



Project Information Document/ Integrated Safeguards Data Sheet (PID/ISDS)

Concept Stage | Date Prepared/Updated: 15-Feb-2018 | Report No: PIDISDSC23519



BASIC INFORMATION

A. Basic Project Data

| | | | |
|--|--|---|--|
| Country Lesotho | Project ID P164981 | Parent Project ID (if any) | Project Name Productive Inclusion Project (P164981) |
| Region AFRICA | Estimated Appraisal Date Sep 17, 2018 | Estimated Board Date Nov 14, 2018 | Practice Area (Lead) Social Protection & Labor |
| Financing Instrument Investment Project Financing | Borrower(s) Ministry of Finance | Implementing Agency Ministry of Social Development | |

Proposed Development Objective(s)

The objective of the project is to promote income generating opportunities for disadvantaged youth in Lesotho.

Financing (in USD Million)

SUMMARY

| | |
|---------------------------|-------|
| Total Project Cost | 15.00 |
| Total Financing | 15.00 |
| Financing Gap | 0.00 |

DETAILS

| | |
|---|-------|
| Total World Bank Group Financing | 15.00 |
| World Bank Lending | 15.00 |

Environmental Assessment Category
C-Not Required

Concept Review Decision
Track II-The review did authorize the preparation to continue



SAFEGUARDS

A. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

The project is expected to be rolled out in all the ten districts of the country. However, specific project sites are not yet known. Project geographic targeting will be completed at a later stage during project preparation using vulnerability criteria agreed upon with government counterparts.

The Project is categorized as C, because it will not be supporting any civil works or activity that would have environmental and social impacts. Most project activities will be focused on community mobilization, training and mentoring.

B. Borrower’s Institutional Capacity for Safeguard Policies

The agencies involved have some experience with World Bank through other projects but limited experience with World Bank safeguard policies.

C. Environmental and Social Safeguards Specialists on the Team

Kisa Mfalila, Environmental Safeguards Specialist

M. Yaa Pokua Afriyie Oppong, Social Safeguards Specialist

D. Policies that might apply

| Safeguard Policies | Triggered? | Explanation (Optional) |
|--|------------|--|
| Environmental Assessment OP/BP 4.01 | No | The project will not undertake any activities that requires an environmental assessment. Indeed, the project will not be supporting any civil works or activity that would have environmental and social impacts. |
| Natural Habitats OP/BP 4.04 | No | The project will not degrade or convert any natural habitats. Most of project activities are training and mentoring. |
| Forests OP/BP 4.36 | No | Project activities will not involve any degradation or conversion or any other negative impact on forests in Lesotho. |
| Pest Management OP 4.09 | No | The project will not undertake any activities that would request the use of pesticides, and thus pest management policy to be triggered. As currently designed, projects activities will focus on training and mentoring of project beneficiaries. |
| Physical Cultural Resources OP/BP 4.11 | No | Project activities will not involve any damage or destruction of physical cultural resources, as they are mostly focused on training and mentoring. |



| | | |
|--|----|---|
| Indigenous Peoples OP/BP 4.10 | No | There are no Indigenous Peoples within the project area of influence. |
| Involuntary Resettlement OP/BP 4.12 | No | The project will not support any investments in physical infrastructure or rehabilitation of existing facilities. Nevertheless as a precaution a screening tool will be developed to screen out any entrepreneurial business plans that might have any adverse social impacts including those associated with resettlement. |
| Safety of Dams OP/BP 4.37 | No | There will be no construction or rehabilitation of a dam under this project, it will not have operational, safety and emergency plans as required under OP/BP4.37. |
| Projects on International Waterways OP/BP 7.50 | No | No project activities are foreseen in international waterways. Main project activities will be focused on training and mentoring. |
| Projects in Disputed Areas OP/BP 7.60 | No | There are currently no disputes in the areas where the project activities are planned. |

E. Safeguard Preparation Plan

Tentative target date for preparing the Appraisal Stage PID/ISDS

Jul 31, 2018

Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal Stage PID/ISDS

No safeguards are triggered by this project. Therefore no safeguards-related studies are required.

