

**Lesotho**

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**Wool and Mohair Value Chain Competitiveness Project**

**Project Design Report**

**Main report and annexes**

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# Map of the Project Area



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## Abbreviations and Acronyms

AWPB	Annual Work Plan and Budget
BRAM	IFAD-Borrowed Resource Access Mechanism
CC	Climate Change
COSOP	Country Strategic Opportunities Programme
DLS	Department of Livestock Services (MAFS)
DoM	Department of Marketing (MAFS)
EFI	Ethical Fashion Initiative
GEF	Global Environment Fund
GHG	Greenhouse Gas
GoL	Government of Lesotho
LNDC	Lesotho National Development Cooperation
LNFOD	Lesotho National Federation of Organisations of the Disabled
LNWMGA	Lesotho national wool and mohair growers' association
MAFS	Ministry of Agriculture and Food Security
MTR	Mid-term review
NAIP	National Agriculture Investment Plan
NSDP II	National Strategic Development Plan II
OAG	Office of the Auditor General
OPEC Fund	OPEC Fund for International Development
PCU	Project Coordination Unit
PSC	Project Steering Committee
PWDs	Persons with disabilities
ROF	Regeneration Opportunity Fund
ROLL	Regeneration of Landscapes and Livelihoods project
SADP	Smallholder Agriculture Development Project
SSTC	South-South-Triangular Cooperation
TF	Trust Fund
TC	Trust Company
VC	Value chain
WAMPP	Wool and Mohair Promotion Project



## In line with IFAD mainstreaming commitments, the project has been validated as:

Gender Transformative  Youth Sensitive  Nutrition Sensitive  Persons with Disabilities  Indigenous Peoples   
Climate Finance  Adaptive Capacity

### Executive Summary

**The Kingdom of Lesotho** is governed by a coalition government and has experienced a decade of relatively unstable leadership, with parties and coalitions often changing. Further the country is experiencing increased frequency of extreme events like desertification, increased soil erosion, droughts, and reduced soil fertility. Regardless of these challenges, the country has made good progress in reducing urban poverty to 27%, while rural poverty stands at 61%. The context is further challenged by 2,5 years of COVID pandemic and the recent impacts of the Ukraine conflict, driving up food, fuel, and input prices, likely increasing the share of rural people below the poverty line.

**Gender, youth, and nutrition.** Women and girls in the rural areas are marginalized, facing a range of constraints to their wellbeing. About 86% of women suffer from Gender Based Violence. Lesotho's youth suffer from high unemployment (29.1% of national youth<sup>[1]</sup> and 36% in rural areas). Malnutrition is widespread across Lesotho. About 26% of the population is facing high acute food insecurity, and about 56% cannot afford a nutritious diet, with shares as high as 74% in the mountainous districts.

**The agricultural sector** is a major source of livelihood, engaging approximately 71% of the rural Basotho population. Livestock accounts for the largest share of the agricultural GDP. Wool and mohair are the largest two agricultural commodities. These natural fibers are predominantly used in the apparel industry and especially in high-end fashion. The **global market for wool and mohair is changing** with a significant shift to responsible production standards. This requires visibility and traceability of operations and product transformation along the commodity value chain (VC) and across the interactions of various VC players. It further requires improvements in areas of animal production/husbandry, management of the environment, and labour conditions of workers along the VC. In 2022, the price premium for certified wool ranged between 8% and 35%, suggesting a significant incentive to move towards certification. At the same time, it is expected that non-certified fiber will become "low-quality" fiber and receive less demand.

**Rationale for IFAD involvement:** Following seven years of joint investment through the Wool and Mohair Promotion Project (WAMPP), the Government of Lesotho (GoL) and IFAD decided to design a next intervention to support the industry. It builds on sound improvements of animal breeding and husbandry, as well as infrastructure up-grades of several shearing sheds and rural roads. Finally, it will use the standing of IFAD and MAFS with its strategic partner, the Lesotho national wool and mohair growers' association (LNWMGA), to increase VC coordination and integration to meet the increased market demands (standards, certification, etc.). Building on WAMPP's exit strategy and the sub-sectoral strategy paper for wool and mohair (2021), IFAD will strengthen the emerging Wool and Mohair Trust Company Consortium. IFAD acts as an assembler or development finance, leveraging financial partners (OPEC Fund, GEF), and will be the lead financial partner for the government.

IFAD brings technically relevant innovations into the new project. Namely, the carbon-neutral meat VC experiences from Brazil and sustainable fibre production in central Asia, today sold to US as yarn, to inform the improvements in production, carbon-accounting, and value addition. Experiences around VC organisation and building of institutions to improve stakeholder representation, VC governance and accessing services and finance, as done in South Africa, Togo and Benin further inform the design. Important linkages will be established with the starting Regeneration of Landscapes and Livelihoods (ROLL) project, as well as on-going operations of other development partners in Lesotho. Furthermore, gradual greening of the VC and accounting for carbon savings and biodiversity benefits, is preparing pathways for carbon in-setting therefore, facilitating potential access to climate finance for the wool and mohair VC in Lesotho.

In line with national priorities for more private sector led approaches in the agricultural sector, building on IFAD's experiences under WAMPP and SADP, and in line with the COSOP principles, the project reduces the focus on government and PMU as "implementer" and enables other players to lead development efforts.

**Partnership:** The WaMCoP project is bringing together key strategic players to improve the functioning of the VC and allow more value creation in Lesotho. In addition to above mentioned stakeholders from WAMPP, IFAD and GoL have prioritised partnership with the Lesotho National Development Cooperation (LNDC), which will play a critical role in capacitating and overseeing the trust company and trust fund consortium (below). The Ethical Fashion Initiative (EFI) was selected during the design through a call for proposal to support the national fashion industry and build a Basotho brand for wool and mohair fibre. It will support national capacity building and establish market linkages to and learning from high-end market players in Europe, as well as peer-to-peer learning from other successful African textile industries

The WaMCoP design builds on a range of lessons. Sustainability and project-exit are considered from the on-set; attention is given to build a viable, sustainable and business oriented digital ecosystem; VC governance and coordination as key limitations under WAMPP is identified and addressed with adequate institutional strengthening and accompanied by regulatory and policy work; continuation of culling and exchange programme and digitisation of breeding plan scale up significant achievements and strengthen systems for reliable genetic supply from within Lesotho; the productive alliance approach and reduced use of matching grants for 3 windows only is building on SADP I evaluation and SADP II implementation experience. Finally, multi-phased approach (below) and triggers around financial, management and outcome performance build on ROLL, ProMIFA, KIIWP2 and other projects.

**Project description:** The WaMCoP overall Goal is to *increase the economic and climate resilience of wool and mohair farmers' livelihoods*. In line with Lesotho's National Strategic Development Plan II, the Project Development Objective is to *promote inclusive and sustainable economic growth and private sector led job creation from wool and mohair*. The project will target about 45,000 households (approximately 225,000 persons) over a seven-year period (2023 – 2030).

The project is youth-sensitive and pays particular attention to including rural youth into the VC and cottage industries. With significant attention to climate and overall resilience and investments in rangelands and sound environmental management, the project is also climate resilient as per IFAD classification. Environmental category is B, and the Climate risk is rated moderate.

**Theory of change:** The project aims to build sustainable value chain systems and strengthen and develop institutions to operate these systems in a sustainable manner, so that producers can benefit economically and rely on more resilient production and market systems. In practical terms, Lesotho needs strong national and international institutions and organisations to support and up-grade its wool and mohair production in line with the changing market demands, and to ensure national up-grading of fibre occurs with market-requirements for ethical fashion in mind. In the absence of strong national institutions and being integrated into the Southern African Wool and Mohair VC, with some key players based in South Africa, the project is supporting Lesotho's desire to build a national Trust Fund-Trust Company Consortium as a major institutional anchor. Moreover, the project will support digitisation of transactions to create an ecosystem for transparent, data-based governance, planning and investment into the Basotho VC. Support to critical supply chains around feed, genetics and health services are strengthened through the productive alliance approach, and genetic up-grading of a significant number of farmers promoted through the culling and exchange programme. Ultimately, a programmatic, multi-phased approach with a focus on private sector led chain coordination and sustainability guides the implementation and budgeting of the project.

**Expected benefits.** The WaMCoP intervention will generate 5 outcomes: (1) the inclusiveness and transparency of the W&M value chains will be improved; (2) a sustainable sector strategic framework will be adopted; (3) new employment opportunities will be created in W&M input supply chains, and value addition; (4) smallholder production of W&M will sustainably increase in quality and quantity; and (5) W&M farmers will have adopted environmentally sustainable rangeland management practices. A sixth progress outcome will be (6) the sustainable functioning of the Trust Fund-Trust Company.

**Components.** WaMCoP consists of two technical components: (1) Support to building VC systems and organization; (2) Climate smart VC operation and coordination. Component 3 is devoted to Project Management. Component 1 will support the establishing and up-grading of the systems enabling the VCs to thrive. It has three sub-components, looking at 1.1 Value chain governance and sector strategy, 1.2. Responsible wool and mohair production, and 1.3 Business development and fashion industry. Led by the project coordination unit (PCU), this first component will support government and VC players to improve sector governance, regulation, and compliance with certification by establishing national systems, guidelines, and regulations. It will further under 1.2 and 1.3, channel funds to rural producers for flock level upgrading (culling and exchange), and to strengthen critical national supply chains through productive alliances (animal feed, breeding, and animal health services). Finally, through a sub-contracted partnership with Ethical Fashion Initiative, under 1.3 further strengthening of the national niche fashion industry will take place.

Component 2 will support the operation and improvement of these locally grounded VC systems, leading them to self-sustainable levels. The component has two sub-components: 2.1. Access to productive finance and services; and 2.2. Responsible Value Chain Production. The operation of the sector strategy entails the strengthening of the emerging trust fund and trust company consortium. As a non-for-profit enterprise comprising all VC stakeholders, with a board of trustees this organisation is going to drive the VC coordination and development, like the model operating in South Africa. Following capacity building, and through performance-based contracts, assets will be entrusted to the company to manage and operate. In addition, a revolving fund to finance farmers small and medium investments needs in the value chain will allow a limited selection of in-kind loans and fill a critical gap on-farm investment. The support and establishment of these is following a clearly outlined road map and starts under WAMPP in 2022, to be validated and assessed at WaMCoP start-up. The component is mainly delivered at district level through the shearing sheds that will increase their service delivery, become custodians of the responsible production system, and digitise their services.

**Targeting.** The project applies a combination of geographic and social targeting. Starting in four districts which are characterised with highest poverty incidence, highest levels of wool and mohair production (yields and numbers of animals), and significant share of rangelands, the project will build experience and impact in areas most needed and impactful for the production system, before scaling out to the other six districts from year 3. Within the project area, social targeting will be applied, with a 50% target for women, and a special focus on people living with disabilities or HIV affected households. An appropriate targeting strategy will be implemented to reach these.

**Budget and Finance.** The total project costs including price and physical contingencies are estimated at US\$ 72.644 million (M 1162.299 million) over the seven-year project implementation period. Project start would initiate during second quarter of 2023. WaMCoP will be financed by IFAD (loan and under BRAM; US\$ 15.200 million and 5.0 million respectively), the OPEC Fund for International Development (OPEC Fund) (concessional loan US\$ 20.0 Mio), the Global Environment Fund (GEF) (grant US\$ 5.2 Million), other Financiers (financing gap), the private sector, contributions from the beneficiaries and the Government. The financing gap (US\$ 11.802 million) is expected to be filled either by OPEC Fund or IFAD, or through another co-financing party to be identified within 2 years of implementation. Of the total amount, US\$ 4 130 000 million are classified as climate finance, according to IFAD methodology.

**Economic benefits.** The overall economic rate of return of the project investment is estimated at 13.5% with a net present value of US\$ 16.819 million. Against an opportunity cost of capital of 10%, WaMCoP will generate a satisfactory ERR and is more than justified on economic grounds. The mentioned ERR will increase if the project is able to rapidly start and will reduce if start-up is delayed. Hence the importance to capitalise on WAMPP and its PCU structures to fast-track project start-up.

**Implementation arrangements and partnership.** The project is hosted by the Ministry of Agriculture and Food Security (MAFS) and its department of marketing (DoM), as well as its department of livestock services (DLS). The Lesotho National Development Cooperation (LNDC) is a key strategic player, especially regarding the oversight and capacity building of the TF/TC consortium and implementation of component 2. The national farmer associations (LNWMGA and Skylight) will play a key role in implementing the culling and exchange programme, and as board members of the TF-TC Consortium. In terms of internal governance, WaMCoP will be overseen by a Project Steering Committee (PSC) to provide policy guidance and oversight of project implementation. While Component 1 is PCU led, Component 2 will be private sector led with implementation taken on by the trust fund / trust company

consortium. Moreover, a partnership will be established with critical private sector players such as Ethical Fashion Initiative (to develop the cottage industry) and Textile Exchange to promote responsible production certification. A strategic partnership with the Global Standard (GS1) aims to reduce costs for certification.

**Financial management.** Both the PCU and the TF-TC consortium shall have appropriate structures with experienced staff to manage the project finances. They will prepare Annual Work Plans and Budgets (AWPBs), and withdraw advances from IFAD, based on AWPB and cash forecast for the next period. While the PCU will be audited by the Office of the Auditor General (OAG) as mandated under the government law, the TF-TC consortium, and Ethical Fashion Initiative linked social enterprise will be audited by a private audit firm supervised by the OAG.

**Risks and mitigation measures.** The overall project's inherent risk rating is substantial. After mitigation measures, the residual risk is moderate. The risk sub-categories rated highest in terms of inherent risks are: (1) country context; (2) procurement; and (3) financial management. Mitigation measures include (1) working closely with technical departments and VC players; (2) applying IFAD procurement standards; and (3) establishing sound FM support and triggers for the emerging TC/TF consortium and PCU.

**Multi-phased programmatic approach.** The project adopts a multi-phased approach, distinguishing three main phases (1) start-up and foundational work; (2) system execution and operation; and (3) sustainability and hand-over. To protect the government and financial institutions, five performance triggers are established for the trust fund/trust company consortium to move from the first phase to fully operating the systems and accessing more investment money. They are: (i) The business plan for the TF-TC is developed, validated by VC players and the governance structure is established; (ii) The TF-TC fiduciary systems, monitoring software and secretariat is established and validated; (iii) The TF-TC develops a business plan for each asset entrusted by the government; (iv) The TF-TC finalises the delivery mechanism for the revolving fund, in particular, the software system, the financing manuals and eligibility criteria; and (v) A service provider is contracted to target, establish and support savings groups.

**Alignment and partnership.** The WaMCoP is aligned and will contribute to the achievement of the following Sustainable Development Goals (SDGs): 1 (No Poverty); 2 (Zero Hunger); 5 (Life on Land); 8 (Decent Work and Economic Growth); 9 (Industry, Innovation, and Infrastructure); 10 (Reduced Inequality); and 13 (Climate Action). It will also contribute to the objectives of the second National Strategic Development Plan (NSDP II) and the Comprehensive National Agriculture Policy. The project design is based on objectives and principles outlined in the IFAD 2020-2025 Country Strategic Opportunities Programme (COSOP), and aligns to IFAD's Strategic Framework 2016-2025, which encourages inclusive and sustainable rural transformation.

## 1. Context

### A. National context and rationale for IFAD involvement

#### a. National Context

1. **The Kingdom of Lesotho** (henceforth Lesotho) is governed by a coalition government and has experienced a decade of relatively unstable leadership, with parties and coalitions often changing, and at times causing governments to collapse. This affects the country's development dynamics. Lesotho exports water, diamonds, and textiles as main commodities, of which only textiles have significant employment generation (but is highly dependent on the preferential trade agreement with the USA).
2. **The agricultural sector** is a major source of livelihoods, engaging approximately 71% of the rural Basotho population. The sector holds the potential to be a substantial source of exports, income, and rural growth.<sup>[1]</sup> Livestock accounts for the largest share of the agricultural GDP, and wool and mohair are the largest two agricultural commodities accounting for an estimated 60% of agricultural exports. Lesotho has benefitted from development finance and remittances over the past three decades. Unfortunately, many migrant mineworkers<sup>[2]</sup> previously working in the South Africa have been retrenched and re-employment is low. Since Lesotho's classification as a lower-middle income country (LMIC) in 2019 lending terms for development finance are hardening. This poses a significant developmental challenge for the country and makes private-sector oriented development and resilience of commercial value chains (VCs) a key priority.
3. **Wool and mohair** are natural fibers predominantly used in the apparel industry and especially in the high-end fashion market. Wool sheep and mohair goat farming contribute significantly to rural people's livelihoods in Lesotho. Although wool and mohair command higher prices compared to other fibers, animal fibres only make-up 2% of the global fiber market, with wool representing 1% and mohair 0.01%.<sup>[3]</sup> Wool and mohair are bio-degradable, renewable, and eco-friendly. This positions them as niche "green" fibers. As these commodities are greatly influenced by consumer retail spending, the viability of the fibers are dependent on consumer preferences and end-market requirements.<sup>[4]</sup>
4. The global market for wool and mohair is undergoing a sizeable shift towards responsible production standards. It is to be expected that in five to ten years, non-certified fiber will be traded as second-class produce. The move to responsible production is a move to sustainable intensification.<sup>[5]</sup> Unfortunately, Lesotho's wool and mohair sector faces key constraints: limited VC coordination and mistrust; lack of data for management, policy, and planning; limited access to finance; and sub-optimal management of critical public assets (shearing sheds, sheep, and goat studs for improved breeds). Furthermore, heavy dependence on South Africa for input procurement and access to services constrain individual farmers, associations, and larger private sector actors. The dominance of paper-based reporting constrains the certification of products.
5. The sound economic performance of the industry is further hampered by a recent split in the major producer organization,<sup>[6]</sup> a relatively ad-hoc modification of the marketing regulations, and limited systematic up-grading outside of development projects. An

assessment by IFAD and the Wool and Mohair Promotion Programme (WAMPP) of the [\[7\]](#) regulatory reforms passed in 2018, which aimed to domesticate the industry, revealed a range of challenges, and provided recommendations to improve coordination, trust-building and policy steps. [\[8\]](#)

6. **Poverty, Inequality and social development** at the national level, Lesotho has made good progress in reducing poverty and in its economic growth performance for the past two decades (GDP growth at 1.13% between 2015-2020). However, an estimated 30.5% live below US\$1.90 a day. While urban poverty dropped to 27%, rural poverty stands at 61%.
7. **Gender, youth, and nutrition.** Women and girls in the rural areas are marginalized, facing a range of constraints to their wellbeing. Lesotho ranked 139 out of 162 in the 2019 Gender Inequality Index, and about 86% of women suffer from Gender Based Violence. This presents a major obstacle for women and the country to realize their full potential. Demands from household tasks and lack of access to credit and assets are to particularly damaging barriers that this project aims to address by providing stoves and establishing saving groups. Lesotho has a young population of 39% (between 15 and 35 years of age). Lesotho's youth suffer from high unemployment (29.1% of national youth [\[9\]](#) and 36% in rural areas) which contributes to rural-urban and cross border migration. Malnutrition is widespread across the country. According to the results of the Integrated Food Security Phase Classification, around 26% of Lesotho's population is facing high acute food insecurity, on which a recent Fill the Nutrient Gap [\[10\]](#) Analysis showed that about 56% of the population cannot afford a nutritious diet, and the amount in highland areas is estimated at 74%.
8. **Impact of COVID-19** unfolded in a context of high rural poverty, inequality, and unemployment. Following a 9.5% GDP decline in 2020, GDP growth contracted by 13.8% during the first quarter of 2021. Although the economy was expected to rebound in 2022, a rebound is more likely to occur in 2023. [\[11\]](#)
9. **Prevalence of HIV/AIDS** coupled with tuberculosis (TB) remain Lesotho's greatest health and socio-economic challenges. According to the Lesotho population-based HIV Impact Assessment, HIV prevalence stood at 23%, this corresponds to approximately 324 000 adults living with HIV in the country. [\[12\]](#) Notwithstanding the progress made, for instance a 55% reduction in HIV incidence, the HIV prevalence is higher among women than men, with women accounting for about 59% of those living with the virus. [\[13\]](#)
10. **Lesotho's Institutional context** is anchored in the National Strategic Development Plan II (NSDP II), the overarching policy framework, which recognizes the wool and mohair sector as a priority for growing the rural economy. In 2022, the Ministry of Agriculture and Food Security (MAFS), in coordination with other ministerial departments, will conclude the new National Agriculture Investment Plan (NAIP), the Comprehensive Agriculture Policy, and the Irrigation Policy. These three policy measures focus on promoting food and fodder production, export orientation, irrigation, and the adoption of climate smart technologies, as well as sustainable intensification, and reduction of pressure on environmental resources. Furthermore, the National Youth Policy (2017-2030) notes that by 2030, 20% of Basotho youth, should be engaged in agro-business. The National Climate Change Policy (2017-2027) also legitimises the project's ambition to account for carbon sequestration. Finally, the Wool and Mohair Sub-Sector Strategy (2023-2030), currently under development, will anchor the project and incorporate all key themes flagged above. The 2021 Food Systems Transformation Pathway for Lesotho prioritises the formulation of policy instruments in agricultural marketing, agro-processing, and value-addition, and will guide the project.

#### **b. Special aspects relating to IFAD's corporate mainstreaming priorities**

11. WaMCoP will focus on mainstreaming themes with respect to environment and climate change and social inclusion (targeting of youths, women, and highly vulnerable persons such as persons with disabilities and HIV affected households).
12. Environment and climate change (CC) adaptation and mitigation. Lesotho is experiencing increased frequency of extreme events like desertification, increased soil erosion, droughts, and reduced soil fertility. These trends negatively affect livestock production/productivity and the producers' livelihoods. Climate-related hazards (droughts, floods, rainfall variability and increasing temperatures) have reduced lengths of rainy seasons, and increased heat stress. Desertification causes biological diversity loss, deterioration of rangelands and reduction in agricultural productivity. [\[14\]](#)
13. The project will mainstream climate resilience, and sustainable natural resource management in the wool and mohair VC. The key activities to be promoted to enhance climate resilience include: solar installation at selected shearing sheds, support to better rangeland governance and related sustainable land management practices such as control of soil erosion, water harvesting, irrigation for feed and fodder production, and intensification of livestock production systems (through access to better breeds and inputs). This will contribute to IFAD's strategic objective of "strengthening environmental sustainability and climate resilience of poor rural people's economic activities." An in-depth climate risk analysis will be undertaken at design to comprehensively analyse climate risks and propose appropriate adaptation and mitigation measures.
14. The climate change adaptation measures will also generate mitigation co-benefits. In particular, improved management practices in terms of herd, feed and manure and the introduction of improved cooking stoves will result in lower Greenhouse Gas (GHG) emissions, which justifies the project's ambition to set up a carbon accounting certification system.
15. **Social Inclusion.** Lesotho has a low Human Development Index (HDI), ranked 165<sup>th</sup> out of 189 countries. [\[15\]](#) Despite the country's progress in poverty reduction over the past years, high levels of economic vulnerability persist among the rural population. Lesotho has the second highest HIV prevalence in the world (23%). With an unemployment rate of 32%, a significant share of the population lacks access to steady income and cannot mobilise working-capital, productive assets, or financing to invest in rural livelihoods.
16. WaMCoP applies social and geographic targeting to implement the project in a manner sensitive to the needs and constraints of

our target groups (youths, women, and vulnerable households) and the poor categories of smallholder farmers. Direct targeting will be used to ensure social inclusion of youths (integrating youth participation in livestock drug supply chains, agrovets, artificial insemination etc.), women (effective participation in commercialized cottage industry, access to saving group and asset building) and persons with disabilities (PWDs).[\[16\]](#)

17. In line with IFAD12 mainstreaming themes commitments, the project intends to qualify as:

18.  Climate focused;  Gender transformational;  Nutrition sensitive;  Youth sensitive

19. Table 1. Mainstreaming theme eligibility criteria[\[17\]](#)

	<input type="checkbox"/> Gender transformational	<input type="checkbox"/> Nutrition sensitive	<input checked="" type="checkbox"/> Youth sensitive	<input checked="" type="checkbox"/> Climate finance
Situation analysis	<input type="checkbox"/> National gender policies, strategies, and actors <input checked="" type="checkbox"/> Gender roles and exclusion/discrimination <input type="checkbox"/> Key livelihood problems and opportunities, by gender	<input type="checkbox"/> National nutrition policies, strategies, and actors <input type="checkbox"/> Key nutrition problems and underlying causes, by group <input type="checkbox"/> Nutritionally vulnerable beneficiaries, by group	<input type="checkbox"/> National youth policies, strategies, and actors <input checked="" type="checkbox"/> Main youth groups <input checked="" type="checkbox"/> Challenges and opportunities by youth group	WaMCoP has 4 130 000 US\$ of climate finance, corresponding to 20.4% of the total IFAD project costs. This applies to adaptation finance.
Theory of change	<input checked="" type="checkbox"/> Gender policy objectives (empowerment, voice, workload) <input type="checkbox"/> Gender transformative pathways <input type="checkbox"/> Policy engagement on GEWE <a href="#">[18]</a>	<input type="checkbox"/> Nutrition pathways <input type="checkbox"/> Causal linkage between problems, outcomes, and impacts	<input checked="" type="checkbox"/> Pathways to youth socioeconomic empowerment <input checked="" type="checkbox"/> Youth employment included in project objectives/activities	
Logframe indicators	<input checked="" type="checkbox"/> Outreach disaggregated by sex <input checked="" type="checkbox"/> Women are >40% of outreach beneficiaries IFAD empowerment index (IE2.1)	<input type="checkbox"/> Outreach disaggregated by sex, youth, indigenous peoples (if appropriate) Output level Cis CI 1.1.8 Mandatory Outcome level Cis (at least one of below) CI 1.2.8 CI 1.2.9	<input checked="" type="checkbox"/> Outreach disaggregated by sex and youth	
Human and financial resources	<input checked="" type="checkbox"/> Staff with gender TORs <input type="checkbox"/> Funds for gender activities <input type="checkbox"/> Funds for IFAD empowerment index in M&E budget	<input type="checkbox"/> Staff or partner with nutrition TORs <input type="checkbox"/> Funds for nutrition activities	<input checked="" type="checkbox"/> Staff with youth TORs <input checked="" type="checkbox"/> Funds for youth activities	

### c. Rationale for IFAD involvement

20. IFAD is currently the largest and longest standing development partner for the government and wool and mohair industry in Lesotho. Building on the WAMPP project and continuing to work with the estimated 45 000 wool and mohair farmers is strategic and recommended to consolidate the outcomes of WAMPP and reach deeper impacts. It also features a pro-poor approach, as production of wool and mohair remains concentrated in those districts recording high levels of poverty.



21. The sector offers a strong opportunity to mitigate climate risks and incorporate climate and environmental aspects, such as the sound animal and landscape management promoted under the increasingly requested responsible production standards. IFAD leverages global knowledge and experience to bring in climate finance and prepare the sub-sector to potentially attract further climate finance for in setting and related investments. Namely, the carbon-neutral meat VC experiences from Brazil, and sustainable fibre production in central Asia which is now being sold to the United States as yarn, inform the improvements in production, carbon-accounting, and value addition. Important linkages will be established with the starting Regeneration of Landscapes and Livelihoods (ROLL) project, as well as on-going operations of other development partners. Furthermore, gradual greening of the VC and accounting for carbon saving and biodiversity benefits, is something IFAD has supported in collaboration with other players.[\[19\]](#)
22. IFAD and the government will continue the work of WAMPP and build on achievements in terms of strengthening animal breeding, health, and nutrition, as well as up-grading assets and infrastructure and improving its management. The WaMCoP project will build on lessons from policy work and, together with the industry's key stakeholders, will re-build trust and increase governance of and market access for the wool and mohair production system. Working with the national associations, technical departments, private sector players and LNDC will allow to take the WAMPP approach further up-stream and increase attention to market requirements and product up-grading while consolidating important work around breeding and access to genetics, services, and feed.
23. In consultation with the government, it has become clear that an effective means to promote a more inclusive, self-sufficient wool and mohair VC in the country is to build a stakeholder-led consortium to facilitate governance, regulation, and service provision of the VC. Moreover, an institutional analysis (annex 12) highlights that there is no capable actor that could have been selected to implement many of the components nor serve as a sectoral VC development body. The project will therefore work to establish and transfer responsibility to a Trust Company (TC), comprised of VC stakeholders, who will also manage a dedicated Trust Fund (TF), hereto referred to as the TF-TC consortium. This will help to ensure a strong private sector-led, yet inclusive approach. Several IFAD corporate reviews have highlighted the need to improve sustainability of IFAD project impacts, and this innovative, stakeholder-led approach is expected to greatly enhance the sustainability and exit strategy of the project.
24. IFAD's global knowledge will be helpful in supporting the VC stakeholders in Lesotho to build and operate VC systems through the consortium.[\[20\]](#) These systems will steer the sector in the medium to long term and sustain business beyond the project lifespan. During the design for WaMCoP, strong emphasis is given to the market demands outside Lesotho, and requirements and trends are translated for the Basotho context. IFAD and the other parties co-financing the project bring the appropriate mix of experience, technology, and finance to allow the required transformation of the Wool and Mohair Sector in Lesotho. Through its mandate in South-South-Triangular Cooperation (SSTC), IFAD will support learning from the South African industry, as well as West African experiences in setting up governance enterprises led by VC-actors that are like the TF-TC consortium, and further support the livestock production and marketing work in a climate smart and carbon neutral manner.
25. IFAD acts as an assembler of development finance, leveraging significant amounts from co-financing parties (OPEC Fund, GEF, Private Sector), and leaving a financing gap for future financiers. The finance is invested to equally promote the value chain's competitiveness as well as reduce poverty. A specific set of activities are designed for the poorer households in line with experience on asset building and targeted subsidies.
26. Finally, through WaMCoP IFAD will support policy and regulatory work, and assist the Government and stakeholders to translate national level priorities as outlined in NSDP II and the newly approved Comprehensive Agricultural Policy for the wool and mohair sub-sector. This will be informed by prior work under WAMPP, the analysis of the Marketing Regulations in 2020, as well as the AVANTI AgScan grant. Support will also be given to data gathering, access and analysis, in line with the 50x2030 initiative.[\[21\]](#)

## B. Lessons learned

27. Lessons from the Country Strategic Opportunities Programme (COSOP) 2020-2025, the COSOP results review (CRR)[\[22\]](#), WAMPP, the Smallholder Agriculture Development Project (SADP) Impact Assessment (IA), consultations with South African wool and mohair VC actors and broader global experiences, have all been integrated into WaMCoP design.
28. *Post-project sustainability.* A key lesson from the CRR and SADP IA is the need to have post-project sustainability from design.[\[23\]](#) This underscores the importance of having a mechanism in-built into the project that can transcend the project life cycle. Hence, the need for the TF-TC for post-project sustainability. This lesson is also underpinned by the IFAD supported Nairobi Upper Tana Water Fund project in Kenya, which anchored the water fund as the post-project sustainability mechanism.
29. *Geographic phasing.* WaMCoP's initial implementation will adopt a rolling-out approach for many of its activities, with a focus on four districts before national expansion. The CRR noted the danger of spreading projects too thinly if national coverage is planned. It also builds on success of SADP which started in four districts, moved to seven and now covers all 10.
30. *Policy development and support.* WaMCoP's focus on policy development and regulation, strongly builds on the finding from the wool and mohair regulations analysis of the need for a national wool and mohair marketing policy for short-and long-term development, building on lessons from the recent regulatory reforms.[\[24\]](#) Moreover, the flagship comprehensive national agriculture policy for Lesotho and the wool and mohair sub-sector strategy will require operationalisation.
31. *Fragmented VCs.* Global experiences clearly indicate the need to have anchor institutions that can improve VC governance[\[25\]](#) Cape Wools South Africa and Mohair South Africa are both anchor institutions in the South African wool and mohair sectors that work towards establishing greater trust and transparency and bolstering commitment from VC actors. The World Bank's Cotton Sector Reform Project (2002-2008) in Benin also highlights the centrality of establishing and strengthening anchor institutions

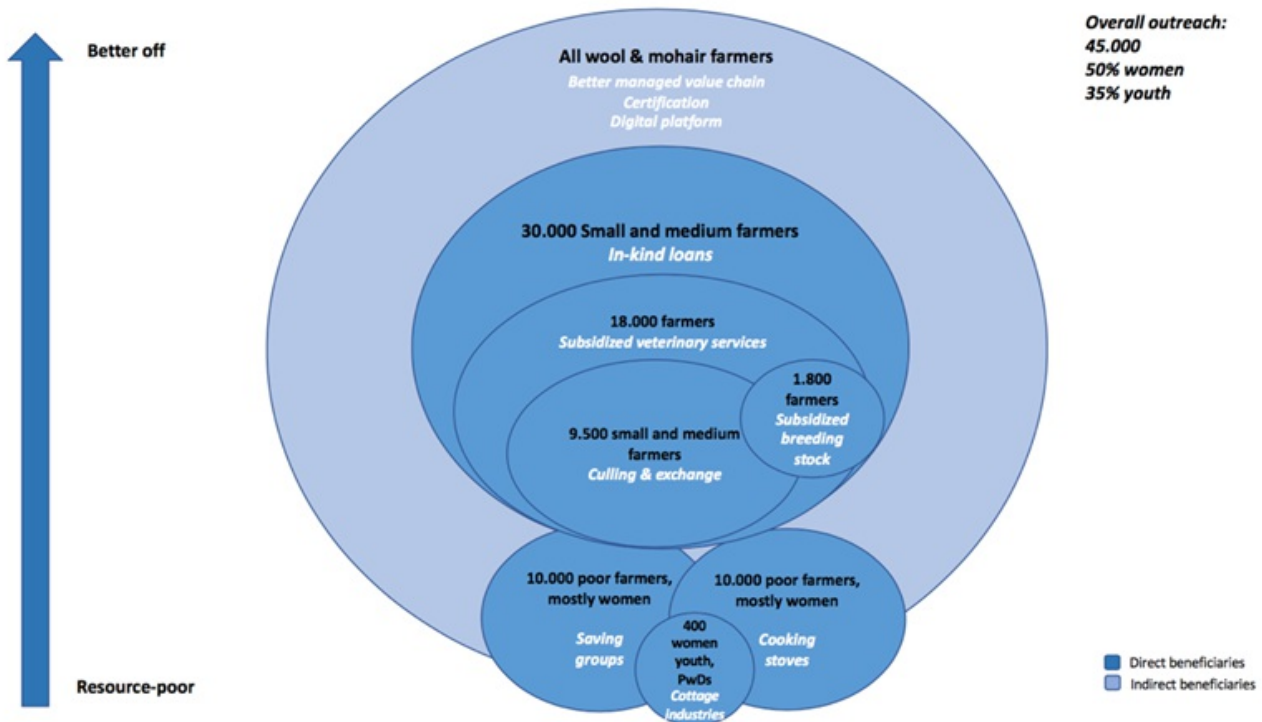
within a VC to ensure, greater coordination and ultimately, sustainability of operations.

32. *Digital ecosystem*. Lessons from global and local supply chains indicate the core need of operations' visibility and traceability to ensure better integration along the VC, as well as efficiency improvements, better governance, and grant potential to introduce related services (business intelligence and access to finance).
33. *Institutional arrangements matter for VC coordination*. Since 1996, South Africa has set-up private sector led institutions to govern its market-leading wool[26] and mohair[27] sectors, respectively and offers key lessons[28] This private sector led model helps to improve VC governance, enhance trust, and reduce power asymmetries. Moreover, funding to develop the sector is leveraged from the sector itself and direct assistance from the government is rarely required. Finally, the configuration of these institutions has also seen sustained and dedicated investments in smallholder agricultural development.
34. *Social enterprise set-up for the cottage industry*. Operational experience from the Ethical Fashion Initiative (EFI) has illustrated the benefits of developing a social enterprise - a market-based mechanism that co-ordinates production and market linkages – for sustainability outcomes. The first social enterprise set-up by EFI, Artisan Fashion[29], was able to become independent after 6 years of project support and currently works with recognisable fashion brands.[30]
35. *Ring-fencing finance for innovative institutions*. Under ROLL, IFAD is supporting the establishment of Regeneration Opportunity Fund (ROF). To manage risks, the design and financing agreement defines budgets to these more innovative instruments and stipulates clear milestones to access finance from the project's overall investment. A similar approach using triggers applies for the WaMCoP.
36. *Procurement*. WAMPP suffered delayed initiation of procurement activities during its first years, leading to a substantial procurement workload the following years, which undermined project objectives. WaMCoP will have a relatively light procurement function, based on bundling of procurement activities, framework agreements, and contracting activities to other equally capable service providers. Procurement planning will also take into consideration the existing capacity of the PCU and targets of the AWPB.

## 2. Project Description

### C. Project objectives, geographic area of intervention and target groups

37. **Goal and Objective**. The WaMCoP overall Goal is to *increase the economic and climate resilience of wool and mohair farmers' livelihoods*. In line with the NSDP II, the Project Development Objective is to promote inclusive and sustainable economic growth and private sector led job creation from wool and mohair. The project will target about 45 000 households (approximately 225 000 persons) over a seven-year period (2023 – 2030).
38. **Areas of intervention and programmatic approach**. While WaMCoP will be national in scale, it will place a special focus on the highland areas with high poverty incidence, limited market access, and yet high numbers of sheep and goats. All component 1 activities excluding the promotion of cottage industries will be national from the start.[31] To facilitate start-up and to ensure a poverty-reduction focus, several Component 2 activities will initially have a geographical targeting. These are the activities related to in-kind loans; savings groups; responsible production certification system; and incentive-based community initiative for rangelands management. The districts of Mokhotlong, Maseru Rural, Quthing and Thaba Tseka have been selected because they have both high production of wool and mohair and high levels of poverty (>60% in Mokhotlong and Thaba Tseka and 50%-60% in Quthing).[32] The geographically focused activities will be progressively scaled up to the remaining districts, depending on WaMCoP performance.
39. **Targeting – the primary target group**. The project will target 45 000 households (approximately 225 000[33] persons) engaged or willing to engage in the Wool and Mohair sector. The target group will be predominantly smallholder wool and mohair farmers. The operational entry point for the project will be the shearing sheds, and therefore the wool and mohair farmer members of Farmer Associations at shearing shed level will represent the primary target group. Given that shearing sheds include small and large farmers, eligibility criteria will be introduced to avoid elite capture by the larger farmers.[34] The outreach by different groups is presented in Figure 1.
40. To promote participation by the most resource-poor farmers, the following activities will be directly targeted to them: (1) subsidized culling and exchange; (2) savings groups; (3) subsidized efficient cooking stoves.
41. WaMCoP will also be inclusive of wool and mohair farmers that are currently not members of a Farmer Association at shearing shed level, in three ways: (1) all project services that do not require being part of a formal group will be open to all wool and mohair farmers, whether or not they are members of a Farmer Association; (2) farmers that are not members of a Farmer Association will be targeted with the culling and exchange activity, thereby allowing these farmers to meet the eligibility criteria to become members; (3) overall, WaMCoP will encourage resource-poor farmers to join an association; the project aims to improve the services that Farmer Associations offer to their members, thereby making membership more attractive.

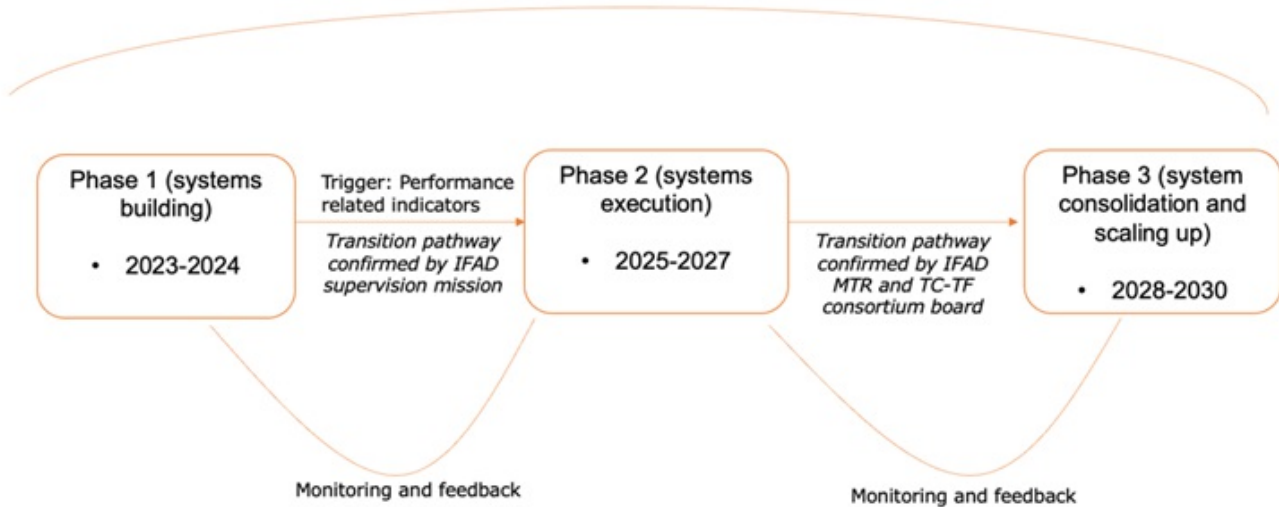


42.

43. **Women, youth, and PwDs.** Women will represent at least 50% of people directly involved in project activities, corresponding to approximately 22 500 women. Out of these, 7,500 women will be targeted as wool and mohair farmers and will have preferential access to services such as culling and exchange and in-kind loans.[\[35\]](#)
44. Most women in Lesotho do not own sheep and/or goats. Therefore, WaMCoP includes a number of activities specifically targeted at approximately 15,000 women who do not own sheep and/or goats: (1) the development of cottage industries, which building on WAMPP experience has the potential to create new jobs for women; (2) the establishment of saving groups targeting 10 000 persons, mostly women; and (3) subsidized access to 10 000 improved cooking stoves, which will yield benefits for women in terms of health and of time saved from collecting firewood. Given the extremely high number of women suffering from gender-based violence (one in three women, according to a 2020 UN-Women report[\[36\]](#)), awareness campaigns against gender-based violence will be carried out.[\[37\]](#)
45. Youth aged 18-35 will represent 35% of WaMCoP beneficiaries. An estimated 18% of members of Farmers Associations at shearing shed level are youth, thus at least 5,400 young wool and mohair farmers will benefit from the project's services delivered at shearing shed level. Many more young wool and mohair farmers do not currently meet the eligibility criteria to become members of a Farmer Association at shearing shed level because they do not own improved animals and/or enough animals. By granting youth preferential access to culling and exchange activities (and thus access to improved animals), WaMCoP will make it easier for youth to join Farmer Associations. For youth who do not own sheep and/or goats, the project aims to create jobs in cottage industries and in the supply of veterinary services.
46. A special focus will be placed on PwD: the project will collaborate with the Lesotho National Federation of Organisations of the Disabled (LNFOD) to directly target PwDs with training and equipment to engage in cottage industries. The Leribe Craft Centre cottage industry has experience working with disabled women, and useful lessons can be learned. Households with orphans of HIV will be given preferential access to improved cooking stoves.
47. An appropriate social targeting strategy will be developed, and the targeting performance will be monitored on a continuous basis. All people-centred data will be disaggregated by gender, age, and PwD.[\[38\]](#) The business specialist will be the gender and youth focal point and have dedicated sections in her/his ToRs.
48. **Multi-phase programmatic approach.** WaMCoP is applying a three-phased implementation strategy. This approach creates a strong learning and monitoring platform, as lessons learned from one phase can be collated and integrated into the next phase. Moreover, it safeguards the project, by providing a mechanism to closely monitor overall project performance towards key outcomes.



## Wool and Mohair Value Chain Competitiveness Project



49. This approach will ensure that the innovative TF-TC consortium is gradually developed and built.<sup>[39]</sup> Considering the centrality of the TF-TC consortium to the underlying logic of the project, the phased approach will ensure that during phase 1, the TF-TC consortium is concretised. In parallel, the PCU will lead the implementation of phase 1 activities and build the critical VC systems. Once a set of performance related triggers are met, the project will then transition to phase 2, which should see greater execution and implementation of the VC systems. Phase 2 will also see the TF-TC consortium operate assets and deliver services and it is envisioned that it will scale-up operations over the course of phase 2 and in the build-up to phase 3. Finally, the third and final stage, is the systems consolidation and scaling-up phase. The TF-TC consortium should be fully operational and delivering against clear fiduciary and performance targets.<sup>[40]</sup> This phase is therefore, focused on consolidating key activities, scaling-up where there is clear progress and building a clear pathway to post-project sustainability, of which the TF-TC consortium will lead and anchor.<sup>[41]</sup>
50. **Implementation strategy.** WaMCoP will be implemented in three phases.<sup>[42]</sup> Phase 1, with a duration of eighteen months, is the start-up and system building phase, phase 2, with a duration of 2 years is the implementation and system execution phase and phase 3, is the scaling-up, consolidation and post-project phasing out. Supervision and implementation support missions will review progress between phase 1 and 2 and the mid-term review (MTR) mission will review the transition from phase 2 to phase 3. There are five performance-related triggers to transition from phases 1 and 2: (i) The business plan for the TF-TC is developed, validated by VC players and the governance structure is established; (ii) The TF-TC fiduciary systems, monitoring software and secretariat is established and validated; (iii) the TF-TC develops a business plan for each asset entrusted by the government; (iv) the TF-TC finalises the delivery mechanism for the revolving fund, in particular, the software system, the financing manuals and eligibility criteria; and (v) a service provider is contracted to target, establish and support savings groups.
51. Confirmation of whether the triggers have been met will occur during the second supervision mission. If there is no progress on the triggers, the TF-TC may not undertake any further activities and a project level restructuring will be undertaken by IFAD. Should the effectiveness of the TF-TC consortium be severely delayed, the Lesotho National Development Corporation (LNDC)<sup>[43]</sup> is ready to collaborate with the PCU, to supplement, and ensure smooth implementation. If all performance related triggers are met, the project, through the IFAD supervision mission, will receive the authorisation to transition from phases 1 to 2.
52. Due to the importance of establishing the TF-TC, the performance related triggers will only apply from phase 1 to phase 2. The transition from phase 2 to phase 3, will therefore, be a function of regular project implementation. The MTR mission will scrutinise overall project performance and guide implementation to the third phase. In the unlikely event project performance is severely undermined, the project would be eligible for restructuring, suspension or even the withdrawal of support to the TF-TC. While this is a different implementation modality for IFAD project, this ensures that the necessary safeguards can be deployed in the event of any unforeseen issues.

### D. Components/outcomes and activities

53. WaMCoP consists of 2 technical components: (1) Support to building VC systems and organization; (2) Climate smart VC operation and coordination. Component 1, mainly implemented by the PCU, will support the establishing and up-grading of the systems enabling the VC to thrive. Component 2, mainly implemented by the TF-TC, will support the operation and improvement of these locally grounded VC systems, leading them to self-sustainable levels.<sup>[44]</sup>

#### Component 1 Support to building value chain systems

54. Activities planned under this component will be implemented by the PCU. The four expected outcomes are: (1) improved inclusiveness and transparency of VC governance (key performance indicator: 75% of supported rural producers' organization

members report new or improved services provided by their organizations); (2) sustainable sector strategy adopted (key performance indicator: 2 new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment); (3) new employment opportunities are promoted in wool and mohair input supply and value addition (key performance indicator: 400 new jobs created); (4) enhanced involvement of women in the VC thanks to household labour saving technologies (efficient cooking stoves accessed by 9,000 women). These outcomes will be achieved through 3 sub-components: (1.1) Value chain governance and sector strategy; (1.2) Responsible wool and mohair production; and (1.3) Business development and value addition.

### **Sub-component 1.1 Value chain governance and sector strategy**

55. This sub-component consists of two interventions aiming at improving the sector's policy and regulatory framework and building the capacity of VC stakeholders to operate under the new private sector led sector governance system.

#### **Intervention 1.1.1 Support to improving sector policy and regulatory framework**

56. Through technical assistance, the PCU will support MAFS to review and develop a sector policy and implementable regulations.<sup>[45]</sup> This responds to the need to have greater policy coherence within the sector. The policy review and development will be carried out in a participatory and inclusive manner. Key issues will be collectively explored by the VC and distilled into an overarching policy framework, including responsible production of wool and mohair, carbon sinking and biodiversity conservation,<sup>[46]</sup> asset management and equity of access to goods and services.

#### **Intervention 1.1.2 Entrusting assets to the Trust Fund-Trust Company (TF-TC) consortium and building stakeholders' capacity**

57. This intervention aims to consolidate the institutional and operational structure of the TF-TC consortium, manage the process of asset entrustment, and build the capacity of VC actors to operate within the TF-TC led governance system. This intervention follows a three-pronged strategy and aligns to the three phased project approach noted above.

58. *Consolidating the TF-TC consortium.* The Trust Company (TC) is a joint venture between all role players of the wool and mohair VC and will act as a sectoral body.<sup>[47]</sup> It aims to govern and coordinate VC operations, manage critical VC assets, and equitably deliver required services to all players. The Trust Fund (TF) consists of an endowment fund amounting US\$ 7 million and a revolving fund amounting US\$ 10.5 million. The capital growth generated from investing the US\$ 7 million will be used to finance the operations of the consortium and support sector development.<sup>[48]</sup> The revolving fund is aimed at providing in-kind input loans (genetic materials, feed and fodder, and vet services) to farmers. Under the leadership of the LNDC – which is a renowned parastatal – VC players—including the two big farmer associations, the two significant brokers, the traders association —have agreed to establish the TF-TC and build in a corporate management system that meets international standards and IFAD requirements, before the start of WaMCoP according to a defined roadmap.<sup>[49]</sup> It is envisioned that the TF-TC will function beyond the life cycle of WaMCoP.

59. During the first phase of implementation (18 months), the PCU will provide institutional support<sup>[50]</sup> to the TF-TC and ensure that the business plan for the TF-TC is developed, validated by VC stakeholders and the governance structure is well established. In parallel, IFAD missions will validate the TF-TC fiduciary systems, monitoring software and assess whether the secretariat is established. This approach, therefore, aims to consolidate the structure of the TF-TC and confirm its capacity to lead project related activities under component 2.<sup>[51]</sup> This support is earmarked to phase-out by the end of phase 2 (at mid-term) to ensure sustainability. The PCU will facilitate annual external audits of the consortium through phases 1 and 2 and thereafter facilitate a final audit before project completion.

60. *Asset entrustment.* In response to sub-optimal asset management in the sector, the PCU on behalf of MAFS, will recruit a reputable service provider to perform a valuation of all the critical VC related physical assets that are currently publicly owned<sup>[52]</sup>. The PCU recruited service provider will subsequently: (a) perform the valuation of critical VC assets<sup>[53]</sup>; (b) develop a performance related contract for asset management<sup>[54]</sup>; and (c) facilitate the official hand-over of concerned assets. MAFS will ultimately monitor the performance of the TF-TC in managing the assets.<sup>[55]</sup> Contingent on the performance related triggers being met in phase 1, in phase 2 these assets are to be entrusted to the TF-TC consortium.

61. *Capacity building of VC players.* The PCU will facilitate the capacity building of all farmer associations and other VC players<sup>[56]</sup> to operate within the new TF-TC consortium-led sector governance system.<sup>[57]</sup> A role mapping of these players in this new innovative system, along with a capacity needs assessment will be performed, leading to the design and roll-out appropriate capacity building activities. Focus will be on strengthening the internal organisation of the farmer organisations. As this will empower them to advocate for smallholders, during and beyond WaMCoP.

### **Sub-component 1.2 Responsible wool and mohair production**

62. This sub-component promotes sustainable intensification of wool and mohair production through improvements in animal breeding, animal nutrition and animal health, and provides interlinked support for the rehabilitation of rangelands and carbon accounting.

#### **Intervention 1.2.1 Improved small ruminant production**

63. WaMCoP will expand on the achievements made during the implementation of WAMPP. It aims to sustainably intensify small ruminant production through a strategy based on three main pillars - improved breeding, nutrition, and health management - resulting in improved yield per animal and a lower carbon footprint. Reduced herd size, aligning stocking rate with the changing biomass availability, will eventually improve farming productivity. The expected result is higher quality wool and mohair brought to market, improved income, improved resilience, and reduced GHG emissions with less impact on the environment.

64. *Breeding* will be supported through: (1) the operationalization of the National Sheep and Goat Breeding Plan [58] (NBP), (2) the establishment of a new breeding centre for the genetic selection of high-quality Angora goats and upgrading of the two existing studs; and (3) the upgrading of the culling and exchange program with a revised strategy based on the experience of WAMPP. [59]
65. *Animal nutrition*. Support will be provided to smallholder farmers to adopt effective practices, and technologies developed by researchers of the National University of Lesotho under WAMPP. This will include: (1) continued capacity building and training opportunities via on-farm demonstrations on improved animal nutrition practices; and (2) financial support for farmers to acquire equipment and technologies to strengthen on-farm feed and forage production capacity (see productive alliances).
66. *Animal health*. The main activity will be the implementation of a disease surveillance and emergency response plan, under the responsibility of Directorate of Livestock Services (DLS) and in collaboration with other public and private stakeholders. Related support will also include: (1) establishing and equipping the National Diagnostic Laboratory at central level, to enable its operational capacity, with a customized disease reporting system using a surveillance application, (2) the provision of hands-on/on-farm demonstrations aiming at improving animal health practices and management, and (3) support for training of young veterinarians at the university. [60]

### **Intervention 1.2.2 Rangeland management and carbon accounting system**

67. The main objective of this intervention, which will leverage finance from the Global Environment Facility (GEF), is to set-up up the system for rangeland management and carbon accounting certification. Sustainable rangeland management is critical for the viability of the value chain as it serves as a source of fodder and is a requirement for responsible production standards. [61] Linked to the ambition of “greening” production in Lesotho, a robust carbon accounting system will be developed to advance low carbon production and biodiversity enhancement into the sector.
68. To comply with the Textile Exchange’s Responsible Production Standards, communal farmer groups are requested to develop 3 critical plans: (1) the animal health and welfare plan; (2) the land management, soil health and biodiversity plan; and (3) a compliance plan at shearing-shed level. [62] The first two plans, will also be used as monitoring mechanisms to drive improved husbandry practices [63] and greater awareness around biodiversity and land management practices. [64]
69. *Land Management*. WaMCoP and the IFAD-financed ROLL project will build an operational partnership that will see ROLL lead on rangeland related activities where there is geographic overlap. [65] As implementation proceeds, activities will progressively expand to other WaMCoP high-priority districts, where a service provider will continue with a harmonised and demonstrated approach. [66] A GEF financed environmental specialist will further support efforts on la
70. At national level, WaMCoP PCU in collaboration with ROLL PMU, will support the Rangeland Act and its effective implementation and monitoring. Emphasis will be on supporting locally grounded institutions to enact and enforce local regulations, collect fees and fines, manage these financial resources, monitor, and report on the status of the rangelands. [67]
71. *Carbon accounting*. Building on the demand for ‘net zero carbon products’, the project will help determine appropriate emission reduction measures and accounting procedures, and test these. [68] With the support of finance from the GEF, a study will guide the right approach for measuring product carbon footprints that are acceptable to supply chain partners. This will advance low-emission fiber production, coupled with the end-to-end traceability and certification established through the project, this will further stimulate demand for Lesotho’s wool and mohair.
72. *Energy-efficient cooking stoves*: In Partnership with African Clean Energy (ACE), promotion of efficient cooking stoves will allow for more efficient use of women’s time (as well as prevention of respiratory diseases) leaving them with greater availability to VC-related activities, as well as more efficient use of wood, helping to, access to electricity [69], and reduce deforestation and hence enhance soil carbon sequestration.
73. ACE sells its stoves through 12–15-month micro-loans. Customers use the energy savings achieved with the product to pay back the investment. This gives people living on US\$ 2 a day access to a US\$ 120 product. WaMCoP will facilitate access by providing a 50% subsidy. The activity will be implemented primarily in the districts of Mokhotlong, Thaba-Tseka, Quthing and Maseru rural, where between 50% and 60% of the population lives below the international poverty line of US\$ 1.90/day. Vulnerable households will be identified at community level through participatory targeting. Cooking stove demonstrations will also be organized at the meetings of the savings groups promoted under subcomponent 2.1, making it likely that there will be some overlap between the 10 000 persons benefitting from the 50% cooking stove subsidy and the 10 000 persons who will take part in saving groups. Synergies are expected to occur between the two activities, as the savings groups can facilitate the acquisition of the stove, and the stove allows women to save time that they could use for other activities, including those relating to the wool and mohair VC, or other small income-generating activities, or taking part in meetings of the saving groups.
74. When compared to the open fire cooking, the ACE stove results in a reduction of wood consumption by 50-85%, saving 2.5 to 5 Co2 equivalent tonnes per year. Once users connect their smartphones to the stove, it communicates back to the ACE database with activity data from that unit. This data will be shared with WaMCoP PCU, allowing the project to quantify the impact of the cooking stoves in terms of climate change mitigation, and producing insights into the energy consumption habits of off-grid households, on whom little data is currently available.

### **Sub-component 1.3 Business development and cottage industry**

75. This sub-component is supporting the business development of critical supply chains of the wool and mohair VC and will promote the national value addition through transforming cottage industries into commercial fashion production.

#### **Intervention 1.3.1 Promoting productive alliances**

76. Through this intervention, productive alliance partners will be requested to submit business proposals to the PCU for appraisal and funding. These alliances will consist of larger private sector players, aggregators, and smallholder producers, among others. Efforts will be made to maximise overlap with the smallholders supported to enhance production and rangeland management under Component 1.2. The PCU will recruit a Business Development Expert to coordinate this intervention and farming community will be sensitized through awareness workshops. Working through productive alliances follows lessons from the SADP II larger grant window, and experience in other countries. This intervention will use matching grants carefully to equally improve business and strengthen the linkages between producers and aggregators (forming alliances). A manual detailing the business plan requirements and scores in line with SADP II experience is developed during start-up for IFAD no-objection.
77. Supporting three important supply chains to the wool and mohair value-chain, the project will use matching grants to support access to:[\[70\]](#)
78. (1) *Quality breeding stock*: Private Commercial Breeders will be encouraged to form productive alliances with producers and submit business proposals to expand their breeding capacity and distribute improve stock to their smallholder customers. It is expected that 90 business proposals will facilitate the access to quality breeding stock through these productive alliances, benefitting a total of 1,800 Wool and Mohair farmers.
79. (2) *Commercial feeds and quality fodder*: These grants will be provided to feed mills that aggregate the raw materials of smallholder producers. In total, 5 Feed Mills aggregating 150 raw material producers are expected to benefit.
80. (3) *Community agrovet services*: This is entitled the community agro-veterinary entrepreneurs (CAVE) promotion, business development grants will be provided to Community Animal Health Workers, moving them to become true businesses. In total, it is expected that 180 Community Animal Health Workers will receive a grant, each of which serving around 333 Wool and Mohair Farmers. As part of the alliance formation, farmers will receive a discount for drugs, and/or inputs and/or AI initially.

### **Intervention 1.3.2 Development of Lesotho fiber processing**

81. The project will contract the EFI, which is a public-private partnership of a UN programme (under the International Trade Centre (ITC), a joint agency of the UN and World Trade Organization (WTO), to support the development of the cottage industry. EFI has built an international reputation in creating and strengthening social enterprises in emerging economies to connect discerning international brands in fashion, interiors, and fine foods with talented local designers, artisans, and micro-producers. EFI will bring into Lesotho through technical training and equipment investment, best practices learned from existing successful businesses, product development with international (including African) creatives, branding and marketing, market penetration and diversification via EFI's existing and growing network.
82. Building on existing loose associations, a local social enterprise (SE)[\[71\]](#) will be established to train artisans and to interface with the international markets demand for sustainable, traceable, and desirable products.[\[72\]](#) The SE will be owned by local stakeholders and will have a dedicated staff compliment.[\[73\]](#) The EFI team will co-manage the SE, working closely with the employees of the SE on the project implementation and business growth.[\[74\]](#) The SE will subsequently graduate to be a sustainable market vehicle and act as a centralized platform for raw material procurement and dying, training, quality and traceability control, sales, and export supply chain, as well as marketing, thus providing an outlet for the smallholder wool and mohair producers supported through other activities of WaMCoP.
83. Leveraging the responsible production certification, EFI will create a consumer brand and introduce a strong Environmental, Social Governance (ESG) / due diligence system. The EFI team will further facilitate participation in fashion weeks and lifestyle fairs, international and local pop-up stores, create marketing materials (films, photos, visual assets), and enable support from international press offices as additional business advantages for the artisans. The fashion and lifestyle industry will attract and connect youth and women from the rural area of Lesotho to the international creatives industries.

### **Component 2 Climate smart value chain operation and coordination**

84. According to the phased approach and pending the fulfilment of the established performance-related triggers under phase 1, this component will be gradually led by the TF-TC in phase 2. Building upon the support to sustainable production and rangeland management through Component 1, this component is expected to yield two main outcomes: (1) Smallholder production of wool and mohair has sustainably increased in quality and quantity (key performance indicator: 27 000 households reporting an increase in production); (2) Wool and mohair farmers have adopted environmentally sustainable rangeland-management practices (key performance indicator: 28 000 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices). While Component 1 aims to promote improved sustainable production mainly through training, promotion of technology adoption, and service provision, this Component will contribute to these outcomes through: (2.1) Access to productive finance and (2.2) Responsible Value Chain production system.

#### **Sub-component 2.1 Access to productive finance and other goods and services**

85. The aim of this component is to ensure farmers' access to financing services as well as inputs. It consists of three interventions led by the TF-TC: (1) TF-TC provide services to farmers by managing entrusted physical and financial assets; (2) roll-out a revolving fund to provide in-kind loans to farmers; and (3) collaborate with a service provider to promote financial literacy and saving groups, targeting poorer households.

#### **Intervention 2.1.1 Managing and sustaining financial and physical assets**

86. Building on the work undertaken under Component 1 to develop the TF-TC, the established TF-TC consortium will subsequently manage entrusted financial and physical assets to efficiently provide required goods and services to VC players.[\[75\]](#) Under phase 1, it will set-up the delivery mechanism[\[76\]](#) for the wool and mohair revolving fund, where critical input financing[\[77\]](#) will be



channelled to approximately 30,000 semi-commercial and commercial wool and mohair smallholders.<sup>[78]</sup> Under phase 2, the wool and mohair revolving fund should be fully operational, with the aim of providing high-quality inputs that improve production, productivity, and quality output, therefore, attracting premium prices and generating higher incomes for farmers. The revolving fund shall be administered on an in-kind basis<sup>[79]</sup> and reflows shall be reinvested towards the same endson arevolving Productive alliances supported under 1.3 can tap into the revolving mechanism for their smaller financing needs and those provided from the RF in-kind. The matching grants are used strategically to strengthen and build productive alliances supplying critical inputs to the sector, while the RF is to allow access to these inputs on a sustainable long-term basis. It will not cover larger business-up-grading needs or capital investments, and for these VC players will require linking with commercial banks or other projects.<sup>[80]</sup>

#### 87. *Intervention 2.1.2 Financial literacy and saving groups*

88. The aim of this intervention is to increase asset holdings of non-commercial farmers and vulnerable groups who may not be eligible for other support provided by the project, by enhancing their savings and financial management culture. This includes vulnerable women and persons living with HIV in identified wool and mohair communities. Under phase 1, the TF-TC and PCU will jointly draw up ToRs to select a service provider, then under phase 2 the service provider will perform the following poverty graduation related tasks: (1) target, select and establish saving groups;<sup>[81]</sup> (2) train members in financial literacy knowledge and skills; (3) build savings (and limited lending) and link groups to established financial service providers.<sup>[82]</sup>

### **Sub-component 2.2 Responsible value chain production**

89. Under this component, the TF-TC will lead the roll-out of the responsible production system (set-up under sub-component 1.2.2) and support the certification of shearing shed-linked farmer associations who have benefitted from other financial and non-financial support under the other project sub-components. To support this process and further promote VC efficiencies, a digital platform will be established and will operate for the whole VC. Moreover, the TF-TC will coordinate the implementation of all activities required to meet the responsible production standards, as well as carbon sequestration and biodiversity enhancement. This will contribute to farmers receiving premium prices for their produce, and climate adaptation and mitigation practices being mainstreamed, thanks to interventions such as sustainable land management, rotational grazing, de-stocking, soil health improvements and biodiversity enhancement.

#### **Intervention 2.2.1 Value chain inclusive digital platform**

90. The aim of this intervention is to introduce the VC visibility platform, a tool that will improve supply chain efficiency and effectiveness within the wool and mohair sector, including supporting certification under intervention 2.2.2. This, therefore, strengthens the value proposition of Lesotho's wool and mohair and increases efficiency, and thus profitability, within the VC.

91. The VC platform will be rolled out nationally and all actors that deliver wool and mohair into the formal market, from small to large scale, will be registered on the platform and become users.<sup>[83]</sup> This includes the actors who are part of the productive alliances, and other smallholders receiving various other support from the project. Under phase 1, a digital platform service provider will be recruited, and an MoU will be signed between the TC and service provider. Under phase 2, the platform will be piloted in one supply chain for the first year, followed by a full roll-out to the rest of the sector over the third and fourth years.<sup>[84]</sup> The digital platform is designed to sustain business through revenue streams such as service fees and data access fees. The TF-TC consortium will lead on liaising with participating supply chains on the use of supply chain visibility and traceability, ultimately underpinning the value of the platform.

#### **Intervention 2.2.2 Certification of production**

92. Building on the certification model established under intervention 1.2.2, the TF-TC, under phase 2, will lead the coordination of shearing-shed management units (SSMUs) in operationalising the certification system for responsible production, carbon sequestration and biodiversity enhancement.<sup>[85]</sup> In collaboration with the Textile Exchange, who will be providing technical assistance on the certification model, each SSMU will liaise with shearing-shed-linked farmer associations, landscape coalitions (established through ROLL)<sup>[86]</sup>, and other players (extension services, brokers, digital platform owners) to implement key activities. These include: (i) the compliance plans for certification; (ii) the monitoring and recording of compliance parameters; (iii) organisation of third-party certification; and (iv) biodiversity enhancement.

93. The TC managed VC visibility platform will allow products to be traced back to their compliant (or not compliant) origin and will be used to check the certification status of products. Moreover, once the carbon biodiversity enhancement measures are developed under intervention 1.2.2, the TC will lead on facilitating biodiversity enhancing measures, at shearing shed level, such as natural capital accounts for wool and mohair production.<sup>[87]</sup> This activity will also be financed from the GEF, and specialised technical assistance through an environmental specialist will be provided to support the intervention.<sup>[88]</sup> The reports of the platform will provide the data required by the TC, the PCU and the GoL, to coordinate the activities related to certification, de-stocking, landscape regeneration, animal healthcare, shed management, and compliance parameters.

### **Component 3 Project management**

#### **Sub-component 3.1 Communication for behaviour change and monitoring for learning**

94. This sub-component facilitates the effective and efficient implementation of Components 1 and 2. It will include the Monitoring and Evaluation (M&E) and the Knowledge Management functions.<sup>[89]</sup>

#### **Sub-component 3.2 Project coordination**

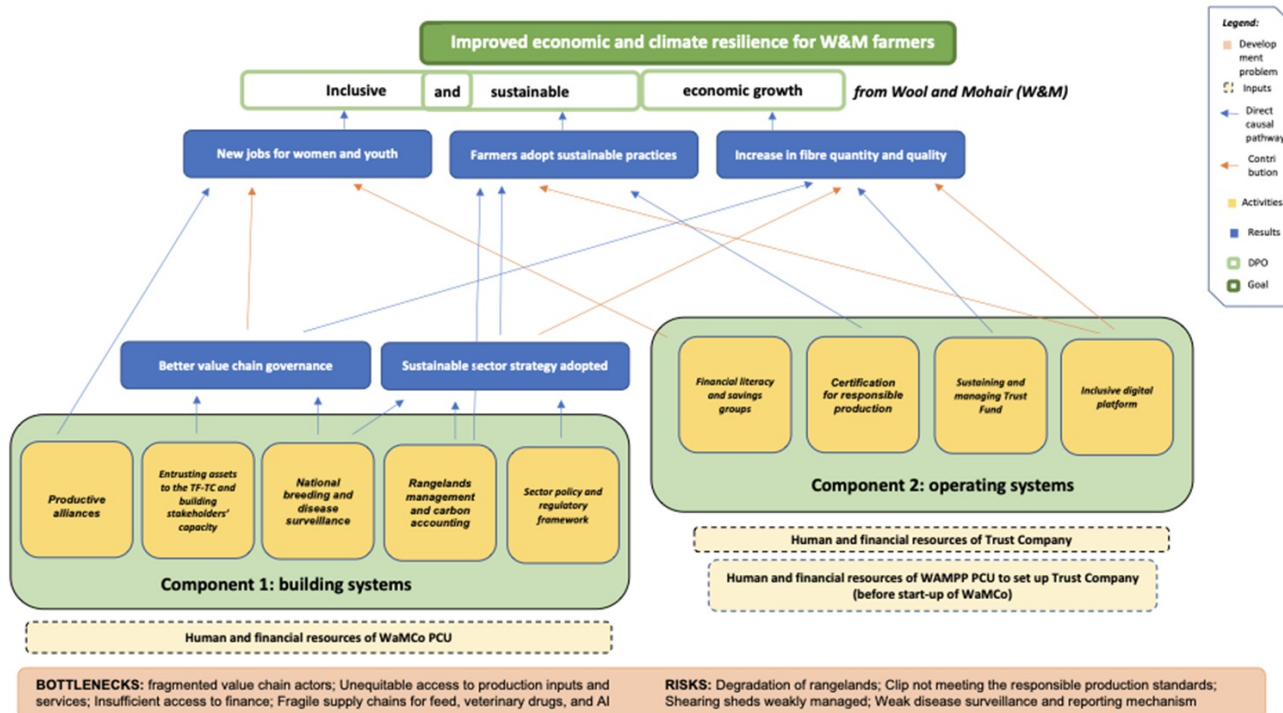
95. Under this sub-component, the PCU will handle the traditional fiduciary (financial management and procurement) activities, audit

of project activities and partners, and permanent consultation with stakeholders.

## E. Theory of Change

96. Despite achievements of past interventions, the wool and mohair industry faces several challenges: (1) fragmentation and limited coordination of the VC; (2) unreliable supply chains for feed, veterinary drugs, improved breed, and artificial insemination, as well as weak services; (3) finance only accessible by larger rural enterprises; (4) limited value added due to mis-management of critical assets, such as shearing sheds, plus outdated designs with limited tailoring to specific markets; (5) export potential further hindered by inability to meet responsible production standards, and weak disease surveillance and reporting, and certification; (6) overgrazing and rangeland degradation due to widespread overstocking<sup>[90]</sup>.
97. The project aims to address these barriers by targeting all levels of the VC, from governance, mid-stream private sector actors, and smallholder suppliers (see Theory of Change in Figure 2), to promote export opportunities and productive inclusion of smallholders. At the governance level, by supporting the formation of a consortium of VC stakeholders to implement parts of the project, manage assets and provide services, and gradually undertake a long-term governance role in the VC, WaMCoP aims to cultivate a facilitating environment for VC actors, with greater ownership, inclusivity, self-sufficiency, and sustainability. Part of this facilitating environment will be a new digital platform to streamline transactions within the VC, set up by the consortium, as well as an improved system for certifying produce (with the digital platform being used to register and verify certifications). These activities are expected to lead to two main outcomes: i) inclusiveness and transparency of VC governance is improved; ii) a sustainable sector strategy is adopted.
98. At the mid-stream and smallholder supplier levels, the project aims to address the barriers of limited capital, vertical integration, and value addition by providing matching grants to productive alliances of buyers/aggregators and suppliers, as well as supporting the development of a new social enterprise for wool processing and export. The project will also provide additional support to smallholders to increase their adoption of new technologies, and access to services and training, to enhance practices for livestock breeding, health, and nutrition, thus equipping them to fully engage and benefit from the more lucrative VC that the project is trying to build. The sustainability of the benefits they will derive from the VC will be enhanced by the project's promotion of sustainable rangeland management.
99. Access to inputs for smallholders, driven by limited capital and weak supply chains, is a particular target of WaMCoP to promote their productive inclusion in the VC, and this is further targeted by a revolving fund, administered by the consortium to support input purchases. This will be complemented by improved supply of inputs from buyers through the productive alliance/matching grant component. These activities are expected to yield three main outcomes: i) new employment opportunities are promoted in wool and mohair input supply and value addition; ii) smallholder production of wool and mohair has sustainably increased in quality and quantity; iii) wool and mohair farmers have adopted environmentally sustainable rangeland-management practices.
100. The project ultimately aims to increase smallholder incomes by enhancing their sustainable production of wool and mohair and helping them to gain higher profits for this increased production within a more efficient and lucrative VC, thanks to more cost-efficient production and marketing, productive alliances with buyers, a premium from certification, plus more employment opportunities. These higher incomes are then expected to be re-invested back into their production and marketing practices as part of a virtuous cycle, as well as being used to secure food security and nutritious diets for their households. The increased resilience of the VC, and of smallholder production practices, is ultimately expected to increase smallholders' resilience to shocks such as climatic events/stressors and non-climate events such as the Ukraine crisis.
101. The specific barriers faced by women and youth are recognised by specific targeting and tailored support spread across the project's activities. Women's participation in the VC will also specifically be enhanced by reduced household labour requirements thanks to receipt of efficient cook stoves. Youth are expected to benefit disproportionately from the employment opportunities generated through the growing VC. Finally, women, youth and other vulnerable groups will receive dedicated support to increase their access to assets and capital, with the aim of graduating them to more productive inclusion in the VC, through financial literacy training and promotion of savings groups.
102. Environmental sustainability will also be further enhanced through a new system for carbon accounting, complemented by new incentives to reduce the size of animal stocks (through culling and exchange), enhance rangeland management and limit deforestation (through the promotion of improved cooking stoves).
103. The project's Theory of Change is built on the assumptions that global demand for sustainably produced wool and mohair products will continue to grow, and that the existing barriers faced by the VC and smallholders can be overcome by the project. It also relies on the assumption that the Trust Fund-Trust Company (TF-TC) will be set up under the ongoing project WAMPP before the start of WaMCoP, and that a robust evaluation of its ability to act as an implementing entity – coupled with targeted support - will mitigate the risk that the TC will have a weak operational thrust in implementing selected activities. Confidence that these assumptions will hold is based on data and evidence on the growing demand, and on the effectiveness of similar support, including evidence and experience generated through WAMPP.

Figure 3: WaMCoP Theory of Change



## F. Alignment, ownership and partnerships

104. Alignment with Sustainable Development Goals (SDGs) – The WaMCoP is aligned and will contribute to the achievement of the following SDGs: SDG 1 (No Poverty), SDG 8 (Decent Work and Economic Growth) and SDG 15 (Life on land). This will mainly be achieved through greater productivity and production enhancement of the wool and mohair VC and linking targeted beneficiaries to market-led certification schemes. Furthermore, significant contributions to SDG 2 (Zero Hunger), SDG 9 (Industry, Innovation, and Infrastructure), SDG 10 (Reduced Inequalities), SDG 13 (Climate action) are also envisioned. Investments in the culling and exchange, which contributes to asset building, the market-linked cottage industry which seeks to develop and transform a job-creating sub-sector and the promotion of efficient cooking stoves will all contribute to the SDGs noted above.
105. Alignment with National Priorities – National priorities with regards to smallholder agriculture, wool and mohair VC development, enhanced capacity for farmers and enhanced productivity is presented in the NSDP II and the Comprehensive National Agricultural Policy. The project's development objective and interventions are aligned to these two strategic plans and contributes towards their objectives. Moreover, the 2021 Food Systems Transformation Pathway for Lesotho, will be operationalised through this project as the policy development work under component 1, will seek to develop practical policy instruments that can support value addition and value creation, key elements of the Food Systems Pathway Priority Area 4. Finally, the project aligns to the United Nations Development Assistance Framework (UNDAF) goals, and specifically aligns to the Results Pillar 3 (Sustainable and Inclusive Economic Growth for Poverty Reduction).
106. Alignment with IFAD Policies and Corporate Priorities – WaMCoP is aligned with IFAD's Strategic Framework 2016-2025, and the 2020-2025 Country Strategic Opportunities Programme, which highlights two strategic objectives: (1) inclusive commercialisation of the rural economy; and (2) strengthen an enabling natural and business environment for sustainable and resilient transformation. By undertaking greater sectoral coordination through the TF-TC, the project supports both strategic objectives, as the TF-TC should equally contribute to inclusive commercialisation and a conducive investment environment for the VC.
107. *Country Ownership* – The participatory design of WaMCoP involved key stakeholders, GoL institutions at different levels and beneficiaries. During the design process, the government was represented by multidisciplinary teams from MAFS and WAMPP. The design was also enriched by the active presence of LNDC. Thus, the government was an active participant in crafting key pillars of the project. Government actively shaped and endorsed the move towards responsible certification, the building of a third breeding stud for angora goat, investing in the market linked cottage industry, the institutional configuration of the TF-TC and improving equity of access to key services amongst farmers.
108. *Harmonization and Partnerships* – A key pillar of WaMCoP is that it will facilitate synergies and empower actors to take a leading role in the sector. The programme will coordinate and harmonise with other players/projects that can help catalyse the sector. Details of the potential collaboration across selected projects/players are presented in the project implementation manual.

## G. Costs, benefits and financing

### a. Project costs

109. The total project costs including price and physical contingencies are estimated at US\$ 72.644 million (M 1162.299 million) over the seven-year project implementation period as shown in Table 1. Of this amount US\$ 12.533 million (17.2%) represents the foreign exchange contents, US\$ 0.195 million are in the form of duties and taxes. Total base costs amount to US\$ 71.560 million, while physical and price contingencies are estimated to add another US\$ 1.084 million to this amount. The Project start would be during second quarter of 2023. [\[91\]](#)

110.

Table 1: Component Project Cost Summary (Thousands of United States dollars)

	(M '000)			(US\$ '000)			% Foreign Exchange	% Total Base Costs
	Local	Foreign	Total	Local	Foreign	Total		
<b>A. Support to building Value Chain systems (PCU led)</b>								
1. Value Chain governance and sector strategy	190 202	534	190 736	11 888	33	11 921	-	17
2. Responsible wool & mohair production	235 772	87 820	323 592	14 736	5 489	20 225	27	28
3. Business development and value addition	131 101	24 670	155 771	8 194	1 542	9 736	16	14
<b>Subtotal</b>	<b>557 075</b>	<b>113 024</b>	<b>670 099</b>	<b>34 817</b>	<b>7 064</b>	<b>41 881</b>	<b>17</b>	<b>59</b>
<b>B. Climate smart value chain operation and coordination (TC led)</b>								
1. Access to productive finance	259 677	40 960	300 637	16 230	2 560	18 790	14	26
2. Responsible value chain production systems	64 264	30 667	94 931	4 017	1 917	5 933	32	8
<b>Subtotal</b>	<b>323 941</b>	<b>71 627</b>	<b>395 568</b>	<b>20 246</b>	<b>4 477</b>	<b>24 723</b>	<b>18</b>	<b>35</b>
<b>C. Project coordination unit</b>								
1. Communication for behavior change and monitoring for learning	18 787	8 579	27 366	1 174	536	1 710	31	2
2. Project coordination	46 630	5 298	51 928	2 914	331	3 246	10	5
<b>Subtotal</b>	<b>65 417</b>	<b>13 878</b>	<b>79 294</b>	<b>4 089</b>	<b>867</b>	<b>4 956</b>	<b>18</b>	<b>7</b>
<b>Total BASELINE COSTS</b>	<b>946 433</b>	<b>198 528</b>	<b>1 144 961</b>	<b>59 152</b>	<b>12 408</b>	<b>71 560</b>	<b>17</b>	<b>100</b>
Physical Contingencies	2 622	1 195	3 817	164	75	239	31	-
Price Contingencies	12 718	803	13 521	795	50	845	6	1
<b>Total PROJECT COSTS</b>	<b>961 772</b>	<b>200 527</b>	<b>1 162 299</b>	<b>60 111</b>	<b>12 533</b>	<b>72 644</b>	<b>17</b>	<b>102</b>

111. Price contingency allowances reflect expected increases in Project costs due to changes in unit prices for the various resources that the Project will require. They are considered by the COSTAB software in the calculation of the total costs of the Project. Price contingencies include the impact of expected inflation and alterations in the exchange.

112. Inflation rates used in the calculation of price contingencies for the Project are shown in Table 1. The base rate of exchange has been set at US\$ 1 to M 16, the prevailing rate in June 2022.

113. Physical contingency - contingency allowances reflect expected increases in the base cost estimates due to changes in quantities and/or methods of implementation. They are used in the case of Projects in which investments are not precisely identified. In the case of WaMC-P, costs have been fairly estimated based on recent projects and physical contingencies are mainly applied to civil works.

114. The foreign exchange percentage of the total costs is calculated applying to each expenditure category a foreign exchange rate. Taxes include custom duties (variable, depending on the commodity) and Value Added Tax (ranging between 14-15%). The Value Added Tax is exempted for agricultural goods, tools, and machinery. It is assumed that the Project will be exempted from duties and taxes of imported goods, which are included in the Project costs as a government contribution. Overall duties and taxes exemptions are low in this case, and mostly applied to vehicles.

#### WaMCoP Benefits and financing arrangements.

115. WaMCoP will be financed as follows: IFAD - US\$20.200 million; the OPEC Fund for International Development (OPEC Fund) - US\$20 million; the Global Environment Fund (GEF) – US\$5.2 million; Government of Lesotho - US\$ 8.060 million; private sector and beneficiaries - US\$7.381 million; and other Financiers (financing gap) – US\$11.802 million. IFAD's funding covers 27.8% of total costs, provided through a 100% soft loan concept (US\$ 15.200 million) and IFAD-Borrowed Resource Access Mechanism (US\$ 5.0 million).

116. The financing gap of US\$ 11.802 million is expected to be covered by additional co-financiers (OPEC Fund, EU, private and/or public) to be identified before project start-up, or by additional funds to be requested from IFAD by the Government at the time of the project's midterm review.

117. The Government contribution to the Project will be in the form of assets transferred to the Trust company, contribution towards civil works and foregone taxes and duties on all Project inputs that involve funding from IFAD. Secondly, Government shall issue a tax exemption for all goods and services to the project and the exempted taxes (VAT), and fees shall be recorded as government contribution to the project. Thirdly, Government shall contribute to some other direct activities including office accommodation for the project management unit and salaries/allowances for government staff/technical people supporting WaMCoP implementation. The total contribution of the government in the project, including transferred assets, civil works, and duties foregone amounts to US\$ 8.060 million.

118. Beneficiaries will be participating directly in some activities related to access to productive finance and in the promotion of productive alliances. Their contribution will also be indirect through the shearing sheds. The main operational entry point for the project will be the shearing sheds, and the wool and mohair farmers members of Farmer Associations at shearing shed level will represent the primary target groups.

#### Expenditure Accounts



119. WaMCoP will have seven categories, namely (i) civil works; (ii) vehicle, equipment, and services; (iii) Technical assistance and studies; (iv) training and workshops and (v) Credit and Guarantee Funds. These are classified under investment costs. Two categories (i) Salaries and allowances, and (ii) operating costs are under recurrent costs. The investments costs represent 88.4% of total costs and the recurrent costs of the project comprise 11.6% of total project cost.

120. Table 2: Expenditure accounts by financiers (Thousands of United States dollars)

	IFAD-Loan Amount	IFAD-BRAM Amount	OPEC FUND Amount	GEF Amount	Financing Gap Amount	Private Sector /		Total Amount	%
						Beneficiaries Amount	Government Amount		
<b>I. Investment Costs</b>									
A. Civil Works	116	-	3 460	-	1 506	-	3 500	8 583	11,8
B. Vehicles, Equipment and Materials	4 966	-	5 813	5 000	3 400	1 178	629	20 987	28,9
C. Technical Assistance	1 801	2 550	5 928	200	617	1 005	162	12 262	16,9
D. Training / Workshops	2 085	450	1 354	-	15	-	-	3 904	5,4
E. Credit & Guarantee Funds	3 976	2 000	1 504	-	5 528	2 492	3 001	18 500	25,5
<b>Total Investment Costs</b>	<b>12 944</b>	<b>5 000</b>	<b>18 060</b>	<b>5 200</b>	<b>11 066</b>	<b>4 675</b>	<b>7 292</b>	<b>64 236</b>	<b>88,4</b>
<b>II. Recurrent Costs</b>									
A. Salaries and Allowances	2 075	-	1 941	-	736	2 662	228	7 641	10,5
B. Operating Costs	182	-	-	-	-	44	541	767	1,1
<b>Total Recurrent Costs</b>	<b>2 257</b>	<b>-</b>	<b>1 941</b>	<b>-</b>	<b>736</b>	<b>2 706</b>	<b>769</b>	<b>8 408</b>	<b>11,6</b>
<b>Total PROJECT COSTS</b>	<b>15 200</b>	<b>5 000</b>	<b>20 000</b>	<b>5 200</b>	<b>11 802</b>	<b>7 381</b>	<b>8 061</b>	<b>72 644</b>	<b>100,0</b>

121.

122. Table 3: Project costs by component (and sub-components) and financier (Thousands of United States dollars)

	IFAD-Loan		IFAD-BRAM		OPEC FUND		GEF		Financing Gap		Private Sector /		Government		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Beneficiaries	%	Amount	%	Amount	%
<b>A. Support to building Value Chain systems (PCU led)</b>																
1. Value Chain governance and sector strategy	195	1,6	2 100	17,6	1 000	8,4	-	-	2 000	16,8	126	1,1	6 501	54,5	11 921	16,4
2. Responsible wool & mohair production	2 014	9,8	-	-	10 660	52,1	3 000	14,7	3 781	18,5	524	2,6	470	2,3	20 448	28,1
3. Business development and value addition	3 757	38,6	-	-	3 631	37,3	-	-	1 952	20,0	380	3,9	20	0,2	9 740	13,4
<b>Subtotal</b>	<b>5 966</b>	<b>14,2</b>	<b>2 100</b>	<b>5,0</b>	<b>15 290</b>	<b>36,3</b>	<b>3 000</b>	<b>7,1</b>	<b>7 733</b>	<b>18,4</b>	<b>1 030</b>	<b>2,4</b>	<b>6 991</b>	<b>16,6</b>	<b>42 109</b>	<b>58,0</b>
<b>B. Climate smart value chain operation and coordination (TC led)</b>																
1. Access to productive finance	5 514	29,1	2 900	15,3	1 593	8,4	-	-	3 938	20,8	4 924	26,0	60	0,3	18 929	26,1
2. Responsible value chain production systems	1 310	22,1	-	-	984	16,6	2 200	37,1	-	-	1 427	24,1	13	0,2	5 933	8,2
<b>Subtotal</b>	<b>6 823</b>	<b>27,4</b>	<b>2 900</b>	<b>11,7</b>	<b>2 577</b>	<b>10,4</b>	<b>2 200</b>	<b>8,8</b>	<b>3 938</b>	<b>15,8</b>	<b>6 351</b>	<b>25,5</b>	<b>73</b>	<b>0,3</b>	<b>24 862</b>	<b>34,2</b>
<b>C. Project coordination unit</b>																
1. Communication for behavior change and monitoring for learning	1 059	57,3	-	-	633	34,2	-	-	-	-	-	-	156	8,4	1 848	2,5
2. Project coordination	1 352	35,3	-	-	1 500	39,2	-	-	131	3,4	-	-	841	22,0	3 824	5,3
<b>Subtotal</b>	<b>2 411</b>	<b>42,5</b>	<b>-</b>	<b>-</b>	<b>2 132</b>	<b>37,6</b>	<b>-</b>	<b>-</b>	<b>131</b>	<b>2,3</b>	<b>-</b>	<b>-</b>	<b>997</b>	<b>17,6</b>	<b>5 672</b>	<b>7,8</b>
<b>Total PROJECT COSTS</b>	<b>15 200</b>	<b>20,9</b>	<b>5 000</b>	<b>6,9</b>	<b>20 000</b>	<b>27,5</b>	<b>5 200</b>	<b>7,2</b>	<b>11 802</b>	<b>16,2</b>	<b>7 381</b>	<b>10,2</b>	<b>8 061</b>	<b>11,1</b>	<b>72 644</b>	<b>100,0</b>

123. Table 4: Project costs by expenditure category and financier (Thousands of United States dollars)

	IFAD-Loan Amount	IFAD-BRAM Amount	OPEC FUND Amount	GEF Amount	Financing Gap Amount	Private Sector /		Total Amount	%
						Beneficiaries Amount	Government Amount		
<b>I. Investment Costs</b>									
A. Civil Works	116	-	3 460	-	1 506	-	3 500	8 583	11,8
B. Vehicles, Equipment and Materials	4 966	-	5 813	5 000	3 400	1 178	629	20 987	28,9
C. Technical Assistance	1 801	2 550	5 928	200	617	1 005	162	12 262	16,9
D. Training / Workshops	2 085	450	1 354	-	15	-	-	3 904	5,4
E. Credit & Guarantee Funds	3 976	2 000	1 504	-	5 528	2 492	3 001	18 500	25,5
<b>Total Investment Costs</b>	<b>12 944</b>	<b>5 000</b>	<b>18 060</b>	<b>5 200</b>	<b>11 066</b>	<b>4 675</b>	<b>7 292</b>	<b>64 236</b>	<b>88,4</b>
<b>II. Recurrent Costs</b>									
A. Salaries and Allowances	2 075	-	1 941	-	736	2 662	228	7 641	10,5
B. Operating Costs	182	-	-	-	-	44	541	767	1,1
<b>Total Recurrent Costs</b>	<b>2 257</b>	<b>-</b>	<b>1 941</b>	<b>-</b>	<b>736</b>	<b>2 706</b>	<b>769</b>	<b>8 408</b>	<b>11,6</b>
<b>Total PROJECT COSTS</b>	<b>15 200</b>	<b>5 000</b>	<b>20 000</b>	<b>5 200</b>	<b>11 802</b>	<b>7 381</b>	<b>8 061</b>	<b>72 644</b>	<b>100,0</b>

124.

125.

Table 5: Project costs by component and year (Thousands of United States dollars)

	Totals Including Contingencies (US\$ '000)							Total
	2023	2024	2025	2026	2027	2028	2029	
<b>A. Support to building Value Chain systems (PCU led)</b>								
1. Value Chain governance and sector strategy	188	6 560	2 047	47	3 035	22	22	11 921
2. Responsible wool & mohair production	4 185	7 221	3 439	3 222	972	783	625	20 448
3. Business development and value addition	1 341	1 953	1 465	1 465	1 465	1 405	645	9 740
<b>Subtotal</b>	<b>5 715</b>	<b>15 735</b>	<b>6 951</b>	<b>4 734</b>	<b>5 473</b>	<b>2 209</b>	<b>1 292</b>	<b>42 109</b>
<b>B. Climate smart value chain operation and coordination (TC led)</b>								
1. Access to productive finance	1 431	2 576	2 981	3 436	3 190	2 845	2 470	18 929
2. Responsible value chain production systems	911	1 282	1 171	854	838	638	238	5 933
<b>Subtotal</b>	<b>2 341</b>	<b>3 858</b>	<b>4 152</b>	<b>4 290</b>	<b>4 029</b>	<b>3 484</b>	<b>2 709</b>	<b>24 862</b>
<b>C. Project coordination unit</b>								
1. Communication for behavior change and monitoring for learning	371	177	178	373	164	200	385	1 848
2. Project coordination	556	670	468	486	506	525	613	3 824
<b>Subtotal</b>	<b>927</b>	<b>847</b>	<b>646</b>	<b>859</b>	<b>669</b>	<b>726</b>	<b>997</b>	<b>5 672</b>
<b>Total PROJECT COSTS</b>	<b>8 983</b>	<b>20 440</b>	<b>11 749</b>	<b>9 884</b>	<b>10 171</b>	<b>6 418</b>	<b>4 998</b>	<b>72 644</b>

## IFAD climate-focused financing [\[92\]](#)

126. IFAD adaptation finance amounts to US\$ 4 130 000, representing 20.4% of IFAD total project costs.

### b. Project financing/co-financing strategy and plan

127. With IFAD PBAS and BRAM resources the core start-up activities and critical investments are financed. OPEC Fund for international development (OPEC Fund) as further committed to at least a US\$ 20 Million co-investment which has been programmed. With a strong focus on biodiversity, soil health and regenerative practices, the project qualifies for GEF8 resources, and a project identification form (PIF) is being prepared jointly by IFAD and GoL for US\$5.2 Million. Government co-finance is approved by the public sector investment committee (PSIC), and LNDC committee, and the budgeted amounts are currently at CEO level pending their board approval. Private sector co-financing will be leveraged through contributions during implementation.

128. With a financing gap of US\$ 11.802 Million, the project opens the opportunity for IFAD and GoL to include additional resources to readily programmed and costed activities US\$ 11.767 million, the project opens the opportunity for IFAD and GoL to include additional resources to readily programmed and costed activities.

129. The project will have significant amounts as annual disbursement targets. Experience from SADP II, WAMPP and the starting ROLL project in Lesotho show the ability of projects to increase the annual amounts, though IFAD and GoL will need to pay due attention to planning and strategizing.

### c. Disbursement

130. IFAD is committed to adopt existing FM country systems, to the extent possible, for implementing its funded programmes. However, for WaMCoP the risk of using country treasury systems is high as there is no Single Treasury Account (TSA) within the central government banking framework. Consequently, the project funds will flow through a Designated Accounts (DA) in US\$ held at Central Bank of Lesotho (CBL) separate from TSA system, to avoid potential liquidity constraints. For ongoing projects in Lesotho, disbursement rating ranges between moderately satisfactory and unsatisfactory.

131. Upon signing of separate Financing Agreements with IFAD, GEF and OPEC Fund for International Development (OFID) respectively, the Borrower/ Grant Recipient, Ministry of Finance, shall open Designated Accounts (DAs) in US\$ for each financing source at CBL to receive funds from the respective financiers. These DAs will be managed by WaMCoP Project Coordinating Unit according to IFAD disbursement guidelines.

132. The Project will open and manage four separate project operational bank accounts (PAs) in local currency, at a commercial bank acceptable to IFAD. Each operational account shall be exclusively used for a separate financier (IFAD, GEF, OFID) to receive funds from their respective designated accounts to pay eligible expenditure of the project for component 1 and 3. The fourth operational account shall be used exclusively for the contributions of the Government of Lesotho to project component 1 and 3.

133. The Trust Fund shall receive funds from IFAD via the operational accounts from the PCU. The Trust Fund shall open two operational bank account in local currency at a commercial bank acceptable to IFAD for the sole purpose of paying for eligible expenses of the project. One operational bank account shall be used for IFAD funds and the other for Government of Lesotho contributions. The Trust Fund shall maintain a separate accounting ledger for each bank accounts on its books to ensure there is a clear audit trail on the sources and use of funds. Funds from different financiers shall not be mixed in any bank account.

### d. Summary of benefits and economic analysis

134. The expected direct benefits will be multiple, encompassing financial, economic, and environmental gains. The project will

improve livelihoods of the communities within Lesotho, more specifically for those living on the highland areas with high poverty incidence and with limited market access. The beneficiaries will witness improved income from on-farm activities in terms of livestock production/ productivity<sup>[93]</sup> and profitable income generating activities. The sustainability of the enterprises, both on-farm and off-farm will be ensured through strengthening of institutions directly involved, better governance, active involvement of private sector partners.

135. Moreover, other direct benefits will include (i) job creation during project implementation, (ii) sustained permanent employment through the different cottage industry and income generating activities that will flourish, and, in the medium to long-term, (iii) climate resilience and GHG mitigation.

136. **Summary of financial tables.** The financial analysis is carried out to present the scenarios under with and without project situations using the models for activities that would most likely happen and encouraged by the project. The main results of the financial analysis include a significant increase in gross and net returns for each model when compared to the WOP situation; and substantial benefit/cost ratios illustrating the financial worth of the proposed investments, under normal conditions.

137. *Livestock*

138. The following four models, closely representative of WaMCoP target group. The models are (i) wool 20; (ii) wool 40; (iii) wool 40 mohair 20; and (iv) wool 100 mohair 40. Due to better nutrition and vaccination program, healthier sheep would produce a higher wool quality. The bulk of the benefits are supposed to kick in after the first four years. Under the 'without' project intervention, due to mortality and bad land degradation hence bad nutrition, animals flock would reduce, and wool production would suffer accordingly. Under the 'with' project situation, due to better nutrition and vaccination program, healthier sheep would produce a higher wool quality. The bulk of the benefits are supposed to kick in after the first four years.

139. The mission has made an average of the first 4 models<sup>[94]</sup> to come out with the profitability under an actual prevailing situation (without project) and under a with project situation.

Model	Without Project (Maloti)		With Project (Maloti)		Rate of Return	Benefit/ Cost	Return family labour (M)	
	Before labour	After labour	Before labour	After labour			Without	With
Model Sheep 20	1 804	-956	7 455	4 695	39%	4,13	150	621
Model Sheep 40	3 585	825	17 754	14 994	40%	4,95	299	1480
Model Sheep 40 and Goat 20	4 538	1 778	15 970	11 410	45%	3,52	378	1181
Model Sheep 100 and Goat 40	12 364	9 604	22 168	16 708	75%	1,79	1030	1720

140. *Crop model.* Though the project revolves around livestock, still for the day-to-day living, the farmers rely much on crops either for food or feed for the livestock. The rationale for crop budget modelling is important. The main reasons are that maize and lucerne are used as feed for the [animals](#)<sup>[95]</sup> by WaMCoP small holders.<sup>[96]</sup> The project has worked on 3 main models, namely maize, beans and lucerne. In fact, the latter crop is encouraged within the project, and some 150 ha are under pure cultivation.

141. The benefits derived under the present situation and with WaMCoP intervention is presented in the table below.

	Without Project	With Project	Rate of return	Without Project	With Project	Rate of return	Return family labour (M)	
	Gross Income (M)			Net Income (M)				
Maize	2342	3369	144%	1306	1915	46%	125	146

Beans	12917	17459	135%	12310	16643	35%	1149	1562
Lucerne	7395	9525	129%	6587	8349	27%	672	856

142. *Breeding and shearing shed models.* The target group of WaMCoP is predominantly smallholder wool and mohair farmers. The main operational entry point for the project will be the shearing sheds, and the wool and mohair farmer members of Farmer Associations at shearing shed level will represent the primary target group. As such, a financial model of the shearing shed is constructed. Moreover, the project will continue to invest in capacity building through on-farm demonstrations to improve small ruminant breeding management.

	Year 1	Year 2	Year 3	Year 4	Year 5	NPV	Rate of Return
	Maloti (M)						
<b>Breeding centre</b>							
<i>Gross Income Without labour cost</i>	-1 701 625	957 868	684 818	659 822	738 556		
<i>Gross Income With labour cost</i>	-1 947 625	711 868	438 818	413 822	492 556		
<i>Loan servicing (capital + interest)</i>		68 231	68 231	68 231	68 231		
<i>Net cash flow after loan servicing</i>		643 637	370 587	345 591	424 325	870 825	14%
<b>Shearing Shed</b>							
<i>Total revenues</i>	187 537	192 730	198 082	203 600	207 058	176 756	40%
<i>Total costs</i>	120 825	144 868	145 945	147 056	147 640		
<i>Gross Income before labour</i>	90 713	71 862	76 137	80 544	83 418		
<i>Gross Income after labour</i>	66 713	47 862	52 137	56 544	59 418		

143. *Trust Fund.* The Trust Fund will ensure farmers' access to financing services as well as inputs. It consists of two interventions: (1) the established TF\_TC consortium will provide wide range of services to farmers by managing entrusted physical and financial assets. roll-out the revolving fund to provide in-kind loans to farmers; and (2) it will also collaborate with a service provider to promote financial literacy and saving groups, targeting the poorer farmers. The fund consists of an endowment fund amounting to US\$ 8 million and a US\$ 10.5 million revolving fund.

144. The endowment fund will look for investment avenues yielding high returns. These interest incomes will be used to finance the operations of the consortium and support sector development.

145. The sustainability of the revolving fund depends on (i) the capacity and willingness of the borrowers to service the loans together with interest; and (ii) the interest received from the amount under endowment fund. The mission has worked on a model ensuring a reasonable recovery rate [\[97\]](#). Full workings are provided in the Annex 4.

146. The ERR of the project is estimated at 13.5%, with a net present value of US\$ 16.819 million. These results indicate that, based on an opportunity cost of capital of 10%, WaMCoP will generate a satisfactory ERR and is justified on economic grounds.

	Base cost	Costs increase			Benefits increase		Benefits decrease			Benefits delay	
		+10%	+20%	+50%	10%	+20%	-10%	-20%	-30%	1year	2 years
<b>ERR</b>	<b>13,5%</b>	12,4%	11,5%	9,2%	14,6%	15,5%	12,3%	11,1%	10,7%	11,7%	10,0%
<b>NPV (US\$ 000)</b>	16 819	12 447	8 076	-5 040	22 873	28 927	10 765	4 712	2 896	7 944	-48

147. The sensitivity analysis based on the 10%, 20% and 50% increases in project costs shows rates of return of 12.4%, 11.5% and 9.2% respectively. This scenario is less likely to occur, unless some other financiers show an interest, in which case benefits are also increased. A more plausible scenario will be decrease in benefits and benefits delay. In the case of decrease of benefits by 10%, 20% and 30%, it is seen that the rate of return converges towards the cost of capital, at 12.3%, 11.1% and 10.7%, still above COC. In the case benefits streams are delayed because of slow implementation it is seen that the rate is at 11.7% and 10.0% for a 1-year and 2-years delay. This is a more likely scenario, based on previous IFAD interventions in the country.

148. Overall, the ERR remains satisfactory. These rates and stability would be explained by increased productivity of targeted activities, through the adoption of efficient and resilient productive systems including cultural techniques and efficient plant and animal biological materials. Through the different measures, the farmers are expected to fetch a premium for the wool and

mohair.

### **e. Exit Strategy and Sustainability**

149. The WaMCoP's sustainability and exit strategy are embedded in project design. It is expected that the TF-TC consortium will sustain the use of entrusted physical and financial assets to progressively improve VC coordination functions and increase equitable service delivery to farmers and other VC players. The TF-TC consortium will take up the governance and operations of key VC activities and act as a sectoral body for the entire VC.
150. Increased institutional sustainability will be secured through improving MAFS' technical capacity to design and implement sector policies. At the end of the project, a group of officials with an improved knowledge base will be guiding the sector and contribute to enhanced sector development.
151. Environmental sustainability shall result from increased communities' ability to manage the rangelands and adhere to low carbon production and biodiversity conservation principles. Adherence to responsible production standards, will also create pathways for regenerative agricultural practices beyond WaMCoP.
152. Eighteen months before the end of the project, PCU will perform an audit of the sector along with the audit of the TF-TC consortium. The conclusions and recommendations from this double audit will help determine relevant project exit activities, aiming at improving and sustaining sector coordination for increased benefits for farmers and other VC role players. The implementation of these exit activities will be reviewed twelve and six months before closure, which will allow appropriate adjustments as needed.

## **3. Risks**

### **H. Project risks and mitigation measures**

153. Risk(s): The Lead Project Agency, MAFS, has previously implemented IFAD-funded projects. The LPA will establish a PCU to manage component 1 and component 3 activities and Trust Fund will be registered by the Government to lead Component 2 activities. Considering that there will be multiple implementing agencies with fiduciary responsibilities, there is a risk of complexity in reporting lines and logistical set up which may lead to inadequate FM organisational arrangements.
154. Mitigations: One Finance Manager and one Accountant will be competitively hired at the PCU level. Additionally, one Accountant will be competitively recruited for the Trust Fund to support the Trust's technical/operational staff, responsible the financial transactions and will have a functional reporting line to PCU Finance Manager. The Trust Fund will use the services of accounting shared service providers to manage all transactional accounting work and to produce reports for consolidation by the PCU Finance Manager. FM capacity on IFAD's practices will be built through regular training courses for project staff.

### **Summary of Fiduciary Risks and their Mitigation Measures**

155. Organization and staffing
156. Risk(s): The Lead Project Agency, MAFS, has previously implemented IFAD-funded projects. The LPA will establish a PCU to manage component 1 and component 3 activities and Trust Fund will be registered by the Government to lead Component 2 activities. Considering that there will be multiple implementing agencies with fiduciary responsibilities, there is a risk of complexity in reporting lines and logistical set up which may lead to inadequate FM organisational arrangements.
157. Mitigations: One Finance Manager and one Accountant will be competitively hired at the PCU level. Additionally, one Accountant will be competitively recruited for the Trust Fund to support the Trust's technical/operational staff, responsible the financial transactions and will have a functional reporting line to PCU Finance Manager. The Trust Fund will use the services of accounting shared service providers to manage all transactional accounting work and to produce reports for consolidation by the PCU Finance Manager. FM capacity on IFAD's practices will be built through regular training courses for project staff.
158. *Budgeting*
159. Risk(s): Low budget credibility arising during implementation due to unrealistic estimates and un-clarity in roles and responsibilities in the planning process. Risk in timely budget submission to IFAD due to lengthy consolidation processes
160. Mitigations: Start drafting and the budget in the 3rd quarter of each year to allow for timely consolidation and detail review of budget estimates. Effective budget-module installed to monitor deviations. WaMCoP PCU to manage the budgeting process so that final revisions are agreed upon timely to facilitate PCU's submission of final consolidated AWPB within 60 days before the beginning of each year.

### **Funds flow/disbursement arrangements**

161. Risk(s): Risk in timely flow of resources to the Trust Fund /Company due to the complex organizational structure. Also, irregular submission of WA may disrupt access to funds, leading to cross-financing practices and delay in implementation
162. Mitigations: WaMCoP PCU's quarterly submission of Interim Financial Reports (IFR) inclusive of cash forecast for the next two

quarters will ensure liquidity for the project. Implementing partners, through memorandum of understanding (MoUs) and strong reporting framework, will secure that funds provided by IFAD will flow to beneficiaries for the intended purposes of the project and that any residual funds will be returned to IFAD through WaMCoP PCU.

#### Internal controls

163. Risk(s): Understaffed internal audit unit at the LPA unable to undertake regular internal audits. The organizational set up with cross reporting lines may pose challenges to the internal control flow.
164. Mitigations: Use of external assurance service providers to conduct WaMCoP 's internal audits twice a year supervised by Project Steering Committee (PSC). Performance audits for the Trust Fund performed on six-monthly basis by reputable external assurance audit services provider supervised by the Office of Auditor General (OAG) to report on key operational milestones including evidence of strong management and proper functioning of the Trust Fund/company as a condition for subsequent disbursement.
165. The project shall have approved PIM, including the finance manual section, before implementation start. The project PIM/FMM shall clearly define the roles of the PCU and the other implementing agencies which will include: (i) budget planning, preparation and monitoring in close coordination with Finance Manager and M&E Specialist, (ii) budget execution and treasury management, (iii) financial reporting to Government and IFAD, (iv) accounting software implementation and customization, (v) coordination of internal/external audit, (vi) compliance with IFAD's processes and procedures and (vii) securing FM operational continuity relating the opening and the closing of projects.

#### Accounting and financial reporting

166. Risk(s): Lesotho Government currently uses Integrated Information Management Systems (IFMIS) for financial accounting and reporting. IFMIS can provide adequate audit trail, regulate access control, and budget vs actuals reports. However, donor project accounting is done outside IFMIS because of operational issues such as incomplete records and unreconciled items.
167. Mitigations: Timely procurement of an off-the-shelf accounting software with the adoption of the chart of accounts of the Ministry of Finance in anticipation of transition to IFMIS when the operational challenges are resolved. The software shall have an effective budget module and reporting capacity aligned to IFAD's minimum requirements at the PCU and for all implementing agencies with fiduciary responsibilities. WaMCoP PCU shall prepare consolidated financial reports (IFRs) for the purposes of monitoring and reporting to IFAD.

#### External audit

168. Risk(s): Delayed /inadequate or poor-quality external audit of the project. Secondly, the project will work with private sector implementing agencies with fiduciary responsibilities (Trust Fund and Ethical Fashion) which will manage some key aspects of the project. According to the Office Auditor General, Trust Funds and Companies with less than 50% Government shareholding are not subject to OAG audit.
169. Mitigations: Early engagement of OAG for exploring availability/capacity to include WaMCoP into yearly OAG work plan. Trust Fund Company and Ethical Fashion to be audited by a private audit firm but supervised by the OAG.

### I. Environment and Social category

170. **The environment and social category** for WaMCoP is **Moderate**. The Project focuses on productivity and the enabling environment for the Wool and Mohair VC and some of its activities can have adverse impacts on the environment and increase pressure on the natural resources. Given the environmental management thrust of the project, the expected environmental impacts are predominantly positive. Potential negative Environmental impacts emanate from: (1) storage, handling and disposal of agro chemicals used in rearing sheep and fodder production; (2) establishment and operation of various agricultural infrastructure e.g., infrastructure for artificial insemination; (3) e-waste from digitizing the Wool and Mohair VC; (4) Increased number of livestock at sheep and goat studs and (5) effluents from VC processes e.g., effluent from slaughter slabs. Potential negative social impacts emanate from: (1) the temporarily or structurally reduced access to natural resources, particularly grazing land during the improvements of the management of the grazing rangelands; (2) marginalization of women, youth and the poorest of the poor in the VC governance and access to goods and services (genetic materials, feed and fodder, vet, and extension services), etc. The project is deploying mitigation measures and participatory methods to ensure that all the identified environmental and social effects are recognized and minimized and that alternatives are offered to those people affected. The potential negative environmental and social effects are limited, site-specific, predictable, mostly reversible and can be managed with appropriate mitigation measures. Thus, the environmental and social **categorization is B**.

### J. Climate Risk classification

171. The climate risk classification for WaMCoP is **Substantial**. There is the potential for widespread impacts from climate change. Outcomes may be undermined by climate change and adaptation measures may not be readily available. The main climate change risks facing the smallholders in the WaMCoP target areas include rising temperatures and rainfall variability with more intense rainfall in some areas, shorter rain seasons and potential droughts in some locations. The mean monthly temperature changes are expected to increase by more than 2.0°C for the 2050s and by 4.4°C by end of the century. Such an increase in temperature in the rainy season months will increase crop water demand and evapotranspiration losses of water from agricultural soils and rangelands; reduced rainfall is also predicted during these months. Thus, there will be a high potential for adverse impacts of climate change on the WaMCoP VCs. This is shown in the detailed climate risk analysis (CRA) in the SECAP review note with specific recommendations for climate change adaptation options to be included in WaMCoP. Climate change effects



play a significant role in threatening food security and in the degradation of landscapes, but the project's objectives and activities are specifically geared to counter this. Financial, environmental, and social underperformance or failure cannot be excluded. However, risk-management activities are likely to increase the resilience and adaptive capacity of households, infrastructure, communities, and ecosystems." To identify measures for reducing risks and impacts for Substantial Risk projects, a targeted adaptation assessment has been conducted.[\[98\]](#)

## 4. Implementation

### K. Organizational Framework

#### a. Project management and coordination

172. A *Project Steering Committee (PSC)* will be established to provide policy guidance and oversight of project implementation. It will be convened and chaired by PS MAFS, with membership open to the Ministry of Forestry, Range and Soil Conservation, Ministry of Trade and Industry, Ministry of Local Government, the LNDC, producer organisations and other relevant stakeholders as required. The PSC will meet quarterly or on a need's basis, provided three representatives call for a meeting. The PSC and broader project will also be supported by a Project Consultative Technical Committee (PCTC) which will comprise of directors and focal points of key stakeholder agencies including Government departments. The PCTC will meet quarterly and will provide technical and operational guidance, including preparation of the PSC meetings. For the TF-TC consortium a light secretariat will be established that will oversee the day-to-day operations of the institution.

173. The PCU leads day-to-day coordination and project management. It will be housed in MAFS and adequately staffed with professionals from the market and where necessary, the GoL.[\[99\]](#) The PCU will be responsible for project implementation including fiduciary aspects (such as audits); knowledge management/communication (including public awareness campaigns); grievance redress mechanism; citizen engagement; and monitoring the implementation of safeguard related measures. The PCU will be staffed by: (i) project coordinator; (ii) livestock production expert; (iii) business expert; (iv) natural resource management specialist (financed by GEF resources); (v) social inclusion officer; (vi) five project field officers; (vii) procurement officer and contract manager; (viii) financial management officer; (ix) financial accountant; (x) procurement assistant; (xi) M&E and KM/communication officer; (xii) KM and M&E assistant; and (xiii) senior project assistant. [\[100\]](#)

174. The PCU will closely coordinate and support component one and the TF-TC consortium will primarily execute component two. This pluralistic model of delivering project activities subscribes to well-established implementation principles of value chain development projects.[\[101\]](#) The TF-TC will be formed based on Memorandums of Understanding between the cooperating partners.[\[102\]](#) and both the TC and the TF will be governed by formalised corporate governance mechanisms (further details on potential governance structure in Annex 12).

175. It is reassuring that: (1) all public and private actors in the sector, national and international, have agreed on the TF-TC proposal; (2) LNDC, has agreed to lead in collaboration with MAFS, to promote the establishment and operation of the consortium; (3) LNDC is positioned to support the PCU, in the event of a delay in the effectiveness of the consortium; and (4) LNDC is committed to co-financing the consortium in the range of US\$ 3 Million (pending Board approval).

#### b. Financial Management, Procurement and Governance

##### 176. Governance

177. Lesotho's inherent country risk is high. According to 2019 Country Policy and Institutional Assessment (CPIA) - 2020 World Bank rating, Lesotho is a medium policy performer (score 3.3) on a growing trend (stable vs PY) and ranks 17th out of 40 sub-Saharan countries (avg. score 3.1). Main areas of weakness are Fiscal Policy (score 2.5), Quality of budgetary and financial management (score 2.5), and Quality of Public Administration (score 2.5) where lack of appropriate controls resulted in escalation of the wage bill in 2019 (about 41% of government spending).

178. In 2021, Transparency International's (TI) risk rating for Lesotho deteriorated to "High" with a Corruption Perception Index (CPI) score of 38, from a score of 41 (medium risk rating) in the previous year. Lesotho's CPI's ranking is 96 out of 180 countries. This suggest that corruption is becoming a major issue in the country.

179. Public Financial Management (PFM). The legal framework governing PFM in Lesotho consist mainly of the Public Financial Management Accountability (PFMA) Act 2011, Treasury Regulation 2014, and Audit Act 2016. The latest PEFA assessment conducted in 2017 indicated the following weaknesses in the country's public financial management systems: (1) Deterioration of aggregate fiscal discipline, with unbudgeted increases in civil servants emoluments, huge backlogs/delays in account reconciliations as a basis for monitoring budget execution; (2) High budget composition variances suggesting poor resource allocation; (3) The existence of IFMIS has had limited positive impact on good FM practices; and (4) Compromised independence of Office of Auditor General (OAG) because of the change in reporting relationship. The OAG reports to the MoF contra to best practice of reporting to Parliament or elected legislative board. In addition, there is a noted significant delay (>10 months) in the submission of annual audit reports to parliament.

## Financial Management Arrangements

180. *Organizing and Staffing.* WaMCoP PCU and the TF-TC shall have adequate structure in the finance unit that includes qualified and experienced staff to manage the finance of the project. WaMCoP shall recruit a full-time financial management officer and a financial accountant to support the PCU to manage the project finances and an administrative assistant to support the finance staff in the administrative tasks. These are key positions since the ultimate financial management responsibility remains with WaMCoP PCU and considering there are the several financiers for the project. The Trust Fund/Company shall have an accountant to manage the funds of the Trust and submit reports to the Project Finance Manager.
181. The PCU will consolidate the financial reports from the TF-TC and other implementing agencies before submitting to IFAD. Similarly, the PCU will be responsible to make all withdrawal applications on behalf of the TF-TC.[103] This process will ensure that the PCU has oversight over the funds provided to the TF-TC.
182. *Work Plans and Budgets.* WaMCoP PCU and the TF shall prepare Annual Work Plan & Budgets (AWPBs) following a bottom-up approach by engaging line departments, regional offices, implementing agencies (including Ethical Fashion Initiatives) and target beneficiaries as applicable. AWPBs should be in line with the PDR and the Financing Agreement. The AWPB format and guidelines shall be defined and included in the finance manual within the PIM. WaMCoP PCU has the responsibility to prepare a consolidated AWPB which incorporates the individual budgets prepared by the PCU and the TF and shall obtain IFAD's No Objection to the AWPBs 60 days before the beginning of each financial year. The AWPB shall reflect separate allocations for each financier; IFAD loan, GEF grant, OFID financing, government, and beneficiaries' contribution. Both FM teams at WaMCoP PCU and the TF/TC shall prepare quarterly interim financial statements (IFRs) and meet to discuss the financial performance on monthly basis.
183. *For GEF funds,* a multi-dimensional budget should be implemented and monitored by the project. The budget should be categorized by components, output, activity, financing source and budget account description. The GEF budget account description includes 1) staff cost, 2) local consultants, 3) international consultants, 4) equipment, 5) construction cost, 6) training, workshop, and conference 7) travel and 8) professional/contractual services. Each budget line item shall include a note/description of assumptions.
184. *Flow of Funds.* Project will be withdrawing advances from IFAD based on AWPB and cash forecasts for the next reporting period. Disbursement will be based on the revolving fund modality for which 70% should be justified from the immediately preceding advance and 100% from all prior advances. Funding shall be based on withdrawal applications will include the Quarterly IFRs and other reports as will be in the Letter to Borrower. The report-based disbursement mechanism will serve as an analytical tool for project periodic and overall performance. Furthermore, it would require adequate cash forecasts on quarterly basis that reflects the cash needed for the next two reporting quarters which should be in harmonization with the AWPB.
185. *Financial accounting & reporting.* Lesotho Government currently uses Integrated Information Management Systems (IFMIS) for financial accounting and reporting. IFMIS can provide adequate audit trail, regulate access control, and budget vs actuals reports. However, donor project accounting is done outside IFMIS because of operational issues such as incomplete records and unreconciled items. The mission recommends the use of off-the-shelf accounting software with the adoption of the chart of accounts of the Ministry of Finance so that once the operational issues of IFMIS are resolved, the project can transition to IFMIS. Project accounting shall be done based on IPSAS Cash Basis. The accounting system shall permit allocation of expenditures in accordance with the respective components, disbursement categories, and sources of funds. Both the WaMCoP PCU and the TF shall (a) maintain full set of accounts subject to IFAD's requirements; (b) conduct monthly reconciliation of accounts so project accounts are consolidated.
186. *Internal Audits.* The project shall have internal auditors who shall be independent from the PCU and report to the PSC whose members are from the line Ministries. Currently, the Internal Audit function of MAFS has not performed any internal audits for the ongoing project WAMPP because the function is understaffed and lack the necessary training to audit donor projects. The internal audit function has only an Assistant Internal Auditor while the positions of Internal Audit Manager, Senior Internal Auditor and Internal Auditor has been vacant for many months. For WaMCoP the mission recommends the use of external assurance service providers twice a year supervised by PSC.
187. *External Audit.* The PCU will follow the example of the ongoing projects that are all being audited by the Office of the Auditor General as mandated under the government act/law. IFAD's review on the quality of the OAG reports for existing projects (WAMP and SADP II) indicate highly satisfactory performance ratings, with positive comments given for the level of detail of the audits and use of acceptable standards (INTOSAI). However, under this project, it is envisaged to work with implementing agencies with fiduciary responsibilities (Trust Fund and Ethical Fashion Initiatives) to manage some key aspects of the project. According to the Office Auditor General, Trust Funds with less than 50% Government shareholding are not subject to OAG audit. It is recommended for the Trust Fund and Ethical Fashion Initiatives entities to be audited by a private audit firm supervised by the OAG.

