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Invertir en la población rural

Reino de Lesotho

Programa sobre Oportunidades Estratégicas Nacionales (2020-2025)

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Para **examen**

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Acrónimos y siglas

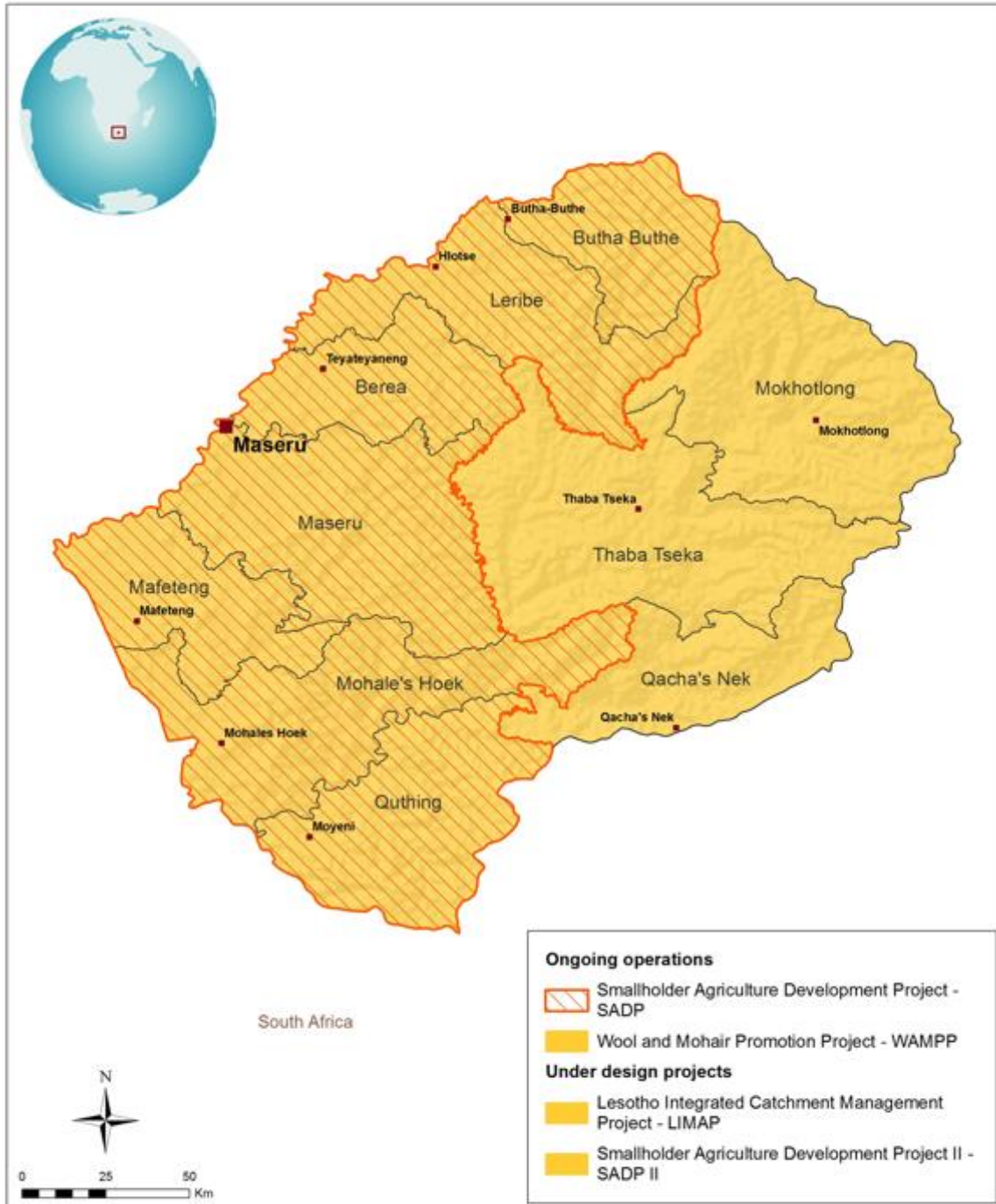
COSOP	programa sobre oportunidades estratégicas nacionales
FIDA11	Undécima Reposición de los Recursos del FIDA
LBoS	Oficina de Estadísticas de Lesotho
LVAC	Comité de evaluación de la vulnerabilidad de Lesotho
MANUD	Marco de Asistencia de las Naciones Unidas para el Desarrollo
PBAS	Sistema de Asignación de Recursos basado en los Resultados
PIB	producto interno bruto
PMA	Programa Mundial de Alimentos
PNUD	Programa de las Naciones Unidas para el Desarrollo
SyE	seguimiento y evaluación

Mapa de las operaciones financiadas por el FIDA en el país

Reino de Lesotho

Operaciones financiadas por el FIDA

COSOP



Las denominaciones empleadas y la forma en que aparecen presentados los datos en este mapa no suponen juicio alguno del FIDA respecto de la demarcación de las fronteras o límites que figuran en él ni acerca de las autoridades competentes.
 Mapa elaborado por el FIDA | 17-07-2019

Resumen

1. En la actuación del FIDA en Lesotho desde 1980, el Fondo ha establecido una sólida asociación con el gobierno del país. El presente Programa sobre Oportunidades Estratégicas Nacionales (COSOP) se basa en esa asociación e introduce una nueva orientación en la transformación rural, la colaboración con el sector privado y los resultados cuantificables.
2. Si bien en las últimas décadas Lesotho ha logrado progresos significativos en la reducción de la pobreza y el crecimiento económico, sigue habiendo focos de pobreza extrema en las zonas rurales y persiste la desigualdad. La contribución de la agricultura al PIB nacional, que estaba en declive, se ha mantenido estable entre el 5 % y el 6 % durante el último decenio. Pese a esa disminución, sigue constituyendo la principal fuente de ingresos de aproximadamente el 38 % de la población y contribuye a los medios de vida del 70 % de la población rural¹²³.
3. El cambio climático y la grave degradación del medio ambiente representan un serio problema para los residentes de las zonas rurales, que se traduce en una disminución del rendimiento de los cultivos, la degradación de los pastizales y la pérdida de cuencas hidrográficas y de captación⁴.
4. El Segundo Plan de Desarrollo Estratégico Nacional 2019-2023 del Gobierno establece la visión de pasar de un modelo de crecimiento impulsado por el Gobierno a uno impulsado por el sector privado, con una atención especial a la agricultura y el turismo.
5. La teoría del cambio del presente COSOP parte del entendimiento de que la pobreza rural profunda y generalizada no puede ser superada meramente a través de un enfoque en el aumento de la productividad agrícola de los hogares más pobres y vulnerables. En cambio, el desarrollo y el crecimiento de una economía rural más inclusiva requiere una combinación de intervenciones, que incluye el apoyo diferenciado a las diferentes categorías de productores familiares, en función de sus recursos y de su base de activos. Ello incluirá el apoyo a los nuevos agricultores comerciales en pequeña escala y el desarrollo de oportunidades de empleo no agrícola para los hogares con escasas oportunidades productivas.
6. De conformidad con los objetivos del Segundo Plan de Desarrollo Estratégico Nacional y sobre la base de amplias consultas con el Gobierno, la meta y los objetivos estratégicos del presente COSOP son los siguientes:

Meta: Contribuir a transformar las zonas rurales de Lesotho en entornos más resilientes y económicamente productivos, con el objeto de que su población pueda mantener sus medios de vida y superar la pobreza y la malnutrición.

Objetivo estratégico 1: La comercialización inclusiva de la economía rural.

Objetivo estratégico 2: El fortalecimiento de un entorno natural y empresarial propicio en pro de una transformación rural sostenible y resiliente
7. En colaboración con el Gobierno de Lesotho y otros asociados, el FIDA prestará apoyo mediante una combinación de intervenciones, entre ellas proyectos de inversión rural financiados con préstamos, análisis y creación de capacidad financiados por donaciones, y actuación normativa a nivel nacional.

¹Comité de evaluación de la vulnerabilidad de Lesotho (LVAC), 2018; Programa de las Naciones Unidas para el Desarrollo (PNUD), 2017; Banco Mundial, 2019a.

² Informe sobre desarrollo humano de Lesotho (Programa de las Naciones Unidas para el Desarrollo, 2019).

³ *Global Database of Shared Prosperity* (Banco Mundial 2019a).

⁴ *Intervention Modality Selection report* (LVAC, 2016a).

Reino de Lesotho

Programa sobre Oportunidades Estratégicas Nacionales

I. Contexto del país y programa del sector rural: principales desafíos y oportunidades

1. **Contexto político:** El Reino de Lesotho es una monarquía constitucional gobernada por una democracia parlamentaria, que ha pasado por períodos de inestabilidad política en los últimos dos decenios. Ello ha conllevado la celebración de tres elecciones generales entre 2012 y 2017 y una serie de Gobiernos de coalición. Los cambios en las coaliciones acarrearán un impacto negativo en las relaciones intergubernamentales y en la continuidad de las políticas. También aumentan el riesgo de que los programas de desarrollo iniciados bajo un gobierno no reciban la misma prioridad del siguiente.
2. **Integración regional:** Como pequeño país sin litoral, la estabilidad macroeconómica de Lesotho depende en gran medida de las tendencias económicas de Sudáfrica y de la asignación anual que recibe de la Unión Aduanera de África Meridional, que ha disminuido en los últimos años. Las remesas constituyen una importante contribución a la economía de Lesotho, pero han pasado del 25 % del PIB en 2010 al 15,4 % en 2018⁵, con lo que se redujeron los ingresos desembolsables disponibles en las zonas rurales (véase el apéndice XII). Los productos básicos producidos en Lesotho tienen que competir con las economías de escala de Sudáfrica, lo que dificulta la sustitución de importaciones. Lesotho es el depósito de agua del sur de África: suministra agua a la zona sudafricana de Gauteng y sus ríos conducen a Botswana y Namibia.
3. **Pobreza.** En Lesotho persisten la pobreza y el desempleo en las zonas rurales, agravados por una de las tasas de infección por el VIH más elevadas del mundo⁶. Con un valor de 0,520, Lesotho ocupa el puesto 159 de un total de 189 países en el Índice de Desarrollo Humano (IDH) (Programa de las Naciones Unidas para el Desarrollo (PNUD), 2018), y se calcula que el 49,7 % de la población vive por debajo del umbral nacional de la pobreza. Existen grandes variaciones geográficas en la distribución de la pobreza, con una incidencia en las zonas rurales que duplica a la de las urbanas⁷. Aunque el nivel nacional de pobreza disminuyó en un 7,3 % entre 2002 y 2018, ese hecho se debió principalmente a una disminución de la pobreza urbana, ya que la pobreza rural en ese período se mantuvo constante en torno al 60 %. El desempleo en general se estima en el 32,8 % y es más alto entre las mujeres, con un 39,7 % (LBoS 2014)⁸.
4. **Sector agrícola y economía rural:** Lesotho tiene una población de 2,1 millones de habitantes, de los cuales el 65,8 % vive en las zonas rurales. La mayoría de la población pobre (80,4 %) vive en las zonas rurales y se dedica predominantemente a la agricultura de subsistencia, que emplea aproximadamente al 38 % de la población activa⁹¹⁰¹¹. Los pequeños agricultores, que generalmente cultivan menos de una hectárea de tierra, dominan la producción agrícola. Las prácticas agrícolas inadecuadas, las difíciles condiciones agroclimáticas y las escasas tierras cultivables

⁵Esta disminución se debe en gran medida a la reducción de las oportunidades de trabajo en el sector minero de Sudáfrica.

⁶ Véase el análisis adicional que figura en el apéndice de los Procedimientos del FIDA para la evaluación social, ambiental y climática.

⁷ El umbral nacional de pobreza es de M 648,88 por adulto y mes, lo que equivale a USD 1,56 diarios (1 dólar de los Estados Unidos equivale a 113,9 loti). Sobre la base de esta línea, el 60,7 % de la población rural de Lesotho vive en la pobreza, en comparación con el 28,5 % de la población urbana (Oficina de Estadísticas de Lesotho (LBoS), 2019).

⁸La tasa de desempleo masculina es del 26,2 %.

⁹ LBoS, 2019

¹⁰ PNUD, 2017

¹¹ Banco Mundial, 2019a

son factores importantes que limitan el crecimiento agrícola. La contribución de la agricultura al PIB de Lesotho ha disminuido de aproximadamente el 20 % en la década de 1980 al 6 % en 2017¹². Las frecuentes sequías suponen un desafío para la seguridad alimentaria, en particular en lo que respecta a la producción de alimentos básicos de los agricultores de subsistencia¹³ (véase el apéndice VI).

5. **Cambio climático:** Las particularidades del entorno y la situación geofísica de Lesotho hacen que sea especialmente vulnerable a los efectos del cambio climático y la variabilidad climática (caracterizados por precipitaciones irregulares, sequías, tormentas y pautas anómalas en las temperaturas), fenómenos que amenazan los medios de vida de las comunidades vulnerables. La grave erosión del suelo, causada por la labranza inadecuada del suelo y el pastoreo excesivo, es un factor agravante. El agotamiento anual de los recursos naturales se estima en el 4,6% del ingreso nacional bruto¹⁴. Lesotho es un país propenso a la sequía y los pronósticos a largo plazo indican una incidencia aún mayor de las condiciones de El Niño¹⁵.
6. **Inseguridad alimentaria:** En 2018, Lesotho ocupaba el puesto 78 de 119 países en el Índice Global del Hambre: con una puntuación de 23,7, se considera que el país sufre altos niveles de hambre¹⁶.
7. **Nutrición.** En los últimos años se han producido cambios en las tendencias nutricionales del país. Desde 2004 ha disminuido la malnutrición crónica y aguda de los niños menores de 5 años, pero el retraso en el crecimiento sigue siendo de aproximadamente el 33 % (por encima del umbral del 30 % que establece la Organización Mundial de la Salud (OMS) para la malnutrición crónica). Un reciente análisis del instrumento para subsanar el déficit de nutrientes del Programa Mundial de Alimentos (PMA) reveló que, en promedio, el 56 % de los hogares de Lesotho no pueden permitirse una dieta nutritiva.
8. **Mujeres:** A pesar de los avances en el progreso formal hacia la igualdad de género, la mayoría de las mujeres y las niñas de las zonas rurales siguen teniendo un acceso limitado a la financiación y a la tierra, una infraestructura insuficiente, una capacidad técnica y profesional limitada y unos resultados sanitarios deficientes¹⁷¹⁸.
9. **Jóvenes:** Los jóvenes de 15 a 35 años constituyen el 39,8 % de la población del país y tres cuartas partes de ellos viven en zonas rurales, donde alrededor de la mitad se dedican a actividades agrícolas¹⁹.

II. Marco institucional y de políticas públicas

10. La contribución de la agricultura al PIB fue del 6,9 % anual entre 2011 y 2016, pero el gasto público en el sector fue inferior al 3 % anual durante ese mismo período²⁰. Aunque la contribución de la producción agrícola al PIB (1,9 %) es menor que la de la ganadería (4,4 %), el gasto público en subvenciones concedidas al programa relativo a los cultivos de verano es aproximadamente 10 veces superior a las sumas gastadas en la ganadería²¹.
11. A pesar de la importancia de la agricultura para la economía rural, el sector adolece de un número limitado de estrategias y políticas. Además, las políticas y estrategias existentes también están algo desfasadas o no se están aplicando. Sin

¹² Banco Mundial 2019a

¹³ Puede verse un análisis adicional en el apéndice de los Procedimientos del FIDA para la evaluación ambiental, social y climática.

¹⁴ Marco de Asistencia de las Naciones Unidas para el Desarrollo (MANUD) para Lesotho 2019-2023 (Naciones Unidas Lesotho, 2018).

¹⁵ LVAC, 2018

¹⁶ 2018 Global Hunger Index (Concern Worldwide et al., 2018).

¹⁷ Gobierno de Lesotho, 2019.

¹⁸ MANUD, 2018.

¹⁹ MANUD, 2018.

²⁰ Banco Mundial 2019b

²¹ Banco Mundial, 2019b.

embargo, en el Segundo Plan de Desarrollo Estratégico Nacional 2019-2023 se enfatiza la importancia fundamental de la agricultura para la población rural pobre y se establecen tres objetivos para el desarrollo del sector, a saber: i) la comercialización sostenible y la diversificación de la agricultura; ii) el desarrollo de un sistema agroalimentario de Lesotho que funcione adecuadamente, y iii) la rehabilitación de pastizales y humedales.

12. La ausencia de un marco político claro ha provocado falta de coherencia e incertidumbre en el sector. Existen lagunas similares en el marco legislativo necesario para regular el sector, en particular en relación con la ordenación de los pastizales, la tenencia y el uso de la tierra, y el papel de las autoridades tradicionales en la regulación del uso de los recursos naturales. Por tanto, es necesario fortalecer el marco normativo y reglamentario relativo al desarrollo agrícola para alcanzar los objetivos del Segundo Plan de Desarrollo Estratégico Nacional.
13. De manera conjunta, la Política de Seguridad Alimentaria y Nutricional (2017) y la Estrategia Alimentaria y Nutricional y el Plan de Acción con Indicación de los Costos Previstos (2019-2023) proporcionan un marco para abordar los factores multidimensionales causantes de la deficiente situación nutricional. Lesotho ha ratificado el Acuerdo de París y su Contribución Determinada a Nivel Nacional detalla las acciones planificadas en materia de adaptación al cambio climático y mitigación de sus efectos para diversos sectores hasta 2030²².
14. La Estrategia de Ejecución de la Política Nacional sobre el Cambio Climático de 2017 establece un marco amplio para la aplicación de una estrategia nacional sobre el cambio climático, incluida la promoción de sistemas de agricultura climáticamente inteligente y seguridad alimentaria²³.
15. El Ministerio de Agricultura y Seguridad Alimentaria actúa de organismo coordinador de los proyectos respaldados por el FIDA, pero el Fondo también trabaja en estrecha colaboración con otros ministerios, incluidos los que se ocupan de las siguientes áreas: silvicultura, conservación de pastizales y suelos; gobierno local y jefes tribales; desarrollo de pequeñas empresas, cooperativas y comercialización; energía, minería y agua, y turismo, medio ambiente y cultura.

III. Actuación del FIDA: enseñanzas extraídas

16. Un examen de los proyectos del FIDA llevados a cabo en Lesotho entre 1998 y 2018^{24,25} proporcionó valiosas lecciones de proyectos concretos, que se han incorporado en el diseño de este COSOP. En particular reveló que el enfoque general del FIDA en el alivio de la pobreza, la seguridad alimentaria y la mejora de la nutrición por medio de la agricultura sostenible y la gestión eficaz de los recursos naturales estaba bien fundamentado. A continuación, se detallan las lecciones generales aprendidas de proyectos anteriores.
 - i) **Focalización:** Habida cuenta de la diversidad de zonas y niveles agroecológicos, resulta necesario seleccionar con precisión a los beneficiarios y prestar un apoyo diferenciado a los proyectos.

²² Las medidas de adaptación propuestas para el sector agropecuario incluyen la diversificación de las prácticas ganaderas, un mayor acceso a cultivos resilientes a la sequía, la mejora de la gestión del suelo, la utilización de sistemas de riego eficientes y la asignación de prioridad a la agricultura climáticamente inteligente, que también se incluye en la contribución de Lesotho a la mitigación.

²³ Ministerio de Energía, Meteorología y Asuntos Hídricos, 2018.

²⁴ El COSOP tendrá por objeto armonizar las intervenciones de los proyectos con los Objetivos de Desarrollo Sostenible (ODS), los objetivos del Marco Estratégico del FIDA, los pilares estratégicos del MANUD en Lesotho (especialmente los pilares 2 y 3) y las prioridades nacionales gubernamentales (según lo indicado en el párrafo 12).

²⁵ véase el [examen de los resultados del COSOP \(disponible solo en inglés\)](#).

- ii) **Estrategias de participación efectivas:** A fin de lograr la aceptación y el compromiso de los beneficiarios con las intervenciones de los proyectos se requieren procesos participativos concertados y continuos; los incentivos también son parte esencial del diseño de los proyectos.
 - iii) **Cambio de comportamiento:** Cambiar los patrones de comportamiento en el uso de los recursos naturales es de fundamental importancia para asegurar la sostenibilidad de las intervenciones de los proyectos.
 - iv) **Proyectos integrados:** Los proyectos deben estar plenamente integrados en los ministerios encargados de la ejecución, con sentido de apropiación.
 - v) **Unidades de Gestión del Proyecto:** Una dotación de personal eficaz (en términos de nombramientos y retención) es fundamental para el éxito de los proyectos. Los retrasos en la puesta en marcha de los proyectos tienen un impacto negativo.
 - vi) **Seguimiento y evaluación:** Los sistemas de seguimiento y evaluación (SyE), incluido un conjunto completo de valores de referencia, deben formar parte integral del diseño del proyecto.
 - vii) **Sostenibilidad del proyecto:** La sostenibilidad tras la terminación del proyecto debe integrarse en el diseño y ser parte intrínseca de toda estrategia de salida negociada con el Gobierno.
 - viii) **Donaciones y financiación de contrapartida:** El uso de fondos de contrapartida ha sido más eficaz que las donaciones para aumentar la producción de los pequeños productores, aunque estas últimas también pueden servirles de ayuda en las circunstancias adecuadas.
 - ix) **Fortalecimiento de las cadenas de valor:** El diseño de proyectos destinados a fortalecer la producción agrícola ha de incluir un componente de fortalecimiento de las cadenas de valor.
 - x) **Fortalecimiento de las capacidades y sentido de apropiación:** Es necesario fortalecer las capacidades de los ministerios encargados de la ejecución, en los que la deficiente gestión de los proyectos provocó retrasos en su puesta en marcha, lo cual repercutió en las pautas de gasto y en algunos ajustes imprudentes en la ejecución de los proyectos.
 - xi) **Simplicidad de diseño:** En el examen de los resultados del COSOP se destacaron los desafíos que se enfrentan en la ejecución de proyectos complejos, con una diversa gama de intervenciones. Se subrayó la necesidad de que hubiera un número limitado de intervenciones y que fueran sencillas a la par que centradas, a fin de maximizar el impacto de los proyectos.
17. Sobre la base de las enseñanzas extraídas de proyectos anteriores, el presente COSOP continuará contribuyendo a tres áreas que el FIDA ha apoyado desde siempre en Lesotho, a saber: i) la gestión de los recursos naturales, ii) la comercialización de la producción de los pequeños agricultores y el desarrollo de empresas rurales, y iii) la promoción del sector de la lana y el mohair, aunque adaptado a las circunstancias contemporáneas.

IV. Estrategia en el país

A. Ventaja comparativa

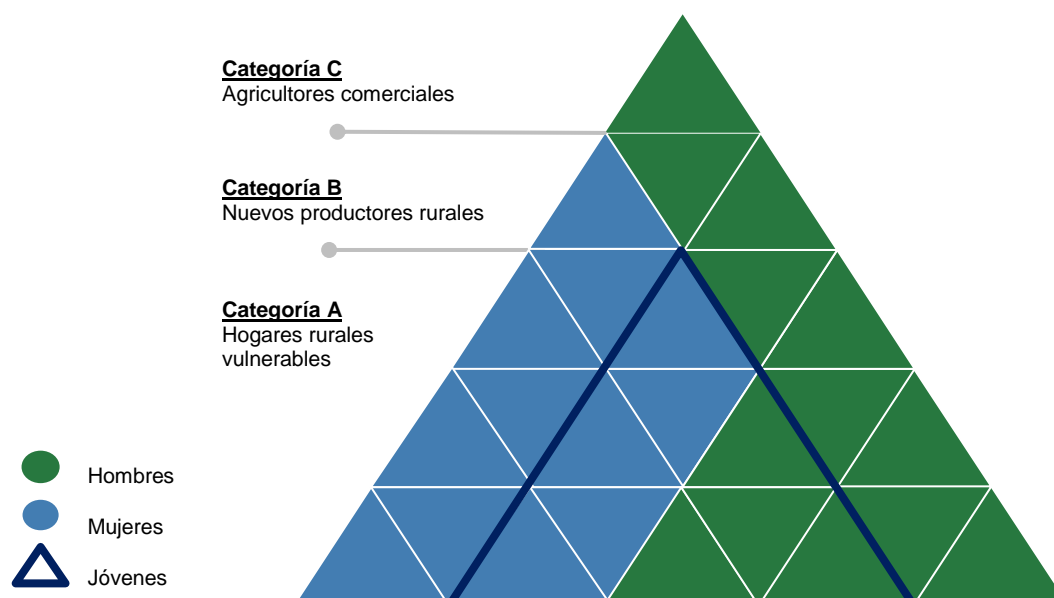
18. Sobre la base de sus 40 años de asociación con el Gobierno, el FIDA tiene una ventaja comparativa en la prestación de apoyo a Lesotho, y esta larga historia de colaboración se refleja en la formulación del presente COSOP:

- i) **Atención exclusiva al desarrollo rural y la reducción de la pobreza:** El FIDA es la única institución financiera internacional y el único organismo de las Naciones Unidas que invierte en proyectos en gran escala centrados exclusivamente en el desarrollo rural.
- ii) **Movilización de la inversión rural:** El FIDA ha demostrado su capacidad de movilizar a múltiples partes para cofinanciar grandes proyectos, como el Proyecto de Fomento de la Lana y el Mohair y el Programa de Gestión Integrada de Cuencas Hidrográficas de Lesotho, destinados a transformar segmentos importantes de la economía rural.
- iii) **Ejecución integrada y armonizada:** Los proyectos financiados por el FIDA se ajustan plenamente a las prioridades del Gobierno y su ejecución está a cargo de los ministerios gubernamentales.
- iv) **El mayor donante en el sector de la ganadería menor:** El FIDA es el mayor donante de cuantos respaldan el desarrollo de las cadenas de valor de la lana y el mohair, que son fundamentales para aumentar el PIB agropecuario de Lesotho y mejorar los medios de vida de los hogares del medio rural.
- v) **Compromiso con la transformación rural inclusiva:** El Marco Estratégico del FIDA establece la transformación rural inclusiva como un elemento central del mandato del Fondo, que es totalmente coherente con los objetivos del Segundo Plan de Desarrollo Estratégico Nacional.

B. Grupo objetivo y estrategia de focalización

19. **Teoría del cambio.** Sobre la base de la experiencia de proyectos anteriores del FIDA en Lesotho y de las conclusiones del examen de los resultados del COSOP, el mandato, que sirve de base a este COSOP, se basa en la premisa de que la pobreza rural profunda y generalizada no puede superarse únicamente mediante un enfoque centrado en el aumento de la productividad agrícola de los hogares más pobres y vulnerables. En cambio, el desarrollo y el crecimiento de una economía rural más inclusiva requiere una combinación de intervenciones, que incluirá el apoyo diferenciado a las diferentes categorías de productores familiares, en función de sus recursos y de su base de activos. De acuerdo con los objetivos estratégicos del Segundo Plan de Desarrollo Estratégico Nacional, esto incluirá el apoyo a los nuevos agricultores comerciales en pequeña escala, mientras que el apoyo al desarrollo de oportunidades de empleo no agrícola va destinado a ayudar a los hogares con pocas oportunidades productivas.
20. **Grupo objetivo.** Sobre la base de la lógica del mandato, se han identificado tres grupos como beneficiarios de proyectos respaldados por el FIDA. El grupo primario (categoría A) estará integrado por pequeños productores, incluidos pequeños agricultores pobres, ganaderos y pastores, junto con jóvenes desempleados y trabajadores asalariados. La categoría B incluirá a los productores rurales semicomerciales y a los nuevos productores rurales comerciales, y se proporcionará una cantidad limitada de apoyo a los productores rurales comerciales (categoría C).

Gráfico 1. Modelo de focalización



21. Estrategia de focalización. La estrategia de focalización del COSOP (véase la figura 1) tendrá como objetivo específico mejorar los medios de vida y la resiliencia al cambio climático. Las intervenciones de la categoría A se centrarán en el acceso a los recursos productivos, la mejora de la seguridad alimentaria, la creación y el fortalecimiento de grupos de ahorro, el establecimiento de mercados locales y el acceso a fuentes de ingresos no agrícolas y oportunidades de empleo. Las intervenciones de la categoría B girarán en torno a la creación de capacidad en la agricultura climáticamente inteligente, el aumento de la productividad agrícola y ganadera, el acceso a las nuevas tecnologías y a la información, el acceso a los mercados y la capacitación en materia de agronegocios y la gestión empresarial. Las intervenciones de la categoría C se centrarán en la creación de capacidad en la agricultura climáticamente inteligente, el fortalecimiento de las cadenas de valor y los vínculos con los mercados, y la colaboración con los beneficiarios de las categorías A y B siempre que sea posible. La colaboración entre las categorías, así como el ascenso de categoría, se logrará mediante la promoción de las organizaciones de productores, la comercialización colectiva o la coinversión, según corresponda. El presente COSOP está dirigido a aproximadamente 235 000 hogares (alrededor de 869 000 personas). Se estima que, en términos generales, del 10 % al 20 % de los beneficiarios corresponderán a la categoría A, del 15 % al 30 % a la categoría B, y del 50 % al 75 % a la categoría C. El apoyo a las mujeres y los jóvenes será uno de los temas centrales de todos los proyectos y se establecerán cuotas para su inclusión, con el objetivo general de incluir un 50% de mujeres y un 35% de jóvenes²⁶.
22. La focalización geográfica se basará en el potencial agrícola de las diferentes zonas agroecológicas. Se tendrá en cuenta la magnitud de la pobreza, la concentración de hogares vulnerables y la posible complementariedad de las nuevas intervenciones con otros proyectos del FIDA en curso. Se prestará una atención especial a las tierras altas debido a la elevada concentración de la pobreza en esta zona (62,5 %) ²⁷. Se introducirán medidas para evitar que las elites acaparen los beneficios de las intervenciones de los proyectos y para velar por la inclusión de los hogares pobres.

²⁶ En los Procedimientos del FIDA para la evaluación social, ambiental y climática (ESAC, véase el apéndice VI) se incluyen más detalles sobre la focalización.

²⁷ Gobierno de Lesotho, 2019.

C. Meta general y objetivos estratégicos

23. La meta general del presente COSOP consiste en contribuir a transformar las zonas rurales de Lesotho en entornos más resilientes y económicamente productivos, con el objeto de que su población pueda mantener sus medios de vida y superar la pobreza y la malnutrición. El COSOP se centrará en el logro de dos objetivos estratégicos, complementados por varios objetivos transversales (véase la figura 2), con lo que contribuirá directamente a la consecución de los Objetivos de Desarrollo Sostenible (ODS) 1, 2, 4, 8, 10, 13 y 15.
24. En la actualidad, la mayoría de los hogares rurales tienen poca o ninguna orientación comercial y practican una agricultura insostenible que causa una grave degradación de las tierras de cultivo y los pastizales. El cambio climático agrava la vulnerabilidad de los hogares pobres. Las intervenciones del FIDA tienen por objeto orientar a los agricultores y pastores hacia prácticas climáticamente inteligentes y resilientes al cambio climático, y hacer de la agricultura un negocio (véase el gráfico 2).
25. **Objetivo estratégico 1: La comercialización inclusiva de la economía rural.** Este objetivo estratégico tiene por objeto promover núcleos de producción comercialmente viables e inclusivos en los sectores agrícola, ganadero y no agropecuario. Centrando la atención en el aumento de la productividad de los pequeños agricultores, estas intervenciones promoverán la conectividad a lo largo de cadenas de valor seleccionadas para vincular a los pequeños productores con oportunidades de mercado de manera sostenible. Se prestará atención al desarrollo de empresas rurales y otras actividades no agrícolas, incluido el empleo asalariado.
26. **Objetivo estratégico 2: El fortalecimiento de un entorno natural y empresarial propicio en pro de una transformación rural sostenible y resiliente.** Con este objetivo se pretende establecer una plataforma propicia para el surgimiento de sistemas agrícolas comerciales prósperos e inclusivos. Se centrará en i) mantener y mejorar la base de recursos naturales; ii) promover la adaptación al cambio climático y la mitigación de sus efectos a fin de crear sistemas de producción resilientes; iii) promover los servicios de desarrollo empresarial y apoyar a los productores jóvenes y noveles para que tengan acceso a las aptitudes, servicios y productos necesarios; iv) promover marcos regulatorios y normativos que fomenten la transformación rural inclusiva; v) crear oportunidades para que los hogares rurales tengan acceso a la microfinanciación y la utilicen de manera eficaz, y vi) establecer vínculos con asociados y mercados dentro y fuera de las zonas rurales de Lesoto a fin de aumentar la productividad y permitir que las poblaciones objetivo salgan de la pobreza persistente.

