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Report No: PAD2151

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED ADDITIONAL CREDIT

IN THE AMOUNT OF SDR14.6 MILLION  
(US\$ 20 MILLION EQUIVALENT)  
IN CRISIS RESPONSE WINDOW RESOURCES

TO THE

KINGDOM OF LESOTHO

FOR THE

SOCIAL ASSISTANCE PROJECT

November 21, 2016

Social Protection and Labor Global Practice  
Africa Region

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective October 31, 2016)

Currency Unit = Lesotho Maloti (LSL)  
LSL13.426 = US\$1  
US\$1.37385 = SDR 1

## FISCAL YEAR

January 1 – December 31

## ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
CBT	Community-based Targeting
CERC	Contingent Emergency Response Component
CGP	Child Grants Program
CPF	Country Partnership Framework
CRW	Crisis Response Window
DA	Designated Account
DLI	Disbursement-linked Indicator
DMA	Disaster Management Authority
EEP	Eligible Expenditure Program
EU	European Union
FAO	Food and Agriculture Organization
FM	Financial Management
GoL	Government of Lesotho
GDP	Gross Domestic Product
GRS	Grievance Redress Service
HCT	Humanitarian Country Team
IFR	Interim Financial Report
IMIS	Integrated Management Information System
ISR	Implementation Status and Results Report
MIS	Management Information System
MoSD	Ministry of Social Development
NISSA	National Information System for Social Assistance
OAP	Old Age Pension
OVC	Orphans and Vulnerable Children
PA	Public Assistance
PDO	Project Development Objective
PIM	Project Implementation Manual

PIU	Project Implementation Unit
PMT	Proxy Means Testing
SAP	Social Assistance Project
TA	Technical Assistance
UNICEF	United Nations Children’s Fund
VAC	Village Assistance Committee
WFP	World Food Programme

Regional Vice President:	Makhtar Diop
Country Director:	Sebastien C. Dessus
Country Manager:	Janet K. Entwistle
Senior Global Practice Director:	Michal J. Rutkowski
Practice Manager/Manager:	Dena Ringold
Task Team Leader:	Lucilla Maria Bruni

**LESOTHO**  
**ADDITIONAL FINANCING TO THE SOCIAL ASSISTANCE PROJECT**

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## ADDITIONAL FINANCING DATA SHEET

*Lesotho*

*Additional Financing to Social Assistance Project - CRW Funds ( P160934 )*

*AFRICA*

*GSP01*

<b>Basic Information – Parent</b>									
Parent Project ID:	P151442	Original EA Category:		C					
Current Closing Date:	30-May-2020								
<b>Basic Information – Additional Financing (AF)</b>									
Project ID:	P160934	Additional Financing Type (from AUS):		Restructuring, Scale Up					
Regional Vice President:	Makhtar Diop	Proposed EA Category:		C					
Country Director:	Sebastien C. Dessus	Expected Effectiveness Date:		01-Feb-2017					
Senior Global Practice Director:	Michal J. Rutkowski	Expected Closing Date:		30-May-2020					
Practice Manager/Manager:	Dena Ringold	Report No:		PAD2151					
Team Leader(s):	Lucilla Maria Bruni								
<b>Borrower</b>									
Organization Name	Contact	Title	Telephone	Email					
Government of Kingdom of Lesotho	Khotso Moleleki	Director of Public Debt and Aid	+266 2231 6404	kmoleleki@gmail.com					
<b>Project Financing Data - Parent ( Social Assistance Project-P151442 ) (in USD Million)</b>									
Key Dates									
Project	Ln/Cr/TF	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date		
P151442	IDA-58340	Effective	03-Jun-2016	15-Jun-2016	12-Jul-2016	30-May-2020	30-May-2020		
Disbursements									
Project	Ln/Cr/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P151442	IDA-58340	Effective	XDR	14.20	14.20	0.00	1.06	13.14	7.45

<b>Project Financing Data - Additional Financing to Social Assistance Project - CRW funds ( P160934 )(in USD Million)</b>				
[ ]	Loan	[ ]	Grant	[ IDA Grant ]
[X]	Credit	[ ]	Guarantee	[ Other ]
Total Project Cost: 20.00		Total Bank Financing:		20.00
Financing Gap: 0.00				
<b>Financing Source – Additional Financing (AF)</b>				<b>Amount</b>
International Development Association (IDA)				0.00
IDA Credit from CRW				20.00
Total				20.00
<b>Policy Waivers</b>				
Does the project depart from the CAS in content or in other significant respects?				No
Explanation				
Does the project require any policy waiver(s)?				Yes
Explanation The parent project has been implemented for less than 12 months. Additional financing therefore requires a waiver from the Regional Vice President.				
Has the waiver(s) been endorsed or approved by Bank Management?				Yes
Explanation The waiver memo was approved by the RVP on October 4, 2016				
<b>Team Composition</b>				
<b>Bank Staff</b>				
<b>Name</b>	<b>Role</b>	<b>Title</b>	<b>Specialization</b>	<b>Unit</b>
Lucilla Maria Bruni	Team Leader (ADM Responsible)	Economist	Economist	GSP01
Chitambala John Sikazwe	Procurement Specialist (ADM Responsible)	Senior Procurement Specialist	Procurement Specialist	GGO01
Tandile Gugu Zizile Msiwa	Financial Management Specialist	Financial Management Specialist	Financial Specialist	GGO26
Ana Ocampo	Team Member	Consultant	Consultant	GSP01

Catherine Signe Tovey	Team Member	Program Leader		AFCS1
Edith Ruguru Mwenda	Counsel	Senior Counsel	Legal	LEGAM
Edmund Motlatsi Motseki	Team Member	Operations Officer	Operations	AFMLS
Gert Johannes Alwyn Van Der Linde	Team Member	Lead Financial Management Specialist	Financial Specialist	GGO26
Jose C. Janeiro	Team Member	Senior Finance Officer	Finance Officer	WFALA
Julie Dana	Team Member	Lead Financial Sector Specialist	Financial Sector Specialist	GFM01
Khurshid Banu Noorwalla	Team Member	Program Assistant		GSP07
Kisa Mfalila	Safeguards Specialist	Senior Environmental Specialist	Environmental Specialist	GEN01
Kristine Schwebach	Safeguards Specialist	Senior Social Development Specialist	Social Development Specialist	GSU07
Masekeleme Esdorine Sekeleme	Team Member	Team Assistant		AFMLS
Andre L. Carletto	Team Member	Consultant.	DRM specialist	GSU13
Paolo Belli	Team Member	Program Leader		AFCS1
Zandile Portia Ratshitanga	Team Member	Senior Communications Officer	Communications Officer	AFREC

#### Extended Team

Name	Title	Location

#### Locations

Country	First Administrative Division	Location	Planned	Actual	Comments
Lesotho		Thaba-Tseka			
Lesotho		Quthing			
Lesotho		Qacha's Nek			
Lesotho		Mokhotlong			

Lesotho		Mohale's Hoek District			
Lesotho		Maseru			
Lesotho		Mafeteng District			
Lesotho		Kingdom of Lesotho			
Lesotho		Leribe District			
Lesotho		Butha-Buthe			
Lesotho		Berea			
<b>Institutional Data</b>					
<b>Parent ( Social Assistance Project-P151442 )</b>					
<b>Practice Area (Lead)</b>					
Social Protection & Labor					
<b>Contributing Practice Areas</b>					
<b>Additional Financing to Social Assistance project - CRW funds ( P160934 )</b>					
<b>Practice Area (Lead)</b>					
Social Protection & Labor					
<b>Contributing Practice Areas</b>					
Agriculture, Finance & Markets, Governance, Water					
<b>Consultants (Will be disclosed in the Monthly Operational Summary)</b>					
Consultants will be required					



## I. INTRODUCTION

1. This Project Paper seeks the approval of the Executive Directors to provide an additional credit in an amount of US\$20 million to the Lesotho Social Assistance Project (P151442), credit number 5834-LS from the International Development Association (IDA) Crisis Response Window (CRW).<sup>1</sup> Given its emergency nature, this Additional Financing (AF) triggers OP 10.00 paragraph 12, and is therefore processed under expedited procedures.
2. The CRW funds will provide support to the Government of Lesotho (GoL) in its emergency response to the El Niño drought by: (i) providing resources for emergency social assistance to poor and vulnerable households; and (ii) supporting the future use of social assistance as a crisis response mechanism by strengthening its scalability and resilience aspects.
3. The main changes under the AF will be: 1) inclusion of a new retroactive Disbursement Linked Indicator (DLI) to support the Government's ongoing crisis response efforts through the existing social assistance system; 2) modifying selected DLIs in the Social Assistance Project that are particularly urgent in the crisis response context; 3) directly financing emergency cash transfers for the last quarter of 2016 and first two quarters of 2017; 4) strengthening the technical assistance investment on aspects of social assistance that are key in emergency response and resilience; and 5) including a Contingent Emergency Response Component (CERC).

## II. BACKGROUND AND RATIONALE FOR ADDITIONAL FINANCING

### *El Niño drought and response*

4. Lesotho, like the rest of Southern Africa, is experiencing the impacts of an unprecedented El Niño phenomenon, including two years of consecutive drought and erratic rains. The El Niño drought has affected crop production, water availability to communities and livestock, and exacerbated underlying health vulnerabilities (including HIV/AIDS and malnutrition). The price of maize has risen 37 percent year on year. More than 30 percent of the population (534,000) is at risk of food insecurity. The situation is set to continue and intensify until at least April 2017.
5. The GoL declared a drought emergency in Lesotho in December 2015 and prepared a National Response Plan in January 2016. The overall objective of the Plan is to mount a timely, consistent, effective and coordinated response to save lives, property and livelihoods for the affected communities. The Disaster Management Agency (DMA) is in charge of coordinating the drought response, both within Government and with development partners (UN agencies and NGOs). The estimated financial requirements total LSL584 million (US\$40 million) for the short and medium-term Government led interventions. The Humanitarian Country Team (HCT – comprising United Nations agencies and Non-Governmental Organizations) estimates funding requirements total US\$58.2 million, with a resource gap between US\$25 and 30 million.

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<sup>1</sup> Management informed the Executive Directors of its intention to allocate an indicative amount of US\$20 million equivalent to support Lesotho in response to the impact of the drought caused by El Niño at a technical briefing on October 12, 2016. See the note entitled "IDA Crisis Response Window Support for Lesotho, Madagascar, Malawi, and Mozambique for an El Niño Drought Response" dated October 6, 2016 for additional information.

6. The GoL and development partners responded to the crisis through two main channels: the establishment of a food subsidy; and provision of cash assistance.

7. The food subsidy began on June 1, 2016. It is a universal subsidy designed to reduce the price of maize meal, sugar beans, and split peas by 30 percent for a period of one year. Government announced an allocation of over LSL162 million (approx. US\$10 million) to support the subsidy, which will be implemented through two large millers and five packing companies. The Ministry of Small Business, Cooperatives and Marketing is coordinating the public and private sector stakeholders who play key roles in the system.

8. The provision of cash assistance to vulnerable households has reached a large portion of the population: 75 percent of the people on a food survival deficit due to the drought are receiving cash assistance through a range of channels (see Annex 5 for full description). The Ministry of Social Development (MoSD) has coordinated assistance from two development partners, UNICEF and FAO, through its National Information System for Social Assistance (NISSA) and Child Grant Program (CGP) platforms. The CGP is an unconditional cash transfer to poor households with children under 18, in 38 community councils (out of 64) in all 10 districts of the country, for a total of 26,681 households. Beneficiaries of the CGP are identified using the information contained in the NISSA database. Through the MoSD system, UNICEF has been providing LSL500 (roughly US\$37) quarterly Top Ups to all CGP beneficiaries during 2016. FAO complemented UNICEF cash assistance with the provision of nutritional and home gardening packages to all CGP beneficiaries.

9. To harmonize the provision of emergency assistance, in September 2016 the DMA issued new guidelines on the amount of cash and food assistance to be provided, based on the survival deficit. The DMA also developed, together with development partners, and in particular World Food Programme (WFP), a specific targeting methodology to select beneficiaries, which overlays geographic targeting through vulnerability assessments and community targeting. Following these guidelines, other development partners and civil society (namely the WFP, Action Aid and World Vision) have also been providing cash transfers equivalent to LSL120 per person per month to poor and vulnerable households not covered by any other social assistance program.

### ***Rationale for Additional Financing***

10. The rationale of the proposed Additional Financing is to provide support to the GoL in its emergency response to the El Niño drought through cash assistance to the affected population, by providing financing for emergency cash transfers and strengthening the long term ability of social assistance to serve as a shock-response mechanism.