## Procurement

188. Overall, the institutional procurement capacity is rated as 'medium' risk. WaMCoP specific assessment, based on planned Programme operations, indicates a need for improvement in the following areas: (i) Procurement regulatory framework (ii) standard bidding documents (iii) procurement monitoring (iv) access to procurement information; and (v) capacity of procurement personnel
189. WaMCoP's shortcomings will be mitigated by the direct application of IFAD's Project Procurement Guidelines, Procurement Handbook and Standard Procurement Documents in lieu of the national procurement framework. Additionally, IFAD will provide technical assistance both remotely and in-country to build procurement capacity. The PCU will also receive remote and in-country procurement trainings organized by IFAD, as well as benefit from the BUILDPROC, the procurement certification programme



launched by IFAD and the ITCILO, which focuses on the integration of safeguards into procurement and on challenges faced by borrowers/recipients in their local markets.

190. All procurement documentation issued to bidders will comply with the requirements laid out in: (i) IFAD's Revised Policy on Preventing Fraud and Corruption in its Activities and Operations; (ii) Policy on preventing and responding to sexual harassment, sexual exploitation, and abuse; (iii) IFAD's Anti-Money Laundering and Countering the Financing of Terrorism Policy; and (iv) IFAD's Social, Environmental and Climate Assessment Procedures (SECAP).

## L. Planning, M&E, Learning, KM and Communication

### a. Planning, M&E, Learning, Knowledge Management and Communication

191. **Planning.** Planning and budgeting will be integrated in the GoL processes and will be based on AWPBs, as per the process outlined above. The WaMCoP log-frame (Annex 1) will guide the development of the AWPB and the reporting and monitoring system.
192. **M&E staffing and responsibilities.** WaMCoP will set up a solid M&E system, which will generate timely and reliable information to support decision-making and adaptive management. To promote the use of M&E data for project management, the logframe will be a standing agenda point in PCU's quarterly reflection meetings. Data collection, verification and use will be a joint task by all project stakeholders. This notwithstanding, the primary responsibility will lie with the M&E Unit within the PCU, which will be composed of a senior M&E/KM officer, and an M&E/KM assistant. The latter will have a strong focus on KM. Given the key role that the TC will have in the implementation of Component 2, an M&E focal point will be identified within the TC and will be interacting closely with the PMU's M&E officer. All contracts and MoUs signed by the PMU will include details on implementing partners' data collection responsibilities.
193. **Data collection.** Data on outcomes and impact will be collected through baseline, mid-line, and completion surveys, compliant with the IFAD Core Outcome Indicator (COI) Guidelines. Data on resilience will be collected at baseline and at completion through the IFAD resilience scorecards. Data on activities and outputs will be collected regularly by the PCU (for Component 1) and by implementing partners (for Component 2). The WaMCoP M&E system is expected to benefit from the establishment of the inclusive digital platform supported under subcomponent 2.2. Once sufficient actors have joined the digital platform, data on their operations will be available almost in real time, providing a rich source of additional information and a tool for validation and triangulation of M&E data. The data from the platform could phase out some of the other data collection efforts, but the M&E system is also designed to be effective irrespective of the progress of the digital platform. This will promote the strengthening and the sustainability of data systems at national level after project completion. Farmers will receive training on how to access, analyse and use the data of the platform to improve their own businesses.
194. **Management Information System (MIS).** WaMCoP will set up a user-friendly, web-based MIS. To promote transparency and coordination, the Planning and Policy Analysis Department at MAFS will be granted access rights to WaMCoP's MIS. The MIS will include a registry of all beneficiaries with a unique identification number, which will be their national ID. This will facilitate comparability and transfer of data between the project's MIS, the digital platform, and existing systems currently being developed at national level, such as the Lesotho Integrated Agriculture Management Information System (LIAMIS) supported by FAO.
195. **Strengthening country systems.** Under the IFAD-supported AVANTI initiative, an AG-Scan self-assessment workshop was held in April 2019. Strong areas in Lesotho's MAFS M&E were identified, such as survey capability, data disaggregation, coherence of planning, transparency (public access to results), and performance measurement. The workshop also identified five areas that need strengthening: i) coordination (within MAFS, with the Bureau of Statistics, and with non-state actors such as UN/NGOs/Private sector); ii) capacity and skills building (including the ability to collect, analyse and interpret data); iii) performance-based budgeting; iv) accountability towards non-state actors including beneficiaries; and v) improvement of existing M&E structures within government (leveraging existing systems for sustainability). WaMCoP will support improvement along these areas, in particular points i), ii), and iv). In addition, WaMCoP will strive to overcome challenges experienced by WAMPP with the flow of wool and mohair data from shearing sheds to the MAFS Marketing Department. Both the TC and the digital platform are expected to improve the speed, precision, and regularity of data on wool and mohair quantity and quality across all value chain actors. In particular, the digital platform will accommodate the visibility and traceability needs identified by MAFS staff.
196. **Learning, KM and Strategic Communication.** Several key results expected by WaMCoP, such as the increased inclusiveness and improved management of the Wool and Mohair value chain, will require qualitative studies to support the quantitative evidence collected by the project's M&E system, and to provide guidance for policy engagement.<sup>[104]</sup> In particular, the project will carry out qualitative studies and produce KM products on impact areas including changes in interactions among value chain actors, and changes in access to value chains and benefits from WaMCoP promoted innovations for the most vulnerable.<sup>[105]</sup> WaMCoP's KM officer will also liaise closely with the TF-TC consortium and capture key aspects of its functioning. WaMCoP's visibility will be enhanced through a project website and social media accounts. The project will collaborate with the National University of Lesotho, from which two students will receive a stipend to write their thesis on topics relevant to WaMCoP.

### b. Innovation and scaling up

197. **Innovations:** WaMCoP's major innovations include the support and institutional strengthening of the TF-TC consortium, envisioned to be a sustainable value chain-based mechanism that will scale-up and further develop successful strategies beyond

the 7-year project life cycle; the promotion of responsible production and certification, low emission and biodiversity enhancement; the digitization of the value chain; the upgrading of the national breeding program; the establishment of the disease response and surveillance system; and the partnership with private players such as EFI, ACE and the LNDC.[\[106\]](#)

198. A key strategic partner for innovation through WaMCoP's is EFI, which with WaMCoP support has the potential to re-conceptualise the cottage industry in Lesotho and establish sustainable market linkages for intermediary and finished wool and mohair products, a first for the country. Furthermore, the sectors and project's ambition to certify the Lesotho clip will likely deepen the competitiveness and global viability of Lesotho's clip.[\[107\]](#) Hence, the roll-out of sustainable production standards for smallholders promises to be an innovation that will be gradually scaled-up over the life of the project.

199. The digital platform, which will digitise fibre transactions along the VC and promote VC visibility is a notable innovation for agricultural commodity VCs in Africa. Through close monitoring and KM by the PCU and TF-TC, the innovations promoted will be catalogued and scaled up where clear impact is demonstrated.

## **M. Project Target Group Engagement and Feedback, and Grievance Redress**

### **a. Project Target Group Engagement and Feedback.**

#### **Project Target Group Engagement and Feedback[\[108\]](#)**

200. Farmer associations will appoint representatives and experts to represent them in the TF-TC consortium as Trustees and Board Members. This is a critical feature of target group engagement.

201. In the AVANTI AG-Scan self-assessment workshop mentioned above, client satisfaction was the lowest ranking aspect, with MAFS participants highlighting that they have no system to learn whether they are succeeding. Uptake of feedback from the rural poor remains inconsistent and unmonitored. WaMCoP will regularly collect the views and opinions from its target group on project performance, and share these with MAFS. Given the wide sectoral scope of the project, feedback on beneficiary satisfaction with WaMCoP's performance will give MAFS a good indication on overall performance of the wool and mohair sector. Therefore, WaMCoP will use regular focus groups, COI surveys and annual geo-referenced WhatsApp surveys.

202. Experience with WAMPP showed that information on project services sometimes arrived late to farmers that are not members of shearing shed associations, leading to feelings of exclusion from marketing group farmers. The WaMCoP KM and Communications officer will ensure that information on project services and eligibility criteria reaches all farmers in a timely manner. Shearing sheds supported by the project will also be encouraged to carry out regular surveys of management satisfaction among shearing shed users.

### **b. Grievance redress.**

203. Since the implementation of the agricultural activities will be community based, negotiation and agreement by consensus will be the main channel to resolve grievances for those whose land and properties might be affected. However, a more formalised GRM will also be implemented (with appropriate sensitisation). Those affected have the option of choosing one of the two parallel systems (community based or formal). The community-based route will involve informal courts handled by traditional leaders.[\[109\]](#) The formal route will involve the WaMCoP laid out GRM (See SECAP Review note for details). In both cases if the aggrieved person is not satisfied, they can appeal to the formal courts within the judiciary and the Lesotho Police Service.

## **N. Implementation plans**

### **a. Supervision, Mid-term Review and Completion plans.**

204. Implementation readiness of WaMCoP at start-up will be ensured by the following set of actions: (i) establish the WaMCoP PCU with dedicated staff recruited under fixed-term performance based contracts; (ii) update the project implementation manual, the AWP/B and Procurement Plan and have them signed off by all relevant authorities; (iii) establish the project steering committee to be headed by MAFS; (iv) undertake a dedicated review of the TF-TC set-up alongside the delivery team led by MAFS and LNDC. It is foreseen that the first three set of activities will be done within the first 6 months of the project entering into force and the fourth activity, will be part of pre-project related activities and project start-up activities.

205. **Supervision and implementation support:** Will be organised jointly by IFAD and the GoL. Supervision will involve annual joint supervision missions, as well as periodic desk reviews to ensure that implementation is proceeding at an adequate rate. There will be focused attention on the project within the first 18 months of implementation. This will ensure that the organisational set-up of the project is functioning as planned, and if not, then a series of contingency measures will be undertaken, as outlined in the logic of the 3-phased approach.

206. *Mid-term review (MTR):* Will happen mid-way into the project life cycle and critically evaluate whether the project is on track towards achieving its goal and development objective.

207. *Project Completion:* The GoL will undertake the project completion review and submit the project completion report to IFAD, focusing on progress, lessons, IFAD and GoL performance, and sustainability of interventions.

## Footnotes

[1] **Ukraine conflict impact:** The price of feedstuffs is expected to rise on the short-medium period because of the on-going conflict in Ukraine, increased demand on imported cereals' dependent countries and international speculation. Farmers must be capacitated to use local resources for animal feeding (from appropriately managed pastureland), including adding value to crop and industrial by-products (cereal and pulses straw, maize stalkers, spent grains from breweries, etc. Fuel prices have increased in Lesotho, driving up projects' operating costs.

[2] The trend of retrenchments has started since the early 2000s.

[3] Animal fibers compete against other fibers such as synthetic fibers (i.e., Polyester) which in 2020, represented 62% of the global fiber industry.

[4] Mofo, Liako. (2021). Regional Wool Value Chain. Trade and Industrial Policy Strategies (TRIPS)

[5] This refers to approaches such as, widening smallholder farmers' access to improved breeds and other inputs (feed and fodder, vet services and drugs).

[6] The two dominant producers' organisations are the Lesotho National Wool and Mohair Growers Association and the Skylight Wool and Mohair Association.

[7] [WAMPP/IFAD. 2020. Assessment of the impacts of the wool and mohair marketing regulation change on the sub-sector](#)

[8] After pushback from the industry, the regulations passed in 2018, were suspended and have been subsequently reversed by the government.

[9] [World Bank Group. \(2021\). Lesotho: Systematic Country Diagnostic Update – Bridging Implementation Gaps to Accelerate Development.](#)

[10] [World Food Programme. \(2019\). Fill the Nutrient Gap: Lesotho.](#) With increase in food prices, the situation is expected to be worth in 2022 and 2023.

[11] [World Bank Group. \(2021\). Macro Poverty Outlook: Country-by-country Analysis and Projections for the Developing World.](#)

[12] [LePhia. \(2020\). Lesotho Population-Based HIV Impact Assessment.](#)

[13] HIV prevalence was five times higher amongst women.

[14] See SECAP annex for further assessment and references to relevant publications.

[15] This corresponds to an HDI value of 0,527 based on the 2020 country profile for Lesotho.

[16] The project will address the strategic interests of these youth, women, and vulnerable households by systematically promoting their participation and visibility in the wool and mohair VC.

[17] These checklists have been simplified for data entry purposes. Please refer to the Mainstreaming Annex in the Project Design Guidelines for detailed guidance and the full criteria.

[18] Gender Equality and Women's Empowerment

[19] Note the FAO GLEAMi tool applied regularly in IFAD designs since 2019, as well as accounting for environmental benefits in the Upper Tana Nairobi Water Fund project (Kenya), and the Integrated Carbon Sequestration Project (Sudan).

[20] IFAD builds on the draft sub-sector strategy for the wool and mohair sector (2021) which emphasises the need for system building and up grading till 2030.

[21] <https://www.50x2030.org/> - Lesotho is scheduled for 2023 participation.

[22] [COSOP results review](#) 1999-2018

[23] An important insight from the SADP IA was the need to craft effective mechanisms as part of the exit strategy (i.e., greater integration of the agribusiness and the markets they serve). This has informed WaMCoP design.

[24] WAMPP /IFAD. Analysis of the Agriculture Marketing (Wool and Mohair Licensing) Regulations 2018 and subsequent amendments of 2019. 2020

[25] Annex 13 of the WaMCoP PDR package, contains lessons learned from South Africa (wool and mohair sector); Benin (cotton sector) and Togo (IFAD-supported ProMIFA).

[26] For the Wool sub-sector, this includes: (1) the Wool Forum, an industry association, and official policy-making body of the industry; (2) the Wool Trust, a Trust Fund, equipped to generate revenues from endowed assets, which are used to sustainably finance sector development; and (3) Cape Wool South Africa, a not-for-profit company co-owned by all VC players groups, which is mandated to work towards the sustained profitability of the wool industry.

[27] The private sector led institutions for the South African Mohair sector includes: (1) the Mohair Trust, a Trust Fund, tasked with

safeguarding assets for future utilisation in advancement of the mohair industry; (2) Mohair South Africa, a not-for profit company funded by the Mohair Trust, established to act as the functional arm of the mohair industry for advancing mohair as a fibre; and (3) the Mohair Empowerment Trust, which serves as a specific fund to commercialise disadvantaged farmers and support the entrepreneurs and farm workers.

[28] These lessons learned are informed by a dedicated IFAD-GoL mission to Gqebera/Port Elizabeth, South Africa, the wool, and mohair hub of South Africa. Annex 13 of the WaMCoP Design Package provides further details on the South African experience.

[29] The social enterprise was set-up in Kenya and represented the first pilot. The social enterprise business model was replicated by EFI in Burkina Faso, Tajikistan, and Uzbekistan.

[30]<https://artisan.fashion/about-us/>

[31] This approach is influenced by the foundational work that has already been placed by the exiting WAMPP and where the bulk of component 1 activities will build upon. Cottage industry development will be targeted in Berea and Leribe and gradually scale-up to other districts.

[32] According to the 2019 Lesotho Poverty Assessment[33], while poverty fell in 4 out of 6 regions since 2002, the Rural Mountains and Rural Senqu River Valley regions where the selected districts are located experienced poverty increase. The northern mountain zone is drought-prone and extended dry spells have had an enormous impact on farmers who depend on rain-fed agriculture and livestock production. Vulnerability to shocks is particularly high in the Mountain and Senqu Valley livelihood zones, which have historically been associated with chronic food insecurity.

[33] Average household size of in rural Lesotho is 5 persons

[34] Please refer to the project implementation manual for a detailed targeting strategy and eligibility criteria by activity.

[35] According to our estimates, around 25% of members of Farmers Associations at shearing shed level are women

[36] COVID 19 and ending violence against women and girls, UN-Women, 2000.

[37] Collaboration on the awareness campaigns will be sought with the United Nations Population Fund (UNFPA), who is making efforts to ensure that the "Counter domestic violence law" recently passed by the Parliament of Lesotho is known and enforced.

[38] A detailed targeting strategy for women, youth, and PwDs is presented in the Project Implementation Manual (PIM).

[39] The road map for the establishment and operational launch of the TF-TC consortium is presented in annex 13 and is being implemented by LNDC and MAFS (through WAMPP).

[40] These targets will be outlined at MTR by the IFAD supervision mission and the TF-TC board of directors.

[41] The project implementation manual contains a detailed implementation plan that aligns with the three-phased approach.

[42] The phased approach and devising of triggers in WaMCoP captures lessons from IFAD-supported ProMIFA (Togo) and KIIWP2 (Rwanda).

[43] LNDC is a parastatal of the GoL tasked with implementing the country's industrial development policies.

[44] To achieve and sustain its objectives, WaMCoP implementation will apply the following **project principles**: (1) business driven; (2) focused on sustainability from design; (3) comprising the whole wool and mohair VC ecosystem, with appropriate roles for public and private sectors; (4) characterized by low bureaucracy and a "faire-faire" approach (PCU as facilitator); (5) inclusive, with priority given to the vulnerable people (poorer farmers, youth, women, PwD)

[45] This will include both policy development as well as implementation related procedures that will ensure the policy is concretely implemented.

[46] Funds derived from the Global Environment Facility (GEF) will allow for greater technical assistance on issues around carbon sinking and biodiversity.

[47] The oversight of the consortium consists of a Board of 7 Trustees (TF), and a Board of 7 Directors (TC), all appointed by the VC players associations and groups' leaders. The operational arm consists of a light executive secretariat, 1 executive secretary and 1 office assistant for the TF. Likewise, the executive secretariat of the TC will be light with an executive secretary and professional staff (accounting, operations, and IT). The consortium will partner with service providers and other companies, to perform its duties.

[48] This approach is a replication of the Wool and Mohair Trust in South Africa, where the capital growth of these funds is directed to continuous sectoral development. Annex 13 captures the endowment fund model, in greater detail. Of the 7 Mio, 3 Mio come from LNDC, and another 2 Mio are to be filled (financing gap), reducing risk for IFAD investment to a manageable 2 Mio initially.

[49] Annex 12 of the WaMCoP PDR package details the roadmap of setting up the TF-TCTF-TC consortium. MAFS and LNDC have signed a memorandum of understanding to establish it and IFAD is tracking progress.

[50] Where required, the PCU will facilitate the capacity building of the TF-TCTF-TC by engaging Cape Wools South Africa and other specialised players to provide periodic support over phase 1 and phase 2 of the project.

[51] The project implementation manual contains the three-phase implementation strategy that highlights what structures need to be

in place for the TF-TCTF-TC to lead certain activities.

[52] These include, but are not limited to, shearing sheds, sheep and goat studs, auctioning yards, and slaughter slabs.

[53] This data will also feed into the policy work being undertaken via intervention 1.1.1

[54] For each asset, the draft performance contract will be based on a thorough analysis of the profitability of the asset, with a revenue forecast, a projection of services (quantity and quality) to value chain players, and financial sustainability plan.

[55] Further details of the steps that will be taken and the support the PCU will provide to MAFS in monitoring the performance contracts are captured in the Project Implementation Manual (Annex 8).

[56] This includes actors such as: brokers, traders, small scale breeders and feed companies

[57] Borrowing from stakeholder governance approaches, VC players will be trained on how to best hold the TF-TCTF-TC accountable to the interests of the wool and mohair sector and the accompanying rights and responsibilities of each player.

[58] This activity includes: (a) implementing a digitized database for genealogical registration of quality Merino and Angora breeding stock; (b) completing the certification of farms specializing in sheep and goat breeding; and (c) establishing and operationalizing artificial insemination at the existing studs in Mokhotlong and Quthing districts

[59] The project will continue to invest in capacity building through on-farm demonstrations to improve small ruminant breeding management. Additional support to sheep and goat breeding farms is described in the section dedicated to productive alliances.

[60] This activity will also link with sub-component 1.3 (productive alliance) where support will be provided to Community Animal Health workers upgrading to Community Agro-Vet Entrepreneurs according to a comprehensive business plan.

[61] WaMCoP PCU, will work closely with the custodian of the responsible standards, the Textile Exchange to develop a national scale system that is compatible with the responsible wool/mohair standards. The Textile Exchange will provide technical assistance to the PCU.

[62] The implementation of the animal health and welfare plan and the shearing shed compliance plan, has been fully detailed in the WaMCoP project implementation manual (PIM) under "Intervention 1.2.2".

[63] The animal health and welfare plan will see greater awareness with respect to sheep and goat husbandry and aims to ensure that the five domains of animal welfare: (i) nutrition; (ii) environment; (iii) health; (iv) behaviour; and (v) mental state are respected.

[64] The land management, soil health and biodiversity plans will empower the farmers and related land management coalitions with a clear operational entry point to map-out biodiversity and develop concrete approaches for improved land management.

[65] ROLL and WaMCoP will both implement activities in the Maseru Rural and Thaba-Tseka districts. An MoU will guide the operational partnership between both projects.

[66] Both projects will jointly write-up and develop harmonised terms of reference for the service provider once a clear demonstrated approach on rangeland management has been concretised.

[67] This approach by both projects is informed by lessons learned on rangeland management, especially the importance of supporting institutional arrangements that promote optimal rangeland management.

[68] This approach will align with carbon in setting, which should see greater sustainable practices within Lesotho's wool and mohair value chain. Once the approach is clarified, nature-based solutions, such as renewable energy and regenerative agriculture, will be implemented along the value chain.

[69] The stoves come with a solar panel to power the fan but can also charge small batteries and phones reducing remote households' travel time to electricity points. <https://africancleanenergy.com/>

[70] The matching grants are intended to boost the alliances and linkages in the first three years of the project. As the project matures, the TF-TCTF-TC and linkages to financial institutions will have to replace the grants, and alliance member need to turn to either the revolving fund for smaller in-kind loan finance or larger bank-finance (see Sub-component 2.1).

[71] The social enterprise will represent a sustainable market-based mechanism that will anchor interventions in the cottage industry. In line with international trends, it is foreseen that by year 5, the enterprise will fully sustainable and able to manage its affairs independently.

[72] Activities should include operating a webpage and email to allow communication and coordination of the sub-sector, but also promotion activities, limited international travel, business fair participation, etc.

[73] The project implementation manual contains further details on the social enterprise and the implementation strategy that will be adopted over the life cycle of the project.

[74] This sub-component will be building foundations for fiber transformation in Lesotho at a quality level that does not exist and would allow potential spin-offs and further industry support. IFAD or other players might consider supporting that specific industry with more investments in the future.

[75] Subject to a comprehensive business plan per asset entrusted, it can establish and create specific structures to manage the



shearing sheds, the goat and sheep stud, the auction yards and slaughter slabs, providing equitable access to all farmers and VC players.

[76] The delivery mechanism, underpinned by a clear business plan, should include a clear operational structure, guidelines on eligibility and a sustainability plan for operations.

[77] These high-quality inputs will include animal feed, veterinary medicines, and genetics.

[78] The PIM details an indicative model of the wool and mohair revolving fund.

[79] Hence the TF-TC will facilitate farmers accessing the products, inputs, or animals, *not* transferring cash.

[80] The design team had evaluated the option of extending the rural finance scope but agreed to keep this more limited to few in-kind items and 3 supply-chains for grants.

[81] This is building on the modality used during RUFIP.

[82] This includes mainstream financial institutions (commercial banks), the government owned bank (PostBank) and digital financial institutions (i.e., Vodacom savings service).

[83] Strengthening the capacity of VC players to utilize and benefit from the VC platform will be a cross-cutting focus of the intervention.

[84] The pilot phase will include one broker, one shearing shed, all the farmers delivering into that shearing shed and one supplier for each of fodder & feed, genetically improved animals, and veterinary medicines to the farmers.

[85] The work will be closely coordinated with and building on work started by the big brokering firms that pilot the responsible production standards in Lesotho. The TF-TCTF-TC consortium as industry level organization in Lesotho will oversee and improve the national roll-out and seek PCU support as needed.

[86] 750 landscape coalitions are promoted and strengthened by ROLL, and this shows a clear link at shed-level between the two complementary projects.

[87] Natural capital accounts should also inform, de-stocking, landscape regeneration and broader carbon in setting approaches for the VC.

[88] GEF finance has been fully integrated into the logic of the project and will be used to mainstream environmental considerations across component 1 and 2 as outlined in the text.

[89] Further details are provided in sections K and L of this report and in Part 3 of the project implementation manual.

[90] The Department of Livestock Services estimated stocking density to stand at 130% vs. carrying capacity, though the situation varies significantly across locations and depends on rain-patterns.

[91] Fiscal year in Lesotho being March-April.

[92] As per the [MDB Methodologies for Tracking Climate Adaptation and Mitigation Finance](#). The amount does not include GEF finance administered by IFAD.

[93] In terms of improved breeding, animal health, infrastructure up-grades, destocking, and strengthening of farmer associations.

[94] The mission has used the following assumptions with regards to the target group.

[95] For example, WAMPP specifying need for review on fodder production to sensitize farmers for adoption of recommended practices – Partial Supervision Report October 2021.

[96] Farmers that are not members of Farmer Association will be targeted with the culling and exchange activity, thereby allowing these farmers to meet the eligibility criteria to become members. They must be indulged in agricultural activities for their day-to-day living.

[97] Bad debt kept at a level of 10% because of close monitoring and enhanced capacity of livestock owners to service their debt.

[98] See section C -Climate change and adaptation, Section 11 of the SECAP Review Note.

[99] Recruitment process will follow the same approach applied in ROLL start-up, which proved to be robust and effective in securing a capable project team.

[100] The Business Expert will have primary responsibility to cover the social inclusion aspects, especially around youth, gender and disability. The Livestock expert will cover NRM related aspects. GEF resources are financing an environmental specialist as TA. If deemed necessary additional targeted expertise can be acquired through long-term consultants working with the PCU and joining for critical planning meetings, e.g., around gender, disability and/or youth. IFAD and the Go and PCU will agree that at start-up based on the candidate's profile and country needs.

[101] The [IFAD guide on institutional arrangements for effective project management and implementation](#) notes, that value chain development projects sometimes necessitate the establishment of specialised units outside of the PMU to manage certain

components.

[102] The launch of the road map to establish the TF-TCTF-TC consortium was on June 16, 2022 through a MoU between MAFS/WAMPP and the LNDC CEO, which IFAD endorsed and supported as part of WAMPP exit strategy.

[103] Further details have been captured in the project implementation manual.

[104] Further details on policy engagement thematic clusters have been captured in the project implementation manual.

[105] In line with WaMCoP mainstreaming themes, KM and Communications (including TV and radio campaigns) will promote awareness on key areas of concern, such as child labour, HIV prevention, gender-based violence and the threats from landscape degradation. WaMCoP will also partner with LNFOD to showcase successes with PwDs to reduce stigma around employment of PwDs in agriculture. School visits will be organised to areas with successful rangeland management initiatives, as well as to cottage industries where PwDs are employed

[106] Both players have been intimately engaged as part of the design, with EFI's engagement secured through a call for proposals launched by the Lesotho Country Team. And LNDC is playing a formidable role in setting up the Trust Company alongside WAMPP.

[107] As of the 2021/22 season, South Africa had the highest percentage of certified wool globally, with about 25% of the total production certified.

[108] See Framework for Operational Feedback from Stakeholders: <https://webapps.ifad.org/members/eb/128/docs/EB-2019-128-R-13.pdf?attach=1> and Annex 5 (SECAP) for further details.

[109] Village headmen, Chiefs, Principal Chiefs, District Council

**Lesotho**

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**Wool and Mohair Value Chain Competitiveness Project  
Project Design Report**

**Annex 1: Logframe**

Mission Dates: 1-23 June 2022

Document Date: 10/11/2022

Project No. 2000003942

Report No. 6224-LS

East and Southern Africa Division  
Programme Management Department





**Wool and Mohair Value Chain Competitiveness Project**

**Logical Framework**

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
<b>Outreach</b>	1 Persons receiving services promoted or supported by the project				MIS	Monthly	PMU	Project Implementation takes place as planned
	Males	0	11250	22500				
	Females	0	11250	22500				
	Young	0	7875	15750				
	Not Young							
	Non-Indigenous people							
	Total number of persons receiving services	0	22500	45000				
	Persons with disabilities	0	125	350				
	1.a Corresponding number of households reached				MIS	Monthly	PMU	
	Households	0	22500	45000				
1.b Estimated corresponding total number of households members				MIS	Monthly	PMU		
Household members	0	112500	225000					
<b>Project Goal</b> Improved livelihood resilience for smallholder wool and mohair farmers in targeted areas	Households reporting increased climate resilience				Survey using resilience scorecard	Baseline and completion	PMU/outsourced	Improved macro-economic conditions, no external shocks, stable prices
	Households reporting increased climate resilience	0	40	70				
	Households reporting increased economic resilience	0	40	70				

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
<b>Development Objective</b> Inclusive and sustainable economic growth and private-led job creation from wool and mohair	Households reporting an increase in incomes from wool and mohair				Survey	Baseline, midline, completion	PMU/outsourced	Improved macro-economic conditions, no external shocks, stable prices Participation in saving groups and subsidized access to cooking stoves promotes asset building SF 2.1 Project implementation takes place as planned and project services in line with needs and preferences of target group SF 2.2 Local authorities support the move towards a more transparent and inclusive management of the wool and mohair value chain IE. 2.1 Associations of wool and mohair farmers are willing to accept new members and to give more voice to women and youth
	Households	0	13500	30000				
	Households	0	30	67				
	Number of households with increased assets				Survey	Baseline, midline, completion	PMU/outsourced	
	Households	0	20	45				
	SF 2.1 Households satisfied with project-supported services				COI survey	Baseline, midline, completion	PMU/outsourced	
	Households	0	18000	36000				
	Households	0	40	80				
	Household members	0	90000	180000				
	SF.2.2 Households reporting they can influence decision-making of local authorities and project-supported service providers				COI survey	Baseline, midline, completion	PMU/outsourced	
	Household members	0	90000	180000				
	Households (%)	0	40	80				
	Households (number)	0	18000	36000				
	IE.2.1 Individuals demonstrating an improvement in empowerment				COI survey	Baseline, midline, completion	PMU/outsourced	
	Young	0	18	35				
	Young	0	3937	7874				
	Total persons	0	25	50				
	Total persons	0	11250	22500				
	Females	0	25	50				
Females	0	5625	11250					
Males	0	25	50					
Males	0	5625	11250					

Results Hierarchy	Indicators				Means of Verification			Assumptions			
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility				
<b>Outcome</b> Outcome 1.1: Inclusiveness and transparency of value chain governance have improved	2.2.4 Supported rural producers' organizations providing new or improved services to their members				COI surveys	Midline, end-line	PMU/outsourced	The Trust Company model functions well in the Lesotho context			
	Number of POs										
	Total number of POs members								0	15000	30000
	Males POs members										
	Females POs members										
	Young POs members										
<b>Outcome</b> Outcome 1.2: Sustainable sector strategy adopted	Policy 3 Existing/new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment				Project records	Annually	PMU	Policy makers willing to adopt reforms in the wool and mohair sector			
	Number								0	1	2
<b>Outcome</b> Outcome 1.3: New employment opportunities are promoted in wool and mohair input supply (veterinary services) and value addition (cottage industry)	2.2.1 Persons with new jobs/employment opportunities				EFI records on new jobs in cottage industry	Baseline, midline, end-line	PMU/outsourced	International markets offer opportunities for Lesotho cottage industry			
	Males								0	75	150
	Females								0	125	250
	Young								0	150	300
	Total number of persons with new jobs/employment opportunities								0	200	400
	Persons with disabilities										
<b>Output</b> Output 1.1: Trust Company established and operational	Number of assets sustainably entrusted to Trust Company				MIS	Once	PMU	Trust company successfully set up by WAMPP project			
	Assets								0	20	60
<b>Output</b> Output 1.2: National systems (breeding, disease surveillance, testing, certification) enhanced to support the improvement of Lesotho clip quality	Number of users of studbook/surveillance app				MOAFS records	Annual	PMU	Ministry of Agriculture takes the lead in designing and operating the system			
	Number of users of studbook								0	60	120
	Number of users of surveillance app								0	12500	25000

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
<b>Output</b> Output 1.3: Farmers provided with access to culling & exchange and to subsidized efficient cooking stoves	3.1.3 Persons accessing technologies that sequester carbon or reduce greenhouse gas emissions				Reports from association implementing the Culling& Exchange and from African Clean Energy (ACE) for the cooking stoves	Annual	PMU	Continued strong demand for improved animals and efficient cooking stoves
	Males	0	4250	8300				
	Females	0	4250	8300				
	Young	0	2490	4980				
	Total persons accessing technologies	0	8500	16600				
	Persons with disabilities							
<b>Output</b> Output 1.4: Productive alliances have been installed	1.1.3 Rural producers accessing production inputs and/or technological packages				Trust Fund Records	Annual	PMU	National providers of wool and mohair inputs and services are willing to collaborate with the project
	Males	0	10000	20000				
	Females	0	5000	10000				
	Young	0	5000	10500				
	Total rural producers	0	15000	30000				
	2.1.3 Rural producers' organizations supported				Trust Fund Records	Annual	PMU	
	Total size of POs	0	17250	35000				
	Rural POs supported							
	Males	0	13750	27500				
	Females	0	3500	7500				
	Young	0	2500	5400				
	Rural POs supported that are headed by women	0	0	0				
People in cottage industries supported with equipment and marketing services								
People	0	200	400					
Women	0	150	300					
	0	150	300					

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
	PwH	0	25	50				
	Males	0	75	150				
<b>Outcome</b> Outcome 2.1: Smallholder production of wool and mohair has sustainably increased in quality and quantity	1.2.4 Households reporting an increase in production				COI Survey	Baseline, midline, completion	PMU/outsourced	No external shocks, stable prices
	Total number of household members	0	67500	135000				
	Households	0	30	60				
	Households	0	13500	27000				
<b>Outcome</b> Outcome 2.2: Wool and mohair farmers have adopted environmentally sustainable rangeland-management practices	3.2.2 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices				COI survey	Baseline, midline, completion	PMU/outsourced	Certification induces farmers to adopt environmentally sustainable practices Note: CI 3.2.1 to be filled when carbon analysis is finalised
	Total number of household members	0	95000	190000				
	Households	0	42	84				
	Households	0	19000	38000				
	3.2.1 Tons of Greenhouse gas emissions (tCO2e) avoided and/or sequestered							
	Hectares of land							
	tCO2e/20 years							
	tCO2e/ha							
	tCO2e/ha/year							
	<b>Output</b> Output 2.1: In-kind loans disbursed to farmers and saving groups established	1.1.5 Persons in rural areas accessing financial services				Trust Fund records (for loans), and reports from Implementing partners (for savings)	Monthly	PMU
Total number of accesses to financial services		0	20000	40000				
Women in rural areas accessing financial services - savings		0	3500	7000				
Young people in rural areas accessing financial services - savings		0	1500	3000				



Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
	Men in rural areas accessing financial services - savings	0	1500	3000				
	Men in rural areas accessing financial services - credit	0	10500	21000				
	Women in rural areas accessing financial services - credit	0	4500	9000				
	Young people in rural areas accessing financial services - credit	0	4500	9000				
	Total persons accessing financial services - savings	0	5000	10000				
	Total persons accessing financial services - credit	0	15000	30000				
	1.1.7 Persons in rural areas trained in financial literacy and/or use of financial products and services							
	Males	0	1000	2000				
	Females	0	4000	8000				
	Young	0	1000	2000				
Persons in rural areas trained in FL and/or use of FProd and Services (total)	0	5000	10000					
<b>Output</b> Output 2.2: Digital platform established and operational	Number of value chain actors registered on the platform uploading data on the shared digital platform				Digital Platform	Monthly	PMU	Value chain actors consider the digital platform useful
	Percent of farmers	0	50	100				
	Percent of traders	0	50	100				
	Percent of input suppliers	0	50	100				
<b>Output</b> Output 2.3: Certification system established and operational	Percentage of Lesotho clip produced by beneficiaries meeting responsible standards				BKB records	Annually	PMU	Market prices continue providing incentives for responsible production
	Percent of clip	0	20	60				



**Lesotho**

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**Wool and Mohair Value Chain Competitiveness Project  
Project Design Report**

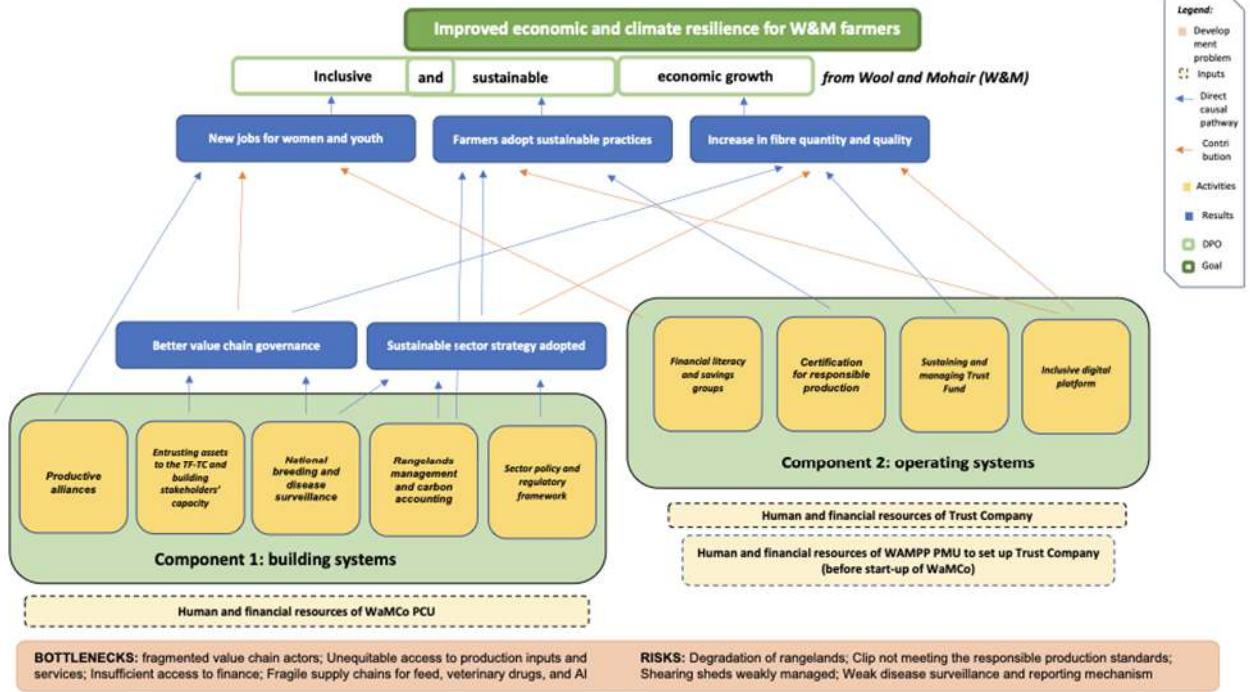
**Annex 2: Theory of change**

Mission Dates: 1-23 June 2022  
Document Date: 10/11/2022  
Project No. 2000003942  
Report No. 6224-LS

East and Southern Africa Division  
Programme Management Department



## Annex 2: Theory of Change



## Lesotho

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### **Wool and Mohair Value Chain Competitiveness Project**

### **Project Design Report**

### **Annex 3: Project cost and financing: Detailed costs tables**

Mission Dates: 1-23 June 2022

Document Date: 10/11/2022

Project No. 2000003942

Report No. 6224-LS

East and Southern Africa Division  
Programme Management Department





Annex 3: Project cost and financing: Detailed costs tables

**KINGDOM OF LESOTHO**

**WOOL AND MOHAIR VALUE CHAIN COMPETITIVENESS (WaMCoP)  
PROJECT**

**Detailed Design Report**

**Project Costs and Financing**

**Table of Contents**

	<b>Page</b>
<b><i>Introduction</i></b>	<b>1</b>
<hr/>	
<b><i>I. METHODS AND ASSUMPTIONS</i></b>	<b>1</b>
<hr/>	
<i>A. Summary of the Project and background</i>	1
<hr/>	
<i>B. Project start and duration</i>	2
<hr/>	
<i>C. Price contingencies</i>	2
<hr/>	
<i>D. Inflation and exchange rate</i>	2
<hr/>	
<i>E. Expenditure Accounts</i>	2
<hr/>	
<b><i>II. PROJECT COSTS</i></b>	<b>3</b>
<hr/>	
<i>A. Total costs</i>	3
<hr/>	
<i>B. Project Costs by Component</i>	3
<hr/>	
<b><i>III. PROPOSED FINANCING</i></b>	<b>4</b>
<hr/>	
<b><i>ANNEX A: Summary Cost Tables</i></b>	<b>6</b>
<hr/>	
<b><i>ANNEX B: Detailed Cost Tables</i></b>	<b>13</b>



## Annex 3: Project Costs and Financing

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### **Project Costs and Financing**

#### **Introduction**

1. This annex provides information on the assumptions made to estimate Project costs and presents the actual Project costs of the Wool and Mohair Competitiveness Project (WaMCoP) as well as the financing plan, prepared using the COSTAB software.
2. The summary tables of the total costs of the Project are available in Annex 1. The detailed costs tables per component are available in Annex 2, where each table includes: (i) the quantities, unit costs (in US\$) and base costs (in US\$); and (ii) the total costs including contingencies (in US\$).

### **I. METHODS AND ASSUMPTIONS**

#### **I. Summary of the Project and background**

3. WaMCoP overall goal is to increase wool and mohair sub-sector's climate resilience and market-beneficiation with focus on the small producers and value chain enterprises. The project will be implemented over a seven-year period and comprises the following three mutually reinforcing components; (i) support to building value chain systems (PCU led); (ii) climate smart value chain operations and coordination (TC led); and (iii) a project coordination unit.
4. The total project costs including price and physical contingencies are estimated at US\$ 72.644 million (M 1 162.299 million) over the seven-year project implementation period as shown in Table 1. Of this amount US\$ 12.533 million (17.2%) represents the foreign exchange contents, US\$ 0.195 million are in the form of duties and taxes. Total base costs amount to US\$ 71.560 million, while physical and price contingencies are estimated to add another US\$ 1.084 million to this amount.
5. The total proportion of the IFAD participation in WaMCoP has been estimated at US\$ 20.200 million (27.8% of total costs) under a 100% soft loan concept (US\$ 15.200 million) and IFAD-Borrowed Resource Access Mechanism (US\$ 5.0 million).

## Annex 3: Project Costs and Financing

**II. Project start and duration**

6. The cost of the project has been calculated over a 7-year period. WaMCoP would be presented to the IFAD Board by September 2022. The Project start would be during second quarter of 2023<sup>1</sup>.

**III. Price contingencies**

7. Price contingency allowances reflect expected increases in Project costs due to changes in unit prices for the various resources that the Project will require. They are taken into account by the COSTAB software in the calculation of the total costs of the Project. Price contingencies include the impact of expected inflation and alterations in the exchange rate.

**IV. Inflation and exchange rate**

8. Inflation rates used in the calculation of price contingencies for the Project are shown in Table 1. The base rate of exchange has been set at US\$ 1 to M 16, the prevailing rate in June 2022.

**Table 1: Inflation rates in % and exchange rates**

	PY1 (2023)	PY2 (2024)	PY3 (2025)	PY4 (2026)	PY5 (2027)	PY6 (2028)	PY7 (2029)
Local inflation (average) <sup>1</sup>	7.0 <sup>2</sup>	5.0	4.0	4.0	4.0	4.0	4.0
Foreign inflation <sup>3</sup>	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Exchange Rate <sup>4</sup>	16	16	16	16	16	16	16

<sup>1</sup>IMF estimates for 2022 and assumptions onwards

**V. Expenditure Accounts**

9. Physical contingency allowances reflect expected increases in the base cost estimates due to changes in quantities and/or methods of implementation. They are used in the case of Projects in which investments are not precisely identified. In the case of WaMCoP, costs have been fairly estimated based on recent and ongoing<sup>5</sup> projects and physical contingencies are mainly applied to civil works.

<sup>1</sup> Fiscal year in Lesotho being March-April.

<sup>2</sup> The COVID pandemic effect coupled with the Ukraine war affected negatively on the inflation rate.

<sup>3</sup> IMF Inflation rate, consumer prices April 2022 – projecting between 6.1% average consumer prices – annual percentage rate) and a real GDP growth of 3.1% p.a. A higher rate is taken for the first year, taking into consideration that Lesotho trade with South Africa represents more than 70%, and South Africa inflation rate is projected at almost 5.7% and lower growth rate at only 1.9% p.a, and the effects of Ukraine war.

<sup>4</sup> From a high M17 to low M14.5 for US\$ 1 for the last 5 months.

<sup>5</sup> Confirmed through latest procurement exercises.

## Annex 3: Project Costs and Financing

10. The foreign exchange percentage of the total costs is calculated applying to each expenditure category a foreign exchange rate. Taxes include custom duties (variable, depending on the commodity) and Value Added Tax (ranging between 14-15 percent). The Value Added Tax is exempted for agricultural goods, tools and machinery. It is assumed that the Project will be exempted from duties and taxes of imported goods, which are included in the Project costs as a government contribution. Overall duties and taxes exemptions are low in this case, and mostly applied to vehicles.
11. Base costs for goods and services purchased locally are based on local sales prices (market prices), including all duties and domestic taxes, as they are real costs for the Project. The prices were confirmed and validated from an ongoing IFAD project.

## II. PROJECT COSTS

### A. Total costs

12. WaMCoP total project costs, including contingencies, over the seven-year period has been estimated at US\$ 72.644 million, to be financed as follows:

**Table 2: WaMCoP financing**

WaMCoP financing	US\$ million
IFAD (loan)	15.200
IFAD-BRAM	05.000
OPEC Fund	20.000
GEF	05.200
Private sector/Beneficiaries	07.381
Financing Gap	11.802
Government of Lesotho	08.061
TOTAL	72.644

## VI. Project Costs by Component

13. Component 1 (US\$ 41.881 million) – Support to building value chain systems with three main sub-components (i) value chain governance and sector strategy; (ii) responsible wool and mohair production, and (iii) business development and value addition amounts to 59% of total costs. This component will ensure adoption of sustainable sector strategy, better value chain governance and custody of transferred assets.



## Annex 3: Project Costs and Financing

14. Component 2 (US\$ 24.723 million) – Climate smart value chain operations and coordination will act as catalyst towards adoption of sustainable practices and jobs creation. The two sub-components are access to productive finance and responsible value chain production systems. This component will consume 35% of total project costs.
15. Component 3 (US\$ 4.956 million) – Project Management taking 7% of total base costs will include monitoring and evaluation, knowledge management, an important sub-component on gender, nutrition and youth, and finally the project coordination unit. The project coordination unit is kept as lean as possible, with specified targets for a better delivery of outcomes.

**Table 3: Project costs by Component, contingencies, and total Project costs**

	Components Project Cost Summary						% Foreign Exchange	% Total Base Costs
	(M '000)			(US\$ '000)				
	Local	Foreign	Total	Local	Foreign	Total		
<b>A. Support to building Value Chain systems (PCU led)</b>								
1. Value Chain governance and sector strategy	190 202	534	190 736	11 888	33	11 921	-	17
2. Responsible wool & mohair production	235 772	87 820	323 592	14 736	5 489	20 225	27	28
3. Business development and value addition	131 101	24 670	155 771	8 194	1 542	9 736	16	14
<b>Subtotal</b>	<b>557 075</b>	<b>113 024</b>	<b>670 099</b>	<b>34 817</b>	<b>7 064</b>	<b>41 881</b>	<b>17</b>	<b>59</b>
<b>B. Climate smart value chain operation and coordination (TC led)</b>								
1. Access to productive finance	259 677	40 960	300 637	16 230	2 560	18 790	14	26
2. Responsible value chain production systems	64 264	30 667	94 931	4 017	1 917	5 933	32	8
<b>Subtotal</b>	<b>323 941</b>	<b>71 627</b>	<b>395 568</b>	<b>20 246</b>	<b>4 477</b>	<b>24 723</b>	<b>18</b>	<b>35</b>
<b>C. Project coordination unit</b>								
1. Communication for behavior change and monitoring for learning	18 787	8 579	27 366	1 174	536	1 710	31	2
2. Project coordination	46 630	5 298	51 928	2 914	331	3 246	10	5
<b>Subtotal</b>	<b>65 417</b>	<b>13 878</b>	<b>79 294</b>	<b>4 089</b>	<b>867</b>	<b>4 956</b>	<b>18</b>	<b>7</b>
<b>Total BASELINE COSTS</b>	<b>946 433</b>	<b>198 528</b>	<b>1 144 961</b>	<b>59 152</b>	<b>12 408</b>	<b>71 560</b>	<b>17</b>	<b>100</b>
Physical Contingencies	2 622	1 195	3 817	164	75	239	31	-
Price Contingencies	12 718	803	13 521	795	50	845	6	1
<b>Total PROJECT COSTS</b>	<b>961 772</b>	<b>200 527</b>	<b>1 162 299</b>	<b>60 111</b>	<b>12 533</b>	<b>72 644</b>	<b>17</b>	<b>102</b>

### III. PROPOSED FINANCING

16. WaMCoP will be financed by IFAD (loan and under BRAM), the OPEC Fund for International Development (OPEC Fund), the Global Environment Fund (GEF), other Financiers (financing gap), the private sector, contributions from the beneficiaries and the Government.
17. The financing gap of US\$ 11.802 million is expected to be covered by additional co-financiers (OPEC Fund, EU, private and/or public) to be identified before project start-up, or by additional funds to be requested from IFAD by the Government at the time of the project's midterm review.
18. The Government contribution to the Project will be in the form of assets transferred to the Trust company, contribution towards civil works and foregone taxes and duties on all Project inputs that involve funding from IFAD. In conformity with the principle that no taxes or duties will be financed out of the proceeds of IFAD and other co-financiers, any future changes in the rates and or structures of taxes and duties will apply, thus affecting the

## Annex 3: Project Costs and Financing

amount of foregone revenues. The Government also participates in some other direct activities including office accommodation for the project management unit and salaries/allowances for government staff/technical people supporting WaMCoP implementation. The total contribution of the government in the project, including transferred assets, civil works and duties foregone amounts to US\$ 8.060 million.

19. The project is deliberately tuned towards a private sector approach for implementation and delivery, reducing size and mandate of the management unit to "coordinate" and steer the process. AS such the private sector will have an active participation in many of the activities, cutting across both components. At the initial stage, the private sector is participating up to US\$ 7.381 million, representing 10.2% of total project costs.
20. Beneficiaries will be participating directly in some activities related to access to productive finance and in the promotion of productive alliances. Their contribution will also be indirect through the shearing sheds. The main operational entry point for the project will be the shearing sheds, and the wool and mohair farmers members of Farmer Associations at shearing shed level will represent the primary target groups.
21. Table 4 provides a summary of the components by financiers. Other summary financing tables are provided in Annex 1.

Expenditure Accounts by Financiers  
(US\$ '000)

	IFAD-Loan Amount	IFAD-BRAM Amount	OPEC FUND Amount	GEF Amount	Financing Gap Amount	Private Sector /		Total Amount	%	
						Beneficiaries Amount	Government Amount			
<b>I. Investment Costs</b>										
A. Civil Works		116	-	3 460	-	1 506	-	3 500	8 583	11,8
B. Vehicles, Equipment and Materials	4 966	-	5 813	5 000	3 400	1 178	629	20 987	28,9	
C. Technical Assistance	1 801	2 550	5 928	200	617	1 005	162	12 262	16,9	
D. Training / Workshops	2 085	450	1 354	-	15	-	-	3 904	5,4	
E. Credit & Guarantee Funds	3 976	2 000	1 504	-	5 528	2 492	3 001	18 500	25,5	
<b>Total Investment Costs</b>	<b>12 944</b>	<b>5 000</b>	<b>18 060</b>	<b>5 200</b>	<b>11 066</b>	<b>4 675</b>	<b>7 292</b>	<b>64 236</b>	<b>88,4</b>	
<b>II. Recurrent Costs</b>										
A. Salaries and Allowances	2 075	-	1 941	-	736	2 662	228	7 641	10,5	
B. Operating Costs	182	-	-	-	-	44	541	767	1,1	
<b>Total Recurrent Costs</b>	<b>2 257</b>	<b>-</b>	<b>1 941</b>	<b>-</b>	<b>736</b>	<b>2 706</b>	<b>769</b>	<b>8 408</b>	<b>11,6</b>	
<b>Total PROJECT COSTS</b>	<b>15 200</b>	<b>5 000</b>	<b>20 000</b>	<b>5 200</b>	<b>11 802</b>	<b>7 381</b>	<b>8 061</b>	<b>72 644</b>	<b>100,0</b>	

## **ANNEX A: Summary Cost Tables**

### **Table of Contents**

Table 1: Components Project Cost Summary

Table 2: Expenditure Accounts by Components

Table 3: Disbursement accounts by Financiers

Table 4: Expenditure Accounts by Financiers

Table 5: Project Components by year

Table 6: Expenditure accounts by year

## Annex 3: Project Costs and Financing

Table 1: Components Project Cost Summary

Kingdom of Lesotho Wool & Mohair Value Chain Competitiveness Project Components Project Cost Summary								
	(M '000)			(US\$ '000)			%	% Total
	Local	Foreign	Total	Local	Foreign	Total	Exchange	Base Costs
<b>A. Support to building Value Chain systems (PCU led)</b>								
1. Value Chain governance and sector strategy	190 202	534	190 736	11 888	33	11 921	-	17
2. Responsible wool & mohair production	235 772	87 820	323 592	14 736	5 489	20 225	27	28
3. Business development and value addition	131 101	24 670	155 771	8 194	1 542	9 736	16	14
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<b>B. Climate smart value chain operation and coordination (TC led)</b>								
1. Access to productive finance	259 677	40 960	300 637	16 230	2 560	18 790	14	26
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<b>Subtotal</b>	<b>323 941</b>	<b>71 627</b>	<b>395 568</b>	<b>20 246</b>	<b>4 477</b>	<b>24 723</b>	<b>18</b>	<b>35</b>
<b>C. Project coordination unit</b>								
1. Communication for behavior change and monitoring for learning	18 787	8 579	27 366	1 174	536	1 710	31	2
2. Project coordination	46 630	5 298	51 928	2 914	331	3 246	10	5
<b>Subtotal</b>	<b>65 417</b>	<b>13 878</b>	<b>79 294</b>	<b>4 089</b>	<b>867</b>	<b>4 956</b>	<b>18</b>	<b>7</b>
<b>Total BASELINE COSTS</b>	<b>946 433</b>	<b>198 528</b>	<b>1 144 961</b>	<b>59 152</b>	<b>12 408</b>	<b>71 560</b>	<b>17</b>	<b>100</b>
Physical Contingencies	2 622	1 195	3 817	164	75	239	31	-
Price Contingencies	12 718	803	13 521	795	50	845	6	1
<b>Total PROJECT COSTS</b>	<b>961 772</b>	<b>200 527</b>	<b>1 162 299</b>	<b>60 111</b>	<b>12 533</b>	<b>72 644</b>	<b>17</b>	<b>102</b>

## Annex 3: Project Costs and Financing

Table 2: Expenditure Accounts by components

**Expenditure Accounts by Components - Totals Including Contingencies**  
(US\$ '000)

	Support to building Value Chain systems (PCU led)			Climate smart value chain operation and coordination (TC led)		Project coordination unit		Total
	Value Chain governance and sector strategy	Responsible wool & mohair production	Business development and value addition	Access to productive finance	Responsible value chain production systems	Communication for behavior change and monitoring for learning	Project coordination	
<b>I. Investment Costs</b>								
A. Civil Works	3 500	4 533	550	-	-	-	-	8 583
B. Vehicles, Equipment and Materials	-	11 418	5 215	650	3 088	249	368	20 987
C. Technical Assistance	323	2 496	2 867	3 749	2 066	730	31	12 262
D. Training / Workshops	98	1 271	877	450	780	429	-	3 904
E. Credit & Guarantee Funds	8 000	-	-	10 500	-	-	-	18 500
<b>Total Investment Costs</b>	<b>11 921</b>	<b>19 717</b>	<b>9 510</b>	<b>15 349</b>	<b>5 933</b>	<b>1 407</b>	<b>398</b>	<b>64 236</b>
<b>II. Recurrent Costs</b>								
A. Salaries and Allow ances	-	672	230	3 580	-	441	2 719	7 641
B. Operating Costs	-	59	-	-	-	-	707	767
<b>Total Recurrent Costs</b>	<b>-</b>	<b>731</b>	<b>230</b>	<b>3 580</b>	<b>-</b>	<b>441</b>	<b>3 426</b>	<b>8 408</b>
<b>Total PROJECT COSTS</b>	<b>11 921</b>	<b>20 448</b>	<b>9 740</b>	<b>18 929</b>	<b>5 933</b>	<b>1 848</b>	<b>3 824</b>	<b>72 644</b>

## Annex 3: Project Costs and Financing

Table 3: Disbursement Accounts by financier

	Disbursement Accounts by Financiers								%
	(US\$ '000)								
	IFAD-Loan	IFAD-BRAM	OPEC FUND	GEF	Financing Gap	Private Sector / Beneficiaries	Government	Total	
Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	
1. Civil Works	116	-	3 460	-	1 506	-	3 500	8 583	11,8
2. Vehicles, Equipment and Materials	4 966	-	5 813	5 000	3 400	1 178	629	20 987	28,9
3. Training/Workshops	2 085	450	1 354	-	15	-	-	3 904	5,4
4. Consultancies /a	1 801	2 550	5 928	200	617	1 005	162	12 262	16,9
5. Credit & Guarantee Funds	3 976	2 000	1 504	-	5 528	2 492	3 001	18 500	25,5
6. Salaries and Allowances	2 075	-	1 941	-	736	2 662	228	7 641	10,5
7. Operating costs	182	-	-	-	-	44	541	767	1,1
<b>Total PROJECT COSTS</b>	<b>15 200</b>	<b>5 000</b>	<b>20 000</b>	<b>5 200</b>	<b>11 802</b>	<b>7 381</b>	<b>8 061</b>	<b>72 644</b>	<b>100,0</b>



## Annex 3: Project Costs and Financing

Table 4: Expenditure Accounts by Financiers

	Expenditure Accounts by Financiers								
	(US\$ '000)								
	IFAD-Loan	IFAD-BRAM	OPEC FUND	GEF	Financing Gap	Private Sector / Beneficiaries	Government	Total	
Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	%
<b>I. Investment Costs</b>									
A. Civil Works	116	-	3 460	-	1 506	-	3 500	8 583	11,8
B. Vehicles, Equipment and Materials	4 966	-	5 813	5 000	3 400	1 178	629	20 987	28,9
C. Technical Assistance	1 801	2 550	5 928	200	617	1 005	162	12 262	16,9
D. Training / Workshops	2 085	450	1 354	-	15	-	-	3 904	5,4
E. Credit & Guarantee Funds	3 976	2 000	1 504	-	5 528	2 492	3 001	18 500	25,5
<b>Total Investment Costs</b>	<b>12 944</b>	<b>5 000</b>	<b>18 060</b>	<b>5 200</b>	<b>11 066</b>	<b>4 675</b>	<b>7 292</b>	<b>64 236</b>	<b>88,4</b>
<b>II. Recurrent Costs</b>									
A. Salaries and Allowances	2 075	-	1 941	-	736	2 662	228	7 641	10,5
B. Operating Costs	182	-	-	-	-	44	541	767	1,1
<b>Total Recurrent Costs</b>	<b>2 257</b>	<b>-</b>	<b>1 941</b>	<b>-</b>	<b>736</b>	<b>2 706</b>	<b>769</b>	<b>8 408</b>	<b>11,6</b>
<b>Total PROJECT COSTS</b>	<b>15 200</b>	<b>5 000</b>	<b>20 000</b>	<b>5 200</b>	<b>11 802</b>	<b>7 381</b>	<b>8 061</b>	<b>72 644</b>	<b>100,0</b>

Table 5: Project Components by year

	<b>Totals Including Contingencies (US\$ '000)</b>							
	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>Total</b>
<b>A. Support to building Value Chain systems (PCU led)</b>								
1. Value Chain governance and sector strategy	235	6 545	2 039	39	3 027	18	18	11 921
2. Responsible wool & mohair production	4 185	7 221	3 439	3 222	972	783	625	20 448
3. Business development and value addition	1 341	1 953	1 465	1 465	1 465	1 405	645	9 740
<b>Subtotal</b>	<b>5 762</b>	<b>15 720</b>	<b>6 943</b>	<b>4 726</b>	<b>5 465</b>	<b>2 205</b>	<b>1 288</b>	<b>42 109</b>
<b>B. Climate smart value chain operation and coordination (TC led)</b>								
1. Access to productive finance	1 431	2 576	2 981	3 436	3 190	2 845	2 470	18 929
2. Responsible value chain production systems	911	1 282	1 171	854	838	638	238	5 933
<b>Subtotal</b>	<b>2 341</b>	<b>3 858</b>	<b>4 152</b>	<b>4 290</b>	<b>4 029</b>	<b>3 484</b>	<b>2 709</b>	<b>24 862</b>
<b>C. Project coordination unit</b>								
1. Communication for behavior change and monitoring for learning	371	177	178	373	164	200	385	1 848
2. Project coordination	556	670	468	486	506	525	613	3 824
<b>Subtotal</b>	<b>927</b>	<b>847</b>	<b>646</b>	<b>859</b>	<b>669</b>	<b>726</b>	<b>997</b>	<b>5 672</b>
<b>Total PROJECT COSTS</b>	<b>9 030</b>	<b>20 425</b>	<b>11 741</b>	<b>9 876</b>	<b>10 163</b>	<b>6 414</b>	<b>4 994</b>	<b>72 644</b>

Table 6: Expenditure accounts by year

**Expenditure Accounts by Years -- Totals Including Contingencies**

	Totals Including Contingencies (US\$ '000)							
	2023	2024	2025	2026	2027	2028	2029	Total
<b>I. Investment Costs</b>								
A. Civil Works	1 718	6 865	-	-	-	-	-	8 583
B. Vehicles, Equipment and Materials	2 745	4 884	4 440	4 127	2 038	2 038	715	20 987
C. Technical Assistance	2 243	1 964	2 002	2 034	1 437	1 192	1 390	12 262
D. Training / Workshops	1 184	1 152	362	409	363	244	190	3 904
E. Funds	-	4 400	3 750	2 100	5 100	1 750	1 400	18 500
<b>Total Investment Costs</b>	<b>7 890</b>	<b>19 265</b>	<b>10 554</b>	<b>8 670</b>	<b>8 938</b>	<b>5 223</b>	<b>3 695</b>	<b>64 236</b>
<b>II. Recurrent Costs</b>								
A. Salaries and Allow ances	997	1 073	1 089	1 104	1 119	1 077	1 182	7 641
B. Operating Costs	97	102	106	110	113	118	122	767
<b>Total Recurrent Costs</b>	<b>1 093</b>	<b>1 175</b>	<b>1 195</b>	<b>1 214</b>	<b>1 233</b>	<b>1 195</b>	<b>1 303</b>	<b>8 408</b>
<b>Total PROJECT COSTS</b>	<b>8 983</b>	<b>20 440</b>	<b>11 749</b>	<b>9 884</b>	<b>10 171</b>	<b>6 418</b>	<b>4 998</b>	<b>72 644</b>

## **ANNEX B: Detailed Cost Tables**

### **Table of Contents**

#### **Component A: Support to building value chain systems (PCU led)**

Table 1: Value Chain governance and sector strategy

Table 2: Responsible wool & mohair production

Table 3: Business development and value addition

#### **Component B: Climate smart value chain operation and coordination (TC led)**

Table 3: Access to productive finance

Table 4: Responsible value chain production systems

#### **Component C: Project coordination unit**

Table 5: Communication for behaviour change and monitoring for learning

Table 6: Project coordination

## Annex 3: Project Costs and Financing

Kingdom of Lesotho  
Wool & Mohair Value Chain Competitiveness Project  
Table 1. Value Chain governance and sector strategy  
**Detailed Costs**

Br

	Unit	Quantities							Total	Unit Cost (US\$)	Totals Including Contingencies (US\$ '000)							Total
		2023	2024	2025	2026	2027	2028	2029			2023	2024	2025	2026	2027	2028	2029	
<b>I. Investment Costs</b>																		
<b>A. Sector policy and regulatory framework /a</b>																		
Technical Assistance - Sector Policy Review	lump sum	15	15	8	8	8	4	4	62	1.000	15	15	8	8	8	4	4	62
Workshop- consultation	number	1	-	-	-	-	-	-	1	5.000	5	-	-	-	-	-	-	5
Workshop- validation	number	1	-	-	-	-	-	-	1	5.000	5	-	-	-	-	-	-	5
Development of SECAP risk management instruments	lumpsum	1	-	-	-	-	-	-	1	35.000	35	-	-	-	-	-	-	35
<b>Subtotal</b>											60	15	8	8	8	4	4	107
<b>B. Entrusting fund and assets to the Trust company</b>																		
Assets valuation and performance indicators	lump sum	1	-	-	-	-	-	-	1	100.000	100	-	-	-	-	-	-	100
Entrusting physical assets to the Trust Company	lump sum	-	1	-	-	-	-	-	1	3.500.000	-	3 500	-	-	-	-	-	3 500
Entrusting endow ment fund /b	lump sum	-	3	2	-	3	-	-	8	1.000.000	-	3 000	2 000	-	3 000	-	-	8 000
Entrustment ceremony	lump sum	1	-	-	-	-	-	-	1	10.000	10	-	-	-	-	-	-	10
<b>Subtotal</b>											110	6 500	2 000	-	3 000	-	-	11 610
<b>C. Trust Fund's stakeholder capacity development</b>																		
Consultant - training of leaders on managerial matters	person/month	-	2	2	2	-	-	-	6	6.000	-	12	12	12	-	-	-	36
Procurement specialist /c	person/month	3	3	3	3	3	3	3	21	6.000	18	18	18	18	18	18	18	126
District w orkshops /d	w orkshop	-	5	3	3	3	-	-	14	3.000	-	15	9	9	9	-	-	42
<b>Subtotal</b>											18	45	39	39	27	18	18	204
<b>Total Investment Costs</b>											188	6 560	2 047	47	3 035	22	22	11 921
<b>II. Recurrent Costs</b>																		
<b>Total</b>											188	6 560	2 047	47	3 035	22	22	11 921

Kingdom of Lesotho  
Wool & Mohair Value Chain Competitiveness Project  
Table 1. Value Chain governance and sector strategy  
**Detailed Costs**

	IFAD-Loan									IFAD-BRAM									OPEC FUND								
	Total	2023	2024	2025	2026	2027	2028	2029	Total	2023	2024	2025	2026	2027	2028	2029	Total	2023	2024	2025	2026	2027	2028	2029	Total		
<b>I. Investment Costs</b>																											
<b>A. Sector policy and regulatory framework /a</b>																											
Technical Assistance - Sector Policy Review	62	15	15	8	8	8	4	4	62	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Workshop- consultation	5	5	-	-	-	-	-	-	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Workshop- validation	5	5	-	-	-	-	-	-	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Development of SECAP risk management instruments	35	35	-	-	-	-	-	-	35	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>Subtotal</b>	107	60	15	8	8	8	4	4	107	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>B. Entrusting fund and assets to the Trust company</b>																											
Assets valuation and performance indicators	100	-	-	-	-	-	-	-	-	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Entrusting physical assets to the Trust Company	3 500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Entrusting endow ment fund /b	8 000	-	-	-	-	-	-	-	-	-	2 000	-	-	-	-	-	-	-	-	-	-	-	-	-	1 000		
Entrustment ceremony	10	10	-	-	-	-	-	-	10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>Subtotal</b>	11 610	10	-	-	-	-	-	-	10	100	2 000	-	-	-	-	-	-	-	-	-	-	-	-	-	1 000		
<b>C. Trust Fund's stakeholder capacity development</b>																											
Consultant - training of leaders on managerial matters	36	-	12	12	12	-	-	-	36	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Procurement specialist /c	126	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
District w orkshops /d	42	-	15	9	9	9	-	-	42	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>Subtotal</b>	204	-	27	21	21	9	-	-	78	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>Total Investment Costs</b>	11 921	70	42	29	29	17	4	4	195	100	2 000	-	-	-	-	-	-	-	-	-	-	-	-	-	1 000		
<b>II. Recurrent Costs</b>																											
<b>Total</b>	11 921	70	42	29	29	17	4	4	195	100	2 000	-	-	-	-	-	-	-	-	-	-	-	-	-	1 000		

<sup>a</sup> The category includes Technical Assistance, studies and provision for Service Providers  
<sup>b</sup> Lesotho National Development Corporation contributing US\$3million  
<sup>c</sup> To carry out procurement activities on behalf of the Trust.  
<sup>d</sup> 1 day workshop (1 day in each district - 100 people)

Financing Gap								Private Sector / Beneficiaries								Government							
2023	2024	2025	2026	2027	2028	2029	Total	2023	2024	2025	2026	2027	2028	2029	Total	2023	2024	2025	2026	2027	2028	2029	Total
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3 500	-	-	-	-	-	-	-
-	-	-	-	2 000	-	-	2 000	-	-	-	-	-	-	-	-	0	2 000	-	1 000	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	2 000	-	-	2 000	-	-	-	-	-	-	-	-	3 500	2 000	-	1 000	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	18	18	18	18	18	18	18	126	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	2 000	-	-	2 000	18	18	18	18	18	18	18	126	-	3 500	2 000	-	1 000	-	-	-
-	-	-	-	2 000	-	-	2 000	18	18	18	18	18	18	18	126	-	3 500	2 000	-	1 000	-	-	-



Kingdom of Lesotho  
Wool & Mohair Value Chain Competitiveness Project  
Table 2. Responsible Wool and Mohair Production  
**Detailed Costs**

	Unit	Quantities							Total	Unit Cost (US\$)	Totals Including Contingencies (US\$ '000)							Total	Expenditure Account
		2023	2024	2025	2026	2027	2028	2029			2023	2024	2025	2026	2027	2028	2029		
<b>I. Investment Costs</b>																			
<b>A. Support to establishment of national breeding system for sheep and goats</b>																			
1. Culling and exchange programme	lumpsum	1	1	1	1	1	1	1	7	500.000	500	500	500	500	500	500	500	3 500	GSI
2. Feasibility study new Angora goat breeding centre	lumpsum	1	-	-	-	-	-	-	1	25.000	26	-	-	-	-	-	-	26	C
3. Construction new Angora goat breeding centre	lumpsum	1	-	-	-	-	-	-	1	800.000	840	-	-	-	-	-	-	840	WORKS
4. Equipment new Angora goat breeding centre	lumpsum	1	-	-	-	-	-	-	1	250.000	263	-	-	-	-	-	-	263	WORKS
5. Contribution towards construction of Diagnostic Laboratory	lumpsum	-	1	-	-	-	-	-	1	2.800.000	-	2 800	-	-	-	-	-	2 800	WORKS
6. Diagnostic equipment	lumpsum	4	2	-	-	-	-	-	6	150.000	600	300	-	-	-	-	-	900	GSI
7. Construction of 2 Artificial Insemination Centres	lumpsum	1	1	-	-	-	-	-	2	300.000	315	315	-	-	-	-	-	630	WORKS
8. Equipment for the 2 Artificial Insemination Centres	lumpsum	1	1	-	-	-	-	-	2	107.500	108	108	-	-	-	-	-	215	GSI
9. Support to on-farm feed and forage production capacity	lumpsum	1	2	2	-	-	-	-	5	250.000	263	525	525	-	-	-	-	1 313	GSI
10. Training on Artificial Insemination	lumpsum	1	-	-	-	-	-	-	1	10.000	11	-	-	-	-	-	-	11	T
11. Purchase of quality Merino sheep and Angora goat semen	lumpsum	-	1	1	-	-	-	-	2	250.000	-	263	263	-	-	-	-	525	GSI
12. Value of land provided by Government for the different centres set-up.	lumpsum	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	WORKS
<b>Subtotal</b>											2 924	4 810	1 288	500	500	500	500	11 022	
<b>B. Support to operation of national breeding system for sheep and goat</b>																			
1. Certificate of breeding farms	lumpsum	1	1	1	1	-	-	-	4	50.000	50	50	50	50	-	-	-	200	C
2. Vehicle	lumpsum	1	-	-	-	-	-	-	1	50.000	50	-	-	-	-	-	-	50	GSI
<b>Subtotal</b>											100	50	50	50	-	-	-	250	
<b>C. Support to establishment and operation of disease surveillance and emergency response system</b>																			
1. Disease surveillance activities	lumpsum	1	1	1	1	1	1	-	6	150.000	158	158	158	158	158	158	-	945	GSI
2. On-farm demonstrations - improved animal health management	lumpsum	1	1	-	-	-	-	-	2	150.000	150	150	-	-	-	-	-	300	GSI
<b>Subtotal</b>											308	308	158	158	158	158	-	1 245	
<b>D. Support to establishment of carbon and bio-diversity tracing for wool &amp; mohair production systems</b>																			
1. Determine appropriate procedures for carbon & biodiversity	study	0,2	0,4	0,2	-	-	-	-	0,8	300.000	60	120	60	-	-	-	-	240	C
2. Test around 3 selected sheds /a	study	-	0,5	-	-	-	-	-	0,5	200.000	-	100	-	-	-	-	-	100	C
3. Support for mapping baseline information in project area /b	study	-	-	1	-	-	-	-	1	150.000	-	-	150	-	-	-	-	150	C
<b>Subtotal</b>											60	220	210	-	-	-	-	490	
<b>E. Extension support services</b>																			
1. On-farm demonstrations - small ruminants management	lumpsum	1	2	-	-	-	-	-	3	150.000	150	300	-	-	-	-	-	450	T
2. Seminar and study tours	lumpsum	-	-	-	1	1	-	-	2	30.000	-	-	-	30	30	-	-	60	T
3. On-farm demonstrations - improved animal health management	lumpsum	1	1	-	-	-	-	-	2	150.000	150	150	-	-	-	-	-	300	T
4. On-farm demonstrations - improved animal health nutrition	lumpsum	1	2	-	-	-	-	-	3	150.000	150	300	-	-	-	-	-	450	T
<b>Subtotal</b>											450	750	-	30	30	-	-	1 260	
<b>Total Investment Costs</b>											3 842	6 138	1 705	738	688	658	500	14 267	
<b>II. Recurrent Costs</b>																			
A. Operating Costs	person/month	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	OC
<b>B. Support to establishing and upgrading breeding system for sheep and goat</b>																			
1. Allowances for Technical Officer Livestock	person/month	12	12	12	12	12	12	12	84	4.000	48	48	48	48	48	48	48	336	SA
2. Allowances National breeder specialist	person/month	12	12	12	12	12	12	12	84	4.000	48	48	48	48	48	48	48	336	SA
3. Vehicle operating expenses	lumpsum	1	1	1	1	1	1	1	7	7.500	8	8	8	8	9	9	9	59	OC
<b>Total Recurrent Costs</b>											104	104	104	104	105	105	105	731	
<b>Total</b>											3 945	6 241	1 809	842	792	763	605	14 998	

<sup>a</sup> Consultancy/local partners  
<sup>b</sup> Consultancy/local partners

Kingdom of Lesotho  
Wool & Mohair Value Chain Competitiveness Project  
Table 2. Responsible Wool and Mohair Production  
**Detailed Costs**

	IFAD-Loan								OPEC FUND								
	Total	2023	2024	2025	2026	2027	2028	2029	Total	2023	2024	2025	2026	2027	2028	2029	Total
<b>I. Investment Costs</b>																	
<b>A. Support to establishment of national breeding system for sheep and goats</b>																	
1. Culling and exchange programme	3 500	-	-	-	-	-	-	-	-	500	500	240	-	-	-	-	1 240
2. Feasibility study new Angora goat breeding centre	26	-	-	-	-	-	-	-	-	26	-	-	-	-	-	-	26
3. Construction new Angora goat breeding centre	840	116	-	-	-	-	-	-	116	420	-	-	-	-	-	-	420
4. Equipment new Angora goat breeding centre	263	-	-	-	-	-	-	-	-	131	-	-	-	-	-	-	131
5. Contribution towards construction of Diagnostic Laboratory	2 800	-	-	-	-	-	-	-	-	-	2 044	-	-	-	-	-	2 044
6. Diagnostic equipment	900	-	-	-	-	-	-	-	-	300	150	-	-	-	-	-	450
7. Construction of 2 Artificial Insemination Centres	630	-	-	-	-	-	-	-	-	158	158	-	-	-	-	-	315
8. Equipment for the 2 Artificial Insemination Centres	215	108	108	-	-	-	-	-	215	-	-	-	-	-	-	-	-
9. Support to on-farm feed and forage production capacity	1 313	-	-	-	-	-	-	-	-	263	525	525	-	-	-	-	1 313
10. Training on Artificial Insemination	11	-	-	-	-	-	-	-	-	11	-	-	-	-	-	-	11
11. Purchase of quality Merino sheep and Angora goat semen	525	-	-	-	-	-	-	-	-	-	263	263	-	-	-	-	525
12. Value of land provided by Government for the different centres se	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>11 022</b>	<b>223</b>	<b>108</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>331</b>	<b>1 808</b>	<b>3 639</b>	<b>1 028</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6 475</b>
<b>B. Support to operation of national breeding system for sheep and goat</b>																	
1. Certificate of breeding farms	200	50	50	50	50	-	-	-	200	-	-	-	-	-	-	-	-
2. Vehicle	50	30	-	-	-	-	-	-	30	-	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>250</b>	<b>80</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>230</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>C. Support to establishment and operation of disease surveillance and emergency response system</b>																	
1. Disease surveillance activities	945	-	-	-	-	-	-	-	-	158	158	158	158	158	158	-	945
2. On-farm demonstrations - improved animal health management	300	-	-	-	-	-	-	-	-	150	150	-	-	-	-	-	300
<b>Subtotal</b>	<b>1 245</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>308</b>	<b>308</b>	<b>158</b>	<b>158</b>	<b>158</b>	<b>158</b>	<b>-</b>	<b>1 245</b>
<b>D. Support to establishment of carbon and bio-diversity tracing for wool &amp; mohair production systems</b>																	
1. Determine appropriate procedures for carbon & biodiversity	240	-	-	-	-	-	-	-	-	60	120	60	-	-	-	-	240
2. Test around 3 selected sheds /a	100	-	-	-	-	-	-	-	-	-	100	-	-	-	-	-	100
3. Support for mapping baseline information in project area /b	150	-	-	-	-	-	-	-	-	-	-	150	-	-	-	-	150
<b>Subtotal</b>	<b>490</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>60</b>	<b>220</b>	<b>210</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>490</b>
<b>E. Extension support services</b>																	
1. On-farm demonstrations - small ruminants management	450	150	300	-	-	-	-	-	450	-	-	-	-	-	-	-	-
2. Seminar and study tours	60	-	-	-	30	30	-	-	60	-	-	-	-	-	-	-	-
3. On-farm demonstrations - improved animal health management	300	150	150	-	-	-	-	-	300	-	-	-	-	-	-	-	-
4. On-farm demonstrations - improved animal health nutrition	450	150	300	-	-	-	-	-	450	-	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>1 260</b>	<b>450</b>	<b>750</b>	<b>-</b>	<b>30</b>	<b>30</b>	<b>-</b>	<b>-</b>	<b>1 260</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Investment Costs</b>	<b>14 267</b>	<b>753</b>	<b>908</b>	<b>50</b>	<b>80</b>	<b>30</b>	<b>-</b>	<b>-</b>	<b>1 821</b>	<b>2 176</b>	<b>4 167</b>	<b>1 395</b>	<b>158</b>	<b>158</b>	<b>158</b>	<b>-</b>	<b>8 210</b>
<b>II. Recurrent Costs</b>																	
<b>A. Operating Costs</b>																	
<b>B. Support to establishing and upgrading breeding system for sheep and goat</b>																	
1. Allow ances for Technical Officer Livestock	336	48	48	-	-	-	-	-	96	-	-	-	-	-	-	-	-
2. Allow ances National breeder specialist	336	48	48	-	-	-	-	-	96	-	-	-	-	-	-	-	-
3. Vehicle operating expenses	59	8	8	-	-	-	-	-	16	-	-	-	-	-	-	-	-
<b>Total Recurrent Costs</b>	<b>731</b>	<b>104</b>	<b>104</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>208</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>14 998</b>	<b>857</b>	<b>1 011</b>	<b>50</b>	<b>80</b>	<b>30</b>	<b>-</b>	<b>-</b>	<b>2 029</b>	<b>2 176</b>	<b>4 167</b>	<b>1 395</b>	<b>158</b>	<b>158</b>	<b>158</b>	<b>-</b>	<b>8 210</b>

<sup>a</sup> Consultancy/local partners

<sup>b</sup> Consultancy/local partners

Expenditures by Financiers (US\$ '000)																							
Financing Gap								Private Sector / Beneficiaries								Government							
2023	2024	2025	2026	2027	2028	2029	Total	2023	2024	2025	2026	2027	2028	2029	Total	2023	2024	2025	2026	2027	2028	2029	Total
-	-	260	500	500	500	500	2 260	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
304	-	-	-	-	-	-	304	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
131	-	-	-	-	-	-	131	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	756	-	-	-	-	-	756	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
158	158	-	-	-	-	-	315	-	-	-	-	-	-	-	-	300	150	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
593	914	260	500	500	500	500	3 766	-	-	-	-	-	-	-	-	300	150	-	-	-	-	-	450
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20	-	-	-	-	-	-	20
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20	-	-	-	-	-	-	20
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
593	914	260	500	500	500	500	3 766	-	-	-	-	-	-	-	-	320	150	-	-	-	-	-	470
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	48	48	48	48	48	240	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	48	48	48	48	48	240	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	8	8	9	9	9	44	-	-	0	-	-	-	-	0
-	-	-	-	-	-	-	-	-	-	104	104	105	105	105	524	-	-	0	-	-	-	-	0
593	914	260	500	500	500	500	3 766	-	-	104	104	105	105	105	524	320	150	0	-	-	-	-	470

Kingdom of Lesotho  
Wool & Mohair Value Chain Competitiveness Project  
Table 3. Business Development and Value Addition  
**Detailed Costs**

Unit	Quantities								Unit Cost (US\$)	Totals Including Contingencies (US\$ '000)								Expenditure Account	
	2023	2024	2025	2026	2027	2028	2029	Total		2023	2024	2025	2026	2027	2028	2029	Total		
<b>I. Investment Costs</b>																			
<b>A. Promoting productive alliance</b>																			
1. Window 1 - Animal services (CAVE+ servicing)	lumpsum	-	36	36	36	36	36	-	180	10,000	-	360	360	360	360	360	-	1 800	GSI
2. Window 2 - Genetic supply chain support (breeder)	lumpsum	-	18	18	18	18	18	-	90	20,000	-	360	360	360	360	360	-	1 800	GSI
3. Window 3 - Feed supply chain (mill + producers)	lumpsum	-	1	1	1	1	1	-	5	40,000	-	40	40	40	40	40	-	200	GSI
4. Sensitization workshops	lumpsum	-	1	1	1	1	-	-	4	1,500	-	2	2	2	2	-	-	6	GSI
5. Vehicle for Productive Alliance	lumpsum	-	1	-	-	-	-	-	1	50,000	-	50	-	-	-	-	-	50	GSI
6. TA for business training and certification	lumpsum	-	1	1	1	1	-	-	4	1,500	-	2	2	2	2	-	-	6	C
7. Office equipment	lumpsum	-	1	-	-	-	-	-	1	3,000	-	3	-	-	-	-	-	3	GSI
<b>Subtotal</b>												816	763	763	763	760	-	3 865	
<b>B. Contributing to developing incentive-based community initiatives for rangelands management</b>																			
1. Setting up shearing shed-level coalitions in non-ROLL areas /a	coalitions	20	30	30	30	-	-	-	110	12,000	240	360	360	360	-	-	-	1 320	C
2. Follow-up technical assistance to coalitions /b	visits	-	20	50	80	80	-	-	230	2,000	-	40	100	160	160	-	-	460	C
3. Support to rangeland coalitions - small scale infrastructure /c	lumpsum	-	20	50	80	-	-	-	150	20,000	-	400	1 000	1 600	-	-	-	3 000	GSI
4. Laboratory certification and affiliation	lumpsum	-	1	-	-	-	-	-	1	100,000	-	100	-	-	-	-	-	100	GSI
5. Inspection and monitoring implementation of SECAPI instruments	lumpsum	-	1	1	1	1	1	1	6	20,000	-	20	20	20	20	20	20	120	GSI
6. Support to rangeland coalitions - equipment, goods /d	lumpsum	-	20	50	80	-	-	-	150	3,000	-	60	150	240	-	-	-	450	GSI
<b>Subtotal</b>												240	980	1 630	2 380	180	20	20	5 450
<b>C. Cottage industry development</b>																			
<b>1. Technical Advisory services - set-up social enterprise</b>																			
Setting up of team /e	Service provider	12	12	12	12	12	12	12	84	1,200	14	14	14	14	14	14	14	101	C
legal registration	lump sum	1	-	-	-	-	-	-	1	1,000	1	-	-	-	-	-	-	1	C
Policy manual, HR policy, etc	lump sum	1	-	-	-	-	-	-	1	5,000	5	-	-	-	-	-	-	5	T
Social Enterprise Head Quarter	lump sum	1	-	-	-	-	-	-	1	50,000	50	-	-	-	-	-	-	50	WORKS
Social Enterprise Head Quarter - furniture and equipment	lump sum	1	-	-	-	-	-	-	1	25,200	25	-	-	-	-	-	-	25	GSI
Other associated costs /f	package	1	1	-	-	-	-	-	2	7,000	7	7	-	-	-	-	-	14	GSI
<b>Subtotal</b>												103	21	14	14	14	14	14	196
<b>2. Technical Advisory services - adaptation and implementation /g</b>																			
Monitoring, Evaluation, Communication and Marketing	Service provider	12	12	12	12	12	12	12	84	500	6	6	6	6	6	6	6	42	C
Printing materials - code of conduct	package	20	20	-	-	-	-	-	40	100	2	2	-	-	-	-	-	4	GSI
Policy manual, HR policy, etc	lump sum	11	-	-	-	-	-	-	11	15,000	165	-	-	-	-	-	-	165	T
Other awareness costs	package	2	2	1	1	1	1	1	9	10,000	20	20	10	10	10	10	10	90	GSI
<b>Subtotal</b>												193	28	16	16	16	16	301	
<b>3. Technical Advisory services - provide workshops with new equipment /h</b>																			
Textile Engineer Manager and coordinator	Service provider	6	6	6	6	6	6	6	42	14,000	84	84	84	84	84	84	84	588	C
Specialized wool consultant	days	50	-	-	-	-	-	-	50	500	25	-	-	-	-	-	-	25	C
Other HR activities	service provider	1	1	1	1	1	1	1	7	12,240	12	12	12	12	12	12	12	86	C
Workshop constructions/renovations	Unit	5	5	-	-	-	-	-	10	50,000	250	250	-	-	-	-	-	500	WORKS
Machinery, tools and equipment	lump sum	5	5	-	-	-	-	-	10	21,300	107	107	-	-	-	-	-	213	GSI
Weaving/Knitting machineries	lump sum	5	5	-	-	-	-	-	10	10,000	50	50	-	-	-	-	-	100	GSI
Other related materials /i	lump sum	1	1	1	1	1	1	1	7	130,000	130	130	130	130	130	130	130	910	GSI
<b>Subtotal</b>												658	633	226	226	226	226	2 422	
<b>4. Strengthen capacities on branding, labelling and marketing</b>																			
Establishment of social enterprise and "Made in Lesotho" branding	lumpsum	-	1	-	-	-	-	-	1	10,000	-	10	-	-	-	-	-	10	C
Communicate EFi due diligence system through labelling	lumpsum	1	1	1	1	1	1	1	7	45,000	45	45	45	45	45	45	45	315	T
Create multiple channel marketing tools	lumpsum	1	1	1	1	1	1	1	7	52,000	52	52	52	52	52	52	52	364	T
<b>Subtotal</b>												97	107	97	97	97	97	689	
<b>5. Market access - linking enterprises to regional/international markets</b>																			
Increase B2C purchase orders /j	servis provider	1	1	1	1	1	1	1	7	112,000	112	112	112	112	112	112	112	784	C
Increase B2C sales numbers and average basket	lumpsum	1	1	1	1	1	1	1	7	4,000	4	4	4	4	4	4	4	28	T
<b>Subtotal</b>												116	116	116	116	116	116	812	
<b>6. Project management</b>																			
Multi-year service contract to EPI	lumpsum	1	1	1	1	1	1	1	7	175,000	175	175	175	175	175	175	175	1 225	C
<b>Subtotal</b>												1 341	1 080	645	645	645	645	5 645	
<b>Total Investment Costs</b>												1 581	2 876	3 038	3 788	1 588	1 425	665	14 960
<b>II. Recurrent Costs</b>																			
A. Salaries and allowances for Productive Alliance Manager	pers/month	-	12	12	12	12	-	-	48	4,000	-	48	48	48	48	-	-	192	SA
B. Vehicle operating costs	lumpsum	-	1	1	1	1	-	-	4	7,500	-	8	8	8	9	-	-	33	SA
C. Office overheads	lumpsum	-	1	1	1	1	-	-	4	1,000	-	1	1	1	-	-	-	4	SA
<b>Total Recurrent Costs</b>												57	57	58	58	-	-	230	
<b>Total</b>												1 581	2 933	3 095	3 845	1 645	1 425	665	15 190

a Series of meetings by Service Provider.

b Yearly, by Service Provider.

c Per coalition

d Per coalition

e Project Manager, Social Enterprise Manager, etc

f Business plan, travel, etc

g EPI due diligence system

h Including training and new product development.

i Various items - raw materials, trainers, product development

j International fair/clients trips to Lesotho

Kingdom of Lesotho  
Wool & Mohair Value Chain Competitiveness Project  
Table 3. Business Development and Value Addition  
**Detailed Costs**

	Total	Fin. Rule	IFAD-Loan							Total	OPEC FUND							Total
			2023	2024	2025	2026	2027	2028	2029		2023	2024	2025	2026	2027	2028	2029	
<b>I. Investment Costs</b>																		
<b>A. Promoting productive alliance</b>																		
1. Window 1 - Animal services (CAVE + servicing)	1 800	IFAD (70%); GAP (30%)	-	252	252	252	252	252	-	1 260	-	-	-	-	-	-	-	
2. Window 2 - Genetic supply chain support (breeder)	1 800	IFAD (70%); GAP (30%)	-	252	252	252	252	252	-	1 260	-	-	-	-	-	-	-	
3. Window 3 - Feed supply chain (mill + producers)	200	IFAD (70%); GAP (30%)	-	28	28	28	28	28	-	140	-	-	-	-	-	-	-	
4. Sensitization workshops	6	IFAD (100%)	-	2	2	2	2	2	-	6	-	-	-	-	-	-	-	
5. Vehicle for Productive Alliance	50	IFAD (100%)	-	30	-	-	-	-	-	30	-	-	-	-	-	-	-	
6. TA for business training and certification	6	IFAD (100%)	-	2	2	2	2	2	-	6	-	-	-	-	-	-	-	
7. Office equipment	3	IFAD (100%)	-	3	-	-	-	-	-	3	-	-	-	-	-	-	-	
<b>Subtotal</b>	<b>3 865</b>		-	568	535	535	535	532	-	2 705	-	-	-	-	-	-	-	
<b>B. Contributing to developing incentive-based community initiatives for rangelands management</b>																		
1. Setting up shearing shed-level coalitions in non-ROLL areas /a	1 320	OFID ( 100% )	-	-	-	-	-	-	-	240	360	360	360	-	-	-	1 320	
2. Follow -up technical assistance to coalitions /b	460	OFID ( 100% )	-	-	-	-	-	-	-	40	100	160	160	160	-	-	460	
3. Support to rangeland coalitions - small scale infrastructure /c	3 000	GEF ( 100% )	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4. Laboratory certification and affiliation	100	OFID ( 100% )	-	-	-	-	-	-	-	100	-	-	-	-	-	-	100	
5. Inspection and monitoring implementation of SECAP instruments	120	OFID ( 100% )	-	-	-	-	-	-	-	20	20	20	20	20	20	20	120	
6. Support to rangeland coalitions - equipment, goods /d	450	OFID ( 100% )	-	-	-	-	-	-	-	60	150	240	-	-	-	-	450	
<b>Subtotal</b>	<b>5 450</b>		-	-	-	-	-	-	-	240	580	630	780	180	20	20	2 450	
<b>C. Cottage Industry development</b>																		
<b>1. Technical Advisory services - set-up social enterprise</b>																		
Setting up of team /e	101	OFID (100%)	-	-	-	-	-	-	-	14	14	14	14	14	14	14	101	
legal registration	1	OFID (100%)	-	-	-	-	-	-	-	1	-	-	-	-	-	-	1	
Policy manual, HR policy, etc	5	IFAD (100%)	5	-	-	-	-	-	-	5	-	-	-	-	-	-	-	
Social Enterprise Head Quarter	50	OFID (100%)	-	-	-	-	-	-	-	50	-	-	-	-	-	-	50	
Social Enterprise Head Quarter - furniture and equipment	25	OFID (100%)	-	-	-	-	-	-	-	25	-	-	-	-	-	-	25	
Other associated costs /f	14	OFID (100%)	-	-	-	-	-	-	-	7	7	-	-	-	-	-	14	
<b>Subtotal</b>	<b>196</b>		5	-	-	-	-	-	-	98	21	14	14	14	14	14	191	
<b>2. Technical Advisory services - adaptation and implementation /g</b>																		
Monitoring, Evaluation, Communication and Marketing	42	OFID (100%)	-	-	-	-	-	-	-	6	6	6	6	6	6	6	42	
Printing materials - code of conduct	4	IFAD (100%)	2	2	-	-	-	-	-	4	-	-	-	-	-	-	4	
Policy manual, HR policy, etc	165	IFAD (14%); OFID (86%)	23	-	-	-	-	-	-	23	142	-	-	-	-	-	142	
Other awareness costs	90	OFID (100%)	-	-	-	-	-	-	-	20	20	10	10	10	10	10	90	
<b>Subtotal</b>	<b>301</b>		25	2	-	-	-	-	-	27	168	26	16	16	16	16	274	
<b>3. Technical Advisory services - provide workshops with new equipment /h</b>																		
Textile Engineer Manager and coordinator	588	OFID (100%)	-	-	-	-	-	-	-	84	84	84	84	84	84	84	588	
Specialized wool consultant	25	OFID (100%)	-	-	-	-	-	-	-	25	-	-	-	-	-	-	25	
Other HR activities	86	OFID (100%)	-	-	-	-	-	-	-	12	12	12	12	12	12	12	86	
Workshop constructions/renovations	500	OFID (100%)	-	-	-	-	-	-	-	250	250	-	-	-	-	-	500	
Machinery, tools and equipment	213	OFID (100%)	-	-	-	-	-	-	-	107	107	-	-	-	-	-	213	
Weaving/knitting machineries	100	IFAD (100%)	50	50	-	-	-	-	-	100	-	-	-	-	-	-	100	
Other related materials /i	910	IFAD (100%)	130	130	130	130	130	130	130	910	-	-	-	-	-	-	910	
<b>Subtotal</b>	<b>2 422</b>		180	180	130	130	130	130	130	1 010	478	453	96	96	96	96	1 412	
<b>4. Strengthen capacities on branding, labelling and marketing</b>																		
Establishment of social enterprise and "Made in Lesotho" branding	10	IFAD (100%)	-	10	-	-	-	-	-	10	-	-	-	-	-	-	-	
Communicate EFI due diligence system through labelling	315	OFID (100%)	-	-	-	-	-	-	-	45	45	45	45	45	45	45	315	
Create multiple channel marketing tools	364	OFID (100%)	-	-	-	-	-	-	-	52	52	52	52	52	52	52	364	
<b>Subtotal</b>	<b>689</b>		-	10	-	-	-	-	-	10	97	97	97	97	97	97	679	
<b>5. Market access - linking enterprises to regional/international markets</b>																		
Increase B2C purchase orders /j	784	OFID (100%)	-	-	-	-	-	-	-	112	112	112	112	112	112	112	784	
Increase B2C sales numbers and average basket	28	OFID (100%)	-	-	-	-	-	-	-	4	4	4	4	4	4	4	28	
<b>Subtotal</b>	<b>812</b>		-	-	-	-	-	-	-	116	116	116	116	116	116	116	812	
<b>6. Project management</b>																		
Multi-year service contract to EFI	1 225	RIVATE (31%); GAP (47.5%); OFID (21.5%)	-	-	-	-	-	-	-	38	38	38	38	38	38	38	263	
<b>Subtotal</b>	<b>5 645</b>		210	192	130	130	130	130	130	1 052	994	751	377	377	377	377	3 631	
<b>Total Investment Costs</b>	<b>14 960</b>		210	760	665	665	665	662	130	3 757	1 234	1 331	1 007	1 157	557	397	6 081	
<b>II. Recurrent Costs</b>																		
A. Salaries and allowances for Productive Alliance Manager	192	GAP ( 100% )	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
B. Vehicle operating costs	33	GAP ( 100% )	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
C. Office overheads	4	GAP ( 100% )	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Total Recurrent Costs</b>	<b>230</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>15 190</b>		210	760	665	665	665	662	130	3 757	1 234	1 331	1 007	1 157	557	397	6 081	

/a Series of meetings by Service Provider.  
 /b Yearly, by Service Provider.  
 /c Per coalition  
 /d Per coalition  
 /e Project Manager, Social Enterprise Manager, etc



Kingdom of Lesotho  
Wool & Mohair Value Chain Competitiveness Project  
Table 4. Access to Productive Finance  
**Detailed Costs**

Unit	Quantities								Unit Cost (US\$)	Totals Including Contingencies (US\$ '000)								Expenditure Account	
	2023	2024	2025	2026	2027	2028	2029	Total		2023	2024	2025	2026	2027	2028	2029	Total		
<b>I. Investment Costs</b>																			
<b>A. Partnering with other players to establish a value chain financing system</b>																			
1. Consultancy towards providing support towards greater inclusion	Service provider	1	1	1	1	1	1	1	7	200.000	200	200	200	200	200	200	1 400	C	
2. Logistical support to groups /a	Service provider	1	1	1	1	1	1	1	7	20.000	20	20	20	20	20	20	140	C	
3. Digitization of financial services solutions	Service provider	1	1	1	1	1	1	1	7	10.000	10	10	10	10	10	10	70	C	
4. Supply of stoves to targeted households	Unit	-	2 000	3 000	5 000	-	-	-	10 000	50	-	100	150	250	-	-	500	GSI	
<b>Subtotal</b>											230	330	380	480	230	230	2 110		
<b>B. Managing and sustaining Trust Fund</b>																			
1. Managing Trust Fund	Number	-	4 000	5 000	6 000	6 000	5 000	4 000	30 000	350	-	1 400	1 750	2 100	2 100	1 750	1 400	10 500	FUND
<b>2. Trust Fund Technical Support Service Provider /b</b>																			
Professional fees	lumpsum	1	1	1	1	1	1	1	7	150.000	150	150	150	150	150	150	1 050	C	
Clients engagement costs /c	lumpsum	20	50	50	50	50	50	30	300	1.500	30	75	75	75	75	75	450	T	
<b>Subtotal</b>											180	225	225	225	225	195	1 500		
<b>3. Trust Fund Technical Support Service Provider (Insurance)</b>																			
Product feasibility, design and pilot	lumpsum	1	-	-	-	-	-	-	1	250.000	256	-	-	-	-	-	256	C	
Set-up implementation costs	lumpsum	1	1	1	1	1	1	1	7	100.000	104	110	115	119	124	129	134	834	C
<b>Subtotal</b>											359	110	115	119	124	129	134	1 089	
4. Vehicles for W&M Trust, LeW&M and Trust Fund Company	Unit	3	-	-	-	-	-	-	3	50.000	150	-	-	-	-	-	150	GSI	
<b>Subtotal</b>											689	1 735	2 090	2 444	2 449	2 104	1 729	13 239	
<b>Total Investment Costs</b>											919	2 065	2 470	2 924	2 679	2 334	1 959	15 349	
<b>II. Recurrent Costs</b>																			
<b>A. Managing and sustaining Trust Fund</b>																			
1. Support to TC and TF - startup and operations /d	lump sum	1	1	1	1	1	1	1	7	151.400	151	151	151	151	151	151	1 060	SA	
2. Support to operating Trust fund	lumpsum	1	1	1	1	1	1	1	7	75.000	75	75	75	75	75	75	525	SA	
3. Support to operating Trust Company	lumpsum	1	1	1	1	1	1	1	7	175.000	175	175	175	175	175	175	1 225	SA	
4. Support to Technical positions/staff under Trust company	lumpsum	1	1	1	1	1	1	1	7	110.000	110	110	110	110	110	110	770	SA	
<b>Total Recurrent Costs</b>											511	511	511	511	511	511	3 580		
<b>Total</b>											1 431	2 576	2 981	3 436	3 190	2 845	2 470	18 929	

^a With respect to organization of meetings

^b Credit + BDS

^c Training, business planning

^d Includes Fund Manager, Credit, Finance, Admin and vehicle expenses.

Kingdom of Lesotho  
Wool & Mohair Value Chain Competitiveness Project  
Table 4. Access to Productive Finance  
**Detailed Costs**

	Totals Including Contingencies (US\$ '000)									IFAD-Loan						IFAD-BRAM									
	2023	2024	2025	2026	2027	2028	2029	Total		2023	2024	2025	2026	2027	2028	2029	Total	2023	2024	2025	2026	2027	2028	2029	Total
<b>I. Investment Costs</b>																									
<b>A. Partnering with other players to establish a value chain financing system</b>																									
1. Consultancy tow ards providing support tow ards greater inclusion	200	200	200	200	200	200	200	1 400	-	-	-	-	-	-	-	-	-	200	200	200	200	200	200	200	1 400
2. Logistical support to groups /a	20	20	20	20	20	20	20	140	20	20	20	20	20	20	20	20	140	-	-	-	-	-	-	-	-
3. Digitilization of financial services solutions	10	10	10	10	10	10	10	70	10	10	10	10	10	10	10	70	-	-	-	-	-	-	-	-	
4. Supply of stoves to targetted households	-	100	150	250	-	-	-	500	-	50	75	125	-	-	-	250	-	-	-	-	-	-	-	-	
<b>Subtotal</b>	230	330	380	480	230	230	230	2 110	30	80	105	155	30	30	30	460	200	200	200	200	200	200	200	1 400	
<b>B. Managing and sustaining Trust Fund</b>																									
1. Managing Trust Fund	-	1 400	1 750	2 100	2 100	1 750	1 400	10 500	-	1 400	1 750	826	-	-	-	3 976	-	-	-	-	-	-	-	-	
<b>2. Trust Fund Technical Support Service Provider /b</b>																									
Professional fees	150	150	150	150	150	150	150	1 050	-	-	-	-	-	-	-	-	150	150	150	150	150	150	150	1 050	
Clients engagement costs /c	30	75	75	75	75	75	45	450	-	-	-	-	-	-	-	-	30	75	75	75	75	75	45	450	
<b>Subtotal</b>	180	225	225	225	225	225	195	1 500	-	-	-	-	-	-	-	-	180	225	225	225	225	225	195	1 500	
<b>3. Trust Fund Technical Support Service Provider (Insurance)</b>																									
Product feasibility, design and pilot	256	-	-	-	-	-	-	256	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Set-up implementation costs	104	110	115	119	124	129	134	834	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Subtotal</b>	359	110	115	119	124	129	134	1 089	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4. Vehicles for W&M Trust, LeW&M and Trust Fund Company	150	-	-	-	-	-	-	150	90	-	-	-	-	-	-	90	-	-	-	-	-	-	-	-	
<b>Subtotal</b>	689	1 735	2 090	2 444	2 449	2 104	1 729	13 239	90	1 400	1 750	826	-	-	-	4 066	180	225	225	225	225	225	195	1 500	
<b>Total Investment Costs</b>	919	2 065	2 470	2 924	2 679	2 334	1 959	15 349	120	1 480	1 855	981	30	30	30	4 526	380	425	425	425	425	425	395	2 900	
<b>II. Recurrent Costs</b>																									
<b>A. Managing and sustaining Trust Fund</b>																									
1. Support to TC and TF - startup and operations /d	151	151	151	151	151	151	151	1 060	151	98	53	-	-	-	-	303	-	-	-	-	-	-	-	-	
2. Support to operating Trust fund	75	75	75	75	75	75	75	525	75	49	26	-	-	-	-	150	-	-	-	-	-	-	-	-	
3. Support to operating Trust Company	175	175	175	175	175	175	175	1 225	175	114	61	-	-	-	-	350	-	-	-	-	-	-	-	-	
4. Support to Technical positions/staff under Trust company	110	110	110	110	110	110	110	770	110	72	39	-	-	-	-	220	-	-	-	-	-	-	-	-	
<b>Total Recurrent Costs</b>	511	511	511	511	511	511	511	3 580	511	332	179	-	-	-	-	1 023	-	-	-	-	-	-	-	-	
<b>Total</b>	1 431	2 576	2 981	3 436	3 190	2 845	2 470	18 929	631	1 812	2 034	981	30	30	30	5 549	380	425	425	425	425	425	395	2 900	

<sup>a</sup> With respect to organization of meetings

<sup>b</sup> Credit + BDS

<sup>c</sup> Training, business planning

<sup>d</sup> Includes Fund Manager, Credit, Finance, Admin and vehicle expenses.



Expenditures by Financiers (US\$ '000)

OPEC FUND								Financing Gap							Private Sector / Beneficiaries							Government									
2023	2024	2025	2026	2027	2028	2029	Total	2023	2024	2025	2026	2027	2028	2029	Total	2023	2024	2025	2026	2027	2028	2029	Total	2023	2024	2025	2026	2027	2028	2029	Total
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50	75	125	-	-	-	-	250	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50	75	125	-	-	-	-	250	-	-	-	-	-	-	-	-
-	-	-	504	-	-	-	504	-	-	-	770	2 100	658	-	3 528	-	-	-	-	-	1 092	1 400	2 492	-	-	-	0	-	-	-	0
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
256	-	-	-	-	-	-	256	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
104	110	115	119	124	129	134	834	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
359	110	115	119	124	129	134	1 089	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
359	110	115	623	124	129	134	1 593	-	-	-	770	2 100	658	-	3 528	-	-	-	-	-	1 092	1 400	2 492	60	-	-	0	-	-	-	60
359	110	115	623	124	129	134	1 593	-	-	-	770	2 100	658	-	3 528	-	50	75	125	-	1 092	1 400	2 742	60	-	-	0	-	-	-	60
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	53	98	151	151	151	151	757	-	-0	-	-	-	-	-	-0	
-	-	-	-	-	-	-	-	-	26	49	75	75	75	75	375	-	-	-	-	-	-	-	-	-	-0	-	-	-	-	-0	
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	61	114	175	175	175	175	875	-	-0	-	-	-	-	-	-0	
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	39	72	110	110	110	110	550	-	-0	-	-	-	-	-	-0	
-	-	-	-	-	-	-	-	-	26	49	75	75	75	75	375	-	153	284	436	436	436	2 182	-	-0	-0	-	-	-	-	-0	
359	110	115	623	124	129	134	1 593	-	26	49	845	2 175	733	75	3 903	-	203	359	561	436	1 528	1 836	4 924	60	-0	-0	0	-	-	-	60

Kingdom of Lesotho  
Wool & Mohair Value Chain Competitiveness Project  
Table 5. Responsible Value Chain Production System  
**Detailed Costs**

Bri

Unit	Quantities								Unit Cost (US\$)	Totals Including Contingencies (US\$ '000)								Total
	2023	2024	2025	2026	2027	2028	2029	Total		2023	2024	2025	2026	2027	2028	2029	Total	
<b>I. Investment Costs</b>																		
<b>A. Establishing all value chain players inclusive digital platform</b>																		
GS1 registration for primary producers of wool and mohair	lump sum	1	4	3	-	-	-	-	8	100.000	100	400	300	-	-	-	-	800
Establish procurement mechanism /a	lump sum	1	-	-	-	-	-	-	1	14.500	15	-	-	-	-	-	-	15
Interfacing with BKB system	lump sum	1	-	-	-	-	-	-	1	17.000	17	-	-	-	-	-	-	17
Establish local capability to calibrate and certify scales	lump sum	1	-	-	-	-	-	-	1	5.000	5	-	-	-	-	-	-	5
Platform translation	lump sum	1	-	-	-	-	-	-	1	27.000	27	-	-	-	-	-	-	27
Cottage industry digital support	lump sum	5	5	5	-	-	-	-	15	3.300	17	17	17	-	-	-	-	50
Project compliance audits and reporting	lump sum	12	4	1	1	1	1	1	21	1.300	16	5	1	1	1	1	1	27
Value chain visibility consultant /b	lump sum	6	1	-	-	-	-	-	7	7.700	46	8	-	-	-	-	-	54
<b>Subtotal</b>											242	429	318	1	1	1	1	994
<b>B. Support to establishment of the W&amp;M certification system for responsible production</b>																		
1. Sensitisation and awareness campaign	campaign	2	1	1	1	-	-	-	5	16.000	32	16	16	16	-	-	-	80
2. Mapping of sheds to segment capacity needs /c	lumpsum	1	-	-	-	-	-	-	1	80.000	80	-	-	-	-	-	-	80
3. Design protocol procedures /d	lumpsum	1	-	-	-	-	-	-	1	200.000	200	-	-	-	-	-	-	200
4. Technical training/capacitation of shearing sheds /e	annual	1	1	1	1	1	-	-	5	100.000	100	100	100	100	100	-	-	500
5. Technical Assistance from Textile Exchange	annual	1	1	1	1	1	-	-	5	100.000	100	100	100	100	100	-	-	500
6. Development monitoring systems /f	annual	-	1	-	-	-	-	-	1	80.000	-	80	-	-	-	-	-	80
<b>Subtotal</b>											512	296	216	216	200	-	-	1 440
<b>C. Operating the responsible production certification system</b>																		
1. Financial support for group audit	Quantities	1	1	1	1	1	1	1	7	25.000	25	25	25	25	25	25	25	175
2. Production Advisors support for sheds/farmers /g	Quantities	1	1	1	1	1	1	1	7	75.000	75	75	75	75	75	75	75	525
3. Periodic inspections of shearing sheds /h	Quantities	1	1	1	1	1	1	1	7	15.000	15	15	15	15	15	15	15	105
4. Data compilation by shearing sheds /i	Quantities	1	1	1	1	1	1	1	7	15.000	15	15	15	15	15	15	15	105
5. Logistics support to Production advisors /j	Quantities	1	1	1	1	1	1	1	7	25.000	25	25	25	25	25	25	25	175
6. Targetted communication materials /k	Quantities	1	1	1	1	1	1	1	7	2.000	2	2	2	2	2	2	2	14
<b>Subtotal</b>											157	157	157	157	157	157	157	1 099
<b>D. Operating the carbon accounting and biodiversity tracing system</b>																		
1. Grant mechanism /l	lumpsum	-	1	1	1	1	1	-	5	400.000	-	400	400	400	400	400	-	2 000
2. Data collection and integration (consultancy) /m	lumpsum	-	-	1	1	1	1	1	5	80.000	-	-	80	80	80	80	80	400
<b>Subtotal</b>											-	400	480	480	480	480	80	2 400
<b>Total Investment Costs</b>											911	1 282	1 171	854	838	638	238	5 933
<b>II. Recurrent Costs</b>																		
<b>Total</b>											911	1 282	1 171	854	838	638	238	5 933

\a For data capture at enterprise level  
 \b To assist PMU in pilot implementation  
 \c Mapping of sheds in relation to standards  
 \d In relation to responsible production standards  
 \e Needs assessment shearing sheds and producers  
 \f For tracking and trace impact of certification (linked to digital platform)  
 \g To support certification, developing plans, periodic inspections, compile data, etc  
 \h To ensure compliance  
 \i From associated producers and grazing associations.  
 \j Transport services, etc  
 \k Sensitization and awareness raising  
 \l Provision to be made within this amount for a NRW/Environment position (either consultancy or Officer)  
 \m Includes also provision for Specialist.