Gráfico 2. **Objetivos estratégicos**



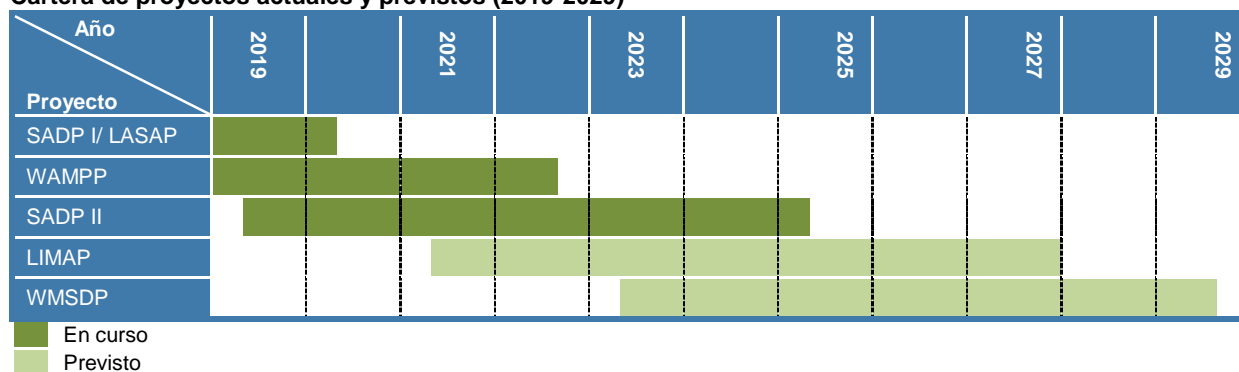
27. Las actividades realizadas en el marco de ambos objetivos estratégicos se complementarán con intervenciones transversales sobre el empoderamiento de la mujer, la promoción de los jóvenes y los empresarios rurales y la mejora de la situación nutricional, teniendo en cuenta al mismo tiempo el grave problema del VIH/sida. Esos desafíos se analizan en detalle en el apéndice V.²⁸
28. Además, el COSOP adoptará los siguientes principios en el diseño y la ejecución de los proyectos:
- i) **Cambio de comportamiento:** Un principio fundamental del apoyo técnico del FIDA es que el desarrollo sostenible depende de cambios en el comportamiento de las personas. Esto solo puede lograrse con el tiempo y a través de un proceso participativo que incluya incentivos y sanciones.
 - ii) **Participación del sector privado y desarrollo de cadenas de valor:** Ante un bajo nivel de comercialización y un sector privado pequeño y subdesarrollado, se necesitan intervenciones que respalden el desarrollo de cadenas de valor, fortalezcan los vínculos con los mercados y aumenten las oportunidades de entrada de proveedores de servicios privados en el sector.
 - iii) **Toma de decisiones centrada en los resultados y basada en datos empíricos:** Se hará mucho hincapié en la adopción de decisiones basadas en datos empíricos, la rendición de cuentas en la ejecución y la obtención de resultados mensurables.
 - iv) **Innovación y aprendizaje para la ampliación de escala y la reproducción:** Se fomentará la innovación en el diseño y la ejecución de las intervenciones para permitir la adopción de decisiones basadas en datos empíricos.
 - v) **Uso de tecnologías modernas:** En las intervenciones del proyecto se utilizarán tecnologías modernas y herramientas digitales con el fin de innovar y fomentar la participación de los jóvenes. Entre ellas podrían incluirse el uso de GPS para rastrear los cambios en la vegetación, la realización de transferencias financieras mediante telefonía móvil en los sistemas de microfinanciación, etc.
 - vi) **Atención prioritaria a la sostenibilidad:** En el diseño de los proyectos se hará especial hincapié en la sostenibilidad tras la terminación del proyecto, en particular el fortalecimiento de las instituciones rurales, el sentido de apropiación de los procesos administrativos, el mantenimiento de sistemas administrativos eficaces y la necesidad de futuras asignaciones presupuestarias.

D. Gama de intervenciones del FIDA

29. **Préstamos y donaciones:** Actualmente hay tres proyectos de inversión en curso en Lesotho, a saber: i) la segunda fase del Proyecto de Desarrollo Agrícola en Pequeña Escala, cofinanciado por el FIDA, que se encuentra en su fase inicial; ii) el Proyecto de Fomento de la Lana y el Mohair, que se ha sometido a un examen de mitad de período, y iii) la primera fase del Proyecto de Desarrollo Agrícola en Pequeña Escala, que está en proceso de finalización. Además, el COSOP incluye dos nuevos proyectos durante la Undécima y Duodécima Reposición de los Recursos del FIDA (FIDA11 y FIDA12), junto con donaciones regionales, cuando proceda.

²⁸ Los proyectos del FIDA tendrán en cuenta el VIH/sida, por ejemplo, mediante la sensibilización de los extensionistas, el establecimiento de centros de capacitación cerca de los hogares beneficiarios para reducir la distancia y el tiempo de viaje, la promoción de métodos que ahorren mano de obra y de mejores cultivos, o la promoción de una agricultura que tenga en cuenta la nutrición a fin de promover dietas nutritivas saludables. El personal del proyecto sensibilizará a los beneficiarios acerca de los programas comunitarios de salud y bienestar existentes, donde podrán encontrar asesoramiento y apoyo.

Gráfico 3
Cartera de proyectos actuales y previstos (2019-2029)



Nota: SADP I: Primera fase del Proyecto de Desarrollo Agrícola en Pequeña Escala; LASAP: Proyecto de Desarrollo de la Agricultura en Pequeña Escala en Lesotho; WAMPP: Proyecto de Fomento de la Lana y el Mohair; SADP II: Segunda fase del Proyecto de Desarrollo Agrícola en Pequeña Escala; LIMAP: Programa de Gestión Integrada de Cuencas Hidrográficas de Lesotho; WMSDP: Proyecto de Desarrollo del Sector de la Lana y el Mohair.

30. **Primera fase del Proyecto de Desarrollo Agrícola en Pequeña Escala/Proyecto de Desarrollo de la Agricultura en Pequeña Escala en Lesotho:** Iniciado en 2009, este proyecto fue pionero en la comercialización de la agricultura en pequeña escala a través de un plan de donaciones de contrapartida, introdujo sistemas de producción climáticamente inteligentes en el país y proporcionó asistencia financiera para su ampliación de escala.
31. **Proyecto de Promoción de la Lana y el Mohair:** El proyecto ha obtenido una cofinanciación significativa, con un fuerte énfasis en las cadenas de valor, lo que ha dado lugar a una mayor resiliencia en la producción de lana y mohair y un aumento de la rentabilidad. Se han producido inversiones significativas en la mejora de la gestión de los pastizales, la promoción de un programa nacional de reproducción y la mejora del manejo de la fibra.
32. **Segunda fase del Proyecto de Desarrollo Agrícola en Pequeña Escala:** Como continuación de la primera fase del Proyecto de Desarrollo Agrícola en Pequeña Escala, este programa cofinanciado con el Banco Mundial se centrará cada vez más en prácticas agrícolas respetuosas con el clima y canalizará inversiones significativas en infraestructura de riego a fin de respaldar la producción intensiva de cultivos de alto valor comercial. También promoverá servicios de extensión orientados al mercado y brindará apoyo a los agricultores comerciales jóvenes y a los nuevos agricultores.
33. **Programa de Gestión Integrada de Cuencas Hidrográficas de Lesotho :** se centrará en abordar los desafíos de la pobreza rural y la degradación ambiental, que se refuerzan mutuamente. Este proyecto aborda las causas de la degradación ambiental de manera holística y tiene por objeto elaborar modelos para la gestión integrada de las cuencas.
34. **Proyecto de Desarrollo del Sector de la Lana y el Mohair:** Este proyecto se apoyará en los logros del Proyecto de Fomento de la Lana y el Mohair para promover la producción de lana y mohair en Lesotho, centrándose en la adición de valor y el aumento de la eficiencia a nivel nacional.
35. **Donaciones activas:** Lesotho ha recibido una serie de subvenciones regionales, más adelante se enumeran las que se aplican durante el presente COSOP (véase el apéndice XIII):
 - i) **Impactos a nivel del entorno natural:** La presente donación se destina al establecimiento de un marco de vigilancia de la degradación de las tierras en Lesotho, que se utilizará para desarrollar la capacidad de teledetección en el Ministerio de Silvicultura, Pastizales y Conservación del Suelo.

- ii) **Organizaciones de Agricultores de países de África, el Caribe y la región del Pacífico:** Esta donación, ejecutada por el Sindicato Nacional de Agricultores de Lesotho, tiene por objeto aumentar los ingresos y mejorar la seguridad alimentaria y nutricional de los pequeños agricultores de zonas seleccionadas.
 - iii) **Análisis plurinacional exhaustivo del riesgo climático:** Implementado por la Universidad de Ciudad del Cabo, este análisis evalúa los efectos del cambio climático en los cultivos agrícolas de secano, los hogares rurales y las cadenas de valor agrícolas.
 - iv) **Proyecto de Desarrollo de la Agricultura en Pequeña Escala en Lesotho:** Esta donación financiada por el Fondo para el Medio Ambiente Mundial (FMAM) tiene por objeto aumentar la resiliencia de la agricultura en pequeña escala ante los efectos del cambio climático.
36. **Actuación en el ámbito de las políticas a nivel nacional.** Sobre la base del examen de los resultados del COSOP y a la luz de las operaciones en curso, se han identificado las siguientes áreas para la actuación normativa en Lesotho durante el período del presente COSOP:
- i) **La Ley de ordenación de pastizales y su aplicación:** A través del Proyecto de Fomento de la Lana y el Mohair, el FIDA y el Gobierno han acordado revisar la Ley de ordenación de pastizales del país a fin de aclarar su condición jurídica y reforzar sus competencias en materia de regulación de las intervenciones de conservación de los pastizales.
 - ii) **Normativa del sector de la lana y el mohair:** Actualmente se está reestructurando la gobernanza del sector de la lana y el mohair, y el FIDA, a través del Proyecto de Fomento de la Lana y el Mohair, colaborará con el Gobierno de Lesotho para fortalecer el marco normativo y la gobernanza del sector y garantizar que los pequeños agricultores tengan voz en este proceso.
 - iii) **Plan de ejecución y seguimiento y evaluación para una nueva estrategia del sector agrícola:** Tras una evaluación mediante el instrumento AG-Scan y conversaciones con los ministerios pertinentes, el FIDA y el Gobierno acordaron revisar la estrategia nacional del sector agrícola y los sistemas de seguimiento y evaluación, en un compromiso que también contribuirá al seguimiento eficaz de las intervenciones respaldadas por el Fondo.
37. La formulación de políticas requerirá la participación de diversas partes interesadas, como el Gobierno, las autoridades tradicionales, las comunidades rurales, la sociedad civil, el sector privado y los asociados para el desarrollo. En el marco de resultados que figura en el apéndice III se describen las metas mensurables y los métodos para hacer un seguimiento de ellas.
38. **Creación de capacidad.** La creación de capacidad y el apoyo técnico en áreas donde falten aptitudes se prestarán en consulta con los ministerios participantes.
39. También se estudiará la posibilidad de que el FIDA preste apoyo a la elaboración de planes de estudios en la Escuela Superior de Agricultura de Lesotho y la Universidad Nacional de Lesotho.
40. **Gestión de los conocimientos:** Dado el sesgo urbano en el gasto público de Lesotho, el FIDA apoyará la organización de actos temáticos, tales como coloquios, seminarios, talleres y eventos mediáticos destinados a aumentar la comprensión del público de los factores que impulsan la pobreza rural y la necesidad de un apoyo concertado al sector.

41. **Cooperación Sur-Sur y cooperación triangular:** El FIDA, en colaboración con el Gobierno, seguirá apoyando los intercambios internacionales, comenzando con una solicitud de donación con cargo al Fondo de las Naciones Unidas para la Cooperación Sur-Sur para apoyar a las empresas impulsadas por jóvenes en los sectores de la lana y el mohair. También incluirá la financiación de visitas de productores rurales, funcionarios gubernamentales (especialmente personal de extensión) y representantes de la sociedad civil a organizaciones y actividades de interés.
42. **Plan de comunicación y visibilidad:** Los proyectos individuales dentro de este COSOP elaborarán y aplicarán sus propias estrategias de comunicación, que incluirán la comunicación a través de Internet y los medios de comunicación locales a través de la radio, la televisión y los periódicos.

V. Innovaciones y ampliación de escala para el logro de resultados sostenibles

43. **Innovaciones.** El COSOP tiene la intención de introducir diversas innovaciones en el diseño y la ejecución de los proyectos, tales como sistemas de producción más climáticamente inteligentes, sistemas de cocción energéticamente eficientes y el uso de tecnologías digitales para realizar un seguimiento de los cambios en el medio ambiente.
44. **Ampliación de escala.** La ampliación de escala se basará en datos derivados del seguimiento y la evaluación sistemáticos de las intervenciones de los proyectos. Se evaluarán las innovaciones a fin de determinar su potencial de ampliación de escala y reproducción en otros contextos y lugares.

VI. Ejecución del COSOP

A. Recursos financieros y metas de cofinanciación

45. Durante la FIDA11, la asignación a Lesotho del Sistema de Asignación de Recursos basado en los Resultados (PBAS) asciende a un total de USD 16,19 millones, entre la asignación a la segunda fase del Proyecto de Desarrollo Agrícola en Pequeña Escala (USD 5 millones) y al Programa de Gestión Integrada de Cuencas Hidrográficas de Lesotho (USD 11,19 millones). En el cuadro 1 se muestra el significativo apalancamiento que puede lograr el FIDA con su limitada asignación con arreglo al PBAS en Lesotho.

Cuadro 1

Financiación del FIDA y cofinanciación para los proyectos en curso y previstos
(en millones de USD)

Proyecto	Financiación del FIDA	Cofinanciación		Coeficiente de cofinanciación
		Nacional	Internacional	
En curso				
SADP I/LASAP	10,0	4,5	24,3	1:2,88
WAMPP	18,6	5,5	14,8	1:1,09
SADP II	5,0	5,0	52,0	1:11,40
Programado				
LIMAP	11,2	10,0	21,0	1:2,77
WMSPD	16,0	10,0	25,0	1:2,19
Total	60,8	35,0	137,1	1:2,83

46. La ejecución del segundo proyecto en tramitación (Proyecto de Desarrollo del Sector de la Lana y el Mohair) está supeditada a una asignación con arreglo al PBAS de la FIDA12. Debido a las actuales limitaciones de índole fiscal, sigue siendo difícil conseguir un compromiso firme del Gobierno para la cofinanciación nacional. Sin embargo, hay potencial para movilizar contribuciones significativas del sector

privado en el Proyecto de Fomento de la Lana y el Mohair, la segunda fase del Proyecto de Desarrollo Agrícola en Pequeña Escala y el Programa de Gestión Integrada de Cuencas Hidrográficas de Lesotho.

47. Como se indica en las hipótesis de transición (véase el apéndice IV), existe la posibilidad de que el Gobierno se abstenga de contraer préstamos debido a sus elevados niveles de endeudamiento. Sin embargo, las conversaciones actuales con el Ministerio de Finanzas no parecen indicar que tal sea el caso. Sobre la base de sus políticas actuales, el riesgo de sobreendeudamiento de Lesotho es moderado²⁹³⁰.

B. Recursos destinados a actividades no crediticias

48. El COSOP incluye objetivos por alcanzar en las áreas de actuación en materia de políticas a nivel nacional y cooperación Sur-Sur y cooperación triangular. Si bien algunos de estos costos serán cubiertos por operaciones de préstamo, se necesitará financiación adicional, que se buscará en mecanismos internos del FIDA para la financiación de una actuación innovadora en materia de políticas a nivel nacional y en la cooperación Sur-Sur y cooperación triangular (como el Mecanismo de cooperación Sur-Sur y cooperación triangular entre China y el FIDA), así como en fuentes externas, como el Fondo de Asociación para el Desarrollo entre la India y las Naciones Unidas.
49. Para ayudar a hacer frente a esos desafíos se contará también con la ayuda de donaciones a nivel regional, como las que se conceden para apoyar a las organizaciones de agricultores y una donación en tramitación para alimentos autóctonos.

C. Principales asociaciones estratégicas y coordinación del desarrollo

50. El FIDA trabaja en Lesotho en estrecha colaboración con el Banco Mundial, la Organización de las Naciones Unidas para la Alimentación y la Agricultura (FAO) y el PMA, y mantendrá estas asociaciones fundamentales para lograr los objetivos estratégicos del COSOP. También son cofinanciadores importantes el Fondo de la OPEP para el Desarrollo Internacional (OFID) y el Fondo para el Medio Ambiente Mundial (FMAM). Además, el FIDA colabora con la Agencia Alemana de Cooperación Internacional y la Comisión Europea en cuestiones de políticas, especialmente en relación con la gestión de las cuencas y la reforma de las políticas. El FIDA está firmemente decidido a colaborar con el sector privado —tanto dentro como fuera de Lesotho— a fin de impulsar el crecimiento de la economía rural. Con este fin, se están manteniendo conversaciones con una serie de agrupaciones de productores, entidades públicas y empresas privadas. Por último, el FIDA participa en el MANUD de Lesotho y colabora estrechamente con el Coordinador Residente de las Naciones Unidas.

D. Participación de los beneficiarios y transparencia

51. Participación de los beneficiarios. Se dará prioridad a la participación de los beneficiarios en el diseño del proyecto y en los marcos de seguimiento y evaluación del proyecto. El COSOP ha sido elaborado en consulta con una serie de partes interesadas a lo largo de nueve meses, con la participación de representantes de asociaciones de productores rurales, ONG, organizaciones de base comunitaria y otros grupos de la sociedad civil (véase el apéndice VII). La participación durante la ejecución del COSOP incluirá consultas en el marco del examen anual del COSOP, encuestas periódicas de satisfacción de los beneficiarios específicas el proyecto y consultas con los beneficiarios durante las misiones de supervisión de la cartera activa.

²⁹ Véase el apéndice IV sobre escenarios de transición.

³⁰ *Debt Sustainability Analysis* (Fondo Monetario Internacional, 2019).

52. **Transparencia.** Se mejorará la **transparencia** en la ejecución mediante la publicación de los nombres de los beneficiarios de las donaciones (como se pretende hacer para la segunda fase del Proyecto de Desarrollo Agrícola en Pequeña Escala), la introducción de mecanismos de quejas y reclamaciones del FIDA en las páginas web de los proyectos, y la amplia difusión de los informes de los proyectos. También se difundirán ampliamente los informes de supervisión, en particular los datos sobre los informes de situación y los gastos de la ejecución.

E. Disposiciones para la gestión del programa

53. Todos los proyectos financiados mediante préstamos del FIDA se ejecutarán por conducto de unidades de gestión de los proyectos, que incluirán a representantes de los asociados en la ejecución en el país. El Director del Centro de Sudáfrica del FIDA y el Director en el País de Lesotho proporcionarán orientación sobre las inversiones del FIDA.

F. Seguimiento y evaluación

54. El presente COSOP pone un énfasis particular en el diseño y la ejecución de sistemas eficaces de SyE, que incluyen encuestas a los beneficiarios, con el fin de velar por que las intervenciones estén orientadas a resultados en todos sus proyectos.
55. Se llevará a cabo un análisis anual sobre el COSOP y en 2022 y 2023 tendrán lugar sendos exámenes del COSOP a fin de evaluar los avances y hacer los ajustes necesarios. El marco de resultados del COSOP (apéndice III) es coherente con los ODS, las metas establecidas en el Segundo Plan de Desarrollo Estratégico Nacional y el MANUD de Lesotho.

VII. Gestión de riesgos

56. En la ejecución de este COSOP se prevén una serie de riesgos, algunos de los cuales están presentes desde hace tiempo mientras que otros son nuevos (véase el cuadro 2 Cuadro 2).

Cuadro 2
Riesgos y medidas de mitigación

Riesgos	Calificación del riesgo	Medidas de mitigación
<p>Políticas/gobernanza</p> <p>Inestabilidad política, que se traduce en un bajo compromiso gubernamental con el sector agrícola y en una capacidad limitada de los departamentos técnicos para participar de manera eficaz.</p> <p>La escasa coordinación intergubernamental inhibe las iniciativas de desarrollo integrado.</p>	<p>Medio</p> <p>Medio</p>	<p>En los acuerdos de préstamo se incluirán las responsabilidades básicas y las funciones claras de las partes interesadas. El FIDA está colaborando con varios ministerios para hacer frente a los desafíos multisectoriales y protegerse del riesgo de depender de un solo ministerio.</p> <p>Se promoverán plataformas interinstitucionales para debatir la integración de las políticas. Para cada proyecto se establecerán comités directivos, integrados por las partes interesadas pertinentes.</p>
<p>Macroeconómicos</p> <p>Lesotho seguirá siendo vulnerable a las variaciones de la economía regional, así como a su propio crecimiento limitado.</p>	Alto	Los proyectos del FIDA apoyarán la sustitución de las importaciones y el valor añadido de los productos locales.
<p>Estrategias y políticas sectoriales</p> <p>Una legislación, unas políticas y unos planes obsoletos impiden la aplicación efectiva.</p>	Alto	El FIDA apoyará las iniciativas que permitan la reforma legislativa y normativa en sectores clave.
<p>Capacidad institucional</p> <p>Los ministerios carecen de capacidad para ejecutar proyectos con eficacia.</p>	Medio	El diseño del proyecto incluirá evaluaciones de las necesidades de capacidad y actividades de creación de capacidad.
<p>Cartera</p> <p>La cartera adolece de una falta de capacidad de gestión adecuada dentro del</p>	Medio	El FIDA garantizará un seguimiento coherente de las decisiones relativas a la dotación de personal y su compromiso de mantener un director en el país. Cuando sea necesario, se contratará a proveedores de servicios

Riesgos	Calificación del riesgo	Medidas de mitigación
FIDA y de las unidades de gestión de proyectos.		para que presten apoyo a la unidad de gestión del proyecto.
Fiduciarios: gestión financiera* Los fondos de los proyectos no se gastan adecuadamente; deuda pública y posibles retrasos en los pagos del Gobierno.	Medio	Los gastos de los proyectos serán objeto de un estrecho seguimiento.
Fiduciarios: adquisición y contratación* La debilidad de los sistemas de adquisición y contratación retrasa la puesta en marcha del proyecto	Medio	Las normas de adquisición y contratación se harán constar en los acuerdos de préstamo. Se cumplirán estrictamente las normas establecidas para los costos y los requisitos de calidad de los compradores y vendedores.
Medio ambiente y clima Impacto negativo continuo del cambio climático en el medio ambiente.	Alto	Las intervenciones del FIDA seguirán respaldando la gestión de los recursos naturales y las intervenciones climáticamente inteligentes. La agricultura climáticamente inteligente mitigará el riesgo de sequía.
Otros riesgos específicos del COSOP No se logran mantener las intervenciones del programa una vez finalizado el apoyo del FIDA.	Medio	El compromiso del Gobierno con el apoyo presupuestario posterior a los proyectos formará parte integrante del acuerdo de préstamo y del mecanismo de presentación de informes.
La participación del sector privado en el sector agrícola no está regulada y conduce a la explotación de las personas pobres.	Medio	El FIDA apoyará una legislación reguladora e intermediará y brindará apoyo respecto a la creación de asociaciones con el asesoramiento jurídico de los proyectos
Generales	Medio	

*Véase el apéndice XI.

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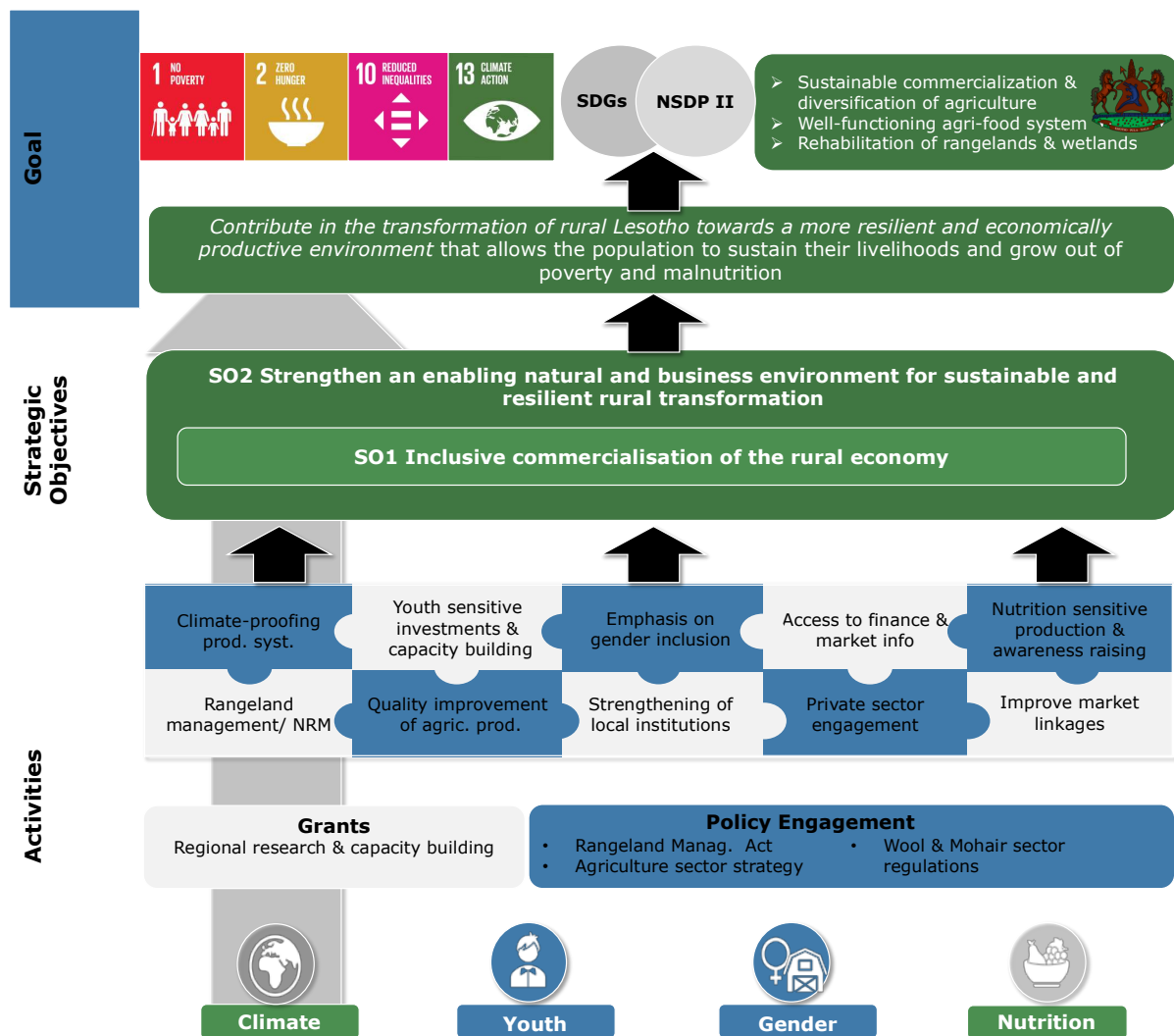
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Theory of Change



COSOP results management framework

Country strategy alignment ¹	Related SDG and UNDAF outcomes	Key COSOP results			
		Strategic objectives (SO) ²	Lending and non-lending activities for the COSOP period	Outcome indicators	Milestone indicators
<p>The Key Priority Area 1* (KPA1) is promoting inclusive and sustainable economic growth and private sector-led job creation. Central to the KPA1 is the component "Sustainable Commercial Agriculture, and Food Security" (NSDPPII 2018, p.91). The strategic objectives of this component are:</p> <p>SO1. Improve the functioning of land markets</p> <p>SO2. Improve Genetic Resources</p> <p>SO3. Build Sustainable Infrastructure for Agriculture³</p> <p>SO4. Improve access to finance and risk sharing in Agriculture</p> <p>SO5. Improve technology and use for agriculture</p>	<p>SDG target 1.1,1.2, 1.5, 2.3, 5.4, 8.6</p> <p>UNDAF Outcome 3: By 2023, government and private sector increase opportunities for inclusive and sustainable economic growth, improved food security and decent work especially for women, youth and people with disabilities</p>	<p>SO1: Inclusive commercialisation of the rural economy</p>	<p><u>Lending/investment activities</u></p> <p>Wool and Mohair Promotion Project (WAMPP): the goal of this project is to boost the economic and climate resilience of poor, smallholder wool and mohair producers to adverse effects of climate change in the Mountain and Foothill Regions of Lesotho. (+ASAP)</p> <p>Wool and Mohair Sector Development Project (WMSDP): The project goal is to promote poverty reduction and economic inclusion by strengthening the wool and mohair production in Lesotho, with a focus on value addition and efficiency gains at the national level (<i>pipeline investment activity</i>).</p> <p>Smallholder Agriculture Development Project- Second Phase (SADP II): the project supports a new paradigm shift that places climate resilience, nutrition security, and commercialization at the core of agriculture growth in Lesotho (Component 2)</p> <p><u>Non-lending/non-project activities</u></p> <ul style="list-style-type: none"> - Filling the Nutritional Gap (FNG) WFP - Advancing Knowledge for Agricultural Impact (AVANTI) <p><u>CLPE:</u></p>	<p>1. Farmers increasing production and capacity building (crops/livestock)</p> <p>2. Improved market access and value addition of agricultural produce</p> <p>3. Reduction of the proportion of youth not in employment or training</p>	<p>1.1. Number of client days of training provided on improved agricultural practices</p> <p>1.2. Percentage of farmers reporting improved yields</p> <p>2.1. Number of trained beneficiaries reporting improved access to markets</p> <p>2.2 Number of supported rural enterprises reporting an increase in profit</p> <p>2.3 Percentage of households reporting improved access to markets, processing facilities and storage.</p> <p>3.1. Percentage of youth attending incubators and trainings.</p>

¹ This information was extracted from the Draft Zero of the Lesotho National Strategic Development Plan 2018/19-2022/23.

² COSOP overall objective: Contribute to the elimination of poverty and the strengthening of household food security. Focus on the rehabilitation of the natural resource base and enhancement of the productivity and sustainability of smallholder farmers through the promotion of climate-smart agriculture and livestock rearing.

³ Much of physical infrastructure strategic interventions should take into account the EIA as per the Environment act of 2008.

Country strategy alignment ¹	Related SDG and UNDAF outcomes	Key COSOP results			
		<i>Strategic objectives (SO)²</i>	Lending and non-lending activities for the COSOP period	Outcome indicators	Milestone indicators
SO6. Improve production of high value crops and livestock products SO7. Build capacity of farmers, agricultural institutions and associations SO8. Develop value chains in agri-food systems and enhance agricultural markets SO9. Improve management of range resources			<ul style="list-style-type: none"> - Roundtable Mktg Regulation (WAMPP) <u>Partnerships</u> WB, FAO, WFP, OFID, LNWGMA, AfDB, EC, GIZ, Africa Clean Energy (private sector) <u>SSTC</u> India-UN Development Partnership Fund (India-UN Fund)	4. Improved women's access to assets and effective participation in decision making process within domestic and public spheres.	4.1. Percentage of women empowered in agriculture (WEAI) above baseline
* The Key Priority Areas (KPAs) refers to strategic pillars or focus areas, which represents high level objectives or cluster of related objectives, around which the Lesotho NSDP II strategic framework is anchored.	SDG target 1.5, 2.4, 5.a, 6.6 UNDAF Outcome 4: By 2023, the people of Lesotho use natural resources in a more sustainable manner and the marginalized and most vulnerable are increasingly resilient	SO2: Enabling natural and business environment for sustainable and resilient rural transformation	<u>Lending/investment activities</u> Lesotho Integrated Catchment Management Project (LIMAP): the project aims to improve the livelihoods, household food security, and resilience of rural people through more effective management of natural resources. Smallholder Agriculture Development Project- Second Phase (SADP II): the project supports a new paradigm shift that places climate resilience, nutrition security, and commercialization at the core of agriculture growth in Lesotho (Component 1) <u>Non-lending/non-project activities</u> <ul style="list-style-type: none"> - Agroforestry Grant (ICRAF) - <u>Partnerships</u> WB, FAO, WFP, and GEF <u>CLPE:</u> <ul style="list-style-type: none"> - Rangeland act (WAMPP) - Land Degradation Surveillance Framework (WAMPP) 	1. Farmers adopting climate smart agricultural technologies 2. Institutional, legal and policy reforms enabled to conservation of rangelands and catchment areas 3. Adoption of Community-based integrated catchment and rangeland management 4. Women reporting improved dietary diversity	1.1. Number of farmers reporting adoption of new/improved technologies or practices 2.1. Number of Institutional, legal and policy reforms approved 3.1 Hectares under community-based land planning and management 4.1 Percentage of women reporting improved dietary diversity - have consumed at least five out of ten defined food groups the previous day or night

Transition scenarios

A. Transition Scenario

1. The purpose of this Appendix is to offer an understanding of likely and possible country trajectories and to identify the possible implications of these for IFAD's country programme, over the COSOP period.

Table 1 Projections for key macroeconomic and demographic variables¹

<i>Case</i>	<i>Base</i>	<i>Alternative Scenario</i>
Average GDP growth (2019 - 2022)	1.9%	1.4%
GDP per capita (2019)	12,300	12,450
Public debt (% of GDP) (2019- 2022)	49.9	52.6
Debt service ratio (2019) (% of GDP)	9.5	9.5
Inflation rate (%) (2019)	5.3	5.3
Rural population ²	Current: 1,637,000 (2019) (End of COSOP period): 1,685,000 (2024) Annual growth rate: 0.72% (2015-2020)	
Investment climate for rural business ³	2.5/6 <ul style="list-style-type: none"> - WB Doing Business: ranked 109th out of 190 countries. - GoL will seek to address market failures, while promoting competition and efficiency and avoid creating new monopolies and opportunities for rent-seeking. - Moreover, corruption continues to be perceived as a major obstacle to doing business, by the private sector. The authorities are working to address this with a new law to strengthen the independence of the anti-corruption agency. In this context, the National Strategic Development Plan (NSDP-II) aims to support inclusive, private sector-led growth by improving the business climate, accumulating human capital, building enabling infrastructure, and strengthening governance and accountability systems. 	
Vulnerability to shocks ⁴	2.5/6 <ul style="list-style-type: none"> - The country remains highly vulnerable to exogenous shocks, notably due to its dependency towards South Africa regarding import/export fluctuations, monetary policies or volatile global financial conditions. Lesotho is also extremely vulnerable to climatic fluctuations, which in turn would have serious environmental impacts. 	

¹ [IMF Article IV Consultation for the Kingdom of Lesotho, Apr. 2019](#). To note that IMF provides only one alternative scenario vis-à-vis the baseline.

