI Project</p>	<p><b>Ongoing Financing.</b> CAFI Project, SADP II, APPSA, MIGA's Capital Optimization Project (P14563)</p> <p><b>Financing Pipeline.</b> Lesotho Development Policy Operation (FY24-25)</p> <p><b>Ongoing ASA.</b> IFC advisory work (Lesotho Investment Climate Program), Jobs Platform, FSAP, PER</p> <p><b>Ongoing Financing.</b> CAFI Project, SADP II, APPSA, MIGA's Capital Optimization Project (P14563)</p> <p><b>Financing Pipeline.</b> Lesotho Development Policy Operation (FY24-25)</p> <p><b>Ongoing ASA.</b> IFC advisory work (Lesotho Investment Climate Program), Jobs Platform, FSAP, PER</p>	<p><b>High-Level Outcome 2 (HLO2). Improved human capital outcomes</b></p> <p>The previous CFP did not specifically focus on human capital, though there were objectives pertaining to education, health and social protection.</p>
<p><b>High-Level Outcome Indicators</b></p> <p>Children under-5 year of age who are stunted</p> <p>Children aged 7-14 years demonstrated foundational reading skills (English or Sesotho)</p>	<p><b>Data Source</b></p> <p>Multiple Indicator Cluster Survey (MICS)</p> <p>MICS</p>	<p><b>Current Value</b></p> <p>35% (2018)</p> <p>44.2% of children aged 7 -14 years (boys 34.6 %)</p>	<p><b>High-Level Outcome Description</b></p> <p><b>Rationale.</b> Investing in human capital is a national priority to maximize the life-time potential of individuals to boost economic productivity and growth opportunities. However, the HCI shows that Lesotho's education and health outcomes remain well below the expected level of development. A child born in Lesotho today will be 40% as productive when s/he grows up, as s/he could be if she enjoyed complete education and full health. Low nutrition service coverage and poor WASH services adversely affect human capital outcomes particularly stunting. About 35 out of 100 children are stunted and at risk of cognitive and physical limitations that can last a lifetime. In basic education, children from poor households are unable to complete school despite free schooling. Poverty remains a key factor affecting the high dropout rate, as there are still indirect costs related to school attendance (such as transportation and school uniforms). Furthermore, the burden of expenditures on education is disproportionately high for the poorest households. This translates into worsening completion rates where 5 in 10 children from urban areas will access and complete primary and secondary education whereas only 1 in 10 children from the rural mountainous areas is likely to complete senior secondary education. Rural boys are even further marginalized than rural girls where only 1 in 5 boys complete secondary education, more than half of the girls in urban areas will complete school. The COVID-19 pandemic further affected these challenges. Children from marginalized and poor communities are at a greater risk of dropping out and further falling behind as they have limited access to distance learning opportunities. The government made significant investments in developing social protection programs and their accompanying delivery systems to protect vulnerable groups. While spending on social protection and social assistance is high, equity remains an issue with little of that expenditure going toward programs that target the poorest.</p>

<sup>56</sup> CAFI Project

<sup>57</sup> Ibid.

<p><b>WBG engagement.</b> Given the weak service delivery and limited citizen engagement in service provision, the objectives under HLO2 would focus to promote an integrated approach for delivery of services in communities which are needed for improved HD outcomes. The WBG activities under this HLO will support equitable and quality early childhood development and junior secondary education (<b>CPF Objective 3</b>), strengthening efficiency in health services and emergency response (<b>CPF Objective 4</b>) and strengthening the social protection system to improve vulnerability and resilience of poor households so that they can invest in children's health and education (<b>CPF Objective 5</b>) as well as prepare themselves for future shocks. HLO2 will complement and reinforce both HLO1 and HLO3. Strengthened household resilience to shocks (<b>CPF objective 7</b>) will help households and business access markets and public services. At the same time, a productive, healthy and skilled workforce will have better economic opportunities and jobs (HLO1). The planned Lesotho Territorial Development for Resilient and Inclusive Growth ASA is expected to contribute to initiating the territorial development approach (including focusing on lagging regions) under HLO2. The CPF program will aim to achieve greater inclusion for women, youth and vulnerable.</p> <p><b>Knowledge gap.</b> The SCD Update identified several knowledge gaps towards HLO2 including (a) gender assessment, (b) strategies to increase student retention particularly in secondary education, (c) how and to what extent fiscal decentralization could strengthen service delivery and (d) analyses of challenges and opportunities in lagging rural and mountainous regions to inform an appropriate spatially differentiated development support framework.</p> <p><b>SDG Associated.</b> SDG2 (Zero Hunger), SDG3 (Good Health and Well-being), SDG4 (Quality Education), SDG5 (Gender Equality), SDG6 (Clean Water and Sanitation), SDG7 (Affordable and Clean Energy), SDG10 (Reducing inequality), SDG11 (Sustainable Cities and Communities)</p>	<p><b>CPF Objective 3.</b> Improved quality/retention of junior secondary education and quality of early childhood education</p> <p>In the previous CPF, Improve Basic Education was one of seven objectives. Early Childhood Care and Development (ECCD) has been recently identified as a priority for the lifecycle approach of human capital development.</p>						
<p><b>Rationale for the CPF Objective and WBG Engagement.</b> Improving quality and efficiency of basic and early childhood education remain a priority to improve human capital. The quality of ECCDE remains poor due to outdated curriculum, gaps in teacher training, and limited regulation of the sub-sector. This has resulted in poor early childhood outcomes, with only 15% of children aged 5 meeting developmental milestones in literacy and numeracy. There is high inefficiency in the primary education system and a significant drop in enrollment as students transition from primary to junior secondary level. Low retention is particularly acute in rural areas and among boys. Factors related to poverty, pregnancy, and low interest in attending school are contributors to the high dropout rate. Poor teacher competency, lack of in-service support, and inefficient teacher management are drivers of poor quality resulting in low learning outcomes in core subjects including math and science among the junior secondary school students. COVID-19 has exacerbated many of these challenges with an estimated 511,318 learners affected nationally with greater risk of children from marginalized communities.</p> <p><b>Lessons Learned and New Knowledge.</b> Based on the two active education projects, there are several priorities requiring further support: (a) improving transition to and retention of students in junior secondary education; (b) scaling up online teacher training program for junior secondary teachers in Mathematics and Science; and (c) expanding and strengthening the delivery of ECCD services, including by piloting and evaluating the revised ECCD curriculum and mapping ECCD service providers to improve monitoring and accountability. New knowledge during the CPF period is the same as the ones under HLO2.</p> <p><b>WBG Ongoing and Planned Support.</b> The WBG's will support improved quality of early childhood development and junior secondary education to lay a stronger foundation for future learning and skills acquisition. To improve quality, the World Bank will support system strengthening delivery for ECCD/preschool services consisting of teaching and learning materials, teacher training and support, and assessment of child literacy and numeracy outcomes particularly for the poor and vulnerable children. The program will also focus on improving quality of mathematics and science education and student retention in junior secondary education particularly among poorer households. Improving testing models for mathematics and science skills and digital literacy in secondary schools and development of a better system to train, support, and assess teacher performance that will help improve overall quality and learning outcomes. Student retention is closely linked to Objective 5 (Improved social protection system for household resilience), as poverty is a key constraint to student retention. To address the complex social issues among adolescents, boys' and girls' clubs that promote life-skills education and mentorship will be scaled up in targeted areas, leveraging ongoing programs by NGOs. Across all intervention areas, the WBG will work closely with a wide array of partners including UN agencies, the GPE, WFP and NGOs to build synergy and maximize impact.</p> <p><b>Key Risks and Mitigation.</b> Key risks include the strength of government leadership and capacity of implementing agencies. To mitigate for this risk, the WBG's support will use an adaptive approach —through both adjustments to the existing (LEQEP) and forthcoming operations as needed to respond to emerging challenges.</p>	<table border="1"> <thead> <tr> <th data-bbox="1094 310 1159 835">CPF Objective Indicators<sup>58</sup></th> <th data-bbox="1094 835 1159 1394">Supplementary Progress Indicators</th> <th data-bbox="1094 1394 1159 1713">WBG Program</th> </tr> </thead> <tbody> <tr> <td data-bbox="1159 310 1318 835"> <p><b>Objective Indicator 3.1.</b> Drop-out rate at junior secondary level (grade 8-9) in targeted community council schools (percent)</p> <p><b>Baseline (2022).</b> 33.2% (female: 45%)<sup>59</sup></p> <p><b>Target (2025).</b> 31% (female 44%)</p> <p><b>Source.</b> BESP</p> </td> <td data-bbox="1159 835 1318 1394"> <p><b>Progress Indicator 3.1:</b> Percentage of junior secondary school teachers who received an online math and science teacher training completion certificate</p> <p><b>Baseline (2022):</b> 0%</p> <p><b>Target (2025):</b> 30%</p> <p><b>Source:</b> BESP</p> </td> <td data-bbox="1159 1394 1318 1713"> <p><b>Ongoing Financing.</b> LEQEP, TICP, BESP (P175065)</p> <p><b>Financing Pipeline.</b> Education Project (FY24)</p> <p><b>Ongoing ASA.</b> Skills Policy Note, PER</p> <p><b>ASA Pipeline.</b> Poverty Assessment (FY25); Gender disparities in Human Capital Development with a focus on education (FY25);</p> </td> </tr> </tbody> </table>	CPF Objective Indicators <sup>58</sup>	Supplementary Progress Indicators	WBG Program	<p><b>Objective Indicator 3.1.</b> Drop-out rate at junior secondary level (grade 8-9) in targeted community council schools (percent)</p> <p><b>Baseline (2022).</b> 33.2% (female: 45%)<sup>59</sup></p> <p><b>Target (2025).</b> 31% (female 44%)</p> <p><b>Source.</b> BESP</p>	<p><b>Progress Indicator 3.1:</b> Percentage of junior secondary school teachers who received an online math and science teacher training completion certificate</p> <p><b>Baseline (2022):</b> 0%</p> <p><b>Target (2025):</b> 30%</p> <p><b>Source:</b> BESP</p>	<p><b>Ongoing Financing.</b> LEQEP, TICP, BESP (P175065)</p> <p><b>Financing Pipeline.</b> Education Project (FY24)</p> <p><b>Ongoing ASA.</b> Skills Policy Note, PER</p> <p><b>ASA Pipeline.</b> Poverty Assessment (FY25); Gender disparities in Human Capital Development with a focus on education (FY25);</p>
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<sup>58</sup> Once a pipeline education project is formulated, the indicators will be revisited during the PLR.

<sup>59</sup> The baseline data is pre-COVID data (2018 EMIS data and is the latest available). It is expected that the dropout rates were increased during the COVID-19 pandemic. Thus, that target is set to keep the pre-COVID-19 level. When the new baseline data becomes available, the data would be revisited during the PLR.



<p><b>Objective Indicator 3.2.</b> Percentage of 5-year-old children with improved numeracy skills in targeted ECCD centers and reception classrooms</p> <p><b>Baseline (2022).</b> 29% (female: 31%)</p> <p><b>Target (2025).</b> 33% (female: 35%)</p> <p><b>Source.</b> BEP; ECCD Learning Outcomes Survey under BEP</p>	<p><b>Progress Indicator 3.2.</b> Percentage of ECCD teachers and practitioners receiving trainings on pedagogical knowledge to implement the new curriculum in targeted centers</p> <p><b>Baseline (2022):</b> 0%</p> <p><b>Target (2025):</b> 40%</p> <p><b>Source:</b> BEP</p> <p><b>Progress Indicator 3.3.</b> Number of female junior secondary student joining support groups/student clubs in targeted community councils</p> <p><b>Baseline (2022):</b> 0</p> <p><b>Target (2025):</b> 500</p> <p><b>Source:</b> BEP</p>	
<p><b>CPF Objective 4.</b> Strengthened quality of health delivery system for the poor and vulnerable</p> <p>Improve Health Outcome was an objective in the previous CPF</p>		
<p><b>Rationale for the CPF Objective and WBG Engagement.</b> Despite high health spending (13% of total expenditure), the health system performance has been weak and characterized by inefficient management. There is no systematic community-based approach to deliver preventive health and nutrition services or a strong referral system that links communities to health facilities. A review of the current organization of primary health care revealed the absence of strong collaboration between the tertiary, secondary health system and community-based systems and informal structures (e.g., Village Health Workers (VHWs) and women's volunteer/support groups) which is critical to strengthen primary health care and preventive services. It will ensure their sustainability and effectiveness in improving health and nutrition outcomes. As a result, poor health and nutrition outcomes put the population at high risk to any pandemic and an entire system collapse in the event of repeat health emergencies such as the COVID-19 pandemic. Furthermore, stunting is a widespread problem and coverage of nutrition services is low requiring a more enhanced system to deliver nutrition services. The World Bank is one of the leading development partners in collaboration with United Nations Children's Fund (UNICEF) and World Health Organization (WHO) in the sector.</p>		
<p><b>Lessons Learned and New Knowledge.</b> The WBG engagement will build on experiences from the implementation of past projects including (a) importance of national coordination mechanism, (b) aligning project design with client capacity, (c) more attention to results and M&amp;E and (d) government's stewardship to ensure quality of the health sector especially through appreciate policy review and formulation to drive implementation.</p>		
<p><b>WBG Ongoing and Planned Support.</b> The WBG through ongoing operations will support strengthening the health delivery system and preparing for future emergency response. The World Bank will help strengthen quality of health care in District Health Centers and Hospitals including primary care systems. The World Bank will also support strengthening health information systems through implementation of a robust digital strategic agenda, contract management for outsourcing health services and Human Resources and Health (HRH) skills and sustained support for health worker training both at pre- and in-service levels. World Bank engagements in transport and water are expected to have indirect contributions through reducing travel time to hospitals/clinic and providing safe water. In addition, ongoing agriculture project has been supporting nutrition through advocacy campaign and investment in nutrition-sensitive food supply chain.</p>		
<p><b>Key Risks and Mitigation.</b> Key risks include leadership and capacity of implementing agencies and coordination among different stakeholders. As there are several stakeholders (e.g., United States) that directly provide assistance to beneficiaries, coordination is even more complicated in the health sector. LNHSSP continues to be used as a coordination platform, even though the COVID-19 pandemic response has created a coordinating platform already showing that coordinated action among development partners is best for mainstreaming support to the Ministry of Health (MOH) as it reduces duplication in planning and minimizes resource wastage.</p>		
<p><b>CPF Objective Indicators</b></p> <p><b>Objective Indicator 4.1.</b> Women with institutional deliveries (Percentage)</p> <p><b>Baseline (2018):</b> 89.4%</p> <p><b>Target (2026)</b><sup>60</sup>: 92%</p> <p><b>Source.</b> LNHSSP (P170278); NDHS/MICS</p>	<p><b>Supplementary Progress Indicators</b></p> <p><b>Progress Indicator 4.1.</b> Women ages 15-49 who took iron tablets for 90+ days during the pregnancy of the most recent birth (Percentage)</p> <p><b>Baseline (2020).</b> 51%</p> <p><b>Target (2025).</b> 66%</p> <p><b>Source.</b> MICS/NDHS</p>	<p><b>WBG Program</b></p> <p><b>Ongoing Financing.</b> COVID-19 Emergency Preparedness and Response (P173939), LNHSSP (P170278), TB and Health System Strengthening Project (P173228),</p> <p><b>Financing Pipeline.</b> Development Policy Operation</p> <p><b>Ongoing ASA.</b> PER</p>

<sup>60</sup> The target for both indicator 4.1 and 4.2 is 2026 as the LNHSSP project ends in 2026. The target will be expanded based on new programming during the PLR.

<p><b>Objective Indicator 4.2.</b> Health facilities certified for level 2 or above with quality rating system (percentage)  <b>Baseline (2020):</b> 0%  <b>Target (2026):</b> 50%  <b>Source:</b> LNHSSP (P170278)</p>		<p><b>ASA Pipeline.</b> Lesotho Territorial Development for Resilient and Inclusive Growth (FY24), Advancing nutrition sensitive social protection in Lesotho (FY24), Poverty Assessment (FY25),</p>
<p><b>CPF Objective 5.</b> Improved effectiveness of the social protection system for poor and vulnerable people                  In the previous CPF, Objective 2 on Improve the risk-responsiveness and equity of the social assistance system focused on this objective.</p> <p><b>Rationale for the CPF Objective and WBG Engagement.</b> In the context of high poverty levels and vulnerabilities of its population, the government spends about 14% of total expenditures on social protection. Despite significant progress, the cost-effectiveness and value-for-money of the social protection system is low. For example, poor targeting results in resources allocated to non-poor, while operational/delivery systems are weak leading to leakages. The introduction of interventions that strengthen social assistance beneficiaries' livelihoods and human capital outcomes remains an unmet strategic priority that is highlighted prominently in the NSP.</p> <p><b>Lessons Learned and New Knowledge.</b> The government successfully met 17 disbursement-linked indicators (DLIs) under the completed SAP to improve social protection systems. Building on the achievement, the Social Protection Programs and Systems Review identified areas for improvement. They are (a) reorientate spending towards poverty-targeted programs, (b) continue to strengthen delivery/operational systems (targeting, digital payments, modern MISs, policy frameworks and operational processes, oversight/M&amp;E) and (c) turn cash transfer programs into investments in human capital and support households to be productively included in economy.</p> <p><b>WBG Ongoing and Planned Support.</b> Building on the SAP (P151442), the ongoing PSLP, will support improvements in the efficiency and equity of selected social assistance programs<sup>61</sup>, and strengthen the livelihoods of poor and vulnerable households. The project emphasis on system strengthening is directly aligned with a long-standing and ongoing strategic objective of the government, World Bank and UNICEF to strengthen social protection service delivery. These investments in modernized delivery systems are intended to enhance cost-efficiency, reduce leakages and improve the targeting accuracy of adequate benefits to the most vulnerable. Moreover, a new livelihoods enhancement approach will seek to complement the government's existing cash transfer programs with additional measures to help households become more productive, invest more in their human capital, and become more resilient to shocks by virtue of diversified sources of income, a larger asset base, and access to savings. The World Bank's support will help to address gender gaps in women's economic empowerment by prioritizing women as the primary beneficiaries of the livelihood's activities (target of at least 50 percent) including of training and the productive grants. The project also provides financing that will enable the delivery of emergency cash transfers to poor and vulnerable households that have been affected by a shock.</p> <p><b>Key Risks and Mitigation.</b> The delay in project implementation is a substantial risk to improvements in social protection systems which could result in weak coverage, loss of limited financial resources and forfeiting an opportunity to mobilize emergency financing in a timely manner to mitigate the worst impact on affected households.</p>		
<p><b>CPF Objective Indicators</b></p> <p><b>Objective Indicator 5.1.</b> Share of Child Grant Program (CGP) beneficiary households who are the bottom 40% of the population  <b>Baseline (2022):</b> 64%.  <b>Target (2027):</b> 70%  <b>Source.</b> PSLP</p> <p><b>Objective Indicator 5.2.</b> Share of beneficiaries of economic inclusion programs reporting increased income (Percentage)  <b>Baseline (2022):</b> 0  <b>Target (2027):</b> 50% (o/w female 50%)  <b>Source.</b> PSLP</p>	<p><b>Supplementary Progress Indicators</b></p> <p><b>Progress Indicator 5.1.</b> Share of CGP payees who have national ID numbers in MoSD system (Percentage)  <b>Baseline (2022):</b> 40%  <b>Target (2025):</b> 50%  <b>Source.</b> PSLP</p> <p><b>Progress Indicator 5.2.</b> People with disabilities receiving assistive devices through project (Number)  <b>Baseline (2022):</b> 0  <b>Target (2025):</b> 2,000  <b>Source.</b> PSLP</p>	<p><b>WBG Program</b></p> <p><b>Ongoing Financing.</b> BESP, PSLP  <b>Financing Pipeline.</b> Development Policy Operation  <b>Ongoing ASA.</b> Review of Social Protection Programs and System – G2Px financed TA to support digitization of social grant payments (P172175), PER  <b>ASA Pipeline.</b> Lesotho Territorial Development for Resilient and Inclusive Growth (FY24), Poverty Assessment (FY25), Adaptive Social Protection in Southern Africa; Updating and testing targeting formulas</p>

<sup>61</sup> Selected Social Assistance Program include four main social assistance programs implemented by the government.

<b>High-Level Outcome 3 (HLO3). Improved climate resilience</b>		
The previous CPF did not specifically focus on climate resilience, although Objectives 6 and 7 were covered in the previous CPF. HLO3 not only aligns with the corporate commitment to climate change, but directly responds to Lesotho's climate vulnerabilities.		
<b>High-Level Outcome Indicators</b>	<b>Data Source</b>	<b>Current Value</b>
Livelihood Coping Strategy Index (LCS) – stress/crisis/emergency	National Annual Vulnerability Assessment Report from the Vulnerability Assessment Committee	Urban Population (2022) Acceptable: 6.8% Borderline: 77.0% Poor: 16.2%
Adjusted Savings: Natural Resource Depletion (% of GNI)	World Development Indicators	2.52 (2019)
<p><b>Rationale.</b> Lesotho is highly vulnerable to climate change,<sup>62</sup> namely frequent and severe weather events, particularly flooding and drought. Sustained land and wetland degradation, caused by poor or absent management practices, is worsened by increasingly severe and frequent cycles of flooding and drought. This negatively impacts Lesotho's natural resources base, especially water production, which has a knock-on negative impact on GDP. It also negatively impacts livelihoods. For example, more than 70 percent of rural Basotho participate in subsistence farming, the productivity of which has been on a steady decline since the 1990s due to changes in rainfall patterns and frequency. According to the World Food Programme, 23% of the population is food insecure but about half of the population regularly faces food insecurity. Chronic malnutrition is responsible for more than 7 percent in GDP losses annually.<sup>63</sup> Natural disasters are also costly, negatively impacting the country's macro-fiscal position by diverting resources away from other development priorities and making it harder to achieve lasting poverty reduction. According to its Nationally Determined Contribution (NDC)<sup>64</sup>, the country loses between 1 and 4 percent of GDP annually due to drought. The 2015/16 El Niño-induced drought, for example, was particularly devastating, slowing the pace of national poverty reduction by nearly half between 2002 and 2017 and rural poverty rates, in particular, would have been 6 percentage points lower in its absence. Furthermore, in the absence of risk financing instruments to fund drought response, the GoL were forced to reallocate resources in the budget (US\$20 million into the contingency fund) and wait for humanitarian financing to respond. Promoting inclusive and sustainable growth and building enabling infrastructure are two of four priority areas in the NSDP2. Increasing climate change resilience contributes to both. Strengthening climate risk assessment and management means that Lesotho will be better prepared to withstand climatic shocks, which is critical for the country to meet its goals for inclusive, sustainable growth and poverty reduction as well as its commitments to the Paris Climate Agreement. CPF Objective 2 activities related to agricultural insurance instruments for small farmers will contribute to recovery potential from natural disasters.</p> <p><b>WBG engagement.</b> The WBG program aims to contribute to HLO3 through a combination of ongoing financing and ASAs which focuses on improved management of natural resources and increased climate resilient within its physical infrastructure, ecological infrastructure, and its fiscal and financial systems.</p> <p><b>Knowledge gap.</b> New analytical work will fill knowledge gaps, particularly around impacts of climate change in the country, including with the country disaster risk profile, assessment of urban resilience to climate events (particularly floods); and a regional CCDR.</p> <p><b>SDG Associated.</b> SDG2 (Zero Hunger), SDG3 (Good Health and Well-being), SDG6 (Clean Water and Sanitation), SDG7 (Affordable and Clean Energy), SDG9 (Industry, Innovation and Infrastructure), SDG11 (Sustainable Cities and Communities), SDG13 (Climate Action)</p>		
<p><b>CPF Objective 6.</b> Improved management of natural resources</p> <p>Build climate resilience and improve agricultural productivity in Objective 6 of the previous CPF.</p>		
<p><b>Rationale for the CPF Objective and WBG Engagement.</b> Despite rich natural resources, poor management of natural resources has led to exploitation and environmental degradation. This also undermines ecosystem services (especially water production and quality), access to ecotourism, and agricultural productivity. Overgrazing, land encroachment, deforestation, poor road design, unsustainable agriculture practices, and invasive species all contribute to land degradation, chronic drought and flooding. It weakens communities' resilience to weather-induced shocks, especially among the rural poor who are more dependent on natural resources for their livelihoods. The government has identified several reform priorities that include: (a) developing an integrated natural resource management approach to promote more inclusive, resilient, and sustainable development; (b) strengthening the national hydro-meteorological system; disaster risk monitoring procedures weather forecasting systems and monitoring natural resources; (c) piloting the mainstreaming of sustainable landscape management across catchments; (d) adapting to the impacts of climate change and variability by mainstreaming the Climate Change Policy 2017–2027 and (e) adopting cross-sectoral integration of climate-smart approaches in agricultural projects.</p>		

<sup>62</sup> <https://climateknowledgeportal.worldbank.org/country/lesotho/vulnerability>

<sup>63</sup> WFP <https://www.wfp.org/countries/lesotho>

<sup>64</sup> Government of Lesotho Nationally Determined Contribution, December 2017.

**Lessons Learned and New Knowledge.** Despite efforts to improve coordination, government ministries and agencies struggle to collaborate on cross-sectoral issues such as natural resources management. Some effort has been made for catchment management and the government has created an Integrated Catchment Management Unit. Yet, there is need for a broader coordination framework to guide integrated management of natural resources. In the absence of effective collaboration among stakeholders, the World Bank has to continually collaborate with other stakeholders, including development partners. For example, SADP II has been co-financed by the Japanese government and International Fund for Agricultural Development (IFAD). The Protection and Management of Ecosystem Services for Inclusive and Climate Resilient Future (P172476) coordinates its activities with the Lesotho Development Partners' Consultative and Coordination Forum on Environment, Resilience and Natural Resources Management. This forum is a platform for development partners to align activities related to catchment management. Members include the German Federal Ministry for Economic Cooperation and Development (BMZ), Catholic Relief Services (CRS), EU, Food and Agriculture Organization of the United Nations (FAO), German Agency for International Cooperation (GIZ), IFAD, Millennium Challenge Corporation (MCC)/LMDA, United Nations Development Programme (UNDP), WFP, and the World Bank. APPSA is a regional project that provides Lesotho access to regional knowledge and expertise for implementing climate-smart agricultural varieties and technologies.

**WBG Ongoing and Planned Support.** WBG will foster an integrated approach to government's medium-term reform areas in improving management of the natural resources base especially in water, agriculture and landscape management. The World Bank's ongoing investment financing in water will support improved water resources planning and management and balancing the use of water for irrigation with expanded clean water supply in urban and rural areas in agriculture, the WB will continue to promote climate smart agricultural practices among farmers through regional exchanges with other SADC countries, generation of climate-smart varieties and technologies, dissemination of existing climate-smart technologies, rehabilitation and modernization of irrigation infrastructure, soil fertility management and integrated climate, weather and market advisory services. The World Bank has been supporting the integrated catchment management (ICM) by improving the evidence base on the impacts of land degradation to inform improvements to ICM budgeting and governance. Improved management of ecological infrastructure, such as wetlands and mountain catchments, enhances the environment's natural defense against severe weather impacts, including climate shocks, and contributes to an increase in ecosystem services. As governance is a bottleneck of natural resources management, the World Bank plans to apply the Governance Facility for Objective 6.

**Key Risks and Mitigation.** The government has a limited institutional framework and capacity to coordinate cross-cutting issues such as natural resources management and climate change. To mitigate the risk, the World Bank will have to play a strong convening role and focus on activities that build skills and capacity; it also must leverage engagement with other partners working on these issues. The Governance Facility will contribute to mitigating the risk.

CPF Objective Indicators <sup>65</sup>	Supplementary Progress Indicators	WBG Program
<p><b>Objective Indicator 6.1.</b> Land area under sustainable landscape management practices (CRI, Hectare (Ha))</p> <p><b>Baseline (2021):</b> 0</p> <p><b>Target (2026):</b> 45,000 ha</p> <p><b>Source.</b> SADP II</p>	<p><b>Progress Indicator 6.1.</b> Number of catchment areas that have adopted integrated catchment management plans</p> <p><b>Baseline (2022):</b> 0</p> <p><b>Target (2025):</b> 3</p> <p><b>Source.</b> Government of Lesotho ReNOKA Initiative (Ministry of Natural Resources (Water Commission))</p>	<p><b>Ongoing Financing.</b> SADP II, APPSA, Lesotho Lowlands Water Development Project (Phase 2) (LLWDP II, P160672), CAFI Project (P1757832)</p>
<p><b>Objective Indicator 6.2.</b> Number of people benefitting from access to safe and clean water resulting from better water resource management</p> <p><b>Baseline (2021).</b> 42,130 (o/w female 28,670)</p> <p><b>Target (2025).</b> 115,000<sup>66</sup> (o/w female 58,000)</p> <p><b>Source.</b> LLLWDP II (P160672)</p>	<p><b>Progress Indicator 6.2.</b> Number of farmers who adopt improved climate smart technologies</p> <p><b>Baseline (2022).</b> 44,464</p> <p><b>Target (2025).</b> 70,000</p> <p><b>Source.</b> SADP II</p>	<p><b>Financing Pipeline.</b> Development Policy Operation; Lesotho participation in MPA on Food Systems Resilience Program for Eastern and Southern Africa (AFE-FSRP) (178566) (proposed for FY24).</p> <p><b>Ongoing ASA.</b> Protection and Management of Ecosystem Services for Inclusive and Climate Resilient Future of Lesotho (P172476), IFC advisory work, Jobs Platform, FSAP, PER</p> <p><b>ASA Pipeline.</b> Technical assistance on NDC, CCDR (FY25)</p>
	<p><b>Progress Indicator 6.3.</b> Increased water production capacity in two priority water zones per day (Cubic Meters)</p> <p><b>Baseline (2021).</b> 2,200 cm<sup>3</sup></p> <p><b>Target (2025).</b> 25,000 cm<sup>3</sup></p> <p><b>Source:</b> LLLWDP II (P160672)</p>	

<sup>65</sup> The indicators will be revisited during the PLR.

<sup>66</sup> The target year is 2025 as the LLWDP II project will be closing in 2025. The target year may be revised based on the new programming during PLR.

**CPF Objective 7.** Strengthened household resilience to shocks

Increase water and renewable energy supply for industrial and agriculture opportunities is Objective 7 of the previous CPF.

**Rationale for the CPF Objective and WBG Engagement.** Lesotho's poor households and communities are highly vulnerable to various shocks. Climatic shocks, routinely responsible for infrastructure damage and destruction, pose a challenge to achievement of the twin goals in Lesotho. Heavy rains and strong winds trigger flooding and landslides, destroying infrastructure and crops and disconnecting communities. The severity of climate shocks is becoming more intense and flood damages to roads and bridges are increasingly widespread. Communities have been affected by restricted access to their workplaces, farms and basic services as the government has been fiscally and technically overwhelmed in responding to road network restoration requirements. The quality of existing infrastructure does not properly account for climate impacts, nor does it consider the unique terrain of the catchments, weakening the landscape's ability to withstand shocks. Lesotho is also acutely exposed to the financial and fiscal impacts of shocks with limited financing capacity to respond and no comprehensive financing instruments to respond.<sup>67</sup> To support an integrated approach to build households' resilience to climate shocks, strategic investment in physical and financial infrastructure is needed. Such infrastructure can also support improved service delivery and climate-informed spatial planning. Improved reliable access to energy and connectivity and reliability and resilience of data hosting solutions for example is needed to support early warning and emergency response systems. Building enabling physical and financial infrastructure is government's priority. The NSDP2 Strategic Focus emphasizes on sustainable energy production and use, and sustainable production, use of water resources, and improved sanitation and hygiene. The NDC identifies adaptation technology (including for climate-smart agriculture) and revised standards for infrastructure development to ensure proper climate and environmental considerations as key gaps. The MOFDP has prioritized the strengthening of financial resilience in Lesotho, with initial focus on its array of risk financing instruments and MSME resilience. These are core areas that the WBG has been supporting through ongoing financing.