Kingdom of Lesotho  
Wool & Mohair Value Chain Competitiveness Project  
Table 5. Responsible Value Chain Production System  
**Detailed Costs**

	Totals Including Contingencies (US\$ '000)								Expenditure Account	IFAD-Loan								OPEC FUND							
	2023	2024	2025	2026	2027	2028	2029	Total		2023	2024	2025	2026	2027	2028	2029	Total	2023	2024	2025	2026	2027	2028	2029	Total
<b>I. Investment Costs</b>																									
<b>A. Establishing all value chain players inclusive digital platform</b>																									
GS1 registration for primary producers of wool and mohair	100	400	300	-	-	-	-	800	GSI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Establish procurement mechanism/a	15	-	-	-	-	-	-	15	C	9	-	-	-	-	-	-	9	-	-	-	-	-	-	-	
Interfacing with BKB system	17	-	-	-	-	-	-	17	GSI	10	-	-	-	-	-	10	-	-	-	-	-	-	-	-	
Establish local capability to calibrate and certify scales	5	-	-	-	-	-	-	5	GSI	5	-	-	-	-	-	5	-	-	-	-	-	-	-	-	
Platform translation	27	-	-	-	-	-	-	27	GSI	27	-	-	-	-	-	27	-	-	-	-	-	-	-	-	
Cottage industry digital support	17	17	17	-	-	-	-	50	GSI	17	17	17	-	-	-	50	-	-	-	-	-	-	-	-	
Project compliance audits and reporting	16	5	1	1	1	1	1	27	C	16	5	1	1	1	1	27	-	-	-	-	-	-	-	-	
Value chain visibility consultant /b	46	8	-	-	-	-	-	54	C	46	8	-	-	-	-	54	-	-	-	-	-	-	-	-	
<b>Subtotal</b>	242	429	318	1	1	1	1	994		129	29	18	1	1	1	182	-	-	-	-	-	-	-	-	
<b>B. Support to establishment of the W&amp;M certification system for responsible production</b>																									
1. Sensitisation and awareness campaign	32	16	16	16	-	-	-	80	T	-	-	-	16	-	-	16	32	16	16	-	-	-	-	64	
2. Mapping of sheds to segment capacity needs /c	80	-	-	-	-	-	-	80	C	-	-	-	-	-	-	80	-	-	-	-	-	-	-	80	
3. Design protocol procedures /d	200	-	-	-	-	-	-	200	T	-	-	-	-	-	-	200	-	-	-	-	-	-	-	200	
4. Technical training/capacitation of shearing sheds /e	100	100	100	100	100	-	-	500	T	-	100	100	100	100	-	400	100	-	-	-	-	-	-	100	
5. Technical Assistance from Textile Exchange	100	100	100	100	100	-	-	500	C	-	-	-	-	-	-	100	100	100	100	100	100	-	-	500	
6. Development monitoring systems /f	-	80	-	-	-	-	-	80	C	-	40	-	-	-	-	40	-	40	-	-	-	-	-	40	
<b>Subtotal</b>	512	296	216	216	200	-	-	1 440		-	140	100	116	100	-	456	512	156	116	100	100	-	-	984	
<b>C. Operating the responsible production certification system</b>																									
1. Financial support for group audit	25	25	25	25	25	25	25	175	C	25	25	25	25	25	25	175	-	-	-	-	-	-	-	-	
2. Production Advisors support for sheds/farmers /g	75	75	75	75	75	75	75	525	C	75	56	38	-	-	-	169	-	-	-	-	-	-	-	-	
3. Periodic inspections of shearing sheds /h	15	15	15	15	15	15	15	105	C	15	11	8	-	-	-	34	-	-	-	-	-	-	-	-	
4. Data compilation by shearing sheds /i	15	15	15	15	15	15	15	105	C	15	11	8	-	-	-	34	-	-	-	-	-	-	-	-	
5. Logistics support to Production advisors /j	25	25	25	25	25	25	25	175	GSI	25	19	13	-	-	-	56	-	-	-	-	-	-	-	-	
6. Targetted communication materials /k	2	2	2	2	2	2	2	14	GSI	2	2	1	-	-	-	5	-	-	-	-	-	-	-	-	
<b>Subtotal</b>	157	157	157	157	157	157	157	1 099		157	124	91	25	25	25	472	-	-	-	-	-	-	-	-	
<b>D. Operating the carbon accounting and biodiversity tracing system</b>																									
1. Grant mechanism	-	400	400	400	400	400	-	2 000	GSI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2. Data collection and integration (consultancy) /l	-	-	80	80	80	80	80	400	C	-	-	80	80	40	-	200	-	-	-	-	-	-	-	-	
<b>Subtotal</b>	-	400	480	480	480	480	80	2 400		-	-	80	80	40	-	200	-	-	-	-	-	-	-	-	
<b>Total Investment Costs</b>	911	1 282	1 171	854	838	638	238	5 933		286	293	289	222	166	26	26	1 310	512	156	116	100	100	-	-	984
<b>II. Recurrent Costs</b>																									
<b>Total</b>	911	1 282	1 171	854	838	638	238	5 933		286	293	289	222	166	26	26	1 310	512	156	116	100	100	-	-	984

/a For data capture at enterprise level  
 /b To assist FMU in pilot implementation  
 /c Mapping of sheds in relation to standards  
 /d In relation to responsible production standards  
 /e Needs assessment shearing sheds and producers  
 /f For tracking and trace impact of certification (linked to digital platform)  
 /g To support certification, developing plans, periodic inspections, compile data, etc  
 /h To ensure compliance  
 /i From associated producers and grazing associations.  
 /j Transport services, etc

Expenditures by Financiers (US\$ '000)

GEF										Private Sector / Beneficiaries							Government						
2023	2024	2025	2026	2027	2028	2029	Total	2023	2024	2025	2026	2027	2028	2029	Total	2023	2024	2025	2026	2027	2028	2029	Total
-	-	-	-	-	-	-	-	100	400	300	-	-	-	-	800	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	100	400	300	-	-	-	-	800	13	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	19	38	75	75	75	75	356	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	4	8	15	15	15	15	71	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	4	8	15	15	15	15	71	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	6	13	25	25	25	25	119	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	1	1	2	2	2	2	10	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	33	66	132	132	132	132	627	-	-	-	-	-	-	-	-
-	400	400	400	400	400	-	2 000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	40	80	80	200	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	400	400	400	440	480	80	2 200	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	400	400	400	440	480	80	2 200	100	433	366	132	132	132	132	1 427	13	-	-	-	-	-	-	-
-	400	400	400	440	480	80	2 200	100	433	366	132	132	132	132	1 427	13	-	-	-	-	-	-	-

Kingdom of Lesotho  
Wool & Mohair Value Chain Competitiveness Project  
Table 6. Communication for behavior change and monitoring for learning  
**Detailed Costs**

Unit	Quantities								Unit Cost (US\$)	Totals Including Contingencies (US\$ '000)								Expenditure Account	
	2023	2024	2025	2026	2027	2028	2029	Total		2023	2024	2025	2026	2027	2028	2029	Total		
<b>I. Investment Costs</b>																			
<b>A. Monitoring &amp; Evaluation /a</b>																			
<b>1. Consultancies</b>																			
Baseline, Mid-line and Impact surveys	number	1	-	-	1	-	-	1	3	75.000	76	-	-	83	-	-	90	249	C
TA for setting up MIS and M&E plan /b	person-day	30	15	-	-	-	-	-	45	500	15	8	-	-	-	-	-	23	C
Workshop with project stakeholders /c	number	4	-	-	-	-	-	-	4	3.000	12	-	-	-	-	-	-	12	T
Development of MIS /d	annual	1	-	-	-	-	-	-	1	100.000	100	-	-	-	-	-	-	100	GSI
Website for WaMC-P	lumpsum	1	-	-	-	-	-	-	1	25.000	25	-	-	-	-	-	-	25	GSI
Training with implementing partners on M&E/e	number	1	2	-	-	-	-	-	3	3.000	3	6	-	-	-	-	-	9	T
TA for M&E during implementation	person-day	-	-	5	5	7	-	-	17	300	-	-	2	2	2	-	-	6	C
Tablets for data collection /f	number	10	-	-	-	-	-	-	10	200	2	-	-	-	-	-	-	2	GSI
Field visits by M1E Officer	lump sum	-	4	4	4	4	5	6	27	1.000	-	4	4	4	4	5	6	27	C
Capacity building for farmers on digital platform	person-month	-	3	-	-	-	-	-	3	3.000	-	9	-	-	-	-	-	9	T
Rapid SMS/WhatsApp surveys	number	-	-	1	1	1	1	1	5	1.500	-	-	2	2	2	2	2	9	C
External Auditor /g	number	1	1	1	1	1	1	1	7	22.000	22	22	22	22	22	22	22	154	C
Mid term Review	No.	-	-	-	1	-	-	-	1	100.000	-	-	-	110	-	-	-	110	C
Project Completion Report	No.	-	-	-	-	-	-	1	1	100.000	-	-	-	-	-	-	119	119	C
<b>Subtotal</b>											256	49	29	223	30	29	239	855	
<b>2. Workshops</b>																			
AWPB and Review	number.	1	1	1	1	1	1	1	7	10.000	10	11	11	12	12	13	13	83	T
Coordination Committee meetings	No.	2	2	2	2	2	2	2	14	2.500	5	5	6	6	6	6	7	41	T
IFAD implementation workshop	No.	1	1	-	1	-	1	-	4	15.000	15	16	-	17	-	18	-	66	T
District consultative Meetings	No.	6	6	3	3	3	3	3	27	2.000	12	13	7	7	7	8	8	62	T
Forum for policy dialogue	No.	1	1	-	1	-	-	1	4	2.000	2	2	-	2	-	-	3	9	T
<b>Subtotal</b>											45	48	24	44	26	45	31	262	
<b>Subtotal</b>											301	97	53	267	56	74	269	1 118	
<b>B. Knowledge Management</b>																			
<b>1. Workshops</b>																			
Field visits by KM Officer	lumpsum	-	4	4	4	4	-	-	16	2.000	-	9	9	10	10	-	-	37	T
Scholarship for students	number	-	-	2	-	-	-	-	2	2.000	-	-	5	-	-	-	-	5	T
KM publication /h	number	-	-	3	3	3	3	3	15	5.000	-	-	17	18	19	19	20	93	GSI
<b>Subtotal</b>											-	9	31	27	29	19	20	135	
<b>2. Consultancies</b>																			
Thematic studies	number	-	-	1	-	-	1	-	2	15.000	-	-	16	-	-	17	-	33	C
Policy assessment and regulation studies /i	person-month	1	-	-	-	-	1	-	2	10.000	10	-	-	-	-	10	-	20	T
Awareness campaign	campaign	-	2	2	2	2	2	2	12	5.000	-	11	11	12	12	13	13	73	T
Development of short videos	lumpsum	-	-	1	1	1	1	-	4	5.000	-	-	6	6	6	6	-	24	GSI
Printing of communication materials	lumpsum	-	1,1	1,1	1,1	1,1	1,1	1,1	6,6	500	-	1	1	1	1	1	1	4	GSI
<b>Subtotal</b>											10	12	34	19	19	47	14	154	
<b>Total Investment Costs</b>											311	117	118	313	104	140	304	1 407	
<b>II. Recurrent Costs</b>																			
<b>A. Salaries and Allowances</b>																			
M&E and K&M Officer	person/month	12	12	12	12	12	12	18	90	3.500	42	42	42	42	42	42	63	315	SA
M&E and KM assistant /j	person/month	12	12	12	12	12	12	12	84	1.500	18	18	18	18	18	18	18	126	SA
<b>Subtotal</b>											60	60	60	60	60	60	81	441	
B. Operating Costs		0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	OC
<b>Total Recurrent Costs</b>											60	60	60	60	60	60	81	441	
<b>Total</b>											371	177	178	373	164	200	385	1 848	

/a The category includes Technical Assistance and Studies  
 /b Includes training PMU and district staff on M&E, MIS, GIS (international)  
 /c To validate M&E and KM plans. 1 National and 5 at District levels.  
 /d To be determined by MIS Consultant, average costing.  
 /e Data collection  
 /f At District level (3 per district), but depends on who implements.  
 /g To be carried by Office of Auditor-General - considered as government contribution in the project.  
 /h Every 4 months - printing, editing and publications  
 /i For policy engagement  
 /j Shared responsibility between M&E and KM

Kingdom of Lesotho  
Wool & Mohair Value Chain Competitiveness Project  
Table 7. Project coordination  
**Detailed Costs**

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Unit	Quantities								Unit Cost (US\$)	Totals Including Contingencies (US\$ '000)								
	2023	2024	2025	2026	2027	2028	2029	Total		2023	2024	2025	2026	2027	2028	2029	Total	
<b>I. Investment Costs</b>																		
<b>A. Consultancies and Training /a</b>																		
Liaison Officer - financing partners /b	person/month	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Technical TA /c	person/month	3	-	-	-	-	-	-	3	10.000	31	-	-	-	-	-	31	
<b>Subtotal</b>											31	-	-	-	-	-	31	
<b>B. Equipment and materials</b>																		
Electronic equipment and Software /d	lumpsum	1	-	-	-	-	-	-	1	50.000	53	-	-	-	-	-	53	
<b>C. Vehicles and Equipment</b>																		
Four by four wheel drive	No.	-	3	-	-	-	-	-	3	50.000	-	155	-	-	-	-	155	
Motorcycles	unit	-	10	-	-	-	-	-	10	2.500	-	26	-	-	-	-	26	
Office equipment	lumpsum	1,2	1	-	-	-	-	-	2,2	40.000	48	40	-	-	-	-	88	
Office furniture	lumpsum	1	1	1	1	1	1	1	7	5.000	6	6	6	6	7	7	45	
<b>Subtotal</b>											54	227	6	6	7	7	314	
<b>Total Investment Costs</b>											138	227	6	6	7	7	398	
<b>II. Recurrent Costs</b>																		
<b>A. Salaries and Allowances</b>																		
PCU Coordinator	person/month	12	12	12	12	12	12	18	90	4.500	56	59	62	64	67	70	109	486
Finance Management Officer	person/month	12	12	12	12	12	12	18	90	4.000	50	53	55	57	59	62	97	432
Accountant	person/month	12	12	12	12	12	12	12	84	3.000	37	39	41	43	45	46	48	300
Senior Procurement Officer	person/month	12	12	12	12	12	12	12	84	3.500	43	46	48	50	52	54	56	350
Social Inclusion/Gender Targeting Officer	person/month	12	12	12	12	12	12	12	84	3.500	43	46	48	50	52	54	56	350
Administrative Officer	person/month	24	24	24	24	24	24	24	168	1.500	37	39	41	43	45	46	48	300
Office Executive Assistant	person/month	12	12	12	12	12	12	11,5	83,5	2.000	25	26	28	29	30	31	31	199
Driver	person/month	24	24	24	24	24	24	24	168	700	17	18	19	20	21	22	23	140
Cleaner	person/month	24	24	24	24	24	24	24	168	400	10	11	11	11	12	12	13	80
Security Guards	person/month	24	24	24	24	24	24	24	168	400	10	11	11	11	12	12	13	80
<b>Subtotal</b>											329	349	364	379	394	410	493	2 719
<b>B. Operating Costs</b>																		
Office Rent	lumpsum	12	12	12	12	12	12	12	84	2.500	31	33	34	36	37	39	40	250
Utilities and office expenses	lumpsum	1	1	1	1	1	1	1	7	12.000	14	14	15	16	16	17	17	109
Support to IFAD Missions	no.	2	2	2	2	2	2	2	14	5.000	10	11	11	11	12	12	12	79
Vehicle Operating expenses /e	lumpsum	3	3	3	3	3	3	3	21	7.500	23	24	25	25	26	27	28	178
Motorcycle allowances - Field staff /f	lumpsum	10	10	10	10	10	10	10	70	1.000	11	12	12	13	13	14	15	91
<b>Subtotal</b>											89	94	98	101	105	108	112	707
<b>Total Recurrent Costs</b>											418	443	462	480	499	518	606	3 426
<b>Total</b>											556	670	468	486	506	525	613	3 824

/a The category includes Technical assistance and Studies  
 /b Officer to liaise with the different financing institutions  
 /c For capacity building and developing Bill of Quantity and design.  
 /d Computer and Software licences  
 /e Including Fuel, Insurance and Maintenance  
 /f Including Fuel, Insurance and Maintenance

Kingdom of Lesotho  
Wool & Mohair Value Chain Competitiveness Project  
Table 7. Project coordination  
Detailed Costs

	Expenditures by Financiers (US\$ '000)																																		
	IFAD-Loan							OPEC FUND							Financing Gap							Government													
	Total	2023	2024	2025	2026	2027	2028	2029	Total	2023	2024	2025	2026	2027	2028	2029	Total	2023	2024	2025	2026	2027	2028	2029	Total	2023	2024	2025	2026	2027	2028	2029	Total		
<b>I. Investment Costs</b>																																			
<b>A. Consultancies and Training /a</b>																																			
Liaison Officer - financing partners /b	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Technical TA /c	31	31	-	-	-	-	-	-	31	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>Subtotal</b>	31	31	-	-	-	-	-	-	31	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>B. Equipment and materials</b>																																			
Electronic equipment and Software /d	53	53	-	-	-	-	-	-	53	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>C. Vehicles and Equipment</b>																																			
Four by four wheel drive	155	-	93	-	-	-	-	-	93	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	62		
Motorcycles	26	-	16	-	-	-	-	-	16	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10		
Office equipment	88	48	40	-	-	-	-	-	88	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Office furniture	45	6	6	6	6	7	7	7	45	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>Subtotal</b>	314	54	155	6	6	7	7	7	242	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	73		
<b>Total Investment Costs</b>	398	138	155	6	6	7	7	7	326	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	73		
<b>II. Recurrent Costs</b>																																			
<b>A. Salaries and Allowances</b>																																			
PCU Coordinator	486	56	59	62	64	67	-	-	308	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	70		
Finance Management Officer	432	50	53	55	57	59	-	-	274	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	62		
Accountant	300	-	-	-	-	-	-	-	-	37	39	41	43	45	46	48	300	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	70	
Senior Procurement Officer	350	-	-	-	-	-	-	-	-	43	46	48	50	52	54	56	350	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	62	
Social Inclusion/Gender Targeting Officer	350	-	-	-	-	-	-	-	-	43	46	48	50	52	54	56	350	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	62	
Administrative Officer	300	-	-	-	-	-	-	-	-	37	39	41	43	45	46	48	300	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	70	
Office Executive Assistant	199	-	-	-	-	-	-	-	-	25	26	28	29	30	31	31	199	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	70	
Driver	140	17	18	19	20	21	22	-	118	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	70		
Cleaner	80	10	11	11	11	12	12	13	80	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	70	
Security Guards	80	10	11	11	11	12	12	13	80	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	70	
<b>Subtotal</b>	2 719	143	151	158	164	171	46	26	860	186	197	206	215	223	232	240	1 500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	131	
<b>B. Operating Costs</b>																																			
Office Rent	250	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	31	
Utilities and office expenses	109	13	14	14	15	15	16	-	87	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	33		
Support to IFAD Missions	79	10	11	11	11	12	12	12	79	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	34	
Vehicle Operating expenses /e	178	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	36		
Motorcycle allowances - Field staff /f	91	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	37		
<b>Subtotal</b>	707	23	24	25	26	27	28	12	166	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	39	
<b>Total Recurrent Costs</b>	3 426	166	176	183	191	198	74	38	1 026	186	197	206	215	223	232	240	1 500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	131	
<b>Total</b>	3 824	304	330	190	197	205	81	45	1 352	186	197	206	215	223	232	240	1 500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	131

/a The category includes Technical assistance and Studies  
/b Officer to liaise with the different financing institutions  
/c For capacity building and developing Bill of Quantity and design.  
/d Computer and Software licences  
/e Including Fuel, Insurance and Maintenance  
/f Including Fuel, Insurance and Maintenance





**Lesotho**

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**Wool and Mohair Value Chain Competitiveness Project  
Project Design Report**

**Annex 4: Economic and Financial Analysis**

Mission Dates: 1-23 June 2022

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East and Southern Africa Division  
Programme Management Department



## **Annex 4: Economic and Financial Analysis**

### **Contents**

Annex 4: Economic and Financial Analysis	1
I. Introduction	2
II. Facts about the agricultural sector and WaMCoP target	3
III. Beneficiaries and benefits	4
A. Beneficiaries	4
B. Direct benefits	5
C. Indirect benefits	6
IV. Financial analysis	6
A. Methodologies and hypothesis	6
B. Activity Base Costing (ABC-direct and indirect)	8
C. Livestock	8
D. Crop model	10
E. Breeding and shearing shed models	11
F. Trust Fund	11
G. Cottage Industry	12
V. Economic analysis	13
A. Assumptions	13
B. Results	14
VI. Risks	15

## I. Introduction

1. The Wool & Mohair VC Competitiveness Project (WaMCoP) is a US\$ 72.357 million 7-year project under a mix of funding sources, including important government and private sector/beneficiaries participations. Going forward, WaMCoP will be blended in a public/private Trust funding to ensure sustainability. The project sources of funding are presented in table 1 below:

Kingdom of Lesotho  
Wool & Mohair Value Chain Competitiveness Project  
Components by Financiers  
(US\$ '000)

	IFAD-Loan Amount	IFAD-BRAM Amount	OPEC FUND Amount	GEF Amount	Financing Gap Amount	Private Sector /		Total Amount	%
						Beneficiaries Amount	Government Amount		
<b>A. Support to building Value Chain systems (PCU led)</b>									
1. Value Chain governance and sector strategy	195	2 100	1 000	-	2 000	126	6 500	11 921	16,4
2. Responsible wool & mohair production	2 029	-	10 660	3 000	3 766	524	470	20 448	28,1
3. Business development and value addition	3 757	-	3 631	-	1 952	380	20	9 740	13,4
<b>Subtotal</b>	<b>5 981</b>	<b>2 100</b>	<b>15 290</b>	<b>3 000</b>	<b>7 718</b>	<b>1 030</b>	<b>6 990</b>	<b>42 109</b>	<b>58,0</b>
<b>B. Climate smart value chain operation and coordination (TC led)</b>									
1. Access to productive finance	5 549	2 900	1 593	-	3 903	4 924	60	18 929	26,1
2. Responsible value chain production systems	1 310	-	984	2 200	-	1 427	13	5 933	8,2
<b>Subtotal</b>	<b>6 858</b>	<b>2 900</b>	<b>2 577</b>	<b>2 200</b>	<b>3 903</b>	<b>6 351</b>	<b>73</b>	<b>24 862</b>	<b>34,2</b>
<b>C. Project coordination unit</b>									
1. Communication for behavior change and monitoring for learning	1 059	-	633	-	-	-	156	1 848	2,5
2. Project coordination	1 352	-	1 500	-	131	-	841	3 824	5,3
<b>Subtotal</b>	<b>2 411</b>	<b>-</b>	<b>2 132</b>	<b>-</b>	<b>131</b>	<b>-</b>	<b>997</b>	<b>5 672</b>	<b>7,8</b>
<b>Total PROJECT COSTS</b>	<b>15 250</b>	<b>5 000</b>	<b>20 000</b>	<b>5 200</b>	<b>11 752</b>	<b>7 381</b>	<b>8 060</b>	<b>72 644</b>	<b>100,0</b>

2. WaMCoP goal is to increase wool and mohair sub-sector's climate resilience and market-beneficiation with a specific focus on the small producers and value chain enterprises. The development objective is to increase the social, economic, and environmental benefits of the Wool and Mohair sector. In so doing WaMCoP will ensure that rural communities adopt transformational practices for regenerated landscapes and sustainable livelihoods. This is underpinned by the following outcomes, (i) changed resource use practices, (ii) the reduction of environmental degradation, (iii) climate resilience infrastructure; and (iv) improved livelihoods. The strategy emphasises on finding effective and efficient means to achieve these outcomes in the long term, fostering a concerted effort of government and the private sector

3. This document presents successively (i) the main assumptions for the financial and economic analysis, (ii) the financial results of the activities likely to be conducted by the beneficiaries involved in the project, and (iii) the economic performance of the project as a whole. The technical data relating to WaMCoP costs, in particular the schedule of investments and operating costs are presented in the financing tables, and the different models prepared for each activity in the target area, as well as the economic rate of return together with the sensitivity analysis are expanded in this document.

4. The financial analysis is conducted from the point of view of the individual household based on average livestock ownership, some crop models and the Trust company. This is in line with the development objective of WaMCoP that will ensure improvement in livelihoods of the target group. The assumptions used and the financial results are presented in the first part. On the other hand, the economic analysis of the project arises from the point of view of the national interest; it is presented the last part. It addresses the following aspects: expected economic benefits, economic internal rate of return (ERR), and sensitivity analysis. To estimate the additional financial and economic benefits of the

project, the financial and economic analysis is based on the comparison between "without project situation" and "with project situation".

5. WaMCoP is using a scale-up approach to the ongoing WAMPP. While it will capitalize on WAMPP achievements, it will also address the weaknesses. It will have a special attention to the private sector involvement, while at the same time provide wool and mohair growers access to required goods and services such as improved genetic materials, feed and fodder, veterinary services, shearing, training and quality extension services. The results will have a parallel country-wide and demand-driven outreach, in order to stimulate the economic incentives and ensure long term impact beyond the project's investment.

## II. Facts about the agricultural sector and WaMCoP target

6. The agricultural sector is dominated by smallholder subsistence production, with reliance on rain fed, low input/output production methods characterized by limited use of irrigation, improved seed, fertilizers and pesticides. This contributes to low yields and subsequently to widespread poverty in rural areas. Most farming households produce for their own consumption, and only 3% produce primarily for sale, and where livestock farming is the most prevalent agricultural activity about 3/4<sup>th</sup> of households raise animals<sup>1</sup>.

7. **Population and household size.** The 2010/2011 Household budget survey<sup>2</sup> has a population of 2 038 846 for the country with an average household size of 4.8 as per Table 2 below.

Table 2: WaMCoP target group

	Lesotho population	Households
	2 038 846	425 915
<b>Ecological Zone</b>		
Lowlands	1 178 804	259 873
Foothills	262 383	51 095
Mountains	430 965	82 803
Senqu River Valley	163 694	32 144
Urban	424 803	110 870
Rural	1 611 043	315 045
<b>WaMCoP target</b>	<b>225 000</b>	<b>45 000</b>

8. **Sources of income<sup>3</sup>.** Households have on average three main sources of income, namely from subsistence farming, wages/salaries and social benefits. It is noted that subsistence farming, cash crops, livestock and livestock products account for 45,5% of income as per tables 3 below:

Table 5: Source of agricultural household income

zone	subsistence farming	cash crop	livestock	livestock products	Remittance / transfer	Wages / Salaries	Pension Fund	social grants / age benefits	Other	TOTAL
Low lands	33,8	1,5	4,4	2,8	8,5	26,2	1	13,6	8,1	100
Foothills	26,5	6,2	2,5	5,3	7,4	30	3,7	14,7	3,7	100
Mountains	30,3	2	7,9	12,6	4,3	16,7	0,2	14,7	11,2	100
S R Valley	31,3	0,7	5,2	9,3	10,9	19,8	0	16,7	6,2	100
<b>TOTAL</b>	<b>31,3</b>	<b>2,3</b>	<b>5,2</b>	<b>6,7</b>	<b>7,4</b>	<b>23,4</b>	<b>1,1</b>	<b>14,5</b>	<b>8</b>	<b>100</b>

<sup>1</sup> Lesotho Poverty Assessment – progress and challenges in reducing poverty – 2019 World Bank and BOS report.

<sup>2</sup> 2010/2011 Household Budget Survey – Analytical report Volume 1 Lesotho Bureau of Statistics – November 2014.

<sup>3</sup> 2016-17 Agricultural Production Survey – Bureau of Statistics Report 33 – 2017.

9. The same report shows that the overall average monthly income for all households was M 1068<sup>4</sup> and that 93% of household had an average monthly income of only M 404 (less than US\$ 300 annually).

10. The COVID-19 pandemic while creating a health crisis had very negative impact on the economy, jeopardizing livelihoods and adding to existing structural and macroeconomic issues. A study<sup>5</sup> carried by the UNDP during the COVID period assessed the economic situation and the impact of the pandemic on the various sectors of the economy. For agriculture, erratic rainfall and above average temperatures between end 2019 and March 2020 have further increased likelihood of reduced harvest and with the advent of COVID-19, more than 500 000 people (out of which 85% were in rural areas) were at risk of food insecurity. The present situation has worsened with the advent of the Ukraine war.

### III. Beneficiaries and benefits

#### A. Beneficiaries

11. About 225 000 people (household members) will directly receive project services, corresponding to 45 000<sup>6</sup> households. The targeted areas having an average of 5 members per household in the targeted areas.

12. The targeted group are vulnerable rural households who live in selected catchment areas. They will comprise small-scale producers including poor smallholder farmers, livestock owners and herders, together with unemployed youth and wage labourers. The great majority of these households keep livestock, and grow mainly maize (on about 0.7 – 1.5 hectares of land)<sup>7</sup>, with casual labour contributing between 15 and 30% of annual income (please refer to Annex 2 of the report). For most of these households, accessible, resilient and productive rangelands are a prerequisite condition for increasing their assets and productivity and lifting themselves out of poverty. Though participation will be voluntary and demand driven, it is conservatively expected that involvement in the project will be increasingly welcomed by the target group of households.

13. Beneficiaries. The number of beneficiaries participating in WaMCoP is provided in the table 4 below. Some households will be benefitting from more than one activity as detailed in the log frame and the annex on targeting.

Table 4: Beneficiaries – Number of households participating in WaMCoP

Cumulative (Number)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Total
Households benefitting from loans through Trust Fund	0	4000	5000	6000	6000	5000	4000	30000
Poor farmers – savings group	0	2000	2000	2000	2000	2000		10000
Poor farmers – cooking stoves	0	2000	2000	2000	2000	2000		10000
Lucerne farmers	0	25	25	50	50			150

<sup>4</sup> This figure was confirmed by the Lesotho 2017/2018 Continuous Multipurpose Survey/Household Budget Survey - Lesotho Bureau of Statistics August 2021.

<sup>5</sup> Assessment of the socio-economic impact of COVID-19 on economic productivity and unemployment in Lesotho – UNDP final report November 2020.

<sup>6</sup> In most IFAD-funded projects, the number of households reached corresponds to the number of persons receiving project services. The assumption is that people from different households are targeted, so each person directly reached corresponds to one household. However, the WaMC-P targeting strategy envisages to target both the husband and the wife from the same households for a number of activities. We should rather consider that 2 persons correspond to 1 household

<sup>7</sup> The exact area is not commonly known. Even the WAMPP Annual Outcome Survey conducted by WAMPP M&E team in November 2020 hinted at this difficulty.

Cottage Industry - artisans	0	100	100	50	0	0	0	250
Breeders	10	20	30	30	0	0	0	90
Support to Youth to become agro vets	0	90	90	0	0	0	0	180

## B. Direct benefits

14. The expected direct benefits will be multiple, encompassing both economic and environmental gains. The project will improve livelihoods of the communities within the project area. These will come from improved income from on-farm activities, increased food availability and profitable income generating activities. The sustainability of the enterprises, both on-farm and off-farm will be ensured through reduction of environmental degradation. In addition, other direct benefits will include job creation especially towards unemployed people<sup>8</sup> during project implementation, and sustained permanent employment through the different income generating activities that are expected to flourish.

15. To promote participation by the most resource-poor farmers, the following activities will be directly targeted to them: (1) subsidized culling and exchange; (2) savings groups; (3) subsidized efficient cooking stoves. WaMCoP will also be inclusive of wool and mohair farmers that are currently not members of a Farmer Association at shearing shed level, in three ways: (1) all project services that do not require being part of a formal group will be open to all wool and mohair farmers, whether or not they are members of a Farmer Association; (2) farmers that are not members of a Farmer Association will be targeted with the culling and exchange activity, thereby allowing these farmers to meet the eligibility criteria to become members; (3) overall, WaMCoP will encourage resource-poor farmers to join an association; the project aims to improve the services that Farmer Associations offer to their members, thereby making membership more attractive

16. The majority of women in Lesotho however do not own sheep and/or goats. Therefore, WaMCoP includes a number of activities specifically targeted at women: (1) the development of cottage industries, which building on WAMPP experience has the potential to create new jobs for women; (2) the establishment of saving groups targeting 10.000 persons, mostly women; and (3) subsidized access to 9.000 improved cooking stoves, which will yield benefits for women in terms of health and of time saved from collecting firewood. Given the extremely high number of women suffering from gender-based violence (one in three women, according to a 2020 UN-Women report<sup>9</sup>), awareness campaigns against gender-based violence will be carried out

17. Youth aged 18-35 will also represent 35% of WaMCoP beneficiaries. An estimated 18% of members of farmers associations at shearing shed level are youth, thus at least 5.400 young wool and mohair farmers will benefit from the project's services delivered at shearing shed level. Many more young wool and mohair farmers do not currently meet the eligibility criteria to become members of a Farmer Association at shearing shed level because they do not own improved animals and/or a sufficient number of animals. By granting youth preferential access to culling and exchange activities (and thus access to improved animals), WaMCoP will make it easier for youth to join Farmer Associations. For youth who do not own sheep and/or goats, the project aims to create approximately 300 jobs in cottage industries and in the supply of veterinary services

<sup>8</sup> With the ongoing consequence of the COVID-19 pandemic and its economic effects on the vulnerable and poor households.

<sup>9</sup> COVID 19 and ending violence against women and girls, UN-Women, 2020.

18. **The Cottage Industry.** This sub-component is supporting the business development of critical supply chains of the wool and mohair value chain and promotes the national value addition through transforming cottage industries into fashion production.

19. A local social enterprise (SE)<sup>10</sup> will be established to train 250 artisans and to interface with the international markets demand for sustainable, traceable, and desirable products. The social enterprise will be owned by local stakeholders and will have a dedicated staff compliment. The EFI team will co-manage the SE, working closely with the mentioned employees of the SE on the project implementation and business growth.

20. **Revolving Trust Fund.** One of the major innovation of WaMCoP is the setting-up of the TC-TF consortium, an innovation that both responds to enhanced value chain development and improved delivery mechanisms. The TC-TF consortium is equally envisioned to be a sustainable, value chain-based mechanism that will scale-up and further develop successful strategies beyond the 7-year project life cycle. A total of 30000 farmers will benefit from loans to improve their livestock.

21. **Low-carbon Investment Delivery approach.** The project will support carbon emission reduction and enhance carbon sequestration potential through the preservation of pastures and prevention of further degradation and at the same time increasing productivity. WaMCoP will contribute to enhancing resilience of the targeted households through climate-sensitive investments at community level, and to rehabilitate and sustainably manage rangelands. Moreover, opportunities for establishing value chain projects (Productive Alliances) will be encouraged.

### C. Indirect benefits

22. The principal indirect benefits expected are the following :

- (i) An improvement in the quality of products consumed and additionally sold in the market and a reduction in post-harvest losses, the promotion of post-harvest and processing activities and the establishment of storage infrastructure within the project zone;
- (ii) the empowerment of small holders, the rural poor and women to take significant decisions affecting their livelihoods individually and collectively and lobby other institutions in favor of a supportive policy framework on their behalf.
- (iii) the conditions and service capacity of the concerned ministries and authorities will be greatly enhanced. This would improve the effectiveness of technical development and delivery, consequently resulting in improved access of technical services to all the farmers, irrespective whether they are participating or not in the project; national and district staff would have been strengthened in the field of monitoring and evaluation, management, accountability and technical skills

## IV. Financial analysis

### A. Methodologies and hypothesis

23. **Conceptual framework.** The households practice their activities in a natural environment that is deteriorating as a result of recurring droughts, heavy rains and

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<sup>10</sup> The social enterprise will represent a sustainable market-based mechanism that will anchor interventions in the cottage industry. In line with international trends, it is foreseen that by year 5, the enterprise will fully sustainable and able to manage its affairs independently.



recurrent crop diseases, etc., resulting in repetitive food crises. The project will support the adoption of resilient and efficient smallholder farming production systems. However the nature and volume of the investments that may be adopted to these specific crops are not known in advance; and does not allow for a precise financial analysis. However, crop budgets have been developed to illustrate the financial and economic benefits that may be measured due to the project. As such, these crop budgets have to be tracked and reviewed as the project is implemented.

24. Although illustrative the financial analysis conforms as closely as possible to real conditions that take into account real-life activity models, which are most frequently encountered in the project area. Indeed, it relies on budgets made from data and information collected from the decentralized technical services of line ministries and ongoing projects.

25. **Price.** In Lesotho the prices of agricultural, animal, apicultural and halieutic products are freely determined by the market, according to the law of supply and demand. For the financial analysis, actual farm-gate prices are used for all traded inputs and outputs. Many farm inputs and outputs have well established market prices at the farm gate level reflecting the economic value of the respective product and the specific local conditions in terms of transportation and handling including reasonable pricing of risks and profit margins for traders.

26. **Exchange rate.** The country operates a fixed exchange rate regime under which the Loti is pegged one to one to the South African rand. Such a parity has positive implications for the economy. The country relies a lot on South Africa – more than 80% of imports, no currency movements thus eliminating transaction costs regarding remittance and exchanges, acceptance of rand as a legal tender within the country, and minimizing foreign exchange risk against other world currencies given loti linkage with the rand.

27. Crop production is one of the most important components of the farming systems in Lesotho throughout all livelihood zones<sup>11</sup>. Maize (65%)<sup>12</sup> dominates the area under cropping followed by sorghum (25%) and wheat (12%), while beans and peas accounts for (5%) and (3%) share of area planted respectively. Maize is the basic staple food crop of the people as it contributes 40% to the daily diet. Beans and peas have been grown for long as cash crops and are major sources of protein in the local diet. The area under cultivation, production, and yields are very erratic and closely related to rainfall patterns. Other factors such as soil infertility, inadequate use of organic fertilizers, inefficient technologies that are characterized by untimely planting, poor land preparations inadequate weeding, and delayed harvesting are also major factors that greatly affect crop production in Lesotho.

28. **Marketed products.** The prices of the products (maize, sorghum, beans, honey, small livestock) selected for the financial analysis correspond to those paid to producers, service delivery, collection etc. for products from the farm / enterprise. These prices were gathered from the Lesotho technical service teams supporting the project. They may vary significantly during the year. The prices selected are generally averages for the main products concerned and studied in the financial analyzes. During this period, the country witnessed major economic and price distortions affecting entry or exit prices.

29. **Agricultural inputs, equipment and materials.** Prices of agricultural, veterinary, apicultural, processing and other inputs, equipment and materials are based on information gathered from the technical services of the Ministries concerned, and ongoing IFAD and

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<sup>11</sup> Assessment of the impacts and adaptive capacity of the Machobane farming system to climate change in Lesotho. African Technology Policy Studies Network Research paper No 16 – Sissay Mekbib and others

<sup>12</sup> Some reports even go to 85% of land under maize, a trend that was witnessed given the low yield witnessed.

other international institutions projects. It can safely be assumed that the level of agricultural inputs used by the target group is negligible.

30. **Labour.** Family farms considered in the activity models mainly rely on seasonal salaried labor, which is also not occupied full time by agricultural activities. The family workforce that participates in it has been quantified and valued in the financial crop budgets. The gross margin generated was related to the number of days of family labor. The main prices used in the models are provided in the annexure.

31. **Jobs creation and permanent employments.** WaMCoP approach will be to target poor and vulnerable households without sufficient resources to pursue sustainable livestock farming. As such a number of labour-intensive activities during the implementation phase will be put in place to support these vulnerable unemployed people. The activities will concern soil and water conservation works, temporary employment related to small-scale infrastructure (water harvesting dams, gabions, communities infrastructure rehabilitation, agro-forestry, etc). These cash-for-work activities will enable the poorest household to have monetary means to buy food. The goal will be to better satisfy household self-consumption.

**B. Activity Base Costing (ABC-direct and indirect)**

32. The WaMCoP has a total project cost of US\$ 72.357 million. Through the different activities envisaged during the 7-year implementation period, the mission has carried out an activity-based costing (ABC) exercise. Though the ABC may not thorough for such a project intervention, still it provides an insight where the funds are allocated, and their potential impact on the benefits that will be generated (Table 5).

		US\$ 000	Benefits (direct and indirect)
<b>A. Support to building Value Chain systems (PCU led)</b>			
1. Value Chain governance and sector strategy			
	Sector policy and regulatory framework		Putting in place adequate safeguard for sustainability. Strengthening capabilities in order to
	Entrusting fund and assets to the Trust company	11 610	107 operate under private sector governance environment,
	Trust Fund's stakeholder capacity development		204 Better value chain governance and management of assets under custody of Trust company.
2. Responsible wool & mohair production			
	Support to establishment of national breeding system for sheep and goats	11 754	250 Direct impact - increase productivity of livestock. Intensification of small ruminants production,
	Support to operation of national breeding system for sheep and goat		250 reduce mortality rate, ensure improved productivity and income.
	Support to establishment and operation of disease surveillance and emergency response system	1 245	
	Support to establishment of carbon and bio-diversity tracing for wool & mohair production systems	490	1 245 Indirect impact - to ensure sustainability of the systems put in place, timely provision of services
	Extension support services		1 260 and proper advice.
3. Business development and value addition			
	Promoting productive alliance	4 095	Direct impact - support to supply chains: culling and exchange, strengthening exchanges between
	Contributing to developing incentive-based community initiatives for rangelands management	5 450	4 095 producers and aggregators, etc
	Cottage Industry development	5 645	Rangeland management - effective implementation and monitoring. Empowering locally grounded
			institutions to enact and enforce local regulations. Becoming internationally recognized for low-
			5 450 emission production, to help further stimulate demand for wool and mohair from the country.
			Direct impact - Bring Ethical Fashion Initiative for support, Targeting women and youth. Creating
			5 645 job and developing luxury line of business.
<b>B. Climate smart value chain operation and coordination (TC led)</b>			
1. Access to productive finance			
	Partnering with other players to establish a value chain financing system	2 110	2 110 Ensure farmers' access to financing services and inputs.
	Managing and sustaining Trust Fund	16 819	Direct impact - Establish structures to manage sheds, provide access to farmers for inputs, to
	Establishing all value chain players inclusive digital platform	994	16 819 improve production, attract premium prices, etc
	Support to establishment of the W&M certification system for responsible production	1 440	994 Indirect impact - clear value-chain visibility and targeting towards formal market with steps to
	Operating the responsible production certification system	1 099	1 440 sustain business, management of certificate system for responsible production and low-
	Operating the carbon accounting and biodiversity tracing system	2 400	1 099 emission and biodiversity enhancement.
<b>C. Project Management</b>			
1. Communication for behavior change and monitoring for learning			
	Project coordination unit	1 848	2 400 Indirect impact - ensure reliable data are provided for timely actions, support to the smooth
		3 824	1 848 implementation of the project.
		<b>72 644</b>	

**C. Livestock**

33. The livestock sub-sector is less prone to erratic climatic conditions as compared to the arable agriculture. However, the productivity of the sub-sector is severely affected by failure to maintain an appropriate balance between range resources and animal population

and by adherence to traditional management practices. As in many developing countries, in Lesotho, livestock is an important source of food (such as meat and milk and other dairy products), animal products (such as leather), income, or insurance against crop failure.

34. The mission has used the ongoing Wool and Mohair Promotion Project (WAMPP)<sup>13</sup> models for the financial analysis. The models have been validated and inputs updated to reflect the prevailing prices. The WAMPP supervision mission in August 2020 specified that the outcome indicators related to the quality of wool and mohair produced have not yet been integrated into the log frame, available data have to be for previous years, some data will be collected directly from beneficiaries using the annual outcome surveys (AOS) to be undertaken by the project in 2020 and 2021.

35. The mission has used 4 models, closely representative of WaMC-P target group. The models are (i) wool 20; (ii) wool 40; (iii) wool 40 mohair 20; and (iv) wool 100 mohair 40. Due to better nutrition and vaccination program, healthier sheep would produce a higher wool quality. The bulk of the benefits are supposed to kick in after the first four years. Under the without project intervention, due to mortality and bad land degradation hence bad nutrition, animals flock would reduce and wool production would suffer accordingly. Under the with project situation, Due to better nutrition and vaccination program, healthier sheep would produce a higher wool quality. The bulk of the benefits are supposed to kick in after the first four years.

36. In terms of beneficiaries and in line with the project targeting, the mission has used the following ratios retrieved from shearing sheds membership with regards to the 30 000 people availing of facilities from the Trust Fund:

Table 6: Trust Fund beneficiaries

Beneficiaries availing of Trust Fund facility		
Category	%	Number
Between 0 < 20 animals	25	7 500
Between 21 < X < 50 animals	45	13 500
Between 51 < x < 100 animals	20	6 000
More than 100 animals	10	3 000
Total	100	30 000

37. Assumptions for livestock.

LIVESTOCK PARAMETERS	Sheep			Goats	
	Unit	WoP	WP	WoP	WP
Adult Mortality rate	%	15	10	23	12
Lamb Mortality rate	%	47	20	47	20
Fertility rate	%	60	90	70	95
Herd off-take Female	%	5	20	10	25
Herd off-take Male	%	30	60	20	60
Fibre production	kg	2,6	3,9	0,75	1

<sup>13</sup> WAMPP is a US\$ 38.9 million project having as goal 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 the country. It will enable smallholder livestock producers to generate higher incomes and more sustainable livelihoods. It is run across all the 10 districts of the country, and WaMC-P will benefit from lessons learnt under the scale-up initiatives.

38. The mission has made an average of the first 4 models<sup>14</sup> to come out with the profitability under an actual prevailing situation (without project) and under a with project situation.

Table 7 : Livestock models

Model	Without Project (Maloti)		With Project (Maloti)		Rate of Return	Benefit/Cost	Return family labour (M)	
	Before labour	After labour	Before labour	After labour			Without	With
Model Sheep 20	1 804	-956	7 455	4 695	39%	4,13	150	621
Model Sheep 40	3 585	825	17 754	14 994	40%	4,95	299	1480
Model Sheep 40 and Goat 20	4 538	1 778	15 970	11 410	45%	3,52	378	1181
Model Sheep 100 and Goat 40	12 364	9 604	22 168	16 708	75%	1,79	1030	1720

#### D. Crop model

39. Though the project revolves around livestock, still for the day-to-day living, the farmers rely much on crops either for food or feed for the livestock. The rationale for crop budget modeling is important. The main reasons are that maize and lucerne are used as feed for the animals<sup>15</sup> and the target group<sup>16</sup> of WaMCoP is predominantly small holders. The project has worked on 3 main models, namely maize, beans and lucerne. In fact, the latter crop is encouraged within the project, and some 150 ha are under pure cultivation. The financial analysis was conducted on these 3 models. It is noted that the majority of the farmers are subsistence farmers who grow crops for self-consumption, and only a small portion of the production is sold, except for the Lucerne wholly used as feed. The climate change impacts on crop yield report<sup>17</sup> made use of various models and built scenarios on yields. Maize yield is predicted to decline by 10.0-27.5%, with some districts with a high risk that climate change will make them a non-maize producing area, thus adding to low supply of this staple food. The maize production will benefit from mobilization of efficient and resilient farming techniques: rotation, cultural association with legumes, manure and the different facilities (dams, post harvest techniques, drying, etc...). Yield reduction will be contained, and even an increase is expected, bringing it closer to the average within the region, around 1500 kg/ha. Bean as an important leguminous crop is grown by most poor households. It is a major source of protein for these households. Lucerne production will be further encouraged and it has been included as an initiative in WaMCoP.

40. The benefits derived under the present situation and with WaMCoP intervention is presented in the table 8 below.

	Without Project	With Project	rate of return	Without Project	With Project	rate of return	Return family labour (M)	
	Gross Income (M)			Net Income (M)				
Maize	2342	3369	144%	1306	1915	46%	125	146

<sup>14</sup> The mission has used the following assumptions with regards to the target group:

<sup>15</sup> For example WAMPP specifying need for review on fodder production in order to sensitize farmers for adoption of recommended practices – Partial Supervision Report October 2021.

<sup>16</sup> Farmers that are not members of Farmer Association will be targeted with the culling and exchange activity, thereby allowing these farmers to meet the eligibility criteria to become members. They have to be indulged in agricultural activities for their day-to-day living.

<sup>17</sup> Climate change impacts on crop yields and adaptive measures for the agricultural sector in the lowlands of Lesotho. Maela Malebajoa – Department of earth and ecosystem sciences Physical Geography and ecosystem Analysis – Lund University Sweden 2010.

Beans	12917	17459	135%	12310	16643	35%	1149	1562
Lucerne	7395	9525	129%	6587	8349	27%	672	856

### E. Breeding and shearing shed models

41. The project will continue to invest in capacity building through on-farm demonstrations to improve small ruminant breeding management.

42. The target group of WaMCoP is predominantly smallholder wool and mohair farmers. The main operational entry point for the project will be the shearing sheds, and the wool and mohair farmer members of Farmer Associations at shearing shed level will represent the primary target group. As such, a financial model of the shearing shed is constructed. Moreover The project will continue to invest in capacity building through on-farm demonstrations to improve small ruminant breeding management.

43. The financial results of a breeding centre as well as that of an operating shearing shed for a 5 year average are presented on Table 9 below:

	Year 1	Year 2	Year 3 Maloti (M)	Year 4	Year 5	NPV	Rate of Return
<b>Breeding centre</b>							
<i>Gross Income Without labour cost</i>	-1 701 625	957 868	684 818	659 822	738 556		
<i>Gross Income With labour cost</i>	-1 947 625	711 868	438 818	413 822	492 556		
<i>Loan servicing (capital + interest)</i>		68 231	68 231	68 231	68 231		
<i>Net cash flow after loan servicing</i>		643 637	370 587	345 591	424 325	870 825	14%
<b>Shearing Shed</b>							
<i>Total revenues</i>	187 537	192 730	198 082	203 600	207 058	176 756	40%
<i>Total costs</i>	120 825	144 868	145 945	147 056	147 640		
<i>Gross Income before labour</i>	90 713	71 862	76 137	80 544	83 418		
<i>Gross Income after labour</i>	66 713	47 862	52 137	56 544	59 418		

### F. Trust Fund

44. The Trust Fund will ensure farmers' access to financing services as well as inputs. It consists of two interventions: (1) the established TF\_TC consortium will provide wide range of services to farmers by managing entrusted physical and financial assets. roll-out the revolving fund to provide in-kind loans to farmers; and (2) it will also collaborate with a service provider to promote financial literacy and saving groups, targeting the poorer farmers. The fund consists of an endowment fund amounting to US\$ 8 million and a US\$ 10.5 million revolving fund.

45. The endowment fund will look for investment avenues yielding high returns. These interest incomes will be used to finance the operations of the consortium and support sector development. The revolving fund will act as a financing courroie providing in-kind input loans (genetic materials, feed and fodder, and vet services) to farmers. A total of 30 000 farmers will benefit from these loans, to be reimbursed in 2 years with interest.

WaMC-P Trust Fund								
Year	2023	2024	2025	2026	2027	2028	2029	
Trust Fund amount (\$10,5m)	0	22 400	28 000	33 600	33 600	28 000	22 400	
Bad debt amounts @ 10% of portfolio			2 240	2 800	3 360	3 360	2 800	
Portfolio amount		22 400	25 760	30 800	30 240	24 640	19 600	
Endowment Fund amount (\$8m)	128 000							
<b>1) Interest Income</b>								
Loans to producers	0	1 008	1 159	1 386	1 361	1 109	882	
Placement with banks/Securities	0	560	700	840	840	700	560	
Interest- investment Endowment Fund		10 240	10 240	10 240	10 240	10 240	10 240	
<b>Total Interest Income (1)</b>	<b>0</b>	<b>11 808</b>	<b>12 099</b>	<b>12 466</b>	<b>12 441</b>	<b>12 049</b>	<b>11 682</b>	
<b>2) Interest Expenses</b>								
Interest Expenses (2)	0	0	0	0	0	0	0	
<b>3) NET INTEREST REVENUE (NIR) (3=1-2)</b>	<b>0</b>	<b>11 808</b>	<b>12 099</b>	<b>12 466</b>	<b>12 441</b>	<b>12 049</b>	<b>11 682</b>	
<b>4) Total Net Non Interest Income (NII) (4)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>5) GROSS OPERATING REVENUE (GOR) (5=3+4)</b>	<b>0</b>	<b>11 808</b>	<b>12 099</b>	<b>12 466</b>	<b>12 441</b>	<b>12 049</b>	<b>11 682</b>	
<b>Non Interest Expenses</b>								
<b>6) Total Non Interest Expenses<sup>3</sup> (NIE) (6=a+b+c+d)</b>	<b>8 176</b>	<b>9 003</b>	<b>9 023</b>	<b>9 049</b>	<b>9 047</b>	<b>9 019</b>	<b>8 994</b>	
<b>7) PRE-IMPAIRMENT OPERATING PROFIT (PIOP) (7=5-6)</b>	<b>-8 176</b>	<b>2 805</b>	<b>3 076</b>	<b>3 417</b>	<b>3 394</b>	<b>3 029</b>	<b>2 688</b>	
<b>8) Net Impairment Charge on Loans and other assets</b>								
Charge for portfolio prov on loans		10	12	14	14	11	9	
Impairment on loans			0	0	0	0	0	
Bad debts recovered								
<b>Net Impairment Charge on Loans &amp; Financial Assets (8)</b>	<b>0</b>	<b>10</b>	<b>12</b>	<b>14</b>	<b>14</b>	<b>11</b>	<b>9</b>	
<b>9) OPERATING PROFIT (OP) (9=7-8)</b>	<b>-8 176</b>	<b>2 795</b>	<b>3 065</b>	<b>3 404</b>	<b>3 380</b>	<b>3 018</b>	<b>2 679</b>	
Year 1 expenses under project cost	8 176							
Taxes	0	839	919	1 021	1 014	905	804	
<b>13) NET INCOME (M 000) (13)</b>	<b>0</b>	<b>1 957</b>	<b>2 145</b>	<b>2 382</b>	<b>2 366</b>	<b>2 113</b>	<b>1 876</b>	

## G. Cottage Industry

46. WaMCoP will also see the involvement of a key strategic partner, the Ethical Fashion Initiative (EFI), a player that will re-conceptualise the cottage industry in the country and establish sustainable market linkages for intermediary and finished wool and mohair products.

47. The social enterprise (SE)<sup>18</sup> established and owned by local stakeholders will train artisans and interface with the international markets demand for sustainable, traceable, and desirable products, meant mainly for the foreign niche market under a strong Lesotho brand.

48. The initiative is a new one, and is still under consideration by EFI. A proper feasibility study will be carried out by EFI and then validated. Experience of ongoing WAMPP has shown that this will take time. As per EFI initial assessment, 10 existing enterprises (satellite enterprises) will be strengthened and supported by EFI. At this stage the mission carried a simple financial model of a Social Enterprise, based on models applicable by EFI and site visits in the country. The model has assumed that the initial investment costs associated with this initiative will be repaid from a medium term loan<sup>19</sup>. Other expenses

<sup>18</sup> The social enterprise will represent a sustainable market-based mechanism that will anchor interventions in the cottage industry. In line with international trends, it is foreseen that by year 5, the enterprise will fully sustainable and able to manage its affairs independently.

<sup>19</sup> A medium term loan repayable in 5 years plus a moratorium period of 1 year.

related to small equipment and materials during implementation will be met from year cash flow generated from sales. The table 11 below shows an interesting return if all conditions are met.

Social Enterprise model	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
	Maloti						
Sales		0 2 134 200	15 784 200	20 445 600	24 105 000	27 263 400	33 063 600
Project Investment Costs	4 848 561	2 680 797	1 217 796	990 985	683 134	81 000	81 000
Operating Inputs	0	0	5 905 920	7 843 680	9 280 440	11 091 300	13 162 560
Loan repayments (finance costs)	0	0	1 250 000	1 250 000	1 250 000	1 250 000	1 250 000
Gros Income before labour	-4 848 561	-546 597	7 410 484	10 360 935	12 891 426	14 841 100	18 570 040
Gros Income after labour	-4 848 561	-546 597	7 410 484	10 360 935	12 891 426	14 297 296	18 026 236
IRR	94%						

## V. Economic analysis

### A. Assumptions

49. An economic analysis was carried out on the basis of
- i. a 20-year analysis period, representing normal life cycle duration for these types of investments;
  - ii. an important rate of adoption by the beneficiaries for livestock<sup>20</sup>; At least 2/3 of the direct 45 000 beneficiaries will have recourse to the Trust Fund facility.
  - iii. the economic cost of labour imbedded in the economic calculation, considered as the opportunity cost of labor in the project area<sup>21</sup>;
  - iv. the economic prices of raw and processed products are equivalent to the financial prices, because of the low trade of these products with the region/world and their price are those paid to producers for the products from the farm;
  - v. the amounts representing transferred assets from the Government in terms of infrastructure as they already exist;
  - vi. 100% of the economic cost of the COSTAB-generated project, less the amounts under trusted assets and the Trust Fund<sup>22</sup>.
  - vii. Opportunity cost of capital (COC). A discount rate of 10 per cent, considered as an average interest rates on savings/deposits accounts and the long-term return of government treasury bills/bonds<sup>23</sup> is applied.
50. Some precautionary elements are considered when assuming the adoption rate by the population with regards to the proposed actions. Adaptation activities will be chosen based on many considerations in addition to economic ones: community values, social structure, politics and availability of funding, the demand from South Africa for workers, and so on. Moreover, both climate change and adaptation activities may have direct

<sup>20</sup> Out of the 45 000 targeted households, 30000 will be availing facilities from the Trust Fund. This brings an adoption rate of 65%, considered very conservative as the the project is benefitting from the ongoing WAMPP project.

<sup>21</sup> Agricultural labour is not so available given the geographical situation of the country with most male workers working in South Africa. Albeit that there is minimum wage regulation, the agricultural workers are the less paid among the other sectors.

<sup>22</sup> Assuming the facilities will be reimbursed by the beneficiaries.

<sup>23</sup> 5-year Treasury bonds yield are at 8% p.a (maturity march 2026).

impacts that cannot acceptably be measured in monetary terms, notably those related to human health or biodiversity. For example, putting a value on the loss of human life or unique ecosystems is often considered to be highly problematic and is avoided here.

51. The COVID-19 pandemic devastating effects in the world, and the country is not spared. The recent Ukraine war has further complicated issues. Foreign countries and international organizations<sup>24</sup> have so far helped the country to navigate through this difficult situation, but going forward internal measures have to be well articulated to sustain a reasonable economic growth within the agricultural sector.

## B. Results

52. The ERR of the project is estimated at 13.5%, with a net present value of US\$ 16.819 million. These results indicate that, on the basis of an opportunity cost of capital of 10%, WaMCoP will generate a satisfactory ERR and is justified on economic grounds.

Table 12: Economic Rate of Return

	Base cost	Costs increase			Benefits increase		Benefits decrease			Benefits delay	
		+10%	+20%	+50%	10%	+20%	-10%	-20%	-30%	1 year	2 years
<b>ERR</b>	<b>13,5%</b>	12,4%	11,5%	9,2%	14,6%	15,5%	12,3%	11,1%	10,7%	11,7%	10,0%
<b>NPV (US\$ 000)</b>	16 819	12 447	8 076	-5 040	22 873	28 927	10 765	4 712	2 896	7 944	-48

53. The results are quite sensitive to changes in some of the assumptions, namely the benefits increase (conservative assumption in the calculation) and delays (implementation of the different measures) not mentioning natural calamities and the effects of the COVID pandemic and the Ukraine war. A close and constant review of the has to be undertaken, and return adjusted at mid-term.

54. The sensitivity analysis based on the 10%, 20% and 50% increases in project costs shows rates of return of 12.4%, 11.5% and 9.2% respectively. This scenario is less likely to occur, unless some other financiers show an interest, in which case benefits are also increased. A more plausible scenario will be decrease in benefits and benefits delay. In the case of decrease of benefits by 10%, 20% and 30%, it is seen that the rate of return converges towards the cost of capital, at 12.3%, 11.1% and 10.7%, still above COC. In the case benefits streams are delays as a result of delay in implementation it is seen that the rate is at 11.7% and 10.0% for a 1-year and 2-years delay. This is a more likely scenario, based on previous IFAD interventions in the country.

55. The WaMCoP is benefitting from the ongoing WAMPP. The weaknesses noticed under WAMPP have been identified and it can safely be assumed that the beneficiaries as well as the intervening authorities will capitalize on the lessons learned. It will not be abnormal that the assumptions taken in this analysis be considered as very conservative. If all the conditions put forward are adhered, then the benefits will surely be increased. An increase of 10% and 20% of benefits will bring the ERR to 14.6% and 15.5%.

56. Overall the ERR remains satisfactory. These rates and stability would be explained by increased productivity of targeted activities, through the adoption of efficient and resilient productive systems including cultural techniques and efficient plant and animal

<sup>24</sup> Funding from the World Bank (US\$ 7.5million ; emergency support from IMF (US\$ 49.1million from IMF to meet balance of payments needs; grants from European Union (Euro 5.5million ) and USA (US\$ 36.9million).



biological materials. Through the different measures, the farmers are expected to fetch a premium for the wool and mohair.

57. WaMCoP has also introduced an initiative under the Cottage Industry with the collaboration of EFI. A proper feasibility study will be carried out by EFI and then validated. Experience of ongoing WAMPP has shown that this will take time. As per EFI initial economic model, the project is viable, to be confirmed after the feasibility study. The mission has carried an additional ERR excluding the investment costs associated with this initiative as well as the benefits that will be derived. The revised ERR comes to 13.8%.

## VI. Risks

58. The risks associated with WaMCoP may be classified under the high bracket as a result of the vulnerability of the livestock sub-sector and the target areas selected. Food security and sufficiency has always been a major issue in the country, and amplified with the negative effects of climate change. It is vital to have such a project in place. While the PDR did make an assessment of the risks associated while implementing the project, the table below provides a broader picture that may affect the ERR under some scenarios.

Type of risk	Description of risk	Level of risk	Mitigating measure	Impact on sensitivity analysis
Institutional	The weak capacity of the institutions and private support operators as well as the adoption/mastery of the project may delay project implementation.  Government not able to meet its contribution under WaMCoP	Medium  high	Capacity building within the government/regional offices. Logistics and financial support for those involved in the project. Regular meetings and feedback sharing. The private sector active involvement for quick returns will mitigate this risk.  The Government already encountered delays in meeting some current contributions, and with the advent of COVID-19 priority of intervention has shifted. However the mission has kept Government involvement to the minimum with respect to monetary outlays.	<ul style="list-style-type: none"> <li>• Delay for benefits to materialize</li> <li>• Reduction in production/productivity</li> <li>• Fall in adoption rate</li> </ul>
Project coordination unit	Among the reasons given to account for the situation of ongoing WAMPP are: a) slow procurement; b) delay in recruitment of service providers; and c) delay in processing of withdrawal applications. The lasting	high	The WAMPP weaknesses to be used as lessons learnt, and measures suggested are addressed in the WaMCoP design.	<ul style="list-style-type: none"> <li>• reduced benefits as a result of delays.</li> <li>• beneficiaries discouraged to participate, mistrust towards project created.</li> </ul>

Type of risk	Description of risk	Level of risk	Mitigating measure	Impact on sensitivity analysis
	effects of the COVID-19 pandemic are also partly responsible for the delays. The mission took note of these challenges and recommended to the PCU to proceed with the revision of the AWBP and PP for possible budget reallocation and streamlining withdrawal applications for timely disbursement.			
Climate change, and disease/predator risks	Drought, pests as well as the destruction of crops by stray animals, theft negatively affect the production and quality of agricultural products promoted	high	Measures introduced to protect the land, create awareness and combat diseases and raise awareness about the management of these infrastructures.	<ul style="list-style-type: none"> <li>• Production reduction due to natural elements</li> <li>• Fall in benefits</li> </ul>
Risk related to the availability and price of quality inputs and products	Participants in the targeted sectors generally use traditional techniques. As a result, they generate few marketable surpluses and combined with the asymmetry of market information and the presence of many intermediaries, they result in a decline in producers' ability to invest on their farms	medium	Promote the dissemination of quality information system on markets. Strengthen capacities to prevent and manage livestock losses.	<ul style="list-style-type: none"> <li>• Fall in production and reduction in benefits</li> </ul>
Timely availability and disbursement of funds from Trust Funds	The financial institutions have not really grasped how to finance agricultural activities, and the financial products have not been tuned to meet small producer needs. Financial Inclusion remains a major cause of concern. Lesotho experience cannot be classified as positive.	high	Put in place grants and promote business relationships among all stakeholders in the program area.	<ul style="list-style-type: none"> <li>• Fall in benefits</li> <li>• Fall in adoption rate</li> </ul>
Beneficiaries	This is a demand driven program, and the small producers/farmers have put this program and climate change high in their agenda.	medium	Regular follow-up, keeping the momentum, and sharing of information, visit exchanges, etc.	<ul style="list-style-type: none"> <li>• Fall in adoption rate, impacting directly on benefits.</li> </ul>

**Lesotho**

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**Wool and Mohair Value Chain Competitiveness Project**

**Project Design Report**

**Annex 5: Social Environment and Climate Assessment (SECAP) Review Note**

Mission Dates: 1-23 June 2022

Document Date: 10/11/2022

Project No. 2000003942

Report No. 6224-LS

East and Southern Africa Division  
Programme Management Department



The SECAP Review note should build on the preliminary note mentioned above, draw on the results of the screening exercise and be informed by the issues raised during the design mission, the stakeholders interviews, publicly available tools and dataset, and environmental, social or climate-related studies that inform on the characteristics of the project location. The SECAP review note includes the revised ESMP and should be attached to the Project Design Report, integrated in Draft Project Implementation Manual (PIM) and COSTAB and shall be submitted to Design Review Meeting (DRM) or IRC (for NSOs).

## 1. Introduction

1. The WaMCoP is IFAD's second investment in the wool and mohair industry in Lesotho and underpins its programmatic angle. It aligns to the IFAD COSOP (2020-2025) and national priorities. Its approach will shift from a rather production-supporting angle in WAMPP to a more market-led operation that supports value chain system strengthening. With an estimated investment volume of USD 57 Mio and an implementation period of 7 years, it shall further support the sustainable transformation of the smallstock sub-sector in Lesotho.

## 2. Situational analysis and potential project impacts

### Socio-cultural context

2. About 65.8% of Lesotho's population lives in rural areas (LBoS 2019). More than three quarters of these people are engaged in agriculture – mostly traditional low-input, low-output rainfed cereal production and extensive animal grazing. An estimated 57 per cent of the population lives below the poverty line, according to a 2010/2011 household budget survey. Poverty has fallen in urban areas and climbed in rural areas. 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). Lesotho cannot produce enough food to feed its growing population. Inappropriate agricultural practices, challenging agro-climatic conditions and limited arable land are the major constraints, limiting agricultural growth. Only about 10 per cent of the country's total land area is classified as arable (IFAD).
3. 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.

### 2.1 Socio-economic assessment

#### a. Overall poverty situation

4. Lesotho has a population of about 2.1 million, and nominal gross domestic product (GDP) per capita of \$861 in 2020 according to the World Bank report. Real GDP growth rate is estimated to have contracted by 1.2%, 0.4% and 9.5% in 2018, 2019 and 2020 respectively and is projected to average 3.0% between 2021–2023. Climatic and socio-economic environments in semi-arid areas in Lesotho make communities vulnerable to food insecurity and unstable livelihoods and lead to unsustainable agroecological systems, crop failure, and unproductive rangelands. 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. According to the World Bank, 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 have decreased to around 53.7%.
5. Lesotho remains vulnerable to the COVID–19 pandemic after emerging from a second wave of infections at the start of 2021 and coming to the end of a third wave that started in June 2021. The World Bank report articulates poverty levels are projected to remain higher than pre-COVID-19 levels, a reflection of slow labour market recovery from COVID-19-related lockdown measures which led to job and income losses with the effects concentrated in urban areas. With the recovery from COVID-19, poverty is expected to trend downwards, but it is expected to remain higher than in 2019 over the medium term.

#### b. Gender

6. Women in Lesotho make up most of the agricultural labour force and make substantive inputs to household food security through their active participation in agriculture, livestock production, keyhole (kitchen) gardens and non-farm activities. These multiple responsibilities together with household management and childcare result in time poverty. However, their roles are generally

undervalued and constrained by limitations on control over resources, services, and labour market opportunities. Women and girls aged 15+ spend 15.6% of their time on unpaid care and domestic work, compared to 6.2% spent by men (Country Factsheet, UN Women).

7. The multifaceted nature of factors that are barriers to women's participation which are deeply rooted in the systems surrounding women. These barriers are deeply rooted in cultural ideologies, religion and social norms and socialization. Despite several attempts by government to include women in decision making positions such as using affirmative action through the use of quotas and PR system, women are still not effectively participating in governance issues especially at national level. Moreover, women still experience a number of barriers that prohibit them to fully participate in governance processes and these barriers are deeply rooted in the country's culture, tradition and social norms that negatively affect women. Men on the other hand have used the ecosystem to their advantage by continuously suppressing women in issues of leadership despite the gender frameworks in the country. Women in Lesotho especially rural women make the majority in party politics but when it comes to participation in governance, they are spectators who play the role of voting others into political space. As of February 2021, only 23.3% of seats in parliament were held by women.
8. In 2018, 16.5% of women aged 15-49 years reported that they had been subject to physical and/or sexual violence by a current or former intimate partner in the previous 12 months.
9. In most cases, women have to walk long distances in search of arable land and to fetch water and firewood, thereby compounding the heavy workloads. In most rural areas, especially dry areas, women depend on wells, springs, streams, and rivers for water for domestic use. Women face barriers to their inclusion in governance systems, decision making and benefit sharing related to natural resource management that marginalize their roles, contributions, and rights due to inhibiting policy, economic status, societal norms and cultural practices. The systematic inclusion of women and gender aspects in conservation efforts has the potential to create positive impacts on poverty alleviation, natural resource management and the empowerment of women.

### c. Youth

10. Lesotho is a young country, where the youths (15 to 35 years old) represent 39.8 percent of the total population<sup>[1]</sup>. Youth mostly live in rural areas (74.6 % reside in rural areas and 25.4 % in urban areas) and are mostly engaged in agriculture<sup>[2]</sup>. The large youth population constitutes a significant opportunity for Lesotho - but only if more jobs are created. Young rural people are mostly literate (83 per cent, with no significant difference between males and females); however, the level of education is low and the percentage of young people attending tertiary education and technical or vocational schools is extremely limited (only 2.8 per cent of the rural youth population) which challenges their involvement in the formal labour market. Indeed, precarious forms of employment with low level of earning is the main employment problem for the youth. Thus, unemployment is rampant with 34.41 % of the young reported by ILO as unemployed in 2019. Employment opportunities are generally scarce and, in certain districts, non-existent leading to rural urban and cross border migration. In the agricultural sector, youth unemployment is associated with i) lack of initiative to actively seek employment or start own their own businesses; ii) lack of access to productive assets and natural resources, goods, and services; iii) lack of knowledge and technical and business skills; iv) a negative perception of agriculture among youth and v) a non-conducive environment for youth employment<sup>[3]</sup>. These constraints limit rural youth's ability to develop successful agri-businesses.
11. According to the World Bank, the Ratio of female to male youth unemployment rate (% ages 15-24) in Lesotho was reported at 129 % in 2020. Young males have considerably lower educational attainment than their female peers. Herd boys experience a combination of educational, economic, and social exclusion that often compounds existing vulnerabilities. Female youth are more vulnerable than their male counterparts. They face early pregnancies and are more likely to be HIV positive
12. Although HIV prevalence is lower among youth and children than among older people, HIV puts a serious strain on the young: 54.3 % of youth aged below 18 years are orphaned mainly by HIV and AIDS, leading to extreme poverty. 17.4 % of children under 18 are double orphans. Many youths 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.
13. Lesotho has a low Youth Development Index of 0.432 as recorded in 2016, by the Youth Development Index of the Commonwealth Secretariat (2016). The Youth lack skills development, training, and training in business management. The Lesotho National Youth Policy (2005) and the new one currently under development points to the need to stimulate environmental awareness among youth and their responsibilities towards sustainable natural resource management to increase their incomes and better livelihoods. The Department of Youth coordinates youth affairs in the country.
14. Attracting qualified youth will be critical for ensuring entrepreneurship, accelerate adoption of new technologies and drive the Lesotho Wool and Mohair sector to more added value. The project will ensure that at least 35% of the beneficiaries are youth.
15. WaMCoP's youth strategy will promote youth-sensitive farmer organizations and cooperatives; vocational training; land rehabilitation; and Business development services, as recommended by the Lesotho Rural Youth Opportunities paper prepared for the COSOP design in 2018.
16. Youth aged 18-35 will represent 35% of WaMCoP beneficiaries, including both young males and young females. An estimated 18% of members of farmers associations at shearing shed level are youth, thus at least 5400 young wool and mohair farmers will benefit from the project's services delivered at shearing shed level. Many more young wool and mohair farmers do not currently meet the eligibility criteria to become members of a Farmer Association at shearing shed level because they do not own improved animals and/or a sufficient number of animals. By granting youth preferential access to culling and exchange activities (and thus

access to improved animals), WaMCoP will make it easier for youth to join Farmers Associations. For youth who do not own sheep and/or goats, the project has the following activities:

1. Promotion of cottage industries, expected to create approximately 120 jobs for youth who will receive training and equipment.
  2. Training and start-up financial support to set up as agro-vets, expected to create approximately 180 jobs for youth. This activity will target primarily but not exclusively the young Community Animal Health Workers (CAHW) who have been trained under WAMPP.
17. The project will make it a requirement for Farmer Associations to have youths in leadership positions in order to receive support from the project. This will allow the youths to be heard and WaMCoP's PMU will further ensure that youth take part in project planning, and that beneficiary feedback is disaggregated by age and analysed with a youth lens.

#### **d. Indigenous peoples**

18. Lesotho's ethno-linguistic structure consists almost entirely of the Basotho (singular Mosotho), a Bantu-speaking people: an estimate of 99.7% of the people identify as Basotho. The Kwena (Bakoena) are the largest subgroup of the Sotho; other Basotho subgroups include the Natal (North) Nguni, Batlounge (the Tlou), Baphuthi (the Phuti), Bafokeng, Bataung (the Tau), Bats'oeneng (the tso'ene) and the Cape (South) Nguni (Thembu).

#### **e. Marginalised groups**

19. High HIV/AIDS prevalence and tuberculosis (TB) remain Lesotho's greatest health challenges. 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). The incidence of TB stands at 611 cases per 100,000, according to the World Health Organization's Global TB Report 2019. While high health costs exert more pressure to the fiscal burden, high HIV/AIDS and TB rates continue to contribute to persistently high inequality and poverty.

#### **f. Nutrition**

20. The nutrition situation in Lesotho is characterised by high stunting rates in children under the age of five years at 33% with disparities across the country. The district of Mokhotlong has the highest prevalence nationwide, at 48%. Stunting prevalence also varies depending on wealth: in the lowest wealth quintile, malnutrition is three times higher than the highest wealth quintile (46% and 13% respectively). Widespread micro-nutrient deficiencies in children, adolescents, and adults, overweight and obesity in some segments of the population, and the growing incidence of diet related non-communicable diseases (NCDs). Poverty, natural and man-made disasters, low consumer demand for nutritious food, low agricultural productivity, low prioritization of nutrition issues by government agencies, and limited commitment and capacity of local government units to deliver nutrition interventions all affect nutrition outcomes. Poor infant and young child feeding contributes to an increase in stunting and anaemia being high (51% of all children under 5) and overweight becoming an increasing issue (45% of women 15-49 years of age are overweight or obese).
21. There are also several nutrition policies and strategies: The MoH National Strategic Plan for the Prevention of NCDs 2014-2020, the National School Feeding Policy 2015, the Lesotho Food and Nutrition Policy & Strategic Plan 2016 – 2025 and the Health Sector Nutrition Strategy 2013 – 2019. The Scaling-up Nutrition Strategy is under development and aims to strengthen the coordination and to establish the different platforms, such as the civil society and business platform. Also, a Nutrition behaviour change communication Strategy for Lesotho is under development.
22. Food insecurity continues to be a chronic challenge in Lesotho and a key obstacle in the country's development agenda. The agricultural sector is dominated by subsistence farmers, who are particularly vulnerable to drought and land degradation. Lesotho experiences recurrent droughts (see Climate Change), which reduces the capacity of subsistence farmers to produce sufficient food for their own needs and reduces the availability of food for those that normally buy from subsistence farmers, particularly in rural areas. Further, 50% of the population live below the national poverty line, and 24% of the population are unemployed; the income insecurity experienced by the majority of the population limits their access to nutritious food.

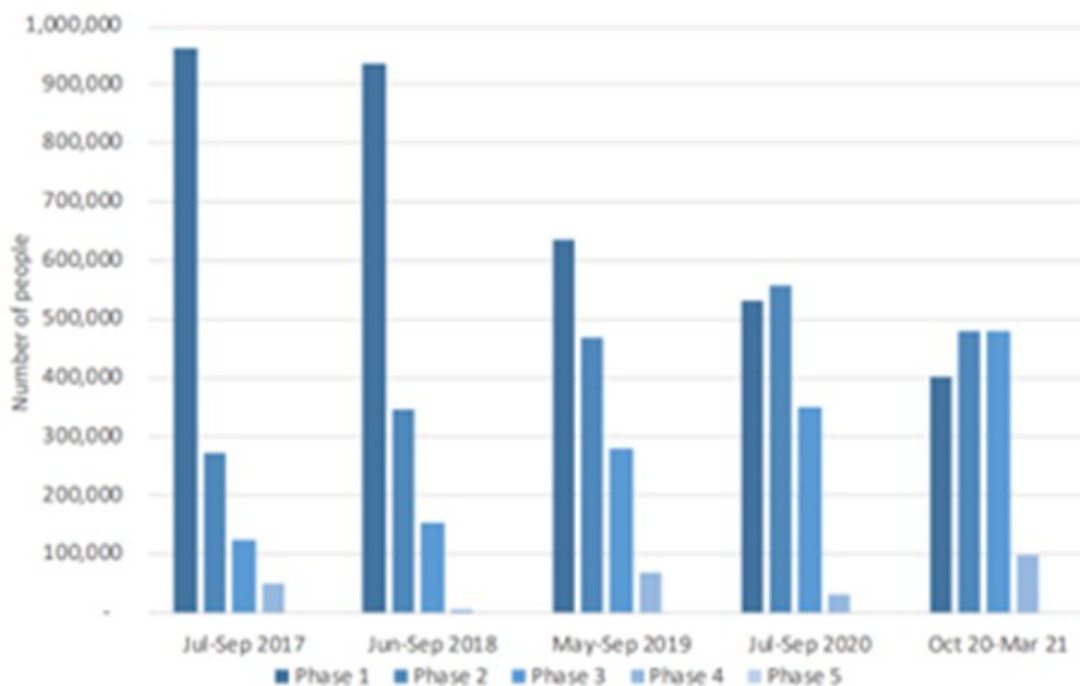


Figure 1: Food Insecurity

23. Lesotho's food insecurity is widespread; 582,000 people, or 40% of the population, were expected to face acute food insecurity in Crisis IPC Phase 3 + between October 2020 and March 2021, with pockets of highly vulnerable populations in Emergency IPC Phase 4 (figure Ann 5-1). Further, the population facing high acute food insecurity (IPC Phase 3 or higher) has steadily increased over the medium-term (figure Ann 5-1). Food prices have increased since COVID-19 lockdown measures were implemented and remain higher than the same period in 2019.

## 2.2 Environment and climate context, trends and implications

24. The environmental and climate context, trends and implications are elaborated in the sections below. The environmental context is influenced by the topography (elevated mountainous areas), geology (sedimentary and basaltic layers) and the geographic locations of the proposed project areas, but several human activities fast-track the problem. The land degradation is influenced by both the natural causes such as the generally high elevation of the landscapes formed by highly erosive soils and the anthropogenic effects such as overgrazing and poor rangeland management.
25. The current levels of degradation present a serious challenge to rural residents, leading to declining agricultural productivity, general crop failure, drying up of water points and the serious degradation of rangelands and pastures. Also, the severe overstocking of rangelands decreases the recovering ability of the pastures, leading to a widespread denudation of soil surfaces, which multiplies the impacts of climate events such as drought and heavy rainfall on soil losses. Specific measures can be adopted in WaMCoP-GEF to address the environmental related challenges such as erosion and efficiency of natural resource use.
26. The climate change trends are mainly the temperature rises, the rainfall variability, extremes of weather conditions, floods and droughts. These have adverse impacts on the agricultural productivity particularly for rain-fed cultivation. The impacts on the Wool and Mohair Value Chain is linked to yields, pest and diseases and general animal health. Climate change adaptation measures are available to manage the risks related to increasing temperatures and rainfall variability.

### a. Environmental assessment

27. 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 in the lowlands and foothills on the Western border and the Senqu River valley in the south. Due to Lesotho's topography, precipitation, main land uses, and vulnerability of topsoil, Lesotho is extremely fragile.
28. 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 km<sup>3</sup>/yr, by far exceeding its national water demand, which has led it to export water to South Africa. The country has two major dams: the Katse Dam in the Central Maluti Mountains with a storage capacity of 1.95 km<sup>3</sup> and the Mohale Dam with a capacity of 0.86 km<sup>3</sup>, with a third dam under construction.
29. Biodiversity is under threat in Lesotho due to intense droughts that affect the country. This, coupled with aridity and desertification, is deteriorating traditional rangelands and reducing agricultural (both crop and livestock) yields. The productivity of



major crops and animals has declined significantly in recent years due to poor land and rangeland conditions. Severe land degradation, visible throughout the country, is Lesotho's biggest environmental problem. It is estimated that the country loses close to 40 M tons of soil every year. The loss is equivalent to more than 2% of the topsoil every year. 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. 54 per cent 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.

**b. Climate trends and impacts**

- 30. Floods, drought, frost, strong winds, and heavy snowfall all plague Lesotho. The frequency and diversity of natural hazards that affects the country makes risk mitigation difficult. Recurring drought has led to disaster situations for Basotho communities and the wider economy. While drought conditions are generally a common phenomenon of the climate in southern Africa, Lesotho has experienced increasingly frequent occurrences of drought in recent years. Natural hazards and climate shocks affect all economic sectors in Lesotho, including agriculture and livestock, water, tourism, and health.
- 31. Impacts of extreme rainfall events on public and private infrastructure has resulted in costly repairs, road closures, limited or no access to electricity, and complete failures of sewage and storm water systems. River flooding affects many thousands of people and has led to the most deaths of natural hazards (1900-2020). Like precipitation, temperature extremes also have wide-reaching impacts, such as on agriculture. These changes are negatively affecting agricultural productivity and by the same token, food security. Natural hazards are exacerbated in many mountain areas in Lesotho and the country is particularly vulnerable as more than 70% of the population live in remote and ecologically fragile mountainous terrain.
- 32. 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.

**Mean annual temperature and precipitation**

- 33. The latest climatology results for the period 1991–2020 show that the mean annual temperature for Lesotho is 12.7°C, with average monthly temperatures ranging between 15°C (November to March) and 6°C (June, July). The Mean annual precipitation is 748 mm, with the highest rainfall occurring October to April, with extremely low levels of precipitation occurring between May to September (Figure Ann 5-2). Figure Ann 5-3 shows the spatial variation of observed average annual precipitation and temperature across Lesotho.

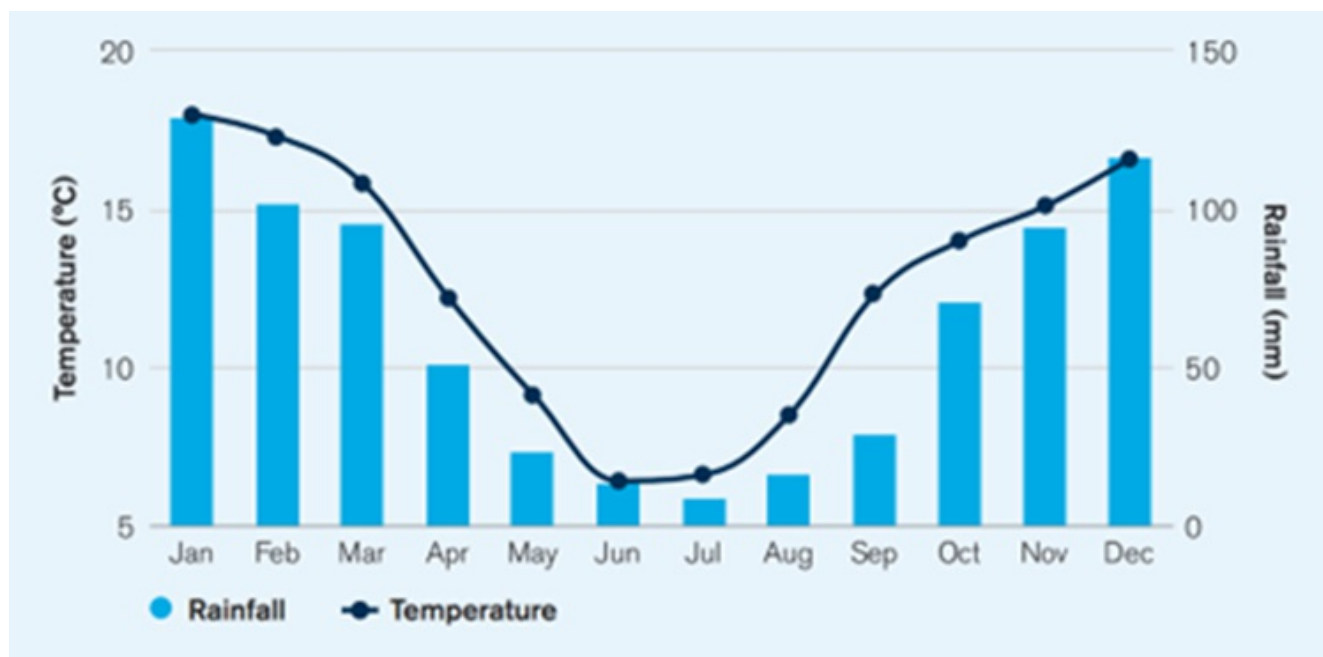


Figure 2: Average Monthly Temperature and rainfall for Lesotho, 1991 - 2020

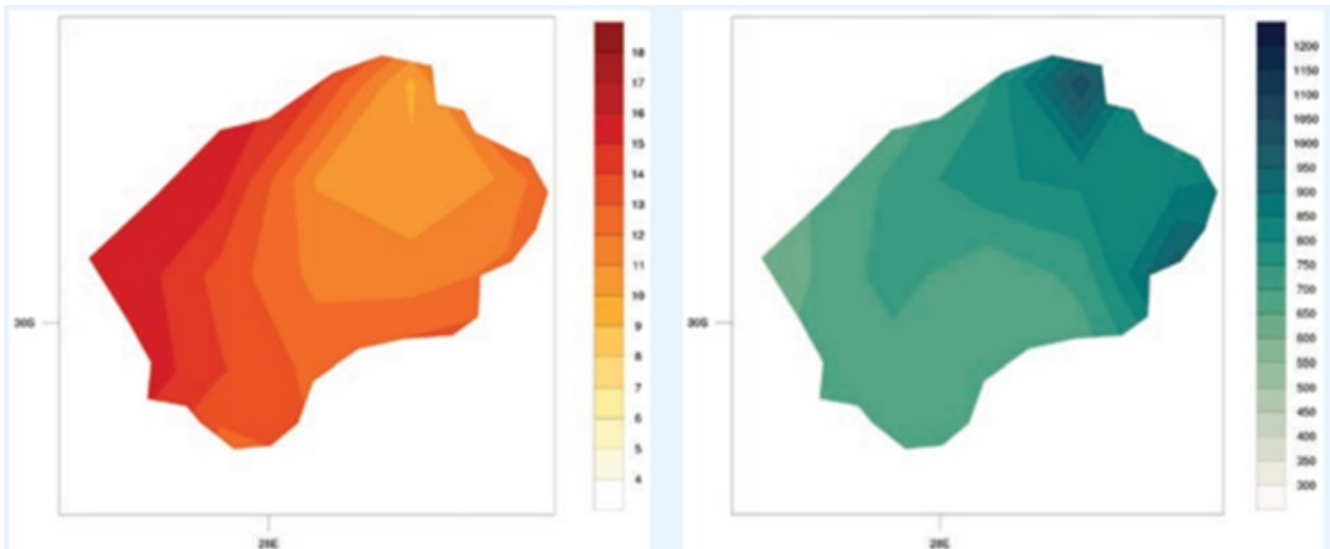


Figure 3: Mean annual Temperature (oC (left: Annual Precipitation (mm) (right) of Lesotho, 1991 - 2020

### Temperature Trends

34. There has been an observed increase in temperatures in Lesotho since the 1960s (Figure Ann 5-4). The mean annual temperature increased by 0.76°C, with an average rate of increase of 0.20°C per decade. Increases in both annual maximum and minimum temperatures between 1970 and 2005 with minimum temperatures warming more than the maximum temperatures and the most rapid warming occurring in the early 1980s.

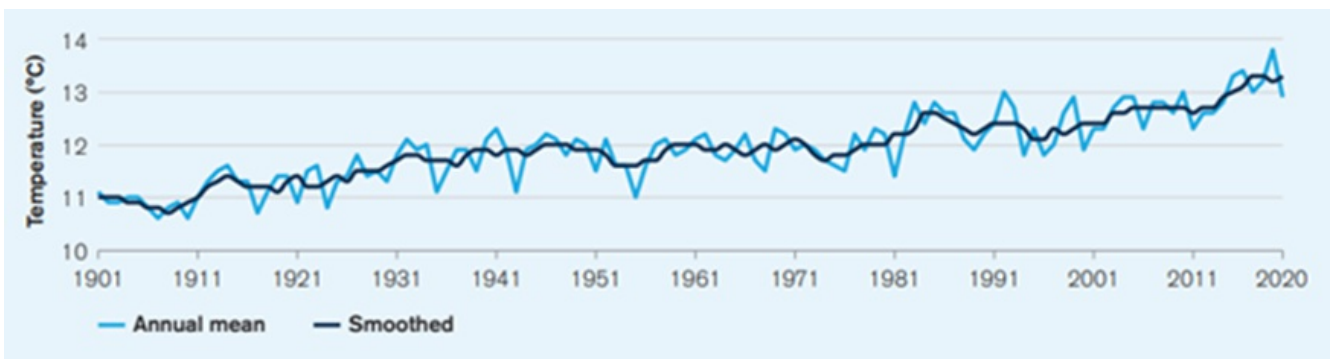


Figure 4: Observed Temperature for Lesotho 1901 - 2020

### Precipitation Trends

35. Annual rainfall trends are weak overall but observations indicate a decrease in annual precipitation for Lesotho. Changes in seasonal rainfall patterns have revealed progressive increases in winter season precipitation (June to August) accompanied by an opposite trend in the summer season, in some regions. This has led to drying out of traditionally perennial springs, and reduced flows on major rivers. Furthermore, many dams currently are dry for most of the year.

### Projected Changes to Temperature in Lesotho by 2050

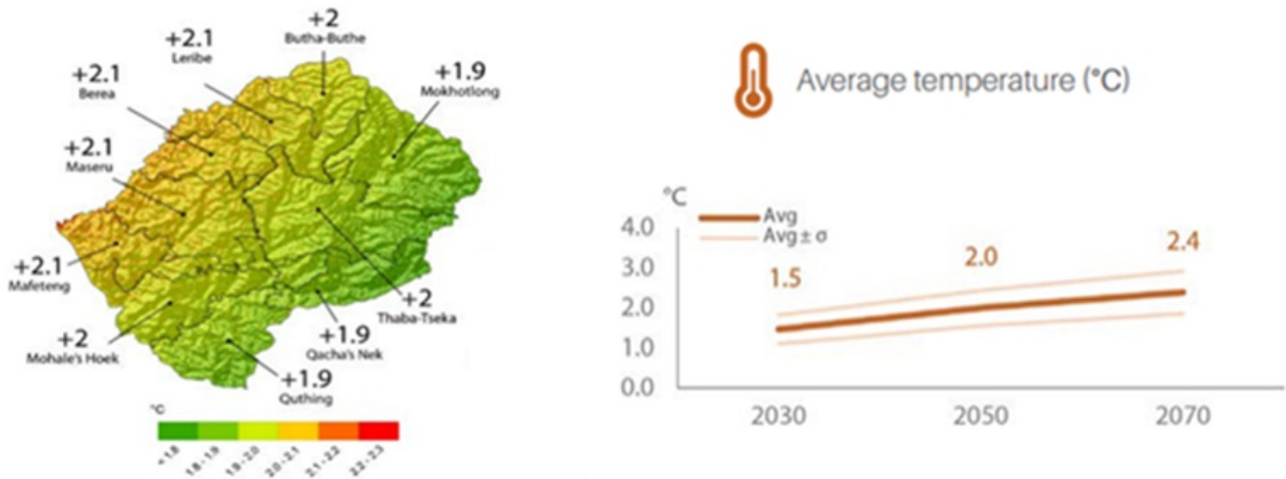


Figure 5: Projected change in Temperature and Precipitation in Lesotho by 2050

36. Increased temperatures are expected for the region, mean monthly temperature changes expected to increase by more than 2.0°C for the 2050s and by 4.4°C by end of the century. Temperature increases are expected throughout the country, although slightly lower degrees of temperature increases are expected to occur in the mountain zones. Increased incidence of heat waves and higher rates of evapotranspiration are expected, which will affect multiple aspects of local economic development and agricultural productivity. Increased heat and extreme heat conditions will negatively impact human and animal health, agriculture, and ecosystems.

**Projected Changes to Precipitation in Lesotho by 2050**

37. Water resources are likely to be increasingly strained across Lesotho in the coming decades. Warmer temperatures are expected to accelerate the rate of evapotranspiration for the country. With more frequent and severe droughts, the region will likely experience negative impacts on water supply and agriculture. A potentially simultaneous increase in flooding events poses a serious water pollution threat, affecting health of wetland ecosystems and agriculture and livestock communities. Rainfall in Lesotho is highly variable. Northern areas of the country are expected to experience below normal precipitation through mid-century, with slightly above normal rainfall through the end of the century. Southern areas of Lesotho are expected to have below normal rainfall through the end of the century of between 50 and 100 mm per annum in the Lowland, Foothill, and southern Senqu Valley zones. Significant changes in precipitation and temperature could have severe impacts on people's livelihoods, particularly in the Lowlands, the Foothills, and the Senqu Valley, where increasing temperatures and decreasing precipitation might lead to a substantial decrease in crop harvests.

38. Figure Ann 5-6 presents the change in projected annual average precipitation for Lesotho. Lesotho's projected precipitation regime, aggregated across a national scale, will only slightly reduce against observed historical trends. However, changes in precipitation patterns for Lesotho are projected to experience an increase in extreme precipitation events, indicating potential for prolonged dry periods in between events. The country's drought areas may be further exacerbated by these trends.

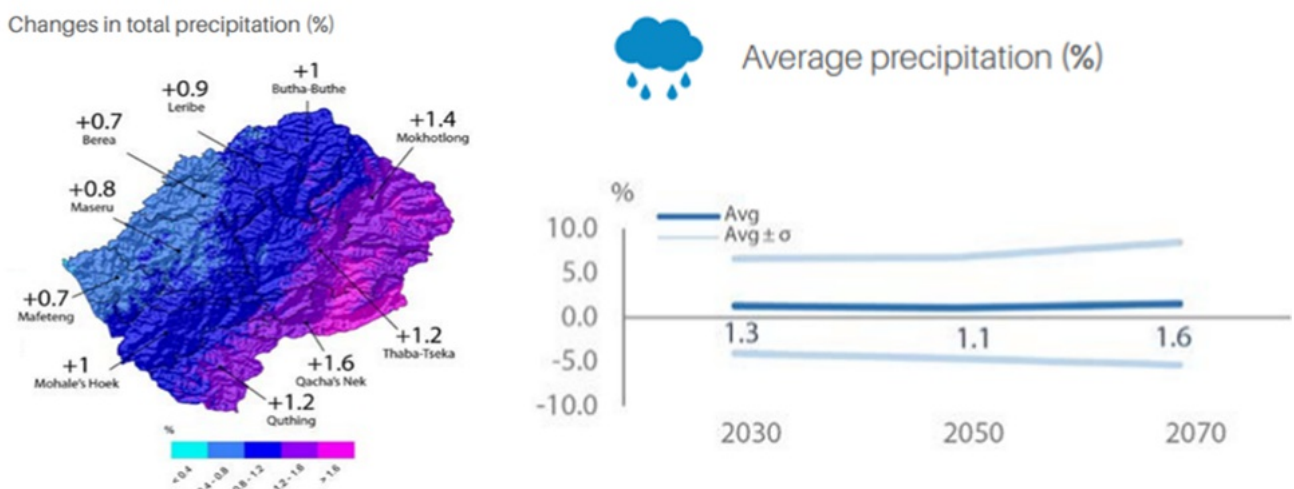


Figure 6: Projected change in Precipitation in Lesotho by 2050

39. In 2006, 77 per cent of Lesotho's population resided in rural areas and of the rural population 80% depended on agricultural activities for their livelihoods (Lesotho Population Census, 2006). Agriculture is mainly subsistence in nature (90 per cent) with commercial farming at only 10 per cent. Subsistence dry-land farmers are more vulnerable to climate change than commercial

farmers. Droughts and water availability will continue to affect food production and security. Climate change projections are not all negative, however. Certain crops (maize, sorghum and wheat) are set to be more productive in the northern part of Lesotho under mid-term climate projections. However, the increase in precipitation and temperature during September to May is expected to negatively impact growth of crops, such as beans and cucurbits (gourds).

40. Climate change is set to increase the incidence of fungal diseases. Rainfall decreases will negatively affect topsoil health and in the Southern areas of Lesotho, crop yields are set to be more adversely affected than in the Northern regions.

### Climate change and adaptation

#### Climate Change Impacts on Agriculture

41. Projected climate change will have significant impacts on food production, agricultural livelihoods, and food security in Lesotho, as they are linked to future projected water supply constraints as well as temperature rise. Subsistence dry-land farmers are more vulnerable to climate change than commercial farmers.
42. Projected changes in precipitation and increases in temperature from September to May for the northern part of Lesotho through mid-century is likely to positively impact yields for maize, sorghum, and wheat. However, the increase in precipitation and temperature during September to May is expected to negatively impact growth of crops, such as beans and cucurbits (gourds). A combination of high temperature and high humidity will likely increase the incidence of fungal diseases and offset high growth patterns induced by a combination of high rainfall and temperature.
43. The projected decrease in precipitation for the country in July to August, that began in 2010 and will likely continue through the end of the century, will reduce soil moisture reserves, and negatively impact the growth of winter crops, such as wheat. Southern areas of Lesotho are expected to be more adversely affected regarding crop yields and productivity. Increased heat will increase stress on crops and is also likely to alter the timing and length of the growing season.
44. Decreased water availability is likely to reduce yields and the reduction in soil moisture may alter suitable areas for agriculture or the production of specific crops. Increased heat and water scarcity conditions are likely to increase evapotranspiration, expected to contribute to crop failures and overall yield reductions.
45. An increased likelihood of droughts and prolonged dry periods will continue to exacerbate soil erosion and land degradation. Likewise, rising temperatures could alter the presence of agricultural pests and increase risks of fires. Increased frequency and intensity of extreme events may also change or impact species composition and alter 'regulating services', such as soil water maintenance, base flows and filtration.
46. Figure 7 shows the projected change in average daily max-temperature across the seasonal cycle. Temperature thresholds for agriculture and livestock are important as temperature changes, and in particular extreme heat, can cause damage to plants and affect the health of livestock as well as farm workers. Crops are known to have specific temperature windows for optimal growth and yield. Cold temperatures and frost can affect the early growth, but high temperatures above crop-specific thresholds rapidly reduce the yield. Lesotho's maximum temperatures are expected to increase throughout the year.

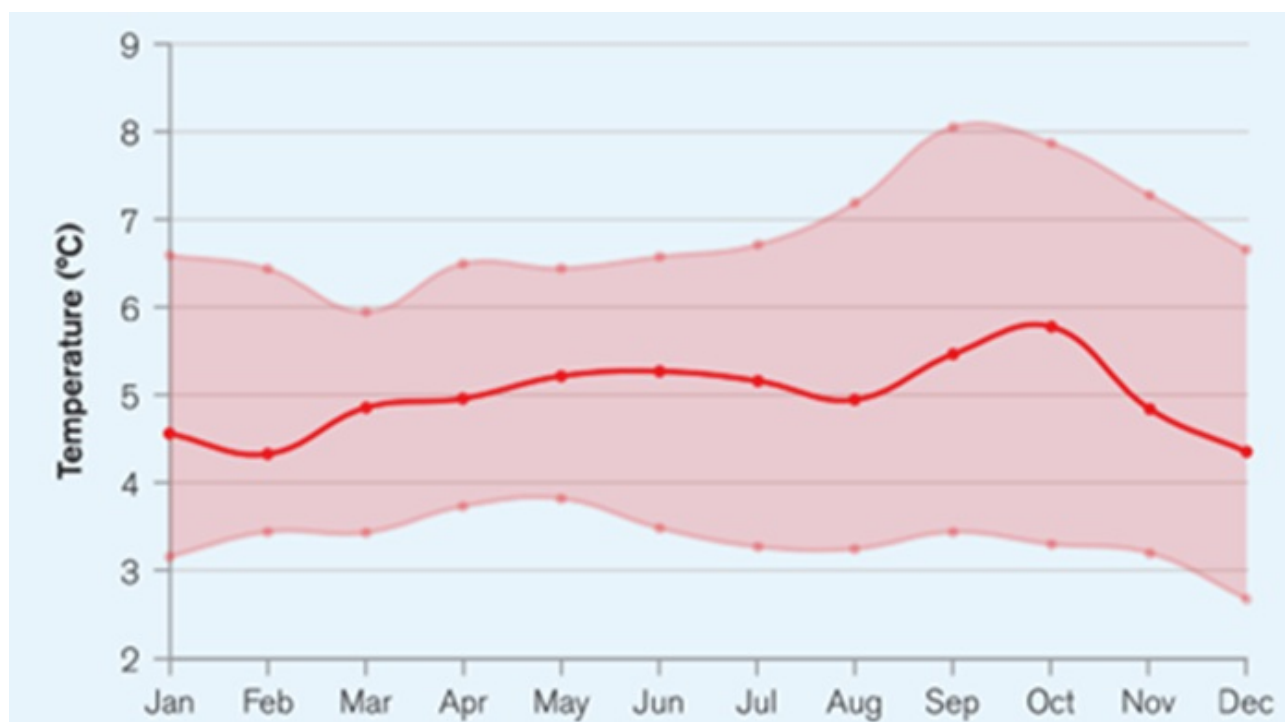


Figure 7: Projected Change in Average Daily-Max Temperatures (RCP8.5, Reference Period 1986-2005)

Climate change effects play a significant role in the agricultural sector of Lesotho and has an immediate and large effect on rural

small-scale agricultural producers. The proposed project recognises and seeks to counter any negative effects. This will be done primarily through incorporating climate change adaptation needs, but also regarding climate change mitigation potential, which is important due to livestock components of this project.

### **Climate change adaptation**

In terms of climate change adaptation, the proposed project objectives and activities are overall expected to improve the resilience of landscapes and communities. The reduction of soil erosion and the improved retention of rainwater contribute to the buffer capacity of landscapes, particularly within the wetland areas. The adoption of improved, environmentally sustainable practices contributes to a more efficient usage of natural resources, and the project's off-farm enterprise promotion aspects contribute to lower exposure to climate shocks.

Beyond these contributions to resilience that are inherent to the project design, there is a potential to integrate climate change adaptation in a more locally tailored and explicit manner. Here, the project can build on the work carried out within the existing IFAD project portfolio on piloting PICSA, the Participatory Integrated Climate Services for Agriculture tool. Such an approach would allow communities to analyze the climate change trends and forecasts as relevant to their landscape, and analyze if further adaptation measures (e.g. changing rangeland management plans, shifting cropping calendars, changing crop choices) are needed and what is required to implement them.

Adaptation opportunities for Lesotho exist through commercialization through a focus placed on commodities for which the country has distinct comparative advantage, such as horticulture, potatoes, and aquaculture; developing the country's irrigation to its full potential.

Adaptation strategies to address the risks to the agriculture sector should include the implementation of climate smart agriculture practices, improved water management, improved monitoring and early warning, the development of knowledge and decision-support systems, and the development of new crop varieties and technologies to support farming. Additionally, the allocation of land and production to high value crops to increase and improve income generation as well as adoption of drought resistant crops like sorghum for the southern region of the country and development of water harvesting techniques throughout the country will lessen the impacts of climate change. A targeted adaptation assessment has been conducted and is in section 11 of this Review Note.

### **c. Climate change mitigation**

47. Lesotho's contribution to climate change is limited, but agriculture is the second - largest emitter of greenhouse gasses (35 per cent) in the country, 94 per cent of which emanates from livestock. This is of importance to this proposed project. Although Lesotho's Nationally Determined Contribution (NDC) submission to the UNFCCC does not specify agriculture and livestock as areas of mitigation priority, it is definitely an area worth exploring in the design of the proposed project. Improved rangeland management and improved livestock feed can significantly reduce the emission intensity of livestock, and if herd size management efforts are effective, also the total emissions. It is suggested that the project conduct carbon balance analysis for the project (using EXACT, GLEAM-I or similar) to be able to credibly detail mitigation efforts. The tandem effect of more efficient livestock systems and landscape regeneration, adding in the mitigation potential of land use change and the adaptation value of regeneration, therefore holds significant potential to transition to a low-emission, climate resilient development pathway.

## **2.3 Target group profiles**

48. The project will develop quota system and targeting strategy to ensure that discrimination is minimized and there is fair representation by the youth, women, vulnerable communities including Person with Disabilities and HIV and the poor in project interventions and leadership opportunities.

## **3. Institutional analysis**

49. The country has enacted a number of progressive laws that are meant to address gender inequalities. The most salient ones are the Legal Capacity of Married Persons Act of 2006 that put women at par with men and the Land Act of 2010 which empowers women to register land in their names. These laws are further strengthened by the Lesotho Gender Policy of 2003. Gender Policy 2003 is an instrument designed to establish and sustain support systems for encouraging equal participation of women and men, girls and boys in development. Among its objectives the policy 22 aims at facilitating regular gender training and awareness creation at all places of work to ensure that planning and managerial procedures, program design and implementation processes respond to the principles of gender equity and equality. Sexual Offence Act (2003) recognizes marital rape as an offence and criminalizes all offences of unlawful sexual nature. The law does not discriminate against any gender group; provides for compulsory HIV testing of perpetrators of sexual violence and imposes heavy penalties on perpetrators who committed the offence knowing their HIV and AIDS positive status. Companies' Amendment Act (2008) grants women opportunities for collateral to obtain loans or credit from commercial institutions and empowers them to own and manage their companies/enterprises. Though the law overlooks economic challenges faced by rural women as financial institutions require collateral that poor rural women cannot afford. Land Act of 2010 allows equal access to land by men and women, it attempts to harmonize the existing national laws and financial institutions' regulations on land as collateral. The challenge though is that access to land by women has not translated/ elevated women's status in terms of enjoying land as a productive and economic resource as there is continuing control of economic resources by men.

50. Most laws seem to generalize about women, and as such they fail to accommodate rural women's needs. The laws are not

accessible to rural women due to poor dissemination and as a result most women are not familiar with the contents of the law. There is high HIV/AIDS & GBV prevalence because of lack of implementation of some of these laws and lack of GBV Act. Land as a resource is not leased in the rural area thereby limiting women to use it to access credit and other financial gains for campaigning.

## 4. Environmental and social category

### Moderate

51. The Project's potential negative environmental and social effects are limited and site-specific, and therefore the environmental and social categorization is B. Given the environmental management thrust of the project, the expected environmental impacts are predominantly positive. Potential negative social impacts emanate from the temporarily or structurally reduced access to natural resources, particularly grazing land. The project is deploying participatory methods to ensure these effects are recognized and minimized and that alternatives are offered to those people affected.

## 5. Climate risk category

52. The climate risk classification is Substantial. "Substantial Risk: There is the potential for widespread impacts from climate change. Outcomes may be undermined by climate change and adaptation measures may not be readily available. Financial, environmental, and social underperformance or failure cannot be excluded. However, risk-management activities are likely to increase the resilience and adaptive capacity of households, infrastructure, communities, and ecosystems."
53. Climate change effects play a significant role in threatening food security and in the degradation of landscapes, yet the project's objectives and activities are specifically geared to counter this.
54. Substantial Risk projects require a targeted adaptation assessment in order to identify measures for reducing risks and impacts (See section 11 of the Review Note).

## 6. Recommendations for project design and implementation

### A. Labour and working conditions

55. The project will ensure that national laws and ILO best practices on labour and working conditions are adhered to during the execution of the project. These include liaising with relevant agencies in the prevention of all forms of forced labour, child labour and discrimination in project sites. The project will also ensure acceptable standards of occupational health and safety are adhered to through: training farmers on safe handling and appropriate use and disposal of agrochemicals; and fencing off water pans to prevent falls and injuries. Soil and water intervention measures will also be carried out, e.g. building terraces and planting vegetation on steep slopes to reduce the risks of mudslides during rains.
- Ensure equitable participation in project activities.
  - Promote decent work, including through contractual arrangements, in line with IFAD's policy on preventing and responding to sexual harassment, sexual exploitation and abuse.
  - Promote climate-smart agriculture practices that increase adaptive capacity and reduce emissions
56. IFAD will supervise the implementation of these mitigation measures as part of its regular project monitoring and supervision process. Through its annual reporting cycle, the PMU will be required to report on the implementation of the measures and the effectiveness thereof. IFAD supervision missions will review the reports prepared and validate findings through field visits and interviews with relevant stakeholders.

### B. Stakeholder engagement

57. The project will consult and engage with relevant stakeholders in all stages of the project cycle. The project has created governance structures such as the project steering committee, which includes public and private sector players. The project will also work closely with community forest associations and water resource user associations, including local communities to ensure they are well engaged and represented in the project cycle. The project will also conduct an inventory of other development partners working in the country to enhance cooperation, synergy and close working relationships. Upon the completion of the ESMP the project will undertake stakeholder consultations to discuss the reports, obtain feedback and validation of reports.

### C. Environment and Social mitigation measures

58. The principal safeguard measure in the project will be to ensure a thorough, well-structured and inclusive participatory process in developing and implementing project activities, including landscape management plans. Within this process, it is essential that any potential negative impact is identified at the local level and mitigation measures are included in the same plan.

59. At project design stage, a draft guideline for the participatory process will need to be developed that incorporates step-by-step guidance on identifying risks, understanding their potential impact, and proposing mitigation measures or alternative project options. This guideline will include a list of the most common risks and associated mitigation strategies, for instance the risk that temporary closure of grazing lands negatively impacts those households who do not have the option of feeding their cattle in a feedlot or letting them graze elsewhere. Due attention will also be given on guidance to community-determined penalty systems for instance regarding non-adherence to grazing rules.
60. Care will need to be taken in mitigating any potential project activities (especially concerning livestock) that may lead to greenhouse gas emission increases. A carbon balance analysis should be conducted to give an accurate representation of sequestering and emissive activities.

#### **D. Climate Change mitigation measures**

61. As stated above, the thrust of the program in terms of landscape regeneration has significant potential for climate change mitigation co-benefits. These benefits, including those from improved livestock herd management and from land use change activities, will be further analyzed during the project design mission.
62. Lesotho is at risk from overgrazing and mono cropping (mainly maize), both activities leading to depleted land resources which will only increase the country's and populations vulnerability.
63. Expanded adaptation opportunities exist through commercialization of certain value chains in which Lesotho has an advantage or niche, such as horticulture, potatoes, and aquaculture. There are myriad ways of achieving this including developing the country's irrigation to its full potential.
64. Efforts can be made through developing the linkages that connect smallholders to export and domestic markets. Adaptation strategies to address the risks to the agriculture sector should include the implementation of climate smart agriculture practices, improved water management, improved monitoring and early warning, the development of knowledge and decision-support systems, and the diversification of crop varieties and technologies to support farming. Additionally, the allocation of land to drought resistant crops like sorghum for the southern region of the country and development of water harvesting techniques throughout the country will lessen the impacts of climate change.

### **7. Further studies needed**

65. No further studies are required.

### **8. Monitoring and evaluation**

66. As mentioned above, IFAD will monitor the implementation of the SECAP-related measures and the ESMF, through its regular project supervision
67. As mentioned above, IFAD will monitor the implementation of the SECAP-related measures and the ESMF, through its regular project supervision process. The M&E system will be deployed at two levels of project management: PMU, and relevant partner organisations. M&E will also be aligned with the IFAD baseline project and will be designed on the basis of the indicators and means of verification specified in the results framework. It will also build on the experiences gained by previous IFAD-financed projects, be consistent with the IFAD procedures and guidelines, including Operational Results Management Systems (ORMS). The main purpose of M&E is to provide early information on progress toward achieving intended objectives by complementing the learning from the M&A. By tracking progress, monitoring helps to identify implementation issues that facilitate adaptive management within the project context. The Project Implementation Report will be produced annually to track progress.

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## ESCMP Matrix

75. The following is the environmental, social and climate management plan (ESCMP)

Table 1: Environmental and social mitigation measures, monitoring and indicators

No.	RISKS	MITIGATION MEASURES	PUBLIC CONSULTATION ACTIVITIES	IMPLEMENTATION BY	MEANS OF VERIFICATION / INDICATORS	FREQUENCY OF VERIFICATION
1.0	<b>ENVIRONMENTAL RISKS</b>					
1.1	<b>PHYSICAL AND NATURAL RESOURCES</b>					
1.1.1	<b>Soil and Land Degradation</b>					
	<ul style="list-style-type: none"> <li>· Farming activities</li> <li>· Land clearing to establish breeding studs.</li> <li>· Point source contamination from spilled paints, diesel, lubricants etc. around workshop areas.</li> <li>· Hazardous Materials spillages</li> <li>· Construction risks of spills (oil, lubricants), during establishment of Agriculture facilities</li> </ul>	<ul style="list-style-type: none"> <li>· Avoid and minimize use of hazardous materials</li> <li>· Ensure adequate waste management</li> <li>· Appropriate containment measures for all operational areas and proper disposal of used lubricants.</li> <li>· Take measures to identify any residual impacts from traces of pollutants accidentally discharged into the environment.</li> <li>· Erection of Erosion Control Structures</li> <li>· Encourage earth/soil collection from existing borrow pits</li> <li>· Encourage grass planting or (temporary) fencing to regenerate vegetation</li> </ul>	Stakeholder engagements during meetings and field visits	<ul style="list-style-type: none"> <li>· WAMC_P Contractors</li> <li>· WAMC_P</li> <li>· Service Provider</li> </ul>	<ul style="list-style-type: none"> <li>· Contamination of nearby water resources.</li> <li>· Number of reported pollution events</li> <li>· Geo maps, observation,</li> <li>· pictures, inspection</li> </ul>	Quarterly
1.1.1	<b>Disturbance of Marginal Areas</b>					



	<ul style="list-style-type: none"> <li>· Establishing the projects in such areas poses serious threats to their further degradation.</li> <li>· Re-establishing Sheep Studs.</li> </ul>	<ul style="list-style-type: none"> <li>· Avoid extraction of raw materials from marginal areas,</li> <li>· No construction of structures in marginal areas.</li> </ul>	Stakeholder engagements during meetings and field visits	<ul style="list-style-type: none"> <li>· WAMC_P Contractors</li> <li>· WAMC_P</li> </ul>	<ul style="list-style-type: none"> <li>· Inspections of state of the marginal areas.</li> </ul>	Quarterly
<b>1.1.1</b>	<b>Loss of Fragile Ecosystems</b>					
	<ul style="list-style-type: none"> <li>· Fragile ecosystems like wetlands, quickly degrade and lose their functionality if misused.</li> </ul>	<ul style="list-style-type: none"> <li>· Conduct feasibility studies before construction,</li> <li>· Use expert knowledge of ecologists,</li> <li>· Introduction of ecosystem conservation projects,</li> <li>· Fencing out some sensitive sites.</li> <li>· Harvesting of resources in wetlands must be controlled.</li> <li>· Agricultural activities in wetlands must be under controlled conditions – sustainable use of wetlands.</li> <li>· Invasive alien species must not be introduced into sensitive ecosystem.</li> </ul>	Stakeholder engagements during meetings and field visits	<ul style="list-style-type: none"> <li>· WAMC_P Contractors</li> <li>· WAMC_P</li> </ul>	<ul style="list-style-type: none"> <li>· Inspections of state of the marginal areas.</li> </ul>	Quarterly
<b>1.1.1</b>	<b>Air Quality</b>					
	<ul style="list-style-type: none"> <li>· Air quality will be impacted by emissions from vehicles, equipment and released particulate matters.</li> <li>· Demolition to modify the built environment will lead to considerable levels of cement dust and asbestos dust which can affect the health of the workers and the public.</li> <li>· Dust from Fodder processing at Grinding Mills.</li> <li>·</li> </ul>	<ul style="list-style-type: none"> <li>· Contractors should use dust screens or nets in windows, doorways and ventilators of rooms where demolition or other dusty construction activities are occurring</li> <li>· Processing waste must be handled properly to avoid contamination and smells.</li> <li>· Dust suppression measures such as watering of dusty surfaces must be instituted at all sites.</li> <li>· Accredited firms must be contracted to manage hazardous materials such as asbestos</li> <li>· Use dust suppression measures at fodder processing plants.</li> </ul>	Project Coordination, District /Municipal, Environment Departments	<ul style="list-style-type: none"> <li>· WAMC_P Contractors</li> <li>· WAMC_P</li> <li>· DoE</li> </ul>	<ul style="list-style-type: none"> <li>· Inspections of state of the work areas.</li> <li>· Availability of dust suppression measures.</li> </ul>	Quarterly
<b>1.1.1</b>	<b>Contamination of Water Resources</b>					

	<ul style="list-style-type: none"> <li>Water quality will be impacted by wastewater discharges from construction activities including onsite sewage and rainwater run-off.</li> <li>Contamination of water resources from effluent discharges</li> </ul>	<ul style="list-style-type: none"> <li>Contractor to employ proper sanitary facilities</li> <li>Pollution from lubricants and other wastes to be avoided.</li> <li>Promote compliance with national discharge standards</li> <li>Install proper effluent handling facilities at every agricultural establishment.</li> <li>discharge effluent that meets the national discharge standards</li> <li>Maintain safe distance (+50 feet) between latrine and water sources</li> <li>Take corrective action when water contamination is established</li> </ul>	<p>Project Coordination, District /Municipal, Environment Departments</p>	<ul style="list-style-type: none"> <li>WAMC_P Contractors</li> <li>WAMC_P</li> <li>DoE</li> <li>District/Local extension workers</li> </ul>	<ul style="list-style-type: none"> <li>Discharge of poor-quality effluent</li> <li>Change in chemical and biological water quality</li> <li>Number of reported pollution events</li> </ul>	<p>Bi-annually Annually</p>
<b>1.1.1</b>	<b>Agro-Chemical Pollution</b>					
	<ul style="list-style-type: none"> <li>Pollution of water resources from excess fertiliser applications for fodder production.</li> <li>Pollution from inappropriate use of biocides</li> <li>establishment and operation of infrastructure for artificial insemination</li> </ul>	<ul style="list-style-type: none"> <li>Apply fertiliser correctly and in the right amounts.</li> <li>Use split application.</li> <li>Store biocides, fertilisers and animal feeds in separate, lockable storerooms to avoid contamination.</li> <li>Train farmers on use, handling, storage and disposal of agro-chemicals.</li> </ul>	<p>Stakeholder engagements during meetings and field visits</p>	<ul style="list-style-type: none"> <li>WAMC_P Contractors</li> <li>WAMC_P</li> <li>DoE</li> <li>MAFS</li> </ul>	<ul style="list-style-type: none"> <li>Number of trained farmers.</li> <li>Availability of lockable separates storerooms for agro-chemicals</li> </ul>	<p>Quarterly</p>
<b>1.1.1</b>	<b>Noise</b>					
	<p>Noise and vibration caused by machines, site vehicles, pneumatic drills etc.</p>	<ul style="list-style-type: none"> <li>Contractor to avoid old and faulty equipment.</li> <li>Heavy duty equipment to be minimized.</li> <li>Noisy operations to be limited to certain times.</li> <li>Noise levels to be limited to within acceptable levels.</li> </ul>	<p>Stakeholder engagements during meetings and field visits</p>	<ul style="list-style-type: none"> <li>WAMC_P Contractors</li> <li>WAMC_P</li> <li>DoE</li> </ul>	<ul style="list-style-type: none"> <li>Use of well serviced equipment.</li> <li>Noisy operations to be limited to certain times.</li> </ul>	<p>Quarterly</p>
<b>1.1.1</b>	<b>Deforestation</b>					

	clearing land for Construction purposes and establishment of Studs	<ul style="list-style-type: none"> <li>· Discourage cutting of mature trees by awareness raising</li> <li>· Ensure protection of buffer zones along rivers by awareness raising</li> <li>· Promote agroforestry through technical training</li> </ul>	Stakeholder engagements during meetings and field visits	<ul style="list-style-type: none"> <li>· MAFS</li> <li>· WaMC_P</li> <li>· REMA experts</li> <li>· Local extension workers</li> <li>· Service provider</li> </ul>	Inspection, visual observations, pictures, geo mapping	Quarterly
<b>1.2</b>	<b>CONSTRUCTION IMPACTS</b>					
<b>1.2.1</b>	<b>Construction Debris and Waste</b>					

	<ul style="list-style-type: none"> <li>· Construction activities including restocking of building materials, etc. will generate construction debris, dust, noise and constitute public nuisance.</li> <li>· Construction may also cause occupational health and safety issue such as accidents, injuries (and deaths) from falls from heights, slips and tripping, electrocution, vehicular traffic, etc.</li> </ul>	<p>Mitigation measures during construction will include the following:</p> <ul style="list-style-type: none"> <li>i. Construction debris must be disposed of properly and not allowed to accumulate at the construction sites.</li> <li>ii. Employ dust suppression measures to reduce dust emissions.</li> <li>iii. Use less noisy equipment and work during normal working hours to avoid disturbing the rest of the community</li> <li>iv. Develop a Health and Safety Plan (HASP);</li> <li>v. Develop a Construction Operations Plan;</li> <li>vi. Restrict construction to designated areas and times;</li> <li>vii. Development of various management plans, including <ul style="list-style-type: none"> <li>a. construction-related environmental and social management plan;</li> <li>b. occupational health and safety plan; community health and safety plan;</li> <li>c. traffic management plan;</li> <li>d. waste management plan,</li> <li>e. emergency response plan;</li> </ul> </li> <li>viii. labour force management plan;</li> <li>ix. Ensure proper working conditions for construction workers, including provision of sanitary facilities, potable water, rest areas, induction training, provision of PPE, work schedules (stipulating work hours per week).</li> <li>x. Provide PPEs and ensure that they are worn when workers are working</li> <li>xi. Carry out morning tool box sessions and provide appropriate training to workers who may be engaged in dangerous activities such as working from heights or with electric cables.</li> <li>xii. Switch off electricity when work is done around electric cables and switches</li> </ul>	<p>Project Coordination, District /Municipal, Environment Departments</p>	<ul style="list-style-type: none"> <li>· WAMC_P Contractors</li> <li>· WAMC_P</li> <li>· MAFS</li> <li>· DoE</li> </ul>	<ul style="list-style-type: none"> <li>· Inspection,</li> <li>· visual observations,</li> <li>· pictures</li> <li>· Record of awareness creation activities.</li> <li>· No. of procurement activities</li> <li>· embedding environment and social safeguards</li> </ul>	<p>Monthly</p>
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1.2.1	Temporary Visual Intrusions					
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10. Free, Prior and Informed Consent in IFAD Investment Projects (FPIC)

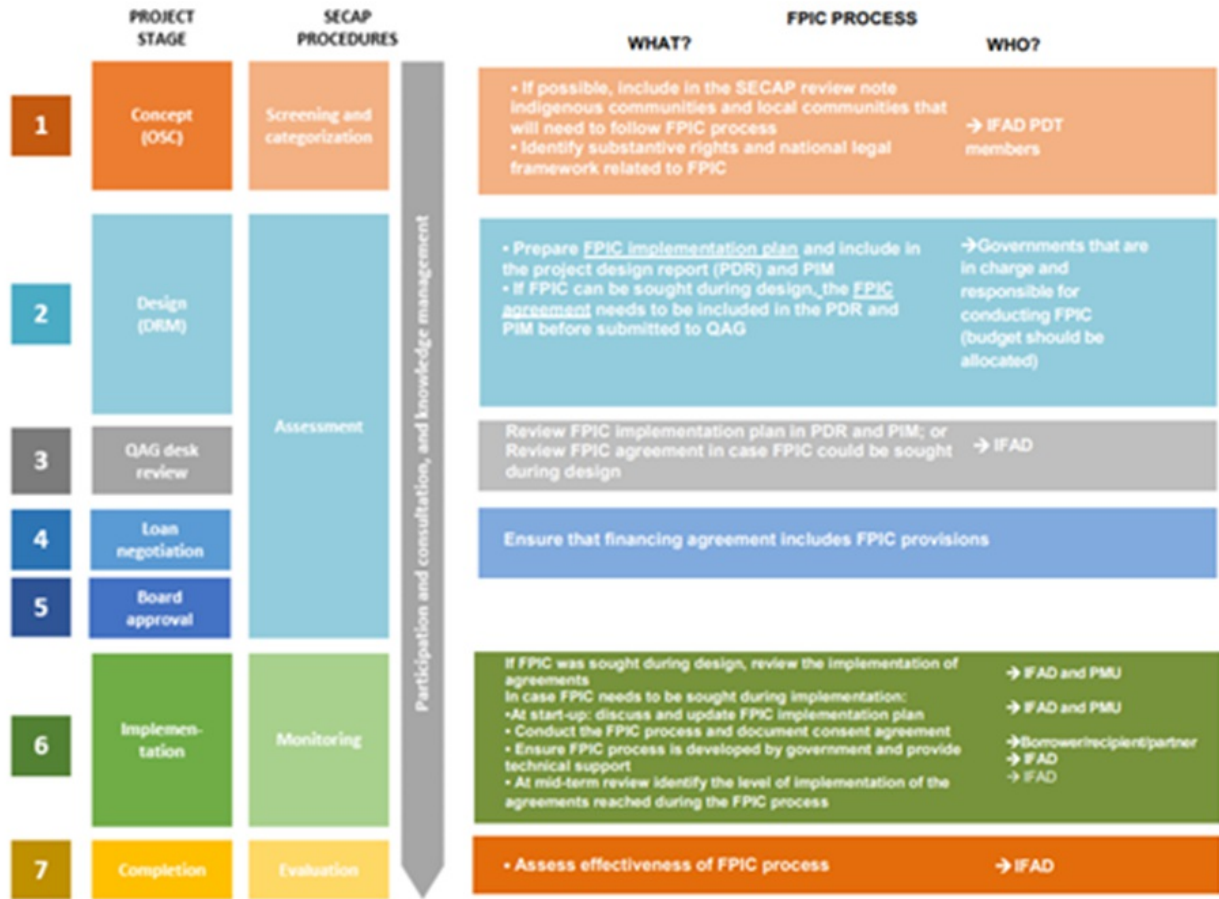


Figure 8: Free, Prior and Informed Consent (FPIC)

10.1 Free, Prior and Informed Consent in IFAD Investment Projects (FPIC)

76. Free, prior and informed consent (FPIC) is an operational principle empowering local communities to give or withhold their consent to proposed investment and development programmes that may affect their rights, access to lands, territories and resources, and livelihoods (IFAD, 2015). FPIC is solicited through consultations in good faith with the representative institutions endorsed by communities. It ensures that they participate in decision-making processes concerning a given development project.

