

**Kingdom of Lesotho****Country Partnership Framework for FY2016-2020****Chair Summary\*****June 30, 2016**

Executive Directors discussed the joint IDA/IFC/MIGA Country Partnership Framework (CPF) for the Kingdom of Lesotho for the period FY2016-2020 (Report 97823-LS). Directors welcomed that the framework is aligned with the Lesotho's National Strategic Development Plan and Vision 2020 and the priorities recommended by the Systematic Country Diagnostic. Directors supported the strategic objectives of the CPF under the two focus areas, - improving efficiency and effectiveness of the public sector and promoting private sector job creation.

Directors noted that the main challenges facing Lesotho are the slow progress in poverty alleviation, very high inequality, and the urgent need to address fiscal consolidation and structural reform measures. They recognized the challenge of transitioning to a new growth model driven by private sector-led growth and job creation. Directors encouraged strong and sustained government commitment to reforms, noting the possibility of World Bank Group (WBG) collaboration with the IMF on future measures to implement fiscal management reforms.

Directors emphasized the need to address rising and high levels of poverty and inequality, particularly in rural areas. They welcomed efforts under the CPF such as improved targeting of the social protection system to reach poor households and help reduce income and opportunity inequalities. Directors supported WBG efforts to increase equity in the social assistance system as well as improved education and health outcomes, nutrition, public sector management, and scaling up of sustainable energy. They encouraged the WBG and other donors to help address the critical impacts of climate change on poverty and food security. They welcomed the IDA Crisis Response Window assistance to African countries impacted by El Nino, noting the value of rapid response to severe climate impacts.

Directors stressed the importance of strong WBG complementarity in addressing unemployment through job creation, increased productivity, economic diversification, and foreign direct investment. They welcomed expanded productive investments in agriculture, MSMEs, transport connectivity, and access to water and renewable energy. Directors urged stronger regional approaches to develop supply chains and a regional market approach that incorporates connectivity, agricultural productivity, and competitiveness. Directors called on IFC and MIGA to help improve the business climate, promote SMEs, and diversify the economy. They encouraged strengthening the financial sector in terms of inclusion, governance, and capital markets development. Directors welcomed strong collaboration with partners to achieve the objectives of the strategy, and to leverage ongoing work in fighting corruption and improving the investment climate in the country.

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\*This summary is not an approved record.