**Lessons Learned and New Knowledge.** Implementation experience from LREEAP and TICP shows that political instability and limited government capacity (e.g., procurement) are major constraints to developing infrastructure. Therefore, it is important to keep providing hands-on technical assistance and capacity development. Mainstreaming climate and environmental considerations into infrastructure planning and development tools and processes is lacking. The occurrence of the COVID-19 pandemic during the implementation of Private Sector Competitiveness and Economic Diversification Project (P151442, closed in June 2022) demonstrated the negative impact that shocks can have on MSMEs, threatening their growth and sustainability. Thus, it is important that resilience building activities are included in future support to MSMEs. The World Bank will support analytical work to better understand the root causes of economic disparity between leading and lagging regions and how to better place investments and strengthen institutions to ensure resilience, promote economic growth, and secure poverty alleviation.

**WBG Support:** The WBG will support investments to strengthen physical and financial infrastructure that will help households build resilience to climate and other shocks<sup>68</sup>. The World Bank will support climate resilient infrastructure, through technical assistance and capacity building to improve road safety, respond to crises or emergencies, and assess climate vulnerability in select catchments. A climate and environmental vulnerability assessment framework will assess the level of resilience and the impact of road network in sub-catchment areas. Once this methodology has been finalized and an assessment tool developed, a proposal to undertake a network-wide vulnerability assessment will be made to government. The outcome of the network-wide assessment may form the basis of a future climate resilience road infrastructure engagement. The World Bank is supporting increased access to renewable energy in rural and peri urban communities where lack of reliable energy access is in high need, especially in response to natural disasters. Aligning infrastructure initiatives can help to reduce costs and increase efficiency in meeting Lesotho's climate resilience goals, and a 'dig once' approach to digital, energy and transport infrastructure can help align the sectors and improve overall resilience. Strengthening financial resilience in Lesotho requires two sets of activities: (a) strengthening budget mobilization to ensure government has sufficient resources available to respond to shocks when they occur, and (b) strengthening budget execution to ensure resources can be transparently and efficiently delivered to shock-affected segments of society. The CAFI Project will focus on both by strengthening and expanding the suite of financing instruments the Ministry of Finance has available to respond to shocks, as well as strengthening G2B payment channels ensuring resources reach MSMEs quickly.

**Key Risks and Mitigation.** The Government has limited capacity to implement a large investment project. In order to mitigate the risk, the World Bank will provide hands-on capacity building for the implementing agency and for the Ministry of Finance and Development Planning as well as infrastructure-related ministries (e.g., Ministry of Natural Resources and Ministry of Public Works and Transport).

<sup>67</sup> Disaster Risk Financing Diagnostic, World Bank 2019

<sup>68</sup> Household resilience can be enhanced through climate smart agriculture (Objective 6) and social protection (Objective 5).

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p><b>Objective Indicator 7.1:</b> Households provided with access to electricity services by mini-grids  <b>Baseline (2020):</b> 0  <b>Target (2027):</b> 4,165  <b>Source.</b> LREEAP (P166936)  <b>Objective Indicator 7.2:</b> Number of households receiving emergency cash transfers during an eligible emergency, shock, or crisis  <b>Baseline (2022):</b> 0  <b>Target (2027):</b> 45,000 (o/w female 22,500)                      Source: PSLP  <b>Objective Indicator 7.3:</b> Roads assessed for climate vulnerability and constructed/rehabilitated with climate resilience design principles  <b>Baseline (2022):</b> 0  <b>Target (2027):</b> 500 km  <b>Source.</b> Lesotho Roads Climate Risks and Vulnerability Assessment (P172476)</p>	<p><b>Progress indicator 7.1</b> Number of risk financing instruments and mechanisms developed to strengthen climate resilience  <b>Baseline (2021):</b> 0  <b>Target (2025)</b> 2  <b>Source.</b> MOFDP</p>	<p><b>WBG Program</b>  <b>Ongoing Financing.</b> LREEAP, TICP , CAFI Project, PSLP  <b>Financing Pipeline.</b> Development Policy Operation  <b>Ongoing ASA.</b> Protection and Management of Ecosystem Services for Inclusive and Climate Resilient Future of Lesotho (P17246), Lesotho Territorial Development for Resilient and Inclusive Growth (FY24); Lesotho Roads Climate Risks and Vulnerability Assessment (P17246), PER</p>

## Annex 2. Relationship and Synergies between HLOs, CPF Objectives, Cross-Cutting Issues

HLOs, CPF Objectives, Cross-cutting Themes and Implementation Approaches	Relationships and Synergies
<b>HLO 1. Increased employment in the private sector</b>	
<b>Obj 1.</b> Improved regulations for better business environment	<p><b>Obj 2.</b> Macroeconomic and fiscal stability (e.g., control inflation, exchange rate stability, support banking sector liquidity) provides incentives via improved business confidence and attracts more investment into the country which ultimately leads to employment opportunities. Without adequate macro-economy and fiscal sustainability, the government would not be able to provide fiscal incentives (e.g., tax exceptions) to MSMEs and entrepreneurs willing to start a business. Conducive business environment is foundation for not only large firms but also MSME development (e.g., access to finance, digitalization).</p> <p><b>Obj 3, 4, 7.</b> Fiscal sustainability and predictability enable the government to provide operation and maintenance costs to sustain schools, health facilities and infrastructure assets.</p> <p><b>Gender.</b> Reducing gender gaps in financial inclusion and entrepreneurship would improve the environment for women's participation in the private sector, particularly in MSMEs, and thereby contribute also to improving the environment for competitiveness.</p> <p><b>Governance and government capacity.</b> Improved regulatory environment would improve governance through reduction of opportunities for corruption. It would also improve efficiencies in the public sector through better regulatory and oversight mechanisms.</p> <p><b>Digitalization.</b> Improved competitiveness of telecommunications market, digital safeguards, and conducive business environment attracts IT related businesses.</p>
<b>Obj 2.</b> Enhanced opportunities for firms and MSMEs	<p><b>Obj 1.</b> MSME development and job creation would provide strong foundation for macro-fiscal sustainability.</p> <p><b>Obj 3 and 4.</b> Job creation through MSMEs provides financial resources for households to send their children to schools and access to healthcare services.</p> <p><b>Obj 5.</b> Job creation would reduce social protection expenditures, and thus better targeting for needy population.</p> <p><b>Obj 6.</b> MSMEs developed would increase productivity in agriculture.</p> <p><b>Gender.</b> Addressing barriers to entry and growth faced by women entrepreneurs, providing comprehensive gender-focused business development services, developing new mechanisms for evaluating women's creditworthiness and building the capacity of both bank and nonbank financial institutions, including microfinance institutions, to address discrimination and to support the effective implementation of laws would directly contribute to this objective.</p> <p><b>Digitalization.</b> Improving access and affordability of telecommunications services would drive uptake of digital financial services.</p> <p><b>Territorial development approach.</b> Development of MSMEs in lagging regions would directly contribute to reducing poverty and reducing inequality.</p>
<b>HLO2. Improved human capital outcomes</b>	
<b>Obj 3.</b> Improved quality/retention of junior secondary education and quality of early childhood education	<p><b>Obj 2.</b> Better secondary education completion rates will result in access to further education and training and/or better employment opportunities and MSME development.</p> <p><b>Obj 5.</b> Improve the linkage between the CGP and educational outcomes including transition from primary to secondary education; improve the targeting and effectiveness of the OVC-grant program on student retention.</p> <p><b>Obj 7.</b> Ensuring that all new schools are constructed in a manner that is climate resilient contribute to broader climate resilience infrastructure and to increasing awareness.</p> <p><b>Governance and government capacity.</b> Strengthen citizen engagement mechanisms including using Mobile Monitoring Systems to track implementation progress under education programs.</p> <p><b>Gender.</b> Supporting both boys and girls to enter and stay in secondary school and making it easier for them to return in case they do drop out contributes to objective 3. Specific areas of action that target gendered drivers of school dropout include promoting social norm change with a focus on changing norms relating to boys' and girls' roles in society and targeting initiation schools to support reintegration of boys into the formal school system after initiation. Interventions are recommended to improve quality of education beginning at the primary level that target teachers, parents and students, and challenge social norms that hinder young girls' uptake of and success in subjects leading to higher-earning professions.</p> <p><b>Digitalization.</b> Integrate EdTech in the provision of basic education, including by supporting online teacher training.</p> <p><b>Territorial development approach.</b> In lagging regions, target quality and retention related intervention in community councils that are underserved and have high dropout rate, which are also community councils that have high poverty rate.</p>

HLOs, CPF Objectives, Cross-cutting Themes and Implementation Approaches	Relationships and Synergies
<p><b>Obj 4.</b> Strengthened quality of health delivery system for the poor and vulnerable</p>	<p><b>Obj 3.</b> Coordinate between VHWs who support mothers and children in early years (from birth to age 3 or so), and ECDE centers which fall under the mandate of the Ministry of Education and Training (MOET), to ensure seamless support of children from the home to ECDE. LNHSSP across all the districts will be providing multiple micronutrient powders to supplement preschool children aged 6 - 24 month to address micronutrient deficiencies and enhance cognitive development which will help in early learning and retention.</p> <p><b>Obj 5.</b> HNP, SPJ and Agriculture GPs in select community councils with high levels of food insecurity, high poverty and poor nutrition outcomes plan to (i) ensure that poorest households get a package of essential services along with cash transfer through CGP with a focus on women and children including COVID-19 vaccination.</p> <p><b>Obj 6.</b> LNHSSP is linking with the SADP II districts of Botha Buthe, Leribe, Berea, Mafeteng, Maseru, Mophale's Hoek and Quthing to (i) deliver a package of essential health and nutrition interventions to address morbidity, malnutrition and mortality; (ii) jointly strengthen nutrition awareness, Social and behavior change communication on nutrition and healthy diets; (iii) promote optimal IYCF through the nutrition clubs platform along with AEO and VHWs through cooking demonstrations using local resources and counselling; (iv) enhance access to healthy foods in households through kitchen gardens and keyhole gardens.</p>
	<p><b>Obj 7.</b> Ensure energy efficiency at health facilities.</p> <p><b>Governance and government capacity.</b> Projects seek to strengthen health system interventions through improved governance and GRM mechanism including monitoring and evaluation using digital platforms. Interventions will also improve the efficiency and effectiveness of the health sector.</p> <p><b>Gender.</b> Although not rooted in gender inequality, challenges associated with the overall quality of healthcare, have gendered outcomes such as in the form of high maternal mortality ratios. The Lesotho health project includes a focus on maternal and adolescent health to support women in terms of feeding practices and nutrition.</p> <p><b>Digitalization.</b> Finalization of digital health strategy and digital tracking of COVID-19 interventions.</p> <p><b>Territorial development approach.</b> Linkage with SADP II project sites to support improved value chain nutrition practices and food availability in those lagging regions.</p>
<p><b>Obj 5.</b> Improved effectiveness of the social protection system for poor and vulnerable people</p>	<p><b>Obj 1.</b> Strengthening social protection systems will contribute to containment/ reduction of inefficient spending.</p> <p><b>Obj 2.</b> Social protection helps support vulnerable households to participate in the economy, be more productive and diversify their livelihoods.</p> <p><b>Obj 3.</b> Social protection helps retain students from vulnerable households in school through reducing indirect and direct costs of schooling. Social protection provides parents with better awareness of children's early development and social and learning needs.</p> <p><b>Obj 4.</b> Social protection helps ensure that poor mothers and children access health and nutrition services.</p> <p><b>Obj 6.</b> A robust and flexible social protection system is able to support livelihoods during shocks, including shocks that may occur over a long stretch of time (e.g., drought) and that disproportionately impact livelihoods dependent upon natural resources.</p> <p><b>Governance and government capacity.</b> The PSLP will strengthen the delivery systems for social protection and thereby improve the ability to administer these programs transparently and with reduced leakages.</p> <p><b>Gender.</b> Social protection contributes to female empowerment by providing cash transfers to mothers that support their engagement in productive activities and as well as mothers' support groups for savings and credit.</p> <p><b>Digitalization.</b> The PSLP will convert cash payments to mobile or bank payments for the three main social grant programs (CGP, Public Assistance Program (PA) and Old-Age Pension (OAP)) and link to the National ID system.</p> <p><b>Territorial development approach.</b> The PSLP will focus on those districts and councils with high levels of poverty, food insecurity and malnutrition in lagging regions.</p>
<p><b>HLO3. Improved climate resilience</b></p>	
<p><b>Obj 6.</b> Improved management of natural resources</p>	<p><b>Obj 1.</b> Restored water catchments produce a higher volume of and quality of water, which is important for the economy especially for export. Healthier landscapes result in higher agricultural yields as well as improve food security, which is important to maintaining a healthy and reliable workforce. Along with textiles and diamonds, water exports constitute an important part of Lesotho's economy and hard currency. Ensuring sustainable production and quality of water through via healthy catchment landscapes is key to maintain and expand water's contribution to the Treasury. Sustainable natural resources management will reduce land degradation and erosion, which will improve agricultural output and reduce the cost of restoration.</p> <p><b>Obj 2.</b> Improved access to climate-smart agricultural technology to subsistence farmers provide opportunities to expand into agricultural markets; expanded access to reliable electricity means MSMEs can take advantage of the digital age.</p> <p><b>Obj 3.</b> Sustainable landscapes are more resilient to destructive weather events (such as floods and mudslides). Reducing destruction could lead to fewer missed school days, especially in rural areas. Increase in agriculture productivity and resulting higher incomes would enable parents to send children to schools.</p>



HLOs, CPF Objectives, Cross-cutting Themes and Implementation Approaches	Relationships and Synergies
	<p><b>Obj 4.</b> Sustainable landscapes are more resilient to destructive weather events (such as floods and mudslides). Reducing destruction could lead to better access to health facilities.</p> <p><b>Obj 7.</b> Sustainable natural resources management contributes to ecological infrastructure health, which provides a natural defense against climate impacts.</p> <p><b>Governance and government capacity.</b> Proper natural resource management requires input from multiple line ministries (environment, water, public works, finance) and this requires coordination and delegation. It also requires dedicated resources for capacity building and investment. There must be clear accountability. Support to government entities such as the ICM unit are a good start.</p> <p><b>Gender.</b> Improving the analytics on the impacts of climate change and natural disasters on women as well as identifying their local knowledge and skills on climate resilience and natural resource management will contribute to improved management of climate resources. Further, developing the capacity of women to participate in decision-making structures in sustainable resource management at the household and community level will further contribute to gender mainstreaming.</p> <p><b>Territorial development approach.</b> Better understanding of the impacts of climate change on urban, peri-urban and rural/mountainous areas means better targeted, prioritized, and sequenced investments. Sustainably managed landscapes provide greater ecosystem services, including opportunities in eco-tourism, horticulture, and bioprospecting which can help to diversify rural livelihoods (which also builds their resilience).</p>
<p><b>Obj 7.</b> Strengthened household resilience to shocks</p>	<p><b>Obj 1.</b> Access to clean water and sanitation provides industry with a healthy workforce. For the textile and agriculture sector, water is an input for reliable production. Access to reliable road infrastructure connects a workforce to value chains and reliable electricity is important for continuity of service as well as is a key function of production in industry. Climate smart infrastructure is critical for conducive business environment for the private sector.</p> <p><b>Obj 2.</b> Reliable access, sanitation, electricity, IT, and road infrastructure are the basis for establishing and maintaining competitive MSMEs.</p> <p><b>Obj 3.</b> Access to sanitation, menstrual hygiene facilities and water in school leads to increased girls' school retention and it is associated with higher core performance in standardized tests on math and sciences. Improved access to reliable electricity is critical for students to leverage digital technology. Improved connectivity (roads and foot bridges) is critical for students to reduce travel time to schools.</p> <p><b>Obj 4.</b> Clinics, hospitals and health center depend on clean water and sanitation to maintain an aseptic environment to avoid the propagation of virus, bacteria and germs, particularly under the COVID-19 pandemic; they also depend on reliable electricity access and network of roads to improve delivery of service and emergency response.</p> <p><b>Obj 5.</b> A proper regulatory and tariff systems will ensure sustainable access to public services (water, sanitation, electricity) with appropriate subsidies for poor and vulnerable people, thus increasing the predictability of household expenditures and enhancing the targeting of social protection systems.</p> <p><b>Obj 6.</b> Well-managed climate resilient infrastructure will address issues of land degradation, sustainable abstraction of surface and groundwater, transboundary issues as well as environmental flow, maintaining the balance of land, water and air resources.</p> <p><b>Governance and government capacity.</b> Better management of SOEs (such as WASCO the national water utility) improves the confidence of citizens in the governments capacity to deliver basic services and strengthens the role of the State.</p> <p><b>Gender.</b> Improved access to water can reduce the heavier burden of lack of access on women and reliable energy supply can lead to safer communities (through reliable lighting of public spaces, as well as electricity during emergencies).</p> <p><b>Digitalization.</b> Taking a 'dig once' approach to align telecommunications, transport and energy infrastructure can improve resilience and cost efficiency.</p> <p>Safeguarding critical digital (telecommunications and data) assets from climate risks to ensure sustained access to services.</p> <p><b>Territorial development approach.</b> Water, sanitation, and reliable energy are a human right and providing them at the remote lagging areas will contribute to Human Capital Development and redress some of the inequities, especially in water access, where resources are exported but the local population does not yet enjoy access to water.</p>
<b>Cross-Cutting Themes</b>	
<p><b>Gender</b></p>	<p><b>Obj 1 and 2.</b> In line with findings of the Lesotho gender assessment, the Gender Platform team will inform and support the bank's portfolio and policy dialogue with government towards addressing identified legal and social barriers that hinder the equal participation of women in the labor force and addressing specific hurdles to financial inclusion and entrepreneurship. The gender platform team is supporting the CAFI Project in adapting its design to address several gender gaps that will contribute to objective 1 and 2. The team will continue to highlight strategic entry points in upcoming projects.</p> <p><b>Obj 3.</b> The Lesotho gender assessment identifies areas of action to support boys and girls to enter and stay in secondary school and to return if they drop out. The team will work with existing and upcoming operations to identify entry points where outcomes linked to objective 3 would be further strengthened by integrating a gender informed approach.</p>

HLOs, CPF Objectives, Cross-cutting Themes and Implementation Approaches	Relationships and Synergies
	<p><b>Obj 4.</b> Although not rooted in gender, challenges associated with the overall quality of healthcare, have gendered outcomes such as in the form of high maternal mortality ratios. The Lesotho health project includes a focus on maternal and adolescent health to support women in terms of feeding practices and nutrition.</p> <p><b>Obj 5.</b> The social protection system contributes to female empowerment by providing cash transfers to mothers and to supports them to engage in productive activities and mothers’ support groups for savings and credit.</p> <p><b>Obj 6 and 7.</b> Women commonly face higher risks and greater burdens from the impacts of climate change. The gender platform team will continue to highlight strategic entry points in the operational portfolio where opportunities lie in particular to improve women’s participation and leadership in decision making bodies at the household and community level as it pertains to climate-related planning, policymaking and implementation.</p>
<p><b>Digitalization</b></p>	<p><b>Obj 1.</b> Accelerating digital reforms to improve competition of the telecommunications sector and the regulatory and business environment for the digital economy and unlock new business opportunities. For example, regulatory reform to improve access and affordability of broadband services, increasing access to digital devices, providing a legal framework for digital transactions, infrastructure-sharing, electronic signatures. This also includes the trust framework (e.g., data protection and cybersecurity), building shared payments infrastructure and opportunities to accelerate establishment of public and private digital platforms for digital services including digital financial services and fintech solutions.</p> <p><b>Obj 2.</b> Improving digital skills, improving access and affordability of internet services, increasing access to digital devices, supporting businesses to adopt digital tools and business models, engaging in e-commerce, and leveraging regional digital platforms contribute to MSME development. Supporting development of locally relevant content is a new business opportunity. Establishing a digital platform for public procurement such as e-GP help MSMEs access to business opportunities for small businesses.</p> <p><b>Obj 3.</b> Developing a digital skills framework and strategy, improving ICT infrastructure in schools, access and affordability of internet services, and increasing access to digital devices for schools would have positive impacts on learning outcomes.</p> <p><b>Obj 4.</b> Strengthening ICT infrastructure in health establishments, strengthening use of information systems and digital tools to enhance service delivery, inform disease surveillance, and expand access to healthcare (e.g., including local level information from VHWs on nutrition and COVID-19). Leveraging digital ID to improve access to services. Improving access and affordability of internet services and digital devices to enable telemedicine opportunities.</p> <p><b>Obj 5.</b> Digitizing social assistance payments (mobile or bank) for improved transparency, security and efficiency, and digital, financial and economic inclusion would improve effectiveness and efficiency of social protection system. Leveraging digital ID to improve access to services. Basic digital literacy programs to complement productive inclusion measures and enable use of devices beyond access to payments.</p> <p><b>Obj 6.</b> Increasing use of big data and other digital tools and analytics would improve climate change forecasting, monitoring and adaptation, disaster preparedness and response. For example, digitalization and remote sensing provide opportunities for better landscape change management and prediction. This requires sufficient connectivity and digital skills (both basic and advanced).</p> <p><b>Obj 7.</b> Ensuring critical digital infrastructure and data assets are protected from climate risks and developing a data hosting strategy and protocols for disaster recovery can safeguard important information and ensure connectivity is maintained. Ensuring energy-efficient growth of the ICT sector and public sector modernization. Implementation of adaptive strategies and use of climate-resilient and climate-proof digital infrastructure technologies and investments. Digitalization and remote sensing provide a unique opportunity for improved service delivery of water, electricity and other basic service, in particular in rural areas. Remote monitoring means the ability to address minor maintenance and repair issues in remote rural systems before they become a large impediment for service delivery. Utilizing a ‘dig once’ approach to improve resilience and cost efficiency of infrastructure investments.</p> <p><b>Governance and government capacity.</b> Digitalization of government, increased citizen engagement through digital means and increased digital capacity of government would improve performance of public services and governance (including addressing corruptions). It is important to put digital safeguards in place to ensure personal data and critical infrastructure are protected and secured. Core shared government infrastructure (e.g., digital ID, authentication platform, data interoperability framework and data exchange platform, cybersecurity capabilities, payments system) is critical to reduce fragmentation of initiatives. Access to government services and essential equipment for government institutions. The proposed Public Sector Foundations for Service Delivery Project would include support for the operationalization of data protection and cybersecurity, shared digital government infrastructure and digitalization of select services.</p> <p><b>Macro-fiscal sustainability.</b> Increasing greater digital adoption by citizens, businesses, and government contributes to sustainable economic growth, through long-term cost-savings, efficiency, and productivity gains.</p> <p><b>Gender.</b> Bridging the gender digital divide, including access to internet, access to digital devices (e.g., phones and computers), levels of digital literacy is critical to increase employment of girls in the ICT sector. Targeted engagements can ensure digital inclusion leads to increased access to services. Targeted engagements can ensure digital inclusion leads to increase access to services and economic opportunities. Collection of gender-disaggregated ICT industry data to inform policy actions.</p> <p><b>Territorial development approach.</b> Addressing the geographic (and rural/urban) digital divide, including access to internet, access to digital devices (e.g., phones and computers), and levels of digital literacy is critical. Targeted engagements can ensure digital inclusion leads to increased access to services and economic opportunities.</p>

# Annex 3. Lesotho FY16-20 Completion and Learning Review

## FISCAL YEAR

April 1 – March 31

CURRENCY EQUIVALENTS  
(Exchange Rate as of June 15, 2022)  
Currency Unit = Lesotho Loti (LSL)

LSL16.1 = US\$1

## Abbreviations and Acronyms

<b>AfDB</b>	African Development Bank	<b>M&amp;E</b>	Monitoring and Evaluation
<b>APPSA</b>	Agriculture Productivity Program for Southern Africa	<b>MDWSP</b>	Metolong Dam and Water Supply Program
<b>ASAs</b>	Advisory Services and Analytics	<b>MIS</b>	Management Information System
<b>Cat DDO</b>	Catastrophe Deferred Drawdown Option	<b>MoF</b>	Ministry of Finance
<b>CAS</b>	Country Assistance Strategy	<b>MoSD</b>	Ministry of Social Development
<b>CBMS</b>	Centralized Budget Management System	<b>MSMEs</b>	Micro, Small and Medium Enterprises
<b>CE</b>	Citizen Engagement	<b>NID</b>	National ID
<b>CGP</b>	Child Grant Program	<b>NISSA</b>	National Information System for Social Assistance
<b>CGP</b>	Competitive Grant Program	<b>NSDP</b>	National Strategic Development Plan
<b>CLR</b>	Completion and Learning Review	<b>OAG</b>	Office of Auditor General
<b>CMU</b>	Country Management Unit	<b>OAP</b>	Old Age Pension
<b>CPF</b>	Country Partnership Framework	<b>OBFC</b>	One-Stop Business Facility Center
<b>CRW</b>	Crisis Response Window	<b>PBC</b>	Performance-Based Contract
<b>CSA</b>	Climate Smart Agriculture	<b>PBF</b>	Performance-Based Financing
<b>DeMPA</b>	Debt Management Performance Assessment	<b>PCGF</b>	Partial Credit Guarantee Fund
<b>DLI</b>	Disbursement-Linked Indicator	<b>PER</b>	Public Expenditure Review
<b>DPO</b>	Development Policy Operation	<b>PFM</b>	Public Financial Management
<b>EIB</b>	European Investment Bank	<b>PforR</b>	Program-for-Results
<b>EU</b>	European Union	<b>PIP</b>	Public Investment Plan
<b>FM</b>	Financial Management	<b>PIU</b>	Project Implementation Unit
<b>GDP</b>	Gross Domestic Product	<b>PLR</b>	Performance and Learning Review

<b>GoL</b>	Government of Lesotho	<b>PMU</b>	Project Management Unit
<b>GoLABS</b>	Government of Lesotho Social Assistance Benefits System	<b>PPE</b>	Personal Protective Equipment
<b>HCI</b>	Human Capital Index	<b>PPP</b>	Public-Private Partnership
<b>HR</b>	Human Resources	<b>PPIAF</b>	Public-Private Infrastructure Advisory Facility
<b>HRMIS</b>	Human Resource Management Information System	<b>PSMP</b>	Public Sector Modernization Project
<b>ICR</b>	Implementation Completion Report	<b>QMMH</b>	Queen Mamohato Memorial Hospital
<b>IEG</b>	Independent Evaluation Group	<b>SACU</b>	Southern African Customs Union
<b>ICRR</b>	Implementation Completion Report	<b>SADP</b>	Smallholder Agriculture Development Project
<b>ICT</b>	Information and Communication Technology	<b>SAP</b>	Social Assistance Project
<b>ICU</b>	Intensive Care Unit	<b>SCD</b>	Systematic Country Diagnostic
<b>IFAD</b>	International Fund for Agriculture Development	<b>SIP</b>	School Improvement Plan
<b>IFC</b>	International Finance Corporation	<b>SREP</b>	Scaling up Renewable Energy Program
<b>IFMIS</b>	Integrated Financial Management Information System	<b>SSI</b>	Social Sustainability and Inclusion
<b>IMF</b>	International Monetary Fund	<b>TB</b>	Tuberculosis
<b>IPF</b>	Investment Project Financing	<b>UNICEF</b>	United Nations International Children's Emergency Fund
<b>ISR</b>	Implementation Status and Results reports	<b>WASCO</b>	Water and Sewerage Company
<b>IST</b>	Implementation Support Team	<b>WASH</b>	Water, Sanitation and Hygiene
<b>LBEIP</b>	Lesotho Basic Education Improvement Project	<b>WBG</b>	World Bank Group
<b>LEAP</b>	Lesotho Enterprise Assistance Program	<b>WFP</b>	World Food Program
<b>LEQEP</b>	Lesotho Education Quality for Equality Project		
<b>LEWA</b>	Lesotho Electricity and Water Authority		
<b>LITIS</b>	Lesotho Integrated Transport Information System		

	<b>IDA</b>	<b>IFC</b>	<b>MIGA</b>
<b>Vice President</b>	Hafez Ghanem	Sergio Pimenta	Ethiopsis Tafara
<b>Director</b>	Marie Françoise Marie-Nelly	Kevin Njiraini	Merli Baroudi
<b>Task Team Leader</b>	Yoichiro Ishihara	Rajeev Gopal	Olanrewaju Kassim Jessica Charles Wade

## 1. Introduction

**1. This Completion and Learning Review (CLR) Assesses the performance of the World Bank Group (WBG) FY16-20 Country Partnership Framework (CPF) with the Kingdom of Lesotho.** The CPF period formally ended in June 2020, but the Coronavirus Disease 2019 (COVID-19) pandemic delayed WBG supported operations. Thus, although the CPF assessment is based on the performance till June 2020, to argue sustainability of results and progress towards objectives, this CLR also highlights progress till the first half of FY22. A Performance and Learning Review (PLR) of the CPF dated April 17, 2019, confirmed the validity of CPF strategic areas of Improving Efficiency and Effectiveness of the Public Sector and Promoting Private Sector Job Creation. This CLR: (a) evaluates the achievements of the CPF program outcomes as laid out in the revised results framework in the 2019 PLR; (b) assesses the WBG performance in designing and implementing the CPF program; and (c) describes lessons learned for informing the design of the new CPF for FY22-26. It also discusses alignment with the WBG's Corporate Goals of reducing poverty and promoting shared prosperity sustainably.

**2. During the CPF period, Lesotho made moderate but encouraging progress on several development challenges, while others persisted.** The long-term downward trajectory in poverty and inequality continued during the CPF period, with the poverty rate falling from 57 percent in 2002 to 53.4 percent in 2017 and 47.7 percent in 2019. However, the pandemic has likely increased poverty to 52.0 percent in 2021 for the poorest (at US\$1.90/person/day)<sup>69</sup>. There was also progress on shared prosperity with the Gini Coefficient that improved from 52 to 45 between 2002 and 2017<sup>70</sup>. The social protection system, supported by the World Bank (Objective 2), has had a strong impact on poverty reduction, with social assistance transfers reducing the poverty headcount rate by an estimated 3.1 percentage points<sup>71</sup>. Without the 2016 drought, Lesotho's poverty rates would have been even lower<sup>72</sup>. Progress in human capital development was encouraging. The World Bank's Human Capital Index (HCI) for Lesotho improved from 0.34 in 2010 to 0.40 in 2020 owing to improvements in all sub-components<sup>73</sup>. On the other hand, the economic growth rate remained low throughout the CPF period, with the economy stagnating before it was hard-hit by the COVID-19 pandemic to decline to an estimated -5.3 percent in 2020 from no growth in 2019. The unemployment rate has remained high throughout the CPF period reaching 23 percent before the COVID-pandemic in 2019 (with the youth unemployment rate at 29 percent), as the private sector remained in an early stage of development. However, the environment for private sector development continued to improve due to several reforms including digital infrastructure development, resulting in an almost universal mobile broadband network coverage, benefiting not only the private sector but also the Basotho people of whom less than half were online<sup>74</sup>.