² [UN DESA / Population Division](#)

³ [World Bank, Doing Business Annual Report 2019](#); [IMF Article IV Consultation for the Kingdom of Lesotho, Apr. 2019](#)

⁴ [EIU Country Report 2nd Quarter 2019 for Lesotho](#); [IMF Article IV Consultation for the Kingdom of Lesotho, Apr. 2019](#); [UNDP, Lesotho Climate Change Adaptation](#)

There are two foreseen scenarios for medium-term economic outlook:

→ **First Scenario: *Baseline* i.e. with current policies remaining unchanged**

2. On the revenue side, the authorities intend to increase Value Added Tax (VAT) on telecommunications from 9% to 12%, introduce a levy on alcohol and tobacco, and raise the levy on fuel. As a result, the IMF assesses that these measures would result in a projected deficit of 3.4% of GDP, compared to 5.2% in FY 2018/19.
3. Public expenditure is restrained over the medium-term, which would result in a falling wage-to-GDP ratio and a narrowing of the fiscal deficit.
4. All debt sustainability indicators remain below their thresholds. In the medium-term, the present value (PV) of external debt-to-GDP is expected to reach 27.4% by FY 2020/21. In the long-term, it is expected to increase further to 28.0%. The PV of public debt-to-GDP is expected to reach 44.4% by FY 2024/25. Thereafter, it is expected to decline gradually, stabilizing around 44.0% in the long-term.
5. All other indicators of external and public debt sustainability are expected to remain well below the thresholds.

→ **Alternative Scenario i.e. with additional wage and hiring pressures, and weak expenditure controls.**

6. Significantly higher fiscal deficits would be challenging to finance, resulting in a likely return of public expenditure arrears, a persistent drawdown of government deposits, and cuts to spending on social programs and capital investment.
7. A significant contingent liabilities' shock, the PV of external debt-to-GDP would breach its threshold⁵. In such a case, this would exacerbate public debt vulnerabilities. The PV of public debt-to-GDP would in turn breach its threshold as the ratio would rise to 66% in 2019/20. The real GDP growth, primary balance, exports, and other flows stress tests also indicate breaches in thresholds.

Risks to the medium-term outlook

8. Lesotho is particularly vulnerable to: (i) contingent liabilities' shocks; (ii) political fragility; (iii) high public wage bill; (iv) climate fluctuations and (v) moderate debt distress, since 2017. Lesotho is further expected to experience increasingly drier and hotter conditions and extreme events (e.g. droughts/floods). This would impact on rangeland conditions, and the quality of livestock as well as a decline in agricultural production. All these factors would threaten Lesotho's vulnerable communities' livelihoods.
9. The most likely scenario would be the baseline scenario. Indeed, both the WB⁶ and the EIU⁷ are expecting a slight recovery from the average growth of 1.7% during the 2015-2017 period.

B. Projected Implications for IFAD's country programme

(a) *Lending terms and conditions*⁸

- Lesotho is transitioning to blend terms in IFAD11, through the phasing-out/phasing-in mechanism⁹, meaning a gradual transition towards less concessional terms. Should the conditions generating this transition reverse, IFAD's policies provide for a reversal in the transition.
- its external borrowing, so as to remain within its borrowing thresholds.

⁵ This could occur if, for instance, the economy experiences large negative exports' shocks.

⁶ [World Bank Overview for Lesotho, Mar. 25 2019](#)

⁷ [EIU Country Report 2nd Quarter 2019 for Lesotho](#)

⁸ Nota bene: IFAD's lending terms to Lesotho changed from Highly concessional in 2018 to blend in 2019.

⁹ EB 2018/125/R.7/Add.1

(b) *PBAS allocation*¹⁰

- In line with projected implications for the lending terms and conditions, if the country remains in the baseline scenario, it is likely that the country could decide not to use its entire IFAD11 PBAS allocation. Currently Ministry of Finance has not indicated anything of that order.

(c) *COSOP priorities and products*

- If Lesotho remains within the baseline scenario, it is possible that the country may not request investment projects from IFAD, notably if its lending terms become less concessional. However, it is not deemed that the COSOP priorities would change and thus policy engagement could be pursued within the COSOP's currently defined Strategic Objectives.

(d) *Co-financing opportunities and partnerships.*

- The World Bank (WB) increased its lending commitments to Lesotho, from US\$ 28M in 2018 to US\$ 128M, in 2019.¹¹ The WB has allocated most of its resources towards addressing health and social protection issues. This increase could nonetheless represent further co-financing opportunities with the WB. Indeed, under IFAD11, SADPII is being financed by the WB (US\$ 50M) and there will be an Additional Financing of US\$ 5M by IFAD.
- The OPEC Fund for International Development (OFID) is a strong partner under WAMPP and will co-finance LIMAP.
- The African Development Bank (AfDB) has reaffirmed its commitment to promoting increased investment in 'gray matter' infrastructure to overcome Africa's nutrition challenges. This could be favourable in strengthening IFAD's relationship with the AfDB in Lesotho.¹² AfDB is currently even re-engaging in agriculture and has approached IFAD about co-financing opportunities, as well as options to scale up youth related investments of SADP II.

¹⁰ Considering that the PBAS allocation is also affected by project performance and RSP, and ensuring consistency between this and the COSOP main text on the financing framework

¹¹ [World Bank Overview for Lesotho, Mar. 25, 2019](#)

¹² [AfDB News, King of Lesotho, African Development Bank President, hold bilateral meeting on increased nutrition investment, projects collaboration, 26 Mar. 2019](#)

Agricultural and rural sector issues

1. Lesotho has a limited natural resource base, a small and largely undiversified economy and, historically, a significant proportion of households were reliant on migrant remittances to supplement their income. Partly as a consequence of this, the majority of the population continue to live in the rural areas and the bulk of these are poor and dependent on agriculture to a greater or lesser degree. The majority are subsistence farmers who generally own less than one hectare of land, lack investments, and practice mostly traditional, low yielding, rain-fed cereal production (maize, sorghum, and wheat), coupled with extensive livestock keeping that results in overgrazing of rangelands.
2. The natural resource base supporting rural livelihoods as a consequence, already degraded, is under considerably more pressure as a result of the impact of climate change which is affecting catchment areas and rangelands and accelerating the loss of pastures and arable land due to worsening soil erosion. As a consequence of this degradation, the contribution of agriculture to the GDP has been in progressive decline over the course of the past three decades. Having decreased from 30% in 1970 to 14% in 1999, it has stabilised to around 5-6% of GDP over the past decade (WB 2019a).
3. The economy of Lesotho, although growing, is not expanding fast enough to absorb surplus labour from the rural areas and agriculture continues to serve as a primary source of income for about 38% of the population and, to varying degrees, contributes to the livelihoods of some 70% of Basotho (LVAC 2018; [UNDP 2017](#))⁴⁶. The poor performance of the agriculture sector has further compounded household food and nutrition security.
4. The decline in agricultural production may also, in part, be attributed to the system of land tenure and customary rights, which acts as a disincentive to investment by farmers, particularly, in areas which might safeguard the natural resource base and improve the productivity of land. Suitable arable land makes up less than 10% of total land area but it is estimated that only half of this is being utilised (GoL 2018). The under-utilisation of arable land is attributed to a variety of factors including changing rainfall patterns, high agriculture production costs, and a lack of market access, all of which act as a disincentive to prospective farmers.
5. Further constraints to the development of a viable small-scale farming sector have been the lack of access to credit and working capital among the poor, and women in particular, and the under-development of agricultural supply chains. It is also evident that accompanying investment in the social infrastructure necessary to support increased agricultural production has not occurred.
6. A weakness of many development interventions in the recent past has been the failure to differentiate the support provided to farmers who have the potential to engage in small-scale commercial agriculture, and to those who might benefit from augmented subsistence agriculture. Given that they have limited resources and the land available to them is often small and marginal, it evident that many subsistence farmers benefit more from the cash income which they can generate from public works programs or from working for small scale commercial farmers. Similarly, the emphasis on collective production systems (on the part of both the GoL and donor partners) has proven to be largely ineffective in improving rural productivity as the majority of cooperative ventures set up have failed due to the dynamics of human conduct and the conflict to which it often gives rise.
7. Aggravating this state of affairs, the commercial agriculture sector in Lesotho is small and underdeveloped and unable to compete with the economies of scale of

⁴⁶ This is also partly due to a significant decline in migrant remittances over the past three decades, occasioned by greater capital intensity in South African mining and industries and that country's faltering economy

producers in neighbouring South Africa and, consequently, some 80% of the food consumed in the country is imported. Here it is evident that Lesotho is in need of strategies which will promote import substitution in a variety of agricultural products. The experiences of SADP indicate that there is scope to increase the productivity of small-scale commercial farmers, particularly in the horticultural sector. The success of vegetable and fruit producers, along with poultry and pig farming, suggests that they have the potential to expand and supply the domestic market to a far greater extent than at present.

8. Despite the importance of smallholder agriculture for the development of the rural economy many of the policies in place to support the sector are outdated or obsolete and similar limitations apply to the necessary regulatory legislation (for example, that relating to rangeland management, to land tenure, and to the role of traditional authorities in regulating natural resource usage).
9. The policy framework in support of food security and nutrition, in contrast, is far more developed than in the case of agriculture. The Food and Nutrition Security Policy (2017) and the Food and Nutrition Strategy and Costed Action Plan (2019-2023) both provide a framework to address the multi-dimensional determinants of poor nutrition. There is also regular reporting on progress on nutrition programmes (e.g. the "[Zero Hunger Strategic Review Report](#)" (2018) and the "[Lesotho Multi-Sectoral Nutrition Governance Capacity Assessment Report](#)" (2018)).
10. The 2017 National Climate Change Policy Implementation Strategy, as well as Lesotho's NDC, set out a framework for implementing a country-wide climate change strategy which includes the need to promote climate-smart agriculture and food security systems (MEMWA 2017). However, a lack of inter-sectoral coordination continues to present challenges in the design and implementation of integrated climate change mitigation and adaptation strategies.
11. There is evidence that the absence of a clear policy and legislative framework has led to some policy incoherence in the agriculture sector. This is demonstrated in the fact that whilst agriculture's contribution to the GDP amounted 6.9% per annum between 2011 to 2016, and it remains central to the livelihoods of the majority of rural people, public spending on the sector amounted to less than 3% per annum during this period⁴⁷ (WB 2019b). A similar anomaly is to be found in the targeting of government expenditure in the sector, where the contribution of crop production to the GDP (1.9%) is less than that of livestock (4.4%) but yet the expenditure on subsidies provided to the Summer Cropping Program (ICP) is roughly 10 times that spent on livestock. In light of there is need for reform of the existing policy and regulatory frameworks.
12. Whilst specific strategies and plans for the agricultural sector may be lacking, broad directions are provided in the government's current strategic plan (NSDP II - 2019-2023). This spells out an intent to shift from a state-led growth model to one which is driven by the private-sector. Following on from this, the NSDP II sets out three goals for development of the agricultural sector, namely: Goal 1: Sustainable Commercialization and Diversification in Agriculture (the stated objectives of which include the need to improve the functioning of land markets, to improve access to finance, and to increase the production of high value crops and livestock products). Goal 2: The development of a Well-Functioning Lesotho Agric-Food Systems (the objectives of which include the need to develop institutional frameworks for producer organizations and industry associations, to build the capacity of farmers and to develop value chains in agric-food systems and to enhance agricultural markets). Goal 3: Rehabilitated Rangelands and Wetlands (the objectives of which

⁴⁷ In terms of agricultural orientation, Lesotho ranks 0.42 on average (2010-2017) (FN: Agriculture Orientation Index of Government Expenditure used to track SDG 2 target, <https://unstats.un.org/sdgs/metadata/files/Metadata-02-0A-01.pdf>), which is at the lower end of the distribution compared with other countries in the region, and confirming an urban bias in terms of public expenditure.

- include the need to rehabilitate rangelands and wetlands in collaboration with private sector/investors; to improve range management; to develop incentives and strategies for destocking and promotion of culling, and to promote improved grazing methods to protect water sources).
13. Despite this focus on commercial production, hitherto, the lack of attention paid to the development of agricultural supply chains has been a feature of government (and donor) support to small-scale farmers⁴⁸. The provision of heavily subsidised services and productive inputs (ploughing, seed, and fertilisers, amongst others), in particular, has led to high levels of dependence on the government and has limited the sustainability of development interventions. It has also inhibited the emergence of a class of small traders who might otherwise generate an income providing these services. Considerably more focus is required in the development of markets; this applies to the establishment of local markets, as well as the development of niche markets, such as exists in production of environmentally friendly “green mohair”.
 14. Whilst the need to shift greater commercialisation has been clearly articulated, the support which might be provided to subsistence farmers and those who have little prospect of producing a surplus is less clear. More consideration is also need to ensure that appropriate regulatory measures are set in place to ensure that the emerging commercial producers do not exploit, and thereby further impoverish, the most marginalised households.
 15. There are a number of ministries and public agencies which play a role in promoting smallholder agricultural development and rural economic development, the most prominent of which is the Ministry of Agriculture and Food Security (MAFS), which is currently the lead agency for IFAD supported projects and is responsible for the development and implementation of policies and programs in the agricultural sector. The Ministry of Forestry, Range and Soil Conservation (MFRSC) which is responsible for protecting and rehabilitating the physical environment and for forestry and rangeland management. Other key ministries are Local Government and Chieftainship (LGC) (responsible for oversight of traditional authorities), Energy, Meteorology and Water Affairs (MEMWA) (which has oversight over the Lesotho Meteorological Services and is the focal point for the Green Climate Fund), and Small Business Development, Cooperatives and Marketing.
 16. Whilst these government agencies have the mandate to support smallholder agricultural development, many experience capacity challenges as a result of the turn-over of staff. There are also overlapping administrative jurisdictions between some ministries (MAFS, MFRSC, LGC in particular) and this, at times, has led to confusion (and occasionally tension) over disputed mandates. It also serves to expand problems of inter-governmental coordination and further constrains initiatives to implement the multi-sectoral strategies necessary for effective rural economic development.
 17. The Lesotho Food and Nutrition Council (LFNC), for example, was established in the Prime Minister’s Office in 1977 with a brief to oversee the government’s nutrition policies and programmes but it lacks the capacity and resources to ensure effective coordination and it remains heavily reliant on donor agencies to support activities in this sector.
 18. In addition to capacity constraints, similar coordination challenges are to be found at the district level where, despite the existence of District Development Committees, a silo approach to the implementation of rural development strategies is common. Further challenges are to be found in the roles assigned to traditional leaders and local politicians leading to contestation over jurisdictional and administrative authority remains a problem.

⁴⁸ This is a focus of the SADP II.

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Gross Domestic Product (current US\$ million);

Agriculture, forestry, and fishing, value added (current US\$ million);

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SECAP background study



@Ben Wilson

Lesotho's Country Strategic Opportunities Programme 2020-2025

By Oliver Mundy (o.mundy@ifad.org) (lead), with Christian Dietz, Erika Do Amaral Valerio, Chris Tapscott, Philipp Baumgartner.

Overall structure

1. Introduction

2. Situational analysis and main challenges

- A. Socio-economic situation and underlying causes
 - i. Poverty
 - ii. Gender
 - iii. Youth
 - iv. People living with disabilities
 - v. Nutrition
- B. Status of environment and climate change
 - i. Land degradation
 - ii. Climate change
 - iii. Impacts of land degradation and climate change
- C. Target groups and rural population profiling

3. Institutions and legal framework

- A. Institutions
- B. Policy, legal and regulatory frameworks

4. Strategic recommendations

- A. Lessons learnt
- B. Strategic orientation
- C. Strategic actions

5. References

Appendix 1 Rural Youth Opportunities in Lesotho (background paper)

1. Introduction

1. The findings of the Preparatory Study of the Social, Environmental and Climate Assessment (SECAP) help to ensure that the Country Strategic Opportunities Programme (COSOP) promotes social equity in rural communities, supports environmentally sustainable outcomes and encourages appropriate measures for adaptation to climate change.
2. The study was carried out in conjunction with the COSOP design. The study is based on a desk review of strategies and reports, and stakeholder consultations with officials of the Government of Lesotho, research institutions and international agencies operating in the country. There have been no significant constraints in preparing the study that affected its outcome.

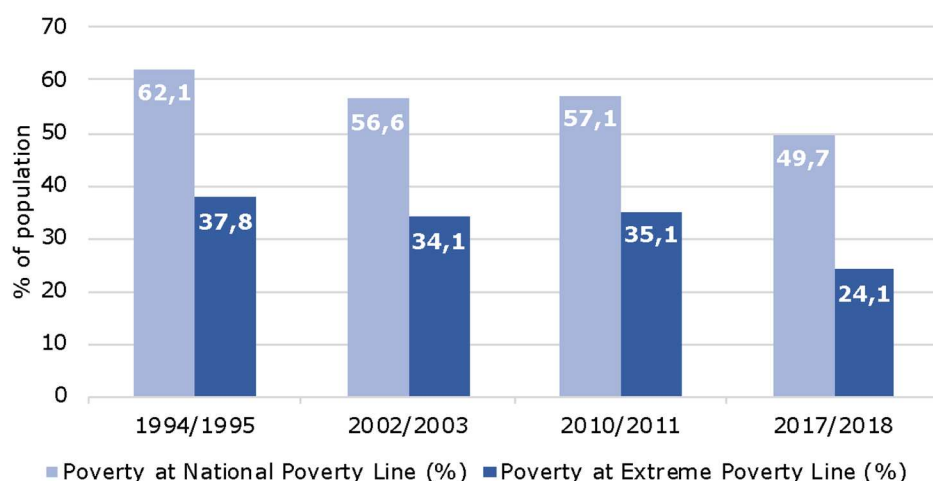
2. Situational analysis and main challenges

A. Socio-economic situation and underlying causes

3. About 65.8% of the country's population lives in rural areas (LBoS 2019). Although agriculture accounts for just 6.1 % of Lesotho's Gross Domestic Product (GDP) in 2017 (World Bank), the sector is important for the livelihoods of 70% of the country's population. Agriculture is the primary source of income as well as an important supplementary source of income for more than half of the population (IFPRI 2013). Inappropriate agricultural practices, challenging agro-climatic conditions and limited arable land are the major constraints, limiting agricultural growth.
4. Lesotho has the second highest HIV prevalence in the world. Though significant advances have been made in health care, the adult (15-49 years old) HIV prevalence rate stood at 23.4% in 2017 ([UNAIDS 2019](#)). AIDS has become the leading cause of morbidity and mortality in Lesotho. This heavily impacts the livelihoods of the Basotho and is one of the main reasons for the country's low life expectancy of 54 years ([UN 2017](#)).
5. Lesotho's majority ethnic group, the Basotho, pursue an agro-pastoral livelihood. Cereal mono-cropping, along with the rearing of goats and sheep for mohair and wool, dominates the country's agricultural sector. Flat low-lying areas are mostly used for crop cultivation, whereas slopes and higher altitudes are mainly used for grazing. Smallholder farms are generally less than 1 ha in size. Maize is by far the most popular crop accounting for some 60 % of the arable area, sorghum for between 10 % and 20 %, wheat for about 10 % and beans for a further 6 % ([FAO 2017](#)). High pasturing is done by individual or groups of shepherds, mostly young men, who live in stone shelters for extended periods over the summer.

i. Poverty

6. Statistics. Despite high and enduring levels of rural poverty, recent figures from 2017/2018 suggest a positive development although poverty levels still remain high. National poverty decreased from 57.1% to 49.7% and extreme poverty from 35.1 to 24.1%. The respective reduction rates of 7.4% and 11.0% indicate a significantly stronger decline in the period from 2010 to 2018, compared to the trends in the period from 1994 to 2010 (LBoS 2004; 2012 & 2019). According to the World Bank (2019a & 2019b), a similar trend is visible for the international poverty line at 1.9 US\$/Day. While poverty rates remained largely static from 2002 (61.3%) to 2010 (59.7%), the share of the population living on less than 1.9 US\$ per day is expected to be have decreased to around 53.7%.

Figure 1 Poverty at National Level (%)

Source: LBoS 2004; 2012 & 2019

7. Rural vs. urban. This positive development is mainly driven by decreasing urban poverty rates. Rural poverty was consistently above the national average from 2002 until 2018, and more importantly, are currently stagnating above 60%. In contrast, urban poverty declined from 41.5 to 28.5% in 2017/2018, implying that poverty in the rural areas is twice as high as in the urban areas. In terms of extreme poverty, the development is slightly more balanced. Both areas recorded a decline in poverty although it was stronger in urban areas (from 22.2% to 11.2%) than in rural areas (37.7 to 30.8%). Taking into consideration a similar decrease in inequality⁴⁹ of around 9-10%, in rural and urban areas, this development indicates that segments of the very poor managed to improve their income to move out of extreme poverty. However, they still do not have the means to move out of poverty per se, particularly in rural areas (LBoS 2019).

Table 1 Poverty at national level (%)

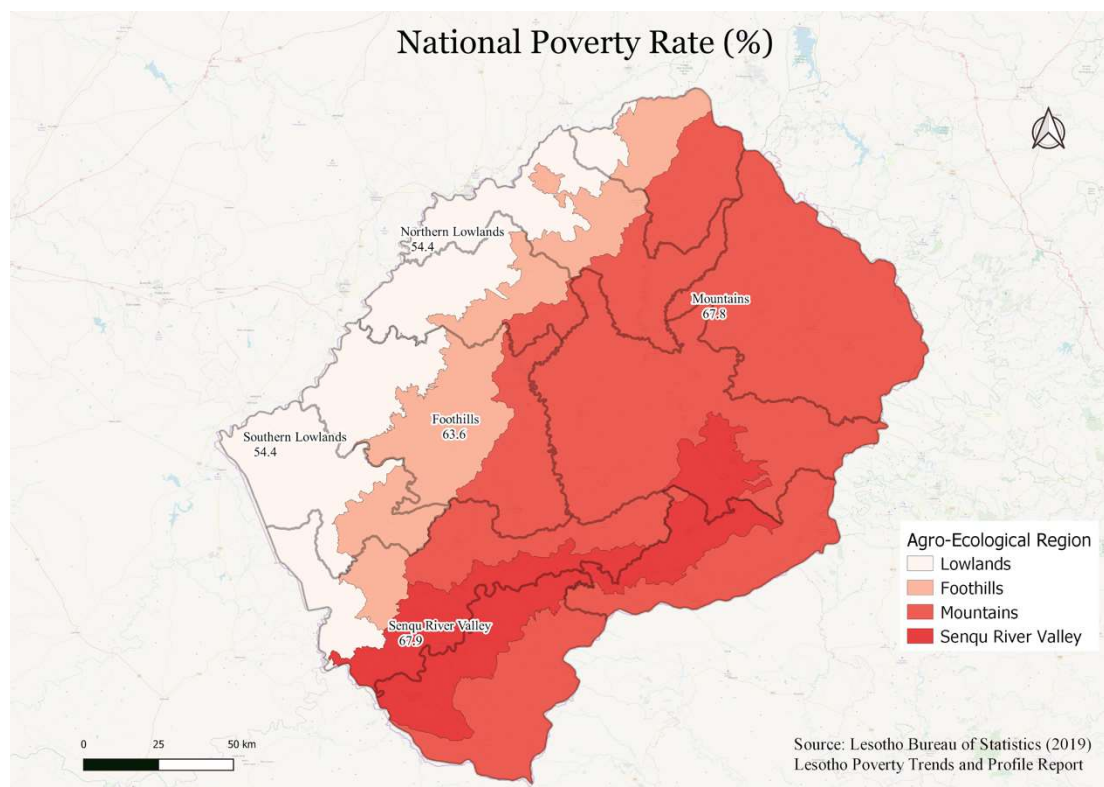
	Extreme poverty (%)		National poverty (%)		Gini index	
	2002/2003	2017/2018	2002/2003	2017/2018	2002/2003	2017/2018
National	34.1	24.1	56.6	49.7	51.9	44.6
Urban	22.2	11.2	41.5	28.5	51.7	41.5
Rural	37.7	30.8	61.3	60.7	50.5	41.7

Source: LBoS 2019

8. Livelihood zones. The urban-rural poverty divide in Lesotho indicates that it's a localized phenomenon. Rural areas show diverse poverty trends according to the different agro-ecological zones of Lesotho in the period from 2002 to 2018. While poverty in the rural Lowlands (54.4%) and Foothills (63.6%) declined by 8.0% and 3.2% respectively, the reverse was evident in the mountain areas (67.8%) and in the Senqu River Valley (67.8) both of which recorded an increase in poverty levels of over 10% during this period.

⁴⁹ Measured by the Gini index.

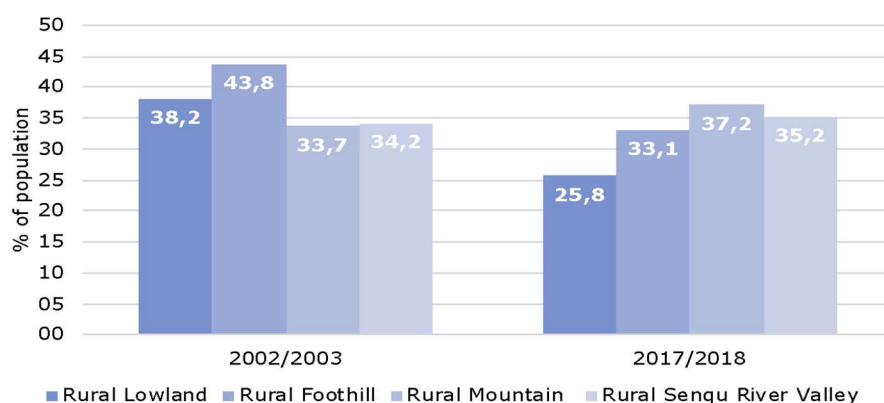
Figure 2 Geographical distribution of poverty at national poverty rate (%)



Source: from IFAD based on data from LBoS 2019

9. A similar trend is visible in the case of extreme poverty, where once again levels in the Lowlands and Foothills dropped from 38.2% to 25.8% and from 43.8% to 33.1% respectively. In contrast, extreme poverty in the mountain areas and in the Senqu River Valley increased by 1.0% and 3.5% respectively between 2002 and 2018 (Figure 3).

Figure 3 Rural poverty at extreme poverty line (%)

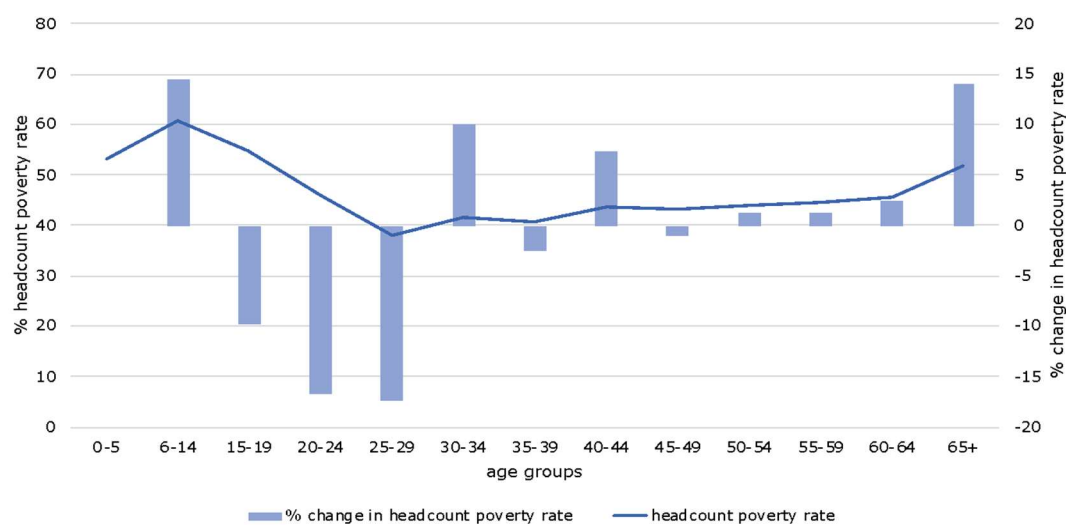


Source: LBoS 2019

10. Gender and age. The gender and age composition of poor households reveals that female headed households are more likely to live in poverty than male headed households (55.2% compared to 46.3% for male headed households). For age a clear trend is observable. Poverty is most pronounced among children (0 to 14 years old) and young youth (15 to 25 years old) with a peak in headcount poverty rates (national poverty line) at 60.9% for children between 6 and 14 years old. Until the age of 30, a decrease in poverty rates is measurable, followed by a largely stagnating period - likely because of household members taking care of

their dependents. For individuals older than 65 years, the incidence of poverty is then increasing, thus reversing the positive trend for youth.

Figure 3 Headcount poverty rate and poverty growth at national poverty lines by age group, 2017/2018



Source: LBoS 2019

11. **Expenditure.** Collected data on budget shares for broad consumption groups per adult in 2017/2018 shows that Basotho have to spend large shares of their budget on food. Although this is a phenomenon across all wealth deciles⁵⁰, it is especially severe for the poor with the three poorest deciles spending above 70% of their budget on food. Hence, at least 30% of the population are facing serious budget constraints and are most likely not able to accumulate savings or invest in welfare enhancing activities (e.g. education).
12. **Determinants of poverty.** The reasons for poverty in Lesotho are complex and multiple. The landlocked country has a limited natural resource base, a small and largely undiversified economy and, historically, a significant proportion of its population were reliant on migrant remittances to supplement their incomes. Partly as a consequence of this, the majority of the population continue to live in rural areas and the bulk of these are poor and are, to a greater or lesser extent, dependent on agriculture.
13. With the growth in population in recent decades, the natural resource base supporting rural livelihoods, already degraded, is under considerably more pressure as a result of the impact of climate change which is affecting catchment areas and rangelands and accelerating the loss of pastures and arable land due to worsening soil erosion. As a consequence of this degradation, the contribution of agriculture to the GDP has been in progressive decline over the course of the past three decades. Having decreased from 30% in 1970 to 14% in 1999, it has stabilised to around 5-6% of GDP over the past decade (World Bank 2019a).
14. The economy of Lesotho, although growing, is not expanding fast enough to absorb surplus labour from the rural areas and agriculture continues to serve as a primary source of income for about 38% of the population and, to varying degrees, contributes to the livelihoods of some 70% of Basotho (LVAC 2018; UN 2017)⁵¹. The poor performance of the agriculture sector has further compounded household food and nutrition security.

⁵⁰ The richest decile still spends around 43% of their budget on food (LBoS 2019).

⁵¹ This is also partly due to a significant decline in migrant remittances over the past three decades, occasioned by greater capital intensity in South African mining and industries and that country's faltering economy

15. The decline in agricultural production may also be attributed to the system of land tenure and customary rights, which acts as a disincentive to investment by farmers, particularly in areas which might safeguard the natural resource base and improve the productivity of land. Suitable arable land makes up less than 10 percent of total land area but it is estimated that only half of this is being utilised (GoL 2018). The under-utilisation of arable land is attributed to a variety of factors including inappropriate agricultural practices, changing rainfall patterns, high agriculture production costs, and a lack of market access, all of which act as a disincentive to prospective farmers.
16. Further constraints to the development of a viable small-scale farming sector have been the lack of access to credit and working capital among the poor, and women in particular, and the under-development of agricultural supply chains. It is also evident that accompanying investment in the social infrastructure necessary to support increased agricultural production has not occurred.
17. One strong determining factor for poverty is the size of a household. The next table shows that the higher the dependency ratio⁵² is, the higher the recorded poverty headcount rate at national poverty lines within this group. Among all households with a dependency ratio higher than 0.75 the incidence of poverty reaches above 60%. Consequently, 53.3 % of the poor are households with a dependency ratio above 1, making up about 42% of the total population. High dependency ratios mean that households have to spend larger shares of their income on taking care of their dependents which is, however, severely constraining their budget and saving ability.

Table 2 Dependency ratio and poverty headcount rates, 2017/2018

Dependency ratio	Poverty headcount rate (%)	Distribution of the poor (%)	Distribution of population (%)
0.00 to 0.25	26.4	9.0	17.0
0.25 to 0.50	44.8	12.0	13.3
0.50 to 0.75	42.5	18.9	22.1
0.75 to 1.00	65.2	6.8	5.2
1 and more	62.6	53.3	42.3

Source: LBoS 2019

ii. Gender

18. Lesotho is ranked among the top ten best performing countries on gender equality in Africa. Women's legal status has improved, as shown in the passing of law in 2006 allowing married women to own and transfer property and engage in legal acts without their husband's signature. However, the country's ranking on the Global Gender Gap index dropped from 16 in 2013 to 73 in 2017 because of challenges with regard to women's participation in the economy, labour and politics. Although women are generally more educated, cultural and traditional practices tend to prejudice women with respect to decision-making and ownership of property in all spheres of their lives. Women are more likely to be poor, unemployed, face gender-based violence and have a higher prevalence of HIV than their male counterparts (UNDAF; UN 2017).
19. Education. Compared to most Sub-Saharan African countries, Lesotho has relatively high literacy and net primary school enrolment with more girls attending primary school than boys. 81 % of females completed at least primary school.

⁵² The dependency ratio, as defined by the Lesotho Bureau of Statistics, is the proportion of people aged below the age of 15 and above the age of 64, to the economically active people defined as those between the age of 15 and 64.

Secondary education enrolment is 36% for girls and 22 % for men. Female literacy rate stands at 98.6 % compared to 90.6% for men (UN 2017). Despite these encouraging numbers, many reports highlight the poor educational outcomes of the educational system (UNDAF; UN 2017; World Bank 2015).