11. Social assistance programs can help households absorb shocks by stabilizing consumption and reducing negative coping strategies.<sup>2</sup> Social assistance programs are very useful in this context because their traditional primary beneficiaries are the poor, and because they can be expanded to new beneficiaries or increased for existing beneficiaries based on needs. Natural disasters have been found to affect poorer countries and poorer households disproportionately. For poor households in particular, exposure and vulnerability to natural disasters is often especially high

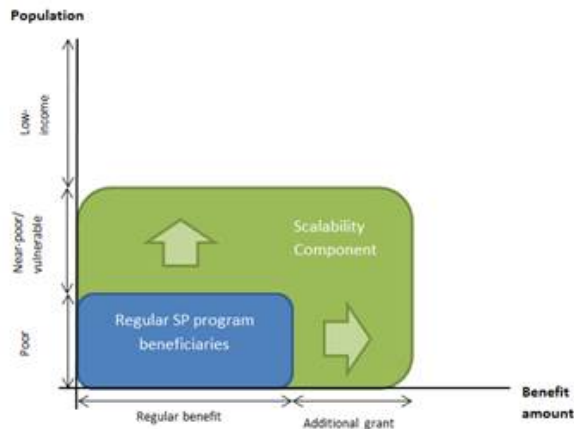
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<sup>2</sup> (Frankenberger, et al., 2013); (World Bank, 2009).

while at the same time, the ability of poor households to cope with the impacts of such events is usually low, due primarily to a lack of financial means to weather and bounce back from such shocks. Consequently, natural disasters have been found often to push those already living in poverty into destitution and the near poor and vulnerable into transient poverty and hardship. That natural disasters will become ever more frequent and powerful under the influence of climate change is now also well understood. International experience has shown that countries that have regular social protection programs are better prepared to respond to shocks.<sup>3</sup> Some programs which are implemented in “normal” times to increase the consumption level of the most vulnerable and ensure investments in human capital of future generations, can be scaled-up in case of shocks (see Figure 1).<sup>4</sup>

12. Experience from the current as well as past crises in Lesotho shows that existing social assistance mechanisms, and in particular the CGP, can be a means to provide rapid support to the extreme poor populations, safeguard their livelihoods in a time of crisis, as well as to reach those who are not extreme poor but at risk of falling into poverty. CGP has emerged as a particularly effective vehicle for disaster relief, as it is targeted to vulnerable households in rural areas of the country, most severely hit by the drought. However, geographic coverage of the CGP is still limited to just over half the country (38 out of 69 community councils), hindering the ability of the CGP to act as a shock responsive mechanism to reach the whole vulnerable population, as well as its potential impact on the resilience of the population.

**Figure 1: Shock-responsive social protection programs scale-up after disaster to reach more people and /or deliver more assistance**



Source: “Responding to Disasters Together” Community of Practice, 2016

13. The changes proposed under the AF are consistent with the recent Country Partnership Framework (CPF) for Lesotho (approved by the World Bank Board of Executive Directors on June 2, 2016) which states that “opportunities will be sought to finance crisis relief and recovery, such as to respond to the drought state of emergency declared in December 2015, and to provide budget relief for essential imports such as food and fuel, such as through the Bank’s Crisis Response

<sup>3</sup> (World Bank, 2013).

<sup>4</sup> (Ovadiya & Costella, 2013).

Window.”<sup>5</sup> Furthermore the CPF stipulates that all new lending will consider the addition of a CERC component during project preparation, as proposed under this AF.

14. The World Bank Board of Directors approved the Lesotho Social Assistance Project (SAP) on June 3, 2016. The development objective of the Project is to support the GoL in improving the efficiency and equity of selected social assistance programs, namely Old Age Pension (OAP), Public Assistance (PA), Orphan and Vulnerable Children (OVC) bursary and Child Grants Program (CGP). The OAP is the largest social assistance program in terms of spending (2.39 percent of GDP), it is a universal non-contributory pension for all citizens over 70 years of age, who do not receive a civil service pension. The remaining programs are a combination of poverty alleviation transfers programs (PA), human development linked poverty targeted programs (CGP), and scholarships (OVC). Evidence shows existing social assistance programs in Lesotho vary in their effectiveness to reach the poor, and coverage of the poorest 40 percent is limited. Efforts to improve coordination and beneficiary targeting and information management are underway through the establishment of a social registry, the NISSA, and the introduction of a modern unconditional cash transfer that supports the most vulnerable households, the CGP.

15. To achieve its objective, the SAP is structured along two components:

a) Component 1 Strengthening administrative efficiency and equity of the selected social assistance programs (US\$15 million). This component supports the results arising from improvements in selected social assistance programs. Under this component, project disbursements are: (a) triggered by the verified achievement of agreed specific results (“Disbursement-Linked Indicators” or DLIs) for improving the administrative efficiency and equity of those programs, and (b) linked to defined eligible expenditure line items (comprising the “Eligible Expenditure Program” or EEP) within Lesotho’s social assistance programs. A list of the DLIs under the SAP is attached in Annex 2 to this document.

b) Component 2 Implementation Support (US\$5 million). The second component finances: (a) select technical assistance and investment to strengthen the Government’s capacity for implementing the necessary reforms and achieving the results; (b) the design and implementation of a pilot of Livelihood Enhancement Activities among beneficiaries of social assistance programs to support further households’ income generating capacity in the medium and long term; and (c) general project implementation support. This component follows standard World Bank procedures for investment financing.

16. The SAP became effective on July 12, 2016. The first Implementation Status Report (ISR) was approved on September 16, 2016. This ISR found the project to be satisfactory. The first project disbursement under Component 1 took place on September 8, 2016, upon verification that the Government achieved DLI1. This DLI referred to the adoption and piloting of a new community-based poverty targeting mechanism. Progress towards the achievement of DLI2 and DLI3 is underway and expected to take place by December 2016. The Government is currently working toward fulfilment of the disbursement condition for Component 2, namely the recruitment of key figures in the Project Implementation Unit (PIU). The Ministry of Social Development advertised the relevant positions, and expects to conclude recruitment by early December 2016. The Ministry

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<sup>5</sup> Country Partnership Framework for Kingdom of Lesotho for the period FY16-20; June 2, 2016; page 14.

of Social Development also began activities related to the livelihood enhancement pilot for graduation and community development.

17. The GoL deems borrowing additional funds for the Social Assistance Project as the most effective way to cover emergency response expenses, while investing in strengthening the basic network of social assistance to reach the poorest and most vulnerable in the country.

18. The main expected benefits of the AF are twofold: (i) a significant contribution to addressing the financing gap in current emergency response in Lesotho; and (ii) strengthening the ability of social protection programs to serve as crisis response and resilience enhancing mechanisms. Without this support, it is likely that the Government would not be able to continue to finance emergency response social assistance interventions, nor invest in systems strengthening for future crisis response.

### III. PROPOSED CHANGES

<b>Summary of Proposed Changes</b>	
The main changes under the AF will be: a) inclusion of a new retroactive DLI to support the Government's ongoing crisis response efforts through the existing social assistance system; b) modifying selected DLIs in the Social Assistance Project that are particularly urgent in the crisis response context; c) directly financing emergency cash transfers for one round in 2016 and two rounds in 2017; d) strengthening the technical assistance investment on aspects of social protection that are key in emergency response and resilience; and e) including a CERC.	
Change in Implementing Agency	Yes [ ] No [ X ]
Change in Project's Development Objectives	Yes [ X ] No [ ]
Change in Results Framework	Yes [ X ] No [ ]
Change in Safeguard Policies Triggered	Yes [ ] No [ X ]
Change of EA category	Yes [ ] No [ X ]
Other Changes to Safeguards	Yes [ ] No [ X ]
Change in Legal Covenants	Yes [ X ] No [ ]
Change in Loan Closing Date(s)	Yes [ ] No [ X ]
Cancellations Proposed	Yes [ ] No [ X ]
Change in Disbursement Arrangements	Yes [ X ] No [ ]
Reallocation between Disbursement Categories	Yes [ ] No [ X ]
Change in Disbursement Estimates	Yes [ X ] No [ ]
Change to Components and Cost	Yes [ X ] No [ ]
Change in Institutional Arrangements	Yes [ ] No [ X ]
Change in Financial Management	Yes [ X ] No [ ]

Change in Procurement	Yes [ ] No [ X ]
Change in Implementation Schedule	Yes [ X ] No [ ]
Other Change(s)	Yes [ X ] No [ ]

**Development Objective/Results**

**Project's Development Objectives**

Original PDO  
 The objective of the proposed project is to support the GoL in improving the efficiency and equity of selected social assistance programs.

**Change in Project's Development Objectives**

Explanation:  
 We propose changing the PDO to reflect the immediate as well as long term crisis response nature of the additional financing, as well as to reflect the inclusion of the CERC component.

Proposed New PDO - Additional Financing (AF)

The objective of the Project is to support the GoL in improving the efficiency, equity and shock responsive function of selected Social Assistance programs and, in the event of an Eligible Crisis or Emergency, to provide immediate and effective response to said Eligible Crisis or Emergency.

**Change in Results Framework**

Explanation:  
 The inclusion of a new DLI, modification of old DLIs and financing of new activities under Component 2 will require changes in the Results Framework.

**Compliance**

**Covenants - Additional Financing ( Additional Financing to Social Assistance Project - CRW Funds - P160934 )**

Source of Funds	Finance Agreement Reference	Description of Covenants	Date Due	Recurrent	Frequency	Action
IDAW	Section II C.1	Withdrawal conditions relating to Cash Transfers as described in the Financing Agreement		<input type="checkbox"/>		New
IDAW	Section II D.1	Withdrawal conditions relating to the DLIs as described in the Financing Agreement		<input type="checkbox"/>		New

<b>Covenants - Parent ( Social Assistance Project - P151442 )</b>							
<b>Ln/Cr/TF</b>	<b>Finance Agreement Reference</b>	<b>Description of Covenants</b>	<b>Date Due</b>	<b>Status</b>	<b>Recurrent</b>	<b>Frequency</b>	<b>Action</b>
IDA-58340		No withdrawal shall be made under Category (2) unless the Recipient has established the PIU with a composition and terms of reference acceptable to the Association.		Expected soon	<input type="checkbox"/>		New
<p>Explanation of changes in legal covenants</p> <ul style="list-style-type: none"> <li>- Objective of the original project is modified since the PDO is modified</li> <li>- Titles of Part 1 and Part 2 are modified since the names of Components 1 and 2 are modified</li> <li>- The financing percentage is increased to 100% to allow for higher disbursement</li> <li>- The table of DLIs is modified to include the new DLI 21</li> <li>- The covenant for the independent verification of selected DLIs is removed since this is deemed unnecessary. The team deems that the verification procedures in place as part of the implementation plan, and as set forth in the PIM through the verification protocols are sufficient to verify the achievement of the DLIs</li> <li>- The definition of the Eligible Expenditure Program and that of Social Assistance programs are modified</li> </ul>							
<b>Conditions</b>							
<b>Risk Category</b>					<b>Rating (H, S, M, L)</b>		
1. Political and Governance					Substantial		
2. Macroeconomic					Substantial		
3. Sector Strategies and Policies					Substantial		
4. Technical Design of Project or Program					Substantial		
5. Institutional Capacity for Implementation and Sustainability					Substantial		

6. Fiduciary	Substantial
7. Environment and Social	Low
8. Stakeholders	Substantial
9. Other	
OVERALL	Substantial
<b>Finance</b>	
<b>Loan Closing Date - Additional Financing ( Additional Financing to Social Assistance project - CRW funds - P160934 )</b>	
<b>Source of Funds</b>	<b>Proposed Additional Financing Loan Closing Date</b>
IDA Credit from CRW	30-May-2020
<b>Change in Disbursement Arrangements</b>	
<p>Explanation:</p> <p>The SAP and the AF will share a common Eligible Expenditure Program. Disbursements for both the SAP and the AF under Component 1 will be made against payments made to beneficiaries of the common EEP. Through this restructuring it is proposed that the combined financing percentage under both the SAP and the AF against the aggregate EEP expenditures is 100 percent This increase will require an amendment to the SAP’s Financing Agreement.</p> <p>Aggregate disbursements under the SAP and the AF shall not exceed the aggregate EEP expenditures. Supporting documentation for disbursement i.e., joint Interim Financial Reports (IFRs) - will include evidence that the aggregate payments under the EEP are at least as high as the aggregate disbursements under the SAP and the AF, and have been made as per according to the EEP reporting format. The Government’s financial systems will be used for purposes of tracking and reporting the payments made by the EEP.</p> <p>In cases in which disbursements are triggered by the same DLI under both the SAP and the AF (namely for DLIs 5, 8, 9, 11, 15, 16 and 20), withdrawal applications from each of the financing sources will be proportional to the relative allocation to the DLI from either source. Table 3 indicates the percentage of withdrawal requests from each source of financing for each shared DLI between the SAP and the AF. The joint Project Implementation Manual (PIM) will provide further clear guidance on processing withdrawal applications for shared DLIs to ensure that the correct amount is withdrawn from each source.</p> <p>Through Component 2 the AF will finance emergency top ups to the CGP, to be paid to beneficiaries in March/April 2017. This payment will take place through advances. In order to advance the funds necessary for these payments, the ceiling of the Designated Account for the AF will be raised to US\$2,100,000. After these payments are made, the Designated Account ceiling may be reduced.</p>	
<b>Change in Disbursement Estimates (including all sources of Financing)</b>	
<p>Explanation:</p> <p>Disbursement estimates will change to allow for disbursements under the AF.</p>	