77. Consent should be sought in a way that is “free, prior and informed” :

- Free implies no coercion, intimidation, or manipulation.
- Prior implies that consent has been sought sufficiently in advance of any decision point or commencement of activities.
- Informed implies that information provided covers all relevant issues to make decision maker fully enlightened.
- Consent is the expected outcome of the consultation, participation, and collective decision-making process by the local communities.

10.2 General guiding principles

a) Responsibility and institutional capacity for seeking FPIC

78. The IFAD general policies and procedures, stipulate that the borrower or grant recipient is responsible for programme and project preparation, including social, environmental and climate assessments and seeking FPIC. In this case the Government of Lesotho (GoL) through the WaMCoP will be responsible for seeking the FPIC.

79. The first step is for the GoL to identify the laws that regulate the rights to land and resources, and check if it has demarcated and recognizes community lands. If Lesotho has not done so, this can be rectified by conducting early consultations with concerned

communities and inclusion in project design of the measures, approaches and resources for ensuring demarcation and recognition of territorial and communal rights.

**b) Identifying representative institutions**

80. To ensure legitimacy, it is crucial that FPIC be obtained from the representative institutions of local communities. Understanding how communities make decisions is the first important step in the FPIC process. The important criteria are that representation should be determined by the concerned peoples and communities themselves to avoid misrepresentation or manipulation. This can be done in line with the community structure for representation, figure Ann 9 below.

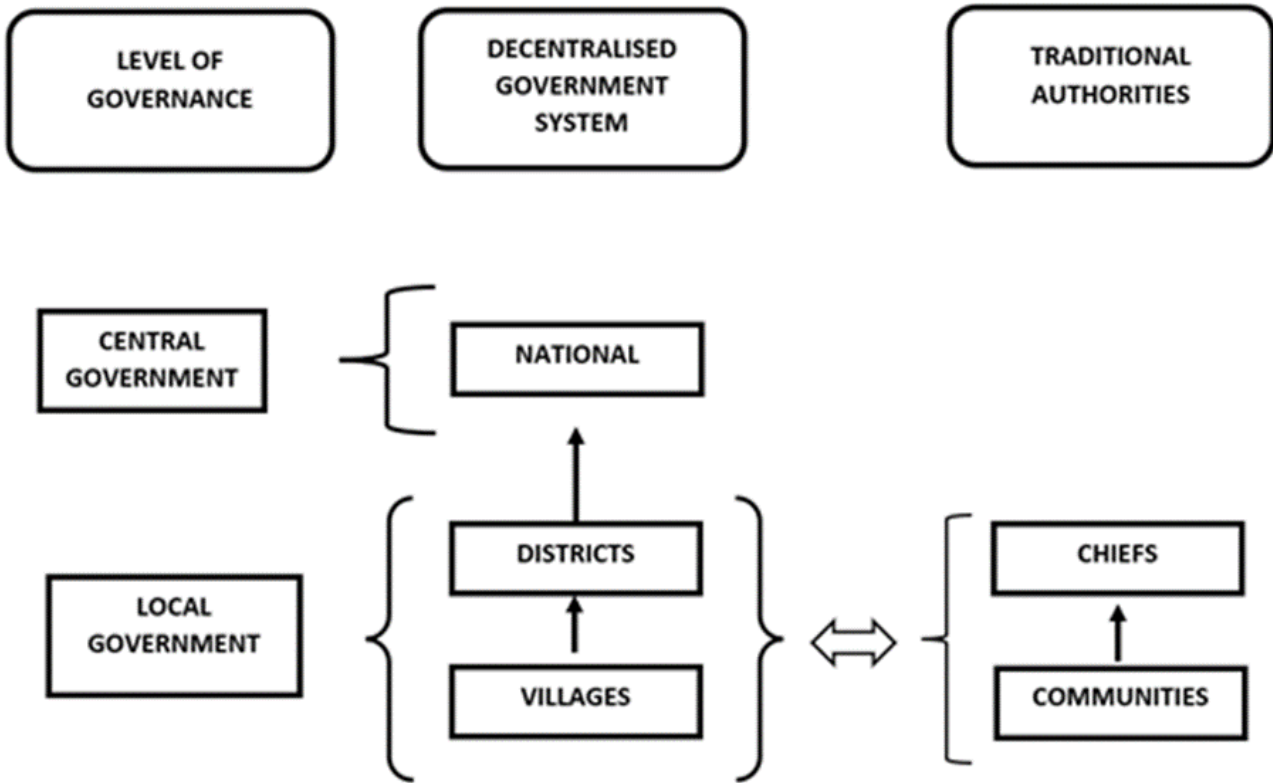


Figure 9: The Local Governance structures in The Kingdom of Lesotho

81. In general, representative institutions must strive to adhere to the principles of inclusive consultation, participation, and consent in their internal decision-making processes.

82. The FPIC process at design and implementation phases is intended to ensure that the project does not negatively affect the future beneficiaries. Solutions should be found during the consultation on how to maximize benefits expected from local communities.

**c) Consultation, participation, and consent**

83. Consultation is an important feature of any project design process. WAMCOP is expected to follow the IFAD participatory approach to ensure that local communities are included in project design. It will give appropriate attention to women, young people and indigenous groups in these consultations.

84. Besides the initial Impact assessments of the project at design stage, GoL will institute a continuous consultation process during implementation.

85. Consent to the project or to a project component or specific activity under a component, will be an outcome of the collective decision-making process by the local communities. GoL will seek recorded consent agreements with the concerned communities through their freely chosen representative bodies to engage in the FPIC process.

86. The consent agreement and record will document the outcome(s) of the process and terms and conditions agreed upon. It will also document any dissent to the overall project or project activities. The agreement must be independently verified as fair and true by the communities and follow the process agreed by them. The procedures and rules of the FPIC process will be largely determined by the communities affected and those who have the right to give or withhold consent. The FPIC process must be in harmony with their own governance and internal collective process for taking decisions.

**d) Documenting consultation, participation and FPIC**

87. GoL will undertake to document all consultations, participations, and consents in the following manner:

- **Keep record of consultations undertaken:** how participants were selected and invited; what documentation/information they received beforehand and in which language; who participated; what was discussed; and what was agreed.
- **Keep record of participation:** when did representatives of indigenous peoples and local communities participate; how they were selected; what institutional roles or accountability links to constituents do they have; what commitments do they assume; and what agreements were made.
- **Document specific instances that express FPIC:** often FPIC is expressed as an agreement between the borrower (or the duly designated implementing agency) and the concerned local communities. These agreements should clearly articulate what has been agreed (issues, commitments, time frames, budgets, roles, responsibilities, etc.); who entered into the agreement (clearly identifying the individuals involved as well as their title and role); and what mechanisms have been set up to maintain dialogue and address disagreements.

**e) Where to seek FPIC?**

88. FPIC is not so much a safeguard principle, rather a proactive approach to identify development pathways with local communities and it is applied in two scenarios (IFAD, 2015):

- Investment projects that may have an impact on the land access and use rights of rural communities,
- Projects targeting indigenous peoples or rural areas that are home to indigenous and tribal peoples and ethnic minorities.

89. The first scenario refers to the type of investment project and the second to the type of project area and target groups. Table Ann 5-2 outlines the FPIC requirement according to these two criteria.

Table 2: FPIC requirements based on project type and areas of intervention (IFAD, 2015)

No	Location	Project likely to affect land access and/or use rights of communities	Agricultural and rural development projects unlikely to affect land rights (agricultural technologies and production, value chain development, social infrastructure)	Project supporting demand-driven services to individuals (rural finance, small and medium-sized enterprise development)
1.	Rural areas without indigenous peoples or minorities.	A. YES	B. NO	C. NO
2.	Rural areas with some indigenous peoples and minorities' communities.	D. YES	E. On a case-by-case basis	F. NO
3.	Indigenous people's territories or tribal areas	G. YES	H. YES	I. YES

90. In projects that affect land access and use rights of communities, the principle of FPIC is applied to local communities in a broad sense, i.e., the local communities that will potentially be affected, are identified during project design and in application of SECAP.

91. However, there is a general requirement for FPIC. in areas that are home to indigenous and tribal peoples and ethnic minorities,

**When to Seek FPIC**

92. FPIC is sought at design phase when the precise nature and specific location of an investment is known and well defined. In the case of WaMCoP the precise nature and specific locations of the potential investment are not known, thus GoL is not expected to directly seek FPIC at this stage.

93. FPIC for the WaMCoP will be sought during the implementation phase when:

- The project, or some of its component, is likely to affect land access and use rights of local communities, and/or
- Communities are not identifiable at project design stage.
- Specific investments in specific communities are not predefined during project design phase, but open to communities' demand during the project implementation period.

94. The outline for the FPIC plan includes the following steps in the process and include timeline:

- Sociocultural and land tenure assessment (as part of the IFAD standard poverty analysis, which needs to be deepened in

certain aspects as described in Table Ann 5-3 below);

- Identification of decision-making institutions and representatives to ensure full, effective and equal participation of stakeholders.
- Consultation process leading to FPIC.
- Formalized consent agreement.

95. The FPIC implementation plan indicates:

- When and how the sociocultural and land tenure assessment will be undertaken.
- When and how consultations will be carried out to identify decision-making institutions.
- When and how consultations leading to FPIC will be carried out.
- By when the consent agreement will be formalized with the local communities.

Table 3: Seeking FPIC at implementation stage (IFAD, 2015)



Prepare FPIC Implementation Plan	Implement FPIC Plan	Formalise Consent	Asses FPIC Implementation
<p><b>During Design Phase before QA (Annexed to PDR)</b></p> <p>The FPIC implementation plan should specify:</p> <ul style="list-style-type: none"> <li>How and when to conduct the socio-cultural and land Tenure assessment.</li> <li>How and when to identify decision-making institutions and representatives</li> <li>How and when to conduct consultation leading to FPIC</li> <li>Involve experts in the design team.</li> <li>During project design missions consult with farmers and indigenous peoples' organisations and agree on the FPIC plan.</li> </ul>	<p><b>From start-up workshop and before any investment is made</b></p> <p>Confirm/revise FPIC implementation plat at start of workshop</p> <p>Conduct/(review if available) socio-cultural and land tenure assessment</p> <p>Identify decision-making institutions</p> <ul style="list-style-type: none"> <li>Conduct preliminary consultations with the community and explain the nature of the proposed project.</li> <li>Allow time for communities to discuss and decide on their representatives for the consultation process leading to FPIC</li> <li>Clarify responsibilities of representatives</li> <li>Agree on the process leading to FPIC</li> <li>Identify signatory parties leading for the consent agreement.</li> </ul> <p>Conduct consultation leading to FPIC before any investment is made</p> <ul style="list-style-type: none"> <li>Share objectives and scope of the project with the representatives identified by the communities and identify project component(s) requiring FPIC</li> <li>Inform them on the actors financing and implementing the project and their respective responsibilities.</li> <li>Provide clear and transparent information on the benefits and risks of the project.</li> <li>Share the findings of the socio-cultural, land tenure and environmental assessment.</li> <li>Formalise Consent Agreement</li> </ul>	<p><b>Before any investment is made</b></p> <p>The format for a consent agreement includes:</p> <ul style="list-style-type: none"> <li>Respective Expectations</li> <li>Proposed project duration, expected results and activities</li> <li>Participatory monitoring and verification plan and procedures.</li> <li>Identification of grievances procedures and mechanism.</li> <li>Terms of withdrawal of consent.</li> <li>Record of process through means and languages accessible to all stakeholders and parties involved.</li> </ul>	<p><b>Asses FPIC Implementation</b></p> <p><b>Implementation support/joint review missions</b></p> <p>Engar jo A Ide and</p> <p>What?</p> <p>When?</p> <p>How?</p> <p>How?</p>

## 11.0 Targeted Adaptation Assessment

### SHORT-LISTING OF FEASIBLE ADAPTATION OPTIONS

96. The first step is to identify a long-list of adaptation options to build resilience in the wool and mohair value chain.
97. The second step was to categorise the long list of options. This resulted in a shorter list of feasible options.
98. The third step was to filter the short list of options down to the list of “most feasible adaptation options”.

99. The filtration process led to the identification of the “most feasible programmatic options.” As Table Ann 5-4 shows, these options have different characteristics in terms of the climate hazards they address, and the issues in the agriculture sectors that are critical to their delivery.

100. The options were filtered according to a number of criteria:

- First criterion.

101. Does the option pass an initial assessment of relevance and feasibility to be implemented in the local context?

- Second criterion.

102. Does the option provide a positive contribution to reaching the national targets of wool and mohair productivity levels?

- Third criterion.

103. Does the option help to alleviate the constraints in the wool and mohair value chain?

- Fourth criterion.

104. Does the option provide significant reductions to the current costs of withstanding weather variability and future climate change?

105. The following table Ann 5-4 presents the most feasible adaptation options that were identified in regard to the wool and mohair sector.

Table 4: Climate change adaptation options, (Tippmann and Baroni, 2017).

No.	HIGHLY VULNERABLE ISSUE	ADAPTATION OPTION
1.0	Cost of agricultural production and agriculture in general	Agricultural disaster risk reduction and management (DRR/M)
		Establishment of farmers' support (subsidies, awareness training programs)
		the development of knowledge and decision-support systems
2.0	Climate Shocks	off-farm enterprise promotion
		improved monitoring and early warning
3.0	Irrigation including for fodder production.	Enhance sustainable community-level irrigation schemes and infrastructure
		Improve water-use efficiency and using alternative water resources
		developing the country's irrigation to its full potential
		improved water management including the development of water harvesting techniques.
		The development of new crop varieties and technologies to support farming.
4.0	Grazing areas	Land-use planning and management - greening, afforestation, and rangeland development
		changing rangeland management plans

5.0	Soil erosion	reduction of soil erosion
		improved retention of rainwater
6.0	Environmental protection	improved, environmentally sustainable practices.
7.0	Production of field crops	implementation of climate smart agriculture practices
		shifting cropping calendars
		changing crop choices (horticulture, potatoes, and aquaculture).
8.0	Livestock production	Increase the availability of animal feed (including plant and organic residues) at an affordable price
		Improve livestock production pens
9.0	Value of raw materials imported	Replace imported raw materials with local materials whenever possible

## APPRAISAL OF FEASIBLE OPTIONS

106. The most feasible options were identified using expert decision making. However, to know which option and when the options should be implemented, they need to be appraised in more detail. The answer to “where”, is given by a Multi-Criteria Analysis, (MCA) approach, whilst the answer to “when”, is given by an iterative risk management (IRM) approach. (FDRE, 2013; Seitz J, 2014)

### Multi-Criteria Analysis, (MCA) Approach

107. The Multi-Criteria Analysis, (MCA) approach is used to decide which “most feasible options” should be implemented. In appraising the options, the approach takes into consideration several criteria including costs, benefits, and urgency. The approach was used to prioritize urgent and immediate adaptation options. It was purely an expert-driven process, using information gathered from a wide stakeholder engagement.

108. The MCA method was chosen because there was a clear indication that numerous criteria and indicators, not just monetary ones, must be considered in the prioritization of the adaptation options. The “most feasible adaptation options” which were identified above (Table 5), will be prioritized in the current section. The prioritization will follow the following steps:

- Step 1: Identify prioritization criteria,
- Step 2: Identify outcome and performance of options against the criteria,
- Step 3: Assign weights to each criterion.

109. **Step 1: Identify prioritization criteria**” The criteria against which the feasible adaptation options were judged and prioritized were identified. The different criteria used in the MCA were independent of each other, and included the following:

- Economic costs and benefits,
- Level of climate resilience and robustness,
- Synergy with national plans and Multilateral Environmental Agreements,
- Urgency,
- Complementarity with national plans institutional feasibility.

110. **Step 2: Identify outcome and performance of each option so that they can be ranked against identified criteria:** The performance of each option was assessed against each criterion on a scale of 0 – 1. This was done by developing a performance matrix for the adaptation options as depicted in Table Ann 5-4. Each criterion is ranked on a 0–1 scale and combined based on the criteria weights to find a combined score for each option, which then was used to rank the options for decision making.

111. The adaptation option, “Improve the breed to produce quality wool and mohair” ranked highest followed by “Increase the availability of animal feed....” and then by “Proper Land-use planning and management”

Table 5: Adaptation decision matrix (without criteria weighting). Source adapted from RoR, 2006

CRITERIA OPTIONS	ECONOMIC COSTS AND BENEFITS	LEVEL OF CLIMATE RESILIENCE AND ROBUSTNES S	SYNERGY WITH NATIONAL PLANS AND MULTILATERAL ENVIRONMENTAL AGREEMENTS	URGENCY	COMPLEMENTA RY WITH NATIONAL PLANS INSTITUTIONAL FEASIBILITY	FINAL SCORE	RANK
Agricultural disaster risk reduction and management (DRR/M)	0.50	0.75	0.75	0.5	0.6	3.10	11
Establishment of farmers' support (subsidies, awareness training programs)	0.75	0.5	1	1	1	4.25	7
off-farm enterprise promotion	0.75	0.75	0.60	1	1	4.10	8
improved monitoring and early warning	0.25	0.5	0.25	0.75	0.5	2.25	12
improve water-use efficiency and water management including the development of water harvesting techniques.	0.75	0.85	1	1	1	4.60	5
Increase the availability of animal feed (including plant and organic residues) at an affordable price by supporting in country supply of feed raw materials.	1	1	1	1	0.90	4.90	2
implement climate smart agriculture practices	0.75	1	1	1	0.75	4.50	6
Proper Land-use planning and management - greening, afforestation, and rangeland development	1	1	1	1	0.80	4.80	3
changing rangeland management plans	0.75	0.75	1	1	1	4.00	9
Mitigation and reduction of soil erosion.	1	1	0.75	1	1	4.75	4
Improve the breed to produce quality wool and mohair	1	1	1	1	1	5.00	1

Replace imported raw materials with local materials whenever possible	0.5	0.75	0.75	1	0.5	3.50	10
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112. **Step 3: Assign weights to each criterion to reflect its relative importance and aggregate:** Once options have been identified and a set of criteria has been developed, the next step of an MCA method requires deciding if separate weights need to be assigned to different criteria. The weights reflected the importance of each criterion in meeting the overall objectives of the decision, including preferences of stakeholders derived from the consultations. This is illustrated in in Table Ann 5-6.

113. This was done by proposing the following weights for the identified criteria:

Table 6: weights for the identified criteria

No.	IDENTIFIED CRITERIA	WEIGHT
1.	Economic costs and benefits	0.20
2.	Level of climate resilience and robustness	0.30
3.	Synergy with national plans and Multilateral Environmental Agreements	0.15
4.	Urgency	0.20
5.	Complementary with national plans institutional feasibility	0.15

114. This time around, the adaptation option, “Improve the breed to produce quality wool and mohair” ranked highest followed by “Increase the availability of animal feed” and then by “Proper Land-use planning and management...”. The inclusion of weightings reshuffled the priority of the options, aligning them more to the preferences of the stakeholders and the political and strategic priorities of the country or sector.

Table 7: Adaptation decision matrix (with criteria weighting)

CRITERIA OPTIONS	ECONOMIC COSTS AND BENEFITS	LEVEL OF CLIMATE RESILIENCE AND ROBUSTNESS	SYNERGY WITH NATIONAL PLANS AND MULTILATERAL ENVIRONMENTAL AGREEMENTS	URGENCY	COMPLEMENTARY WITH NATIONAL PLANS INSTITUTIONAL FEASIBILITY	FINAL SCORE	RANK
<b>CRITERIA WEGHT</b>	<b>0.20</b>	<b>0.30</b>	<b>0.15</b>	<b>0.20</b>	<b>0.15</b>		
Agricultural disaster risk reduction and management (DRR/M)	$0.50 \times 0.20 = 0.1$	$0.75 \times 0.30 = 0.225$	$0.75 \times 0.15 = 0.1125$	$0.5 \times 0.20 = 0.1$	$0.6 \times 0.15 = 0.09$	0.6275	11
Establishment of farmers' support (subsidies, awareness training programs)	$0.75 \times 0.20 = 0.15$	$0.5 \times 0.30 = 0.15$	$1 \times 0.15 = 0.15$	$1 \times 0.20 = 0.2$	$1 \times 0.15 = 0.15$	0.8	9

off-farm enterprise promotion	$0.75 \times 0.20 =$	$0.75 \times 0.30 = 0.225$	$0.60 \times 0.15 = 0.09$	$1 \times 0.20 = 0.2$	$1 \times 0.15 = 0.15$	0.865	8
improved monitoring and early warning	$0.25 \times 0.20 =$	$0.5 \times 0.30 = 0.15$	$0.25 \times 0.15 = 0.0375$	$0.75 \times 0.20 = 0.15$	$0.5 \times 0.15 = 0.075$	0.6125	12
improve water-use efficiency and water management including the development of water harvesting techniques.	$0.75 \times 0.20 =$	$0.85 \times 0.30 = 0.225$	$1. \times 0.15 = 0.15$	$1 \times 0.20 = 0.2$	$1 \times 0.15 = 0.15$	0.925	6
Increase the availability of animal feed (including plant and organic residues) at an affordable price by supporting in country supply of feed raw materials.	$1 \times 0.20 =$	$1 \times 0.30 = 0.3$	$1 \times 0.15 = 0.15$	$1 \times 0.20 = 0.2$	$0.90 \times 0.15 = 0.135$	0.985	2
implement climate smart agriculture practices	$0.75 \times 0.20 =$	$1 \times 0.30 = 0.3$	$1 \times 0.15 = 0.15$	$1 \times 0.20 = 0.2$	$0.75 \times 0.15 = 0.1125$	0.9625	4
Proper Land-use planning and management - greening, afforestation, and rangeland development	$1 \times 0.20 =$	$1 \times 0.30 = 0.3$	$1 \times 0.15 = 0.15$	$1 \times 0.20 = 0.2$	$0.80 \times 0.15 = 0.12$	0.97	3
changing rangeland management plans	$0.75 \times 0.20 =$	$0.75 \times 0.30 = 0.225$	$1 \times 0.15 = 0.15$	$1 \times 0.20 = 0.2$	$1 \times 0.15 = 0.15$	0.925	6
Mitigation and reduction of soil erosion.	$1 \times 0.20 = 0.20$	$1 \times 0.30 = 0.3$	$0.75 \times 0.15 = 0.1125$	$1 \times 0.20 = 0.2$	$1 \times 0.15 = 0.15$	0.9625	4
Improve the breed to produce quality wool and mohair	$1 \times 0.20 = 0.20$	$1 \times 0.30 = 0.30$	$1 \times 0.15 = 0.15$	$1 \times 0.20 = 0.2$	$1 \times 0.15 = 0.15$	1	1
Replace imported raw materials with local materials whenever possible	$0.5 \times 0.20 = 0.1$	$0.75 \times 0.30 = 0.225$	$0.75 \times 0.15 = 0.1125$	$1 \times 0.20 = 0.2$	$0.5 \times 0.15 = 0.075$	0.7125	10

Source: Adapted from Seitz J, (2014)

### Iterative Risk Management

115. Having prioritised the most feasible adaptation options using the MCA, the iterative risk management (IRM) approach was then used to know when the "most feasible options" should be implemented, i.e., the sequencing of the options. It was used to sequence the implementation of the identified resilience options. This approach takes care of the uncertainty in future climate

change and is derived from the recommendations of the Inter-Governmental Panel on Climate Change (IPCC), whose special report on extreme events, recommended the use of IRM approaches

116. The approach uses a monitoring, research, evaluation and learning process (cycle) to improve future management strategies. It is well suited for decision contexts characterised by high uncertainties and can help decision makers to avoid taking irreversible decisions and develop plans where decisions can be adjusted appropriately. IRM is based on the idea that current decisions are essentially constrained by imperfect knowledge and cognitive bias, and cycles of revisions are necessary to improve the performance of strategies and actions. Thus, IRM incorporates learning at the core of its methodology.
117. IRM has a focus on starting with current climate variability (and the adaptation deficit) and then looking at future climate change within a framework of decision making under uncertainty. Early steps within IRM have a strong focus on building adaptive capacity, implementing low and no-regret options, and identifying areas of long-term concern that warrant early investigation or action. By encouraging the “what if?” question, IRM promotes the development of flexible approaches where decisions are taken at the right time and can be adjusted later on.
118. Thus, IRM looks at how to implement options over time, based on current impacts (and the adaptation deficit) and projected future climate change, against a background of uncertainty (Figure Ann 5-10). The analysis of the Prioritised Options shows that all should be implemented in some form immediately, though some of the long-term areas might only require initial investigation. The implementation of the options is depicted in figure Ann 5-10:
- **Band “A”** consists of long-term resilience actions. Initially a few actions and investigations will be implemented to avoid locking Lesotho into irreversible decisions which may not be needed in the future. These actions are proactive investigations and implementation of certain long-term issues that need to start immediately. They involve protecting the infrastructure from structural damages by using natural and man-made approaches to avert impacts from floods and heat. These should be implemented and integrated into the infrastructural development immediately to make development more effective and ‘climate smart’. In the Prioritised Options for Lesotho Wool and Mohair Competitiveness project (WaMCoP) these include
    1. Agricultural disaster risk reduction and management (DRR/M)
    2. Mitigation and reduction of soil erosion.
    3. changing rangeland management plans
    4. Proper Land-use planning and management - greening, afforestation, and rangeland development
  - **Band “B”** consists of actions which will result in benefits whether the climate changes or not, and thus provide immediate benefits for economic growth, as well as enhancing long-term resilience. They involve building capacity to ensure the institutional frameworks and an enabling environment are created for subsequent resilience mainstreaming and integration. In the prioritised options for the Lesotho Wool and Mohair Competitiveness project (WaMCoP), low and no regret options can include all the listed options but most appropriately the following;
    1. Off-farm enterprise promotion
    2. Improve water-use efficiency and water management including the development of water harvesting techniques.
    3. Increase the availability of animal feed (including plant and organic residues) at an affordable price by supporting in country supply of feed raw materials.
    4. Improve the breed to produce quality wool and mohair
    5. Replace imported raw materials with local materials whenever possible
119. The experience gained through the implementation of low-regret measures can serve as a basis to start designing and assessing more costly adaptation actions that could be implemented in the future.
- **Band “C”** consists of Enabling steps, involving building capacity and the enabling steps for the whole programme to take off. Once the climate resilience actions become rooted into the system, less and less of these actions will be implemented. In the prioritised options for the Lesotho Wool and Mohair Competitiveness project (WaMCoP), these include
    1. Establishment of farmers' support (subsidies, awareness training programs)
    2. Improved monitoring and early warning
    3. Implement climate smart agriculture practices
120. Further the IRM looks at three-time periods in which to sequence options based on these key climate risks: the short term (now), the medium term (2025) and the long term (2050+). It looks at how to implement options based on current and projected future climate and the associated risks. Options should be sequenced in a robust and flexible manner given this uncertainty and should be matched to risk areas and key decision thresholds.

#### (i) Short term

121. In the short term, the three bands of adaptation programmes will be implemented simultaneously at different rates as follows:

- **Band “A”**

122. **These include Climate Resilience and Climate-justified actions**, which constitutes “early actions for long term change” They will start with a few actions and investigations to avoid locking Lesotho into irreversible decisions which may not be needed in the future. The number of the adaptation actions are expected to grow as the programme takes shape.

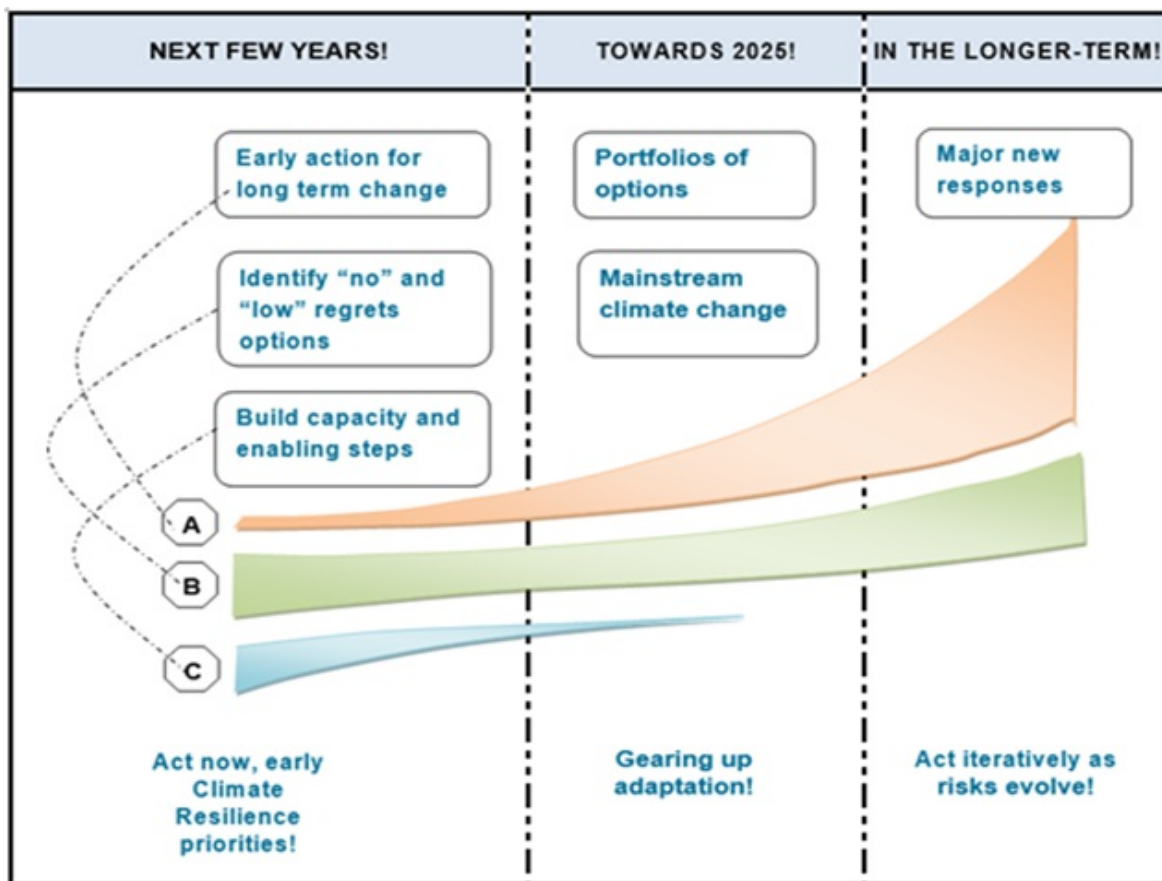


Figure 10: Iterative sequencing of resilience options (Adapted from FDRE, 2013)

- **Band "B"**

123. These are the Low- and no-regret actions, which result in social and economic benefit irrespective of the future climatic changes. They will start in full force as much as is possible.

- **Band "C"**

124. These are the enabling steps. They have to be implemented in order for the climate resilience programme to take root. The enabling steps will taper off in the long run as the Climate resilience actions become rooted in the system.

**(ii) Mid Term up to 2025**

125. In the period up to 2025, the low and no regret options will have taken root and Lesotho will be having the institutional and technical capacity to deliver climate resilient growth. As the low and no regret options (Band B) will continue being implemented, more focus will now be directed to actions that increase resilience of the agriculture sector (Band A), fully integrating these into the delivery of development activities to ensure climate resilient growth. The number of band "A" actions in figure Ann 5-10 will start to increase, whilst Band "C" programmes will be tapering off.

**(iii) Long Term (Post 2025)**

126. In the long term (post 2025) all the portfolios of options will need to be implemented, noting that the specific activities will vary according to the evolution of climate risks. The implementing agent will need to act iteratively as risks evolve.

127. The key advantage of such an approach is that it seeks to exploit quick wins, by addressing the existing adaptation deficit at the same time as building future resilience. It also makes sure irreversible decisions are not taken now, which may or may not be needed depending on the level of climate change that arises. By doing so it encourages decision makers to ask "what if" and develop a flexible approach, where decisions are reviewed over time, and plans adjusted as the evidence emerges. This builds in flexibility, reduces the risk of lock-in or stranded assets, and aims to keep future options open.

**12.0 Grievance Redress Mechanism**

128. The implementation of WaMCoP will generate a number of challenges and complaints especially by those affected by the project. Examples of complaints include: objections to use of someone's land, encroachment on private land, theft of properties within the land, harassment of women, and marginalization in distribution of material assistance, etc. Such grievances are likely to crop up in one way or another in the implementation of the agricultural activities to be funded from the Wool and Mohair value chain Competitiveness Project (WaMCoP). It should be pointed out that since the implementation of the agricultural activities will be community based, negotiation and agreement by consensus will provide the first avenue to iron out and resolve any grievances



expressed by the individuals, the land owners or households whose land and properties might be affected.

129. In this context, proper channels of grievance redress mechanisms will be put in place, and the project affected people sensitised to make use of them. Normally, the channels have to be in line with norms of the communities as well as laws of the country. The process of grievance redress mechanisms will involve informal courts handled by traditional leaders (village headmen, Chiefs). In some cases, there may be need for involvement of the District Commissioner, formal courts within the judiciary and the Lesotho Police Service. The Lesotho Police Service would be involved in reports of cases which are criminal in nature.
130. When an aggrieved person declares a grievance, they may elect to take the community-based route or the more formal one (Figure 4-1): Community Based System: This will be a stand-alone Grievance Mechanism where the communication mechanism involves only community members. This will be used to facilitate agreements among community members but also to solve disagreements where these might occur. The Community Based Grievance Redress Mechanism, aims to use the existing traditional structures and facilitate grievance resolution at higher levels (including the court of law, where necessary). Communities tend to rely substantially on their own internal social regulatory systems including mechanisms to deal with grievances that work in parallel with the formal systems. These internal social regulatory systems will be used to the extent possible at community level. Recourse where necessary will be facilitated by the Programme, but in general the Project Management will ensure easy access to information through culturally appropriate means and language of communication. In solving problems, negotiation and agreement by consensus will provide the first avenue to iron out and resolve any grievances expressed by programme affected individuals. Thus, appropriate community-based channels of grievance redress mechanisms will be put in place, and the programme affected people sensitised to make use of them. The channels will have to be in line with the norms of the communities as well as laws of the country. Thus, the process will involve informal courts handled by traditional leaders (village headmen, Chiefs, Principal Chiefs, etc). And will follow the following route (Figure 4-1): i) Village Chief (Morena) level, The first port of entry is the Village Grievance Redress Committee (VGRC) to operate at Village Chief (Morena) level. The VGRC preside over the matter over a set time (possibly 15 days) from receipt of the grievance to act upon it, ii) Principal Chief (Morena Sehloho) level, When one party is not satisfied with the decision at Village Chief (Morena) level, the complaint can be taken up to the Ward Grievance Redress Committee (WGRC). The WGRC operates under the Principal Chief (Morena Sehloho) level. In most cases such complaints get sorted out at the Principal Chief level, iii) District Council level. However, those who are not satisfied will be allowed to appeal to the District Council Secretary (DCS) or the District Administrator (DA). At this level the District Grievance Redress Committee (DGRC) will preside over the case. However, if the aggrieved party is still not satisfied then they can ultimately take the formal route. The process is outlined in Figure 4-1 below.

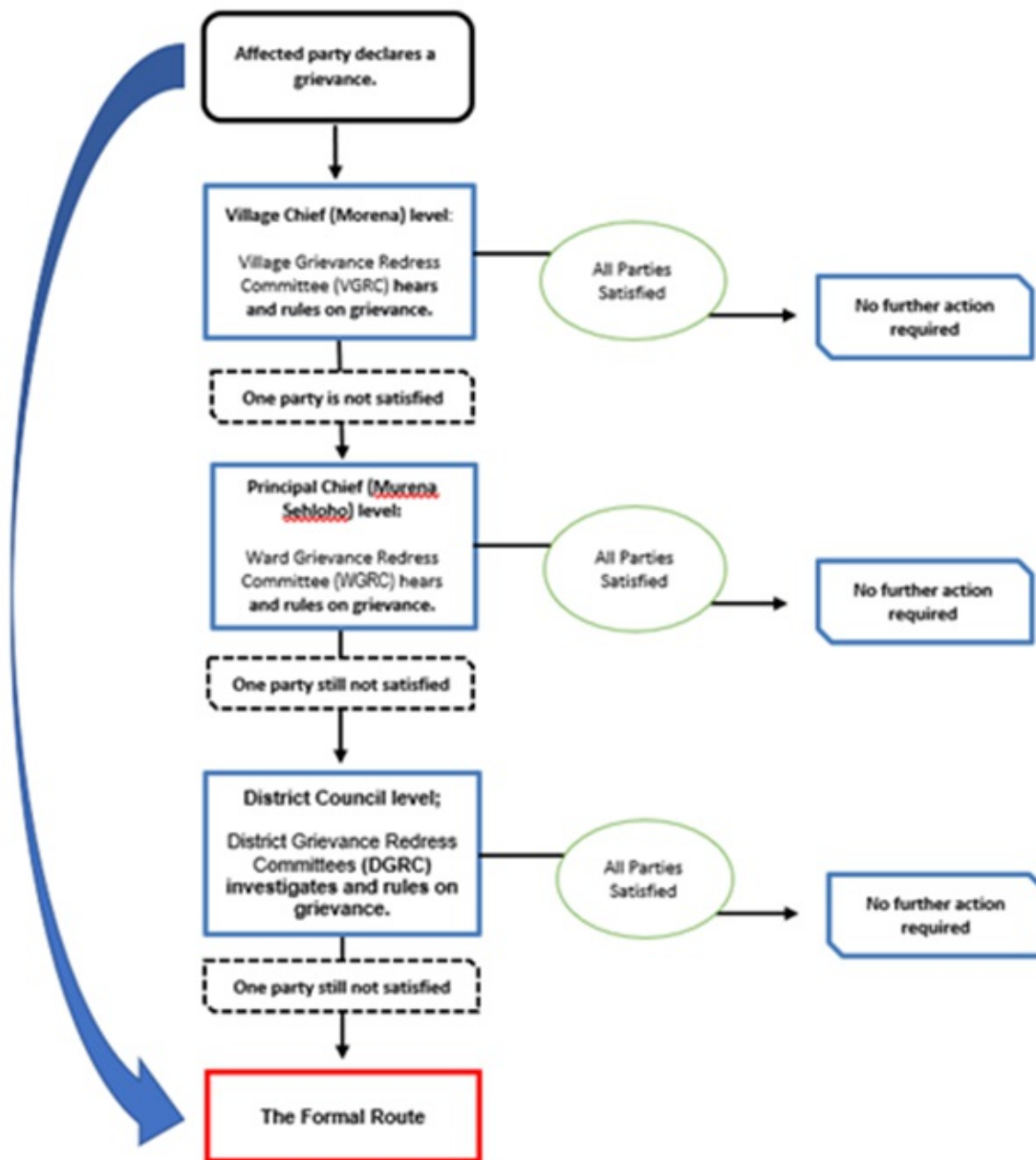


Figure 11: The Community-based grievance mechanism

131. **Formal Project GRM.** The formal project Grievance Redress Mechanism is detailed in Section 12 of the SECAP review Note. it consists of the following components: -

- The access point for impacted/concerned people will be situated as close to the beneficiary, stakeholder or partner as possible, such as places at the project site. Project staff will be responsible for receiving the Grievances, classifying and logging them.
- An acknowledgement of receipt should be given to the complainant containing an expectation of when they will receive a response.
- The grievance is then Assessed and investigated to identify all the key facts.
- A resolution is then arrived at and the proposed actions are confirmed with the project Management.
- A response is then communicated to the complainant within the timescale promised.
- The complainant is given room to appeal to the Courts of Law if they are not satisfied with the response.
- Once done the case is brought to a closure and all the staff members of the project are made aware of the complaint, any underlying issues and plans to prevent any future recurrence of the issue.

132. **Formal Courts:** Formal courts include magistrates, High Court of Lesotho and Supreme Court of Lesotho. These courts handle both civil and criminal cases. In regards to complaints and cases during the proposed resettlements, households with complaints bordering on compensations and criminal cases will have opportunity to take cases to these courts for review and determination on course of action. Such cases may include review of amount of compensations, cases of theft of valuable property as well as beating each other. Magistrate courts are located across the country, and this would help project affected people to access the services of these magistrates in case such needs arise.

133. **The Lesotho Police Service:** It is also envisaged that in the course of the implementation of the agricultural activities funded from

WaMCoP the project areas may not be spared from criminal and security complaints. If therefore issues regarding security or criminal activities occur and have a potential to endanger the life, or property of the people in the area, then certainly this will have to be reported to the local police station. Lesotho Police Services have stations, sub-stations and units across the country, and it is anticipated that they will be able to handle most of the cases of a criminal nature which may crop up in the course of relocation and resettlement of the people in new sites.

## Footnotes

<sup>[1]</sup>[UNDAF 2019-2023](#), UNITED NATIONS DEVELOPMENT ASSISTANCE FRAMEWORK FOR LESOTHO 2019-2023, The UN Country Team in Lesotho, Lesotho, Maseru Telephone: +266 2222 8000 Email: [un.lesotho@one.un.org](mailto:un.lesotho@one.un.org)

<sup>[2]</sup>[UNDP 2015](#), Lesotho National Human Development Report: Summary 2015 Leveraging the Power of Youth to Promote Human Development, United Nations Development Programme, UNDP Lesotho.

<sup>[3]</sup>[UNDP 2015](#), Lesotho National Human Development Report: Leveraging the Power of Youth to Promote Human Development.

## Environmental and Social Safeguards Classification: Moderate

Environmental and Social Safeguards				
Biodiversity conservation	Yes/No	Likelihood	Consequence	Risk Rating
1.1 Could the project potentially involve or lead to conversion or degradation of biodiversity, habitats (including modified habitat, natural habitat and critical natural habitat) and/or ecosystems and ecosystem services?	Yes	Unlikely	Moderate  Project will significantly affect modified habitat, but will not impinge on natural habitat or critical natural habitat.	Moderate
1.2 Could the project involve or potentially lead to activities involving habitats that are legally protected, officially proposed for protection, or recognized as protected by traditional local communities and/or authoritative sources (e.g. National Park, Nature Conservancy, Indigenous Community Conserved Area, ICCA, etc.)?	Yes	Highly unlikely	Minor  Project is close to a protected area, and associated facilities may have an indirect impact unless the project is modified	Low
1.3 Could the project potentially involve or lead to an increase in the chance of human-wildlife encounters/conflict?	Yes	Highly unlikely	Minor  Humans and wildlife co-exist, but no chance of human-wildlife conflict	Low
1.4 Could the project potentially involve or lead to risks to endangered species (e.g. reduction, encroachment on habitat)?	Yes	Highly unlikely	Minor  Net loss in biodiversity with a status of Least Concern, Near Threatened or Vulnerable.	Low
1.5 Could the project potentially involve or lead to impacts/risks to migratory wildlife?	Yes	Highly unlikely	Negligible  No impact on migratory wildlife	Low
1.6 Could the project potentially involve or lead to introduction or utilization of any invasive alien species of flora and fauna, whether accidental or intentional?	Yes	Highly unlikely	Negligible  No introduction or utilization of invasive alien species	Low
1.7 Could the project involve or lead to the handling or utilization of genetically modified organisms?	Yes	Highly unlikely	Negligible  No introduction or utilization of genetically modified organisms	Low

Environmental and Social Safeguards				
1.8 Could the project involve or lead to procurement through primary suppliers of natural resource materials?	Yes	Possible	Negligible  No procurement of natural resource materials through primary suppliers.	Low
<b>Resource Efficiency and Pollution Prevention</b>	<b>Yes/No</b>	<b>Likelihood</b>	<b>Consequence</b>	<b>Risk Rating</b>
2.1 Could the project involve or lead to the release of pollutants to the environment due to routine or non-routine circumstances with the potential for adverse local, regional, and/or transboundary impacts?	Yes	Likely	Minor  Pollutants may possibly be released, either routinely or by accident, but treatment systems are proven and verified. Receiving environment has absorptive capacity.	Moderate
2.2 Could the project involve or lead to primary not environmentally sustainable production of living natural resources? (Note: this includes the cultivation or rearing of plants or animals, including annual and perennial crop farming, animal husbandry (including livestock), aquaculture, plantation forestry, etc )	Yes	Highly unlikely	Moderate  Project is fully dependent on production of living natural resources. Project is sited in an existing agricultural area, with low environmental and/or social sensitivity.	Low
2.3 Could the project involve or lead to engagement in areas of forestry, including the harvesting of natural forests, plantation development, and/or reforestation?	Yes	Highly unlikely	Minor  Only a small component of the project is focused on forestry, and this aspect is well regulated.	Low
2.4 Could the project involve or lead to significant consumption of raw materials, energy, and/or water?	Yes	Almost certain	Minor  The project will require consumption of raw materials, energy, and/or water, but this will be a small component of the project, and impacts can be appropriately managed.	Moderate
2.5 Could the project involve or lead to significant extraction, diversion or containment of surface or ground water (e.g. construction of dams, reservoirs, river basin developments, groundwater extraction)?	No			Low

Environmental and Social Safeguards				
2.6 Could the project involve inputs of fertilizers and other modifying agents?	Yes	Likely	Minor The project only requires minimal amounts of fertilizer	Moderate
2.7 Could the project involve or lead to procurement, supply and/or result in the use of pesticides on crops, livestock, aquaculture or forestry?	Yes	Possible	Moderate The project requires use of pesticides, but options are available to replace potentially polluting pesticides with alternatives.	Moderate
2.8 Could the project be located in an area which is being, or has been, polluted by an external source (e.g. a mine, smelter, industry)?	Yes	Highly unlikely	Minor The project is located in an area of previous pollution, but complete decontamination has been undertaken.	Low
2.9 Could the project involve livestock – extensive and intensive systems and animal products (dairy, skins, meat, etc.)?	Yes	Almost certain	Minor The project involves livestock or fisheries, but not in extensive or intensive systems.	Moderate
<b>Cultural Heritage</b>	<b>Yes/No</b>	<b>Likelihood</b>	<b>Consequence</b>	<b>Risk Rating</b>
3.1 Could the project be located in areas that are considered to have archaeological (prehistoric), paleontological, historical, cultural, artistic, and religious values or contains features considered as critical cultural heritage?	No			Low
3.2 Could the project directly or indirectly affect indigenous peoples' rights, lands, natural resources, territories, livelihoods, knowledge, social fabric, traditions, governance systems, and culture or heritage (tangible and intangible)?	No			Low
3.3 Could the project involve or lead to significant excavations, demolitions, movement of earth, flooding or other environmental changes?	No			Low
3.4 Could the project involve or lead to adverse impacts to sites, structures, or objects with historical, cultural, artistic, traditional or religious values or intangible forms of culture (e.g. knowledge, innovations, practices)? (Note: projects intended to protect and conserve Cultural Heritage may also have inadvertent adverse impacts)	No			Low
3.5 Could the project involve or lead to alterations to landscapes and natural features with cultural significance?	No			Low
3.6 Could the project involve or lead to utilization of tangible and/or intangible forms (e.g. practices, traditional knowledge) of Cultural Heritage for commercial or other purposes?	No			Low
<b>indigenous peoples</b>	<b>Yes/No</b>	<b>Likelihood</b>	<b>Consequence</b>	<b>Risk Rating</b>
4.1 Could the project be sited in areas where indigenous peoples are present (including the project area of influence)?	No			Low

Environmental and Social Safeguards				
4.2 Could the project result in activities located on lands and territories claimed by indigenous peoples?	No			Low
4.3 Could the project result in impacts on the rights of indigenous peoples or to the lands, territories and resources claimed by them?	No			Low
4.4 Could the project result in the utilization and/or commercial development of natural resources on lands and territories claimed by indigenous peoples?	No			Low
4.5 Could the project lead to impacts on the Cultural Heritage of indigenous peoples, including through the commercialization or use of their traditional knowledge and practices?	No			Low
<b>Labour and Working Conditions</b>	<b>Yes/No</b>	<b>Likelihood</b>	<b>Consequence</b>	<b>Risk Rating</b>
5.1 Could the project operate in sectors or value chains that are characterized by working conditions that do not meet national labour laws or international commitments? (Note: this may include discriminatory practices, high gender inequality and the lack of equal opportunities, denial of freedom of association and collective bargaining, labour migrants)	No			Low
5.2 Could the project use or operate in a value chain where there have been reports of forced labour? (Note: Risks of forced labour may be increased for projects located in remote places or where the status of migrant workers is uncertain)	No			Low
5.3 Could the project involve children (a) below the nationally-defined minimum employment age (usually 15 years old) or (b) above the nationally-defined minimum employment age but below the age of 18 in supported activities or in value chains?	No			Low
5.4 Could the project: (a) operate in a sector, area or value chain where producers and other agricultural workers are typically exposed to significant occupational and safety risks, and/or (b) promote or use technologies or practices that pose occupational safety and health (OSH) risks for farmers, other rural workers or rural populations in general? (Note: OSH risks in agriculture might include: dangerous machinery and tools; hazardous chemicals; toxic or allergenic agents; carcinogenic substances or agents; parasitic diseases; transmissible animal diseases; confined spaces; ergonomic hazards; extreme temperatures; and contact with dangerous and poisonous animals, reptiles and insects. Psychosocial hazards might include violence and harassment.)	Yes	Possible	Moderate  The project operates in a sector, area, or value chain where workers are occasionally exposed to significant OSH risks, and where regulation is known to be weak or non-existent.	Moderate
<b>Community Health, Safety and Security</b>	<b>Yes/No</b>	<b>Likelihood</b>	<b>Consequence</b>	<b>Risk Rating</b>
6.1 Could the project be at risk from water-borne or other vector-borne diseases (e.g. temporary breeding habitats), and/or communicable and non-communicable diseases?	Yes	Highly unlikely	Moderate  The project is situated in an area where there is past evidence of negative impacts from water-borne or other vector-borne diseases, or communicable/non-communicable diseases, but where regulation or containment of these impacts has been shown to be effective.	Low
6.2 Could the project lead to unintended negative impacts on nutrition?	No			Low

Environmental and Social Safeguards				
6.3 Is there a possibility of harm or losses due to failure of structural elements of the project (e.g. collapse of buildings or infrastructure)?	No			Low
6.4 Could the project involve or lead to the construction or rehabilitation of dams?	No			Low
6.5 Could the project involve or lead to transport, storage, and use and/or disposal of hazardous or dangerous materials (e.g. explosives, fuel and other chemicals during construction and operation)?	No			Low
6.6 Could the project lead to adverse impacts on ecosystems and ecosystem services relevant to communities' health (e.g. food, surface water purification, natural buffers from flooding)?	Yes	Unlikely	Minor  The project will only have minor impacts on ecosystem services, and these can be mitigated through standard environmental management planning.	Low
6.7 Could the project lead to the potential for gender-based violence, including sexual harassment, exploitation and abuse, as a result of labour influx, land redistribution, or other actions that alter community dynamics?	No			Low
6.8 Could the project lead to increases in traffic or alteration in traffic flow?	No			Low
6.9 Could the project lead to an influx of project workers?	No			Low
6.10 Could the project involve or lead to the engagement of security personnel to protect facilities and property or to support project activities?	No			Low
<b>Physical and economic resettlement</b>	<b>Yes/No</b>	<b>Likelihood</b>	<b>Consequence</b>	<b>Risk Rating</b>
7.1 Could the project result in temporary or permanent and full or partial physical displacement (including people without legally recognizable claims to land)?	No			Low
7.2 Could the project result in economic displacement (e.g. loss of assets or access to resources due to land acquisition or access restrictions – even in the absence of physical relocation)?	No			Low
7.3 Could the project present a risk of forced evictions?	No			Low
7.4 Could the project result in impacts on or changes to land tenure arrangements and/or community-based property rights/customary rights to land, territories and/or resources?	Yes	Highly unlikely	Minor  The project will result in minor impacts on or changes to land tenure arrangements and/or community-based property rights/customary rights. Legal recourse and other forms of arbitration/conflict resolution are available.	Low
<b>Financial intermediaries and direct investments</b>	<b>Yes/No</b>	<b>Likelihood</b>	<b>Consequence</b>	<b>Risk Rating</b>
8.1 Could the investment be granted to an institution that does not have an environmental and social policies and an associated environmental and social management system (ESMS) in place (transparent, publicly available)?	No			Low



Environmental and Social Safeguards				
8.2 Could the investment be granted to an institution with insufficient capacities (i.e. unqualified personnel e.g. ES Officer) to implement the ESMS?	No			Low
8.3 Could the investment be granted to an institution that does not have an Exclusion List?	No			Low
8.4 According to the institution's portfolio classification: Could the institution have potential high-risk projects in their portfolio?	No			Low
8.5 Is there evidence that the institution does not comply with the local legal framework?	No			Low
8.6 Does the institution provide a stable communication channel with stakeholders and local communities (e.g. a Grievance Redress Mechanism)?	Yes	Unlikely	Minor Communities and stakeholders can contact the institution and a process is in place for institutionalizing the communication channels (e.g. complaint-management system) and training staff accordingly.	Low
8.7 Does the organization provide auxiliary or capacity building support services.	Yes	Possible	Minor The institution offers basic training services to customers (directly or third party service providers to improve business and livelihood opportunities.	Moderate

## Climate Risk Classification: Substantial

<b>Step 1: Hazard identification</b>	
<b>What are the expected hazards in the project intervention area?</b>	<b>No, Yes, TBD</b>
River flood	Yes
Costal Flood	No
Urban Flood	No
Landslide	Yes
Cyclone	No
Water Scarcity (agricultural droughts and/or dry spells)	Yes
Extreme Heat	No
Wildfires	Yes
<b>Future climate scenarios foreseen (period 2040-2059) - Change in frequency and intensity</b>	<b>No, Yes, TBD</b>
Change in temperature (increase or decrease)	Yes
Change in rainfall (increase or decrease)	Yes
Climate variability (larger or smaller)	Yes
Intensity and frequency of extreme events (larger or smaller)	Yes
<b>Is the project expected to have an impact on climate?</b>	<b>No, Yes, TBD</b>
Is the project expected to be a significant emitter of greenhouse gases?	Yes
<b>Step 2: Exposure Assessment</b>	
<b>Is the project located in exposed areas to weather-related natural hazards?</b>	<b>No, Yes, TBD</b>
Low-lying areas (valleys, coastal zones, and small islands)	No
Very warm areas (subtropical)	No
Tropical areas (rainforests)	No
Arid and semi-arid areas (deserts)	No
Mountains zones and permafrost areas (tundra)	Yes
River banks	Yes
<b>Does the project target agricultural systems, ecosystems or livelihoods exposed to weather-related hazards?</b>	<b>No, Yes, TBD</b>
Is crop production frequently affected by rainfall variability, prolonged droughts, changes in temperature or pests and diseases?	Yes
Is livestock productivity frequently affected by rainfall variability, prolonged droughts, changes in temperature or diseases?	Yes
Are fisheries frequently affected by ocean acidification, water salinity and changes in sea surface temperature due to ocean-atmospheric oscillations or climate change?	No
Is forest productivity frequently affected by wildfires, diseases, rainfall variability, prolonged droughts, or changes in temperature?	Yes
Is the biodiversity in the project area likely to be affected by changes in climate variables?	Yes
Is any stage of the agricultural value chain (production, storage, processing and marketing) exposed to climate related hazards?	Yes
Is any rural infrastructure likely to be affected by flooding, landslides, changes in temperatures, and extreme winds.	Yes
<b>Step 3: Sensitivity Assessment</b>	
<b>What are key sensitivities for the populations in the project's areas of intervention?</b>	<b>No, Yes, TBD</b>
Is conflict exacerbating the population's sensitivity to weather related hazards?	No
Is population displacement being exacerbated by climate change impacts?	No

Are diseases (e.g. COVID-19, malaria, cholera) increasing the population's vulnerability and affecting their capacity to address potential weather-related hazards?	Yes
Is the income of the target population predominately coming from agriculture?	Yes
Are social inequalities (e.g. based on gender, youth, indigenous persons and other marginalized groups) being exacerbated by climate change?	Yes
Is the Human Development Index (HDI) equal to or below 0.6?	Yes
Is the Multidimensional Poverty Index (MPI) equal to or above 0.1?	Yes
<b>Step 4: Adaptive capacity and climate resilience</b>	
<b>What are key adaptive capacities in the areas of project intervention?</b>	<b>No, Yes, TBD</b>
Is the country well ranked in the Disaster risk reduction progress score?	No
Are climate and weather information services (real-time weather data, seasonal forecasts etc.) effectively being delivered (through radio, TV, SMS, extension services etc.) to farmers, rural dwellers, and end users?	No
Does the project country have an early action plan (preparedness and emergency response) to mitigate the impacts of weather-related hazards once the shock occurs?	Yes
Does the government or other institutions support the target population/communities with the necessary social and economic resources to prepare for or respond to climate-related events?	No
Is the target community carrying out (using their own means) agricultural adaptation?	No
Does the target population have the economic means or support to adjust or adapt their activities in response to weather related shocks?	No
Do policies/mechanisms exist that make financial credit, loans, and agricultural insurance available?	Yes
Are rural infrastructures effectively delivering services to farmers and rural dwellers?	No

## Lesotho

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### **Wool and Mohair Value Chain Competitiveness Project Project Design Report**

#### **Annex 6: First Annual Work Plan and Budget (AWPB)**

Mission Dates: 1-23 June 2022

Document Date: 10/11/2022

Project No. 2000003942

Report No. 6224-LS

East and Southern Africa Division  
Programme Management Department



Kingdom of Lesotho  
Wool & Mohair Value Chain Competitiveness Project  
**Expenditure Accounts by Financiers**  
(US\$ '000)

	IFAD-Loan		IFAD-BRAM		OPEC FUND		GEF		Financing Gap		Private Sector / Beneficiaries		Government		Total		For. Exch.	Local (Excl. Taxes)	Duties & Taxes	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%				
<b>I. Investment Costs</b>																				
A. Civil Works	116	1.4	-	-	3 460	40.3	-	-	1 506	17.6	-	-	3 500	40.8	8 583	11.8	2 266	6 316	-	
B. Vehicles, Equipment and Materials	4 966	23.7	-	-	5 813	27.7	5 000	23.8	3 400	16.2	1 178	5.6	629	3.0	20 987	28.9	4 872	15 935	179	
C. Technical Assistance	1 836	15.0	2 550	20.8	5 928	48.3	200	1.6	582	4.7	1 005	8.2	162	1.3	12 262	16.9	4 961	7 295	6	
D. Training / Workshops	2 100	53.8	450	11.5	1 354	34.7	-	-	-	-	-	-	-	-	3 904	5.4	249	3 655	-	
E. Funds	3 976	21.5	2 000	10.8	1 504	8.1	-	-	5 528	29.9	2 492	13.5	3 001	16.2	18 500	25.5	-	18 500	-	
<b>Total Investment Costs</b>	<b>12 994</b>	<b>20.2</b>	<b>5 000</b>	<b>7.8</b>	<b>18 060</b>	<b>28.1</b>	<b>5 200</b>	<b>8.1</b>	<b>11 016</b>	<b>17.1</b>	<b>4 675</b>	<b>7.3</b>	<b>7 292</b>	<b>11.4</b>	<b>64 236</b>	<b>88.4</b>	<b>12 348</b>	<b>51 702</b>	<b>185</b>	
<b>II. Recurrent Costs</b>																				
A. Salaries and Allowances	2 075	27.2	-	-	1 941	25.4	-	-	736	9.6	2 662	34.8	228	3.0	7 641	10.5	16	7 625	-	
B. Operating Costs	182	23.7	-	-	-	-	-	-	-	-	44	5.7	541	70.6	767	1.1	168	588	10	
<b>Total Recurrent Costs</b>	<b>2 257</b>	<b>26.8</b>	<b>-</b>	<b>-</b>	<b>1 941</b>	<b>23.1</b>	<b>-</b>	<b>-</b>	<b>736</b>	<b>8.8</b>	<b>2 706</b>	<b>32.2</b>	<b>769</b>	<b>9.1</b>	<b>8 408</b>	<b>11.6</b>	<b>185</b>	<b>8 213</b>	<b>10</b>	
<b>Total PROJECT COSTS</b>	<b>15 250</b>	<b>21.0</b>	<b>5 000</b>	<b>6.9</b>	<b>20 000</b>	<b>27.5</b>	<b>5 200</b>	<b>7.2</b>	<b>11 752</b>	<b>16.2</b>	<b>7 381</b>	<b>10.2</b>	<b>8 061</b>	<b>11.1</b>	<b>72 644</b>	<b>100.0</b>	<b>12 533</b>	<b>59 916</b>	<b>195</b>	

**Lesotho**

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**Wool and Mohair Value Chain Competitiveness Project  
Project Design Report**

**Annex 7: Procurement Plan for first 18 months**

Mission Dates: 1-23 June 2022

Document Date: 10/11/2022

Project No. 2000003942

Report No. 6224-LS

East and Southern Africa Division  
Programme Management Department





# Guidance Note

## Overview of the template

The template provides excel worksheets for (i) Guidance, timelines and (ii) the actual Procurement Plan

### Worksheets for the Procurement Plan

**SUMMARY** **GOODS** **WORKS** **CONSULTING**

- **Goods, Works, Consulting:** used to enter procurement plan data.  
**Note:** Non-consulting services should be inserted in any of the categories for Goods, Works and Consulting depending on the nature of the services.
- **Summary:** displays a summary of amounts by category, and procurement thresholds.

### Worksheets for Guidance and timelines

- **Guidance:** quick reference guidance on how to use the template.
- **Time Estimation:** estimated timelines by procurement methods, based on experience and guidance in the Procurement Handbook where specified.

## Procurement Summary

The Summary worksheet displays basic information, total amounts and procurement thresholds for the project.

### Populating the Procurement Plan Summary

Procurement Plan SUMMARY				
Country:	Wakaranda			
Project Name:	Community Livestock and Agriculture Project (CLAP)			
Project ID:	2000001234			
Version:	1.0			
Version Date:	01-Jan-20			
Prepared by:				
Approved by:				
Procurement Category	Plan		Actual	
	Currency	USD	LCU	USD
Goods	-	-	-	-
Works	-	-	-	-
Consulting Services	-	-	-	-
Non-Consulting Services	-	-	-	-
Grants	-	-	-	-
<b>TOTAL</b>	-	-	-	-

**STEP 1:** Enter the **Country, Project Name, Project ID, Version, Version Date** and Name(s) of the person(s) preparing and/or approving the Plan.

#### Managing versions, updates and upgrades

The Version of the Procurement Plan (and the version date) must be updated for every **Update** and **Upgrade** to the Plan. This version update shall be made to the summary sheet only. It will be automatically populated to the other sheets. The first digit (**1.0**) should be kept for the entire 18 or 12 months period that represents the Plan's duration and changed in the next period/year (for example, Year/Period 1: 1.0. Year/Period 2: 2.0). The second digit represents updates and upgrades.



An **Update** is the filling in the contents of the **Actual** rows in the Procurement Plan



All other changes are **Upgrades**. For Prior Review, upgrades require an IFAD NC

**Do not populate this section.** Total amounts are automatically calculated from the Procurement Plan Sheets for each category.

Prior Review Thresholds				
Category	Goods and goods-related Non-Consulting Services	Works and work-related Non-Consulting Services	Consulting Services and related Non-Consulting Services and/or Replacements	Individual Consultants
Threshold	>= US\$ 0.00	>= US\$ 0.00	>= US\$ 0.00	>= US\$ 0.00

All Direct Contracting and Single-Source Procurements are Prior Review, in alignment with IFAD Procurement Handbook, or based on the thresholds stipulated in the L1B. The exchange rate at time of submission will be used for reviews.

Procurement Method Thresholds						
	CQS	OB/S/LCS/FBS	QCBS	Shortlisting	SSS - Firms	SSS - Individuals
Consulting Services and related non-Consulting Services	>= US\$ 0.00	>= US\$ 0.00	>= US\$ 0.00	>= US\$ 0.00	>= US\$ 0.00 (subject to prior review. Justification required if above threshold)	>= US\$ 0.00 (or with a contract duration of 3 months or less, subject to prior review)
	Direct Contracting	Shopping	NCB	ICB	Other Procurement Methods or Arrangements	
Goods and goods-related non-Consulting Services	>= US\$ 0.00 (subject to prior review. Justification required if above threshold)	>= US\$ 0.00	>= US\$ 0.00	>= US\$ 0.00	Force Account	Up to a maximum aggregate amount of US\$ 0.00 (subject to prior review)
Works and work-related non-Consulting Services	>= US\$ 0.00 (subject to prior review. Justification required if above threshold)	>= US\$ 0.00	>= US\$ 0.00	>= US\$ 0.00	Community Participation	Allowed OR Not Allowed

ncy	USD	ypes	Amount (USD)
	USD		Amount (USD)
	SDR		Amount (SDR)
	EUR		Amount (EUR)

**Note:** If currency is neither **USD** nor **LOCAL CURRENCY**, modify the USD labels in the template using the dropdowns where provided or typing directly if required option is not available.

**STEP 2:** Enter the **Prior Review Thresholds and Procurement Method Thresholds** for the project. These are defined in the Letter to the Borrower.

## Goods, Works and Consulting Worksheets

Planning and Actual data on each procurement item is entered in these worksheets, by category. All worksheets are generally structured the same way.

### Overall Structure of the Worksheets

The screenshot shows a procurement worksheet with the following structure:

- Metadata Section:** Includes fields for Project Name, Project ID, and Approval By.
- Summary Table:** A small table with columns for 'Total Amount' and 'USD'.
- Main Table:** A large table with columns for 'Item No.', 'Description', 'Funding', 'Project Area', 'Plan vs. Actual', 'Shortlist', 'Prior or Post Review', 'Procurement Method', 'Amount (USD)', 'Amount (LCU)', 'Plan vs. Actual', 'Prop. of REOI', and 'No objection Date'.

For each worksheet, 3 rows (Plan, Actual and a blank row) are provided at the to facilitate copying/pasting of new items, or retrieval of plan date formulas. **Do not edit/delete these rows.**

The basic information is automatically populated from the Summary table.

Plan and Actual total amounts are calculated automatically.

A Procurement item should be expressed in a **Planned Row** and an **Actual Row**, with a blank row at the bottom.

### Adding a New Procurement Item

**STEP 1:** To add a new procurement where rows are still available, fill out all the items in the Plan until you get to the date. This is the "Basic Data" section, and reference to the corresponding AWPB, Procurement No., Description, Funding, Number of Lots, Project Area (where applicable), Procurement/selection methods and the Planned Amount in USD or Local Currency. *The date cells for Goods and Works start with the cell directly under Submission of PreQual docs, and for the Consulting Services worksheet, the cell directly under Submission of REOI.*

AWPB/Contract Ref	No	Description*	Funding	Project Area	Plan vs. Actual	Shortlist (Yes/No)	Prior or Post Review	Procurement Method	Amount (USD)	Amount (LCU)
RRB-CS-01	1	Climate Vulnerability Assessment	IFAD	All targeted districts	Plan	Yes	Prior Review	QCBS	64 000.00	
					Actual					

**You can only enter amounts in one currency for each**

Grant	Non Consulting
Yes	No

**NEW! Select "Yes" for Grants and Non-consulting activities if applicable.**

Submission of REOI	No Objection Date	REOI Launch Date
Enter Date		

**STEP 2:** Based on the selected criteria, you will be prompted to **Enter the first date** of the process in the relevant field.

Plan vs. Actual	EOI Shortlist Procedure						
	Submission of REOI	No Objection Date	REOI Launch Date	EOI Submission Deadline	Submission of Shortlist Report	No Objection Date	Submission of RFP/RCQ
Plan	1-Feb-20	8-Feb-20	10-Feb-20	2-Mar-20	16-Mar-20	23-Mar-20	27-Mar-20
Actual							

Planned dates are calculated using formulas, from **start to finish**. **Note:** If you enter a Procurement Method that is not listed in the dropdown, the formulas will not work, however you may proceed with manual entry.

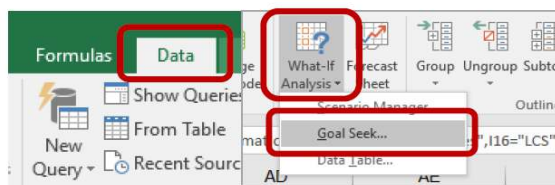
### Modifying Planned Dates

Planned dates provided by the formulas are not prescriptive and may be modified as needed.

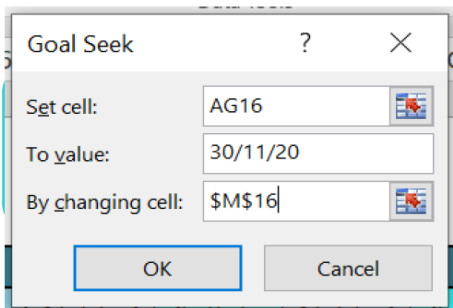
- **Planning from Finish to Start:** As long as no manual entries have been made to the planned dates and the formulas are still in place, you can **adjust the timeline based on an END DATE** as follows:

No-objection Date	Date Contract Award	Date Contract Signature
22-Aug-20	24-Aug-20	31-Aug-20

**STEP 1:** Follow steps 1 and 2 in the previous section, entering a start date. Once you have planned dates in the cells based on the formulas, select the cell that contains the last/finish date.



**STEP 2:** Click **Data** and select the dropdown menu on the button called **What-If Analysis**. Select the **Goal Seek** feature from the dropdown.



**STEP 3:** Fill in the popup box as indicated below:

- **Set cell:** this is already selected from step 1. If not, click the field and select the cell containing the last/finish date.
- **To value:** enter the target finish date for the procurement.
- **By changing cell:** click the field and select the cell containing the first/start date.
- Click OK, and then click OK again on the following popup.

The timeline will be adjusted, with a new calculated start date.

- **Modifying the number of days in the timeline:** This can be done in two ways:
  - **Using the Time Estimation worksheet:** Modifying the approximate (Approx) number of days for specific processes (by procurement methods) within the Time Estimation worksheet. **Note:** this timeline applies to all items in the procurement worksheet using that method.
  - **Directly modifying planned dates** for a procurement item within the procurement plan worksheet. **Note:** modifying dates in the worksheets should be done from earliest to latest date, to ensure remaining dates are adjusted accordingly by the formulas.

**Using the Time Estimation Sheet to modify timelines by procurement method**

This spreadsheet provides estimated timelines by procurement methods, for each step of the procurement process based on experience and guidance in the Procurement Handbook where specified.

Goods & Works	Bid invitation Date			Bid Closing-Opening			Min
	Min	Max	Approx	Min	Max	Approx	
<b>Single Envelope</b>							
RFQ/Shopping (N5/IS)	1	3	1	5	21	14	0
NCB (no PreQual)	1	3	2	30	45	45	0
ICB (no PreQual)	1	3	2	45	70	45	0
LIB (no PreQual)	1	3	2	45	70	45	0
NCB (with PreQual)	1	3	2	30	45	45	0
ICB (with PreQual)	1	3	2	45	70	30	0
LIB (with PreQual)	1	3	2	45	70	45	0
Direct Contracting	1	3	1	7	30	14	0
<b>Two Envelope</b>							
NCB (no PreQual)	1	3	2	30	45	45	3
ICB (no PreQual)	1	3	2	45	70	45	3

**ACTION:** Identify the Approx cell value for the step in the process, and procurement method for which you wish to modify the timeline, and change the number of days.

**Note:** Cells will be highlighted for your attention if the value entered is below the Minimum number of days (as shown in this example).

Zero indicates steps that are not applicable to the method, and are indicated as N/A in the Formulas.

**Directly modifying planned dates**

**ACTION:** Simply enter new dates manually.

**Note:** Start editing from earliest to latest to ensure that the following dates are adjusted by the formulas.

**Note:** If you need to restore one or more planned date formulas, you can do so by copying and pasting the corresponding cell (in the same column) from the upper most row in the worksheet.

Plan	EOI Shortlist Procedure			
Actual	Submission of POI	No Objection Date	REOI Launch Date	EOI Submission Deadline
Plan vs. Actual				
Plan	1-Feb-20	8-Feb-20	10-Feb-20	2-Mar-20



## Entering Actual Dates and Information

AWPR/Component Ref	No	Description*	Funding	Project Area	Plan vs. Actual	Shortlist (Yes/No)	Prior or Post Review	Procurement Method	Amount (USD)	Amount (LCU)	Plan vs. Actual
RRB.C3.01	1	Climate Vulnerability Assessment	IFAD	All targeted districts	Plan	Yes	Prior Review	QCBS	64 000.00		Plan
				All targeted districts	Actual	Yes	Prior Review	QCBS			Actual

Submission of REOI	No Objection Date	REOI Launch Date	EOI Submission Deadline	Submission of Shortlist Report	No Objection Date
1-Feb-20	8-Feb-20	10-Feb-20	2-Mar-20	16-Mar-20	23-Mar-20
3-Feb-20	9-Feb-20	11-Feb-20	3-Mar-20	16-Mar-20	23-Mar-20

This cell contains a formula  
Actual amounts can be entered at the end of the spreadsheet.

**Note:** Enter the Actual Amount at the end of the worksheet.

Date Contract Award	Date Contract Signature	Amount (USD)
24-Aug-20	31-Aug-20	64 000.00
30-Aug-20	10-Sep-20	60 000.00

**ACTION:** As the procurement processes are implemented, update the Actual Rows for the Basic Data, Actual Dates and finally, the Actual Amount at the end of the worksheet. **NEW!** Columns have been added for Contract No., Vendor Name/ID, Contract Completion and Remarks

	USD	LCU	
<b>Total Amount</b>	<b>80 000.00</b>	<b>0.00</b>	Plan
	<b>65 000.00</b>	<b>0.00</b>	Actual
<b>Non-Consulting:</b>	<b>30 000.00</b>	<b>0.00</b>	Plan
	<b>20 000.00</b>	<b>0.00</b>	Actual

**NEW!** Total values are included for Non-Consulting activities on each worksheet and in the summary worksheet.

Procurement Category	Plan		Actual	
	USD	LCU	USD	LCU
Goods	50 000.00	-	45 000.00	-
Works	-	80 000.00	-	75 000.00
Consulting Services	15 000.00	-	10 000.00	-
Non-Consulting Services	30 000.00	-	20 000.00	-
<b>TOTAL</b>	<b>95 000.00</b>	<b>80 000.00</b>	<b>75 000.00</b>	<b>75 000.00</b>

## Entering Actual Data and Information for Multiple LOTS

In cases of multiple LOTS, insert a new Actual Row for each LOT. The Actual Dates will likely be the same until the Submission of Technical Evaluation Report.

1								Plan
2								Actual
3								
4								

The 3 rows above are not part of the Plan and must not be modified. Copy these rows to create new procureme

**STEP 1:** Select and Copy the Actual Row (Row 2) from the top section of the worksheet, and insert the copied row in your worksheet to create another Actual row as shown in the screenshot below.

**STEP 2:** In the Lot No./Description section of the Planned Row, indicate the number of LOTS in the Plan row, and individual lots in each Actual row. Fill in the information as shown in the example below.

Lot No./Description	Project Area	Plan vs. Actual	Pre- or Post Qualification	Prior or Post Review	Procurement Method	Envelopes	Amount (USD)
2 Lots	N/A	Plan	Post-Qual	Post Review	NS	1	25 000.00
1. Desktops	N/A	Actual	Post-Qual	Post Review	NS	1	15 000.00
2. Monitors	N/A	Actual	Post-Qual	Post Review		1	10 000.00

**NOTE:** The Amount entered on the Plan row is the total amount for all the lots, while the amount entered in the Actual row reflects the amount for each lot.



## Procurement Plan SUMMARY

Country:	Kingdom of Lesotho			
Project Name:	Wool & Mohair Value Chain Competitiveness Project			
Project ID:				
Version	1.0			
Version Date	01-Jan-23			
Prepared by:	Nelson Oluoch			
Approved by:				
Procurement Category	Plan		Actual	
	USD	LCU	USD	LCU
Goods	1 752 200.00	-	-	-
Works	1 455 000.00	-	-	-
Consulting Services	1 384 000.00	-	-	-
Non-Consulting Services	100 000.00	-	-	-
Grants	-	-	-	-
<b>TOTAL</b>	<b>4 691 200.00</b>	<b>-</b>	<b>-</b>	<b>-</b>

The threshold tables below are based on the new LTB Template 2020.  
Please fill in the fields that are applicable based on the provisions in the LTB for the project.

Prior Review Thresholds					
Category	Goods and goods-related Non-Consulting Services	Works and works-related Non-Consulting Services	Consulting Services and related Non-Consulting Services and/or MoU/Agreements	Individual Consultants	Decisions concerning Abnormally Low Bids shall be subject to the No Objection of IFAD:
Threshold	> US\$ 30000.00	> US\$ 50000.00	> US\$ 10000.00	>= US\$ 20000.00	Only for procurement activities subject to prior review <b>OR</b> For all procurement activities

All Direct Contracting and Single-Source Procurements are **Prior Review** (in alignment with IFAD Procurement Handbook), or based on the thresholds stipulated in the LTB

The exchange rate at time of submission will be used for reviews.

Procurement Method Thresholds						
	CQS	QBS/LCS/FBS	QCBS	Shortlisting	SSS - Firms	SSS - Individuals
Consulting Services and related Non-Consulting Services	<US\$ 35000.00	≥ US\$ 35,000.00 to ≤ US\$ 50,000.00	> US\$ 50,000.00	>= US\$ 0.00	<= US\$ 35,000.00 (subject to prior review. Justification required if above threshold)	<= US\$ 20,000.00 (or with a contract duration of 3 months or less; subject to prior review)
	<b>Direct Contracting</b>	<b>Shopping</b>	<b>NCB</b>	<b>ICB</b>	Other Procurement Methods or Arrangements	
Goods and goods-related Non-Consulting Services	>= US\$ 0.00 (subject to prior review. Justification required if above threshold)	< US\$ 35,000.00	≥ US\$ 35000.00 to ≤ US\$ 100000.00	> US\$ 100000.00	<b>Force Account</b>	Up to a maximum aggregate amount of:200,000 US\$ 0.00 (subject to prior review)
Works and works-related Non-Consulting Services	>= US\$ 0.00 (subject to prior review. Justification required if above threshold)	< US\$ 90,000.00	≥ US\$ 90,000.00 to ≤ US\$ 300,000.00	> US\$ 300,000.00	<b>Community Participation</b>	Allowed <b>OR</b> Not Allowed

**Procurement Plan - Goods**

**Kingdom of Lesotho**

**Wool & Mohair Value Chain Competitiveness Project**

Project ID:

Prepared by: Nelson Oluoch

Approved by:

	USD	LCU	
Total Amount	1 852 200.00	0.00	Plan
	0.00	0.00	Actual
Non-Consulting:	100 000.00	0.00	Plan
	0.00	0.00	Actual

Version			Basic Data											Pre-Qualification							
AWPB/Component Ref	No	Description	Non Consulting	Funding	Lot No/Description	Project Area or Procuring Entity	Plan vs. Actual	Pre- or Post Qualification	Prior or Post Review	Procurement Method	Envelopes	Amount (USD)	Amount (LCU)	Plan vs. Actual	Submission of PreQual Docs	No Objection Date	PreQual Invitation Date	PreQual Closing Date	Submission of PreQual Report	No Objection Date	Submission of BD
	1	Equipment for New Goat Breeding Centre		OPEC	1		Plan	Post-Qual	Prior Review	ICB	1	263 000.00		Plan	N/A	N/A	N/A	N/A	N/A	N/A	Enter Date
							Actual						-	-	Actual						
	2	Diognistic Equipment		OPEC	1		Plan	Post-Qual	Prior Review	ICB	1	600 000.00		Plan	N/A	N/A	N/A	N/A	N/A	N/A	Enter Date
							Actual						-	-	Actual						
	3	Equipment for 2 Artificial Insemination Centres		IFAD	1		Plan	Post-Qual	Prior Review	ICB	1	108 000.00		Plan	N/A	N/A	N/A	N/A	N/A	N/A	Enter Date
							Actual						-	-	Actual						
	4	Support to On farm feed and Forage Production capacity		OPEC	1		Plan	Post-Qual	Prior Review	ICB	1	263 000.00		Plan	N/A	N/A	N/A	N/A	N/A	N/A	Enter Date
							Actual						-	-	Actual						
	5	Vehicles		IFAD	1		Plan	Post-Qual	Prior Review	NCB	1	50 000.00		Plan	N/A	N/A	N/A	N/A	N/A	N/A	Enter Date
							Actual						-	-	Actual						
	6	Furniture and Equipment for Social Enterprise HQs		OPEC	1		Plan	Post-Qual	Post Review	NS	1	25 200.00		Plan	N/A	N/A	N/A	N/A	N/A	N/A	Enter Date
							Actual						-	-	Actual						
	7	Machinery toos and Equipment		OPEC	1		Plan	Post-Qual	Prior Review	ICB	1	107 000.00		Plan	N/A	N/A	N/A	N/A	N/A	N/A	Enter Date
							Actual						-	-	Actual						
	8	Weaving and Knitting Machineries		IFAD	1		Plan	Post-Qual	Prior Review	NCB	1	50 000.00		Plan	N/A	N/A	N/A	N/A	N/A	N/A	Enter Date
							Actual						-	-	Actual						

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**Procurement Plan - Goods**

**Kingdom of Lesotho**

**Wool & Mohair Value Chain Competitiveness Project**

Project ID:

Prepared by: Nelson Oluoch

Approved by:

**Procurement Methods**  
 NS: National Shopping  
 IS: International Shopping  
 NCB: National Competitive Bidding  
 ICB: International Competitive Bidding  
 LIB: Limited (International) Bidding  
 DC: Direct

Version		1.0 1-Jan-23		Bidding Process			Bid Evaluation				Contract Award & Signs				
AWPB/Component Ref	No	Description	No-objection Date	Bid Invitation Date	Bid Closing-Opening	Submission Tech Eval Rpt	No-objection Date	Submission Combined Eval Rpt*	No-objection Date	Plan vs. Actual	Issue of NOITA&Standstill	Date Contract Award	Submission of Draft Contract	No-Objection Date	Date Contract Signature
	1	Equipment for New Goat Breeding Centre				N/A	N/A			Plan					
											Actual				
	2	Diognistic Equipment				N/A	N/A			Plan					
											Actual				
	3	Equipment for 2 Artificial Insemination Centres				N/A	N/A			Plan					
											Actual				
	4	Support to On farm feed and Forage Production capacity				N/A	N/A			Plan					
											Actual				
	5	Vehides				N/A	N/A			Plan					
											Actual				
	6	Furniture and Equipment for Social Enterprise HQs	N/A			N/A	N/A		N/A	Plan	N/A			N/A	
											Actual				
	7	Machinery toos and Equipment				N/A	N/A			Plan					
											Actual				
	8	Weaving and Knitting Machineries				N/A	N/A			Plan					
											Actual				

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Procurement Plan - WORKS

Kingdom of Lesotho

Wool & Mohair Value Chain Competitiveness Project

Project ID:

Prepared by: Nelson Oluoch

Approved by:

	USD	LCU	
Total Amount	1 455 000.00	0.00	Plan
	0.00	0.00	Actual
Non-Consulting:	0.00	0.00	Plan
	0.00	0.00	Actual

Version	1.0	1-Jan-23	Basic Data											Pre-Qualification							
AWPB/Component Ref	Ne	Description	Non Consulting	Funding	Lot No/Description	Project Area or Procuring Entity	Plan vs. Actual	Pre-or Post Qualification	Prior or Post Review	Procurement Method	Envelopes	Amount (USD)	Amount (LCU)	Plan vs. Actual	Submission of PreQual Docs	No Objection Date	PreQual Invitation Date	PreQual Closing Date	Submission of PreQual Report	No Objection Date	Submission of BD
	1	Construction of New Angora Goat Breeding Centre		IFAD			Plan	Post-Qual	Prior Review	ICB	1	840 000.00		Plan	N/A	N/A	N/A	N/A	N/A	N/A	5-Jan-23
							Actual														
	3	Construction of 2 A.I. Centres		OPEC			Plan	Post-Qual	Prior Review	ICB	1	315 000.00		Plan	N/A	N/A	N/A	N/A	N/A	N/A	5-Jan-23
							Actual														
	4	Construction of Social Enterprise HQs		OPEC			Plan	Post-Qual	Post Review	NS	1	50 000.00		Plan	N/A	N/A	N/A	N/A	N/A	N/A	5-Jan-23
							Actual														
	5	Workshop Constructions and Renovations		OPEC			Plan	Post-Qual	Prior Review	NCB	1	250 000.00		Plan	N/A	N/A	N/A	N/A	N/A	N/A	5-Jan-23
							Actual														
							Plan							Plan							
							Actual												Actual		
							Plan							Plan							
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Procurement Plan - WORKS

Kingdom of Lesotho

Wool & Mohair Value Chain Competitiveness Project

Project ID:

Prepared by: Nelson Oluoch

Approved by:

Procurement

Methods

NS: National

Shopping

IS: International

Shopping

NCB: National

Competitive

Bidding

ICB:

Version	1.0	1-Jan-23	Bidding Process			Bid Evaluation					Contract Award				
AWPB/Component Ref	Ne	Description	No-objection Date	Bid Invitation Date	Bid Closing-Opening	Submission Tech Eval Rpt	No-objection Date	Submission Combined Eval Rpt*	No-objection Date	Plan vs. Actual	Issue of NOITA&Standstill	Date Contract Award	Submission of Draft Contract	No-objection Date	Date Contract Signature
	1	Construction of New Angora Goat Breeding Centre	12-Jan-23	14-Jan-23	28-Feb-23	N/A	N/A	21-Mar-23	28-Mar-23	Plan	31-Mar-23	15-Apr-23	20-Apr-23	27-Apr-23	1-May-23
										Actual					
	3	Construction of 2 A.I. Centres	12-Jan-23	14-Jan-23	28-Feb-23	N/A	N/A	21-Mar-23	28-Mar-23	Plan	31-Mar-23	15-Apr-23	20-Apr-23	27-Apr-23	1-May-23
										Actual					
	4	Construction of Social Enterprise HQs	N/A	6-Jan-23	20-Jan-23	N/A	N/A	27-Jan-23	N/A	Plan	N/A	2-Feb-23	7-Feb-23	N/A	11-Feb-23
										Actual					
	5	Workshop Constructions and Renovations	12-Jan-23	14-Jan-23	13-Feb-23	N/A	N/A	27-Feb-23	6-Mar-23	Plan	9-Mar-23	24-Mar-23	29-Mar-23	5-Apr-23	9-Apr-23
										Actual					
										Plan					
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Procurement Plan - Consulting

Kingdom of Lesotho

Wool & Mohair Value Chain Competitiveness Project

Project ID:

Prepared by: Nelson Oluoch

Approved by:

	USD	LCU	
<b>Total Amount</b>	<b>1 384 000.00</b>	<b>0.00</b>	Plan
	<b>0.00</b>	<b>0.00</b>	Actual
<b>Non-Consulting:</b>	<b>0.00</b>	<b>0.00</b>	Plan
	<b>0.00</b>	<b>0.00</b>	Actual
<b>Grants:</b>	<b>0.00</b>	<b>0.00</b>	Plan
	<b>0.00</b>	<b>0.00</b>	Actual

Version 1.0 1-Jan-23		Basic Data											EOI Shortlist Procedure						Proposal Process				Evaluation			
AWFP/Component Ref	No	Description*	Grant	Non Consulting	Funding	Project Area or Procuring Entity	Plan vs. Actual	Shortlist (Yes No)	Prior or Post Review	Procurement Method	Amount (USD)	Amount (LCU)	Plan vs. Actual	Submission of REOI	No Objection Date	REOI Launch Date	EOI Submission Deadline	Submission of Shortlist Report	No Objection Date	Submission of RFP/RCQ	No-objection Date	RFP/RCQ Launch Date	Proposal submission deadline	Submission of TER	No-objection Date	Submission of CER
	1	Development of Sector Policy and Regulatory Framework both International and Local			IFAD		Plan	Yes	Prior Review	QCBS	62 000.00		Plan	1-Jan-23	8-Jan-23	10-Jan-23	24-Jan-23	7-Feb-23	14-Feb-23	18-Feb-23	25-Feb-23	27-Feb-23	13-Apr-23	27-Apr-23	4-May-23	18-May-23
							Actual					-	-	Actual												
	2	Assets Valuation and Performance Indicators			IFAD		Plan	Yes	Prior Review	QCBS	100 000.00		Plan	1-Jan-23	8-Jan-23	10-Jan-23	24-Jan-23	7-Feb-23	14-Feb-23	18-Feb-23	25-Feb-23	27-Feb-23	13-Apr-23	27-Apr-23	4-May-23	18-May-23
							Actual					-	-	Actual												
	3	Consultancy for Development of SECAP Risk management Instruments			IFAD		Plan	Yes	Prior Review	CQS	35 000.00		Plan	1-Jan-23	8-Jan-23	10-Jan-23	31-Jan-23	14-Feb-23	21-Feb-23	25-Feb-23	4-Mar-23	6-Mar-23	27-Mar-23	N/A	N/A	10-Apr-23
							Actual					-	-	Actual												
	4	TA Procurement			IFAD		Plan	Yes	Post Review	ICS	18 000.00		Plan	1-Jan-23	N/A	3-Jan-23	24-Jan-23	7-Feb-23	N/A	11-Feb-23	N/A	13-Feb-23	6-Mar-23	N/A	N/A	20-Mar-23
							Actual					-	-	Actual												
	5	Feasibility Study for New Angora Goat Breeding Centre			OPEC		Plan	Yes	Post Review	CQS	26 000.00		Plan	1-Jan-23	N/A	3-Jan-23	24-Jan-23	7-Feb-23	N/A	11-Feb-23	N/A	13-Feb-23	6-Mar-23	N/A	N/A	20-Mar-23
							Actual					-	-	Actual												
	6	Consultancy to Develop Policies, HR etc			IFAD		Plan	Yes	Prior Review	QCBS	170 000.00		Plan	1-Jan-23	8-Jan-23	10-Jan-23	24-Jan-23	7-Feb-23	14-Feb-23	18-Feb-23	25-Feb-23	27-Feb-23	13-Apr-23	27-Apr-23	4-May-23	18-May-23
							Actual					-	-	Actual												
	7	M&E TA			OPEC		Plan	Yes	Post Review	ICS	6 000.00		Plan	1-Jan-23	N/A	3-Jan-23	24-Jan-23	7-Feb-23	N/A	11-Feb-23	N/A	13-Feb-23	6-Mar-23	N/A	N/A	20-Mar-23
							Actual					-	-	Actual												
	8	TA Technical Engineer			OPEC		Plan	Yes	Prior Review	QCBS	84 000.00		Plan	1-Jan-23	8-Jan-23	10-Jan-23	24-Jan-23	7-Feb-23	14-Feb-23	18-Feb-23	25-Feb-23	27-Feb-23	13-Apr-23	27-Apr-23	4-May-23	18-May-23
							Actual					-	-	Actual												
	9	TA Wool Expert			OPEC		Plan	Yes	Post Review	CQS	25 000.00		Plan	1-Jan-23	N/A	3-Jan-23	24-Jan-23	7-Feb-23	N/A	11-Feb-23	N/A	13-Feb-23	6-Mar-23	N/A	N/A	20-Mar-23
							Actual					-	-	Actual												
	10	HR TA					Plan	Yes	Post Review	ICS	12 000.00		Plan	1-Jan-23	N/A	3-Jan-23	24-Jan-23	7-Feb-23	N/A	11-Feb-23	N/A	13-Feb-23	6-Mar-23	N/A	N/A	20-Mar-23
							Actual					-	-	Actual												
	11	Consultancy to provide support towards greater inclusion			IFAD		Plan	Yes	Prior Review	QCBS	200 000.00		Plan	1-Jan-23	8-Jan-23	10-Jan-23	24-Jan-23	7-Feb-23	14-Feb-23	18-Feb-23	25-Feb-23	27-Feb-23	13-Apr-23	27-Apr-23	4-May-23	18-May-23
							Actual					-	-	Actual												
	12	Digitization of Financial Services			IFAD		Plan	Yes	Post Review	ICS	10 000.00		Plan	1-Jan-23	N/A	3-Jan-23	24-Jan-23	7-Feb-23	N/A	11-Feb-23	N/A	13-Feb-23	6-Mar-23	N/A	N/A	20-Mar-23
							Actual					-	-	Actual												
	13	TA Trust Fund Service Provider			IFAD		Plan	Yes	Prior Review	QCBS	150 000.00		Plan	1-Jan-23	8-Jan-23	10-Jan-23	24-Jan-23	7-Feb-23	14-Feb-23	18-Feb-23	25-Feb-23	27-Feb-23	13-Apr-23	27-Apr-23	4-May-23	18-May-23
							Actual					-	-	Actual												
	14	Value Chain Visibility Consultant			IFAD		Plan	Yes	Prior Review	QBS	46 000.00		Plan	1-Jan-23	8-Jan-23	10-Jan-23	31-Jan-23	14-Feb-23	21-Feb-23	25-Feb-23	4-Mar-23	6-Mar-23	20-Apr-23	4-May-23	11-May-23	N/A
							Actual					-	-	Actual												

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Procurement Plan - Consulting

Kingdom of Lesotho

Wool & Mohair Value Chain Competitiveness Project

Project ID:

Prepared by: Nelson Oluoch

Approved by:

Selection Methods

QCBS: Quality and Cost-Based Selection

QBS: Quality-Based Selection

CQS: Selection by Consultants' Qualifications (shortlist for this method)

LCS: Least-Cost Selection

FBS: Fixed Budget Selection

ICS: Individual Consultants Selection (shortlist is required method)

SSS: Sole Source Selection

Version 1.0		1-Jan-23		Contract Award & S							
AWPB/ Component Ref	No	Description*	No-objection Date	Plan vs. Actual	Issue of NOITA&Standard	Date Contract Award	Negotiations completed	Submission of Draft Contract	No-objection Date	Date Contract Signature	
1		Development of Sector Policy and Regulatory Framework both International and Local	25-May-23	Plan	28-May-23	12-Jun-23	27-Jun-23	2-Jul-23	9-Jul-23	13-Jul-23	
				Actual							
2		Assets Valuation and Performance Indicators	25-May-23	Plan	28-May-23	12-Jun-23	27-Jun-23	2-Jul-23	9-Jul-23	13-Jul-23	
				Actual							
3		Consultancy for Development of SECAP Risk management Instruments	17-Apr-23	Plan	N/A	23-Apr-23	7-May-23	12-May-23	19-May-23	23-May-23	
				Actual							
4		TA Procurement	N/A	Plan	N/A	26-Mar-23	9-Apr-23	14-Apr-23	N/A	18-Apr-23	
				Actual							
5		Feasibility Study for New Angora Goat Breeding Centre	N/A	Plan	N/A	26-Mar-23	9-Apr-23	14-Apr-23	N/A	18-Apr-23	
				Actual							
6		Consultancy to Develop Policies, HR etc	25-May-23	Plan	28-May-23	12-Jun-23	27-Jun-23	2-Jul-23	9-Jul-23	13-Jul-23	
				Actual							
7		M&E TA	N/A	Plan	N/A	26-Mar-23	9-Apr-23	14-Apr-23	N/A	18-Apr-23	
				Actual							
8		TA Technical Engineer	25-May-23	Plan	28-May-23	12-Jun-23	27-Jun-23	2-Jul-23	9-Jul-23	13-Jul-23	
				Actual							
9		TA Wool Expert	N/A	Plan	N/A	26-Mar-23	9-Apr-23	14-Apr-23	N/A	18-Apr-23	
				Actual							
10		HR TA	N/A	Plan	N/A	26-Mar-23	9-Apr-23	14-Apr-23	N/A	18-Apr-23	
				Actual							
11		Consultancy to provide support towards greater inclusion	25-May-23	Plan	28-May-23	12-Jun-23	27-Jun-23	2-Jul-23	9-Jul-23	13-Jul-23	
				Actual							
12		Digitization of Financial Services	N/A	Plan	N/A	26-Mar-23	9-Apr-23	14-Apr-23	N/A	18-Apr-23	
				Actual							
13		TA Trust Fund Service Provider	25-May-23	Plan	28-May-23	12-Jun-23	27-Jun-23	2-Jul-23	9-Jul-23	13-Jul-23	
				Actual							
14		Value Chain Visibility Consultant	N/A	Plan	14-May-23	29-May-23	13-Jun-23	18-Jun-23	25-Jun-23	29-Jun-23	
				Actual							

**Day Ranges** These tables provide estimated timelines by procurement methods, based on experience and guidance in the Procurement Handbook where specified.

The approximate number of days are used in the default Procurement Plan Formulas. Timelines in the Approx fields/Formulas are not prescriptive, and may be modified by the project.

Approx figures entered will be highlighted/flagged, if below the Minimum number of days. Zero indicates steps that are not applicable to the method, and are indicated as N/A in the Formulas.

**Goods & Works**

Procurement Method	Submission of PreQual docs			No Objection Date			PreQual Invitation Date			PreQual Closing Date			Submission of PreQual Report			No Objection Date			Submission of BD			No-objection Date			Min
	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	
<b>Single Envelope</b>																									
RFQ/Shopping (NS/IS)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	3	N/A-Start Date	7	10	7	1
NCB (no PreQual)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	7	N/A-Start Date	7	10	7	1
ICB (no PreQual)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	7	N/A-Start Date	7	10	7	1
LIB (no PreQual)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	7	N/A-Start Date	7	10	7	1
NCB (with PreQual)	1	4	N/A-Start Date	7	10	7	1	3	2	14	30	30	14	21	14	7	10	7	1	14	10	7	10	7	1
ICB (with PreQual)	1	4	N/A-Start Date	7	10	7	1	3	2	14	30	30	14	21	14	7	10	7	1	14	10	7	10	7	1
LIB (with PreQual)	1	4	N/A-Start Date	5	10	7	1	3	2	14	30	30	14	21	14	7	10	7	1	14	10	7	10	7	1
Direct Contracting/ Force Account	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	3	N/A-Start Date	7	10	7	1
<b>Two Envelope</b>																									
NCB (no PreQual)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	7	N/A-Start Date	7	10	7	1
ICB (no PreQual)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	7	N/A-Start Date	7	10	7	1
LIB (no PreQual)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	7	N/A-Start Date	7	10	7	1
NCB (with PreQual)	1	4	N/A-Start Date	7	10	7	1	3	2	14	30	30	14	21	14	7	10	7	1	14	10	7	10	7	1
ICB (with PreQual)	1	4	N/A-Start Date	7	10	7	1	3	2	14	30	30	14	21	14	7	10	7	1	14	10	7	10	7	1
LIB (with PreQual)	1	4	N/A-Start Date	7	10	7	1	3	2	14	30	30	14	21	14	7	10	7	1	14	10	7	10	7	1

**Services**

Selection Method	Submission of REOI			No Objection Date			REOI Launch Date			EOI Submission Deadline			Submission of Shortlist Report			No Objection Date			Submission of RFP/RCQ			No-objection Date			Min
	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	
QCBS (w/Shortlist)	1	4	N/A- Start Date	7	10	7	1	3	2	14	30	14	14	21	14	7	10	7	1	7	4	7	10	7	1
FBS (w/Shortlist)	1	4	N/A- Start Date	7	10	7	1	3	2	14	30	21	14	21	14	7	10	7	1	7	4	7	10	7	1
LCS (w/Shortlist)	1	4	N/A- Start Date	7	10	7	1	3	2	14	30	21	14	21	14	7	10	7	1	7	4	7	10	7	1
QBS (w/Shortlist)	1	4	N/A- Start Date	7	10	7	1	3	2	14	30	21	14	21	14	7	10	7	1	7	4	7	10	7	1
CQS (w/Shortlist)	1	4	N/A- Start Date	7	10	7	1	3	2	14	30	21	14	21	14	7	10	7	1	5	4	7	10	7	1
ICS (w/Shortlist)	1	4	N/A- Start Date	7	10	7	1	3	2	14	30	21	14	21	14	7	10	7	1	5	4	7	10	7	1
QCBS (noShortlist)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	7	N/A- Start Date	7	10	7	1
FBS (noShortlist)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	5	N/A- Start Date	7	10	7	1
LCS (noShortlist)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	7	N/A- Start Date	7	10	7	1
QBS (noShortlist)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	7	N/A- Start Date	7	10	7	1
SSS/ Selection (Design/PIM)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	7	N/A- Start Date	7	10	7	1

**NOTE**

- Some procurement methods for low-value processes might require No Objections based on the Prior Review Thresholds. Where they do not require, No Objection number of days should be zero
- RFP: Request for Proposals: standard procurement document used for Services.
- RCQ: Requests for Consultants Qualifications: Procurement document used for CQS and LCS. The RFP is used for all other procurement method:
- Consulting services and Good/Works methods could either be used for Non-Consulting Services
- All days are calendar days

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## Day Ranges

### Goods & Works

Procurement Method	Bid Invitation Date		Bid Closing-Opening			Submission Tech Eval Rpt			No-objection Date			Submission Combined Eval Rpt/Bid Evaluation Report			No-objection Date			Issue of NOITA & Standstill			Date Contract Award			Submi
	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	
<b>Single Envelope</b>																								
RFQ/Shopping (NS/IS)	3	1	5	21	14	0	0	0	0	0	0	1	7	7	7	10	7	0	0	0	4	-	6	3
NCB (no PreQual)	3	2	30	45	30	0	0	0	0	0	0	3	21	14	7	10	7	1	3	3	14	-	15	3
ICB (no PreQual)	3	2	45	70	45	0	0	0	0	0	0	3	21	21	7	10	7	1	3	3	14	-	15	3
LIB (no PreQual)	3	2	45	70	45	0	0	0	0	0	0	3	21	21	7	10	7	1	3	3	14	-	15	3
NCB (with PreQual)	3	2	30	45	30	0	0	0	0	0	0	7	21	14	7	10	7	1	3	3	14	-	15	3
ICB (with PreQual)	3	2	45	70	45	0	0	0	0	0	0	7	21	21	7	10	7	1	3	3	14	-	15	3
LIB (with PreQual)	3	2	45	70	45	0	0	0	0	0	0	7	21	21	7	10	7	1	3	3	14	-	15	3
Direct Contracting/ Force Account	3	1	7	30	14	0	0	0	0	0	0	3	21	7	7	10	7	0	0	0	4	-	6	3
<b>Two Envelope</b>																								
NCB (no PreQual)	3	2	30	45	30	3	21	3	7	10	7	3	14	14	7	10	7	1	3	3	14	-	15	3
ICB (no PreQual)	3	2	45	70	45	3	21	21	7	10	7	3	14	14	7	10	7	1	3	3	14	-	15	3
LIB (no PreQual)	3	2	45	70	45	3	21	21	7	10	7	3	14	14	7	10	7	1	3	3	14	-	15	3
NCB (with PreQual)	3	2	30	45	30	7	21	14	7	10	7	3	14	14	7	10	7	1	3	3	14	-	15	3
ICB (with PreQual)	2	2	45	70	45	7	21	21	7	10	7	3	14	14	7	10	7	1	3	3	14	-	15	3
LIB (with PreQual)	2	2	45	70	45	7	21	21	7	10	7	3	14	14	7	10	7	1	3	3	14	-	15	3

### Services

Selection Method	P/RCQ Launch Date		Proposal submission deadline			Submission of TER			No-objection Date			Submission of CER			No-objection Date			Issue of NOITA & Standstill			Date Contract Award			Neg
	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	
QCBS (w/Shortlist)	3	2	45	60	45	14	21	14	7	10	7	7	14	14	7	10	7	1	3	3	14	-	15	10
FBS (w/Shortlist)	3	2	45	60	45	14	21	14	7	10	7	7	14	14	7	10	7	1	3	3	14	-	15	10
LCS (w/Shortlist)	3	2	45	60	45	14	21	14	7	10	7	7	14	14	7	10	7	1	3	3	14	-	15	10
QBS (w/Shortlist)	3	2	21	60	45	14	21	14	7	10	7	0	0	0	0	0	0	1	3	3	14	-	15	10
CQS (w/Shortlist)	3	2	14	30	21	0	0	0	0	0	0	14	21	14	7	10	7	0	0	0	4	-	6	7
ICS (w/Shortlist)	3	2	14	30	21	0	0	0	0	0	0	14	21	14	7	10	7	0	0	0	4	-	6	7
QCBS (noShortlist)	3	2	45	60	45	14	21	14	7	10	7	7	14	14	7	10	7	1	3	3	14	-	15	10
FBS (noShortlist)	3	2	14	30	21	7	21	14	7	10	7	7	14	14	7	10	7	1	3	3	14	-	15	10
LCS (noShortlist)	3	2	21	30	25	7	21	14	7	10	7	7	14	14	7	10	7	1	3	3	14	-	15	10
QBS (noShortlist)	3	2	21	60	45	14	21	14	7	10	7	0	0	0	0	0	0	1	3	3	14	-	15	10
SSS/ Selection (Design/PIM)	3	2	7	30	30	0	0	0	0	0	0	7	21	14	7	10	7	0	0	0	4	-	6	7

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## Day Ranges

### Goods & Works

Procurement Method	Submission of Draft Contract		No-objection Date			Date Contract Signature			Totals			
	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Approx Months/Days
<b>Single Envelope</b>												
RFQ/Shopping (NS/IS)	7	5	7	10	7	4	7	4	40	78	58	1m 27d
NCB (no PreQual)	7	5	7	10	7	4	7	4	78	123	94	3m 3d
ICB (no PreQual)	7	5	7	10	7	4	7	4	93	148	116	3m 25d
LIB (no PreQual)	7	5	7	10	7	4	7	4	93	148	116	3m 25d
NCB (with PreQual)	7	5	7	10	7	4	7	4	126	208	164	5m 12d
ICB (with PreQual)	7	5	7	10	7	4	7	4	141	233	186	6m 4d
LIB (with PreQual)	7	5	7	10	7	4	7	4	139	233	186	6m 4d
Direct Contracting/ Force Account	7	5	7	10	7	4	7	4	44	101	58	1m 27d
<b>Two Envelope</b>												
NCB (no PreQual)	7	5	7	10	7	4	7	4	88	147	104	3m 13d
ICB (no PreQual)	7	5	7	10	7	4	7	4	103	172	137	4m 16d
LIB (no PreQual)	7	5	7	10	7	4	7	4	103	172	137	4m 16d
NCB (with PreQual)	7	5	7	10	7	4	7	4	136	232	185	6m 3d
ICB (with PreQual)	7	5	7	10	7	4	7	4	151	256	207	6m 25d
LIB (with PreQual)	7	5	7	10	7	4	7	4	151	256	207	6m 25d

### Services

Selection Method	Bids/Proposals completed		Submission of Draft Contract and MoN Date			No-objection Date			Date Contract Signature			Totals			
	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Min	Max	Approx	Approx Months/Days
QCBS (w/Shortlist)	28	15	3	7	5	7	10	7	4	7	4	172	268	193	6m 11d
FBS (w/Shortlist)	28	15	3	7	5	7	10	7	4	7	4	172	268	200	6m 18d
LCS (w/Shortlist)	28	15	3	7	5	7	10	7	4	7	4	172	268	200	6m 18d
QBS (w/Shortlist)	28	15	3	7	5	7	10	7	4	7	4	134	244	179	5m 27d
CQS (w/Shortlist)	14	14	3	7	5	7	10	7	4	7	4	113	195	142	4m 21d
ICS (w/Shortlist)	14	14	3	7	5	7	10	7	4	7	4	113	195	142	4m 21d
QCBS (noShortlist)	28	15	3	7	5	7	10	7	4	7	4	128	190	145	4m 24d
FBS (noShortlist)	28	15	3	7	5	7	10	7	4	7	4	90	158	121	3m 30d
LCS (noShortlist)	28	15	3	7	5	7	10	7	4	7	4	97	160	125	4m 4d
QBS (noShortlist)	28	15	3	7	5	7	10	7	4	7	4	90	166	124	4m 3d
SSS/ Selection (Design/PIM)	21	21	3	7	5	7	10	7	4	7	4	55	126	103	3m 12d

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**Lesotho**

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**Wool and Mohair Value Chain Competitiveness Project  
Project Design Report**

**Annex 8: Project Implementation Manual (PIM)**

Mission Dates: 1-23 June 2022

Document Date: 10/11/2022

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Report No. 6224-LS

East and Southern Africa Division  
Programme Management Department



**Annex 8: Project Implementation Manual (PIM)**

**Wool and Mohair Value Chain Competitiveness Project (WaMCoP)**

**Project Implementation Manual**

## **Table of contents**

<b>1</b>	<b>PART 1: FRAMEWORK AND RESPONSIBILITIES .....</b>	<b>4</b>
2	PROJECT OVERVIEW.....	4
	3 Country context	4
	4 Project Overview	4
5	TARGETING STRATEGIES .....	8
	6 Geographic targeting	8
	7 Social targeting	9
	8 Vulnerable groups	16
9	MULTI-PHASED PROGRAMMATIC APPROACH .....	20
<b>10</b>	<b>PART 2: DETAILED IMPLEMENTATION MODALITIES .....</b>	<b>27</b>
<b>11</b>	<b>COMPONENT 1: SUPPORT TO BUILDING VALUE CHAIN SYSTEMS .....</b>	<b>27</b>
	12 Sub-component 1.1 Value chain governance and sector strategy	27
	13 Sub-component 1.2 Responsible wool and mohair production	30
	14 Sub-component 1.3 Business development and cottage industry	35
<b>15</b>	<b>COMPONENT 2: CLIMATE SMART VALUE CHAIN OPERATION AND COORDINATION .....</b>	<b>45</b>
	16 Sub-component 2.1 Access to productive finance and other goods and services	45
	17 Sub-component 2.2 Responsible value chain production	54
<b>18</b>	<b>COMPONENT 3: PROJECT MANAGEMENT .....</b>	<b>60</b>
	19 Sub-component 3.1 Communication for behaviour change and monitoring for learning	60
	20 Sub-component 3.2 Project coordination	60
<b>21</b>	<b>PART 3: PROJECT PROCEDURES AND PLANNING.....</b>	<b>64</b>
22	PLANNING AND SUPERVISION.....	64
	23 Annual work plan and budget (AWPB) process	64
	24 AWPB Outline	65
	25 Project supervision	66
	26 Mid-term review	66
	27 Project Closure	67
<b>28</b>	<b>M&amp;E, KM, COMMUNICATION AND EVIDENCE FOR DECISION MAKING.....</b>	<b>67</b>
	29 Monitoring and evaluation system	67
	30 Knowledge management and strategic communication	71

31	FINANCIAL MANAGEMENT AND DISBURSEMENT ARRANGEMENTS.....	72
<hr/> <hr/>		
	<b>Introduction.....</b>	<b>72</b>
<hr/> <hr/>		
	<b>Institutional Arrangements.....</b>	<b>74</b>
<hr/> <hr/>		
	<b>Flow of Funds.....</b>	<b>74</b>
<hr/> <hr/>		
	<b>Internal Controls and Internal Audit .....</b>	<b>79</b>
<hr/> <hr/>		
	<b>3.4: PROCUREMENT .....</b>	<b>81</b>

**PART 4: ANNEXES (TERMS OF REFERENCE, MEMORANDUMS OF UNDERSTANDING, TRUST COMPANY STRUCTURE AND BACKGROUND ETC.,)Error!**

*Bookmark not defined.*



## 1 PART 1: FRAMEWORK AND RESPONSIBILITIES

### 2 PROJECT OVERVIEW

#### 3 Country context

1. **Poverty and social development.** Over thirty percent (30.5%) of the Lesotho population are now estimated to live below US\$1.90 a day. While urban poverty dropped to 27 percent, rural poverty stands at 61 percent. Agriculture remains the leading source of livelihood for rural people with 70 percent of households depending on it. The sector employs 44 percent of the active population.

2. **Human development and demography.** Lesotho's Human Development Index stands at 0.497. High HIV/AIDS prevalence and tuberculosis (TB) remain the greatest challenges for health and the social economy. HIV prevalence stands at 23 percent, and notwithstanding, the progress made, for instance a 55 percent reduction in HIV incidence, the HIV prevalence was higher among women than men, with women accounting for about 59 percent of those living with the virus.

3. **Environment and climate change.** Lesotho is experiencing the negative effects of extreme events and climate related hazards such as desertification, droughts, floods, rainfall variability, increased soil erosion, and reduced soil fertility. These negative trends are affecting livestock production/productivity and the livelihoods of wool and mohair producers.

4. **Gender, youth and nutrition.** Women and girls in the rural areas are marginalized, facing a range of constraints to their wellbeing. About 86% of women suffer from Gender Based Violence. Lesotho's youth suffer from high unemployment (29.1 percent of national youth<sup>1</sup> and 36 percent in rural areas). Malnutrition is widespread across Lesotho. About 26 percent of the population is facing high acute food insecurity, and about 56 percent cannot afford a nutritious diet, with shares as high as 74 percent in the mountainous districts.

#### 4 Project Overview

5. **Rationale for IFAD intervention.** IFAD has a long-standing comparative advantage on supporting the wool and mohair sector, built through the implementation of the Wool and Mohair Promotion Project (WAMPP) and related policy support to the sector. IFAD will leverage this WAMPP experience as well as its experience in promoting institutional arrangement for value chain development and coordination, to support the setting-up and operation of the Trust Fund and Trust Company (TF-TC). This all-value-chain-players inclusive and innovative institutional arrangement will enable the country facing the challenge of moving to responsible production, low emission and biodiversity enhancing, by enabling farmers access to climate smart technologies. As the result, Lesotho will benefit from a market mechanism that ultimately delivers higher incomes for farmers. The TF-TC consortium will be equipped to manage entrusted financial and physical assets as well as a digital platform, ensure equitable access for value chain players, and sustain business. During design, IFAD has demonstrated its role as a trusted "broker" and has secured the endorsement of the TC-TF consortium from both value chain role players in Lesotho and South Africa. Moreover, by scaling-up the most successful achievements reached by WAMPP in small ruminants breeding, animal health and nutrition, WaMCoP will enable farmers increase their yields and incomes. Lesotho will also benefit from IFAD's experience in supporting sectoral policy development and regulation.

6. **Project objectives.** The WaMCoP overall Goal is *to increase the economic and climate resilience of wool and mohair farmers' livelihoods*. In line with the Lesotho National Strategic Development Plan II, the Project Development Objective is to promote inclusive and sustainable economic growth and private sector led job creation from wool and mohair. The project will target about 45,000 households (approximately 225,000 persons) over a seven-year (2023 – 2030) period. The project consists of 2 operational components, one led by the PCU, and the other by the TC-TF consortium.

7. **Component 1.** *Support to building value chain systems*, will generate three critical outcomes: (1) the inclusiveness and transparency of the value chain governance will be improved; (2) a sustainable sector strategy (new law, regulations, and policy document) will be adopted and proposed to policy makers for approval, ratification, or amendment; and (3) new employment opportunities will be created in wool and mohair input supply and value addition. These outcomes will be achieved through 3 sub-components: (1.1) value chain governance and sector strategy; (1.2) Responsible wool and mohair production; and (1.3) Business development and value addition.

8. **Component 2.** *Climate smart value chain operation and coordination*. Led by the TF-TC consortium, this component is expected to yield two main outcomes: (1) smallholder production of wool and mohair will sustainably increase in quality and quantity; about 27.000 households are expected to report enjoying this increase; (2) Wool and mohair farmers will adopt environmentally sustainable rangeland-management practices; about 28.000 Households are expected to report the adoption of environmentally sustainable and climate-resilient technologies and practices. These outcomes will be achieved through 2 sub-components: (2.1) Access to productive finance and (2.2) Responsible Value Chain production system. The TF-TC Consortium in close collaboration with farmer associations and other value chain players, will manage the financial and physical assets entrusted by the public sector, operate the certification system for responsible production and low emission / biodiversity enhancement and roll-out the all-value-chain players inclusive digital platform.

9. **Theory of change.** Despite achievements of past interventions in the wool and mohair industry, its current operation is challenged by the listed factors: (1) Lesotho's clip is currently not meeting the responsible production standards that are increasingly demanded by international markets. (2) The value chain is constituted by a number of players that are highly fragmented and insufficiently coordinated. (3) The supply chains for feed, veterinary drugs, improved breed, and artificial insemination are fragile. (4) Access to key production inputs and services is limited and unequitable, which limits the sector's potential to advance the livelihoods of all producers. (5) A number of critical assets, such as the shearing sheds, are weakly managed, leading to limited up-grading without dedicated projects. (6) Widespread overstocking is leading to overgrazing and the subsequent degradation of rangelands.<sup>1</sup> (7) Access to finance for productive investments is insufficient and unequitable, with bank finance limited to larger rural enterprises. (8) The disease surveillance and reporting mechanism needs strengthening, to ensure export of fiber. (9) Value addition and transformation is very limited, and designs applied mostly dated and not tailored to specific markets.

10. WaMCoP's Theory of Change (see Figure 1 below) is designed to remove these risks and bottlenecks. This will allow the Lesotho's Wool and Mohair value chains to express their full potential in terms of the social and economic benefits to the country's population. WaMCoP aims to make the livelihoods of wool and mohair farmers more resilient to economic and environmental shocks. To reach this goal, the project will promote an inclusive and environmentally sustainable growth of the wool and mohair value chain. WaMCoP will do so through two closely interlinked components. The project is phased, with component one supporting system strengthening at national and component two implementing at scale and in the districts.

11. The first component is managed by the PCU and will strengthen the inclusiveness and efficiency of the systems underpinning the wool and mohair value chain. This entails entrusting key assets to the Trust Company and a Trust Fund (previously established under the WAMPP project) which will work as a joint venture between all value chain role players. It also entails strengthening the public sector policy and regulatory framework and the national breeding and disease surveillance mechanisms. Enhancing the value chain systems equally requires working upstream by promoting the national supply of key inputs and services (veterinary services, artificial insemination, fodder, etc.) and downstream by modernizing cottage industries and linking them to international markets. Component 1

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<sup>1</sup> The Department of Livestock Services estimated stocking density to stand at 130-140% vs. carrying capacity, though the situation varies significantly across locations and depends on rain-patterns.



will also establish a system for carbon accounting and set up incentives to reduce the size of animal stocks (through culling and exchange), enhance rangeland management and limit deforestation (through the promotion of improved cooking stoves). The underlying approach is to subsidise and upgrade the fragmented parts of the VC, with a clear view towards phasing out and ensuring sustainability.

12. The second Component, implemented by the TC, will operationalize the upgraded systems established under Component 1, by performing the following functions: (1) introduce responsible production standards and operate a certification system; (2) promote digitization to ensure operations visibility and traceability in the whole value chain; and (3) provide access to financial services to farmers (through in-kind loans provided by the TF).