CONTACT POINT

World Bank

Kelly Johnson, Gbetoho Joachim Boko, Lucilla Maria Bruni
Sr Social Protection Specialist

Borrower/Client/Recipient

Ministry of Finance



Implementing Agencies

Ministry of Social Development
Malefetsane Masasa
Principal Secretary
malefetsanem8@gmail.com

FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: <http://www.worldbank.org/projects>

APPROVAL

| | |
|----------------------|--|
| Task Team Leader(s): | Kelly Johnson, Gbetoho Joachim Boko, Lucilla Maria Bruni |
|----------------------|--|

Approved By

| | | |
|---------------------------|--------------------|-------------|
| Practice Manager/Manager: | Iffath Sharif | 26-Feb-2018 |
| Country Director: | Janet K. Entwistle | 01-Mar-2018 |

A. Country Context

Lesotho is a lower middle-income country with per capita gross national income of US\$1,330¹. It is a small and largely rural country of about 2 million people, landlocked in South Africa. Lesotho has an open economy, traditionally centered on trade. Its main exports are textiles, water, and diamonds. Lesotho’s main trading partners are the United States and South Africa. As a member of the Common Monetary Area (CMA), its currency is pegged to the South African Rand. Lesotho is also part of the Southern African Customs Union (SACU), a union between Botswana, Lesotho, Namibia, South Africa and Swaziland by which members pool the customs duties and excise taxes they collect and redistribute the funds among the five member states. Lesotho is also highly vulnerable to climate change and regularly experiences drought, floods, frosts, heavy snowfalls, strong winds, hailstorms, and tornadoes. These adverse conditions undermine the country’s economic development and are expected to worsen as Lesotho becomes drier and hotter in the years to come.²

Despite a track record of economic growth, Lesotho faces a triple challenge of poverty, inequality and joblessness.

¹ 2014 Atlas GNI per capita.

² World Bank (2015) Lesotho Systematic Country Diagnostic.



Lesotho recorded continuous economic growth of 4% per capita over the past decade but showed slow progress in poverty reduction. It is estimated that 57.1 percent of the population lives below the basic needs poverty line of US\$1.08 per day, and 84% are vulnerable to poverty.³ This level of poverty is very high for its income level: Lesotho ranks as the 13th poorest country in the world, while its gross national income (GNI) per capita ranks as the 30th poorest⁴. Lesotho's poverty is also deep, and this depth has increased over time. The poverty gap in Lesotho is the ninth highest in the world, at 29.5 in FY2010/11; this represents an increase from FY2002/03.⁵ Inequality as measured by the Gini coefficient increased from 0.51 to 0.53 between 2003 and 2010.

Prospects of future growth are hindered by acute and persistent joblessness among the large cohorts of youth. Lesotho suffers from double digit unemployment, particularly severe among the youth. Overall and youth unemployment stood respectively at 25 and 34 percent in 2013⁶, reflecting no significant improvement since the beginning of the century (overall and youth unemployment were respectively 27 and 33 percent in 1999). This dismal situation in the labor market comes at a moment in which the country is entering a window of demographic opportunity, a period in which the ratio of the working-age population to the dependent-age population increases rapidly. If the current large cohorts of young Basotho are productively employed, the country will leverage the demographic opportunity to grow richer. Recent simulations show that GDP per capita in Lesotho could more than triple by 2050 by improving education, employment and productivity among the younger generations.⁷

B. Sectoral and Institutional Context

As highlighted in the recent Lesotho Country Partnership Framework, the problems of poverty and inequality are partly linked to the country's inability to generate a sufficient number of jobs: over a quarter of the working age population is unemployed and the government plays an important role in providing formal employment. The labor market has a low employment to working-age population ratio, a high level of unemployment, and a high proportion of employment outside the country. The broad unemployment rate, which includes discouraged workers, is estimated at 28 percent, and reaches 43.2 percent among youths aged 15 to 24. A large segment of Lesotho's labor force works in South Africa and sends remittances. However, a recent shift towards local labor effectively reduced South Africa's demand for workers from Lesotho and remittances sent home, which fell by 40 percent over the last decade.⁸

The employment challenge is even more severe among young Basotho living in rural areas, who represent the majority of the young population. 65% of all young Basotho lives in rural areas. Two thirds of them are either unemployed, or discouraged workers –relying on family or government support for survival. Their educational outcomes are extremely poor, with nearly half of them (46%) having only completed primary education and another 30% not even having reached that level. In addition, these youth are more likely to be vulnerable to the impacts of climate change as water resources are likely to decline and rangeland conditions are likely to deteriorate.⁹ This further increases the need for rural households to diversify their livelihoods to increase their resilience to shocks.

The government spends roughly 2.6% of GDP (M825million) on youth employment programs; yet, the majority (86%) of these resources target the minority of youth (25% of total) that completed secondary education and focus on one type of constraints (employability through skills) - with no evidence on effectiveness.¹⁰ Lesotho has 16 different youth

³ Ibid. and Government of the Kingdom of Lesotho (2014), National Social Protection Strategy

⁴ Own calculations based on PovcalNet. Data based on latest available year.