<b>Expected Disbursements (in USD Million)(including all Sources of Financing)</b>										
Fiscal Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Annual	11.10	14.40	9.00	3.00	2.50	0.00	0.00	0.00	0.00	0.00
Cumulative	11.10	25.50	34.50	37.50	40.00	0.00	0.00	0.00	0.00	0.00
<b>Allocations - Additional Financing ( Additional Financing to Social Assistance project - CRW funds - P160934 )</b>										
Source of Fund	Currency	Category of Expenditure	Allocation		Disbursement %(Type Total)					
			Proposed		Proposed					
IDA	USD	Component 1		15,000,000.00		75.00				
IDA	USD	Component 2		5,000,000.00		25.00				
		<b>Total:</b>		20,000,000.00						
IDAW	USD	Component 1		15,500,000.00		77.50				
IDAW	USD	Component 2		4,500,000.00		22.50				
		<b>Total:</b>		20,000,000.00						
<b>Components</b>										
<b>Change to Components and Cost</b>										
Explanation:										
Out of the total US\$20 million of Additional Financing, US\$15.5 million will go to Component 1 and US\$4.5 million to Component 2.										
Component 1 will be renamed: Strengthening administrative efficiency, equity and shock responsive function of the selected social assistance programs. The main changes to Component 1 will be as follows:										
a) Addition of a DLI for retroactive financing, supporting the Government’s ongoing crisis response efforts through existing social protection systems (US\$7.1 million). Over the course of 2016 the MoSD delivered emergency cash assistance to vulnerable families in response to the drought. Emergency assistance consisted of a top-up cash transfer to current beneficiaries of the CGP. The AF will include a new retroactive DLI equivalent to 35 percent of the total project allocation (US\$7.1 million) to support such use of the social assistance system to provide emergency relief through emergency top ups to the CGP in crisis affected areas. The exact wording of the proposed DLI 21 is: The Ministry of Social Development provided cash emergency relief to poor and vulnerable households through existing social protection mechanisms.										
b) Increasing the amount allocated to some DLIs to support key results under the SAP that are crucial in building a scalable social assistance system (additional resources US\$7 million). A shock-responsive social assistance system requires a solid regular program, which can be then										

scaled up during crises both in terms of population and in terms of benefit amounts. The SAP supports results on two key building blocks of a solid regular social assistance program, namely the CGP and the NISSA. These have already proved crucial in current as well as past crisis responses. During the present drought, the Government and development partners have identified poor and vulnerable beneficiaries of emergency cash assistance using the NISSA database. For current CGP beneficiaries, assistance was then channeled as emergency top up cash transfers. Presently the NISSA registry contains information on households in 38 out of 69 community councils. In the remaining 31 community councils, the Government and development partners do not have a reliable and systematic way to identify either regular or emergency assistance to the poor. Similarly, the CGP currently only reaches 26,000 households in the 38 community councils where NISSA is available. Lack of funding from the Government's budget have delayed the nationwide expansion of both CGP and NISSA, despite their crucial role in enhancing the efficiency, equity and shock responsive function of social assistance. Given the challenges in securing government funding, the AF will increase the allocation to the respective DLIs to raise the incentive for the Government to fast-track their achievement, as follows:

i. Increasing the allocation to DLI 15 on the expansion of coverage of the NISSA registry, so that its achievement can be fast-tracked to December 2017. DLI 15 states that the coverage of NISSA-CBT registry reached at least 75 percent of community councils in the country. Existing coverage is at 55 percent of community councils (38 out of 69). With support from the AF, MoSD plans to cover an additional 15 community councils over the course of 2017, thus reaching the 75 percent target by December 2017. Under the AF, the achievement of this DLI will be fast-tracked from December 2018 to December 2017 and its allocation increased from US\$0.5 million to US\$2 million to support the tightened time frame. The wording of DLI 15 will stay the same.

ii. Increasing the allocation to DLIs 5, 11, 16, and 20, so that their achievement can be fast tracked. Under the parent project the CGP enrollment targets for these four DLIs are: 30,500; 36,500; 42,500; and 48,500 households over the four years of the project, respectively. Under the AF, the targets will increase to 38,000; 50,000; 60,000 and 70,000 over four years to 2020, respectively. The amount allocated to DLIs 5, 11 and 16 will increase by US\$1.5 million each, while that to DLI 20 by US\$1 million. Thus, DLI 5, 11 and 16 will each be worth US\$3 million, and DLI 20 US\$2 million. The expected dates for achievements of the DLIs will be revised to allow for meeting the higher targets and align with the budget cycle.

c) Increasing the amount allocated to some DLIs to increase the efficiency of social assistance (US\$1.4 million). A key feature of the parent project is the focus on supporting improvements in administrative efficiency of selected social assistance programs. These are estimated to yield considerable savings to the Government, which can help finance the social assistance drought response described above. Given the challenging fiscal situation and high spending on social assistance, the administrative reform agenda is key to the success of the parent project and the AF. Central to this agenda are the results on improvements in the administration of the Old Age Pension (OAP, run by the Ministry of Finance), given this programs large budget and potential for reform. The AF will increase the incentives to achieve efficiency results with regards to the OAP by adding resources to DLIs 8 and 9, as follows:

i. Increasing by US\$0.4 million the allocation for the establishment of a cross-check between

Civil Service Pension and OAP and subsequent elimination of duplications. DLI8 states that: 100 percent of OAP beneficiaries found to be ineligible through the regular cross checks with Civil Service Pensions databases are eliminated from the OAP roster. Retired civil servants are not entitled to receive both a Civil Service and an Old Age Pension; in practice there is no mechanism currently to detect whether they do. Under the parent project, the establishment of a cross check mechanism between the databases of the two programs is planned for the first year of the project, and first cleaning of the database to eliminate double-dipping for June 2017. From there, cross-matching and elimination should become a regular process. Given the importance of elimination of double dipping for efficiency, the AF will increase the amount allocated to DLI8 from US\$0.4 million to US\$0.8 million to incentivize its achievement.

ii. Increasing by US\$1 million the allocation for the establishment of a proof of life mechanism that will allow to eliminate ghost beneficiaries. DLI9 states that: 100 percent of ineligible OAP recipients detected prior to June 30, 2017 are eliminated as a result of the new OAP proof of life verification requirements applied to all current beneficiaries. Currently, there is no systematic proof of life verification by the OAP administration: the program relies on a certificate from the village chief in case the elderly do not collect the payment in person. This practice has led to considerable suspect ghost beneficiaries, estimated at 20-25 percent of total beneficiaries for a total loss of over LSL150 million (roughly US\$10 million dollars) per year. The introduction of the proof of life mechanism and removal of ghosts is the cornerstone of the efficiency agenda. The AF will increase the allocation to DLI9 from US\$1.3 million to US\$2.3 million to incentivize its achievement.

Component 2 will be renamed: Support for Implementation and Crisis Response, and its allocation will be increased by US\$4.5 million, from US\$5 million to US\$9.5 million to support immediate crisis response and building shock-responsive features of social assistance system. The main additional activities to be financed under Component 2 will be:

a) Directly financing the emergency top ups to the CGP for three quarters: the last quarter of 2016 and the first two quarters of 2017 (US\$3 million). To support beneficiaries through the worst of the crisis, the MoSD plans three additional rounds of emergency top ups to the 27,000 households who are current beneficiaries of the CGP: a last payment in 2016 and two payments in 2017. The AF will finance these three rounds. Top ups for the last payment of 2016 will be financed retroactively upon effectiveness of the AF, while the two 2017 payments will be made through advances. Emergency top ups are administered through regular CGP procedures, and thus their beneficiary identification, database control payment, reconciliation processes are the same, are based on country systems and are satisfactory from an FM perspective (see Annex 2 and 3 for further details).

b) Supporting the expansion of NISSA in terms of coverage and capacity to be used in regular and emergency situations (US\$0.5 million). As mentioned above, the NISSA registry currently contains information on households in 38 community councils. In the remaining 31, the Government and development partners do not have a reliable way to channel assistance to the chronically poor, thus hindering the possibility of channeling emergency assistance to the whole population. NISSA expansion receives financial and technical support by the EU and UNICEF, but the team identified a financing shortfall of US\$0.4 million to achieve the nationwide

expansion. Specifically, the additional resources will be used to carry out the community based consultations and the Proxy Means Testing (PMT) data collection to cover gaps in current and new NISSA community councils. Additionally, this activity will support technical assistance to strengthen the potential to use NISSA information to target beneficiaries during crises. The NISSA targeting approach (Community Based plus PMT) is designed to identify the chronically poor. This group is likely to suffer greatly from any shocks, including natural ones such as the drought, and should therefore be an important target for emergency assistance. However, households that are not chronically poor but are vulnerable might also be in urgent need of assistance during crises. Receipt of such emergency funds might in fact be the only buffer for these vulnerable households from falling into poverty. Knowing who those vulnerable households are during a crisis is a key feature of a scalable social assistance system. This technical assistance will help the Government establish a strategy for building on the NISSA database and a strategy for targeting during emergencies. This technical assistance can also be used to make the necessary adjustments to the existing NISSA software and hardware, to capture new beneficiaries using potentially different methodologies, if appropriate. The team secured Global Facility for Disaster Reduction and Recovery (GFDRR) Trust Fund resources on building the shock responsive aspects of social assistance in Lesotho and Swaziland to complement these activities.

c) Supporting resilience-strengthening social protection interventions (US\$1 million). The objective of a shock-responsive social protection system should be to effectively and timely respond in times of crisis but also build the resilience of vulnerable households to the effects of these shocks. Component 2B of the SAP supports the MoSD in designing and implementing a pilot of livelihood enhancement activities for vulnerable households. The pilot aims to contribute to bridging the gap between vulnerable households and the existing supply of programs that can help increase productive potential, such as agriculture and forestry programs, access to credit, training, etc. Bridging this gap has proven to be effective in other countries in contributing to poverty reduction and thus graduation from poverty over time. The AF will support the MoSD in building into the pilot and testing explicit support for long-term adaptation and resilience strategies, for example: development of training in income diversification strategies and sustainable agricultural practices; special health care, water, sanitation and hygiene promotion; mechanisms for mobilizing community support during crisis, among others. The AF will not finance any agricultural or forestry interventions nor any type of works. In addition to supporting this pilot, the AF will finance technical assistance to the MoSD on how to increase the nutritional aspects of social assistance, given the high level of stunting in Lesotho and the potential for nutrition-sensitive social protection to increasing the resilience of the population to disasters. The World Bank has already provided initial TA in this area through a Rapid Social Response Trust Fund. The technical assistance under the AF will further that dialogue, by supporting the design and testing of specific interventions.

Component 3: Inclusion of a Contingent Emergency Response Component (CERC) (US\$0 million): This contingent emergency response component will be included under the project in accordance with OP 10.00, paragraphs 12 and 13, to help improve response times in the event of future situations where urgent assistance is needed. The CERC allows for rapid reallocation of project proceeds in the event of a future natural or man-made disaster or crisis that has caused or is likely imminently to cause a major adverse economic and/or social impact. This component will have no funding allocation initially. In the event of a future emergency, it could be used to draw

resources from the unallocated expenditure category and/or allow the Government to request the World Bank to re-categorize and reallocate financing from other project components to cover emergency response and recovery costs, if approved by the World Bank.

Like the parent project, the AF will continue focusing on two key aspects of citizen engagement, namely strengthening citizen involvement in the targeting process through the expansion of the community based component of the NISSA targeting system, as well as by increasing citizen and beneficiaries' satisfaction with the administration of social assistance programs. Indicators to measure both these aspects are included in the Results Matrix in Annex 1.

The AF and the SAP will have a joint PIM. The existing PIM for the SAP will be modified according to the changes introduced through the AF.

