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Report No: PAD2386

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED ADDITIONAL CREDIT

IN THE AMOUNT OF SDR 7.2 MILLION  
(US\$10 MILLION EQUIVALENT)

TO THE

KINGDOM OF LESOTHO

FOR THE

SMALLHOLDER AGRICULTURE DEVELOPMENT PROJECT

September 8, 2017

Agriculture  
AFRICA

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**CURRENCY EQUIVALENTS**  
(Exchange Rate Effective September 8, 2017)

Currency Unit = SDR  
SDR 0.702101 = US\$1  
US\$ 1.424300 = SDR 1

Fiscal year  
July 1 – June 30

**ABBREVIATIONS AND ACRONYMS**

AF	Additional Financing
AIP	Agricultural Investment Plan
CERC	Contingent Emergency Response Component
CGP	Competitive Grants Program
CGS	Competitive Grants Secretariat
CPF	Country Partnership Framework
CSA	Climate Smart Agriculture
DAO	District Agricultural Officer
DC	District Coordinator
FAO	Food and Agriculture Organization of the United Nations
FMS	Financial Management Specialist
GDP	Gross Domestic Product
GNI	Gross National Income
GoL	Government of Lesotho
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFAD	International Fund for Agricultural Development
ISR	Implementation Status Report
MAFS	Ministry of Agriculture and Food Security
M&E	Monitoring and Evaluation
NGO	Non-Governmental Organization
NPF	World Bank's New Procurement Framework
NRM	Natural Resource Management
NSDP	Lesotho National Strategic Development Plan
PFO	Project Field Officers
PIM	Project Implementation Manual
PM&E	Project Monitoring and Evaluation
PMC	Project Management Committee
PMU	Project Management Unit

SADP	Smallholder Agriculture Development Project
SADP AF	SADP Additional Financing
SMEs	Small and Medium-sized Enterprises
USD	United States Dollar

Regional Vice President:	Makhtar Diop
Country Director:	Paul Numba Um
Senior Global Practice Director:	Juergen Voegele
Practice Manager:	Mark E. Cackler
Task Team Leader:	Ijeoma Emenanjo

**LESOTHO**  
**LESOTHO SMALLHOLDER AGRICULTURE DEVELOPMENT PROJECT**  
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## ADDITIONAL FINANCING DATA SHEET

*Lesotho*

*Lesotho Smallholder Agriculture Development Project Additional Financing (P162397)*

AFRICA

GFA13

<b>Basic Information – Parent</b>				
Parent Project ID:	P119432	Original EA Category: B - Partial Assessment		
Current Closing Date:	31-Mar-2018			
<b>Basic Information – Additional Financing (AF)</b>				
Project ID:	P162397	Additional Financing Type (from AUS):	Restructuring, Scale Up	
Regional Vice President:	Makhtar Diop	Proposed EA Category:	B	
Country Director:	Paul Noumba Um	Expected Effectiveness Date:	10-Jan-2018	
Senior Global Practice Director:	Juergen Voegele	Expected Closing Date:	28-Feb-2020	
Practice Manager/Manager:	Mark E. Cackler	Report No:	PAD2386	
Team Leader(s):	Ijeoma Emenanjo			
<b>Borrower</b>				
Organization Name	Contact	Title	Telephone	Email
Government of Lesotho	Hon. Semano	Minister of Development	+266 22321224	<a href="mailto:ntebohelengrapieng@">ntebohelengrapieng@</a>

	Sekatle	Planning		<a href="http://yahoo.com">yahoo.com</a>
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**Project Financing Data - Parent (Lesotho Smallholder Agriculture Development Project-P119432) (in USD Million)**

**Key Dates**

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

**Disbursements**

Project	Ln/Cr/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	Percent Disbursed
P119432	COFN-C1250	Effective	XDR	3.15	3.15	0.00	2.23	0.92	70.64
P119432	COFN-C1260	Effective	XDR	3.15	3.15	0.00	2.22	0.93	70.63
P119432	IDA-50170	Effective	XDR	6.30	6.30	0.00	5.07	1.23	80.51

**Project Financing Data - Additional Financing Lesotho Smallholder Agriculture Development Project Additional Financing (P162397) (in USD Million)**

Loan     Grant     IDA Grant

Credit     Guarantee     Other

Total Project Cost:                      10.00                      Total Bank Financing:    10.00

Financing Gap:	0.00			
<b>Financing Source – Additional Financing (AF)</b>				<b>Amount</b>
International Development Association (IDA)				10.00
Total				10.00
<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)?				No
Explanation				
<b>Team Composition</b>				
<b>Bank Staff</b>				
<b>Name</b>	<b>Role</b>	<b>Title</b>	<b>Specialization</b>	<b>Unit</b>
Ijeoma Emenanjo	Team Leader (ADM Responsible)	Natural Resources Mgmt. Spec.	Agriculture	GFA13
Chitambala John Sikazwe	Procurement Specialist (ADM Responsible)	Senior Procurement Specialist	Procurement	GGO01
Tandile Gugu Zizile Msiwa	Financial Management	Sr Financial Management	Financial Management	GGO25

	Specialist	Specialist		
Guo Li	Team Member	Senior Agriculture Economist	Agricultural Economics	GFA13
Emelyne Calimoutou	Team Member	Legal Analyst	Legal	LEGAM
George Ferreira Da Silva	Team Member	Finance Analyst	Disbursement	WFALA
Jean O Owino	Team Member	Finance Analyst	Disbursement	WFALA
Kisa Mfalila	Safeguards Specialist	Senior Environmental Specialist	Environmental Safeguards	GEN01
Majbritt Fiil-Flynn	Safeguards Specialist	Consultant	Social Safeguards	GSU07
Oluyomi Omowunmi Osimokun	Team Member	Consultant		GFA13

### **Locations**

<b>Country</b>	<b>Location</b>
Lesotho	Mafeteng District
Lesotho	Leribe District
Lesotho	Butha-Buthe
Lesotho	Berea
Lesotho	rural Maseru
Lesotho	Mohale's Hoek
Lesotho	Quthing



<b>Institutional Data</b>
<b>Parent (Lesotho Smallholder Agriculture Development Project-P119432)</b>
<b>Practice Area (Lead)</b>
Agriculture
<b>Contributing Practice Areas</b>
Climate Change, Water.
<b>Additional Financing for the Lesotho Smallholder Agriculture Development Project (P162397)</b>
<b>Practice Area (Lead)</b>
Agriculture
<b>Contributing Practice Areas</b>
Climate Change, Water.
<b>Consultants (Will be disclosed in the Monthly Operational Summary)</b>
Consultants Required? No consultants are required

## I. Introduction

1. This Project Paper seeks the approval of the Executive Directors to provide an Additional Financing (AF) for US\$10 million in IDA to support the Lesotho: Smallholder Agriculture Development Project (P119732).
2. The proposed AF offers a vehicle to improve smallholder agricultural productivity in other districts in Lesotho – reinforcing a key component of the Country Partnership Framework (CPF, 2016-2020) pillar on private sector jobs, in line with Lesotho’s National Strategic Development Plan. The AF provides combined multi-faceted support in the form of technical advisory services, improved technology, and investment capital that are key to meeting the government’s goals in the new districts. The AF will be allocated to expand project activities to three additional border districts with good potential and accessibility to markets, namely rural Maseru, Mohale's Hoek and Quthing. The addition of these three districts will result in all of the more productive lowlands and foothill areas being included in the project. It is expected that at least an additional 18,000 beneficiaries will benefit from the AF in addition to the 55,000 already reached under the Smallholder Agriculture Development Project (SADP).