13. Combined, the activities carried out by the two components are expected to translate into increased quantity and quality of fiber (thereby producing growth of the sector); adoption of sustainable practices by farmers (making the growth sustainable) and new jobs for women and youth (making the growth inclusive).

14. The achievement of the objective is possible only if the implementation of the above mentioned activities will follow the listed **project principles**: (1) business driven; (2) focused on sustainability from design; (3) comprising the whole wool and mohair value chain ecosystem, with appropriate roles for public and private sectors; (4) characterized by low bureaucracy and a "faire-faire" approach (PCU as facilitator); (5) inclusive, with priority given to the vulnerable people (poorer farmers, youth, women, PwD).

15. **Implementation arrangements.** A Project Steering Committee (PSC) will be established to provide policy guidance and oversight of project implementation. While Component 1 is PCU led, Component 2 will be private sector led. Moreover, partnerships will be established with critical private sector players such as Ethical Fashion Initiative (to develop the cottage industry), or Textile Exchange to promote responsible production certification; etc.

16. **Financial management.** Both the PCU and the TF – TC consortium shall have appropriate structure with experienced staffs to manage the project finance. They will prepare Annual Work Plans and Budgets (AWPBs), and withdraw advances from IFAD, based on AWPB and cash forecast for the next period. Both the PCU and the Trust Fund shall maintain full set of accounts subject to IFAD's requirements and conduct monthly reconciliation of accounts. The project shall have internal auditors who shall be independent from the Project Management Unit (PCU) and report to the Project Steering Committee (PSC). While the PCU will be audited by the Office of the Auditor General as mandated under the government act/law, the TF-TC consortium, and Ethical Fashion Initiative entities to be audited by a private audit firm supervised by the OAG.

17. **Cost and financing.** The total project costs including price and physical contingencies are estimated at US\$ 72.644 million (M 1162.299 million) over the seven-year project implementation period.

18. **Expected benefits.** The WaMCoP intervention will generate 5 outcomes: (1) the inclusiveness and transparency of the W&M value chains will be improved; (2) a sustainable sector strategic framework will be adopted; (3) new employment opportunities will be created in W&M input supply chains, and value addition; (4) smallholder production of W&M will sustainably increase in quality and quantity; and (5) W&M farmers will have adopted environmentally sustainable rangeland management practices.

19. **Risks and mitigation measures.** The overall project's inherent risk rating is substantial. After mitigation measures, the residual risk is moderate. The risk sub-categories rated highest in terms of inherent risks are: (1) country context; (2) procurement; and (3) financial management.

20. **Target group engagement.** The target group will be predominantly smallholder wool and mohair farmers, specifically the resource-poor ones, in total, about 45,000 households (approximately 225,000 persons). Given the broad sectoral scope of the project, relevant actors (youth, small scale breeders, agro-vets, other entrepreneurs...) will also be targeted. Women will represent at least 50% of people directly involved in

project activities. Youth aged 18-35 will represent 35% of WaMCoP beneficiaries. Moreover, a special focus will be placed on people living with disabilities (PwD). An appropriate social targeting strategy will be developed, and the targeting performance will be monitored on a continuous basis. All people-centred data will be disaggregated by gender, age, and PwD. A detailed targeting strategy for women, youth, and PwDs is presented in the Project Implementation Manual.

21. **Environmental and social category.** The environment and social category for WaMCoP is **Moderate**. Given the environmental management thrust of the project, the expected environmental impacts are predominantly positive. The project is deploying mitigation measures and participatory methods to ensure that all the identified environmental and social effects are recognized and minimized and that alternatives are offered to those people affected. The potential negative environmental and social effects are limited, site-specific, predictable, mostly reversible and can be managed with appropriate mitigation measures. Thus, the environmental and social **categorization is B**.

22. **Innovations and scaling-up:** WaMCoP's major innovation is the setting-up of the TC-TF consortium, envisioned to be a sustainable value chain-based mechanism that will scale-up and further develop successful strategies beyond the 7-year project life cycle. Other critical innovative features of the project are the promotion of responsible production and certification, low emission and biodiversity enhancement, the digitization of the value chain, the upgrading of the national breeding program, the establishment of the disease response and surveillance system, and the partnership with private players such as Ethical Fashion Initiative and the Lesotho National Development Corporation.<sup>2</sup>

23. WaMCoP will also see the involvement of a key strategic partner, the Ethical Fashion Initiative, a player that will re-conceptualize the cottage industry in Lesotho and establish sustainable market linkages for intermediary and finished wool and mohair products, a first for the country. After launching a call for proposals to identify an implementing partner to develop the cottage industry, the Ethical Fashion Initiative submitted a successful proposal and has been co-designing the intervention alongside IFAD.

24. The sectors and project ambition to certify the Lesotho clip will likely deepen the competitiveness and global viability of Lesotho's clip.<sup>3</sup> Hence, the roll-out of sustainable production standards for smallholders promises to be an innovation that will be gradually scaled-up over the life of the project.

25. The digital platform, which will digitise fibre transactions along the VC and promote value chain visibility is a stand-out innovation for agricultural commodity VCs in Africa.

26. Through a combination of close monitoring, data collection and knowledge management, the innovations promoted will be catalogued and where clear impact is demonstrated scaled-up. The PCU and TC-TF consortium will encourage broad ownership of the innovative approaches, share, and disseminate good practices and continuously feed this into the project implementation.

27. Finally, having undertaken consultations with the end-market and key VC players during the design process. This project has broadly identified emerging opportunities and threats for the VC and has been designed with these factors in mind.

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<sup>2</sup> Both players have been intimately engaged as part of the design, with the Ethical Fashion Initiative's engagement secured through a call for proposals launched by the Lesotho Country Team. And LNDC is playing a formidable role in setting up the Trust Company alongside WAMPP.

<sup>3</sup> In 2021/22 season, South Africa had the highest percentage of certified wool globally, with about 25% of the total production certified.

## 5 TARGETING STRATEGIES

### 6 Geographic targeting

28. Given that the upgrading of wool and mohair value chain systems requires national coverage – and will benefit the country as a whole - WaMCoP will be national in scale. At the same time, the project will make a special effort to promote access to services for poor farmers, thus the activities related to in-kind loans; savings groups; responsible production certification system; and incentive-based community initiative for rangelands management will be focused on the highland areas where the majority of poor wool and mohair farmers live.

29. Activities that will be national in scale include:

- Activity 1.1.1 Sector policy and regulatory framework
- Activity 1.1.2 Entrusting assets to the TF-TC and building stakeholders' capacity
- Activity 1.2.1 National breeding and disease surveillance
- Activity 1.3.1 Promoting productive alliances
- Activity 1.3.2 Cottage industry development
- Activity 2.2.1 VC inclusive digital platform

30. Activities that will be geographically focused include:

- Activity 1.2.2 Rangeland Management and Carbon Accounting
- Activity 2.1.1 Sustaining and managing the Trust Fund
- Activity 2.1.2 Financial Loan Cycle/Literacy and Saving Group formation
- Activity 2.2.2 Certification of production

31. For activities to which geographical targeting applies, the selected districts are Mokhotlong, Maseru Rural, Quthing and Thaba Tseka, which have both high production of wool and mohair and high levels of poverty (please see table 1 below).

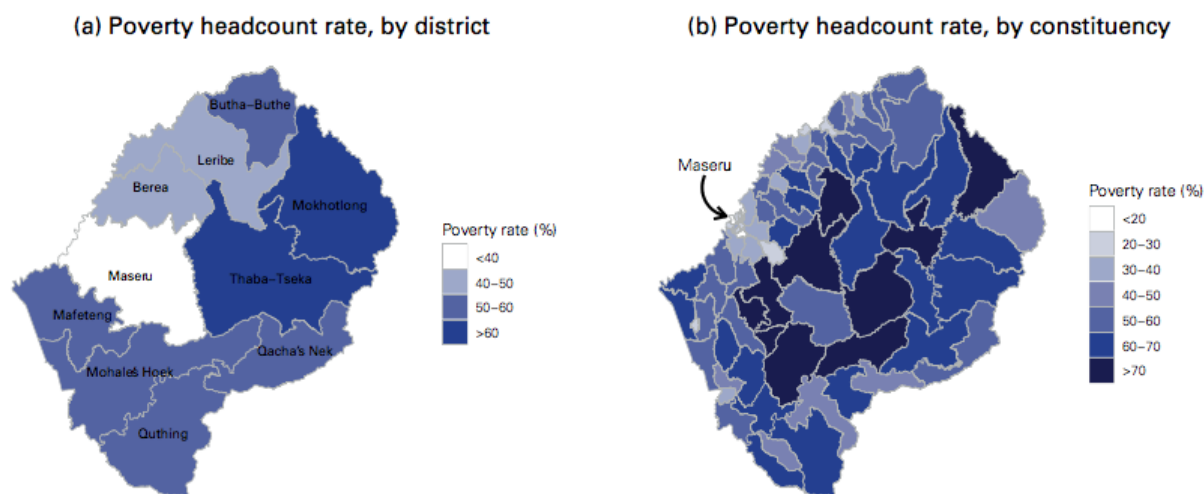
**Table 1: Selection of districts for geographically focused activities**

DISTRICT	Number of wool Farmers	Number of farmers who have goats only (estimated at 15% of total mohair farmers)	Total wool and mohair farmers	Poverty	Presence of ROLL
BEREA	1590	143	1.733	40-50%	YES
BUTHA BUTHE	2413	216	2.629	50-60%	YES
LERIBE	2971	235	3.206	40-50%	YES
MOKHOTLONG	5276	554	5.830	> 60%	NO
QUTHING	3998	241	4.239	50-60%	NO
MOHALE'S HOEK	2770	196	2.966	50-60%	NO
MASERU	5301	473	5.774	< 40%	YES
QACHA'S NEK	1605	140	1.745	50-60%	YES
MAFETENG	1896	94	1.963	50-60%	NO
THABA TSEKA	3887	378	4.265	> 60%	YES
<b>TOTAL</b>	<b>31.707</b>	<b>2.670,0</b>	<b>34.350,0</b>		
First batch					
Scaling up					

(Source: own calculations based on BKB sales data and on Lesotho Poverty Assessment, World Bank 2019)

32. To avoid doubling of efforts and improve synergies, in those districts where ROLL is present (Maseru and Thaba Tseka), WaMCoP will target the communities that are not reached by ROLL. The district of Maseru does not appear as high poverty in the table below because of the presence of Maseru city. However, the district does have a number of constituencies with high poverty levels (see figure 1 below) and the project will focus its efforts there.

**Figure 1: Lesotho Poverty Headcount rate by district and by constituency**



(Source: Lesotho Poverty Assessment, World Bank 2019)

he geographically focused activities will be progressively scaled up to the remaining districts, depending on WaMCoP performance as assessed during supervision missions or by the Mid-Term Review.

## 7 Social targeting

33. **Target group.** The project will target 45,000 households (approximately 225,000<sup>4</sup> persons) engaged or willing to engage in the Wool and Mohair sector. The target group will be predominantly smallholder wool and mohair farmers. The main operational entry point for the project will be the shearing sheds, and therefore the wool and mohair farmers members of Farmer Associations at shearing shed level will represent the primary target group.

34. To promote participation by the most resource-poor farmers, the following activities will be directly targeted to them: i) subsidized culling and exchange for asset building; ii) savings groups; iii) subsidized efficient cooking stoves. WaMCoP will also be inclusive of wool and mohair farmers that are currently not members of a Farmer Association at shearing shed level, in three ways: i) all project services that do not require being part of a formal group will be open to all wool and mohair farmers, whether or not they are members of a Farmer Association; ii) farmers that are not members of a Farmer Association will be targeted with the culling and exchange activity, thereby allowing these farmers to meet the eligibility criteria to become members; iii) WaMCoP aims to improve the services

<sup>4</sup> Average household size of 5 persons in rural Lesotho.

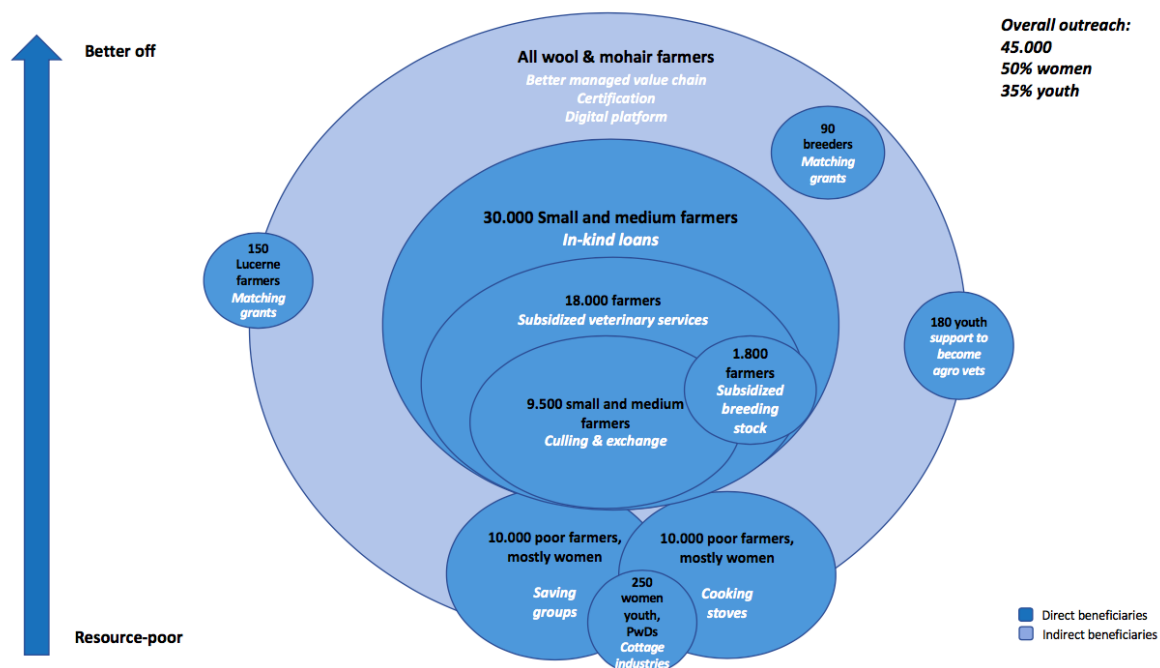
that Farmer Associations offer to their members, thereby making membership more attractive.

35. Given the broad sectoral scope of the project, relevant actors along the wool and mohair value chain will be targeted as well. These include: 180 youth who will receive training and start-up financial support to set up as agro-vets; 90 breeders who will access matching grants to scale up their services; and 5 mills working with a total of 130 lucerne farmers who will be supported to increase feed and fodder production.

36. Larger farmers, traders, brokers, and other private sector enterprises involved in the value chain will not be directly targeted by WaMCoP but will benefit from the improvements in the management of the value chain, as well as from an increased availability of inputs and services at national level. Figure 2 here below graphically depicts WaMCoP stakeholders and the services that each group will receive from the project.

37. **Targeting strategy.** WaMCoP will adopt a combination of targeting approaches, including direct targeting, self-targeting, and community-based targeting. Given that shearing sheds include small and large farmers, several eligibility criteria will be introduced to avoid elite capture by the larger farmers. The correct application and the effectiveness of the targeting strategy will be closely monitored by the M&E unit in collaboration with PMU component heads and with the TC. Table two here below lays out the eligibility criteria and the targeting strategy by activity, as well as the monitoring strategies for the targeting of each activity.

**Figure 2: WaMCoP outreach**



**Figure 3: Eligibility criteria and the targeting strategy by activity**

Activity	Target group	Number	Targeting strategy	Monitoring
Culling and exchange (improved rams)	<p>Small to medium farmers willing to exchange 6 animals against 1 improved ram.</p> <p>Eligibility criteria:</p> <ul style="list-style-type: none"> <li>i) Owning between 20 and 100 animals (sheep and goats combined)</li> <li>ii) Having attended trainings and demonstrations on nutrition and animal health</li> <li>iii) Applying responsible production standards (in line with certification)</li> </ul>	3.600	<p>Self-targeting. If the demand by eligible applicants is higher than the project's capacity to accommodate everyone, priority among eligible applicants will be given to women-headed households and youth. Unless there is more offer than demand, no farmer will be allowed to benefit from this activity more than once.</p> <p>Farmers owning more than 100 animals will not be eligible to this activity.</p>	<p>Close monitoring is needed for this activity because of the risk that the association managing the activity grants preferential access to its members and excludes other farmers.</p> <p>A bid will be opened to all associations (LNWMGA, Skylight, or other) to manage this activity. The winning association will be responsible for ensuring equitable access to all farmers, and a new bid will be opened in case there is proof of mistargeting.</p> <p>On a monthly basis, the association will provide the names of farmers who accessed the service, along with the receipt delivered to the farmers in the previous shearing season (the receipt will show the number of animals as well as the revenue received by the farmer). The PMU will review the documentation on an ongoing basis.</p>

Culling and exchange (improved ewes)	<p>Resource-poor farmers willing to exchange 2 animals for 1 improved ewe.</p> <p>Eligibility criteria:</p> <ul style="list-style-type: none"> <li>i) Owning between 8 and 19 animals (sheep and goats combined)</li> <li>ii) Having attended trainings and demonstrations on nutrition and animal health</li> <li>iii) Applying responsible production standards (in line with certification)</li> </ul>	3000	<p>Self-targeting.</p> <p>If the demand by eligible applicants is higher than the project's capacity to accommodate everyone, priority among eligible applicants will be given to those applicants that had the lowest revenue from wool and mohair in the previous year's shearing season (records on revenue are available at shearing sheds). Unless there is more offer than demand, no farmer will be allowed to benefit from this activity more than once.</p> <p>Farmers owning more than 100 animals will not be eligible to this activity.</p>	Same as above
Subsidy for improved cooking stoves	Poor farmers (owning between 0 and 7 animals). Priority to women-headed households, PwDs, HIV orphans.	10.000 vulnerable households (poor households, PwDs, HIV orphans)	Direct targeting of poor households identified by communities themselves through participatory targeting with facilitation by African Clean Energy (ACE). This activity will be geographically focused, with possibility to scale up after MTR depending on performance and availability of resources.	On a monthly basis, ACE will provide the list of households accessing the subsidy. The M&E unit will carry out random visits to these households to confirm that the eligibility criteria are being met.
Saving groups	Poor households (owning between 0 and 7 animals). Based on experience with saving groups in Lesotho and elsewhere in SSA, women are most likely to join this activity.	10.000	Self-targeting. This activity will be geographically focused, with possibility to scale up after MTR depending on performance and availability of resources. The people taking part in the saving groups will be targeted also for	The service provider tasked with implementing this activity will provide the profiles of all targeted people.

			the subsidized cooking stoves, so there might be overlap between the two groups.	
Certification	All members of Shearing Shed Associations (SSA) and members of Marketing groups and cooperatives willing to become members of SSAs.	28.000 <i>(using an estimation of total number of W&amp;M farmers in Lesotho at 35.000, and assuming that 80% will be willing and able to produce according to certification standards.</i>	Direct targeting of all farmers (SSA members and members of cooperatives and marketing groups) by TC.	At activity level, monitoring will be assured by records of number of farmers who attend certification-related trainings.  At outcome level, data on the number of farmers producing according to certification standards will be sourced first from SSA receipts at the end of each shearing shed season, and then from the digital platform once it is established.
Digital platform	All members of Shearing Shed Associations (SSA) and members of cooperatives and Marketing groups willing to become members of SSAs.	28.000	Direct targeting of all farmers (SSA members and members of cooperatives and marketing groups) by TC.	The platform itself will show the number and profile of farmers registered and will provide a rich source of data to track targeting.
In-kind loans (average loan size 350USD)	Small and medium farmers members of SSA, cooperatives and marketing groups willing to become members of SSA.  Eligibility criteria: owning between 35 and 100 animals.	30.000	Self-targeting. The PMU will ensure that information on this service reaches marketing groups members and members of cooperatives as well as SSA members. If demand is higher than the Fund's capacity to offer this service, priority will be given to youth and women.	The Fund will provide records that will be assessed by the PMU on a monthly basis.
Cottage industries	Youth, women, and PwDs.	400	Direct targeting of women and youth that received training under WAMPP.  Direct targeting of PwDs through the Lesotho National Federation of Organisations of the Disabled (LNFOD).  Self-targeting of other interested participants.	EFI to provide semi-annual reports with detailed profile information of beneficiaries.



<p>Training and Start-up financial support (50% matching grant for a maximum of 5.000 USD) for agro-vet entrepreneurs (productive alliances window 1)</p>	<p>Youth between 18 and 35, with priority given to the Community Animal Health Workers trained under WAMPP.</p>	<p>180</p>	<p>Direct targeting of youth trained under WAMPP (two per Shearing Shed). Self-targeting of other interested youth.</p> <p>Applicants will provide a business proposal, and the selection will take into consideration the following elements:</p> <ol style="list-style-type: none"> <li>1. Number of potential clients (farmers)</li> <li>2. Proven link to an established veterinarian for supervision and coaching</li> </ol>	<p>PMU will manage the training and selection process, and M&amp;E officer will ensure that the implementation proceeds according to the targeting strategy.</p>
<p>Access for two years to subsidized (30% subsidy) veterinary services (productive alliances window 1)</p>	<p>All wool and mohair farmers</p>	<p>59.940</p>	<p>The services will be offered by the young agro vet entrepreneurs. Asking these youth to make different prices for different profiles of farmers may be complex, and it could undermine the entrepreneur's future relationship with his/her clients. Therefore, the services will be subsidized at the same level for all farmers.</p>	<p>Each agro vet entrepreneur will submit a list of farmers who received services. The PMU will monitor the profile of those farmers and ensure that information on the service is spread widely and reaches all farmers in an equitable and timely manner.</p>
<p>30% matching grant for a maximum of 6.000 USD for modernization of production (Productive alliances window 2)</p>	<p>Breeders. To be eligible, breeders will need to be certified. If breeders are beneficiaries of the SADP II project, they will need to subscribe the WAMC-P approach.</p>	<p>90</p>	<p>Direct targeting by PMU</p>	<p>No monitoring required since direct selection will be done.</p>
<p>70% subsidized access to improved genetic material – up to 700 USD per farmer (Productive alliances window 2)</p>	<p>Resource-poor farmers owning between 8 and 15 animals</p>	<p>1800</p>	<p>Farmers identified by breeders in their business plans</p>	<p>Breeders will submit a list of 20 farmers each together with their business plan. Before funding the BP, the PMU will confirm that the 20 farmers meet the eligibility criteria (i.e. they have less than 50 animals each).</p>

<p>30% matching grant for a maximum of 12.000 USD for milling companies</p> <p><i>(Productive alliances window 3)</i></p>	<p>Lesotho milling companies who work with at least 30 farmers each.</p>	<p>5</p>	<p>Direct targeting</p>	<p>No monitoring needed because direct targeting by PMU</p>
<p>70% matching grant for lucerne farmers to invest in farms – up to 933 USD per farmer.</p> <p><i>(Productive alliances window 3)</i></p>	<p>Lucerne farmers with at least 1 ha of land and not more than 5 ha of land.</p>	<p>150 farmers</p>	<p>Farmers will be targeted by milling companies</p>	<p>Each milling company will submit together with the business plan a list of 30 farmers that will be targeted. The PMU will check the profiles of these farmers before approving the business plan.</p>

## 8 Vulnerable groups

38. WaMCoP will give special attention to vulnerable groups, such as very poor farmers, women, youth, and People with Disabilities (PwDs). The table below summarizes the targeting strategy by group.

**Table 2: Targeting strategy by group**

<b>Target group</b>	<b>Number</b>	<b>Activities</b>	<b>Targeting strategy</b>	<b>Other empowerment measures</b>
Small and medium farmers	21.000 (46 % of total outreach)	<ul style="list-style-type: none"> <li>- Culling and exchange for improved rams</li> <li>- Certification</li> <li>- Access to in-kind loans</li> </ul>	Self-targeting	Support to strengthen capacity of farmers' associations and transparency of shearing shed management is expected to increase farmers' voice.
Resource-poor farmers	9.000 (20% of total outreach)	<ul style="list-style-type: none"> <li>- Culling and exchange for improved ewes</li> <li>- Certification</li> </ul>	Self-targeting	Resource-poor farmers are often members of marketing groups or cooperatives rather than of SSA. PMU and TC will ensure that all project services that do not require being part of a formal group will be open to all wool and mohair farmers, whether or not they are members of SSAs. Moreover, members of marketing groups or cooperatives will be targeted with the culling and exchange activity, thereby allowing these farmers to meet the eligibility criteria to become SSA members.
Very poor households	15.000 (33% of total outreach)	<ul style="list-style-type: none"> <li>- Fuel-efficient cooking stoves</li> <li>- Saving groups</li> </ul>	Direct targeting through community participatory identification of poorest households	Preferential access to potential employment in labour-intensive rangeland management activities

Women	22.500 (50% of total)	<ul style="list-style-type: none"> <li>- Priority access to all services to which they are eligible according to their level of revenue and/or how many animals they own</li> <li>- Cottage industries</li> <li>- Saving groups</li> <li>- Fuel-efficient cooking stoves</li> </ul>	Self-targeting with priority access. Direct targeting for cottage industries.	<p>The project will promote influence of women in decision-making by:</p> <ul style="list-style-type: none"> <li>- Promoting women in leadership positions in SSA supported by the project</li> <li>- Ensuring women take part in project planning</li> <li>- Awareness raising against Gender Based Violence</li> <li>- Promotion of efficient cooking stoves</li> </ul>
Youth	15.750 (35% of total)	<ul style="list-style-type: none"> <li>- Priority access to all services to which they are eligible according to their level of revenues and/or number of animals owned</li> <li>- Cottage industries</li> <li>- Support to setting up as agro-vets</li> </ul>	Self-targeting with priority access. Direct targeting for cottage industries and support to set up business as agro-vet	<p>The project will promote influence of youth in decision-making by:</p> <ul style="list-style-type: none"> <li>- Promoting youth in leadership positions in SSA supported by the project</li> <li>- Ensuring youth representatives take part in project planning</li> <li>- Supporting the institutionalisations of Marketing Groups where youth are more present</li> </ul>
PwD	350	<ul style="list-style-type: none"> <li>- Priority access to all project services</li> <li>- Cottage industries</li> </ul>	Direct targeting of PwDs through the Lesotho National Federation of Organisations of the Disabled (LNFOD).	<ul style="list-style-type: none"> <li>- KM activities to reduce stigma against PwDs</li> <li>- Awareness-raising activities for HIV/AIDS prevention</li> </ul>

39. **Women.** According to the NSDP II, women in rural Lesotho face a number of constraints, such as insufficient access to finance, to natural resources including land, and to professional skills. The legal, regulatory and policy frameworks to protect women rights are often inadequate and outdated. According to a 2020 UN-Women report<sup>5</sup>, one in three women in the country suffers from gender-based violence.

40. Women will represent at least 50% of people directly involved in project activities. Approximately 7.500 women will be targeted as wool and mohair farmers - according to our estimates, around 25% of members of Farmers Associations at shearing shed level are women. These women (mostly widows who have inherited their husband's animals) will have preferential access to services such as culling and exchange and in-kind loans, as laid out in the targeting table above. Women are often engaged at shearing shed level for seasonal jobs as classers, shearers, recorders. As part of the certification process supported under subcomponent 2.2.2, better working conditions will be promoted for these women.

41. Given that traditionally the ownership of sheep and goats is a male prerogative, the majority of women in Lesotho do not own sheep and/or goats. Therefore, WaMCoP includes a number of activities specifically targeted at women who are not directly involved in the wool and mohair value chain:

- (1) the development of cottage industries, which building on WAMPP experience has the potential to create new jobs for women (estimated at 400)
- (2) the establishment of saving groups targeting 10.000 persons, mostly women;
- (3) subsidized access to 10.000 improved cooking stoves, which will yield benefits for women in terms of health and of time saved from collecting firewood.
- (4) Given the extremely high number of women suffering from gender-based violence, awareness campaigns against gender-based violence will be carried out.

42. The project will promote women's voice by making the participation of women in leadership positions a necessary requirement for Farmer Associations to receive support from the project. WaMCoP's PMU will ensure that women take part in project planning, and that beneficiary feedback is gender-disaggregated and analysed with a gender lens. The graph below depicts WaMCoP's women pathway and lays out the objectives, the activities, the targeting strategies and the monitoring mechanisms established to support women's socio-economic empowerment. Collaboration on the awareness campaigns against gender-based violence will be sought with the United Nations Population Fund (UNFPA), who is making efforts to ensure that the "Counter domestic violence law" recently passed by the Parliament of Lesotho is known and enforced.

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<sup>5</sup> COVID 19 and ending violence against women and girls, UN-Women, 2020.

**Figure 4: Women pathway**

<b>Women</b>	
Aim	To increase the socio-economic empowerment of rural women in Lesotho
Outreach	22,500 women (50% of total outreach)
Objectives	<div style="display: flex; justify-content: space-around; border: 1px solid #ccc; padding: 2px;"> <span>Economic empowerment</span> <span>Decision making and representation</span> <span>Workload reduction</span> </div>
Challenges/barriers	Lesotho ranked 139 out of 162 in the 2019 Gender Inequality Index, and about 86% of women suffer from Gender Based Violence. Women generally do not own animals (although they are involved in taking care of animals);
Activities	<div style="display: flex; justify-content: space-between; border: 1px solid #ccc; padding: 5px;"> <div style="width: 45%;"> <p>Creating new income opportunities for women:</p> <ul style="list-style-type: none"> <li>- promoting the cottage industry</li> <li>- access to finance through saving groups</li> <li>- Preferential access to in-kind loans</li> <li>- Promote women employment as classers, shearers, recorders and promote better contractual working conditions</li> </ul> </div> <div style="width: 45%;"> <p>Promoting influence of women in decision-making by:</p> <ul style="list-style-type: none"> <li>- Promoting women in leadership positions in SSA supported by the project</li> <li>- Ensuring women take part in project planning</li> <li>- Awareness raising against Gender Based Violence</li> <li>- Promotion of efficient cooking stoves</li> </ul> </div> </div>
Targeting strategy	Direct targeting for cottage industries; Quotas/preferential access to project support for SMEs led by youth and women; condition support to SSA on having women in leadership positions;
M&E	<ul style="list-style-type: none"> <li>- Gender-disaggregated indicators</li> <li>- IE. 2.1 Individuals demonstrating an improvement in empowerment</li> <li>- Number of women with new jobs</li> <li>- % of supported groups with women in leadership positions</li> <li>- Women in cottage industries supported with equipment and marketing services</li> <li>- Survey results on beneficiary feedback disaggregated by gender; Qualitative data through women focus groups</li> </ul>

43. **Youth.** According to the Youth Development Index of the Commonwealth Secretariat (2016) Lesotho has a low Youth Development Index of 0.432, mainly due to very low health and well-being scores. 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). The International Labour Organization (ILO 2017) estimates youth (15-24) unemployment at 38.5 %, resulting in high rural-urban as well as cross-border migration. WaMCoP's youth strategy adopts several of the recommendations of the Lesotho Rural Youth Opportunities paper prepared for the COSOP design in 2018. In particular, it will promote youth-sensitive farmer organizations and cooperatives; vocational training; land rehabilitation; and Business development services.

44. Youth aged 18-35 will represent 35% of WaMCoP beneficiaries, including both young males and young females. An estimated 18% of members of farmers associations at shearing shed level are youth, thus at least 5.400 young wool and mohair farmers will benefit from the project's services delivered at shearing shed level. Many more young wool and mohair farmers do not currently meet the eligibility criteria to become members of a Farmer Association at shearing shed level because they do not own improved animals and/or a sufficient number of animals. By granting youth preferential access to culling and exchange activities (and thus access to improved animals), WaMCoP will make it easier for youth to join Farmers Associations. For youth who do not own sheep and/or goats, the project has the following activities:

- (1) Promotion of cottage industries, expected to create approximately 300 jobs for youth who will receive training and equipment.
- (2) Training and start-up financial support to set up as agro-vets, expected to create approximately 180 jobs for youth. This activity will target primarily but not exclusively the young Community Animal Health Workers (CAHW) who have been trained under WAMPP.

45. The project will promote youth's voice by making the participation of youth in leadership positions a necessary requirement for Farmer Associations to receive support from the project. WaMCoP's PMU will ensure that youth take part in project planning, and that beneficiary feedback is disaggregated by age and analysed with a youth lens. The

graph below depicts WaMCoP’s youth pathway and lays out the objectives, the activities, the targeting strategies, and the monitoring mechanisms established to support youth’s socio-economic empowerment.

**Figure 5: Youth pathway**

<b>Aim</b>	To increase the socio-economic empowerment of rural youth in Lesotho	
<b>Outreach</b>	15,750 youth (35% of total outreach)	
<b>Objectives</b>	Economic empowerment	Decision making and representation
<b>Challenges/barriers</b>	36% youth unemployment; difficult access to production inputs and services; youth are generally not members of SSA because they don't have enough animals/animals of improved breed	
<b>Activities</b>	Creating new income opportunities for youth by: <ul style="list-style-type: none"> <li>- promoting the cottage industry</li> <li>- offering trainings to become agro-vets</li> <li>- Promoting youth SMES for feed and fodder</li> <li>- facilitating access by youth to production inputs and services</li> <li>- Preferential access to in-kind loans</li> </ul>	Promoting influence of youth in decision-making by: <ul style="list-style-type: none"> <li>- Promoting youth in leadership positions in SSA supported by the project</li> <li>- Ensuring youth representatives take part in project planning</li> </ul>
<b>Targeting strategy</b>	Direct targeting for training on agro-vets and cottage industry; quotas/preferential access to project support for SMEs ed by youth and women; supporting marketing groups where youth are more present	
<b>M&amp;E</b>	<ul style="list-style-type: none"> <li>- Age-disaggregated indicators</li> <li>- IE. 2.1 Individuals demonstrating an improvement in empowerment</li> <li>- Number of youth trained as agro-vets</li> <li>- Number of youth with new jobs</li> <li>- Survey results on beneficiary feedback analysed disaggregated by age</li> <li>- Qualitative information and feedback gathered through regular focus groups with youth</li> </ul>	

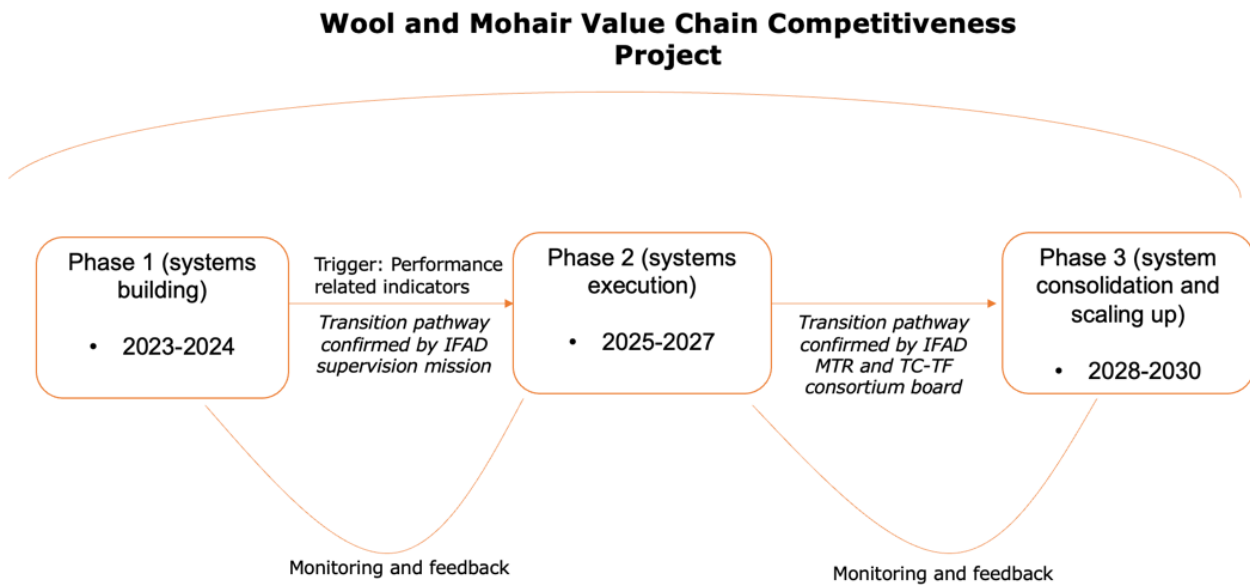
46. **PwDs.** A special focus will be placed on People living with disabilities (PwD). According to the Lesotho Demographic Survey (2001), PwDs represent 4.2% of the population, with about one-third of these being children under 15 years. Difficult access to formal education, coupled with discrimination amongst employers in a country with a very high unemployment rate, mean that PwDs find it extremely hard to find employment. According to the Lesotho National Federation of Organisations of the Disabled (LNFOD) more than 65% of disabled people depend on their immediate families and neighbours for their daily livelihoods even though more than 60% are able to engage in daily activities without assistance.

47. It is estimated that WaMCoP will reach 350 PwDs, but this target may be reassessed after the baseline study will have provided more information on the number of PwDs in the target population. The Leribe Craft Centre cottage industry is already working with disabled women, and useful lessons can be learned from there. WaMCoP will collaborate with the (LNFOD) to directly target PwDs with training and equipment to engage in cottage industries. As further detailed in the Knowledge Management section, the project will also collaborate closely with LNFOD on creating awareness and reducing the stigma affecting PwDs. Households with orphans of HIV will be given preferential access to improved cooking stoves.

## 9 MULTI-PHASED PROGRAMMATIC APPROACH

48. WaMCoP is applying a three-phased implementation strategy. This approach creates a strong learning and monitoring platform, as lessons learned from one phase can be collated and integrated into the next phase. Moreover, it safeguards the project, by providing a mechanism to closely monitor overall project performance towards key outcomes.

**Figure 6: WaMCoP 3-phase programmatic approach**



49. This approach will ensure that the innovative TF-TC consortium is gradually developed and built.<sup>6</sup> Considering the centrality of the TC-TF consortium to the underlying logic of the project, the phased approach will ensure that during phase 1, the TC-TF consortium is concretised. In parallel, the PCU will lead the implementation of phase 1 activities and build the critical VC systems. Once a set of performance related triggers are met, the project will then transition to phase 2, which should see greater execution and implementation of the VC systems. Phase 2 will also see the TF-TC consortium operate assets and deliver services and it is envisioned that it will scale-up operations over the course of phase 2 and in the build-up to phase 3. Finally, the third and final stage, is the systems consolidation and scaling-up phase. The TF-TC consortium should be fully operational and delivering against clear fiduciary and performance targets.<sup>7</sup> This phase is therefore, focused on consolidating key activities, scaling-up where there is clear progress and building a clear pathway to post-project sustainability, of which the TF-TC consortium will lead and anchor.<sup>8</sup>

50. Implementation strategy. WaMCoP will be implemented in three phases, following a staggered implementation plan.<sup>9</sup> Phase 1, with a duration of eighteen months, is the start-up and system building phase, phase 2, with a duration of 2 years is the implementation and system execution phase and phase 3, is the scaling-up, consolidation and post-project phasing out. Supervision and implementation support missions will review progress between phase 1 and 2 and the mid-term review (MTR) mission will confirm the transition from phase 2 to phase 3. There are five performance-related triggers to transition from phases 1 and 2: (i) The business plan for the TF-TC is developed, validated by VC players and the governance structure is established; (ii) The TF-TC fiduciary systems, monitoring software and secretariat is established and validated; (iii) The TF-TC develops a business plan for each asset entrusted by the government; (iv) The TF-TC finalises the delivery mechanism for the revolving fund, in particular, the software system, the financing manuals and eligibility criteria; and (v) A service provider is contracted to target, establish and support savings groups.

<sup>6</sup> The road map for the establishment and operational launch of the TF-TC consortium is presented in annex 13 and is being implemented by LNDC and MAFS (through WAMPP).

<sup>7</sup> These targets will be outlined at MTR by the IFAD supervision mission and the TF-TC board of directors.

<sup>8</sup> The project implementation manual contains a detailed implementation plan that aligns with the three-phased approach.

<sup>9</sup> This implementation plan is captured in the annex 8 – the project implementation manual.



51. Confirmation of whether the triggers have been met will occur during the second supervision mission. If there is no progress on the triggers, the TF-TC may not undertake any further activities and a project level restructuring will be undertaken by IFAD. Should the effectiveness of the TF-TC consortium be severely delayed, the Lesotho National Development Corporation (LNDC)<sup>10</sup> is ready to collaborate with the PCU, to supplement, and ensure smooth implementation. If all performance related triggers are met, the project, through the IFAD supervision mission, will receive the authorisation to transition from phases 1 to 2.

52. Due to the importance of establishing the TF-TC, the performance related triggers will only apply from phase 1 to phase 2. The transition from phase 2 to phase 3, will therefore, be a function of regular project implementation. The mid-term review (MTR) mission will scrutinise overall project performance and guide implementation to the third phase. In the unlikely event project performance is severely undermined, the project would be eligible for restructuring, suspension or even the withdrawal of support to the TF-TC. This ensures that the necessary safeguards can be deployed in the event of any unforeseen issues.

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<sup>10</sup> LNDC is a parastatal of the GoL tasked with implementing the country's industrial development policies.

**Table 3: WaMCoP 3-phased implementation plan**

WaMCoP Implementation in phases							
	Phase 1		Phase 2		Phase 3		
Component / subcomponent	Activity	Lead Implementer	Activity	Lead Implementer	Activity	Lead Implementer	
<b>Component 1 Support to building value chain systems</b>							<b>Legend</b>
<b>Sub-component 1.1 Value chain governance and sector strategy</b>							<b>PCU</b>
<i>1.1.1 Support to improving sector policy and regulatory framework</i>							<b>TC-TF</b>
Review policy and regulatory needs with adequate experts and stakeholders	X	PCU					EFI / SE
Formulate policies and regulatory aspects (breeding, data reporting, sub-sector strategy, etc.) and get GoL and stakeholders' approval			X	PCU/MAFS			PCU / TC-TF
Enact policies and regulations, and support stakeholders to apply them systematically					X	MAFS/PCU/TC-TF	IFAD
<i>1.1.2 Entrusting assets to the Trust Fund–Trust Company (TF-TC) consortium and building stakeholders' capacity</i>							
Business plan for TF-TC is developed, validated and governance structure is established	X	PCU					trigger
Fiduciary systems, monitoring software and approach, institutional set-up (Board, Secretariat) validated	X	IFAD/MoF					
Entrusting of asset and digital platform to the TC-TF			X	PCU			
Auditing of TC-TF and providing TA for scaling-up and exiting					X	PCU	
<b>Sub-component 1.2 Responsible wool and mohair production</b>							

<b>1.2.1 Improved small ruminant production</b>							
Set-up the digitalised database of national breeding system and initiate on-farm demonstrations of improved animal nutrition practices	X	PCU					
Establishing and equipping national diagnostic laboratory and training of young veterinarians			X	PCU			
Review of national breeding plan and disease surveillance systems in place					X	PCU	
<b>1.2.2 Rangeland management and carbon accounting system</b>							
Define RWS/RMS approach for Lesotho, develop plans for operationalising it and define carbon accounting dimension for roll-out	X	PCU/Textile Exchange					
Signing of MoU with ROLL PMU to support rangeland activities	X	PCU					
Build capacity of sheds around compliance and monitor adherence to standards			X	PCU/TC-TF	X	TC-TF	
<b>Sub-component 1.3 Business development and cottage industry</b>							
<b>1.3.1 Promoting productive alliances</b>							
Finalise grant manual, set up committee; sensitise communities on productive alliances, launch call and validate business plan	X	PCU					
Payments and monitoring of progress			X	PCU			
Exit from projects and support enterprises to work with TC/TF and financial institutions					X	PCU/TC-TF	
<b>1.3.2 Development of Lesotho fiber processing</b>							
Contracting of Ethical Fashion Initiative to lead the development and set-up the social enterprise (SE)	X	PCU/EFI					

Targeted training of artisans and production of first collection showcased and marketed in Europe			x	EFI/SE			
Purchase agreement signed with fashion house and showcasing at international fashion show					x	SE/EFI	
<b>Component 2 Climate smart value chain operation and coordination</b>							
<b>Sub-component 2.1 Access to productive finance and other goods and services</b>							
<i>2.1.1 Managing and sustaining financial and physical assets</i>							
Developing of business plan for each key asset entrusted by the government and finalise the delivery mechanism for the revolving fund (manuals, software, eligibility)	x	TC-TF/MAFS					
Signing of performance level agreement between the TC-TF and the line ministry to manage entrusted assets and operate the revolving fund			x	TC-TF/MAFS			
Oversight of entrusted assets to be undertaken by the board of TC-TF and MAFS senior management					x	MAFS/TC-TF	
<i>2.1.2 Financial literacy and saving groups</i>							
Contract service provider to target, establish and support savings groups	x	PCU					
Service prover to carry out trainings to members of savings groups and build financial capacity			x	Service Provider/PCU			
Service provider to build the savings and lending capacity of groups and link to financial institutions					x	Service Provider/PCU	
<b>Sub-component 2.2 Responsible value chain production</b>							
<i>2.2.1 Value chain inclusive digital platform</i>							

Signing of agreement with digital platform service provider and assessment of role players capacity to monitor internal operations	x	PCU					
On-boarding of role players onto the platform via targeted capacity building			x	Service Provider/TC-TF			
Signing of service level agreement between with each participant organisation and rolling out of interfacing arrangement					x	Service Provider/TC-TF	
<i>2.2.2 Certification of production</i>							
Preparation and adoption of shed level management and related capacity building	x	PCU/Textile Exchange					
Conducting mock audits and general monitoring of certification process			x	PCU/Certification body			
Collecting shed level biodiversity data and applying to ROF for payments for ecosystem services					x	TC-TF	

## 10 PART 2: DETAILED IMPLEMENTATION MODALITIES

48. The project consists of 2 technical components: (1) Support to building VC systems and organization; (2) Climate smart VC operation and coordination. Component 3 is devoted to Project Management. While Component 1 will be implemented by the Project Coordination Unit (PCU), Component 2 will be private sector led. As such, Component 1 will support the establishing and up-grading of the systems enabling the VCs to thrive. Component 2 will support the operation and improvement of these locally grounded VC systems, leading them to self-sustainable levels.

### 11 COMPONENT 1: SUPPORT TO BUILDING VALUE CHAIN SYSTEMS

49. The three outcomes of this PCU led component are: (1) inclusiveness and transparency of value chain governance improved (key performance indicator: 75% of supported rural producers' organization members report new or improved services provided by their organizations); (2) sustainable sector strategy adopted (key performance indicator: 2 new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment); (3) New employment opportunities are promoted in wool and mohair input supply and value addition (key performance indicator: 400 new jobs created). These outcomes will be achieved through 3 sub-components: (1.1) value chain governance and sector strategy; (1.2) Responsible wool and mohair production; and (1.3) Business development and value addition.

#### 12 Sub-component 1.1 Value chain governance and sector strategy

##### **Intervention 1.1.1 Support to improving sector policy and regulatory framework**

50. This sub-component consists of 2 interventions aimed at improving sector policy and regulatory framework and building the capacity of value chain stakeholders to operate under the new private sector led sector governance system.

###### *Intervention 1.1.1 Support to improving sector policy and regulatory framework*

51. The result is a revised compendium of W&M sector policy and regulation documents. The policy and regulatory reform will focus on the following issues: responsible production of wool and mohair along with carbon sinking and biodiversity conservation; assets management; equity of access to goods and services; breeding system and supply of inputs; disease control; data gathering and analysis; stock theft response; sector management and coordination; etc.

52. PCU will prepare the ToR and recruit a service provider (Consultant or consultancy firm<sup>11</sup>) to provide technical assistance to MAFS. The process will be inclusive for all value chain players and consists of the following steps:

53. *Participatory review of the current policy and regulatory framework.* The consultant will prepare a consultative workshop by analysing existing policy and regulatory documents and hold interviews with representatives of VC role players groups and associations in Lesotho and South Africa. Then, a one-day consultative workshop will be held with the participation of these representatives of all VC role players. Participants will confirm the diagnostic and agree on orientations/guidelines for the revised policy and regulation.

54. *Drafting of the revised policy and regulation documents.* Following the consultative workshop, the consultant will prepare the draft of the 2 documents, following the orientations developed by the consultative workshop.

55. *MAFS and IFAD clearance for validation workshop.* PCU will seek the clearance of MAFS and IFAD on the draft policy and regulation documents. If applicable, the

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<sup>11</sup> The team could include a policy expert and a lawyer.

consultant will incorporate comments from MAFS and IFAD before the validation workshop.

56. *Validation workshop.* Following the clearance by MAFS and IFAD, PCU will organize the validation workshop with the participation of representatives of all VC role player associations and groups in Lesotho and South Africa. The participants will review the draft policy and regulation documents.

57. *Finalization of the policy and regulation documents.* The Consultant will incorporate the outputs of the validation workshop and prepare a final version.

58. *Final clearance by MAFS and IFAD, and official adoption of the new policy and regulation.* The cleared versions will follow the official process of adoption by the Government of Lesotho.

### **Intervention 1.1.2 Entrusting assets to the TF-TC and building stakeholders' capacity**

#### *Intervention 1.1.2 Entrusting assets to the Trust Fund–Trust Company (TF-TC) consortium and building stakeholders' capacity*

59. As presented in Annex 12 to the PDR, the TF-TC consortium is a joint venture between all wool and mohair VCs role players, to govern and coordinate VC operations, manage assets, and equitably deliver required services to all players.

60. In principle, at the start-up of the project, under the leadership of the Lesotho National Development Corporation (LNDC), all value chain role players associations, should have established the TF-TC consortium and built in a corporate management system that meets international standards and IFAD requirements.

61. The Trust Fund consists of an endowment fund amounting USD 7 million and a revolving fund amounting USD 10.5 million. The revenues generated by investing the endowment fund will be used to finance the operation of the consortium and support sector development. The revolving fund is aimed at providing in-kind input loans (genetic materials, feed and fodder, and vet services) to farmers. As an indication, the TF governance consists of a board of 7 Trustees appointed by value chain players groups and associations, and a light secretariat. The Trust Company is a not-for-profit company with shareholding inclusive for all value chain player groups / associations and LNDC on behalf of Government. The TC governance consists of a board of 7 directors appointed by these shareholders and MAFS, and an executive secretariat. Possibly, considering LNDC's acquaintance in setting-up and managing subsidiaries, the Board of Trustees and the Board of Directors of the TF-TC consortium will charge LNDC to hold and operate the light executive secretariat. Either way, LNDC is committed to performing the functions of the TF-TC Consortium until it is fully operational with international governance standards.

62. Under this intervention, PCU will perform the following activities:

63. *Valuation of the physical assets.* The PCU on behalf of MAFS, will recruit a service provider to perform a valuation of all the physical assets (shearing sheds, sheep and goat studs, auctioning yards, and slaughter slabs) to be entrusted to the TF-TC consortium and prepare a performance-based entrustment contract. The assets valuation report and performance-based contract will be cleared by MAFS and IFAD. The Consultant's work will include the current sheep studs in Mokhotlong and Quthing, under the responsibility of the LNWGA. For each asset, the draft performance contract will be based on a thorough analysis of the profitability of the asset, with a revenue forecast, a projection of services (quantity and quality) to value chain players, and financial sustainability plan. For the 2 studs managed by the LNWGA, the consultant will work with LNWGA and the staffs and board of the TF-TC Consortium to develop a proposal on how to bring all studs under a unique management system.

64. *Assessment of the corporate governance system of the TF-TC Consortium.* The PCU will also recruit a service provider to perform an assessment of the corporate

governance system of the TF-TC consortium. PCU will first develop the ToRs and get the clearance of the IFAD Financial Management team. The report on the audit of the corporate management system will also be submitted to the IFAD FM team for clearance.

65. *Confirmation of the corporate management system of the TF-TC Consortium by the IFAD FM team and GoL.* Based on the audit report of the service provider, the IFAD FM team, jointly with the appropriate department in the GoL, will field a mission that's aim is to verify and confirm the confirm the results of the audit, and if applicable, recommend additional measures. The confirmation of the audit will trigger the entrustment of the physical and financial assets to the TF-TC Consortium.

66. *Finalization of the performance-based contracts.* In principle, the TC-TF has prepared a business plan, complying with international standard, for each of the individual or group of assets, physical and financial. These business plans should include a revenue forecast, as wells as a projection with regard to specific goods and services to be delivered to value chain players, and a projection for financial sustainability. At this stage, the PCU will recruit a service provider (possibly the same), to revise and finalize the performance-based contracts by comparing the initial proposal by the service provider and the proposals by the TF-TC Consortium as reflected in their business plans. PCU will submit the performance-based entrustment contract to the clearance of MAFS and IFAD.

67. *Entrustment of the financial and physical assets to the TF-TC.* PCU will support MFAS to organize the official entrustment ceremony, whereby MFAS will transfer the ownership / management of the concerned assets to the TF-TC consortium. During the ceremony the performance-based entrustment contracts will be formally signed. Concerned assets are:

- Financial Assets: (1) the endowment fund; and (2) the revolving fund.
- Physical Assets. (1) sheep and goat studs, including artificial insemination centre, plunge dip, and other incorporated assets; (2) auctioning yards; (3) slaughter slabs; etc.

68. *Monitoring of entrustment contract.* PCU on behalf of MAFS and in close collaboration with the MAFS unit in charge of M&E, will monitor the performance achieved by the TF-TC consortium, in managing and operating the entrusted assets. Among the parameters to monitor are: (1) the service delivered (quantity and quality) to value chain players; (2) the revenues derived from the assets; (3) the use of the revenues; (4) the maintenance of the assets; (5) the financial sustainability... From end of year 4, PCU will step back on rather support the MAFS Unit in charge of M&E taking the lead in performing the monitoring of the entrustment contract.

69. *Periodic Audits of the TF-TC consortium.* PCU (on behalf of MAFS) will organise periodic external audits of the consortium, 6 monthly during the first 6 years, and thereafter, perform a final audit just before project completion. ToRs and audit report will be cleared by the IFAD FM team and the relevant department in Government.

70. *Capacity building of VC role players to operate within the TF-TC led system.* PCU will recruit a service provider to build the capacity of all value chain farmer associations and other player groups (brokers, traders, small scale breeders and feed companies) to hold their function and operate within the new TF-TC consortium led sector governance system. A role mapping of these players in this new innovative system, along with a capacity needs assessment will be performed, leading to designing and rolling-out appropriate capacity building activities. Special attention will be given to the internal organisation of the farmer organisations, to strengthen their respective roles as advocates of the small holders, while adhering to good practices of management, inclusion and transparency.



### **Intervention 1.2.1 Improved small ruminant production**

53. The three intervention areas are animal breeding, animal health and animal nutrition.

#### **I. Animal Breeding**

54. This intervention area covers three activities: (1) the operationalization of the national breeding plan; (2) update of the culling and exchange program and (3) on-farm demonstrations.

55. ***Support to the operationalization of the National Breeding Plan (NBP)***, developed under WAMPP, with technical support from the University of the Free State in South Africa. This comprehensive document clearly outlines the various activities that need to be implemented for its full implementation. Under the WAMPP, the main efforts have been devoted to improving the facilities at the two breeding centres in Mokhotlong and Quthing and establishing two flocks of Merino sheep and Angora goats of superior genetic quality. Under WaMC-P, it is essential to implement and strengthen the following actions:

(1) *Digitalization of National Breeding Centres*: this activity will be the implementation of a digitized database for genealogical registration of Merino and Angora quality breeding animals. Special software for breeding stock management will be purchased and implemented at the two existing breeding centres and the new Angora goat breeding centre to be established. This will enable the registration of sheep and goats in specific herd books and the management of genetic selection of quality breeding animals in a scientific and rational manner. Technical personnel will be trained, and the overall management of the digitized database will be entrusted to the National Breeding Expert (NBE). Some remaining work on the improvement of breeding facilities at Mokhotlong and Quthing will be completed (e.g., subdivision of the Quthing dip tank; additional pipes and tanks under the Mokhotlong irrigation scheme, etc.).

(2) *Completion of certification of specialized sheep and goat breeding farms*. Under WAMPP, 30 breeding farms were inspected and certified for the quality of their breeding stock. An NBE-led team, which will include students from the National University of Lesotho, will extend the same procedures to achieve the goal for an additional 90 registered farms that will provide 1,800 farmers with breeding animals of higher genetic quality. Additional financial support for sheep and goat farms is described in the section on productive alliances.

(3) *Establishment and operationalization of artificial insemination practices in Mokhotlong and Quthing breeding stations*. To ensure continued genetic improvement of national herds, it is essential to access a gene pool other than that available in South Africa, which Lesotho has had access to for several decades through animal imports. Under the responsibility of the PMU and the NBE, this can be achieved by (i) introducing the practice of artificial insemination (AI), (ii) establishing appropriate facilities, and (iii) building technical capacity at the level of national breeding centers, breeding farms, private veterinarians, and community agro-livestock entrepreneurs. In this context, two AI centers for small ruminants will be built in Mokhotlong and Quthing but preferably in the new Angora goat breeding center. Equipment will be purchased to collect and store semen and to control its quality. Semen from high-quality breeding stock will also be sourced from the international market and used at the level of the two national breeding centers. Once the practice of AI in small ruminants is managed at the breeding centers, it will be extended to certified and registered commercial breeding farms and eventually to other small ruminant breeders in Lesotho. The goal at the end of the project is 10,000 inseminated sheep and goats.

(4) *Establishment of a new breeding center for genetic selection of high-quality angora goats*. Under WAMPP, facilities for breeding quality Angora goats have been established. According to reports, 200 animals and 10 males have been imported and some investments have been made to improve buildings, fencing, etc. and purchasing some

machinery. However, to have a real impact on the quality of mohair in the country, further investment is needed in the area of genetic improvement of Angora goats, in line with the strategy of the National Breeding Plan. To this end, the project has agreed with the GoL on the establishing of a new breeding Center. To this end, financial resources will be made available to undertake a feasibility study on the necessary infrastructure, equipment, human resources, and animal herd size. The local government will make land available for the establishment of such a center, which (at this planning stage) has been identified at Molimo Nthuse, known as the Basotho Pony Trekking center, with a land allocation of 436 hectares. Quality Angora goats will be purchased in South Africa, to be precise 500 females and 20 males. It was suggested that the Angora goat herd be moved from Quthing to the new facilities.

56. **Update of the culling and exchange program.** This program under WAMPP has been very successful and has captured the interest of producers and local authorities. It has a dual purpose: (i) to provide breeders with quality genetic stocks through a cashless transaction and (ii) to increase the destocking of unproductive animals from pastures and communal lands. This should result in more efficient production and thus lower gas emissions per production unit. However, the original ratio of 2 unproductive ewes per 1 ram proved to be economically unsustainable due to the high cost of rams, and towards the end of the WAMPP this ratio had already been increased to 4 unproductive ewes per 1 ram. Under the WaMC-P, the ratio will be further increased to 6 ewes per 1 ram to ensure the sustainability of the initiative after the end of the project. The program intends to target 4500 smallholder producers in the selected project area. The project will procure and distribute 3500 rams and 1000 bucks for the new version of the exchange and culling program. It is expected that quality rams from selection centers and breeding farms will gradually be made available for this program, replacing imported breeding stock. In addition, a second program will be launched that will target the poorer segment of producers. The goal is to exchange 2 unproductive ewes (or goats) against 1 good quality ewe (or goat). It is planned to procure and distribute 3500 sheep and 1500 goats, targeting 5000 poorer small ruminant farmers. Implementation of the exchange and culling program will be the responsibility of local small ruminant breeder associations, which will have to submit a detailed application to the PMU with specifics on geographic areas, number of breeders involved, transportation logistics, and disposal channel for culled sheep and goats. The selected associations will cover the import, transportation and distribution costs as a contribution to the culling and exchange operations. The PMU, together with DLS authorities, will monitor the proper implementation of the procedures.

57. **On-farm demonstrations.** As an essential complement to the component, the project will continue to invest in building farmers' technical knowledge and capacity through on-farm demonstrations with the objectives of (i) familiarizing producers with the purpose of the NBP, (ii) improving small ruminant breeding management, and (iii) promoting the use of AI as a means of genetic improvement. The organization and conduction of demonstrations will be under the responsibility of the PMU.

### **Animal health**

58. WaMCoP's strategy to strengthen the quality and accessibility of livestock health services for small ruminant producers in the targeted areas will focus on specific activities:

59. **Construction and equipment of the national diagnostic laboratory (NDL) at the central level.** Under the WAMPP, a comprehensive feasibility study has been completed and the Government has formally requested IFAD to help finance the construction and equipping of these facilities. The PCU WaMCoP will support the construction of the NDL, in compliance with the procurement procedure. Under the responsibility of the DLS and in collaboration with other public and private stakeholders, the NDL will play an essential role in (i) preventing and controlling animal diseases in Lesotho; (ii) ensuring effective surveillance and management of transboundary animal diseases; (iii) promoting the adoption of smart agriculture; (iv) supporting the

enforcement of regulation of food of animal origin industries to safeguard public health; and (v) integrating local knowledge with scientific research.

60. ***Digitization of the disease reporting system.*** Under WAMPP, an "Animal Disease Prevention and Control Strategy" has been completed, which will serve as a reference for the operationalization of prevention and control activities for endemic diseases such as anthrax, sheep scab, bluetongue, and lumpy skin, among others, which cause high livestock mortality and economic losses. WaMCoP will support, under "diagnostic equipment," the purchase of a customized surveillance application to digitize the disease reporting system, replacing the current manual and inefficient system whereby disease reporting forms are filled out by field extension workers, which are then submitted to the district veterinary officer for verification and clearance before being sent to the epidemiologist in Maseru. An example of such an application is "TAD info," a software package developed by FAO to provide data management and decision support to national veterinary epidemiology units. It was developed under FAO's EMPRES program as an applied, practical, simple, and concrete software package to help veterinarians solve pressing real-life problems.

61. ***Upgrading CAHWs to CAVEs.*** WAMPP trained and equipped 260 community health workers (CAHWs) with veterinary kits and protective clothing. Unfortunately, CAHWs have not demonstrated the capacity to increase accessibility and delivery of basic animal services in rural Lesotho, largely due to a lack of professionalization, economic incentives, and an ineffective veterinary delivery system that has led to demotivation. WaMC-P is supporting the transformation of 180 CAHWs into Community Agro-Vet Entrepreneurs (CAVEs) according to a comprehensive business plan. Details of planned activities to support CAHWs can be found in the productive alliances section.

62. ***The project will continue to invest in developing farmers' technical knowledge and skills*** through on-farm demonstrations. Responsibility for implementing this activity will rest with the project PMU with support from DLS technical staff. The main areas covered by the demonstrations will be to: (i) familiarize small ruminant farmers with the objectives and activities of the "Disease Prevention and Control Strategy" plan; (ii) improve small ruminant health management by implementing treatment calendars and facilitating the recognition of clinical signs of major diseases, and (iii) share knowledge on ethnoveterinary practices as a means of reducing animal treatment costs.

### **Animal nutrition**

63. Activities in support of improved animal nutrition aim to facilitate large-scale adoption of best practices and technical packages developed and field-tested by researchers at the National University of Lesotho under the WAMPP.

64. ***Capacity building and training opportunities.*** Under the responsibility of the PMU, the WaMC-P will continue to provide capacity-building and training opportunities for small-scale producers through on-farm demonstrations of best animal feeding practices. To increase the uptake of these new best practices, the project will provide financial support to 500 smallholder farmers with up to 15 sheep/goats and who demonstrate acquisition of the new practices with their own equipment, such as forage choppers, grass cutters, and feed mixers, to strengthen on-farm feed and forage production capacity. The financial support will be up to US\$500 and the farmer will have to participate with a contribution of a minimum of 30% of the value of the selected equipment. Farmers with larger numbers of livestock will have the opportunity to access financial resources to purchase equipment through the Trust Fund to be established by the project.

65. ***Another important pillar for improving animal nutrition will be rehabilitation and rational pasture management.*** This activity has a dedicated component and will be implemented in the project area in a phased approach in coordination with the IFAD-funded Restoration of Landscapes and Livelihoods (ROLL) project.

### **Intervention 1.2.2 Rangeland management and carbon accounting system**

66. This intervention consists of setting up the system for rangeland management and carbon accounting certification. The main objective of this intervention consists of setting up the system for rangeland management and carbon accounting certification. Sustainable rangeland management is critical for the viability of the value chain and a robust carbon accounting system will advance low-carbon emission production and biodiversity enhancement into the sector.

67. To comply with the Textile Exchange's Responsible Production Standards, communal farmer groups are requested to develop 2 critical plans: (1) the animal health and welfare plan; and (2) the land management, soil health and biodiversity plan. In addition, (3) a compliance plan at shearing-shed level is needed. The development, implementation, and monitoring of these plans will be coordinated by the TC led shearing shed management unit (SSMU), with participation of farmer associations, traditional leaders, government officials, and extension services. In addition, the project will promote access to efficient cooking stove for poor households. Finally, at national level, the project will contribute to the process of finalization, adoption and operation of the Rangeland Act.

***Setting-up the system for rangeland management and carbon accounting certification.***

68. *Overview of the system to be set-up.* The system is organized around the SSMUs, and consists of:

- (1) procedures (guidelines in English and Sesotho) for the development of the 3 plans mentioned above, and their implementation, monitoring and record keeping, for certification;
- (2) the sharing of roles among key players (the SSMU, brokers, farmer associations, extension services, vet services, traditional leaders, government officials);
- (3) capacitation of these players (as needed) to play their role; and
- (4) the incentive measures to be deployed by the project to encourage concerned communities, and procedures for communities to access.; the service provider will also help determine appropriate emission reduction measures and accounting procedures and test these through a pilot.

69. A service provider (consultant or consultancy firm) will be recruited to assist with the design and setting up of this certification system. PCU will develop the ToR in collaboration with PCU ROLL. Specifically, the service provider will work with PCU WaMCoP and PCU ROLL to design the incentive measures, and the procedures for communities to access. This could be informed by the Regeneration Opportunity Fund under the ROLL project.

70. Both projects Both projects (WaMCoP and ROLL) will join efforts to recruit a service provider who will design a system organized around the SSMUs, and consisting of: (1) procedures (guidelines in English and Sesotho) for the development of the 3 plans, and their implementation, monitoring and record keeping, for certification; (2) the sharing of roles among key players (the SSMU, brokers, farmer associations, extension services, vet services, traditional leaders, government officials); (3) capacitation of these players (as needed) to play their role; and (4) the incentive measures to be deployed by the project to encourage concerned communities, and procedures for communities to access. The service provider will also help determine appropriate emission reduction measures and accounting procedures and test these through a pilot.

71. Rangeland management activities will start in ROLL covered districts (Thaba Tseka and Maseru rural) and progressively expand to others. As an indication, under the SSMUs' responsibility, the approach will consist of: (1) forming landscape coalitions, (LC) inclusive of farmer associations, as well as traditional and formal authorities; (2) each LC adopts the responsible production standards for wool and mohair; (3) jointly develops land management, soil health and biodiversity plans, along with by-laws, i.e., local regulations

on destocking and rotational grazing; (4) access project deployed financing incentives, including funding from the Regeneration Opportunities Fund to co-finance the implementation the plan and enforce the local regulation; and (5) SSMU supports each linked LC to get certified compliant for responsible production and for low emission production and biodiversity enhancing.

72. *Approach for land management.* WaMCoP will customize the approach used by the IFAD-financed Regeneration of Landscapes and Livelihoods (ROLL) project. For that purpose, PCU WaMCoP will sign an MoU with the ROLL PCU to handle rangeland management activities, which will start in ROLL covered districts (Thaba Tseka and Maseru rural) and progressively expand to others. As an indication, under the SSMUs' responsibility, the approach will consist of:

- (1) forming landscape coalitions, (LC) inclusive of farmer associations, as well as traditional and formal authorities;
- (2) each LC adopts the responsible production standards for wool and mohair;
- (3) each LC jointly develops land management, soil health and biodiversity plans, along with by-laws, i.e., local regulations on destocking and rotational grazing;
- (4) and each LC access project deployed financing incentives, including funding from the Regeneration Opportunities Fund to co-finance the implementation the plan and enforce the local regulation; and
- (5) SSMU supports each linked LC to get certified compliant for responsible production and for low emission production and biodiversity enhancing.

73. *Approach for animal health and welfare.* Each SSMU will work directly with farmer associations and the approach will consist of:

- (1) each shed level farmer association (SLFA) adopts the responsible production standards for wool and mohair;
- (2) SLFA develops animal health and welfare plan;
- (3) SLFA access project deployed financing incentives to co-finance the implementation of the plan; and
- (4) SSMU supports SLFA to get certified compliant for responsible production and for low emission production and biodiversity enhancing.

74. *Approach For shearing shed compliance plans.* Under the coordination of the TC, each SSMU will be responsible in close collaboration with shed linked SLFA, to develop the plan, implement it and get certified compliant.

75. *Contribution to enacting and operating the Rangeland Act.* At the national level, the PCU in collaboration with PCU ROLL, will support the follow-up on the Rangeland Act and its effective implementation and monitoring. This will be done through the provision of technical assistance (recruitment of consultants) to support the drafting of operational rules, facilitation of stakeholder's consultation, training of role players, etc. Emphasis will be on locally grounded institutions to enact and enforce local regulations, collect fees and fines, manage these financial resources, monitor rangeland management results and report. Becoming internationally recognized for low-emission production, in conjunction with the end-to-end traceability and certification established through the project, will help further stimulate demand for wool and mohair from Lesotho.

#### **Promotion of efficient cooking stoves.**

76. **Aim.** This activity has two parallel aims: i) benefiting women in vulnerable households with time savings, prevention of respiratory diseases, and access to electricity; ii) reducing deforestation. WaMCoP will partner with African Clean Energy (ACE) to promote the uptake of the ACE One efficient cooking stoves. Through a built-in ventilator and a solar panel, the ACE cooking stoves enable smokeless cooking using any type of

solid biomass fuel (crop residue, animal waste, or small sticks). The solar-powered battery generates electricity, giving users who ordinarily don't have electricity the facility to charge their phones or plug in the LED lamp attachment.

77. **Implementation modality.** A Memorandum of Understanding will be signed between the WaMCoP PMU and ACE. ACE sells its stoves through 12-15 months micro-loans. Customers use the energy savings achieved with the product to pay back the investment. This gives people living on USD2 a day access to a USD120 product. WaMCoP will facilitate access to households living on less than USD2 a day by providing a 50% subsidy. The 50% subsidy will allow customers to reduce the monthly repayment rate by half, from 10 USD for 12 months to 5 USD per month.

78. **Targeting.** The activity will be implemented primarily in the districts of Mokhotlong, Thaba-Tseka, Quthing and Maseru rural, where between 50% and 60% of the population lives below the international poverty line of USD 1.90/day<sup>12</sup>. Vulnerable households will be identified by ACE facilitators at community level through participatory targeting. Households headed by women, PwDs, and by children orphans of HIV will be given priority. Cooking stove demonstrations will also be organized at the meetings of the savings groups promoted under subcomponent 2.1, making it likely that there will be some overlap between the 10,000 persons benefitting from the 50% cooking stove subsidy and the 10,000 persons who will take part in saving groups. It will therefore be necessary to set up regular coordination exchanges between ACE and the service provider who will be responsible for establishing savings groups under subcomponent 2.1. Synergies are expected to occur between the two activities, as the savings groups can facilitate the acquisition of the stove, and the stove allows women to save time that they could use for other activities, such as small income-generating activities and taking part in meetings of the saving groups.

79. **Monitoring.** On a monthly basis, ACE will provide the list and profile of households accessing the subsidy, based on a template that will be provided by the PMU. The M&E unit will carry out random visits to these households to confirm that the eligibility criteria are being met. ACE will also share with the PMU M&E office data on cooking stove use, thereby allowing the PMU to report on Co2 savings.

#### 14 Sub-component 1.3 Business development and cottage industry

##### **Intervention 1.3.1 Promoting productive alliances**

80. **Purpose:** The "Productive alliances approach" connects farmers, buyers and the public sector around a business plan. The emphasis is to strengthen the "link" from production through marketing/aggregation to the target market (rather than financing production only). As such, the activities are supporting "system building" and aim to strengthen strategic supply chains for the WaMCoP.

81. **Definition:** *A productive alliance involves three core agents: a group of smallholder producers, one or more buyers and the public sector.* More specifically, a productive alliance is represented by any collaborative arrangement between several small producers/ or a group and an agribusiness firm, aiming at reducing technical, commercial, financial and/or social risks associated with its pursuit of potential income gains. These alliances are developed within particular value-chains, in a way that creates a win-win outcome for all participating parties.

82. **Concept:** The three agents are connected through a business proposition, or a "business plan", which describes the capital and services needs of the producers and propose improvements that allow for production up-grading/capacity development and develop skills and capabilities to link to markets. Each productive alliance is usually supported through a mix of three elements: (i) productive investments; (ii) technical assistance, and (iii) business development. These core inputs are financed through public grants provided by project and matched by the beneficiary producers and in some case

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<sup>12</sup> Lesotho Poverty Assessment: Progress and challenges in reducing poverty, World Bank 2019.

the buyers/aggregators. The matching-grants are justified through the positive externalities generated and through the lack of other finance for these sector-players.

83. **Experiences and lessons:** The basic concept of the PA approach is simple and flexible enough to adjust to wide range of market realities and policy objectives. By design, the PA approach resolved multiple constraints and provides integrated solutions adopted to local conditions. A stake-take of World Bank financed project in Latin America (2000-2017) assessing over 3500 sub-projects draws a positive conclusion.<sup>13</sup>

84. **Context:** Lesotho imports about 80% of agricultural products from RSA in order to meet its national requirement. Feed is a major cost component in any livestock enterprise, and it accounts for 80% of the total cost. The feed costs have been rising for almost every month due to the global economic conditions mainly low supply of raw materials such as wheat, maize etc due to the war between Russia and Ukraine. This has put a lot of pressure on the profits that farmers have been making. The feed supply chain is weak in Lesotho, and it has to be improved by investing the new feed mills to aggregate and manufacture feeds from the local produced raw materials such as lucerne, yellow maize and soya beans. Hence, the local raw material producers will be supported with the irrigation equipment and inputs such as seeds and fertilizers. Secondly, the quality wool or mohair is produced by animals of good genetic make and true to type breeds such as Merino and Angora. Lesotho has been relying on RSA for improved breeds due to the fact that it did not ram or buck breeders. With the intervention from Government of Lesotho and IFAD, two new breeding studs have been built and twenty-seven private commercial breeders have been certified. This has to be up scaled by increasing the number of private commercial breeders to one hundred and twenty.

85. WaMCoP will improve these three strategic supply chains through productive alliance approach, and promote these through 3 distinct windows, which apply the same principles in slightly different matters.

86. **Implementation steps:** sub-project preparation and selection follows a common procedure across the three windows in WaMCoP.

- a. **Public information campaign:** Sensitising eligible communities in the target districts of the project will happen through mobilisation and information dissemination (radio, TV, social media), etc. (link to KM officer).
- b. **Call for proposal:** interested producers and larger private sector players are invited to submit a joint subproject proposal.
- c. **Business plan development:** Eligible proposals are then developed into financeable business plans, with support from the service provider engaged under component 2.1.
- d. **Preliminary screening:** the subproject proposals as screened and evaluated against the selection criteria. Screening and selection will be guided by a committee established under the project, building on lessons from SADP I and SADP II.
- e. **Field Verification:** The field visits will be undertaken to the identified farmers with the purpose of knowing where they are physically located and to sensitise them that they have been identified so that they start planning and arranging their contributions accordingly.
- f. **Initial screening:** the subproject proposals as screened and evaluated against the selection criteria. Screening and selection will be guided by a committee established under the project, building on lessons from SADP I and SADP II.

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<sup>13</sup> [Linking Farmers to Markets through Productive Alliances: An Assessment of the World Bank Experience in Latin America](#)



- g. **Final award:** Finalised business plans are re-submitted to the committee for approval and those meeting the relevant criteria will be financed.
- h. **Payment:** Payment is scheduled in tranches against clear performance criteria. Initial suggestion is to have 2 tranches for the Feed alliances and breeding alliances and consider quarterly tranches for the community AgroVet-Entrepreneurs.
- i. **Monitoring and reporting:** During implementation Alliances will report against the project indicators and especially record business viability related data (sustainability), produce quantities (import-substitution and increased national supply), job-creation, and at a sample-approach client basis (targeting/affordability).

#### **WaMCoP application of Productive Alliance Approach:**

87. The Wool and Mohair Value Chain Competitiveness Project has identified three supply chains that should be supported, and they are the following:

- Genetic materials
- Feeds/Fodder Production
- And Animal Health / Community Agro Veterinary Entrepreneurs

88. **Suggested<sup>14</sup> Approach:** The project intends to support the above supply chains through the matching grant scheme. The subcomponent will be led by the Project Coordination Unit, and it will recruit the competent Business Development Expert to manage the productive alliances. The farming community will be sensitized through the awareness workshop and the joint proposal will be submitted by the productive alliance partners to the PMU for appraisal and funding. Wool and Mohair Farmers will have access to matching grants to finance investments for increasing their productivity in the following supply chains Genetic Materials, Animal Feeds/Fodder production and Animal Health / Community Agro Veterinary Entrepreneurs.

89. Investment support will be around above 3 types of inputs (investments, technical assistance, business development) and may include the financing of, inter alia, improved shelter for animals, improved merino and angora breeds, Milling equipment, farm inputs such as seeds and fertilizers, drugs, vaccines, processed feeds and equipment such as motorbikes etc.; technical assistance for enterprise development/growth and organisation (accounting, business planning, financial literacy), and/or technical assistance specific to the area of business (breeding, artificial insemination, medical service/drug use/storage, feed cultivation, harvesting, storage and processing).

90. **Scope for productive alliances under WaMCoP:** Targets at design are the following.

- a. **Breeding supply chain development:** Around 90 new private commercial breeders will be certified, and each will supply rams or bucks to twenty farmers. The minimum of twenty rams per breeder and this results in about 1 800 rams/bucks. The estimate is that the country imports about 5 000 rams per annum and that will be 36% of that requirement. That will good starting point.
- b. **Promotion of district-level para-vet services through promotion of Community Agro-Veterinary Entrepreneurs (CAVE):** Finally, Animal health is a key to a livestock enterprise. In Lesotho, there is one veterinary officer per district, and this puts a lot of work on the officer. It

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<sup>14</sup> At project start-up IFAD and the recruited PCU will require a review of the approach and define in more details the eligibility, the geographic targeting, and the precise amounts per window. What is presented in the draft PIM at design is based on consultations with the SADP PCU, lessons from other countries and discussions with the WAMPP project and sector players and should be a strong guiding direction and modified only with strong rationale.



is important to train more community Agro Veterinary Entrepreneurs and two hundred and sixty CAHWs were trained under WAMPP. The idea is to upgrade the CAHWs to Community Agro Veterinary Entrepreneurs (CAVE) who will be visible in the districts and will work under the supervision of the District Veterinary Officer. On average, each District has 178 824 small stock that have to be handled by the District Veterinary Officer. The Community Agro Veterinary Entrepreneurs among their services will take care of sick animals for minor cases and treat injuries. The farmers will be entitled to a 50% subsidy and maximum of USD15 for those services provided by the CAVE. The CAVE will prepare an invoice periodically say in two months and it will be endorsed by the Shed Manager, and it will be submitted to the PCU for payment. The idea is to generate demand for the Community Agro Veterinary Entrepreneurs. Each CAVE should be registered with the Shed Digital Platform.

- c. **Promotion of national feed-supply chain through productive alliance around feed-mills:** The project suggests promoting productive alliances around 5 feed mills/aggregators, linking 30 farmers per mill (on average). This would allow to replace feed import with national production. Business plans will require due attention to unit-costs, yet there seems high profitability for these investments given a shortage of feed in many locations (and especially in the more remote highlands).

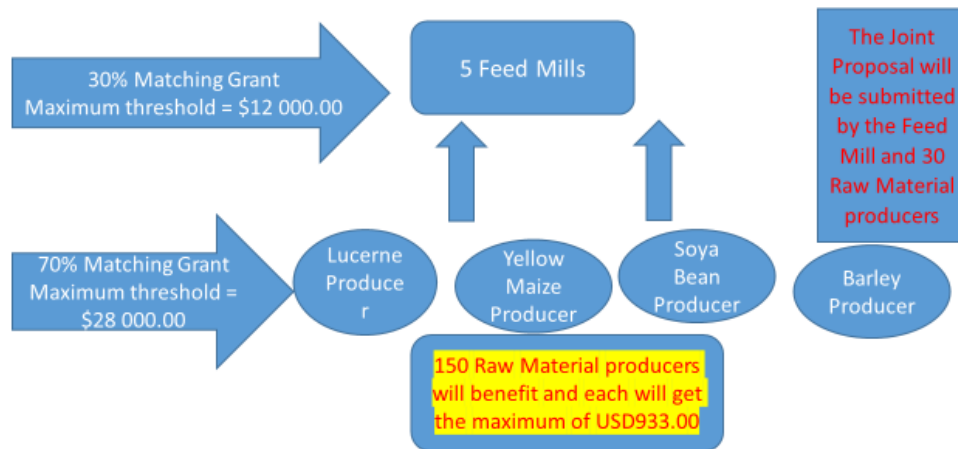
**Window size and cost-sharing of productive alliances for sub-projects:**

91. **Window 1:** The maximum threshold will be USD10 000.00. The Community Agro Veterinary Entrepreneur will be entitled to 50% to buy equipment like motorbikes, drugs, animal feeds etc and the remaining 50% will be used by the farmers at the shearing shed to buy services for the treatment of sick animals and dressing injuries etc.

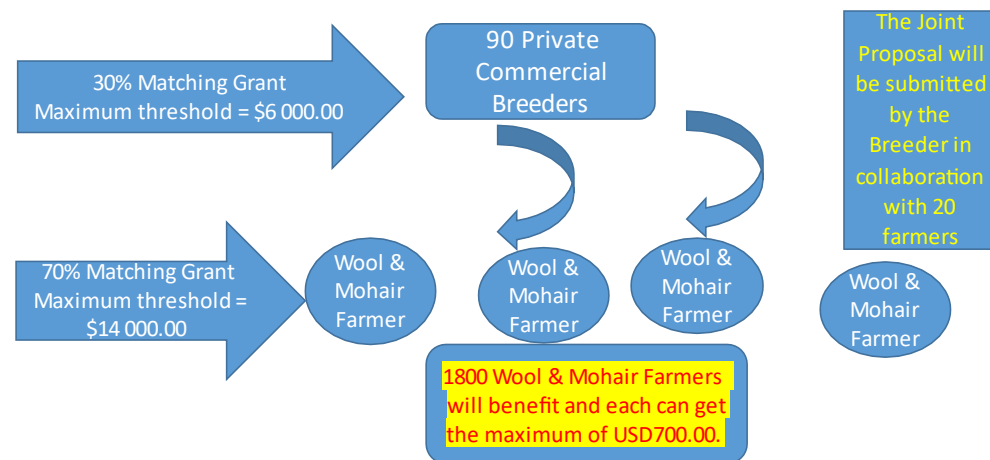
92. **Window 2:** The maximum threshold will be USD20 000.00. The Private Commercial Breeder will be entitled to 30% to buy improved breeds and the establishment of improved shelter of the animals and 20 farmers who co-applied will buy the improved rams from the breeder.

93. **Window 3:** The maximum threshold will be USD40 000.00. The Feeds Mill will be entitled to 30% which will be used to buy equipment etc and the 30 raw materials producers will be entitled to 70% which they will use to buy irrigation equipment, inputs such as seeds and fertilizers.

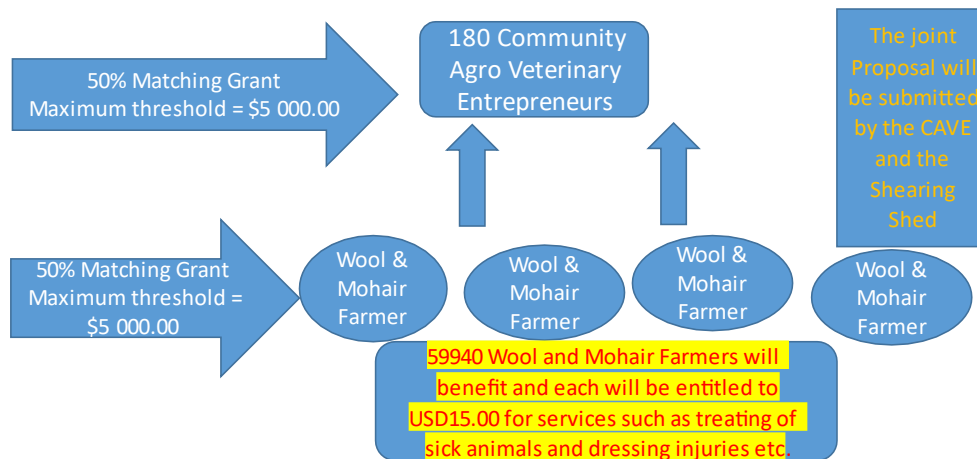
## Feeds/Fodder Production Supply Chain



## Genetic Materials Supply Chain



## Animal Health/Community Agro veterinary Entrepreneurs



### Intervention 1.3.2 Cottage industry development

94. This sub-component will be managed by three actors, the PCU itself and two implementing partners that will be linked with the PCU by grant MOU:

- UN agency INTERNATIONAL TRADE CENTER (ITC) of which the ETHICAL FASHION INITIATIVE (EFI) is a flagship programme. 8 staff members and a specialized international consultant will be implicated in this project.
- Basotho Social Enterprise, a cooperative regrouping the cottage industry businesses, associations, and cooperatives. The SE will act as a centralized platform for raw material procurement and dyeing, training, quality and traceability control, sales, and export supply chain, as well as marketing. By regrouping existing wool/mohair stakeholders to this new SE, the cottage industry will be stronger. Six staff members will be recruited:
  - General manager, sales director, and local project manager
  - Accountant and administrative assistant
  - Monitoring, evaluation, and communication marketing officer
  - Production manager
  - 2 Technical assistants in charge of supporting artisans on the field to reach quality and deadline (one per zone or per different technics)

95. Possibly, the social enterprise will be set up prior to the completion of WAMPP and ensure that by the time the project officially starts, both procurement and FM arrangements adhere to the necessary guidelines.

96. Ethical Fashion Initiative will support the promotion of a growth-oriented Lesotho wool and mohair cottage industry by focusing on developing the value chain performance:

- New workshop constructions, new machineries and market driven technical training
- Implementation of best artisanal cottage industry practices learned from existing successful businesses
- Product development with international and African creatives

- Implementation of EFI ESG / due diligence system and communicate about it
- Establishment of social enterprise and “Made in Lesotho” branding
- Create multiple channel marketing tools
- Market penetration and diversification for domestic, regional, and global market through a strong local social enterprise and EFI’s existing and growing network.

97. The social enterprise hub created through the project will be owned by selected cooperatives and artisans evolving in transformation stages. As such, they will be part of the board and will have the opportunity to participate in important decision making. Daily, the social enterprise hub will operate just like a company, with a general manager in contact with international clients and taking decisions, an accountant following the operations, a reporting and communication officer as well as a production manager and his team planning and following every step of the production process in the different cooperatives to ensure the best quality and delivery time.

98. The social enterprise is the platform to trade internationally and has the necessary cash flow to buy fibers in bulk, negotiate price and dye for the cooperatives. It is also able to pay for the cottage associations work, after quality checks, with a reasonable lead time compared to some international clients who pay at 60 days (about 2 months). Its supply chain will have access to machinery and training to improve their quality and process. They will become leaders of the local market by being trained to compete for the international B2B market. For this reason, EFI social enterprise will first focus on the high-end B2B international market where margins are higher. In parallel, the SE will be able to support the cooperatives of its network to grow on the local and tourist market. Pop-up stores will be organized to test the B2C market for the social enterprise and a specific business plan will be studied if this channel shows encouraging results.

99. The social enterprise will be part or closely collaborate with the Trust Company set up by IFAD, a private body consisting of actors across the wool and mohair value chain, that will support the common interest, include national and international actors and act as a “check and balance” on key players.

### **Key activities**

100. Fashion and home décor markets are extremely competitive and demanding markets. It is important to progress step by step and ensure that enterprises are ready to deliver quality produce in agreed lead time with a traceable supply chain before reaching to mega brands.

- Technical advisory services – assisting enterprises to better understand market requirements and upgrade business models to align with market demands
- Strengthened capacities – strengthen capacities on branding, labelling, and marketing
- Market access – linking of enterprises (artisanal cottage enterprises/designers) to regional/international markets

*Technical advisory services – assisting enterprises to better understand market requirements and upgrade business models to align with market demands*

101. Build or improve working environment (budgeted for 11 workshops) and equip them with solar panel energy (EFI specifications / PCU procurement)

102. Fibers and yarns need to be bought in bulk by the social enterprise, to ensure quality and price.

103. A scouring and sustainable dyeing plant with performant dye water treatment needs to be built. Fibers and yarns preparation need to be centralised to ensure quality, efficiency, and cost, as well as respect for chemical norms.

104. Improvement of production machinery and quality control tools. When the best machinery is approved, EFI will scale up and equip the different cottage industries through PCU procurement.

105. For production training, EFI would like to take a South-to-South approach with skilled artisans from EFI networks or from the African continent in general. The social enterprise manager and technical team will also be invited to Burkina Faso to see the operations there. EFI will also be looking for technical support from an Italian textile mill who will oversee a distribution channel e.g., RATTI SPA for Afghanistan silk and Burkina / Mali cotton fabrics. Other international experts in wool and mohair, dyeing and design will be coming for training as well.

106. EFI will develop a training and certification program with a state recognized university so the artisans can obtain an official diploma.

107. Strong social and environmental values will be the new norms and are already a strong competitive advantage in fashion and home décor industries. EFI's mandatory due diligence system will be implemented from the very start to the social enterprise and its satellite members. The Monitoring and Evaluation Officer will also have the responsibility to organize extra activities like gender HeForShe days, microfinance education, social security plan, first aid training, environment, health, and child labour sensibilisations.

108. Business models and business plan will be done for investments speech and guidance

109. Company processes set up and best practices training by EFI Textile Engineer together with the social enterprise team. A processes and best practice manual will be created and applied.

110. New product development overseen by EFI Textile Engineer in collaboration with EFI clients and creative network. The investment in new product lines will be driven by market and EFI brands Hands of Fashion.

111. Training in accounting, business, and soft skills for the social enterprise employees.

*Strengthened capacities – strengthen capacities on branding, labelling, and marketing*

112. The social enterprise will be set up as a brand itself and will be a standard for quality and innovation. It will collaborate with the soon to be launched 'direct to consumer' brand of EFI: Hands of Fashion

113. EFI will collaborate on the establishment of "Made in Lesotho" branding which will be legally protected (draft ToRs developed to be submitted to EU financed Africa Rise initiative). Building a national brand around the wool and mohair products will be a competitive advantage. The global contemporary fashion world is searching for quality products crafted by communities embracing their cultural heritage. It cannot be referred to as "cultural appropriation" when international orders create jobs and international brands proudly refer to the origin of the fabric.

114. While EFI's Due diligence system is already recognized as a gauge for quality and traceability, EFI team could also channel its eventual work towards certifications (TEXTILE EXCHANGE, FAIR TRADE, GOTS, B-CORP etc).

115. EFI will create beautiful product and services for B2B catalogues, websites, and social media pages to reach B2B and B2C markets

116. EFI will produce films "Meet the makers" to promote the supply chain internationally

117. EFI will work on press and product placement: Magazines, Cinema, Theatre, Music, TV series collaborations, Interior architect, and VIP

*Market access – linking of enterprises (artisanal cottage enterprises/designers) to regional/international markets*

118. Supplying EFI Accelerator for African designer's network

119. Supplying international fashion brands and home décor brands. EFI's network is growing continuously.

120. Supplying a renowned Italian textile distributor who has access to many potential clients with EFI sponsorship

121. Social enterprise self-commercial research

122. Participation in international fairs through EFI invitation: XTANT, Premiere vision, Salone del Mobile Milano, *Maison et Objet* Paris and Paris Fashion Week

123. EFI will help the social enterprise team to organize or participate in local and international pop-up stores to test B2C market. If pop up stores show positive outcomes, they will be working on a specific business plan for a direct-to-consumer brand strategy. If the business plan and competitive study confirm potential growth, a retail brand offer will be created alongside commercial digital platforms.

### **Procurement arrangements**

124. PCU will be in charge of procurement for:

- Legal registration and human resources fee to set up social enterprise (HR and company policy manual),
- Cottage industries workshops (new constructions and fixing existing set ups) and Social Enterprise headquarter constructions and their solar panel systems
- Machinery

125. ITC/EFI will act as a "user department" and will provide technical specifications and terms of reference to the PCU for the procurement of goods and consulting services. On the contrary, for the procurement of works, such as the construction or rehabilitation of infrastructure, the bills of quantities and designs will be provided by the technical units of MAFS, as per all other civil works of the Project. The 1st supervision mission will confirm whether this arrangement is still effective in terms of driving project performance

126. ITC/EFI will oversee procurement for:

- Hiring a wool and mohair expert consultant
- Activity 2.2: Communicate EFI Due Diligence system through labelling
- All marketing and event activities for component 3: Market access – linking of enterprises (artisanal cottage enterprises/designers) to regional/international markets

127. Social Enterprise will work under ITC/EFI management and act as the main business/operating channel of sub-component and serve as an implementing partner for:

- Staff contracts and travel
- Activity 1.2: Adaptation and implementation of EFI's Due Diligence framework
- Training cost (external trainers fee, trainee DSA)
- Product development cost
- Consumptions goods procurement for training and product development: stationary, raw material (fibers and yarns), dyes
- Brand registration

128. When advertising for the position of the general manager for the social enterprise, a reference to demonstrated procurement experience will be added to the ToRs as added advantage, but not a hard requirement.

### **Financial management arrangements**

129. The project will have two designated accounts: one for the PCU and another project account for other implementers.

130. The project account will be used as the financial channel for the Trust Company, Social Enterprise, and Ethical Fashion Initiative.

131. The social enterprise will need to be staffed by an accountant.

132. The bulk of fiduciary responsibilities will need to be undertaken by the PCU as there will be no specific designated account set up for any of the other implementers (for now this holds).

133. The social enterprise should set up a bank account where the funds from the project account can be channelled into.

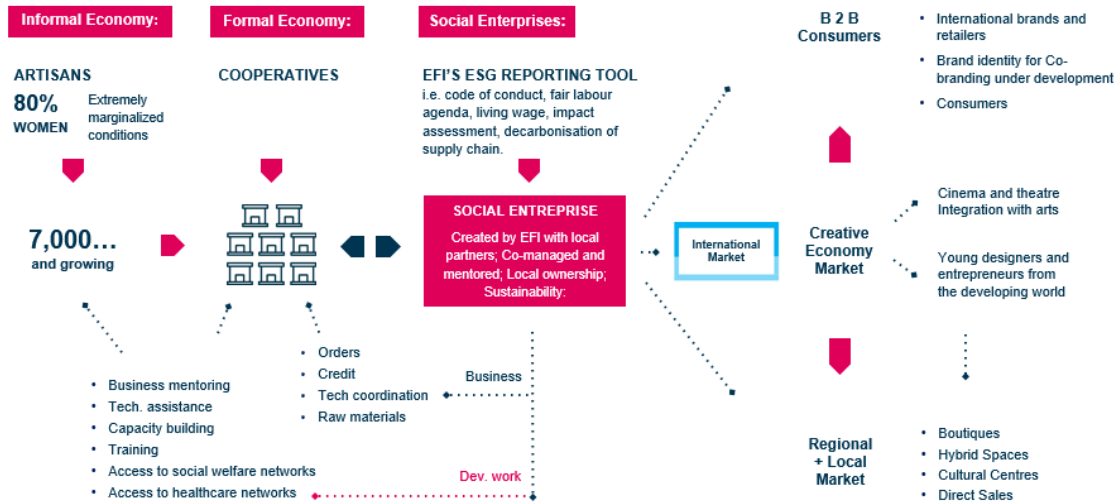
134. The IFAD FM team will undertake a review of the internal capacity of the social enterprise in due course (once it is set-up etc.,) to better appreciate its financial capabilities (i.e., accounting software etc.,).

135. Provided that the social enterprise undertakes robust planning, there should be no liquidity related risks as funds can be released two quarters in advance (*financial planning is therefore, crucial*)

### **Reporting arrangements**

136. EFI / SE teams will procure monthly reports for the quarterly PCU report to IFAD and GoL.

EFI / SE teams will procure implementation support mission and supervision mission reports.



EFI MANDATORY DUE DILIGENCE SYSTEM

The EFI due diligence guideline is benchmarked on UNDHR, UNGP, ILO-MNE and OECD guidance for responsible businesses.

EFI DD consists of four essential activities:

1. Ongoing **risk assessment**;
2. Taking appropriate action to **prevent, mitigate or resolve** identified risks;
3. Monitoring **implementation and effectiveness** of those actions;
4. Consulting and communicating with relevant stakeholders on the **actions and outcomes**.

The Due Diligence is operationalized through two tools

**1 The Supply Chain due diligence assessment tool**

This preliminary tool sets in motion the whole system and aims to assess the **readiness of the supply chain to engage in ethical and sustainable practices**.

**2 ESG Corporate Sustainability reporting tool**

This tool aims at **assigning a score to the entire company operative structure according to three components: Environment, Social and Governance**.

PERFORMANCE MANAGEMENT TOOLS

**1 The Charter of Ethical Business**

**2 The Code of Conduct**



GENERAL TOOLS

- Impact Assessment tools (baseline and order-based Impact Assessment surveys)
- SDG tracking tool



ENVIRONMENT

- Guidelines on Toxicology
- Environmental tool being tested



SOCIAL

- Fair labour Monitoring tool
- Cost of Living survey
- Living wage performance tool being tested
- Task and Risk Mapping



GOVERNANCE

- RFID chips/Product ID
- Governance checklist being tested

15 COMPONENT 2: CLIMATE SMART VALUE CHAIN OPERATION AND COORDINATION

16 Sub-component 2.1 Access to productive finance and other goods and services

137. Through this sub-component, the WaMCoP will stimulate and scale up rural financial innovations that would increase the provision of financial services in rural areas. It will provide in-kind input loans on a revolving basis to commercially oriented value wool and mohair producers whilst empowering the less endowed in the same community with a savings pathway to building financial assets which should increase their economic standing and put them in better stead to contribute to socio-economic growth in the rural areas.

138. The Sub-component will be implemented through two interrelated interventions: 2.1.1 managing and sustaining financial and physical assets; and 2.1.2 Financial literacy and saving groups.



### **Intervention 2.1.1 Managing and sustaining financial and physical assets**

139. The aim of this component is to ensure farmers' access to financing services as well as inputs. It consists of two interventions: (1) the established TF-TC consortium will provide wide range of services to farmers by managing entrusted physical and financial assets; the roll-out of the revolving fund will provide in-kind loans to farmers; and (2) it will also collaborate with a service provider to promote financial literacy and saving groups, targeting the poorer.

#### **Managing and sustaining physical assets**

140. In principle the following physical assets should be entrusted to the TF-TC consortium, based on a business plan that informs a performance-based contract:

- Shearing sheds
- Sheep and goat studs with other incorporated infrastructures such as the plunge dip
- Artificial insemination centre
- Auction Yards
- Slaughter slabs

141. *Finalization of business plans.* In principle, the TF-TC Consortium has developed one business plan for all financial and physical assets, or a business plan for each of these assets. At this stage each business plan will be updated to ensure it is fully aligned with the entrustment performance-contract.

142. *Organizational set-up for delivery.* The TF-TC will make sure they put in place the organizational arrangements required to manage the physical assets. This might include creating one or more subsidiaries of the TC, for example, a subsidiary in charge of managing the studs, another one in charge of the shearing sheds, or the auctioning yards and slaughter slabs.... The arrangement could also be the creation of directorates and branches. For example, for the shearing sheds, a few management units covering each a certain number of districts could be created. Each of these shearing shed management units (SSMU) will work in close collaboration with farmer associations. In principle, these institutional arrangements would have been described in the business plans. At this stage, the TF-TC Consortium will make sure that the staffs and corporate governance system are in place and operational.

143. *Managing the assets to deliver services to VC role players.* In compliance with the rules in application under its corporate governance system, the TC will manage each of the physical assets and deliver appropriate quality services to value chain players. For example, SSMUs will manage entrusted sheds, and deliver shearing services to farmers through their organization. It will collect fees from farmers and ensure the maintenance of the buildings. It will also play a critical role in the implementation of the certification system for responsible production and carbon accounting. It will be a nodal point for the digital platform. Further SSMU will be a key player in the rolling-out of the in-kind loan facility through the revolving fund. As another example, the arrangement for managing the slaughter slabs and auction yard could consist of a subsidiary or a department of the TC. The operation of these assets could be linked to the culling and exchange leading to a meat value chain.

144. Every year the board of directors of the TF (as a not-for-profit company) will approve annual plans, six monthly and annual reports. The reports will monitor the achievement of the targets defined in the business plan and the performance-based entrustment contract.

#### **Managing and sustaining the endowment fund**

145. Under the oversight of the Trustees, the Executive Secretariat of the Trust Fund will oversee the management endowment fund. The revenues thus generated will be

used to finance the recurrent costs of the TF-TC consortium as well as the development of the sector. With regard to possible sector development interventions, every year, the TF will approve an annual request submitted by the TC. After performing the financed interventions, the TC will submit periodic implementation reports to the TF.

146. At the end of every year, the TF will submit a report to the GoL and IFAD detailing its performance in sustaining the endowment fund and ensuring service delivery to VC players.

### **Managing and sustaining the revolving fund**

147. The TF-TC consortium will establish and create structures and delivery mechanisms to provide critical input financing to semi-commercial and commercial smallholders producing wool and mohair to improve production, productivity, and quality output to attract premium prices and generate higher incomes. A revolving fund will be initialized and managed by a not-for-profit company structure with improved implementation arrangements focused on ensuring sustainable operations leveraging in-kind disbursement mechanisms and securing off-take and repayment arrangements.

148. Once the TF-TC consortium is established, it will design the delivery model for the Wool and Mohair Revolving Loan Fund. As an indication, the model below is described, but it is expected that the final model that will be implemented will be lighter while being more efficient.

### **Presentation of the indicative model**

149. This indicative model is presented in the ensuing sections to provide a bird's eye view of how it is intended to operate, followed by thematic details which highlight the roles of key players and institutions (1) The Wool and Mohair Revolving Loan Trust Fund (2) The Wool and Mohair Revolving Loan Fund Operating Company (with a not-for-profit status)<sup>15</sup>, (3) Revolving Loan Fund Implementation Support Service Provider<sup>16</sup> (iv) Shearing Shed Associations (v) Wool and Mohair Input Suppliers (vi) Wool and Mohair Off-takers (Brokers) (vii) Semi-commercial and Commercial Wool and Mohair Farmers (viii) Wool and Mohair Risk Management Service Provider.

150. *Summary of the indicative model.* There shall be established an USD 10.5 million fund (to be called the Wool and Mohair Revolving Loan Trust Fund) under a trusteeship governed by a board of trustees with a small secretariat to handle the funding in advancement of the interest of beneficiaries, who shall be semi-commercial and commercial wool and mohair farmers through revolving loans for inputs disbursed in-kind to minimize risk of misapplication and thereby credit default and enhance sustainability.

151. *There shall also be created a Wool and Mohair Revolving Loan Fund Operating Company* to manage the actual implementation of the loan scheme ensuring both its operational integrity and sustainability.

152. *Possibly*, the small team of technical executives will be assisted by a *Revolving Loan Fund Implementation Support Service Provider*. If this applies, the implementation support service provider shall provide and coordinate technical and field support to the RLF Operating Company with regards to (i) loan cycle management activities involving farmers and their shed associations. To this end, the service provider would liaise with the *Shearing Shed Associations (SSAs)* to vet and aggregate the loan applications of individual member farmers against agreed criteria gleaned from the input requirements to determine loan size, quantities and type of inputs needed including portion for which external financing will be required, etc. The other loan cycle management services would comprise loan appraisal, disbursement management, monitoring and reporting, repayment arrangements and closing, (ii) capacity building of farmers and shearing shed associations leadership. Here farmers will be taken through financial literacy

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<sup>15</sup> This company could also be the same that manages the physical assets.

<sup>16</sup> This could also be a simple Technical Assistant.

courses, entrepreneurship, and responsible group membership. The leadership of the SSAs will be empowered with skills to perform their roles in keeping the common bond of members and providing services which add value to their member farmers thereby increasing their loyalty and commitment to group goals and objectives, (iii) input and output market partner liaison management. The service provider would support to the operating company to establish and manage the relationship with (a) input market partners who are input suppliers and will be responsible for procuring good quality materials to be delivered to farmers in a timely fashion in response to agreed contract terms, and with (b) output market partners who are brokers and off-takers of wool and mohair products from the farmers the proceeds of which will, under tripartite arrangements (farmer/broker/RLF operating company) prioritize transfers to the lender in retirement of the in-kind loan to the farmer.

153. *Possibly, the service provider could play the role of a simple Technical Assistance.* In that case, the *Technical Assistant* will not substitute the Trust Company, but just build its capacity to handle all the functions required to roll-out the revolving fund. Further, the *Technical Assistant's* intervention will be degressive from year 1 to year 4, with a total weaning latest at the end of Year 4.

154. To be eligible, *farmers* shall be semi-commercial and commercial wool and mohair value chain actors *and* good standing members of a Shearing Shed Association and whose input needs will establish the loan need and initiate the loan cycle. Poorer farmers will also be eligible if they are guaranteed by their group of farmer association. The initial demand of the farmer shall be vetted and endorsed by the Association which shall aggregate and submit the loan and procurement request to the RLF operating company for loan approval, and if successful, procurement and delivery of the loan proceeds in the form of requested inputs. The farmers will make themselves available for the requisite financial literacy training and complimentary value chain strengthening implemented by other project actors. The farmers, as part of their loan request, shall agree to the disbursement of the approved loan in-kind for approved quality inputs by the operating company on one hand, and also for the application of the proceeds of their wool and mohair by brokers and off-takers in the first instance towards the repayment of their loan obligations and thereafter to receive the residual thereof.

155. *Risk management.* To the extent that the loan to the farmers would require no security from them and to manage the risk of the underlying asset being the sheep and/or goats, a *Risk Management Service Provider* shall be required to provide insurance cover for the loan/sheep or goats. The risk management service provider shall undertake the necessary studies (feasibility/ mortality, etc) to be able to set premiums which shall be embedded into the loans and repaid altogether at maturity. The service provider shall set up the infrastructure to support the project through its lifetime. In addition to the risk management service provider, farmer associations will have to collectively guarantee their members.

### **Thematic Details and Roles of Key Players**

156. *Loan Fund Institutional Arrangements.* A fund shall be incorporated with an initial value of USD 10.5 million under the terms of a trust deed. The trust company (to known as the *Wool and Mohair Revolving Loan Trust Fund*) which will be entrusted with the revolving loan fund will have its own board of trustees and would ensure the funds are used for the benefit of the named beneficiaries and towards the stated purposes and function as described in the trust deed. The named beneficiaries shall be semi-commercial and commercial farmers in the wool and mohair value chain and the purpose shall be to avail loans for inputs to improve the yield of wool and mohair farmers in Lesotho. Possibly, a separate but related not-for-profit company, the *Wool and Mohair Revolving Loan Fund Operating Company*, will also be set up to manage the fund as a revolving facility disbursing in-kind loans to smallholder wool and mohair producers (who are the beneficiaries of the trust fund) to support their procurement and use of quality inputs. These high-quality inputs will include feeding costs, veterinary medicines and

genetics which are expected to improve the production, productivity and quality of wool and mohair thereby attracting premium prices and generating higher incomes to the farmers. The revolving loan fund operating company shall be governed by trustees whose credit sub-committee shall make credit decisions prior to any drawdown request to the trust fund for disbursements to fund approved loans. The sole product of the revolving loan fund operating company shall be a loan product which shall be administered on an in-kind basis and reflows therefrom shall be reinvested towards the same ends on a revolving basis. As an alternative, both physical assets and the revolving fund could be managed by the same company.

157. *In terms of governance, the trust fund shall be managed by a board of trustees who shall be responsible for ensuring disbursements are applied towards sustainable loans to eligible farmers. The revolving loan fund operating company shall also be managed by a board of directors/trustees who shall be responsible for approving in-kind loans to eligible farmers, make drawdown requests for eligible loans to the trust fund and oversee the work of the executives and any agents assigned responsibilities to advance the objectives of the fund. The operating company shall apply interest rates on its rates, albeit it at concessionary levels of less than 10% per annum, to contribute towards the funds sustainability.*

158. *Fund Parameters:* The revolving loan fund operating company will be guided by principles of best credit practices motivated by the need to ensure sustainability. As an indication, it is envisaged that due to the nature of the activities of semi- and commercially oriented smallholder producers of wool and mohair, the loans will be within the range of US\$350 and US1,000 with most likely to be closer to the lower end given the size of herd per farmer. The loan amount will depend on the size of the herd with an estimated investment of US\$10 per animal. The main mechanism for selecting borrowers shall be as follows. Borrowers shall be individual farmers affiliated to a shearing shed linked farmer association and be in good standing per the constitution of the association. Each farmer will determine how much loan they require after assessing their need based on the type of input (genetics, vet medicines, feed, etc) and the number of eligible animals. This will be vetted by the designated executives of the shearing shed linked farmer association, to ensure the reasonableness of the input requirements and the likely adequacy of the farmers yield and revenue estimates to repay the loan. The association shall collate similarly vetted farmer requirements, with (possibly), the support of an implementation support service provider engaged by the project, to arrive at an aggregated input requirements and submit duly executed loan requests to the revolving loan fund operating company for approval of the loan, the proceeds of which shall be applied towards the subsequent procurement, supply, and delivery of the required quantities of the inputs to the respective farmers.

159. *The revolving loan fund operating company shall be responsible for both fund and credit management functions. The fund manager function will comprise overall portfolio reporting as well as all the related credit management functions from loan appraisal, loan approval, loan disbursement, loan monitoring and reporting, loan repayment and recovery, among others. The revolving loan fund operating company shall, as part of its loan disbursement role, manage the procurement, supply, and delivery of the inputs to borrowing farmers in support of the purpose of respective loans. Each loan request will be vetted to ensure compliance with basic eligibility criteria (purpose of loan/inputs, quantities, number of animals, proof of certification of knowledge or completed participation in approved GAP course or training, programme region/location, good standing status regarding membership of an eligible shearing shed association/or approved farmer association, record of farm such as number of animals and records of most recent shearing records including volume of wool/mohair sheared and associated revenues, name of broker, etc). The original farmer application shall be vetted and supported by an eligible shearing shed linked farmers association, evidenced by their endorsement on the application which the association shall submit to the revolving loan fund operating company for consideration. The farmer shall indicate authorization for*

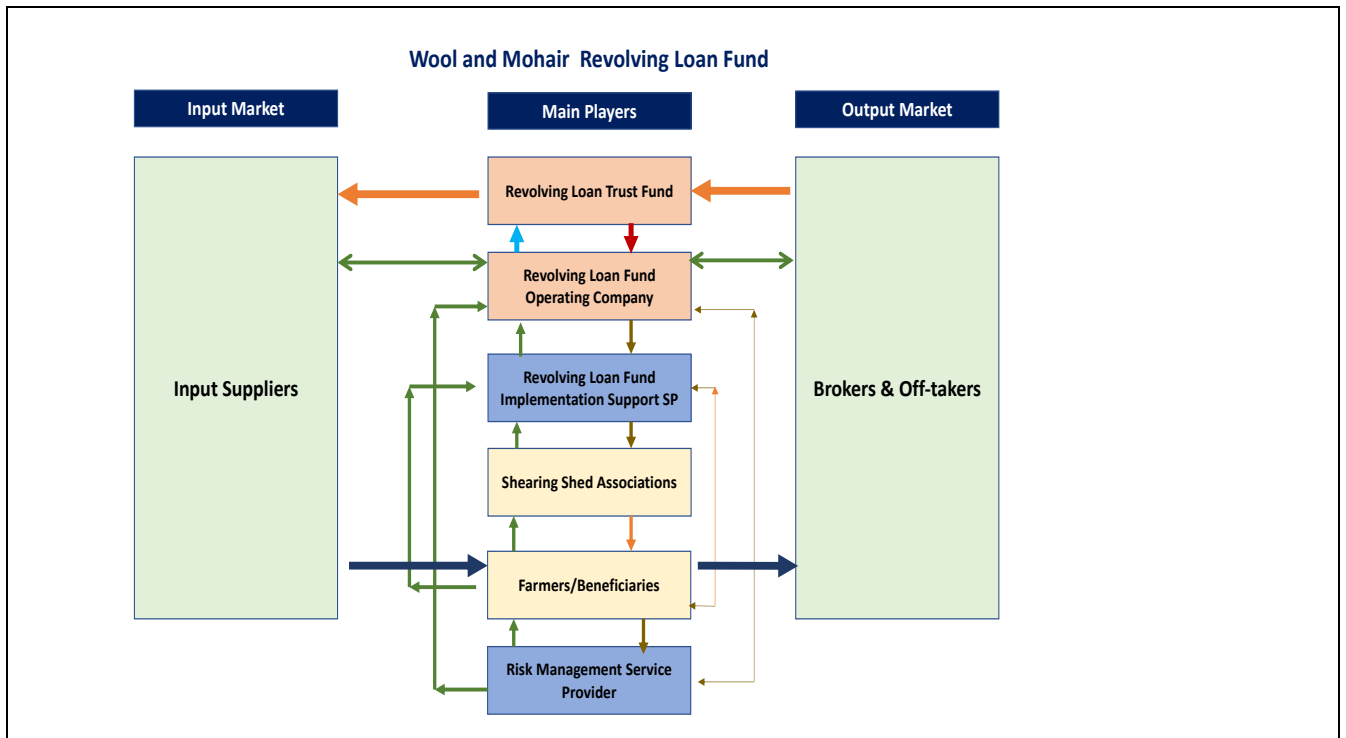
(i) the proceeds of the loan to be applied to the procurement process and to receive the loan in kind and (ii) the proceeds from the sale of wool/mohair to a broker to be applied towards the repayment of the loan in the first instance, and only the residual of the sale proceeds shall then be made available to the farmer.

160. *The revolving loan fund operating company will be responsible for* (a) developing detailed procedures to guide the loan management processes (b) communicating/publicizing the revolving loan fund to all stakeholders (c) obtaining the credible participation of key partners especially a credible shearing shed linked farmers association, input suppliers, wool and mohair offtakers/brokers, technical assistance service providers (credit and business development service providers and risk management/insurance service providers), (d) manage the loan application process (origination from farmers, due diligence and endorsement by shearing shed association, credit appraisal and management process, etc) (e) loan disbursement and management of input procurement, supply and delivery system, (f) loan monitoring and portfolio reporting, and (f) other operational matters not least financial management (e.g. budgeting and accounting), maintain the requisite staff and operate with the appropriate financial and internal controls.

161. *Technical Assistance and Partnerships:* A key lesson from the implementing similar value chain credit programmes is that technical assistance is indispensable for achieving successful outcomes in the implementation of such projects. It would therefore be prudent for the revolving loan fund operating company to enter into partnerships with at least five (5) key partners and service providers to play various roles in delivering on its mandate in the service of the trust fund and the farmers.

- (1) Shearing Shed Associations: Strong and viable farmer associations are valuable partners to build and sustain rural financial services. These associations perform crucial complimentary roles which include providing a critical mass for cost effective delivery of capacity building services such as good agricultural practices, financial literacy and empowerment training, interventions which are valuable pre-requisites to successful financial services. The associations provide a layer of vetting borrowers which process leverage local knowledge beneficial in arriving at good and timely credit decisions. The associations provide an exit strategy for the role of the credit and business development service providers; they will be trained and mentored to take up a more active role in vetting and monitoring the borrowers at a more cost-effective rate by project tend thereby improving the sustainability of the operations of the revolving loan fund operating company.
- (2) Input Suppliers: The revolving loan fund operating company shall disburse loan in-kind only; given that the sole product of the trust fund is to provide in-kind input loans, no borrower shall receive loan proceeds directly in cash. Loan disbursement shall only be in kind. To this end, the revolving loan fund operating company shall enter tripartite framework contracts whereby the proceeds of approved farmer loans shall be applied towards the procurement, supply, and delivery of eligible agricultural inputs only. This contract shall be witnessed by the executive of each borrower's farmer association.
- (3) Wool and Mohair Off-takers and Brokers: The repayment of the input loans to farmers is fundamental to the sustainability of the revolving loan fund. And since borrowers' source of funds for repayment is from wool and mohair sales, it is imperative that this income stream is ring-fenced, and its utilization prioritized towards the repayment of the input loans. Thus, off-takers of farmers' wool and mohair products shall be partnered via a tripartite off-taker agreement in which farmer sale proceeds will be utilized first towards loan repayment and only after that will the residual funds be paid to the borrowing farmers. The off-take agreement will be among the farmer, the broker/off-taker and the revolving loan fund operating company with the shearing shed association bearing witness.

- (4) Revolving Loan Fund Implementation Support Service Provider (or a simple technical assistant): The executive secretariate of the revolving loan fund operating company is deliberately limited to ensure a lean cost-effective and efficient team but which should be able to rely on service providers from time to time. Embedding a permanent role in the secretariat would be inefficient and unsustainable. Given the necessity for such support, especially at project initiation, a technical service provider will be needed to provide the following services: (i) validation of shearing shed association common bond to support credit operations. The consultant will undertake due diligence and sign off on suitability of shearing shed associations to mobilize farmers, manage farmer obligations regarding role in supporting loan applications and coordinating repayment, etc (ii) provide capacity building for developing the financial literacy and business management skills of farmers, (iii) training of shearing shed association leadership to perform roles under the loan scheme including supporting and working with input suppliers and off-takers and advocating for the interests of farmers, (iv) coordinating the role of input suppliers and off-takers as agents of the revolving loan fund operating company and providing field presence for the operating company's secretariat and (v) providing monitoring and reporting services for the secretariat.
- (5) Risk management/insurance service providers: It is understood that the smallholder farmers targeted are unlikely to have the traditional security assets to secure the loans, the inputs which are acquired with the proceeds of the loan are unsuitable for collateral purposes and the animals, the central assets of the farmers are subject to death, theft, disease, and low yield which might be inadequate for repayment purposes. Thus, as a fundamental risk management strategy, it is envisaged that an insurance services support consultant will be engaged to support the revolving loan fund operating company. The main roles expected from the consultant, and complimentary partners, shall include: (i) conducting of detailed feasibility studies to affirm applicable insurance cover and premium pricing (ii) farmer education/training on insurance and risk management practices (iii) setting up of implementation support operations for data collection, developing and managing distribution partnerships and networks, monitoring, and reporting.



←	Funds flow
→	Flow of goods
↔	Data
→	Services
	Input suppliers/Off-takers
	Trust company – Trust Fund
	Service Providers
	Beneficiaries (Farmers/Sheds)
↑	Loan requests
↓	Loan decisions

### Intervention 2.1.2 Financial literacy and saving groups

162. The aim of this intervention is to increase asset holdings of non-commercial farmers and vulnerable groups including women and persons living with HIV in identified wool and mohair communities by enhancing their savings and financial management culture thereby creating poverty graduation pathways. The approach to achieve these outcomes include targeting and selection, establishment of savings groups, regular training in financial literacy knowledge and skills, building savings (and limited lending) and linkage to established financial service providers (including the WM Revolving Loan Trust Fund, mainstream, and digital financial institutions).