<b>Current Component Name</b>	<b>Proposed Component Name</b>	<b>Current Cost (US\$M)</b>	<b>Proposed Cost (US\$M)</b>	<b>Action</b>
Component 1: Strengthening administrative efficiency and equity of the selected social assistance programs	Component 1: Strengthening administrative efficiency, equity and shock responsive function of the selected social assistance programs	15.00	30.50	Revised
Component 2: Implementation Support	Component 2: Support for implementation and crisis response	5.00	9.50	Revised
	Component 3: Contingent Emergency Response Component (CERC)	0.00	0.00	New
	<b>Total:</b>	20.00	40.00	

**Other Change(s)**

**Change in Financial Management**

Explanation:

The AF will require three changes to the FM arrangements to allow for higher disbursements: a) the increase in the financing percentage of disbursement to the EEPs accepted under both the SAP and the AF to 100 percent; b) the AF will finance the same EEP as the SAP but the joint EEP will be expanded to include additional expenditure lines: the Post Primary Bursary program and salary lines for MoSD staff; and c) the addition of a disbursement category under Component 2 to allow for financing cash transfers. Various implementation arrangements will be undertaken in order to avoid double financing the common EEP by both the SAP and the AF, such as joint IFRs and

single audits for both credits. These arrangements are explained in more detail in Annex 2 of this Paper. The Financing Agreement of the SAP will be modified to reflect these changes.

#### **Change in Implementation Schedule**

Explanation:

The expected schedule of achievement of one DLI (DLI 15) will be fast-tracked to December 2017 from December 2018. The expected schedule of achievement of DLIs 5, 11 and 16 will be revised to allow for higher targets and to align with the government's budget cycle.

#### **Other Change(s)**

Explanation:

The Project Implementation Manual will be modified to allow for the changes introduced through the AF.

### **IV. APPRAISAL SUMMARY**

#### **Economic and Financial Analysis**

Explanation:

The main change relevant to the economic analysis is the increase in the DLI coverage targets for the CGP. Under the parent project, the end target for coverage of the CGP by Year 4 is 48,500 households. With the AF, it will be brought up to 70,000 households, to reach all poor households in crisis affected areas. This expansion with the AF will increase CGP's yearly budget from the current LSL50 million to roughly LSL120 million under the AF. Even with this increase, the project will remain fiscally positive, yielding savings ranging from 0.15 percent to 0.30 percent of GDP annually. A revised project fiscal analysis table with projections of estimated savings resulting from key reform parameters is presented in Annex 4 to the Project Paper. The additional CGP expansion as well the provision of emergency cash transfers to beneficiaries of the CGP will further the positive economic impact among vulnerable households highlighted in the economic analysis of the parent project.

#### **Technical Analysis**

Explanation:

The technical considerations for preparation of the parent project remain valid. In addition to these, the design and preparation of this AF is based on a growing body of evidence on the crucial role safety nets can play in bringing relief to poor and vulnerable populations during a crisis, as well as on documented experience from Lesotho. A recent World Bank strategic note on Cash Transfers in Humanitarian Contexts finds that the combination of functioning markets and flexible resources has led to an increase in the use of cash to respond to emergencies. Linking the emergency response to social protection instruments from an early stage ensures a smooth transition from emergency to development. Experience from Lesotho itself corroborates the potential for safety nets in crisis response. In 2012, 2013, and during the current crisis, the Government with support from development partners has been providing food emergency grants to CGP beneficiaries in the form of a top up to the standard CGP grant. This experience showed that using existing Government systems proved to be an effective way to reach people in need, and contributed to food security among poor households.

<b>Social Analysis</b>
Explanation: No changes to the social sections of the appraisal summary of the parent project.
<b>Environmental Analysis</b>
Explanation: No changes to the environmental sections of the appraisal summary of the parent project.
<b>Risk</b>
Explanation: The proposed AF will be subject to the same overall substantial risk as the SAP. This rating stems from the substantial country level, sectoral, technical, institutional, fiduciary, and stakeholder risks. As with the SAP, the environmental and social risks are likely to be low. The proposed AF will also face a number of new risks: the crisis might exacerbate the fragile macro and political stability, leading to possible delays in implementation. In turn, delays might cause the project to be effective only after the peak of the crisis has passed, leading to possible reputational risk. Finally, currency risk represents substantial risk for disbursements under the AF, because a depreciation of the maloti against the SDR might further tighten the absorptive capacity of the EEPs given the increased disbursement size under the AF. The project plans to mitigate institutional, sectoral, technical, stakeholder and fiduciary risks through investment in technical assistance and capacity building, as well as through local presence by the supervision team.

## V. WORLD BANK GRIEVANCE REDRESS

19. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).

## ANNEX 1: REVISED RESULTS FRAMEWORK

### Project Development Objectives

Original Project Development Objective - Parent:

The objective of the proposed project is to support the Government of Lesotho in improving the efficiency and equity of selected social assistance programs.

### Proposed New PDO - Additional Financing (AF)

The objective of the Project is to support the GoL in improving the efficiency, equity and shock responsive function of selected Social Assistance programs and, in the event of an Eligible Crisis or Emergency, to provide immediate and effective response to said Eligible Crisis or Emergency

Core sector indicators are considered: Yes

Results reporting level: Program Level

### Project Development Objective Indicators

Status	Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
No Change	PDI 1: Number of non-eligible beneficiaries eliminated from the OAP roster.	<input type="checkbox"/>	Number	Value	0.00		15000.00
				Date	01-Jan-2016		31-Mar-2020
				Comment			
No Change	PDI 2: Percentage of households receiving CGP that are in the poorest two quintiles of the population.	<input type="checkbox"/>	Percentage	Value	65.00		75.00
				Date	01-Jan-2016		31-Mar-2020
				Comment			
No Change	PDI 3: Percentage of households receiving PA that are in poorest two quintiles of the population.	<input type="checkbox"/>	Percentage	Value	56.00		65.00
				Date	01-Jan-2016		31-Mar-2020
				Comment			
Revised	Direct project beneficiaries	<input checked="" type="checkbox"/>	Number	Value	100000.00		137000.00
				Date	01-Jun-2016		30-May-2020



				Comment: Original target			115000.00
No Change	Female beneficiaries	<input checked="" type="checkbox"/>	Percentage Sub Type Supplemental	Value	51.00		51.00
Revised	Beneficiaries of Safety Nets programs (number)	<input checked="" type="checkbox"/>	Number	Value	185000.00		222000.00
				Date	01-Jun-2016		30-May-2020
				Comment: Original target			200000.00
Revised	Beneficiaries of Safety Nets programs - Female (number)	<input checked="" type="checkbox"/>	Number Sub Type Breakdown	Value	92500.00		111000.00
				Date	01-Jun-2016		30-May-2020
				Comment: Original target			100000.00
Revised	Beneficiaries of Safety Nets programs - Unconditional cash transfers (number)	<input checked="" type="checkbox"/>	Number Sub Type Breakdown	Value	185000.00		222000.00
				Date	01-Jun-2016		30-May-2020
				Comment: Original target			200000.00

### Intermediate Results Indicators

Status	Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
No Change	Number of meetings of the Social Protection Technical Committees for Childhood and Old Age	<input type="checkbox"/>	Number	Value	1.00		2.00
				Date	01-Jan-2016		31-Mar-2020
				Comment			

No Change	Number of annual meetings of the Social Protection Policy Committee	<input type="checkbox"/>	Number	Value	0.00		1.00
				Date	01-Jun-2016		30-May-2020
				Comment			
No Change	An Integrated Management Information System is adopted by MoSD for CGP, OVC, and PA	<input type="checkbox"/>	Text	Value	Pilot phase		An MoSD Integrated MIS (IMIS) for the CGP, OVC and PA has been deployed and is fully operative
				Date	01-Jun-2016		30-May-2020
				Comment			
No Change	Percentage of payments to CGP and PA paid through the unified payment system	<input type="checkbox"/>	Percentage	Value	0.00		75.00
				Date	01-Jun-2016		30-May-2020
				Comment			
No Change	Number of cross checks between OAP database and Civil Service Pension databases.	<input type="checkbox"/>	Number	Value	0.00		2.00
				Date	01-Jun-2016		30-May-2020
				Comment			
No Change	Percentage of OAP beneficiaries paid through an electronic payment system	<input type="checkbox"/>	Percentage	Value	0.00		80.00
				Date	01-Jun-2016		30-May-2020
				Comment			
No Change	Percentage of OAP beneficiaries with a yearly proof of life verification	<input type="checkbox"/>	Percentage	Value	0.00		100.00
				Date	01-Jun-2016		30-May-2020
				Comment			
No Change		<input type="checkbox"/>	Percentage	Value	0.00		100.00
				Date	01-Jun-2016		30-May-2020

	Percentage of community councils in the country covered by NISSA-CBT registry	<input type="checkbox"/>		Comment			
No Change	Percentage of household members registered by NISSA who report the unique ID number provided by the Ministry of Home Affairs	<input type="checkbox"/>	Percentage	Value	0.00		70.00
				Date	01-Jun-2016		30-May-2020
				Comment			
No Change	Percentage of new beneficiaries of PA and OVC entered in the calendar year selected using the harmonized targeting procedures adopted in Year 1	<input type="checkbox"/>	Percentage	Value	0.00		100.00
				Date	01-Jun-2016		30-May-2020
				Comment			
No Change	Percentage of existing beneficiaries (in Year 1) of OVC and PA recertified using the harmonized targeting procedures adopted in Year 1	<input type="checkbox"/>	Percentage	Value	0.00		100.00
				Date	01-Jun-2016		30-May-2020
				Comment			
No Change	Percentage of citizens reporting satisfaction with the administration of social assistance programs	<input type="checkbox"/>	Percentage	Value	0.00		50.00
				Date	30-May-2017		30-May-2019
				Comment			
No Change	Percentage of beneficiaries reporting satisfaction with the administration of social assistance programs	<input type="checkbox"/>	Percentage Sub Type Breakdown	Value	0.00		70.00
				Date	09-Aug-2016		30-May-2019
				Comment			
New	Number of beneficiaries receiving emergency top ups to the CGP	<input type="checkbox"/>	Number	Value	23000.00		26000.00
				Date	31-Oct-2016		01-Jul-2017
				Comment			

**ANNEX 2: REVISED FINANCIAL MANAGEMENT, DISBURSEMENT AND PROCUREMENT ARRANGEMENTS**

1. Section III on Proposed Changes describes the key changes to the design Component 1. Briefly, these are as follows:

a) Introduction of a new DLI (DLI21) of US\$7.1 million to retroactively finance a key result in crisis response, namely “The Ministry of Social Development provided cash emergency relief to poor and vulnerable households through existing social protection mechanisms”. This DLI has been met as of December 2016.<sup>6</sup>

b) Increasing the amount allocated to five key existing DLIs of the SAP (for a total increase of US\$7 million), as follows:

i. Increasing by US\$1.5 million the allocation to DLI 15 on the expansion of coverage of the NISSA registry, so that its achievement can be fast-tracked to December 2017.

ii. Increasing by US\$1.5 million each the allocation to DLIs 5, 11, 16, and by US\$1 million the allocation to DLI 20, so that their achievement can be fast tracked. The expected dates for achievements of the DLIs will remain the same as under the parent project.

c) Increasing by US\$1.4 million the amount allocated to two existing DLIs of the SAP, to increase the incentives to achieve efficiency results with regards to the OAP, namely:

i. Increasing by US\$0.4 million the allocation to DLI8 “100% of OAP beneficiaries found to be ineligible through the regular cross checks with Civil Service Pensions databases are eliminated from the OAP roster”

ii. Increasing by US\$1 million the allocation to DLI 9 “100% of ineligible OAP recipients detected prior to June 30, 2017 are eliminated as a result of the new OAP proof of life verification requirements applied to all current beneficiaries.”

2. Table 1 summarizes these changes in a revised DLI table, with maximum amounts to be financed under the SAP and the AF respectively for each DLI, with the indicative date each DLI will be met.

**Table 1: Revised DLI table for SAP and AF**

No.	DLI	Maximum Amount to be financed under SAP (USD)	Maximum Amount to be financed under AF USD	Indicative date DLI will be met
1	The NISSA-CBT targeting approach was designed and tested	1,500,000		Met and disbursed on September 8 <sup>th</sup> , 2016
21	The Ministry of Social Development provided cash emergency relief to poor and vulnerable households through existing social protection mechanisms.		7,100,000	December 2016

<sup>6</sup> BP10.00 paragraph 14 allows for the total amount of retroactive financing to be 40 percent or less of the Bank Loan for Projects covered by paragraph 12 of OP10.00.