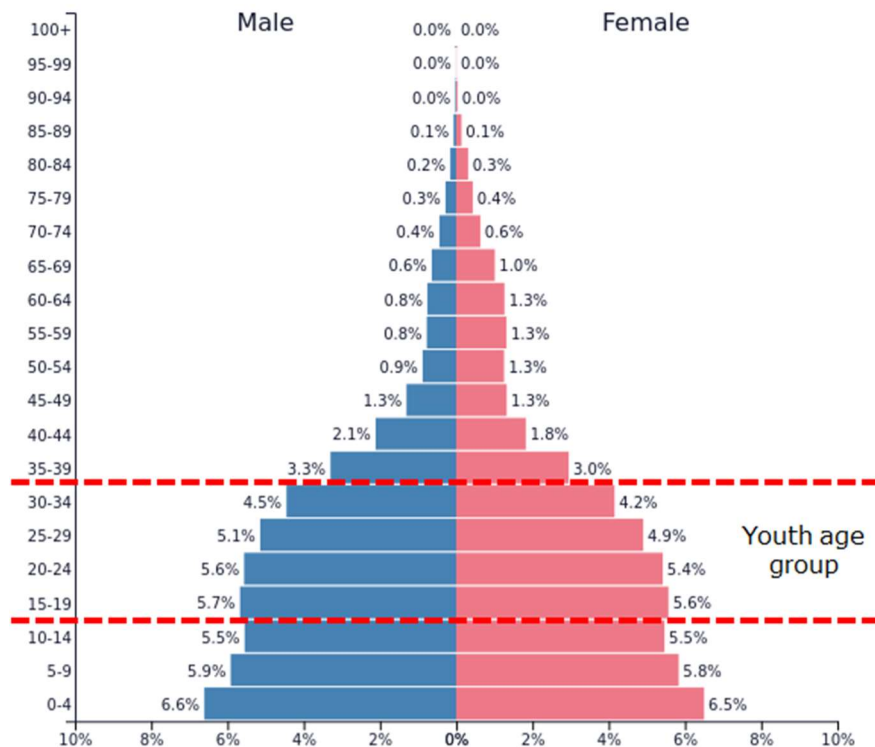
20. Division of labour. Lesotho is a patriarchal society with distinct gender roles. Women in Lesotho make up an important part of the agricultural labour force. Men's responsibilities in agriculture include livestock production, range management, ploughing, and planting of crops. Women are responsible for weeding and harvesting. During the time of large male migration to the South African mines, agricultural production and livestock production was left to women. Women are primarily responsible most time-intensive domestic tasks including child care, getting water, collecting firewood, cooking and washing clothes. Women are also more likely to take care of sick family members.
21. HIV and AIDS. The migration of large numbers of men to find work in South African mines in the 1990s has played a key role in the spread of HIV in Lesotho. The prevalence for women stands at 29.7 % in 2014, while the prevalence for men is at 18.6 % (UN 2017). The higher female HIV prevalence rate is caused by the lack of control over decision making and incomes. Gender-based violence further fuels the pandemic. Women are more likely to engage in risky sex when they lack economic opportunities or experience a negative economic shock. Poor women also tend to have less HIV knowledge than women from wealthy households (World Bank 2015).
22. HIV and AIDS poses a major threat to food security and nutrition. Households have to tap into savings and more debt to pay for medical treatment and funeral costs. In many cases the productive members of the households are sick, resulting in that the family does not have enough labour e.g. to weed or harvest crops. Women and girls are more likely to take care of sick family members. Affected households are pushed deeper into poverty and have less opportunities (AfDB 2005).
23. Maternal health. The fertility rate per woman of 3.3 is lower than in neighbouring countries where women usually have 4 to 5 children. The country has a very high maternal mortality rate with 490 deaths per 100,000 live births. The rate is higher than in 1990, when there were an estimated 379 deaths per 100,00 live births. Also, the adolescent fertility remains high at 89 births per 1,000 women ages 15 to 19. Access to quality medical care is a major constraint to women's health, especially for poor women (World Bank 2015).
24. Early pregnancies. 15% of women (ages 20-49) have their first birth when they are 15 years of age, indicating a high occurrence of premarital births (LDHS 2014). These girls are highly vulnerable, as they drop out of school and cannot complete their education. Unmarried mothers often have to rely on a single income for the upkeep of themselves and their children.
25. Gender Based Violence. Even though the legal status of women has improved, violence against women in Lesotho is pervasive. Approximately 86% of women experience gender based violence in their lifetime (UN 2017).

iii. Youth

26. Youth are a diverse and heterogeneous group defined by the UN as women and men in the age group from 15 to 24 years. The definition of youth in Lesotho is broader and regards persons between 15 and 35 years of age to be youth. In Lesotho, youth have the following general characteristics:
 - With 39.8% they present a large proportion of the total population (UNDAF)
 - They mostly live in rural areas. 74.6 % reside in rural areas and 25.4 % in urban areas, mirroring the urban-rural divide (UNDP 2012).

- A large majority of youth are engaged in agriculture, the most important sector in rural Lesotho. Nearly half record farming as their most important source of food (UNDP 2012).

Figure 4 Population pyramid of Lesotho, 2017



Source: *populationpyramid.net*

27. Low youth development. The Youth Development Index of the Commonwealth Secretariat (2016) compares the youth development of 183 countries. Lesotho has a low Youth Development Index of 0.432 in 2016, mainly because of a very low health and well-being score (see Table 3). Other areas such as education, employment and civil participation score in a medium range. Political participation has a high score (0.678). The total score has not improved since 2010 (0.429).

Table 3 Youth Development Index for Lesotho, 2016

Domain	Rank	Score
Overall	171	0.432
Health & Well-being	182	0.036
Education	144	0.521
Employment & Opportunity	102	0.525
Civic Participation	66	0.596
Political Participation	62	0.678

Source: *Commonwealth Secretariat 2016*

28. Education. According to UNICEF (2019) 74.2 % of male youth (15-24 years) and 92.1 % (15-24 years) of female youth are literate. Primary school enrolment in rural areas is at 88.3 %. Despite these encouraging numbers and high Government expenditure on education (14% of the public budget), various reports (UNDAF; UN 2017; World Bank 2015) refer to the poor educational outcomes of the educational system. Root causes include poor quality of education, insufficient attention to

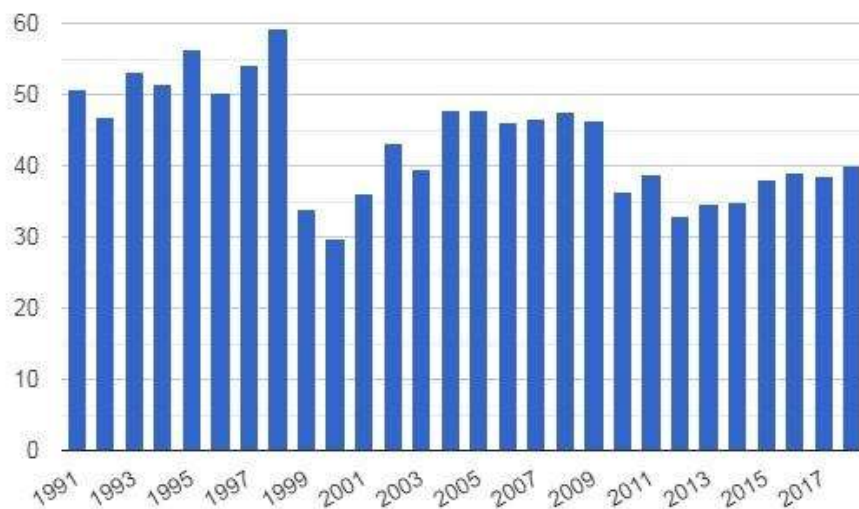
early learning, low completion rates, low transition to secondary education (that remains a privilege for wealthy families) and disparities influenced by geographic and social factors.

29. **Poverty and unemployment.** The Bureau of Statistics reports 32.3 % of the young to be unemployed in 2014 (UNDAF). The International Labor Organization (ILO) has a higher estimate and reports 38.5 % of total labor force ages 15-24 to be unemployed in 2017. Almost 80 % of the employed youth are working in the private sector, comprising 31 % in agriculture and 17.8 % in home-based income generating activities. For youth already in employment a very large proportion are working in non-contractual jobs which reflects high levels of job insecurity (UNDP 2012). It also takes a long time to find employment, even for those with tertiary education. According to UNDP (2015) high youth unemployment is linked to:
- low access to labour market information;
 - lack of work experience;
 - low aspiration for self-employment;
 - a mismatch between available skills and labour market needs;
 - poor support for starting and sustaining businesses;
 - declining job opportunities in South Africa, especially in the mines for young males;
 - slow creation of new jobs, linked to an uncompetitive investment climate and shortages of industrial infrastructure.
30. The high unemployment rate prevents many of having a self-determined life with less economic constraints. Poverty among youth is estimated to be at 69 % (UN 2017). It encourages young women and men to migrate to larger cities or try to find work in South Africa. As many as a third of the students from the National University of Lesotho seek jobs abroad after graduation, mainly in South Africa (World Bank 2015).

Table 4 Youth employment statistics

Indicator	Year	Value
Youth labour force participation rate (%)	2013	45.1
Youth labour force participation rate, men (%)	2013	52.6
Youth labour force participation rate, women (%)	2013	37.8
Youth unemployment rate (%)	2013	34.4

Source: *ILO Stat*

Figure 5 Youth unemployment in Lesotho, 1991 - 2018

Source: *globeconomy.com* and World Bank ([link](#))

31. Lack of services and infrastructure. Many preconditions for successful youth engagement are not well developed in Lesotho. Markets and financial services are difficult to access. Access to electricity and mobile reception are slowly improving. Internet is still too costly for youth with low income. It takes time to travel to urban centers.
32. Orphanhood and household headship. HIV & AIDS is taking its toll. An alarmingly high number of youth (54 %) are confronted with the death of one or both of their parents, with 17.4 % of children under 18 being double orphans while 27 % are paternal orphans only and 9.6 % are maternal orphans only (UNDP 2012). Many youth have to take care of their younger brothers and sisters not allowing them to pursue further education, seek a job or develop professionally. Household headship has been found to be a feature associated with just 16.5 % of the youth population (UNDP 2012). Orphans and child-headed households are extremely vulnerable. They are generally poverty-stricken, lack proper parental guidance and care, and face emotional insecurity and stigmatization. Survival strategies include early marriages and working as herd boys or domestic helpers or engagement in other child labour activities.
33. Child labour. About 23 % of children aged 5-14 are engaged in child labour (UNDAF). Young boys looking after herds often have poor education levels, receive minimal compensation and face great poverty. They are also exposed to severe weather conditions and high risks of attack and stock theft. Affected children remain vulnerable, once they enter the youth age group.

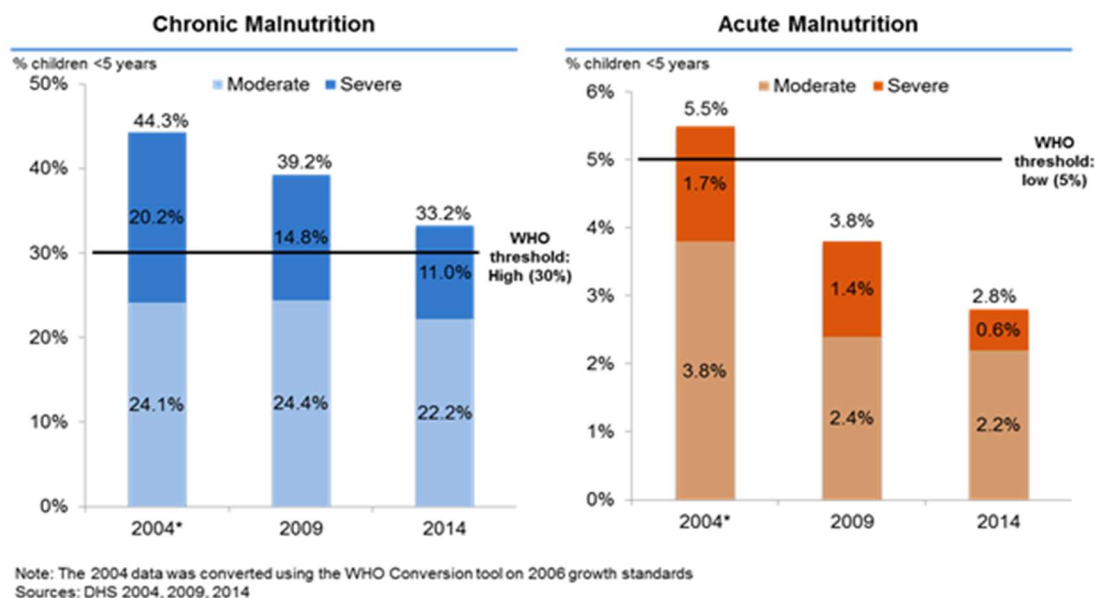
iv. People living with disabilities

34. People living with disabilities are at a high risk of poverty and are among the most marginalized and disadvantaged groups in the country. In total, 2.6 % of the population has some form of disability and about one-third of these are children under 15 years. They are often forced to be dependent on relatives or other caretakers. They frequently experience discrimination and face barriers in accessing education, employment, health care and transportation. Lesotho's mountainous terrain and lacking rural infrastructure pose severe barriers to people with reduced mobility (UNDAF).

v. Nutrition

35. Chronic and acute malnutrition in children under five years have decreased since 2004, however stunting remains high in Lesotho and remains above the WHO public health threshold (see Figure 6). Chronic malnutrition is high across all districts, especially in Butha-Buthe, Mokhotlong and Thaba-Tseka. The prevalence of severe acute malnutrition (severe wasting) among children under five years old has declined from 1.8 % to 0.6 %.

Figure 6 Chronic and Acute Malnutrition

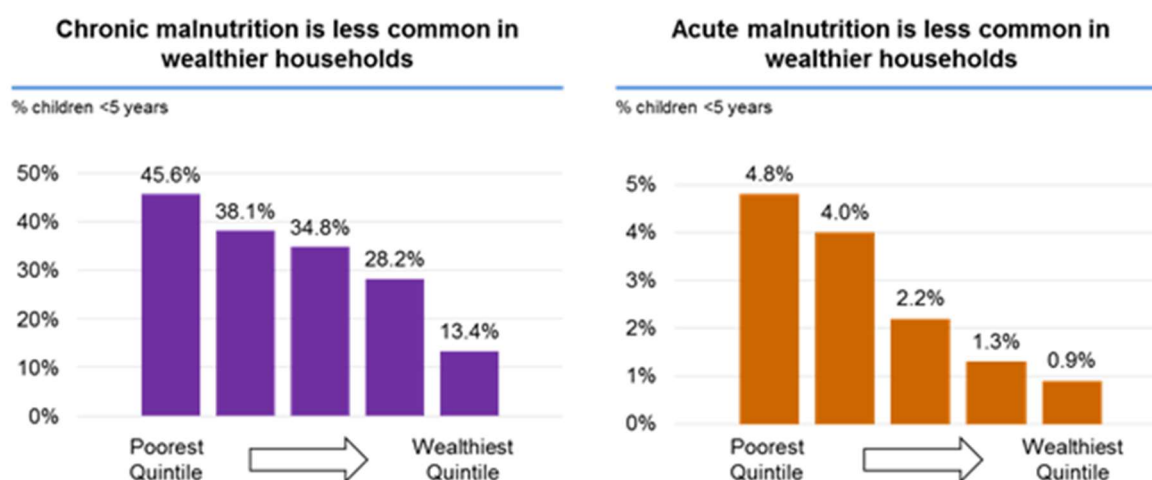


36. Micronutrient deficiencies are above critical levels. Among children aged 6 to 59 months particularly iron deficiency anaemia stands at 51%. In addition, over 27% of girls and women and 14% of boys and men in the 15-49 age range are also anaemic. Vitamin A deficiency among preschool aged children is also a severe public health problem, although updated data is needed.
37. Prevalence of overweight in children under five years of age has remained stable at around 7% since 2009, showing no improvement. The prevalence of obesity in the adult population (18 years and older) has increased in the last years, from 12 % in 2012 to 13.5 % in 2016, and more than three in ten adults are overweight (35.4 %).
38. There is a high cost for not addressing malnutrition and all its forms. Poor nutrition contributes to poor health, and can increase death and disease. Health-related expenses may force a household to tap savings, sell assets or go into debt, inevitably pushing the household further into poverty. Malnourished individuals lose years of schooling and have reduced capacity for labour. Over their lifetimes, malnourished individuals can earn 10 per cent less than well-nourished ones. The effects of malnutrition make livelihoods more vulnerable under climate change.
39. Total losses associated with undernutrition in Lesotho were estimated at 1.96 billion maloti, or USD 200 million for the year 2014. These losses are equivalent to 7.13 % of GDP of that year due to increased healthcare costs, additional burdens on the education system and lower productivity of the workforce (WFP 2016).
40. Nutrition remains the central concern in Lesotho. A recent study shows that economic access is one of the main barriers for accessing a nutritious diet - 56% of Basotho households are unable to afford a nutritious diet (FNG 2019). This study suggests that two main factors are associated with dietary vulnerability: lack of

access to markets and seasonality. Food insecurity and cost of a nutritious diet are higher in rural and remote areas – for example, the monthly cost of a nutritious diet in Mokhotlong is 29% higher than the cost in Leribe (FNG 2019). Moreover, data from FNG (2019) suggest that household non-affordability is associated with stunting prevalence.

41. Malnutrition has multiple causes and no single solution. Only a multi-sectoral approach can solve the problem of undernutrition. Underlying causes in care include poor breastfeeding practices, inadequate feeding of young children and poor sanitation. Health-related causes include poor health services during and after pregnancy, a high prevalence of HIV, and women not being able to address their contraceptive needs. Rural populations are the most vulnerable group in Lesotho; on average, half of the population faces food deficits. The agricultural sector cannot produce enough food for the population: it suffers from land degradation and is hit by extreme weather events worsened and induced by climate change.
42. Household poverty is a determining factor in the nutritional status of the child (see Figure 6). Children in households with higher income are less likely to be stunted or wasted. However, child malnutrition is present even in the richest households and addressing poverty is therefore not sufficient to eliminate undernutrition. A mother's level of education is also correlated with of her child's nutritional status. The rate of stunting is more than 2 times higher among children whose mothers have only attained primary education compared to children whose mothers have attained higher levels of education. A high adolescent fertility rate is also of concern. About one fifth of women 15-19 years have had a child and over a third of women have begun childbearing by age 19.

Figure 6 Chronic and acute malnutrition in wealthier households



Source: LDSH 2014

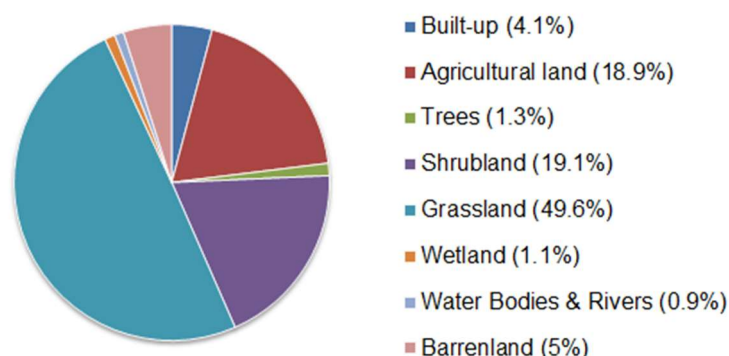
B. Status of environment and climate change

43. Lesotho is often referred to as the "Mountain Kingdom", because it is dominated by the rugged topography of the Maloti and Drakensberg mountain ranges. The entire country lies above 1,400 m above sea level with the highest peaks reaching up to 3480 m. Lesotho is generally considered a grassland biome with limited forest cover. Rangelands cover more than half of the country. Arable land is mainly found the lowlands and foothills on the Western border and the Senqu River valley in the south.
44. Climate. Lesotho has a subtropical temperate climate with four distinct seasons of summer, autumn, winter and spring. Summers are hot and wet whereas winters are cold and dry. The highlands can become extremely cold and are usually snow

covered during June, July, and August. Normal annual rainfall averages 750 millimeters but varies considerably among different regions of the country. The lowest average annual precipitation occurs in the Senqu River Valley (450 mm) and the highest in the north-eastern mountain zone (1,300 mm). The country receives most of its rainfall between the months of October to April, with an average of 700 mm per annum (NDC 2017).

45. Land cover. FAO (2017) used high-resolution imagery for a detailed land use classification. More than two thirds of the country are covered by shrub- and grassland that are mostly used for extensive grazing. Only 1% of the country's total area is forest and woodland. The atlas identifies around 19% to be arable land, contradicting older reports that estimated 10% of the country to be arable.

Figure 7 Land cover statistics in Lesotho



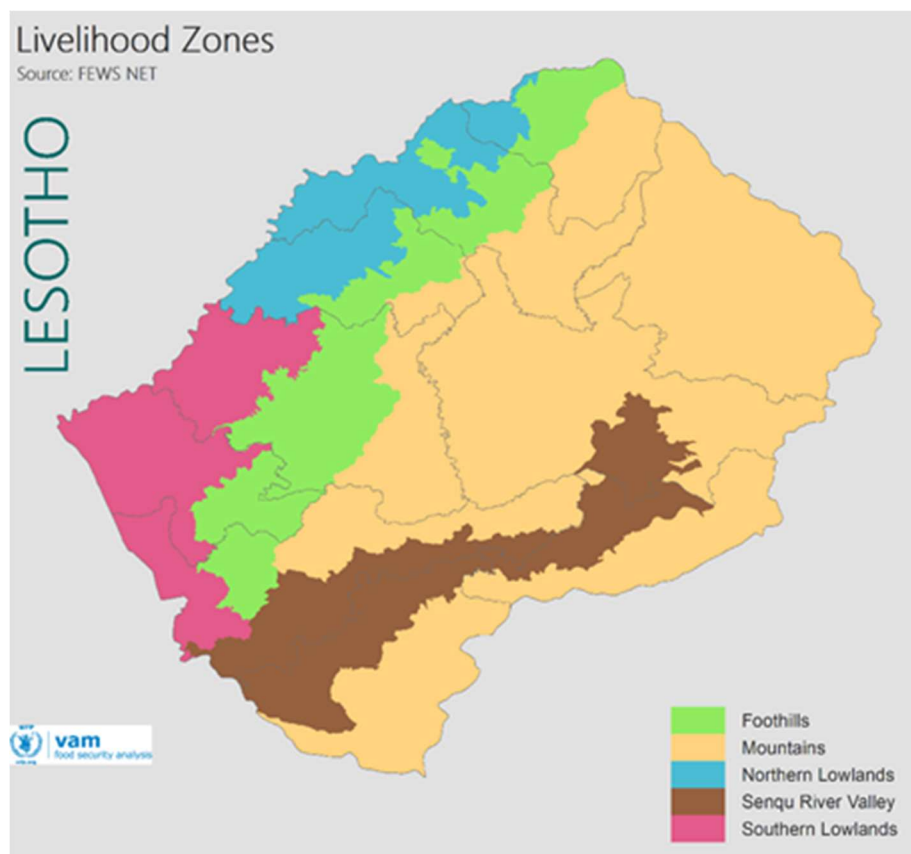
Source: FAO land cover

46. Agro-ecological zones. Lesotho is divided into four geographical regions. Table 5 and Figure 7 show the location and main characteristics of each zone.

Table 5 Lesotho's agro-ecological zones – Main characteristics and location

	Lowlands	Foothills	Mountains	Senqu River Valley
Area (km ²)	5,200 (17%)	4,588 (15%)	18,047 (59%)	2,753 (9%)
Altitude	1,000-1,800 metres	1,800-2,000 metres	2,000-3,250 metres	1,000-2,000 metres
Topography	Flat to gentle rolling	Steeply rolling	Very steep bare rock outcrops and gentle rolling valley	Steeply sloping
Soils	Sandy textured, red to brown in the north clayey in the south	Rich, alluvial along valleys, thin and thick rock on slopes	Fragile, thin horizon of rich black loam except in valley bottoms	Calcareous clayey red soils with poor penetration by rainfall
Climate	Moist in the north, moderately dry in the south	Moist, sheltered	Cold, moist	Dry

Source: Ministry of Natural Resources 2004

Figure 7 Livelihood zones Lesotho

Source: Fews net

47. Water. Lesotho is one of the richest countries in water resources in southern Africa. The country is located entirely within the Orange River basin. Lesotho's natural renewable water resources are estimated at 5.23 km³/yr, by far exceeding its water demand. The country has two major dams: the Katse Dam in the Central Maluti Mountains with a storage capacity of 1.95 km³ and the Mohale Dam with a capacity of 0.86 km³ (FAO 2005).
48. Biodiversity. Lesotho has 1,388 animal and 3,094 plant species. Many indigenous plant species are used for medicinal and cultural purposes, amongst other uses. Around 14,760 ha (or 0.5 % of the country) are designated protected areas (BOS, 2014 Biodiversity and Land Use Statistical Report No.15: 2015). Major threats to biodiversity include overgrazing, over harvesting, uncontrolled fire, encroachment by settlements and cultivation on the rangeland, invasive aliens and pollution. Climate change is adding pressure by increasing aridity leading to the disappearance of wetlands and marshlands. Habitat is lost through soil erosion and diminished vegetation cover (GoL 2009).

i. Land degradation

49. Severe land degradation, visible throughout the country, is Lesotho's biggest environmental problem. Unfortunately, up to date information on the status of national natural resources is scarce and fragmented (FAO 2017). The last assessment at national level was conducted in 1988 and figures have to be viewed with caution. Nevertheless it seems past trends of land degradation have not changed.
50. Soil erosion. It is estimated that the country losses close to 40 M tons of soil every year. The loss is equivalent to more than 2% of the topsoil every year and at this rate all soil will be lost by 2040. The annual soil loss from rangelands is estimated

at 23.4 M tonnes and from cropland at 15.4 M tonnes. Rainwater induced gully, rill and sheet erosion are the primary agents of soil loss. Gully erosion, locally referred to as "dongas", are prominent features in the landscape. In 1988 there were about 6,800 dongas covering an area of some 60,000 ha. Although gullies permanently take land out of use, sheet and rill erosion have the greatest impact on productivity, because they account for 38.8 M tonnes of soil loss per year, whereas only 0.73 M tonnes of soil per year are lost as a result of gully erosion (NAPA; NSDP).

51. Inappropriate agronomic practices on cropland. 54 % of cropland are estimated to be exposed to sheet erosion (NSDP). Conventional tillage (overturning of soil) is the main cause of soil erosion on arable fields. Ploughing is not adapted to Lesotho's erosion-prone soils, because it destroys soil structure and leaves soils bare, with no cover to protect from water erosion. In addition, hunger forces farmers to cultivate fields that are found on steep slopes and/or marginal lands that are especially vulnerable to erosion. Ploughing also creates a plough pan - while the top 20 cm of soil are loosened, the plough compacts the soil underneath. Roots and water cannot penetrate as easily. In the event of heavy rainfall this leads to waterlogging and water run-off.



Erosion on a ploughed field after a downpour in Qacha's Nek (Photo: O. Mundy)



Siltation colours the water of the Orange river brown (Photo: O. Mundy)

52. Overgrazing of pastures. Overgrazing by cattle, horses, donkeys as well as sheep and goats is common in Lesotho. The NSDP states that 50 % of rangelands are overstocked. Other sources (IFAD 2014) estimate overstocking rates to be 40% to 80%, the equivalent of 2.8 to 5.7 million livestock units. There is a consensus that Lesotho's rangelands are in a poor and declining condition, with widespread erosion of the top soil, and an abundance of unpalatable and less nutritious species. In particular areas around grazing posts are experiencing accelerated soil erosion.



Severe soil erosion of grazing land near Tebelling village in Qacha's Nek (Photo: O. Mundy)

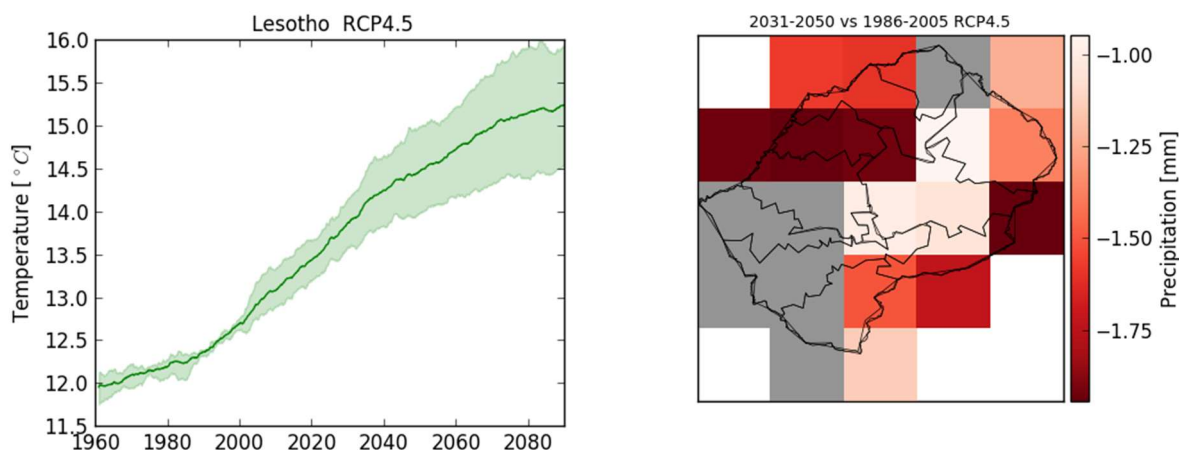


Stone walls proven not be effective in halting soil erosion (Photo: O. Mundy)

ii. Climate change

53. Lesotho is already undergoing significant changes in climate. The ND-GAIN-index (an index measuring a country's vulnerability to climate change in combination with its readiness to improve resilience) lists Lesotho as the 49th most vulnerable and the 57th least prepared country. This implies that the country has both a great need for investment and innovation to improve readiness and a great urgency for action. A detailed climate analysis has been carried out for this COSOP and can be found in Appendix 2. The following paragraphs describe the main trends of recorded climate data and future projections of climate change.
54. Increasing temperature. Though average annual temperature has been highly variable from year to year during the past four decades, an overall increasing trend is observable. The increase in Lesotho's mean annual temperatures over 1967 to 2006 was 0.76°C. The mean seasonal temperatures are projected to increase by between 1.78°C and 2.20°C by 2060 (NDC 2017).

Figure 8 Lesotho Regional Climate Model

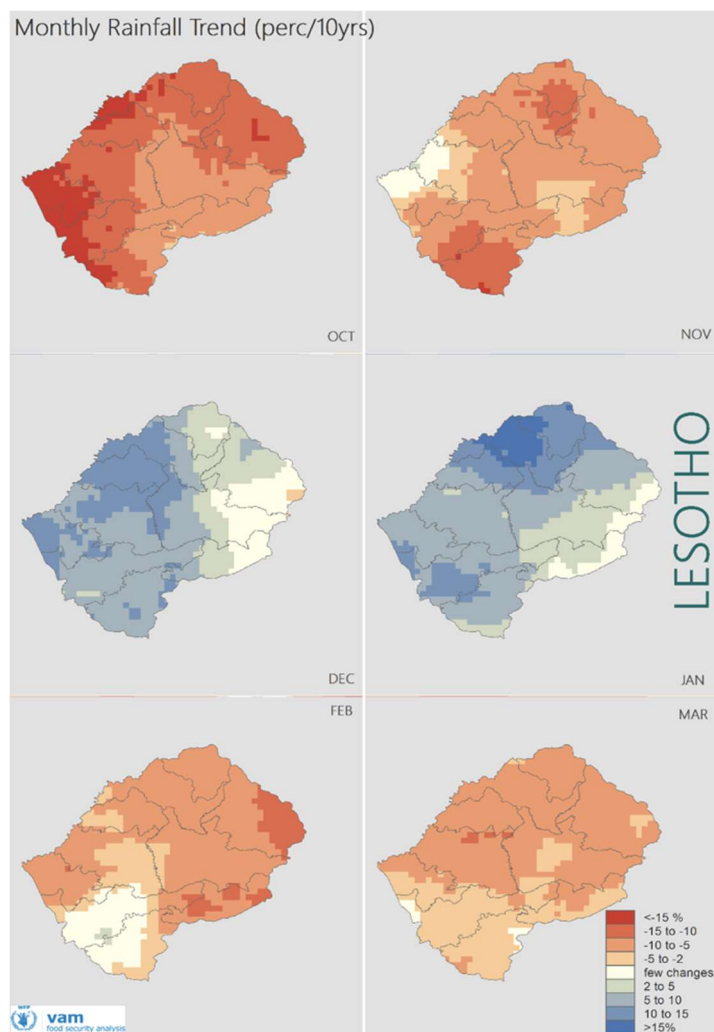


Regional climate model projections for temperature displayed as 20 year running mean. The line represents the ensemble mean while the shaded area represents the model spread. The projections are based on the emission scenario RCP4.5.

Source: Regioclim

Projected change in precipitation for 2031-2050 compared to the reference period 1986-2005. Here the ensemble mean of regional climate model projections is displayed. Grid-cells for which a model-disagreement is found are colored in gray. The projections are based on the emission scenario RCP4.5.

55. Changing seasonal rainfall patterns. Total annual rainfall has reduced slightly on average in the past 30 years (IFAD/WFP 2018) but is expected to slightly increase in future (CCAFS 2018). Of far greater concern are fluctuating rainfall patterns. While total rainfall amounts have slightly decreased, historic climate data shows the trend that the rainy season is more likely to start later and end earlier (see graphic below). This means a concentration of rainfall during summer months and reduced precipitation in autumn and spring. The delay of spring rains increases farmers' uncertainty as to when fields should be prepared and seeds should be sewn. Changing rainfall patterns are also strongly related to the El Niño–Southern Oscillation phenomenon which fluctuates between three phases: neutral, La Niña, and El Niño. Climate shocks caused by both El Niño and La Niña negatively impact agricultural productivity in Lesotho. IFAD 2016 analysed the trends for Lesotho based on data from 1982-2013:
- Higher drought risk during El Niño. El Niño events occur every 3-5 years and lasts 9-12 months. In the past 35 years there were 10 events. Drought risk during the cropping period is enhanced whereas an increase in rainfall is likely from August to October (outside of the cropping season).
 - Higher rainfall during La Niña. La Niña occurs every 2-7 years with a duration of 8 months to 2.5 years. In the past 35 years 7 events occurred. The effects of La Niña on rainfall are almost the direct opposite to those of El Niño. La Niña causes enhanced flooding risks that can reduce agricultural productivity through lodging and other associated flooding impacts.
56. The 2015-2016 El Niño induced drought was one of the worst experienced in the country in 35 years placing over 534,000 people at risk of food insecurity (UNDAF).