163. Therefore, the intervention will focus on non-commercial actors and the vulnerable populations in the wool and mohair communities who would be mobilized into savings and lending groups, empowered with financial literacy and related technical assistance to build financial assets with a view to increasing their participation in the wool and mohair value chain in particular and the broader domestic economy in general.

164. **The Delivery Model.** The savings-led asset building delivery model is structured as a set of interrelated multistage process aimed at providing a pathway for poorer households in wool and mohair communities to graduate towards more inclusion in their local economy. The approach will be to build on the following stages of implementation; (i) targeting and selection (including gender mainstreaming) (ii) establishment of savings groups, (iii) regular training in financial literacy knowledge and skills (iv) building savings (and cultivating a borrowing habit) and (v) promoting linkages to established financial service providers (including the Wool and Mohair Revolving Loan Trust Fund, mainstream, and digital financial institutions).

165. **Targeting and Selection.** The primary target of the intervention will be 30,000 non-commercial farmers and vulnerable groups including women and persons living with HIV in identified wool and mohair communities representing 67% of the project target group. The criteria for targeting here is line with IFAD’s definition of “rural people living in poverty and experiencing food insecurity in developing countries” and characterized by irregular and unpredictable incomes, food insecurity, poor health, lack of formal education, lack of financial and physical assets such as land, tools and technology, limited livelihood prospects and social isolation. To this end, poverty maps and local knowledge will be leveraged to select the relevant target group from areas with high incidence of poverty.

166. **Gender Mainstreaming.** The participation of women in all project activities will be strengthened right from the initiation of the targeting and selection process. Rural women in the project areas will be targeted in community sensitization about the intervention activities and they in turn will be expected to participate in training courses, encouraged to save and motivated to take loans to invest in asset building activities.

167. **Establishment of savings groups.** A service provider with proven track record will be engaged to facilitate the selection of beneficiaries using a participatory approach which will also encourage self-selection to ensure sustainable cohesion of the savings groups whilst relying on household surveys and other wealth ranking methods to identify the poorest households. Steps will be taken to ensure consistency with IFAD's targeting strategy to reach extremely poor people persons by requiring the service provider and project staff to verify the identifies beneficiaries in order to avoid participation by more economically and socially endowed people. Care will be taken to ensure the inclusion of socially excluded such as persons living with HIV, and women who are landless, do not own any productive assets and with no working male members in their households.

168. **Training in Financial Literacy.** The selected beneficiaries will be provided with various training packages to motivate and equip them in managing their finances and engaging with the financial system and to build financial assets through savings and credit, from which to make productive investments. The financial education should, at the minimum, enable beneficiaries to make good financial choices regarding income, expenses, saving, borrowing, and investing. They should learn to create budgets, track cash flow, identify income sources and expense patterns, explore ways to reduce unnecessary expenses and plan for future needs, making them less vulnerable to shocks. Knowledge of financial instruments and loan sources should provide members with insight into available financial tools, enabling them to select the tools that are most appropriate for their needs. To encourage and prepare members to better participate in the wool and mohair value chain as a business, an introductory training in business management should also be provided and include business management and entrepreneurship. A training curriculum and manual to implement the training will be developed and the training offered in two tracks; first, as a training of trainers to be selected from the communities in the project areas to build sustainability in training future beneficiaries in a cost-effective manner and second, training of beneficiaries all in financial literacy, basic business management and entrepreneurship.

169. **Building Savings (and limited Lending).** The theory of change around a savings-led graduation programme is based on building assets through accumulation. Thus, growing savings drives productive inclusion, resilience, and poverty reduction by enhancing consumption smoothing, management of risks and reduction in negative coping strategies such as the forced sale of productive assets that increase the vulnerability of the poor. Savings group members will be encouraged to save on a regular basis (to be determined by members) whatever surplus they are able to muster. Savings may be deposited in informal facilities such as savings boxes or in formal financial institutions like MFIs (and digital financial institutions). The key focus of this intervention is to build a new savings culture and financial discipline among members by shifting focus from consumption to investment in productive activities through regular savings. In furtherance of building financial discipline, limited lending to members will be helpful in the rolling out the savings group. An incentive scheme will be embedded in implementation to encourage beneficiaries who save regularly. This may take to form of offering to matching (by up to 1:1 ratio) by the project of the savings of those who achieve set benchmark savings tied to their consistency to their baseline goals.

170. **Linkage to established financial service providers.** As the savings habit and productive financing needs of beneficiaries increase, it may become appropriate to graduate them to larger financial institutions who would be better placed to meet their needs. These will include the projects Wool and Mohair Revolving Loan Fund, mainstream microfinance institutions and digital financial institutions such as Vodacom who offer both group and individual savings and loan products. The project will provide linkage to these



formal financial institutions to enable graduating members to access larger loans with longer maturity as well as transact other savings. The support to these beneficiaries will include referrals and training to better prepare them to engage with these larger financial institutions.

171. **Implementation Arrangements and Partnerships.** As indicated in the sections on targeting, selection and establishment of savings groups, the savings-led graduation programme will be managed by a specialized service provider with a proven track record in specialized graduation programmes targeting the ultra-poor (TUP). In anticipation of the eventual graduation of eligible beneficiaries to larger financial institutions, the service provider shall engage with identified larger financial institutions who are potential partners and ensure alignment with their eligibility criteria and familiarize beneficiaries with their operating requirements.

172. **Monitoring and Evaluation.** The project will rely on various methodologies including the movement out of poverty index to measure the movement of beneficiaries out of poverty. Among the economic indicators to be tracked shall be increase in savings and assets.

## 17 Sub-component 2.2 Responsible value chain production

173. Under this component, the TC will effectively roll-out the responsible production system and get shearing shed linked farmer associations certified. To support this process the value chain it will establish and operate a digital platform. Further, it will coordinate the implementation of all activities required to meet the responsible production standards as well as low carbon and biodiversity enhancing and organize the certification of shed linked communities. This will lead to farmers getting paid premium price.

### **Intervention 2.2.1 Value chain inclusive digital platform**

174. The aim of this intervention is to set-up and operate the all-value-chain-players inclusive digital platform. The digital platform will contribute to supply chain efficiency and effectiveness within the domestic wool and mohair sector. It, therefore, strengthens the value proposition of Lesotho's wool and mohair and counters inefficiencies within the VC.

#### **Setting up a coordination and facilitation structure**

175. One very important distinction of visibility and traceability between the enterprise level and the value chain level is the governance structure under which it operates. In the enterprise all governance in terms of leadership, management and coordination is provided by the enterprise structure itself. In the value chain, and all supply chains that operate within, governance needs to be setup from outside any of the enterprises that actively participate in the value chain. Such governance entity needs to be a competent, neutral, and trusted party within the larger ecosystem of the value chain that is recognised and empowered to play such a role. In situations where the value chain roll-out is on a national level, such as the case of the wool and mohair sector in Lesotho, it makes sense for the governance entity to be obligated as a statutory body to play a specific governance and coordination role in the sector to the benefit of the sector. Examples of such statutory obligations can be found in Cape Wools (wool and mohair) and Cotton SA (cotton) in South Africa. Such statutory rights and obligations can only be bestowed by the government of a country. Hence, it is highly recommended for the government of Lesotho to consider enabling the Trust Company as a statutory entity with agreed obligations towards the wool and mohair sector and the right to collect a levy (also to be agreed), based on the trading value of the underlying product (wool and mohair) from the industry to cover the cost of fulfilling its obligations. It needs to be noted that the government of Lesotho intend to become a regular user of the platform in gaining access to relevant sectoral data.

176. The specific focus areas and the tasks involved in such governance of visibility and traceability across an entire value chain or value chain segment are narrowly linked to the

developmental objectives for the Lesotho wool and mohair sector and the hygiene factors of maintaining commercially sustainable and healthy supply chains.

***Agree with a platform owner to provide value chain visibility infrastructure and supporting services***

177. The choices are extremely limited. Only one company globally has been developing methodologies and system components to create operations visibility and traceability in any industry for any type of product across entire value chains using a single integrated platform. The visibility is customisable in response to the needs of a supply chain, and it is used to improve the effectiveness and efficiencies of participating supply chains and their associated enterprises. It provides the kind of visibility that will be indispensable to a governance entity that serves to coordinate and facilitate supply chains in any particular value chain.

178. A platform of this kind is not used simply as an IT tool to send data between organisations. It is used to develop a profile of supply and demand, to enable visibility of the differentiation between participating supply chains, to offer proof of origin and chain of custody across a network of supply chains. It also enables the ringfencing of a number of supply chains, or different product lines in a supply chain, into a programme that can be monitored and recorded as a separate flow of goods with its own associated visibility profile and business processes. Hence, this is not a matter of selecting an IT services provider. It is a matter of selecting a value chain partner that can assist in the process of virtual value chain integration (in terms of business model, strategy, processes, and procedures) and that also has a digital value chain platform, or access to such a platform, to support the virtually integrated value chain business model.

179. The only company globally that has developed this capability is VirtualRouteZ Limited (UK). They have an office in Centurion, South Africa, as well.

180. The nature of such a collaborative relationship is multiple and requires an agreement with a representative entity of the value chain it supports (typically a memorandum of collaboration), as well as with each user organisation that uploads data onto the platform or that uses the data on the platform (typically a license and/or a service level agreement). If the roll-out is national in line with a directive of a national government, an agreement with government may also become a necessary contractual element, depending on the content of the national directive. Any role player in the value chain may also want to engage into a contractual relationship with the platform owner/value chain integrator for specialist consulting services in order to create and facilitate customised value chain programmes in support of the role players specific business model and strategy. In a national roll-out with a mandatory drive the fees associated with licensing, using the platform, and accessing the data may be included into a single fee structure agreed with the relevant government authority and collected in a number of ways.

***Confirming the scope and requirements of the value chain roll-out***

181. The platform owner needs to be briefed on the scope of deployment and support as well as the visibility requirements of the various user groups in the wool and mohair ecosystem of organisations and institutions. Some introductions to key role players will be required. This can be seen as a discovery phase which will result in a pilot supply chain being selected for first implementation.

182. The activities involved in this discovery phase may (or may not) include some of the following:

- **Understanding the nature of each role in the value chain** – the WaMCoP initiative defined the value chain segment under consideration to include the suppliers to farmers (for supply of feed & fodder, improved genetics, veterinary medicines), the farmers themselves, shearing sheds, traders, merchants, brokers and the role players in the wool and mohair cottage industry sector. This segment also includes the international auctions of wool and mohair held regularly in Port

Elizabeth as well as the 3<sup>rd</sup> party stakeholders that deliver critical support services to the supply chains in this value chain.

- **Understanding the nature of off-take agreements that operate in this value chain segment** – in any supply chain the off-take agreements make demands on the collection of data, the packaging of commodities, the logistics of shipments as well as the terms of associated trade-financing. These variables all have an impact on the visibility required by the parties involved and hence the support service to be provided by the platform owner.
- **Meeting the providers of financing into the supply chains of this value chain** and understanding their requirements for collateral management, especially in commodity-based financing where the collateral data will be held on the value chain platform.
- **Understanding the need for a digital trading facility** on the value chain platform to support the trading of the underlying commodities (feed & fodder, genetically improved livestock, livestock for disposal, veterinary medicines, wool, and mohair clip (as loose fibre or as bales) and cottage industry products). Although not extensively discussed in the WaMC-P project documentation, this option will become available to users of the platform with its own set of business benefits to the participating organisations.
- **Exploration of the need for specific programmes to be structured in the supply chains under focus.** Programmes address a specific need of the larger aggregator roles in the value chain, such as breeders of livestock, suppliers of feed & fodder, shearing sheds and brokers, to ringfence a specific set of supply chains or products streams into a visibility 'pipeline' of its own with its own associated business rules to be made visible as a separate supply or procurement initiative.
- **Assessment of risk** in order to determine fitness of supply chains and participating organisations to be included into a first pilot implementation. The first implementation in a particular value chain is always a learning experience for all parties involved and serve to facilitate learning on an individual organisation basis as well as on a collective basis across the supply chain. Specifically, organisations have the opportunity to see how they can capitalise on such visibility in their business model and strategy, in their operational processes and procedures and in structuring their in-house supporting digital systems. It also provides valuable learning to the providers of essential products and services into the supply chains under consideration in terms of the strategic and tactical aspects of their service to the supply chain participants. Hence, the selection of the participants in the pilot implementation is critical to the general acceptance of the pilot initiative as well as the evaluation results of pilot engagement. The concept of "pilot" in this context means "first implementation" and not "proof of concept".

### ***Need for people resources on the ground***

183. In executing all the activities mentioned above there need to be people on the ground in Lesotho to coordinate, facilitate and support. A logical place from where much of these activities can be coordinated and facilitated would be the value chain visibility initiative coordinating body, which in this case is the Trust Company. The platform owner and the Trust Company needs to agree on the nature of their collaboration, the people requirement to support the value chain visibility activities and the associated compensation.

184. The people requirement may be different for the different phases in this initiative, namely the pilot phase, the rest of the implementation phase and the post implementation maintenance of defined service levels and any planned expansion of services. All these requirements need to be discussed and agreed between the platform owner and the Trust Company.

185. Some of the people skills required in the implementation activities will require specialised skills and knowledge of the platform and the specific processes and procedures of supply chains in Lesotho and abroad. These may be provided by the platform owner or, by mutual agreement, be sourced from outside of Lesotho.

### ***Assessment of supply chain participants***

186. Each organisation that participates in the supply chains under consideration needs to be assessed in terms of its internal processes and procedures, its data capture capability and systems and its ability to produce a complete internal traceability data set. Any organisation that participates in a supply chain traceability audit trail needs to provide an end-to-end internal traceability audit trail. If not, it represents a point in the chain where the audit trail breaks down. Any critical gaps to be detected in this assessment need to be discussed with the organisation and remedial action jointly agreed. Once resolved the organisation can be on-boarded onto the value chain platform.

187. These assessments exclude the estimated 45,000 small-holder and communal farmers (primary producers of wool and mohair). Although these role players will be registered on the platform, their traceability and visibility data will be collected from their suppliers and their customers (shearing sheds, traders and merchants). This is a practical work-around to relieve them from the burden of data capture and reporting whilst still enable them to have access to their own data as well as access to any agreed visibility data from the up-stream and down-stream supply chains in which they operate.

188. Commercial farmers that have the required skills and data capture procedures in place and who may want to link up with the value chain platform will be assessed and on-boarded like any other supply chain participant.

### ***Maintenance of the platform and continued delivery of services to the user community***

189. A platform of this kind is offered to the market globally as a hosted service. The platform owner has a dedicated team of IT specialists who is responsible for development, maintenance, and support of the platform. The platform owner does not support the enterprise level systems used to capture and manage data within enterprises (participating organisations).

190. Through its on-boarding services it will support organisations in terms of providing API data and participating in test uploads of data to confirm that a specific interface to a specific enterprise system is in working order. It will also assist remotely in finalising the format of data payloads as specified in the API documentation (even if the upload mechanism is a spreadsheet).

191. The on-the-ground support unit, in this case the Trust Company needs to setup a Help Desk that can be accessed by any user in need of support in using the platform. The Help Desk can start off with a one-person resource and an open source (often freeware) ticketing system to schedule and record the critical aspects of the support process and the trouble tickets it generates. The platform owner has its own Help desk, which will be linked to that of the Trust Company. Between the Platform Owner and the Trust Company, they will need to agree on the process and procedures involved in the levels of support offered by the Help Desks. The primary point of entrance to a Help Desk will be that of the Trust Company, who will also have to coordinate and facilitate the entire support process and provide Level 1 support. Level 3 will have to be provided by the Platform Owner. Level 2 support need to be discussed and agreed between the Platform Owner and the Trust Company. There is no need for computer-telephony integration in the Help Desk function of the Trust Company.

192. Technical support also known as help desk) will be provided to all users through phone calls, text, WhatsApp messages and email. Levels 1 and 2 support will be provided by the TC, while Level 3 is handled by the platform service provider. Level 1 support consists of solving user problems by following standard operating procedures (SOP). If no

solutions are available, Level 2 support will take queries from Level 1. Level 2 communicates with the user, to perform in-depth troubleshooting and backend analysis. If a solution is not available, the query moves to Level 3 support, which consists of subject matter experts (of the platform service provider) providing solutions for a wide variety of technical problems.

193. Value chain integration services are based on specialised consultancy engagements, each customised to a specific customer's needs. Such services need to be discussed and agreed upon in terms of the type of services and the people resources needed in each. The Trust Company could be the customer-facing entry point for such services in Lesotho. The platform owner could be the entry point for both further platform roll-out and value chain integration in the global value wool and mohair value chain outside of Lesotho.

### ***A need for continuous improvement***

194. One of the most critical post-implementation services to be delivered to the participating supply chains is the facilitation of continuous improvement sprints around the use of supply chain visibility and traceability. This would require a continuous improvement plan, agreed with the key role players in the value chain and a dedication to its implementation and support. This activity would be best facilitated by the Trust Company.

### **Operational breakdown of the approach**

195. The PCU will sign an agreement with the selected platform service provider, which specifies the role of the TC as the host and manager of this digital platform; (2) a memorandum of understanding will be signed between the TC, the platform service provider and the participants and stakeholders of each respective supply chain (broker, shearing shed management unit, farmer associations, goods and service providers); (3) an assessment of each role player's ability to monitor and record their internal operations will be performed; (4) agreement on the method of uploading data to the visibility platform for each respective participant will be established; (5) the TC and platform service provider signs a service level agreement with each participant organization; (6) the interfacing arrangement is implemented for each participant organization; (7) depending on the needs, the capacity of some role players to monitor and record their internal operations is strengthened.

### **Intervention 2.2.2 Certification of production**

196. The Trust Company will coordinate the work of the shearing-shed management units in managing the certification system for both the responsible production and low emission and biodiversity enhancing.

197. *Partnership agreement with ROLL PCU.* Based on the MoU signed between PCU ROLL and PCU WaMCoP, the TC will sign a partnership agreement with PCU ROLL in charge of handling project support on rangeland management.

198. *Formation of land coalitions.* With the support of PCU ROLL, the each of the TC' Shearing Shed Management Units will proceed to forming land coalitions (LC), using the ROLL's approach. The land coalitions are opened all players (farmer associations, traditional authorities, government officials...).

199. *Engagement of land coalitions and famer associations on responsible production and low emission standards.* Each SSMU will engage farmer associations and LCs under their jurisdiction. They will sensitize members and engage them on responsible production and low carbon emission issues and standards.

200. *Preparation, adoption, and implementation of animal health and welfare plan.* Each SSMU will support farmer associations under their jurisdiction to prepare the animal health and welfare plan, following the adopted procedures (under component 1), which align with Textile Exchange guidelines. The prepared plan will be submitted for approval and adopted in compliance with the procedures. Once adopted, SSMU will support the farmer

association implement the plan, monitor implementation and record compliance parameters.

201. *Preparation, adoption and implementation of land management, soil health and biodiversity plan.* Each SSMU will support each land coalition under their jurisdiction to prepare their land management, soil health and biodiversity plan following the adopted procedures (under component 1), which align with Textile Exchange guidelines. The prepared plan will be submitted for approval and adopted in compliance with the procedures. Once adopted, SSMU will support the farmer association implement the plan, monitor implementation, and record compliance parameters.

202. *Preparation, adoption, and implementation of shearing shed compliance plans.* In collaboration with farmer associations, each SSMU will prepare a shed compliance plan, for each shearing shed under their jurisdiction, following the adopted procedures (under component 1), which align with Textile Exchange guidelines. The prepared plan will be submitted for approval and adopted in compliance with the procedures. Once adopted, SSMU will support the farmer association implement the plan, monitor implementation, and record compliance parameters.

203. *Accessing incentives.* Firstly, the TC will collaborate with PCU ROLL and PCU WaMCoP on the design of the measures aimed at incentivizing communities to implement their plans for rangeland management, biodiversity enhancement and shed compliance. Once the incentive measures are operational, the TC through its SSMUs help land coalitions and farmer associations to access the facilities and mobilize required resources to advance the implementation of their respective plans.

204. *Monitoring of plans implementation and recording of compliance parameters.* Each SSMU will be responsible to ensure the monitoring of all the plans, and to record agreed upon compliance parameters. The information in the implementation of these plans will be available on the digital platform. The TC will aggregate information from all SSMU. At national level, the TC will hold monthly monitoring meetings, and six-monthly review sessions. These meetings and sessions will help all players discuss progress, challenges and solutions.

205. *Organization of third-party certification.* The TC implement this following the process below, as prescribed by Textile Exchange:

- a. TC will contact approved certification bodies (CB) to request services. The selected CB will be TC's point of contact throughout the entire process of certification, from beginning to final labelling / communications.
- b. TC will fill out the application form from the CBs and submit. Applying with more than one CB allows TC to compare estimates.
- c. Upon receipt of TC's completed application, the CBs will prepare an offer including estimates of price and timing.
- d. After the best offer is accepted, TC will be asked to sign a one-year contract with the CB, renewable.
- e. The CB will send an auditor to review documents and procedures against the requirements of the standards. TC will make sure staffs and players are trained and prepare relevant documents, as good preparation can reduce certification costs by saving auditing time.
- f. The results of the audit will be sent to the CB's office in an audit report; a separate person will review them and make a final certification decision. If non-conformities (NC) are noted, TC will be given a corrective action plan. All NCs must be closed in order for a scope certificate (SC) to be issued.
- g. Upon successfully meeting all requirements of the standard, a scope certificate will be issued.

h. CBs may conduct unannounced inspections to verify that you are still complying with the standards.

i. Following the shipment of certified goods to the given standard, TC in collaboration with brokers, will contact CB to apply for a transaction certificate (TCe). Only products with an accompanying TCe are considered certified.

206. *Claiming payment for environmental services.* With the support of PCU ROLL TC will learn how to claim payment for environmental services and start performing claiming procedures very year.

207. The TC managed value chain visibility platform will serve as data repository for the compliance of role players to the requirements for certification. It will link-up with the digital certification platform of the Textile Exchange organization who owns the standard and certification process. The visibility platform will link the products in the value chain to the compliant (or non-compliant) origin and its certification status, enabling the verification of product items against the Responsible Production certificates. The reports of the platform will provide the data required by the TC, the PCU and the GoL, to coordinate the activities related to certification, de-stocking, landscape regeneration, animal healthcare, shed management, and compliance parameters.

## 18 COMPONENT 3: PROJECT MANAGEMENT

### 19 Sub-component 3.1 Communication for behaviour change and monitoring for learning

208. This component will serve to facilitate the effective and efficient implementation of Components 1 and 2. It will include the Monitoring and Evaluation and the Knowledge Management functions. Further details are provided in sections K and L of the Project Design report and in Part 3 of this implementation manual.

### 20 Sub-component 3.2 Project coordination

209. WaMCoP will be coordinated by a Project Coordination Unit (PCU). The PCU will be housed at the MAFS. The PCU will be responsible for project implementation including fiduciary aspects (such as audits); knowledge management/communication (including public awareness campaigns); grievance redress mechanism; citizen engagement; and monitoring the implementation of safeguard related measures. It will finance PCU staff related costs (training etc.), goods, equipment and vehicles, incremental operating costs, assessments/analyses/ studies for preparation of future projects/operations, and other eligible expenses associated with overall project implementation. The support will also be provided for social/results/impact surveys at project mid-term as well as project completion. Additional periodic surveys will be supported to improve project implementation, for example to assess and improve women and youth participation. The monitoring and evaluation (M&E) system will be strengthened to improve the efficiency of data collection, analysis, evaluation, and reporting.

210. The Project Steering Committee (PSC) will consist of directors from line ministries and NGOs; Wool and Mohair farmers; and representatives of the private sector such as traders and brokers etc. The Committee will provide strategic oversight and approve the AWPB, and procurement plans plus progress reports, including financial reports.

## 21 PART 3: PROJECT IMPLEMENTATION

### 22 ORGANISATIONAL FRAMEWORK

211. **Project Steering Committee.** At the national level a project steering committee (PSC) will be established to provide policy guidance and oversight of project implementation. It will be convened and chaired by PS Ministry of Agriculture

and Food Security, with membership open to the Ministry of Forestry, Range and Soil Conservation, Ministry of Trade and Industry, Ministry of Local Government, Ministry of Tourism, Environment and Culture, the LNDC, the Lesotho National Wool and Mohair Growers Association and the Skylight Wool and Mohair Association. The PSC will meet quarterly or on a need's basis, provided three representatives call for a meeting. A specific set of terms of reference will further define the specific duties of the PSC, however, the PSC will broadly aim to: (i) review physical and financial progress; (ii) approve annual work plans and budgets; (iii) Provide strategic and technical advice to create synergy and uniformity between supported activities, policies and aligned projects; (iv) Use influence and authority to assist the project in achieving its outcomes; and (v) Setting a strategic direction, reinforcing government leadership of the project, and coordinating interventions.

212. The project coordination unit will serve as the secretariat to the PSC and will support the PSC in convening meetings.

213. **Project Technical Consultative Committee.** The PSC will be supported by a Project Consultative Technical Committee (PCTC). Building on the experience of WAMPP, the PCTC will serve as a technical and operational body. It will be comprised of directors and lead agents from key implementing entities: MAFS (Convenor and Chair); Ministry of Tourism, Environment and Culture, the Lesotho National Development Corporation, The Trust Fund-Trust Company Leadership, and the Ethical Fashion initiative/Social Enterprise. The PCU in consultation with the PSC can open the membership of the PCTC as implementation evolves.<sup>17</sup> The PCTC, will mainly be guided by an ethos of assisting the project to deliver against its objectives. This support is envisioned to be practical, operational, and technical in nature. It will be guided by the following principles: (i) resolve operational bottlenecks; (ii) provide technical review of the annual work plan and budget (AWPB) and reinforce knowledge sharing across partners; and (iii) coach and support the project coordination unit on issues of operational and strategic management.

214. The PCTC will meet quarterly and will share the minutes of its meetings with the members of the PSC. Moreover, the PCTC will support the PSC when called upon, either by providing a technical or advisory review of the project. The project coordination unit will support the convening of the PCTC and facilitate the logistical arrangement when required. Specific terms of reference for the PCTC will be drawn-up.

215. **Project coordination unit.** The day-to-day implementation, coordination and management of the project activities will be entrusted to a Project Coordination Unit hosted by the Ministry of Agriculture and Food Security (MAFS). The PCU will be responsible for project implementation including fiduciary aspects (such as audits); knowledge management/communication (including public awareness campaigns); grievance redress mechanism; citizen engagement; and monitoring the implementation of safeguard related measures. The PCU will be staffed by: (i) project coordinator; (ii) livestock production expert; (iii) business expert; (iv)

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<sup>17</sup> If more implementers take up key roles over the life cycle of the project, the PCTC membership can be extended to new implementers.



natural resource management specialist (financed by GEF resources); (v) social inclusion officer; (vi) five project field officers; (vii) procurement officer and contract manager; (viii) financial management officer; (ix) financial accountant; (x) procurement assistant; (xi) M&E and KM/communication officer; (xii) KM and M&E assistant; and (xiii) senior project assistant.

216. The PCU will be staffed by professionals from the market and where necessary, the Government of Lesotho. The PCU will be responsible for day to day management, consolidation of AWPBs, Procurement Plans, Progress and Financial Report as received from the other implementing entities and co-ordinate the procurement of goods, works and services. The PCU will also take charge of monitoring and evaluation and provide support to implementation and supervision missions.

217. **Trust Fund-Trust Company.** A key implementing partner will be the Trust Fund-Trust Company (TF-TC) consortium. It is envisioned that the TF-TC will work closely with the project coordination unit in implementing the project. The TF-TC have a staff complement that is aligned to its financial resources and equally its operational requirements as an implementing partner. Once the structure of the TF-TC takes the necessary shape, the project implementation manual of the project, will be updated to account for its institutional set-up.

218. The TF-TC will be required to deliver an annual business plan and annual work plan and budget, through which, it will receive the necessary clearance to implement activities.

219. **Trust Fund-Trust Company and Project Coordination Unit.** The TF-TC and the PCU will both serve as key implementers of the project. The PCU will lead on component 1 related activities and the TF-TC will lead on component 2 related activities. As aligned to the logic of the project, the PCU will build the system and the TF-TC will operate and run the system. Therefore, the work undertaken under component 1 becomes indispensable in ensuring component 2 can take off. Due to this symbiotic relationship, the PCU and TF-TC will have monthly planning meetings where both parties will discuss project progress, emerging bottlenecks, and areas for improvement. In alignment with the phased approach, phases 1 and 2 should see closer monitoring and supervision of the TF-TC by the PCU. The project coordinator of the PCU, will be the designated focal point to work closely with the TF-TC and ensure consistent alignment between the PCU and TF-TC.

220. The TF-TC Fiduciary systems to be validated shall include the following; i) adequate and competent staff for the key functions; ii) detailed annual work plan and budget approved; iii) clear auditable trail for the flow of funds from financiers to the beneficiaries; iv) adequate internal control over the financial operations of the TC-TF; v) a shared service company is hired to provide a functioning accounting systems and software capable of reporting quarterly and annual to IFAD; vi) internal assurance service provider and reputable external auditors hired with agreed TOR by IFAD.

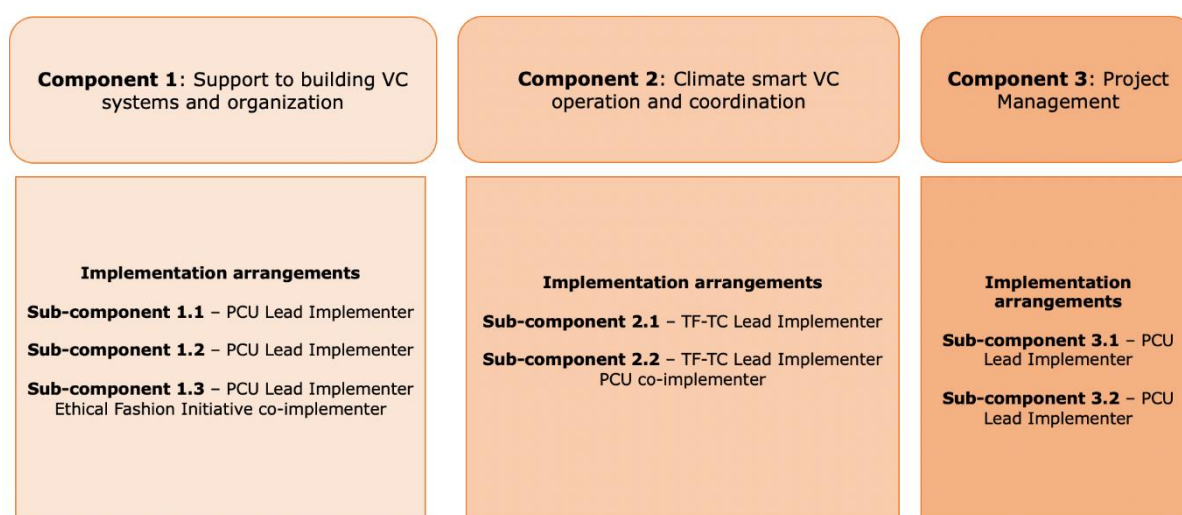
221. Funds transferred to TC-TF and other intermediaries shall not be considered eligible expense under the project. Only payments to targeted beneficiaries under the project shall be eligible expenses.

222. The TC-TF shall not have any day-to-day management relationship with PCU. The Finance Managers of the TC-TF and PCU shall have a collaborative relationship as the PCU will consolidate the financial reports to IFAD and the Government. However, there shall be no supervisor-supervisee relationship between the two finance managers.

223. The TF-TC consortium will report on a quarterly basis to the PCU on key developments and its monitoring and evaluation reporting line will be sent to the PCU for consolidation. If there is any IFAD related mission that takes place, the TF-TC, will be expected to join the PCU in hosting IFAD and equally reporting to IFAD.

224. **Broad approach.** WaMCoP will follow a “faire-faire” approach which places VC actors and beneficiaries at the heart of activities and empowers them to take responsibility. The PCU will look to primarily facilitate activities and strategically contract capable service providers to deliver project activities.

Figure 7: Implementation structure of the PCU and TF-TC Consortium



## 23 ROLE OF KEY IMPLEMENTERS AND REPORTING LINES

225. WaMCoP will follow a “faire-faire” approach and look to facilitate others to be lead agents in developing the value chain, allied, supply chains and the sector more broadly. Therefore, it is envisioned that the WaMCoP will have deep partnerships with key players.

Table 4: Roles and responsibilities of key project implementing entities.

Key Implementing Entity <sup>18</sup>	Roles and Responsibilities	Reporting Lines
<b>Ministry of Agriculture and Food Security</b>	<ul style="list-style-type: none"> <li>Lead agency for overall project implementation</li> <li>Convene and chair the PSC</li> </ul>	Reports to: Parliamentary committee on agriculture

<sup>18</sup> This table should be updated in line with the evolution of the project

<b>Project Coordination Unit</b>	<ul style="list-style-type: none"> <li>• Day to day management of the project</li> <li>• Monitor progress of the project against agreed upon objectives and outcomes</li> <li>• Oversee the implementation of service providers</li> <li>• Lead implementation of component 1 and 3</li> </ul>	Reports to: (i) Ministry of Agriculture and Food Security; (ii) International Fund for Agricultural Development
<b>Trust Fund-Trust Company Consortium</b>	<ul style="list-style-type: none"> <li>• Lead implementation of component 2</li> <li>• Act as a sectoral body that advances the interest of the sub-sector on behalf of all value chain players</li> </ul>	Reports to: Project coordination Unit and Board of Directors
<b>Ethical Fashion Initiative / Social Enterprise</b>	<ul style="list-style-type: none"> <li>• Lead all activities under intervention 1.3.2</li> </ul>	Reports to: Project Coordination Unit
<b>Textile Exchange</b>	<ul style="list-style-type: none"> <li>• Provide technical assistance on the responsible production standards</li> </ul>	Reports to: Project Coordination Unit

## 24 PART 4: PROJECT PROCEDURES AND PLANNING

### 25 PLANNING AND SUPERVISION

226. **Planning.** Planning will be guided by the project’s strategy, log-frame and broader results framework which will inform the development of annual work plans oriented towards planned results with clear identification of how planned activities are expected to lead to those results.

#### 26 Annual work plan and budget (AWPB) process

227. **Principles.** The document which guides implementation and identifies activities required for Project objectives is the Annual Work Plan and Budget (AWPB). The AWPB will follow the fiscal year, as per planning systems in Lesotho. AWPBs will be cleared by the Project Steering Committee and sent to IFAD for no objection. The AWPB will be prepared in the format described in the IFAD guidelines for AWPBs by the WaMCoP PCU with substantial participation of other implementing partners – the Trust Company-Trust Fund consortium, the social enterprise, producer associations and Government agencies.

228. The AWPB will be informed by an assessment of current implementation progress and will describe the strategic direction of the project for the coming year along with results expected (targets) under each component and how those results will be achieved. This will be complemented by a resource plan, budget and risk analysis for each result. The AWPB will include plans for training and technical assistance, M&E and procurement for the year in question. Each AWPB will include a detailed description of planned Programme activities by component, sub-component and activity, and a procurement plan for 18 months for the first fiscal year, 12 months for the following fiscal years.

229. **Roll out of the AWPB process.** The PCU will establish the funds available for the AWPB for a particular year as per cost tables. The Project coordinator will align the activities to the needs of the beneficiary sectors with due regard to the performance contracts entered into by the PCU. The PCU will undertake consultations with the Trust Company-Trust Fund consortium, the social enterprise, government agencies, NGO’s, and all other related technical partners. The PCU will share project documents and estimated budget, and identified activities implemented by each service provider.

230. Once the consultations and exchanges are done and the first draft is produced, the PCU will ensure that the activities presented for financing are eligible. After consolidation, the draft AWPB will be submitted to the PSC for approval and later to IFAD for comments and acceptance, no later than 60 days before the beginning of the relevant financial Year. No withdrawal of funds shall be made from the Loan/Grant Accounts until the AWPB has been approved. If required, the SPIU may revise the AWPB half yearly.

231. Each AWPB shall include, among other things, a detailed description of planned Project activities by component, sub-component and activity, and a procurement plan for eighteen months (for the first fiscal year, twelve months for the following fiscal years). The PCU will establish the funds available for the AWPB for a particular year as per cost tables.

## 27 AWPB Outline

232. The AWPB will have three sections: (i) a narrative section (in word) describing the results of the previous year and the activities planned for the upcoming year; (ii) a detailed budget (in excel); and (iii) a procurement plan. This must include as a minimum:

1. Executive Summary
2. Summary Project Description
3. Summary of implementation to date and results achieved
4. Proposed Strategic Priorities for the upcoming year
5. Description of Expected results and activities (per component and per sector)
  - i. Schedule of implementation (per month)
  - ii. Related procurement plan
  - iii. Links to the results framework
6. Implementation constraints and risks mitigation
7. Budget Summary (per financier, per component, per category)
8. Detailed table per implementing agency and summary by project activity. E.g., for one activity, you may have several implementing agencies contributing to it.

## 28 Project Start-Up

233. The WaMCoP once again building on the lessons of WAMPP should have in place the best possible structures to allow for a rapid project-start-up. Key activities are captured in the table below:

*Table 5: List of critical start-up related activities*

	<b>Action</b>	<b>Responsible party/ person</b>	<b>Target date/covenants</b>
1	Establish a PCU headed by a coordinator, with dedicated staff recruited under fixed-term performance-based contracts	MAFS/PS MAFS	Prior to disbursement
2	Conduct start-up workshop and orientate the PCU on the project	MAFS/Country Director/IFAD	Within first six months
3	Finalize and update the project's AWP/B, Procurement Plan and Project Implementation Manual approval by relevant authorities and IFAD	PS MAFS/DPPA/MAFS	Within the first six months

4	Establish a PSC headed by the Permanent Secretary of MAFS	PCU/MAFS	Within the first six months
5	Undertake a comprehensive review of the TF-TC set-up	PS MAFS/MAFS/Director LNDC/LNDC	Within the first six months
6	Review of the phased approach and further unpacking of key milestones (dedicated technical assistance)	PCU	Within first six months

## 29 Project supervision

234. The PCU will have to produce for the supervision missions a progress report containing information on the progress of activities, outputs, the status of implementation of the recommendations of the previous mission, the material progress of activities in relation to the project indicators and the updated logical framework. The PCU will also be tasked with ensuring that activities and components implemented by partners<sup>19</sup> and/or service providers are adequately reported and integrated within each progress report prepared.

235. The supervision of the Project will be carried out jointly by IFAD and the Government of Lesotho through the ministries concerned and in close collaboration with the representatives of the beneficiaries and the institutional partners, on the basis of one supervision mission per year.<sup>20</sup> Moreover, regular monitoring missions and/ or implementation support mission could be carried out if required by IFAD. They will pay particular attention to progress towards the achievement of results and impacts, the success of the Project as well as to the constraints encountered during project implementation.

## 30 Mid-term review

236. The project will undertake a rigorous Mid Term Review (MTR) to ensure efficient project spending, leading towards the intended outcomes. It should be agreed between the PCU Coordinator, the director of the project's hosting directorate and IFAD. Some of the critical elements to be assessed during MTR are:

1. Assess the viability of the Trust Fund-Trust Company consortium and its sustainability;
2. Assess the status of the policy and regulatory support provided under the project;
3. Undertake a comprehensive review of all project partners and their capacity to deliver on related activities;
4. Assess the functioning of the revolving fund and whether any modifications are required;
5. Review the efficiency and effectiveness of both component 1 and component 2;
6. Analyse the adequacy of implementation arrangements, including allocation of human resource towards the project, and efficiency of planning processes;
7. Scrutinise the exit strategy of the project and the pathways for scaling-up;
8. Review the performance of the M&E and MIS system;
9. Analyse the performance in procurement and financial management;

<sup>19</sup> This will for instance, consist of the Trust Company and the social enterprise

<sup>20</sup> Depending on the status of the project, for instance its implementation progress, more than one supervision mission could be fielded per year

237. The output of the MTR will be a MTR document, together with an Aide Memoire. This will include a revised budget to guide utilization of the remaining funds; revised recommendations for smoother project implementation; and an updated PIM.

### 31 Project Closure

238. At the end of the project, a completion mission will be carried out and result in a completion report and a closing workshop. They will highlight the results, effects and impact of the project on the target groups and will allow for the generation of key lessons and areas for scaling-up. The completion report will be prepared before the project closure date and will address, among other things, the following points: (a) the achievement of its objectives, (b) the benefits obtained from the Project, (c) the performance of the parties involved in the implementation of the project, (d) the implementation of the costs; and (e) the lessons learnt from the implementation of the project. The PCR will also be completed from different studies and in particular with the end of the project outcome survey.

239. Project closure must be planned 6 months earlier than the IFAD loan closing dates (financial closure), to ensure that various assets are handed over, and that all studies, including PCR, are completed on time.

## 32 M&E, KM, COMMUNICATION AND EVIDENCE FOR DECISION MAKING

### 33 Monitoring and evaluation system

#### **M&E structure and processes**

240. The WaMCoP M&E system will be guided by three main documents:

- The Theory of change (ToC), which provides a comprehensive description and illustration of how and why the desired changes are expected to happen in the context of rural Lesotho
- The log-frame, which offers an overview of the project's goal, outcomes and outputs, and enables to track progress against expected results.
- The AWPB, which sets management priorities for the financial year. It is a tool to control costs, review performance and assess the achievement of targets each year.

241. These three documents are closely linked to each other: The activities planned in the AWPBs should lead to the achievement of project outputs listed in the log-frame. To ensure alignment between the log-frame and the yearly AWPBs, the PCU will set annual targets for output indicators in the logframe, and these annual output targets will guide the development of the AWPB. The achievement of log-frame results will show whether the project's ToC is correct. If for example the achievement of the expected outputs does not lead to the desired outcomes, then the ToC underlying the project design may be mistaken.

242. Annual and semi-annual reporting will be focused on assessing the achievement of physical and financial AWPB targets each year. IFAD supervision reports will focus both on the execution of AWPBs and on the achievement of log-frame outputs and outcomes. Based on logframe results, the Mid-Term Review and the Completion report will also assess the correctness of the Theory of Change.

#### **Physical progress monitoring**

243. Activities and output monitoring will concentrate on the financial and physical outputs of project activities. Data on activities and outputs will be collected on a regular basis either directly by the PCU (for activities directly implemented by the PCU) or by implementing partners who will share data with the PCU. Data on all people-centered indicators will be disaggregated by age and gender.

244. The WaMCoP M&E system is expected to benefit from the establishment of the “all value chain players inclusive digital platform” supported under subcomponent 2.2. Once sufficient actors will have joined the digital platform, data on their operations will be available in almost real time, and will provide a rich source of additional information, as well as an excellent tool for the validation and triangulation of output and activity data collected by WaMCoP’s M&E system. Transactional and production data collected through digital systems can also generate more accurate profiles of smallholder farmers, thereby facilitating the monitoring of WaMCoP’s targeting. The M&E system will be built in a way as to be able to produce data irrespective of the progress of the digital platform, but some data collection efforts may be phased out already during the project lifetime as data from the platform becomes more available. This will promote the strengthening and the sustainability of data systems at national level after project completion.

245. In summary, data on activities and outputs is: i) planned in the AWPB; ii) reported for all project activities and beneficiaries; iii) tracked using information from service providers and other implementing partners; iv) validated by component heads and the M&E unit.

### ***Outcome and impact monitoring assessment***

246. Outcome monitoring will assess the use of outputs and measure their benefits at beneficiary level. Impact assessment will strive to measure the long-term effects of WaMCoP interventions on beneficiaries’ livelihoods and on the environment. Data on outcomes and impact will be collected through a set of three surveys (baseline, mid- line, completion) conducted in the first, fourth, and last year of project implementation, respectively. The baseline, mid-line and completion surveys will be conducted in alignment with the IFAD guidelines for the measurement of Core Indicators at Outcome level (the so-called COI guidelines). The guidelines will be provided by IFAD, which will also offer support in ensuring that the surveys are carried out respecting the quality standards set out in the guidelines. Draft ToRs for the baseline survey are provided in the appendix section of this report. Qualitative studies will deepen the understanding of quantitative data and will be conducted jointly by the M&E and KM functions. The measurement of impact will also be done through the IFAD resilience scorecards, which will assess the economic and climate resilience of beneficiaries at baseline and at completion through a simple tool. IFAD will share the tools and methodologies for the resilience scorecards and provide a training at or shortly after start-up.

247. The baseline survey will provide a benchmark against which to measure future progress, as well as important information on target communities to refine the targeting strategy. The mid-line survey will precede the Mid-Term Review (MTR) and provide key information on what is working and what is not. The end-line survey will precede the Project Completion mission and provide key data on results that will feed into the Project Completion Report (PCR). The PCR will be prepared in the six months between project completion and project closure. The M&E data collected over the project implementation period, and in particular the three outcome surveys, will be used to assess the changes in the livelihoods of the target groups, and for sharing of lessons learned and good practices. The project completion process will include reflection workshops where stakeholders have the opportunity to evaluate the performance of the project, identify success factors and areas of further interventions and discuss the way forward for sustainability.

248. In summary, data on outcomes and impact is: i) collected only on a sample of beneficiaries (750 beneficiary HH and 750 control group); ii) collected at three moments during the project lifetime (baseline, mid-line, completion); iii) collected by external partners through a survey (quantitative data) which also includes qualitative methodologies such as focus groups and key informant interviews.

### ***Management Information System***

249. WaMCoP will set up a user-friendly, web-based Management Information System to organize and store data, as well as to facilitate data analysis and to prepare reports and

graphs. In order to promote transparency and coordination, the Planning and Policy Analysis Department at MAFS will be granted access rights to WaMCoP's MIS. The MIS will include a registry of all beneficiaries with a unique identification number, which will be their national ID. This will facilitate comparability and transfer of data between the project's MIS, the digital platform, and existing systems currently being developed at national level, such as the Lesotho Integrated Agriculture Management Information System (LIAMIS) supported by FAO.

250. Implementing partners will be assigned tablets with standardized reporting formats installed therein. Tablet-based data entry forms will be geo-referenced and will include tools for the detection of data entry errors. Data entry will be done either off-line or online, and automatically shared with the MIS database at PCU level, where it will be reviewed and verified. In case of errors and anomalies, the relevant mentor will be required to recheck and resubmit the data. All PCU staff and relevant MAFS staff will have access to the data displayed in the MIS, but only PCU staff with M&E responsibilities will have entry and validation rights.

### ***M&E responsibilities***

251. WaMCoP's M&E system will generate timely and reliable information to support decision-making and adaptive management. To promote the use of M&E data for project management, the logframe will be a standing agenda point in PCU's quarterly reflection meetings. Data collection, verification and use will be a joint task by all project stakeholders. This notwithstanding, the primary responsibility will lie with the M&E Unit within the PCU, which will be composed of a senior M&E/KM officer, and an M&E/KM assistant. The latter will have a strong focus on KM. Given the key role that the Trust Company (TC) will have in the implementation of Component 2, an M&E focal point will be identified within the TC and will be interacting closely with the PCU's M&E officer. All contracts and MoUs signed by the PCU will include details on implementing partners' data collection responsibilities.

### ***Target group participation in M&E***

252. WaMCoP will collect the views and opinions of the target group through regular focus groups carried out during field visits, as well as through quantitative and qualitative information coming from the COI surveys. In addition, WaMCoP will carry out yearly WhatsApp surveys to collect feedback from beneficiaries on their satisfaction with project services in a regular and cost-efficient way. The phone numbers and GIS location of project beneficiaries will be collected by implementing partners and inserted in the beneficiary register of the MIS. Once per year, starting in year 2, the PCU will send out messages to beneficiaries, asking them to state their age, gender, and level of satisfaction with project services from 1 to 5. Replies will be very simple, *e.g. female, age 42, satisfaction 4*. The project will buy a one-day data bundle for each beneficiary who is part of the sample, so that replying is cost-free for beneficiaries. Results will be aggregated at M&E PCU level and show: 1. General satisfaction with project services; 2. Whether beneficiaries from a particular age group or gender are not satisfied, and a follow up inquiry is needed. The combination of GIS with WhatsApp surveys will also allow to map levels of satisfaction with project services by beneficiaries in different locations, thereby allowing the PCU and IFAD to conduct targeted missions where feedback from stakeholders is less positive. The WhatsApp survey approach will be piloted by ROLL in 2023 and 2024, and WAMCoP will benefit from the lessons learned and adapt the approach accordingly.

### ***Strengthening country systems***

253. Under the IFAD-supported AVANTI initiative, an AG-Scan self- assessment workshop was held in April 2019. Strong areas in Lesotho's MAFS M&E were identified, such as survey capability, data disaggregation, coherence of planning, transparency (public access to results), and performance measurement. The workshop also identified five areas that need strengthening: i) coordination (within MAFS, with the Bureau of Statistics, and with non-state actors such as UN/NGOs/Private sector); ii) capacity and skills building (including



the ability to collect, analyze and interpret data); iii) performance-based budgeting; iv) accountability towards non-state actors including beneficiaries; and v) improvement of existing M&E structures within government (leveraging existing systems for sustainability). WaMCoP will support improvement along these areas, in particular points i), ii), and iv). In addition, WaMCoP will strive to overcome challenges experienced by WAMPP with the flow of wool and mohair data from shearing sheds to the MAFS Marketing Department. Both the Trust Company and the digital platform are expected to improve the speed, precision, and regularity of data on wool and mohair quantity and quality across all value chain actors.

### **Key deliverables**

254. Key deliverables of the M&E systems and draft timelines are presented in the table below but will need to be adjusted and validated at project start up during the preparation of the detailed WaMCoP M&E plan (see section below on the key steps to set up the M&E system).

255. Deliverables which will be the primary responsibility of the M&E Unit are the following: (1) AWPB preparation and monitoring; (2) COI survey reports (baseline, mid-line, end-line); (3) Logframe with updated results; and (4) Semi-annual and annual reports

256. Deliverables to which the M&E unit will provide its contribution include: (1) Management reports; (2) Supervision reports; (3) MTR report; (4) Project Completion Review.

257. Throughout the project lifetime, the M&E Officer will be able to access technical advice and backstopping services from IFAD. Support may be needed at certain times during the project period, for example when a draft mid-term survey report must be reviewed. Provisions are made in the cost tables for on-demand support on M&E.

### **Project indicators**

258. The project will collect data on three main types of indicators:

- Logframe Core Indicators: these are standardized indicators that appear in all IFAD-supported projects and can be aggregated across projects. Core Indicators are integrated in the WaMCoP logframe and can be recognized by the fact that they are preceded by numbers (e.g., *CI 2.2.4: Number of supported rural producers' organization members reporting new or improved services provided by their organization*). These indicators can be at output and at outcome level.
- Logframe Project specific indicators: these are key indicators that appear in the logframe and are specific to WaMCoP and thus not aggregated at IFAD level across different projects (e.g., *Number of assets sustainably entrusted to Trust Company*). These indicators can be at output and at outcome level.
- Operational indicators: These are indicators that do not appear in the logframe but which the project will still collect and store in the MIS because they are useful for monitoring and managing the project (e.g., *Number of improved cooking stoves distributed in the district of Mokhotlong*). Operational indicators are generally only at activity and output level.

259. A glossary of logframe indicators is provided in appendix X of this PIM, covering those indicators for which the meaning may be slightly open to interpretation. The glossary specifies the exact meaning of the indicators in the context of WaMCoP, as well as what should be reported under each indicator.

### **First steps for setting up the WaMCoP M&E system after start-up**

260. The WaMCoP M&E unit, with the support of international TA, will undergo 5 key steps to set up a solid M&E system.

261. Step 1: Prepare the M&E manual. On the basis of this section of the PIM, prepare an M&E manual which will define – indicator by indicator - when, where how and who will be responsible for data collection. In particular, the M&E manual will provide further details on: (1) The objectives of M&E; (2) Roles and responsibilities of different actors; (3) Data collection methods; (4) Data flow and how the data will be stored; (5) Frequency of reports.

262. The M&E manual will also include a list of all operational indicators to be collected by WaMCoP.

263. Step 2: Prepare an M&E plan. Based on the M&E manual, prepare an M&E plan that covers the whole lifetime of the project, listing all M&E activities with timelines and budgets

264. Step 3: Prepare data collection tools:

- Develop standard reporting formats for all project activities and outputs
- Include requirements on data collection in the contracts of service providers and use it as a measure of performance. Ex. Training: disaggregated data by sex, age

265. Step 4: set up the MIS:

- Set up the MIS with the full list of log-frame and operational indicators
- Use of the geo-referencing methodology for relevant activities (support from IFAD will be provided on this activity)
- Purchase tablets and set up standard reporting formats in the tablets that will be used for data collection

266. Step 5: Validation and Training:

- Share and validate the M&E manual, plan, and reporting formats with all relevant project stakeholders
- Agree on key timelines for reporting
- Train all implementing partners with data collection responsibilities on standard reporting formats and the use of tablets
- Train all PCU staff and other relevant actors on the use of the MIS

267. Throughout these steps and starting immediately after project start-up the M&E Unit will also be responsible for: (1) Ensuring that monitoring of the first AWPB gets underway; (2) Preparing the ToRs for the baseline survey (a draft is provided in the appendix section); (3) Preparing the ToRs for the development of the MIS.

## 34 Knowledge management and strategic communication

### **Knowledge management and policy engagement**

268. Knowledge management activities will be closely linked to WaMCoP's policy engagement activities, especially those undertaken under component 1 on Sector Policy and Regulatory Framework and responsible wool and mohair production. Several key results expected by WaMCoP, such as the increased inclusiveness and improved management of the Wool and Mohair value chain, will require qualitative studies to support the quantitative evidence collected by the project's M&E system, and to provide guidance for policy engagement. In particular, the project will carry out qualitative studies to shed light on whether and how the setting up a Trust Company and a Trust Fund changed the way value chain actors interact with each other. The extent to which the most vulnerable farmers have access to value chain services and can benefit from the innovations promoted by WaMCoP will be an important focus of KM products.

269. **Key policy engagement** themes include, but are not limited to the following: (i) protocols and procedures related to responsible production standards; (ii) asset management within the wool and mohair sector; (iii) the role of producer organisations in the sector; (iv) the impact of wool and mohair on rural communities; (v) carbon sinking

and biodiversity management; (vi) sustainable livestock intensification practices and approaches; (vii) improved value chain development and institutional configuration in the wool and mohair sector.

270. In line with WaMCoP mainstreaming themes, KM and Communications will also aim at creating a broader societal awareness on key areas of concern, such as child labour in the wool and mohair sector (children employed as herders) and the existential threat to households and communities posed by landscape degradation. Through TV and radio campaigns, KM will also play a role in raising awareness for HIV prevention and gender-based violence. WaMCoP will also partner with LNFOD for showcasing successful cases of farmers with disabilities, with the intent of reducing the stigma around employment of PwDs in agriculture. In collaboration with ROLL, school visits will be organised to areas with successful rangeland management initiatives, as well as to cottage industries where PwDs are employed.

### ***Communication***

271. WaMCoP's visibility will be enhanced through a project website, as well as through social media accounts. Experience with WAMPP showed that information on project services sometimes arrived late to farmers that are not members of shearing shed associations, leading to discontentment from marketing group farmers who felt excluded. The WaMCoP M&E and KM unit will ensure that information on project services and eligibility criteria reaches all farmers in a timely manner.

### ***Staffing and responsibilities***

272. KM will be a shared effort by all actors involved in the project but will be the primary responsibility of the M&E Unit, which will be staffed by an M&E and KM senior officer and an M&E/KM assistant. The two staff will be involved in both M&E and KM, thereby ensuring that the KM and the M&E functions are conducted in synergy with each other. The expected results of such synergy are: i) M&E findings on project results are widely disseminated through KM products in a clear, synthesized, and interesting way; ii) knowledge products are backed up by solid M&E evidence (and therefore, the M&E system collects all data necessary for the envisaged knowledge products to be developed); iii) field visits to collect stories for KM products are also used for triangulating M&E data, and the way around; iv) case studies, stakeholder interviews and surveys, will be used to deepen the understanding of factors contributing to successes and failures, and to enable full documentation of impact. Collaboration will be sought with the University of Lesotho, from which two students will receive a stipend to carry out their theses on topics relevant to the WaMCoP project. Monthly meetings with the ROLL and SADP II KM officers will ensure close collaboration on these overarching KM themes.

### ***Knowledge Management plan***

273. A draft KM plan has been provided in the appendix section. After start-up, the KM plan will be completed and refined with support from IFAD. The KM strategy and plan will be validated by project stakeholders through a national workshop. The workshop will be an opportunity to refine the thematic focus and dissemination strategy of policy relevant studies, but also to better understand the key information needs for WaMCoP to be successful. Useful KM tools and templates can be accessed on the IFAD KM Resource Centre, accessible through this link: <https://ifadkmcentre.weebly.com/integrating-km-in-projects.html>

## **35 FINANCIAL MANAGEMENT AND DISBURSEMENT ARRANGEMENTS**

### **Introduction**

274. The financial management of the project will be governed by the Public Financial Management and Accountability Act, Act 12 of 2011 and the Treasury Regulations, of the GoL and the International Fund for Agricultural Development (IFAD) guidelines. The financial management system will be under the overall responsibility of PCU Finance Manager. Therefore, it is fundamental that the project staff, especially the

Programme Coordinator and the Finance Manager these documents in the early stages of programme implementation. Below are links for the relevant IFAD generic documents:

- a. Financial Management and Financial Control Letter FMFCL [Final Cleared version - All Documents \(ifad.org\)](#)
- b. [General Conditions for Agricultural Development Financing](#)
- c. [Conceptual Framework on Financial Reporting and External Audit of IFAD-Financed Projects](#)
- d. [IFAD Handbook for Financial Reporting and Auditing of IFAD-financed Projects](#)

275. **Financing package.** The WAMCoP project is a USD 72.1 million project with a goal to increase the economic and climate resilience of wool and mohair farmers' livelihoods. WaMCoP will be funded from various sources - IFAD loan, OFID loan, GEF grant, the GoL and Beneficiaries. Contributions from IFAD, OFID, GEF together with GoL contributions will flow to the PCU and Trust Fund, through customary financial procedures (see the fund flow charts). Private sector contributions will flow directly to the activities in the form of either kind or cash contribution will not pass through PCU but will have to be accounted for in the WaMCoP accounting system.

276. **Transparency, governance, anti-corruption.** The WaMCoP Governance and Anti-Corruption Framework to mitigate the risk of corruption and promote effective utilisation of resources including the following:

- (a) The provisions of this financial management manual articulating the type of internal controls and administrative systems to be established towards transparency and accountability;
- (b) the automated accounting system that will substantially reduce the scope for human error;
- (c) the risk-based implementation reviews of programme financial management and staff;
- (d) the back-up procedures kept on the PCU's computers to avoid the loss or damage of financial data;

277. WaMCoP will also include a system audit in the TORs of the auditors and in the supervision plan. The WaMCoP shall hire a reputable audit firm to perform the internal audit function, until the Internal audit department of MFS has sufficient capacity to effectively audit the project. The implementation status of the internal audit recommendations will be addressed and made available to the fund.

278. **IFAD zero tolerance policy** for corruption and fraud urges persons observing concerns of irregular practices in IFAD funded projects to report to the IFAD Office of Audit and Oversight through any of the following means:

- a) By telephone: +39 0654592888
- b) By confidential fax: +39 0654597888
- c) By confidential email: [anticorruption@ifad.org](mailto:anticorruption@ifad.org) or by using the online [complaint form](#)
- d) In person or by mail to: IFAD - Office of Audit and Oversight (AUO): Investigation Section - Via Paolo Di Dono, 44 - 00142 Rome, Italy

## **Institutional Arrangements**

279. **Organisation and Staffing:** The project will competitively recruit a **Finance Manager and Financial Accountant to manage all aspects of the project finance including setting-up** and running all the necessary financial controls. The key responsibilities of the Finance Manager and her/his team shall include management of the flow of funds (including following up on justifications), preparation of quarterly (IFRs) and annual financial statements, coordination of audit engagements in accordance with GoL process and IFAD audit guideline. The Curriculum Vitae and TORs of all Finance Staff selected for positions in the project shall be submitted to IFAD for prior approval before engagement to start work on the project. An Administrator Assistant shall be recruited to support the finance staff in the administrative tasks. This is crucial since the ultimate financial management responsibility remaining with WaMCoP PCU and considering there are the several financiers for the project. The Trust Fund shall have an accountant to manage the funds of the Trust and submit reports to the Project Finance Manager.

### **Flow of Funds**

280. **Designated and Operating accounts:** MAFS will open a USD-denominated designated account (DA) at the Central Bank of Lesotho to IFAD to receive loan funds from IFAD. Upon approval and signing of separate Financing Agreements in respect of the OFID loan and GEF grant, MAFS will open separate USD designated accounts at the Central Bank of Lesotho to receive loan funds and grant funds from OFID and GEF respectively. MAFS will also open a separate designated account at the Central Bank of Lesotho for operations of the Trust Fund/ Trust Company. IFAD will act as the Cooperating Institution and all DAs will follow disbursement arrangements as per IFAD's disbursement procedures.

281. The PCU and the Trust Fund/Trust Company shall be responsible to manage the respective designated accounts assigned to them. The PCU will be responsible for preparing all the withdrawal applications and submission of justifications for both designated accounts to IFAD. MAFS will also open operational accounts at commercial bank of their choice to receive funding from the designated accounts for each financier (IFAD, OFID, GEF, GoL) for their respective financial obligations in local currency. GoL will fund taxes and duties on the programme through the waiver of taxes and import duties. The funds from each financial shall be kept separate and never consolidated or mixed in any bank account.

282. The PCU will be responsible to coordinate and ensure the smooth flow of funds to all entities and or partners by planning and making funds available on time to the project financial obligations to suppliers, service providers and contractors. This will include (i) establishing the liquidity requirements of each implementing agency based on the approved AWPB; (ii) following up on any funds advanced to implementing agencies and ensuring the timely justification thereof; (iii) maintaining the supporting documentation underlying expenditures incurred by the programme in order to prepare Withdrawal Applications for submission to IFAD; and (v) ensuring that the Authorized Allocation is fully accounted for at all times through regular preparation of periodic reconciliation statements for the designated account.

283. The day-to-day expenditures incurred for project activities will be paid from the operational accounts. The PCU and the Trust Fund/Trust Company shall manage their operational accounts separately. The operational accounts will have authorized signature class A and B to sign-off transactions. The signatories to the designated and operational bank accounts shall be approved by the Permanent Secretary to the MAFS. The MAFS Director of Finance shall be a signatory category A on all accounts. All bank transfers or payments shall have two signatories (Category A and Category B signatories).

284. **Trust Fund /Trust Company (TF/TC):** The Trust Fund Company with operate as a separate organisation from the PCU. However, some aspect of the financial management of the Trust Fund shall be managed through the PCU. The PCU will consolidate the financial reports from the Trust Fund/Trust Company and other implementing agencies before submitting to IFAD. Similarly, the PCU will be responsible to make all withdrawal applications on behalf of the Trust Fund/Trust Company.
285. The Trust Fund will operate 3 separate DAs, in USD at the Central Bank of Lesotho, for receiving the funds specifically allocated to the Trust Fund, under component 2, from the IFAD Loan, GEF Grant, OFID Loan respectively.
286. The Trust Fund will also open 4 separate operational bank accounts, in local currency at a commercial bank, for the exclusive use of the funds allocated to the Trust Fund from the IFAD Loan, GEF Grant, OFID Loan and from the GoL contribution. The Trust Fund will submit all the withdrawal applications and justifications to IFAD through the PCU to access from financing facility (IFAD-OFID-GEF).
287. The AWPB, which is consolidated by the PCU, will enable detailed segregation of Trust Fund sources and uses of funds by component, expenditure category and financier.
288. The PCU will set the accounting system/software by preparing the chart of accounts and by installing a specific Budget Module of the accounting software to enable the recording of the AWPB as well as the monitoring against actual expenditure.
289. The PCU will set a reporting system that segregates, in the Project Financial Statements (FS) as well as in Interim Financial Reports (IFR), the financial progress of the Trust Fund by component, expenditure category and financier.
290. The PCU will submit IFRs as supporting documentation to each WA submitted to/through IFAD, to monitor the reaching of the disbursement conditions and thresholds set for the Trust Fund.
291. The Trust Fund will procure services from public/private institutions (Share Service company) to deliver some accounting and reporting for the first 3 years of the project.

### **Shared Service Company**

292. Shared Services Company shall be competitively selected using IFAD procurement standards and processes.
293. The Shared Service company shall not directly manage project funds and shall not have access to project bank accounts.
294. Shared Service Company shall provide the accounting and reporting services to the Trust Fund component of the project such as general accounting including supplier invoice payments, payment to beneficiaries, revolving fund credit management, ledger reconciliation, bank reconciliation, budget preparation and upload into financial software, period end financial reports (IFRs) and statutory financial reports.
295. Shared service company shall give the advantage of lower cost for accounting services and enhance financial management and controls (segregation of duties, audit trail for all transactions, index document storage etc). Shared Service company shall have in-built systems controls and checks, making the

project financial system less vulnerable to financial control circumvention and abuse.

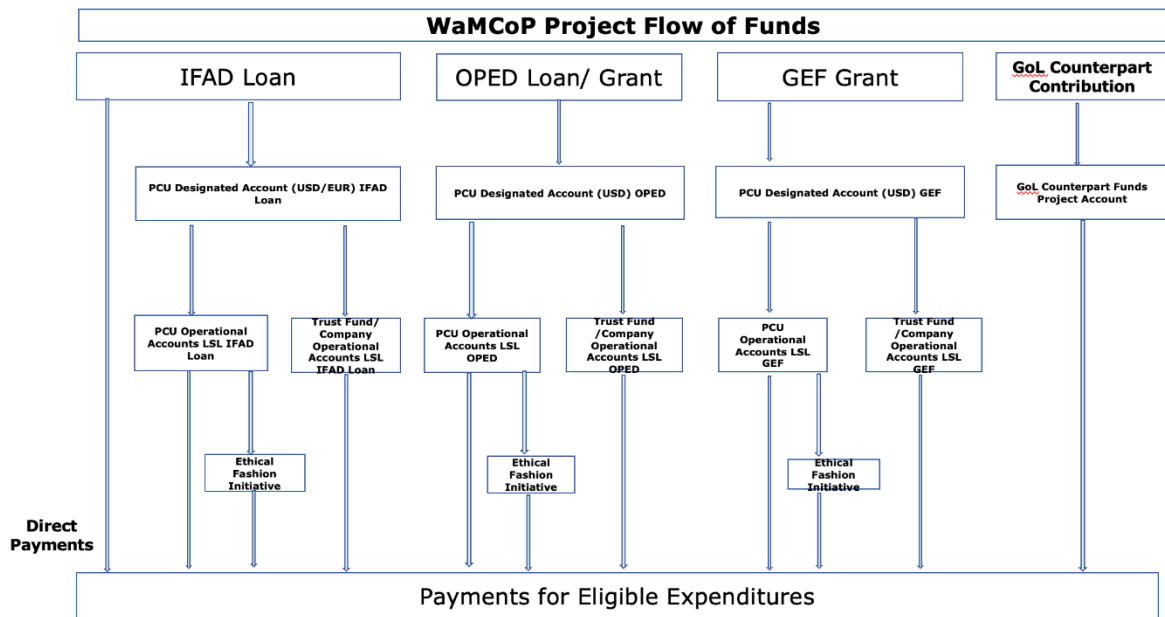
296. Shared Service company shall bring significant efficiencies in Trust Fund project execution by providing an integrated system that allows processing of payment from requisition to end-user delivery, thus eliminating multiple manual tasks and errors. The shared service company shall have the capacity to provide PCU and Trust Fund managers with real time up to date financial information to make effective and efficient decisions on financial management.

297. The Trust Fund will make a Service Level Agreement (SLA) with the shared service company on the key service deliverables with time, quality and price. The agreement shall cover; a) all services to be performed, b) the minimum and maximum time allowed to complete a task, c) the cost per unit of service or a flat rate for a group of services, d) data access controls, e) semi-annual and annual performance evaluation of the shared services company and f) penalties for unmet targets.

298. The services provided shall be paid for after the fact based on Service Level Agreements (SLA) and governed by output-based performance contracts. The SLA will be detailed to include clear definitions of rates, timeline for services and penalties for late deliveries.

299. Disbursement to Trust Fund shall be made based on advance of funds method into designated project accounts. The first advance will cover projected expenditures for the activities for the first six months of the AWPB. Subsequently, for replenishments of the advances, the Trust Fund will justify 50% of cumulative prior advances before for the IFAD to disburse funding for the next period based on approved AWPB. Documentation of the expenditures listed above will be maintained by the PCU/Trust Fund and will be made available for review by IFAD supervision missions and by external auditors. Project grantees will be required to open specific bank accounts for receipt. Grants will be expensed at the point of disbursements and will be included in the withdrawal application at that point. Utilisation of grant proceeds will be monitored for consistency with the terms and conditions under which the grant would have been awarded.

## The WaMCoP Flow of Funds Chart



300. **Withdrawal Applications:** The finance team must be efficient in submission of the withdrawal applications to IFAD otherwise liquidity can be a hindrance to implementation. Withdrawal Applications for initial advance reimbursements may be submitted once ninety (90) days have lapsed from the submission of the previous withdrawal application or when the requested withdrawal amount is at least thirty percent (30%) of the advance even if the ninety (90) days have not lapsed. The project will use the IFAD Client Portal (ICP) for the submission of withdrawal applications to IFAD.

301. Annual Work Plan and Budgeting: Annual Work Plan and Budget (AWPB) is the key instrument for WaMCoP implementation and operational control. The PCU, therefore, shall give particular attention to budget preparation and control. During day-to-day financial management, an approved AWPB is the most important document, and the principal guide on what to do and how to use resources.

302. The AWPB is a means by which Government of Lesotho and IFAD will have provided "prior approval" to PCU and Trust Fund Company to spend resources on the activities included in the AWPB any expenditure incurred outside the AWPB will be queried by auditors, supervision missions and will be declared ineligible for IFAD financing.

303. The detailed steps to be followed in the preparation of the AWPB are included in the IFAD guidelines for preparation of AWPBs and progress reporting. The Procurement planning aspects are covered under the Procurement Manual.

304. **Timing:** The draft AWPB should be submitted to IFAD two month before commencement of the Financial Year, (by 31 January of each year). It is equally important that AWPB preparation schedule be in tandem with Government budgetary process since WaMCoP budget is subject to annual budgetary approval process of the Government.

305. **Consolidating the AWPB:** Prior to the start of the planning and budgeting exercise, the finance manager will provide each budget holders the respective sub-component and category, the status of funds available for the year. Budget holders



will make the projections in coordination with the finance team and the M&E Specialist. While the consolidation of the AWPB into one document will be led by the M & E Specialist, the finance tables will be a responsibility of the Finance Manager.

306. **Treasury planning:** This will be part of the AWPB preparation. The FM as part of AWPB processing, will earmark anticipated payments higher than \$300,000 USD that can be paid for through direct payments and those that have to be paid for from the operational bank accounts. This will be translated into a monthly cash flow forecast to ensure there is sufficient liquidity even in peak periods.

307. **Accounting:** The PCU will operate a fully functional accounting software that is capable to meet IFAD accounting and reporting requirements. WAMCoP shall deploy an off-the shelf accounting software to be procured at the onset of the programme and installed on the PCU computers. The software shall be customised to generate financial reports for GoL and IFAD to disclose use of funds by component, sub-component, activity, cost category, funding sources, and will incorporate budgetary control at activity level. The project will adopt the IPSAS cash basis accounting standards in accordance with GoL accounting requirements for externally financed projects. WaMCoP will maintain a multi-currency general ledger to facilitate automatic generation of financial reports in US\$ and LSM.

308. **Setting the chart of accounts:**

309. The Chart of Accounts (CoA) will be mapped into the GoL Ministry of Finance Chart of accounts so that the project can migrate to IFMIS when it becomes operational and the current change management issues are resolved.

- a. The CoA customisation will be in such a way as to disclose use of ROLL funds by component, sub-component, activity, cost category and each of the funding sources to be collated through the software.
- b. The software shall be set to produce Interim Financial Reports automatically with limited manual intervention.
- c. It should be set to print at a click of a button, the designated account reconciliation at any one time; and
- d. They key activities and codes allocated should be agreed with M&E Specialist as the key ones that the latter will be monitoring from physical progress side. This will ensure that there is a convergence between monitoring of financial progress and the physical progress. This coding approach will be applied consistently across the entire PCU and Trust Fund/Trust Company from the coding of the AWPB, procurement requisitions and other documents, payment vouchers, the accounting system and M&E physical input level monitoring.

310. **Expenditure-attribution.** Use of the accounting software will ensure the audit trail of the funding. In this, activities will be traced – right from planning to be followed through by the accounting system up to withdrawal application by financier. Activity level expenditure codes in the accounting system shall be aligned to activities codes contained in the AWPB.

311. **Accounting for Beneficiary Contribution:** all project financing sources (IFAD financing, counterpart contributions, beneficiary cash contributions and co-financier funds, whether in cash or in the form of tax exemption) and all in-kind contributions must be duly valued and accounted for in the project financial statements. Such contributions shall be subject to external audit.

312. The project finance manager will ensure that in-kind contributions are recognised at the loan or grant proposal evaluation stages are incorporated in the milestones defined in the loan or grant agreements so that they are measured in

the normal course of monitoring process for subsequent disclosure in the financial statements.

### **Financial Reporting**

313. Quarterly Interim Financial Reports are a requirement of the IFAD Financing Agreement. Sufficient information must be about the use of funds. The major financial reports include the following: AWPB, monthly financial reports, periodic Interim Financial Reports and annual financial statements and audit reports. IFAD guidelines for Interim Financial Reporting (IFR) to guide the progress reporting have been included in the resource pack.

314. The IFRs will be submitted to IFAD no later than 45 days after the end of each quarter. It is expected that the financial reports will provide information to management, financiers and related parties to facilitate decision-making processes. The IFRs should reflect all project activities, financing, and expenditures, including a statement of payments by financing sources, by component, sub-component, and a comparison against approved AWPB and counterpart funds in cash or in the form of tax exemption. They should also include an estimation of the beneficiaries' contribution in kind and all other co-financing.

### **Internal Controls and Internal Audit**

315. **Adequate segregation of duties:** WaMCoP financial management system shall be designed to assure adequate segregation of duties. No single officer shall be allowed to originate, process, approve or sign off payments or to certify the receipt of any related goods and services all by him/ herself. The payment cycle for works and goods will follow the following pattern:

316. WaMCoP financial management system shall be designed to assure adequate segregation of duties. No single officer shall be allowed to originate, process, approve or sign off payments or to certify the receipt of any related goods and services all by him/ herself. The payment cycle for works and goods will follow the following pattern:

317. **Payment Documentation:** For all payments, the FM shall ensure that the following steps are performed:

1. A payment request voucher should be prepared for each payment.
2. Validation of invoice. The following validation checks should be performed by the Finance Team on invoice:
  - Invoice arithmetically correct; and
  - Quantity and price recorded on invoice should be checked back to contract, order, and certification of completion/delivery. If there is any discrepancy identified, it should be raised with the vendor prior to proceeding with invoice processing,
3. Supporting documentation: the following documents should be attached to the payment voucher to support validation:
  - invoice;
  - Required approvals;
  - Purchase order, goods received note and contract if applicable; and
  - Copy of required guarantees.

318. **Fixed assets control:** Fixed asset management is an important process that seeks to track fixed assets for the purposes of financial accounting and to ensure preventive maintenance, and theft deterrence. Adequate Fixed asset maintenance also increases the sustainability of the project.

319. **Asset Register.** The FM must maintain a register of all (material) equipment. The asset register should record the following information for each individual piece of equipment: 1) Asset description, 2) Asset number, 3) Serial number of the item, 4) Officer responsible for asset, 5) Funding of asset (IFAD, Government etc.), 6) Location; Date of purchase; and 7) Estimated life.
320. **Asset Verification Review.** The FM must ensure that a verification count of all equipment recorded in the fixed asset register is performed at least once a year. This should include the following checks:
- Verify that all equipment is still held in the location recorded on the register; and
  - Check that equipment is in reasonably good condition for use by the project.
- Discrepancies between the verification exercise and the fixed asset register should be investigated. Where assets are missing or seriously damaged, they should be removed from the asset register. The removal should be formally documented and approved by the Programme Coordinator and notified to PCU.
- The verification review must be performed by different staff from those who use the equipment, to ensure adequate segregation of duty.
321. **Vehicle Maintenance and Fuel.** The drivers are required to record all trips and fuel refills in a logbook and collect all the supporting documentation (different if fuel cards/vouchers are used). The vehicle logbook provides control over the use of the vehicles as well as fuel consumption. For official field trips, a special cash provision is given to drivers to allow them to purchase fuel during the trip and payment of tollgate fees.
322. The safety of cars is the responsibility of the recipient staff members and drivers assigned to the vehicles. Consequently, they must ensure that the cars are parked in a secure location when not in use or outside working hours. The drivers are required to monitor the maintenance of their assigned vehicles under the supervision of the Finance and Administrative Assistant. The drivers must notify the Administrative Assistant of maintenance needs (including periodic servicing) so that the cars can be serviced on a timely basis.
323. The FM shall on a monthly basis review the mileage and fuel usage as well as any undertaken service as reported in the logbook of each car and compare these with the official invoices and travel authorizations etc. to make sure the numbers are accurate. These should be signed off by the Programme.
324. An insurance policy must be taken by the PCU to cover all cars and passengers against all risks, including damage, theft, and fire, as well as injury and property damage to third parties.
325. During project implementation, allowances will be drawn for implementing the project activities based on provisions in the approved AWPB activities and in accordance with the GoL guidelines and circulars setting out the relevant allowances.
326. **Internal audits:** The project shall use external assurance service providers to conduct WaMCoP 's internal audits twice a year supervised by Project Steering Committee (PSC). Currently, the Internal Audit function of MAFS has not performed any internal audits for the ongoing project WAMPP because the function is understaffed and lack the necessary training to audit donor projects. The internal audit function has only an Assistant Internal Auditor while the positions of Internal Audit Manager, Senior Internal Auditor and Internal Auditor has been vacant for many months
327. **External audits:** External audits of WaMCoP will be conducted on an annual basis by the Office of the Auditor General, the Supreme Audit Institution, in

accordance with IFAD audit guidelines. Statutory audits will provide mandatory opinions on the general-purpose financial statements, the operation of the designated account and the use of the SoE procedure. Apart from the audit opinions, a review of the internal control framework of the project will be undertaken by the auditor for which a management letter will be issued. IFAD Guidelines for Project Audits provide a comprehensive guide for both PCU and the auditor.

### 3.4: PROCUREMENT

328. At design, the Procurement Risk Matrix (PRM) for WaMCoP returned a medium inherent risk rating of 1.95 and, if the recommended risk mitigating actions are undertaken by the Borrower/IFAD and that their expected benefits are fully realized, a medium net risk rating of 2.47. One of the main procurement-related issues highlighted by the PRM is the weakness of Lesotho’s public procurement framework. In fact, the national procurement framework has been under reform since 2018, when the GoL released the “Public Procurement Policy”, which set the development of new public procurement policies, legislation, guidelines, and processes as a primary objective of the GoL. However, as of the time of the design mission (June 2022), no progress in the rolling out of the new public procurement framework was observed. Furthermore, the national framework lacks standard bidding documents and exhibits low procurement monitoring and public access to procurement information.

329. The shortcomings identified above will be mitigated by the direct application of IFAD’s Project Procurement Guidelines, Procurement Handbook and Standard Procurement Documents in lieu of the national procurement framework. The use of IFAD guidelines will also address the SECAP risks identified in the Guidance to the SPO by using the IFAD standard bidding and contract documents. Additionally, IFAD will provide technical assistance both remotely and in-country to build procurement capacity (in particular with respect to IFAD’s project procurement framework). This strategy will also ensure consistency of approach and generate synergies with the Regeneration of Landscapes and Livelihood Project (ROLL), which also applies the IFAD project procurement framework directly.

330. The Lead Implementing Agency will set up a competent procurement team by competitively recruiting an experienced procurement officer with proven knowledge of donor-funded project procurement for the duration of the Project, as well as a procurement assistant. The PCU will also receive remote and in-country procurement trainings organized by IFAD, as well as benefit from the BUILDPROC, the procurement certification programme launched by IFAD and the ITCILO, which focuses on the integration of safeguards into procurement and on challenges faced by borrowers/recipients in their local markets.

#### Integration of SECAP risks into Procurement

This section provides indication to the SPO on the SECAP risks to be incorporated into procurement plans. While the general integration of SECAP requirements into procurement documents is described into ANNEX 4, Volume 1 of the SECAP, the project specific risks are as identified by the SECAP online tool. The ES specialist has identified, through the SECAP environmental and social screening checklist, the issues in the table below that need to be mitigated through procurement.

Environmental and Social Safeguards			
Biodiversity conservation	Risk Rating	Consequence	Guidance for SPOs

1.6 Could the project potentially involve or lead to introduction or utilization of any invasive alien species of flora and fauna, whether accidental or intentional?	Low	<b>Negligible</b> No introduction or utilization of invasive alien species	Contract documents to specify non-utilization of invasive alien species
1.7 Could the project involve or lead to the handling or utilization of genetically modified organisms?	Low	<b>Negligible</b> No introduction or utilization of genetically modified organisms	Contract documents to include guidance on GMOs based on national regulations
1.8 Could the project involve or lead to procurement through primary suppliers of natural resource materials?	Low	<b>Negligible</b> No procurement of natural resource materials through primary suppliers.	Technical specification and bid evaluation criteria to include ethically sourced materials
Resource Efficiency and Pollution Prevention	<b>Risk Rating</b>	<b>Consequence</b>	<b>Guidance for SPOs</b>
2.1 Could the project involve or lead to the release of pollutants to the environment due to routine or non-routine circumstances with the potential for adverse local, regional, and/or transboundary impacts?	Moderate	<b>Minor</b> Pollutants may possibly be released, either routinely or by accident, but treatment systems are proven and verified. Receiving environment has absorptive capacity.	Agrochemicals use will be required to operate in accordance with SECAP safeguard standards Technical specification and bid evaluation criteria to refer to approved agrochemicals. Waste handling facilities to be included.
2.4 Could the project involve or lead to significant consumption of raw materials, energy, and/or water?	Moderate	<b>Minor</b> The project will require consumption of raw materials, energy, and/or water, but this will be a small component of the project, and impacts can be appropriately managed.	Technical specification and bid evaluation criteria. Suppliers will be required to operate in line with SECAP safeguard standards
2.6 Could the project involve inputs of fertilizers and other modifying agents?	Moderate	<b>Minor</b> The project only requires minimal amounts of fertilizer	Technical specification of bidding documents. Suppliers of fertilisers will be required to operate in line with SECAP safeguard standards List/ refer to all approved chemicals in tender documents

2.7 Could the project involve or lead to procurement, supply and/or result in the use of pesticides on crops, livestock, aquaculture or forestry?	Moderate	<b>Moderate</b>  The project requires use of pesticides, but options are available to replace potentially polluting pesticides with alternatives.	Technical specification of bidding documents. The project will not supply or procure pesticides that contain active ingredients that are banned or restricted under applicable international treaties and agreements, or meet the criteria of carcinogenicity, mutagenicity or reproductive toxicity as set forth by relevant international agencies.
Labour and Working Conditions	<b>Risk Rating</b>	<b>Consequence</b>	<b>Guidance for SPOs</b>
5.4 Could the project: (a) operate in a sector, area or value chain where producers and other agricultural workers are typically exposed to significant occupational and safety risks, and/or (b) promote or use technologies or practices that pose occupational safety and health (OSH) risks for farmers, other rural workers or rural populations in general? (Note: OSH risks in agriculture might include: dangerous machinery and tools; hazardous chemicals; toxic or allergenic agents; carcinogenic substances or agents; parasitic diseases; transmissible animal diseases; confined spaces; ergonomic hazards; extreme temperatures; and contact with dangerous and poisonous animals, reptiles and insects. Psychosocial hazards might include violence and harassment.)	Moderate	<b>Moderate</b>  The project operates in a sector, area, or value chain where workers are occasionally exposed to significant OSH risks, and where regulation is known to be weak or non-existent.	Measures relating to OSH, aimed at protecting project workers from injury, illness or impacts associated with exposure to hazards encountered in the workplace or while working will be included in the technical specifications of bidding documents and contractors will be required to abide by them
Physical and economic resettlement	<b>Risk Rating</b>	<b>Consequence</b>	<b>Guidance for SPOs</b>
7.4 Could the project result in impacts on or changes to land tenure arrangements and/or community-based property rights/customary	Low	<b>Minor</b>  The project will result in minor impacts on or changes to land tenure arrangements	Apply the principles of Free Prior and Informed Consent Ensure the grievance redress mechanism is effectively communicated to communities and contractors

rights to land, territories and/or resources?		and/or community-based property rights/customary rights. Legal recourse and other forms of arbitration/conflict resolution are available.	
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## **PART 4: ANNEXES**



## **APPENDIX 1: TERMS OF REFERENCES FOR KEY PCU STAFF POSITIONS**

### **ToRs Project Co-ordinator**

**Duty Station:** Maseru, Lesotho

#### **Overall Scope of Work:**

The Project Coordinator (PC) will head the project coordination unit (PCU) and will provide the overall leadership in the project implementation. S/he will: coordinate the day-to-day planning and execution of the project activities and ensure timely achievement of intended results; oversee and ensure timely procurement of works, goods and services (including training), preparation of AWB&P, procurement plans, project supervision and reviews and day to day monitoring of the project implementation; ensure timely project data capture and reporting; provide sound administration of project staff and project finances; promote harmonious and close working relationship between the project, the national and the county governments; coordinate and ensure timely execution of activities assigned to partners and service providers; and promote good governance and participatory planning. The PC will be answerable to the Project Steering Committee.

#### **Main tasks and Responsibilities**

##### *Overseeing project planning and delivery*

- a) Facilitate finalization of the Project Implementation Manual and the required updates for approval by the PSC;
- b) Oversee preparation of the Annual Work Plan and Budget (AWPB) for approval by the PSC;
- c) Develop systems and strategies for enhanced project performance;
- d) Promote adherence to PIM guidance, relevant Government and IFAD policies and procedures to achieve efficient and effective project coordination;
- e) Identify implementation challenges and develop alternative solutions thereof;
- f) Proactively manage project risks;
- g) Design strategies to enhance robust project monitoring and reporting;
- h) Develop project progress reports with consistency and clarity for timeliness of the deliveries;

##### *Coordinating the PCU*

- i) Direct capacity building and support to the PCU to deliver on the project objectives
- j) Deploy all project staff as appropriate and supervise PCU staff to ensure that they meet their mandated responsibilities;

##### *Managing relationships*

- k) Participate in and act as Secretariat to PSC meetings;

- l) Work closely with and support the Trust Fund-Trust Company Consortium to achieve its project related objectives;
- m) Represent the project in external stakeholder meetings;
- n) Facilitate project stakeholder and partnership engagements for risk prevention and mitigation as well as maximized project performance;
- o) Monitor the project grievance redress and beneficiary feedback mechanisms in line with the PIM procedures;
- p) Coordinate project partnerships with relevant partners, including other development projects and development agencies;
- q) Build and maintain strong collaborative relationships with all project stakeholders (including beneficiaries), local networks and contacts and partner organizations, engaging them on a regular basis to integrate their feedback into the implementation and progress of the Project; and
- r) Coordinate support to IFAD supervision missions, mid-term review and end term evaluation.

### **Qualifications and Experience Required**

- Master's Degree in either Project Management, Natural Resources Management, Environmental Management, Agricultural sciences, Animal Production, Animal Health, Economics or Business Administration.
- Doctoral Degree in any of the listed degrees will be an added advantage.

#### *Experience*

- Managing initiatives related to agriculture and rural development, and poverty alleviation.
- Experience with managing donor-funded projects is an added advantage.
- Five years' experience in project management, project financial administration and budgeting, including leadership of multi-disciplinary team of experts (experience in managing projects financed through international development partners will be an added advantage).

## **TORs Financial Manager**

**Duty Station:** Maseru, Lesotho

### **Overall Scope of Work:**

Reporting directly to the Project Coordinator with technical responsibility to Director of Finance MFRSC, the Finance Manager is a key member of WaMCoP responsible for the overall financial management aspects, implementing financial policies, strategies in line with IFAD and Government of Lesotho requirements and international standards.

### **Main tasks and Responsibilities**

- a) Implementation and maintenance of the off-the shelf accounting system ensuring that the chart of accounts and reporting system thereof provides information to link between project activities by category, component and funding source.
- b) Timely input of budget data into the accounting system and production of monthly and quarterly reports regarding aspects of Project financial monitoring bringing out variances and advising technical specialist as to the limits of expenditure.
- c) Prepare half-yearly consolidated statements of project accounts as an integral part of the Management Information System to be submitted to the Project Steering Committee, and subsequently to IFAD.
- d) Prepare financial statements in accordance with International Public Sector Accounting Standards (IPSAS) – Cash basis with the prerequisite disclosures for non-cash items and liaise with external auditors to audit the ROLL accounts to meet the required submission dates by IFAD.
- e) Oversee tax matters of the Project, ensuring that tax exemptions and tax refunds for the procurement of goods and services for the Project are secured at the appropriate time.
- f) Provide training and guidance to project beneficiaries and implementing partners for AWPB activity preparation and submissions and participate in the development and implementation of plans, and procedures for budget request submission activities to ensure that project objectives are achieved in accordance with prevailing government practices which are acceptable to IFAD.
- g) Calculate the cost of services and associated analyses and propose actions to be taken to improve cost-efficiency of services, without affecting quality.
- h) Process documentation and follow up on disbursements from the government and IFAD to ensure that releases are not delayed. Ensure that funds for Project implementation are disbursed in a timely manner to enable project interventions to be carried out on time.
- i) Prepare and submit regular withdrawal applications to IFAD and follow up to ensure that the project does not run short of liquidity.
- j) Follow up on all project funds released to implementing entities and technical partners for timely retirement and proper utilization.
- k) Ensure that statements of expenditure (SOEs) are carefully checked for eligibility with relevant financial agreements.
- l) Maintain effective internal control environment for the project by ensuring that:
  - i. All WaMCoP funds are used in accordance with the conditions of the financing agreements, with due attention to economy and efficiency, and only for the purposes for which the funds were provided;

- ii. Counterpart funds have been provided and used in accordance with the conditions of the financing agreements, with due attention to economy and efficiency, and only for the purposes for which they were provided;
  - iii. Goods and services financed have been procured in accordance with the financing agreement and in accordance with government and IFAD's rules and procedures;
  - iv. All necessary supporting documents, records and accounts are kept in respect of all project activities, with clear linkages between the books of account and the financial statements presented to the financiers;
  - v. Designated accounts are maintained in accordance with the provisions of the financing agreement and in accordance with the financier's rules and procedures;
  - vi. Provide any support to the Procurement Unit to assist in procurement for the ROLL in accordance with procedures laid down by Financing Agreements of IFAD and OFID.
- m) Ensure that fixed assets are well accounted for and annual verification is undertaken of the condition of assets and their location.
  - n) Ensure the effective and efficient operation of administrative aspects of the WaMCoP.
  - o) Carry out any other activities that are assigned by the Project Coordinator

### **Qualifications and Competences**

- Bachelor's degree in business or finance, and a professionally qualified accountant with Membership of the Lesotho Institute of Chartered Accountants.
- Strong managerial skills and demonstrated capacity to manage people and interact with a wide range of private sector partners and government representatives.
- Strong organizational skills. Versatility, ability to multitask and meet deadlines.
- Excellent organizational and analytical skills.
- Excellent computer skills and well-versed in the use of Excel, Word and accounting software.
- Good communication skills and ability to interact with a wide range of private sector partners and government representatives.

### **Required Work Experience**

- At least eight years of relevant work experience, including at least four as a financial manager or accountant in government/donor projects or large institutions.
- Knowledge of work planning, budgeting, and reporting.
- Preparing withdrawal applications for external funding agencies.
- Audit management experience in donor funded program.

### **Mode and Duration of Contract**

The duration of the assignment will be one year, renewable depending on satisfactory performance.

## **TORs Financial Accountant**

**Duty Station:** Maseru, Lesotho

### **Overall Scope of Work:**

Reporting to the Finance Manager, the financial accountant supports the Finance Manager to achieve result-oriented objectives of WaMCoP financial management. Under the supervision of the Finance Manager, the financial accountant will take responsibility for all accounts and finance transactions of the WaMCoP and for maintaining all accounting documentation in good order.

### **Main tasks and Responsibilities**

- a) Support in the preparation of Annual Work Plan and Budget (AWPB)
- b) Analysing payment requests and reconciliation with approved documentation including purchase orders and contracts
- c) Posting payment invoices into financial management systems in line with approved work plans.
- d) Assist in preparation of half-yearly consolidated statements of project accounts as an integral part of the Management Information System to be submitted to the Project Oversight Committee, and subsequently to IFAD.
- e) Ensure that fixed assets are well accounted for and regular verification is undertaken of the condition of assets and their location.
- f) Ensure that supporting documents, records and accounts are kept in respect of all project activities, with clear linkages between the books of account and the financial statements presented to the financiers;
- g) Preparing bank reconciliations for the project accounts.
- h) Assisting in review of invoices and supporting documents before any payments are processed.
- i) Following up on outstanding advances both to staff and service providers.
- j) Assisting in ensuring budgetary controls to ensure that no payment is done unless there is sufficient budgetary provision.
- k) Ensuring systematic and accurate recording/filing of accounting records.
- l) Prepare the IFRs and the WA Application to IFAD for timely replenishment.
- m) Participating in the Audit exercises providing auditors with all information and documentation they require
- n) Follows up accountabilities of funds advanced at the level PMU and with other implementing partners.
- o) Ensure systematic and accurate recording/filing of accounts records.
- p) Ensure that salary and tax deductions are remitted in timely way and that all acknowledgement of receipt is documented.
- q) Withholding Tax is recovered from payments, remitted and Tax Certificates are issued to suppliers.
- r) Any other duties as may be assigned by the Finance Manager.

### **Qualifications and Competences**

- Bachelor's degree in business or finance, and an affiliate professional accountant.
- Advanced quantitative and analytical skills.

- Excellent computer skills and well-versed in the use of Excel, Word and accounting software.
- Good communication skills; Fluency in written and spoken English.

**Required Work Experience**

- At least four years of relevant work experience, including at least four as a financial manager or accountant in government/donor projects or large institutions.
- Knowledge of work planning, budgeting and reporting.
- Preparing withdrawal applications for external funding agencies.
- Working with colleagues in geographically separate locations.

**Mode and Duration of Contract**

The duration of the assignment will be one year, renewable depending on satisfactory performance.

## **ToRs Procurement and Contract Manager**

**Duty Station:** Maseru, Lesotho

### **Overall Scope of Work:**

The procurement and contract manager will work under the direct supervision of, and be accountable to, the Project Coordinator of WaMCoP. The Procurement and contract manager will be responsible for the entire procurement cycle from the identification of the need to the completion of the contract. The Procurement and contract manager will provide support to the Project Coordination Unit (PCU) in managing the entire procurement process and for the delivery of the entire procurement plan. She/he will be responsible for endorsing the preparation of the Procurement Plan to ensure compliance with IFAD requirements and maintain a project-wide procurement filing system. Moreover, the officer will develop best practices with respect to contract management strategy and policy, processes, frameworks, and systems. They will be the lead focal point in terms of providing oversight and governance over external service providers. They will also supervise the work of the procurement assistant.

### **Main tasks and Responsibilities**

#### *General*

- a) Recommend necessary adjustments in the procurement section of the Project Implementation Manual (PIM);
- b) Ensure project actions are governed by the highest standards of personal and business conduct;
- c) Ensure timely conduct of procurement activities;
- d) Contribute to maintaining teamwork, discipline, sound work relationships and productivity;
- e) Supervise the activities of the Procurement assistant; and
- f) Participate in project events to maintain effective working relationship with stakeholders as well as other partners including government institution.

#### *Procurement planning, monitoring and contract management*

- a) Develop, review and consolidate annual procurement plan in consultation with NPCO functionaries, project technical experts and where needed end user units;
- b) Ensure the procurement plan is in line with the AWPBs and in accordance with the IFAD format;
- c) Ensure that proposed timelines in the procurement plan are realistic;
- d) Develop oversight mechanisms over service providers, by developing service performance reviews, risks and control, continuous improvement and quality assurance;
- e) Provide project procuring entities with guidance on the conduct of procurement short of award to facilitate timely implementation;

- f) Ensure compliance with Procurement policies and procedures, by different project procuring entities for timely procurement of goods and services, with the timelines for the conduct of procurement activities provided in the Procurement Plan;
- g) Performance and activity reporting including on contract delivery targets;
- h) Developing excellent relationships with service providers and external providers, contract benchmarking, contract analysis and dispute resolution;
- i) Coordinate Bids and Awards Committees of the different project procuring entities;
- j) Update the Procurement Plan and secure IFAD No objection for upgrades to the Procurement Plan; and
- k) Conduct field/site visits as part of procurement/contract monitoring effort.

*Preparation of procurement activities, bidding and evaluation*

- In close coordination with end user units and project technical experts, provide technical assistance in the review of technical specifications for goods, bills of quantities and scope of work/specifications.
- Design bids with requirements that allow fair and transparent competition for security of the most suitable suppliers and service providers.
- Provide technical guidance to the PMU in the evaluation of bids and preparation of evaluation reports to maintain conformity of bid evaluation instructions to bidders and IFAD Procurement Handbook.
- Prepare documentation for submission to IFAD for No Objection through the No Objection Tracking Utility System (NOTUS) where required under the applicable Letter to the Borrower/Recipient.
- Prepare/review the information contained in the Contract Monitoring Tool (CMT) function of the IFAD Client Portal (ICP) for necessary updates.
- Provide technical assistance to project implementing units during pre-delivery and delivery inspection to verify conformity of deliveries with bidding requirements.
- Review and recommend draft contracts for signature by the Project Coordinator.
- Periodically review implementation of works, goods and services contracts to ensure compliance with procurement provisions and general and special conditions of contract, in close collaboration with the Project technical experts.
- Respond to inquiries from staff regarding scope of work/specifications requisitions, purchase orders, contracts, and pricing information.
- Participate in the provisional and final acceptance of works including the preparation of the respective committees and the acceptance of the works/professional services/equipment delivered.



## **Competencies**

- Possess the ability to give sound advice on Procurement issues that would impact on the project's financial and physical performance;
- Good communication and interpersonal skills required;
- Strong personal management and communication skills;
- Excellent knowledge of MS Office, internet use and procurement databases;
- Displays cultural, gender, religion, race, nationality and age sensitivity and adaptability;
- Highest standards of integrity, discretion and loyalty;
- Demonstrated capacity to produce high quality technical reports;
- Fluency in written and spoken English and Sesotho.

## **Qualifications and Experience**

### *Minimum Educational Requirements*

- Bachelor's Degree in Procurement/Supply Chain Management/ Economics/ Accounting/ Finance/ Business Administration.
- Post Graduate qualification in any of the above listed degrees will be an added advantage.
- Professional qualification in procurement from an internationally recognised and accredited institution will be an added advantage.

### *Experience*

- At least 5 years of Managerial experience for Bachelor's degree holder; 3 years for Honour's Degree holders and 2 years for Master's Degree Holders
- Minimum 5 years professional Experience in procurement For Bachelor's Degree Holders; 3 Years for Honour's Degree Holders and 2 Years for Master's Degree Holder
- Having Knowledge of government Procurement and office/contract management is an added advantage

## **ToRs Environmental Specialist**

**Duty Station:** Maseru, Lesotho

### **Overall Scope of Work:**

The environmental specialist will work under the supervision of the project coordinator (PC). She/he will work towards the broad objectives of the project, supporting and leading when called upon. The specialist will be responsible for assisting the wool and mohair associations and farmers understand their environmental footprints with rigorous carbon accounting and tie the outcomes to meaningful carbon management strategies. In addition, develop tools and processes to harness data, identify trends, and advise on opportunities to enhance our carbon management platform (in close partnership with M&E team). Consequently, the specialist will also be responsible for managing responsible sustainable standards, carbon accounting partnerships, improving biodiversity conservation, sustainable land management, and restoration of natural ecosystems in Lesotho. The specialist will also work closely with the Textile Exchange and assist with the development of the responsible production standards system for Lesotho. They will ultimately serve as the focal point for all environmental considerations related to the project.

### **Main tasks and Responsibilities**

- a) Coordinate closely with the project team, the implementing partners MAFS and MTEC in planning and managing safeguards on the project;
- b) Provide necessary technical assistance to facilitate the implementation, management and Monitoring of environmental safeguards;
- c) Provide coordination support to review environmental and social assessment documents line with IFAD Social Environment Climate Assessment procedures (SECAP) requirements.
- d) Prepare additional technical guidelines, if necessary, to support the safeguards instruments in order to strengthen the implementation of environmental safeguards;
- e) Ensure adequate public consultation during the preparation of safeguards instruments as defined by the safeguard frameworks and PIM;
- f) Hold regular safeguards review meetings with Shearing Sheds Associations, and Grazing Associations implementing partners and other stakeholders carry out regular site visits to monitor implementation of the safeguards instruments;
- g) Supervise and undertake technical review of Environmental and Social Impact Assessments (ESIAs), Environmental Audits, and Environmental Social, Climate Management Plans (ESCMPs), and follow-up on acquisition of any relevant GoL Approvals.
- h) Provide guidance on implementation of project mitigation measures as per approved safeguards documents.
- i) Undertake environmental monitoring and supervision of project works, including development of monitoring compilation of periodic (quarterly, semi-annual, and annual) progress reports, to ensure compliance with relevant environmental requirements.
- j) Undertake capacity development of Project management team and implementing partners during project implementation with respect to planning and implementation of environmental social safeguards, including conduct of project awareness, communication, and sensitization activities.

- k) Together with the project implementation teams, advise on the establishment and operationalization of project Grievance Redress Mechanism(s);
- l) Act as a link between project implementation teams, Consultants, Contractors, Communities, and respective local governments on environmental matters.
- m) Liaise with relevant authorities, government agencies and ministries to ensure adequate implementation of all requirements in line with IFAD SECAP and GoL environmental safeguard policies and laws.
- n) Developing training plans and providing training on environment issues during implementation of the project and associated works to the project implementing staff, Contractors, and other relevant project stakeholders; ensure Carbon accounting methodologies meet the highest standards of scientific and technical integrity
- o) Build frameworks, processes, and tools for managing GHG data collection and analysis
- p) Advise on best practices and approaches to carbon accounting that drive meaningful carbon management actions
- q) Ensure methodology alignment with the GHG protocol, and other international standards
- r) Build internal capacity in carbon accounting and support deployment of new products in partnership with our product and technology teams
- s) completing/updating the **GEF Tracking Tools** required for the project
- t) Perform any other related tasks as may be assigned by the project coordinator

### **Qualifications and Competences**

- Advanced degree in interdisciplinary studies in environmental economics, environmental sciences, environmental management, environmental and social studies, climate studies and social impact, or natural resource management.
- Certification or training in environment and social impact assessments/safeguards.
- Having worked with carbon accounting or carbon sequestration schemes or done research on this area is a bonus
- Work experience on sustainable production standards serve as a foundation for certification systems of **Mohair producers**.
- Experience in natural capital accounting and/or climate change mitigation an advantage
- Technical experience in thematic areas on Biodiversity and natural ecosystem is an advantage.
- **Experience** working on development partner financed projects would be an advantage

## **ToRs Social Inclusion Officer**

**Duty Station:** Maseru, Lesotho

### **Overall Scope of Work:**

The social inclusion officer will work under the guidance and leadership of the project coordinator. She/he will report to the project coordinator and ultimately support the broad objectives of the project. The officer will aim to mainstream social inclusion aspects including gender, nutrition, youth, and people with disabilities (PwD) in WaMCoP. The officer will be guided by the imperative of ensuring a social inclusion logic underpins all key activities. The aim is to facilitate gender equality and the social and economic empowerment of identified target groups. The Social Inclusion Officer will continue to analyse the situation and priorities of rural women and youth in the project area to verify whether the project should be gender mainstreamed, youth sensitive and PwD focused as outlined in the design document. Moreover, the social inclusion officer, will assist the PCU to clarify its targeting strategy and ensure that implementable pathways and strategies for targeting are developed.

### **Main tasks and Responsibilities**

- a) Review the country context (legal, political, institutional, social, cultural and sector policies) relevant to targeting and gender in relation to the project thematic focus. Review the national gender, youth, nutrition, PwD policy and strategy documents to understand the national priorities, institutional framework, strengths, gaps and opportunities, for IFAD's investments to contribute to social Inclusion outcomes. Explore opportunities to work with key partners, including in policy engagement on women, youth, nutrition, PwD and indigenous peoples and related domains.
- b) In the context of the project design, and in close collaboration with the design team, identify and include gender mainstreamed and youth-sensitive interventions in the project strategy, integrate social inclusion considerations in the theory of change by identifying women and youth empowerment pathways, and suggest partnership arrangements; reflect implementation arrangements.
- c) Define and profile project target groups, including the gender dimensions of rural poverty and linkages and engagement with formal and informal organizations.
- d) Develop a targeting strategy, including targeting and implementation mechanisms, to ensure that project design accommodates the needs and priorities of the target group and facilitates its participation in project interventions, and that the special concerns of vulnerable groups are taken into account;
- e) Develop a gender mainstreaming strategy, including implementation mechanisms, to ensure that the project identifies opportunities to support gender equality and women's empowerment and facilitates women's participation in project interventions;
- f) Describe local social norms that hinder/support young peoples' full participation in economic activities. Define youth by age according to the country and project context; identify where vulnerable rural young people are located in the project area. Describe the main challenges/ opportunities in project area in relation to Rural Youth Action Plan (RYAP) priority and emerging themes including;
- g) youth employment and empowerment within the RYAP framework in main commodities, food crops and agribusiness.
  - access to assets, services and skills in relation to rural economy trends in the project area

- potential demand for on- and off-farm employment/entrepreneurship for youth
  - what young women and men need to adapt to climate change/contribute to climate change mitigation, tackle environmental degradation and build their resilience
  - food security and nutrition status of young women and men in the project area
- h) Refine the main project investment options from a youth perspective: Identify how youth fit in the project theory of change, targeting approach and results framework; specify to which RYAP priority and emerging themes the project can best contribute; determine whether policy engagement is also appropriate; identify which partnerships should be prioritized to advance youth interests, including public, private and non-governmental sectors, and any capacities that need to be strengthened; make recommendations for financing and human resources to deliver on youth commitments;
  - i) Assess the entry points and how improved outcomes can be achieved; propose relevant project activities to address issues related to social inclusion problems of the different target groups for the proposed investment projects;
  - j) Ensure that gender, youth and PwD related activities are budgeted and that financial resources are allocated in separated budget lines for their implementation (and reflected into the first Annual Working Plan & Budget, in the context of the project design);
  - k) Provide inputs into the M&E framework, project logframe and learning systems to incorporate gender and social inclusion perspectives, including the use of participatory approaches and disaggregated data and indicators, and to measure performance of the strategies;
  - l) Data disaggregation by gender, age, PwD and indigenous peoples in line with IFAD's Results, Impact and Management System. Collecting case studies and leading the knowledge management, documentation and learning segment of the project related to social inclusion domains;
  - m) Perform any other duty assigned by the project leader and related to the area of expertise to fulfil the objectives of the project.

## **Qualifications and Competences**

S/he should have:

- A Master's degree in social science or a field related to rural community development /gender/social inclusion.
- A minimum of 10 years of experience in community development and applied gender mainstreaming at project or institutional level.
- Experience with poverty, gender and youth targeting in agriculture-based rural development programmes.
- Experience in rural development project management and implementation
- Knowledge and experience of Participatory Rural Appraisal techniques
- Knowledge of the Graduation Approach and Household Methodologies especially GALS (will be valued- but not essential)

## **APPENDIX 2: TERMS OF REFERENCES FOR SELECTED CONSULTANCIES**

### **Wool and Mohair Sub-Sector Policy Development and Support Consultancy**

#### **Introduction and background:**

1. The wool and mohair industry in Lesotho is a pillar of the national economy. It is a sector that plays a crucial role in the livelihoods of an estimated 250 000 households, whether directly or indirectly. Wool and mohair also represent the major agricultural export commodities of Lesotho, accounting for nearly 60% of agricultural exports. Moreover, as the production of wool and mohair lies predominantly in the hands of smallholder farmers, the sector holds considerable potential to transform the lives of rural Basotho farmers.
2. Despite the importance of the sector, it is generally recognised that the benefits of the sector are unevenly distributed amongst a range of actors and competing interests. This is partially underpinned by the fact that the wool and mohair sector has not had a consistent policy that has allowed for sound economic performance.
3. The Government of Lesotho is implementing the **Wool and Mohair Value Chain Competitiveness Project** and under this project it is envisioned that, there will be an increase in the economic and climate resilience of wool and mohair farmer's livelihoods. Central to this endeavour is the establishment of institutions that can support the development of the wool and mohair sector and allow for the value chain to thrive.
4. Under component 1 of the project, support to building value chain systems, an intervention focused on "value chain governance and sector strategy" is required to develop the overarching policy and institutional framework that will guide the sector's development. To this end, a dedicated consultancy is required to review and develop a wool and mohair sector policy and implementable regulations.

#### **Purpose of the assignment:**

5. The purpose of the assignment is to engage the services of a consultancy team or firm to undertake a robust review of the institutional and policy frameworks in the wool and mohair sector, identify gaps and address these gaps through the development of a comprehensive sector policy with accompanying regulations.

#### **Objectives:**

6. The objectives of this consultancy are to:
  - Undertake the required reviews of existing literature on the wool and mohair sector in Lesotho, looking at studies, policy documents, legal frameworks and identify gaps that will inform the development of a sector policy;
  - Consult the views of national and international stakeholders on best practices and lessons learnt to inform and recommend national institutional and policy strengthening;
  - Support the government to put in place an actionable and practical policy framework that provides a consistent enabling environment for the development of the wool and mohair sector

#### **Scope of Services:**

7. The selected consultancy team or firm will undertake the following tasks:

- Undertake a desktop review of all the relevant literature and thematic areas related to the wool and mohair sector;
- Review all the relevant legislation and policies to guide institutional arrangements for a competitive, equitable growth-orientated sector;
- Conduct relevant stakeholder consultations (both national and international) to verify findings from desktop reviews and recommended actions;
- Develop the required regulation and policy to address the gaps in the existing legislations and policy frameworks including relevant guidance documentation to support implementation, enforcement, and monitoring of compliance with the regulation and policy;
- Prepare the relevant documents to submit the regulation, policy and guidance documentation for endorsement and adoption.

**The Consultancy Team Composition:**

8. The consultancy team should ideally include the following experts: (1) a policy and institutional expert with deep knowledge on the wool and mohair sector; (2) a legal expert. The team could be from a firm or formed from a group of individual experts. The team leader could be any of the experts.

## **Wool and Mohair Asset Management Consultancy**

### **Introduction and background:**

1. The Government of Lesotho is implementing the **Wool and Mohair Value Chain Competitiveness Project** and under this project it is envisioned that, there will be an increase in the economic and climate resilience of wool and mohair farmer's livelihoods. Central to this endeavour is the establishment of institutions that can support the development of the wool and mohair sector and allow for the value chain to thrive.
2. Under component 1 of the project, support to building value chain systems, an intervention focused on "Entrusting assets to the Trust Fund-Trust Company (TF-TC) consortium and building stakeholders' capacity" is being implemented to help address the sub-optimal levels of asset management seen in the wool and mohair sector.

### **Purpose of the assignment:**

3. The purpose of this assignment is to recruit a reputable service provider who can do the following set of activities: (i) perform a valuation of all the critical value chain related physical assets that are currently publicly owned; (ii) develop a performance-based contract for asset management; and (iii) facilitate the smooth hand-over of concerned assets to new management structures.

### **Objectives:**

4. The objectives of this consultancy are to:
  - a. *Perform a valuation of all the critical value chain related physical assets* – undertake a detailed evaluation of key government owned infrastructure within the wool and mohair sector. This evaluation should cost key infrastructure and record the costing in an asset register;
  - b. *Performance based contract* – once the evaluation has been completed, the service provider will then support the Ministry of Agriculture and Food Security to develop a performance-based contract that would see the Ministry leasing out the management of the assets to selected entities;
  - c. *Facilitate the smooth-handover of key assets* – *the Ministry of Agriculture and Food Security will be supported to hand-over the assets in a transparent manner. Moreover, a monitoring tool will be developed alongside the performance-based contract to empower the Ministry to oversee the performance of selected value chain infrastructure.*

### **The Consultancy Team Composition:**

5. The consultancy team or firm should include experienced individuals with deep expertise around valuating assets and developing performance-based contracts.



## **Internal Audit Terms of Reference for Trust Fund/ Trust Company under the WaMCoP Project**

### **1. Project background**

Project to fill at the time of internal audit review

### **2. Project objectives**

Project to fill at the time of internal audit review

### **3. Key audit objectives**

- i. To contribute to the achievement of WAMPCoP's mission and strategic objectives by providing assurance that financial and operational controls and arrangements are functioning efficiently and effectively and that the significant risks to the Programme are being managed."
- ii. Internal Audit areas of focus include:
  - Internal control effectiveness;
  - Statutory, procedures and control compliance;
  - Implementation of recommendations;
  - Corporate governance;
  - Systems development; and
  - Value for money (including opportunities to reduce costs through greater economy and efficiency within activities).
- iii. Determine whether the existing internal control frameworks of WAMPCoP are adequate and functioning effectively, to manage and mitigate the risks in the operations;
- iv. Review the integrity of financial management systems;
- v. Assess and provide assurance on the adequacy and functioning of governance mechanisms in conceptualization, planning, performance and administration of the WAMPCoP Trust Fund;
- vi. Review the mechanisms in place to ensure the accountability of WAMPCoP funds disbursed to beneficiaries/implementing partners and establish whether there is effective oversight by Trust Fund;
- vii. Ascertain whether the tendering process for procurement of goods and services were undertaken in compliance with iPublic Financial Management Accountability (PFMA) Act 2011, Treasury Regulation 2014 and Audit Act 2016.
- viii. Ascertain whether the projects activities implemented are within the approved Annual Work Planning and Budget (AWPB);
- ix. Review the extent of achievement of Trust Fund objectives planned for the period under review;

### **4. Audit Scope**

The scope of this audit includes all transactions, records, and processes conducted by the Trust Fund from .....to ..... The Internal Auditors will review and evaluate the adequacy and effectiveness of key controls to manage and mitigate the major risks relating to:

- (i) Expenditures against approved AWPB;

- (ii) Farmer Input credit and loans administration;
- (iii) Accounting Systems;
- (iv) Procurement system;
- (v) Payment authorization system;
- (vi) Fixed asset management;

The detailed scope included the following:

- (i) Conduct interviews with relevant officers to understand systems operations;
- (ii) Review the integrity of accountability mechanisms on Trust Fund;
- (iii) Review the financial and procedural manuals (Project Implementation Manual) procurement manual, compliance to Financing Agreement and Letter to the Borrower, Quarterly interim financial reports (IFRs) to IFAD;
- (iv) Review of Withdrawal Applications submitted to IFAD;
- (v) Review the payment vouchers, bank reconciliation statements, sources and use of funds statements, general ledger, fixed asset register;
- (vi) Conduct physical inspection of assets;

## **5. Audit approach**

A risk-based audit approach shall be used to identify the major risks the financial administration of the project. The internal audit review shall cover all the financial operations of the Trust Fund activities Financed by the WaMCoP project.

## **M&E Appendices**

The Terms of References (ToRs) are meant for a firm to develop and successfully implement some or all aspects of outcome-related surveys as described in the COI guidelines. They should cover all important aspects of implementing the survey as well as analysing the data and report writing.

This template TORs only intends to give guidance on the key elements which should be included in the TORs. It is **indicative** and can and should be adapted according to project and country's characteristics.

The main elements to be adjusted and adapted according to the project's characteristics and to the stage of the survey (Baseline, mid-term or completion) appear in yellow and in brackets□. *General*

*instructions and explanations about the section are presented in italic and blue.*

Prior to issuing the ToRs, the Project Team should submit the ToRs to IFAD's review and clearance.

### **Indicative table of Content:**

1. **BACKGROUND AND CONTEXT**
2. **DESCRIPTION OF THE PROJECT**
3. **PURPOSE AND OBJECTIVES OF THE CONSULTANCY**
4. **METHODOLOGICAL REQUIREMENTS**
5. **DETAILED LIST OF ACTIVITIES AND DELIVERABLES**
6. **COMPETENCIES REQUIRED**
7. **ADMINISTRATIVE AND OTHER ASPECTS**

### **Technical Annexes:**

1. **DETAILED TARGETING STRATEGY**
2. **LOGFRAME**
3. **TOC**
4. **PROJECT AREA AND NUMBERS**
5. **DRAFT QUESTIONNAIRE**

## 1. BACKGROUND AND CONTEXT

*This section includes general information about the project.*

### 1.1. General presentation of the project:

- Short description
- Dates of approval, entry into force, start-up, etc.
- State of implementation, first results if any
- Budget: IFAD financing and others

### 1.2. Institutional framework:

- Ministry and Lead Programme agency
- Implementing agency/agencies
- Legal framework
- Other relevant aspects

## 2. DESCRIPTION OF THE PROJECT

*This section describes the project's main features.*

### 2.1. Objectives

### 2.2. Duration of the project

### 2.3. Project Area

### 2.4. Target group:

*This section describes the target group as validated by the project prior to the elaboration of the ToRs (see STEP 1 in COI measurement guidelines). This paragraph must be complemented with a detailed description of the targeting strategy in technical annex 1 of the ToRs.*

### 2.5. Theory of change:

*This section briefly describes the theory as validated by the project prior to the elaboration of the ToRs (see STEP 1 in COI measurement guidelines). This paragraph must be complemented with a detailed description of the theory of change and related logframe in technical annexes 2 and 3 of the ToRs.*

### 2.6. Components and main activities

### 2.7. Budget

### 3. PURPOSE AND OBJECTIVES OF THE CONSULTANCY

*This section explains the purpose and the objectives of the survey. Please note that they might differ according to the stage of the project: baseline/mid-term/completion.*

#### 3.1. Purpose

The planned study aims at carrying out a baseline / mid-term / completion survey which will consist of quantitative and qualitative information.

It will examine the effects of the projects on Choose thematic areas addressed by the project: Agricultural/livestock production – Employment – Nutrition – Financial services – Producers Organizations – Rural enterprises – Climate resilience – and any other impact or project specific thematic area included in the questionnaire and will compare the situation with and without the project.

This study constitutes one of the stages of the project evaluation process and is part of a global evaluation plan.

#### 3.2. Objectives

The main objective of the study is to develop the sample design, conduct the data collection and analysis and report writing of the Baseline/Mid-term/Completion: choose according to stage of implementation survey to be used for the project evaluation process. The information to be collected includes information related to project activities in order to derive data on Outcome and/or impact: adapt according to indicators included in the questionnaire (CIs, PSIs and Impact).

36 Specify for:

**Baseline:** The survey will measure the baseline values of project outcomes and impact if included

indicators and individual/household characteristics at project start. The baseline survey will

conducted on a sample of Beneficiaries if identified or Potential beneficiaries from the eligible population. Baseline data provide information on beneficiaries and comparison groups before the programme is implemented and are important for measuring pre-intervention outcomes and establish benchmark information for selected indicators. The analysis of baseline data will also be used to assess

targeting effectiveness, that is, whether or not the [name of project] is going to reach its intended beneficiaries.