2	Data cross matching mechanism between the OAP and the Civil Service Pensions databases was established	1,000,000		December 2016
3	Post-Primary OVC Bursary was consolidated in the OVC Bursary Scheme	250,000		March 2017
4	OVC, and PA adopted harmonized targeting procedures based on NISSA-CBT and possible categorical filters	250,000		March 2017
5	Enrollment in CGP reached 38,000 households	1,500,000	1,500,000	June 2017
6	Key managerial positions of the Social Assistance Department have been included in the MoSD payroll	150,000		June 2017
7	Harmonized procedures of application, enrollment, grievance and redress mechanism for CGP, OVC and PA were adopted	150,000		June 2017
8	100% of OAP beneficiaries found to be ineligible through the regular cross checks with Civil Service Pensions databases are eliminated from the OAP roster	400,000	400,000	June 2017
9	100% of ineligible OAP recipients detected till June 30, 2017 are eliminated as a result of the new OAP proof of life verification requirements applied to all current beneficiaries	1,300,000	1,000,000	June 2017
10	All new beneficiaries of OVC and PA entered in the calendar year were selected using the harmonized targeting procedures adopted in Year 1	500,000		December 2017
11	Enrollment in CGP reached 50,000 households	1,500,000	1,500,000	June 2018
15	The coverage of NISSA-CBT registry reached at least 75% of Community Councils in the country	500,000	1,500,000	December 2017
12	An MoSD Integrated MIS (IMIS) for the CGP, OVC and PA is fully operative	250,000		June 2018
13	MoSD established a unified payment system for CGP and PA	250,000		June 2018
14	At least 30% of payments to OAP beneficiaries are paid through the new OAP payment system	500,000		June 2018
16	Enrollment in CGP reached 60,000 households	1,500,000	1,500,000	June 2019
17	At least 75% of payments to CGP and PA are paid through the unified payment system	500,000		June 2019

<b>18</b>	100% of ineligible OAP recipients detected till June 30, 2019 are eliminated as a result of the new OAP proof of life verification requirements applied to all current beneficiaries	1,500,000		June 2019
<b>19</b>	100% of existing beneficiaries (in Year 1) of OVC and PA were recertified using the harmonized targeting procedures adopted in Year 1	500,000		December 2019
<b>20</b>	Enrollment in CGP reached 70,000 households	1,000,000	1,000,000	December 2019
	<b>TOTAL</b>	<b>15,000,000</b>	<b>15,500,000</b>	

3. As under the SAP, achievement of the DLIs will be verified according to clearly specified and feasible protocols. Table 2 presents the revised draft protocols. The changes will be reflected and refined in the joint Project Implementation Manual.

**Table 2: Revised table with draft protocols for verification of DLIs**

<b>DLI#</b>	<b>Disbursement Linked Indicator (DLI)</b>	<b>Definition of DLI</b>	<b>Draft Protocol to Verify achievement of the DLI</b>	<b>Indicative Verification arrangements</b>
1	The NISSA-CBT targeting approach was designed and tested	This DLI will be met when a new targeting tool combining community based targeting and a proxy means test has been designed and tested.	<u>Data source:</u> CBT targeting methodology report and pilot lessons learned report <u>Procedure:</u> A copy of the methodology as well as a report drawing the lessons learned from piloting the new methodology and indicating the way forward is sent to the World Bank.	The information to evaluate achievement of the DLI will be gathered and submitted by the PIU or the Ministry directly to the World Bank.
2	The Ministry of Social Development provided cash emergency relief to poor and vulnerable households through existing social protection mechanisms.	This DLI will be met when the MoSD, with support from development partners, delivers emergency cash transfers (top ups) using the NISSA database information to identify beneficiaries, or the NISSA database information to identify beneficiaries and CGP program processes to deliver the cash.	<u>Data source:</u> MoSD report describing how the emergency response was provided <u>Procedure:</u> A copy of the report as well as payment vouchers for the emergency cash transfers are sent to the World Bank	The information to evaluate achievement of the DLI will be gathered and submitted by the PIU or the Ministry directly to the World Bank.
3	Data cross matching mechanism between the OAP and the Civil Service	This DLI will be met when protocols for data cross-matching of OAP beneficiary data base with the data bases of the Civil Service Pensions to detect beneficiaries of the	<u>Data source:</u> Draft OAP Operational Manual <u>Procedure:</u> A copy of the OAP Operational Manual, including procedures employed for cleaning the OAP database after checking	The information to evaluate achievement of the DLI will be gathered and submitted by the

	Pensions databases was established	Civil Service pension among the beneficiaries of OAP, are defined and included in the Draft OAP Operational Manual.	duplications of beneficiaries in the Civil Service Pension database is sent to the World Bank	PIU directly to the World Bank.
4	Post-Primary OVC Bursary was consolidated in the OVC Bursary Scheme	This DLI will be met when the Post Primary OVC Bursary, currently under National Manpower Development Secretariat, is moved to the MoSD, including its budget.	<u>Data source:</u> Transition plan and consolidated budget. <u>Procedure:</u> A copy of resolution of consolidation, including proof of consolidated budget and depersonalized list of beneficiaries are sent to the World Bank.	The information to evaluate achievement of the DLI will be gathered and submitted by the PIU directly to the World Bank.
5	Key managerial positions of the Social Assistance Department have been included in the MoSD payroll	This DLI will be met when the Director, the Manager for Social Assistance, the NISSA Manager, the Payment Manager, and the MIS Manager were included in the MoSD payroll.	<u>Data source:</u> HR payroll report with the five positions. <u>Procedure:</u> A copy of the MoSD resolution, plus the ToR and the HR payroll report of the latest month are sent to the World Bank upon completion of DLI.	The information to evaluate achievement of the DLI will be gathered and submitted by the PIU directly to the World Bank.
6	Harmonized procedures of application, enrollment, grievance and redress mechanism for CGP, OVC and PA were adopted	This DLI will be met when: <ul style="list-style-type: none"> <li>(i) OVC bursary and PA processes have been reengineered, in line with processes applied for CGP and ISSN.</li> <li>(ii) CGP, OVC bursary and Public Assistance, administer harmonized application, selection, and registration processes</li> <li>(iii) An integrated MIS has been developed and deployed.</li> <li>(iv) The three programs use the integrated MIS to manage these processes.</li> <li>(v) Adopted new Operational Manual of OVC, and PA</li> </ul>	<u>Data source:</u> Program operations manuals. <u>Procedures:</u> A copy of the three programs operations manuals describing harmonized procedures, along with a copy of the MoSD resolution adopting the Operational Manuals for OVC and PA describing harmonized procedures of registration, payments and redress mechanisms with the CGP Program is sent to the World Bank upon completion of DLI	The information to evaluate achievement of the DLI will be gathered and submitted by the PIU directly to the World Bank.
7	100% of OAP beneficiaries found to be ineligible through the regular cross checks with Civil Service Pensions	This DLI will be met when MoF removes from its OAP roster all beneficiaries that are found to also be beneficiaries of the Civil Service Pension roster through the cross verification mechanism.	<u>Data source:</u> MoF report <u>Procedure:</u> OAP report with the number and percentage of existing beneficiaries that passed the Civil Service pension cross-check as well as the number of people removed from the roster are sent to the	The information to evaluate achievement of the DLI will be gathered and submitted by the PIU directly to the World Bank

	databases are eliminated from the OAP roster		World Bank upon completion of DLI.	
8	100% of ineligible OAP recipients detected till June 30, 2017 eliminated as a result of the new OAP proof of life verification requirements applied to all current beneficiaries	DLIs will be met when: (i) new eligibility verification procedures, including the requirement of regular proof of life, are adopted for OAP and included in the OAP operational manual; (ii) the indicated percentage of OAP beneficiaries undergo at least 1 proof of eligibility in the last three years, through the newly established proof of life verification mechanism as defined in the operations manual, and (iii) the indicated percentage of beneficiaries found to be ineligible are removed from the roster.	<u>Data source:</u> OAP report <u>Procedure:</u> OAP report with the number and percentage of existing beneficiaries that passed the proof of life in the calendar year as well as the number of people removed from the roster are sent to the World Bank upon completion of DLI.	The information to evaluate achievement of the DLI will be gathered and submitted by the PIU directly to the World Bank
9	An MoSD integrated MIS (IMIS) for the OVC, PA and CGP is fully operative.	This DLI will be met when an integrated MIS for OVC, PA and CGP has been developed and deployed. The MIS includes modules of application, selection, payments, monitoring, and case management of beneficiaries of OVC, PA and CGP.	<u>Data source:</u> MIS reports <u>Procedure:</u> MIS operational manual, and MIS reports of each module are sent to the World Bank upon completion of DLI.	The information to evaluate achievement of the DLI will be gathered and submitted by the PIU directly to the World Bank.
10	MoSD established a unified payment system for CGP and PA	This DLI will be met when a unified payment system is established for CGP and PA. The unified payment system might entail a combination of different methods (mobile, electronic, etc.) depending on beneficiary needs and geographic requirements, but such combination will be the same for both PA and CGP.	<u>Data source:</u> OAP report. <u>Procedure:</u> The program guidelines for PA and OVC showing the characteristic of the new payment system for CGP and PA, along with the contract with the payment provider/s is sent to the World Bank upon completion of the DLI.	The information to evaluate achievement of the DLI will be gathered and submitted by the PIU directly to the World Bank.
11	At least 30% of payments to OAP beneficiaries are paid through the new OAP payment system	This DLI will be met when MOF established a new payment system for OAP and signed a contract with a payment provider	<u>Data source:</u> MoF report <u>Procedure:</u> A report showing the characteristic of the new system, including the contract with the payment provider/s is sent to the World Bank upon completion of DLI.	The information to evaluate achievement of the DLI will be gathered and submitted by the PIU directly to the World Bank.
12	At least 75% of payments to CGP and PA are paid	This DLI will be met when at least 75% of the total beneficiaries of the two programs are paid through the	<u>Data source:</u> MoSD report. <u>Procedure:</u> Reports of the reconciliation of payments submitted by the MoSD for 75% of	The information to evaluate achievement of the DLI will be



	through the unified payment system	new unified payment system for CGP and PA.	payments made to beneficiaries of CGP and PA in the semester previous to the verification of the DLI are sent to the World Bank. Reconciliation reports ought to provide proof of usage of the same payment mechanism in the districts where both programs are implemented.	gathered and submitted by the PIU directly to the World Bank
13	100% of ineligible OAP recipients detected till June 30, 2019 eliminated as a result of the new OAP proof of life verification requirements applied to all current beneficiaries	DLIs will be met when: (i) New eligibility verification procedures, including the requirement of regular proof of life, are adopted for OAP and included in the OAP operational manual; (ii) the indicated percentage of OAP beneficiaries undergo at least 1 proof of eligibility in the last three years, through the newly established proof of life verification mechanism as defined in the operations manual, and (iii) the indicated percentage of beneficiaries found to be ineligible are removed from the roster.	<u>Data source:</u> OAP report <u>Procedure:</u> OAP report with the number and percentage of existing beneficiaries that passed the proof of life in the calendar year as well as the number of people removed from the roster are sent to the World Bank upon completion of DLI.	The information to evaluate achievement of the DLI will be gathered and submitted by the PIU directly to the World Bank
14	OVC, and PA adopted harmonized targeting procedures based on NISSA-CBT and possible categorical filters	This DLI will be met when a Government Resolution (TBD) is enacted defining the harmonized targeting procedures for CGP, OVC and PA.	<u>Data source:</u> Government Resolution (TBD). <u>Procedure:</u> A copy of the Government Resolution of the official gazette is sent to the World Bank upon completion of DLI.	The information to evaluate achievement of the DLI will be gathered and submitted by the PIU directly to the World Bank.
15	Enrollment of number of households in CGP reached at least 38,000 households	This DLI will be met when the indicated number of households are enrolled in the CGP and receive CGP benefits at least one time (as defined in the CGP operational manual).	<u>Data source:</u> MIS report <u>Procedure:</u> A de-personalized list of CGP beneficiary households is sent to the World Bank for each of the DLI levels.	The information to evaluate achievement of DLI #5 will be gathered and submitted by the PIU directly to the World Bank.  The information to evaluate compliance of DLIs # 11, 16 and 20 will be gathered and submitted by the PIU directly to the World Bank.