Figure 9 Monthly Rainfall Trends

Monthly rainfall trends show a negative trend of rainfall at the onset (Oct/Nov) and the end (Feb/Mar) of the growing season, whereas a positive trend is observed in Dec/Jan. This implies a concentration of rainfall towards the middle of the season.
Source IFAD/WFP 2018

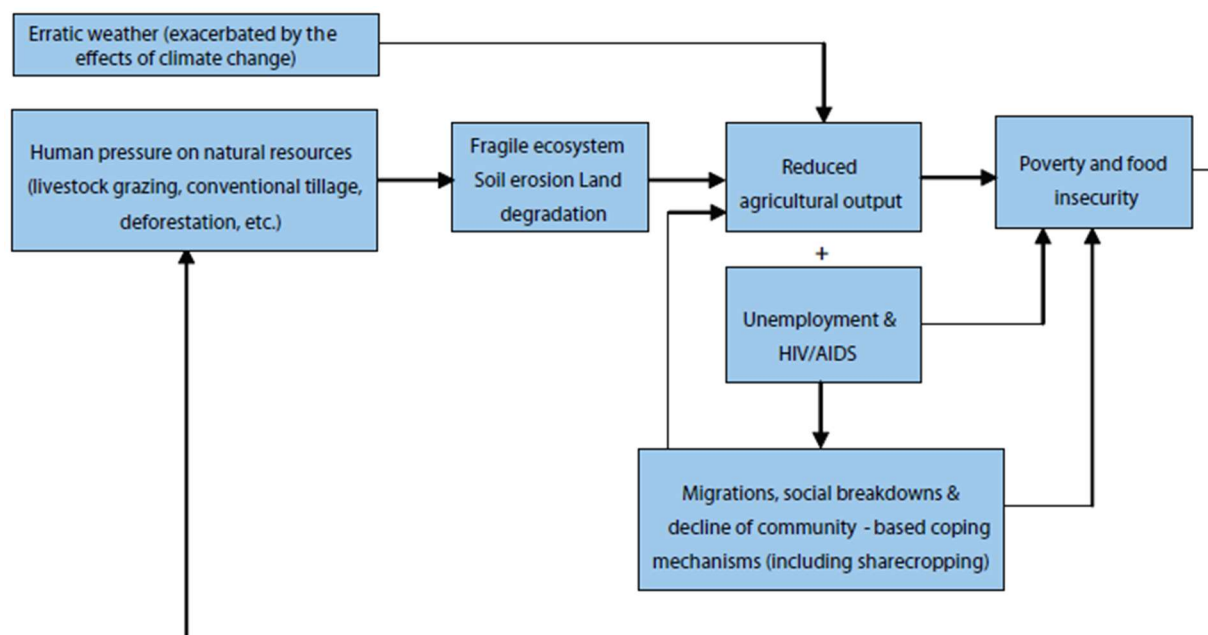
57. Extreme weather events. In addition to drought, Lesotho is subject to other extreme weather events, including floods, unseasonal snowfall, extreme cold, frost and hailstorms. The impacts of such extreme weather events are severe and result in the loss of lives, damaged infrastructure and homesteads, and destroyed fields. Heavy rainfall also contributes to rapid soil erosion.
58. Other hazards include wild fires and river floods.

iii. Impacts of land degradation and climate change

59. Land degradation and climate change have a severe impact on Lesotho's population and are major contributors to the country's high poverty rate. About 66 % of households live on degraded land (UNDAF). Human pressure on natural resources leads to degradation that reduces agricultural production. Climate change worsens the situation and further reduces agricultural output. Social stressors such as a high unemployment and HIV rate add to poverty and food insecurity. Communities often have no other option than to further exploit natural resources, while adding additional pressure on them. The situation is further exacerbated by poor governance and inefficient governing institutions (MEMWA

2013). The impacts of land degradation and climate change are described further below.

Figure 10 Relationships between socio-economic and environmental factors affecting livelihoods in Lesotho



Source: *FAO 2011*

60. Loss of arable land and rangeland. Soil can be considered a nonrenewable resource given the long periods of time needed for its formation. Many fields and pastures have been taken out of production due to excessive sheet and rill erosion. The Government estimates that the country has lost over 100 thousand hectares of arable land in the past two decades: this amounts to a 25% decrease in usable land for production of food and fodder (*NAP 2015*). The NAPA expects climate change to increase rates of soil loss and loss of soil fertility and estimates that climate change could reduce the share of suitable land for agriculture from 9 % to as low as 3 %. Annual depletion of natural resources is estimated at 4.6 % of gross national income (*UNDAF*).
61. Poor crop and animal productivity. The severe erosion of topsoil leads to a loss of soil fertility and impacts the productivity of both arable and rangelands. Even in years with good harvests the country is not able to produce enough food to meet its requirements. The World Bank (2015) estimates that 50% to 60 % of Lesotho's annual grain requirements are imported. The sector's share of GDP has fallen from 50% to about 6.1 % since the mid-seventies. Maize yields have fallen from an average 1,400 kg/ha in the mid-Seventies to a current 450-500 kg/ha in most of the districts (*FAO 2010*). Wool yields have declined from an average of 5 kg of wool per sheep to 2.74 kg in 2010/11 (*NAPA*). Despite sharing similar climatic and soil conditions, crop yields in the Free State Province of South Africa, which borders Lesotho's drier Mafeteng and Mofale's Hoek districts, are between 2.5 and 9 times higher than those in Lesotho underscoring the need for significant improvement in production systems (*FAO 2011*).
62. All production systems in Lesotho are projected to be at least somewhat adversely affected by climate change (*CCAFS 2018*). Climate hazards often result in delayed planting or farmers do not plant at all. Drought and high temperatures are expected to exacerbate incidences of diseases and pests that could result in crop failures. The following table presents potential climate change impacts for different crops in Lesotho.

Table 6 Impacts of climate change for different crop types

Crop type	Crop	Projected climate change impacts
Fruit trees	Apples	Reduced production area, but higher productivity of remaining areas. Possibly appropriate for further promotion in limited areas
	Pear	Small increases in suitable area and suitability. Appropriate for further promotion
Legumes	Beans	Benefits from increased production area in October. Large decrease in production area in November onwards. Earlier planting is recommended
Cereals	Maize	Marginal productivity. Decreased production area and productivity in October, small increases in November. May indicate that optimal planting season will be delayed until November. Additional investments in development of fast-maturing, drought-resilient varieties recommended.
	Sorghum	Marginal productivity. Decreased production area and productivity in October and November. Additional investments in development of fast-maturing, drought-resilient varieties recommended.
	Wheat	Positive increases in production observed in July – September, but remains unproductive/marginal.
Horticultural and cash crops	Potato	Increased production area in October and November, increasingly marginal from December onwards.
	Tomato	Small increases in production area. Recommend planting in October. Possibly appropriate for promotion as a climate-resilient cash crop

Source: University of Cape Town 2019

C. Target groups and rural population profiling

63. Target groups. IFAD-funded projects under the COSOP will particularly focus on rural areas with high levels of extreme poverty (Senqu River Valley and the mountains), through interventions to improve productivity, market access, food security, natural resource management and climate resilience. To ensure that rural transformation is inclusive, the COSOP targets poor people who have the potential to take advantage of improved access to assets and opportunities for agricultural production and rural income-generating activities. The COSOP's targeting adopts a geographic targeting and direct targeting approach.
64. There are three main target groups: (i) subsistence farmers and rural households involved in agricultural activities in-farm or off-farm, including e.g. smallholder farmers, herders, unemployed youth, wage labours, landless widows; (ii) semi-commercial and emerging commercial farmers; and (iii) commercially oriented farmers.

Table 7 Target groups

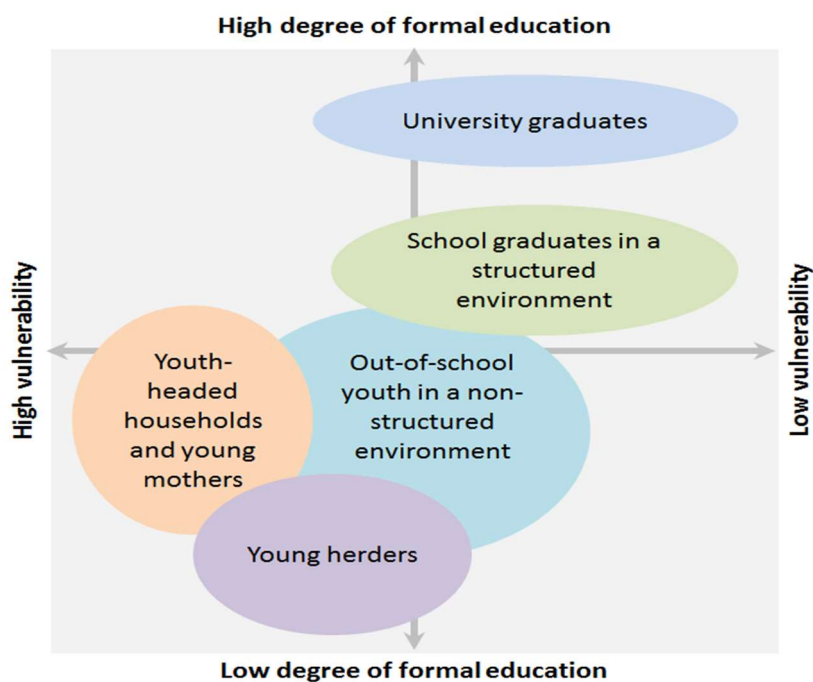
Typology	Poverty characteristics	Coping actions	Priority needs	Programme response
<p>Category A - Vulnerable rural households. They may own some livestock, cultivate homestead gardens and engage in subsistence farming, herding livestock, agricultural labour, with no access to agricultural inputs nor technical assistance.</p>	<p>Poor to very poor. They do not have adequate resources, partly depend on other sources of income which are also scarce, and mostly engage in subsistence farming or wage labour with occasional surpluses for sale. Poorly integrated in the rural market economy. Little off-farm income sources. Low wages. Very vulnerable to economic and climatic shocks.</p>	<p>Some livestock production. Use social networks to access/share farm equipment. Petty trading. Look for alternative income sources (petty trade, casual labor) to supplement farming. Food aid and other forms of social programs.</p>	<p>Improve access to productive inputs. Increase crop yields, through adoption of new technologies, and improve livestock production and grazing management. Improve diet diversification. Secure off-farm income sources.</p>	<p>Capacity-building in climate-smart agriculture and strengthening of extension services. Access to training for women, and service delivery to women and youth on an equal basis. Benefit from additional labor created by (semi-) commercial farmers. Access to tailored grants.</p>
<p>Category B - Semi-commercial farmers, and emerging commercial farmers. Smallholder farmers for whom agriculture is of primary importance who obtain an important portion of their income from agriculture. Below (or equal) 0.1 ha of irrigated land. Taxed income below (or equal) 600.000 Maloti/annum.</p>	<p>Some are below, some above the poverty line but at risk to fall below it. Access to some resources to invest in agriculture and livestock, have limited implements, and sell surpluses. Vulnerable to economic and climatic shocks. Women farmers depend on men, and youth on parents for access to key resources.</p>	<p>Diversify sources of livelihood, including off-farm income if possible. Cross-subsidize farm activities by securing subsidized inputs. Use social networks and groups to access/share farm equipment and inputs. Safety net includes livestock ownership.</p>	<p>Improve productive resources especially soils. Increase crop yields, through adoption of new technologies, and improve livestock production. Support to develop horizontal and vertical linkages. Strengthening of farmer groups to take advantage of market opportunities and economies of scale. Access to resources for investment in commercialization, including irrigation.</p>	<p>Capacity-building in climate-smart agriculture and access to CSA improvement measures. New technologies and strengthening of extension services. Market linkage development through group capacity building, round tables and other exchange fora. Investment resources through tailored grants. Equal access to training for women, service delivery to women and youth on an equal basis.</p>

Typology	Poverty characteristics	Coping actions	Priority needs	Programme response
Category C - Commercial farmers. Medium to large scale farmers who may also have additional sources of income (business or employment). Above 0.1 ha of irrigated land. Taxed income above 600.000 Maloti/annum.	Above the poverty line. They have access to ample resources to invest in agriculture and livestock, have implements, sell surpluses, and employ farm workers. Have the collateral and resources to access commercial loans.	Coping actions are not applicable.	Climate-smart agriculture, improve competitiveness, improve access to markets. Value-addition through agro-processing.	Capacity-building in climate-smart agriculture and access to CSA improvement measures. Access to tailored grants & loans under the condition that they link and support smallholder farmers to link to markets.

Source: authors

65. Targeting women and youth. IFAD-funded projects will prioritize women, especially young women, as they are more vulnerable than their male counterparts. Due to the high number of youth and their heterogeneity, a differentiated approach should be taken into account for youth as different types of youth face different barriers. A division can occur by age groups (underage and adults), employment/skills, socio-economic status, gender and poverty. IFAD interventions could consider the following youth target groups: (i) Young herders; (ii) Youth-headed households and young mothers; (iii) School graduates aged 18-35 in a structured environment; (iv) Out-of-school youth aged 18-35 in a non-structured environment; and (v) university graduates. More details on the characterization of the different youth target groups can be found in the working paper "Lesotho Youth Opportunities Paper".
66. IFAD projects will create awareness and encourage the integration of people with disabilities. As there are many types of disabilities, the projects will rely on community members, who know the situation and the skill sets of people with disabilities best, to identify good ways to engage accordingly.

Figure 10 Schematic overview of youth target group profiles according to level of vulnerability and degree of formal education



Source: authors

3. Institutions and legal framework

A. Institutions

67. **Government.** The Ministry of Agriculture and Food Security (MAFS) and the Ministry of Forestry, Range and Soil Conservation (MFRSC) are the two main ministries IFAD-funded projects collaborate with. They are the most important agencies for agriculture, rural development and environmental issues. IFAD has also engages with the Ministry of Tourism, Environment and Culture (MTEC), and WAMPP supports the Lesotho Meteorological Services (LMS) under the Ministry of Energy, Meteorology and Water Affairs (MEMWA). Many government agencies experience capacity challenges as a result of the turn-over of staff. There are also overlapping administrative jurisdictions between some ministries and this has led to confusion (and occasionally tension) over disputed mandates. It also serves to expand problems of inter-governmental coordination and further constrains initiatives to implement multi-sectoral strategies. Similar coordination challenges are to be found at the district level where, despite the existence of District Development Committees, a silo approach to the implementation of rural development strategies is common. Further challenges are to be found in the roles assigned to traditional leaders and local politicians and contestation over jurisdictional and administrative authority remains a problem.
68. **International agencies.** The three main agencies with which IFAD-funded projects will continue to liaise are the World Bank (mainly in regards to SADP I and II), the Food and Agriculture Organization (FAO), with whom currently a joint GEF proposal is being developed and the German International Cooperation Agency (GIZ) who are developing a large project on integrated catchment management. Other important agencies include the World Food Programme (WFP), UNDP, and JICA.
69. **Research institutes.** The two most promising institutes for IFAD-funded projects to collaborate with are the National University of Lesotho (NUL) and the Lesotho Agricultural College (LAC).

70. Climate and environment funds. IFAD and FAO are currently developing a proposal for the Global Environmental Facility (GEF). Other promising sources of additional finance are the Adaptation Fund with its designated authority located in the Lesotho Meteorological Services, and the Green Climate Fund (GCF) with its authority located in MEMWA.
71. Private sector. There are a handful of private sector actors worth collaborating with. The Lesotho National Development Corporation (LNDC), a parastatal entity supporting the mandate of the Ministry of Trade and Industry, plans to promote and co-finance processing facilities (outgrower models) for poultry, piggery, dairy, fruit and vegetables and aquaculture (Financing: 40% LNDC, 30% foreign investor and 30% local investor). African Clean Energy (ACE) is producing low-cost high-quality and energy-efficient cooking stoves that reduce CO2 emissions and fuel collection time. ACE has successfully sold over 10,000 stoves in Lesotho. Collaboration is also possible with the Lesotho Highland Development Project.
72. Producer cooperatives such as the Lesotho National Farmers Union (LENAFU), the Potato Grower Association or the Lesotho National and Wool and Mohair Growers' Association (LNWMGA) are important private sector networks IFAD should collaborate with.
73. NGOs and community-based organization. World Vision and Catholic Relief Service are two large NGOs capable of implementing activities country-wide and are experienced in social inclusion and environment. There are a number of smaller NGOs working in rural areas including the Rural Self Help Group and Growing Nations. Churches and other local groups have a strong standing in communities and present promising entry points to engage with communities.
74. Traditional authorities. For any project intervention at village level, village chiefs should not only be consulted but have to be heavily involved.

B. Policy, legal and regulatory frameworks

75. Despite the importance of agriculture for the rural economy, the sector as a whole suffers from a lack of plans and policies. Existing policies and strategies are outdated and are not being implemented. Nevertheless, the draft National Strategy Development Plan (NSDP II), which provides a general indication of the development priorities to be pursued by the GoL during the period from 2019 to 2023, describes agriculture as the "backbone of the rural economy" and stresses its critical importance for the rural poor. The NSDP II sets out the following three goals for the development of agricultural sector: Sustainable Commercialization and Diversification in Agriculture (Goal 1); the development of a Well-Functioning Lesotho Agri-Food Systems (Goal 2); and Rehabilitated Rangelands and Wetlands (Goal 3). The NSDP II has signalled a commitment to greater commercialisation of the agricultural sector. However, as a national strategy, the NSDP II merely provides an enabling framework for the formulation of policies and strategies and it is short on detail on how the agricultural sector might be developed (GoL 2019).
76. Similar gaps are to be found in the legislation framework needed to regulate the sector and this is especially challenging in the case of rangeland management, land tenure and land use, and in defining the role of traditional authorities in regulating natural resource usage. From this it is evident that there is a need for policy and regulatory reform if the goals of the NSDP II are to be achieved.
77. The absence of a clear legislative and policy framework has led to some policy incoherence and uncertainty in the sector. This is demonstrated in the fact that whilst agriculture's contribution to the GDP amounted 6.9% per annum between 2011 to 2016, public spending on the sector amounted to less than 3% per annum during this period (World Bank 2019b). A similar anomaly is to be found in the targeting of government expenditure in the sector, where the contribution of crop

- production to the GDP (1.9%) is less than that of livestock (4.4%) but yet the expenditure on subsidies provided to the Summer Cropping Program (ICP) is roughly 10 times that spent on livestock (World Bank 2019b).
78. The policy framework in support of food security and nutrition, in contrast, is far more developed than in the case of agriculture. The Food and Nutrition Security Policy (2017) and the Food and Nutrition Strategy and Costed Action Plan (2019-2023) both provide a framework to address the multi-dimensional determinants of poor nutrition. There is also regular reporting on progress on nutrition programmes (e.g. the "Zero Hunger Strategic Review Report" (2018) and the "Lesotho Multi-Sectoral Nutrition Governance Capacity Assessment Report" (2018).
 79. Despite the current focus on commercial production, hitherto, the lack of attention paid to the development of agricultural supply chains has been a feature of government (and donor) support to small-scale farmers⁵³. The provision of heavily subsidised services and productive inputs (ploughing, seed, and fertilisers, amongst others), in particular, has led to high levels of dependence on the government and has limited the sustainability of development interventions. It has also inhibited the emergence of a class of small traders who might otherwise generate an income providing these services.
 80. Whilst the need to shift greater commercialisation has been clearly articulated, the support which might be provided to subsistence farmers and those who have little prospect of producing a surplus is less clear. More consideration is also need to ensure that appropriate regulatory measures are set in place to ensure that the emerging commercial producers do not exploit, and thereby further impoverish, the most marginalised households.
 81. The Government of Lesotho is increasing its efforts to address malnutrition and joined the SUN (Scaling Up Nutrition) Movement in July 2014. Strong political commitment has been demonstrated by the many policy frameworks and programmes, which are in place. The National Nutrition Strategy was developed in 2016 and it is under revision. The Food and Nutrition Security Policy (2017), proposed Food and Nutrition Strategy and the Zero Strategic Review Report (2018) all provide a framework to address the multi-dimensional causes and consequences of malnutrition. Lesotho's Food and Nutrition Coordination Office (FNCO) is responsible for implementation of policies and programmes on the ground, but lacks human resources and faces legal and policy constraints that hinder a multi-sectoral coordination of nutrition. The UN initiative Renewed Efforts Against Child Hunger and undernutrition (REACH) is supporting the FNCO to build its capacities to scale-up proven and effective interventions addressing child undernutrition. Detailed nutrition assessments have been carried out and an implementation plan is currently under development.
 82. Agriculture features strongly in Lesotho's Nationally Determined Contribution (NDC) to the Paris Agreement, which specifies its planned actions up until 2030, for both mitigation and adaptation purposes. In order to adapt the agriculture sectors to the effects of climate change Lesotho plans to diversity livestock practices, increase access to drought resilient crops, improve soil management, implement efficient irrigation systems, adjust planting dates, and prioritise climate-smart agriculture. Plans for reducing emissions from the agriculture sectors include increasing the share of organic fertilisers in the fertiliser mix, maintaining the livestock population at an appropriate level, maximising the mitigation co-benefits of climate-smart agriculture, and finding ways to improve the efficiency of natural resource use.
 83. Lesotho's plans for the agriculture sectors include both unconditional actions and actions conditional on external support and finance, though sometimes this is unspecified. The total anticipated cost of implementation – 0.59 billion – is not

⁵³ This is a focus of SADP II

broken down by sector or intervention, and only a few listed interventions include quantifiable targets. Despite the omission of these details, it is clear that Lesotho plans for agriculture to be a central part of its climate change action, and support in the agriculture and related sectors will be critical for Lesotho to reach its NDC target.

84. Similarly, the [2017 National Climate Change Policy Implementation Strategy](#) also sets out a framework which includes the need to promote climate-smart agriculture and food security systems (MEMWA 2017). Another important framework is the [2015 UNCCD Lesotho national action programme in natural resource management, combating desertification and mitigating the effects of drought](#) (NAP). However, a lack of inter-sectoral coordination continues to present challenges in the design and implementation of integrated climate change mitigation and adaptation strategies.

4. Strategic recommendations

A. Lessons learnt

85. A number of lessons learnt are found in the main text of the COSOP and [COSOP review note](#) (2018).

B. Strategic orientation

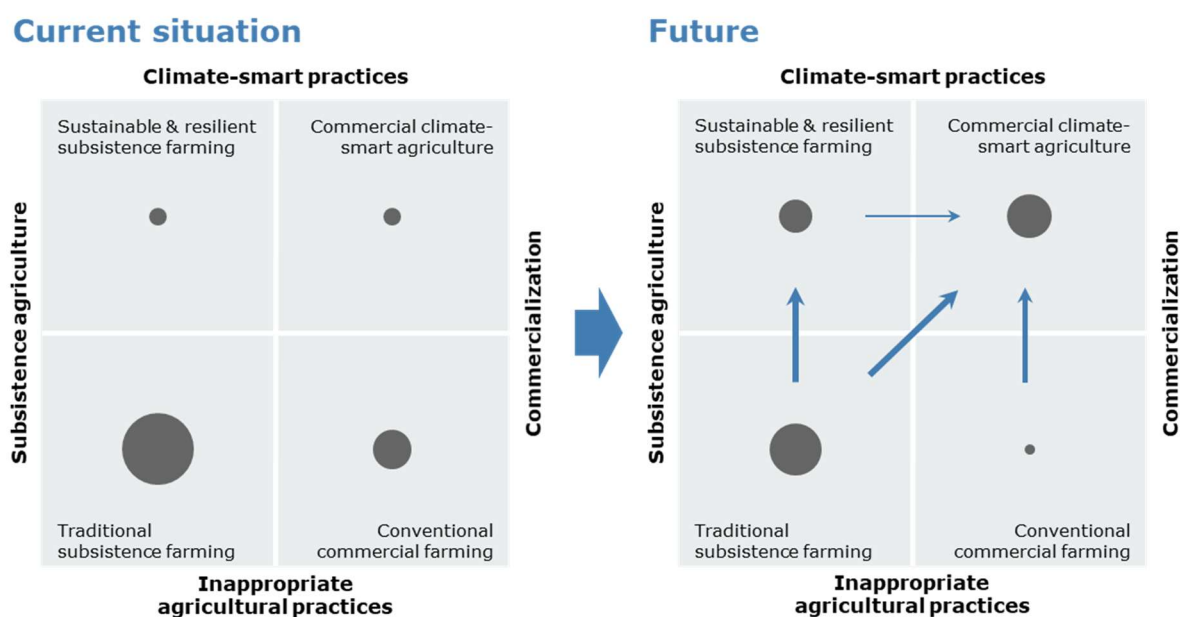
86. Environmental and social issues are strongly incorporated in the COSOP. Its outcomes include improved national resource management to prevent soil erosion, stronger community based rural institutions and increased capacities to prevent or reverse land degradation. It contributes to IFAD's environmental and social inclusion goals of supporting vulnerable groups, including youth and women, to adapt to climate change and improve soil and water management in order to secure higher crop yields and land productivity.
87. The new COSOP is aligned with international environmental conventions and national strategies. Most importantly, it contributes to the country's new NSDP II. The new COSOP is also fully aligned with the pillars, outcomes and budget of the UNDAF 2019-2023. IFAD-funded projects will specifically support delivering Pillar 3 (*Sustainable and inclusive economic growth for poverty reduction*).
88. A number of important overarching principles are laid out in Section C (Overall goal and strategic objectives) of the COSOP. Additionally this study further emphasizes the following principles.
89. Agency coordination. International stakeholders from different sectors and agencies should enhance coordination in their approach to the agricultural sector. IFAD should further explore opportunities to partner with other agencies, in particular the World Bank, GIZ, FAO, WFP, UNDP, to increase the impact of its programmes and to cover areas that are not within its core mandate.
90. Favor long-term projects and scaling-up of proven practices. To have a meaningful impact IFAD-funded programmes should take place over multiple growing seasons (at least 10 years in duration), giving farmers and herders the necessary time to understand and value the benefits of climate-resilient practices while providing them with continuous support. IFAD interventions should concentrate on scaling-up practices that have proven to be effective in the past.
91. Strengthening local institutions. IFAD projects are encouraged to work through civil society organizations, such as NGOs or faith-based institutions, that are active in and in many cases deeply rooted in rural communities. They know the local context well, have established healthy relationships with rural communities and may have high levels of commitment. They are important entry points to reach out to Lesotho's remote communities. Options to strengthen local institutions include

capacity building, grant schemes and implementing project activities by civil society.

92. Accessing climate finance. The design team reviewed different options to access additional financing and is aiming to submit a proposal together with FAO to the Global Environment Facility (GEF) to support Lesotho Integrated Management Project (LIMAP) currently under design.

C. Strategic actions

93. Agriculture needs to become more commercially viable and climate resilient. Below chart indicates the intended theory of change for the agriculture production system under the current COSOP, which is a sub-set of the COSOP overall theory of change which intends to contribute to inclusive rural transformation in Lesotho.



94. Climate-proofing production systems. Current agricultural practices are not adapted to Lesotho's erosion-prone soils and the country's current and future climates. Conservation agriculture is the most widely promoted practice in Lesotho (CCAFS 2018). The three principles of the climate-smart practice, no-tillage, field cover and crop rotation, have proven to be successful for country's arable fields, but farmer adoption rates are low (FAO 2010; FAO 2011). The farming method strongly reduces sheet and rill erosion that accounts for the vast amount of soil loss. At the same time, the practice increases yields if combined with fertilizer usage and cover crops. Most households have enough labour and arable land, though limited, to practice conservation farming. The practice is being promoted by a number of development actors in Lesotho (including FAO and WFP) and has been supported by IFAD in the past. IFAD projects can build on this experience and can draw on existing capacities, including inputs suppliers (such as cover crop seeds, jab planters), training materials and a pool of farmer champions, trainers and extension staff. Other climate-resilient practices can accompany conservation farming. These include anti-erosion measures in and around fields such small terraces, planting of appropriate tree species, liming of crop fields, compost pits, manure use, etc.

95. Small-scale irrigation and water harvesting have a great potential as an adaptation option. Gravity fed irrigation is inexpensive due to the low cost of purchase, installation, operations and maintenance. It has particular potential in the mountains and foothills. However, the experience of irrigation in Lesotho shows that success stories are far outnumbered by costly failures. Nevertheless, as an adaptive technology in climate change scenarios, the arguments for small-scale, low-cost irrigation technologies like gravity fed sprinkler or drip systems are compelling (FAO 2011; CCAFS 2018). The implementation of these strategic actions would also support the achievement of Lesotho's NDC targets, which feature strongly climate smart agriculture
96. Rangeland and natural resources management. Around 50-60% of Lesotho's area is rangeland. Large parts of it are badly affected by overgrazing and climate change. Strengthening the capacities of rangelands institutions, especially of grazing and herder associations, should be the main focus of IFAD-supported projects. Various interventions can be undertaken to improve rangeland and natural resource management such as better grazing and herd management, rotational grazing, protection of natural springs and no-grazing on highly degraded areas. Rehabilitation interventions include afforestation of gullies, soil and water works to control water flows and erosion, grass strips, restoring the riparian vegetation and trees along streams, and removal of alien vegetation and de-shrubbing.
97. Youth sensitive investments and capacity building. Youth are the future of Lesotho, representing 39.8% of the population and can be key agents of change in rural areas. Nearly two thirds live in rural areas and many of them practice agriculture. IFAD programmes wishing to pilot innovative practices should specifically target youth. Due to their large number and heterogeneity IFAD-funded projects should emphasize targeting vulnerable youth groupings (e.g. young herdsman or out-of-school youth in a non-structured environment). Youth are more likely to succeed, the better educated they are and if they are organized in groups. Keeping youth engaged makes them less likely to fall deeper into the poverty trap and may prevent early pregnancies and HIV infection. At the same time, IFAD programmes have to be aware that many households are youth-headed and have a reduced capacity to participate in social mobilization and trainings. Approaches for meaningful engagement of rural youth that will lead to rural transformation will include the following:
- Promoting economic activities such as facilitating access to financial services through microfinance initiatives, savings groups, providing access to markets;
 - Enhancing the social capital of young people by strengthening farmer organisations and cooperatives;
 - Creating platforms that can facilitate peer-to peer learning and provision of mentorship;
 - Promoting decent work and entrepreneurial activities;
 - Providing training and capacity building through vocational training, financial skills and business management skills;
 - Providing access to agricultural technologies and infrastructure such as irrigation schemes, ICTs, roads, transport (Mungai et al. 2018).
98. More details and examples on youth development and targeting can be taken from the working paper "Rural Youth Opportunities in Lesotho" prepared for this COSOP.
99. Emphasis on gender inclusion. Projects under the COSOP should aim to address IFAD's three strategic objectives on gender namely: i) economic empowerment, ii) voice and representation and iii) workload reduction. IFAD-funded projects should pilot the Gender Action Learning System (GALS), a participatory approach that

seeks to empower all household members while transforming gender relations both at household and community level. Such household methodologies can be part of the capacity development programmes. IFAD-funded projects have to take into account that many households have limited capacities to take part in project activities, because of sick family members or loss of family productive members due to HIV/AIDS. Many are child-headed and/or look after disabled family members. Increasing the workload of the household members has to bring considerable benefits. Ideally, IFAD projects should seek solutions to reduce workload (e.g. fuel saving stoves).

100. Projects should also generate gender and age disaggregated data to inform gender and youth sensitive programming, and consider using the Women's Empowerment in Agriculture Index (WEAI) to measure women's empowerment with a project. Programmes should also work together with partners who have greater expertise to address gender related issues that may go beyond IFAD's immediate mandate (e.g. gender-based violence, HIV, maternal health).
101. Nutrition sensitive production and awareness raising. With a stunting rate of children under 5 of 32 % IFAD projects in Lesotho are recommended to be nutrition-sensitive. This means projects should (i) identify nutrition pathways (e.g. nutritious food production; income generating activities; nutrition education; WASH; engagement in multi-sectoral platforms) and (ii) present the causal linkage between problem identification, desired outcomes and expected nutrition impacts. It is advised to engage a nutrition specialist during project design. According to the REACH implementation plan, core nutrition actions in agriculture include promoting (i) bio-fortification of micronutrient rich crops (e.g. iron-rich beans), (ii) food preservation and processing, (iii) crop diversification and (iv) homestead gardens.
102. HIV/AIDS. Lesotho has the second highest HIV prevalence in the world. It currently mostly addressed through social safety programmes (World Bank funded Social Assistance Project, EU and UNICEF collaboration on social protecting programme, USAID good health intervention, UNAIDS is supporting data collection on HIV/AIDS, Elizabeth Glaser Foundation is supporting both aids response as well as improved services for HIV/AIDS infected populations). IFAD programmes will take HIV/AIDS into account by, for instance, sensitizing extension workers, having training locations close to beneficiary households to reduce travel distance and time, promoting labour-saving and improved methods and crops, or promoting nutrition-sensitive agriculture to promote healthy nutritious diets. Project staff will sensitise beneficiaries on existing community health and welfare programmes (e.g. above mentioned ones) where they may find counselling and support. Many of these measures also account for the special needs of other vulnerable groups, such as people with disabilities.
103. Labour conditions. IFAD-supported interventions measures will ensure that contractors abide with sound labour and working conditions, and propose parameters to promote health and safety, decent work, and well-being of workers and local communities. Approaches to address potential risks of child labour in agriculture will be strengthened.
104. Grievance redress mechanisms will be included at project level.
105. Private sector engagement. With relatively low levels of commercialisation, the rural economy of Lesotho requires continuous efforts to engage the few available and potentially new private sector actors as input and service providers and off-takers. They are essential to stimulate markets that incentivise farmers to produce more at a better quality.
106. Quality improvement of agricultural produce. In order for farmers to export their produce or sell it to supermarkets or processing facilities, certain quality standards have to be met. IFAD-funded projects can support farmers through training,

technology and access to better equipment in order to increase the quality of their produce.