**3. The CPF was implemented within a challenging environment characterized by frequent episodes of political instability and resultant government coordination and implementation capacity disruptions, natural disasters in 2016 and 2019, and the COVID-19 pandemic starting in early 2020.**

- **Political instability and capacity constraints.** The CPF was implemented during a period of frequent political and government administration changes. Following the 2015 general election, Lesotho held yet another general election in 2017, three years ahead of schedule, ushering in a four-party coalition government. Following months of political instability, a new government was established towards the end of the CPF period in May 2020. The resulting high turnover among ministers and senior civil servants undermined policy making and implementation and making a systematic approach to

<sup>69</sup> Macro-Poverty Outlook, World Bank (2022).

<sup>70</sup> The World Bank (2019) Poverty Assessment and Macro Poverty Outlook (various years)

<sup>71</sup> Ibid.

<sup>72</sup> According to the 2019 Poverty Assessment, in 2016, the drought resulted in a 23 percent reduction of consumption for rural households.

<sup>73</sup> [https://databank.worldbank.org/data/download/hci/HCI\\_1pager\\_LSO.pdf?cid=GGH\\_e\\_hcpexternal\\_en\\_ext](https://databank.worldbank.org/data/download/hci/HCI_1pager_LSO.pdf?cid=GGH_e_hcpexternal_en_ext)

<sup>74</sup> The World Bank (2020) Lesotho Digital Economy Diagnostic

addressing capacity constraints very difficult (e.g., enhancing coordination among ministries and agencies and collaboration with other development partners).

- **Natural disasters.** Natural disasters not only diverted government attention from planned development activities to emergency responses, but also adversely impacted the macro-fiscal situation. For example, Lesotho experienced severe drought in 2016 and 2019. The 2019 drought brought about 350,000 rural people (about 17 percent of the population) in emergency food security situation.<sup>75</sup> The average annual cost of disaster response was estimated at US\$19.3 million, or 1.6 percent of total budget expenditure in the FY19/20.<sup>76</sup>
- **The COVID-19 pandemic.** The government applied a national lockdown between March and May 2020 that halted or delayed most World Bank supported work program activities. However, during this time, the World Bank responded flexibly and quickly to the COVID-19 pandemic including through reallocation of funds from an existing project and preparation of a new project (details in Para 6).

## 2. Summary of Main Findings

**4. The CPF program was fully aligned with the government strategies and benefited from a rapid expansion in World Bank-IFC-MIGA support<sup>77</sup>.** The CPF fully supported Lesotho's development programs articulated in its successive National Strategic Development Plans (NSDP, 2012-18 and NSDP II, 2018-23). Actual CPF lending substantially exceeded the amount envisioned in the CPF, as Lesotho benefited from a sizeable expansion of its IDA18 envelope, increasing from US\$77 million to US\$242 million. Furthermore, US\$20 million from the Crisis Response Window (CRW) for the Social Assistance Project (P151422, SAP) became available in FY17 (under IDA17). The CPF also implemented regional agendas in health (e.g., tuberculosis) and energy. As a result, the number and size of the World Bank portfolio increased significantly from six projects (US\$99 million) in FY15 (the final year of the Country Assistance Strategy (CAS)) to 11 (US\$330 million) as of June 2020<sup>78</sup>. IFC provided advisory services to help implement the WTO trade facilitation agreement and raise Doing Business scores, which contributed to scaling up impact under the Private Sector Competitiveness Project for business environment/ trade facilitation. IFC also built capacity for Public-Private Partnership (PPP) management, supported, along with World Bank, Queen Mamohato Memorial Hospital (QMMH) hospital PPP contract management and supported growth of mobile money across Lesotho through a digital services project with an international mobile services provider. MIGA's guarantee, standing at about US\$5.2 million (end-FY20) is expected to improve financial inclusion.

**5. The overall performance of the CPF is rated Moderately Satisfactory.** One out of the seven objectives in the revised results matrix in the PLR was Achieved, three were Mostly Achieved and, in some instances and areas, surpassed expectations. Two objectives were Partially Achieved, and the remaining one was Not Achieved (Table 1). Out of 17 objective indicators, 10 indicators were either Achieved or Mostly Achieved (exceeding 51 percent of the total indicators),<sup>79</sup> one was Partially Achieved and six were not Achieved.

<sup>75</sup> <https://reliefweb.int/report/lesotho/lesotho-drought-situation-update-02-8-october-2019>

<sup>76</sup> World Bank (2019) Lesotho: Disaster risk financing diagnostic.

<sup>77</sup> In FY21, Lesotho COVID-19 Emergency Preparedness and Response Project (P173939, US\$29.5 million) and Lesotho Nutrition and Health System Strengthening Project (P170278, US\$22 million) were approved.

<sup>78</sup> As of February 2022, there are 10 active projects (8 national IDA and 2 regional IDA) totaling US\$350 million.

<sup>79</sup> According to the 2021 Independent Evaluation Group (IEG) report on Results and Performance of the World Bank Group 2021, the outcome ratings of the World Bank-financed projects during the CPF period were rated Moderately Satisfactory.

Commencement of a few large projects and a new one late in the CPF period that are closely linked to CPF objective indicator measurement, contributed to shortfalls in achievement of the relevant CPF objectives.<sup>80</sup>

**6. The World Bank was able to respond flexibly and quickly to support the government's COVID-19 response during the final months of the CPF period.** The World Bank was the first development partner to respond to the government COVID-19 response plan in its reallocation of US\$0.3 million from the Southern Africa Tuberculosis and Health Systems Support Project (P155658 approved in FY16); preparation, in record time, of the Lesotho COVID-19 Emergency Preparedness and Response Project (P173939, US\$7.5 million approved in May 2020); and with approval also in May 2020 of additional financing from the Southern Africa Tuberculosis and Health Systems Support Project (P173228, US\$21 million).

**7. The WBG performance in implementing the CPF program is rated Fair.** During implementation, the WBG effectively responded to changing circumstances (e.g., the QMMH project, the drought periods and the COVID-19 pandemic), improved coordination with other development partners, and strengthened World Bank-IFC-MIGA collaboration. Implementation was also affected by factors emanating from the CPF design. The CPF aimed to be: (a) selective with improved results linkages as adjusted in the PLR; (b) mindful of government's capacity constraints, especially soft skills such as collaboration across ministries, and monitoring and evaluation (M&E)<sup>81</sup>; and (c) cognizant of linking Advisory Services and Analytics (ASAs) with lending.<sup>82</sup> The intervention logic was informed by the 2015 Systematic Country Diagnostic (SCD) and aligned with the country's development objectives and further adjusted during the PLR. However, there was a misalignment between the results framework timing of some World Bank-financed projects (e.g., Objective Indicators 4, 5, 15 and 17). Furthermore, the choice of some objective indicators (notably Objective Indicator 14), did not adequately consider government's limited M&E and statistics capacity. For example, household surveys are conducted every five years, while the CPF measurement period ended prior to the next household survey. Although the risk related to institutional capacity for implementation and sustainability was rated High in the CPF and PLR, the implementation impact of materialized risk was even higher than initially expected. In addition, the COVID-19 pandemic and associated lockdown forced suspension of field work and hindered communication,<sup>83</sup> compounding implementation challenges for both the WBG and the government.

<sup>80</sup> For example, the disbursement ratios of Lesotho Lowlands Water Development Project II (P160672, US\$78 million approved in FY19) and Smallholder Agriculture Development Project II (P165228, US\$50 million approved in FY19) were 4.3 percent and 10.1 percent in FY20, as it was the first year of their implementations.

<sup>81</sup> Para 38 of the PLR refers to the importance of paying close attention to capacity constraints.

<sup>82</sup> Para 43 of the PLR

<sup>83</sup> For example, government officials have limited computers and IT devices, and data purchasing budget is limited. Thus, organizing a virtual meeting with the government has been challenging. Also, for the government officials, communicating with remote areas has been even more challenging due to lack of ICT infrastructure.

### 3. Progress Towards CPF Development Outcomes

8. This section evaluates the overall CPF performance under the two focus areas and their seven objectives. Table 1 summarizes the CPF outcome and outcome indicator ratings, while Annexes 1 and 2 contain the detailed assessment of each outcome indicator. The CLR uses the updated PLR results framework to assess the CPF program.

**Table 2. Summary of CPF Development Outcomes and Outcome Indicator Rating**

CPF Outcome	Overall Outcome Ratings	Outcome Indicator Ratings			
		Achieved	Mostly Achieved	Partially Achieved	Not Achieved
<b>Focus Area I. Improving Efficiency and Effectiveness of the Public Sector: Moderately Satisfactory</b>					
<b>Objective 1.</b> Improve public sector and fiscal management	Mostly Achieved	2	1		1
<b>Objective 2.</b> Improve the risk-responsiveness and equity of the social assistance system	Mostly Achieved	1	1		
<b>Objective 3.</b> Improve basic education outcomes	Partially Achieved	1			1
<b>Objective 4.</b> Improve health outcomes	Mostly Achieved	1	1		1
<b>Focus Area II. Promoting Private Sector Jobs Creation: Moderately Unsatisfactory</b>					
<b>Objective 5.</b> Improve the Business Environment and Diversify the Economy	Achieved	2			
<b>Objective 6.</b> Build climate resilience and improve agricultural productivity	Partially Achieved			1	1
<b>Objective 7.</b> Increase water and renewable energy supply for industrial and agriculture opportunities	Not Achieved				2
<b>Total</b>	<b>Moderately Satisfactory</b>	<b>7</b>	<b>3</b>	<b>1</b>	<b>6</b>

#### Focus Area I. Improving Efficiency and Effectiveness of the Public Sector – Moderately Satisfactory

9. CPF activities under Focus Area 1 aimed to address the challenges of an oversized state sector coupled with misaligned public expenditures, including a high wage bill. The CPF program aimed to support Lesotho's transition to a new growth model by assisting the government in reducing the size of the public sector in the economy, promoting better institutions, and improving service delivery. The PLR further emphasized the importance of fiscal stability, improving human capital, risk-responsiveness and equity of the social assistance system.



**10. The weak development performance reflects gaps in public sector implementation.** Laws, policies and institutions that are meant to support the efficient and effective delivery of development outcomes do exist, but often, they are not implemented or distorted. Implementation gaps are mainly due to foundational constraints related to a fragile political environment and deterioration in the quality of governance, as well as heavy economic reliance on external resources that enables high levels of public spending but weakens policy ownership. Instability of government coalitions in recent years, which is associated with a high turnover of ministers and principal secretaries between elections, has led to weak coordination between government ministries/agencies and development partners, and delayed the implementation of key reforms.

**11.** During the CPF period, the overall fiscal balance remained volatile due to volatility in the Southern African Customs Union (SACU) revenue transfers. However, solid foundations were laid toward fiscal sustainability. Improved expenditure management systems helped towards containing the wage bill, by correcting 90 percent of irregular government employee salary records while 18,000 non-eligible beneficiaries were removed from Old-Age Pension (OAP) registry contributing towards improved management of social assistance expenditure by June 2021. The government's quick response to the 2019 drought by expansion of the Child Grant Program (CGP), supported by the World Bank-financed SAP, demonstrated the improvement in the social assistance system. Service delivery in education and health had mixed results. Nevertheless, on human capital, Lesotho made improvements in every component of the HCI and gained 4 percentage points, exceeding the global average of 2.6 percentage points between 2010 and 2020. Among the four Strategic Objectives, three were Mostly Achieved, and one Partially Achieved. Among the 11 Objective Indicators, five were Achieved, three Mostly Achieved, and three Not Achieved.

### **Objective 1. Improve public sector and fiscal management – Mostly Achieved**

**12.** *CPF Strategic Objective 1 aimed to improve public sector and fiscal management, including for building capability to reduce macro vulnerabilities and crises. The CPF program significantly contributed to improving public investment and expenditure management (e.g., civil servant payrolls and OAP). Although the COVID-19 pandemic somewhat delayed the targeted correction of irregular Human Resource and payroll records towards the end of the CPF period, this was achieved three months later in FY21.*

**13. Development of appraisal guidelines for capital projects, which informed the budget since FY19/20, has supported the government in making considerable progress towards improving public sector expenditure management.** In addition, the PFM Reform Support Project (P143197 implemented in FY14-19) supported improvements in public sector accountability and transparency. The World Bank's IEG reviewed the Implementation Completion and Results Report (ICR) of this project and confirmed that the quality and timeliness of public financial management (PFM) information, through the upgraded Integrated Financial Management Information System (IFMIS), was improved as well as the outcome rating of this project as Moderately Satisfactory. During the CPF period, the government finalized the NSDP II that set the medium-term development path, with key roles identified for the public sector to enable and promote job creation and inclusive growth. To operationalize the NSDP II, subsidiary documents were developed, including a Financing Strategy (approved by the Ministry of Development Planning in June 2020), and a Public Sector Investment Plan (completed in October 2020, after a slight delay due to the COVID-19 lockdown) required for deriving a capital budget though budget constraints did not permit the inclusion of new projects under the NSDP II in the original FY20/21 budget (**Objective Indicator 1, Mostly Achieved**). Subsequently, a revised budget, in response to the COVID-19 pandemic in December 2020, supplemented the budgets of 21 new capital projects, of which 17 projects were already appraised by the Public Sector Investment Committee at the time. With regard to PFM, including public investment management, the PFM Reform Support Project (P143197

### Box 1. Removal of Ineligible Pensioners from OAP

- Since its establishment in 2004, the OAP program had been operating without rigorous verification of the existence of its beneficiaries. In 2019 the Social Assistance Project supported the OAP program to undertake the first proof-of-life exercise to identify those pensioners receiving the OAP pension and who were still alive and eligible for the program and removal of ineligible pensioners from the OAP system. The proof-of-life exercise confirmed the eligibility of around 70,000 people on the OAP payroll. The clean-up of the OAP program improved the equity of the social pension payment, reducing loopholes for leakage, and lead to significant cost savings. It also documented the number of pensioners who have valid national ID cards.
- The last phase of the completion of the OAP payroll cleanup was undertaken in May and June 2021, consisting of the launch of the management information system - GOLSABS (Government of Lesotho Social Assistance Benefits System) - newly developed for the OAP. GOLSABS allows only payments to pensioners who are seen in person once per year and who have a valid national ID as verified by the National ID database as being alive on a monthly basis. It also has the functionality to manage digital payments (payments via mobile money operators or to bank accounts) and is ready to support the OAP program to shift away from cash payments in the future.

implemented in FY14-19) assisted with upgrades of IFMIS. By April 2019, the strengthened IFMIS, including through the use of a new Centralized Budget Management System (CBMS), resulted in production of reliable in-year budget reports required for preparation and management of annual budgets as well as on-time and complete annual financial statements. All backlogs in the submission of annual financial statements to the Office of the Auditor-General (OAG) were cleared. These effectiveness, efficiency and accountability improvements were built on core ASA such as the 2018 Public Expenditure Review (PER) followed by sectoral expenditures reviews in health, education and agriculture. Given the importance of debt management, the World Bank also conducted a Debt Management Performance Assessment (DeMPA) in FY19.

**14. During the CPF period, expenditure management strengthening led to improved outcomes, particularly in health and social protection (Objectives 2 and 4) expenditures.** The budget allocation for health, education and social development constitutes a large share of total budget allocations (33 percent in FY20/21)<sup>84</sup>. Expenditure management of civil servant payrolls and OAP improved through the Public Sector Modernization Project (PSMP, P152398 approved in FY16 and closed in FY22) that enabled the Government to conduct HR data cleaning exercises of civil service and pension beneficiaries. A biometric census found a large number of ghost workers - 46,631 civil servants and pensioners and identified about 6,291 irregular cases (including people not found in the system, with invalid national identity numbers or national identity number associated with a deceased National ID (NID) record). In January 2020, the Ministry of Public Service issued a notice that suspension of salary payments for individuals not found during the census would commence in February 2020. While progress was slowed due to the COVID-19 lockdown between March and May 2020, as of October 2020, 90 percent of irregular HR payroll records were corrected and/or removed against the target of 90 percent (**Objective Indicator 2, Achieved**). Although the result was slightly short of the target at the end of the CPF period, efforts to correct and/or remove invalid NID, deceased NID and duplicate NID records continued. The one-time 100 percent clean-up of HR/payroll data was completed in

<sup>84</sup> The Government of Lesotho (2020) Budget Speech to the Parliament of the Kingdom of Lesotho for the FY20/21.

early 2021, laying the groundwork for implementation of a new Human Resource Information System with strengthened payroll controls.

**15. The OAP system reforms progressed well, with the** clean-up of the OAP program improving equity of the social pension payment, reducing loopholes for leakage, and significant cost savings. In 2019 the SAP (P151442, implemented in FY16-21) supported the OAP program to undertake the first proof-of-life exercise to identify those pensioners receiving the OAP pension and who were still alive and eligible for the program and removal of ineligible pensioners from the OAP system. As the first step for the OAP system reforms, 85 percent of recipients (69,523) were verified with a proof-of-life verification procedure against the target of 65 percent. Procedures for annual verification of each beneficiary were then built into an automated OAP management system which also runs a monthly check against the NICR database to identify those who may be diseased or otherwise no longer eligible for the OAP program. The government removed 18,000 non-eligible beneficiaries exceeding the target of 15,000 (**Objective Indicator 3, Achieved**). Removing the ineligible beneficiaries from the OAP and moving to more efficient management systems is estimated to lead to fiscal savings of up to 0.4-0.5 percent of Gross Domestic Product (GDP). The SAP used a results-based approach such as disbursement-linked indicators (DLIs) to encourage this result, which worked well in securing sufficient cooperation and focus from the Public Accounts Committee to advance the OAP system reforms. Moving away from cash payments to digital transfers, in the future, would further improve cost-efficiency of the program and reduce administrative costs of the OAP program (box 1).

**16. Progress on the delivery of motor vehicle services to citizens has been limited except for establishment of the National Road Safety Council in 2019, though the Council remained non-functional as it had no operational budget. (Objective Indicator 4, Not Achieved).** The Transport Infrastructure and Connectivity Project, linked to Objective Indicator 4, started its implementation only in 2018, followed by slow procurement and operationalization processes. Delays have resulted in no improvement yet in motor vehicle service delivery to citizens as measured for example by a reduction in license processing time.

**17. Beyond the CPF period, achievements have been sustained in FY21, the Government of Lesotho has been building on the firm foundations for public expenditure management laid during the CPF period.** The World Bank-financed Human Resource Management Information System (HRMIS) Strategy under the PSMP was completed. It sets out governance arrangements and costing for the HR/payroll management information system. On civil servant payrolls, the government completed all (100 percent of) HR/payroll anomaly corrections/removal in February 2021.<sup>85</sup> With regard to the OAP, by June 2021 the government succeeded to remove all ineligible accounts from the information system, thereby reducing the program case load to around 76,000 pensioners. Regarding PFM, the World Bank-financed PSMP, in collaboration with the IMF, supported legal framework improvements resulting in the draft Public Financial Management Accountability Act Amendment 2021. This Act will further strengthen budget controls and PFM processes through introducing medium-term budgeting, establishing cash management processes, and strengthening fiscal risks oversight. With regard to improvements in motor vehicle services to citizens, the Lesotho Integrated Transport Information System (LITIS) procurement award process was completed after the CPF period. However, reduction in license processing time would be achieved only upon operationalization of the LITIS.

<sup>85</sup> This is one of the prior actions of the budget support operation.

## **Objective 2. Improve the risk-responsiveness and equity of the social assistance system – Mostly Achieved**

**18.** *The social assistance system (institutional framework, coverage, and selection criteria and targeting) has significantly improved through the World Bank-financed SAP. Further, the large increase in the number of active mobile money accounts has set a solid foundation for shifting the payment system from cash to mobile payment<sup>86</sup>.*

**19.** **CPF Strategic Objective 2 aimed to improve the social assistance system.** The rationale for improvements in the PLR pertains to the limited effectiveness of social assistance programs to reach the poorest, despite Lesotho's very high spending by international standards (5.1 percent of GDP). Lesotho is also prone to external shocks such as natural disasters, requiring a responsive and effective system.

**20.** **The SAP was the main instrument to achieve the objective** and aimed to support the government in improving the efficiency, equity and shock responsiveness of selected social assistance programs. The project made a significant contribution to achieving the CPF objective in collaboration with other development partners. For example, United Nations International Children's Emergency Fund (UNICEF) has been financing the rollout of the National Information System for Social Assistance (NISSA) in both rural and urban areas.

**21.** **Over the CPF period, the social assistance system has improved including through better coordination of social cash transfer programs.** Implementation of the SAP strengthened the capacity of the Ministry of Social Development (MoSD) to deliver social cash transfers to vulnerable households through strengthening the backbone delivery systems used to implement the programs, The NISSA<sup>87</sup> has proved to be an important targeting tool to reach and expand the coverage of the poorest households to social assistance programs. Moreover, it has proved the social assistance system shock responsive as illustrated by the CGP which was scaled up both vertically and horizontally in response to droughts and increased food insecurity. The program is now reaching a larger share of the poor and has contributed to reducing inequality. The Gini Coefficient would have been 3.8 points higher without social assistance programs, and the expansion of programs that occurred between 2002 and 2017 led to a 2.6-point decline in the Gini Coefficient<sup>88</sup>. Nevertheless, the impact of social assistance on poverty could be further strengthened by also improving targeting efficiency of other programs, increasing shock responsiveness, reducing leakages, better coordinating social assistance with investments in nutrition and secondary school retention, and scaling up payments via digital means such as mobile money. The Lesotho Social Protection Programs and Systems Assessment review (ASA, P172175), launched in June 2021<sup>89</sup>, assessed the current performance of Lesotho's social protection policies and programs and their appropriateness for the main development challenges. The assessment provided inputs into the Government's new social protection policy and laid the ground for a new World Bank-financed social protection project, the Pathways to Sustainable Livelihood Project (P177814).

**22.** **Progress in implementing rigorous targeting systems and the use of these systems for selecting social assistance beneficiaries significantly improved during the project.** The share of households receiving the expanded CGP in the poorest forty percent of the population could not be calculated, due to the lack of recent household data. Nevertheless, the systems improvement and other achievements are evidenced in the ICR of SAP (Report no: ICR00005504), particularly the use of the system for targeting the most vulnerable with support for lives and livelihoods during the COVID-19 lockdown period, suggesting a positive outcome

<sup>86</sup> World Bank (2020) "Lesotho Social Protection Programs and Systems Review".

<sup>87</sup> The NISSA roll out and expansion was supported by two SAP DLIs and also by UNICEF.

<sup>88</sup> World Bank (2019) Lesotho Poverty Assessment

<sup>89</sup> This ASA covers all Southern African countries to be completed in FY22. The report on Lesotho was launched and completed in June 2021.

upon eventual measurement of **Objective Indicator 5**<sup>90</sup>. Hence, this indicator is rated as **Mostly Achieved**. This Objective Indicator can be calculated only from the household survey conducted every 5 years (the latest is 2017/18) but due to a 1-2 year delay associated with the COVID-19 pandemic, the next one is planned for 2022/23. The latest actual figure was 64 percent in 2017 compared to the baseline (65 percent) in 2015 and against the original target of 75 percent and subsequent lowered target of 70 percent.<sup>91</sup> Nevertheless, the advancements in the targeting systems used by the CGP and other programs have significantly strengthened the programs' capacity to identify the poverty status of households and ensure that only those that are poor are being enrolled. All 64 rural community councils having been covered by NISSA in 2019 and all 12 urban councils covered in June 2021. Both the SAP (through its DLIs linked to NISSA expansion and application of NISSA for the CGP) and UNICEF (through its direct financing of the NISSA roll-out exercise) have contributed to the results. In terms of reaching the poorest, the number of households covered by CGP almost doubled from 26,681 households in 2017/18 to 50,000 households in 2020<sup>92</sup>. The NISSA targeting tool became the only tool for adding 'poor' and 'ultra-poor' households to the system to become eligible for receiving CGP support. Thus, all of the additional 23,281 households receiving the CGP grant during the CPF period were targeted by the NISSA tool.<sup>93</sup> Of the total 50,000 CGP households, around 11,000 (22 percent) were selected before NISSA was put in place and were selected using different targeting methods. The MoSD has started an exercise to collect NISSA information in four councils on these households to determine their CGP eligibility, with a view to exiting the ineligible households from the program<sup>94</sup>. These improvements in targeting processes which came along with the NISSA system have been used to better the equity of social assistance programs. Hence, it is likely that the share of households receiving the expanded CGP in the poorest forty percent of the population has significantly increased between 2017/18 and 2020<sup>95</sup>. Importantly, the investments made by the SAP in the OAP management systems and proof-of-life exercise have also led to an improvement in the equity of the OAP program. Ineligible beneficiaries have been removed and cannot enter the program. This leaves more space to allocate scarce resources to pensioners who can no longer work and to the most vulnerable.

**23. The expanded NISSA coverage and significant increase in CGP beneficiaries resulted in progress on Objective Indicator 6 and improved the risk-responsiveness of social protection systems.** As of early 2020, the number of CGP beneficiaries reached 45,500 households, exceeding the target of 42,000. In December 2020, the CGP reached over 50,000 households, with program expansion being attributed to the implementation of the SAP that effectively responded to the droughts in 2016 and 2019. The expanded program enabled the provision of CGP top-ups to 27,000 existing CGP recipients in 2017. The scale up of the CGP to respond to the 2019/20 drought was completed between February and September 2020 and entailed a top-up to existing beneficiaries (vertical expansion) and grant extension to new households (horizontal expansion). More than 40,000 households received top ups (M500/month)<sup>96</sup> for 6 months and over 10,000 new households were added to the program and received the additional support for 3 months<sup>97</sup>. These 10,000 households were then retained on the CGP program as part of the government's budget. In all 10 drought-affected districts

<sup>90</sup> The ICRR assessed the project as Satisfactory in terms of meeting its PDO.

<sup>91</sup> In November 2019 for the Social Assistance Project, the target was lowered to 70 percent in, as the 75 percent target was found to be too ambitious when compared internationally.

<sup>92</sup> World Bank (2021) Lesotho Social Protection Programs and Systems Review

<sup>93</sup> NISSA uses a combination of community-based targeting and proxy-means testing to decide the poverty status of households. The combined NISSA score (combining the outcome of the community and proxy-means targeting) is used as a cut-off and only households who have a NISSA score below the cut-off are classified as poor or ultra-poor and are eligible to be enrolled for the poverty targeted programs CGP, PA and OVC-B. CGP uses NISSA in all councils where it operates. The OVC-B and the PA also operates in urban councils, where, until 2021 NISSA has not been available, and use self-targeting method in these councils. However, due to budget constraints these two programs have not been able to expand their coverage (number of beneficiaries) over the last few years. Hence, only when households are exiting the program can new ones be added.

<sup>94</sup> The planned Pathways to Sustainable Livelihood Project (P177814) plans to cover the rollout for at least 20 councils.

<sup>95</sup> The aforementioned increased number (23,381) of CGP 'poor' and 'ultra-poor' households in NISSA is equivalent to 4.3 percent increase in the total number of households (537,457) in the 2016 census survey. This is deemed to suggest achievement closer to the revised target of 70 percent, subject to eventual HHS (2022/23) measurement

<sup>96</sup> The Government fully pays for the base level CGP benefits through its annual budgets to which the additional project financed top-ups were added.

<sup>97</sup> As the scale up was implemented in 2020, the scale up supported the poor and vulnerable people against both the 2019 drought and the COVID-19 pandemic.

almost 100 percent of CGP households received top-ups (**Objective Indicator 6, Achieved**). Emergency responses by several NGOs also used the NISSA targeting system to select vulnerable households. Going forward, it is important to shift the mode of transfer from a largely cash-based system to digital payments such as mobile money. Although the number of active mobile money transfers increased from 150 per 1,000 adults in 2015 to 481 per 1,000 in 2018, exceeding the target by 325 per 1,000, currently less than 10 percent of CGP payments are made via mobile money. All other social grant programs are fully cash based. The MoSD is planning a pilot to convert several cash paypoints in urban and peri-urban areas to digital payments with a view of a more comprehensive but gradual shift towards digital payment in 2022.

### Objective 3. Improve basic education outcomes – Partially Achieved

24. *While the dropout rate of primary education improved slightly, the dropout rate of junior secondary education marginally worsened. Remaining difficulties include teenage pregnancy or marriage, the high cost of education, the opportunity cost of education, increased family responsibility, poor performance, and a lack of sufficient secondary education opportunities.*

25. **CPF Strategic Objective 3 aimed to improve basic education outcomes.** The rationale at the formulation of PLR was: Despite reduced repetition rates and high rates of transition in between cycles, Lesotho has low levels of student retention within cycle, with 62 percent retention at the primary level and 70 percent at the junior secondary level.<sup>98</sup> Among other constraints, the lack of all-weather pedestrian connection over rivers in rural areas has contributed to reduced education outcomes.

26. **Achievement of this Strategic Objective is supported by two education projects.** The Lesotho Education Quality for Equality Project (LEQEP, P156001 approved in FY16) and the Lesotho Basic Education Improvement Project (LBEIP, P160090 approved in FY17, trust funded). LEQEP targets 377 schools (65 junior secondary and 312 primary), and LBEIP targets 26 schools (6 junior secondary and 20 primary). The results matrix reports on dropout rates for LEQEP schools given that the majority of the targeted schools are under this project and it has a wider geographical reach than the LBEIP. The Transport Infrastructure Connectivity Project also supports the Objective by reducing travel time to basic education services, especially during the raining season. Two ASA products also supported this objective: (i) The Education PER in FY18 was conducted to inform Lesotho's effort in expanding access to quality education services, while operating in a highly fiscally constraint environment. (ii) The Education Sector Analysis in 2020 focused on the socioeconomic context, financing, resource management, quality, equity, and external efficiency of education.

27. **Implementation of the World Bank-financed projects that focus on basic education contributed to the reduction in the dropout rate.** These projects have contributed to improved distribution of teaching and learning materials to targeted primary schools and implementation of a new curriculum. The increasing dropout rate (grades 1-6 in targeted 312 schools) was stabilized at the targeted 15 percent level in 2018, representing a 1 percent decline from 16 percent in 2015 for LEQEP schools (**Objective Indicator 7, Achieved**). The factors contributing to dropping out at this level include difficulties in accessing schools, boys being involved in animal herding, and the students being left by themselves due to parents leaving the house for an extended time when working in South Africa, resulting in them having increased family responsibility. The projects also supported the formulation of grant-supported school improvement plans (SIPs) to reduce

<sup>98</sup> According to the 2015 CPF (Para.59), at the international level, the average primary dropout rate is 9 percent.

dropout rates. A SIPs' impact evaluation on dropout rates will be completed in mid-2022<sup>99</sup> to determine further support for this measure in future.

**28. In contrast, data from 2018 shows that junior secondary education dropout rates were slightly worse than the baseline.** The dropout rate (Grades 8-9 in 65 targeted junior secondary schools) slightly increased from 21 percent in 2015 to 22 percent in 2018 compared to the target of 18 percent for LEQEP schools (**Objective Indicator 8, Not Achieved**). The dropout rates are higher among boys, in rural areas, and poor households in targeted schools. Persistent poverty, especially in rural areas, combined with frequent natural disasters may have prevented the improvement of the dropout rate. Pertinent reasons for dropping out among 13 to 17-year-olds include the high cost of education, lack of interest in education (these two reasons account for 70 percent of why boys drop out), pregnancy or marriage (11 percent) and poor performance, with violence and sexual harassment within their schools and communities another likely reason. The Transport Infrastructure Connectivity Project was expected to reduce pedestrian / learner travel time by 50 percent between 2015 and 2020. Ten footbridges under Lot1 were completed in September 2019, reducing the average travel time to basic services by 60 percent. Beyond the CPF timeframe, as of April 2022, 11 of 12 planned footbridges under Lot2<sup>100</sup> were completed, construction of eight out of nine footbridges have been under construction, and procurement for 12 planned footbridges have been advertised. An outcome analysis will be conducted after completion of all footbridges.