16	All new beneficiaries of OVC and PA entered in the calendar year were selected using the harmonized targeting procedures adopted in Year 1	This DLI will be met when 100% of new entrants to OVC and PA rosters are selected using the harmonized targeting procedures.	<p><u>Data source:</u> MoSD report for OVC and PA.</p> <p><u>Procedure:</u> A MoSD report including depersonalized copy of the OVC and PA database, including date of first payment and results and variables used for the application of the harmonized targeting procedures adopted in Year 1 is sent to the World Bank upon completion of DLI</p>	The information to evaluate achievement of the DLI will be gathered and submitted by the PIU directly to the World Bank
17	Enrollment of number of households in CGP reached 50,000 households	This DLI will be met when the indicated number of households are enrolled in the CGP and receive CGP benefits at least one time (as defined in the CGP operational manual).	<p><u>Data source:</u> MIS report</p> <p><u>Procedure:</u> A de-personalized list of CGP beneficiary households is sent to the World Bank for each of the DLI levels.</p>	The information to evaluate achievement of DLI #5 will be gathered and submitted by the PIU directly to the World Bank. The information to evaluate compliance of DLIs # 11, 16 and 20 will be gathered and submitted by the PIU directly to the World Bank.
18	The coverage of NISSA-CBT registry reached at least 75% of Community Councils in the country	DLIs will be met when the data collection and the new NISSA-CBT (NISSA community based targeting) in certain percentage of the total community councils existing in the country are completed.	<p><u>Data source:</u> NISSA report.</p> <p><u>Procedure:</u> A copy of the NISSA report with the total number of HH registered in selected number of community councils are sent to the World Bank upon completion of DLI.</p>	The information to evaluate achievement of the DLI will be gathered and submitted by the PIU directly to the World Bank.
19	Enrollment of number of households in CGP reached 60,000 households	This DLI will be met when the indicated number of households are enrolled in the CGP and receive CGP benefits at least one time (as defined in the CGP operational manual).	<p><u>Data source:</u> MIS report</p>	The information to evaluate achievement of DLI #5 will be gathered and submitted by the PIU directly to the World Bank

			<u>Procedure:</u> A de-personalized list of CGP beneficiary households is sent to the World Bank for each of the DLI levels.	The information to evaluate compliance of DLIs # 11, 16 and 20 will be gathered and submitted by the PIU directly to the World Bank.
20	100% of existing beneficiaries (in Year 1) of OVC and PA were recertified using the harmonized targeting procedures adopted in Year 1	This DLI will be met when the harmonized targeting procedures for OVC and PA were adopted and are in use; and the programs apply recertification to existing beneficiaries before the adoption of the new targeting system.	<u>Data source:</u> MoSD report for OVC and PA.  <u>Procedure:</u> A MoSD report including depersonalized copy of the OVC and PA database, including date of first payment, results and variables used for the application of the harmonized targeting procedures adopted in Year 1, is sent to the World Bank upon completion of DLI,	The information to evaluate achievement of the DLI will be gathered and submitted by the PIU directly to the World Bank
21	Enrollment of number of households in CGP reached 70,000	This DLI will be met when the indicated number of households are enrolled in the CGP and receive CGP benefits at least one time (as defined in the CGP operational manual).	<u>Data source:</u> MIS report  <u>Procedure:</u> A de-personalized list of CGP beneficiary households is sent to the World Bank for each of the DLI levels.	The information to evaluate achievement of DLI #5 will be gathered and submitted by the PIU directly to the World Bank. The information to evaluate compliance of DLIs # 11, 16 and 20 will be gathered and submitted by the PIU directly to the World Bank.

## A. Financial Management

4. The main changes to the Financial Management arrangements will be as follows:

5. **Interim and Annual Reporting.** The PIU will prepare joint semi-annual IFRs for both the SAP and the AF (1-A - source and use of funds by category and 1-B – investment by components and subcomponents), in the local currency on a cash accounting basis and submit them to the Bank, no later than two (2) months after the end of each semester. The IFRs will state the expenditure figures under both the SAP and the AF by semester, accumulated for the year and accumulated for the project implementation.

6. For disbursement purposes of Component 1, an additional joint report for SAP and AF (IFR 1-C) will state the percentage of EEP budget execution threshold (by semester, cumulative for the year and cumulative for the project implementation) and the achievement of the agreed Disbursement-Linked Indicators (DLI) under both SAP and AF. It will be submitted together with the other two IFRs described above 60 days after the end of each calendar semester following prior approval by the Bank. The description of the IFRs will be included in the joint PIM and attached to the Disbursement Letter of both the SAP and the AF.

7. As under the SAP, the MoSD through the PIU will be responsible for submitting to the Bank the Interim Un-audited Financial Reports (IFRs), based on formats included in the joint PIM.

8. **External Audit Arrangements.** The external audit arrangements will stay the same as under the parent project, with the requirement that financial statements from both SAP and AF are audited jointly. As under the SAP, if the MoSD does not have the capacity to produce standalone financial statements, the PIU will elaborate a standalone financial statement for the execution of resources under Component 2 for both the SAP and the AF. The World Bank will also require that the Office of the Auditor General performs an audit of payments paid to the whole set of EEPs, namely the CGP (including the emergency cash transfers paid through Component 2.i), and OVC, Post Primary, Public Assistance, OAP beneficiaries and salaries of MoSD staff). An annual joint external audit for both the SAP and the AF will be conducted under terms of reference approved by the Bank. As in the other case, joint audits reports should be submitted to the Bank six months after the end of the financial year (end of September of each year of Project implementation). In case the Project audits are not carried out by the Office of the Auditor General, such joint audit of SAP and AF will be undertaken by a private independent audit firm. In the latter case, the audit cost will be financed out of credit proceeds and selection will follow standard World Bank procedures.

9. **Supervision Plan for Financial Management.** The FM supervision will review the implementation of FM arrangements and FM performance of both the SAP and the AF jointly. It will identify corrective actions, if necessary, and monitor fiduciary risk. Desk FM supervision will include: (i) semi-annual review of joint IFRs; (ii) annual review of the joint audit reports and follow up any issues raised by auditors in management letter; (iii) reviewing other FM relevant information; and (iv) semi-annual updating the financial management rating in the Implementation Status Report (ISR). Semi-Annual in-field implementation support will include: (i) review of overall FM operation and (ii) follow up any issues raised by auditors.

## **B. Disbursement**

10. The Project will continue to have different disbursement arrangements for Components 1 and 2.

11. Under Component 1, project disbursements will continue to be: (i) linked to a defined and common Eligible Expenditure Program (EEP); and (ii) triggered by the verified achievement of agreed specific results (the DLIs). The SAP and the AF will share a common Eligible Expenditure Program, which will include the original EEP as under the SAP (namely expenditures under the

Child Grants Program, the Orphan and Vulnerable Children Bursary Program, the Old Age Pension and the Public Assistance Program), as well as additional expenditure lines, namely the Post Primary Bursary program, and salary lines for MoSD staff. These were selected because of their sectoral relevance to the project and because they have satisfactory accounting and reporting frameworks, including a robust reconciliation process. The set of EEPs will be expanded to include other programs, when they meet the characteristics described above.

12. Disbursements for both the SAP and the AF under Component 1 will be made against payments made to beneficiaries of the common EEP. Through this restructuring it is proposed that the combined financing percentage under both SAP and AF against the aggregate EEP expenditures is 100 percent. Thus, aggregate disbursements under the SAP and the AF shall not exceed the aggregate EEP expenditures. Supporting documentation for disbursement – i.e. joint IFRs - will include evidence that the aggregate payments under the EEP are at least as high as the aggregate disbursements under the SAP and the AF, and have been made as per EEP reporting format. The Government’s financial systems will be used for purposes of tracking and reporting the payments made by EEP.

13. In cases in which disbursements are triggered by the same DLI under both the SAP and the AF (namely for DLIs 5, 8, 9, 11, 15, 16 and 20), withdrawal applications from each of the financing sources will be proportional to the relative allocation to the DLI from either source. Table 3 indicates the percentage of withdrawal requests from each source of financing for each shared DLI between the SAP and the AF. The joint PIM will provide further clear guidance on processing withdrawal applications for shared DLIs to ensure the correct amount is withdrawn from each source.

**Table 3: Percentages of withdrawal application by financing source for DLIs financed both by SAP and AF**

#	DLI	Allocation under SAP (USD)	Allocation under AF (USD)	Total allocation to DLI (USD)	Percentage of total DLI allocation to be withdrawn from SAP	Percentage of total DLI allocation to be withdrawn from SAP
5	Enrollment in CGP reached 38,000 households	1,500,000	1,500,000	3,000,000	50%	50%
8	100% of OAP beneficiaries found to be ineligible through the regular cross checks with Civil Service Pensions databases are eliminated from the OAP roster	400,000	400,000	800,000	50%	50%
9	100% of ineligible OAP recipients detected till June 30,	1,300,000	1,000,000	2,300,000	56%	44%

	2017 are eliminated as a result of the new OAP proof of life verification requirements applied to all current beneficiaries					
<b>11</b>	Enrollment in CGP reached 50,000 households	1,500,000	1,500,000	3,000,000	50%	50%
<b>15</b>	The coverage of NISSA-CBT registry reached at least 75% of Community Councils in the country	500,000	1,500,000	2,000,000	25%	75%
<b>16</b>	Enrollment in CGP reached 60,000 households	1,500,000	1,500,000	3,000,000	50%	50%
<b>20</b>	Enrollment in CGP reached 70,000 households	1,000,000	1,000,000	2,000,000	50%	50%

14. The project will have eight disbursements throughout project implementation, but the tentative schedule of disbursement has been modified to allow for the AF. The revised disbursement arrangements and tentative schedule are shown in Table 4. The tentative schedule is only indicative and aimed at facilitating Government budget planning. Disbursements will be made upon verified achievement of the specified DLI at any time during the implementation period.

**Table 4: Revised disbursements arrangements for component 1**

Project Disbursement Timing	Disbursement Type	Estimated amount of disbursement		DLI	Indicative date DLI will be measured	Financing source	Total Disbursement in period (US\$ '000)
		% of the total amount disbursed in each disbursement	Amount (US\$ '000)				
<b>1st DISBURSEMENT – US\$1.5 MILLION</b>							
Actual EEP expenditures incurred and paid up in 2015, in a total amount not less than US\$2.20 million out of which at least US\$1.5 million is eligible for Bank reimbursement							
Sep-17	1 <sup>st</sup> reimbursement of EEP expenditures (retroactive financing)	100%	1,500	The NISSA-CBT targeting approach was designed and tested (DLI 1)	Disbursement already occurred in September 2016	SAP	1,500
<b>2nd DISBURSEMENT – US\$8.1 MILLION</b>							
Actual EEP expenditures incurred since start of the SAP up to December 2016 in a total amount not less than US\$8.1 million eligible for Bank reimbursement							
Jan-17	2 <sup>nd</sup> reimbursement of EEP expenditures (including retroactive financing under AF)	12%	1,000	Data cross matching mechanism between the OAP and the Civil Service Pensions databases was established (DLI 2)	30-Dec-16	SAP	8,100
		88%	7,100	The Ministry of Social Development provided cash emergency relief to poor and vulnerable households through existing social protection mechanisms.	30-Dec-16	AF	

<b>3rd DISBURSEMENT – US\$0.5 MILLION</b>								
Actual EEP expenditures incurred and paid up since start of the SAP to 31 March 2017, in a total amount not less than US\$8.6 million eligible for Bank reimbursement.								
	Apr-17	3 <sup>rd</sup> reimbursement of EEP expenditures	50%	250	Post-Primary OVC Bursary was consolidated in the OVC Bursary Scheme (DLI 3)	31-Mar-17	SAP	500
			50%	250	OVC, and PA adopted harmonized targeting procedures based on NISSA-CBT and possible categorical filters (DLI 4)	31-Mar-17	SAP	
<b>4th DISBURSEMENT – US\$6.4 MILLION</b>								
Actual EEP expenditures incurred since start of the SAP to June 30, 2017, in a total amount not less than US\$15 million eligible for Bank reimbursement.								
	Jul-17	4 <sup>th</sup> reimbursement of EEP expenditures	2%	150	Key managerial positions of the Social Assistance Department have been included in the MoSD payroll (DLI 6)	30-Jun-17	SAP	6,400
			2%	150	Harmonized procedures of application, enrollment, grievance and redress mechanism for CGP, OVC and PA were adopted (DLI 7)	30-Jun-17	SAP	
			6%	400	100% of OAP beneficiaries found to be ineligible through the regular cross checks with Civil Service Pensions databases are eliminated from the OAP roster (DLI 8)	30-Jun-17	SAP	
			6%	400			AF	
			20%	1,300	100% of ineligible OAP recipients detected till June 30, 2017 are eliminated as a result of the new OAP proof of life verification requirements applied to all current beneficiaries (DLI 9)	30-Jun-17	SAP	
			16%	1,000			AF	
			23%	1,500	Enrollment in CGP reached at least 38,000 households. (DLI 5)	30-Jun-17	SAP	