## II. Background and Rationale for Additional Financing in the amount of US\$10 million

### A. Country Context

3. **The Kingdom of Lesotho is a small mountainous country characterized by extensive land degradation and erratic climatic conditions.** It has a population of 2.1 million people of whom around 57 percent live below the poverty line and 34 percent fall below the extreme poverty line (CPF, 2016). The country is also beset with high unemployment rates and a high incidence of HIV/AIDS. This interaction of socio-economic factors and environmental constraints results in low agricultural productivity with annual maize yields averaging only 800 kg/ha, since 2011, leading to food and nutrition insecurity (FAO, 2016).
4. **Variations in the Kingdom’s topography and micro-climate shape its ecological zones—the lowlands, the foothills, the highlands, and the Senqu (Orange) River Valley.** Annual precipitation is highly variable, both temporally and spatially, ranging from 500 mm to 760 mm. Temperatures are also highly variable, ranging from –10°C to 30°C. Agriculture accounts for less than 10 percent of the country’s gross domestic product, but it provides employment for as many as 63 percent of the country's population. The crop sector’s contribution to agriculture GDP declined by 17.2 percent in 2015, with the main crops of maize, sorghum, and wheat planted on more than 85 percent of the cultivated area. Livestock contributes 30 percent of total agricultural output, including domestic production of pigs and poultry and extensive production of wool and mohair on rangelands in the hill and highland areas.
5. **The Intergovernmental Panel on Climate Change categorizes Lesotho as one of the countries highly vulnerable to the impacts of climate change.** The country has a temperate

climate with subalpine characteristics, having four distinct seasons, and experiences regular droughts, floods, frosts, snow, hailstorms, and strong winds. Frequent droughts result in poor harvests and large livestock losses for rural farmers. Dry spells also create food shortages and can lead to an increase in invasive plants and destructive insects. Strong winds and floods also pose devastating threats to Lesotho's agricultural sector; as a result, there are large swings in output, with maize yields ranging from a high of more than 1.5 t/ha in 1977 to only 170 kg/ha in 2011.

6. **The impact of climate change on crop and livestock production systems, and consequently livelihoods, may be severe if existing cropping and land use systems remain unchanged.** Lesotho is over-reliant on rain-fed agriculture for food production and has a large rural population engaged in undiversified subsistence farming. Climate change and increasing climate variability may be reflected in reduced crop yields and increased incidence of crop failure. There is also likely to be a decrease in forage production and a decline in the carrying capacity of the rangelands, which will have negative impacts on livestock production resulting from reduced animal vigor and fertility. As animal production conditions deteriorate, the quality of animal products, especially wool may decline. Furthermore, there may be a higher incidence of livestock pests and diseases which will have negative implications for animal production.
7. **Less than 1 percent of crop production in Lesotho is under irrigation and almost all subsistence and smallholder farming is rain-fed.** The development of medium to larger irrigation schemes is expensive and may not be suitable due to the demanding topography and geology, and lack of local scheme management skills and experience is a serious limitation. The fragile soils also demand very careful irrigation management. While water is available, it is being allocated for other purposes and farmers have yet to productively exploit their country's water resources. Small-scale water harvesting schemes are seriously lacking and yet these remain viable adaptation options for smallholders in the face of expected climate change impacts on water resources.
8. **The commercial farming sector in Lesotho remains underdeveloped.** Full-time commercial farmers are still few in number, and specialized agribusiness firms are equally scarce. Lesotho stands in stark contrast with neighboring South Africa, where production, processing, and distribution of food is carried out by commercial producers and agribusiness firms.
9. **Opportunities continue to exist in Lesotho for developing commercially viable smallholder agriculture.** Demographic changes, compounded by rising incomes and accelerating urbanization, and improved access to South African markets, are fueling changes in consumption patterns that are creating new opportunities for agricultural producers and processors. Local and regional demand is projected to continue to strengthen in the coming years for *fresh fruits and vegetables*; for *meat and processed livestock products* (sold through local market stalls, small and medium-scale butcheries, and large-scale meat wholesalers); for *milk and dairy products*; and, for *processed foods and products* (dried fruits, processed meat and animal feed).

10. **Continued support to smallholders and close coordination at the national, district and community levels is still needed.** Strategies for strengthening smallholder capacity must take into account the communities' stated needs and aspirations and align them with targeted innovations to create resilience and sustainability. However, guidance is needed to help farmers gradually re-orientate their farming approaches to produce for markets and to be resilient to the imminent impacts of climate change in fragile and highly vulnerable production systems.
11. **Two options for scaling-up the SADP were considered:** (i) increase counterpart funding; and (ii) additional IDA 18 financing. Given fiscal restrictions, the Government of Lesotho is unable to increase counterpart funding for the SADP. Therefore, additional IDA 18 financing was identified as the most appropriate mechanism to enable expansion of the SADP's activities to new districts. With the AF, the SADP's objectives, which include increasing marketed output among project beneficiaries in Lesotho's smallholder agriculture sector, can be expanded to additional districts in the country, contributing to government efforts to develop smallholder agriculture. The proposed scale-up can be completed by February 28, 2020 – representing a cumulative implementation period of less than ten years. The original closing date is March 31, 2018.
12. **The AF for the Smallholder Agricultural Development Project will continue to support smallholder farmers in targeted areas of Lesotho – Botha-Bothe, Leribe, Berea, and Mafeteng, rural Maseru, Mohale's Hoek, and Quthing –** with the goal of helping them exploit opportunities to increase their productivity in a changing climate and diversify into market-oriented agriculture, and to improve the enabling environment for agribusiness activities. Project support will continue to be driven by market opportunities and perceived commercial viability of enterprises and products. The three additional border districts (rural Maseru, Mohale's Hoek, and Quthing), with good potential and accessibility to markets, have a rural population of almost 500,000 people (about 100,000 households); a cropped area of about 80,000 ha; and ready access to Maseru and South African markets due to their location along the border. The addition of these three districts will result in all of the more productive lowlands and foothill areas being included in the project. It is expected that at least an additional 18,000 beneficiaries will benefit from the AF in addition to the 55,000 already reached under SADP.
13. **The overall zones of intervention for this project have been identified and prioritized to complement current activities supported under SADP** and to consolidate and support the achievements under SADP. SADP supports smallholder farmers in targeted areas of Lesotho, with the goal of helping them exploit opportunities to diversify into market-oriented agriculture. SADP is driven by market opportunities and the perceived commercial viability of enterprises. The proposed AF will focus on continuing to increase the capacity of farmers in Lesotho, smallholder and commercial, to build more productive climate resilient commercial agricultural systems.
14. **The incremental benefits of this AF are expected to be extensive.** For example, by initiating the process of discussing food quality and safety standards in Lesotho, the GoL and the international community can begin to finance and provide the focused expertise and

funds needed to undertake actions in setting standards and strengthen capacity to enforce them.

## **B. Sectoral and Institutional Context**

### **Sectoral context:**

15. **Rural and agricultural sector.** Manufacturing and mining contribute the largest shares to GDP in Lesotho, but agriculture remains important as a major provider of employment and source of food. About 70-80 percent of Lesotho's people live in rural areas, and more than three-quarters of these are engaged in agriculture – mostly traditional, low input, low output, rain-fed cereal production and extensive animal grazing. In the past, remittances from mineworkers were a major source of rural livelihoods, providing vital cash needed to purchase agricultural inputs and productive assets or to invest in household assets and housing, but remittances have declined steadily over the past decade as the number of Basotho employed in the South African mining sector has declined substantially from more than 100,000 20 years ago to less than 30,000 at present. Despite the economic growth that has been achieved in recent years, income-generating opportunities remain limited and are generally confined to urban areas and wage employment in the industrial sector especially in garment production.
16. Because the urban economy has limited ability to absorb new labor market entrants, the rural economy in general and agriculture in particular will continue to play a major role in Lesotho's development strategy for the foreseeable future. Agricultural development faces a number of challenges; however, most significant are difficult agro-climatic conditions and limited availability of irrigable arable land. The country's limited production potential is not fully exploited due to poor farming practices, limited use of quality seeds, inappropriate crop selection and lack of diversification. Agricultural productivity is further undermined by unsustainable land management practices that in many cases have led to declining soil fertility and severe soil erosion. If agriculture were commercially viable, these constraints could likely be overcome through well-targeted investments, but the development of market-oriented crop and livestock production enterprises faces a number of constraints such as limited small-scale irrigation, lack of access to finance, and limited supply of produce of the required quality.