#### **Objective 4. Improve health outcomes – Mostly Achieved**

**29.** *The World Bank significantly contributed to the government's response to the COVID-19 pandemic, with the response going well beyond the envisaged activities and outcome under the Strategic Objective 4. In contrast, contractual disputes around the QMMH saw little progress due to complexities of the issue.*

**30. CPF Strategic Objective 4 aimed to improve health outcomes.** During the past decade, Lesotho has only moderately improved health outcomes at a pace slower than its neighboring countries. Maternal and infant mortality rates in Lesotho are still among the highest in Sub-Saharan Africa, and the human immunodeficiency virus/acquired immunodeficiency syndrome (HIV/AIDS) prevalence and tuberculosis (TB) incidence are among the highest in the world. The PLR elaborated on the reasons for this situation in arguing the rationale for the objective, mentioning among others the system-wide problems in the health sector, such as low utilization of health facilities, poor quality of services, and drug non-availability. This, in turn, is due to poor human resource management practices, procurement and financial management (FM) practices, lack of reliable information for decision making and low patient awareness. Furthermore, contract management issues beset the QMMH hospital and health network PPP, while its integration with the rest of the health system have proved challenging.

**31. The World Bank supported two more operations than originally planned.** The Health Sector Performance Enhancement (P114859 implemented in FY13-19) and Regional Southern Africa Tuberculosis and Health Systems Support (P155658 approved in FY16) projects were the main lending operations to realize the Strategic Objective. The PLR programmed the Nutrition and Health System Strengthening Project (P170278) to be approved in FY20, but due to IDA funding constraints, the project was approved in FY21. In the meantime, the Southern Africa Tuberculosis and Health Systems Support Project Additional Financing (P173228 approved in FY20) and Lesotho COVID-19 Emergency Preparedness and Response Project (P173939 originally

<sup>99</sup> The tender process for the SIP evaluation was delayed because of the COVID-19 shutdown and was launched in August 2020.

<sup>100</sup> The construction of one remaining foot bridge will take place after the rainy season is over.

approved in FY20 and Additional Financing approved in FY21) were prepared to respond to the COVID-19 pandemic. With regard to ASA, IFC, along with World Bank, provided advisory services on QMMH PPP Contract Management, which contributed to significantly improved tertiary health service provision. The World Bank completed a Public Expenditure Tracking Survey and Service Delivery in the Health Sector in 2017; a Public Health Sector Expenditure Review and Patient Referral Analysis for the district to QMMH (unpublished) in 2018; a Budget Prioritization Analysis in 2019; and Hospital referral guidelines for Lesotho (unpublished) in 2020. A policy note summarizing that literature was prepared and published in 2020. The policy note recommended both system level actions (e.g., strengthening contract management, and reviewing the Ministry of Health (MoH) establishment list) and facility/district level actions for strengthening a healthcare quality improvement program at district hospitals).

**32. The average Health Facility Quality of Care Score for targeted primary care facilities improved in almost all districts from the baseline of 62 to 81 in 2019 against the target of 75 in all ten districts (Objective Indicator 9, Achieved).** All districts exceeded the target leading to the achievement of the indicator except the Quthing district, which lagged due to the slow adaption of new skills. Introduction of a performance-based contract scheme by the health facilities, leading to improvements in all dimensions of quality care (human resources, equipment, and technology). The IEG review of the Health Sector Performance Enhancement Project ICR confirmed the Moderately Satisfactory outcome rating.

**33. Contract management issues of the QMMH, starting in the previous CPF cycle, remained unresolved at the end of this CPF (Objective Indicator 10, Not Achieved).** Contract disputes between the government and the private operator of the QMMH PPP emerged primarily from lack of contract management capacity of Government. In response, the MoF established the PPP unit and appointed legal consultants in FY20, while the MoH hired clinical and contract management consultants in its Contract Management Office. The above-mentioned institutional capacity strengthening efforts have yet to contribute to resolving the disputes (e.g., addressing arrears). Part of the lack of progress in Objective Indicator 10 was a year's delay in operationalizing the PPP contract management unit at the MoF with all planned positions filled only in 2020. Development of the healthcare referral guidelines, expected to contribute to fully functional tertiary hospitals, were also significantly delayed. A joint World Bank-IFC initiative to review the PPP contract made strides during the period and Government requested the WBG to act as an honest broker to facilitate amendments to the QMMH PPP agreement to make it better manageable, improve timeliness of payments, and find solutions to the PPP consortium's shareholders disputes. A Heads of Agreement was cleared at technical level and payments of undisputed payment arrears significantly improved in the initial months, but arrears again accumulated beyond the CPF period between July and September 2020. Subsequently the government terminated the PPP agreement.

**34. Although slightly short of the target, the TB treatment success rate has improved (Objective Indicator 11, Mostly Achieved).** TB remains the second-highest reason for premature deaths after HIV/AIDS, strongly impacted by the cross-border movement patterns of the Lesotho migrant labor force in South Africa mining and domestic services sectors. The treatment success rate for new and relapse TB cases increased from 71 percent in 2015 to 76 percent in 2020 against the target of 80 percent. The number of new/relapse TB cases steadily declined from 7,650 in 2015 to 7,136 in 2019 against the target of 7,150. The key challenges to further increase the treatment success rates are (a) difficulties in tracking migrant workers to South Africa;<sup>101</sup> and (b) the high death rate of infected persons, estimated to be 13-15 percent, due mainly to treatment starting

<sup>101</sup> Subcomponent 2.4 (Support COVID-19 response and integrated TB and OLD care) of Additional Finance of Southern Africa Tuberculosis and Health System Support Project (P173228 approved in FY20) has been supporting to the strengthen linkage to care within and across borders for displaced and migrant populations during major outbreaks.



too late into the progression of the disease. A study is being conducted to identify other factors affecting the results.

**35. Beyond the planned CPF objectives on health outcomes, the World Bank also contributed to government efforts to respond to the COVID-19 pandemic.** In March 2020, the World Bank reallocated US\$0.3 million from the Regional Southern Africa Tuberculosis and Health Systems Support Project (P155658 approved in FY16) to procure Personal Protective Equipment (PPE) and launch a COVID-19 protection related sensitization campaign. The Lesotho COVID-19 Emergency Preparedness and Response Project (P173939, US\$7.5 million) was approved in May 2020. By the end of FY20 and the CPF period, more than 60 percent of funds was disbursed to procure ventilators, reinforce surveillance, and prepare ICU facilities. As the main provider of financing among Lesotho's Development Partners, the World Bank has been a key member of Partners' COVID-19 response team, convening weekly meetings to ensure enhanced complementarity of interventions. For example, the World Bank and UNICEF closely cooperated in fast-tracking procurement of PPE and in conducting a joint assessment of water, sanitation and hygiene (WASH) in the intensive care unit (ICU) facilities. The World Bank played a key role in the procurement and deployment of vaccines in FY22 from additional financing of the Lesotho COVID-19 Emergency Preparedness and Response Project (US\$25.5 million (including UF\$3.5 million from a Health Emergency Preparedness TF).

## Focus Area II. Promoting Private Sector Jobs Creation – Moderately Unsatisfactory

**36.** High unemployment was a key development challenge when the CPF program was designed. *With an unemployment rate of 28 percent, a low employment-to-working-age population ratio, and a high proportion of the employed being outside of the country, the 2015 SCD pointed out that: (i) Lesotho's growth model was not sustainable; and (ii) the country needs to focus on pro-poor and broad-based employment, which is feasible only by building a dynamic, competitive private sector and resilient middle class. Achieving this will require sustained efforts to build an export-led economic model driven by the growth of private sector. The 2019 data shows that the unemployment rate remained high at 23 percent and youth unemployment at 29 percent, and anticipated to have worsened due to the COVID-19 pandemic.*

**37.** The CPF program has significantly contributed to improving the business environment. *Strategic Objective 5 on Business Environment was achieved, with the project implementation unit of the World Bank-financed project having played a coordination role in this regard. Other Strategic Objectives targets were partially or not met during the CPF implementation period mainly due to delays in implementing World Bank-financed projects.*

### Objective 5. Improve the Business Environment and Diversify the Economy – Achieved

**38.** *Lesotho made strong progress in improving the business environment in both regulatory reforms and the use of digital technology. The area under horticulture crops increased by five times in five years. Micro, Small and Medium Enterprises (MSMEs), significantly hit by the COVID-19 pandemic, have been supported through the Lesotho Enterprise Assistance Program (LEAP) component in the World Bank-financed Second Private Sector Competitiveness and Economic Diversification Project (P144933 approved in FY14).*

**39.** **CPF Strategic Objective 5 aimed to improve the business environment for private sector development, as was argued in the PLR.** With such a small domestic market, Lesotho needs competitive, export-oriented firms capable of generating significant employment. This requires a stronger business environment, more

efficient customs procedures, an expanded range of and access to financial services, investment promotion in new sectors, more backward linkages into the local economy, and targeted support to new growth sectors identified in the NSDP (such as agriculture) as having high potential for domestic and international private sector investment, firm growth, and job creation.

**40. The World Bank, IFC and MIGA worked closely to achieve the objective through a combination of lending operations, ASA and political risk guarantee.** The Second Private Sector Competitiveness and Economic Diversification Project (P144933 approved in FY14), the Smallholder Agriculture Development Project (SADP, P119432 implemented in FY12-20), the SADP II (P165228 approved in FY19), and the Agriculture Productivity Program for Southern Africa (APPSA, P164486 approved in FY19) contributed to this objective. ASA conducted during the CPF period included: (a) Unlocking the Potential of Lesotho's Private Sector: A Focus on Apparel, Horticulture and Information and Communication Technology (ICT); (b) Horticulture Commercialization; and (c) a FIRST TA on Financial Inclusion. The IFC support included an Investment Climate Advisory Services Program and PPP Readiness Diagnostic. In line with its COVID-19 Response Program, MIGA's guarantee in the financial sector is expected to help mitigate the impact of the pandemic on access to credit by SMEs.

**41. The business climate improved through implementation of five reforms, exceeding the number of targeted reforms (four), making it one of countries with the highest number of reforms in Sub-Saharan Africa during the CPF implementation period (Objective Indicator 12, Achieved).** The IFC, in collaboration with the World Bank, supported the government's efforts to achieve these five reforms through (a) Registering Property (DB2014): streamlining procedures and increasing administrative efficiency; (b) Getting Credit (DB2016): establishing its first credit bureau; (c) Getting Credit (DB2017): expanding the coverage of its credit bureau; (d) Trading across Borders (DB2019): implementing an automated customs data management system, ASYCUDA; and (e) Starting a Business (DB2020): removing the health certificate requirement and inspection of premises for all businesses. Lesotho's global rank on Ease of Doing Business slightly improved from 128 in DB2015 to 122 in DB2020 despite the stiff competition among countries.

**42. Lesotho has made substantial progress in enhancing technology platforms at the One Stop Business Facilitation Center (OBFC) leading to the reduction of transaction costs.** During the development of the Center, IT vendors and consultants were empowered with knowledge of the DB methodology that focused on reducing transaction costs. E-payments were introduced at the OBFC and the Maseru City Council operationalized an online e-Construction system, including e-payments, thereby reducing transaction costs and times. Strong political support contributed to the achievements of Objective Indicator 12. The Project Management Unit (PMU) of the Second Private Sector Competitiveness and Economic Diversification Project (P144933 approved in FY14) performed doing business unit functions, including coordination among ministries and agencies.

**43.** In FY21, beyond the CPF implementation period, the Security Interest in Movable Property Act and the Business Licensing and Registration Act were approved. The continued strong political support for private sector development was also demonstrated by moving the PMU from the Ministry of Trade to the Prime Minister's Delivery Unit under the Prime Minister's Office.

**44. The horticulture sector has significantly expanded areas under horticulture crops from 43 hectares in 2015 to 210 hectares in 2020, short of only two hectares to achieve the target of 212 hectares (Objective Indicator 13, Achieved).** This indicator was directly aligned to the results indicators of the SADP (P119432 implemented in FY12-20) and Second Private Sector Competitiveness and Economic Diversification (P160964).

## Objective 6. Build climate resilience and improve agricultural productivity – Partially Achieved

45. During the CPF period, Lesotho's agriculture sector improved diversification, increased commercialization and mainstreamed climate resilience, although the sector was adversely impacted by the 2015/16 and 2019/20 droughts. The World Bank-financed SADP covered seven out of ten districts and was the main contributor to these nation-wide achievements. The successor project (the SADP II) will ensure sustainability of developments and achievements.

46. CPF Strategic Objective 6 aimed to build climate resilience and improve agriculture productivity. The 2015 SCD states that improving productivity and increasing agricultural incomes is key to developing a more vibrant rural economy and non-farm employment opportunities. Raising smallholder productivity will focus on establishing the right incentives for adopting more appropriate technologies and production methods to improve yields and mitigate risks<sup>102</sup>. The PLR emphasized the importance of: (a) commercially viable smallholder agriculture; (b) incentives for adopting technologies and production methods that improve yields and mitigate risks; (c) increased water supply in rural areas; and (d) mitigation for climate change and extreme climate events. The PLR revised the indicators accordingly.

47. **Prolonged and severe droughts in 2016 and 2019 adversely affected the agriculture sector; however, productivity of selected cash crops increased.** The SADP benefited 78,500 farmers in seven out of ten districts at the time of project closure. Although the end-of-project survey did not cover all the crops in the **Objective Indicator 14 (Partially Achieved)**, productivity of major cash crops (tomatoes and cabbages) increased by 21.3 percent between 2017 and 2020. The project beneficiaries, surveyed for the World Bank's study on Linking Smallholders to Markets in 2019, experienced up to 40 percent higher productivity for green bell peppers than farmers who grew peppers in open field and using traditional practices.<sup>103</sup> The project provided 878 competitive grants of which 193 were commercially viable against the project target of 120, but not enough to meet the progress indicator target. The IEG review of the project ICR confirmed these achievements and the outcome rating of the project as Moderately Satisfactory.

48. **Improved productivity, due to the adoption of climate smart technologies through competitive grant program (CGP) support, translated into improved commercialization.** The household commercialization level in the project area (measured through value of produce sold as percentage of total value of produce generated) increased from 15 percent in 2011 to 76 percent in 2020. The primary contributor to this achievement was a combination of a switch from subsistence to commercial farming, increased production of market-oriented and quality produce, value addition, and improved access to market and market information. The project provided capacity building support to small-scale farmers to help them respond to market demands. The number of beneficiaries who have adopted improved production technologies / farming practices in targeted areas increased from 234 in 2011 to 3,271 in 2020. However, the number of hectares under climate smart agriculture (CSA) practices had not yet been tracked when the CLR was prepared (**Objective Indicator 15, Not Achieved**)<sup>104</sup>. The PLR assumed that the target would be achieved under SADP II (P165228), becoming effective only in August 2019, and the APPSA, becoming effective in April 2019. With both projects being under implementation for only a short period over the CPF cycle, they made a limited contribution to the achievement of the CPF targets.

<sup>102</sup> Paragraph 26 of the 2015 SCD.

<sup>103</sup> Linking Smallholders to Markets. A Supplier Development Program for Vegetable Farmers in Lesotho, World Bank, 2019

<sup>104</sup> The SADP II has just established a Management Information System that tracks this indicator.

49. Beyond the CPF period, as the SADP has developed the capacity and skills among the implementing agencies, technical agencies, farmers, and agribusinesses, the prospects are good for medium to longer-term improvements in agricultural commercialization. The SADP II will further sustain achievements in productivity, commercialization and technology adoption (e.g., climate-smart agriculture). The SADP II builds on key ASA products including (a) a Climate Smart Agriculture Profile, (b) Climate Smart Agriculture Investment Plan and (c) an Agriculture PER. The project has already contributed to transforming farmers' mindset towards commercialization and market-oriented production vis-à-vis producing solely for household consumption. Training and provision of new production technologies<sup>105</sup> has increased awareness among producers of the need for increased adoption of such technologies to enhance production, access markets and improve livelihoods. Based on the experience from the SADP, ensuring sustainability requires (a) strengthening capacity of service providers to farmers; (b) investing in irrigation; and (c) enhancing private sector support.

### **Objective 7. Increase water and renewable energy supply for industrial and agriculture opportunities – Not Achieved**

50. *The water and energy projects, expected to contribute to the Strategic Objective, started late in the CPF period, but the water sector has already made substantial progress especially on the Metolong Dam and Water Supply Program.*

51. CPF Strategic Objective 7 aimed to improve water and energy infrastructure for private sector development and improved livelihood. *The PLR set out the rationale as: Water contributes substantial and sustainable revenues to Lesotho's GDP and is its key strategic renewable resource with direct links to the WBG's twin goals. The water sector is central to long-term growth and poverty reduction serving as an intermediate input for improving human development outcomes and private sector development by supplying water in the lowlands for domestic needs and manufacturing, mining and agriculture. World Bank funds are expected to leverage significant financing from other partners, and access roads to major dam sites will improve the road infrastructure. The most promising renewable energy sources are water and solar, which are essential to mitigate against climate change.*

52. **In Lesotho, the World Bank has had a long-term engagement in the water sector, while the engagement in the energy sector has just started.** The Water Sector Improvement APL Phase II (P108143) started its implementation in 2009 and closed in 2018. The Lowlands Water Development Project Phase II (P160672 approved in FY19) became effective in August 2019. Effectiveness of the Renewable Energy and Energy Access Project (P166936 approved in FY20) was delayed till July 2020. The latter two lending operations built on ASA products including a Water Security and Climate Change Assessment in 2016 and Scaling Up Renewable Energy technical assistance in 2019.

53. **The Water Sector Improvement APL Phase II significantly contributed to the water sector.** The project continued the process of reforms within the water sector and supported the Metolong Dam and Water Supply Programme (MDWSP), the first in a series of investments to increase access to safe water and to support economic growth. The MDWSP, inaugurated in November 2015, is supplying 75,000m<sup>3</sup> of additional treated water per day to Maseru and surrounding settlements, and projected to meet domestic and industrial water requirements until at least 2050. Infrastructure development for connecting water supply from the Metolong Dam to areas facing high water shortages was needed. Thus, among others, the project invested in

<sup>105</sup> The protected agriculture under shade cloth and in re-designed tunnels, which were adjusted to suit the Lesotho context during implementation.

construction and rehabilitation of a 24.5km pipeline from Metolong Dam to Teyateyaneng and 400 community water points. A well-structured institutional strengthening and capacity building program was designed and implemented to strengthen the Commissioner of Water's management of Lesotho's water resources and to transition WASA into a private, independent water utility (i.e., the Water and Sewerage Company, WASCO). Among others, instruments to monitor WASCO's performance were developed, and additional decision support tools and instruments were planned as part of the institutional strengthening process (e.g., for Lesotho Electricity and Water Authority, LEWA) for sustaining institutional capacity after project closure. The IEG ICR review confirmed these and other achievements and the outcome rating of the project as Moderately Satisfactory.

**54. Leveraging water resources for industrial use is at the design stage, hence the Objective Indicator 16 on increase water and renewable energy supply for industries was not achieved.** A Water Demand Assessment was completed by the Water Commission in 2018 for the eight water demand zones, which was instrumental for the mobilization of required financial resources (zones 2 and 3 the World Bank and 7 and 8 European Union/European Investment Bank (EU/EIB)). However, the Infrastructure Gap Analysis as a basis for Objective Indicator 16 was not achieved. Capacity constraints in government to manage contractors undertaking analysis/detailed designs have caused significant delays to meet the objective indicators. Frequent changes in senior government officials and Ministers, particularly in the second half of 2020, adversely impacted on project management. To mitigate capacity constraint effects, among others, a Contract Management Plan, with key performance indicators and designated contract managers, has been developed for the planned major works and consultancies in Zones 2 and 3. The immediate response to water shortages for industrial use in Maputsoe town was through development of groundwater, which has been providing an additional 1,5 m<sup>3</sup>/d to the existing water supply system since January 2022.

**55. During the CPF period, privately financed industrial/agriculture projects to be supplied by electricity infrastructure through World Bank support were not completed (Objective Indicator 17, Not Achieved).** The Renewable Energy and Energy Access Project (P166936 approved in FY20) became effective in July 2020, although the 2019 PLR had assumed project effectiveness already during 2019. However, with private sector involvement in the energy sector having been a novelty in the country and the project being the first energy engagement for the World Bank in Lesotho, project preparation took longer than anticipated. Nevertheless, the Lesotho Electricity Company has made progress in the preparation of the first industrial site in Butha Buthe to be electrified under the World Bank supported project, subject to the completion of safeguard analyses. The Scaling up Renewable Energy Program (SREP) Investment Plan was completed ahead of the targeted year, which contributed to mobilizing funds from the Climate Investment Fund and other development partners.

## 4. World Bank Group Performance

**56. The WBG performance in implementing the CPF is rated Fair.** The CPF design was well aligned with the NSDPs, including the selection of the focus areas, while the intervention logic was informed by the 2015 SCD.<sup>106</sup> The increase in the number of Maseru-based staff contributed to improving supervision, including management of program risks<sup>107</sup>. The World Bank-financed projects were implemented by project implementation units (PIUs), which contributed to smooth project implementation through handling financial management,

<sup>106</sup> Paragraph 38 and Annex 2 of the CPF map CPF Strategic Objectives to SCD Priority Challenges.

<sup>107</sup> Technical staff members in the areas of macroeconomics, health, transport, agriculture, water, environmental and social safeguards joined during the CPF period.

**Table 3. Lessons from the Previous CLR, Emerging Lessons from the PLR**

Lessons Learnt from the Previous CLR	PLR Emerging Lessons	CPF Design and Applications of Lessons
<ul style="list-style-type: none"> <li>Develop a strategy, based on the SCD, with selectivity and strong results linkages</li> </ul>		<ul style="list-style-type: none"> <li>As described in Para 38 and Annex 2 of the CPF, the CPF builds on the SCD.</li> <li>To improve selectivity, coordination with other development partners has been emphasized (Para 53, PLR) and strengthened.</li> <li>To improve results linkages, the results matrix was revised by the PLR</li> </ul>
<ul style="list-style-type: none"> <li>Determine capacity weaknesses and make every effort to bolster capacity in all its critical dimensions</li> </ul>	<ul style="list-style-type: none"> <li>Pay close attention to capacity constraints</li> <li>Take explicit account of capacity constraints in designing the complexity, scale and implementation timetable of operations</li> </ul>	<ul style="list-style-type: none"> <li>Project design was mindful of capacity constraints, and the World Bank staff provided hands-on support to implementing agencies, including through the creation of PIUs and implementation support teams. However, building capacity is a long-term issue and cannot be addressed in a few years. Political instability created new or intensified the severity of capacity constraints.</li> <li>World Bank organized several training workshops (e.g., for fiduciary in 2019 and M&amp;E in 2020).</li> <li>Strategic enlargement of the Maseru office has paid rich dividends: During the CPF period, technical staff members in core functions (e.g., transport, agriculture, social and environmental safeguard, country economist) were recruited in Maseru office. The increase in the number of staff enabled the World Bank to provide hands-on support</li> <li>However, the PLR set unrealistic objective and progress indicator targets for operations which were approved in the latter part of the CPF period.</li> </ul>
<ul style="list-style-type: none"> <li>Employ a range of WBG instruments to deal with the range of implementation challenges</li> </ul>	<ul style="list-style-type: none"> <li>Adopt a holistic approach</li> </ul>	<ul style="list-style-type: none"> <li>The World Bank did not apply a development policy operation (DPO) or Catastrophe Deferred Drawdown Option (Cat-DDO) during the CPF period. However, technical assistance to prepare for the Cat-DDO helped the government to accelerate reforms (e.g., by drafting the procurement bill).</li> <li>Building on the strong foundations created during the CPF period, the World Bank has been able to quickly prepare a DPO to bolster Government's response the COVID-19 in FY21.</li> </ul>
<ul style="list-style-type: none"> <li>Address knowledge gaps, particularly those related to poverty</li> </ul>	<ul style="list-style-type: none"> <li>Pro-actively address knowledge needs</li> <li>Deepen WBG corporate priorities in human capital, digital economy (including maximizing finance for development), and climate adaptation and resilience.</li> </ul>	<ul style="list-style-type: none"> <li>In collaboration with the government, the World Bank has produced key knowledge products such as the 2019 Poverty Assessment and 2020 Digital Economy Diagnostics.</li> <li>Human capital. Three new lending projects were prepared in health, education, and social protection, all which were supported by technical assistance and informed by analytical work.</li> <li>Digital economy. The 2020 digital economy diagnostic provided analytical foundation for a new e-Governance project (under preparation as of FY21).</li> <li>Climate adaptation and resilience. The 2019 Lesotho Disaster Risk Financing Diagnostic served as a strong analytical foundation for subsequent support. Through preparation of a Cat-DDO, the World Bank supported drafting of the Disaster Risk Management (DRM) Bill, an Early Warning Strategy and Manual, and a DRM strategy.</li> </ul>
<ul style="list-style-type: none"> <li>Emphasize WBG joint actions</li> </ul>		<ul style="list-style-type: none"> <li>The collaboration between the World Bank, IFC and MIGA was deepened during the CPF period (e.g., support to QMMH PPP and private sector development)</li> </ul>

procurement, monitoring and evaluation, and environment and social safeguards. The WBG effectively responded to changing circumstances (e.g., the 2019 drought and the COVID-19 pandemic), coordination with other development partners became more effective, and collaboration between the World Bank, IFC and MIGA was improved. However, performance was adversely affected by delays in project implementation of some recently prepared World Bank-financed projects partly due to the delays in hiring PIU staff and meeting effectiveness conditions. Factors beyond the WBG control (e.g., change in senior government management) resulted in the slow start of project implementation after effectiveness. Although the risk related to institutional capacity for implementation and sustainability was rated High in the CPF and PLR, the adverse impact of materialized risks associated with political instability and the economic and climate shocks of the COVID-19 pandemic and natural disasters was worse than could have been initially assumed in the CPF later in the PLR (Para 3). Nevertheless, the achievements, in most instances, a few months after the CPF period, confirmed the sustainability of the design and implementation of the CPF.

## A. CPF Design

**57. Relevance.** The CPF focus areas (Improving Efficiency and Effectiveness of the Public Sector and Promoting Private Sector Jobs Creation) and objectives have remained highly relevant to Lesotho's development challenges and aligned with the Government's strategic vision, national development plan and programs articulated in the NSDP I for 2012-17. The NSDP envisioned creating 5,000 private-sector jobs, and focused on (a) developing key infrastructure, (b) enhancing the skills base and technology adaptation and innovation, (c) improving health, combatting HIV/AIDS and reducing social vulnerability, (d) reversing environmental degradation and adaptation of climate change, and (e) promoting peace and democratic governance while building effective institutions. The PLR offered the opportunity to respond to the NSDP II designed in 2018 and a blueprint for the transformation of Lesotho's economy for job creation and inclusive growth. NSDP II has four key priority areas: (a) enhancing inclusive and sustainable economic growth and private sector job creation; (b) strengthening human capital; (c) building enabling infrastructure; and (d) strengthening national governance and accountability systems. The WBG also flexibly responded to the external shocks of natural disasters and the COVID-19 pandemic.

**58. Design.** The design of the CPF built on the CLR of the preceding CAS (FY10-15) and key findings of the 2015 SCD. The PLR further identified emerging lessons based on the implementation of the first half of the CPF period. These lessons were reflected in the CPF as well as the design and implementation of lending operations, technical assistance and analytical products (Table 2).

**59. The WBG program was responsive to country needs as illustrated by a swift response to the 2019 drought and COVID-19.** In January 2020, the SAP was restructured to support the Government to address the effects of the drought. Available funds from some undisbursed DLIs were reallocated to finance both a vertical and a horizontal expansion of the CGP program. In addition, to provide the government with some budget flexibility during the emergency, the project continued to work with the Ministry of Finance to ensure that DLIs that could be achieved quickly were fast tracked to do so. The Regional Tuberculosis and Health Systems Support Project was restructured to reallocate uncommitted resources to the procurement of PPE and improving communication with the public in support of the COVID-19 emergency response. Also, as part of WBG's global efforts, a COVID-19 Emergency Preparedness and Response Project with a commitment value of US\$7.5 million) was approved and became effective in FY20. Furthermore, an additional Financing of the Southern Africa Tuberculosis and Health Systems Support Project, with a commitment value of US\$21 million and aimed at strengthening the health system, was approved in June 2020. This additional financing included a component to respond to the COVID-19 pandemic.

**60. Instruments.** During the CPF period, Investment Project Financing (IPF) remained the main lending instrument. The PLR referred to the possibility of a DPO and/or CAT-DDO to support key reforms subject to a sound macroeconomic framework as well as the Program-for-Results (PforR) instrument for where capacity in skills and systems were to be developed. However, the DPO/CAT-DDO has not materialized during the CPF period, as Lesotho did not achieve an adequate macroeconomic policy framework for a DPO.<sup>108</sup> The World Bank also did not advance dialogue with the government on the PforR instrument given capacity constraints and need for simplicity of project design. Nevertheless, the results-based approach was tested in some projects. The Lesotho Health Sector Performance Enhancement Project transitioned from the government's input-based financing approach to DHMTs to an output-based one where facilities were provided with a budget allocation directly against the provision of health services. This performance-based financing (PBF) approach when combined with capacity development in financial management and technical areas of service delivery helped to strengthen financial controls, maintain viable records, supported continuous program monitoring and improved quality of services delivered. Referral data from QMMH showed that maternal deaths reduced by 63 percent as compared to 88 percent in non-enrolled hospitals. **The SAP has used a results-based approach such as DLIs, which worked well in securing sufficient cooperation and focus from the Public Accounts Committee to advance the OAP system reforms. Digital rather than cash-based transfers also demonstrated improved program cost-efficiency and reduced administrative costs of the OAP program.** IFC provided advisory services in facilitating a PPP in service delivery, in expanding digital financial services, investment climate and doing business and in expanding private investments in agriculture and energy. The corpus of ASA inherited from the earlier CPF was well deployed in the design of operations and new ASA products were accurately directed at the key development priorities, such as emerging issues in climate-change, natural disaster management, private sector diagnostics, the digital economy, and human capital. ASA was prepared to inform lending operations and project restructuring during the CPF period, with the content of IPF financing being determined by the findings from ASA work. For example, the SADP II built on the Climate Smart Agriculture Profile, Climate Smart Agriculture Investment Plan and Agriculture PER. ASA products were jointly organized with the government and launched with broader stakeholders.<sup>109</sup>

**61. Realism of Results.** The underlying logic of the Results Framework was sound in linking actions, outputs and results. The Results Framework was well aligned with the World Bank-financed projects. The results matrix was re-structured in the PLR to incorporate a stronger causal chain from CPF activities to results as well as to update data and reflect recent policy developments. The restructuring aimed at the improvement in quality and tighter linkages between actions and attributable results. However, some of the PLR results turned out to be too ambitious regarding the timing of project implementation and, thus, to achieve some Objective Indicators. For example, Objective Indicators 15 (Land area with climate-smart agriculture and sustainable landscape management practices) and 16 (Bulk water supply works underway or completed in priority water demand zones) were already attributed to World Bank-financed projects under preparation or early stage of project implementation when the PLR was prepared.

**62. Risks.** The PLR identified two high risk categories: macroeconomic and institutional capacity for implementation and sustainability and stated that mitigation depended on political and governmental stability.<sup>110</sup> The frequency of political instability events and their impacts still exceeded the levels anticipated in the CPF and PLR. Regional (SADC and Africa Union) peace missions and efforts since November 2017 have had relatively limited success in helping to arrest political instability during the CPF period. A four-party coalition formed in 2017 remained fragile and the new government was established in May 2020.<sup>111</sup> However, a cabinet

<sup>108</sup> In light of COVID-19, the World Bank started preparation of budget support operation to be delivered in FY21.