107. Access to information. Farmers need information on e.g. on market prices, pest outbreaks or weather forecasts. This helps them to make more informed decisions on what to plant, how and when, and most importantly when to sell. WAMPP is currently supporting the Government to build up better weather and climate information systems. Further projects should also support giving farmers the information they need.
108. Improve market linkages. Farmers have little incentive to produce more and/or better quality if they cannot sell it. Buyers on the other hand need a reliable supply of goods at the right time and in the right quality. IFAD can support linking producers and buyers to each other's mutual benefit.

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Appendix 1 to SECAP

Rural Youth Opportunities in Lesotho

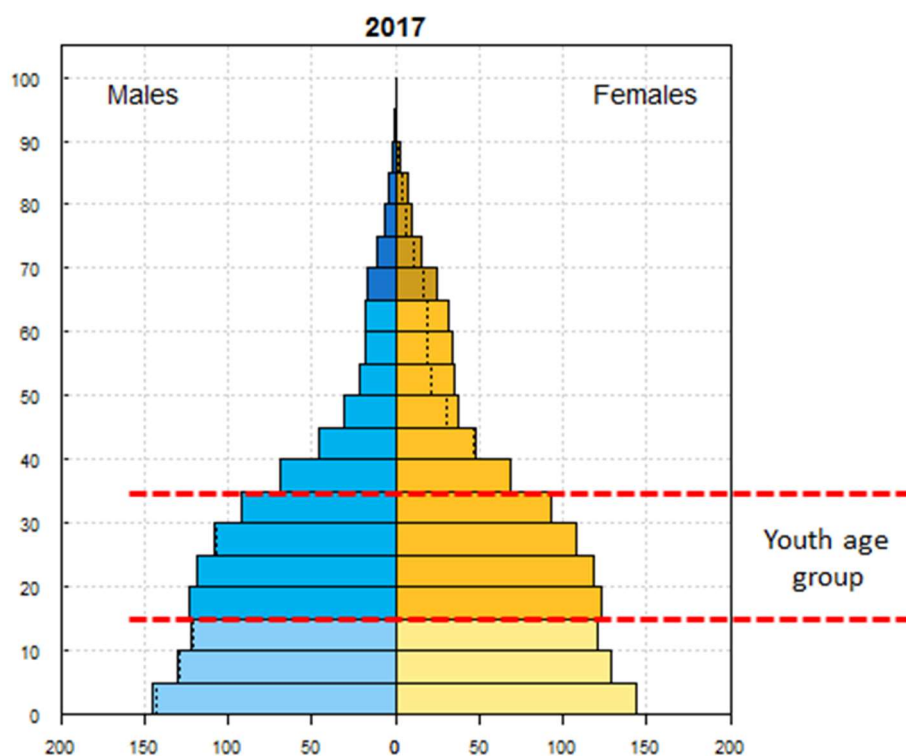


Photo by Oliver Mundy

This paper was prepared by Oliver Mundy, Francesca Romana Borgia and Rahul Antao in 2018 for the COSOP design of Lesotho to explore opportunities for IFAD to strengthen youth in the rural areas of Lesotho.

1. Rural youth in Lesotho

1. Youth are a diverse and heterogeneous group defined by the UN as women and men in the age group from 15 to 24 years. The definition of youth in Lesotho is broader and regards persons between 15 and 35 years of age to be youth. In Lesotho, youth have the following general characteristics:
 - With 39.8% they present a **large proportion of the total population** (UNDAF 2018)
 - They mostly live in **rural areas**. 74.6 % reside in rural areas and 25.4 % in urban areas, mirroring the urban-rural divide ([UNDP 2012](#)).
 - A large majority of youth are **engaged in agriculture**, the most important sector in rural Lesotho. Nearly half say farming is their most important source of food ([UNDP 2012](#)).



Graphic 1a. Population pyramid of Lesotho

2. Key challenges

2. **Low youth development.** The Youth Development Index of the Commonwealth Secretariat (2016) compares the youth development of 183 countries. Lesotho has a low Youth Development Index of 0.432 in 2016, mainly because of a very low health and well-being score (see graphic 2a). Other areas such as education, employment and civil participation score in a medium range. Political participation has a high score (0.678). The total score has not improved since 2010 (0.429).

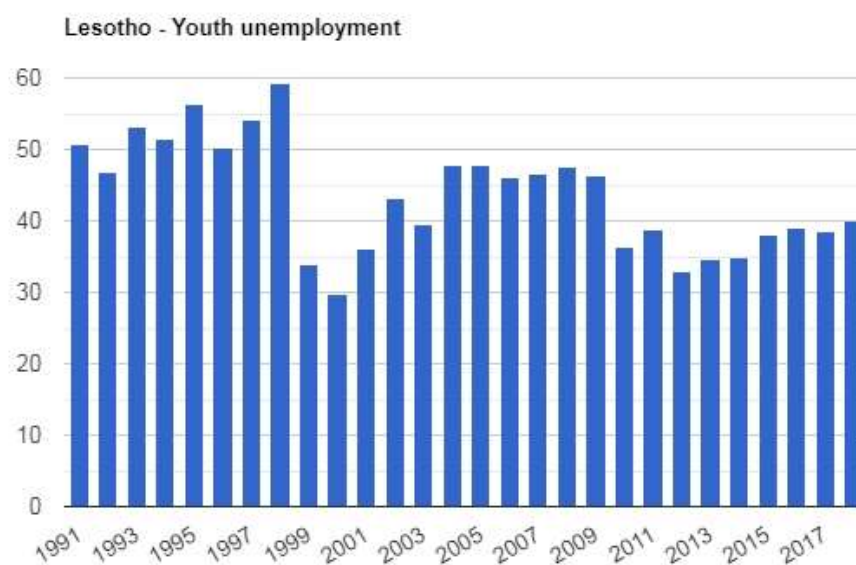
Domain	Rank	Score
Overall	171	0.432
Health & Well-being	182	0.036
Education	144	0.521
Employment & Opportunity	102	0.525
Civic Participation	66	0.596
Political Participation	62	0.678

Graphic 2a. Youth Development Index for Lesotho in 2016 (Source: [Commonwealth Secretariat 2016](#))

3. **Education.** According to [UNICEF](#) 74.2 % of male youth (15-24 years) and 92.1 % (15-24 years) of female youth are literate. Primary school enrolment in rural areas is at 88.3 %. Despite these encouraging numbers and high Government expenditure on education (14% of the public budget), various reports (UNDAF 2018; UN 2017; [WB 2015](#)) refer to the poor educational outcomes of the educational system. Root causes include poor quality of education, insufficient attention to early learning, low completion rates, low transition to secondary education (that remains a privilege for wealthy families) and disparities influenced by geographic and social factors.
4. **Poverty and unemployment.** The Bureau of Statistics reports 32.3 % of the young to be unemployed in 2014 (UNDAF 2018). The International Labor Organization (ILO) has a higher estimate and reports 38.5 % of total labor force ages 15-24 to be unemployed in 2017. Almost 80 % of the employed youth are working in the private sector, comprising 31 % in agriculture and 17.8 % in home-based income generating activities. For youth already in employment a very large proportion are working in non-contractual jobs which reflects high levels of job insecurity (UNDP 2012). It also takes a long time to find employment, even for those with tertiary education. According to UNDP 2015 high youth unemployment is linked to:
 - low access to labour market information;
 - lack of work experience;
 - low aspiration for self-employment;
 - a mismatch between available skills and labour market needs;
 - poor support for starting and sustaining businesses;
 - declining job opportunities in South Africa, especially in the mines for young males;
 - slow creation of new jobs, linked to an uncompetitive investment climate and shortages of industrial infrastructure.
5. The high unemployment rate prevents many of having a self-determined life with less economic constraints. Poverty among youth is estimated to be at 69 % ([UN 2017](#)). It encourages young women and men to migrate to larger cities or try to find work in South Africa. As many as a third of the students from the National University of Lesotho seek jobs abroad after graduation, mainly in South Africa ([WB 2015](#)).

Table 2a. Youth employment statistics (Source: [ILO Stat](#)) (Note: no statistics available for young people who are not in employment, education or training (NEET))

Indicator	Year	Value
Youth labour force participation rate (%)	2013	45.1
Youth labour force participation rate, men (%)	2013	52.6
Youth labour force participation rate, women (%)	2013	37.8
Youth unemployment rate (%)	2013	34.4



Source: TheGlobalEconomy.com, The World Bank

Graphic 2b. Youth unemployment in Lesotho 1991 - 2018 (Source: [globeconomy.com](#) and World Bank ([link](#)))

6. **Lack of services and infrastructure:** Many preconditions for successful youth engagement are not well developed in Lesotho. Markets and financial services are difficult to access. Access to electricity and mobile reception are slowly improving. Internet is still too costly for youth with low income. It takes time to travel to urban centers.
7. **Orphanhood and household headship.** HIV & AIDS is taking its toll. An alarmingly high number of youth (54 %) are confronted with the death of one or both of their parents, with 17.4 % of children under 18 being double orphans while 27 % are paternal orphans only and 9.6 % are maternal orphans only ([UNDP 2012](#)). Many youth have to take care of their younger brothers and sisters not allowing them to pursue further education, seek a job or develop professionally. Household headship has been found to be a feature associated with just 16.5 % of the youth population ([UNDP 2012](#)). Orphans and child-headed households are extremely vulnerable. They are generally poverty-stricken, lack proper parental guidance and care, and face emotional insecurity and stigmatization. Survival strategies include early marriages and working as herd boys or domestic helpers or engagement in other child labour activities (UNICEF 2006).

8. **Child labour.** About 23 % of children aged 5-14 are engaged in child labour (UNDAF 2018). Young boys looking after herds often have poor education levels, receive minimal compensation and face great poverty. They are also exposed to severe weather conditions and high risks of attack and stock theft. Affected children remain vulnerable, once they enter the youth age group.
9. **Early pregnancies.** 15% of women (ages 20-49) have their first birth when they are 15 years of age, indicating a high occurrence of premarital births. These girls are highly vulnerable, as they drop out of school and cannot complete their education. Unmarried mothers often have to rely on a single income for the upkeep of herself and that of the child.

3. Opportunities

10. **Reservoir of talent and innovation.** The large young population, also referred to as a youth “bulge”, presents the country with an important reservoir of talent, skills and manpower. Nearly half of all youth have a positive attitude towards entrepreneurship and have aspirations to start their own business (UNDP 2012; [De Gobbi 2014](#)). Youth are key change makers due to their greater willingness to do things differently, try out new things and explore digital technologies. They are willing to engage economically, but need employment-ready skills, and innovations. Youth are especially important for the agricultural sector, as nearly three-quarters reside in rural areas.
11. **Market availability.** While markets can be hard to be accessed, experience from IFAD’s project SADP I shows that the demand for horticultural products is given in Lesotho. Sellers have to import products from South Africa, because local producers cannot supply reliable quantities at the right time and at the right quality. Large urban centres and potential buyers are also found in South Africa. SADP has undertaken various [value chain studies](#) that can be found in IFAD’s knowledge base for Lesotho.
12. **Agricultural potential.** Though limited, most households have land assets, access rangelands, have labour and practice agriculture. Yields are in most cases very poor for a variety of reasons, but proven technologies and practices exist (e.g. greenhouses, irrigation, conservation farming) that can increase productivity and unleash Lesotho’s agricultural potential.
13. **Information and communication technologies (ICT).** Mobile phones and internet are appealing to rural youth and have high potential to facilitate access to information on increasing farm productivity, agricultural innovation, and provide access to financial services and markets. They have radically altered the ways information is being shared and greatly reduced the cost of acquiring new technical and business knowledge.
14. **Tourism.** South Africa is a tourist hotspot with millions of tourists traveling around Lesotho, but few enter the country. Lesotho’s culture and landscape have the potential to attract many more tourists and provide employment for young people in the tourism sector.
15. **Remittances.** Many households receive money from relatives who work abroad or in urban centres. Capital flow can be used to trigger investments at village-level.
16. **Development aid.** Lesotho receives millions in development aid each year. Better donor coordination could increase aid efficiency and channel more funds into youth development.

4. Targeting

17. **Differentiated targeting.** Due to the high number of youth and their heterogeneity, a differentiated approach should be taken into account as different

types of youth face different barriers. A division can occur by age groups (underage and adults), employment/skills, socio-economic status, gender and poverty. A good example for differentiated targeting in an IFAD-funded project in Nigeria is presented in Box 4a.

Box 4a. Example of good targeting of youth

A good example of targeting is in the design of the Community-Based Natural Resource Management Programme – Niger Delta (CBNRMP) in Nigeria contains detailed descriptions of five youth target subgroups:

1. out-of-school youth aged 18-35 in a structured environment (e.g. apprenticeship, self-employment or regular wage work);
2. out-of-school youth aged 18-35 in a non-structured environment (e.g. engaged in mostly unskilled casual work);
3. teenagers aged 12-18;
4. female youth of all ages; and
5. 'mature youth' aged 35-50 (i.e. mentors or master artisans).

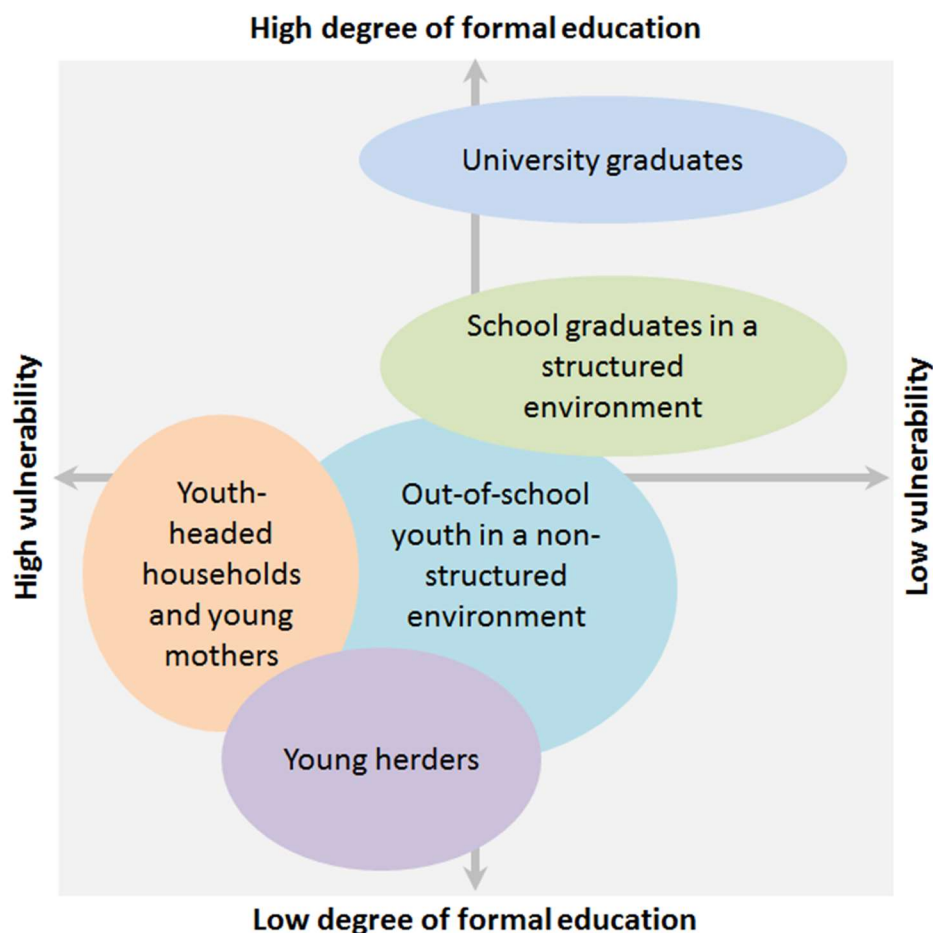
Note: Out-of-school refers to youth who i) Do not have access to a school in their community; ii) Do not enroll despite the availability of a school; iii) Enroll but later than they should have; iv) Enroll in schools that have poor facilities / no teachers; v) Drop out of the education system. Enroll but do not attend school (Source: [Unicef](#))

18. **Vulnerable youth.** IFAD programmes have to be aware of Lesotho's specific context. Many youth are household heads, bear the great responsibility of being young mothers, are HIV positive or are involved in time and labour-intensive household chores. This reduces their capacity to participate in social mobilization and trainings. IFAD funded programmes should identify ways to support this youth and at the same time avoid adding additional burden to them. For this specific target group, it is suggested to have a specific attention to the needs of the most vulnerable youth (especially adolescent girls, young household heads, school drop-outs and HIV positive youth) in order to help them graduate and therefore to becoming able to access project interventions along value chains in a profitable manner.
19. **Gender.** Female youth are more vulnerable than their male counterparts. Unemployment rates for female youth are more pronounced than for men. They face early pregnancies and are more likely to be HIV positive. Therefore young women should be prioritized.
20. **Youth target group profiles.** Table 4a presents the characteristics, needs and main pathways of support for different youth groups. The following youth target groups have been identified:
 - Young herders
 - Teenagers aged 15-18
 - Youth-headed households and young mothers
 - School graduates aged 18-35 in a structured environment
 - Out-of-school youth aged 18-35 in a non-structured environment
 - University graduates

Table 4a. Potential youth target group profiles for IFAD interventions

Characteristics	Needs	Main pathways for support
Young herders aged 15-35		
<ul style="list-style-type: none"> • Main users of rangelands • Spend most of the day looking after livestock • Get paid in livestock • Mainly provide services to livestock owners • Exposed to weather related risks and livestock theft • Little formal education • Follow traditional norms and keepers of indigenous knowledge • Low social status • Working poor • Power and dominance central to masculinity • Poor access to public services 	<ul style="list-style-type: none"> <input type="checkbox"/> Accessible, resilient and productive rangelands <input type="checkbox"/> Practices and tools for sustainable herd and grazing management <input type="checkbox"/> Strong and inclusive pasture institutions (grazing and herder associations) <input type="checkbox"/> Pasture infrastructure, including water points, rural roads, shelters <input type="checkbox"/> Animal health services and facilities <input type="checkbox"/> Markets to sell live animals and livestock products <input type="checkbox"/> Fodder to feed animals during winter <input type="checkbox"/> Alternative professions 	<ul style="list-style-type: none"> • Non-Formal Education • Basic numeracy and literacy skills • Security against theft • Strengthening of capacities and inclusivity of pasture institutions • Promotion of sustainable herd and grazing management including destocking and breeding • Linkage to alternative professions
Teenagers aged 15-17		
<ul style="list-style-type: none"> • Most likely engaged in education • Not children nor adults • Face legal boundaries e.g. to access finance, job opportunities etc. • Support family in household chores • Practice agriculture • Girls may face early pregnancies 	<ul style="list-style-type: none"> • Skills and training • Support networks • Recreational activities • Employment • Information needs 	<ul style="list-style-type: none"> <input type="checkbox"/> Secondary education <input type="checkbox"/> Vocational training <input type="checkbox"/> Youth groups or other village-level support networks <input type="checkbox"/> Mobility and internet <input type="checkbox"/> Sports and recreational activities to stimulate them and keep them away from trouble <input type="checkbox"/> Household methodologies
Youth-headed households and young mothers		
<ul style="list-style-type: none"> • Carry great responsibility for household chores, care of siblings and food/income generation • Affected by malnutrition • Bound to homestead limiting their time and reach to attend other activities • Extremely vulnerable • Lack social and economic safety nets 	<ul style="list-style-type: none"> <input type="checkbox"/> Social and economic safety nets <input type="checkbox"/> Alternative livelihoods 	<ul style="list-style-type: none"> • Linkage to social protection programmes of government, churches and NGOs • Labour-saving technologies • Completing education • Saving groups • Tailored support for income generating activities

Characteristics	Needs	Main pathways for support
School graduates youth in a structured environment		
<ul style="list-style-type: none"> • Engaged in apprenticeship, self-employment or regular wage work • More likely to have enjoyed formal education • Economically active • Practice farming 	<ul style="list-style-type: none"> • Further skills development, specifically business skills and vocational skills • Self-employment opportunities 	<ul style="list-style-type: none"> • Assess to finance • Skills enhancement • Household methodologies • Sports and recreational activities to stimulate them and keep them away from trouble
Out-of-school youth in a non-structured environment		
<ul style="list-style-type: none"> • Engaged in mostly unskilled casual work • School drop-outs • May be HIV positive • Practice farming • Females face higher unemployment rates 	<ul style="list-style-type: none"> • Skills and training, specifically vocational and business skills 	<ul style="list-style-type: none"> • Vocational training • Employment in agricultural value chains • Household methodologies • Sports and recreational activities to stimulate them and keep them away from trouble
University graduates		
<ul style="list-style-type: none"> • Received higher-level education 	<ul style="list-style-type: none"> • White-collar jobs • Self-employment opportunities 	<ul style="list-style-type: none"> <input type="checkbox"/> Entrepreneurship programmes and business incubators <input type="checkbox"/> Assess to finance <input type="checkbox"/> Professional support networks <input type="checkbox"/> Employment in agribusiness <input type="checkbox"/> Incentives to avoid brain-drain



Graphic 4a. Schematic overview of youth target group profiles according to level of vulnerability and degree of formal education

5. Menu of interventions

21. The following sections present a range of different types of possible interventions in youth development that might be interesting for IFAD.

Capacity building and networks

22. **Youth groups.** Evidence shows that youth are more likely to succeed, the better educated they are and if they are organized in groups. Groups may offer more labour, peer-to-peer learning and knowhow. Risks are spread over the individuals of the group. However, observations from SADP show that young people (in this case mostly those who were relatively well-off) often prefer to engage in business alone or with their family as the perception for young people is that group-based business is less profitable.
23. **Youth forum.** Such a platform can be useful to promote youth agribusiness. Young agroentrepreneurs can meet and exchange ideas. The forum could also promote youth engagement in policy dialogue with governmental and other institutions. Such platforms already exist in Lesotho. These are listed in the institutions section.
24. **Youth-sensitive farmer organizations and cooperatives.** The social capital of young people can be enhanced by ensuring that they are members of farmer organisations and cooperatives and that these are responsive to their needs and

inclusive of their ideas. Cooperatives can promote mentorship programmes for youth who are already in business.

25. **Extension approaches.** Young farmers should be a main target group for extension services, especially in remote rural areas. There are various extension approaches to enhance farmers' knowledge and skills, and to advise them on farming matters. Examples include:
 - Farmer-to-farmer teaching. Peer-to-peer education is effective, because local farmers know best what challenges their peers are facing. The NGO Growing Nations works together with farmer champions and employs them to travel around the country to train other farmers.
 - Farmer-field-schools. A group of farmers meet regularly for an extended period of time to learn about good agricultural practices. They are accompanied by a trained facilitator. In many cases the group has a joint business or also form a savings group. World Vision is currently applying this approach in Lesotho. Often a training-of-trainers approach is used to create a pool of qualified staff to reach out to farmers.
 - Participatory Integrated Climate Services for Agriculture (PICSA). This is a participatory extension approach to create awareness on climate risks in farming and promote better planning. This approach is currently rolled out under WAMPP.
26. **Vocational training.** Acquiring practical employment-ready skills could address the mismatch between available skills and labour market needs. Examples include carpentry, tailoring, computer skills, building and concrete work, motor mechanics, welding, hairdressing, art and crafts, driving, leather and bead work. Financial skills and business management skills are also important.
27. **Youth centres.** The basic idea of such centres is to provide space for youth to meet and learn. Keeping youth engaged makes them less likely to fall deeper into the poverty trap and may prevent early pregnancies and HIV infection. At the same time the youth can learn useful things that school does/did not teach them. These multi-purpose buildings could provide space for vocational training, offer training on business skills, tourism or agriculture, and offer room for youth groups or sport groups to meet. Offering free wifi could be one major incentive for youth to come to the centre, as mobile internet can get costly. Youth centres could be linked to or run by NGOs, churches or businesses. Ten youth centers have been established by [UN Volunteers](#) in 2017 (and possibly by GIZ). It would be interesting to know how well they are running.

Access to land

28. **Dealing with land.** Many youth have limited access to land and do not have the funds to purchase it. Approaches to deal with this exist (see Box 5a) and include:
 - Focusing on off-farm activities that do not require land titles
 - Engaging in policy and with community leaders (with chiefs and councils) to give priority to young people or to enterprises that employ young people
 - Encouraging families to grant land usage to young family members
 - Providing Incentives to community initiatives that involve youth to use and manage land
29. **Rehabilitation challenge.** Land degradation is a major problem in Lesotho. Many farmers abandon their fields. While this is severe for the environment and livelihoods, it offers an opportunity for youth to attain land. Degraded fields and sections of dongas can be handed over youth for rehabilitation and income generation. Potential economic activities could have environmental benefits e.g. fruit tree plantations (no soil disturbance and soil fixation) or growing fodder crops

(covering soils and preventing soil erosion). One farmer in Tebellong is doing this and is purchasing the heavily degraded fields around his plots.

Box 5a. Creating incentives to grant youth access to land in Senegal

Young people supported by the PAFA project in Senegal negotiate access to land with their families. They were supported by youth groups, young agricultural extension officers and mixed-age farmers' groups.

The project favoured farmers' organizations that had youth and women as subproject holders (porteurs de sous-projets). This meant that the organizations themselves had an interest in convincing households to give young people access to land and allow them to be subproject holders.

For commercial gardening, access to land (along with certified seed and fertilizer) was guaranteed through assigning land to youth from the start. This was generally community land that was granted to youth and women's groups by the village authorities to set up the commercial gardening initiative. Hence, the organizations themselves had an interest in convincing households to give young people access to land and allow them to be subproject holders.

Access to finance

30. **Youth-sensitive financial products.** The creation of a credit guarantee fund allows small rural enterprises to access credit at lower rates. The enterprises could be directly managed by young people or create wage labour for them. Credit guarantee schemes are an attractive form of support for rural enterprise development in developing countries where non-availability of finance has been a serious constraint in developing the rural business sector. However, IFAD's experience indicates that solely publicly-funded schemes often fail and that guarantee schemes should only be supported when the commercial banking system is ready to participate. LNDC mentioned that they are currently developing credit lines specifically for youth.
31. **Digital financial solutions.** Financial intermediation is growing rapidly in Lesotho with the increase in credit extension, though still relatively low, though with financial innovations in mobile money (MPESA and Eco-cash), a very positive outlook is anticipated in the medium term (UNDP 2015).
32. **Saving groups.** The MPAT survey carried out in Lesotho indicates that most credit is still sourced through friends and family. For those youth who are not ready to engage in marketing activities, forming self-help groups with savings and credit activities and providing financial literacy can be a valid option (see also youth In Action approach (Box 5g). The advantage is that saving groups already exist in Lesotho's villages and can be supported.

Access to business development services

33. **Business clusters.** Horizontal cooperation and networking among farmer groups and organizations is a widely recognized strategy for aggregating production and achieving economies of scale. This form of networking – clustering – could provide attractive benefits also to youth by concentrating services in particular areas and supplying them to a close network. The concentration of youth with similar goals and values in a geographical area and within localized productive systems will also lower transaction costs and thereby foster improved efficiency of market transactions and greater productive flexibility. The existence of a tight network of relationships also creates a favourable background for collective action, with positive impacts on innovation. The cluster approach recognizes that youth are more likely to be innovative and successful when they interact with other actors in the supply chain. By promoting vertical and horizontal links between youth enterprises in specific geographical locations, as well as supporting relationships

with facilitating organizations, clustering promotes the provision of “bundles” of services and is likely to increase productivity

34. One example comes from the CBNRM project in Nigeria where an umbrella association of diverse commodity groups, formed by two to three representatives from each group within a benefiting community was created. This is a trend already starting under SADP where different groups are forming platforms by commodity to exchange information and should be further explored.
35. **Business development services.** Such services are a good way to support young businesses. UNDP (2015) recommends to turn the youth that already have some business management skills into entrepreneurs by providing necessary business support services. Projects can strengthen the capacities of service providers to tailor their services to young entrepreneurs and create links with youth groups. Business development services can include:
 - Training in entrepreneurship and business development skills
 - Linking beneficiaries to financial institutions
 - Start-up grants for business
 - Development of marketing tools
 - Development of business systems (e.g. accounting software)
 - Provide awards for best start-ups (see Lesotho Start Up Awards as an [example](#))

Box 5b. Lesotho Enterprise Assistance Program (LEAP)

The IDA-World Bank program supported over one hundred Basotho-owned micro, small, and medium enterprises (MSMEs) as well as cooperatives. Assistance provided under the included grants for technical capacity building to improve market readiness, development of marketing tools such as websites and other branding and promotional material, and the development of business systems such as point of sales systems and accounting software.

Source: [World Bank](#)

36. **Youth Agribusiness Incubators.** This model accompanies youth entrepreneurs to establish their own businesses through a package of different services including training, funding and mentorship. Most incubators have a principal focus on talented and motivated university graduates. The approach aims to change the mind-set of young entrepreneurs. Incubators support them strongly in the first phases of their businesses and continue to provide mentoring plays later on. Incubators provide entrepreneurs with practical experiential learning by involving them in pilot enterprises. They provide shared facilities and equipment alongside business development, market access, technology transfer and financial services that are backstopped through mentorship and networking. In most cases a grant scheme helps to kick-start businesses.
37. The value-chain logic permeates the entire model. Targeting based on commodity opportunities is more effective than geographic or poverty-based targeting. Lessons from IFAD projects (see Box 5f) show that incubators should be focused on a few commodities. This specific lesson learnt ties up well with the lessons emerging from SADP, where efforts to create groups along many value chains diluted the effectiveness of the project in creating sustainable enterprises.
38. Successful models have been developed by IITA (Box 5c) and Save the Children (Box 5g). BEDCO, a para-state entity in Lesotho, has recently launched a second edition of their incubator programme (Box 5d).
39. Guidelines are available to help design agribusiness incubations (Owoeye et al. 2016, Woomer et al. 2015) that have successfully directed youth toward the formation of winning agribusiness plans (Ohanwusi and Woomer 2018). An

estimation of cost-benefits related to launching Agribusiness Incubation schemes can be provided.

40. The African Development Bank has apparently developed an incubator strategy for Lesotho and aims to build up a pool of consultants who can provide trainings. More information has been requested.

Box 5c. IITA Youth Agripreneur initiative (IYA)

“The program was designed to guide underemployed university graduates towards careers in market-oriented agriculture and agribusiness. The approach used was experiential, allowing clusters of youth to explore options for income generation, and then develop business plans and enterprises around the most promising ones. By 2017 the emerging Agripreneur Movement had expanded to 13 groups operating 36 learning-by-doing enterprises in six countries (DR Congo, Kenya, Nigeria, Tanzania, Uganda, and Zambia). During this process, IYA developed several inventive agribusiness models attractive to young aspiring business persons, capacities in youth advocacy and agribusiness training; an array of effective communication, technical, and training tools targeting youth; and expertise in resource mobilization and partnership management. Today, IYA offers a valuable mechanism of providing leadership and services to youth across Africa, developing collaborative programs that advance youth agribusiness skills, and increasing both agribusiness opportunities and the creditworthiness of youth.”

Source: [IITA](#)

Read more: [The IITA Agripreneur Approach](#)

Box 5d. The business incubator programme of BEDCO

From 2014 to 2017, the Basotho Enterprises Development Corporation (BEDCO) based in Maseru launched the first edition of their business incubator programme for university graduates. The programme had in the phases:

1. Young entrepreneurs participated in a business plan competition. Around 40 business proposals were accepted to benefit from the incubator.
2. The 40 potential businesses received training on how to improve their business plans. They worked on their proposals and resubmitted them.
3. The top ten were selected to receive grant funding of around 2 M Maloti to implement their proposals. They also received coaching and mentoring for up to 2 years.

In May 2019, 12 of the businesses were still active. Most of the businesses dealt with textiles and art&craft. None were in the agricultural sector. Independent consultants provided the trainings and mentoring. Due to the success BEDCO launched a second edition of their incubator programme at the end of 2018.

Source: Pasha Shale, Executive Head Enterprise Development, BEDCO; cell: 58855000 or 62858000; Email: p.shale@bedco.org.ls

Box 5e. Student Enterprise Project (SEP) of the Lesotho Agricultural College (LAC)

In their last year, students can enroll in a Student Enterprise Project (SEP). This was an initiative of the LAPIS (Lesotho Agricultural Production and Institutional Support) programme funded by USAID in 1986 under which a revolving fund was set up. Students prepare a proposal for a small agricultural project and can then borrow money for the project, and implement it under the guidance of the lecturers. They have to repay the loan with some interest, and can take the profit and the remaining resources back home. Last year, 50 students participated in SEP. The remaining fund is 400,000 Maluti, leaving very little for each student. Constraints are:

- Students have difficulties to continue their business at home once graduated due to lack of capital
- The size of revolving fund is not big enough, and available infrastructure on campus is inadequate (i.e. no irrigation equipment, shadenets, polytunnels etc.)