### **Institutional Context:**

17. **The successful transformation of Lesotho's smallholder agricultural sector will continue to depend on sustained support in the form of technical advisory services, improved technology, and investment capital, among other factors.** This support has come from three main sources: (i) public service providers, (ii) producer organizations, trade associations, and other industry groups; (iii) NGOs and donor-funded programs. SADP will continue to benefit from the current institutional arrangement of having the PMU embedded within the main service provider in this sector the Ministry of Agriculture and Food Security (MAFS), which has proven efficient as an implementation and communication strategy. The Ministry of Forestry, Range and Soil Conservation continue to be implementing partners in

NRM projects along with the Ministry of Water Affairs. Producer groups such as piggery and poultry associations, as well as wool and mohair grower’s associations are also important partners and can prove instrumental in setting standards, prices and spreading knowledge towards increasing marketed output; however, much still needs to be done for this to be realized. NGOs and donors provide services in support of agricultural development. Most technological innovations continue to be introduced by both national and international NGOs, donor-funded projects and programs, and by private entrepreneurs in some cases.

### **C. Relationship to CPF**

#### **Higher Level Objectives to which the Project Contributes**

18. The project will contribute to the World Bank’s twin goals “ending extreme poverty and promoting shared prosperity,” which is consistent with the goals of the Government of Lesotho (GoL) Vision 2020 and with Sustainable Development Goals 1, 2, 8 and 13. The AF will directly support the objectives proposed in the 2016 World Bank Country Partnership Framework (Report Number 106720). As highlighted in the CPF, the AF will build on, and expand geographically successful experiences and viable models in activities such as cash crops, livestock, and agro-processing. These models have demonstrated potential in terms of raising productivity, introducing nutrition-dense foods into communities, strengthening farmers’ capacity, fostering stronger marketing linkage, substituting imports from South Africa, creating job opportunities, and improving gender equity in rural communities.
19. The proposed AF is in line with relevant government strategies, including the Vision 2020, the Agricultural Sector Strategy (2003), the Lesotho Food Security Policy (2005) and the National Action Plan for Food Security (2007-2017), and the National Strategic Development Plan 2013-2017 (NSDP).

### **III. Proposed Changes**

#### **Summary of Proposed Changes**

Three additional border districts with good potential and accessibility to markets will be added, namely rural Maseru, Mohale's Hoek and Quthing. These three districts have a rural population of almost 500,000 people; a cropped area of about 80,000 ha; and ready access to Maseru and South African markets due to their location along the border. Agricultural Investment Plans (AIPs) will be discontinued due to lack of significant uptake and success in SADP. The AF will focus its investments on the more successful Competitive Grants Program (CGP) which was used as the mechanism to deliver support for productive investments by farmer groups. Contracts focusing on climate smart agriculture will be provided to local private operators to support Climate Smart Agriculture initiatives. Topics will be drawn from common themes that continue to require innovative solutions. Examples of new technologies likely to be supported through the project include: stress tolerant horticulture, conservation agriculture, small-scale irrigation and water harvesting, improved homestead gardening, and sustainable processing technologies. This sub-component may also support: (i) the finalization of the Lesotho Irrigation Masterplan, which has been in

draft since 2002; and, (ii) the participation of key project and GoL staff in co-financed international study tours.

All procurement to be financed under the proposed project will be carried out in accordance with the World Bank's New Procurement Framework (NPF) that became effective from July 1, 2016 (in particular the Procurement Regulations for IPF Borrowers, July 2016) and the provisions stipulated in the Legal Agreement. The Project will carry out implementation in accordance with the 'Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD and IDA and Grants', dated July 1, 2016 (the Anticorruption Guidelines).

Change in Implementing Agency	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Project's Development Objectives	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ]
Change in Results Framework	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ]
Change in Safeguard Policies Triggered	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change of EA category	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Other Changes to Safeguards	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Legal Covenants	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Loan Closing Date(s)	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ]
Cancellations Proposed	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Disbursement Arrangements	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Reallocation between Disbursement Categories	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Disbursement Estimates	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change to Components and Cost	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ]
Change in Institutional Arrangements	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Financial Management	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Procurement	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ]

Change in Implementation Schedule	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ]	
Other Change(s)	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]	
<b>Development Objective/Results</b>		
<b>Project's Development Objectives</b>		
Original PDO		
To increase marketed output among project beneficiaries in Lesotho's smallholder agriculture sector.		
Current PDO		
Increase in marketed output among project beneficiaries in Lesotho's smallholder agriculture sector and, in the event of an Eligible Crisis or Emergency, to provide immediate and effective response to said Eligible Crisis (consistent with the PDO that was changed during parent project restructuring in July 2016).		
<b>Change in Project's Development Objectives</b>		
Explanation:		
New language (as per guidance) for use in all the projects that have the CERC component		
Proposed New PDO - Additional Financing (AF)		
Increase in marketed output among project beneficiaries in Lesotho's smallholder agriculture sector and, to improve the Recipient's capacity to respond promptly and effectively to an Eligible Crisis or Emergency.		
<b>Change in Results Framework</b>		
Explanation:		
Years added to the Framework to cover the AF.		
<b>Compliance</b>		
<b>Conditions</b>		
<b>Source Of Fund</b>	<b>Name</b>	<b>Type</b>
IDA	Section III A. 1	Disbursement



<b>Description of Condition</b>		
Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Credit to finance Eligible Expenditures; in the amount allocated and, if applicable, up to the percentage set forth against each Category in the Financing Agreement.		
<b>Source Of Fund</b>	<b>Name</b>	<b>Type</b>
IDA	Section I A. 2.a	Disbursement
<b>Description of Condition</b>		
Notwithstanding the provisions of Section III A, no withdrawal shall be made for payments made prior to the Signature Date.		
<b>Source Of Fund</b>	<b>Name</b>	<b>Type</b>
IDA	Section III A. 2.b	Disbursement
<b>Description of Condition</b>		
Notwithstanding the provisions of Section III A, no withdrawal shall be made under Category (4), for Emergency Expenditures, under Part D of the Project, unless and until the Association is satisfied, and notified the Recipient of its satisfaction, that all of the conditions under this sub-section have been met.		
<b>Risk</b>		
<b>Risk Category</b>		<b>Rating (H, S, M, L)</b>
1. Political and Governance		Substantial
2. Macroeconomic		High
3. Sector Strategies and Policies		Substantial
4. Technical Design of Project or Program		Moderate
5. Institutional Capacity for Implementation and Sustainability		Substantial
6. Fiduciary		Substantial
7. Environment and Social		Substantial
8. Stakeholders		Low
9. Size of local market and competition from South Africa		Substantial
OVERALL		Substantial