⁵ Own calculations based on PovcalNet. Data based on latest available year.

⁶ World Development Indicators.

⁷ Bruni et al.(2016). *Forever Young? Social Policies for a Changing Population in Southern Africa*.

⁸ World Bank (2016) Lesotho Country Partnership Framework 2016-2020.

⁹ World Bank (2015) Lesotho Systematic Country Diagnostic.

¹⁰ Ibid.



employment programs, separately run by 5 different Ministries, private sector businesses and foundations, and local NGOs (development partners are not active in this area). 85% of the resources spent on these programs aim to strengthen employability and skills of the young labor force and target youth who have already completed secondary or tertiary education. There is virtually no evidence on the effectiveness of these programs. Despite considerable total spending, most individual programs suffer from severe budget constraints, reach a very small number of beneficiaries, generally suffer from lack of coordination, fragmentation and overlap. Information on employment programs' results and impact is scarce or non-existent.

Given the very different educational level, labor market and economic opportunities rural and urban vulnerable youth faces, a different approach to tackle unemployment is needed between rural and urban youth. The profiles and economic opportunities faced by rural and urban youth are so diverse that a “one size fits all” approach is not possible. Accordingly, the project proposes to implement two separate interventions – one for rural and one for urban youth, both based on international best practices. Given that the majority of unemployed youth are found in rural areas, the proposed project would primarily focus on rural youth, however it would include a pilot intervention for urban youth.

C. Relationship to CPF

The proposed project will help advance Focus Area II of the current CPF, “Promoting Private Sector Jobs Creation,” by helping youth activate in the country’s economic activity, and linking them with jobs and employment opportunities created in the private sector.

PROPOSED PDO/RESULTS

A. Proposed Development Objective(s)

The objective of the project is to promote income generating opportunities for disadvantaged youth in Lesotho.

B. Key Results

- Direct beneficiaries of youth economic employment opportunities disaggregated by gender and location rural/urban (number)
- Youth initiating enterprises with support from the project disaggregated by gender and location rural/urban (number)
- Youth expanding existing enterprises with support from the project disaggregated by gender and location rural/urban (number)
- Number of beneficiaries reporting satisfaction with project support disaggregated by gender and location rural/urban (number)



PROJECT CONTEXT

A. Concept

1. Description

The project would be articulated around three components. A first component would develop opportunities for productive inclusion for rural youth; a second component would pilot interventions for urban youth; finally, the third component would cover technical assistance and implementation support including monitoring and evaluation. The team is commissioning analysis on value-chains in rural and urban areas to inform project design.

COMPONENT 1 (tentative allocation US\$10m): Comprehensive support to economic inclusion and increased resilience activities for rural youth.

Component 1 of the proposed project would provide productive inclusion activities for rural youth and provide additional support for integrating beneficiaries into the national economy. During preparation, the team will determine the specifications of this package by carrying out an assessment of the particular constraints youth living in poor households face in accessing sustainable livelihoods. The selection process, number of beneficiaries and location of this extension of services will be determined during preparation, as it will depend on the specific package design. Nevertheless, based on international cost estimates varying between US\$ 300 and US\$ 800 per beneficiary (the cost range under which many of these programs fall) and a financing envelope of US\$ 10 million, it is expected that the program may be able to reach between 10,000 and 30,000 youth.

COMPONENT 2 (tentative allocation US\$3m): Urban economic inclusion pilot.

This component aims to support the design and implementation of a comprehensive package for the productive inclusion interventions for urban youth on a pilot basis. During preparation, the team will further evaluate local labor market conditions and the effectiveness of existing programs; it will then propose to implement a package that addresses the needs of the private sector, and if possible that builds upon existing programs. If feasible, the team will identify an existing “champion program” that can be improved and expanded in terms of design, implementation and monitoring; but this will hinge on the successful identification of such a program.

COMPONENT 3: Technical assistance and implementation support (US\$2m).

This component would finance select technical assistance for strengthening overall Government’s capacity for implementing the results set out in components 1 and 2. Among other things, this TA would support the Government in designing and implementing effective productive inclusion opportunities for urban and rural youth including impact evaluations and a robust grievance redress mechanism to support beneficiary feedback and inform program implementation and management. During preparation the team will discuss the most appropriate method for evaluating the programs based on their final design. In addition, this component would finance exposure opportunities and knowledge sharing on successful productive inclusion experiences around the world, as well as project management activities, such as expenses related to project implementation support units, auditing, operating costs, etc.