<sup>109</sup> A good example is [the launch of the 2019 Poverty Assessment](#).

<sup>110</sup> Paragraph 58 of the PLR.

<sup>111</sup> For example, Lesotho's governance score under the Ibrahim Index fell between 2013 and 2017 (<https://mo.ibrahim.foundation/iia>)



reshuffle in February 2021 and subsequent political events emphasized the continued fragility of the May 2020 government. Political instability and leadership fragility adversely impacted institutional capacity for implementation and sustainability. As a result, for example, progress on macroeconomic and fiscal reforms was delayed. The PLR assumed preparation of a DPO, but during the CPF period, the DPO requirement of an adequate macroeconomic framework was not achieved. Furthermore, materialized macroeconomic risks were higher than assumed in the PLR due to the COVID-19 pandemic and recurrent natural disasters. The COVID-19 pandemic had significant adverse impact on implementation during the last five months of CPF implementation.

## **B. Program Implementation<sup>112</sup>**

**63. A snapshot of the World Bank portfolio (Table 3).** New IDA lending reached US\$287 million during the CPF period relative to a target of US\$164 million. The CPF period covered the last two years of the IDA17 Replenishment (FY16-17) and the full three years of the IDA18 Replenishment (FY18-20). Lesotho had benefited from a large expansion of its IDA18 allocation at US\$242.3 million, of which national IDA US\$196.3 million and regional IDA US\$46 million. In order to complement government capacity, the World Bank-financed projects were managed by PIUs, each established under an implementing agency.

**64. Proactive portfolio management contributed to improved portfolio performance during the CPF period.** As of FY16, the SADP (P119432), the Public Finance Management Support Project (P143193) and the Lesotho Health Sector Performance Enhancement Project (P114859) were listed as projects at risk. All projects were restructured to bring them back on track. For example, the Lesotho Health Sector Performance Enhancement Project was restructured twice in 2016 and 2018, respectively, to ensure achievement of the project's overall objectives. Restructuring included adjusting the PBF program's geographic scope, extending the project's closing date to allow for sufficient time to implement the PBF in pilot, phase II and III districts following the initial implementation bottlenecks, and responding to the government's emerging need for PPP Management capacity building support in the health sector. As a result, the Public Finance Management Support Project (P143193), the Lesotho Health Sector Performance Enhancement Project (P114859) and the SADP (P119432) were rated Moderately Satisfactory by IEG's ICR review.

**65. Towards the end of the CPF period, new implementation challenges emerged, and performance was uneven across the projects.** In FY20, the overall disbursement ratio exceeded 20 percent. The Social Protection Project (P151442) (67.3 percent), Second Private Sector Competitiveness and Economic Diversification project (P144933) (41.9 percent) and PSMP (P152398) (39.3 percent) had high disbursement ratios. In contrast, the Lesotho Lowlands Water Development Project (P160672) (4.3 percent) and SADP II (P165228) (10.1 percent) had low disbursements ratios. While it is common for a new project to take time to become fully operational, some projects were not fully ready for implementation due to lack of PIU staff and other readiness issues. In FY21, three projects have not had any disbursements (the Lesotho Lowlands Water Development Project, Lesotho Renewable Energy and Energy Access Project and LEQEP). To ensure smooth implementation of a project from the first year, a readiness filter was introduced in FY21 (Annex 7).

**66. WBG collaboration was strengthened in several areas, including support to private sector development, health sector reforms, digital economy and financial sector development.**

<sup>112</sup> This section has benefited from the ongoing exercise of the Review of the World Bank-Financed Portfolio, and draft report on the Review of Fiduciary Arrangements for World Bank's Financed Projects.

**Table 4. Snapshot of World Bank Portfolio (including National IDA and regional IDA-finance projects)**

	FY15 1/	FY16	FY17	FY18	FY19	FY20	FY21
Number of Active Projects	6	8	8	9	10	11	11
Total Commitments (US\$ million)	99	149	182	210	307	330	352
Disbursement Rate (% IPF)	16.8	27.2	23.1	34.2	22.4	22.0	15.9
Proactive Index (%)	0	50	100	50	100	100	100
Project at Risk (%)	50.0	37.5	25.0	22.2	22.2	0.0	22.2
Commitment at Risk (%)	17.1	17.9	9.6	8.3	8.3	0.0	34.9
Problem Project (%)	33.3	37.5	25.0	11.1	11.1	0.0	18.2

1/ Last year of the CAS

- Private sector development.** WBG collaboration through the Second Private Sector Competitiveness and Economic Diversification Project (P160964) was strong. IFC supported a potential investment from South Africa to scale up pilot demonstration farms that were then supported through the IDA operation. IFC diagnostics and TA were essential to support the investments in systems and institutional capacity building that were funded through the Second Private Sector Competitiveness and Economic Diversification Project, while constructive engagements with IFC on trade facilitation reforms was positive for private sector competitiveness and economic diversification improvements.
- Health sector reforms.** The World Bank and IFC collaborated well to address issues related to the PPP QMMH tertiary hospital network. Meetings with top government officials such as the Ministries of Finance, Health and Development Planning were jointly conducted between the World Bank and IFC. The collaboration ensured the resolution of the issues under the PPP, which is important for continuation of smooth public health service delivery to the population.
- Digital economy.** IFC supported an international telecommunications company, Vodacom, on a digital financial services project which achieved an outreach to more than 750,000 users, up from 235,000 in 2016, and was then extended to a second phase in 2019, wherein an outreach of 975,000 has been achieved thus far. IFC support was complementary to World Bank's ASA and an IFC Trust Fund funded the 2020 Digital Economy Diagnostic.
- Financial sector development.** In FY20, MIGA provided cover for the equity investments by FirstRand Bank of South Africa into First National Bank of Lesotho Limited (through MIGA's capital optimization product) for a period of up to 15 years under the Agency's COVID-19 Response Program.<sup>113</sup> MIGA's support to the financial sector was complementary to the World Bank's engagement - Southern Africa Financial Sector Development (Botswana, Eswatini, Lesotho, Namibia, South Africa) (P172044) - which supported financial sector development in Lesotho including financial resilience and integrity, financial services to individuals and households, and access to financial services for business and capital market development.

<sup>113</sup> Subsidiary banks outside of South Africa are required to maintain reserves at the central banks in their respective jurisdictions (the Central Bank of Lesotho in this case) based on the volume of customer deposits of the subsidiaries. Mandatory reserves contribute to FirstRand Group's overall risk-weighted assets (RWAs) at the consolidated level, consuming a level of capital that could otherwise be deployed in lending operations. The MIGA guarantee will reduce the FirstRand Group's RWA on a consolidated basis, and this headroom of consolidated RWA is expected to be deployed across FirstRand Group's Africa operations, including in Lesotho. This transaction is designed to help mitigate the adverse economic effects of COVID-19 by supporting the lending operations of FirstRand Group's subsidiaries in Lesotho. For more information on MIGA's COVID-19 response program, see <https://www.miga.org/miga-and-covid-19>.

- **Lesotho became eligible for the IDA Private Sector Window during the IDA19 cycle, providing further impetus for continued and deepened WBG collaboration.** The World Bank, IFC and MIGA have started working on identifying suitable projects for leveraging the country's eligibility of the Private Sector Window.

**67. The increased presence of technical experts in the World Bank Local Office strengthened the quality of implementation support through the provision of just-in-time support.** This also enabled day-to-day communications with the government contributing to the disbursement ratio increase exceeding 20 percent during the CPF period. However, some challenges remained as reported in the World Bank-financed Portfolio Review (June 2020), including: (a) limited engagement of senior government officials such as the Permanent Secretary in the Steering Committee; (b) weak implementation capacity of ministerial departments; (c) lack of detailed planning and costing exercises; (d) lack of frequent updates of project implementation manuals; and (e) lack of PIU knowledge and experience of M&E frameworks. In order to address these challenges, the World Bank and Government organized a high-level portfolio management meeting in July 2020. Since then, implementation of the recommendations improved (annex 7): (a) the government established its implementation support team (IST) and was holding a monthly technical meeting with the World Bank IST, (b) the Government and the World Bank agreed to introduce the readiness filter to ensure swift project implementation, (c) the PIU assessment was completed in September 2021 and (d) an M&E workshop was conducted for both the Government and the World Bank in October 2020.

**68. Fiduciary arrangements faced challenges due to limited individual and institutional capacity, but the World Bank provided hands-on support.** The review of the World Bank-Finance Project Portfolio in June 2020 and the draft 2019 Fiduciary Assessment found that procurement, more especially recruitment of key project staff and readiness of procurement packages at project effectiveness, were some of the most critical factors causing implementation delays. To address this gap each project had to develop a project implementation / operation manual to enforce uniform procedures and standards in project execution. However, these manuals were frequently not followed by the project staff due to inadequate management of staff performance and salary scale discrepancies. At the institutional level, weak management of implementing agencies, and lack of coordination between implementing entities (e.g., Lesotho Transport and Infrastructure Connectivity Project) complicated fiduciary arrangements. The MoH PIU, which is partly integrated into the Ministry and is handling three World Bank-financed projects, performed very well in executing procurements under emergency procedures (e.g., procurement of COVID-19 critical care equipment and commodities). Disruption in the supply chain and restrictions in movement of people during the COVID-19 pandemic highlighted the need for the country to adopt basic digital tools to facilitate the execution and management of procurement and contract administration. There were a few significant financial management issues in the implementation of current projects. For example, the SADP (closed in February 2020) experienced ineligible expenditures. Other problems included challenges with counterpart funds allocation, where money was not made available when required, or never provided at all; and delays in payment of contractors. However, there were also successful cases where PIU coordinators exercised leadership and coordinated effectively with implementing agencies, such as in the case of the Private Sector Competitiveness Project. World Bank staff's hands-on support such as a fiduciary workshop and hands-on STEP training contributed to mitigating the capacity constraints. Furthermore, the World Bank provided technical assistance to the government to draft the public procurement bill<sup>114</sup>.

**69. Safeguards.** Based on a portfolio-wide review of environmental and social (E&S) risk management and performance, Compliance with safeguards requirements was found to be moderately satisfactory with adequate mitigation measures. Key findings inhibiting safeguards performance during the CPF include: (a)

<sup>114</sup> The public procurement bill was approved by the cabinet in early 2021 to be submitted to parliament.

failure to consider an expanded scope of ESF in addressing emerging E&S risks and impacts; (b) absence of E&S staff in many projects during preparation and implementation was a binding constraint; (c) weak institutional capacity and sustained government commitment to E&S issues; (d) weak E&S reporting and documentation capacity; and (e) weak integration of E&S issues into planning, technical design and bidding documents in some projects. E&S safeguards performance have improved since recruitment of E&S specialists in-country who have been providing hands-on training, particularly to PIU staff, from project preparation through to project implementation.

**70. Citizen engagement at the program level.** The Citizen Engagement (CE) Portfolio Review, 2020 (Annex 8) revealed that the most common CE mechanisms in the Lesotho portfolio were Grievance Redress Mechanisms (GRM) and stakeholder consultations. As confirmed in the Lesotho CMU portfolio review, closing the feedback on consultations and having a properly functioning GRM are particularly challenging in the country, hence the effectiveness of these CE tools is lacking. Moreover, best practice highlighted by IEG recommends adoption of ‘thick’ approaches that are embedded in country systems and empower citizens to make decisions, exact accountability and building citizen or government capacity to engage beyond the project life cycle. A CE Action Plan for Lesotho for FY 2021 has been developed to enhance CE approaches at both the Program Level as well as the Country and Sector Levels (Annex 8).

**71. Coordination with Development Partners.** The principal partners are the multilaterals, the African Development Bank (AfDB), the European Union and the United Nations. The US-Millennium Challenge Corporation has prepared its new compact for Lesotho in 2022. IDA worked with the AfDB, the EU and the International Monetary Fund (IMF) on governance, PFM and financial sector reforms, and with UN institutions on statistics, renewable energy, education, health and social protection. The World Bank and the IMF conducted a joint Debt Sustainability Analysis in the first half of 2020. The European Investment Bank, EU and IDA are partners under the second phase of the Lowlands water supply program and EU advisory work informed the design of the renewable energy project. The smallholder agriculture project is co-financed by IFAD; while FAO is a close advisory partner. The SADP II benefited from the PHRD grants from Japan. IDA and UNICEF worked in partnership with the government in the implementation of its social protection project. The World Bank collaborated with UNFPA on gender-related issues such as gender-based violence. Due to the absence of a joint coordination initiative the World Bank used avenues such as convening meetings with relevant development partners during missions and including development partners in relevant meetings with key ministers and stakeholders. Coordination with development partners will have to be strengthened in the next CPF cycle through both addressing implementation issues and more information sharing.

## 5. Alignment with Corporate Goals

**72. Central to the CPF strategy was the twin corporate goals.** The reducing extreme poverty goal was expected to be achieved by sustaining growth through improvements in public sector and fiscal management and by raising the quality of public expenditures and better access to public services. On shared prosperity, the private sector job generation program provided for business environment reforms, improved access to finance, and support for two promising areas for job creation: horticulture and tourism. Both goals were to be achieved through job growth in the private sector and improvements in education and health services delivery, supported by infrastructure developments that benefitted the rural population.

**73. During the CPF period, the WBG contributed to achieving the twin goals.** Comprehensive evidence on progress of the twin goals is only available every five years when household surveys are conducted with

the latest having taken place in 2017/18. Nevertheless, the 2019 Poverty Assessment<sup>115</sup> indicated that the CPF program contributed to achieving the twin goals, stating that “the poverty and inequality declines can be explained by expansion in social protection, improvements in formal wages associated with improved education levels and a demographic dividend”. The Assessment showed that “social protection drove down the Gini coefficient by 2.6 points” and social protection income contributed to reduce poverty by 4.3 percent in rural areas and 1.3 percent in urban areas. The World Bank, through the SAP (P151442), made a significant contribution to the country’s social protection (Objective 2). At the project level, the Public Financial Management Reform Support Project (P143197) ICRR stated that improving the effectiveness of public spending in Lesotho, especially to improve social outcomes, had directly supported the World Bank’s twin goals of poverty reduction and shared prosperity. The ICRR of SADP (P119432) states that “By targeting smallholders, the project contributed directly to the World Bank’s twin goals of ending extreme poverty and boosting shared prosperity in a sustainable manner. Through productivity gains from farming and through diversification of their income sources, project beneficiaries were able to accumulate assets and improve their livelihoods.”

**74. The WBG strategy supported corporate goals in climate change by aiming to build climate resilience and adaptation and sharpen the focus on climate smart agriculture.** Advisory work helped development of priorities in the National Climate Change Policy and supported the strategy with costing of priorities and identifying sources of assistance. In energy, the WBG aimed to assist the government to leverage private financing to build new hydropower capacity, capacity in renewables generation (micro-hydro, solar, wind) and support for efficiency improvements. The Lesotho Renewable Energy and Energy Access Project (P166936) was approved in FY20.

**75. To support the corporate goal for maximizing finance for development, the WBG began efforts to crowd-in additional private sector financing in three sectors.** In digital technology, the WBG finalized a digital economy diagnostic (based on an IFC trust fund) and initiated efforts to complete the legal and regulatory environment and use targeted public investment to leverage private financing for infrastructure and private operation of digital services. In SME finance, the World Bank supported redesign of the Partial Credit Guarantee Fund (PCGF), housed in the Ministry of Small Business Development, Cooperatives and Marketing to catalyze access to finance for MSMEs. MIGA’s guarantee is expected to increase access to credit for SMEs in Lesotho. There is further scope for advisory services to foster private sector projects, strengthen the PPP framework, identify IPPs, and build on a WBG-prepared PPP diagnostic and energy PPP pre-feasibility studies under the Public-Private Infrastructure Advisory Facility (PPIAF). Private investment in high-potential horticulture could be further unlocked with greater certainty in government policies, improved trade facilitation, and the possible use of risk mitigation instruments.

**76. On gender, the Lesotho portfolio by the end of the FY20 had 4 projects being tagged, while 6 were not according to the final validation by the Gender group<sup>116</sup>.** A review of active operations of the Lesotho portfolio showed that several individual operations include targeted measures to improve health outcomes and create equal participation for women in training and employment.<sup>117</sup> However, there was no coherent strategy across the portfolio to address structural constraints and create long term outcomes beyond the life cycle of the project towards increasing women’s participation in the labor force, their income earning opportunities or improving women’s access to productive assets. To better address constraints of women and girls to improved access to voice/agency, the background paper on the gender assessment was completed in June 2020.

<sup>115</sup> <https://www.worldbank.org/en/country/lesotho/publication/lesotho-poverty-assessment-poverty-and-inequality-remain-widespread-despite-decline>

<sup>116</sup> Four projects are (a) Lesotho Renewable Energy and Energy Access Project (P166936); (b) Lesotho Lowlands Water Development Project – Phase II (P160672); (c) Lesotho Transport Infrastructure and Connectivity Project (P155229) and (d) SADP II (P162397).

<sup>117</sup> For instance, within HNP, operations target adolescent, especially young girls, which can be expected to improve health services. Within operations in the agriculture sector, there are efforts to target agribusiness development in value chains that provide opportunities for women, support women’s access to agricultural technologies, and ensure women’s participation in leadership positions

**77. By the end of FY20 Q3 the Lesotho portfolio was found to have fared relatively well on meeting its CE corporate commitments.** However, deeper analysis revealed room to broaden the types of CE mechanisms that could be adopted to ensure more meaningful and sustainable engagement beyond the life cycle of projects. The CE portfolio review covering eight approved IPFs in Lesotho from FY16 to FY20, assessed the progress made towards mainstreaming citizen engagement, and found that 100 percent of the projects in Lesotho had a citizen-oriented design (Requirement 1 under the CE strategy) and included beneficiary feedback indicators in their Results Framework (Requirement 2). Amongst projects that were subject to Requirement 3 i.e., in their third year of implementation, 86 percent of the FY16 projects in Lesotho was reporting on their beneficiary feedback indicators in the Implementation Status and Results reports (ISR) (Requirement 3). Comparison between results on Requirements 1 and 2 from Lesotho and the Africa Region (FY16-19) revealed that Lesotho had fared above average. On a national level, as indicated in the 2018 Lesotho Country Opinion Survey, insufficient collaboration with civil society organizations was highlighted as a leading weakness in the World Bank's engagement in the country. To address targeted weaknesses in citizen engagement at the Country, Sector and Portfolio levels a CE Action Plan has been developed for the next fiscal year. (See Annex 8 also for findings of the CE Portfolio Review).

**78. The CPF covered all priorities of the latest World Bank Africa Strategy for 2019-23<sup>118</sup>.** These priorities relate to Creating Jobs and Transforming Economies; Building Up the Digital Economy; Making Institutions More Efficient and Accountable; Supporting Climate Change Mitigation and Adaption; and Addressing the Drivers of Fragility, Conflict, and Violence. To name but a few examples: creating jobs and transforming economies were directly linked with the second focus area on Promoting Private Sector Job Creation. The Lesotho Digital Economy Assessment was finalized. Making Institutions More Efficient and Accountable was directly linked with the first focus area on Improving efficiency and effectiveness of the public sector. On regional integration, the TB and Health System Strengthening Project and APPSA have been successfully implemented.

## 6. Lessons Learned

**79. Maintaining the contents of the CPF focus areas.** The Government NSDP II review and the updated SCD converged in recommending keeping the objectives such as promoting a private-sector-led economy and job creation, climate change resilience and support for human development. These aspirations take more than one CPF cycle (i.e., five years) to achieve. Therefore, the next CPF should deepen the contents of the focus areas to be translated into High-Level Outcomes (HLOs).

**80. Strengthening partnership with the government and other stakeholders for stronger program ownership, accountability and risk mitigation.** During the CPF period, the increase in the number of Maseru-based staff contributed to improving supervision, including management of program risks, and strengthening partnership with the government at the project level. Also, right after the CPF period, the government and the World Bank jointly established the IST, which has contributed to addressing cross-cutting issues (e.g., procurement and M&E). However, political instability and subsequent changes in ministers and principal secretaries made it difficult for the WBG to ensure continuity in the partnership with the government. Nevertheless, during the run-up to the 2022 general election, high-level relationships with senior policy makers should be maintained for strategic discussions, while encouraging potentially durable administrative solutions such as the Public Sector Investment Committee. The results of the 2021 Country Opinion Survey found private

<sup>118</sup> World Bank Africa Strategy for 2019-2023: Supporting Africa's Transformation.

sector survey respondents being neither familiar nor positive towards the WBG and its Lesotho work and engagement, but it was also the group with most respondents believing that they should collaborate more with the WBG. These findings suggest the need for a strategy to better engage with the private sector.

**81. Strengthening systematic and proactive portfolio management through the adoption of proven practices targeting both project preparation and implementation issues. Towards the end of the CPF period and in FY21, new portfolio management issues such as slow implementation have emerged especially with relatively new World Bank-financed projects.** To improve portfolio management, the Country Management Unit (CMU) took decisive steps and conducted a portfolio review exercise which included specific recommendations to be reflected in the next CPF (Annex 7). Some of these recommendations have been implemented already, including (a) conducting an M&E workshop (October 2020) and M&E assessment (February 2021) and (b) a PIU assessment (completed in September 2021). During the next CPF period, effectiveness of these measures should be reviewed on a periodic basis and adjustments made where so required.

- **Project preparation.** A new project will have to comply with the readiness filters and include a capacity-building component to ensure smooth implementation from the first year of effectiveness. More specifically, project preparation should consider the local context, political economy, and capacities of implementing agencies through application of the governance filter (see Para 82 on governance filter). A new project in the next CPF period will have to build on successful implementation during the CPF period. This approach will enable the WBG and the government to consolidate the achievements across CPF cycles. An engagement in a new sector or cross-cutting issue that requires coordination among government ministries and agencies needs to be more carefully handled (e.g., first test implementation challenges for new projects through introducing small-scale projects). Furthermore, prior political economy analysis should determine likely success factors.
- **Project implementation.** PIUs have led project implementation and shielded projects from leadership changes in government departments or implementing agencies. However, PIUs are often disconnected from line or planning departments that has adversely affected ownership and sustainability of a project when a PIU is closed. The 2020 Portfolio Review found that both the government and the World Bank need to ensure the ownership of government to lead implementation. At the project level, the relevant departments' capacity will have to be assessed and need to be reflected in a project's design. The Steering Committees, chaired by Principal Secretaries, should perform better by calling regular meetings and ensuring strategic vision and ownership of the project. A review of the World Bank-Finance Project Portfolio in June 2020 and the draft 2019 Fiduciary Assessment found that procurement, more especially recruitment of key project staff and readiness of procurement packages at project effectiveness, were some of the most critical factors causing implementation delays. A systematic approach to address fiduciary issues is critical in the next CPF period. The use of DPO, subject to an adequate macroeconomic framework, to accelerate reforms will also be considered and could include: (i) leveraging digital technology to improve fiduciary management and oversight); (ii) reviewing PIUs' fiduciary functions with a view to ensuring smooth and seamless implementation of projects; and (iii) centralizing part of PIU fiduciary functions under one ministry to address capacity constraints<sup>119</sup>.
- **Synergies across World Bank-financed projects.** Synergies across World Bank-financed projects should be strengthened to promote effectiveness and efficiencies of projects. For example, the same World Bank TTL has covered both SADP II and the Private Sector Competitiveness project which should help strengthen synergies between the two projects. Government has also an important coordination function achieving synergies among projects and programs. In the case of maximizing

<sup>119</sup> The World Bank completed a PIU assessment in September 2021.

the synergies between the SADCP II and the Private Sector Competitiveness Project, the government has been failing in its coordination function as the agreed project steering committee has not been put in place. In the next CPF cycle, the World Bank will pay even closer attention to all aspects of potential synergies across projects. Better synergies between projects could be potentially boosted also by following a thematic-outcomes approach across projects/programs; and continuation of the M&E dashboard with the Accountability Unit in the PM's office, which enables a deliberate sequencing of public sector policy/regulatory/planning/budgeting functions.

**82. Applying systematically a governance filter at all levels of WBG engagements, including at the country, program and project levels, for more effective and timely risk mitigation and appropriate adaptation.** Although the CPF and PLR rated the macroeconomic and institutional capacity components for implementation and sustainability risks as High, the actual risks materialized were still higher than assumed (Para 3) and affected CPF program implementation far more than expected. Towards the 2022 general election, the likely political economy impact on the implementation of the next CPF may be even more difficult to predict and higher. To inform the next CPF preparation and assist in its implementation, a political economy analysis was incorporated in the SCD update. The governance facility has been operationalized by the Governance GP<sup>120</sup>.

**83. Mainstreaming social development aspects during a project preparation period.** It is important to design a project to effectively target priority gender gaps in Lesotho. The World Bank has finalized the Lesotho gender assessment in 2022, which identifies strategic priorities, i.e., the persisting and widening gender gaps. Going forward, the World Bank will more proactively adopt a gender filter tool to identify how the project and sector could be best leveraged to target gender gaps and align with one or more of the four strategic objectives of the 2015 WBG Gender Strategy<sup>121</sup>. With this strong analytical foundation, the World Bank targets 80 percent projects to be gender tagged by 2023.

**84. Testing results-based financing for enhanced focus on development results and outcomes. During the CPF period, the main lending instrument was IPF, supported by ASA and trust funds.** The government was familiar with the IPF instrument and introducing new financing instruments (PforR and DPO) was considered challenging. However, use of DLIs under the SAP<sup>122</sup> as well as the PBF approach under the Health Sector Performance Enhancement Project proved effective to boost result achievements. The next CPF should build on this experience to focus more on results in addition to inputs in project design, as well as piloting results-based financing (e.g., PforR and/or DLI under IPF).

**85. Strengthening the Program Results Framework particularly related to realism of timeframes, result measurement, reporting, and evaluation for better program monitoring and engagement.** The Results Framework of the CPF built on the project-level results framework that assumed smooth project implementation and availability of timely data/information. However, government capacity constraints (including data/information capacity) and external factors beyond WBG control affected Results Framework achievements at both project and CPF levels. Some results, for example, could not be easily measured because of a lack of measurement instruments and data. The government has not yet fully taken advantage of ICT to collect and publish data and statistics. Also, timeframes did not take these capacity constraints fully into account. Thus, for example, Objective 7 was not achieved within the intended timeframe. Smooth project implementation and availability of timely data / information assumptions were perpetuated in the PLR of

<sup>120</sup> The governance facility provides (a) country-level and sector level analysis of non-technical drivers of development challenges; (b) just-in-time operational and analytical support to select sector teams, including use of collaborative leadership; (c) collaboratively integrating citizen engagement across the portfolio; (d) enhancing M&E tools and results-based approaches to drive development outcomes; and (e) support to policy dialogue on select themes.

<sup>121</sup> <https://openknowledge.worldbank.org/handle/10986/23425>

<sup>122</sup> Disbursement from the project depends on achievements of pre-agreed indicators.



2019, in some instances detracting from its usefulness of being a course correcting mechanism. To avoid similar shortcomings, the preparation of the Results Framework of the next CPF should clarify at the outset (a) data/information sources and frequency, (b) a reporting and assessment plan of a project, and (c) realistic timeframes for project implementation.

**86. Building into the Program appropriate triggers, mechanisms and flexibility for responding swiftly to unexpected events of significant adversity.** During the CPF period, the WBG quickly responded to socio-economic and climatic shocks such as natural disasters and the COVID-19 pandemic, compounded by Government capacity constraints and political changes, but these events still adversely impacted the implementation of the CPF programs. The next CPF should build in even more flexibility in projects to respond to unexpected events, particularly the frequent natural disasters that claim peoples' lives and livelihoods and setting back development achievements, generally. Triggering the Contingency Emergency Response Component (CERC) from existing projects turned out to be an effective mechanism to respond to natural disasters.<sup>123</sup> Some flexibility (e.g., CERC component) can be embedded into the design of relevant projects. Also, in case of intensified political instability, the WBG should have flexibility to slow down project preparation and implementation until the country regains stability. In this regard, collaboration with other development partners is critical (e.g., with WFP that coordinates responses to natural disasters).

**87. Testing a lagging-region approach. The CPF focused on addressing national-level and systematic issues.** The 2021 SCD update found that the spatial pattern of access to basic services and infrastructure suggests that accelerating poverty reduction and shared prosperity in Lesotho hinges disproportionately on addressing key constraints to improving living standards in lagging rural regions. Such an approach will also support further inequality reduction: while Lesotho is now the least unequal country among its neighbors, it nonetheless remains among the 20 percent most unequal countries in the world. The next CPF should/could test a lagging-region approach by synergizing World Bank-financed projects (e.g., health, education, infrastructure) in select geographical areas with high number of poor and weak service delivery.

**88. Managing trade-offs in WBG corporate priorities through judicious selectivity and / or phasing in view of the country circumstances.** There are increasing number of corporate priorities towards the end of the CPF cycle. Climate change, food security and gender are applicable to Lesotho. The WBG program included all corporate goals such as gender, climate change, and maximizing finance for development during the course of the CPF. However, its approach was not systematic. For example, only 4 out of 10 projects were gender-tagged. Corporate goals will have to be more boldly included in the design of the CPF. At the same time, the new CPF will straddle the IDA20 and IDA21 periods, implying that material shifts in corporate priorities may go beyond the immediate capacity and available resources of the government. Thus, in the next CPF, selectivity in priority implementation and / or phasing in of priorities will have to be well-managed across the program.

<sup>123</sup> In August 2020, outside the CPF period, the CERC of SADP2 (US\$5 million) was triggered to respond to the COVID-19. Also, the government requested to trigger CERC of other projects to respond to the state of emergency against heavy rains in February 2022.