<b>Finance</b>					
<b>Loan Closing Date - Additional Financing (Lesotho Smallholder Agriculture Development Project Additional Financing - P162397)</b>					
<b>Source of Funds</b>			<b>Proposed Additional Financing Loan Closing Date</b>		
International Development Association (IDA)			28-Feb-2020		
<b>Loan Closing Date(s) - Parent (Lesotho Smallholder Agriculture Development Project - P119432)</b>					
Explanation:					
The project closing date will change to February 28, 2020 – an overall implementation period of less than ten years.					
<b>Ln/Cr/TF</b>	<b>Status</b>	<b>Original Closing Date</b>	<b>Current Closing Date</b>	<b>Proposed Closing Date</b>	<b>Previous Closing Date(s)</b>
COFN-C1250	Effective	31-Mar-2018	31-Mar-2018	28-Feb-2020	31-Mar-2018
COFN-C1260	Effective	31-Mar-2018	31-Mar-2018	28-Feb-2020	31-Mar-2018
IDA-50170	Effective	31-Mar-2018	31-Mar-2018	28-Feb-2020	31-Mar-2018
<b>Allocations - Additional Financing (Lesotho Smallholder Agriculture Development Project Additional Financing - P162397)</b>					
<b>Source of Fund</b>	<b>Currency</b>	<b>Category of Expenditure</b>	<b>Allocation</b>	<b>Disbursement % (Type Total)</b>	
			<b>Proposed</b>	<b>Proposed</b>	
IDA	USD	Goods, works, non-consulting services, and consulting services and Training	5,000,000.00	100.00	
IDA	USD	Operating Costs	350,000.00	100.00	
IDA	USD	Goods, works, non-	4,650,000.00	100.00	

		consultant services, consulting services and Training under Sub-Grants		
IDA	USD	Emergency Expenditures under Part D of the Project	0.00	100.00
		<b>Total:</b>	10,000,000.00	

### Components

#### Change to Components and Cost

The AIPs have been discontinued under component 2 and the focus of that component will now be on Climate-Smart Packages (see description below).

Component 1: **Increasing Agricultural Market Opportunities.** (US\$5.00 million). This component is to support Lesotho's developing agricultural business sector to contribute to increased commercialization of smallholder agriculture. The main beneficiaries will be small and medium-sized agro-based businesses, rural entrepreneurs, and farmer associations having the potential to expand their market-related activities, thereby providing improved market opportunities for smallholder farmers. This component will invest in the following activities:

- i. **Promotion of innovative agri-business initiatives.** Provision of sub-grants to support the introduction, testing and demonstration of new business initiatives and technological innovations, especially those with a focus on Climate-Smart Agriculture.
- ii. **Market linkage development.** Provision of support to targeted farmer groups and government agencies with the goal of improving food standards and safety, developing and strengthening links between agricultural producers and markets, reducing market transaction costs and aligning production decisions with business and market opportunities.

Sub-Component 1.1: **Promotion of Innovative Agri-Business Initiatives.** (US\$3.59 million). Grants will continue to be provided to small rural businesses, registered associations and cooperatives to introduce, test and demonstrate technological innovations and business initiatives, with technical assistance provided by service providers including extension staff. Support for training of trainers (service providers) will also be provided under this sub-component. The selection criteria will be reviewed to ensure that commercial small farmer groups at the community level are eligible for consideration under this program. The main objective of this sub-component is to support the CGP, the introduction, testing and demonstration of new business initiatives and technological innovations by small and medium agriculture-related and rural businesses, registered associations and cooperatives. The business initiatives and innovations will focus on measures to increase competitiveness, improve market access, add value, and improve service provision,

thereby increasing opportunities and demand for local smallholder produce. Grants will be awarded based on proposals received from applicants and chosen through a competitive selection process. Focusing on the demand-driven approach will ensure that proposals are relevant to the applicants' expressed needs and that winning applicants are the most entrepreneurial and innovative. The grants in the AF will focus particularly on the new project districts, value chain improvement and downstream initiatives and youth empowerment/business initiatives.

Sub-Component 1.2: **Market Linkage Development.** (US\$1.41 million). In addition to continuing the district trade fairs, round tables and mentoring services programs, the AF will also focus on addressing enabling factors that have been identified as essential for driving further development of the agribusiness and agro-industries sectors. Specifically, value chains such as: improving linkages to appropriate rural and agricultural finance and risk management products; specific regulatory provisions; consistent trade policies and access to global markets; adequate infrastructural facilities and utilities (particularly rural roads and storage facilities); and capacity for complying with international food quality and safety standards. The main objective of this sub-component is to: (i) improve the enabling environment for agribusiness in Lesotho; (ii) develop and improve links between agricultural producers and markets; (iii) reduce market transaction costs; by for example, investing in crop processing facilities in all project districts, beginning with two test centers; and, (iv) align production decisions with business and market opportunities. This will be achieved by setting up market linkage mechanisms and providing for improved information flow and responsiveness between all actors in the market chain. The sub-component will target government agencies responsible for agriculture standards, commodity-based farmer associations, district and local apex associations, registered farmer cooperatives, informal farmer organizations or producer interest groups, market intermediaries, agri-businesses, input suppliers and other market participants, etc.

Component 2: **Increasing Market-oriented Smallholder Production- Climate Smart Packages for Smallholders.** (US\$3.3 million). The Agricultural Investment Plans (AIPs) at the agriculture sub-center level were a core part of the SADP design, with funding provided for training and extension services, support for productive investments by farmer groups, and natural resource management (NRM) interventions. However, during SADP implementation, the mechanism for supporting productive investments under the AIPs was placed under the CGP system to simplify procedures and increase uptake, while uptake of the NRM interventions was low and discontinued towards the end of SADP partly due to complicated inter-ministerial implementation arrangements. The AF will focus its investments on the more successful CGP which was used as the mechanism to deliver support for productive investments by farmer groups. Support for training and advisory services will continue under the CGP and market linkage development sub-components, while small-scale irrigation improvements formerly under the AIP sub-component will be included under sub-component 2.2. To take advantage of specific expertise or approaches that are available among non-state actors but not in the government system, contracts will continue to be provided to locally-based NGOs and private operators to support the introduction, adaptation and dissemination of Climate-smart agriculture (CSA) technologies, coupled with training and support. CSA is an integrative approach to address these interlinked challenges of food security and climate change, that explicitly aims for three objectives (triple-wins): (i) sustainably increasing agricultural productivity, to support equitable increases in farm incomes, food security and development; (ii) adapting and building resilience of agricultural and food security systems to climate change at multiple levels; and, reducing greenhouse gas emissions from agriculture (including crops, livestock and fisheries). Examples of

technologies/practices likely to be supported through the project include: conservation agriculture, stress tolerant horticulture, water harvesting, small-scale irrigation systems and water harvesting, livestock feeding and improvement, and small-scale processing technologies. This will ensure that the project supports technologies that not only boost productivity, but also enhance resilience to climate change and help mitigate its consequences – the triple win of CSA. This sub-component will also support: (i) the finalization of the Lesotho Irrigation Masterplan, which has been in draft since 2002; and, (ii) the participation of key project and GoL staff in co-financed international study tours.

Component 3: **Project Management.** (US\$ 1.7 million). The objective of this component is to manage and use resources in accordance with the project’s objectives and procedures. The PMU established in MAFS will be strengthened with additional officers (e.g. a climate smart officer, a communications office, a value-chains consultant and an irrigation consultant) once the AF is effective. An effective inter-sectoral administrative system will be set-up to ensure coordination between the project, other initiatives and national institutions.

Component 4: **Contingent Emergency Response Component (CERC).** (US\$ 0.00 million equivalent). This component, with a zero-dollar allocation, is included under the project in accordance with OP10, paragraphs 12 and 13, for situations of urgent need of assistance. This will allow for rapid reallocation of project proceeds in the event of a natural or man-made disaster or crisis that has caused or is likely to imminently cause a major adverse economic and/or social impact.

Current Component Name	Proposed Component Name	Current Cost (US\$M)	Proposed Cost (US\$M)	Action
Increasing Agricultural Market Opportunities	Increasing Agricultural Market Opportunities	4.30	9.30	Revised
Increasing Market Oriented Smallholder Production	Increasing Market Oriented Smallholder Production	3.80	7.10	Revised
Project Management	Project Management	1.40	3.10	Revised
Contingent Emergency Response Component (CERC)	Contingent Emergency Response Component (CERC)	0.00	0.00	No Change
	<b>Total:</b>	9.50	19.50	

## **IV. Appraisal Summary**

### **Economic and Financial Analysis**

#### **Explanation:**

The economic benefits to be generated by the AF are expected to come mainly from new rural business activities and from additional production by farmer groups partly realized through underutilized labor resources in the project areas. Incremental benefits are likely to result from improved access to markets and concomitant productivity increases, particularly in high value crops, and partly from increased investment in livestock production activities.