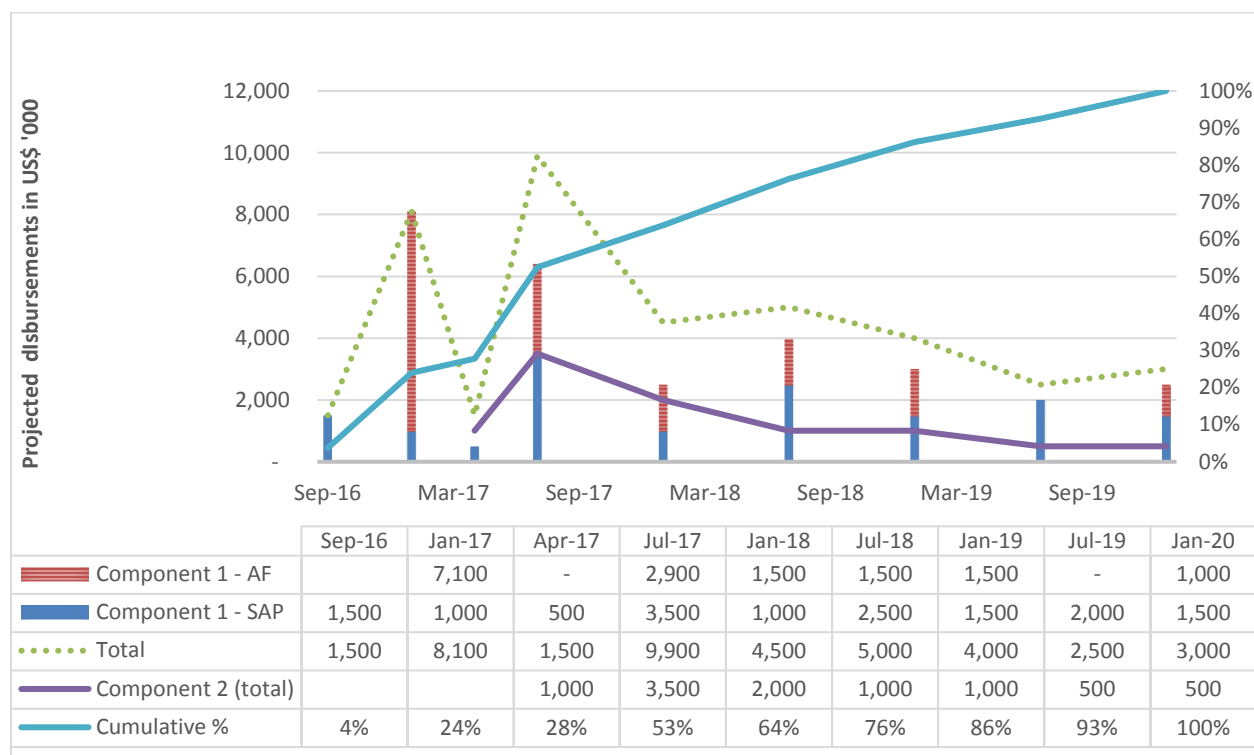
			23%	1,500			AF	
<b>5th DISBURSEMENT – US\$ 2.5 MILLION</b>								
Actual EEP expenditures incurred since start of the SAP to December 31, 2017, in a total amount not less than US\$17.5 million eligible for Bank reimbursement.								
	Jan-18	5th reimbursement of EEP expenditures	20%	500	All new beneficiaries of OVC and PA entered in the calendar year were selected using the harmonized targeting procedures adopted in Year 1 (DLI 10)	31-Dec-17	SAP	2,500
			20%	500	The coverage of NISSA-CBT registry reached at least 75% of Community Councils in the country (DLI 15)	31-Dec-17	SAP	
			60%	1,500			AF	
<b>6th DISBURSEMENT – US\$4 MILLION</b>								
Actual EEP expenditures incurred since start of the SAP to June 30, 2018, in a total amount not less than US\$21.5 million eligible for Bank reimbursement.								
	Jul-18	6th reimbursement of EEP expenditures	25%	250	An MoSD Integrated MIS (IMIS) for the CGP, OVC and PA is fully operative (DLI 12)	30-Jun-18	SAP	4,000
			25%	250	MoSD established a unified payment system for CGP and PA (DLI 13)	30-Jun-18	SAP	
			13%	500	At least 30% of payments to OAP beneficiaries are paid through the new OAP payment system (DLI 14)	30-Jun-18	SAP	
			38%	1,500	Enrollment in CGP reached at least 50,000 households. (DLI 11)	30-Jun-18	SAP	
			38%	1,500			AF	

<b>7th DISBURSEMENT – US\$5 MILLION</b>								
Actual EEP expenditures incurred since start of the SAP to December 30, 2018, in a total amount not less than US\$26.5 million eligible for Bank reimbursement.								
Jul-19	7th reimbursement of EEP expenditures	30%	1,500	Enrollment in CGP reached at least 60,000 households (DLI 16)	30-Jun-19	SAP	5,000	
		30%	1,500			AF		
		10%	500	At least 75% of payments to CGP and PA are paid through the unified payment system (DLI 17)	30-Jun-19	SAP		
		30%	1,500	100% of ineligible OAP recipients detected till June 30, 2019 are eliminated as a result of the new OAP proof of life verification requirements applied to all current beneficiaries (DLI 18)	30-Jun-19	SAP		
<b>8th DISBURSEMENT – US\$2.5 MILLION</b>								
Actual EEP expenditures incurred since start of the SAP to 31 December, 2019, in a total amount not less than US\$29 million eligible for Bank reimbursement.								
Jan-20	8th reimbursement of EEP expenditures	20%	500	100% of existing beneficiaries (in Year 1) of OVC and PA were recertified using the harmonized targeting procedures adopted in Year 1 (DLI 19)	31-Dec-19	SAP	2,500	
		40%	1,000	Enrollment in CGP reached at least 70,000 households (DLI 20)	31-Dec-19	SAP		
		40%	1,000			AF		

\* The reference period for the relevant EEPs for DLI1 (retroactive under the SAP) is the 12 months prior to the signing of the SAP, thus from July 2015 to June 2016.

\*\*Disbursement period assumes a 4-year loan. Periods are defined as six-month periods as Jan 1 – Jun 30 and Jul 1 – Dec 31.

**Figure 2: Revised joint disbursement projections for under SAP and AF**



15. Under Component 2, the main change to the disbursement arrangements will be the inclusion of a separate disbursement category to allow for the direct financing of the emergency top-up cash transfers. Emergency top ups are administered through regular CGP procedures, and thus their beneficiary identification, database control payment, reconciliation processes are the same, are based on country systems and are satisfactory from an FM perspective. Annex 3 provides details on the implementation arrangements for the CGP payments, including Financial Management aspects.

16. Disbursements for Component 2 will maintain the same mechanism, through Advances to a Designated Account (DA), with the exception of the retroactive financing of the emergency top ups for the last quarter of 2016 which will be made as reimbursement. The Fixed Ceiling for the DA for the AF will be increased to US\$2,100,000 to allow for payment of the emergency top ups to the CGP. This payment will take place through advances. After these payments are made, the Designated Account ceiling may be reduced.

17. Separate Withdrawal Applications for Components 1 and 2 will need to be submitted each time a disbursement is requested – a joint Reimbursement Withdrawal Application for Component 1 for both SAP and AF (attaching the joint IFRs), and an Advance Withdrawal Application for Component 2 under both SAP and AF (attaching joint Statement of Expenditures and other necessary documentation).

**Table 5: Revised allocation of credit proceeds**

Category	Amount of SAP credit (expressed in US\$)	Amount of AF credit (expressed in US\$)	Percentage of Expenditures to be financed (inclusive of taxes)
(1) Eligible Expenditure Programs under Component 1	15,000,000	15,500,000	100% of EEP
(2) Goods, consultants' services, non-consulting services, training, and operating costs under Component 2	5,000,000	1,500,000	100%
(3) Direct transfers to beneficiaries		3,000,000	100%
<b>TOTAL AMOUNT</b>	<b>20,000,000</b>	<b>20,000,000</b>	

**C. Procurement**

18. Procurement arrangements will not change. Additional items to be procured through the AF under Component 2 are listed in Table 6 and Table 7.

**Table 6. Procurement packages subject to bank prior and post review with selection methods and time**

1	2	3	4	5	6	7
Ref No.	Contract (Description)	Estimated Cost (US\$)	Procurement Method	Review by Bank (Prior/Post)	Expected Bid-Opening Date	Comments
1.	Hardware for NISSA (servers, etc.)	20,000	Shopping	Post		

**Table 7. Consultancy assignments with selection methods and time schedule**

1	2	3	4	5	6	7
Ref. No.	Description of Assignment	Estimated Cost (US\$)	Selection Method	Review by Bank Prior/Post	Expected Proposals Submission Date	Comments
1	Consultancy to carry out the re-certification of OAP	100,000	CQS	Post		
2	Consultancy for including an emergency module in the NISSA software	80,000	CQS	Post		
3	Consultancy to design nutrition sensitive interventions targeted to the first 1000 days of life	75,000	CQS	Post		

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
<b>Ref. No.</b>	<b>Description of Assignment</b>	<b>Estimated Cost (US\$)</b>	<b>Selection Method</b>	<b>Review by Bank Prior/Post</b>	<b>Expected Proposals Submission Date</b>	<b>Comments</b>
4	Survey of poor households for inclusion in NISSA	400,000	QCBS	Prior		

### **ANNEX 3: ADDITIONAL INFORMATION ON THE EMERGENCY TOP UPS THROUGH THE CHILD GRANTS PROGRAM AND THE NATIONAL INFORMATION SYSTEM FOR SOCIAL ASSISTANCE (NISSA) PLATFORM**

1. Component 2 will directly finance the emergency top ups to the CGP for three quarters: the last quarter of 2016 and the first two quarters of 2017. Emergency top ups are administered through regular CGP procedures, and thus their beneficiary identification, payment, reconciliation processes are the same: the top-ups entail that more money is transferred to beneficiaries, but the implementation procedures are the same. Top ups have consisted of an additional LSL500 (roughly US\$36) per quarter, in addition to the regular GCP transfer, which ranges per quarter between LSL360-750 (about US\$25-US\$54) depending on household size. This amount was defined based on affordability and was later revised to comply with the guidelines from the DMA which set the emergency relief transfers to LSL120 per individual per month or once off. This amount was defined based on the estimated household subsistence deficit.
2. The team has appraised these procedures during recent preparation of the parent project, as well as during preparation of the AF, and deems them satisfactory. Details on CGP key features and procedures are as follows:
3. CGP is a non-conditional social cash transfer program, providing support to very poor and vulnerable households with children under 18 years old<sup>7</sup>. The program was launched on a pilot basis in 2009 with financial and technical assistance from EU/UNICEF. The program has since been expanded and, in 2013, the GoL took over the financing of the transfers cost.
4. **Coverage and Benefits.** At present the program operates in all 10 districts of the country but not all community councils (in 36 of the 64 community councils), and reaches 26,681 households. Currently the monthly benefit amount ranges from LsL120 (about US\$8.5) for a household with 1-2 children to LSL250 (US\$18) for households with more than 5 children, payable every quarter.
5. **Implementation and Targeting.** MoSD is responsible for the overall implementation of the program, and UNICEF is providing continued technical assistance to build the ministry's capacity to independently run the CGP operations. While MoSD finances the transfer, UNICEF is still responsible for financing operating costs of CGP until 2019. The CGP targets poor households that are caring for children under 18 years old. Targeting is a fairly sophisticated process, which has recently been revised, so the NISSA included potential beneficiaries identified through the two methods. The original targeting system included a census-style interview to collect data from all households within a given community, feeding into the NISSA database, which thereafter categorized households using a proxy means test (PMT). The PMT formula is used to categorize households into the following five categories (Maloti figures refer to estimate per capita monthly income): (i) NISSA 1: Ultra Poor (below 15th percentile / LSL 47.11); (ii) NISSA 2: Very Poor (below 30th percentile / LSL81.6); (iii) NISSA 3: Poor (below 50th percentile / LSL 139.75); (iv) NISSA 4: Less Poor (below 70th percentile/ LSL 235. 20); and (v) NISSA 5: Better-off (not in any of the above categories). Households in the poorest two categories were deemed to be eligible

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<sup>7</sup> Although originally intended primarily to support orphans and vulnerable children the program has now expanded to cover any extremely poor households with children under 18.

for the program and their selection was further validated by community-level Village Assistance Committees (VAC). The revised targeting methodology, referred to as Community-based targeting (NISSA-CBT) includes a first step of listing of all households within the community, followed by classification of all households into four groups by the VAC using a wellbeing chart. Households classified as ultra-poor and poor are then surveyed to collect their socio-economic information against which the PMT is run, to identify any inclusion errors. Pre-selected households are then invited to enroll in the program through enrollment events held at Community Council level. All of the information collected during the targeting process is entered into the management information system (MIS) of the program which is integrated with NISSA.