## CLR Annex 1. Status of Lesotho FY16-20 CPF Results Matrix (Summary Table)

Description		Status at CLR	Overall Rating
<b>Focus Area 1. Improving Efficiency and Effectiveness of the Public Sector</b>			
<b>Objective 1. Improve public sector and fiscal management</b>			<b>Mostly Achieved</b>
<b>Indicator 1.</b> Capital budget is fully derived from public investment plan that prioritizes capital investments in alignment with National Strategic Development Plan II priorities and macro fiscal framework		Mostly Achieved	
<b>Indicator 2:</b> Irregular HR and payroll records corrected /removed		Achieved	
<b>Indicator 3:</b> Non-eligible beneficiaries eliminated from the OAP roster		Achieved	
<b>Indicator 4:</b> Enhanced delivery of Motor Vehicle services to Citizens		Not Achieved	
<b>Objective 2. Improve the risk-responsiveness and equity of the social assistance system</b>			<b>Mostly Achieved</b>
<b>Indicator 5.</b> Increased percentage of households receiving the expanded Child Grant Program that are in the poorest forty percent of the population		Mostly Achieved	
<b>Indicator 6:</b> Increased percentage of vulnerable households reached through the existing social protection system if there is a shock or natural disaster		Achieved	
<b>Objective 3. Improve basic education outcomes</b>			<b>Partially Achieved</b>
<b>Indicator 7:</b> Reduction in dropout rate (Grade 1–Grade 6) in targeted primary schools		Achieved	
<b>Indicator 8:</b> Reduction in dropout rate (Grade 8–Grade 9) in targeted junior secondary schools		Not Achieved	
<b>Objective 4. Improve health outcomes</b>			<b>Mostly Achieved</b>
<b>Indicator 9:</b> Average Health Facility Quality of Care Score at targeted primary care facilities		Achieved	
<b>Indicator 10:</b> Improved QMMH contract management		Not Achieved	
<b>Indicator 11:</b> Nationwide TB treatment success rate for new and relapse TB cases		Mostly Achieved	
<b>Focus Area 2. Promoting Private Sector Jobs Creation</b>			
<b>Objective 5. Improve the Business Environment and Diversify the Economy</b>			<b>Achieved</b>
<b>Indicator 12:</b> Number of areas with investment climate reform progress during the CPF period		Achieved	
<b>Indicator 13:</b> Number of areas under horticulture crops (hectares) with Bank support		Achieved	
<b>Objective 6. Build climate resilience and improve agricultural productivity</b>			<b>Partially Achieved</b>
<b>Indicator 14:</b> Change in yields of the major crops in targeted districts (percentage)		Partially Achieved	
<b>Indicator 15:</b> Land area with climate-smart agriculture and sustainable landscape management practices (hectares)		Not Achieved	
<b>Objective 7. Increase water and renewable energy supply for industrial and agriculture opportunities</b>			<b>Not Achieved</b>
<b>Indicator 16:</b> Bulk water supply works underway or completed in priority water demand zones (i.e., with significant industrial water demand)		Not Achieved	
<b>Indicator 17:</b> Number of privately financed industrial/agriculture projects to be supplied by electricity infrastructure through Bank support		Not Achieved	

## CLR Annex 2. Lesotho FY16-20 CPF Results Matrix Evaluation

Objective	Overall Rating	Indicator	Baseline / Targets / Actual	Status at CLR	Lessons Learned and Suggestions for the New CPF	Bank Program Instrument
<b>Focus Area 1. Improving Efficiency and Effectiveness of the Public Sector</b>						
<b>Objective 1.</b> Improve public sector and fiscal management	Mostly Achieved	<b>Objective Indicator 1.</b> Capital budget is fully derived from public investment plan that prioritizes capital investments in alignment with National Strategic Development Plan II priorities and macro fiscal framework  <b>Progress Indicator 1:</b> NSDP public investment plan completed	<b>Baseline (2015):</b> No public investment plan <b>Target (2020):</b> 100% <b>Actual (2020):</b> 81% (However, the revised budget to respond to COVID-19 supplemented 21 new capital projects. Of which, 17 projects were appraised by the Public Sector Investment Committee.)  <b>Baseline (2015):</b> No <b>Target (2019):</b> Yes <b>Actual (2020):</b> Yes	<b>Mostly Achieved.</b> NSDP II was published in May 2019, and the MODP updated the appraisal guideline for capital projects in 2018. The guidelines were applied for the FY19/20 and FY20/21 budget. While only projects appraised by the new guidelines and approved by the Public Sector Investment Committee were added to the Public Sector Investment Plan, no new capital projects were added to the budget due to fiscal constraints. Two of the three NSDP II subsidiary documents: The financing strategy and implementation plan have approved by the Ministry of Development Planning. The draft of the PSIP is complete. Finalization was delayed due to the COVID-19 lockdown. On progress indicator 1, the PSIP is expected to be approved in October 2020.	<ul style="list-style-type: none"> <li>Strengthening strategic planning functions required addressing technical and non-technical bottlenecks including: MODP had difficulty to convene and credible commitment to plans was low in current political environment</li> <li>Limited internal capacity and/or incentives paired with procurement and contract management challenges led to significant delays in aspects supported under PSMP</li> <li>Counterparts were willing to address nontechnical issues (e.g., convening stakeholders to clarify processes and criteria to add projects to the budget)</li> </ul>	<b>ASAs FY16</b> <a href="#">State-owned enterprises: a country policy note</a> Reserve Advisory and Management Partnership TA (P155971, FY16-21) <sup>124</sup> FIRST TA on Strengthening Insurance and Pension Regulation and Supervision (US\$0.37 million; FY16-18) <b>FY17</b> <a href="#">PER</a> Tobacco and Alcohol Taxation TA (P155971, FY17-18) <sup>125</sup> Continuous Survey Methodology TA FY17-18 <b>FY18</b> <a href="#">Health PER</a> <a href="#">Education PER</a> Medium-Term Debt Management Strategy <b>FY19</b> <a href="#">Agriculture PER</a> <a href="#">Debt Management Performance Assessment (DeMPA)</a> International Tax Capacity Building Program (P170177, FY19-21) <sup>126</sup> Technical Assistance to the National Identification Department and Civil Registry Department <b>FY20</b> <a href="#">Poverty Assessment</a> Digital Economy Diagnostic and Implementation Plan (Planned)
		<b>Objective Indicator 2:</b> Irregular HR and payroll records corrected/removed  <b>Progress Indicator 2:</b> Biometric census of all government employees completed	<b>Baseline (2015):</b> 0% <b>Target (2020):</b> 90% <b>Actual (2020):</b> 90% <b>Actual (2021):</b> 100% <b>Baseline (2015):</b> No <b>Target (2019):</b> Yes <b>Actual (2019):</b> Yes	<b>Achieved.</b> A biometric census covering 50,922 civil servants and civil pensioners was completed in February 2019 (Progress Indicator 2). About 22,655 irregular cases were identified (e.g., individual not found, invalid NID, deceased and duplicated NID numbers). As of October 2020, 90% of these anomalies have been corrected or removed.	<ul style="list-style-type: none"> <li>Formation of a cross-Ministry technical committee (public service, finance, health, education) fostered coordination between agencies</li> <li>A Human Resource Management Steering Committee (subcommittee of project steering committee) chaired at the PS level was convened on an ad hoc basis to resolve bottlenecks and was instrumental in moving this activity forward</li> </ul>	

<sup>124</sup> (a) Reserve Advisory and Management Partnership TA (FY16-21) P155971, Lesotho #P9 Financial Inclusion, TF0A1160 -TAS-TF0A1160, The World Bank; (b) Lesotho Mission on Procuring a Portfolio Management System, Central Bank of Lesotho, August 5-9, 2019 – P155971, The World Bank.

<sup>125</sup> Tobacco and Alcohol Taxation TA, FY17-18: (P155971 - Lesotho #P9 Financial Inclusion) Report Number 138485; published on January 27, 2019 - TF0A0339-Program Coordination and Community of Practice; TF0A9728-Global Tobacco Control Program Coordination.

<sup>126</sup> (a) International Tax Capacity Building Program, FY19-21 (P170177); The World Bank; (b) Lesotho: Mission, Improving International Tax Capacity; November 25-29, 2019 (P170177); The World Bank

Objective	Overall Rating	Indicator	Baseline / Targets / Actual	Status at CLR	Lessons Learned and Suggestions for the New CPF	Bank Program Instrument
		<p><b>Objective Indicator</b></p> <p><b>3:</b> Non-eligible beneficiaries eliminated from the OAP roster</p> <p><b>Progress Indicator</b></p> <p><b>3:</b> Percentage of OAP beneficiaries with a yearly proof of life verification.</p>	<p><b>Baseline (2015):</b> 0</p> <p><b>Target (2020):</b> 90% (15,000 eligible persons)</p> <p><b>Actual (2020):</b> 122% (18,281 eligible persons)</p> <p><b>Baseline (2015):</b> 0</p> <p><b>Target (2019):</b> 65%</p> <p><b>Actual (2019):</b> 85%</p>	<p><b>Achieved.</b> About 18,281 persons have been removed from the OAP roster against the target of 15,000 (achievement rate &gt;100%). Among 82,098 pensioners on the Nov 2019 pay list, 85% were verified. Further, the new OAP manual and management information system require annual Certification of Eligibility checks. Beneficiaries must show up in person for payments once a year. Hence, going forward annual proof of life checks for all OAP beneficiaries are automated. Moreover, every month the OAP payroll list is cross-checked against NICR database so that newly diseased or otherwise ineligible beneficiaries can be removed.</p>	<ul style="list-style-type: none"> <li>Implementation of data collection (census) and data cleaning (ongoing) took longer than initially anticipated and more realistic timelines may need to be set up front</li> <li>Based on the progress, a result-based approach such as DLIs / PforR can be more utilized in the next CPF.</li> <li>There has been significant attention from the Public Accounts Committee and the SAP (because of the DLI the Pensions Dept has been under pressure to cease payments and report on that<sup>27</sup>). Also, progress and its measurement have been constrained by the very poor quality of the data in the DLIs data base which makes it hard to verify the net impact of ceased payments.</li> </ul>	<p><b>Lending:</b></p> <p>PSMP (P152398, Active)</p> <p><u>Social Assistance Project (P151442, Active)</u></p> <p>PFM Reform Support Project (P143197, Closed)</p> <p><u>Transport Infrastructure and Connectivity Project (P155229, Active)</u></p> <p><b>Partners</b></p> <p>AfDB, EU, IMF, UNICEF</p>
		<p><b>Objective Indicator</b></p> <p><b>4:</b> Enhanced delivery of Motor Vehicle services to Citizens</p> <p><b>Progress Indicator</b></p> <p><b>4:</b> Establishment of National Road Safety Council</p>	<p><b>Baseline (2015):</b> No</p> <p><b>Target (2023):</b> Yes, as evidenced by reduction in processing time using the Lesotho Integrated Transport Information System of: driver licenses, vehicle registration certificates, and issuance of roadworthiness inspection certifications as well as operationalization of the Road Accident Data Management System.</p> <p><b>Actual (2021):</b> No</p> <p><b>Baseline (2015):</b> No</p> <p><b>Target (2018):</b> Yes</p> <p><b>Actual (2021):</b> Yes</p>	<p><b>Not achieved.</b> the Lesotho Integrated Transport Information System (revised plan in 2021) and the Road Accident Data Management System (revised plan in 2020) have not yet been operationalized. Procurement process has been significantly delayed (e.g., government proposal of a procurement method that was unacceptable to the World Bank). The National Road Safety Council was established in 2019 (Progress Indicator 4). However, the council did not have budget and was non-operational.</p>	<p>This indicator was planned to be supported by Transport Infrastructure and Connectivity Project (TICP). The project approved in Dec 2017 started implementation in 2018. Thus, there has not been enough time to support achievement of the objective indicator. Also, the government has limited capacity and knowledge to implement the project. In the next CPF, timing should be carefully considered to link a project with an objective indicator. Also, client ownership of a project as well as their understanding of project implementation manual should be significantly strengthened.</p>	

Objective	Overall Rating	Indicator	Baseline / Targets / Actual	Status at CLR	Lessons Learned and Suggestions for the New CPF	Bank Program Instrument
<b>Objective 2:</b> Improve the risk-responsiveness and equity of the social assistance system	<b>Mostly Achieved</b>	<b>Objective Indicator 5:</b> Increased percentage of households receiving the expanded Child Grant Program that are in the poorest forty percent of the population	<b>Baseline (2015):</b> 65% <b>Target (2020):</b> 75% <b>Actual (2017):</b> 64% (the target was lowered to 70% in January 2020 during the restructuring of the SAP) <b>NISSA data (2020):</b> 4.3 percent increase of CGP 'poor' and 'ultra-poor' households in NISSA over the number of households in the 2016 census survey (footnote #58). <b>Baseline (2015):</b> 0 <b>Target (2019):</b> 100 <b>Actual (2019):</b> 100	<b>Mostly achieved.</b> The actual data was calculated based on the 2017/18 households survey (HHS) and is outdated. The updated HHS has been delayed due to COVID-19 and is now planned for 2022/23. . . Nevertheless, NISSA data and DLI achievement show that the number of "poor" and "ultra-poor" households covered by CGP significantly increased from 26,681 households in 2017/18 to 50,000 households in 2020 <sup>28</sup> , which is an increase equivalent to 4 percent of the total number of households <sup>29</sup> . . . All of the new CGP households were selected from those under the NISSA poverty thresholds. Only around 11,000 households (22% of total CGP) were selected outside of NISSA before it existed. Some of these may not be poor. The improvement in NISSA system has been used to better target beneficiary households. The share of households receiving the expanded CGP in the poorest forty percent of the population is likely to be significantly increased between 2017/18 and 2020. In fact, the 4% increase in "poor and "ultra-poor" CGP households in NISSA suggests achievement closer to the revised target of 70%, subject to eventual HHS (2022/23) measurement. Removing ineligible households from the OAP payroll has also contributed to better equity of social assistance programs. On Progress Indicator 5, all 64 rural community councils were covered by NI SSA (this indicator only measures community councils in rural areas). Covering 12 urban councils was completed in June 2021.	<b>Lessons (Set realistic targets):</b> Align CPF and HHS timeframes; Ensure robust measurement alternatives in case of HHS derailment. The initial target of the objective indicator was too ambitious. Compared to other countries a 65% target for the bottom 40% is already pretty high and any significant increase would be difficult. During the January 2020 restructuring of the SAP, the indicator target was lowered to 70% to be achieved in 2021. The coverage for bottom 40% had to rely on the household surveys that take place every several years. Thus, the most updated HHS data is not currently available due to delays caused by COVID-19. In the absence of an updated HHS at the end of the CPF period in this case, NISSA CGP data together with verified achievement of pertinent DLIs and strong M&E constitute a robust alternative and are used for ascertaining achievement of Objective indicator #5 in the CLR.	<b>ASAs</b> <b>FY16</b> Forever Young: Southern Africa: Preparing social sectors for a changing population (P151636) <sup>130</sup> <b>Year Unspecified</b> Rapid Social Response Trust Fund; TA on Financial Inclusion <b>Lending</b> <a href="#">Social Assistance Project (P151442, Active)</a> <b>Partners</b> EU, FAO, UNICEF, WFP, UNDP, UNICEF
<b>Objective 5:</b> Increased percentage of community councils in the country covered by NISSA-CBT registry						

<sup>128</sup> World Bank (2021) Lesotho Social Protection Programs and Systems Review

<sup>129</sup> The total number of households was 537,457 (2016 census survey). The increase (23,381) is equivalent to 4.3 percent of the total number of households.

<sup>130</sup> Forever Young - Southern Africa: Preparing Social Sectors for a Changing Population (P151636, FY16)

Objective	Overall Rating	Indicator	Baseline / Targets / Actual	Status at CLR	Lessons Learned and Suggestions for the New CPF	Bank Program Instrument
		<p><b>Objective Indicator 6:</b> Increased percentage of vulnerable households reached through the existing social protection system if there is a shock or natural disaster</p> <p><b>Progress Indicator 6:</b> Enrollment in the Child Grant Program</p> <p><b>Progress Indicator 7:</b> Number of active mobile money accounts per 1,000 adults</p>	<p><b>Baseline (2015):</b> 0%</p> <p><b>Target (2020):</b> 80%</p> <p><b>Actual (2020):</b> 100% (all CGP household)</p> <p><b>Baseline (2015):</b> 24,500 households</p> <p><b>Target (2019):</b> 42,000 households</p> <p><b>Actual (2020):</b> 49,300 households</p> <p><b>Baseline (2015):</b> 150</p> <p><b>Target (2019):</b> 325</p> <p><b>Actual (2018):</b> 481</p>	<p><b>Achieved.</b> In 2019/20, the CGP scale-up system covered close to 100% of existing CGP households in all 10 districts.</p> <p>The enrollment in the CGP (Progress Indicator 6) exceeded the target already in early 2020, although the lockdown has affected further expansion of enrollment. The investments in the NISSA made by the project has also contributed to the increased shock-responsiveness of the social protection systems. Several Government and NGO programs used NISSA in selecting vulnerable households to receive support in response to drought or COVID-19. The number of active mobile money per 1,000 adults (Progress Indicator 7) exceeded the target in 2018.</p>	<p>The SAP has been effectively supporting the CGP including the response to the 2016 and the 2019-20 droughts. Despite the achievement in Progress Indicator 7, many CGP beneficiaries (esp. rural areas) receive the benefit through cash. Going forward, better use of digital transfers is expected to increase effectiveness and efficiency as well as accountability and governance.</p>	
Objective 3. Improve basic education outcomes	Partially Achieved	<p><b>Objective Indicator 7:</b> Reduction in dropout rate (Grade 1–Grade 6) in targeted primary schools<sup>131</sup></p> <p><b>Progress Indicator 8:</b> Increased number of targeted schools that disburse against approved SIPs</p>	<p><b>Baseline (2015):</b> 18%</p> <p>(This PLR figure was revised to 16% at restructuring)</p> <p><b>Target (2020):</b> 15%</p> <p><b>Actual (2018):</b> 15%</p> <p><b>Baseline (2015):</b> 0</p> <p><b>Target (2020):</b> 300 (100%)</p> <p><b>Actual (2019):</b> 371 (100%)</p>	<p><b>Achieved.</b> The dropout rate for 2017/18 (updated in December 2019) was 15%. On Progress Indicator 8, by the end of 2019, 371 had SIPs approved, and had received 50 percent of their associated school grant. Of these schools, 240 had spent half of their grants.</p>	<p>At the time of the CLR, the impact of the SIPs on the drop-out rate was not clear. An evaluation will be completed in late-2022 and if the results show a positive impact on the reduction of drop-out, it would be worth considering scaling up the SIP program nationally.</p>	<p><b>ASAs FY18</b>  <a href="#">Education Public Expenditure Review</a>  <b>Lending</b>  <a href="#">Education Quality for Equality (P156001, Active)</a>  <a href="#">Basic Education Improvement Project (P160090, Active)</a>  <a href="#">Transport Infrastructure and Connectivity Project (P155229, Active)</a>  <b>Partners</b>                      EU, FAO, UNICEF, WFP, UNDP, UNICEF</p>

<sup>131</sup> Targeted primary schools are the 300 lowest performing schools plus 32 other primary schools targeted by the basic education project. They are located mostly in mountainous poor rural areas. Performance criteria includes student flow, examination success rate, resources per student, and poverty level.

Objective	Overall Rating	Indicator	Baseline / Targets / Actual	Status at CLR	Lessons Learned and Suggestions for the New CPF	Bank Program Instrument
		<p><b>Objective Indicator 8:</b> Reduction in dropout rate (Grade 8-Grade 9) in targeted junior secondary schools<sup>132</sup></p> <p><b>Progress Indicator 9:</b> Reduction in pedestrian travel time to basic education services during rainy season in project areas</p>	<p><b>Baseline (2015):</b> 21%</p> <p><b>Target (2020):</b> 17%</p> <p><b>Actual (2018):</b> 22%</p> <p><b>Baseline (2015):</b> 0%</p> <p><b>Target (2019):</b> 50%</p> <p><b>Actual (2020):</b> N/A</p>	<p><b>Not achieved.</b> The dropout rate for 2018 was 22%. The 2019 data will be available in the last quarter of 2020. Data on Progress Indicator 9 is not available. However, 10 footbridges completed in Sep 2019 are expected to reduce average pedestrian travel time during the rainy season by about 50% from the baseline (initially estimated at about 5 hours). Twenty-five other footbridges will be completed after June 2020 and are also expected to result in a 59% reduction in travel time to basic services including schools, health centers and markets.</p>	<p>Consider alternative ways of interventions to reduce drop-out rates of junior secondary students such as subsidizing school fees, cash transfers to households, youth clubs with mentors to encourage school participation.</p>	
Objective 4. Improve health outcomes	Mostly Achieved	<p><b>Objective Indicator 9:</b> Average Health Facility Quality of Care Score at targeted primary care facilities<sup>133</sup></p> <p><b>Progress Indicator 10:</b> Number of targeted primary health facilities with PBF contract</p>	<p><b>Baseline:</b> 60.2 for six districts that introduced the performance-based approach between 2014 and 2017</p> <p><b>Target (2021):</b> 75 for all ten districts</p> <p><b>Actual (2019):</b> 81.</p> <p><b>Baseline (2015):</b> 35</p> <p><b>Target (2018):</b> 170 (this is 100% of primary health facilities in all 10 districts)</p> <p><b>Actual (2019):</b> 172</p>	<p><b>Achieved.</b> The overall score is 81. Other than Quthing district (score 72), the other 9 districts exceeded the target (score 75). On Progress Indicator 10, As of June 2019, 172 primary health facilities in 10 districts had PBF (Progress Indicator 10)</p>	<p>There was high acceptance of the PBF scheme by health facilities</p> <p>Quality reward scheme has drawn attention to the role facilities need to play to improve all dimensions of quality of care (human resource, equipment and technology)</p> <p>Design a quality reward scheme that government can easily absorb</p>	<p><b>ASA FY17</b></p> <p>Tobacco and Alcohol Taxation TA; FY17-18</p> <p><b>FY18</b></p> <p><u>Health PER</u></p> <p>Integrated Health Care Delivery (FY18-19)</p> <p><b>FY19</b></p> <p><u>Budget Absorption Challenges in the Health Sector in Lesotho</u></p>
		<p><b>Objective Indicator 10:</b> Improved QMMH contract management</p>	<p><b>Baseline (2015):</b> QMMH contract disputes go unresolved;</p> <p><b>Target (2020):</b> Contract disputes resolved in accordance with mechanisms and timelines established in the QMMH PPP contract</p> <p><b>Actual (2020):</b> Contract disputes remained unresolved</p>	<p><b>Not achieved.</b> Although PPP contract management unit has become functional (Progress Indicator 13), and a renegotiations framework to address the disputes was put in place, these achievements did not contribute to resolving the disputes. The government has decided to terminate the PPP Agreement citing unresolved issues triggered by operators termination of nurses.</p>	<p>Weak contract management by government hampers a smooth running of PPP in health service provision at the tertiary level</p> <p>The rest of the health system should function well to allow a tertiary PPP hospital to play its role in the system: streamlined referrals, quality of care at lower levels</p>	<p><b>Year Unspecified</b></p> <p>QMMH PPP Contract Management TA (IFC)</p> <p>PPIAF: PPP Diagnostic and Unit Development (including support by IFC Advisory)</p> <p><b>Lending</b></p> <p><u>Health Sector Performance Enhancement (P114859, Closed)</u></p> <p>Health Results Innovation Trust Fund (US\$ 4 million)</p>

<sup>132</sup> Targeted junior secondary schools are 71 junior secondary schools in the same catchment areas as the targeted primary schools.

<sup>133</sup> Targeted primary care facilities are those in all 10 districts.

Objective	Overall Rating	Indicator	Baseline / Targets / Actual	Status at CLR	Lessons Learned and Suggestions for the New CPF	Bank Program Instrument
		<p><b>Progress Indicator 11:</b> Develop health care referral guidelines</p> <p><b>Progress Indicator 13:</b> PPP contract management unit established and fully functional</p>	<p><b>Baseline (2015):</b> no referral system.  <b>Target (2019):</b> referral guidelines are developed and adopted  <b>Actual (2020):</b> Referral guidelines will be adopted by December 2020.  <b>Baseline (2015):</b> no PPP Unit or contract management unit  <b>Target (2019):</b> Clinical and Legal consultants on board in MOH Contract Management Office and MOF PPP Unit  <b>Actual (2020):</b> All planned positions are filled.</p>	<p>The development of healthcare referral guidelines (Progress Indicator 11) has been significantly delayed.</p>		<p>Regional Southern Africa Tuberculosis and Health Systems Support (P155658, Active)                      Southern Africa Tuberculosis and Health Systems Support Project Additional Financing (P173228)                      Lesotho COVID-19 Emergency Preparedness and Response Project (P173939)  <b>Partners</b>                      CDC, China, Clinton Health Access Initiative, Global Fund, Japan, Partners in Health, PEPFAR, UNAIDS, USAID, WHO, GAVI</p>
		<p><b>Objective Indicator 11:</b> Nationwide TB treatment success rate for new and relapse TB cases  <b>Progress Indicator 14:</b> Number of new/ relapse TB cases notified</p>	<p><b>Baseline (2015):</b> 71%  <b>Target (2020):</b> 80%  <b>Actual (2020):</b> 76%  <b>Baseline (2015):</b> 7,650  <b>Target (2019):</b> 7,150  <b>Actual (2019):</b> 7,136</p>	<p><b>Mostly achieved.</b> Although slightly short of the target, the treatment success rate for new and relapse TB cases increased from 71 percent in 2015 to 76 percent in 2020 against the target of 80 percent. The number of new / relapse TB cases steadily declined from 7,650 in 2015 to 7,136 in 2019 against the target of 7,150 (Progress Indicator 14, Achieved). The key challenges to further increase the treatment success rates are (a) difficulties in tracking migrant workers to and from South Africa; and (b) the high death rate of infected persons, estimated to be 13-15 percent, due mainly to treatment starting too late into the progression of the disease. A study is being conducted to identify other factors affecting the results.</p>	<p>TB burden remains high and requires a mix of well-targeted and scaled up interventions to make the next strides. TB data is coming from supervision reports and DHIS2.</p>	



Objective	Overall Rating	Indicator	Baseline / Targets / Actual	Status at CLR	Lessons Learned and Suggestions for the New CPF	Bank Program Instrument
<b>Focus Area 2. Promoting Private Sector Jobs Creation</b>						
<b>Objective 5:</b> Improve the Business Environment and Diversify the Economy	Achieved	<b>Objective Indicator 12:</b> Number of areas with investment climate reform progress during the CPF period <b>Progress Indicator 15:</b> Enhance the technology platforms at the One Stop Business Facilitation Center	<b>Baseline (2015):</b> 0 <b>Target (2020):</b> 4 <b>Actual (2020):</b> 5 <b>Baseline (2015):</b> Business registration done online at the One-Stop Business Facilitation Center <b>Target (2018):</b> e-payments accepted at the One-Stop Business Facilitation Center for business registration and licensing services <b>Actual (2020):</b> Achieved	<b>Achieved.</b> Five reforms have been recognized in Doing Business in 2015-2020 including: a. <b>DB2014 (Registering Property).</b> Streamlining procedures and increasing administrative efficiency. b. <b>DB2016 (Getting Credit).</b> Establishing its first credit bureau. c. <b>DB2017 (Getting Credit).</b> Expanding the coverage of its credit bureau. d. <b>DB2019 (Trading across Borders).</b> Implementing an automated customs data management system, ASYCUDA. e. <b>DB2020 (Starting a Business)</b> Removing the requirement and the certificate requirement and the inspection of the premises for all businesses. On Progress indicator 15, e-payment was started to be accepted at the One-Stop Business Facility Center (OBFC) by the target date. In addition, Maseru City Council has operationalized online e-Construction system and online e-payment for the related fees. OBFC has 2 online platforms (one for Company Registration and related fees) and 2 online e-payments (Business Permits and licenses and related fees).	However, the PMU of the PSCDDP II under the Ministry of Trade has played the role. The PMU has had strong support from senior government officials including the Principal Secretary and the head of the Investment Climate Committee. Also, IT vendors and consultants have been well informed on DB methodology, and thus focused on reducing transaction costs in line with DB methodology. Despite the progress in Business Climate, there have been significant delays in key reforms such as (a) Business Licensing and Registration Regulations; (b) Secured Lending Bill; (c) Regulations and the Collateral Registry; (c) Insolvency Bill; and (d) E-commerce bill. Lack of government capacity (e.g., expertise in some technical areas) and weak coordination have affected the delays in reforms. For example, the Insolvency Bill has had about 200 amendments.	<b>ASA</b> <b>FY18</b> IFC Investment Climate Advisory Services Program, (Ongoing) <b>FY19</b> <u>Unlocking the Potential of Lesotho's Private Sector: A Focus on Apparel, Horticulture and ICT</u> Horticulture Commercialization <b>FY20</b> <b>Year Unspecified</b> FIRST TA on Financial Inclusion (Ongoing; US\$ 1.49m) PPP Readiness Diagnostic and Unit Development (including support from PPIAF and IFC Advisory) <b>Lending</b> Second Private Sector Competitiveness and Economic Diversification (P160964, Active) Smallholder Agriculture Development Project (P119432, Closed) Smallholder Agriculture Development Project II (P165228, Active) Agriculture Productivity Program for Southern Africa (P164486, Active)
		<b>Objective Indicator 13:</b> Number of areas under horticulture crops (hectares) with Bank support	<b>Baseline (2015):</b> 43 hectares <b>Target (2020):</b> 212 hectares <b>Actual (2020):</b> 210 hectares	<b>Achieved.</b> The total achievements (a) Second Private Sector Competitiveness and Economic Diversification (P160964, Active) and (b) Smallholder Agriculture Development Project (P119432, Closed) were 210:3 hectares.	Objective indicator was (a) well designed and based on planned availability of data and (b) well aligned to the results matrix of relevant projects. An important indicator to track ongoing transformation in the agriculture sector from staple to high value, nutrient-dense crops. Considering the positive benefits of this growing trend in the economy, it will be useful to continue tracking this shift and keep this indicator in the next CPF (both SAPP II and APPSA will contribute to this indicator).	<b>MIGA</b> First Rand Central Bank Mandatory Reserve Cover guarantee <b>Partners</b> AFDB, EU, USAID

Objective	Overall Rating	Indicator	Baseline / Targets / Actual	Status at CLR	Lessons Learned and Suggestions for the New CPF	Bank Program Instrument
Objective 6. Build climate resilience and improve agricultural productivity	Partially Achieved	<p><b>Objective Indicator 14:</b> Change in yields of the major crops in targeted districts (percentage).<sup>134</sup></p> <p><b>Progress Indicator 16:</b> Number of farmers receiving competitive grants</p>	<p><b>Baseline (2015):</b> 0</p> <p><b>Target (2020):</b> 12%</p> <p><b>Actual (2020):</b> 21%</p> <p><b>Baseline (2015):</b> 4,800</p> <p><b>Target (2019):</b> 7,570</p> <p><b>Actual (2020):</b> N/A</p>	<p><b>Partially Achieved.</b> There is lack of data to cover all the major crops as defined in the PLR to measure the progress of Objective Indicator 14. However, the end-of-project impact assessment of major cash crops under SADP showed that productivity of tomatoes and cabbages increased by 21 percent. The actual number of farmers receiving competitive grants (Progress Indicator 16) was not available. Nevertheless, through the SADP, 878 competitive grants were provided of which 193 were commercially viable against the project target of 120.</p>	<p>The Objective Indicator and Progress Indicator could have been aligned with planned availability of data the results matrix of SADP.</p>	<p><b>ASA FY16</b> Water Security and Climate Change Assessment Early Warning System TA (P145084)<sup>135</sup></p> <p><b>FY18</b> Climate Smart Agriculture Profile</p> <p><b>FY19</b> Climate Smart Agriculture Investment Plan (P165232) <a href="#">Agriculture PER</a></p> <p><b>FY20</b> First TA on protection and management of ecosystem services for an inclusive climate resilient future of Lesotho (under preparation)</p> <p><b>Year Unspecified</b> FIRST TA on Financial Inclusion</p> <p><b>Lending</b> Second Private Sector Competitiveness and Economic Diversification (P160964, Active) Smallholder Agriculture Development Project (P119432, Closed) Smallholder Agriculture Development Project II (P165228, Active) Agriculture Productivity Program for Southern Africa (P164486, Active)</p> <p><b>Partners</b> EU, GIZ, MCC, IFAD, FAO</p>
		<p><b>Objective Indicator 15:</b> Land area with climate-smart agriculture and sustainable landscape management practices (hectares)</p> <p><b>Progress Indicator 17:</b> Number of farmers adopting climate-smart agricultural technologies with Bank support</p>	<p><b>Baseline (2015):</b> 175</p> <p><b>Target (2020):</b> 1,800</p> <p><b>Actual (2020):</b> 175</p> <p><b>Baseline (2015):</b> 234</p> <p><b>Target (2019):</b> 3,000</p> <p><b>Actual (2020):</b> 3,271</p>	<p><b>Not achieved.</b> The new target was introduced during the PLR. SADP contributed to the adoption of CSA technologies and increased land area under CSA practices. However, the number of ha under CSA practices was not tracked. The PLR assumed that the target would be achieved under SADP II and Agriculture Productivity Program for Southern Africa (APPSA). Both projects have just recently started full scale implementation and this indicator will be tracked.</p>		

<sup>134</sup> Targeted districts are Berea, Butha-Butha, Leribe, Mafeteng, Maseru, Molele's Hoek and Quthing. Major crops are cereals, maize, sorghum, potato, tomato, cabbage, pumpkin, spinach and carrot.