To minimize the risk of implementation problems, the AF design has been kept simple. The AF includes only two technical components which are designed to promote increased commercialization of the agriculture sector, at the agri-business level and at the smallholder level, respectively. In addition, the focus of the project is limited to seven districts, including the four covered under the parent project, all of which have reasonably good production potential and market access. Restricting the focus of the project in this way will facilitate monitoring and allow the PMU and MAFS to provide closer implementation support.

Comparative production advantages - for most cereals, Lesotho cannot be considered to have a particular comparative advantage but due to high altitudes and favorable weather conditions Lesotho can bring fruits and vegetables into the market at non-traditional periods of the year. The AF will finance a follow-up to the value chain study to look into the competitive advantages in the vegetable and livestock sectors, which will inform the 2nd round of competitive and CSA grants under the project. Productivity of field crops is low due to unfavorable climate and soil conditions and most importantly due to very poor management and production technologies. This makes cereal crops produced in Lesotho comparatively expensive, particularly compared to South Africa. On the positive side, disease incidence in livestock production is lower due to the extensive production methods and the relative remoteness from other major production centers. The production inputs and input costs for ruminant livestock based on widely available free grass and pasture resources would suggest better conditions.

### **Technical Analysis**

#### **Explanation:**

The activities to be supported under the project have been extensively discussed and agreed with Government officials and other stakeholders and partners. The proposed technical design elements are sound and take into account experiences with similar interventions implemented within Lesotho and also in other countries in the region. The designs of the CGP and the CSA Packages are based on good practices and incorporate lessons learned from competitive grant programs that have been implemented in other regions. CGPs have been used successfully to encourage rural businesses and agricultural

entrepreneurs to introduce and test innovative technologies and business models, and thereby contributing to increased commercialization of the agricultural sector. Under these activities, the built-in linkages with a range of service providers and technology dissemination and information activities have shown to successfully demonstrate good practice examples to a broad audience and resulted in innovation activity beyond the boundaries of the project itself.

The demand-driven and competitive approach of the CGP increases the likelihood that the winning proposals will be not only be innovative but also relevant to the needs of the beneficiaries. To complement this activity, the project will also support the generation and dissemination of improved market information and facilitation, as well as providing training and technical assistance for business planning, management and marketing to support Lesotho's small businesses and associations.

#### Procurement

As at 21 November 2016 the Procurement ISR rating was Satisfactory and the implementing agency risk rating was Moderate. Procurements under the Additional Financing are the same in type and scope as those under SADP. The procurement arrangements under the Additional Financing will change and the AF will use the new procurement framework.

### **Social Analysis**

**Explanation:** The project will work with smallholder farmers and farmer groups, with a primary focus on those that have the basic resources and motivation required to successfully improve agricultural productivity and diversify into market-oriented agriculture. Farmer groups will be especially targeted, because they provide excellent opportunities for capturing economies of scale and mobilizing negotiating power. Not all farmers are expected to benefit directly from this approach, as it requires a strong commitment and access to a minimum level of resources. However, the project will be open to all farmers and will offer opportunities even for resource-poor, subsistence-oriented farmers. Farmers who operate at subsistence level but have an interest and potential to embark on market-oriented production will be assisted and encouraged to join groups. The very poor, for whom casual labor in the agricultural sector is a major source of income and a significant source of food, will benefit from an increase in work opportunities. The rural poverty at the national poverty line is 61.2 percent versus 39.6 percent in urban areas (World Bank Databank, 2010 data).

In Lesotho, many farmer groups, extension groups, self-help groups, and savings and credit groups are dominated by women, probably more so than in other countries due to the history of men migrating out. This is particularly the case among activities that in Lesotho have traditionally been controlled by women, such as production of pigs, poultry, and fruits and vegetables. Project beneficiaries to date have been 58 percent female, 10,946 women have benefitted from grants, but training has benefitted fewer women than men. The training gap is expected to be addressed during the last three years of implementation.

Implementation of social safeguards has been moderately unsatisfactory due to the lack of attention to screening of prospective project sites and thus related lack of identification of challenges and mitigation measures. While sub-projects have not led to any involuntary resettlement, some AIP initiatives in

particular have impacted land and water access. Little has been done to document the verification process and ensure that no exclusion of community members takes place or that project officers have ensured full informed consent, in particular of vulnerable groups. CGP applications commonly include a “Form C” land document, but these have not been verified by relevant authorities and the issuing of “Form C” documents have been subject to abuse in Lesotho. This challenge is in large part due to the lack of dedicated safeguard personnel in the PMU.

The PMU has, since May 2017, recruited a dedicated E&S specialist who will implement the E&S action plan, which includes: overseeing the screening of sub-projects to determine the level and degree of risk and impacts; and, ensuring that site-specific ESMPs are prepared and mitigation measures are implemented, monitored and reported on in the progress reports, which will strengthen the capacity of the PMU. The E&S Specialist will also ensure that animal waste management measures are fully implemented and proper pest management and water quality strategies are in place. It is expected that, with the addition of the E&S Specialist and the implementation of the action plan, the Project’s safeguards rating will be upgraded to Moderately Satisfactory in November 2017.

### **Environmental Analysis**

#### **Explanation:**

Environmental safeguard arrangements will follow the arrangements that are in place for the parent project. Activities to be carried out under the AF are derived from continuity of the current project and therefore the AF will not trigger additional safeguards policies.

### **Risk**

#### **Explanation:**

The overall risk rating for project implementation is substantial, which corresponds to the risk associated with events that would have a high negative impact if they were to occur, but that have a low likelihood of occurring. The main risks confronting the project are described below:

**Implementation Capacity.** The AF is still confronted with weak implementation capacity in the country—within government services, and also among NGOs and in the private sector. The experience from SADP suggests that these constraints could affect the pace and quality of project implementation. Issues stemming from poor inter-ministerial collaboration and lack of coordination at central and district level led to severe delays in the implementation of SADP. To mitigate this risk, which is rated high, the project design incorporates the following measures: (a) continuous training and capacity building for participating government support services; (b) maintenance of the SADP PMU with increased technical staff numbers for the additional financing; (c) keeping the PMU within MAFS, which will continue to strengthen the skills of senior government officers; (d) continuous inclusion of performance-based



elements in contracts, agreements, and memoranda of understanding; and (e) the utilization of project management mechanisms (at both national and district levels) that clearly spell out responsibilities for oversight and coordination.

**Macroeconomic.** Lesotho's gross domestic product (GDP) growth, at 3.1% in 2016 relative to 2.8% in the past year, is showing signs of recovery because of the booming tertiary sector, ongoing investment in mining and steady growth in the electricity and water sector. In the medium term, growth is expected to further improve to 3.5% and 4.6% in 2017 and 2018, respectively. However, poverty, inequality, and unemployment remain major development challenges facing Lesotho despite high literacy rates and high investment in social sectors over the years. The strategies employed by the AF are intended to boost growth and employment in the sector by: (i) improving access to finance; (ii) promoting the production of high value crops and livestock products; (iii) improving quality livestock breeding, seed production capacity and access to farm machinery as well as facilitating the development of viable distribution and marketing systems; and, (iv) Developing water harvesting infrastructure and increase irrigation capacity.

**Political and Governance.** While the MAFS will continue to be the key implementing agency of the project, there are overlapping responsibilities of various ministries, particularly on the district level and there is a risk of the staff of the other Ministries not getting fully engaged in the project activities. In the wake of elections there might be a risk of attempted political favoritism or patronage in the award of grants under Sub-component 1.1. The project aligns with governmental priorities and integrates various implementation partners and institutions. The grant program is governed by a detailed OM, with clearly delineated responsibilities, standardized selection procedure, a multi-institutional commission led by the private sector, and includes publication of awards, and a complaint handling mechanism.