**Mid-Term:** The survey will measure the mid-term values of project outcomes and impact if included

indicators on the same indicators used for the baseline in order to compare midterm with baseline

Mid-term data provide early evidence of progress towards objectives assessing whether or not the project is on right tracks. The mid-term survey will be conducted on the same sample of beneficiaries as for baseline if feasible.

**Completion:** The survey will measure the final values of project outcomes and impact indicators on the same indicators used for baseline and midterm surveys. The completion survey will if included

conducted on a sample of beneficiaries (treatment group) and non-beneficiaries (comparison group). If feasible on the same sample as for baseline and midterm.

Completion data finalize the evaluation process and allow to measure **attributable** changes at outcomes and impact if included level due to project's intervention and the degree at which the programme reached its objectives

#### 4. METHODOLOGICAL REQUIREMENTS FOR QUALITATIVE SURVEY

*This section presents the methodological requirements the firm is expected to take into account in its proposal. The Project Team, in collaboration with IFAD, should define and explicit these requirements based on the COI measurement guidelines.*

The Programme intends to conduct a Baseline/Mid-term/Completion: choose implementation according to stage of survey to obtain quantitative data that will enable to monitor and evaluate the

Programme's results. The scope of the services required under this Terms of Reference include the collection of data at the appropriate levels of analysis: Individual/Household/Producers Organization/Rural Enterprises: choose according to programme. The set of indicators to be collected will be based on Programme's log-frame indicators. The study will follow a quasi-experimental approach

with both a treatment and control group: according to stage of implementation

##### 4.1. Questionnaire and variables

*The survey questionnaire to be developed by the firm should include the list of questions identified by the project and presented in technical annex 5 of the ToRs (Draft COI*

questionnaire). The elaboration of the draft COI questionnaire is based on the COI questionnaire template presented in technical appendix 1 of the COI measurement guidelines: See STEP 2 of the COI measurement guidelines for further details.

The draft questionnaire presented in annex 5 of the TORs integrates the logframe outcomes □and impact and any other if included□ indicators, it might be reorganized and complemented but the outcome related-questions from the draft questionnaire should remain the same when relevant to a particular group or stage of the project and should not be rephrased.

#### 4.2. Sample frame

This paragraph provides information on the desired sample frame based on the stage of implementation (baseline, mid-term or completion) and the information available at that stage. To ensure the representativeness of the sample, many factors should be taken into account based on a good understanding of the targeting strategy. It should indeed clearly define who are the different groups targeted by each of the project's activities and how the beneficiaries might overlap. The project's targets in terms of specific groups' participation, such as women and youth for instance, also have to be taken into account. All these elements then have to be adequately reflected in the sample.

See STEP 3.1 of the COI measurement guidelines for further details.

The sample frame is the list of all the units in the desired population, from which random samples of units are selected to build the survey samples.

37

#### □Baseline:

According to the project situation at baseline, depending whether or not beneficiaries have identified and whether or not a preliminary listing of potential beneficiaries has been carried out, there been

are 3 options:

- i. The Project Team will provide the firm with the sample frame including the list of projects beneficiaries

OR

- ii. The Project Team will provide a listing of potential beneficiaries in order to facilitate the drawing of the sample within the eligible population.

OR

- iii. The Project Team will provide project and secondary data (in technical annex 3) for the firm to conduct a listing of potential beneficiaries in order to facilitate the drawing of the sample within the eligible population.

**Mid-term and Completion:**

The Project Team will provide the firm with the sample frame including the list of projects beneficiaries as well as the composition of the samples at baseline (and mid-term if completion)□.

**4.3. Sampling method**

*This paragraph provides basic information on the recommended sampling method to be used for the survey. The project defines here if the sampling method will follow a panel data structure. According to the stage of implementation, the project also describes here if the sample should include a comparison group (mandatory at completion). The baseline, midterm and completion should, as far as possible, use the same sample. It is necessary that the contracted party maintains an accurate register of households sampled in both the treatment and comparison groups for future reference*

*See STEP 3.2 of the COI measurement guidelines for further details.*

**4.4. Sample size**

*This paragraph determines how the sample size should be calculated: using a statistical formula or the Rule of Thumb. If the sample size is to be calculated using the power formula from the world bank, it should be presented in this paragraph.*

*See STEP 3.3 of the COI measurement guidelines for further details.*

**4.5. Probability sampling:**

*This paragraph presents the project's characteristics in terms of potential clusters or strata: it describes the different administrative/geographical units and possible strata (value chains, different agroecological areas, etc.). The sample should those characteristics.*

*See STEP 3.4 of the COI measurement guidelines for further details.*

The probability sampling refers to the sampling method in which all the members of the population has an equal chance to be a part of the sample and it uses random selection to select the sample within the desired population.

39 **Note that decisions on the final sampling strategy will be made upon IFAD's approval.**

**4.6. Data quality control**

*The process of ensuring data quality is vital to the accuracy and usefulness of the survey. Data quality control requires a significant effort. This paragraph describes the main elements to consider in order to ensure the data quality control.*

*See STEP 5.1 of the COI measurement guidelines for further details.*



As data is collected and entered into a storage mechanism, checking for errors and data quality is an important step and sufficient time should be allocated to review the data and assure its quality.

The following strategies should be used:

- Double data entry.
- Spot checking.
- Sort data to find missing data, outliers, high, or low values.
- Use automation, such as drop-down menus.
- Format a database to accept only numbers.
- Review data for anomalies.
- Discuss data discrepancies and/or findings with implementers.

Data-quality checks can be implemented while collecting the data rather than ex-post as in the case of paper-based surveys by using electronic devices for the data collection.

#### 4.7. Computer entry

*This paragraph explains the modalities of computer data entry recommended by the PROJECT if any. TEAM*

*See STEP 5.3 of the COI measurement guidelines for further details.*

The use of electronic devices and georeferencing is recommended.

#### 4.8. Analysis and report

- **Analysis**

*This paragraph presents the type of analysis expected from the firm. It depends on the stage of the project (baseline, mid-term and completion) and the level of analysis (complex or simplified) required. It also explains how the estimation, interpretation and presentation of the results should be done.*

*See STEP 5.3 of the COI measurement guidelines for further details.*

- **Report**

*This paragraph presents the main elements to be included in the final report. This paragraph might include an indicative table of content for the report. also*

*See STEP 5.3 of the COI measurement guidelines for further details.*

While writing the report, the firm will work in close collaboration with the Project Team and other implementing partners, to enable a learning process and to

maximise transparency and accountability. Once the surveys have been conducted and their quality controlled, the analysis of the results should be presented in a report. The report summarizes the conclusions emerging from the analysis and includes the following elements:

- the description of the methodology used
- the questionnaire
- the list of villages/communities surveyed
- the results of the survey
- the updated logframe ( at least CIs at outcome levels)
- the ToC and its description based on the results of the survey
- the analysis and interpretation of the results (detailed analysis with statistical significance and summarized tables for each indicator)

The survey database should also be provided to project staff and IFAD.

□ The qualitative data will be presented in a separate chapter: if qualitative survey also included in the ToRs □

## 5. DETAILED LIST OF ACTIVITIES AND DELIVERABLES

*This section presents the list of activities expected to be performed by the firm. It also describes the main deliverables to be provided.*

The firm will work in close collaboration with the concerned general experts of the implementing agency and under the supervision of the Project Team and IFAD in the development and supervision of all phases of data collection and following analysis of the dataset.

### 5.1. List of activities

#### ▪ Phase 1 - Inception phase

- Initial situational analysis - review of project materials and data:

*The identification of the beneficiaries ( and non-beneficiaries) interviewed at previous stage will enable the firm to construct a panel survey. The technical annex 4 of the ToRs presents the main data regarding the characteristics of the project area and the population: list of considered administrative/geographical units (provinces, municipalities or communities, etc.) with respective population, incidence of poverty, farm 's productive orientation, etc.*

The Project Team shall be responsible for providing key background documentation to the firm (financing agreements, Logframe, ToC, startup reports, supervision reports, etc). In particular, existing and previous data to be provided by the project:

□ For baseline: Logframe, ToC, List of beneficiaries if any or preliminary listing of potential beneficiaries, secondary data, etc.

For Mid-term: Logframe, ToC, List of beneficiaries, Baseline data and survey sample, secondary data, etc.

For Completion: Baseline and Mid-term data and survey samples, List of beneficiaries, etc. □

- Collect and analyze secondary data (from multiple sources where available).
- Household Listing Survey if needed.

*If the Project Team has not carried out a listing of potential beneficiaries (see Step 3.1 of COI Measurement guidelines), this listing should be carried out by the firm directly and it should be included*

*in the list of activities.*

□ To facilitate the drawing of the sample within the eligible population, a listing of potential beneficiaries can be conducted in the field. Enumerators will collect basic information from each household in the enumeration area, taking on average no more than 5 minutes per household to assess household eligibility, basic demographic and re-contact information. The household sample will then be constructed on the basis of this listing. An initial identification and selection of enumeration areas may also be required, for instance, the preliminary listing could be done only on the primary cluster (if clusters are defined in the sampling design). □

#### ▪ **Phase 2 – Sampling strategy and survey instrument development**

*See previous section IV on methodological requirement for details*

- Development of the survey questionnaire based on the draft provided by the project.
- Development of the sampling design
- Clearance by Project Team and IFAD of pilot sampling design and the questionnaire.
- Develop interview manuals and instructions for field staff
- Training of interviewers for the pilot study.
- Pilot study fieldwork.
- Revision of the pilot study questionnaires.
- Analysis of pilot study results, introducing adjustments to the draft questionnaire.
- Development of the Final Questionnaire.
- Development of an appropriate data management system with adequate quality controls.
- Clearance of the final questionnaire and sampling design by Project Team and IFAD.

#### ▪ **Phase 3 – Fieldwork Activities**

*See STEP 4 of the COI measurement guidelines for further details.*

- Preparation for field work (recruitment of interviewers, printing of questionnaires and other fieldwork documents).
- Staffing and Enumerator training
- Administrative approval from necessary authorities
- Qualitative data collection at the appropriate level of analysis:
  - Individual/Household/Producers Organization/Rural Enterprises: choose according to programme .
  - Data quality control
  - Quantitative data collection (focus group discussion/semi structured in-depth interviews, etc.): if qualitative survey also included in the ToRs

- **Phase 4 - Data Processing, Analysis and Final Report Preparation**

*See STEP 5 of the COI measurement guidelines for further details.*

- Database formation.
- Data entry and cleaning.
- Statistical analysis of the data.
- Preparation of the final report.
- Translation of the final report.
- Clearance of the report.

## 5.2. Deliverables

Once selected, the firm will produce the following deliverables for this project:

- **Deliverable 1:** Updated working calendar and delivery schedule
- **Deliverable 2:** Survey design describing the sampling strategy, data collection instruments and data entry methodology
- **Deliverable 3:** Final questionnaire including electronic format (Stata, SPSS or SAS).
- **Deliverable 4:** List of households to be interviewed and list of communities/villages surveyed
- **Deliverable 5:** Training manual for field staff and enumerators
- **Deliverable 6:** Training of field staff and enumerators
- **Deliverable 7:** Final Survey Report Analysis and Reporting
- **Deliverable 8:** Clean dataset

The firm should deliver **all the material in electronic format.**

The expected tasks for the firm should be performed in accordance with a mutually agreed schedule. Final deliverables should be submitted according to this schedule and within the limits of the contract duration.

Deliverables are subject to agreement by the Project Team and IFAD and preliminary versions should therefore be submitted by the firm in time allowing for comments to be shared and if required changes to be introduced by the firm.

## 6. COMPETENCIES REQUIRED

*This section presents key competencies required for the firm and staff. It also lists the key professional and support staff positions required for the elaboration and implementation of the survey. The description below is indicative and might be adapted to Project and country's characteristics.*

### 6.1. Firm expertise and required qualifications

The selected firm shall possess the following qualifications:

- Previous experience in carrying out evaluation surveys is a compulsory requirement, including demonstrated experience in designing and conducting evaluations and of organizing surveys on the scale of this project (including survey and sampling design)
  - Strong capacity and experience in planning and organizing survey logistics
  - Good network of experienced enumerators, supervisors and data entry clerks
  - Strong capacity in data management and statistics
  - Strong capacity in survey analysis and reporting of results
  - Strong interpersonal skills and a team oriented spirit
  - Experience doing household survey work and carrying out evaluations in [country].
  - Strong background in statistics and econometrics.

### 6.2. Key staff/ required staff

The proposed team should consist of reasonable number of qualified and experienced professionals having proven track record in designing and implementing socio-economic and baseline studies and/ or evaluation studies and having good depth of understanding of rural development as well as of and gender and social inclusion. The bidders are expected to propose a study coordinator/Team Leader and appropriate number of experts, field supervisors, enumerators and support staff.

Minimum **key professional staff positions** (recommended):

- **One study coordinator/team leader:** Advanced degree in economics, statistics, agricultural economics or related field. At least five years relevant experiences in conducting impact evaluations, large quantitative survey implementation and analysis, experience in household and agricultural data collection and analysis required, ability to coordinate teams and ensure timely reporting.

The study coordinator/Team Leader will be in charge of coordinating the planning, implementation of the studies and ensuring that the work is conducted following the highest professional standards. The individual will be in charge of ensuring that the quality control and supervision mechanism in place for the survey is effective,

manage the data collection team and ensure that each member performs their specific scope of work.

- **One expert in survey implementation and field supervision:** Minimum five years' experience with large survey implementation, experience in implementing household and agricultural surveys required. Preferably with previous experiences in conducting surveys in [country].

- **One socio-economic researcher:** Advanced degree in economics, agricultural economics or related fields, at least five years' experience in analysing survey data using STATA or equivalent software. Strong background and experience in statistics and econometrics is required. Ability to write clearly and concisely in English. Previous experience in impact evaluation is preferred.

- **One computer specialists in data entry and data bases:** Minimum experience of three years with large survey data sets and data entry software required. The data specialist will develop appropriatedata management system with adequate quality controls, and finalize the data management system before the data collection team moves to the field. The data management system would also be organized in such a way as to deliver partial datasets on a regular basis to the Project Team.

Minimum **key support staff positions** (recommended):

- **Field supervisors:** Minimum of 2-3 field supervisors should be hired (best ratio would be 1 supervisor every 4 enumerators). They should be chosen based on the firm's best practices. Some degree of knowledge of local languages is expected at least from a sufficient number of the supervisors. At least two years' experience in conducting or managing household surveys is required.

- **Survey enumerators:** Minimum of 8-10 enumerators should be hired. Minimum qualifications include knowledge of local language. Preference should be given to candidates with experience in quantitative data collection in rural [country], namely, on the themes of the questionnaire.

- **Data entry technicians:** Minimum qualifications include knowledge of local language and advanced computer skills. Preference should be given to candidates with experience in quantitative data entry and/or previous experience in survey work.

## 7. ADMINISTRATIVE AND OTHER ASPECTS

*This section presents administrative and other aspects concerning the bidding process. The elements presented below are only indicative and might be changed or adapted; the procurement process may vary based on country-specific procurement rules. Some elements might also be added.*

## 7.1. Proposal content

Interested consulting companies should submit their applications consisting of the following documents/information to demonstrate their qualifications:

- **Technical Proposal** will include: the profile of the company, relevant experience for the assignments, staffing (CV of each team member), proposed methodology to perform the assessment, the size of the sample to be analyzed, the work plan and schedule (activities) and resources (including number of person-day).
- **Financial proposal** will obligatory include the consulting fee and operational expenditures related to the assignment. The survey company will provide a break-down of the budget by the activities mentioned in the Activities section above.

### Indicative example of technical evaluation criteria<sup>12</sup>:

#### Required criteria (Pass or Fail):

- Firm has at least 5 years of experience in conducting surveys
- Firm has conducted minimum 3 data collection surveys in the past 5 years

#### Evaluation criteria (Weighed Evaluation):

- **Company's experience and expertise in evaluation surveys:** The firm/consortium has robust expertise and previous experience evaluating rural development projects based on households surveys and data.
- **Understanding of the requirements and responsiveness of the proposal:** The firm understands the requirements of the exercise and fulfills expectations in terms of both the proposed methodology and the adequacy of the means proposed to deliver the expected services.
- **Company has experience with data collection and management (using electronic)**
- **Local experience doing household survey work and carrying out evaluations in [country].**

## 7.2. Conditions for offer's submission

To be considered interested companies should submit their proposal (technical and financial offer) in original and a copy in separate sealed envelopes. Each envelope will consist of the technical and financial offer sealed in separate envelopes as well (a total of 2 envelopes, each with 2 envelopes inside).

## 7.3. Selection Process

The consulting company will be selected in accordance with **[country's procurement procedures in effect for the Project]**.

The final score obtained by each firm being composed of **[X %]** of the score for the parameter "Quality" (evaluated based on technical bid) and **[(100-X) %]** - score obtained for the parameter "Cost" (established based on financial bid). The financial offer will be opened only if the provided technical offer will pass the minimum technical score of **[xx]** points.

#### **7.4. Budget and mode of payment**

Budget should cover all costs for remuneration of experts/staff including their travel and miscellaneous cost. If the applicant is a firm or a company, Value-added tax certificate is a must. Prevailing national rules will be applied for tax purpose.

According to the estimated timeframe and schedule of execution, payments for the services provided will be made, after the products/deliverables are submitted timely and cleared by the PROJECT TEAM and IFAD.

*A table presenting the payment schedule and conditions according to the delivery of the products might be included.*

#### **7.5. Future Use of the Data**

The clean dataset as well as the resulting reports will be property of the Project Team and IFAD.

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<sup>12</sup> The example provided here should not be included in the TORs but provides example of technical evaluation criteria for the assessment of the firms' proposal resulting from the TORs procurement process .



*The ToRs should also include the following annexes:*

**1. Detailed targeting strategy**

*This technical annex details the project's eligibility/selection criteria of the eligible or target beneficiaries population. Eligibility and beneficiaries selection procedures should be described since they help determine the strategy for the selection of appropriate treatment and comparison groups. See STEP 2 of the COI measurement guidelines for further details.*

**2. Logframe**

**3. Theory of Change (ToC)**

*The ToC highlights how project activities (inputs) lead to/are linked to results (outputs and outcomes) and impacts. It is necessary to make explicit the assumptions behind those links, and the possible impact pathways. The relationship between projects activities and results, will need to be described in detail and will help identifying intermediate indicators to be collected as part of the baseline survey. Intermediate outcomes are the direct changes that are generated by the project intervention, and that as shown in the theory of change, will lead to projects impacts. It is also important to single out the*

*indirect changes or unexpected changes that the project will produce and that will ultimately have an impact on the projects results (impacts).*

*The logframe indicators will serve as a basis for the assessment by project component.*

**4. Project's data:**

*This technical annex presents the main data regarding the characteristics of the project area and the population: list of considered administrative/geographical units (provinces, municipalities or communities, etc.) with respective population, incidence of poverty, farm's productive orientation, etc. Electronic dataset should also be provided in addition to the tables presented in this annex.*

**5. Draft questionnaire:**

*This appendix presents the mandatory questions to be included in the final questionnaire based on the CIs (and PSIs/Impact if included) indicators*

*identified in the logframe. See STEP 4 of the COI measurement guidelines for further details.*

### Appendix 3 - Glossary of selected Logframe indicators

The glossary here below covers those indicators for which the meaning may be slightly open to interpretation. It specifies the exact meaning of the indicators in the context of WaMCoP, as well as what should be reported under each indicator.

indicator	what is counts/measures	unit	baseline	end target
<b>CI 1 Persons receiving services promoted or supported by the project</b>	Every beneficiary directly involved in project activities.	number	0	<p>45.000 (35% women and 35% youth), based on:</p> <p>30.000 persons reached through in-kind loans; certification; culling&amp;exchange; subsidized support to inputs and services.</p> <p>15.000 persons reached through improved cooking stoves and savings groups (the target for each of those two activities is 10.000, but it is estimated that 5.000 persons will benefit from both cooking stoves and savings groups, therefore the total outreach of the two activities is estimated at 15.000).</p>

<b>CI 1a. Corresponding number of households reached</b>	Number of households directly involved in project activities (should be equal to indicator CI 1 above).	number	0	45.000, assuming that the project will target persons from different households. Therefore, each person counted under indicator CI 1 above will correspond to one household.
<b>CI 1b. Estimated corresponding total HH members</b>	Number of household members reached.	number	0	225.000, based on 45.000 times 5, assuming that the average household size in rural Lesotho is 5. This target can be changed after baseline if the baseline finds a different number for the average HH size in the targeted districts.
<b>Households reporting increased resilience</b>	Number of beneficiaries which, according the resilience scorecards which will be carried out at baseline and at completion, will show improvements in their scores for economic and/or environmental resilience	%	0	70%
<b>Households reporting an increase in incomes from wool and mohair</b>	Number of beneficiary HH who – comparing the baseline survey with successive COI surveys – will show increases in incomes	number	0	30.000, assuming that the in-kind loans, the culling and exchange, the certification and the subsidized access to services and inputs will lead to an increase in productivity of wool and mohair farmers, and thus to an increase in incomes. It is assumed that benefitting from saving groups and cooking

				stoves will not lead to an increase in incomes.
<b>CI 2.2.4: Number (Percentage) of supported rural producers' organization members reporting new or improved services provided by their organization</b>	Number of wool and mohair farmers (either members of shearing shed association, or marketing group members) who report new or improved services by the shearing shed associations	number	0	25.700
<b>CI 2.2.1 New jobs created</b>	This counts the people who have obtained full time jobs through the cottage industries or through the productive alliances	number	0	430, considering 180 youth that will have set up as agro-vets, plus 250 who will find work in the cottage industries
<b>CI 3.1.3 Persons accessing technologies that sequester carbon or reduce</b>	This counts the persons who receive either the improved cooking stoves, or improved ewes/rams	number	0	16.600, considering 10.000 who will receive cooking stoves, and 6.600 who will have access to culling and exchange

<b>greenhouse gas emissions</b>				
<b>CI 1.1.3: Rural producers accessing production inputs and/or technological packages</b>	This counts people who have access to subsidized inputs and services (veterinary services, IA, feed/fodder) through the productive alliances	number	0	58.000. This is larger than the total outreach of the project, because it also includes larger farmers who are not part of the project core target group.
<b>CI 3.2.2: Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices</b>	This counts people who apply responsible certification production standards, and people who use improved cooking stoves	number	0	38.000, considering 28.000 who will adopt the responsible production standards (certification) and 10.000 who will have access to improved cooking stoves.
<b>CI 1.1.5: Persons in rural areas accessing financial services</b>	This counts people who access in kind loans through the Trust Fund, and people who become members of saving groups	number	0	40.000, considering 30.000 who will access loans, plus 10.000 members of saving groups.

**A.**

## Appendix 4 – KNOWLEDGE MANAGEMENT PLAN

### Knowledge management: Definition

For the purposes of this strategy, Knowledge Management (KM) is defined as “a set of processes, tools and behaviours that connect and motivate people to generate, use and share good practice, learning and expertise to improve projects’ efficiency and development effectiveness”.

The present document is a draft plan developed to this end. After start-up, this draft should be completed and refined with support from IFAD. The KM strategy and plan will be validated by project stakeholders through a national workshop. The workshop will be an opportunity to refine the thematic focus and dissemination strategy of policy relevant studies, but also to better understand the key information needs for WAMCOP to be successful.

### Knowledge management: Goal, objective and activities

The **overall goal** of this KM plan is to support learning and adaptation for improved project performance. It will also enable WAMCOP to develop and disseminate knowledge products that can promote wider changes at national level, as well as the sustainability of project results.

WAMCOP’s KM strategy is closely linked to the policy engagement agenda, which in turn will reinforce the project’s exit strategy. In this sense, KM activities will focus in particular on shedding more light on the following two key questions:

1. How does the setting up of a Trust Company and a Trust Fund change the way the sector is managed?
2. How can the policy and regulatory frameworks be modified to increase the efficiency, inclusiveness and transparency of the wool and mohair sector?

The **specific objectives** of this plan are:

- **To support learning, adaptation and improved project performance** during implementation;
- **To raise awareness** among people in Lesotho on the importance of changing behaviour around child labour, HIV, gender-based violence, and rangeland management.
- **To capture, use and share lessons learned;**
- **To improve the design of future projects** in Lesotho and elsewhere based on the lessons learned from WAMCOP;
- **To influence policy processes** and scale up successes;
- **To raise awareness of project activities and results**, and publicize successful experiences;
- **To boost the project profile** among decision makers;
- **To engage with and inform rural people** about project activities;
- **To build a community of stakeholders.**

The **activities** will be implemented in three broad action areas: a) raising awareness on the importance of sustainable practices and promoting behavioural change; b) producing



policy-relevant material and sharing lessons learned on what works and what does not for the Wool and Mohair sector; c) promoting WAMCOP’s visibility.

### Knowledge management structure

The implementation of the knowledge management strategy requires **strong and visible leadership from the management team**, and all PCU staff. It will also **require strong partnerships with institutions, partners and the private sector**. Each member of the Unit has the responsibility to engage in developing knowledge products, facilitate connections between the field and headquarter, offer technical support to knowledge-sharing and learning.

At the same time, KM will be the **primary responsibility of the M&E and KM officer at PCU level**. The KM and M&E functions will be carried out in synergy to ensure that:

1. M&E findings on project results are widely disseminated in a clear, synthesized, and interesting way;
2. Knowledge products are backed up by solid M&E evidence (and therefore, the M&E system collects all data necessary for the envisaged knowledge products to be developed);
3. Field visits to collect stories by the KM officer are also used for triangulating M&E data, and the way around;
4. Case studies, stakeholder interviews and surveys, will be used to deepen the understanding of factors contributing to successes and failures, and to enable full documentation of impact. Collaboration will be sought with the University of Lesotho, from which an intern will be hired every year to work with the WAMCOP project and support KM activities.

### SWOT analysis in the KM context

A SWOT analysis is a simple but useful framework for analysing the Strengths, Weaknesses, Opportunities, and Threats that the PCU may encounter, especially when about to start a new project or undergo a midterm evaluation, etc. It can also be used in project planning and eventually evaluation of its activities at various intervals.

This SWOT analysis helps in focusing on the main strengths and leverage them to pursue key opportunities and to avoid threats. The team can also become aware of its weaknesses which might need to be overcome in order to take the greatest possible advantage of potential opportunities available.

The table below is an example of SWOT analysis, to be completed/adjusted/completely modified at start-up and updated during implementation.

**Table 1: WAMCOP KM SWOT analysis**

STRENGTHS	OPPORTUNITIES
<ul style="list-style-type: none"> <li>• Qualified PCU human capital;</li> <li>• A good culture of sharing knowledge inside the PCU;</li> </ul>	<ul style="list-style-type: none"> <li>• Networking with other projects;</li> <li>• Exchange of good practices with partners;</li> </ul>

<ul style="list-style-type: none"> <li>• Use of different dissemination tools, both traditional (website/Facebook) and new (Instagram/YouTube)</li> <li>• Accessible information through different tools e.g., WAMCOP website, Facebook, Instagram, YouTube,</li> <li>• Good M&amp;E system</li> <li>• Adequate human and economic resources for KM;</li> <li>• Presence of partners that support Project implementation.</li> </ul>	<ul style="list-style-type: none"> <li>• Attract more young beneficiaries via social media;</li> <li>• Attract more smallholders to WAMCOP, broadening their knowledge of WAMCOP services</li> </ul>
<b>WEAKNESSES</b>	<b>THREATS</b>
<ul style="list-style-type: none"> <li>• Limited WAMCOP execution;</li> <li>• Low acceptance rate of the beneficiaries to share their story affect communication activities.</li> </ul>	<ul style="list-style-type: none"> <li>• Relatively low level of commitment from the local public authority;</li> <li>• Lack of successful stakeholder engagement (here stakeholders are beneficiaries)</li> </ul>

### Stakeholders and audiences

WAMCOP KM activities will be differentiated depending on the different audiences they aim to reach. The tables 2 and 3 below are examples of KM stakeholders/audiences and KM products that could be used to reach these. Both these tables are to be completed/adjusted/completely modified at start-up and updated during implementation.

**Table 2: WAMCOP KM Stakeholders.**

<b>Stakeholders</b>	<b>What do they want/need to know? What do we want to communicate to them?</b>
<p><b>Local</b></p> <ul style="list-style-type: none"> <li>• Beneficiaries</li> <li>• Local communities</li> <li>• Project staff</li> <li>• Local offices of government agencies and project partners</li> </ul>	<ul style="list-style-type: none"> <li>• Purpose and activities of the project</li> <li>• Opportunities to partner, participate, or benefit</li> <li>• Notifications about project events and meetings</li> <li>• Project results and impacts</li> <li>• Experiences of beneficiaries</li> <li>• Relevant lessons learned</li> <li>• Results of successful pilots and trials of new technologies, crops etc.</li> <li>• Guidelines and methodologies</li> <li>• Results of studies, surveys and assessments undertaken</li> </ul>
<p><b>National</b></p> <ul style="list-style-type: none"> <li>• Project partners</li> <li>• Other similar projects</li> <li>• Government agencies</li> <li>• General public</li> </ul>	

<p><b>International</b></p> <ul style="list-style-type: none"> <li>• Donors/financiers</li> <li>• Development agencies</li> <li>• Communities of practice/interest groups</li> <li>• Other projects</li> <li>• General public</li> <li>• Policy makers</li> </ul>	<ul style="list-style-type: none"> <li>• Policy relevant lessons</li> </ul>
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**Table 3. WaMCoP KM products**

<b>Products</b>	<b>What knowledge can they share and with who?</b>
<ul style="list-style-type: none"> <li>• Videos in local languages</li> </ul>	<ul style="list-style-type: none"> <li>• Directed mainly to the project's beneficiaries and to school children, these products not only contribute to maintaining the feedback loop of the project's activities but also to contribute to the objective of raising awareness and promoting behavioural change.</li> <li>• Their participatory component allows to better portray the beneficiaries point of view. They also allow participants and facilitators to produce powerful stories.</li> </ul>
<ul style="list-style-type: none"> <li>• Stories from the field</li> <li>• Lessons learned</li> <li>• Project briefs</li> <li>• Policy briefs</li> </ul>	<ul style="list-style-type: none"> <li>• Good for sharing information on project activities, results and lessons learned with a wide variety of audiences from beneficiaries to high- level decision makers.</li> <li>• Typically short (a few pages) and not too technical, but with enough detail to be useful or to encourage audience to seek out more information.</li> </ul>
<ul style="list-style-type: none"> <li>• Reports and studies</li> <li>• Technical guidelines</li> <li>• Working papers</li> <li>• How-to-do-note</li> <li>• Research publications</li> <li>• Inputs to partners publications</li> <li>• Inputs to government policies and strategies</li> </ul>	<ul style="list-style-type: none"> <li>• Addressing particular issues in significant detail, normally longer and more analytical and targeted towards audiences with specialist knowledge or interest in the topic.</li> <li>• Require considerable investment of time and resources to produce</li> <li>• Useful opportunities to put project knowledge into action and to use partners and government resources to leverage its impact</li> </ul>

	and raise awareness of the project.
<ul style="list-style-type: none"> <li>• Articles (newspaper/magazine)</li> <li>• Blog posts</li> <li>• Newsletters</li> <li>• Press releases</li> </ul>	<ul style="list-style-type: none"> <li>• Useful for communicating information about project activities and results achieved and reaching a wide general audience.</li> <li>• Newspapers, websites, and blogs are normally eager for content and are normally keen to publish interesting stories from projects.</li> </ul>
<ul style="list-style-type: none"> <li>• Videos</li> <li>• Photos</li> <li>• Interviews</li> <li>• Infographics</li> <li>• Podcasts</li> </ul>	<ul style="list-style-type: none"> <li>• These make great content for the project to disseminate through social media – publishing videos and photos of project activities, beneficiaries, field visits etc. online is a good way to attract interest (but make sure you get permission where necessary). Interviews often provide good soundbites for sharing through social media, perhaps together with links to longer articles or publications.</li> </ul>
<ul style="list-style-type: none"> <li>• TV spots</li> <li>• Radio sessions</li> </ul>	<ul style="list-style-type: none"> <li>• As part of the yearly TV and radio national awareness campaigns, these public communication materials directed to the national scale Lesotho population will not only raise awareness and promote behavioural change but also promote the use of fuel-efficient cooking stoves.</li> </ul>

**Table 4: Template for Knowledge Management action plan**

<b>Activities</b>	<b>Expected outcomes</b>	<b>Target audience</b>	<b>Output (knowledge product)</b>	<b>Dissemination channel</b>	<b>Potential partnership</b>	<b>Timeframe</b>	<b>Budget</b>
Ex. Awareness campaign	Behavioural change on rangeland management	Wool and mohair farmers	TV show	National TV channel	ROLL	Year 3	5.000 USD

Useful KM tools and templates can be accessed on the IFAD KM Resource Centre, accessible through this link: <https://ifadkmcentre.weebly.com/integrating-km-in-projects.html>

## Appendix 5 – GUIDANCE ON INTERIM FINANCIAL REPORTING

### Principles of IFRs

The guiding principles can be summarized as follows:

1. *The first objective is to provide regular, timely financial information, offering fiduciary assurance to IFAD that the funds are being used for the purposes intended and in the most efficient way. IFRs should also provide comparative figures with respect to the approved AWP/B.*
2. *A second objective of IFRs is to support disbursements / justifications of eligible expenditures incurred at projects.*
3. *At the minimum, IFRs should include only sources and uses of funds from IFAD Financing and other Project financing sources administered by IFAD. Any additional financing sources (such as counterpart financing or beneficiary contribution) may be included as supplementary information, if considered necessary by the Finance Officer to monitor financial progress. Annual financial statements, on the other hand, include all project financial sources and uses.*
4. *IFRs should be read together with related documents such as the AWP/B, the Project Design Report, WAs, annual project financial statements and audit reports – as well as implementation, supervision aide memoires, mid-term reviews and completion reports – to get a complete picture of the financial progress of a project. As far as possible, the B/R should not be required to provide IFAD with information already available to the Fund.*
5. *The format of IFRs should provide the minimum information indicated in the reporting template provided. However, some customization may be necessary based on specific project features. During the design phase, the FO/FMS consultants should consider other-donor reporting requirements to harmonize reporting formats and reduce project workload. Common reporting and monitoring arrangements should be agreed with other donors where feasible.*
6. *Projects should prepare IFRs using the same accounting basis/standard and currency that they use for annual financial statements. Otherwise, the financial data of the IFR will not reconcile with the data of the audited annual financial statements.*
7. *The reporting currency of IFRs can be either the functional currency (the currency in which transactions are recorded in the accounting system – usually the local currency) or the currency of the DA (e.g., US\$). Selection of a presentation currency other than the functional currency should be agreed with IFAD/FMD during preparation and should be consistently followed throughout the project period.*
8. *The DA Activity Statement (Report III in the template) will always be in the currency of the Designated Account. When the report on Sources and Uses of Funds (Report II) is prepared in the functional currency, the equivalent amounts for the DA Activity statement (Report III) should be calculated using the forex rates on a FIFO basis. The FIFO method will also apply to determine the amounts to be justified. Projects may need some guidance on the exchange rates to be used for conversion of transactions and balances in the PIM/FM manual.*
9. *Cash forecasts (Report I) should be backed up by working papers that link expenditure forecasts to procurement plans and progress reports, updated*

*every quarter. Forecast figures should be converted to DA currency based on period-ending forex rates. Forex rates used for conversion should be disclosed in the IFR.*

10. The financial information presented in IFRs should ideally be generated using an accounting software. Excel spreadsheet should only be used to edit and combine data derived from accounting software to fit the agreed format.
11. We should not request B/R to repeat information that is already available at IFAD in other reports or systems. Although IFRs focus mainly on financial data, some additional management information reports (fixed asset register, signed contract listing) and physical progress indicators may also be requested as an option.
- 12.** To support fiduciary assurance, Finance Officers may obtain certification on reliability of IFRs from project auditors (or internal auditors where these are available), after considering project financial management risks. This could be specified in auditor TORs.

Content of the IFR and report template

1. The aim of IFRs is to answer the following questions regarding a reporting period: what expenditures were incurred, paid for by which financing source, at what time and purpose. The financing sources will normally include IFAD Financing / instrument and other sources that are administered by IFAD.
2. These reports should be accompanied with a set of brief explanatory notes on the financial variances and some supplementary information to facilitate monitoring.
3. Mandatory reports:
  1. Cash flow forecast (this should cover next 2 quarters on a rolling basis);
  2. Sources and uses of funds (IFAD financing and financing administered by IFAD)
  3. Summary of expenditures by loan/grant categories and by component
  4. DA activity statement.
4. Supplementary reports are to be customized to fit a project's activity and risk profiles, and may include the following:
  1. Procurement progress report
  2. Rural finance/credit line report
  3. Project management cost report
  4. Fixed asset register
  5. Progress report on resolving audit findings / recommendations
  6. List of Withdrawal Applications (WAs) submitted to IFAD to date, to help reconcile with IFAD's Loan Account.
5. The need and capacity for such reports should be based on FM risk ratings and capacity assessments and should be jointly discussed by FOs and CDs during the project design process.
6. Some documents will normally not be required for disbursement purposes, but may be requested prior to or during supervision missions, especially for High / Substantial Risk projects. These include:
  - i. Transaction lists/Statements of Expenditures (SOEs) for specific expenditure categories

- ii. Copies of bank statements (of DA and project bank statements) or a summary of closing balances in each bank account

### **Submission & Recording IFRs in FMDB**

1. IFRs should be submitted on a quarterly basis no later than 45 days of the quarter-end. When Report based disbursements are introduced, IFRs should be submitted along with the WAs. Only in exceptional circumstances will WAs for disbursements be accepted without an IFR being attached.
2. Submission of IFRs is due by projects even though no cash disbursement to the DA is being sought from IFAD, so four are mandatory each year, except of Year 1 or the final year, where the reporting period can be shorter than one full year. In cases when project becomes effective in the middle of the calendar quarter, the first quarterly submission should be for a period less than a quarter.
3. Non-submission or irregular submission of IFRs should be seen as a red flag and should be followed up by the FMS/FO to understand reasons and provide required support.
4. The FO will need to upload IFRs for insertion into FMDB however the future systems plan is that these will be uploaded directly into FMDB from ICP. In view of the above a date insertion and inclusion of authorized signatories on IFRs form would be needed, however this may change later when these are uploaded into ICP by relevant approver in project.

#### IFR Templates

Always obtain most updated version of Interim Financial Reporting template from your IFAD Finance Officer



**Report I: Summary of Sources and Uses of Funds**

<b>Country</b>			
<b>Name of the Project</b>			
<b>IFAD loan number</b>			
<b>IFAD additional financing</b>			
<b>Currency</b>			
<b>Reporting period - start date</b>			
<b>Reporting period - end date</b>			
	Reporting Period (quarterly)	Cumulative annual	Cumulative project life
<b>Opening balance</b>			
Opening balance end of previous period			
<b>Sources of Funds (Income)</b>			
IFAD Loan		-	
IFAD Grant		-	
ASAP Grant		-	
Counterpart funds		-	
<b>Total Sources of Funds</b>	-	-	-
<b>Use of Funds (expenditures) by Project Category</b>			
1- Goods, Works and Inputs		-	
2- Grants & Subsidies	-	-	-
3- Consultancies		-	
4- Operating Costs		-	
5- Salaries & Allowances		-	
Unallocated	-	-	-
<b>Total expenditures</b>	-	-	-
<b>Use of Funds (expenditures) by Project Components</b>			
1- Smallholder Aquaculture Development		-	
2- Aquaculture Value Chain Development		-	
3- Programme Management, monitoring, evaluation		-	
<b>Total expenditures</b>	-	-	-
<b>Receipts minus expenditure</b>	-	-	-
<b>Balance end of the current period</b>	-	-	-

€0.00  
0.00  
0.00

**Represented by:**

DA 1 Balance at end of the quarter, per bank statement	-
DA 2 Balance at end of the quarter, per bank statement	-
Less: outstanding cheques	-
DA Balance per Books	-
Receivable	-
Advance to ----	-
Advance Petty cash fund	-
VAT recoverable	-
Payable	-

- a) Sources of funds from the IFAD loan and grant for the reporting period should match with the totals of the WA-SOE schedule (report no. 5)
- b) The total uses of funds (expenditures) for the reporting period and cumulatively (from the start of the project until the end of the reporting period) should equal total the expenditures in report 2 and 3. and the report to the Government.
- c) The total expenditures for the "cumulative" and "reporting period" should equal the corresponding figures reported to the national government.

- Explanatory Notes:**
- The projects should prepare the Interim financial progress reports (IFPR) using the same accounting basis/standard that they use when they prepare the annual financial statements
  - The currency of the IFPR, should be the same currency as the project annual financial statements.
  - The financial information presented in the IFPR should always be generated by a proper accounting software. Excel is not an acceptable accounting software and it should only be used to edit and combine data to fit the agreed format
  - "Reporting period" refers to transactions occurred in the quarterly/semiannual reporting period as agreed with IFAD. "cumulative annual" refers to the occurred transactions from the beginning of the fiscal year until the end of the reporting period and "cumulatively" refers to the occurred transactions from the beginning of the project life until the end of the reporting period
  - The sources of funds for each individual financier should include all income and all disbursement methods (replenishments, direct payments, special commitments and reimbursements)
  - Note that an exchange gain / loss is not an eligible expenditure by itself, and should not be reported as a separate expenditure item. Instead, if there are realized gains / losses these should be booked to specific approved expenditures/expenditure categories
  - Only cash Beneficiary contribution should be reported. Not in-kind

Interim Financial Report - Cash forecast

Country	
Name of the Project	
IFAD loan number	
IFAD additional financing	
Currency	

Cash forecast			
Quarter	Start Date:	End Date:	
Buffer period	Start Date:	End Date:	

Expenditures breakdown	AWPB variance				Cash forecast			
	Ref.	AWPB Allocations	Annual Actual expenditure (as of)	AWPB Balance	Cash Forecast Next Quarter	Cash Forecast Buffer Period	Total Cash Forecast	Reason for variance
		Jan - Dec 2022	31-Dec-2022	C = A-B	Q1 2022	Q2 2022	F = D + E	
	A	B	C = A-B	D	E	F = D + E	G = C - F	
Category:								
1				-				
2				-				
3				-				
4				-				
5				-				
Total	I	-	-	-	-	-	-	
Component:								
1 Component 1								-
2 Component 2								-
3 Component 3								-
4 Component 4								-
Total	II	-	-	-	-	-	-	
Total Cash Forecast Expenditure	III				-	-	-	
Planned Direct Payments/Reimbursements (less)	IV							
Net forecast expenditure from DA	V=III-IV				-	-	-	
Closing balance funds reconciliation	VI							
Advance Recovery (less)	VII							
Projected closing balance	VIII=VI-V+VII							

Report III: Designated Account Activity Statement

Country	
Name of the Project	
IFAD loan number	
IFAD additional financing	
Currency	0
Reporting period - start date	
Reporting period - end date	

**A: ADVANCES AND JUSTIFICATIONS**

Cumulative Advances by IFAD to the end of current Reporting period	
Cumulative Expenditure justified by IFAD to the end of the period, <b>excluding direct payments</b>	
Outstanding Advances to be accounted for (Line 1 minus Line 2)	-
Cash Balance at the end of period covered by this IFR_PA	
Cash Balance at the end of period covered by this IFR_DA	
Total advance accounted for	-
Reconciliation adjustments	
Amount withdrawn from DA/PA and not yet claimed	
Disbursements to IPs not yet claimed	
Unreconciled amount	

**B: CASH RECONCILIATION FOR PERIOD COVERED BY IFR**

Cash Balance: Beginning of period covered by IFR (line 10 from previous IFR)	
1. Cash Balance in DA	
2. Cash Balance in PA	-
Add:	
3. Cash received from IFAD during the period covered by this IFR:	
4. Interest received on bank account	
5. Revenue from income-generating activities (if applicable)	
6. Other income, if applicable (e.g. income from disposal of fixed assets, tax refunds)	-
Less:	
7. Total cash outflow during period covered by this IFR (same as II. Variance Analysis)	-
<b>8. End of the period balance</b>	-
Cash Balance: End of period covered by IFR	
9. Cash Balance at the end of period covered by this IFR_DA	
10. Cash Balance at the end of period covered by this IFR_PA	-
Reconciliation adjustments	
Amount withdrawn from DA/PA and not yet justified	
Disbursements to IPs not yet claimed	
Unreconciled amount	

Date

### Report IV: Variance Analysis of Use of Funds by Quarter

Country	
Name of the Project	
IFAD loan number	
IFAD additional financing	

Start Date:	
End Date:	

BREAKDOWN BY EXPENDITURE CATEG		Current reporting period				Cumulative annually				Cumulative over project life			
#	Category	Budget	Actual	Variance*	Reason for variance	Budget	Actual	Variance*	Reason for variance	Budget	Actual	Variance*	Reason for variance
1													
2													
3													
4													
5													
TOTAL													

B- BREAKDOWN BY COMPONENTS		Current reporting period				Cumulative annually				Cumulative over project life			
#	Components	Budget	Actual	Variance*	Reason for variance	Budget	Actual	Variance*	Reason for variance	Budget	Actual	Variance*	Reason for variance
1													
2													
3													
4													
TOTAL													

C- BREAKDOWN BY FINANCIERS		Current reporting period				Cumulative annually				Cumulative over project life			
#	Financiers	Budget	Actual	Variance*	Reason for variance	Budget	Actual	Variance*	Reason for variance	Budget	Actual	Variance*	Reason for variance
TOTAL													

#### OPTIONAL

<b>NAME OF THE PROJECT</b> <b>IFAD LOAN/GRANT NUMBER</b> Cash Forecast for Next 2 Reporting Periods Ending on _____
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Interim Financial Report No. \_\_\_\_  
 Annex: I.B

Disbursement Category	Ref	Government			Beneficiaries		
		Next Reporting Quarter	Following Reporting Quarter	Total for 2 Reporting Quarters	Next Reporting Quarter	Following Reporting Quarter	Total for 2 Reporting Quarters
		A	B	C	D	E	F
<b>Forecast by Category:</b>		Currency			Currency		
1	Category 1	-	-		-	-	
2	Category 2	-	-		-	-	
3	Category 3	-	-		-	-	
4	Category 4	-	-		-	-	
5	Category 5	-	-		-	-	
6	Category 6	-	-		-	-	
7	Category 7	-	-		-	-	
<b>Total</b>	<b>I</b>	-	-	-	-	-	-
<b>Forecast by Component:</b>							
1	Component 1	-	-		-	-	
2	Component 2	-	-		-	-	
3	Component 3	-	-		-	-	
4	Component 4	-	-		-	-	
5	Component 5	-	-		-	-	
6	Component 6	-	-		-	-	
7	Component 7	-	-		-	-	
<b>Total</b>	<b>II</b>	-	-	-	-	-	-
<b>Total Expected payments</b>	<b>III</b>	-	-	-	-	-	-
<b>Less Forecast: Inkind contributions</b>	<b>IV</b>	-	-	-	-	-	-
<b>Forecast: Cash to be received</b>	<b>III - IV</b>	-	-	-	-	-	-

**Lesotho**

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**Wool and Mohair Value Chain Competitiveness Project  
Project Design Report**

**Annex 9: Integrated Project Risk Matrix (IPRM)**

Mission Dates: 1-23 June 2022

Document Date: 10/11/2022

Project No. 2000003942

Report No. 6224-LS

East and Southern Africa Division  
Programme Management Department



## Overall Summary

<b>Risk Category / Subcategory</b>	<b>Inherent risk</b>	<b>Residual risk</b>
<b>Country Context</b>	<b>High</b>	<b>High</b>
<i>Political Commitment</i>	<i>High</i>	<i>High</i>
<i>Governance</i>	<i>High</i>	<i>Substantial</i>
<i>Macroeconomic</i>	<i>High</i>	<i>Substantial</i>
<i>Fragility and Security</i>	<i>High</i>	<i>High</i>
<b>Sector Strategies and Policies</b>	<b>Moderate</b>	<b>Low</b>
<i>Policy alignment</i>	<i>Moderate</i>	<i>Low</i>
<i>Policy Development and Implementation</i>	<i>Moderate</i>	<i>Low</i>
<b>Environment and Climate Context</b>	<b>Substantial</b>	<b>Moderate</b>
<i>Project vulnerability to environmental conditions</i>	<i>Moderate</i>	<i>Low</i>
<i>Project vulnerability to climate change impacts</i>	<i>Substantial</i>	<i>Moderate</i>
<b>Project Scope</b>	<b>Moderate</b>	<b>Low</b>
<i>Project Relevance</i>	<i>Moderate</i>	<i>Low</i>
<i>Technical Soundness</i>	<i>Low</i>	<i>Low</i>
<b>Institutional Capacity for Implementation and Sustainability</b>	<b>Moderate</b>	<b>Low</b>
<i>Implementation Arrangements</i>	<i>Moderate</i>	<i>Low</i>
<i>Monitoring and Evaluation Arrangements</i>	<i>Moderate</i>	<i>Low</i>
<b>Project Financial Management</b>	<b>Substantial</b>	<b>Moderate</b>
<i>Project Organization and Staffing</i>	<i>High</i>	<i>Substantial</i>
<i>Project Budgeting</i>	<i>Moderate</i>	<i>Low</i>
<i>Project Funds Flow/Disbursement Arrangements</i>	<i>High</i>	<i>Moderate</i>
<i>Project Internal Controls</i>	<i>Substantial</i>	<i>Moderate</i>
<i>Project Accounting and Financial Reporting</i>	<i>High</i>	<i>Moderate</i>
<i>Project External Audit</i>	<i>Moderate</i>	<i>Low</i>
<b>Project Procurement</b>	<b>Substantial</b>	<b>Moderate</b>
<i>Legal and Regulatory Framework</i>	<i>High</i>	<i>Moderate</i>
<i>Accountability and Transparency</i>	<i>Substantial</i>	<i>Moderate</i>
<i>Capability in Public Procurement</i>	<i>Moderate</i>	<i>Low</i>
<i>Public Procurement Processes</i>	<i>Low</i>	<i>Low</i>
<b>Environment, Social and Climate Impact</b>	<b>Moderate</b>	<b>Low</b>
<i>Biodiversity Conservation</i>	<i>Moderate</i>	<i>Low</i>
<i>Resource Efficiency and Pollution Prevention</i>	<i>Moderate</i>	<i>Low</i>
<i>Cultural Heritage</i>	<i>Low</i>	<i>Low</i>
<i>Indigenous People</i>	<i>Low</i>	<i>Low</i>
<i>Labour and Working Conditions</i>	<i>Moderate</i>	<i>Low</i>
<i>Community Health and Safety</i>	<i>Low</i>	<i>Low</i>
<i>Physical and Economic Resettlement</i>	<i>Low</i>	<i>Low</i>
<i>Greenhouse Gas Emissions</i>	<i>Low</i>	<i>Low</i>
<i>Vulnerability of target populations and ecosystems to climate variability and hazards</i>	<i>Substantial</i>	<i>Moderate</i>

<b>Risk Category / Subcategory</b>	<b>Inherent risk</b>	<b>Residual risk</b>
<b>Stakeholders</b>	<b>Moderate</b>	<b>Low</b>
<i>Stakeholder Engagement/Coordination</i>	<i>Low</i>	<i>Low</i>
<i>Stakeholder Grievances</i>	<i>Moderate</i>	<i>Low</i>
<b>Overall</b>	<b>Substantial</b>	<b>Moderate</b>

<b>Country Context</b>	<b>High</b>	<b>High</b>
<b>Political Commitment</b>	<b>High</b>	<b>High</b>
<p><b>Risk:</b></p> <p>Lesotho will hold national elections in October 2022, and this has the potential of increasing instability in the country and further undermining the reform progress in the country. The ongoing in-fighting within the ruling party, poses a risk to post-election instability and ultimately contributes to a general climate of macro-uncertainty.</p>	High	High
<p><b>Mitigations:</b></p> <p>At a macro level, Lesotho's parliament is under increasing diplomatic pressure to pass a reform bill that would in principle, undermine the institutional instability that has plagued the political sphere (i.e., random floor crossing). This bill is currently before parliament and could be passed prior to elections, which could curb some of the projected instability.</p> <p>At the portfolio level, the Lesotho country team will also proactively engage with the new government once it is installed. Dedicated meetings and briefing sessions with new decision makers will be sought and stronger integration with the UN system on engaging government will be adopted.</p> <p>While the potential of WaMCoP to respond to such a risk remains limited, the project will advance the following approaches:</p> <ul style="list-style-type: none"> <li>• Develop strong director level buy-in, as these bureaucrats often act as the institutional anchors in times of change.</li> <li>• The WaMCoP has carved out substantial space for enhanced private sector participation and implementation, therefore, providing a bulwark against some of the expected uncertainties in the political climate.</li> <li>• Contribute to policy development and capacity building under component 1 of the project.</li> </ul>		
<b>Governance</b>	<b>High</b>	<b>Substantial</b>
<p><b>Risk:</b></p> <p>The fragility and uncertainty in Lesotho is manifesting in weakened governance and policy coherence. Transparency International's Country Corruption Perception places Lesotho at high risk in terms of corruption (38/100). The 2020 AfroBarometer SDG scorecard also highlights a decline in trust amongst Basotho, in their own public institutions. Lesotho is equally undertaking a national reforms process that is geared towards improved governance and strengthening of democratic institutions. A number of bills have been passed to parliament for their review.</p>	High	Substantial
<p><b>Mitigations:</b></p> <p>One of the embedded safeguards in the project against governance risks is the promotion of private sector participation and implementation in the project. The project is also working alongside key service providers (EFI) that contribute to enhanced service delivery and equally, institutional stability. Therefore, insulating the project from the macro-level governance issues flagged. Moreover, IFAD procurement rules and financial best practice will feature strongly to ensure rigorous compliance throughout the project life cycle. The recruitment of key staff, notably, the project director and financial manager, will be competitive and transparent, which should contribute to a culture of effective governance.</p>		
<b>Macroeconomic</b>	<b>High</b>	<b>Substantial</b>

<p><b>Risk:</b></p> <p>Growth in Lesotho has been subdued for several years, even prior to the pandemic in 2020. The macroeconomic outlook for the country is contingent on the performance of South Africa and the United States. However, transfers from the Southern African Customs Union (SACU) which account for around half of the total tax take, will continue to reduce due to the economic contraction in the SACU region. This will require further economic adjustments in Lesotho and could very well see limited counterpart financing.</p>	High	Substantial
<p><b>Mitigations:</b></p> <p>Notwithstanding the importance of counterpart finance from the Government of Lesotho, the project is taking strides to mobilise counterpart finance from the private sector. This should insulate the project to some degree from the uncertainties embedded in the macroeconomic climate of the country.</p> <p>Experience has also shown that on-going projects have considerable leverage to advocate government to advance outstanding counterpart finance and this experience will feed into the legal agreement and equally into discussions with government.</p>		
<b>Fragility and Security</b>	<b>High</b>	<b>High</b>
<p><b>Risk:</b></p> <p>The Kingdom of Lesotho has an unfortunately long history with political instability and security concerns. The spectre of fragility and security should be considered high, especially as the country will see the 2022 general elections taking place later this year. Moreover, the country is highly vulnerable to frequent and severe weather events, particularly flooding and drought.</p>	High	High
<p><b>Mitigations:</b></p> <p>The strong promotion of a trust company that underpins the wool and mohair value chain, is an attempt to create a robust pocket of stability within Lesotho's civil society landscape.</p>		
<b>Sector Strategies and Policies</b>	<b>Moderate</b>	<b>Low</b>
<b>Policy alignment</b>	<b>Moderate</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>The policy environment surrounding WaMCoP is favourable, as the comprehensive national agricultural policy, the national strategic development plan, and the livestock development policy all underscore key tenants of the project. However, the wool and mohair sector is still not underpinned by a clear and predictable sectoral strategy and this does pose some degree of risk, as ad-hoc policy decisions (i.e., marketing regulations of 2018) have often been undertaken in the vacuum of clear policy orientation.</p>	Moderate	Low
<p><b>Mitigations:</b></p> <p>Under component 1 of the project, there will be concerted effort in supporting a sectoral strategy that will underpin key interventions in the sector. The sectoral strategy will be evidence-based and will look to create greater strategic and policy coherence in the wool and mohair sub-sector.</p> <p>Moreover, it is envisioned that the Trust Company will also be a player that drives policy development and can engage with the government on substantive issues.</p>		
<b>Policy Development and Implementation</b>	<b>Moderate</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>Lesotho suffers from a deficit in policy coordination and a lack of financial support that ensures key targets are met. Policy formulation is also not based on scientific research, which often makes it a subjective exercise.</p>	Moderate	Low



<p><b>Mitigations:</b></p> <p>The project will specifically look to intensify the support it provides to key sector actors in driving formidable policies, with accompanying implementation plans. The project will specifically champion, multi-stakeholder policy formulation and implementation accountability under improved value chain governance.</p>		
<b>Environment and Climate Context</b>	<b>Substantial</b>	<b>Moderate</b>
<b>Project vulnerability to environmental conditions</b>	<b>Moderate</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>The environmental vulnerabilities for WaMCoP activities include erosion, which may increase due to cultivation on slopes and sheep rearing. This will lead to land degradation and possible siltation of water channels. The current soil fertility conditions entail increased use of agro-chemicals for the desired levels of fodder production, which will lead to diffuse sources of pollution in some locations. Discharge of poor-quality effluent from slaughter slabs and other wool and Mohair value chain processing will result in point sources of pollution at these sites.</p>	Moderate	Low
<p><b>Mitigations:</b></p> <p>The risks resulting from environmental conditions will be managed through the capacity building of the smallholders in environmental management and efficient resource use, including agro chemicals, erosion control measures such as vegetated contours, water conservation and focus on rehabilitation of existing rangelands.</p>		
<b>Project vulnerability to climate change impacts</b>	<b>Substantial</b>	<b>Moderate</b>
<p><b>Risk:</b></p> <p>The main climate change risks to reaching the WaMCoP objectives include rising temperatures and rainfall variability with more intense rainfall in some areas, shorter rainy seasons and potential droughts in some locations. High temperatures may lead to decreased yields and quality of fodder and degradation of grazing rangelands, increased pests and diseases incidences, poor drainage in low-lying areas and soil erosion that results in reduced water holding capacity and soil fertility.</p>	Substantial	Moderate
<p><b>Mitigations:</b></p> <p>Climate change adaptation measures under WaMCoP include capacity building for the producers on husbandry activities and resource use efficiency, water use efficient irrigation systems. The infrastructure developed under WaMCoP will be climate resilient to improve water use efficiency and harvest rainwater for productive use.</p>		
<b>Project Scope</b>	<b>Moderate</b>	<b>Low</b>
<b>Project Relevance</b>	<b>Moderate</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>The risk is flagged as moderate due to the dynamic nature of the wool and mohair sector; however, the project has received extensive inputs from government and civil society representatives. There has also been alignment sought with government policies and IFAD internal frameworks.</p>	Moderate	Low
<p><b>Mitigations:</b></p> <p>As indicated above the project has received extensive inputs from several officials spanning government, private and civil society sectors. Moreover, the project will go through a robust review cycle through the Public Sector Investment Committee (PSIC). Moreover, a key pillar of the project will see the "compacting" of value chain actors under a trust company, this should further contribute to an evolving "relevance" of the project, especially as the trust company will lead implementation of key activities.</p>		

<b>Technical Soundness</b>	<b>Low</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>WaMCoP will naturally build on the key lessons accumulated through the existing Wool and Mohair Promotion Project. However, The Trust Company and its key role in driving the project is a risk to be acknowledged. And naturally, a trust company that has a weak operational thrust in implementing selected activities, could undermine the effectiveness of the project.</p>	Low	Low
<p><b>Mitigations:</b></p> <p>The Trust Company (which will be established before the project) will receive a robust evaluation of its ability to act as an implementing entity and where need be, will be supported to ensure it is able to carry out certain functions. Moreover, an 18-month implementation plan coupled with clear contingency plan will serve as guiding frameworks in the project design report and related annexes.</p>		
<b>Institutional Capacity for Implementation and Sustainability</b>	<b>Moderate</b>	<b>Low</b>
<b>Implementation Arrangements</b>	<b>Moderate</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>The ministerial level risk here is quite minimal, as the line ministry is currently implementing two IFAD-supported projects. However, the ministry does have a deficit in terms of comprehensive institutional capacity and human resources that allow it to effectively deliver against its objectives.</p> <p>A risk related to the Trust Fund-Trust Company set-up is the delay in its establishment.</p> <p>There is also a risk that there could be a delay in establishing the input supply-pre financing system through the revolving fund.</p>	Moderate	Low
<p><b>Mitigations:</b></p> <p>Mitigations: WaMCoP has been conceptualised in such a manner, that the envisioned risk is managed. These necessary steps embedded in the project's concept include:</p> <ul style="list-style-type: none"> <li>• An efficient PCU that will undertake all day-to-day operational functions related to the project</li> <li>• A steering committee that will strengthen oversight and provide guidance when called upon</li> <li>• The Line Ministry will be further capacitated, especially as the project intends to advance a sectoral strategy that will advance the wool and mohair value chain.</li> </ul> <p>With respect to the Trust Fund-Trust Company delays, the following measures will be introduced:</p> <ul style="list-style-type: none"> <li>• The Lesotho National Development Corporation will be requested to take over key activities related to the financing of the value chain, in line with their capabilities and strengths.</li> <li>• The project coordination unit lead key component 2 related activities, namely the roll-out of the certification system and supporting the digital platform.</li> <li>• The Trust Fund-Trust Company model will be evaluated in line with the phased approach and where necessary, a project level restructuring will take place to account for the delays. This might involve changing the implementation arrangements and empowering LNDC and the PCU to lead project implementation and making the Trust Fund-Trust Company set-up a key outcome of the project.</li> </ul> <p>In the event there are delays in establishing the input supply-pre financing system through the revolving fund, the following measures will be applied:</p> <ul style="list-style-type: none"> <li>• The PCU and LNDC will sign a performance agreement contract that will see LNDC manage the revolving fund, while reporting to the project coordination unit. This will aim to fast-track any delays experienced if the input supply mechanism does experience substantial delays.</li> </ul> <p>These mitigation measures strongly align with discussions with LNDC, in particular, its role as a fall-back option in the project.</p>		
<b>Monitoring and Evaluation Arrangements</b>	<b>Moderate</b>	<b>Low</b>

<p><b>Risk:</b></p> <p>This risk emanates from the executing agency's M&amp;E processes and systems are weak or inefficient, resulting in a limited ability to monitor, validate, analyse, and communicate results, capture lessons, and adjust implementation to seize opportunities and take corrective actions in a timely manner.</p>	Moderate	Low
<p><b>Mitigations:</b></p> <p>WaMCoP will be staffed by an M&amp;E officer, M&amp;E assistant, and KM and communication officer. A robust M&amp;E system will be linked to the project's Management Information System (MIS) and data on outcomes and impact will be collected through a set of three surveys (baseline, mid-line, and completion). Moreover, the WhatsApp yearly surveys piloted by ROLL, will be integrated into WaMC-P and this will provide another layer of assessing the delivery of project services and related lessons learned.</p> <p>The digital platform will also provide another critical feedback loop that will inform the decision making of the project and fundamentally, assist in taking corrective measures if the occasion arises.</p>		
<b>Project Financial Management</b>	<b>Substantial</b>	<b>Moderate</b>
<b>Project Organization and Staffing</b>	<b>High</b>	<b>Substantial</b>
<p><b>Risk:</b></p> <p>The Lead Project Agency, MAFS, has previously implemented some IFAD -funded projects. The LPA will establish a PMU to manage component 1 and component 3 activities while a Trust Fund and Trust Company will be formed to lead Component 2 activities. Considering that there will be multiple implementing agencies with fiduciary responsibilities, there is a risk of complexity in reporting lines and logistical set up which may lead to inadequate FM organisational arrangements.</p>	High	Substantial
<p><b>Mitigations:</b></p> <p>One Finance Manager and one Accountant will be competitively hired at the PCU level. Additionally, one Accountant will be competitively recruited for the Trust Fund/Company to support the Trust's technical/operational staff, overseeing the financial transactions and will have a functional reporting line to PMU Finance Manager. FM capacity on IFAD's practices will be built through regular training courses for project staff.</p>		
<b>Project Budgeting</b>	<b>Moderate</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>Low budget credibility arising during implementation due to unrealistic estimates and un-clarity in roles and responsibilities in the planning process. Risk in timely budget submission to IFAD due to lengthy consolidation processes</p>	Moderate	Low
<p><b>Mitigations:</b></p> <p>Start drafting and the budget in the 3rd quarter of each year to allow for timely consolidation and sharp scrutiny for realistic estimates. Effective budget-module installed to monitor deviations. WaMCoP PCU to manage the process so that final revisions are agreed upon timely to facilitate PCU's submission of final consolidated AWPB within 60 days before the beginning of each year.</p>		
<b>Project Funds Flow/Disbursement Arrangements</b>	<b>High</b>	<b>Moderate</b>
<p><b>Risk:</b></p> <p>Risk in timely flow of resources to the Trust Fund /Company due to the complex organizational structure. Also, irregular submission of WA may disrupt access to funds, leading to cross-financing practices and delay in implementation.</p>	High	Moderate

<p><b>Mitigations:</b></p> <p>WaMCoP PCU's quarterly submission of Interim Financial Reports (IFR) inclusive of cash forecast for the next two quarters will ensure prompt liquidity phasing. Implementing partners, through memorandum of understanding (MoUs) and strong reporting framework, will secure that fund financed by IFAD will flow to beneficiaries for the intended purposes of the project and that any residual funds will be returned to IFAD through WaMCoP PCU.</p>		
<p><b>Project Internal Controls</b></p>	<b>Substantial</b>	<b>Moderate</b>
<p><b>Risk:</b></p> <p>Understaffed internal audit unit at the LPA unable to undertake regular internal audits. Also, the organizational set up with cross reporting lines may pose challenges to the internal control flow.</p>	Substantial	Moderate
<p><b>Mitigations:</b></p> <p>Use of external assurance service providers to conduct WaMCoP 's internal audits twice a year supervised by Project Steering Committee (PSC). Performance audits for the Trust Fund and Trust Company performed on six-monthly basis by reputable external assurance audit services provider supervised by the Office of Auditor General (OAG) to report on key operational milestones including evidence of strong management and proper functioning of the Trust Fund and Trust Company. Finalizing the first draft of the PIM, including the finance manual section, before implementation start WaMCoP PIM/FMM with clarity on the financial coordination roles by the PCU which will include: (i) budget planning, preparation and monitoring in close coordination with Finance Manager and M&amp;E Specialist, (ii) budget execution and treasury management, (iii) financial reporting to Government and IFAD, (iv) accounting software implementation and customization, (v) coordination of internal/external audit, (vi) compliance with IFAD's processes and procedures and (vii) securing FM operational continuity relating the opening and the closing of projects.</p>		
<p><b>Project Accounting and Financial Reporting</b></p>	<b>High</b>	<b>Moderate</b>
<p><b>Risk:</b></p> <p>Lesotho Government currently uses Integrated Information Management Systems (IFMIS) for financial accounting and reporting. IFMIS can provide adequate audit trail, regulate access control, and budget vs actuals reports. However, donor project accounting is done outside IFMIS because of operational issues such as incomplete records and unreconciled items. Need to accurately record and account for in-kind contributions</p>	High	Moderate
<p><b>Mitigations:</b></p> <p>Timely contracting for an off-the-shelf accounting software with the adoption of the chart of accounts of the Ministry of Finance so that once the operational issues of IFMIS are resolved, the project can transition to IFMIS. The software shall have an effective budget module and reporting capacity aligned to IFAD's minimum requirements at the PCU and for all implementing agencies with fiduciary responsibilities. WaMCoP PCU prepares consolidated financial reports for the purposes of monitoring and reporting to IFAD (IFRs and AFS).</p>		
<p><b>Project External Audit</b></p>	<b>Moderate</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>Delayed /inadequate external scrutiny of WaMCoP-P. Also, WaMCoP-P will work with private sector implementing agencies with fiduciary responsibilities (Trust Fund/ Company and Ethical Fashion) which will manage some key aspects of the project. According to the Office Auditor General, Trust Funds and Companies with less than 50% Government shareholding are not subject to OAG audit.</p>	Moderate	Low

<p><b>Mitigations:</b></p> <p>Early engagement of OAG for exploring availability/capacity to include WaMCoP into yearly OAG work plan. Trust Fund Company and Ethical Fashion to be audited by a private audit firm but supervised by the OAG.</p>		
<p><b>Project Procurement</b></p>	<p><b>Substantial</b></p>	<p><b>Moderate</b></p>
<p><b>Legal and Regulatory Framework</b></p>	<p><b>High</b></p>	<p><b>Moderate</b></p>
<p><b>Risk:</b></p> <p>No procurement law exists, as the procurement framework consists of the 2007 Public Procurement Regulations and Procurement Manual. No national standard bidding documents currently exist. There is no reliable record/database for either monitoring procurement management or tracking procurement activities and methods used. Public access to procurement information is insufficient.</p>	<p>High</p>	<p>Moderate</p>
<p><b>Mitigations:</b></p> <p>In 2018, the government released "The Public Procurement Policy", the first step towards a new and more comprehensive and efficient public procurement framework. Specifically, the government set the development of public procurement policies, legislation, guidelines and processes as a primary objective. As of June 2022, no progress in the rolling out of the new public procurement framework was noticed. As a transitional measure until an updated and complete national public procurement framework is rolled out in the country, procurement under WaMCoP will follow IFAD's project procurement framework, resulting in the full adoption of IFAD's Project Procurement Guidelines, Project Procurement Handbook and Standard Procurement Documents. WaMCoP will be set up on the Contract Monitoring Tool (CMT) function of ICP, thus allowing for efficient tracking of contracts, including data on what has been procured, value of procurement and identity of suppliers, contractors, consultants and service providers. IFAD will periodically carry out a review of the quality of data inserted in the CMT to ensure it is accurate and up to date. IFAD can strongly encourage government through policy dialogue to accelerate the completion of the PPAD website, and it is recommended that it do so through the COSOP consultations with the government. Once completed, the PPAD website will grant full access to information concerning audit reports, compliance reports, procurement statistics, standard bidding documents, complaints &amp; appeals, blacklisted firms, annual procurement plans, bid notices and contract awards.</p>		
<p><b>Accountability and Transparency</b></p>	<p><b>Substantial</b></p>	<p><b>Moderate</b></p>
<p><b>Risk:</b></p> <p>The country lacks publicly available information on the procurement complaints management, specifically concerning cases being heard and applicable procedures. While Lesotho presents a medium Country Corruption Perception Index Score (38/100), the local authority responsible for investigating corruption allegations is not independent from the government and no systematic debarment system is in place. Furthermore, there is an unclear relationship between the procurement units, the Procurement Policy, and Advice Division (PPAD) and the Directorate on Corruption &amp; Economic Offence (DCEO), which is Lesotho's anti-corruption authority. The risk is that accountability, transparency and oversight arrangements could be inadequate to safeguard the integrity of project procurement and contract execution, leading to potential cases of mis procurement and unintended use of funds.</p>	<p>Substantial</p>	<p>Moderate</p>

<p><b>Mitigations:</b></p> <p>The Revised IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations shall apply to all projects, vendors and third parties, in addition to the relevant national anticorruption and fraud laws. Pursuant to said Policy, IFAD has the right to sanction firms and individuals including by declaring them ineligible, either indefinitely or for a stated period of time, to participate to any IFAD-financed and/or IFAD-managed activity or operation. IFAD also has the right to unilaterally recognize debarments by any of the International Financial Institutions that are members to the Agreement for Mutual Enforcement of Debarment Decisions if such debarments meet the requirements for mutual recognition under the Agreement for Mutual Enforcement of Debarment Decisions. IFAD can strongly encourage government through policy dialogue to accelerate the adoption of the Public Procurement Bill, 2018, which provides the establishment of an autonomous Public Procurement Authority tasked with debarring suppliers, contractors or consultants from participating in public procurement/ IFAD/ All years of project implementation. IFAD can also strongly encourage government through policy dialogue to publicly share information concerning cases being heard by the Procurement Tribunal, as well as a copy of the rules governing the proceedings of the Procurement Tribunal, and it is recommended that it do so through the COSOP consultations with the government.</p>		
<p><b>Capability in Public Procurement</b></p>	<p><b>Moderate</b></p>	<p><b>Low</b></p>
<p><b>Risk:</b></p> <p>The recruitment process of project staff may not guarantee the standards of competition, fairness and transparency required by IFAD. The selected staff may need capacity buildings in donor-funded procurement and the IFAD project procurement framework.</p>	<p>Moderate</p>	<p>Low</p>
<p><b>Mitigations:</b></p> <p>IFAD will monitor the recruitment process of WaMCoP's procurement staff, to ensure competition, fairness and transparency. The Procurement Officer and Procurement Assistant to be invited to the BUILDPROC, the procurement certification programme launched by IFAD and the ITCILO. The BUILDPROC focuses on the integration of safeguards into procurement and on challenges faced by borrowers/recipients in their local markets. IFAD will provide in-person and remote trainings on its project procurement framework and international procurement practice from the start-up phase of WaMCoP. The Procurement Unit, Tender Panel and Technical Units of MAFS should attend said trainings together with the relevant members of the PMU.</p>		
<p><b>Public Procurement Processes</b></p>	<p><b>Low</b></p>	<p><b>Low</b></p>

<p><b>Risk:</b></p> <p>Currently, foreign companies are required to pay cash to collect bidding documents from the procurement office. There is a risk that procurement plans will be submitted for IFAD's no-objection late, that is when the corresponding financial year has already begun. Additionally, it has been observed that PMUs tend to react to IFAD's comments to the procurement plan with considerable delay, which further delays IFAD's No-Objection. Procurement staff may not be adequately or timely involved during the planning phase of the AWPB. One key risk that affected the earlier IFAD-funded project implemented by MAFS (WAMPP) was the expiration of the bid validity period before contract award, which resulted in a number of procurement processes having to be repeated. The contracts awarded following an ICB process are advertised on UNDB online. For other procurement methods, advertising is not always done. Another key risk for the project is contract administration and management. In fact, WAMPP's PCU exhibited instances of weak contract management, causing a number of contracts to expire before completion and without a timely extension. This was further exacerbated by WAMPP failing to keep contract data updated on the CMT. Therefore, this may also constitute a risk for WaMCoP. Substantial delays with works contracts have been noticed with WAMPP, with contractors abandoning the construction site in some cases. For WAMPP, record retention was found to be needing improvement with reference to procurement processes carried out by entities other than the PCU (e.g. (e.g., the LNWMGA). This may constitute a risk for WaMCoP as well, considering that the identified implementing partners will carry out procurement process directly.</p>	Low	Low
<p><b>Mitigations:</b></p> <p>WaMCoP will ensure that access to bidding documents by foreign firms is also available online. To that end, WaMCoP will set up its own website, where a GPN and tender opportunities will be advertised. The provisions of the financing agreement stating that the Lead Project Agency shall submit a draft AWPB and procurement plan to IFAD no later than sixty days before the beginning of the relevant project year must be enforced. The calendar of IFAD's implementation support missions could be adjusted to precede the project's planning period, thus providing timely support and not impeding the planning process. Additionally, the PMU will be encouraged to be more proactive in addressing IFAD's comments to the procurement plan and to implement simple upgrades as soon as possible, even pending more serious matters that will require an overhaul of the plan. This will allow the PMU to receive a timely IFAD's No-Objection to the procurement plan, while working on further improving the same during the financial year. The procurement unit must be adequately consulted during the planning phase before the beginning of each financial year. This will allow the procurement unit to provide feedback on whether procurement activities are achievable within the targets of the AWPB. The PIM will define the rules of engagement for procurement staff during the annual planning process. Given the delays often affecting evaluation of bids, the PMU of WaMCoP will be cautioned to closely monitor the bid validity period of all ongoing procurement processes. This will also be captured in the PIM. WaMCoP will publicly advertise all contract award on its website. The PIM of WaMCoP will clearly state responsibilities for contract management and the procurement unit must ensure that each contract signed clearly mentions the assigned contract manager. IFAD's Contract Monitoring Tool (CMT) will be deployed from the start-up phase of the project and the ESA Procurement Team will follow up with the procurement team to ensure that contract data inserted therein is accurate and up to date. For civil works, the contract manager will be the project engineer, who will be competitively recruited. The PIM will also encourage the PMU to engage in formal correspondence with contractors whenever performance delays occur. Additionally, the PIM will require the PMU to apply all remedies available under the contract and to timely extend contracts about to expire when the related works are still outstanding. The PIM of WaMCoP will clearly state that copies of all contract administration records will have to be kept at the PMU offices, regardless of the implementing agencies. To that end, adequate filing space must be allocated at the PMU offices.</p>		
<p><b>Environment, Social and Climate Impact</b></p>	<b>Moderate</b>	<b>Low</b>
<p><b>Biodiversity Conservation</b></p>	<b>Moderate</b>	<b>Low</b>

<p><b>Risk:</b></p> <p>The expansion of agricultural activities, e.g. establishment of sheep studs, sheep sheds and improvements of grazing areas is likely to have adverse impacts on biodiversity conservation depending on the current use of the land to which the expansion will occur. Additional risks also result from the infrastructure development that will also potentially entail land use change and clearance of vegetation.</p>	Moderate	Low
<p><b>Mitigations:</b></p> <p>The expansion of agriculture areas will target degraded areas that can be rehabilitated as much as possible. The expansion and infrastructure development will be in non-sensitive areas and rehabilitation will be promoted in areas where vegetation will be removed.</p>		
<p><b>Resource Efficiency and Pollution Prevention</b></p>	<b>Moderate</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>Activities targeting improved productivity will result in increased use of agro-chemicals and water resources for the different value chains. The increased use of agro chemicals will result in point pollution for the land and some water sources.</p>	Moderate	Low
<p><b>Mitigations:</b></p> <p>The capacity building for the smallholders will include optimal use of agrochemicals with safe handling and disposal. Water resource use efficiency will be promoted through the soil and water conservation activities as well as the efficient irrigation systems.</p>		
<p><b>Cultural Heritage</b></p>	<b>Low</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>Natural features, antics and relics may be destroyed in the project area e.g., during excavations for foundations for agriculture infrastructure.</p>	Low	Low
<p><b>Mitigations:</b></p> <p>(i) Conduct feasibility studies, fencing, introduce proper antiquity education programmes; (ii) Come up with a Physical cultural resources' management plan; (iii) Establish procedure for chance finds.</p>		
<p><b>Indigenous People</b></p>	<b>Low</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>Lesotho consists almost entirely of the Basotho people (99.7%) and the other subgroups are poorly defined and essentially part of the Basotho people.</p>	Low	Low
<p><b>Mitigations:</b></p> <p>All people (Basotho) to be treated equally regardless of possible different ethnic origin.</p>		
<p><b>Labour and Working Conditions</b></p>	<b>Moderate</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>Poor working conditions at sheep sheds.</p>	Moderate	Low



<p><b>Mitigations:</b></p> <ul style="list-style-type: none"> <li>• Ensure contractors adopt principles of decent work and the associated work programme in Lesotho.</li> <li>• Monitor execution of cash-for-work programmes</li> <li>• Ensure grievance mechanisms are known and accessible to workers</li> <li>• Promotion of nutrition-sensitive meals during working hours</li> <li>• Supporting first-aid box and to provide minimal level of training</li> </ul>		
<p><b>Community Health and Safety</b></p>	<b>Low</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>Workers (i.e., shearing shed workers) contracting diseases at work. Risks are also likely to result from zoonotic diseases considering that WaMCoP is a livestock intervention.</p>	Low	Low
<p><b>Mitigations:</b></p> <p>To mitigate the risks the following approaches will be adopted:</p> <ul style="list-style-type: none"> <li>• Promote safe work through Standard Operating Procedures, training and awareness raising</li> <li>• Encourage and enforce the use of PPE</li> <li>• Supporting first-aid box and to provide minimal level of training;</li> <li>• Enlisting the names and numbers of village doctors in nearby community places/shops;</li> <li>• Encourage regular workplace cleaning.</li> </ul>		
<p><b>Physical and Economic Resettlement</b></p>	<b>Low</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>No physical resettlement is envisaged. However economic resettlement may occur if:</p> <ul style="list-style-type: none"> <li>• If the project embarks on establishing additional sheep and goats breeding studs, land consolidation and/or clearing of bona-fide occupants of government land could occur.</li> <li>• If the project pilots larger fodder production and land-consolidation (either at sharecropping or through formal block-farm building, this could also trigger land-re-allocation in principle.</li> <li>• Depending on the types of activities that will be employed, the improved grazing rangeland management may result in deprivation of members of the community from accessing some resources.</li> </ul>	Low	Low
<p><b>Mitigations:</b></p> <p>Enforce the implementation of the Resettlement Plan Framework. Avoid any subprojects that will entail any physical displacement of people. Minimise any potential economic displacements.</p>		
<p><b>Greenhouse Gas Emissions</b></p>	<b>Low</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>Emissions may emanate from accumulations of Sheep and Goats dung (nitrous oxide) if not properly managed especially at sheep and goats studs.</p>	Low	Low
<p><b>Mitigations:</b></p> <p>Use of sheep and goats' dung as farm manure since it gets assimilated into the soils and broken down by bacteria if it is spread out in the fields.</p>		
<p><b>Vulnerability of target populations and ecosystems to climate variability and hazards</b></p>	<b>Substantial</b>	<b>Moderate</b>

<p><b>Risk:</b></p> <p>Most of the WaMCoP target beneficiaries depend on rain-fed agriculture for their livelihoods. This dependency increases their vulnerability to variable climate. Some of the WaMCoP locations are also water stressed, which increases the vulnerability of the ecosystems.</p> <p>There is also the risk of accelerating land degradation and the total loss of topsoil on sloping rangelands.</p>	Substantial	Moderate
<p><b>Mitigations:</b></p> <p>CSA investments will reduce the vulnerability to climate variability. The CSA investments that will reduce the risks include the following:</p> <ul style="list-style-type: none"> <li>• Building capacity and developing Knowledge and decision support systems to manage the risks.</li> <li>• Efficient water management including use of alternative water sources to contribute to addressing water stress and incidents of drought.</li> <li>• Establishing off farm enterprises to supplement livelihoods for the farmers.</li> <li>• Shifting crop calendars to fit into changing climate.</li> <li>• Enhance community level irrigation to bolster fodder production</li> <li>• Development of new crop varieties and technologies to support farming.</li> <li>• Investing in disaster risk reduction and management (DRR/M) and improved monitoring and early warning systems.</li> </ul> <p>To manage the risk of further land degradation, WaMCoP will partner with ROLL to:</p> <ul style="list-style-type: none"> <li>• Invest in proper land use planning and management including greening, afforestation, and rangeland management.</li> <li>• Through the land management plans of the responsible standards use that as an operational entry point support institutional structure, such as grazing associations to better manage the rangelands.</li> <li>• Support the implementation of the rangeland management act and the enforcement of grazing rules and related fines</li> </ul>		
<p><b>Stakeholders</b></p>	Moderate	Low
<p><b>Stakeholder Engagement/Coordination</b></p>	Low	Low
<p><b>Risk:</b></p> <p>Envisioned risks relate to the following:</p> <ul style="list-style-type: none"> <li>• level of participation of all relevant stakeholders during project planning and designing</li> <li>• lack of ownership of the project by the locals.</li> </ul>	Low	Low
<p><b>Mitigations:</b></p> <ul style="list-style-type: none"> <li>• All relevant stakeholders should be continuously involved and attend meetings from planning to implementation.</li> <li>• Integrate gender sensitive approaches into all activities including training.</li> <li>• Inform and encourage beneficiaries to use project's SEA-Grievance and Redress Mechanism (GRM) to report any misconduct.</li> <li>• Conduct all-encompassing and continuous Stakeholder Engagement to keep all stakeholder abreast with the project progress.</li> </ul>		
<p><b>Stakeholder Grievances</b></p>	Moderate	Low
<p><b>Risk:</b></p> <p>Grievance redress mechanism not availed to project stakeholders. And channels for lodging complaints not clarified to stakeholders.</p>	Moderate	Low
<p><b>Mitigations:</b></p> <p>GRM should be well publicised to all potential PAP.</p> <ul style="list-style-type: none"> <li>• The access point for impacted/concerned people should be as closest to them as possible and at all WaMCoP offices.</li> </ul>		

## Lesotho

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### **Wool and Mohair Value Chain Competitiveness Project Project Design Report**

### **Annex 10: Exit Strategy**

Mission Dates: 1-23 June 2022

Document Date: 10/11/2022

Project No. 2000003942

Report No. 6224-LS

East and Southern Africa Division  
Programme Management Department



## **Annex 10: Exit Strategy**

The WaMCoP's exit strategy is embedded in project design. It is expected that the TF-TC consortium will sustain the use of the entrusted physical and financial assets to progressively improve VC coordination functions and increase equitable service delivery to farmers and other VC players. The PCU's support to the TC-TF consortium is conceived to be degressive from year 1 to year 3, with the consortium sustaining business from year 4 onward. By the end of WaMCoP, the TF-TC consortium will be fully in capacity of managing the sector independently, raising funding from different sources: (1) fees paid by value chain players; (2) benefits derived from physical and financial assets management; and (3) private resources leveraged in the market.

To make that scenario materializes, the following exit strategy activities will start from year 1:

- Activity 1 – Six monthly external audits of the TF-TC consortium performed from year 1 to year 6 (2 years after the consortium gains financial autonomy), and annual audits from year 7. The auditor will send its reports to IFAD via PCU and to Government (PS-MAFS).
- Every year, the second audit, will lead to a tripartite meeting between the Board of Trustees, and the Board of Directors for the consortium, the Government (including LNDC) and IFAD, to review the progress.
- Prior to the mid-term review, and 18 months before the end of the project, PCU will recruit a service provider to perform an institutional audit aimed at assessing the performance and sustainability of the TF-TC Consortium.

Other exit strategy activities will concern PCU led interventions and take place towards the end of year 6. PCU will recruit service providers to assess progress and identify activities required to ensure sustainability of the following interventions: (1) the breeding program; (2) the culling exchange operation; (3) the support to saving groups; (4) the promotion of input supply chains (genetic material, feed and fodder, vet services and vet drugs).

**Lesotho**

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**Wool and Mohair Value Chain Competitiveness Project**

**Project Design Report**

**Annex 11: Mainstreaming themes – Eligibility criteria checklist**

Mission Dates: 1-23 June 2022

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Mainstreaming themes – Eligibility criteria checklist						
	<input type="checkbox"/> Gender Transformative	<input checked="" type="checkbox"/> Youth Sensitive	<input type="checkbox"/> Nutrition Sensitive	<input type="checkbox"/> Persons with Disabilities	<input type="checkbox"/> Indigenous Peoples	<input checked="" type="checkbox"/> Climate Finance <input checked="" type="checkbox"/> Adaptive Capacity
<b>Situation analysis</b>	<input type="checkbox"/> National gender policies, strategies and actors <input checked="" type="checkbox"/> Gender roles and exclusion/discrimination <input checked="" type="checkbox"/> Key livelihood problems and opportunities, by gender	<input checked="" type="checkbox"/> National youth policies, strategies and actors <input checked="" type="checkbox"/> Main youth groups <input checked="" type="checkbox"/> Challenges and opportunities by youth group	<input type="checkbox"/> National nutrition policies, strategies and actors <input type="checkbox"/> Key nutrition problems and underlying causes, by group <input type="checkbox"/> Nutritionally vulnerable beneficiaries, by group	<input checked="" type="checkbox"/> National policies, strategies and actors <input checked="" type="checkbox"/> Main groupings among PwDs <input checked="" type="checkbox"/> Context-based barriers and opportunities for PwDs	<input type="checkbox"/> International standards, national policies, strategies and key IPs' organizations <input type="checkbox"/> Main IPs communities, demographic, social, cultural and political characteristics <input type="checkbox"/> Important livelihoods constraints and opportunities for IPs and their cultural heritage	
<b>Theory of change</b>	<input checked="" type="checkbox"/> Gender policy objectives (empowerment, voice, workload) <input type="checkbox"/> Gender transformative pathways <input type="checkbox"/> Policy engagement on GEWE	<input checked="" type="checkbox"/> Pathways to youth socioeconomic empowerment <input checked="" type="checkbox"/> Youth employment included in project objectives/activities	<input type="checkbox"/> Nutrition pathways <input type="checkbox"/> Causal linkage between problems, outcomes and impacts	<input type="checkbox"/> Pathways to PwDs' socioeconomic empowerment using a twin-track approach	<input type="checkbox"/> Pathways to IPs' socioeconomic empowerment	
<b>Logframe indicators</b>	<input checked="" type="checkbox"/> Outreach disaggregated by sex, youth and IPs (if appropriate) <input checked="" type="checkbox"/> Women are > 40% of outreach beneficiaries <input checked="" type="checkbox"/> IFAD empowerment index (IE.2.1)	<input checked="" type="checkbox"/> Outreach disaggregated by sex, youth and IPs (if appropriate) <input checked="" type="checkbox"/> Persons with new jobs/employment opportunities (CI 2.2.1)	<input type="checkbox"/> Outreach disaggregated by sex, youth and IPs (if appropriate) <input type="checkbox"/> Targeted support to improve nutrition (CI 1.1.8)  <b>Outcome level CIs</b> <input type="checkbox"/> CI 1.2.8 MDDW <input type="checkbox"/> CI 1.2.9 KAP	<input checked="" type="checkbox"/> Outreach disaggregated by sex, youth, disability and IPs (if appropriate)	<input type="checkbox"/> Outreach indicator disaggregated by sex, youth and IPs <input type="checkbox"/> IPs are > 30% of target beneficiaries	
<b>Human and financial resources</b>	<input checked="" type="checkbox"/> Staff with gender TORs <input checked="" type="checkbox"/> Funds for gender activities <input checked="" type="checkbox"/> Funds for IFAD empowerment index in M&E budget	<input checked="" type="checkbox"/> Staff with youth TORs <input checked="" type="checkbox"/> Funds for youth activities	<input type="checkbox"/> Staff or partner with nutrition TORs <input type="checkbox"/> Funds for nutrition activities	<input checked="" type="checkbox"/> Staff with disability inclusion-specific TORs <input type="checkbox"/> Funds for disability inclusion-related activities (including accessibility)	<input type="checkbox"/> Staff with IPs-specific TORs <input type="checkbox"/> Funds for IPs related activities, including FPIC	IFAD Adaptation Finance      \$4,130,000  IFAD Mitigation Finance      \$0  Total IFAD Climate-focused Finance      \$4,130,000



<b>ECG Remarks</b>	<b>Gender</b> <b>Nutrition</b> <b>Youth</b> Project meets the criteria mentioned under youth sensitive approach. <b>Persons with Disabilities</b> <b>Indigenous Peoples</b> <input type="checkbox"/> No social inclusion themes
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## Lesotho

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### **Wool and Mohair Value Chain Competitiveness Project Project Design Report**

#### **Annex: LSO WaMCoP PDR Annex\_Institutional analysis**

Mission Dates: 1-23 June 2022

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Project No. 2000003942

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East and Southern Africa Division  
Programme Management Department



**Annex 11: Institutional Analysis**

<b>Organisation</b>	<b>Strengths</b>	<b>Weaknesses</b>	<b>Opportunities</b>	<b>Threats</b>	<b>Notes</b>
<b>Ministry of Finance</b>	<p>Has capable well-trained staff.</p> <p>Critical institution and main authority tasked with macro-economic stabilisation and economic development.</p>	<p>Has no demonstrated capacity to evaluate and monitor projects (i.e., budget performance, analysis and tracking functions are not as established within the ministry).</p> <p>Capacity constraints across key internal divisions (i.e., the macro unit) hampers the ability to effectively, plan, monitor and hold line ministries to account.</p>	<p>Receives substantial technical assistance from the IMF and other partners.</p> <p>Is a well-established institution at the centre of government.</p> <p>Scope to strategically support capacity, which in turn should contribute to stronger ownership of projects.</p> <p>The Public Financial Management and Accountability Bill is being developed, which should allow greater: (i) budget analysis, execution, and monitoring; (ii) fiscal reporting; (iii) cash expenditure; and (iv) debt management.</p>	<p>Due to the volatility of reshuffling senior civil servants (i.e., Principal Secretaries) continuity and stability at senior management level is never guaranteed (<i>cross-cutting threat across government ministries</i>).</p>	<p>IFAD maintains a constructive relationship with the ministry but could look for more opportunities to deepen relations.</p>

Wool and Mohair Value Chain Competitiveness Project Design Report (PDR) annexes

<p><b>Ministry of Development Planning</b></p>	<p>Designated entity tasked with coordinating development partner support across government.</p>	<p>Fragile coordinating function across government, as lines of communication transcend official processes. Weak coordination function of development partners.</p> <p>Inadequate ability to monitor and track development progress and related outcomes.</p>	<p>Potential exists to strengthen the Ministries capability to coordinate multi-sectoral development effort.</p> <p>Stronger linkages to be developed with the Ministry of Finance in terms of planning and execution.</p> <p>Use chair-position of PSC to steer alignment and coordination (AWPB approval, strategic guidance, etc.).</p>	<p>Lack of adequate resources (financial and human) to improve planning capacity across government.</p>	<p>IFAD has a good relationship with the Ministry and is well respected.</p> <p>The new compact signed with the millennium challenge corporation entrenches the important role of the ministry in co-ordinating development efforts.</p>
<p><b>Ministry of Agriculture and Food Security</b></p>	<p>Designated entity tasked with promoting agricultural production and food security.</p> <p>The ministry generally has qualified staff that are well integrated into clearly defined structures.</p> <p>It is structurally decentralised with</p>	<p>Low funding considering the centrality of agriculture to the national economy. Low staffing levels, only 56% of vacancies are filled, weak extension-research linkages.</p> <p>Ministry also suffers from coordination and planning challenges</p>	<p>Receives substantial support from development partners keen on pursuing agricultural development and greater commercialisation.</p> <p>Agriculture has been defined as a priority sector under the</p>	<p>Political instability at the permanent secretary level creates a void within management and undermines long term programming efforts.</p> <p>Declining budgetary support</p>	<p>IFAD currently has two investment projects with the Ministry (SADP and WAMPP). It has been a close and trusted partner; however, questions remain whether any</p>

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	<p>district agricultural offices in all ten districts.</p> <p>Has a dedicated training college, the Lesotho Agricultural College (LAC)</p>	<p>which impede its ability to deliver agricultural programmes.</p> <p>Poor implementation of policies as a clear results framework and performance management systems are not aligned to performance and execution.</p>	<p>National Strategic Development Plan II.</p> <p>The comprehensive national agriculture policy for Lesotho, represents a policy innovation for the agriculture sector and could provide a pathway to sustainable agro-rural development.</p>	<p>from central government poses a substantial risk to critical operations within the ministry.</p> <p>Increasing climate variability coupled by challenges in developing long-term strategies could undermine agricultural production.</p>	<p>meaningful capacity in the ministry has been created even against the backdrop of the investment projects.</p>
<p><b>Ministry of Forestry, Range and Soil Conservation</b></p>	<p>The ministry is a key institutional player in safeguarding the natural resource base of Lesotho.</p> <p>Well trained staff in selected divisions with the necessary functional and technical capacities.</p>	<p>The ministry has weak management controls, reporting lines are blurred, and accountability measures are either weak or not in place.</p> <p>Ministry is also known to have an “institutional” ego, undermining its ability to collaborate with other ministries with cohesion (<i>further</i></p>	<p>The Rangeland Management Act promises to see the development of a sustainable financing mechanism to support rangeland management.</p> <p>The Ministry is currently implementing IFAD’s flagship NRM project.</p>	<p>Scare resources to carry-out fundamental work.</p> <p>Ministry is often perceived as weak and troublesome even within government circles.</p>	<p>The Ministry is the lead implementing agency for the Restoration of landscapes and livelihoods (ROLL) project.</p> <p>The ministry was one of the lead implementers under the WAMPP.</p>

Wool and Mohair Value Chain Competitiveness Project Design Report (PDR) annexes

		<i>demonstrated under the existing WAMPP).</i>			
<b>Ministry of Trade and Industry</b>	Ministry is tasked with formulating, monitoring, and enforcing the implementation of appropriate commercial, marketing, and industrial development policies and supporting legislation.	Inter-ministerial coordination and harmonisation of trade related policies poses a serious challenge to the work of the ministry.	<p>Has substantial scope to attract foreign investment into the country.</p> <p>Has several agencies (i.e., standard bureau) that could be empowered to create greater efficiencies in targeted sectors.</p> <p>Greater scope to have integrated policy development with other key ministries i.e., the Ministry of Agriculture and Food Security.</p>	Trade in Lesotho has a political - economy and this can often impact the work of the ministry (i.e., Ministry restricted logistics operations to locally owned companies only).	Closer relations with the ministry should be developed especially as wool and mohair represent fundamental commodities that are being exported out of Lesotho.
<b>Ministry of Small Business Development, Cooperatives, and Marketing</b>	Critical player in creating a conducive /e enabling environment for sustained private sector development	Has a lack of staff (human resources) that undermines its ability to execute on its ability to train and monitor co-operatives/emerging business.	Private sector development and growth is key ambition of the national strategic development plan.	Ministry has often been subject to political appointees that have pursued narrow interests as opposed to supporting broad-	

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		Has demonstrated an inability to proactively support the registration of small businesses and not cut "red tape" bureaucratic		based business development.	
<b>Ministry of Local Government and Chieftainship</b>	<p>Important entity tasked with decentralisation processes in Lesotho.</p> <p>Tasked with putting in place land management and administration systems</p>	<p>Community and rural councils are often plagued by fighting and a non-conductive environment.</p> <p>Lack of strong and robust monitoring systems to assess the impact of programmes/projects.</p>	Can serve as an empowering ministry (i.e., encouraging greater service delivery in local structures)	<p>Is seen by some chiefs as a ministry that erodes rather than empowers traditional authorities.</p> <p>Scare resources within the ministry to undertake productive investments (<i>a finding further corroborated by operational experience with WAMPP</i>)</p>	
<b>Lesotho National Development Corporation</b>	A state-owned enterprise that is tasked with implementing industrial policy set by	Board appointments dominated by nominations from the civil service, which in turn undermine the governance of the institution, as the board	Has a development finance unit tasked with supporting investments in priority sectors (i.e., agriculture)	Financial support from central government declining in recent times due to competing interests (i.e., <i>GoL funding</i> )	



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	<p>the government of Lesotho.</p> <p>The entity also supports MSME access to credit, markets, and business development support.</p> <p>LNDC is reported to have a respected brand as a state-owned enterprise and has overall a good public reputation.</p> <p>LNDC has a credible local record in implementing large scale industrial, infrastructure and related projects.</p>	<p>is at times empowered to intervene in the management of the organisation, which causes undue interference in day-to-day management.</p>	<p>Has demonstrated and well-renowned managerial capabilities within the organisation.</p> <p>Has a developed a partial credit guarantee scheme that aims to support registered businesses through loan guarantees of up to 75%.</p>	<p><i>to support an expanded partial credit guarantee scheme yet to be provided 2 years on)</i></p>	
<p><b>Basotho Enterprise Development Corporation</b></p>	<p>Designated state-owned enterprise tasked with: (i) business development support, (ii) incubation; (iii) access to finance and markets; and (iv)</p>	<p>Limited strategic thinking and direction from senior management has weakened the capacity of the institution to effectively deliver its mandate.</p>	<p>Has capacity building programme within high-impact sectors: (i) agriculture; (ii) renewable energy; (iii) manufacturing; (iv) tourism and creative industries; (v)</p>	<p>Declining finance from the central government poses a substantial risk. Government allocation to BEDCO has been declining in recent years.</p>	<p>BEDCO is currently receiving support from AfDB through an economic diversification programme.</p>

Wool and Mohair Value Chain Competitiveness Project Design Report (PDR) annexes

	<p>entrepreneurship promotion.</p> <p>Recently developed a strategic plan to aid the turnaround strategy of the institution.</p>	<p>Skills constraint undermines the ability to support business development and growth. This was further evidenced under the WAMPP project, as BEDCO acted as a service provider that would often deliver sub-standard results (i.e., cottage industry development has not progressed under the support of BEDCO).</p>	<p>technology and innovation.</p> <p>Highly relevant mandate and role within the national economy.</p>	<p>Inadequate governance processes, such as clear lines of accountability, also pose an institutional threat to BEDCO.</p>	<p>BEDCO has a MoU with WAMPP has been acting as a service provider in the delivery of services.</p>
<p><b>Lesotho Chamber of Commerce and Industry</b></p>	<p>A non-partisan business membership organisation that promotes internal and external investment.</p> <p>Supports members to access to financing opportunities and provides capacity building support to members in its business management skills and loan applications.</p>	<p>No substantial ability to advocate for private sector interests in a meaningful manner. This is demonstrated by the fact that few government ministries interact with the LCCI in a sustainable and meaningful manner.</p>	<p>There is greater scope for the chamber to be involved in policy formulation and execution processes.</p>	<p>The sub-optimal growth of the nascent private sector in Lesotho has a direct bearing on the LCCI and its operations. Stronger and sustained private sector growth will create an entity that can further support and drive commercial interests.</p>	<p>WaMCoP should engage more with this body and look to develop clear synergies.</p> <p>LCCI has partnered with the African Development Bank to run the African Private Sector</p>

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					Assistance Project (FAPAP).
<b>Pula Technical Advisors</b>	<p>Pula has built a good reputation with the donor community as a credible provider of risk management solutions. Its agricultural insurance products delivered with innovative technology has received been well received.</p> <p>Dynamic team that is professional and capable (<i>i.e., analytics department underpins the insurance modelling</i>).</p>	<p>Whilst Pula has been commendable it's solutions/products, these are still pretty much dependent on government and donor subsidies to remain viable in most of their existing markets.</p>	<p>The increasing effects of climate change on the agricultural sector in the face of increasing demand for food due to rising population has increased the demand for risk management products offered by Pula to protect vulnerable especially smallholder farmers.</p> <p>Due to operational footprint, there is also scope for substantial cross-linkages and sharing of best practices.</p>	<p>Declining national government and donor support for agricultural insurance, undermines the viability of the PULA business model.</p>	
<b>Lesotho National Wool and Mohair Growers Association</b>	<p>Is regarded as the biggest and most representative wool and mohair farmers association in Lesotho.</p> <p>Has positive relations with a substantial</p>	<p>Human resource capability to effectively manage the organisation is lacking.</p> <p>No clear strategy and organising vision have been developed even with the support on an</p>	<p>There is potential for the organisation to further upgrade its internal capabilities so that it can influence the sector in a more positive manner (<i>i.e., policy formulation and advocacy</i>).</p>	<p>The governance issues present in the organisation present an existential threat and this undermines the ability of the organisation to</p>	<p>Absolutely central to the success of the new investment project. It is a power broker within Lesotho and can mobilise farmers to either</p>

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	broker in Lesotho, BKB.	on-going project, the Wool and Mohair Promotion Project (WAMPP).  Clear inability to effectively run complex interventions (i.e., Revolving Fund), as demonstrated by experience under WAMPP.	Could be a vehicle for improved service delivery to associated farmers.	maintain trust amongst farmers.  The association is also prone to political turmoil, which undermines internal cohesion and structure.	support or reject an intervention.
<b>Skylight Wool and Mohair Growers Association</b>	New farmers organisation generally considered to have democratic structures.  Has demonstrated experience in managing woolsheds.	No substantial organisational structures and depth.  Human resource capability is limited, and advocacy efforts are yet to be well defined.	Scope to improve internal governance structures and delivery of services to members.  As a farmer organisation, it can develop closer ties with the lead ministry and advocate for its constituency.	Considered to be a politically motivated breakaway institution, as opposed to a legitimate farmer organisation. It's long-term viability is therefore, still in question.	The new project would be wise to closely engage this player and ensure that they are included in the broader developments within the sector.
<b>BKB</b>	Substantial agribusiness player (broker) that markets the vast majority (an estimated 70%) of the	Company has challenges in paying out farmers after auctions are conducted and farmers often suffer	It is the only broker committed to certifying the national clip under sustainable production standards ( <i>BKB producers are the biggest group of</i>	Does not have a favourable reputation within the government of Lesotho.	

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	<p>national clip in Lesotho.</p> <p>Considered to be an innovative enterprise that is at the cutting - edge of introducing efficiencies in the wool and mohair sector.</p> <p>Has positive relations with the dominant producer organisation in Lesotho.</p> <p>Has extension services that are bundled into its brokerage service (i.e., innovative business model)</p> <p>Have technical advisors that focus on production efficiency with a focus on genetic improvement.</p>	<p>long waiting periods before being paid out.</p>	<p><i>responsible wool and mohar standards suppliers in the world</i>).</p> <p>Wants to contribute to enhanced data collection and digitalisation of the value chain.</p> <p>Visionary leadership that is committed to upgrading and modernising the wool and mohair value chain (i.e., BKB Pinnacle Fibres).</p> <p>Fibre brokerage services contribute to 26% of the business operations.</p>	<p>Marketing changes that promote localisation could undermine presence in Lesotho.</p>	
<b>OVK</b>	<p>Second largest broker operating in Lesotho.</p> <p>Provides an alternative marketing channel</p>	<p>Lack of innovative capacity driven by limited investment in Lesotho.</p>	<p>Scope to scale-up services in Lesotho, especially as the wool and mohair sector requires more</p>	<p>Lack of substantive organisational commitment to the Lesotho wool and mohair market.</p>	

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	<p>outside of BKB (its competitor)</p> <p>Is a well-established and reputable broker, with clear governance structures.</p> <p>Has recently taken over the Maluti Wool and Mohair Centre.</p>	<p>Inadequate extension services offered to farmers in Lesotho (<i>fragile business model in Lesotho</i>).</p>	<p>investment and efficiencies.</p>	<p>No clear value proposition besides brokerage services.</p>	
<p><b>Commercial Banks (Nedbank, First National Bank, Standard Bank)</b></p>	<p>Foreign commercial banks act as subsidiaries of South African parent companies and can therefore, leverage expertise where there is none locally.</p> <p>The three foreign banks account for over 70% of the market share in Lesotho.</p>	<p>Conservative lending approaches predominantly influenced by the policies of parent companies.</p> <p>Interest rates are considered largely unaffordable for the rural segment of Lesotho's population.</p>	<p>Scope to increase credit roll-out to other growth-inducing sectors (i.e., agriculture).</p>	<p>Bank lending is concentrated on person loans and mortgages, making the exposure to the financial health of private households substantial.</p>	
<p><b>Lesotho Postbank</b></p>	<p>Established to provide affordable banking services to the under-banked and unbanked</p>	<p>Agricultural finance and outreach remain limited despite the development of an</p>	<p>Has partnerships with the Lesotho National Development Corporation for the roll-</p>	<p>The bank requires supervisory handholding to ensure it can absorb any liquidity</p>	

Wool and Mohair Value Chain Competitiveness Project Design Report (PDR) annexes

	<p>Basotho in rural and urban areas.</p> <p>Has the lowest maintenance fees out of all the existing banks in Lesotho, aligning with mandate of greater financial inclusivity.</p>	<p>agricultural finance desk.</p> <p>Does not have an established culture of developing effective and sustainable development financing models.</p>	<p>out of increased financial products.</p> <p>Has undertaken aggressive expansion and has developed new products (i.e., unsecured lending) to gain market share.</p> <p>Has an MoU with the Ministry of Agriculture and Ministry of Finance to financially advance the purchase of tractors for farmers.</p>	<p>risks and adhere to Basel II.</p>	
<b>Textile Exchange</b>	<p>Globally recognised standards body within the textile industry (20 years since its foundation).</p> <p>Broad network of specialised staff across 15 countries.</p>	<p>Has limited human capacity to implement and monitor tangible work done on responsible certification.</p> <p>Reliant on other players to adopt standards and appreciate the “why” of selected interventions.</p>	<p>Strong linkages with international brands.</p> <p>Has been partnering with development partners and VC players.</p> <p>Has a robust membership representing leading brands, retailers and suppliers (end-market influence).</p> <p>Exploring innovative approaches geared</p>	<p>Animal rights groups have the potential to undermine key components of the standard.</p> <p>Brokers/VC players start colluding to get certified even when producers are not <i>actually meeting</i> the standards, therefore</p>	<p>Will feature as a partner during the implementation of the project</p>

Wool and Mohair Value Chain Competitiveness Project Design Report (PDR) annexes

			<p>towards regenerative and circular production systems and scaling “next-gen” materials.</p> <p>Broad objective of ensuring that the textile industry reduces greenhouse gas emissions by 45% by 2030.</p>	<p>undermining the global standards.</p> <p>Increased impact of climate change undermines the commodity base of the raw materials that feed into the textile industry.</p>	
<p><b>Ethical Fashion Initiative</b></p>	<p>Niche institution that works at the intersection of international development, the creative industries and fashion and lifestyle sector.</p> <p>Strong network of international buyers, specialised staff, and artisans.</p> <p>Innovative business model of developing locally owned social enterprises that sustain the</p>	<p>Limited in-house staff.</p>	<p>Has a large network of private buyers/established fashion brands that it works intimately with.</p> <p>Has a dedicated slot in the notable fashion weeks across the world (i.e. Milan and Paris).</p> <p>Has established other social enterprises that it still works with and can create a learning loop between different enterprises.</p> <p>Currently chairs the UN Alliance for Sustainable Fashion – an initiative</p>	<p>The entity has been reliant on development partner finance to execute its interventions.</p>	<p>Has been earmarked as a service provider under the new wool and mohair investment project.</p>



Wool and Mohair Value Chain Competitiveness Project Design Report (PDR) annexes

	investments within a given sector.		dedicated to contributing to the SDGs through coordinated efforts in the fashion sector.		
<b>VirtualRouteZ</b>	<p>Already developed platform offering supply chain visibility and traceability uniquely.</p> <p>Follows a sustainable growth model with a global focus on sustainability and making the world 'greener'.</p>	<p>Company is a global start-up and still relatively small. Operates in a highly specialised role and dependent on the collaboration of entire supply chains. Complex sales process because of the specialised nature of the VRZ solution. In this early stage of its growth path the organisation is still dependent on key people in its leadership team</p>	<p>Scale vertically - offer existing value chain visibility to new customers</p> <p>Scale horizontally - offer new value chain visibility to existing customers</p> <p>Financial services solutions to all parties in value chain</p> <p>Global focus on sustainable development goals at the levels of organisation, supply chain and value chain</p>	<p>Parties at all tiers in the value chain need to adapt, to varying degree, its business models, strategies, processes, and procedures and, to a lesser extent, systems to embrace virtual industry value chain integration.</p>	<p>Could potentially be the partner of choice to manage to the digital platform.</p>

Wool and Mohair Value Chain Competitiveness Project Design Report (PDR) annexes

<p><b>GS1</b></p>	<p>Owner of the global suite of commercial standards for marking and identification of organisations, product items and assets of trade and the communications protocols of traceability data between systems based on digital tags</p>	<p>GS1 is very focused on the distribution cycle (demand-side, from manufacturing to retail) of supply chains and afford little focus on the primary production and general supply-side of supply chains.</p> <p>The Member Organisation's (GS1 SA) local resources are stretched at times to deliver on multiple projects.</p>	<p>Supporting global value chains across different political, economic, and legal jurisdictions.</p>	<p>In general, the world is still in a pioneering phase with respect to traceability and visibility across entire supply chains and value chains. Hence, other than GS1, there is a lack of standardisation and often confusion in the use of terminology and concepts in the field.</p>	<p>Has been earmarked as a strategic partner of choice under the project.</p>
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**Lesotho**

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**Wool and Mohair Value Chain Competitiveness Project**

**Project Design Report**

**Annex: LSO WaMCoP PDR Annex\_Trust company and Trust fund overview**

Mission Dates: 1-23 June 2022

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East and Southern Africa Division  
Programme Management Department



## Annex 12: Trust Company and Trust Fund Overview

### Institutional Innovations for developing the wool and Mohair Sector in Lesotho

#### OUTLINE

<b>INTRODUCTION .....</b>	<b>1</b>
<b>1 THE MAIN CHALLENGES FACING THE VALUE CHAIN.....</b>	<b>1</b>
1.1 ASSET MANAGEMENT.	1
1.2 ACCESS TO CRITICAL INPUTS AND SERVICES	1
1.3 RESPONSIBLE PRODUCTION SYSTEM BECOMES A MUST	1
1.4 THE NEED TO DESTOCK	1
1.5 EQUITY OF ACCESS	2
1.6 DIGITIZATION	2
<b>2 THE PROPOSED TWO INNOVATIVE INSTITUTIONAL ARRANGEMENTS .....</b>	<b>2</b>
2.1 THE TRUST COMPANY	3
<b>2.1.1 What is it?</b>	3
<b>2.1.2 The Trust Company will be equipped with a corporate system meeting international standards</b>	4
2.2 THE TRUST FUND	4
<b>2.2.1 What it is?</b>	4
<b>2.2.2 How will it operate?</b>	4
<b>2.2.3 Financing of the fund</b>	5
<b>3 THE PROCESS FOR SETTING-UP THE TRUST FUND AND TRUST COMPANY.....</b>	<b>5</b>
3.1 PRINCIPLES AND OVERALL APPROACH	5
3.2 THE STREAM OF TECHNICAL DESIGN OF THE TRUST COMPANY AND TRUST FUND	5
<b>3.2.1 Technical leadership</b>	5
<b>3.2.2 Technical design</b>	5
<b>3.2.3 Complementary studies</b>	5
3.3 THE STREAM OF COLLECTIVE ACTION	6
3.4 INDICATIVE ROADMAP	6
<b>4 THE TRUST COMPANY AND TRUST FUND UNDER THE NEW PROJECT.....</b>	<b>6</b>

## INTRODUCTION

1. Despite the significant progress made with the IFAD financed Wool and Mohair Promotion Project (WAMPP)' support, the Lesotho Wool and Mohair (W&M) sector still faces a number of challenges that can only be addressed through major institutional innovations. These challenges are described in Chapter 1, and Chapter 2 presents proposals for these innovations. Finally, Chapter 3 elaborates on a number of conditions required to successfully implement these innovations.

## THE MAIN CHALLENGES FACING THE VALUE CHAIN

### ASSET MANAGEMENT.

2. The operations of the sector depend upon a certain number of public-sector-owned assets: shearing sheds, dipping tanks, sheep and goats studs, artificial auctioning yards, and slaughter slabs/abattoirs. While WAMPP has salutary invested in upgrading this infrastructure basis, sustaining their operation, and ensuring equitable access for all value chain players (specifically the poor farmers) remain a challenge.

3. The management of such infrastructure is an enterprise function which is beyond the capacity of a farmers' association. Currently, the 2 sheep and goat studs in Mokhotlong and Qhuting are managed by the Lesotho National Wool and Mohair Growers Association (LNWMGA). There is a plan to build a third goat stud. These studs are critical for the production of genetic material (ram/buck, ewe/doe, and semen for artificial insemination). Likewise, public shearing sheds are de facto (informally) under the responsibility of the LNWMGA. Moreover, because there are other farmers associations (specifically the marketing groups and the Skylight Association), this arrangement raises equity issues.

4. There is a need to find a more appropriate (competency wise) and neutral arrangement for the management of these infrastructures.

### ACCESS TO CRITICAL INPUTS AND SERVICES

5. W&M farmers depend upon critical inputs and services: feed/fodder, genetic material (ram/buck, ewe/doe, and semen for artificial insemination), vet drugs and services, extension services. To pay for these inputs and vet services, they need to access financing services. Unfortunately, for Banks, offering these services to W&M growers is too risky and they are not willing to. The only available option is then to build value chain system that can provide in-kind loans to farmers. This is already happening in very small scale, with brokers providing in-kind loan to big farmers. With an upgraded value chain organization, this can be expanded to enable a wider number of farmers accessing inputs and services. Indeed, the W&M value chain has funnel marketing channel with a single exit: the shearing shed. Therefore, it is possible to set-up an arrangement whereby farmers loans are collected-back before they perceive their payment.

6. Such an in-kind loan system can be effective only if 2 conditions are met: (1) a trust fund that must be managed and sustained through (2) a sound governance arrangement, specifically, a competent institution, with effective checks and balances.

### RESPONSIBLE PRODUCTION SYSTEM BECOMES A MUST

7. The market trends are evolving towards responsible production of wool and mohair. Most production countries are working towards complying to responsible production standards, which are actually more rewarding for farmers. The neighboring South Africa is already in this move and has started building the responsible production system at communal lands level. Moreover, there is a risk that the market for wool and mohair not meeting responsible production standards will become progressively less attractive if not closed. Therefore, there is quasi obligation for Lesotho to set-up its own responsible production system.

8. This will reinforce the need for farmers to access the inputs and services described in Section 1.2 above, hence the need for the in-kind loan system.

### THE NEED TO DESTOCK

9. The size of the herds is already well beyond the carrying capacity of the grazing areas, and this generates a continuous degradation of the basic ecological capital. To reverse this trend, the country will have to consider complying to the responsible production standards as an opportunity and seize this opportunity to move on to intensification.

10. Again, to intensify, farmers need to access the inputs and services described in Section 1.2, hence the need for both an in-kind loan system, hence a trust fund and an appropriate agency to manage it.

#### EQUITY OF ACCESS

11. As explained above, the institutional arrangements in place do not guarantee equity of access for all farmers, specifically farmers belonging to marketing groups (the poorer) and to the Skylight Association. The same problem applies for the culling and exchange initiative, where farmers from the marketing groups and Skylight Association express their feeling of being excluded.

12. The solution to this problem resides in entrusting the management of critical assets (shearing sheds, dipping tanks, but also the sheep and goat stud...) to a neutral agency for asset management and service delivery.

#### DIGITIZATION

13. Digitization is needed to support value chain organization and coordination upgrade as well managing the certification system for responsible W&M production.

14. There is here as well a need for a neutral agency to manage the digital system for the benefit of all value chain players.

#### THE PROPOSED TWO INNOVATIVE INSTITUTIONAL ARRANGEMENTS

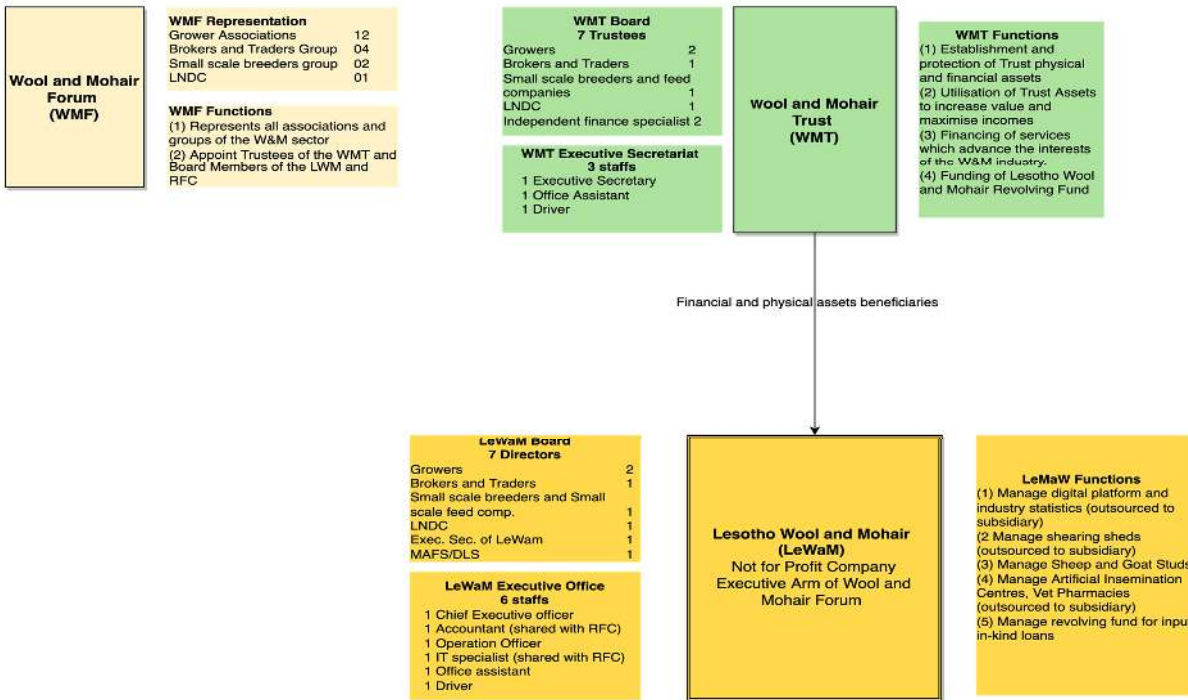
15. The two proposals agreed upon by all players (farmers, brokers, small-scale value chain entrepreneurs, LNDC<sup>47</sup>, MAFS<sup>48</sup>...) are: (1) a Trust Company (TC) as a joint venture between all value players; and (2) a Trust Fund (TF), to be entrusted to the TC which will manage and sustain it to continue providing in-kind loans to farmers (see figure below).