<sup>135</sup> P145084 Lesotho: Climate and Water Risk Analysis and Early Warning System Information Management Systems

Objective	Overall Rating	Indicator	Baseline / Targets / Actual	Status at CLR	Lessons Learned and Suggestions for the New CPF	Bank Program Instrument
<b>Objective 7:</b> Increase water and renewable energy supply for industrial and agriculture opportunities	<b>Not Achieved</b>	<b>Objective Indicator 16:</b> Bulk water supply works underway or completed in priority water demand zones (i.e., with significant industrial water demand) <b>Progress Indicator 18:</b> Infrastructure Gap Analysis identifies priority areas for provision of bulk supply to meet water demand especially in areas of high industrial, commercial and/or agricultural use and potential	<b>Baseline (2015):</b> 0 <b>Target (2020):</b> 2 designated water demand zones (Maputsoe and Leribe) with bulk water supply works underway or completed <b>Actual (2020):</b> 0 <b>Baseline (2015):</b> 0 <b>Target (2018):</b> 9 <b>Actual (2018):</b> 0	<b>Not achieved.</b> Design work and safeguards work require additional time and construction work is expected to begin in late 2020. Water Demand Assessment was completed by the Water Commission in 2018 for the eight water demand zones. The demand assessment was instrumental to the mobilization of required financial resources (zone 2 and 3- World Bank and 7 and 8 EU/EIB). The infrastructure Gap Analysis (Progress Indicator 18) was not achieved.	<b>Capacity constraints in the government</b> and their ability to manage contractors to undertake analysis/detailed designs required has caused the significant delays to meet the objective indicator. Even when an objective is supported by a World Bank-financed project, government's capacity constraints and contract management capacity need to be taken into consideration. Thus, a phased contract approach (with progression subject to satisfactory performance in the preceding phase) should be promoted for large consultancies with multiple critical outputs.	<b>ASA FY16</b> Water Security and Climate Change Assessment <b>Year Unspecified</b> Scaling up Renewable Energy TA <sup>136</sup> <b>Lending</b> Water Sector Improvement APL Phase II (P108143, Closed) Lowlands Water Development Project Phase II (P160672, Active) Renewable Energy and Energy Access Project (P166936, Active) <b>Partners</b> Abu Dhabi Fund, AfDB, BADEA, China, EU, EIB, Kuwait Fund, OFID, China, USAID
		<b>Objective Indicator 17:</b> Number of privately financed industrial/agriculture projects to be supplied by electricity infrastructure through Bank support <b>Progress Indicator 19:</b> SREP Investment Plan completed	<b>Baseline (2015):</b> 0 <b>Target (2020):</b> 10 <b>Actual (2020):</b> 0 <b>Baseline (2015):</b> Not completed <b>Target (2018):</b> Completed <b>Actual (2017):</b> Completed in 2017	<b>Not achieved.</b> No project has been completed. However, Lesotho Electricity Company has made progress in the preparation of the first industrial site in Burtha Buthe to be electrified under the World Bank subject to the completion of safeguard analyses. SREP Investment Plan (Progress Indicator 19) was completed on time, which contributed to mobilizing funds from the Climate Investment Fund and other development partners.	Progress of the objective indicator shows a risk to overly assume contribution from a pipeline project. During the PLR in 2019, it assumed that Renewable Energy and Energy Access Project (P166936) would be effective in the same year. However, it was the first energy sector engagement in Lesotho.	

<sup>136</sup> (a) Lesotho: Scaling Renewable Energy Program (SREP), P160583; (b) Scaling-up Renewable Energy Investment Plan, Report Number 132198, Published November 19, 2018 - - accessed at: <https://wbdocs.worldbank.org/wbdocs/drf/objctid/090224b0865ea1a3>

## CLR Annex 3. Lesotho World Bank Lending program FY16-20 Planned Vs Actual, US\$ million

FY	CPF PLANNED	IDA	PLR	IDA	ACTUAL	IDA
FY16	Public Sector Modernization Project	10	<b>(Actual)</b> Public Sector Modernization Project	10	Public Sector Modernization Project (P152398)	10
	Social Assistance	20	<b>(Actual)</b> Social Assistance Project	20	Social Assistance Project (P151442)	40 (incl. CRW-funded AF)
	Education Quality for Equality	25	<b>(Actual)</b> Education Quality for Equality	25	Education Quality for Equality Project (P156001)	25
	Regional TB	15	<b>(Actual)</b> Southern Africa TB and Health Systems Support Project	15	Southern Africa TB and Health Systems Support Project (P155658)	15
FY17	Global Partnership for Education	2			Lesotho Basic Education Improvement Project (P160090)	2.1
	AF Private Sector Competitiveness	14.5	<b>(Actual)</b> Second Private Sector Competitiveness and Economic Diversification – Additional Financing	13.4	Second Private Sector Competitiveness and Economic Diversification – Additional Financing (P160964)	13.4
			<b>(Actual)</b> Social Assistance Project Additional Financing (CRW)	20	Social Assistance Project Additional Financing (CRW) (P160934)	20
FY18	<b>FY18-20</b> Transport Infrastructure and Connectivity	30	<b>(Actual)</b> Transport Infrastructure and Connectivity Project	18.3	Lesotho Transport Infrastructure and Connectivity Project (P155229)	18.3
	AF Smallholder Agriculture Development	10	<b>(Actual)</b> Smallholder Agriculture Development Project Additional Financing	10	Lesotho Smallholder Agriculture Development Project Additional Financing (P162397)	10
	Lowlands Water and Electricity	20				
			<b>(Actual)</b> Agriculture Productivity Program for Southern Africa Project	25	Agriculture Productivity Program for Southern Africa Project (P164486)	25
	Highlands Water Phase II	TBD				
	IPF/DPO	17				
FY19			<b>(Planned)</b> Smallholder Agriculture Development II	50 (IDA) 2 (JPHRD)	Smallholder Agriculture Development II (P165228)	50 (IDA) 2 (JPHRD)
			<b>(Planned)</b> Lowlands Water (78 IDA, 48 Scale up facility)	78	Lowlands Water Development Project (P160672)	78
FY20			<b>(Planned)</b> Health and Nutrition Project	60		
					Lesotho COVID-19 Emergency Preparedness and Response Project (P173939) <sup>137</sup>	7.5
					P173228 - Southern Africa Tuberculosis and Health Systems Support Project Additional Financing (P173228)	21
			<b>(Planned)</b> Renewal Energy and Energy Access	40 (IDA) 12.9 (SREP)	Renewal Energy and Energy Access Project (P166936)	40 (IDA) 12.9 (SREP)
<b>Total</b>	<b>11 projects</b>	<b>163.5+</b>	<b>13 projects</b>	<b>156.7 (Actual) + 228 (Planned)</b>	<b>13 projects</b>	<b>350.2</b>

<sup>137</sup> This project is counted in IDA19.

## CLR Annex 4. Lesotho ASA program FY16-20 Planned vs Actual

Planned	Actual
<p>Lesotho Water Security and Climate Change Assessment, FY16</p> <ul style="list-style-type: none"> <li>Forever Young Southern Africa: getting social sectors ready for a changing population, FY16</li> <li>Health Public Expenditure Review (PER)/Public Expenditure Tracking Survey (PETS)/Quality Service Delivery Survey (QSDS), FY17</li> <li>Comprehensive Health Financing Status Report: Improving the Long-term financial sustainability of the Lesotho Queen Mamohato Memorial Hospital PPP, FY17</li> <li>Improving Efficiency of Parastatals, FY17</li> <li>Public Expenditure Review, FY17</li> <li>Medium Term Debt Management Strategy, FY17</li> <li>Youth Employment and School to Work Transition in Southern Africa (Regional, Programmatic, FY15-17)</li> <li>How to Improve Job Readiness of Post Primary Graduates, (FY15-17) Employment Dynamics and Jobs (Regional, Programmatic, FY15-17)</li> <li>Jobs, Growth and Competitiveness (Regional, Programmatic, FY15-17)</li> <li>GVCs, Completeness and Integration (Regional, Programmatic, FY15-16)</li> <li>Financial Inclusion in Southern Africa (Regional, Programmatic, FY15-17)</li> <li>Poverty Assessment, FY18</li> <li>Private Sector Diagnostic, FY18</li> <li>Climate Smart Agriculture Policy Framework, FY18</li> <li>Continuous Survey Methodology<sup>138</sup></li> <li>Debt Management Technical Assistance</li> <li>Tobacco Taxation Technical Assistance</li> <li>Rapid Social Response Technical Assistance</li> <li>FIRST- Technical Assistance on Strengthening Insurance and Pension Regulation and Supervision of Technical Assistance on Financial Inclusion</li> <li>Early Warning System Technical Assistance</li> <li>Scaling Up Renewable Energy</li> <li>Investment Climate Advisory Services Program, with an emphasis on Doing Business Reforms, investor attraction and retention, and trade facilitation (IFC)</li> <li>PPIAF – PPP Policy and Unit Development (IFC)</li> <li>Queen Mamohato Memorial Hospital (QMMH) PPP Contract Management TA (IFC)</li> </ul>	<p><b>FY16</b></p> <p>Lesotho Gender Study (<a href="#">P151705</a>)</p> <p><b>FY17</b></p> <p>State-owned Enterprises: A Country Policy Note (<a href="#">P156809</a>)</p> <p>Water Security and Climate Change Assessment (<a href="#">P145084</a>)</p> <p>A Snapshot of Early Mobile Money Service Uptake in Lesotho (<a href="#">P150978</a>)</p> <p>Southern Africa Job-readiness of Secondary Education Graduates (<a href="#">P161598</a>)</p> <p>LHWP Royalties Model Modernization</p> <p>WEAP Manual</p> <p>TA on Hospital PPP Health Expenditure Analytics (<a href="#">P161937</a>)</p> <p><b>FY18</b></p> <p>Health Public Expenditure Review (<a href="#">P153463</a>)</p> <p>Technical Assistance on Strengthening Insurance and Pension Regulation and Supervision TA (<a href="#">P154285</a>)</p> <p>Forever Young? Southern Africa: getting social sectors ready for a changing population</p> <p>Medium-term Debt Management Strategy (<a href="#">P163032</a>)</p> <p>Climate Smart Agriculture Policy Framework (<a href="#">P165232</a>)</p> <p>Developing a Trade Integration Strategy (<a href="#">P160964</a>)</p> <p>Scaling Up Renewable Energy Investment Plan (<a href="#">P164894</a>)</p> <p><b>FY19</b></p> <p>Unlocking the Potential of Lesotho's Private Sector, A Focus on Apparel, Horticulture and ICT (<a href="#">P164862</a>)</p> <p>Public Expenditure Review: Improving Expenditure Efficiency for Inclusive Development and Growth (<a href="#">P160784</a>)</p> <p>Climate Smart Agriculture Investment Plan (<a href="#">P165232</a>)</p> <p>Agriculture Public Expenditure Review (<a href="#">P168208</a>)</p> <p><a href="#">Education Public Expenditure review</a></p> <p>The Market for Remittance Services in Southern Africa (<a href="#">P155971/ P151714</a>)</p> <p>DEMPE TA (<a href="#">P167848</a>)</p> <p>Linking Smallholders to Markets: A Supplier Development Program for Vegetable Farmers in Lesotho (<a href="#">P168658</a>)</p> <p>Lesotho Poverty Assessment: Progress and Challenges in Reducing Poverty (<a href="#">P164927</a>)</p> <p>TA to the Lesotho National Identification and Civil Registry Department (<a href="#">P168449</a>)</p> <p><b>FY20</b></p> <p>Maximizing Budget and Implementation efficiency to reduce child stunting in Lesotho (<a href="#">P171005</a>)</p> <p>Unlocking the promise of digital development in Lesotho (<a href="#">P168716</a>)</p> <p>Lesotho Financial Inclusion TA (<a href="#">P155971</a>)</p> <p>Adolescent Girls Health</p> <p>Social Protection System Performance</p> <p>Integrated Catchment Management (<a href="#">P172476</a>)</p> <p>Identity for Development TA (<a href="#">P172405</a>)</p> <p>Country PPP Readiness Diagnostic (<a href="#">P167214</a>)</p> <p>Land Administration Reform Activities TA (<a href="#">P167090</a>)</p> <p>Supporting the Development of an Integrated Health Care Delivery System (<a href="#">P164066</a>)</p> <p>Building Social Protection's role in disaster response and resilience in Swaziland and Lesotho (<a href="#">P161098</a>)</p>

<sup>138</sup> Continuous Survey Methodology TA FY17-18: (P151673) - - Lesotho Continuous Survey Methodology - TF017927; The World Bank

## CLR Annex 5. IFC Operations

FY	Services
FY16	601709 – Vodacom Lesotho 599497 – Post Advisory Support QMMH PPP
FY17	601519 – Lesotho Investment Climate Program 599497 – Post Advisory Support QMMH PPP
FY18	601519 – Lesotho Investment Climate Program 604289 – DFS Vodacom Lesotho 599497 – Post Advisory Support QMMH PPP
FY19	601519 – Lesotho Investment Climate Program 604289 – DFS Vodacom Lesotho PPP Readiness Diagnostic and Unit Development 599497 – Post Advisory Support QMMH PPP
FY20	601519 – Lesotho Investment Climate Program 599497 – Post Advisory Support QMMH PPP 604289 – DFS Vodacom Lesotho
FY21	601519 – Lesotho Investment Climate Program 599497 – Post Advisory Support QMMH PPP 604289 – DFS Vodacom Lesotho
FY22	601519 – Lesotho Investment Climate Program 599497 – Post Advisory Support QMMH PPP 604289 – DFS Vodacom Lesotho

## CLR Annex 6. MIGA Operations (gross outstanding exposure as of June 30, 2020)

Project ID	Effective Date	Expiry Date	Project	Investor Country	Business Sector	Gross Outstanding Exposure (US\$)
14563	Jun-20	Jun-35	First National Bank of Lesotho Limited	South Africa	Financial	5,153,120

## CLR Annex 7. Summary of the 2020 Review of World Bank Portfolio and Way Forward

**1. The Review:** The objective of the Review is to (a) understand the reasons for limited performance of the World Bank-finance projects (e.g., slow implementation); (b) recommend actions for (i) portfolio management and improvement and (ii) achieving project results; and (c) improve preparation, implementation, supervision and reporting. The World Bank's IST conducted a desk review of 10 ongoing projects, reviewed available documents (portfolio reviews and internal progress reports) and interviewed Task Team Leaders (TTLs) and Program Leaders. Then, the IST visited Lesotho to interview selected Project Implementation Units (PIUs) and country-based World Bank staff. Due to the budget preparation period of the Government, the IST could not interact with the Ministry of Development Planning (MoDP) and Ministry of Finance (MoF). Nevertheless, the Country Director informed the purpose of the Review to the then Finance Minister, Principal Secretary and senior staff of MoF during her visit to Lesotho in March.

### Key Findings

- **Incomplete project preparation.** Projects are not ready for implementation at effectiveness, therefore activities and disbursements in the first year are not happening as planned.
- **Slow start up of projects and slow implementation.** Projects use the first year of implementation to prepare bidding documents which will be awarded only in the second year, delaying project implementation. Project management (e.g., results monitoring) remains weak. Uneven involvement of Steering Committees hampering progress and strategic coordination of activities.
- **Multiplication and non-strategic use of PIUs.** Some ministries have several PIUs. There is limited ownership and leadership of ministerial departments due to the existence of PIUs taking the lead in implementation which jeopardizes capacity building of ministerial staff.
- **Limited monitoring and review of the portfolio, on a regular basis.** Portfolio performance is not properly monitored, disbursement targets are not set and systemic issues are not resolved in a timely manner.
- **Need for training and better communication.** PIUs and ministerial departments are not familiar with results, M&E, safeguards policies and procedures, mid-term reviews and closing of projects. General public and broader stakeholders are not informed sufficiently of projects activities and impact.
- **Limited strategic interactions with the government.** Low strategic interactions between the government and the World Bank limit the opportunity of strategic discussion and technical exchanges.

### Key Recommendations

- **Strengthen project preparation:** Conducting a more thorough and detailed project preparation to ensure a timely start of activities right after effectiveness. Thus, it is recommended to start applying a Readiness Filter to be agreed by the Government and the World Bank. The Readiness Filter lists all actions to be completed prior to negotiation of all new projects.
- **Improve project implementation:** Recommendations relate to technical improvement on project implementation including (a) launching workshops, (b) strengthening monitoring and evaluation, (c) preparing budgeted Annual Work Plans (AWPs), (d) ensuring availability of counterpart funds, (e) improving contract management, (f) strengthening citizen engagement and (g) operationalizing the

grievance redress mechanisms. In addition, the Review specifically suggests strengthening Project Steering Committees to oversee project implementation. This, for example, requires participation of a Principal Secretary.

- **Review the use of PIUs:** The concept of PIU contradicts with real implementation of projects. Ministerial departments should be responsible for project implementation rather than a separate PIU. In addition, PIUs are building little capacity in sectoral ministries. It is recommended to conduct a thorough analysis of PIUs (numbers, role, staffing, interaction with ministerial departments) to find a more integrated model of project management, ensuring that ministerial departments have ownership and leadership of project activities. Until the review of PIUs is completed, it is recommended to establish a new PIU with the ultimate objective of PIU-free ministries. Furthermore, the multiplication of PIUs introduces a number of parallel accounting structures dealing with the World Bank disbursement office. Thus, it is recommended to explore a possibility of creating a central accounting unit dealing with all World Bank-financed projects.
- **Intensify of portfolio reviews:** There is no formal mechanism to conduct a joint portfolio review between the government and the World Bank. Based on other countries' experiences, it is recommended to organize high-level joint bi-annual reviews: mid-year and end of the year, to discuss the performance of the portfolio. The portfolio review will be led by the MoDP, MoF, and include participation of implementing ministries agencies and the World Bank team. Similarly, quarterly meetings at technical level could help monitor the progress in disbursements (measuring the speed of implementation) with a minimum target of 20 percent disbursement per project per year, based on projects projections.
- **Develop training and communication:** World Bank keeps providing training on procurement and financial management. While these trainings will have to be sustained, it is recommended to broaden the areas to include: (a) results management, (b) monitoring and evaluation, (c) project mid-term reviews, completion reports, and (d) safeguards. These training programs will include participation of World Bank TTLs, PIUs and ministerial departments. Communication on the portfolio performance is key for information of the Lesotho population, particularly on the way projects are improving their day-to-day life. A joint communication strategy could be discussed between the government and the World Bank. Social media should be promoted in addition to traditional means (email and use of website) for communication.
- **Develop a close partnership between the Government-World Bank:** It is recommended that the government establishes a Government IST to mirror the World Bank IST. The Government IST should include representatives of the MoDP and MoF. The two ISTs will work together to address project bottlenecks and/or cross cutting issues through ad-hoc meetings. The combination of high-level regular portfolio reviews, technical quarterly reviews and ISTs meetings could help develop a new dynamic and stronger partnership between the Government and the World Bank for strengthened strategic exchanges.



## CLR Annex 8. Citizen Engagement Results for Lesotho - Portfolio Review in FY16-20

**1. Corporate commitment on citizen engagement.** At the 2013 Annual Meetings, the World Bank Group pledged to incorporate citizen engagement in 100 percent of IPFs with clearly identified beneficiaries. To support this, the World Bank adopted the Strategic Framework for Mainstreaming Citizen Engagement in WBG Operations (CE Strategic Framework) in December 2014. The WBG Corporate Scorecard tracks the progress of this commitment. All IPF operations (including Additional Financing) must meet three requirements:

- a) Projects must have a citizen-oriented design, i.e., declare intention to engage with citizens during implementation, and explicitly describe CE mechanisms in the Project Appraisal Document (PAD)/ Project Paper (PP);
- b) Projects' Results Frameworks must include Beneficiary Feedback indicator(s) to monitor citizen engagement throughout project implementation; and
- c) Projects must report on the Beneficiary Feedback indicator(s) in Implementation Status and Results Reports (ISRs) from the third year of implementation or demonstrate credible progress towards reporting.

### Summary of Findings

2. A review was conducted on 8 Board-approved Investment Project Financing (IPF) operations from FY16 to FY20. Results for FY15 are excluded by the Citizen Engagement Secretariat as the CE Strategic Framework was adopted in December 2014 (i.e., halfway through FY15), as a result IPFs approved in the first half of FY15 preceded the CE requirements. The corporate reporting for an external audience begins with the FY16 portfolio.

3. Between FY16-20, 100 percent of the projects in Lesotho were found to have a citizen-oriented design (Requirement 1 under the CE strategy) and included beneficiary feedback indicators in their Results Framework (Requirement 2). Amongst projects that are subject to Requirement 3 i.e., in their third year of implementation, 100 percent of the FY16 projects in Lesotho have been reporting on their beneficiary feedback indicators in the Implementation Status and Results reports (ISR) (Requirement 3). The remaining projects from FY17 onwards either do not have their ISR due yet or reviews on the ISRs are in process.

4. Comparison between results on Requirements 1 and 2 from Lesotho and the Africa Region (FY16-19) reveal that Lesotho has fared above average when compared with the region (Annex table 8-1).

**Table 8.1. Comparison between Lesotho and Africa**

	A. Citizen-Centered Design				B. Beneficially Feedback Indicators in the Results Framework			
	FY16	FY17	FY18	FY19	FY16	FY17	FY18	FY19
Lesotho	100	100	100	100	Lesotho	100	100	100
Africa	98	100	98	99	Africa	94	92	93

Project	Req 1: Citizen-oriented Design	Req 2: Beneficiary Feedback indicator in RF	Req 3: Reporting on Beneficiary Feedback indicators in ISR
Public Sector Modernization Project (P152398)	Yes	Yes	Yes
Social Assistance Project (P151442)	Yes	Yes	Yes
Lesotho Education Quality for Equality Project (P156001)	Yes	Yes	Yes
Additional Financing to Social Assistance Project - CRW funds (P160934)	Yes	Yes	No
Second Private Sector Competitiveness and Economic Diversification – AF (P160964)	Yes	Yes	Yes
Lesotho Smallholder Agriculture Development Project Addition (P162397)	Yes	Yes	Yes
Lesotho Transport Infrastructure and Connectivity Project (P155229)	Yes	Yes	Yes
Lesotho Lowlands Water Development Project - Phase II (P160672)	Yes	Yes	First ISR will only be available in 2022

## CLR Annex 9. List of References

- Country Systematic Diagnostic (CSD) for the Kingdom of Lesotho for the period FY16-20, June 25, 2015, (Report No. 97812-LS), The World Bank
- Country Partnership Framework (CPF) for the Kingdom of Lesotho for the period FY16-20, June 2, 2016, (Report No. 97823-LS), The World Bank
- Performance and Learning Review (PLR) for the Kingdom of Lesotho for the period FY16-20, April 17, 2019 (Report No. 136011-LS); The World Bank
- Reserve Advisory and Management Partnership TA; FY16-21 (P155971) - Lesotho #P9 Financial Inclusion - - TF0A1160 -TAS-TF0A1160; The World Bank
- Lesotho: Mission, RAMP Mission on Procuring a Portfolio Management System, Central Bank of Lesotho, August 5-9, 2019 (P155971); The World Bank
- Tobacco and Alcohol Taxation TA, FY17-18: (P155971) - Lesotho #P9 Financial Inclusion) Report Number 138485; published on January 27, 2019 - - TF0A0339-Program Coordination and Community of Practice; TF0A9728-Global Tobacco Control Program Coordination; The World Bank
- Continuous Survey Methodology TA FY17-18: (P151673) - - Lesotho Continuous Survey Methodology - TF017927 ; The World Bank
- International Tax Capacity Building Program, FY19-21 (P170177); The World Bank
- Lesotho: Mission, Improving International Tax Capacity; November 25-29, 2019 (P170177); The World Bank
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- Implementation Completion Report (ICR) for the Lesotho Health Sector Performance Enhancement, (Report No. ICR 4994), March 2, 2020, The World Bank
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- Review of Social Protection Systems in Southern Africa (P172175); Lesotho Social Protection Programs and System Review, August 20, 2020; The World Bank – accessed at: <https://wbdocs.worldbank.org/wbdocs/drl/objectId/090224b087ce72d9>
- The Market for Remittance Service in Southern Africa, Regional SADC, Lesotho: <http://documents1.worldbank.org/curated/en/986021536640899843/pdf/The-Market-for-Remittance-Services-in-Southern-Africa.pdf>
- Disability – Inclusive Education in Africa Program (November 30, 2018) <https://www.worldbank.org/en/topic/disability/brief/disability-inclusive-education-in-africa-program>
- Support to Early Childhood Development (Report 97851). <http://documents1.worldbank.org/curated/en/812191468187794860/pdf/97851-STE-Box391494B-PUBLIC-ECD-MergedFullReport-June25.pdf>

## Annex 4. Reflections of Lessons Learned in the CPF FY16-20

Lessons Learned	Reflections in the CPF FY24-28
1. Maintaining the contents of the CPF focus areas	<ul style="list-style-type: none"> <li>Selecting HLOs based on the SCD update and existing portfolio.</li> </ul>
2. Strengthening partnership with the government and other stakeholders for stronger program ownership, accountability and risk mitigation.	<ul style="list-style-type: none"> <li>More inclusive and broader stakeholder consultations for CPF preparation took place.</li> <li>Deepening stakeholder engagement during CPF implementation based on a stakeholder mapping exercise that is being prepared.</li> <li>Strengthening stakeholder engagement, especially with beneficiaries, of World Bank-funded projects through GRM.</li> <li>Commencing stakeholder engagement at the sub-national level through the proposed lagging-region approach.</li> <li>Establishing relationship with all levels of government officials.</li> </ul>
3. Strengthening systematic and proactive portfolio management through the adoption of proven practices targeting both project preparation and implementation issues.	<ul style="list-style-type: none"> <li>Ensuring more client ownership and dialogue during project preparation by engaging with the client from the very initial part of project preparation.</li> <li>Implementing remaining action plans in the 2020 Portfolio Review (e.g., strengthening synergies among World Bank-financed project, application to the readiness filter).</li> <li>Deepening collaboration with other development partners through joint meeting with senior government officials and joint field mission.</li> </ul>
4. Applying systematically a governance filter at all levels of World Bank engagements, including at the country, program and project levels, for more effective and timely risk mitigation and appropriate adaptation.	<ul style="list-style-type: none"> <li>Applying the Governance Facility at the project level including a political economy analysis during project preparation.</li> <li>Conducting a political economy analysis at the country level before/ after the next general election in September 2022 especially implication to CPF implementation.</li> <li>Including a relevant governance-related prior action (e.g., PFM) in a new development policy operation (DPO).</li> </ul>
5. Testing results-based financing for enhanced focus on development results and outcomes.	<ul style="list-style-type: none"> <li>Discussing with the client to introduce the PforR instrument and/or IPF with DLIs.</li> </ul>
6. Strengthening the Program Results Framework particularly related to realism of timeframes, result measurement, reporting, and evaluation for better program monitoring and engagement.	<ul style="list-style-type: none"> <li>Designing realistic CPF targets based on available data and information.</li> <li>Introducing an M&amp;E system to monitor CPF implementation more frequently through a web-based dashboard.</li> <li>Revisiting a project results framework based on the 2020 M&amp;E assessment of the World Bank-financed projects.</li> <li>Engaging with a M&amp;E specialist during project preparation.</li> <li>Providing technical assistance to client's M&amp;E system and practice.</li> </ul>
7. Building into the Program appropriate triggers, mechanisms and flexibility for responding swiftly to unexpected events of significant adversity.	<ul style="list-style-type: none"> <li>Providing technical assistance on Contingent Emergency Response Component (CERC) to the client to accelerate preparation and implementation of CERC.</li> <li>Considering including CERC to all new projects.</li> <li>Strengthening collaboration with other development partners that engage with natural disasters and shocks (e.g., WFP).</li> </ul>
8. Testing a spatial approach	<ul style="list-style-type: none"> <li>Synergizing World Bank-financed projects (e.g., health, education, infrastructure) at selected geographical areas with high number of poor and weak service delivery.</li> </ul>
9. Managing trade-offs in WBG corporate priorities through judicious selectivity in view of the country circumstances.	<ul style="list-style-type: none"> <li>Ensuring selectivity from IDA20 special themes and cross-cutting issues, GRID, Africa Regional Strategy, Africa Human Capital Plan, Climate Change Action Plan.</li> </ul>

## Annex 5. Selected Indicators of Bank Portfolio Performance and Management, FY20-23

As of September 14, 2022

Indicator	FY20	FY21	FY22	FY23
<b>Portfolio Assessment</b>				
Number of Projects Under Implementation <sup>a</sup>	9.0	9.0	9.0	9.0
Average Implementation Period (years) <sup>b</sup>	2.7	3.2	2.5	2.7
Percent of Problem Projects by Number <sup>a,c</sup>	0.0	22.2	0.0	0.0
Percent of Problem Projects by Amount <sup>a,c</sup>	0.0	34.4	0.0	0.0
Percent of Projects at Risk by Number <sup>a,d</sup>	0.0	33.3	0.0	0.0
Percent of Projects at Risk by Amount <sup>a,d</sup>	0.0	37.8	0.0	0.0
Disbursement Ratio (%) <sup>e</sup>	22.0	16.4	14.5	17.8
<b>Portfolio Management</b>				
CPPR during the year (yes/no)				
Supervision Resources (total US\$)				
Average Supervision (US\$/project)				
<b>Memorandum Item</b>	<b>Since FY80</b>			<b>Last Five FYs</b>
Proj Eval by IEG by Number	47			5
Proj Eval by IEG by Amt (US\$ millions)	650.0			119.7
% of IEG Projects Rated U or HU by Number	27.7			0.0
% of IEG Projects Rated U or HU by Amt	17.8			0.0

**a.** As shown in the Annual Report on Portfolio Performance (except for current FY).

**b.** Average age of projects in the Bank's country portfolio.

**c.** Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).

**d.** As defined under the Portfolio Improvement Program.

**e.** Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only. FY23 as of March 2023.

\*All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

## Annex 6. Link between the SCD Update and CPF Objectives / Programs

SCD Update	CPF HLOs and Objectives	CPF Programs and Implementation
<b>Pathway 1. Rebalancing Growth: Shifting to private investment and exports for job creation</b>	<b>HLO 1. Increased employment in the private sector</b>	
<ul style="list-style-type: none"> <li>Accelerate adoption and implementation of outstanding legislation and economic reforms</li> </ul>	<b>Objective 1.</b> Improved regulations for better business environment	Implementation of CAFI Project
<ul style="list-style-type: none"> <li>Strengthen skills and employability of the youth, ensuring a gender nuanced approach</li> </ul>	<b>Objective 2.</b> Enhanced opportunities for firms and MSMEs	Implementation of CAFI Project Implementation of the recommendation of the Gender Assessment through Gender Facility
<ul style="list-style-type: none"> <li>Close gaps in key infrastructure specifically in electricity, sustainable and safe road connectivity, and ICT</li> </ul>	<b>Objective 7.</b> Strengthened household resilience to shocks <b>Cross-Cutting Issue.</b> Digitalization	Implementation of CAFI Project Lesotho Public Sector Foundation for Service Delivery Project (pipeline) Integrated Transport Project (pipeline)
<b>Pathway 2. Strengthening human capital and improving service delivery especially in rural areas and lagging regions</b>	<b>HLO 2. Improved human capital outcomes</b>	
<ul style="list-style-type: none"> <li>Strengthen Early Grade Reading (EGR) and Early Grade Mathematics (EGM)</li> </ul>	<b>Objective 3.</b> Improved quality/retention of junior secondary education and quality of early childhood education	BESP support of the new ECCD curriculum roll out that will include teacher training, provision of learning materials and system wide assessment of early grades
<ul style="list-style-type: none"> <li>Develop and implement a plan to retain secondary school students</li> </ul>	<b>Objective 3.</b> Improved quality/retention of junior secondary education and quality of early childhood education	BESP CGP cash bonus payments towards households where learners successfully transition to junior secondary Ongoing support of curriculum and assessment reform of secondary schooling under LEQEP BESP rollout of girls' and boys' social clubs
<ul style="list-style-type: none"> <li>Improve nutrition</li> </ul>	<b>Objective 4.</b> Strengthened quality of health delivery system for the poor and vulnerable	Implementation of LNHSSP (P170278)
<b>Pathway 3. Strengthening climate risk management and resilience</b>	<b>HLO 3. Improved climate resilience</b>	
<ul style="list-style-type: none"> <li>Strengthen policies for comprehensive disaster risk management</li> </ul>	<b>Objective 6.</b> Improved management of natural resources <b>Objective 7.</b> Strengthened household resilience to shocks	ICA ASA Implementation of CAFI Project Implementation of SADP II
<ul style="list-style-type: none"> <li>Promote sustainable landscape management including integrated catchment management and climate-smart agriculture</li> </ul>	<b>Objective 6.</b> Improved management of natural resources	ICA ASA
<ul style="list-style-type: none"> <li>Develop a shock-responsiveness framework for the social protection system</li> </ul>	<b>Objective 5.</b> Improved effectiveness of the social protection system for poor and vulnerable people	Implementation of PSLP
<ul style="list-style-type: none"> <li><b>Cross-cutting issue.</b> Bridging public sector implementation gaps</li> </ul>	<b>Foundational Issue.</b> Governance and Government Capacity	
<ul style="list-style-type: none"> <li>Enhance the capacity and performance of the public sector</li> </ul>		Capacity building through project implementation Governance and Government Capacity
<ul style="list-style-type: none"> <li>Improve commitment, coordination, and cooperation</li> </ul>		Improve project implementation (e.g., revitalize steering committee meetings)
<ul style="list-style-type: none"> <li>Strengthen monitoring and evaluation of implementation</li> </ul>		Territorial development approach Civic engagement Integration of project 360 into program implementation
<ul style="list-style-type: none"> <li>Strengthen public financial accountability</li> </ul>		DPO (pipeline)

## Annex 7. Operations Portfolio (IBRD/IDA and Grants)

As of August 31, 2022

Closed Projects	55
<b>IBRD/IDA*</b>	
Total Disbursed (Active)	115.36
of which has been repaid (1)	1.30
Total Disbursed (Closed)	699.98
of which has been repaid	269.39
Total Disbursed (Active + Closed)	815.33
of which has been repaid	270.70
Total Undisbursed (Active)	231.48
Total Undisbursed (Closed)	-
Total Undisbursed (Active + Closed)	231.48

## Annex 8. Statement of IFC's Held and Disbursed Portfolio (as of March 2023)

IFC Advisory Portfolio as of March 2023

Project name	Sector	Description	Total Funds managed by IFC (US\$ million)
DFS Vodacom Lesotho 2 - MPESA	Financial Institutions Group	Support for Mobile Money	1.1
Lesotho Investment Climate Program	Equitable Growth, Finance and Institutions	Support for Trade Reforms, Trade Portal and Business Reforms	2.1
Lesotho Post Advisory Mandate Support for QMM PPP	Transaction Advisory	Project closed	1.6
<b>TOTAL</b>			<b>4.7</b>

IFC has no investment portfolio in Lesotho.