**Size of local market and competition from South Africa.** Efforts by Lesotho farmers to expand their commercial activities are constrained by the small size of the local market for agricultural produce and by the widespread availability of high quality, low cost produce imported from South Africa. This poses a risk for a project that aims to support the commercialization of smallholder agriculture. Measures intended to mitigate this risk, which is rated substantial, include: (a) the provision of support and training to commercially oriented farmers and farmers groups that will help them gear production to market demands; (b) the continuation of the competitive grants program to help create market opportunities for local production, to which farmers will be able to respond; and (d) the use of demand-driven processes to ensure flexibility and to allow the project to be responsive to market requirements.

**Environmental and Social.** Some project activities will create potential environmental or social impacts. Guarding for potential impacts, the parent project has an ESMF including a pest management plan and an RF and the PMU has hired a full-time E&S Specialist. Training will be provided to the implementing agencies on safeguard issues and support provided throughout the project implementation. Specific screening for sub-projects and training will continue.

**Fiduciary.** This risk arises mainly from Financial Management. The main capacity constraints in PMU

was the lack of personnel depth to work on the accounting information system to prepare the accounts of the project and the limited experience of staff with knowledge of World Bank procedures. To help address the financial management capacity constraints, an assistant Project Accountant with appropriate experience and qualifications will be recruited to work within the PMU.

## **V. World Bank Grievance Redress**

20. 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).

## **D. Implementing Agency Assessment**

21. The AF will continue to be implemented by the Project Management Unit (PMU) under the MAFS, which is responsible for day-to-day project coordination and management, including planning and budgeting, procurement, financial management, monitoring and evaluation (M&E) and implementation of project activities. Specific roles and responsibilities of the PMU include: (a) ensuring timely implementation in accordance with the Project Implementation Manual (PIM); (b) preparing Annual Work Plans and Budgets and annual Procurement Plans; (c) overseeing Project activities under its direct responsibility and of those under the responsibility of other agencies involved in Project implementation; (d) managing Project finances; (e) maintaining consolidated Project accounts; (f) ensuring adherence to the Safeguard Documents of all agencies involved in the implementation of the Project; (g) developing and maintaining a system of monitoring the Project key performance indicators; (h) ensuring coordination among stakeholders as needed; and (i) regularly updating the Project Management Committee (PMC) in the MAFS on Project progress and key issues.

22. The PMU is fully functioning with strong leadership and a well trained staff, which includes: a Project Manager; Monitoring and Evaluation Officer; a Competitive Grants Secretariat (Sub-component 1.1) with one Competitive Grants Officer at present; an Agri-business and Marketing Officer (Subcomponent 1.2 and 2.2); an Agriculture Investment Planning Officer (Component 2.1); an E&S Specialist; a Procurement Officer; a Project Accountant; an Accounts Clerk; and support staff (Administrative Officer, Drivers).

23. For the AF, it is proposed that the Competitive Grants Secretariat (CGS) be staffed with two officers. The Agri-business and Marketing Officer would only be responsible for sub-component 1.2, while a Climate Smart Agricultural Officer is hired for Component 2. It is expected that during the implementation of the AF, the District Economic Planners under MAFS will take over the roles of the Project Field Officers (PFOs) in the four SADP districts. The PFOs, were responsible for coordination and monitoring of all district-level activities. New PFOs will be recruited for the new AF districts, for a period of 3 years after which a similar handover to District Economic Planners will take place.

**Results Framework and Monitoring**  
**LESOTHO: Smallholder Agriculture Development Project**

Project Development Objective Indicators							
Status	Indicator Name	Corporate	Unit of Measure		Baseline	Actual(Current)	End Target
No Change	Direct project beneficiaries	<input type="checkbox"/>	Number	Value	0.00	54338.00	66000.00
				Date	10-Nov-2011	30-May-2016	31-Mar-2018
No Change	Female beneficiaries	<input type="checkbox"/>	Percentage	Value	0.00	58.00	50.00
				Sub Type Supplemental			
No Change	Household commercialization level in project areas	<input type="checkbox"/>	Percentage	Value	15.00	64.00	40.00
				Date	10-Nov-2011	30-May-2016	31-Mar-2018
				Comment			
No Change	Change in total cash crop production*	<input type="checkbox"/>	Tones/year	Value	0.00		0.00
				Date	30-Sep-2016		31-Mar-2018

\*New indicators added during the July 2016 restructuring. Baselines will be validated in November 2017.

				Comment			
No Change	Change in yields of major cash crops in the target area*	<input type="checkbox"/>	Tones/year	Value	0.00		0.00
				Date	30-Sep-2016		30-Mar-2018
				Comment			
No Change	Average change in smallholder livestock production in the target area (disaggregated by type)*.	<input type="checkbox"/>	Tones/year	Value	0.00		0.00
				Date	30-Sep-2016		30-Mar-2018
				Comment			

### Intermediate Results Indicators

Status	Indicator Name	Corporate	Unit of Measure		Baseline	Actual(Current)	End Target
No Change	Client days of training provided under the Competitive Grants Program Component	<input type="checkbox"/>	Number	Value	0.00	12103.00	30000.00
				Date	10-Nov-2011	30-Jun-2015	31-Mar-2018
				Comment			
No Change	Client days of training provided: Female clients	<input type="checkbox"/>	Number	Value	0.00	7185.00	15000.00
			Sub Type	Date	10-Nov-2011	30-Jun-2015	31-Mar-2018
			Breakdown	Comment			

No Change	Client days of training provided : Male Clients	<input type="checkbox"/>	Number	Value	0.00	4918.00	15000.00
			Sub Type	Date	10-Nov-2011	30-Jun-2015	31-Mar-2018
			Breakdown	Comment			
No Change	If the CERC is triggered: number of beneficiaries benefiting from emergency response and recovery activities*.	<input type="checkbox"/>	Number	Value	0.00		5000.00
				Date	28-Oct-2016		31-Mar-2018
				Comment			
No Change	Number of new business contracts between farmer groups and the private sector as a result of the projects market facilitation activities*.	<input type="checkbox"/>	Number	Value	0.00		20.00
				Date	28-Oct-2016		31-Mar-2018
				Comment			
No Change	Targeted beneficiaries who have adopted improved production technologies / farming practices in targeted areas	<input type="checkbox"/>	Number	Value	234.00	372.00	3000.00
				Date	10-Nov-2011	30-Jun-2015	31-Mar-2018
				Comment			
No Change	Female beneficiaries	<input type="checkbox"/>	Percentage	Value	20.00	24.00	50.00
			Sub Type				
			Supplemental				

No Change	Targeted beneficiaries satisfied with improved performance of agricultural service providers	<input type="checkbox"/>	Percentage	Value	15.00	47.00	50.00
				Date	10-Nov-2011	30-Jun-2015	31-Mar-2018
				Comment			
No Change	Clients days of training provided under the Agricultural Investment Plans Component	<input type="checkbox"/>	Number	Value	0.00	14248.00	60000.00
				Date	10-Nov-2011	30-Jun-2015	31-Mar-2018
				Comment			
No Change	Clients days of training provided : Male clients	<input type="checkbox"/>	Number	Value	0.00	7650.00	130000.00
			Sub Type	Date	10-Nov-2011	30-Jun-2015	31-Mar-2018
			Breakdown	Comment			
No Change	Clients days of training provided : Female clients	<input type="checkbox"/>	Number	Value	0.00	6598.00	130000.00
			Sub Type	Date	10-Nov-2011	30-Jun-2015	31-Mar-2018
			Breakdown	Comment			
No Change	Number of CGP projects completed that are commercially viable.	<input type="checkbox"/>	Number	Value	0.00		270.00
				Date	10-Nov-2011		31-Mar-2018
				Comment			