6. **Expenditure, Financing, and Cost-effectiveness.** The program currently serves 26,681 households (as of October 2016) for a budget of LSL50.4 million (excluding operating costs) completely financed by Government. Operating costs are financed by EU and UNICEF and are estimated at 23 percent of program cost.<sup>8</sup>

7. **Financial Management.** Each quarter, the payment officer prepares the payment lists. The list contains name of Payee (member of beneficiary household designated at time of enrollment to collect payment), Unique Beneficiary Number, Payee's ID, Payment bar code. The bar code contains the unique beneficiary ID as well as the amount to be paid. Together with the list, the MIS generates a bar code stickers list which matches the bar codes on the payment list. Based on the list, the authorizing officer requests the appropriate amount to Treasury through a payment voucher. Treasury makes a transfer to the Ministry's account at Lesotho Standard Commercial Bank (LSCB). When the funds are available, the Chief Accountant Officer requests transfer from the Ministry's account to G4S in cash. G4S is the Ministry's contractor in charge of executing the payment process. G4S delivers the cash to the pay points and proceeds to payments to beneficiaries, based on the payment list. Beneficiaries need to present their CGP ID to collect their benefit and sign the payment list. They are provided with a receipt in the form of a payment bar code sticker inserted in their beneficiary booklet. The payment list is made available in hard and soft copy to G4S. The soft copy with information from scanned bar codes can be uploaded in the MIS. The payment coordinator accompanies some payments; case managers and auxiliary social workers are also sometimes present. At the end of the payment cycle, based on the payment list, both the Ministry Accountants and G4S - in parallel, reconcile the payment list and the total payments. The parties agree verbally on a reconciliation report, which is then drafted jointly. The reconciliation report is drafted at least one month after payment and is co-signed by G4S and by the CGP Manager and a Ministry Director (any). The report is drafted per community council and records the number of beneficiaries to be paid and the amount disbursed to G4S; the number of beneficiaries who actually collected the payment and the total amount paid to beneficiaries; the number of beneficiaries who did not collect their payment and the amount that was not disbursed; and finally the amount to be reimbursed from G4S to the Ministry.

8. **Impact.** A rigorous impact evaluation conducted in 2013-14 by Oxford Management Policy found that the CGP had positive impact on food security, health and education. While the CGP is an unconditional cash transfer, in practice beneficiaries receive a very effective messaging that the cash transfer should be spent on children, which was closely followed by beneficiary

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<sup>8</sup> Kardan A., Sindou E. and Pellerano L. (2012). The historic and future costs of the CGP and its affordability. Oxford Management Policy, EU/UNICEF.

households. The CGP contributed to retaining children ages 13-17 in primary school, particularly boys who would have otherwise dropped out. It contributed to a 15 percentage point reduction (from a baseline of 39 percent) in the proportion of both boys and girls ages 0-5 who suffered from an illness (generally flu or cold) in the 30 days prior to the survey. The program reduced by 1.5 the number of months during which households experienced extreme food shortage, and the proportion of CGP households that did not have enough food to meet their needs at least for one month in the previous 12 months decreased by five percentage points.<sup>9</sup> The CGP was not associated with a significant reduction in poverty rates amongst beneficiary households two years after the introduction of the pilot in the study areas, however beneficiaries' welfare has improved and trends are encouraging. Previous experience in using the CGP for emergency response through benefit top-ups has shown positive impact and an assessment of the intervention suggests that there could be considerable benefits from adoption of this approach during emergencies.<sup>10</sup>

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<sup>9</sup> FAO, 2014. *Policy Brief - Country Series: The Broad Range of Impacts of the Child Grant Program in Lesotho*. Food and Agriculture Organization of the United Nations, Rome, Italy.

<sup>10</sup> (Niang & Ramirez, 2014).



## ANNEX 4: REVISED ECONOMIC ANALYSIS

1. **The changes under the AF will not alter the results of the fiscal and economic analysis.** The main change relevant to the economic analysis is the increase in the DLI coverage targets for the CGP. Under the parent project, the end target for coverage of CGP by year 4 is 48,500 households. With the AF, it will be brought up to 70,000 households, to reach all poor households in crisis affected areas. Expansion to 70,000 beneficiaries will increase CGP's yearly budget from the current LSL50 million to roughly LSL120 million. Even with this increase, the project will remain fiscally positive, yielding savings ranging from 0.15 percent to 0.30 percent of GDP annually (see Table 8). The additional CGP expansion will further the economic benefits associated with this transfer scheme and highlighted in the economic analysis of the parent project.

**Table 8: Revised projection of estimated savings resulting from key reform parameters and changes under the AF.**

Projected savings (million Maloti)	Year 1	Year 2	Year 3	Year 4 onwards
Removal of ineligible beneficiaries from the Old Age Pension roster	78.02	117.03	156.04	156.04
Strengthened use of MIS automated procedures for OAP	-	3.14	3.14	3.14
Inclusion of proof of life and cross procedures in OAP (added cost)	-	(3.14)	(3.14)	(3.14)
Consolidation of OVC bursary and Post-secondary OVC Bursary (reduction in admin costs plus removal of duplications)	-	16.55	16.55	16.55
Introduction of new payment system for OAP	(2.00)	2.00	2.00	2.00
Introduction of harmonized payment system in MoSD	(2.00)	2.00	2.00	2.00
Introduction of harmonized targeting (reduction in admin cost of separate processing)	-	4.22	4.22	4.22
Introduction of MIS for PA and OVC	-	-	6.32	6.32
Expansion of CGP with AF targets	(36.72)	(67.32)	(93.64)	(119.95)
Expansion of NISSA	(2.00)	(2.00)	(2.00)	(2.00)
<b>Total SAVINGS</b>	<b>35</b>	<b>72</b>	<b>91</b>	<b>65</b>
<b>Total SAVINGS as % of GDP</b>	<b>0.16%</b>	<b>0.32%</b>	<b>0.41%</b>	<b>0.29%</b>

## **ANNEX 5: ADDITIONAL INFORMATION ON EL NIÑO DROUGHT AND RESPONSE**

### ***Situation update and Government Response***<sup>11</sup>

1. Lesotho, like the rest of Southern Africa, is experiencing the impacts of an unprecedented El Niño phenomenon, including two years of consecutive drought and erratic rains. The El Niño drought has affected crop production, water availability to communities and livestock, and exacerbating underlying health vulnerabilities (including HIV/AIDS and malnourishment). Around half of the rural population (679,437) remains at risk and more than 500,000 people will be in a state of food security crisis until April 2017, with a possible La Niña phenomenon expected to produce normal or above normal rains in the coming months.

2. The GoL declared a drought emergency in Lesotho in December 2015 and prepared a National Response Plan in January 2016. The overall objective of the Plan is to mount a timely, consistent, effective and coordinated response to save lives, property and livelihoods for the affected communities. The Disaster Management Agency is in charge of coordinating the drought response, both within Government and with development partners (UN agencies and NGOs).

3. There are four specific objectives of the plan, (i) to ensure that affected people are provided with water; (ii) to develop national capacity at all levels to mitigate the anticipated El Niño effects; (iii) to ensure that surveillance and monitoring systems for key emergency indicators are in place; and (iv) to ensure adequate planning to allow for service delivery in key sectors to minimize the impact of the emergency.

4. The GoL and development partners responded to the crisis through two main channels: the establishment of a food subsidy, and provision of cash assistance.

5. The subsidy, designed, managed and funded by Government began on June 1, 2016 to reduce the price of maize meal, sugar beans, and split peas by 30 percent for a period of one year. Government has also announced an allocation of over LSL 162 million (approx. US\$10 million) to support the subsidy, which will be implemented through two large millers and five packing companies. The decision to implement the subsidy followed consultations of a multi-agency team that included government agencies, UN agencies, and the private sector. The Ministry of Small Businesses is coordinating the public and private sector stakeholders who play key roles in the system.

6. The subsidy is a universal subsidy, designed to provide relief to consumers who are experiencing inflation on many household items, including food. According to the Food and Agriculture Organization (FAO), in Maseru prices of domestically-produced maize meal rose by 17 percent between February and March and were nearly 40 percent higher than a year earlier. In March, the Lesotho Vulnerability Assessment Committee released a detailed market assessment report that provided a comprehensive overview of the food market systems for maize, beans, and cooking oil. It provided information about estimated import levels, food price volatility, and the generally well-functioning and well-integrated food supply chains in the country. Going forward, household surveys and surveys of traders, both conducted by phone by WFP, will provide regular

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<sup>11</sup> UN Lesotho El Niño related Drought Situation Update #4 (July 2016)

monitoring of local food price and supply chain issues. This information is already being used to inform the subsidy program's efforts to ensure that distribution is including vulnerable households and areas.

7. The Ministry of Social Development (MoSD) has coordinated assistance from two development partners, UNICEF and FAO, through its National Information System for Social Assistance (NISSA) and Child Grant Program (CGP) platforms. Through the MoSD system, UNICEF has been providing LSL 500 (roughly US\$37) quarterly Top Ups to all CGP beneficiaries during two quarters of 2016. FAO complemented UNICEF this cash assistance with the provision of nutritional and home gardening packages to all CGP beneficiaries.

8. To harmonize the provision of emergency assistance, in September 2016 the DMA issued new guidelines on the amount of cash and food assistance to be provided, based on the survival deficit. DMA also developed, together with developed partners, and in particular WFP, a specific targeting methodology to select beneficiaries, which overlaps geographic targeting through vulnerability assessments and community targeting. Following these guidelines, other development partners and civil society (namely the World Food Program (WFP), Action Aid and World Vision, mainly have also been providing cash transfers equivalent to LSL 120 per person per month to poor and vulnerable households not covered by any other social assistance program.

9. Currently, 75 percent of the vulnerable as identified by the LVAC are covered by some cash assistance.

### ***UN and other Development Partners***

10. Based on the Lesotho Vulnerability Assessment Committee (LVAC) latest assessment, the Humanitarian Country Team (HCT) estimates funding requirements total US\$58.2 million, with a resource gap of around US\$25-30 million.

11. By September 2016, UN and NGOs had received around US\$29 million for the drought response, mainly from the UN Central Emergency Response Fund CERF for humanitarian interventions in food and agriculture (WFP, FAO and UNICEF), health and nutrition (WHO, UNICEF and WFP) and Water, Sanitation and Hygiene (UNICEF); and ECHO for cash assistance (WFP) and agricultural inputs (FAO).

12. One of the key drought responses has been the provision of cash assistance to vulnerable households which has been delivered through a range of channels. All interventions combined, 75 percent of the people in survival deficit due to the drought are receiving cash assistance.

13. As mentioned, UNICEF and FAO are providing support through the Ministry of Social Development's National Information System for Social Assistance (NISSA) and Child Grant Program (CGP) platforms. WFP, Action Aid and World Vision have been providing cash transfers equivalent to LSL120 per person to poor and vulnerable households, identified through a community based targeting methodology elaborated with the support of the DMA.

14. In the health and nutrition sector, programs are also on-going to strengthen the treatment of malnutrition (around 19,000 beneficiaries, led by UNICEF), the prevention of moderate acute malnutrition (2000 beneficiaries, led by WFP) and strengthening disease surveillance in 200 health centers (45,000 beneficiaries, led by WHO).

15. The provision of minimum safe water supply was identified by partners as a significant gap (including at health centers). Government is leading efforts to provide emergency water supplies, with UNICEF complementing these efforts through water quality surveillance, household water treatment and hygiene education. However, the geographical coverage needs to be scaled up. To date, it remains constrained due to lack of donor-funded resources and delays in the government led procurement of goods and works (drilling rigs, tankers, water tanks etc.). As of September 2016, only 2 percent of the approximately \$10 million government funds allocated to the water sector have been disbursed (including due to lack of nationally recognized emergency procurement procedures).

### ***World Bank activities to date***

16. The Government has requested Bank assistance in the following areas: (i) restructuring of the existing portfolio, including inclusion of Contingent Emergency Response Components (CERCs); (ii) application for additional IDA concessional lending via the Crisis Response Window funds; and (iii) support towards recently launched universal maize, sugar beans and sweat pea food subsidy.

17. In addition to preparation of this proposed AF, the World Bank's response thus far has included:

- a. Financing of nutritional assessment of El Niño-induced drought through UNICEF via the on-going health project
- b. The smallholder agriculture productivity project is fast-tracking the construction of 10 small dams, 22 new springs and 60 roof tanks.
- c. Inclusion of a Contingent Emergency Response Components (CERCs), which establish a space for quick-disbursing activities, in a number of projects in the country portfolio.