## Annex 9. MIGA's Guarantee Portfolio (as of March 2023)

Project name	Effective date	Expiration date	Investor	Sector	Gross Exposure (US\$)
First National Bank of Lesotho Limited	Jun-20	Jun-35	FirstRand EMA Holdings (Pty) Limited	Financial South Africa	US\$5.2 million

1. As part of the WBG's COVID-19 response strategy, MIGA issued a US\$5.2 million guarantee in June 2020, covering the equity investments by FirstRand Bank of South Africa into First National Bank of Lesotho Limited (FNBL). This was the first MIGA project in Lesotho in over twenty years. The guarantee helps FirstRand Group reduce its Risk-Weighted Assets (RWA) on a consolidated basis. The Group plans to deploy this headroom of RWA across its Africa operations, including Lesotho, thus increasing the development impact and access to finance in the country.

2. MIGA's Business and Strategy Outlook aims to mobilize foreign direct investment in support of high development impact projects in IDA countries, including Lesotho. In addition, MIGA aims to promote cross-border climate finance projects by providing political risk insurance solutions to support foreign private investment in the country. To this end, MIGA has been working with investors and lenders in the renewable energy space to support Lesotho's first utility-scale solar project, a 20MW PV facility.



# Annex 10. Existing and Potential Collaboration with Other Development Partners

Development Partner	Existing Collaboration	Potential Collaboration
African Development Bank (AfDB)	<p><b>Sectors/Issues</b></p> <ul style="list-style-type: none"> <li>• <b>Private sector.</b> AfDB's private sector project and CAFI Project share a PMU.</li> <li>• <b>Financial sector.</b> Digitizing government payments and national Payment System</li> <li>• <b>Energy.</b> AfDB Energy project's grid rehabilitation (Katse line) is critical for World Bank-supported project to electrify Ha Belo industrial zone.</li> </ul> <p><b>Projects/ASAs</b></p> <ul style="list-style-type: none"> <li>• G2PX</li> <li>• LREEAP (component 1.1)</li> </ul>	<p><b>Sectors/Issues</b></p> <ul style="list-style-type: none"> <li>• <b>Macro-fiscal management.</b> Maintaining focus on fiscal sustainability and domestic revenue mobilization</li> <li>• <b>Digitalization.</b> Complement with an existing AfDB project</li> </ul> <p><b>Projects/ASAs</b></p> <ul style="list-style-type: none"> <li>• DPO</li> <li>• Public Sector Foundations for Service Delivery Project (pipeline)</li> </ul>
Catholic Relief Services (CRS)	<p><b>Sectors/Issues</b></p>	<p><b>Sectors/Issues</b></p> <ul style="list-style-type: none"> <li>• <b>Financial sector.</b> financial education, saving and loans groups for women</li> <li>• <b>Health.</b> HIV, TB, Child Health and ECD, health systems strengthening, nutrition and food security</li> <li>• <b>Food security.</b> CRS has been producing Lesotho Food Security SitRep.</li> </ul> <p><b>Projects/ASAs</b></p> <ul style="list-style-type: none"> <li>• PSLP</li> </ul>
European Union (EU)	<p><b>Sectors/Issues</b></p> <ul style="list-style-type: none"> <li>• <b>Energy.</b> EDFI (equivalent of IFC in Energy Access) is co-financing 10 privately operated pilot-mini-grids, where lessons learned will serve WB project.</li> <li>• <b>Social Protection.</b> Financing COVID-19 safety net scale up</li> <li>• <b>Natural resources management and resilience (esp. catchment management).</b> EU participates in the Lesotho Development Partners' Consultative and Coordination Forum on Environment, Resilience and Natural Resources Management.</li> <li>• <b>Water.</b> Bulk water distribution, Sanitation Regulation</li> <li>• <b>Social development.</b> Together with UNICEF EU funded the development of the National Social Protection Strategy (NSPS) and the National Policy on Social Development (NPSD). This is important for the Bank's analytical work on inclusive development especially for the marginalized and vulnerable groups. The strategy and the policy could provide the basis for the education and social protection projects in the pipeline.</li> </ul> <p><b>Projects/ASAs</b></p> <ul style="list-style-type: none"> <li>• LREEAP (component 2)</li> <li>• Protection and Management of Ecosystem Services for Inclusive and Climate Resilient Future (P17246)</li> <li>• LLWDP II</li> </ul>	<p><b>Sectors/Issues</b></p> <ul style="list-style-type: none"> <li>• <b>Energy.</b> Potential for scale-up of IDA mini-grids (EIB, EDFI), for collaboration on large hydropower (ESMAP TA+EIB financing).</li> <li>• <b>Social Protection.</b> System efficiency, equity, shock responsiveness and cash plus intervention</li> <li>• <b>Private sector.</b> MSME Development</li> <li>• <b>Financial sector.</b> Access to finance for MSME, government coordination/implementation.</li> <li>• <b>Macro-fiscal management.</b> Performance Based Budgeting</li> <li>• <b>Health (Nutrition).</b> Addressing food security through horticulture and improving nutrition behaviors at community level.</li> <li>• <b>Water.</b> Rural water supply and sanitation; complementary work on rural distribution networks for villages around Zones 2 and 3; rural water supply management models; and sanitation markets</li> <li>• <b>Stakeholder engagements.</b> World Bank and EU along with other development partners will strengthen collaboration on the engagements with youth, CSOs and academia.</li> </ul> <p><b>Projects/ASAs</b></p> <ul style="list-style-type: none"> <li>• PSLP</li> <li>• Water Diplomacy. Botswana-Lesotho Water Transfer review study</li> <li>• Financial Sector Development Strategy (WB/IMF)</li> <li>• Public Sector Foundations for Service Delivery Project (pipeline)</li> <li>• CPF implementation</li> <li>• Citizen Engagement Platform</li> </ul>

Development Partner	Existing Collaboration	Potential Collaboration
The Federal Ministry for Economic Cooperation and Development (BMZ)	<p><b>Sectors/Issues</b></p> <ul style="list-style-type: none"> <li><b>Natural resources management and resilience</b> (esp. catchment management). the Lesotho Development Partners' Consultative and Coordination Forum on Environment, Resilience and Natural Resources Management</li> </ul> <p><b>Projects/ASAs</b></p> <ul style="list-style-type: none"> <li>Protection and Management of Ecosystem Services for Inclusive and Climate Resilient Future (P17246)</li> </ul>	<p><b>Sectors/Issues</b></p> <p><b>Projects/ASAs</b></p>
FAO	<p><b>Sectors/Issues</b></p> <ul style="list-style-type: none"> <li><b>Agriculture.</b> FAO is an implementing agency for the CERC activated in August 2020.</li> <li><b>Natural resources management and resilience</b> (esp. catchment management). FAO participates in the Lesotho Development Partners' Consultative and Coordination Forum on Environment, Resilience and Natural Resources Management</li> </ul> <p><b>Projects/ASAs</b></p> <ul style="list-style-type: none"> <li>SADP II</li> <li>Protection and Management of Ecosystem Services for Inclusive and Climate Resilient Future (P17246)</li> </ul>	<p><b>Sectors/Issues</b></p> <ul style="list-style-type: none"> <li><b>Social Protection.</b> Collaboration on productive inclusion activities</li> <li><b>Water.</b> Farmer-Led Irrigation (FLIP), Circular economy – wastewater reuse for agriculture</li> <li><b>Health (Nutrition).</b> Addressing food security through horticulture and improving nutrition behaviors at community level.</li> <li><b>Gender.</b> Mainstreaming gender in the agricultural sector (FAO provided TA to the government for gender sensitive agricultural sector)</li> </ul> <p><b>Projects/ASAs</b></p> <ul style="list-style-type: none"> <li>PSLP</li> <li>Gender Assessment</li> </ul>
GIZ	<p><b>Sectors/Issues</b></p> <ul style="list-style-type: none"> <li><b>Natural resources management and resilience</b> (esp. catchment management). GIZ participates in the Lesotho Development Partners' Consultative and Coordination Forum on Environment, Resilience and Natural Resources Management</li> <li><b>Social development.</b> GIZ works with NGOs and CSOs on gender, decentralization and citizen engagement and has built capacity on NGOs in these issues, this presents possible collaboration on citizen engagement for the CPF under preparation.</li> </ul> <p><b>Projects/ASAs</b></p> <ul style="list-style-type: none"> <li><b>Protection</b> and Management of Ecosystem Services for Inclusive and Climate Resilient Future (P17246)</li> </ul>	<p><b>Sectors/Issues</b></p> <ul style="list-style-type: none"> <li><b>Water.</b> Citywide inclusive sanitation</li> <li><b>Gender.</b> Lesotho has been one of the partner countries for GIZ's regional programme "Partnerships for Prevention of Violence Against Women and Girls in Southern Africa." Thus, there is scope for collaboration on GBV issues</li> <li><b>Stakeholder engagement.</b> GIZ works with NGOs and CSOs on gender, decentralization and citizen engagement and has built capacity on NGOs in these issues.</li> </ul> <p><b>Projects/ASAs</b></p> <ul style="list-style-type: none"> <li>CPF implementation</li> <li>Citizen Engagement Platform</li> </ul>
International Fund for Agricultural Development (IFAD)	<p><b>Sectors/Issues</b></p> <ul style="list-style-type: none"> <li><b>Agriculture.</b> IFAD co-finances US\$5 million to SADP II</li> <li><b>Natural resources management and resilience</b> (esp. catchment management). IFAD participates in the Lesotho Development Partners' Consultative and Coordination Forum on Environment, Resilience and Natural Resources Management</li> </ul> <p><b>Projects/ASAs</b></p> <ul style="list-style-type: none"> <li>SADP II</li> <li>Protection and Management of Ecosystem Services for Inclusive and Climate Resilient Future</li> </ul>	
International Labor Organization (ILO)		<p><b>Sectors/Issues</b></p> <ul style="list-style-type: none"> <li><b>Private Sector.</b> An implementation partner of CAFI Project.</li> </ul> <p><b>Projects/ASAs</b></p> <ul style="list-style-type: none"> <li>CAFI Project</li> </ul>

Development Partner	Existing Collaboration	Potential Collaboration
International Monetary Fund (IMF)	<p><b>Sectors/Issues</b></p> <ul style="list-style-type: none"> <li>• <b>Private Sector.</b> World Bank provided inputs for business environment reforms for the IMF program.</li> <li>• <b>Financial Sector.</b> World Bank provided inputs for financial sector development for the IMF program. Collaboration through FSAP.</li> <li>• <b>Macro-fiscal management.</b> Expenditure analysis and fiscal management through the formulation of the IMF program and Article IV.</li> <li>• <b>Social Protection.</b> World Bank provided inputs for expenditure rationalization for the IMF program.</li> <li>• <b>Digital Economy.</b> World Bank provided inputs for the IMF program on the aspects related to the legal framework for the digital economy</li> </ul> <p><b>Projects/ASAs</b></p> <ul style="list-style-type: none"> <li>• FSAP Development Module (World Bank)/Financial Sector Stability Review (IMF) (P176430)</li> <li>• PER (P178000)</li> <li>• Debt Sustainability Analyses (DSA)</li> </ul>	<p><b>Sectors/Issues</b></p> <ul style="list-style-type: none"> <li>• <b>Macro-fiscal management.</b> Maintaining focus on fiscal sustainability, debt management strategy, domestic revenue mobilization.</li> </ul> <p><b>Projects/ASAs</b></p> <ul style="list-style-type: none"> <li>• DPO</li> <li>• SDFP</li> <li>• Lesotho Development Update</li> </ul>
International Organization for Migration (IOM)		<p><b>Sectors / Issues</b></p> <ul style="list-style-type: none"> <li>• <b>Territorial development approach.</b> The World Bank will learn IOM's community-based model to implement the lagging-region approach.</li> <li>• <b>Gender.</b> Internal migration, migration and gender equality</li> </ul> <p><b>Projects/ASAs</b></p> <ul style="list-style-type: none"> <li>• CPF implementation</li> <li>• Citizen Engagement Platform</li> </ul>
International Trade Center (ITC)		<p><b>Sectors/Issues</b></p> <ul style="list-style-type: none"> <li>• <b>Private Sector.</b> An implementation partner of CAFI Project.</li> </ul> <p><b>Projects/ASAs</b></p> <ul style="list-style-type: none"> <li>• CAFI Project</li> </ul>
Government of Japan	<p><b>Sectors/Issues</b></p> <ul style="list-style-type: none"> <li>• <b>Agriculture (Nutrition).</b> Co-financing SADP II through PHRD (nutrition sub-component)</li> <li>• <b>Energy:</b> JICA financing a pilot 1 MW mini-hydropower plant</li> </ul> <p><b>Projects/ASAs</b></p> <ul style="list-style-type: none"> <li>• SADP II</li> </ul>	<p><b>Sectors/Issues</b></p> <ul style="list-style-type: none"> <li>• <b>Water.</b> Remote sensing to improve contract management and safeguards performance through QII TF</li> <li>• <b>Health (Nutrition).</b> Scaling up of nutrition specific interventions and essential health services to address high mortality and morbidity rates and high malnutrition through community-based interventions</li> </ul> <p><b>Projects/ASAs</b></p> <ul style="list-style-type: none"> <li>• LNHSSP</li> <li>• PHRD grant to pilot community-based interventions</li> </ul>
Lesotho Council of NGOs		<p><b>Sectors/Issues</b></p> <ul style="list-style-type: none"> <li>• <b>Lagging-region approach.</b> For community engagement</li> </ul> <p><b>Projects/ASAs</b></p> <ul style="list-style-type: none"> <li>• CPF implementation</li> <li>• Citizen Engagement Platform</li> </ul>
South Africa		<p><b>Sectors/Issues</b></p> <ul style="list-style-type: none"> <li>• <b>Private sector development.</b> The India Brazil South Africa Fund (IBSA) supports the implementation of the CAFI Project through parallel financing for the horticulture incubation program.</li> </ul> <p><b>Projects/ASAs</b></p> <ul style="list-style-type: none"> <li>• CAFI Project</li> </ul>

Development Partner	Existing Collaboration	Potential Collaboration
United Nations Children's Fund (UNICEF)	<p><b>Sectors/Issues</b></p> <ul style="list-style-type: none"> <li>• <b>Social protection.</b> Collaboration on social assistance system reform areas and crisis response</li> <li>• <b>Macro-fiscal management.</b> UNICEF has been providing TA on MTEF.</li> <li>• <b>Financial Sector.</b> Digitizing G2P upstream reform</li> <li>• <b>Education.</b> UNICEF and World Bank both contribute to the national accelerated teaching and learning strategy to support catch up learning in the country. The LEQEP has supported the recruitment of assistant teachers while UNICEF, through World Vision, have supported the recruitment and training of community learning volunteers for the most affected schools in the country. Additionally, under LBEIP and the GPE emergency funding program, both World Bank and UNICEF partnered with the MoET to provide face masks and PPEs to learners following the re-opening of schools this year.</li> <li>• <b>Health:</b> TA on COVID-19 supply chain and vaccine implementation, implementation of maternal, adolescent child health and nutrition includes SBCC (social and behavior change communication) and community engagement and strengthening the implementation of primary health care services</li> </ul> <p><b>Projects/ASAs</b></p> <ul style="list-style-type: none"> <li>• PER</li> <li>• SAP (closed in June 2021)</li> <li>• LEQEP and BESP</li> <li>• G2PX</li> <li>• COVID-19 project</li> </ul>	<p><b>Sectors/Issues</b></p> <ul style="list-style-type: none"> <li>• <b>Social Protection.</b> Strengthening collaboration on a number of social assistance system reform areas and crisis response</li> <li>• <b>Water.</b> Water and sanitation in school and health facilities, rural WASH programs</li> <li>• <b>Education.</b> UNICEF continues to partner with the MOET on the rollout of the ECCD curriculum nationwide.</li> <li>• <b>Health:</b> Continuing medical education, joint capacity building of doctors, nurses and allied health staff on health and nutrition.</li> <li>• <b>Territorial development approach.</b> For determining the disparity in service delivery between leading and lagging areas.</li> </ul> <p><b>Projects/ASAs</b></p> <ul style="list-style-type: none"> <li>• Digitizing social grant payments</li> </ul>
UNDP	<p><b>Sectors/Issues</b></p> <ul style="list-style-type: none"> <li>• <b>Energy.</b> UNDP (with GEF funds) is co-financing 10 privately operated pilot-mini-grids in Lesotho, where lessons learned will serve World Bank project.</li> <li>• <b>Natural resources management and resilience</b> (esp. catchment management). UNDP participates in the Lesotho Development Partners' Consultative and Coordination Forum on Environment, Resilience and Natural Resources Management</li> <li>• <b>Gender.</b> As per the Country Programme Document (CPD 2019-2023), UNDP has been working with the Ministry of Gender and Youth, Sports and Recreation, the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) and women-led civil society organizations, to support organized women's groups on issues such as national reforms, peacebuilding, conflict management, leadership, governance, gender and human rights. UNDP also supports the Lesotho Parliamentary Women's Caucus and advocacy for domestication of the Convention on the Elimination of all Forms of Discrimination against Women and other protocols to bridge the gender gap</li> </ul> <p><b>Projects/ASAs</b></p> <ul style="list-style-type: none"> <li>• LREEAP (component 2)</li> <li>• Protection and Management of Ecosystem Services for Inclusive and Climate Resilient Future (P17246)</li> </ul>	<p><b>Sectors/Issues</b></p> <ul style="list-style-type: none"> <li>• <b>Financial sector.</b> Financial inclusion, mobile money</li> <li>• <b>Energy.</b> Joint support on the institutional and regulatory framework on energy access (off-grid subsidy studies and bill, creation of a Rural Energy Agency in MEM)</li> <li>• <b>Health.</b> Ensuring electricity and/or green energy for PHCs (e.g., solar powered PHCs).</li> <li>• <b>Water.</b> Lesotho Lowland Water Development Project sanitation component. UNDP has supported the elaboration of Waste Management Policy and regulations for the control of plastics as well as a Waste Management Information System. Building on work done in waste management collaborate on elaboration of sanitation policy</li> <li>• <b>Agriculture.</b> UNDP has undertaken work on green value chain collaborating with farmers in Mohale's Hoek. 30 Farm Assurers Trained to support small holder farmers in application of improved agricultural technology - Trained Farm Assurers can be used as capacity resources within Small-holder agricultural development project.</li> <li>• <b>Social protection.</b> UNDP has undertaken work on green value chain collaborating with farmers in Mohale's Hoek. 30 Farm Assurers Trained to support small holder farmers in application of improved agricultural technology - Trained Farm Assurers can be used as capacity resources within Small-holder agricultural development project</li> <li>• <b>Private sector.</b> UNDP is an administrator of IBSA's support to CAFI Project.</li> </ul> <p><b>Projects/ASAs</b></p> <ul style="list-style-type: none"> <li>• CAFI Project</li> <li>• G2PX</li> <li>• LREEAP (component 2)</li> <li>• SADP II</li> <li>• PLSP</li> <li>• LLWDP II</li> </ul>

Development Partner	Existing Collaboration	Potential Collaboration
United Nations International Trade Center		<p><b>Sectors / Issues</b></p> <ul style="list-style-type: none"> <li><b>Private Sector.</b> UN ITC is supporting implementation of MOTI's National Export Strategy (2021-2025) which complements a new private sector project support for SMEs in export value chains (horticulture, textiles, tourism)</li> </ul> <p><b>Projects/ASAs</b></p> <ul style="list-style-type: none"> <li>CAFI Project</li> </ul>
United National Population Fund (UNFPA)	<p><b>Sectors/Issues</b></p> <ul style="list-style-type: none"> <li><b>Gender.</b> World Bank is a member of the gender task force coordinated by the Department of Gender funded by UNFPA and UNDP</li> </ul> <p><b>Projects/ASAs</b></p> <ul style="list-style-type: none"> <li>Gender assessment and gender platform</li> </ul>	<p><b>Sectors / Issues</b></p> <ul style="list-style-type: none"> <li><b>Gender.</b> GBV prevention initiatives under the project through local councils, provision of social and behavioral change communication. Over the years UNFPA has developed strong relationships with the local governance structures and with the Royal family they also have strong communication initiatives and impactful messages.</li> <li><b>Health (Nutrition).</b> Nutrition-specific interventions targeted towards women, children and adolescents that would be implemented at the community level.</li> </ul> <p><b>Projects/ASAs</b></p> <ul style="list-style-type: none"> <li>LNHSSP</li> </ul>
United States Millennium Challenge Corporation/ Lesotho Millennium Development Agency (MCC/ LMDA) US trade hub	<p><b>Sectors/Issues</b></p> <ul style="list-style-type: none"> <li><b>Private Sector.</b> MOU signed between US Trade Hub and the World Bank to collaborate on support for export sectors, particularly textiles and other manufacturing industries.</li> </ul> <p><b>Projects/ASAs</b></p>	<p><b>Sectors/Issues</b></p> <ul style="list-style-type: none"> <li><b>Private/financial Sector.</b> MCC's new compact includes the BETA project with support for entrepreneurship, SME financing, and business environment and a project to support irrigation in horticulture areas, both complementary to the Bank's proposed CAFI Project.</li> <li><b>Water.</b> Youth program for water engineers, equal aqua</li> <li><b>Health.</b> Surveillance and tracking of DHIS2 including the use of digital technology.</li> <li><b>Agriculture.</b> Implementation of MCC compact on horticulture development</li> </ul> <p><b>Projects/ASAs</b></p> <ul style="list-style-type: none"> <li>SADP II</li> <li>CAFI Project</li> <li>LNHSSP</li> </ul>
Vodafone Foundation	<p><b>Sectors/Issues</b></p> <ul style="list-style-type: none"> <li><b>Stakeholder engagement.</b> Plan to participate in NGOs/ Development Partners forum on Dec 2, 2021</li> </ul> <p><b>Projects/ASAs</b></p> <ul style="list-style-type: none"> <li>CPF preparation</li> </ul>	<p><b>Sectors/Issues</b></p> <ul style="list-style-type: none"> <li><b>Stakeholder engagement and digital technology.</b> Follow up NGOs/DP forum.</li> </ul> <p><b>Projects/ASAs</b></p> <ul style="list-style-type: none"> <li>CPF implementation</li> </ul>
World Food Program (WFP)	<p><b>Sectors / Issues</b></p> <ul style="list-style-type: none"> <li><b>Social Protection.</b> Supporting social protection crisis response</li> <li><b>Natural resources management and resilience</b> (esp. catchment management). WFP participates in the Lesotho Development Partners' Consultative and Coordination Forum on Environment, Resilience and Natural Resources Management</li> <li><b>Nutrition.</b> Management of moderately malnourished children including provision of food supplements and home-based care.</li> <li><b>Nutrition/Agriculture.</b> WFP to support PMU on implementation of nutrition component of SADP2</li> </ul> <p><b>Projects/ASAs</b></p> <ul style="list-style-type: none"> <li>Protection and Management of Ecosystem Services for Inclusive and Climate Resilient Future (P17246)</li> <li>SADP II (P165228)</li> </ul>	<p><b>Sectors / Issues</b></p> <ul style="list-style-type: none"> <li><b>Social Protection.</b> Supporting social protection crisis response.</li> <li><b>Education.</b> To review and strengthen the national public and private school feeding policy.</li> <li><b>Health.</b> HIV and TB: home based treatment and care; Disaster and health emergency preparedness; climate-change and resilient health system</li> <li><b>Disaster Risk Management.</b> Review and updating of the Disaster Management Bill, the Disaster Management Strategy and Early Warning Strategy, weather and forecasting information</li> <li><b>Private sector development.</b> Strengthening the resilience of MSMEs to climatic disasters and shocks</li> <li><b>Agriculture.</b> Promotion of high-value crops and market aggregation, contract farming.</li> </ul> <p><b>Projects/ASAs</b></p> <ul style="list-style-type: none"> <li>PSLP</li> <li>BESP</li> <li>CAFI Project</li> </ul>

Development Partner	Existing Collaboration	Potential Collaboration
World Health Organization (WHO)	<p><b>Sectors/Issues</b></p> <ul style="list-style-type: none"> <li><b>Health.</b> TA for critical care in hospitals, continuing on-job education for health professionals, strengthening health surveillance; implementation of health and nutrition interventions in health facilities.</li> </ul> <p><b>Projects/ASAs</b></p> <ul style="list-style-type: none"> <li>LNHSSP</li> </ul>	<p><b>Sectors/Issues</b></p> <ul style="list-style-type: none"> <li><b>Health.</b> PHC and maternal Health. Quality of care and strengthening UHC. Policy Guidelines and implementation. Establishment of a medical college in Lesotho (recent request by the Minister MOH)</li> </ul> <p><b>Projects/ASAs</b></p> <ul style="list-style-type: none"> <li>LNHSSP</li> </ul>
World Vision (WV)	<p><b>Sectors / Issues</b></p> <ul style="list-style-type: none"> <li><b>Stakeholder engagement.</b> Conducted a joint mission to Leribe district in Nov 2021.</li> </ul>	<p><b>Sectors / Issues</b></p> <ul style="list-style-type: none"> <li><b>Private sector.</b> MSME development/producer’s groups. Economic Empowerment –commercialization of agriculture and development of producer/farmer groups for increased incomes and creation of employment</li> <li><b>Financial sector.</b> Access to finance for MSMEs, mobile money and saving. Access to micro finance for MSME’s and community savings/ loans for the marginalized low-income households using mobile money technology.</li> <li><b>Social Protection.</b> Collaboration on productive inclusion activities (identifying overlapping rural communities under BESP and PSLP).</li> <li><b>Water.</b> Water and Sanitation in peri-urban and rural areas. Climate resilient community water supply systems, capacity building of Village water committees, hygiene promotion for improved community health, demand led-approach for household sanitation.</li> <li><b>Health.</b> Collaboration on Community Nutrition interventions including school nutrition including mapping of lagging regions using drone technology. Supply of vitamin A and deworming tablets (LTA with UNICEF at the global level to help countries procure these)</li> </ul> <ul style="list-style-type: none"> <li><b>Territorial development approach.</b> WV has a strong community presence and advocacy at community level in the 8 districts where it operates. There is potential collaboration on citizen engagement through the WV’s citizen voice for action (CVA) using the already existing community structures that work across sectors. Collaborating with WV to facilitate stakeholder consultations at community level with village disaster management committees and other structures through WV’s CVA initiative. WV has been raising awareness on GBV, child marriages, human trafficking. Potential partnership for identifying GBV/SEA service providers and for working with PIUs on GBV/SEA related consultancy services. Capacity enhancement of the Citizen Voice and Action (CVA) committees and/or Village Disaster Management Teams (VDMT) on social accountability/ local level advocacy model.</li> <li><b>Gender.</b> Collaborating with WV to facilitate stakeholder consultations at community level with village disaster management committees and other structures through WV’s CVA initiative. Collaboration on consultations with the Income generating activities vulnerable groups especially women and girls, utilizing Empowered World View approach.</li> <li><b>Nutrition/Agriculture.</b> Collaboration SADP2 (e.g., nutrition group). Capacity building for pregnant women, nursing mothers and caregivers on Infant and Young Child Feeding (IYCF), establishment and capacitation of Nutrition Clubs. Vaccination, vitamin A and deworming demand creation and facilitation. Productivity and market access, Climate smart and nutrition sensitive agriculture, viable value chains development for producer groups and MSME’s</li> </ul> <p><b>Projects/ASAs</b></p> <ul style="list-style-type: none"> <li>PSLP</li> <li>BESP</li> <li>SADP II</li> <li>Citizen Engagement Platform</li> <li>Gender platform</li> <li>CPF implementation</li> </ul>

# Annex 11. Map





**WORLD BANK GROUP**

THE WORLD BANK  
IBRD · IDA

IFC  
International Finance Corporation

MIGA  
Multilateral Investment Guarantee Agency