There are several LAC graduates among the SADP grantees, and most are doing very well. SADP-II, and especially the youth grant window, could establish linkages in the following ways:

- Work with LAC to create awareness among the students graduating in year 3 and support them to submit business proposals to SADP-II
- Involve young LAC graduates in the climate-smart-agriculture and nutrition activities
- Support the revolving fund at LAC, which is currently around 27,000 USD, and infrastructure at LAC campus

Source: Eva Jordans meeting Lesotho Agricultural College

Box 5f. Youth incubator approach of the LIFE-ND project in Nigeria

The LIFE-ND project scaled up the incubator approach, drawing experience on the IITA model. The model follows these phases:

1. Applicants from the target group are identified by business development service (BDS) providers based on selection criteria;
2. Successful applicants become trainees and undergo a 10-day business planning and management training;
3. Successful trainees are linked to willing incubators where they become *apprentices*. After submitting a business plan, they undergo a practical orientation for one to two weeks;
4. Then, apprentices execute two production and sales cycles under the mentorship of the incubator;
5. Following the two production cycles, the apprentices start their own *enterprises* and are encouraged to agree with their incubator a number of cycles during which they will market their output to the incubator as their off-taker;
6. Following this process new enterprises may themselves become incubators.

LIFE-ND builds on lessons from CBNRM in Nigeria, that piloted the incubator model. Commodity and enterprise targeting are critical for good performance results. Unlike CBNRMP that supported an unlimited number of commodities and their associated agri-enterprises, LIFE-ND emphasised the top four state government priority commodities with consideration to their level of: (i) return on investment; (ii) potential to create jobs for the beneficiaries; (iii) food and nutrition security; (iv) capacity for import substitution; (v) industrial demand; and (vi) availability of private sector players to drive production and offer reliable market outlet.

The main requirements used by the project to identify suitable incubators were:

- ongoing operations in the specific value chains prioritized for the particular state;
- clear linkage from the business operation to higher value and higher volume off-takers;
- clear linkage from the business operation to reliable service and input suppliers;
- physical premises for the business with a location in proximity to a reliable road;
- annual sales revenue of at least US\$ 15,000; and
- willingness to mentor others.

41. **Youth-sensitive value chain development.** The IITA Youth Agripreneur initiative (IYA) (see Box 5c for more information) has identified several promising commodity-based business models best suited for young people (Owoeye et al. 2016). These models serve to rapidly integrate technical and business opportunities within their agricultural value chains. Value chains could be supported by establishing technology parks and strong business networking. These are several agribusiness sub-sectors that are attractive to youth:

- Root crop production and processing: Potatoes are the most important starchy roots in Lesotho. Youth may be provided direct access to improved varieties of the major root and tuber crops from research institutions, as well as their accompanying advanced vegetative propagation systems and improved management innovations. This model also links strongly to opportunities for small-scale mechanization.
- Vegetable horticulture: Lesotho has a high potential to produce high value crops such as fruits, vegetables, and potatoes. This model is founded upon the growing preference for quality fresh vegetables and the increased availability of the improved varieties, equipment, and supplies needed to operate these enterprises. Incubated horticulturists have identified which vegetables are in demand and

perform best, how to rehabilitate and build inexpensive greenhouses and screen houses, and systems for seedling production, irrigation, fertilization, pest management, grading and post-harvest handling ([World Bank 2018](#)).

- **Value-adding commodity handling and food processing:** Food processing is preferred by many youth who are less interested in farming and more attracted to marketing and value addition. Commercial horticulture is a new industry in Lesotho and has not yet realized its potential. Over 80 percent of fresh fruits and vegetables are imported (based on interviews with supermarkets). Fruits and vegetables in Lesotho are grown primarily by smallholders for subsistence consumption; skills and productivity are low. About 300 fruit and vegetable farmers produce mostly for the market (Bureau of Statistics 2016); but fewer than 10 have regular contracts with supermarkets. There are no aggregators or commercial packing and processing facilities; all inputs are imported. The most significant challenges faced by the sector are lack of a functioning land market (only 232 farmers have land titles) and irrigation, poor productivity of smallholders, and weak linkages within the value chain.
- **Provision of ICT-based services to smallholder farmers.** Agriculture is also becoming increasingly hi-tech. Technology is used to provide farmers with real-time information on prices, connect them with traders, and provide weather forecasts and extension services. A niche-market for jobs such as providing tech support to older generations of smallholders can be explored. Investments in broad digital skills and specialized programming skills can improve labor market outcomes (particularly for youth), reduce skilled migration to South Africa, and strengthen the competitiveness of the Lesotho economy.
- **Fish farming and processing.** Fish farming plays a very important role in the development of the fisheries sector in Lesotho. It is in fact the most economically viable fisheries development, with potential for further development ([FAO 2008](#)). A significant development is the manufacture of more affordable feeds by youth that lower production costs and increase profits, and adjusting their ingredients to different agro-ecological conditions.

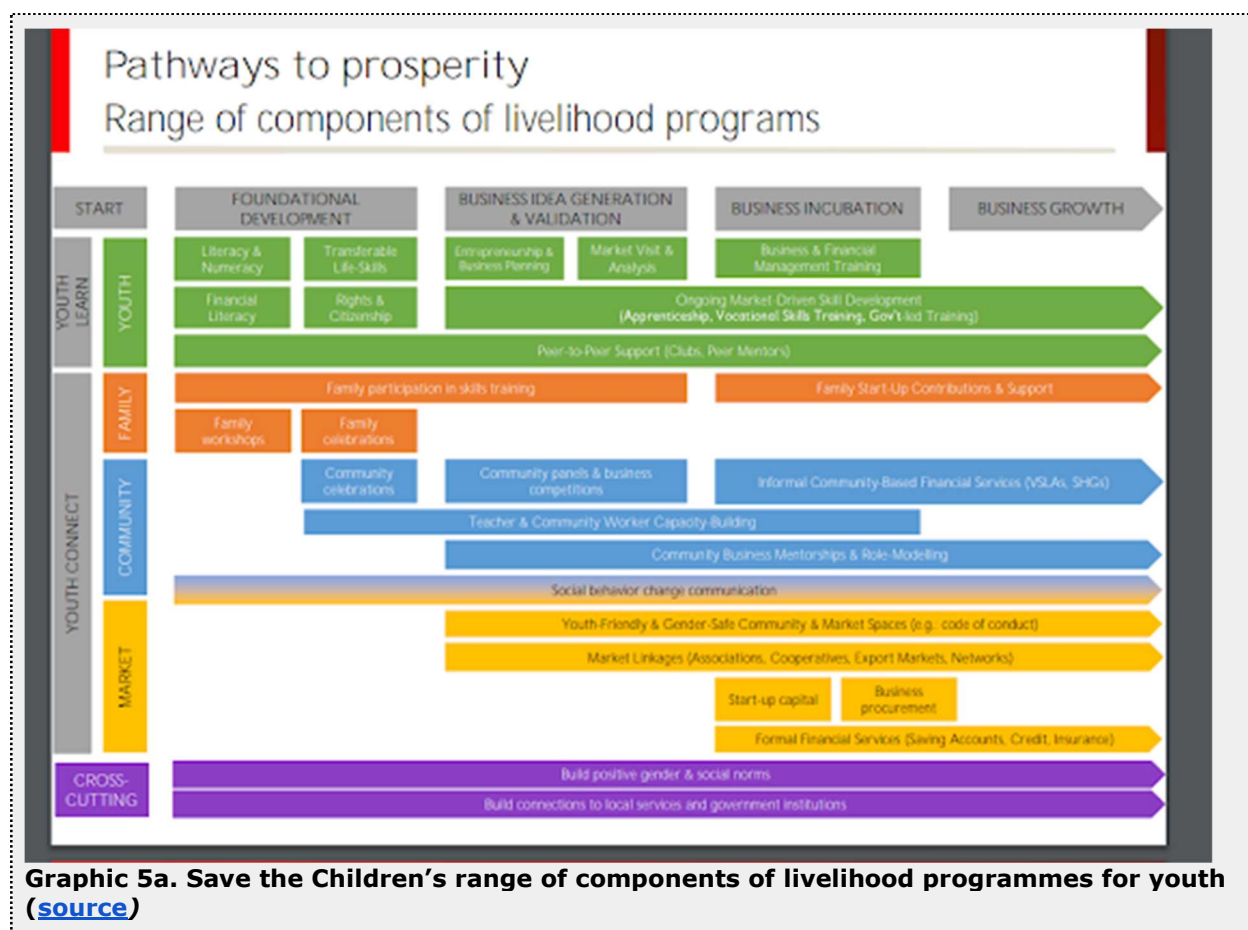
Combined approaches

42. **Multi-pronged approaches.** Interventions in youth development are seldom single activities, but rather a combination of different types of interventions. Their aim is to empower young people to benefit from the opportunities created by the projects. One example for combining various approaches is the Youth IN Action approach developed and piloted by Save the Children in five countries (see Box 5g).

Box 5g. 'Youth IN Action' approach piloted by Save the Children

"Launched in 2012, Youth in Action (YiA) was a six-year program implemented by Save the Children in partnership with the Mastercard Foundation. The goal of YiA was to improve the socioeconomic status of 40,000 out-of-school male and female youth (12-18 years) in rural Burkina Faso, Egypt, Ethiopia, Malawi, and Uganda. The YiA program aimed to strengthen foundational work readiness skills, then develop business and management capabilities, and create space to apply learned skills, all while supported by family and community. This combination, as illustrated in Figure A, was hypothesized to lead to improved socioeconomic outcomes for youth. For the majority of program participants, this model led to opportunities grounded in agricultural value chains or agri-business"

Source: [Save the Children](#)



Policy engagement

43. Many barriers to youth development are policy-related. IFAD-funded projects should analyse potential barriers and advocate for changes to further strengthen the enabling environment. A [2006 paper](#) by the [Ministry of Gender & Youth, Sport & Recreation](#) describes Lesotho's original youth policy. Its objectives focus on environment, poverty reduction, employment, education & training, health & welfare, arts & sports, human rights, social integration, culture & values and youth participation. A "supportive national youth policy" will be created, as described on the [UNDP Lesotho country page](#). However this seems to have not been developed yet.

6. Finding and reaching out to youth

44. Here are some ways how IFAD projects can identify and reach out to vulnerable youth:
- **Social media.** Youth use social media a lot and use it to access information. Facebook and WhatsApp are widely used in Lesotho. Most networks have their own Facebook groups (e.g. Young Lesotho Farmers Association - see [link](#))
 - **Distribution** of brochures, flyers and market information leaflets
 - **Radio discussions**
 - **Educational facilities** such as schools and universities (see list of institutions in [database](#))
 - **NGOs, churches and networks** often support and host youth groups at community level.

- **Data sets:** Facebook has recently published high-resolution population datasets for Africa, including youth (ages 15-24). They have been uploaded on IFAD GeoNode:
 - (Facebook) Number of Youth Ages 15-24 per Grid Cell (30 Meters) in 2018 In Lesotho ([view data](#))
 - (Facebook) Total Number of Youth (15-24 years) by District in Lesotho 2018 ([view data](#))

7. Institutions

45. The following table presents a list of institutions and their youth-related activities. This list is not exhaustive.

Table 7a. Institutions and their youth-related activities

Institution	Description	Youth-related activities
Ministry of Gender and Youth, Sports and Recreation (MGYSR)	Ministry responsible for social inclusion of women and youth	Information to be obtained
Ministry of Education and Training (MOET)	Ministry responsible for primary, secondary and tertiary education	Information to be obtained
Lesotho National Development Corporation (LNDC)	Parastatal entity supporting the mandate of the Ministry of Trade and Industry Own buildings and most business parks worth two billion Moluti Shareholder of several companies (e.g. Avani, Maluti Mountain Brewery, Lesotho Flour Mills) New strategy aims 80% of new investments to be directed towards agriculture Planning to promote and co-finance processing facilities (outgrower models) for poultry, piggery, dairy, fruit and vegetables and aquaculture (Financing: 40% LNDC, 30% foreign investor and 30% local investor)	Designing business parks in a way that young businesses can expand if they need more space Developing credit lines that are also attractive for young entrepreneurs Outgrower models for poultry, piggery, dairy, fruit and vegetables and aquaculture offer employment opportunities for youth Young farmers/companies (from SADP I + II) could benefit from contract farming to supply outgrower models
Basotho Entrepreneurship Development Corporation (BEDCO)	Parastatal entity under the Ministry of Small Business Development, Co-operatives and Marketing to promote micro, small and medium enterprises	Have launched the second edition of their business incubator programme that includes business plan development, training, mentoring and financial support (see Box 5d)
Lesotho Agricultural College (LAC)	Educational facility on agriculture with around 560 students enrolled Three year programmes for 6 diplomas: Agriculture, Agricultural Education, Forestry and Resource Management, Home Economics, Home Economics Education,	Agriculture training of youth, mainly aged 17 and 18 Student Enterprise Project (SEP) (see Box 5e that also describes support opportunities)

Institution	Description	Youth-related activities
	Agricultural Engineering, Land and Water Management Many students are sponsored by the government	
Lesotho Youth Federation	Faith-based youth network	Information to be obtained
Lesotho Council of NGOs (LCN)	Umbrella organization for NGOs established in 1990 with an objective to provide supportive services to the NGO Community	Information to be obtained
National Youth Council	Information to be obtained	Information to be obtained - most likely not active anymore
Entrepreneurship Network	See Facebook page	Information to be obtained
Private Sector Foundation of Lesotho (PSFL)	Umbrella body for the private sector in Lesotho launched in 2009 aiming to create employment and promote strategic sectors of the economy such as tourism, agro-industry and mining	Information to be obtained
Lesotho Chamber of Commerce and Industry (LCCI)	Information to be obtained	Information to be obtained
Youth Entrepreneurship Development Agency - YEDA Lesotho	Lesotho based non-governmental entrepreneurship development organisation	No information obtained - most likely not active anymore
World Vision	International NGO having various livelihood programmes in Lesotho	Farmer Field Schools Saving groups
Kick4Life F.C.	Football club dedicated to social change and transforming the lives of vulnerable young people in Lesotho as a charity and a social enterprise	Training Entrepreneurship project (more information to be obtained)
Growing Nations	NGO based in Maphutseng promoting conservation agriculture	Resident Student Program at Maphutseng since 2010 that trains, equips and transforms 10-12 young farmers aged between 18 & 30 for a period of 2 years
Action Lesotho	NGOs working in rural areas	Vocational training

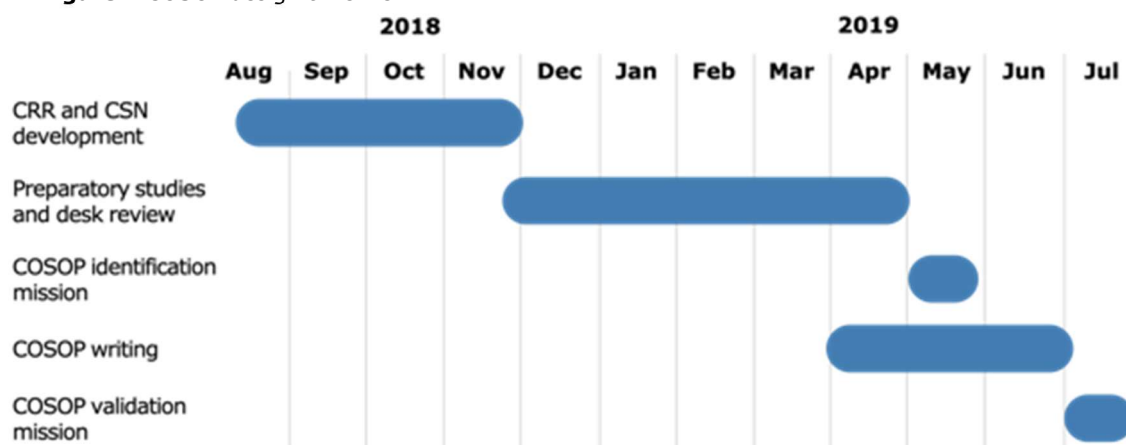
Literature

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- IFAD'S ENGAGEMENT WITH RURAL YOUTH Case studies from IFAD loans and grants https://www.ifad.org/documents/38714170/40257372/youth_engagement.pdf/ba904804-060c-49ed-83c5-bd5d70a99335

COSOP preparation process

1. The COSOP preparation started with the conclusion of the Country Result Review (CRR) and Country Strategic Note (CSN) that took place from August to October 2018. The COSOP 2019–2025 builds on these documents and preparatory studies in themes such as youth, nutrition, remittances, and climate (see Appendix XIII). Besides the analysis of relevant documents, the present COSOP was designed in close consultations at national level with a wide range of stakeholders, such as (1) government agencies involved in thematic areas such as MAFS, MFRSC, Ministry of Small Business Development, Co-operatives and Marketing (MSBCM), MDP and MF; (2) development agencies such as FAO, WFP, World Bank, GIZ, and others; and (3) private and nongovernment organizations such as LENAFU, LNWGMA, LNDC, and other international and local NGOs. The main objective of the adoption of participatory approach was to ensure that the relevant public and non-public stakeholders had the opportunity to provide their inputs and commitment, along with the several steps of the COSOP design.

Figure 1 COSOP design timeline



2. **Consultation.** With the support of the WAMPP Project Management Unit (PMU), the IFAD team organized two in-country missions: the COSOP identification mission (May 27–31) and the COSOP validation mission (July 6–9). The missions were divided into two main activities: bilateral consultations with strategic stakeholders and workshops. Within the bilateral meetings, the main objective was the sensitization and collection of information for the preparation of the COSOP. The list of stakeholders who met during the COSOP formulation is in Appendix XV. On the other hand, the objective of the workshop was mainly the validation of the COSOP content. The first part of the workshop was the presentation of the strategic objectives and the preparatory studies' findings, followed by the work group dynamics to validate and expand the content of COSOP (see also Appendix XVI). The COSOP was shared with the United Nations Country Team members for comments.

3. **Document preparation.** The COSOP writing started to draft the COSOP document text for strategic objectives, lessons learned, IFAD's comparative advantage, and strategic context to have a zero draft before the COSOP identification mission. The zero draft was developed from April to May. After the COSOP validation meeting, the formulation team reviewed and aligned the document according to the inputs received.
4. **Formulation team.** Philipp Baumgartner, CD ESA/SA Hub, directed the COSOP formulation 2019–2029, assisted by the ESA/SA Hub team composed of Prof. Chris Tapscott, Rural Development expert; Erika A. Valerio, Agricultural Economist; and Christian Dietz, Programme specialist. From the IFAD headquarters are Shirley Chinien, Lead Regional Economist, ESA; Oliver Mundy, Environment and Climate specialist; Elena Pietschmann, Regional officer; Alessandro Neroni, Procurement Consultant, and from the sub-regional office in Kenya, Zainab Semgalawe, PMI; and Caroline Alupo, Regional Finance officer. The team greatly benefitted from desk-reviews prepared by the ECG's Youth desk (Tom Anyonge, Francesca Borgia and Rahul Antao) as well as PMI's Remittance team (Pedro De Vasconcelos, Mauro Martini and Julia Marin-Morales). Robson Mutandi, CD ESA/SA Hub gave valuable guidance.

Strategic partnerships

<i>Partnering objectives</i>	<i>Partners/networks/platforms</i>	<i>Partnership results and outcomes</i>	<i>Justification for partnership</i>	<i>Monitoring and reporting (to be completed for CRR and CCR)</i>
Engaging in policy and influencing development agendas	FAO, WFP WB EC/GIZ	FAO – well implemented LIMAP project and sustainable supervision modality for rangeland established. WFP – Nutrition related activities retro-fit in active portfolio and link between nutrition and agriculture production strengthened. WB, FAO and others – Agriculture sector dialogue and strategic planning established as recurrent event; Sector activities better monitored; Sector strategy better developed and adhered to by donors; EC/GIZ – ICM governance mechanism strengthened and investments in catchments coordinated.	FAO – analytical work and implementation around Catchment Management and implementation of LIMAP. WFP – comparative advantage in nutrition related work. WB – strong political standing and willingness to partner on agricultural sector aspects in Lesotho. EC/GIZ – running large scale project on catchment management that focuses on multi-sectoral coordination and governance, under which LIMAP and WAMPP play an important role.	LIMAP/GEF supervision reports. Nutrition related activities in partnership with WFP and their performance – either in projects or as CLPE reviewed. National strategy on Agriculture established and its implementation progress reviewed/adjusted as through national reviews and discussions. Governance system on ICM strengthened and coordination of relevant ministries and donors achieved.
Leveraging co-financing	WB, OFID	International Co-financing leveraged in terms of project co-financing.	Funding in SADP 2 and LIMAP promised by both donors.	Co-financing in projects available.
Enabling coordinated country-led processes	FAO, WB	FAO – Developed Agriculture Investment Plan. WB – Facilitated with IFAD and FAO country level Agriculture Sector strategic planning/reviews.	FAO tasked to lead on national planning process. WB, with IFAD committed to closely align with FAO on the planning and review.	Sector strategic plan and progress reports.
Developing and brokering knowledge and innovation (including SSTC)	WFP, UN-India SSTC Fund;	WFP - FNG analysis and further nutrition approaches brought to Lesotho and the active projects. SSTC Fund – Funding knowledge exchange on cottage industry/wool and mohair product-links to high end markets.	WFP expertise from the region and beyond. UN SSTC fund has resources to provide knowledge. Other IFAD SSTC hubs might be brought in, too.	Project level interventions informed by expertise from WFP at country and sub-regional office. Additional funds and expertise source from SSTC fund and hubs to strengthen projects effectiveness.
Strengthening private sector engagement	Africa Clean Energy	Sustainable partnership of the company within project and increased up-take of the clean stoves+ mobile phones.	Domestic producing company with an innovative clean stove, paired with solar panel and smart phone allowing a combined intervention.	Progress reports and supervision mission reports from LIMAP.
Enhancing visibility	WB WFP	National events, such as Agriculture Day. Nutrition related campaigns with UN and IFAD logos.	In 2019 WB led the agriculture day, but asked IFAD and others to play a leading role in future years. WFP has expertise and ambition for large-scale campaigns around nutrition and potentially gender, where IFAD and its project might co-finance and gain significant visibility.	Annual or bi-annual agriculture days take place and IFAD plays leading role, with WB. Campaigns take place.

South-South and Triangular Cooperation strategy

I. Introduction

1. IFAD commits to SSTC as a way to leverage knowledge, resources and strengthen agency. In this line, Lesotho is well placed to partner with a range of countries and organisations that underwent transitions from Lower income country (LIC) to Lower middle-income country (LMIC) recently.

II. Opportunities for rural development investment promotion and technical exchanges

2. In terms of areas of potential interest for SSTC, the following were identified:
 - (i) Wool and Mohair sector up-grading: Lesotho is one of the leading producers of Mohair, and ranks among the top ten producers of wool globally. Both commodities are predominantly sold as raw product, while opportunities for value addition exist.
 - (ii) Climate smart agriculture: Small-scale agriculture production applying climate smart technologies, such as CA, protected agriculture, and others are required to adopt to changing climatic conditions.
 - (iii) Sector monitoring and planning: As other developing economies, investments in agriculture are on the one hand side often going down, given increased attention to non-agricultural sectors, yet - paradoxically - would require better targeting and often higher volumes to address issues around processing, value addition, storage (commercialisation), as well as better targeting, as a means to overcome persistent poverty.
3. IFAD and the government of Lesotho are committed to work on various activities in these three areas under the SSTC approach.

III. SSTC engagement rationale

4. The rationale for SSTC is to learn from other governments and non-governmental bodies, be it the private sector, social enterprises or international organisations, how to address challenges in the outlined areas and seize opportunities and learning.

IV. Partnerships and initiatives

5. Through the WAMPP, IFAD is exploring options to partner with other IWTO testing laboratories in either Uruguay, Argentina, or New Zealand to explore what are appropriate technological and managerial specifications for a planned testing lab in Lesotho. Support from the Brazilian SSTC-Hub is anticipated, and programming is under way.
6. In collaboration with IFAD Partnership department, a proposal for the UN-SSTC fund is being prepared to finance youth skill development in the artisanal production of niche products from wool and mohair. The Ethical Fashion Initiative supported by ITC has expressed interest to partner in this endeavour and a 24 month grant proposal is being prepared under this COSOP.
7. The sector wide monitoring system in Rwanda, that was developed with the support of the World Bank and is monitoring all active projects (donor and government financed) in the agriculture sector is of big interest for the Lesotho context. The newly developed MIS system under SADP II and the partnership with the world bank pose a sound opportunity to learn from RWANDA and apply lessons and technological /system features to the Lesotho context.

8. Together with the FAO and under the co-financed project SADP II, the development of an agricultural registry system, similar to the one in Zambia, is being financed. Learning from neighbouring countries through institutional partnerships (FAO also designed the Zambia one) will allow successful SSTC.
9. Climate smart agriculture practices, including range management will be scoped globally. First indications suggest that lessons from across the board, the Easter Cape province in South Africa, where an IFAD financed grant project identified potential good practices, will allow some adaptations. Other lessons on range management are introduced from Kyrgyzstan and Tajikistan.
10. Integrated catchment management and community mobilisation is at the heart of the LIMAP and will draw on successful lessons from Lesotho, Rwanda and elsewhere. Partnership opportunities are yet to be identified, but a strong emphasis will be given to experimentation and learning, including the use of ICT and remote monitoring of vegetation recovery.

V. Conclusion

11. As a small landlocked economy that recently transitioned from LIC to LMIC, Lesotho has many opportunities for SSTC and learning from other countries and organisations. The country is already actively reaching out and through loan financed projects and grants, these efforts have been financed and will continue to do so. Unfortunately, the high levels of debt will not allow the government to finance SSTC activities at own expenses in a substantive manner. As outlined above, a range of opportunities are pre-identified for the duration for the COSOP, and others will surely emerge.

Country at a glance

Country Profile Lesotho				
	1990	2000	2010	2018
World view				
Population, total (millions)	1.6	1.87	2.04	2.11
Population growth (annual %)	1.8	1	1.1	0.8
Surface area (sq. km) (thousands)	30.4	30.4	30.4	30.4
Population density (people per sq. km of land area)	52.8	61.6	67.2	69.4
Poverty headcount ratio at national poverty lines (% of population)	..	56.6	57.1	..
Poverty headcount ratio at \$1.90 a day (2011 PPP) (% of population)	..	61.3	59.7	..
GNI, Atlas method (current US\$) (billions)	0.93	1.19	2.61	2.9
GNI per capita, Atlas method (current US\$)	580	630	1,280	1,380
GNI, PPP (current international \$) (billions)	2.29	3.36	6	7.62
GNI per capita, PPP (current international \$)	1,430	1,800	2,940	3,610
People				
Income share held by lowest 20%	..	3	2.8	..
Life expectancy at birth, total (years)	59	48	51	55
Fertility rate, total (births per woman)	4.9	4.1	3.3	3
Adolescent fertility rate (births per 1,000 women ages 15-19)	83	91	92	90
Contraceptive prevalence, any methods (% of women ages 15-49)	23	30	51	..
Births attended by skilled health staff (% of total)	61	48	62	..
Mortality rate, under-5 (per 1,000 live births)	89	117	99	86
Prevalence of underweight, weight for age (% of children under 5)	13.8	15	13.5	..
Immunization, measles (% of children ages 12-23 months)	80	74	88	90
Primary completion rate, total (% of relevant age group)	59	63	74	79
School enrollment, primary (% gross)	109.5	116.8	110.4	104.8
School enrollment, secondary (% gross)	25	32	51	56
School enrollment, primary and secondary (gross), gender parity index (GPI)	1	1	1	1
Prevalence of HIV, total (% of population ages 15-49)	1.5	21.9	22.2	23.8
Environment				
Forest area (sq. km) (thousands)	0.4	0.4	0.4	0.5
Terrestrial and marine protected areas (% of total territorial area)	..	..	..	0.3
Annual freshwater withdrawals, total (% of internal resources)	1	0.8	..	..
Urban population growth (annual %)	5.7	3.6	3.1	2.3
Energy use (kg of oil equivalent per capita)	..	..	10	..
CO2 emissions (metric tons per capita)	0.92	0.99	1.12	..
Electric power consumption (kWh per capita)	..	..	..	..
Economy				
GDP (current US\$) (billions)	0.6	0.89	2.36	2.79
GDP growth (annual %)	6	3.9	6.1	1.5
Inflation, GDP deflator (annual %)	12	6.3	8.5	6
Agriculture, forestry, and fishing, value added (% of GDP)	12	8	5	6
Industry (including construction), value added (% of GDP)	21	35	30	32
Exports of goods and services (% of GDP)	..	..	40	42
Imports of goods and services (% of GDP)	..	..	102	82
Gross capital formation (% of GDP)	..	..	29	28
Revenue, excluding grants (% of GDP)	34.5	29.4	39.1	33.8
Net lending (+) / net borrowing (-) (% of GDP)	10.7	-1	-2.9	-1.8
States and markets				
Time required to start a business (days)	..	138	39	29
Domestic credit provided by financial sector (% of GDP)	30.6	3.1	-5.8	17.3
Tax revenue (% of GDP)	27.8	22.9	28.7	29.1
Military expenditure (% of GDP)	3.9	4	3	1.8
Mobile cellular subscriptions (per 100 people)	0	1.2	48.4	70.9
Individuals using the Internet (% of population)	0	0.2	3.9	29.8
High-technology exports (% of manufactured exports)	..	0	1	0
Statistical Capacity score (Overall average)	..	..	66	72
Global links				
Merchandise trade (% of GDP)	123	116	135	126
Net barter terms of trade index (2000 = 100)	100	100	77	81
External debt stocks, total (DOD, current US\$) (millions)	396	770	788	936
Total debt service (% of exports of goods, services and primary income)	4.2	7.5	2.1	3.6
Net migration (thousands)	-46	-40	-25	-20
Personal remittances, received (current US\$) (millions)	999	478	610	430
Foreign direct investment, net inflows (BoP, current US\$) (millions)	17	32	10	40
Net official development assistance received (current US\$) (millions)	139.1	37.2	256.1	146.8

Source: World Development Indicators database

Figures in blue refer to periods other than those specified.