No Change	Targeted beneficiaries recording better access to markets	<input type="checkbox"/>	Percentage	Value	0.00	23.00	50.00
				Date	10-Nov-2011	30-Jun-2015	31-Mar-2018
				Comment			
No Change	Farmers and traders in project districts who use public market information	<input type="checkbox"/>	Percentage	Value	50.00	58.00	80.00
				Date	10-Nov-2011	30-Nov-2014	31-Mar-2018
				Comment			
No Change	Incremental net value of marketed production of smallholders in targeted sub-centers in targeted sub-centers	<input type="checkbox"/>	Amount(USD)	Value	107000.00	88.00	3600000.00
				Date	10-Nov-2011	30-Jun-2015	31-Mar-2018
				Comment			
No Change	Innovative and viable agricultural business initiatives demonstrated with a minimum satisfactory rating	<input type="checkbox"/>	Number	Value	0.00	12.00	120.00
				Date	10-Nov-2011	30-Jun-2015	31-Mar-2018
				Comment			



## **Annex 1: Implementation Arrangements**

### **A. Implementation**

24. The SADP Project Management Unit (PMU) housed in MAFS, the lead Ministry, will continue to be responsible for day-to-day coordination and management of SADP, including planning and budgeting, procurement, financial management, and monitoring and evaluation (M&E). PMU staff will include a Project Manager, heading the PMU, technical specialists overseeing implementation of technical components, including an officer managing the Competitive Grants Secretariat (Sub-component 1.1), an Agribusiness and Marketing Officer (Sub-component 1.2), a CSA Officer (Component 2); a Project Accountant, a Procurement Officer, an E&S Specialist, and an M&E Officer. A Project Field Officer (PFO) mapped to the PMU will be placed in each new project district. The PFOs, who will be responsible for coordination and monitoring of all district-level activities, will be employed by the project for three years. Over time, they will gradually hand over their responsibilities to the District Economic Planners under MAFS.
25. The PMU will continue to report to the Principal Secretary of MAFS. A Project Management Committee (PMC) will oversee and guide overall project implementation and ensure compliance with national policies, strategies and procedures. The PMC will be chaired by the Director of Planning and Policy Analysis of the MAFS and include senior representatives from the ministries with responsibilities relevant to project implementation. It is expected that the PMC will meet at least quarterly. Coordination of the project at district level will be carried out by the District Planning Unit (DPU) chaired by the District Administrator and including the District Agricultural Officer (DAO). The PFO will work closely with and support the DPU and the technical officers at district and community level. Overall, the program will be governed by the updated SADP PIM. The PIM will also include the AFs first year's work program and budget as well as the detailed costs.
26. The CGP (Sub-component 1.1) will be administered by a small CGS within the PMU that will arrange calls for proposals, organize information meetings, receive and register applications, screen applications for criteria compliance, arrange technical reviews and selection meetings, prepare grant contracts, monitor grants, arrange publicity, and organize final grant evaluations. The CGS will be manned by the CGP Officer and will be supported by the PFOs. The implementation of the CGP will be governed by the PIM. Each grant proposal will be reviewed by two technical reviewers. Following the technical review, it will be evaluated and selected according to criteria spelled out in the PIM by a Competitive Grants Commission (CGC), the majority of which will be drawn from the private sector. Once a grant has been approved, grant winners will sign contracts committing them to carry out agreed activities based on a set of monitorable milestones; the grant will be released in tranches as each milestone is met. Grant winners will be responsible for carrying out procurement according to methods set out in the contracts, and the CGS will be responsible for monitoring contract compliance and compliance with environmental regulations. An independent external contractor will carry out an evaluation of the AF grant program.

27. Market Linkage Development activities (Sub-component 1.2) will be coordinated by the Agribusiness and Marketing Officer. The Director of Marketing will be the main counterpart and will facilitate interaction with the District Marketing Officers. The Agribusiness and Marketing Officer will prepare training plans and develop modules to be used by mentoring experts and identify service providers to implement all subcomponent activities. Working closely with the Marketing Department and district planning teams, he/she will organize the district trade fairs and round table meetings.
  
28. Activities to be funded under the CSA packages will be implemented primarily by producer groups involved in market-oriented production; by other community-based groups involved in the management of public goods that are important for market-oriented production; and by local organizations involved in the management of natural resources. Accordingly, the PMU will sign implementation agreements (memoranda of understanding) with producer groups, community-based institutions and selected service providers involved in CSA implementation. The CSA packages will also fund parts of CGP grants applications that provide climate-smart additionality to approved projects. The CSA additionality qualification of proposals will be determined by the CGC during the review of applications. To ensure that technology is effectively transferred to the government extension service, government extension staff will be fully involved in the activity through a mandatory partnership arrangement specified in the contract. The CSA package providers and grant recipients will provide semi-annual and annual reports to the PMU and DAOs, and they will report on the results of their interventions at the annual workshop. Contracts will not necessarily be awarded on a district basis; they could be grouped based on the common themes identified during the prioritization workshops.
  
29. Capacity building activities and training programs will be coordinated by the PMU. Training will be provided by district or national staff from the MAFS, assisted by contracted national or international specialists where needed, including NGOs, private sector firms, and research institutions.
  
30. To ensure synergy with other initiatives that similarly are aiming to strengthen business development services, improve the business environment, and extend the availability of financial services to SMEs, the PMU will conduct regular stakeholder meetings with other projects, financial institutions and private sector actors (examples include the World Bank-financed Private Sector Competitiveness Project and the IFAD-financed Wool and Mohair Productivity Project-WAMPP).

## **B. Results Monitoring and Evaluation**

31. A Planning, Monitoring and Evaluation (PM&E) system established under SADP will continue to capture data and monitor progress towards project results in the AF. This will include the performance of implementing agencies and service providers. The project PM&E system will collect information for both frameworks. Impact Evaluation will be carried out on the basis of a series of quantitative and qualitative surveys: (a) a baseline survey to be conducted prior to project start-up at household, business and community levels in the project districts; and, (b) a final survey to be conducted around the completion of the AF to inform the project's implementation completion report.

32. Technical staff working in the PMU who are responsible for implementing component activities will also collect data, monitor activities and enter data into the overall project monitoring system. PM&E will be an important tool for facilitating continuous critical reflection on experience and learning by all partners and stakeholders. Collection of necessary information will require close collaboration between the M&E Officer, the PFO and district staff. The PM&E system is further detailed in the PIM.
33. The CGS and the district-level PFOs will be responsible for monitoring and supervising all grant projects funded through the CGP and CSA Packages. This will be accomplished through regular site visits and reviewing of progress reports provided by the grant winners. Each grant project will have clearly defined monitoring arrangements including performance indicators and milestones against which progress and outcomes of the proposed activities can be assessed. These indicators will be agreed between the CGS and the applicant and will be detailed in the grant agreement. The grant recipients will be required to provide technical and financial progress reports according to the reporting schedule agreed between the CGS and the grant winner and shown in the grant agreement. Progress will be measured against stated objectives, adherence to the work plan, attainment of milestones, and acceptance of the financial reconciliation by the PMU. The CGS will evaluate each completed grant, and *ex post* evaluations of the grant program will be carried out by an independent external evaluator. These evaluations will assess whether the projects funded through the competitive grants have achieved their intended results and they will report on outcomes such as actual and potential impact on beneficiaries' incomes; effect on productivity; improved market linkages; capacity development and technology development; and dissemination and adoption of the technologies supported under the program.