Last Updated: 10/08/2019

Financial management issues summary



FIDUCIARY SUMMARY OF COUNTRY PORTFOLIO

COUNTRY	LESOTHO	PROJECT INFORMATION NOTE	Lesotho Integrated Catchment management Project (LIMAP)
COUNTRY and CURRENT PROJECT -Fiduciary KPIs:			
Country Fiduciary Inherent Risk	Medium	Transparency International and PEFA	
Pending Obligations (relating to pre-financed amount from IFAD's resources to cover for government's contribution)	Ineligible expenses under SADP I (110 M) As at the date of this report there are outstanding loan arrears of USD 41 465.00	Transparency International (TI) has ranked Lesotho 78 th out of 180 countries. This implies that the country is of a medium risk combined with PEFA assessment report of 2017. Lesotho most relevant PFM performance indicators and their assessment indicates that fiscal discipline (aggregate and at the component level) is undermined by weak budget credibility, compliance, accounting and reporting of major concerned include: control of spending are deficient and reporting on budget outturns is late. Timely accounting and reporting is not working well and both in-year as well as annual financial statements are late and with unsure quality. The Auditor General has for several years given qualified opinion on annual financial statements.	
Country Income Classification	Lower Middle Income Country	Public access to fiscal information is very limited; information on contracts awards and resolution of procurement complaints are not publicised. Annual financial statement (both audited unaudited) experience significant delays in publishing. The general internal control framework is weak. This phenomenon permeated into the programmes implementation of the previous COSOP. This situation however was mitigated by the programmes implementation missions on one hand and the office of the Auditor general on the other which had maintained its objectivity in the conducts of its audits. Challenges were pointed out by both the missions and the Auditor General despite capacity constraints they were contained to manageable level. Going forward, IFAD would endeavour to build on the progress made in the past and current programmes to strengthen capacity of the proposed programme staff and boost financial control capabilities of the programmes and MAFS in terms of training.	
Country Contribution in IFAD 11 Replenishments	USD 115,000 fully paid up		
PBAS – Programme's cycle coverage	Indicative IFAD 11 allocation: USD 16.9 million. 5.0 million was already allocated to SADP II .		
Country Fiduciary Risk	Medium		
Disbursement - Profile		Debt sustainability	
Counterpart Funding - Profile	Satisfactory	Lesotho has run into fiscal difficulties leading to emergence of government payment arrears. This has been occasioned by government consumption on capital intensive projects over the past decade. The situation is further aggravated by low revenues from SACU which has fallen below historical averages. The IMF country report of May 2019 has consequently revised external debt distress from "low" in the 2017 Article IV to "moderate" reflecting weak GDP growth projection.	
IFAD lending terms for IFAD 11	Blend	In 2018 Lesotho's economy showed signs of recovery by posting a 1.9 percent growth compared to 0.4 percent in 2017. This is as a result of improved performance in mining, manufacturing, and financial services. A Projected growth of 2.6 per cent in 2019 through the medium term is expected driven by strong activity in construction. For this to be possible the government has proposed to:	
Previous Lending terms	Highly Concessional	<p>(a) Contain the impact of the volatility of SACU revenues by designing a fraction of annual SACU flow that is consistent with permanent revenues and set up a fund form which annual shortfalls in SACU revenues can be augmented.</p> <p>(b) Containing government spending by reducing workforce and other benefits.</p> <p>The Government view.</p> <p>According to IMF the Government has concurred with the debt sustainability analysis rating. It has agreed with the need to better</p>	

		<p>monitor domestic contingent liabilities in order to have a comprehensive view of the debt. The authorities highlighted the need of prudent debt management must continue in the medium term in particular by pursuing financing with a significant grant element and that stronger capacity in cash management unit would support the forecasting of financial needs. Finally, the government noted that work has begun on developing a debt policy framework that will guide new decisions on guarantees contingent liabilities and external financing with focus on grants and/or concessional borrowing.</p> <p>During 2019, Lesotho transitioned to the status of country eligible to blend lending terms at IFAD. Therefore, the country would be eligible to the phasing out-in mechanism during IFAD 11 cycle.</p>				
KEY FIDUCIARY OBSERVATIONS:						
PROJECT INFORMATION NOTE – Fiduciary KPIs:						
Fiduciary Project risk		High				
Duration:		7 years				
Financing Sources:		<u>USD millions</u>		<u>Percentage</u>		
- IFAD – PBAS 11		12.011.0		27.0%		
- OFID		4.0		26.8%		
- FAO		10.0		9.7%		
EU/GIZ		5.0		24.3%		
GoL				12.2%		
Proposed size:		USD 41.1 M				
<p>Based on the current portfolio performance and issues within the project information note, the risk is foreseen as high given the apparent risks in the areas of weak management and administration, limited capacity and ownership within implementing ministries, delays in the start-up of programs that has a knock-on effect on spending pattern and capacity constraints (in terms of personnel) both nationally and district wise. An in-depth analysis and reviews at design will be able to inform better on the foreseen risk and mitigation measures that will be adopted.</p>						
<p>The project information note, identifies the project as a GEF funded project with IFAD foreseen as the GEF Agency that will also co-finance the project. The country transitioned to Blend terms in 2019 and so the loan from IFAD will be provided on the Blend terms. Given that the project will only be approved in 2020, the country will benefit from the phasing out-in concessional terms in 2020 at the ratio of 50:50 blend to highly concession.</p>						
<p>Based on the current Agency working modalities with IFAD, the design will follow IFAD procedures while capturing the key aspects to funding requirements of GEF. There are substantial indications of counterpart funding which will be followed through during the design and mechanisms of recognition, capturing and reporting will be well laid up in the project implementation manual.</p>						
Existing Portfolio:						
COUNTRY		Lesotho				
Project	Financing instrument	FLX Status (1)	Lending Terms	Currency	Amount (million)	Completion date
SADP	200000085500	DSBL	ECD GRANTS	USD	4.33	30/03/2021
	G-I-DSF-8088-	DSBL	DSF HC GRANTS	XDR	3.15	30/03/2020
	L-I-850-	DSBL	HIGHLY CONCESSIONAL TERMS 0.75 pc	XDR	3.15	30/03/2020

WAMPP	200000087400	DSBL	LOAN ADMINISTRATION ONLY	USD	12.00	29/09/2019		
	200000081700	DSBL	ASAP GRANTS	XDR	4.61	29/06/2022		
	200000081800	DSBL	DSF HC GRANTS	XDR	3.83	29/06/2022		
	200000081900	DSBL	HIGHLY CONCESSIONAL TERMS 0.75 pc	XDR	3.83	29/06/2022		
(1) APPR – SIGN – ENTF – DISB – EXPD - SPND								
B. PORTFOLIO, FM RISK & PERFORMANCE								
Project	Financing instrument	Curr.	Amount (million)	Risk Risk	PSR quality of FM	PSR audit	PSR disb. rate	Disb'd
SADP	200000085500	USD	4.33	Medium	Mod. satisfactory	Satisfactory	Mod. satisfactory	23 %
	G-I-DSF-8088-	XDR	3.15					89 %
	L-I--850-	XDR	3.15					89 %
WAMPP	200000087400	USD	12.00	High	Mod. unsatisfactory	Mod. satisfactory	Mod. unsatisfactory	8 %
	200000081700	XDR	4.61					35 %
	200000081800	XDR	3.83					42 %
	200000081900	XDR	3.83					42 %
<p>There are currently two ongoing projects within the portfolio and in terms of the quality of financial management, these are rated as medium risk for the SADP I and high risk for the Wool and Mohair promotion project (WAMMP).</p> <p>SADP I project is scheduled to close in July 2020. It received additional financing of USD 10 million from the World Bank and a further received 4.33 million from the Adaption fund through IFAD. The project is managed by the World Bank and over the period the financial management has steadily improved although ineligible expenses were noted in the recent audit report. These specifically related the grants to recipients. The Grant from the Adaption Fund has been slow disbursing.</p> <p>WAMMP is rated moderately unsatisfactory. Although the project was approved in 2014, it only started disbursement in 2016 after meeting the conditions precedent to withdrawal. The project has been receiving implementation support in some of the weak areas noted during missions in December 2018, it had implemented a number of recommendations on the problem areas. Once all the recommendations are fully implemented the overall financial management risk is expected to improve to medium.</p>								

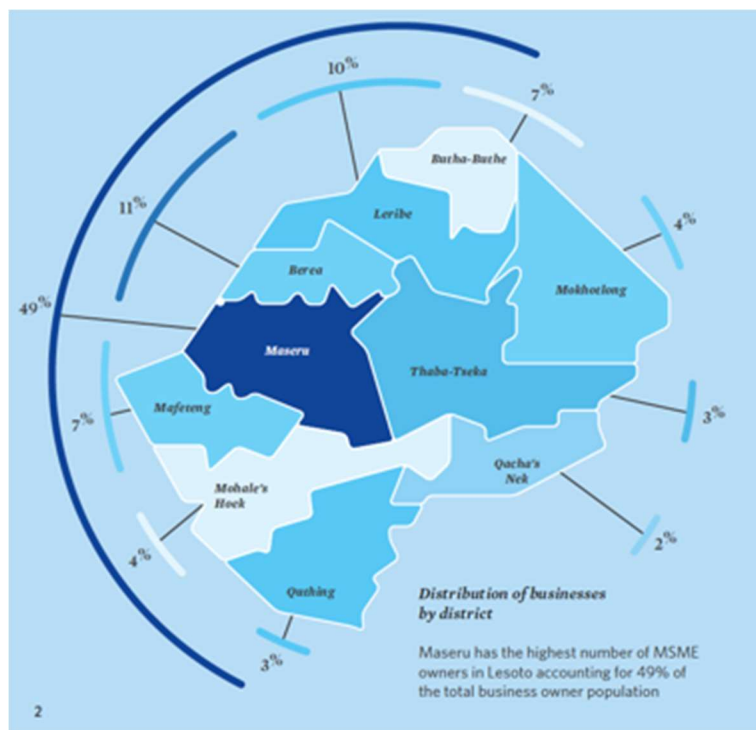
Prepared by: Caroline Alupo : Senior Regional Finance Officer
Date: 30 September 2019

Technical background studies

Private Sector¹

Geographic distribution: The majority of micro, small and medium-sized enterprises (MSMEs) in Lesotho is concentrated in Maseru (49%), followed by Berea (11%) and Leribe (10%) (see fig. 1). Those districts are also among the most populated and urbanized ones in Lesotho (FAO 2017; LBoS 2016). Although the general urban/rural distribution of MSMEs is balanced (51%/49%) there is a difference in sophistication levels of enterprises between the two areas. While the majority of most sophisticated MSMEs is located in urban zones (57%), 55% of the least sophisticated MSMEs are in rural areas.

Figure 1 MSME distribution in Lesotho



Type of MSMEs and employment: The MSME sector comprises 76.068 MSME owners and employs around 118.130 people (including individual entrepreneurs) which make up about 9.5% of the working age population (age 15-64) (PHC 2016). Only 0.3 % of MSMEs are medium-sized and employ between 21-50 people. Around 3% of enterprises are categorized as small (6-20 employees). The by far largest share (97%) of businesses in the MSME sector are considered micro enterprises with 1-5 employees. Taking a closer look at the employment structure of the enterprises reveals that the majority of MSMEs do not have any employees (83%) while the remaining 17%² employ around 55.000 people. Thus, 46.5% of total employment generated by MSMEs (118.130 employers and employees).

Business sectors: In terms of business sectors, the focus is on wholesale and retail (30%) as well as agriculture, forestry and fishing (22%). 81% of the MSMEs are considered to be retailers and the remaining 19% provide services. Striking is that only 38% of all retailers add value before selling their products. In the wholesale and retail sector the number is even lower at 22%. MSMEs in the agriculture, forestry and fishing sector focus on rearing livestock (53%), solely 15% of the enterprises grow crops. Across all MSME sophistication levels the majority of enterprises has suppliers outside of Lesotho. The higher the sophistication level, the higher the share of enterprises that export.

¹ Based on [FinScope 2016](#)

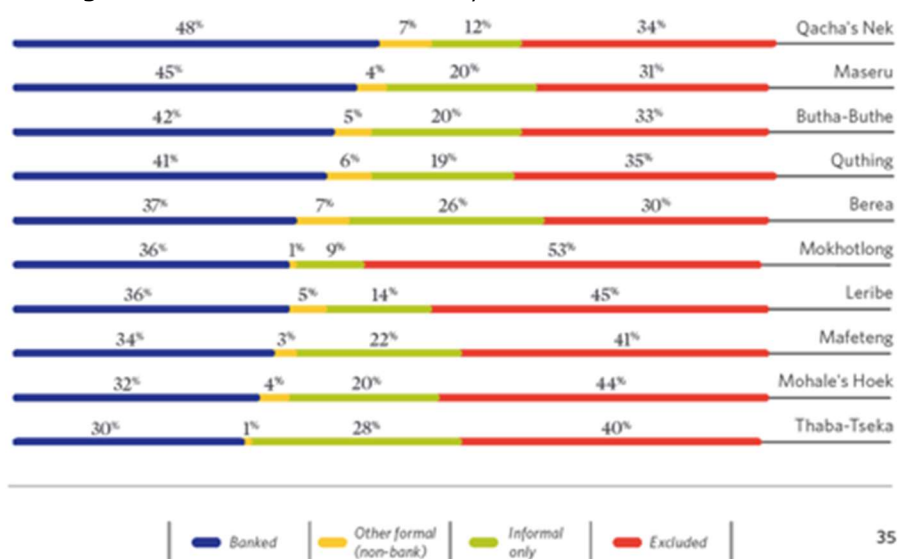
² Comprising enterprises with 1+ employees, excluding the owner

Legal structure: The formal MSME sector makes up solely 18% of all enterprises while the large majority of enterprises (82%) are considered to be informal. According to the survey, 61% of MSME owners do not register their enterprises due to lack of money or considering their business as too small. The bureaucratic procedures are either unknown or seen as too complicated and costly while the perceived benefits of registering the enterprise are marginal. Nearly half of the business owners see the advantage mostly in complying with the law (49%). A large part does not know the benefits of registering (24%) and only a few see it as a possibility to access finance (7%) or government tenders (3%). In general, owners with successful businesses are more likely to be registered.

Constraints and opportunities: Business owners typically use a combination of financial products and services to meet their financial needs. In general, 65% of enterprises consider themselves as financially included³. MSMEs in the service sector are more likely to be banked (51%) than retailers (38%). Again, a difference between urban and rural areas is visible. The level of exclusion from financial access (rural 39%/ urban 32%) and the share of informally served MSMEs (rural 22%/urban 18%) is higher in rural than in urban areas. Further, enterprises in the urban area are more likely to have a bank account than those in the rural zones (rural 36%/ urban 46%)

Striking is the level of access to finance by district (see fig. 2). Although Maseru, Berea and Leribe are among the most densely populated and urbanized districts (PHC 2016; FAO Land Cover Atlas 2017) only Maseru is ranked in the Top 3 regarding its level of banked MSMEs.

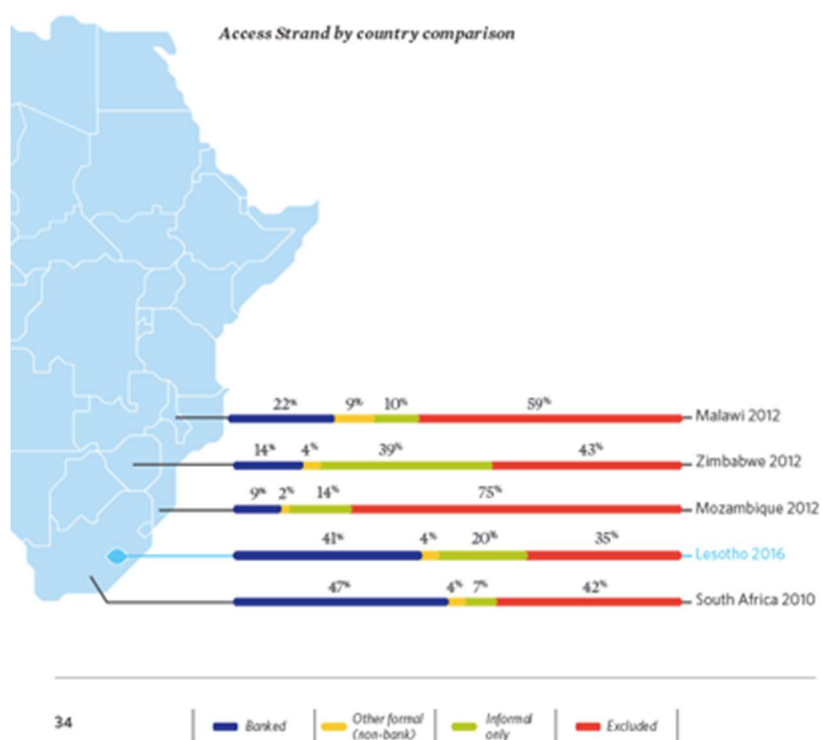
Figure 2 Level of financial inclusion by district



³ Comprising formally and informally served MSMEs. Formal services in that matter are classified as products or services regulated or supervised by a formal institution or any other formal regulator/agency. Informal services are driven by private savings.

A cross-country comparison between Malawi, Zimbabwe, Mozambique and South Africa reveals that MSMEs could be a potential source of comparative advantage for Lesotho (see fig. 3). Although Lesotho ranks only 4th in terms of absolute numbers of MSMEs, local enterprises demonstrate the highest rate of registered businesses (18%) and greatest ratio of employees to MSMEs compared to neighboring countries⁴. Additionally, enterprises in Lesotho indicate the lowest level of financial exclusion across the region (35%) and simultaneously exhibit the second highest rate of banked MSMEs (41%) making the sector more accessible to financial interventions. Only South Africa outranks Lesotho in that matter with 47% of MSMEs having a bank account. Still, MSMEs in Lesotho are usually better financially included due to higher levels of informally served enterprises (Lesotho 20%/South Africa 7%) and a smaller share of MSMEs with no access to finance (Lesotho 35%/ South Africa 42%). Thus, Basotho MSMEs experience relatively fewer financial obstacles to business growth in regional comparison.

Figure 3 Cross-country levels of financial inclusion



The majority of business owners claimed that access to finance is the main obstacle in starting and growing a business. Yet, 44% of surveyed enterprises indicated that they do not need to borrow money. This contradiction may be explained with a look at savings and business performance. 19% of MSMEs stated that they are afraid of borrowing due to low business performance. Since 49% described their business as struggling and 7% were at risk of failing, this becomes a major disincentive to take out a loan. Therefore, MSMEs in Lesotho apparently tend to be risk-averse regarding taking out a loan due to low income and unsecure business performance. MSMEs rather use savings to expand their business. However, 73% of MSMEs indicated that their business is not making enough to accumulate capital which then becomes a major impediment to enterprise growth.

⁴ Comparing the ratio of number of employees (excluding the owners) per number of MSMEs: Lesotho (1.39); Zimbabwe (1.04); Malawi (1.0); South Africa (1.0)

Remittances & Migration

Migration

In Lesotho, reliable data on migration is largely unavailable. Information on cross-border inflows, is usually outdated and inconsistent, as surveys and censuses use different definitions and approaches to migration.

Basotho abroad: There were 326,612 Basotho living abroad in 2017, 96% of them in South Africa (an amount equal to 8% of South Africa's total population). Basotho are and the third nationality with most migrants living in South Africa, after Zimbabwe and Mozambique. The rest of emigrants from Lesotho currently live in Mozambique (3%) and Botswana (1%) (UN Populations Division 2017). The number of Basotho abroad has increased exponentially during recent years- (6% increase in 2015, 34% since 2010 and 127% since 2005). Data from the Lesotho Bureau of Statistics differs from UNDESA figures (LBoS 2013)⁵.

Migration Profiles: Migration is predominantly non-permanent, usually limited to less than a year stay (LBoS 2013). Migration is fundamentally driven by young people, starting at the age of 25, particularly in the case of mine and farm workers. Professionals tend to migrate later, generally at 30 or 40 years. Even if migration has been considered for over a century a livelihood strategy, especially in the rural areas, and tertiary-educated people represent a small percentage of the total migrants (4.3%), skilled migration is one of the recent trends of migration for Basotho people.

Trends: recent migrations trends vary from the former majority of men working in the gold mines across the border, to include a growing number of skilled migrants who found job opportunities in South Africa and an increase feminization of the emigration, mostly young women employed as domestic work in South Africa.

Table 1 Overview remittances and migration in Lesotho

Remittances	Inflows (US\$ million, 2018 est.)	As percentage of GDP (%)	Growth 2016- 2018 (%)
	438	15,4	+27

Migration	Emigrants (thousands, 2017)	As percentage of total population (%)	Growth 2015-2017 (%)
	312	14,8	+6

⁵ National Survey from 2011 identified 132 thousand emigrants living abroad

Remittance Market

Flows: Basotho migrants sent home US\$ 438 million in 2018, an amount that surpasses the country’s ODA (US\$ 146.7 million in 2017) as well as the FDI (US\$ 39,5 million in 2018). While remittance inflows in relation with GDP have experience a decrease in recent years (in 2006 they accounted for 44% of GDP versus 15,4% in 2018), total inflows simply show unsteady fluctuations, most likely linked to the reduction of employment opportunities in the mining sector in South Africa. While almost 65,000 Basotho were employed on South African mines in 2000, by 2015 that number had declined to only 27,948. Outbound remittances have heavily decreased after the end of apartheid, turning Lesotho into a net recipient of remittances.

Relevance: Among SADC countries, Lesotho is the country with the remittances to GDP ratio. In 2015, remittance inflows made up 16.05% of the country’s GDP, followed by Zimbabwe (14%) and Madagascar (4.39%) (WB 2019). Being a country with high unemployment rates (28.5% of total population and 40,1% of youth unemployment) and lower wages in comparison with many neighboring countries, remittances remain crucial for a significant amount of the population.

Cost: The average cost of sending money from South Africa to other SADC countries averaged 16,01%, a figure that more than doubles the global average cost of 6.84% (WB 2019). For the South Africa-Lesotho corridor in particular, the average total cost of sending US\$200 was estimated at 16.24%. Commercial banks are the most expensive channel, ranging from 18% to 25%, while MTOs and mobile money operators present cheaper and faster products.

Figure 4 Remittances inflow Lesotho

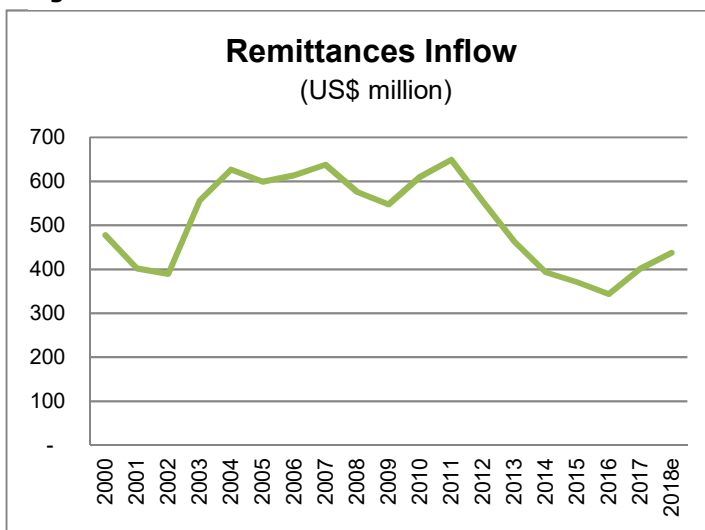


Figure 5 Remittances to GDO ratio in SADC, 2015

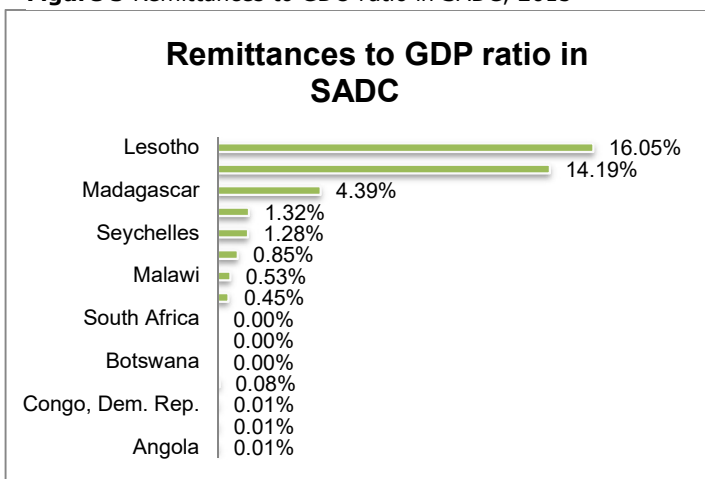
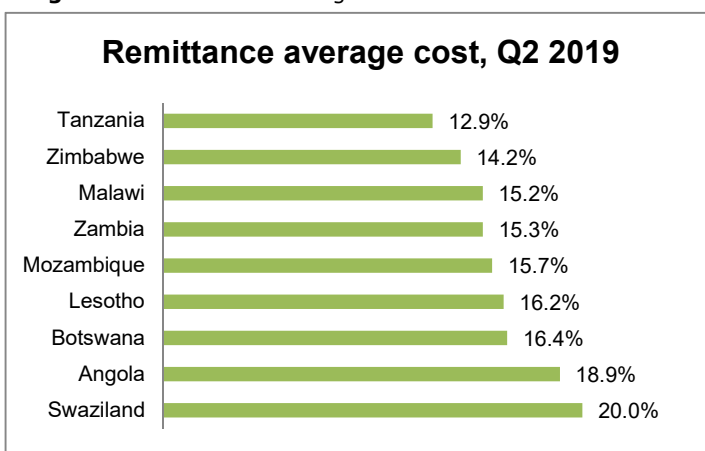


Figure 6 Remittances average cost of transaction



Actors: Even if the market regulation in Lesotho allows different type of actors to act as remittance agents - commercial banks, postal services, money transfer operators (MTOs), mobile operators, exchange bureaus and credit-only microfinance institutions- a large portion of remittance is still received through informal channels, which are usually unsafe and inefficient. According to FinMark Trust, 29.9% of adults only rely on family/friends to send and receive money and 10% use only informal remittance channels (e.g. via a cross-border minibus taxi driver).

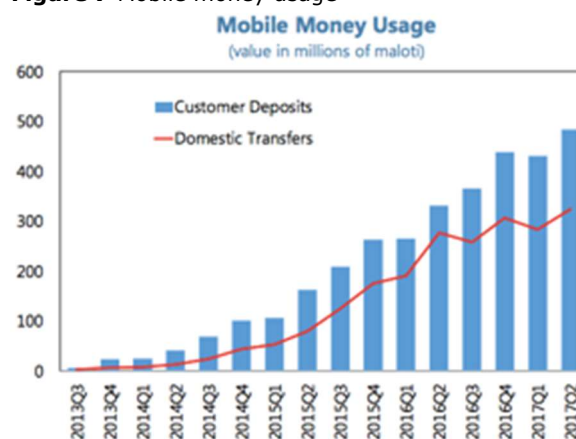
All four commercial banks in the country are subsidiaries of South African banks, and their country outreach is very limited (49 branches and 220 ATMs).

There are 3 international MTOs (Interchange Bureau de Change Lesotho, MoneyGram and Mukuru), present in Lesotho, with a limited country outreach as well, especially in rural areas.

Shoprite appeared as a new player in 2015 and has shown an outstanding uptake since its launch. Shoprite is a cross-border MTO that allows Lesotho passport holders in South Africa to send up to US\$ 360 a day for a 2% of transfer value, making it one of the cheapest cross border products in the world and, allowing Basotho people to save R80 million (US\$ 5,6 million⁹) over a three year period (Finmark 2019a).

There are two mobile money providers (Telecom Lesotho (ETL)'s EcoCash and Vodacom M-Pesa) in Lesotho, sharing (60/40 respectively) the mobile money subscription base in the country. Since mobile money was introduced in the country in 2013, the use of mobile financial services has multiplied, and by 2017, 67% of the total population were registered mobile money users. Of these registered customers, 41% and were considered active users. In May 2019, the only state-owned commercial bank, Lesotho Post Bank introduced their new mobile money transfer service system.

Figure 7 Mobile money usage



Outreach: Cash-in and cash-out access points are limited and concentrated in urban areas. This is not only the case of bank branches, but also for mobile money operators and MTOs (Western Union operates in 1 branch only, while Mukuru has 2 branches). The Postal Services is the only remittances service provider that has a presence in remote rural areas.

Regulatory Framework: South African regulations are a potential barrier to cross border mobile money transfers including SARB requirements for full FICA controls (full KYC verification of sender and recipient and justification of the reason for the transaction), forex controls and Balance of Payments (BoP) reporting. In addition, noncitizens must demonstrate their immigration status.

Diaspora: There has been historically little evidence of the Basotho diaspora collectively investing back home. There is currently no dedicated national agency tasked with the engagement of diaspora members. However, there have been several recent attempts to increase participation of the Diasporas in policy development/implementation, such as the IOM project on "Enhancing Coordination and Strengthening Institutional Capacity to Effectively Engage with Basotho Diaspora". "Dual citizenship" finally became legal on December 2018, an important milestone that will enable many Basotho who work in

South Africa to move more easily. Portability of social security remains an issue for the migrants and the diaspora who may wish to return to Lesotho upon retirement.

Main challenges

- ❖ High costs of sending remittances through formal channels
- ❖ Low levels of financial literacy among the poorest households
- ❖ Limited infrastructure and outreach to rural areas, where most of the population lives
- ❖ Limited cross-selling of other financial products to remittance recipients
- ❖ Lack of quality data on migration and remittances
- ❖ Limited recent efforts to coordinate the Basotho Diaspora

Opportunities for IFAD Intervention

- ✓ Promoting the use of mobile networks, internet-based tools and digital money for sending and receiving remittances, reducing costs and saving time.
- ✓ Tailored financial education, at both at the sending side and at the receiving end, to equip the migrants and their families back home to choose the best-suited financial service and help them understand how to best manage their funds.
- ✓ Assess the potential to leverage private- and public-sector investment to support rural entrepreneurship and employment through various channels related to remittances and diaspora investment, such as crowdfunding platforms or investment funds.
- ✓ Promote cross-selling strategies within banks, credit unions and MFIs to fully intermediate remittances and transform these flows into long-term assets

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Rural Sector Performance Assessment

		Botswana	Eswatini	Lesotho	Namibia	South Africa	Zimbabwe	
		Final RSPA 2018	3.9	3.8	3.5	3.9	3.9	3.3
Policies and legal framework for rural organizations (ROs) and rural people	1.1	Policies and framework for rural development and rural poverty alleviation	4.4	3.5	2.6	3.5	4.3	3.8
	1.2	Legal frameworks for and autonomy of rural people's organizations	5.3	3.9	4.2	4.9	4.9	3.1
	1.3	Representation and influence of ROs and rural people	3.9	4.2	3.4	3.4	4.7	3.5
Rural governance, transparency and public administration	2.1	Quality and transparency of allocation of resources for rural development	2.6	3.5	4.1	3.2	3.0	1.9
	2.2	Accountability, transparency and corruption	5.1	2.5	4.2	5.3	4.5	1.9
Natural Resources and Environmental Policies and Practices	3.1	Environmental assessment policies and grievance mechanisms	3.5	3.9	3.8	4.2	3.8	3.0
	3.2	National climate change policies	3.7	3.9	4.0	4.4	3.6	3.4
	3.3	Access to land	2.5	2.9	4.4	3.8	3.6	3.7
	3.4	Access to water	3.6	4.7	4.3	3.9	3.5	3.4
Financial policy, access to services & markets	4.1	Access to and use of rural financial services	2.9	4.0	2.6	4.0	3.0	3.3
	4.2	Investment Climate for Rural Business	2.5	3.9	2.2	3.6	2.7	3.3
	4.3	Access to agricultural input and produce markets	3.1	3.4	2.7	3.8	4.0	3.7
	4.4	Access to extension services	4.2	4.2	3.8	3.8	3.2	3.9
Nutrition and gender equality	5.1	Nutrition policy framework and outcomes	3.1	3.9	3.5	3.1	3.7	4.2
	5.2	Policy framework for gender equality	3.9	3.4	3.1	3.6	4.9	4.2
Monetary and exchange rate policies	6.1	Monetary and exchange rate policies	5.3	4.4	3.2	3.7	3.7	2.8
	6.2	Fiscal Policy and Taxation	4.9	4.0	4.0	4.1	4.1	3.3
	6.3	Debt Policy	5.0	4.0	3.8	4.0	4.2	2.5
	6.4	Trade Policy	4.6	4.1	3.3	4.5	4.6	3.0

Overview of active grants

Title	Theme	Purpose	Recipient	Approved amount (US\$ million)	Grant Window	Duration
Impacts at landscape levels	Digitization	Supports the establishment of a land degradation surveillance framework for Lesotho, which will be used to develop remote sensing capacities in the DRRM	World Agroforestry Center	2.0	GLRG	May 17 – Jun 21
Farmers' Organizations for Africa, Caribbean and Pacific	Capacity building	Implemented by the Lesotho National Farmers Union, this grant is intended to increase the income and improve the livelihoods, and food and nutrition security of organized smallholder farmers in a number of target areas.	Lesotho National Farmers Organization	42.5	IFAD/ EU	2019 – 2023
Multi-country climate risk analysis	Climate risk	the analysis assesses the effects of climate change on rain-fed agricultural crops, and the impact of this on rural households and on agri-value chains.	University of Cape Town	0.49	ASAP2	2018-2019
Lesotho Smallholder Agriculture Development Project (LASAP)	Climate Change	This GEF-financed grant is intended to increase the resilience of small-scale agriculture to climate change impacts.	Government of Lesotho	4.33	GEF	Jan 17 – Feb 21

List of stakeholders met during consultations

Institution	Name	Function
Ministry of Finance	Dr. Moeketsi Majoro	Minister
Ministry of Finance	Ts'olo Motena	Principal Secretary
Ministry of Dev. Planning	Tlohelang Aumane	Minister
Ministry of Dev. Planning	Ms Nthoateng Lebona	Principal Secretary
Ministry of Dev. Planning	Mahlape Ramoseme	Director Project Planning
Ministry of Dev. Planning	Motai	Aid Coordination Officer
Ministry of Agriculture and Food Security	Nchaka, Malefetsane	Principal Secretary
Ministry of Agriculture and Food Security	Mahala Molapo	Minister
Ministry of Agriculture and Food Security	Mathoriso M. Molumeli	Director of Planning
Ministry of Forestry, Range and Soil Conservation	Ntahli Matete	Principal Secretary
Ministry of Small Business Development, Cooperatives and Marketing	Lekhoee Makhate	Director (Marketing)
Lesotho Meteorological Services	Mathabo Mahahabisa	MEM Director
Lesotho Chamber of Commerce and Industry (LCCI)	Rethabile Mapena	Prog. Director
RC	Salvator Niyonzima	Salvator Niyonzima
FAO	Nthimo, Mokitiyane	FAO acting country rep
WFP	Mary Njoroge	Country Director
WB	Janet K. Entwistle	CR for Lesotho
GIZ	Alexander Erich	Project office Lesotho
LHDA	Palesa Monongoaha	Branch Manager
LNDC	Mohato Seleke	Chief Executive Officer
RSDA	Mampho Thulo	Managing Director
World Vision	Nichola Ahadjie	Country Director
LENAFU	Mamolise Lawrence	President
LNWMGA	Mmamaria	G
ACE	Walker, Stephen	General Manager

Agenda of consultation and validation workshops

Workshop Date - May 31th

Time	Item	Person
09:15 - 09:30	Welcome and opening remarks	- Salvator Niyonzima, UN Resident Coordinator - Malefetsane Nchaka, PS MAFS
09:30 - 10:00	IFAD's engagement in Lesotho	- Philipp Baumgartner, Country Programme Manager, IFAD Oliver Mundy, IFAD - Prof. Christopher Tapscott, IFAD
10:00 - 11:15	Group work* - Natural resource management - Climate-proofing and commercialisation of smallholder agriculture - Upgrading of the wool and mohair value chain - New ideas	All participants
11:15 - 12:15	Presentation and discussion of group work	All participants
12:15 - 12:30	Way forward and closing remarks	Philipp Baumgartner, CPM, IFAD

Workshop Date - July 9th

Time	Item	Person
08:30 - 09:00	Welcome and opening remarks	- Nthoateng Lebona, PS MDP - Sharagim Shams, OFID - Mamolise Lawrence, LENAUFU
09:00 - 09:15	NSDP2 & rural sector issues	Director Dev Planning NSDP
09:15 - 09:30	Lesotho context and lessons learnt How does the strategy fit in and what we learn from the past	Christopher Tapscott, IFAD
09:30 - 10:10	Defining objectives and principles for the way forward What are key elements of the strategy	- Philipp Baumgartner, IFAD - Erika do Amaral Valerio, IFAD - Janosch Klemm, WFP - Elena Pietschmann, IFAD
10:10- 11:50	Group work and presentation* Discussing the relevance and way forward	All participants
11:50- 12:10	COSOP Implementation How will the strategy be implemented	- Philipp Baumgartner, IFAD - Christopher Tapscott, IFAD
12:10 - 12:25	Plenary reactions	All participants
12:25 - 12:30	Closing remarks	Malefetsane Nchaka, PS MAFS (tbc)