### **C. Sustainability**

34. The activities to be financed under Component 1 and 2 reflect a number of design features intended to ensure sustainability: (a) the CGP and CSA Packages will be demand-driven and competitive, suggesting that proposals will be responsive to the needs of the applicants and that winning applicants will be motivated and entrepreneurial; (b) applicants will be required to cost-share, increasing the chances that applicants will be serious and likely to continue activities after the completion of the grant; (c) every proposal will be required to include a technology transfer component, increasing the likelihood that grant-funded activities will result in adoption of improved technologies and long-term benefits after project completion (in addition, the results of the evaluation of each grant will be widely publicized and made available to financial institutions and other potential adopters); (d) grant applicants will be required to link with service providers, which will help build long-term relationships between the applicants and the service providers that will outlive the life of the grant; and (e) grants will strengthen farmer groups, build market links and improve information flows, which is likely to lead to long-term improvements in the selected value chains.
35. The community activities to be financed under the CSA Packages similarly have been designed with sustainability in mind. Sustainability of Component 2 activities is enhanced

by: (a) encouraging intensive participation among community-level stakeholders in the preparation of their packages; (b) requiring cost-sharing by beneficiaries; (c) building strong relationships between producers and market operators; (d) incorporating natural resource management practices to ensure the realization of longer-term benefits; (e) strengthening service providers to support communities; and (f) introducing and disseminating improved climate smart technologies by building partnerships between local NGOs and government extension services.

## Annex 2: Procurement Plan

### Applicable Procurement Regulations:

All procurement to be financed under the proposed project will be carried out in accordance with the World Bank’s New Procurement Framework (NPF) that became effective from July 1, 2016 (in particular the Procurement Regulations for IPF Borrowers, July 2016) and the provisions stipulated in the Legal Agreement. The Project will carry out implementation in accordance with the ‘Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD and IDA and Grants’, dated July 1, 2016 (the Anticorruption Guidelines).

#### I. Goods, Works and Non-Consulting Services

#### Prior Review Threshold: Good, works and non-consulting services

A. Goods, Works and Non-Consulting Services				
Category	Prior Review (US\$ millions)	Procurement Approaches and Methods (US\$ millions)		
		Open International	Open National	Request for Quotation (RfQ)
Works	≥ 15	≥ 7.0	< 7	≤ 0.2
Goods, IT, and non-consulting services	≥ 4	≥ 1	< 1	≤ 0.1
B. Consulting Services				
Category	Prior Review (US\$ millions)	Short List of National Consultants (US\$ million)		
		Consulting Services	Engineering and Construction Supervision	
Consultants (Firms)	≥ 2	≤ 0.3	≤ 0.3	
Individual Consultants	≥ 0.4	NA.	NA.	

**[Overall Project Procurement Risk is MODERATE]**

**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\$	Market Approach	Selection Method	Review by World Bank (Prior / Post)	Expected Bid-Opening Date	Comments
<b>WORKS</b>							
1.22d1	Two Fruits and vegetables processing centres	646,154	Open National	RFB	Post	31/01/18	
2.2g1	Water harvesting tanks	175,538	Open National	RFB	Post	28/02/18	
	<b>Sub total Works</b>	<b>821,692</b>					
<b>GOODS</b>							
2.2g1	Irrigation equipment	369,231	Open National	RFB	Post	30/03/18	
3.1f	Computer and office equipment	18,153	Open Limited	RFQ	Post	28/02/18	
3.1f	Office furniture	7,692	Open Limited	RFQ	Post	28/02/18	
3.1g	Vehicles x 4	184,616	Open National	RFB	Post	30/03/18	
	<b>Sub -total Goods</b>	<b>579,692</b>					

	<b>Subtotal works and Goods</b>	<b>1,401,384</b>					
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**Consultancy Assignments with Selection Methods and Time Schedule**

**Consultancy Assignments with Selection Methods and Time Schedule**

<b>Ref No.</b>	<b>Description of the assignment</b>	<b>Estimated cost US\$</b>	<b>Selection Method</b>	<b>Market Approach</b>	<b>Review by the world Bank (Prior / Post )</b>	<b>Expected Proposal / CV Submission date</b>	<b>Comments</b>
	<b>Promotion of Innovative Agri-Business Initiatives</b>						
1.1A1	External Evaluation	38,462	IC	Open National	Post	31/07/19	
1.1C3	Technical Reviewers	132,462	IC	Open National	Post	30/01/18	
	<b>Total</b>	<b>170,924</b>					
	<b>Market Linkages Development</b>						
1.2C1	Mentoring Services	461,538	IC	Open National	Post	30/04/18	
	<b>Total</b>	<b>461,538</b>					
	<b>Climate Smart Technology Packages for Smallholders</b>						
2.2B1	Contract with locally based NGO's	384,615	CQS	Open National	Prior	30/04/18	
2.2C1	Impact evaluation on technology packages	30,769	IC	Open National	Post	30/10/18	
2.2D1	Irrigation master plan for Lesotho	769,231	CQS	Open National	Prior	30/06/18	
	<b>Total</b>	<b>1,184,615</b>					
	<b>Subtotal components Consultancy</b>	<b>1,817,077</b>					

<b>Project Management</b>							
<b>Ref No.</b>	<b>Description of the assignment</b>	<b>Estimated cost US\$</b>	<b>Selection Method</b>	<b>Market Approach</b>	<b>Review by the world Bank (Prior / Post )</b>	<b>Expected Proposal / CV Submission date</b>	<b>Comments</b>
3 A1a	Project Manager	115,200	IC	Open National	Prior	30/02/18	
3 A1a	Finance Manager	103,680	IC	Open National	Prior	30/02/18	
3 A1a	Procurement Manager	94,285	IC	Open National	Prior	30/02/18	
3.A1a	Competitive Grants Officer	50,682	IC	Open National	Prior	30/02/18	
3.A1a	Climate Smart Officer	50,682	IC	Open National	Prior	30/10/17	
3 A1a	Project Field Officers(3)	169,615	IC	Open National	Prior	30/10/17	
3 .A1a	Assistant Monitoring and Evaluation	33,277	IC	Open National	Prior	30/10/17	
3 A1a	Assistant Accountant	33,277	IC	Open National	Prior	30/10/17	
3.2	Midterm review and impact assessment	153,846	CQS	Open National	Post	30/09/18	
3.2	Project Completion Report	61,538	IC	Open National	Post	30/11/18	
3.2.13	Audit	30,769	IC	Open National	Post	30/11/18	
	<b>Subtotal PMU</b>	<b>896,851</b>					
	<b>Subtotal Goods and</b>	<b>1,401,384</b>					



	<b>works</b>						
	<b>Sub-total Consultants</b>	<b>2,713,928</b>					
	<b>Grand Total (Works, Good and Consultants)</b>	<b>4,115,312</b>					

Works, goods, services and Non consultant services under Grants

<b>Ref: No</b>	<b>Description of Assignment</b>	<b>Estimated Cost ( US\$)</b>	<b>Selection Method</b>	<b>Review by Bank</b>	<b>No. of Grants</b>
1.1a1	Works, goods services and non-consultant services under Competitive Grants Program	3,307,692	OI/ON/RFQ for Community participation in Procurement	Prior review for fist 100 grants	215 Grants
2.2f2	Works, goods services and non-consultant services under Climate Smart Grants Program	1,384,615	OI/ON/RFQ for Community participation in Procurement	Prior review for first 50 grants	100 Grants
	<b>Total -grants</b>	<b>4,692,307</b>			

**CAPACITY BUILDING ACTIVITIES**

<b>Ref: No.</b>	<b>Activity description</b>	<b>Estimated Cost (US\$)</b>	<b>Estimated Duration</b>	<b>Start Date</b>	<b>Comments</b>
2.2e1	Study tour to China	100,000	1 Week	2018/19	15 Officers
2.2e1	Study tour to Israel	100,000	1 Week	2018/19	15 Officers

2.2f1	Capacity building on climate smart agriculture	26,923	2 weeks	2018/19	PMU
3.1c	Regional/Seminars, workshops and study tours for PMU	92,308	1 Week	2018/19	PMU
	<b>Total Capacity Building</b>	<b>319,231</b>			