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<sup>47</sup> LNDC: Lesotho National Development Corporation, a parastatal willing to invest in Agriculture.

<sup>48</sup> MAFS: Ministry of Agriculture and Food Security

**INNOVATIVE INSTITUTIONAL ARRANGEMENTS FOR THE LESOTHO WOOL AND MOHAIR SECTOR**



THE TRUST COMPANY

**What is it?**

16. **A trust company is a legal entity that acts as a fiduciary agent**, or trustee on behalf of a person or business for the purpose of administration, management, and the eventual transfer of assets to a beneficial party. The trust company acts as a custodian for trusts, estates, custodial arrangements, asset management, stock transfer, beneficial ownership registration, and other related arrangements.

17. **Joint venture.** All value chain players (farmers’ associations, national and foreign brokers, traders, small and medium value enterprises, LNDC, and MAFS - Government) have all agree to come into a joint venture to form this TC. It is also agreed that ownership will be opened to rangeland management committees and other relevant players.

18. **The TC will be entrusted** to manage the Trust Fund, critical assets such as sheep and goat studs, shearing sheds, dipping tanks, auctioning yards and slaughter slabs/abattoirs, feedlots, and the digital platform along with the responsible production certification system.

19. **Further, the TC will coordination and facilitate** business models, strategies, processes, and procedures across the supply segment of the wool and mohair value chain that operates in Lesotho. It means it has to focus on activities that range from the provisioning of products and services to primary producers through traders, sharing sheds, brokers, the test laboratories and the eventual auctions where the Lesotho wool and mohair clip is sold to international markets.

20. **The TC should not compete or take over the roles performed by the direct participants in the supply chains of this value chain.** It should support the common interest of the value chain and manage the business risk associated with value chain business models, strategies, processes and procedures. It should be staffed with a small team of highly competent people and funded, once proven, by all the role players in the value chain based on the services it renders.

21. **For Profit or Not for Profit Company?** Both options are possible, but considering the nature of the business, an NPC is preferred. As an NPC the TC will make profit to sustain business, i.e., its benefits will be rather used to keep improving delivery to the people.

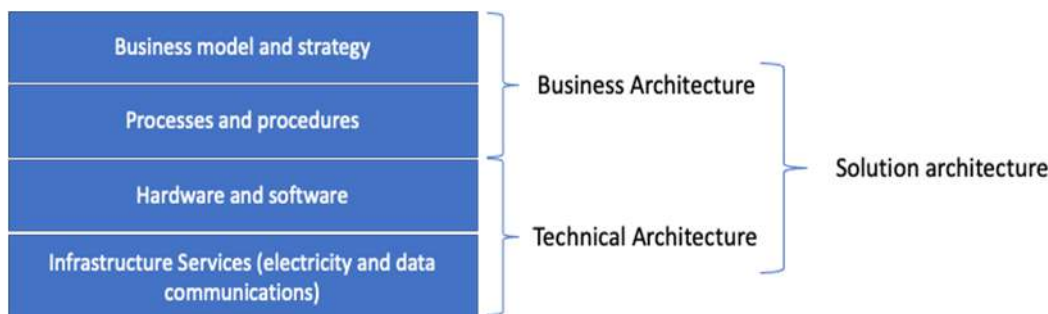
22. **Possibly, a Holding Company with Subsidiaries.** In principle, nothing stops the TC to establish business ties with the role players beyond the auctions, especially with manufacturers and brand owners.



Moreover, to soundly perform these functions, the TC could be formed as a Holding company, that owns subsidiary or daughter companies in charge of managing and sustaining the operation of the TF, the assets, the digital platform and certification system. The subsidiaries could also be formed in joint venture with other private players. An important driver is the linking of compliant producers, traders, sheds, and brokers with the rest of the value chain. This option will be further explored in the process of setting-up the TC.

**The Trust Company will be equipped with a corporate system meeting international standards**

23. As far as capacitating the company is concerned one may consider the following requirements:



24. **Solution architecture.** This diagram shows that the TC needs to have a befitting and agreed business model and strategy - plan. It needs to define its own processes and procedures, hardware and software that are required to execute its strategy. These processes cover the typical Michael Porter internal value chain processes namely, HR, Finance, Legal, Project Management, Sales/Business Development, Customer Management and Quality Management.

25. **The TC will implement the ISO 9001 quality management processes and procedures and apply for external auditing and certification.** This will automatically force the agency to identify and implement appropriate processes, procedures, systems and skills to perform its duties. Having formally written-up and agreed standard operating procedures (SOPs) in place makes management so much easier.

26. As far as systems are concerned the TC will work with a service provider who provides complete open-source business solutions to organisations of any size. Such service providers offer an entire range of integrated "systems" for a company's needs, without having to source different licenses and upgrade over time. They offer tools to build company websites, manage finances, manage operations, manage sales/services and customers, manage marketing, manage projects, etc.; all from one single platform. In addition, the TC may sign up each staff member onto Microsoft 365 for the normal PC-based tools to create documents and slides and spreadsheets.

THE TRUST FUND

**What it is?**

27. The idea is that Government with IFAD support will entrust a fund to the Trust Company to provide in-kind loans to farmers. The in-kind loan will be provided at conditions that are appropriate for W&M farmers and don't affect the sustainability of the Fund. This includes interest below 10%, i.e., lower than the market rate practised by commercial banks.

**How will it operate?**

28. **Critical role at shearing shed level.** The TC will manage the TF in close collaboration with the farmers associations, with critical role at shearing shed (where trading takes place) level.

29. **Agreed upon standard operating procedures.** As an indication, farmers will express their need through their association. The needs will be aggregated at shearing shed level. Then purchase contract will be signed with suppliers, specifying when and where (in which geographic location) the supplies will be delivered. The farmer associations will organize the reception and distribution to their farmer members. Based on their acknowledgment of receipt, the shearing shed level will give a discharge to the TC at central level for the payment of the supplier. SOPs meeting international standards, for managing these action arenas will be established and implemented.

30. **Capacitation of farmers associations.** The capacity of farmers association to comply with the adopted SOPs, in working with the TC to serve their members, will be strengthened.

## Financing of the fund

31. While Government and IFAD will provide the seed fund, it is expected that various members of the joint venture will also pledged some resources. Further, it is expected that once, it starts showing results, and trust is built, the TC will mobilize resources in the market to increase the financing of the TF and expand its delivery to value chain players.

## THE PROCESS FOR SETTING-UP THE TRUST FUND AND TRUST COMPANY

### PRINCIPLES AND OVERALL APPROACH

32. **Inclusiveness.** The TC is joint venture by all families of value chain players.to ensure inclusiveness, it could be constituted by 100 shares, of which at starting only 60 (or about) are allocated. The rest will be reserved for other members who will join later.

33. **Ensuring community grounding of the new system.** The innovative institutional arrangements must ensure the voice of the communities is heard and their interests are defended and satisfied by appropriate service delivery. This will be done, through strengthening the capacity of community-based organizations (farmers' organizations, grazing land management committees), and shareholding arrangements that give them a strong voice in the joint venture companies.

34. **Equal access to information for everyone.** Everyone has the right to access relevant information the system opportunities, rules of the game, results.

35. **Combining a stream of technical analysis with a stream of collective action.** The transformation process is firstly a collective action process, i.e., a process that allows all stakeholders to express their voice, and that value their opinions and proposals. It is a negotiation process. But the collective action must be enlightened by technical analyses, which bring in evidence that informs players' opinions, negotiation and decision making.

### THE STREAM OF TECHNICAL DESIGN OF THE TRUST COMPANY AND TRUST FUND

## Technical leadership

36. The LNDC has agreed to collaborate with the WAMPP Coordination Unit (PCU), to support MAFS in organizing the design of both the TC and the TF. For that purpose, the WAMPP Director will help MAFS sending a request to LNDC.

37. **Memorandum of Understanding.** Following the request, the LNDC and MAFS will sign an MoU for PCU and LNDC joining effort to design both the TC and TF.

38. **Technical committee.** A technical committee will be set-up to verse the design process.

## Technical design

39. **Outsourcing appropriate national and internal expertise.** LNDC and PCU will outsource a service provider to help develop both the TC and TF, by preparing the feasibility study report, which will include as an indication:

40. **For the Trust Company.** (1) the business model; (2) the business plan and strategy; (3) the investment needs (in USD and Maluti); (4) the forecast (including report on investment) for a 5-year-horizon; (5) a comprehensive description of the corporate management system, including the SOPs and technical (software and hardware) solutions.

41. **For the Trust Fund.** (1) the business plan; (2) the amount of resources needed at starting; (3) the procedures governing the supply arenas; (4) the SOPs and technical (software and hardware) solutions; and (5) the forecast (including return on investment) for a 5-year-horizon.

## Complementary studies

42. The results of complementary studies can inform the design of the TC and TF. These include: (1) Feasibility of a Lesotho brand, with responsible production standards; (2) Feasibility of the localization of marketing arenas' activities in Lesotho; (3) Typical operating account for a small-scale genetic material (ram, artificial insemination) company; (4) Typical operating account for a small-scale feed production company; (5) Typical operating account for a small-scale slaughter company; (6) Typical operating account for a private vet services enterprise; and (7) Feasibility study for W&M sector system digitization.

#### THE STREAM OF COLLECTIVE ACTION

43. The process of technical will be coupled and iterated with stakeholders' consultations and negotiations. That stream of collective action can be structured and conducted as proposed below.
44. **Stakeholders' platform.** To ensure transparency and build trust, it is proposed to set-up a stakeholders' platform, inclusive for all public and private (including farmers' associations) players. The platform will serve for sharing views on common issues arising, sharing information on the findings of the technical analyses, and conducting negotiations.
45. **Platform committee.** A light platform committee could also be established, with members appointed by the stakeholders' families (farmers' associations, brokers, government, parliament...). The role of the Committee will be to review dialogue progress and propose solutions to arising issues and blockages.
46. **Dialogue facilitation.** The role of the facilitator is to coordinate the technical analyses, ensuring they generate the required information, share the information with stakeholders, assess various stakeholders' positions on critical issues, organize negotiation between stakeholders with different views, forge common views to enable decisions that are likely to be supported by all...

#### INDICATIVE ROADMAP

47. **By mid-June 2022 – GoL's decision to design the TC & TF along with a sector strategy that builds on stakeholders' dialogue.** Government in consultation with key stakeholders, formalizes the decision and request IFAD' support to perform technical studies and run the collective action process. GoL sets-up the stakeholders' platform, the platform committee, and the rules of the game.
48. **End July 2022 – Dialogue facilitator is appointed.** This could be a couple made of one national and one international acquainted, experts.
49. **Aug 2022 – Dialogue is officially launched.** A launching event chaired by a high level (the highest possible) authority is organized. All key players in public sector (including concerned Ministries, Departments and Administrations, as well as parliament) and private sector (including all farmers associations, women associations, youth associations, but also all other private sector players) are included.
50. **From March 2022 – The process of formulation of the second phase of the IFAD financed project is launched.** The process runs in parallel with the strategy process and is informed by the analytical studies, the achievements of the dialogue and the sector strategy
51. **March to July 2022 – Key analytical studies are performed**
52. **August to December – Feasibility study of TF and TC is performed**
53. **May to December 2022 – Negotiations for decision making take place.** Informed by the conclusions of the analytical studies, the facilitator helps the stakeholders to build consensus on key strategic and governance issues. These decisions inform the development of sector strategy.
54. **October to January – Sector strategy is developed.** The findings of the dialogue are capitalized to develop the W&M sector strategy 2023 – 2030. In parallel, the formulation of the second phase of WMPP takes place. The strategy document is validated and adopted by cabinet.
55. **February 2023 – Trust Company is formally created and registered**
56. **March 2023 – IFAD performs an assessment of the corporate governance of the TC – TC.**

#### THE TRUST COMPANY AND TRUST FUND UNDER THE NEW PROJECT

57. **At start, a quality assessment of the corporate governance system of the Trust Company will be performed, along with the business plan and the operational procedures of the Trust Fund.** Based on the conclusive outcome of the assessment, PCU will support Government (MAFS), in consultation with IFAD, to entrust the management of assets (shearing sheds, new sheep/goat studs, actioning yards, labs, etc.) and Trust Fund to the Trust Company, through a performance contract that specifies expected results and reporting obligations. PCU will monitor contract implementation and organize independent digressive controls from year 1 to the end of the project. All external audit reports will be submitted to the responsible Department in MAFS, for approval.
58. **The TC will then The TC will then kick into action, performing its functions in a way that sustains business.** It will: (1) manage and sustain the Trust Fund to enable farmers' access to climate smart technologies; (2) manage entrusted sheep and goat studs for the production of improved breed and contribute to the operation of the breeding plan and system; (3) implement the responsible production certification

system; (4) implement the carbon accounting and biodiversity tracing; (5) contribute to the implementation of incentive – based community initiative for rangelands management; (6) develop the meat value chain for further value addition.

**Annex 1: Roadmap to the establishment of the Wool and Mohair Trust Company**

Deliverables	2022							2023					
	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
1. Memorandum of Understanding by MAFS – LNDC – IFAD (possibly) signed		X											
2. Memorandum of Agreement by potential shareholders signed			X										
3. Business Plan for the TC prepared and validated			X	X	X	X							
4. TC registered, and board established						X	X						
5. TC company executive unit established							X	X					
6. Operational procedure manual of the TC developed							X	X	X				
7. Resource mobilization strategy of the TC developed								X	X	X			
8. TC Governance systems (accounting, finance, procurement, HR, IT, CRM, digitization...) and software established								X	X	X	X		

## **Lesotho**

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### **Wool and Mohair Value Chain Competitiveness Project Project Design Report**

#### **Annex: LSO WaMCoP PDR Annex\_Lessons from South Africa, Togo and Benin**

Mission Dates: 1-23 June 2022  
Document Date: 10/11/2022  
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Report No. 6224-LS

East and Southern Africa Division  
Programme Management Department



## **Annex 13: Lessons Learned from South Africa, Togo and Benin**

### **LESSONS FROM THE WOOL AND MOHAIR SECTOR IN SOUTH AFRICA**

#### **I. Background**

In the 1930s, there were approximately twenty-one (21) agricultural schemes in South Africa involved in the production and marketing of different agricultural commodities by local producers. These schemes were established to protect the primary producers from excessive price fluctuations with the aim of ensuring long-term economic survival.

After 1994, these schemes were called control boards, where each commodity was represented by a board, for instance, there was a maize board, a meat board and a wool board. The boards administered statutory levies which were mainly used to fund industry functions and board activities relating to information, grading, quality standards, training and inspection services for local producers.

In 1996, the Marketing of Agricultural Products (MAP) Act (No. 47) was compiled after widespread negotiation with all the directly affected groups involved in agricultural marketing. The control boards were subsequently discontinued and the single channel marketing system was abolished. During the discontinuation of the control boards, the assets (both monetary and fixed) of the control boards were transferred to the agricultural industry trusts, to ensure that the assets could still be utilised to serve the interests of the entire industry.

#### **II. Wool and Mohair Industry Breakdown**

South Africa's wool and mohair VC is a market leader globally.<sup>49</sup> And offers key lessons for Lesotho's wool and mohair VC.<sup>50</sup> Since 1996, South Africa has set-up private sector led institutions to govern its wool and mohair sectors, respectively. For the Wool sub-sector, this includes: (1) the Wool Forum, an industry association, and official policy-making body of the industry; (2) the Wool Trust, a Trust Fund, equipped to generate revenues from endowed assets, which are used to sustainably finance sector development; and (3) Cape Wools South Africa, a not-for-profit company co-owned by all value chain players groups, which is mandated to work towards the sustained profitability of the South African wool industry.

All the institutions that underpin the wool industry in South Africa are predominantly led by the VC players themselves. This serves the function of improving VC governance, enhancing trust, and reducing power asymmetries. Moreover, the funding dedicated to the development of the sector is predominantly leveraged from the Wool Trust and voluntary levies from the South African Wool and Mohair Buyers Association. In sum, the sector has been organised to be self-sustainable, without requiring direct assistance from the national government. Finally, the configuration of these institutions has also seen sustained and dedicated investments in smallholder agricultural development. Thus, the investments in the sector carry a "development" mandate too.

The mohair sector is equally well organised, it includes, the: (1) Mohair Trust, a Trust Fund, tasked with safeguarding assets for future utilisation in advancement of the mohair industry; and (2) Mohair South Africa, a not-for profit company, established to act as the functional arm of the mohair industry with the primary purpose of advancing mohair as a fibre. Mohair South Africa is funded by the Mohair Trust based on annual budgets and business plans submitted to the Trust. The Mohair Empowerment Trust, developed in 2010,

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<sup>49</sup> South Africa has the highest certified clip of both wool and mohair in the world.

<sup>50</sup> These lessons learned are informed by a dedicated IFAD-GoL mission to Gqeberah, South Africa, the wool and mohair hub of South Africa.



also serves as a specific fund that aims to commercialise previously disadvantaged farmers and support the development of entrepreneurs and farm workers.

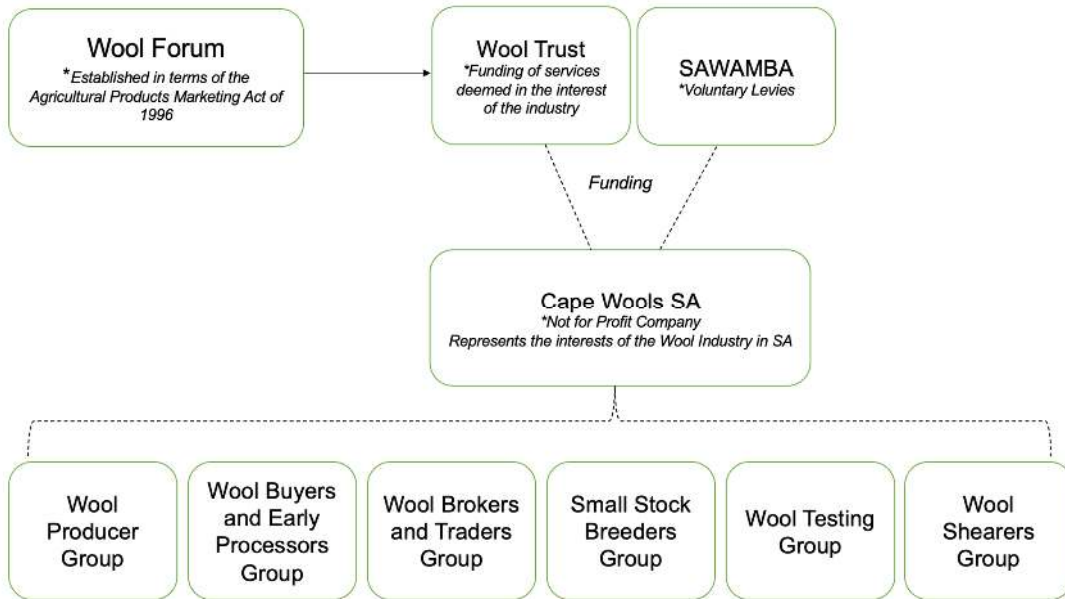


Figure 18: Overview of industry structures in the wool sector

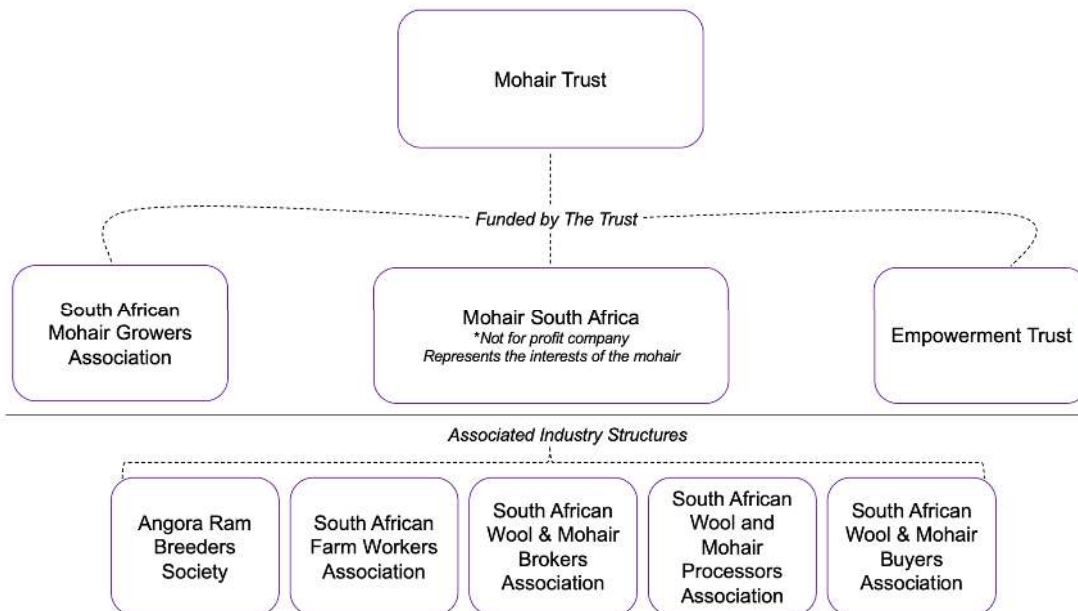


Figure 19: Overview of the industry structures in the mohair sector

### **III. Lessons Learned from South Africa**

The specific lessons from the South African experience are as follows: (1) dedicated investment vehicles that channel returns from assets so as to fund the sector; (2) not for profit companies that serve the specific purpose of promoting the commodity; (3) inclusive VC representation and governance structures; (4) a clear segregation of duties between the executive institutions and the trust funds; (5) robust and well established trust deeds that have seen both trusts carry out their duties since 1996, cumulatively 26 years; (6) government representation is reflected in the board of the trust and therefore, government plays an oversight role; and (7) the financing of the wool and mohair sectors has seen a “developmental” push to close inequities in the sectors and commercialise smallholder farmers.

The very institutions driving the wool industry in South Africa are led by the VC players themselves. This serves the function of improving value chain governance, enhancing trust, and reducing power asymmetries. Moreover, the funds used to develop the sector are leveraged from the Wool Trust and voluntary levies from the South African Wool and Mohair Buyers Association. In sum, the sector has been organised to be self-sustainable, without requiring direct assistance from the national government. Finally, the configuration of these institutions has also seen sustained and dedicated investments in smallholder agricultural development.

## **LESSONS FROM IFAD Supported ProMIFA IN TOGO**

The Togolese Government established the *Mécanisme Incitatif de Financement Agricole* (MIFA) in 2018. MIFA shares with the proposed TF-TC for the wool and mohair sector in Lesotho, a common objective: to ensure access of smallholder farmers and small and medium enterprises, to appropriate agriculture loans.

*MIFA was created as a parastatal company*, with the prospect of privatizing it. At the time, the question had been raised as to whether it should not be allowed to be created directly as a joint venture between private actors in the agricultural sector. Indeed, this is critical to ensure ownership, good governance, and equitable delivery to all value chain players.

The early years of MIFA benefited from the support of IFAD.

*After 3 years, the results in terms of promoting agricultural credit are rather eloquent.* According to the Togolese newspaper Telegram 228<sup>51</sup> MIFA has allocated 27 billion FCFA of credit to agricultural actors in 3 years.

*A privatization process that raises questions.* Unfortunately, the privatization process of MIFA which started in 2021 raises concerns. Will the new owners use MIFA for their own interests? Will MIFA continue to equitably support all players in the sector? These questions led to IFAD adjusting its support to MIFA.

*The main lesson*, here is that this problem would not have arisen, if MIFA was set-up as a joint venture between all associations and groups of value chain players. Should this have been the case, MIFA would be today in position of sustaining its business of providing equitable support to all value chain players in Togo.

*This lesson has been incorporated in the proposal for Lesotho.* The TF-TC consortium is proposed as a joint venture between all associations and groups of value chain players, including South African players.

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<sup>51</sup> <https://telegram228.com> dated July 7, 2021,

## **LESSONS FROM THE COTTON SECTOR IN BENIN**

The reform supported by a World Bank financed project (2002 – 2008) was triggered by the end of the Monopsony of the Societe Nationale de Promotion Agricole (SONAPRA). Prior to the reform, SONAPRA used to finance, through a bank credit, the purchase of seed cotton from farmers, and to guarantee the credit taken by input importers.

The reform consisted of setting-up institutional arrangements quite like what is proposed for the wool and mohair sector in Lesotho:

- The Interprofessional Cotton Association (AIC) is a kind of not-for-profit company, established as joint venture between all value chain players, to coordinate sector operations and equitably provide required services to all.
- The *Centrale de Sécurisation des paiements et du Recouvrement* (CSPR – payments and collection security centre) has been established to ensure the repayment to input suppliers by deducting the credit due from the payment to farmers of the seed cotton and fertilizer purchased by ginners. The efficient, transparent and timely operation of CSPR was therefore a key condition for a sustainable credit recovery mechanism, and hence for the success of the reform.

Further, the Fédération des Unions de Producteurs (FUPRO)'s capacity to work with the AIC and CSPR has been strengthened.

According to the Implementation Completion report (World Bank Report No: ICR0000962 – 2008), the following outputs were achieved, with some shortcomings, due to the support of the project: (i) satisfactory implementation of all-sector-wide technical services programs; (ii) establishment of an effective input credit recovery system; (iii) strengthened capacity of farmer organizations. The fact that AIC was at the same time a beneficiary and the implementing agency of the project created synergies and reduced project management costs. The project contributed significantly to institutional development of the cotton sector through capacity building of the main stakeholder organizations. A four-day stakeholder workshop was held in Ouidah, in April, 2008, to assess the achievements of the project, its relevance and to prepare a possible follow up. The workshop acknowledged several major achievements, in particular: preparation and evaluation of production campaigns, capacity strengthening of technical entities supported by the project, development of leadership and negotiation capacities for leaders of producer organizations, improved cooperation between producer organizations and other actors. Major constraints were also identified: decreasing world prices for cotton, declining soil fertility, low level of village group secretaries, and problems with recovery of credit, weak extension network, and lack of motivation of producers because of the low price of seed cotton. The workshop concluded that the project objectives were still relevant, and that the project has moved towards the achievement of these objectives.

It is also important to mention that the consortium AIC – CSPR has sustained business since the end of the project and are still operational as the major institutional arrangements for the coordination and management the cotton sector today.

Building on this cotton sector experience in Benin, the TF-TC consortium proposed for Lesotho is a joint venture between all value chain players, to be established to improve sector coordination, and provide critical services to value chain players.

## Lesotho

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### **Wool and Mohair Value Chain Competitiveness Project Project Design Report**

### **Annex: Lso Wa M Co P Resettlement Plan Framework 2.0**

Mission Dates: 1-23 June 2022

Document Date: 10/11/2022

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Report No. 6224-LS

East and Southern Africa Division  
Programme Management Department





# MINISTRY OF AGRICULTURE AND FOOD SECURITY

## Wool and Mohair value chain Competitiveness Project (WaMCoP)



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### VOLUME 3

## RESETTLEMENT PLAN FRAMEWORK

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Prepared by:  
Ministry of Agriculture and Food Security  
Maseru  
Lesotho

# OTHER REPORTS IN THIS SERIES

The Wool and Mohair value chain Competitiveness Project (WaMCoP) Resettlement Plan Framework forms part of a series which is intended to provide complete documentation for the requirements of a holistic Social, Environmental and Climate Assessment Procedures (SECAP). This SECAP instrument contains the findings of a study conducted for the Wool and Mohair sector of the Kingdom of Lesotho and the instrument has been developed on the basis of the local conditions and findings.

The following documents form the series:

Wool and Mohair value chain Competitiveness Project (WaMCoP)

Volume 1: Environmental and Social Management Framework (ESMF)

Wool and Mohair value chain Competitiveness Project (WaMCoP)

Volume 2: Stakeholder Engagement Plan (SEP)

Wool and Mohair value chain Competitiveness Project (WaMCoP) Volume 3: Resettlement Plan Framework

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# TABLE OF CONTENTS

TABLE OF CONTENTS.....	III
TABLE OF TABLES .....	IV
TABLE OF FIGURES .....	V
LIST OF ABBREVIATIONS .....	VI
DEFINITION OF SELECTED TERMS USED.....	VIII
EXECUTIVE SUMMARY.....	X
<b>1. BACKGROUND ON THE RESETTLEMENT PLAN FRAMEWORK .....</b>	<b>1</b>
1.0 INTRODUCTION .....	1
1.1 JUSTIFICATION FOR THE RESETTLEMENT PLAN FRAMEWORK .....	1
1.2 AIM AND OBJECTIVES OF THE RESETTLEMENT PLAN FRAMEWORK.....	2
1.3 POTENTIAL USERS OF THE RESETTLEMENT PLAN FRAMEWORK .....	2
1.4 ORGANIZATION OF THE FRAMEWORK .....	3
<b>2. DESCRIPTION OF WAMCOP AND LINKAGES TO RESETTLEMENT .....</b>	<b>4</b>
2.0 PROJECT DESCRIPTION .....	4
2.1 PROJECT STRUCTURE.....	4
2.1.1 <i>Component 1: Support to Building VC Systems</i> .....	4
2.1.2 <i>Component 2: Climate Smart VC Operation and Coordination.</i> .....	4
2.1.3 <i>Component 3: Project Management.</i> .....	5
2.2 GENERIC PROJECT CYCLE AND LINKAGES TO RESETTLEMENT ISSUES.....	5
2.3 OVERVIEW OF LAND ADMINISTRATION AND MANAGEMENT ISSUES. ....	7
2.3.1 <i>Administration of residential and farmlands</i> .....	7
2.3.2 <i>Recent reforms in land administration for residential and crop lands</i> .....	7
2.3.3 <i>Administration and management of communal land.</i> .....	9
2.3.4 <i>Decentralised land use planning</i> .....	9
2.4 IMPLICATIONS FOR WAMCoP .....	9
2.5 GENERAL LAND ACQUISITION PROCEDURES .....	10
2.6 POTENTIAL SOCIO-ECONOMIC IMPACTS OF RESETTLEMENTS.....	11
<b>3. POLICY AND LEGAL FRAMEWORK ON RESETTLEMENT.....</b>	<b>12</b>
3.0 REVIEW OF POLICIES AND LAWS ON RESETTLEMENT IN LESOTHO.....	12
3.1 POLICY FRAMEWORK .....	12
3.1.1 <i>The Lesotho National Land Policy</i> .....	12
3.1.2 <i>Poverty Reduction Strategy (PRS)</i> .....	12
3.2 LEGAL FRAMEWORK.....	12
3.2.1 <i>Constitution of Lesotho</i> .....	12
3.2.2 <i>THE LAND ACT (2010)</i> .....	13
3.2.3 <i>Managed Resources Areas Order, No 18 of 1993</i> .....	13
3.2.4 <i>Lesotho Water and Sewerage Authority Order No 29 of 1991</i> .....	13
3.2.5 <i>Local Government Act 1997.</i> .....	13
3.2.6 <i>Environment Act 2008</i> .....	14
3.2.7 <i>The Forestry Act 1998:</i> .....	15
3.3 INTERNATIONAL CONVENTIONS AND TREATIES.....	15
3.4 GAP ANALYSIS OF LEGISLATION.....	16
3.4.1 <i>Project Classification</i> .....	16
3.4.2 <i>Environmental and Social Assessment Procedures</i> .....	17
3.5 IFAD SECAP AND POLICIES .....	20
3.5.1 <i>IFAD Environment and Natural Resources Management (ENRM) Policy</i> .....	21
3.5.2 <i>IFAD’s Strategy and Action Plan on Environment and Climate Change</i> .....	21
3.5.3 <i>IFAD Indigenous Peoples’ Policy</i> .....	22
3.5.4 <i>IFAD Gender and Targeting Policy</i> .....	22
3.5.5 <i>IFAD Land Policy</i> .....	22
3.5.6 <i>IFAD Guidelines on SECAP</i> .....	23

<b>4.</b>	<b>GUIDING PRINCIPLES ON RESETTLEMENT ACTIVITIES FOR WAMCOP .....</b>	<b>26</b>
4.0	GUIDING PRINCIPLES ON RESETTLEMENT .....	26
4.1	DETERMINING NUMBER OF DISPLACED PERSONS AND CUT – OFF DATE .....	27
4.2	METHODS OF VALUATION OF ASSETS .....	28
4.3	LIMITATIONS OF THE EXISTING VALUATION METHODS ON ASSETS .....	29
4.4	ELIGIBILITY CRITERIA FOR COMPENSATIONS FOR PROJECT AFFECTED PEOPLE.....	30
4.5	ENTITLEMENTS FOR COMPENSATIONS .....	31
4.6	APPROACH AND PROCEDURES FOR DELIVERY OF COMPENSATIONS .....	31
4.7	GRIEVANCE REDRESS MECHANISMS ON RESETTLEMENT ACTIVITIES .....	32
4.7.1	<i>Community Based System</i> .....	32
4.7.2	<i>Formal Project GRM</i> .....	34
4.7.3	<i>Formal Courts</i> .....	35
4.7.4	<i>The Lesotho Police Service</i> .....	35
<b>5.</b>	<b>THE RESETTLEMENT SCREENING FOR AGRICULTURAL ACTIVITIES UNDER WAMCOP .....</b>	<b>36</b>
5.0	INTRODUCTION .....	36
5.1	THE SCREENING PROCESS.....	36
5.1.1	<i>Screening of the sites by Development Committee</i> .....	37
5.1.2	<i>Desk appraisal of the proposed site and project</i> .....	37
5.1.3	<i>Field appraisal of the proposed site and the project</i> .....	37
5.2	PREPARATION OF RESETTLEMENT ACTION PLAN FOR SELECTED AGRICULTURAL ACTIVITIES.....	38
5.3	MONITORING OF RESETTLEMENT ACTIVITIES .....	39
<b>6.</b>	<b>INSTITUTIONAL ARRANGEMENTS AND CAPACITY BUILDING .....</b>	<b>43</b>
6.0	INSTITUTIONAL ARRANGEMENTS .....	43
6.1	DEFINITION OF RESPONSIBILITIES OF STAKEHOLDERS .....	44
6.1.1	<i>Responsibilities of the community</i> .....	44
6.1.2	<i>Responsibilities of the Local Authority</i> .....	44
6.1.3	<i>Responsibilities at national level</i> .....	45
6.2	CAPACITY BUILDING FOR MANAGEMENT OF RESETTLEMENT ACTIVITIES .....	46
<b>7.</b>	<b>BIBLIOGRAPHIES.....</b>	<b>47</b>
<b>8.</b>	<b>APPENDICES .....</b>	<b>48</b>
APPENDIX 1	RESETTLEMENT SCREENING FORM FOR PROPOSED SITES .....	48
APPENDIX 2	ENTITLEMENTS FOR VARIOUS CATEGORIES OF PROJECT AFFECTED PEOPLE.....	50
APPENDIX 3	AN OUTLINE OF THE CONTENTS OF RESETTLEMENT ACTION PLAN. ....	52
APPENDIX 4:	FORMAL GRIEVANCE REDRESS MECHANISM.....	53

## TABLE OF TABLES

<b>Table 2-1</b>	Summary of main social and economic impacts from resettlement activities. ....	11
<b>Table 3-1</b>	Comparison of Lesotho and IFAD Classification .....	16
<b>Table 3-2</b>	Comparison between IFAD and Lesotho ESA Procedures .....	17
<b>Table 3-3</b>	Comparison of disclosure Requirements .....	17
<b>Table 3-4</b>	Comparison of the Framework Approach Requirements .....	18
<b>Table 3-5</b>	Comparison of public consultation Requirements.....	18
<b>Table 3-6</b>	Grievance Mechanisms .....	18
<b>Table 3-7</b>	Comparison of Involuntary Resettlement Requirements. ....	19
<b>Table 3-8</b>	Guidance Statements most relevant to WaMCoP.....	25
<b>Table 5-1</b>	Proposed monitoring plan of resettlement activities at community level.....	40

## TABLE OF FIGURES

<b>Figure 2-1</b>	Identification of Resettlement Issues in the Sub-Project Cycle .....	6
<b>Figure 4-1</b>	The Community-based grievance mechanism. ....	34
<b>Figure 5-1</b>	Diagrammatic flow of the screening process. ....	36
<b>Figure 6-1</b>	Institutional Arrangements for Resettlement Activities .....	43

## LIST OF ABBREVIATIONS

ADC	Area Development Committee
AEO	Area Extension Officers
WaMCoP	Lesotho Wool and Mohair value chain Competitiveness Project.
ARAP	Abbreviated Resettlement Action Plan
AWP&Bs	annual work plans and budgets
CC	Community Councils
CCARDESA	Centre for Coordination of Agricultural Research and Development for Southern Africa
CEO	Chief Executive Officer
CMS	Conservation of Migratory Species
DA	District Administrator
DAO	District Agricultural Officer
DC	District Commissioner
DDC	District Development Committee
DFID	Department for International Development (UK)
DLO	District Lands Officer
DP	Displaced Person
EIA	Environmental Impact Assessment
EMP	Environmental Management Plan
ESMF	Environmental and social Management Framework
ESMP	Environmental and social Management Plan
GDP	Gross Domestic Product
GEF	Global Environment Facility
GoI	Government of Lesotho
GTZ	German Technical Cooperation Agency
HIV	Human Immune Deficiency Syndrome Virus
IDA	International Development Agency
LA	Local Authority
LAA	Land Administration Authority
LSPP	Department of Lands, Surveys, and Physical Planning
M&E	Monitoring and Evaluation
M&EO	Monitoring and Evaluation Officer
MAFS	Ministry of Agriculture and Food Security
MCC	Millennium Challenge Corporation.
MDG	Millennium Development Goals
MFDP	Ministry of Finance and Development Planning
MFLR	Ministry of Forestry and Land Reclamation
MLGC	Ministry of Local Government and Chieftainship
MTCIM	Ministry of Trade & Industry, Cooperatives and Marketing
MTEC	Ministry of Environment, Tourism and Culture
NAC	National Aids Council
NGO	Non-Governmental Organisation
PAP	Project Affected People
PC	Project Coordinator
PCU	Programme Coordination Unit
PDO	Programme Development Objective
PFO	Project Field Officer
PMP	Pest Management Plan

IPMP	Integrated Pest Management Plan
PMU	Programme Management Unit
PRS	Poverty Reduction Strategy
R&D	Research and Development
RAP	Resettlement Action Plan
RCoLs	Regional Centers of Leadership
RMD	Range Management Division
RPF	Resettlement Plan Framework
SADC	Southern African Development Community
SIL	Specific Investment Loan.
TA	Technical Assistance / Assistant (according to context)
UNDP	United Nations Development Programme
VDC	Village Development Committee

## DEFINITION OF SELECTED TERMS USED

- **Census:** means a field survey carried out to identify and determine the number of project affected persons or displaced persons in accordance with procedures including criteria for eligibility for compensation, resettlement and other measures, emanating from consultations with affected communities and the local chiefs.
- **Compensation:** means the payment in kind, cash or other assets given in exchange for the taking of land including fixed assets thereon, in whole or in part.
- **Cut – off – date:** means date of commencement of the census of project affected people within the project area boundaries.
- **Impacted persons:** means persons who, for reasons of the involuntary taking or voluntary contribution of their land and other assets under the project result in direct economic and or social adverse impacts, regardless of whether or not the said Impacted Persons physically relocate.
- **Involuntary Resettlement:** means the involuntary taking of land resulting in direct or indirect economic and social impacts caused by loss of benefits from use of such land; relocation or loss of shelter; loss of assets or access to assets; or loss of income sources or means of livelihood, whether or not the displaced persons has moved to another location.
- **Involuntary Land Acquisition:** means the taking of land by government or other government agencies on a compensatory basis for purposes of a public project against the will of the landowner. The landowner may be left with the right to negotiate the amount of compensation proposed. This includes land or assets for which the owner enjoys uncontested customary rights.
- **Land:** refers to agricultural and non-agricultural land and any structures thereon whether temporary or permanent, which may be required for the project.
- **Land acquisition:** means the taking of or alienation of land, buildings or other assets thereon for purposes of a Project.
- **Resettlement Plan Framework:** A statement of the policy, principles, institutional arrangements and procedures that the borrower will follow in a project involving resettlement.
- **Rehabilitation Assistance:** means the provision of development assistance in addition to compensation such as land preparation, credit facilities, training, or job opportunities, needed to enable displaced persons to improve their living standards, income earning capacity and production levels, or at least maintain them at pre-project levels.
- **Replacement cost:** means replacement of assets with an amount sufficient to replace lost assets and cover related transaction costs.
- **Replacement cost for land:** means the pre-project or pre-displacement, (whichever is higher,) market value of land of equal productive potential or use located in the vicinity of the affected land, plus the costs of preparing the land to levels similar to those of the affected land; and any registration and transfer taxes;
- **Replacement cost for houses and other structures:** means the prevailing cost of replacing affected structures, in an area and quality similar to or better than that of the affected structures. Such costs shall also include transporting building materials to the construction site; labour and contractors' fees; and registration costs.

- **Resettlement Assistance:** means the measures to ensure that displaced persons who may require to be physically relocated are provided with assistance during relocation, such as moving allowances, residential housing or rentals whichever is feasible and as required, for ease of resettlement.
- **Voluntary Land Contribution:** means a process by which an individual or communal owner agrees to provide land or property for project-related activities. Voluntary contribution is an act of informed consent, made with prior knowledge of other options available and their consequences, including the right not to contribute or transfer the land. It must be obtained without undue coercion or duress. Voluntary Land Contribution may be of two types. These are voluntary land contribution for compensation and voluntary land contribution without compensation. *(Since it is very difficult to ensure that "voluntary" is truly voluntary and that there is no pressure, influence, or coercion that would essentially force a person to "voluntarily" contribute, for this project voluntary land will only be limited to communal land which is not being used by any person.)*



## EXECUTIVE SUMMARY

This document serves as a Resettlement Plan Framework (RPF) for the Lesotho Wool and Mohair value chain Competitiveness Project (WaMCoP). The Lesotho Wool and Mohair value chain Competitiveness Project will be one of the key instruments of the Government of the Kingdom of Lesotho for addressing agricultural development in Lesotho. It comprises the following components; (i) **Support to Building Value Chains Systems**, (ii) **Climate Smart Value Chain Operation and Coordination** and (iii) **Project Management**. Components 1 and 2 are comprised of agricultural activities which have a bearing on physical and social environments which may induce resettlement issues, hence the need to prepare a Resettlement Plan Framework.

The project does not intend to carry out any activities that will result in the physical displacement of people. However the need for the Resettlement Plan Framework emanates from the following observations which indicate that the implementation and management of some of the project activities would trigger resettlement in one way or another:

1. If the project embarks on establishing additional sheep and goats breeding studs, land consolidation and/or clearing of bona-fide occupants of government land could occur.
2. If the project pilots larger fodder production and land-consolidation (either at sharecropping or through formal block-farm building, this could also trigger land-re-allocation in principle.
3. Depending on the types of activities that will be employed, the improved grazing rangeland management may result in deprivation of members of the community from accessing some resources.

In addition, the Land Act allows various leasehold categories in particular the wholesale conversion of various customary and informal (often considered illegal) tenure arrangements to “primary leaseholds”. This may induce land acquisitions in the context of agriculture with a likelihood of displacing some households from their homesteads and also disturbing livelihoods bases.

The aim of the Resettlement Plan Framework is to synchronise resettlement planning in the implementation of agricultural activities to be funded from the WaMCoP. The specific objectives are as follows:

- (a) To outline steps in resettlement screening of Agricultural Activities and how to incorporate it in the appraisal system of the projects.
- (b) To describe potential socio-economic impacts from resettlement.
- (c) To outline policies and laws which govern resettlement activities and which need to be complied with, in the implementation of Agricultural Activities under Lesotho WaMCoP.
- (d) To describe eligibility criteria for compensations to various potential categories of affected people.
- (e) To describe methods of valuing affected assets for purposes of compensations.
- (f) To outline institutional arrangement in implementation of resettlement.
- (g) To outline budget estimates and funding arrangements for resettlement related activities.

A policy and legal review of Lesotho legislation established that the resettlement issues are supported by a host of laws and regulations for the protection of humans and the environment at large - the main ones being the Lesotho Constitution, the National Land Policy, and the Land Act. On the other hand, the IFAD SECAP Policies require some measures to be taken to reduce the social impacts that may be caused by the need to acquire land for projects causing displacements, dislocations or loss of access to resources.

**The overall policy guidance on the execution of community driven projects supported by the WaMCoP is to avoid resettlement related cases at the earliest opportunity.** It is the considered view of the government that by and large resettlement disrupts the existing social and economic fabrics of the poor communities. In this regard, the implementation of Agricultural Activities to be funded from WaMCoP will be orchestrated on a set of principles in order to minimise or avoid altogether resettlement related risks. The principles revolve around the basic tenets of the IFAD SECAP Policies as well as the existing policies and pieces of legislation of the Government of the Kingdom of Lesotho. Key principles are as follows:

- **Principle 1:** The WaMCoP **will fund** Agricultural Activities proposed within sites where the implementation of such projects **will not bring** about involuntary resettlement, voluntary or involuntary physical dislocation, eviction of squatters, loss of land (whether ownership is recognized by customary land tenure or land titles, impact on cultivations and property, loss of access to property, loss of access to natural resources and other economic resources.
- **Principle 2:** In case of the need for acquisition of the sites from land owners for public interests by the local authorities and communities for the Agricultural Activities, local authorities and communities will take care of required compensations to project affected people based on open market values.

All WaMCoP sub-projects will undergo a resettlement screening process to ensure that they are free of any encumbrances that may derail the project down the line. The resettlement screening process will consist of a review prior to approval of the agricultural activity. The exercise will be principally a community-based exercise and will be done through a participatory approach. Cases of resettlements within Agricultural Activities to be funded from WaMCoP will be undertaken as a shared responsibility among the communities, the local authorities and central government ministries, with the Department of Lands, Surveys, and Physical Planning (LSPP) being the lead agent.

Resettlement of people generates a number of challenges and complaints especially to affected people being moved from one place to another. Examples of complaints include: objections to use of someone's land, encroachment on private land, theft of properties and marginalization in distribution of material assistance. And examples of grievances: include dissatisfaction with amount of compensation and dissatisfaction with size and nature of land replacement. Such grievances could crop up in one way or another in the implementation Agricultural Activities to be funded from WAMCOP.

Negotiation and agreement by consensus between the community and affected persons will provide the first avenue to iron out and resolve grievances expressed by the individuals on resettlement issues. Secondly the District Councils will facilitate the communities to address all resettlement related grievances. In this context, proper channels of grievance redress mechanisms will be put in place, and the project affected people sensitized to make use of them.

The process of grievance redress mechanisms will initially be handled by informal courts handled by traditional leaders (village headmen, traditional authorities) which operate within the community settings themselves. However, in events where some aggrieved parties are not satisfied by decisions made at village headmen and Chiefs levels, the cases will be referred for review and re - consideration by to formal courts within the judiciary and the Lesotho Police Service. The Lesotho Police Service would be involved in reports of cases of criminal in nature.

# 1. BACKGROUND ON THE RESETTLEMENT PLAN FRAMEWORK

## 1.0 INTRODUCTION

This Resettlement Plan Framework (RPF) has been prepared for the potential agricultural activities under the Lesotho Wool and Mohair value chain Competitiveness Project (WaMCoP). This project is going to be one of the key instruments of the Government of the Kingdom of Lesotho for addressing development constraints related to limited coordination of the VC, with critical services still sourced from the RSA and not locally available. Access to finance is another key constraint for individual farmers, associations, and the larger private sector actors in this VCs. Digitisation of the VC is limited and hence constraining the certification of products, despite increased requirements from the global off-takers. WaMCoP Lesotho aims to advance WAMPP's achievements and build on its outcomes by adopting a pragmatic approach. The project up-scales wool and mohair growers' access to the required goods and services such as improved genetic material, feed and fodder, vet services and drugs, and shearing, training, and extension services.

WaMCoP will be national in scale. The institutional innovations to the wool and mohair sector brought about by the project are expected to carry nation-wide benefits. This Resettlement Plan Framework has been prepared to provide necessary guidelines on appropriate land acquisition and resettlement issues which may arise as the project develops. Implementation of resettlement activities will be shared responsibility among the communities, local authorities and central government ministries so as to enhance smooth processes. However, local authorities led by the District Lands Officers and District Commissioners will be the main government implementing agencies on resettlement activities.

The main tasks will include project screening for resettlement, implementation of compensatory measures, supervision and monitoring of community level resettlement activities in line with this Resettlement Plan Framework.

## 1.1 JUSTIFICATION FOR THE RESETTLEMENT PLAN FRAMEWORK

The purpose of the Resettlement Plan Framework (RPF) is to guide in addressing land acquisition and resettlement issues from agricultural activities to be funded from the Wool and Mohair value chain Competitiveness Project (WaMCoP). Although the project does not intend to carry out any activities that will result in the physical displacement of people, the need for the Resettlement Plan Framework emanates from the following observations which indicate that the implementation and management of some of the project activities would trigger resettlement in one way or another:

4. If the project embarks on establishing additional sheep and goats breeding studs, land consolidation and/or clearing of bona-fide occupants of government land could occur.
5. If the project pilots larger fodder production and land-consolidation (either at sharecropping or through formal block-farm building, this could also trigger land-re-allocation in principle.
6. Depending on the types of activities that will be employed, the improved grazing rangeland management may result in:
  - Blocking other community members from using the rangelands.

- Blocking of others from accessing resources.
- Loss of assets or access to assets.
- Interfere with the normal access to assets like grazing or hunting grounds.
- Loss of income sources, and or means of livelihood.

These obviously trigger the resettlement plan instrument.

- 4 The new Land Act proposed various leasehold categories, in particular the wholesale conversion of various customary and informal (often considered illegal) tenure arrangements to “primary leaseholds”. This may induce land acquisitions in the context of agriculture with a very high likelihood of displacing some households from their homesteads and also disturbing livelihoods bases.

## 1.2 AIM AND OBJECTIVES OF THE RESETTLEMENT PLAN FRAMEWORK

The aim of the Resettlement Plan Framework (RPF) is to synchronise resettlement planning in the implementation of the agricultural activities to be funded from the WaMCoP in order to minimise negative social externalities. Specific objectives of the Resettlement Plan Framework are as follows:

- To outline steps in resettlement screening of agricultural activities and how to incorporate it in the appraisal system of the activities.
- To describe potential socio-economic impacts from resettlement.
- To outline policies to govern resettlement in implementation of agricultural activities to be funded from the Wool and Mohair value chain Competitiveness Project (WaMCoP).
- To describe the policy and legal framework on land acquisition and resettlement.
- To describe eligibility criteria for compensations to various categories of affected people.
- To describe methods of valuing affected assets for purposes of compensations.
- To outline institutional arrangements in the implementation of resettlement.
- To outline budget estimates and funding arrangements for resettlement.

If, during project implementation, it is determined that project activities will impact on assets or require land acquisition, **the RPF will serve as a guideline in the preparation of a Resettlement Action Plan (RAP)**. A RAP will be prepared, cleared by the IFAD SECAP , and implemented prior to the project activity causing impact on individuals or households.

## 1.3 POTENTIAL USERS OF THE RESETTLEMENT PLAN FRAMEWORK

The Resettlement Plan Framework has been prepared as a strategic guide on resettlement planning for agricultural activities to be funded from the WaMCoP. It outlines policies, procedures, screening criteria for resettlement, and legal and administrative framework on resettlement and compensations to displaced persons in the course of the programme. The main potential users of this manual are staff involved in the planning and management of the Wool and Mohair value chain Competitiveness Project (WaMCoP). These include staff of the WaMCoP Project Management Unit (PMU), national sector level staff, District Commissioners (DC), District Development Committees (DDC), staff of District Councils and village development committee (VDC).

## 1.4 ORGANIZATION OF THE FRAMEWORK

The Resettlement Plan Framework has been organized into six chapters as follows:

**Chapter one** provides background information, rationale for the Resettlement Plan Framework, aim and objectives of the framework and potential users.

**Chapter Two** highlights the scope of the WaMCoP and linkages to resettlement activities, an overview of land tenure classes, and extent of existing land uses in Lesotho, general procedures of land acquisition. The chapter also outlines selected general socio-economic impacts from resettlement exercises.

**Chapter Three** provides an overview of policies and laws governing resettlement in Lesotho, a review of IFAD SECAP policies on resettlements related to projects. The chapter also outlines differences between policies and laws of Lesotho Government and the IFAD SECAP Policies on resettlement. The chapter includes suggestions of addressing the gaps in policies in the context of management of resettlements related to Agricultural Activities to be funded from WaMCoP.

**Chapter Four** outlines the guiding principles on handling resettlements activities within Agricultural Activities under WaMCoP. The chapter outlines eligibility criteria for compensations, determination of cut-off date, methodologies of valuation of land and assets for purpose of compensations, procedures for delivery of compensations to project affected people and mechanisms for addressing grievances in the course of resettlement activities.

**Chapter Five** outlines resettlement screening process. The screening process details steps to follow in verifying compliance to resettlement issues by the communities. The chapter describes steps in preparation of Resettlement Action Plan, details of the contents of the Resettlement Action Plan, and the suggested technical people to prepare the plan. The chapter also outlines how a Resettlement Action Plan has to be reviewed and approved within the government institutional framework. It also outlines the monitoring plan for resettlement activities at local level. Selected local indicators, means of verifications, frequency of monitoring and monitoring authorities are suggested in the plan.

**Chapter Six** describes the responsibilities of the main institutions to be involved in planning, implementation and monitoring of resettlement activities. The chapter outlines specific roles of the communities, local authorities and central government ministries and assesses the gaps in capacities of these institutions. The chapter includes recommendations for capacity building activities in order to address existing gaps in the management of resettlement activities within districts. The chapter also provides indicative budgets for land acquisition and compensation purposes in the implementation of a selected Agricultural Activities which may involve resettlement. In addition, annual nominal budgets have been prepared for resettlement related activities and services at both district and national levels.

## **2. DESCRIPTION OF WAMCOP AND LINKAGES TO RESETTLEMENT**

### **2.0 PROJECT DESCRIPTION**

WaMCoP's Overall Goal is to increase the wool and mohair sub-sector's climate resilience and market-beneficiation with a specific focus on the small producers and value chain enterprises. The Project Development Objective is to increase the social, economic, and environmental benefits of the Wool and Mohair sector.

Even though the WaMCoP will be national in scale, the project will have a key focus on areas with high poverty or which have challenges in accessing markets. This poverty-focused geographical targeting will concern the activities of Component 2, which aim at increasing smallholders' access to production inputs and services.

### **2.1 PROJECT STRUCTURE**

WaMCoP has three components: (1) Support to Building VC Systems; (2) Climate smart VC Operation and Coordination; and (3) Project Management.

#### **2.1.1 Component 1: Support to Building VC Systems**

The three outcomes of this PCU-led component are: (1) inclusiveness and transparency of VC governance improved, and sustainable sector strategy adopted; (2) better national systems (breeding, disease surveillance, testing, and certification) established and operated (to support the improvement of Lesotho clip quality); and (3) better supply of inputs (from domestic production) and services (financing and vets). These outcomes will be achieved through 3 sub-components: (1.1) Support to improving VC governance and sector strategy; (1.2) Support to establishing and upgrading systems for responsible wool and mohair production; and (1.3) Promoting national supply of inputs and services. As such, the component will create a favourable ecosystem for the value chain players to drive the sub-sector in an inclusive, sustainable, resilient, and low-carbon manner.

#### **2.1.2 Component 2: Climate Smart VC Operation and Coordination.**

Building on the system improvements at national scale under component 1, this component will focus on delivering deeper impacts at selected geographies in a scaling/rolling approach. Delivery will be driven by the TC with supervision/support of the PCU and private sector players for selected activities. Consequently, the sub-components are grounding the system-up-grades at community/ shearing-shed level, and along the value chain and will direct investments to targeted geographies and households.

The component sets to accomplish 3 outcomes: (a) sustainable increase of wool and mohair production in quality and quantity; (b) increased number of shearing sheds linked communities compliant with responsible production standards; and (c) beneficiaries with new jobs/employment opportunities. To achieve these outcomes, the project will work through the following 3 sub-components: (2.1) Promote sustainable increase in wool and mohair production; (2.2) Implementing the responsible production system; and (2.3) Promote international-market – linked cottage industry.

### **2.1.3 Component 3: Project Management.**

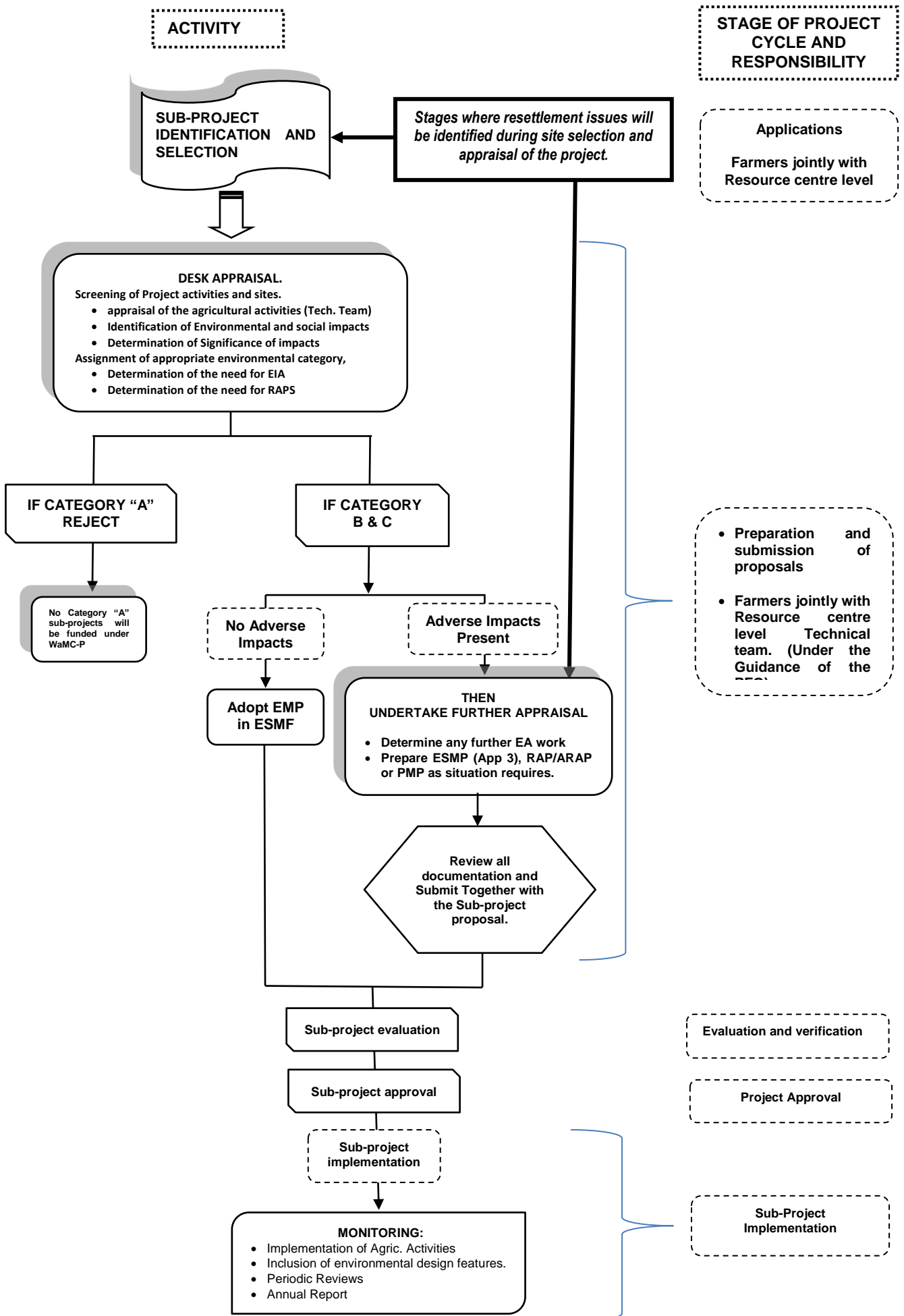
Under this component, PCU will handle traditional fiduciary (financial management and procurement) activities, audit of project activities and partners, and permanent consultation with all stakeholders. In addition, the component will apply communication, monitoring of results and knowledge sharing approaches to support the project's implementation and up-scaling.

## **2.2 GENERIC PROJECT CYCLE AND LINKAGES TO RESETTLEMENT ISSUES**

The generic project cycle of Agricultural Activities to be funded from the WaMCoP is presented in figure 1 below.

The identification of resettlement issues will be done during sub-project planning and site selection process in the first stage. It is at this stage that the community will have to conduct resettlement screening and highlight potential need for compensatory measures.





**Figure 2-1** Identification of Resettlement Issues in the Sub-Project Cycle

## **2.3 OVERVIEW OF LAND ADMINISTRATION AND MANAGEMENT ISSUES.**

Most land in Lesotho is allocated and held under customary tenure. Traditionally, use rights for residential and farmlands were allocated by a hierarchy of traditional authorities to household heads who then passed this on mainly to their male heirs. Grazing lands and forests and other communal resource areas were used and managed under the administration of traditional authorities on behalf of the king. However, over the past three decades there has been a gradual introduction of new land administration and management institutions that have sometimes resulted in ambiguities and contestations between different administration and management authorities.

### **2.3.1 Administration of residential and farmlands**

With regard to the administration and management of residential and farmlands, the 1973 Land Administration Act introduced a “Form C” which regulated and documented the granting of land by the chiefs to individuals. The 1979 Land Act abolished Form Cs and provided for their conversion to leasehold. Legislation in the early and mid 1980s transferred responsibility for allocation of residential and farm lands in rural areas from the chiefs, first to Village Development Committees (VDCs), then to District Development Committees (DDCs). In addition to leasehold a new set of Certificates were introduced. Records of these were to be kept by VDCs and then DDCs. Leasehold records are meant to be kept in the national cadastre, although Districts also keep records. Under the 1979 Land Act, Chiefs were made the chairmen of VDCs but the 1994 Development Councils (Amendment) Act required that VDC chairs be elected. Subsequently, the GoL found itself unable to maintain the ±1,600 VDCs which were replaced by ±210 larger, initially interim, Community Councils (CC) under the 2001 Local Government Act. The first CC elections were held in 2005. The CCs were subsequently reduced to 128 in 2007. In twelve gazetted urban areas, Urban Land Committees became responsible for land administration under the 1979 Land Act. Community Council Land Allocation Committees are meant to allocate both residential and farmland but, in practice, chiefs continue to exercise significant influence in land allocation in both rural and urban areas. Many remain the chairs of Community Councils, Form Cs continue to be issued illegally by chiefs (backdated prior to their abolition), records of certificates are kept by both CCs and Chiefs, few Community Councils or Urban Land Committees issue leases and some abolished interim Community Councils continued to operate and issue certificates.

Since the late 1990s, new efforts have been made to reform land administration, initially mainly with World Bank, GTZ and DFID support but recently with support from the Millennium Challenge Corporation (MCC). A National Land Commission was established in 1999 with the support of the World Bank and GTZ, which recommended, among other things: (a) the abolition of all customary responsibility for land administration; (b) a generalisation of leasehold tenure; and (c) the systematic registration and titling of land. Subsequently, a draft Land Policy and Land Bill were produced with the support of the World Bank, GTZ and DFID from 2001 to 2003 and a draft Land Act was produced in 2006. Several concerns were raised regarding various proposed leasehold categories in the 2006 draft Land Act, in particular the wholesale conversion of various customary and informal (often considered illegal) tenure arrangements to “primary leaseholds”.

### **2.3.2 Recent reforms in land administration for residential and crop lands**

In July 2007, MCC and the GoL signed a USD 362 million Compact covering water, health and private sector development. Implementation started in September 2008. A USD 20.5 million land administration reform activity was included under the private sector

development project. The activity includes: (a) policy and legal reform; (b) systematic regularization of land in urban areas and improvement of rural land allocation processes; (c) modernization and improvement of land administration services; and (d) public outreach and awareness activities. The expected outcome of the land administration reform activity is that the use of land as an economic asset for collateral will be increased. Under the policy and legal reform sub-activity, assistance is to be provided to the Government to revise various legislations associated with land reform currently in draft form and to develop its land policy. Gender analysis was to be done to ensure that the Land Act is congruent with the Legal Capacity of Married Persons Act and other gender equality reforms and principles. The systematic regularization of land in urban areas and improvement of rural land allocation processes sub-activity is supposed to include the regularisation of ±55,000 urban/peri-urban residential parcels and the improvement of rural land allocation processes in 40 Community Councils. The modernization and improvement of land administration services sub-activity will mainly involve the simplification of land administration procedures and the establishment of a new Land Administration Authority (LAA) as an autonomous parastatal body, modelled after the Lesotho Revenue Authority (requiring the promulgation of the Land Administration Authority Act. **These reforms have an implication on the WaMCoP sub-projects which may require some of this land.**

### ***Progress to date***

*Policy and legal reform.* The initial focus has been on the finalisation of the Land Act, which has proved controversial. The Act was adopted by parliament in March 2010 and by Senate in April 2010. The King approved the Act in May 2010 and has been gazetted. Regulations for the Act are currently being drafted. The Act (re) states that land is vested in the Basotho Nation and held in trust by the King, hence only use rights are granted. The Commissioner of Lands continues to have overall responsibility for land administration, including the maintenance of a cadastre and mapping service. The Act provides for the regularisation of the granting of land rights. Rights are either granted through a certificate of allocation or through a lease title. In rural areas certificates can be granted for residential and crop lands by the local council, in consultation with the chief, subject to an approved development plan in accordance with the 1980 Town and Country Planning Act. Lease titles can also be granted in rural areas by the Commissioner of Lands for commercial, industrial, residential and agricultural purposes. In urban areas only, lease titles can be granted. The Act stipulates that for all marriages in community of property the land and property will be deemed to be owned by both/all spouses. The Act also provides for lease titles to be granted to foreign enterprises for investment purposes with at least 20% shares owned by Basotho shareholders. Finally, the Act provides for (unspecified) land holding ceilings, government acquisition / expropriation of land with compensation and the establishment of a Land Court under the High Court as well as District Land Courts.

The most significant changes are that there is a renewed effort for the regularisation of land rights, with a focus on urban areas, women's rights are equally recognised, foreigners may now acquire land rights under certain prescribed conditions and the roles of the chiefs appears to have been marginally strengthened. The main concerns expressed seem to be that the role of chiefs remains weaker than it was prior to 1979 and that foreigners can now acquire land rights and, associated with this, that expropriation provisions will enable government to expropriate land for foreigners. There is also a general concern expressed regarding the level of public consultation. Related to this, there is a concern that the Act has been pushed through because of the requirements stipulated by the Compact with MCC. The concerns also seem to reflect an ongoing struggle between various political and social interests. In hindsight, it may have been better if the focus had been on finalising a

Land Policy that could have provided greater opportunity for public consultation and which would have provided a framework for the further development of legislation.

### **2.3.3 Administration and management of communal land.**

Most communal land is allocated for grazing. It is estimated that about two thirds to three quarters of all land in Lesotho is used for grazing. Historically communities in the lowlands (Zone C) and foothills/lower mountain slopes (Zone B) were granted access to mountain areas (Zone A) for summer grazing but over time the system has broken down in many areas. The 1969 Land Husbandry Act repealed the provisions of the Laws of Lerotoli (a codification of customary law), empowering the Minister of Agriculture to make regulations for grazing and rangelands. In 1980 the Ministry drew up Range Management and Grazing Control Regulations (which were subsequently revised in 1992) and soon after established a Range Management Division (RMD), which was transferred to the Ministry of Forestry and Land Reclamation in 1997. The regulations require Range Management Areas to be identified, stock owners to apply for annual grazing permits and Grazing Associations to be established. Under the 1997 Local Government Act, responsibility for the management of grazing areas in Zones C and B was transferred to the Community and District Councils (at times creating some confusion on their respective roles). But the “Cattle Post Areas” in the mountains (Zone A) remained under the management and administration of twenty-two paramount chiefs. In many cases communities in the foothills and lowlands have lost access to grazing land or are grazing illegally in the mountain areas. There are frequent reports of conflicts between communities over grazing, including illegal burning of grazing areas and stock theft.

### **2.3.4 Decentralised land use planning**

Greater attention has been given to land use planning since the early 1980s with the establishment of a land use planning project and an associated Land Use Planning Unit in the Ministry of Agriculture, supported by USAID. The main rationale of the project was to identify and map grazing, crop and settlement areas as a basis for preventing the encroachment of settlements on crop and grazing lands. The Unit was transferred in 1997 to the Ministry of Local Government and Chieftaincies where it became a Division within LSPP, headed by a Chief Land Use Planner. The Division is mandated to carry out soil surveys and suitability assessment for various uses (e.g. settlements, grazing, arable land, etc), to advise planners where they propose to change the existing land uses and to monitor that land uses are in line with suitability assessment.

## **2.4 IMPLICATIONS FOR WaMCoP**

Access to land and sustainable land and natural resource use is essential for improving agricultural productivity and for increasing the commercialisation of agriculture. While there appears to be a demand for land allocation certificates and perhaps to a lesser extent, lease titles for residential and commercial purposes in small rural towns and villages, there seems to be less of a demand for these in relation to farm land, where people generally feel that their rights are clear and undisputed. However, there could be a sporadic demand for certificates for ventures in commercial agriculture.

The strengthening of land use and settlement planning is important for reducing the encroachment of settlements on farm lands. For this, finalising legislation that provides for gazetted and hence enforceable land use plans is essential. So is improving land allocation procedures and the collection of ground rents in existing residential areas as a basis for encouraging the use of unutilised residential land. For agricultural commercialisation and improved natural resource management, general land use plans are more important than settlement planning. Such plans typically precede more detailed settlement and physical

planning processes and can be done relatively quickly with less resource inputs. A hierarchy of general land use plans is needed from village to District levels and beyond to inter-District level plans and “regional” plans that consider access to and use of Cattle Post Areas.

Under WaMCoP, integrated land and natural resource use management plans, with associated regulations and by-laws will be developed as part of the community-level Agricultural Investment Planning process. These will link local and macro level land and natural resource use management from village to Community Council to District levels and beyond. Ongoing land and natural resource management planning processes being done by multi-disciplinary, multi-stakeholder District / Community Council teams in collaboration with village-level groups and user associations will be strengthened. Investment and income generating opportunities for improved land and natural resources management will be identified and financed.

## **2.5 GENERAL LAND ACQUISITION PROCEDURES**

In case that a specific land area needs to be acquired, a Resettlement Action Plan will be prepared following guidance established in this RPF. The process will begin with the village development committee initiating negotiations with the occupier(s) of customary land, registered proprietor or their representatives. Inter-department cooperation will be utilized wherever necessary to tap on the expertise and experiences of the various stakeholder institutions.

- (a) The village development committee in consultations with the line district sector line officials prepare actions plans for implementation of land acquisition and resettlement that comply with the provisions of the framework;
- (b) Affected persons are then served with a notice with a clear explanation of the purpose of the acquisition, the area of land required and the owners’ right to compensation in accordance with the existing law;
- (c) Affected persons will be given an opportunity to comment on the plan and to participate in the planning process.

In the case of customary land, District Commissioner/Chief Executive ascertains from the village head, the land register or whichever is applicable in order to determine the person or persons who have the right over that land.

The District Commissioner/Chief Executive commissions a survey on such land to be acquired. Thereafter a plan is prepared and certified to be accurate showing:

- (i) land to be acquired;
- (ii) names of the owners and occupiers of that land as far as they can be ascertained; or
- (iii) in the case of customary land, the name of the land owner who is the holder of the right over the land as ascertained by the local chief and other bonafide local residents;
- (iv) assets currently on the land to be acquired (shelters, buildings, crops, etc.)

A copy of such plan shall be deposited in the office of the District Commissioner/Chief Executive and another at the premises of the local chiefs. It should be highlighted that in

case some project affected persons have objections to the proposed land acquisition and resettlement, their objections have to be done in writing to District Commissioner for or Commissioner for Lands and Valuation within 21 working days after the public notice. Alternatively, formal complaint can be lodged via Chiefs.

## 2.6 POTENTIAL SOCIO-ECONOMIC IMPACTS OF RESETTLEMENTS

Resettlement within the context of implementation of community driven projects encompasses land acquisition and relocation of existing people from the existing homesteads. Such resettlement exercise undertaken whether within rural communities or urban settings trigger a number of negative externalities on the affected people. In general, some impacts emanate from the consequences of losses of access to their settlement sites, others from losses of and loss of access to their traditional productive assets. Furthermore, some impacts arise from loss of social cohesion and relations. Examples of potential socio- economic impacts from such sources are outlined in the table below:

**Table 2-1** Summary of main social and economic impacts from resettlement activities.

<b>Category of losses</b>	<b>Social and economic impacts</b>
Displacement from land	<ul style="list-style-type: none"> <li>• Landlessness</li> <li>• Loss of productive resource for agriculture and other businesses</li> </ul>
Loss of residential property and homestead	<ul style="list-style-type: none"> <li>• Landlessness, homelessness</li> <li>• Impoverishment of people</li> <li>• Disturbance of house production systems</li> <li>• Loss of sources of income</li> <li>• Loss of or weakening of community system and social networks.</li> <li>• Loss of access to ancestral sites, graveyards</li> <li>• Loss of access to social amenities such as hospitals and schools.</li> <li>• Loss of traditional authority.</li> </ul>
Loss of assets or access to assets	<ul style="list-style-type: none"> <li>• Impoverishment</li> <li>• Loss of sources of income</li> <li>• Loss of employment opportunities (self – employment)</li> </ul>
Loss of income sources or means of livelihood	<ul style="list-style-type: none"> <li>• Impoverishment</li> <li>• Loss of self – employment opportunities</li> <li>• Disruption of attainment of services such as schools, health services resulting in further impoverishment, malnourishment</li> </ul>
Loss of identity and cultural survival	<ul style="list-style-type: none"> <li>• Alienation of persons from their tribal society</li> <li>• Lack of access to community support</li> </ul>
Loss of access or proximity to social amenities e.g. water sources, (e.g. boreholes), schools, hospitals and clinics, markets	<ul style="list-style-type: none"> <li>• Impoverishment.</li> <li>• Loss of sources of income</li> <li>• Increased time to access resources. Loss or shortage of time for other activities.</li> </ul>
Blockage of footpaths/pathways	<ul style="list-style-type: none"> <li>• Increase in travel distance due to longer route</li> </ul>
Loss of grazing land	<ul style="list-style-type: none"> <li>• Difficulties in rearing livestock</li> </ul>
Blockage of access to public water bodies	<ul style="list-style-type: none"> <li>• Difficulties in collection of water for domestic uses</li> <li>• Difficulties in collection of water for irrigation</li> </ul>

### **3. POLICY AND LEGAL FRAMEWORK ON RESETTLEMENT.**

#### **3.0 REVIEW OF POLICIES AND LAWS ON RESETTLEMENT IN LESOTHO.**

Policy and legal framework on resettlement in Lesotho is drawn from various government policies and pieces of legislation. In addition to a review of the Constitution of the Kingdom of Lesotho, other key government policies and pieces of legislation considered here include: Lesotho National Policy, Land Act, Land Acquisition Act, The Public Roads Act, The Town and Country Planning Act, The Water Resources Act and the Forestry Act. The following paragraphs highlight some resettlement related requirements which need to be complied with by local communities in the planning of Agricultural Activities to be funded from the Lesotho Wool and Mohair value chain Competitiveness Project (WaMCoP).

#### **3.1 POLICY FRAMEWORK**

##### **3.1.1 The Lesotho National Land Policy.**

The Lesotho National Land Policy focuses on land as a basic resource common to all people of Lesotho and for enhancement of socio – economic development. Section 4.11 of the policy affirms equitable access to land to all citizens of Lesotho. The policy recognizes human settlement and agriculture as the major benefactors of the land use sector. As such, the policy advocates for orderly resettlements of villages or households especially in rich agricultural zones. Furthermore, the policy guarantees full legal protection to customary land tenure to the people of Lesotho in order to enable the ordinary Basotho to adequately participate in subsistence farming and socio-economic development activities. The Lesotho National Land Policy also advocates for fair compensation on open market value to local people on all classes of land (whether held under customary land tenure or leasehold) in case such land is acquired for public interest or for development of public infrastructure. In reference to relocation of displaced people, the policy advocates for adequate consultations with the affected people so that their interests are taken care of. Such provisions will have to be made in WaMCoP for consideration of acquisition of land for some selected agricultural activities.

##### **3.1.2 Poverty Reduction Strategy (PRS).**

The Poverty Reduction Strategy of Lesotho includes the following; employment creation and income generation, Agriculture and Food security, infrastructure development - roads, water, electricity and communication, deepening democracy, governance, Safety and Security, improving quality of and access to essential health care and social welfare service, improving quality and access to education, managing and conserving the environment and improving public service delivery. The *crosscutting issues* are scaling up the fight against HIV/AIDS and gender, youth and children.

#### **3.2 LEGAL FRAMEWORK**

The following is an overview of relevant legislative instruments:

##### **3.2.1 Constitution of Lesotho**

*Section 36:* Stipulates that Lesotho will adopt policies designed to protect and enhance

the natural and cultural environment of Lesotho for the benefit of both present and future generations and shall endeavour to ensure all citizens a sound and safe environment adequate for their health and well-being.

The Constitution of the Kingdom of Lesotho guarantees land as a basic resource for social and economic asset for all Basotho. It affirms equitable access of land and ownership of property. The constitution also sets a benchmark on the issue of land acquisition. It provides in section 28(2) that “No person shall be arbitrarily deprived of property” and in section 44(4) that “Expropriation of property shall be permissible only when done for public utility and only when there has been adequate notification and appropriate compensation provided that there shall always be a right to appeal to a court of law”. In regard to these facts, it will be necessary for the community to provide adequate land for the displaced persons. The Constitution of the Kingdom of Lesotho further guarantees security of tenure of land and free enjoyment of legally acquired property rights in any part of the country. The implication of this provision to resettlements related to Agricultural Activities funded by WaMCoP is that the community will have to pay out fair and adequate compensation to land owners in the event of the need to acquire persons’ land for construction of community infrastructures such as new water mains.

### **3.2.2 THE LAND ACT (2010)**

The Act brought a complete change of the land tenure system and has far-reaching implications for Basotho. The new Act replaced the Land Act of 1979 which the government says had serious limitations that hampered the country’s economic development. In its statement of objects and reasons, the government said the current land tenure system had not been “responsive to the economic needs of the country”, was “costly, slow, inefficient, restrictive and not transparent”, resulting in “hampering investments and creating dysfunctional land markets”. The government sought to revamp the land tenure system to enhance the use of land as an economic asset.

Under the Land Amendment Act No 27 of 1986, foreigners were barred from owning land in Lesotho. This is now viewed as a restriction which is “to the economic detriment of the country”. The current land law requires “cumbersome procedures which lead to inefficient land administration services” and there is a lack of security of tenure regarding land. The new land law was set to address all these “anomalies”. The Land Act has some aspects that if adopted could in the long run drastically change the face of urban areas in the country.

### **3.2.3 Managed Resources Areas Order, No 18 of 1993**

*Section 12:* makes provision for prohibition on activities in Managed Resource Areas other than for grazing purposes including prohibition of burning that causes land degradation.

### **3.2.4 Lesotho Water and Sewerage Authority Order No 29 of 1991**

*Section 41 (2) (a)* makes provision for prevention of ecological deterioration.

### **3.2.5 Local Government Act 1997.**

The Act is in the process of being enforced and, the government has decentralized its



services to the districts. Under the Act, the government has established the Local Government Service and the interest of the Central Government at district level is represented by the District Administrator (DA), who coordinates the duties and functions of all public officers in the district. Indeed, all public officers in the district function under the direct supervision of the District Administrator. It should be noted that the district technical staff report administratively to the DA but functionally to the line ministries. The District Administrator reports to the Minister of Local Government. Thus, the project implementation will be coordinated by the DA who will be the chair of the Programme Implementation Committee.

The Act also impacts on the WaMCoP in that all the local governance issues will be dealt with through this act.

### **3.2.6 Environment Act 2008**

The Environment Act makes provision for the protection and management of the land base against the negative impacts of development of such infrastructure as roads, that cause excessive land disturbance and soil erosion. The agricultural activities will have various effects on the environment and the relevant clauses that cover the protection and management of the land base follow below:

*Part V: Environmental Impact Assessment, Audits and Monitoring:* This clause provides for undertaking environmental impact assessment of the project developments. It makes provision for the type of projects for which an environmental impact assessment is required and specified in the Schedule to the Act. It stipulates submission of the project brief and provides guidance for its preparation. The project brief preparation includes preparation of the environmental management plan for guiding development for prevention of environmental impact on natural resources by undertaking mitigation measures. Environmental impact studies and statements preparation and guide are made for projects that have serious environmental impacts on natural resources. It makes provision for review of environmental impact statements, environmental monitoring, environmental audit and issuance of the license for implementing the project.

*Part VI: Environmental Quality Standards:* Makes provision for soil, water, air, waste, noise, ionization, and other radiation, control of noxious smells, guidelines for environmental disasters and other standards.

*Part VII: Pollution control:* Makes provision for prohibition of discharge of hazardous substances, chemicals and materials or oil into the environment and spiller's liability.

*Part IX: Environmental Management:* Makes provision for identification and protection of hilly and mountainous areas.

*Part X: Environmental Restoration Notice and Order:* Makes provision for issuance of environmental restoration order.

*Part XII: International Environmental Conventions:* Covers environmental conventions or agreements to which Lesotho is a party.

### 3.2.7 The Forestry Act 1998:

This law makes provision that land should be made available for forestry activities, including fuel wood production for purposes of domestic supply seen as a means to preserve indigenous shrubs and trees that protect land from soil erosion. It also provides for the protection and preservation of these forests. WaMCoP activities may induce vegetation clearing for working space and for firewood. The provisions of this act will thus be used to protect the forests from over exploitation.

### 3.3 INTERNATIONAL CONVENTIONS AND TREATIES

Lesotho is a signatory and party to more than twenty-one international, conventions, treaties and protocols. Of the many treaties, the following will be triggered by the WaMCoP:-

**a. The convention of biological diversity**

The objectives of this Convention, to be pursued in accordance with its relevant provisions, are the conservation of biological diversity, the sustainable use of its components and the fair and equitable sharing of the benefits arising out of the utilization of genetic resources, including by appropriate access to genetic resources and by appropriate transfer of relevant technologies, taking into account all rights over those resources and to technologies, and by appropriate funding.

Agricultural activities will impact on biodiversity as the ecosystems are converted for agricultural use, e.g. natural forests turned into managed range lands, wetlands drained for arable land, thus interfering with the natural state.

**b. The convention on wetlands of significant importance.**

The Convention on Wetlands of International Importance, called the Ramsar Convention, is an intergovernmental treaty that provides the framework for national action and international cooperation for the conservation and wise use of wetlands and their resources.

The project area has a number of wetlands and these may be encroached on by the agricultural activities due to the constraints of land availability. The requirements of the Ramsar Convention will need to be applied in order to protect the wetlands from degradation.

**c. The convention on conservation of migratory species of wild animals.**

The Convention on the Conservation of Migratory Species of Wild Animals (also known as CMS or Bonn Convention) aims to conserve terrestrial, marine and avian migratory species throughout their range.

The project may interfere with migratory routes of wildlife as the requisite structures for the agricultural activities are established. The usual nesting grounds for avian migratory species may be affected as lands, vleis and wetlands will be acquired for agricultural purposes.

**d. The convention concerning the protection of world and natural heritage.**

The World Heritage Convention aims for the preservation of the cultural and natural heritage sites of outstanding universal value. Each State, party to this

Convention recognizes that the duty of ensuring the identification, protection, conservation, presentation and transmission to future generations of the cultural and natural heritage and situated on its territory, belongs primarily to that State.

The project area is endowed with a lot of natural and cultural heritage sites. Any excavations may encounter artifacts, fossils and other items of cultural importance. Thus, the project triggers this convention.

**e. The convention on desertification and drought.**

The aim of the Convention, which was signed in 1994, is to combat desertification and mitigate the effects of drought in those countries experiencing serious drought, particularly in Africa, through international cooperation and effective action at all levels.

Desertification is due primarily to human activity and climatic variations. It does not mean the advance of current areas of desert. It is the result of the extreme vulnerability of the ecosystems in arid areas to over-exploitation and inappropriate use of land. Poverty, political instability, deforestation, overgrazing and bad irrigation practices are all factors which have a deleterious impact on the productivity of the land.

Under WaMCoP the agricultural activities have a potential to degrade the environment and the Convention encourages implementation of measures to combat desertification.

### 3.4 GAP ANALYSIS OF LEGISLATION

The following is a gap analysis between the IFAD SECAP and Lesotho Legislation.

#### 3.4.1 Project Classification

The Lesotho legislation classifies projects and activities into three categories, i.e., Category 1 to Category 3 as outlined in table 3-5 below. On the other hand, IFAD classifies projects into Three categories, i.e., category “A” to “C”. These are outlined in table 3-1 below:

**Table 3-1** Comparison of Lesotho and IFAD Classification

NO.	LESOTHO CLASSIFICATION	IFAD CLASSIFICATION
	<p>Category 1: projects under this category are not listed in the Schedule and are unlikely to cause any significant environmental impact and thus do not require any additional environmental assessment.</p> <p>Category 2: projects under this category are listed in the Schedule and are likely to cause environmental impacts, some of which may be significant unless mitigation actions are taken. Such projects cause impacts which are relatively well known and easy to predict. Also, the mitigation actions to prevent or reduce the impacts are well known. From the assessment</p>	<p>Category A: A proposed project is classified as Category A, if it is likely to have significant adverse environmental and social impacts that are sensitive, diverse, or unprecedented. These impacts may affect an area broader than the sites or facilities subject to physical works.</p> <p>Category B: A proposed project is classified as Category 'B', if its potential adverse environmental and social impacts on human populations or environmentally important areas – including wetlands, forests, grasslands and other natural habitats – are less adverse than those of category 'A' projects. These impacts are site – specific, few</p>

	<p>of the Project Brief the projects are classified as not requiring a full EIA.</p> <p>Category 3: projects under this category are listed in the Schedule and are likely to have significant adverse environmental impacts whose scale, extent and significance cannot be determined without in-depth study. Appropriate mitigation measures can only be identified after such study. From the assessment of the Project Brief the projects are classified as requiring a full EIS.</p>	<p>if any of them are irreversible; and in most cases mitigatory measures can be designed more readily than for category 'A' projects.</p> <p>Category C: A proposed project is classified as Category C, if it is likely to have minimal or no adverse environmental and social impacts.</p>
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IFAD requires that all its projects be screened for their potential environmental and social impacts to determine the appropriate extent and type of environmental work. It then requires that the requisite environmental assessment work be carried out based on these screening results.

### 3.4.2 Environmental and Social Assessment Procedures

While Lesotho's EA procedures are generally consistent with the IFAD policies, there are some gaps regarding the screening of subprojects where the sites and potential adverse localized impacts cannot be identified prior to the appraisal of the project. Therefore, under the WaMCoP the environmental and social screening processes as described in this report will be used. Table 3-2 describes the gap analysis and comparison of IFAD and Lesotho environmental and social assessment procedures.

**Table 3-2** Comparison between IFAD and Lesotho ESA Procedures

REQUIREMENT OR CATEGORY	IFAD SECAP AND OTHER POLICIES	Lesotho Policy	COMMENTS
EIA process	EIA is initiated as early as possible in project processing and is integrated closely with the economic, financial, institutional, social, & technical analyses of all proposed projects.	Only projects classified as category 3 require EIAs.	EIA should be initiated as early as possible in project processing to inform design of all projects (Appendix 3)

#### a) Disclosure Requirements,

Table 3.3, below gives a comparison of the disclosure requirements:

**Table 3-3** Comparison of disclosure Requirements

Subject/Issue	IFAD SECAP and Other Policies	Lesotho Policy	Solution/mitigation
Disclosure	IFAD's Policy on the Disclosure of Documents (2010) requires full disclosure to the public, and includes information notes on projects being developed for Board presentation, agreements for approved loans and grants, and project/programme design documents which include ESIAs, ESMFs, RAPs and RAFs.	EIA reports are available for public consumption at EAD upon completion but are not circulated for written comments from the various agencies and public	Upon completion of EIA reports, these must be: <ul style="list-style-type: none"> <li>• circulated for written comments from the various agencies and government agencies;</li> <li>• notify the public of the place and time for its review; and</li> <li>• solicit oral or written comments from those affected.</li> </ul>

#### b) The Framework Approach

The Lesotho Laws do not provide for the Framework Approach (ESMF and RPF) but rather only, specific instruments (ESIA, ESMP, Environmental Audits). This ESMF prepared for WaMCoP in line with SECAP will guide the preparation of the specific instruments; Table 3-4 summarises the comparison of the Framework Approach Requirements.

**Table 3-4** Comparison of the Framework Approach Requirements

Subject/Issue	IFAD SECAP and Other Policies	Lesotho Policy	Solution/mitigation
the Framework Approach	IFAD requires an ESMF, RPF, etc. for projects whose location and design of the Program activities and subprojects, and the magnitude of their impacts are not precisely known at project appraisal stage	Lesotho Legislation does not provide for the Framework Approach but rather only, specific instruments (ESIA, ESMP, Environmental Audits)	This ESMF prepared for WaMCoP in line with SECAP will guide the preparation of the specific instruments for the sub-projects as and when deemed necessary.

### c) Public Consultation Requirement

The table 3-5 below gives a comparison of the requirements for public consultation Requirements.

**Table 3-5** Comparison of public consultation Requirements

Subject/Issue	IFAD SECAP and Other Policies	Lesotho Policy	Solution/mitigation
<i>Public Consultation</i>	<p>SECAP emphasises the need for greater consultation by communities (especially the marginalized poor) and stakeholders that are likely to be affected by IFAD's Operations during the respective programme/project cycle, in order to provide input to the project design, receive feedback on the draft ESIA report, ensure broad community support to the project, and to ensure that affected people endorse the proposed mitigation/risk reduction and management measures. In addition to public consultations, SECAP requires FPIC for all projects that are likely to affect land or user rights to land, whether or not the affected people belong to indigenous groups or minorities.</p> <p>Affected persons/communities are provided timely and relevant information, and informed about their options and rights. Consultation with customary landowners and affected persons is essential, and may require their participation in a Social Assessment.</p>	Lesotho Legislations requires Public Consultation but does not emphasis the need for participation and consultation with vulnerable groups.	<p>Consultation Process in this ESMF will guide the consultations for the project.</p> <p>Identification of affected persons must consider vulnerable persons (disabled, women, youth, etc.).</p> <p>Notification periods should allow adequate time to salvage property being removed for the project (i.e., two weeks prior to any construction activity).</p>

### d) Grievance Mechanisms

Table 3-6 below gives a comparison of the Grievance Mechanisms.

**Table 3-6** Grievance Mechanisms

Subject/Issue	IFAD SECAP and Other Policies	Lesotho Policy	Solution/mitigation
<b>Grievance Mechanisms</b>	<p>IFAD has developed a Complaints Procedure for "Alleged Non-Compliance with its Social and Environmental Policies and Mandatory Aspects of Its Social Environmental and Climate Assessment Procedures". Parties adversely or potentially adversely affected by IFAD-funded projects and programmes may bring issues to the Fund's attention using <a href="mailto:SECAPcomplaints@ifad.org">SECAPcomplaints@ifad.org</a></p> <p><i>Any Sexual Exploitation and Abuse (SEA) complaints received shall be directed to IFAD's Ethics Office</i></p> <p>Complaints must be put forward by at least two people who are both nationals of the country concerned and/or living in the project area. Complaints from foreign locations or anonymous complaints will not be taken into account. Complaints must concern projects/programmes currently under design or implementation. Complaints concerning closed projects, or those that are more than 95 per cent disbursed, will not be considered. IFAD does not provide monetary compensation to resolve complaints. The IFAD website provides a clear summary of the steps involved and guidance on how to report issues</p>	There is no distinct law providing for grievance redress for any complaints that may arise out of non-compliance of environmental or social actions provided in the ESMP.	IFAD has an established Grievance redress mechanism (GRM) whilst Lesotho does not have a distinct law providing for it.

### e) Compensation and Resettlement

Lesotho's Land Act is restricted to fair, adequate and prompt compensation (cash) (GoL, 2010a), while IFAD SECAP policies require the need to provide alternative land, resettling the Project Affected Persons (PAPs) to levels or standards of livelihood similar to or better than before compensation. The Lesotho legislation also does not provide for restoration of livelihoods, resettlement assistance and compensation at replacement value. Under circumstances like these regarding short-comings in the Lesotho law on compensation process, the provisions of SECAP shall be applied. Table 3-7 below gives a comparison of the Involuntary Resettlement Requirements.

**Table 3-7** Comparison of Involuntary Resettlement Requirements.

Subject/Issue	IFAD SECAP and Other Policies	Lesotho Policy	Solution/mitigation
Involuntary Resettlement	Involuntary resettlement should be avoided wherever feasible, or minimized, exploring all viable alternative project designs.	Lesotho legislation does not emphasize avoiding involuntary resettlements, but that when this happens, it must be done with as little damage as possible.	The project design will seek to avoid physical and economic displacement. Where such impacts cannot be avoided, best efforts will be made to minimize impacts through design review. Acquisition of land will only be pursued once all viable alternatives have been considered.
	Displaced persons should be meaningfully consulted and should have opportunities to participate in planning and implementing resettlement programs.	Lesotho legislation provides for public notification of the intention to take land and allows for objections to be lodged.	Affected persons will be meaningfully consulted throughout the preparation of implementation of resettlement plans. Any severely affected persons will be consulted on the development of mitigation measures for relocation or livelihood restoration.
	Affected land and non-land property is required to be compensated at full replacement cost.	Lesotho legislation provides for 'full and just' compensation for all affected people as the basis for determining the offered value of the affected land.	Compensation will be provided at full replacement cost. For land, compensation will be based on market value plus transaction costs. For structures, compensation will be sufficient to replace the affected structure without depreciation plus the

			cost of any transaction costs such as registration fees. For non-land property that can be feasibly moved, assistance will be provided to restore the affected property.
	WHO IS ELIGIBLE: IFAD requires compensation/assistance to informal land users & illegal occupants (“squatters and encroachers”)	Lesotho Legislation does not recognize illegal settlers.	The provisions of SECAP shall be applied where there are short comings in the Lesotho legislation.
	VALUATION: IFAD requires compensation equal or better than replacement value of land/assets	The Lesotho legislation also does not provide for compensation at replacement value	The provisions of SECAP shall be applied where there are short comings in the Lesotho legislation.
	BEYOND COMPENSATION: IFAD requires assistance for restoration of livelihoods (not worse off as result of project	The Lesotho legislation also does not provide for restoration of livelihoods as such.	The provisions of SECAP shall be applied where there are short comings in the Lesotho legislation.
	TIMING: IFAD requires compensation/assistance provided in full prior to beginning implementation of works	The Lesotho legislation also does not provide for compensation/assistance provided in full prior to beginning implementation of works	The provisions of SECAP shall be applied where there are short comings in the Lesotho legislation.

The IFAD procedures and the Lesotho legislation are basically similar. However, while Lesotho’s EA procedures are generally consistent with IFAD’s policies, there exists a gap regarding the screening of small-scale subprojects where the sites and potential adverse localized impacts cannot be identified prior to the appraisal of the project. Therefore, WaMCoP will use the environmental and social screening process as described in this report.

### 3.5 IFAD SECAP AND POLICIES

IFAD is one of the largest sources of development financing for agriculture and rural development in developing countries. In line with the Sustainable Development Goals (SDGs) and other international relevant agreements IFAD’s core mandate is to support the social and economic empowerment of poor rural women and men. As such, it is opposed to any investment that will have a negative impact on its target groups. In respect to the overall goal of environmental and economic sustainability, IFAD is committed to take a proactive and innovative approach to promote projects and initiatives that are specifically designed to deliver significant environmental, social and climate adaptation and mitigation benefits.

WaMCoP has been designed and informed by IFAD’s Climate Change Strategy, Environment and Natural Resources Management (ENRM) Policy, Indigenous Peoples Policy, Gender and Targeting Policy and Land Policy. The Programme has also been designed in compliance with IFAD’s guidelines on Social, Environmental and Climate Assessment Procedures (SECAP). To ensure an integrated approach to environmental and social management, the SECAP presents guidance statements. The following is a summary of the relevant pieces of policies.

### 3.5.1 IFAD Environment and Natural Resources Management (ENRM) Policy

Accelerating environmental degradation is eroding the natural asset base of poor rural people. Environmentally damaging agricultural and other economic activities the drivers of these challenges. The knowledge and technology exist to tackle these challenges and IFAD has years of experience helping poor rural communities manage their natural resources, but it has the potential to do a lot more (IFAD, 2011).

The goal of the ENRM policy is: “To enable poor rural people to escape from and remain out of poverty through more-productive and resilient livelihoods and ecosystems”.

Its purpose is: “To integrate the sustainable management of natural assets across the activities of IFAD and its partners”.

The policy sets out 10 core principles to guide IFAD’s support for clients in ENRM. The principles include both the core issues to be addressed and suggested approaches (section II.A). In summary, IFAD will promote:

- (1) Scaled-up investment in multiple-benefit approaches for sustainable agricultural intensification,
- (2) Recognition and greater awareness of the economic, social, and cultural value of natural assets,
- (3) ‘Climate-smart’ approaches to rural development,
- (4) Greater attention to risk and resilience to manage environment and natural-resource-related shocks,
- (5) Engagement in value chains to drive green growth,
- (6) Improved governance of natural assets for poor rural people by strengthening land tenure and community-led empowerment,
- (7) Livelihood diversification to reduce vulnerability and build resilience for sustainable natural resource management.
- (8) Equality and empowerment for women and indigenous peoples in managing natural resources.
- (9) Increased access by poor rural communities to environment and climate finance; and
- (10) Environmental commitment through changing its own behaviour.

### 3.5.2 IFAD’s Strategy and Action Plan on Environment and Climate Change

(2019-2025)

The speed and intensity of climate change are outpacing the ability of poor rural people and societies to cope. The natural environment and climate change influence the lives of poor rural people in critical ways. Sustained agricultural productivity and economic success depend on reliable access to environmental goods and services, as well as the assets and capacities to withstand environmental and climate hazards and shocks.

IFAD has formulated this strategy in order to address environment and climate change issues across all its policies, strategies and operations. The main objective of the strategy is to enhance the resilience of smallholder farmers and rural communities to environmental degradation and climate change impacts.

Thus, IFAD is enhancing its approach to rural development in the context of increasing environmental threats, including climate change. As IFAD will continue to target its investments at the poorer and often most climate-change affected people – whose livelihoods depend largely on agriculture and natural resources – particularly at women as



producers and indigenous people as stewards of natural resources, it has put in place measures to address the adversarial climate changes. The Strategy recognises that climate-related risks, and potential opportunities, can be addressed more systematically within the different projects and policy advice. This will be done by being alert to new sources of risk, and exploring more opportunities like rewarding emissions reductions (IFAD, 2018)

### **3.5.3 IFAD Indigenous Peoples' Policy**

This Policy on Engagement with Indigenous Peoples aims to enhance IFAD's development effectiveness in its engagement with indigenous peoples' communities in rural areas. It sets out the principles of engagement IFAD will adhere to in its work with indigenous peoples, and the instruments, procedures and resources IFAD will deploy to implement them.

Indigenous people account for an estimated 5 per cent of the world's population, but 15 per cent of those people living in poverty. In many countries, rural poverty is increasingly concentrated in indigenous and tribal communities.

IFAD's Strategic Framework identifies indigenous peoples as an important target group because they face economic, social, political, and cultural marginalization in the societies in which they live, resulting in extreme poverty and vulnerability for a disproportionate number of them. To reach them requires tailored approaches that respect their values and build upon their strengths. In its engagement with indigenous peoples, IFAD will be guided by nine fundamental principles: (a) cultural heritage and identity as assets; (b) free, prior and informed consent; (c) community-driven development; (d) land, territories and resources; (e) indigenous peoples' knowledge; (f) environmental issues and climate change; (g) access to markets; (h) empowerment; and (i) gender equality.

The formulation of the ESMF document recognises these principles so that they can be implemented throughout the project cycle.

### **3.5.4 IFAD Gender and Targeting Policy**

Poverty targeting, gender equality and empowerment are cornerstones of IFAD's work to reduce rural poverty and food and nutrition insecurity. This puts people – rural women, men, youth, and indigenous peoples – at the centre of IFAD's development projects and policy engagement. This unique approach aims to support the development of inclusive, equitable, sustainable and resilient rural societies and agriculture sectors that are food secure and able to take advantage of the opportunities provided by growing markets, thus providing a springboard to rural transformation. Thus, IFAD has developed a deliberate Policy to address this issue.

### **3.5.5 IFAD Land Policy**

Secure access to productive land is critical to the millions of poor people living in rural areas and depending on agriculture, livestock, or forests for their livelihood.

It reduces their vulnerability to hunger and poverty; influences their capacity to invest in their productive activities and in the sustainable management of their resources; enhances their prospects for better livelihoods; and helps them develop more equitable relations with

the rest of their society, thus contributing to justice, peace and sustainable development (IFAD, 2008)

The Fund's first strategic objective is to help "ensure that, at the national level, poor rural men and women have better and sustainable access to natural resources (land and water), which they are then able to manage efficiently and sustainably." Land access and tenure security issues are linked, directly or indirectly, to all the strategic areas of IFAD's interventions.

The IFAD Policy on Improving Access to Land and Tenure Security has been formulated to: (a) provide a conceptual framework for the relationship between land issues and rural poverty, acknowledging the complexity and dynamics of evolving rural realities; (b) identify the major implications of that relationship for IFAD's strategy and programme development and implementation; (c) articulate guiding principles for mainstreaming land issues in the Fund's main operational instruments and processes; and (d) provide the framework for the subsequent development of operational guidelines and decision tools.

In the policy, land refers to farmland, wetlands, pastures, and forests. Land tenure refers to rules and norms and institutions that govern how, when and where people access land or are excluded from such access. Land tenure security refers to enforceable claims on land, with the level of enforcement ranging from national laws to local village rules, which again are supported by national regulatory frameworks. It refers to people's recognized ability to control and manage land – using it and disposing of its products as well as engaging in such transactions as the transferring or leasing of land.

### **3.5.6 IFAD Guidelines on SECAP**

These are Guidelines on Social, Environmental and Climate Assessment Procedures (SECAP). IFAD remains committed to mainstreaming social, environmental and climate change solutions. IFAD's updated Social, Environmental and Climate Assessment Procedures (SECAP) were approved by the Associate Vice-President of IFAD's Programme Management Department in July 2017. This SECAP 2017 Edition provides guiding values and principles, and defines an improved course of action for assessing social, environmental and climate risks to enhance the sustainability of results-based country strategic opportunities programmes (RB-COSOPs), country strategy notes (CSNs), programmes and projects.

This latest Edition is a step forward, making important advances in areas such as risk coverage, social issues, transparency and accountability, and public participation. It also balances monitoring and implementation support with borrower responsibility.

- i. SECAP endeavours to ensure that IFAD's goal of enabling poor rural people to improve their food and nutrition security, increase their incomes and strengthen their resilience, particularly to climate change, is done in an environmentally and socially responsible manner. The procedures set the minimum standards for the assessment of social, environmental and climate change risks of IFAD projects which apply throughout the project cycle. The procedures aim to: "provide information and analysis that strengthen the social, environmental and climate dimensions of projects and programmes.
- ii. maximise social, environmental and climate change adaptation benefits and avoid or minimise negative impacts, and

- iii. increase the consistency, transparency and accountability in decision making concerning these dimensions.”

SECAP provides a step-wise description of the processes to assess risk at each phase of the project or programme cycle, namely: Environmental and Social Categorisation and Criteria, Environmental and Social Impact Assessment (ESIA); Climate Risk Analysis (CRA); ESIA Review and Recommendations; Loan Negotiations; Executive Board Approval, Project Supervision and Implementation, and Project Completion and ex-post ESIA.

IFAD carries out an environmental and social screening of sub-projects of each proposed project to determine the appropriate extent and type of Environmental and social Assessment to be undertaken and whether or not the project may trigger other policies.

IFAD’s environmental and social categorization of projects/programmes comprises the following categories:

- **Category A:**  
The programme/project may have significant adverse environmental and/or social implications that:
  - i. are sensitive, irreversible, or unprecedented,
  - ii. affect an area broader than the sites or facilities subject to physical interventions; and
  - iii. are not readily remedied by preventive actions or mitigation measures.
- **Category B:**  
The programme/project may have some adverse environmental and/or social impacts on human populations or environmentally significant areas, but the impacts:
  - i. are less adverse than those for Category A,
  - ii. are site-specific and non-irreversible in nature; and
  - iii. can be readily remedied by appropriate preventive actions and/or mitigation measures.

While no formal ESIA is required for Category B programmes/projects, in many cases further environmental analysis could be undertaken during project preparation or implementation.

- **Category C:**  
The programme/project will have negligible or no environmental or social implications – no further environmental analysis is required.

In addition, the environmental and social screening exercise of sub-projects is used to determine the exposure of the programme objectives to climate-related risks (High, Moderate or Low). SECAP provides guidance statements on biodiversity and protected area management; agrochemicals; energy; fisheries and aquaculture; forest resources; water; small dams; physical cultural resources; rural roads; development of value chain, microenterprises and small enterprises; and physical and economic resettlement – most of which are applicable in the context of the WaMCoP programme. Where resettlement or economic displacement is envisaged, SECAP requires that the principles of “do no harm” and “free, prior and informed consent” are adhered to at all times and for all beneficiaries for any intervention that might affect the land access and user rights of communities.

Included in SECAP are a series of Guidance Statements which are used in guiding the programme in avoiding and mitigating any impacts that may arise due to the project. The table 3-8, below indicates which ones are most relevant to WaMCoP:

**Table 3-8** Guidance Statements most relevant to WaMCoP

GUIDANCE STATEMENT	RELEVANCE TO WaMCoP	
	Less Relevant	More Relevant
Guidance statement 1 – Biodiversity		X
Guidance statement 2 – Agrochemicals		X
Guidance statement 3 – Energy	X	
Guidance statement 4 – Fisheries and aquaculture	X	
Guidance statement 5 – Forest resources		X
Guidance statement 6 – Rangeland-based livestock production		X
Guidance statement 7 – Water (agricultural and domestic use)		X
Guidance statement 8 – Dams, their safety and SECAP		X
Guidance statement 9 – Physical cultural resources	X	
Guidance statement 10 – Rural roads		X
Guidance statement 11 – Development of value chains, microenterprises and small enterprises		X
Guidance statement 12 – Rural finance (under revision)	X	
Guidance statement 13 – Physical and economic resettlement (under revision)	X	
Guidance statement 14 – Community health		X

## 4. GUIDING PRINCIPLES ON RESETTLEMENT ACTIVITIES FOR WAMCOP

### 4.0 GUIDING PRINCIPLES ON RESETTLEMENT

The ultimate aim of the WaMCoP is to reduce incidences of poverty among the poor communities, and for this reason, it is the obligation of the communities to ensure that the implementation of Agricultural Activities funded by the WaMCoP has to avoid or minimise all resettlement related risks. This is because by and large resettlement disrupts the existing social and economic fabrics of the poor communities. In this regard, appropriate principles (described below here) will guide acceptable mechanisms for minimising or avoiding altogether incidences of resettlements during implementation of Agricultural Activities funded by the WaMCoP. The principles revolve around the basic tenets of the IFAD SECAP Policies on resettlement as well as the existing policies and laws of the Government of Lesotho. The principles are as follows:

#### **Principle 1: Agricultural Activities eligible for funding from WAMCOP shall be those proposed in suitable sites:**

Suitable sites for funding of agricultural activities are those sites where the implementation of a project should avoid bringing about involuntary resettlement, voluntary or involuntary physical dislocation, eviction of squatters, loss of land (whether ownership is recognized by customary land tenure or land titles), impact on cultivations and property, loss of access to property, loss of access to natural resources and other economic resources.

#### **Principle 2: Agricultural Activities proposed within a site where resettlement on the proposed site is unavoidable;**

The communities must plan and implement resettlement well in advance of the WaMCoP funded agricultural activity. Implementation of resettlement activities by the communities will be on the following sub – principles:

##### **2.1: Genuine consultation and participation must take place**

In case the community wishes to site an agricultural activity on a particular site, affecting a section of the community, the community will adequately consider the views, rights and interests of the displaced and to – be- resettled people.

##### **2.2: A pre - resettlement data baseline must be established**

The preparation of resettlement action plans will be based on baseline surveys of the project affected persons and the locality of the subprojects.

##### **2.3: Community to provide resettlement assistance to project affected persons**

Project affected people will be provided with necessary support in the course of relocation. The support will include provision of transport and basic services on the new sites of settlement.

##### **2.4: A fair and equitable set of compensation options must be negotiated**

In case of resettlement needs on the proposed project site of an agricultural activity, the community have to take care of the required compensations on and assets to project affected people based on open market.

##### **2.5: Vulnerable social groups must be specifically catered for**

Compensations and resettlement assistance will cover all entitled categories of project affected persons including vulnerable groups such as the squatters, female headed households (widows, unmarried females), child headed families (orphans), the aged, widowers and the disabled.

## **2.6: Setting up of accessible grievance redress mechanisms**

The communities accessing funding from WaMCoP will put in place user friendly and cost-effective mechanisms for addressing complaints from project affected persons (See Section 4. For guiding grievance mechanism). The mechanisms will include use of local grievance redress mechanisms administered by local village heads, traditional authorities as well as use of formal courts under the Judiciary. The use of local traditional courts administered by village headmen, and Chiefs will allow project affected people to access such services without going long distance.

## **2.7: Compliance to relevant policies and laws**

Land acquisition and resettlement activities by the communities will be implemented in compliance to relevant government policies and laws.

### **4.1 DETERMINING NUMBER OF DISPLACED PERSONS AND CUT – OFF DATE**

In the context of resettlement, cut-off date is normally the date when a task team mandated to facilitate resettlement/relocation of persons from one place to another commence the census of project affected persons within the project area. Normally, the purpose of the exercise is to preparation of pre-resettlement data and information regarding those to be re-located. The exercise involves rapid “census or head counts” of the number people and their properties within the site. Normally the exercise is for preparation of database for drawing plans for compensations and resettlements. The steps to determine the number of displaced persons include the following:

- Step 1 Undertake site visit to the chosen site for the community driven project**  
This will help to appraise the pattern of the structures, scope of activities and density of residential properties on the site.
- Step 2 Delineation of the proposed site: The purpose would be to prepare boundaries of the site within which to work on.**
- Step 3 Calculate the size of the area in hectares**  
This would be to estimate the size of land which the persons would lose and which would be acquired and compensated for after negotiation.
- Step 4 Carry out physical check and count of the houses and other assets within demarcated site**  
This would be to find out the number of residential premises of heads of households within the site to be acquired.
- Step 5 Establish the number of persons per house within the demarcated area**  
This would be to find out the number of persons living within the houses within the site.
- Step 6 Determine the number of people to be displaced:**

Document the previous steps to add up to the final number of people to be displaced.

## 4.2 METHODS OF VALUATION OF ASSETS

In case the community wishes to implement an agricultural activity within a site where some people own the land and assets, there would be need for proper land acquisition and compensation of the assets. Land acquisition and compensation of the assets would depend on proper and fair valuation. All assets will be valued at an amount equal to or greater than the amount needed to replace the assets, as well as any lost production during which assets are replaced to original productive level. In Lesotho methods of valuation of assets (such as buildings, trees, fruit trees, crops, vegetables) for purpose of compensations are based on various pieces of legislations. Generally, the Department of Lands, Surveys, and Physical Planning (LSPP) coordinates the exercises. This starts with establishment of compensation schedules to determine values for loss of assets due to implementation of the projects for construction of roads, dams, health centre, earth dams, water schemes and other infrastructure. Three types of compensation schedules based on type of assets affected can be used. These schedules are used to determine compensations for the following groups of assets:

- (a) Physical assets such as buildings, bare land and other structures
- (b) Agriculture produce such as crops fruit trees, plantation crops, flowers
- (c) Trees such as indigenous and exotic trees

Each category of the assets has its own methods of valuation, and the exercises of valuation are based on appropriately established professional rates by relevant experts. The following paragraphs highlight the approaches to valuation of the assets.

### (a) Valuation of physical building/structures and land

This category covers valuation of land, building and related structures such as houses, toilets, kitchens, and bathrooms, temporary structures made of wood and metal and animal enclosures. A detailed inventory of household heads and their properties is established. The Department of Lands in collaboration with the District Commissioner calculates compensation amounts based on prevailing construction cost estimates for a given area. Construction costs estimates are normally prepared by qualified quantity surveyors. In big and permanent buildings, normally government uses the services of qualified valuation surveyors and quantity surveyors to determine the best replacement values of the affected structures. Normally compensation is paid based on these replacement cost estimates.

Valuation for compensation for loss of land is normally led by Department of Lands. Department of Lands in collaboration with the District Commissioner of the district of interest calculate compensation amounts based on prevailing market rates for a given area. In this case, those people who have interests in land (customary or leased) are compensated based on the market values established by land economy surveyors from the Department of Lands. Similarly, when the government agency intends to acquire land for development or resettlement as is in this case, the government will have to compensate the original owners of land on the basis of commercial market prices.

### (b) Valuation for compensation of agricultural produce

This category covers crops, fruit trees, flowers and plantation crops. The valuation of people's crops and trees is undertaken by a team of relevant professional experts at District level, led by the District Commissioner (DC). Additional expertise comes from Ministry of Agriculture and Food Security (MAFS) and Ministry of Forestry and Land reclamation (MFLR). A detailed inventory of household heads and their assets will be established. The calculations will be based on established compensation rates. The District Commissioner (DC) maintains schedules of compensation rates for various types of crops and trees. After the exercise, The District Commissioner produces a schedule outlining names of household heads, list of their properties, values of their properties and total value of all properties assessed. This schedule is normally used for payment of the compensations to the affected people.

**(c) Valuation for compensation of forest trees**

This category covers forest trees (both indigenous and exotic trees). The valuation of people's trees are done based on species of trees, measured diameter of breast, height and market price in Maloti per cubic meter. The exercise is led by a team of relevant professional experts from Ministry of Forestry and Land reclamation (MFLR), district level, led by the District Commissioner (DC). A detailed inventory of household heads and their assets will be established. The calculations will be based on established compensation rates. Ministry of Forestry and Land reclamation (MFLR) and the District Commissioner (DC) maintain schedules of compensation rates for various types of trees. After the exercise, The District Commissioner produces a schedule outlining names of household heads, list of trees lost, values of their properties and total value of all trees assessed. This schedule is normally used for payment of the compensations to the affected people.

#### **4.3 LIMITATIONS OF THE EXISTING VALUATION METHODS ON ASSETS**

The existing valuation methods have several limitations as some parameters were established many years ago. The consequences include under valuation of the assets and underpayment of compensations to project affected people. The limitations of the valuation methods stem from the following weaknesses:

- (a) The methods use old rates in valuation of replacement costs of buildings and structures in some local authorities in rural districts.
- (b) The rates for calculating replacement costs for buildings do not include the labour costs, transport costs incurred in the re – erection of the houses and other structures.
- (c) The rates used for valuation of crops in some local authorities in rural districts tend to be old rates and not regularly reviewed by relevant authorities.
- (d) In most cases, key experts in some asset valuation are not involved as the actual field work is dominated by officials from local authorities. Cases in points are valuation of trees and fruit trees are normally carried out by officials from District Commissioners Office based on old stipulated figures from Ministry of Ministry of Agriculture and Food Security (MAFS) and Ministry of Forestry and Land reclamation (MFLR). Such incidents lead to undervaluation of assets as some officials cannot professionally adjust rates to realistic levels reflecting the field observations.



- (e) The methods do not explicitly stipulate resettlement assistance especially in identification of appropriate alternative land for relocation. The tasks of identification of alternative land are left in the hands of local leadership such as village headmen and Chiefs of the area where the people stay. The District Commissioner is practically expected to oversee how the people are assisted in relocation by their local leaders. Normally it is when serious difficulties crop up when the District Commissioner assists in identification of alternative land.

Some of the measures which could be adopted in addressing the inadequacies outlined above include the following:

- a) Government authorities to ensure that local authorities which will be involved in valuation of land and assets have up to date rates of valuation of all assets.
- b) Government authorities will have to ensure that appropriate teams of experts are constituted prior to commencement of preparation of resettlement action plans. The team should at least consist of well experienced personnel in land management, valuation, e.g., forester, building foreman, quantity surveyor, agronomist and horticulturalist.
- c) Cases of compensations of loss of land should emphasize on compensations in the form of alternative land for those people displaced.
- d) Compensations related to communal land acquisition are to be made on open market values as opposed to previous practice of considering communal land as a free commodity.
- e) Compensations should be paid to categories of project affected people so long they are covered within the cut-off date. Some special project affected persons to be included are the squatters, pirates, vendors' stalls/hawkers.
- f) Compensations should be paid in relations to labour inputs into gardens and maintenance of trees and crops within the immediate past year.
- g) Provisions of basic and social services (such as potable water, graded access roads, sanitation facilities, subsidised fertiliser, and income generating activities) to project affected people within the new area of relocations. Such support would enhance the restoration of standards of living of the project affected people.

#### **4.4 ELIGIBILITY CRITERIA FOR COMPENSATIONS FOR PROJECT AFFECTED PEOPLE**

In cases of the need for resettlement in relation to implementation of Agricultural Activities in their chosen sites, the community will have to ensure that necessary compensations are taken care of and sorted out prior to submission of project for funding from the WaMCoP. The procedures for determining eligibility for compensation, resettlement assistance and the actual displaced persons by the communities shall consider the following:

- (a) Those that have formal legal rights to land, including customary and traditional rights recognized under the laws of Lesotho. This class of people includes those holding leasehold land, and land held within the family or passed through generations.
- (b) Those who have no formal legal rights to land at the time the census begins but have a claim to such land or assets provided that such claims are recognized

under the laws of Lesotho. This class of people includes those that come from outside the area and were given land by the local chief to settle.

- (c) Those who have no legal right or claim to the land they are occupying. This class of people includes those that settle at a place on semi-permanent basis, or those settling at a place without any formal grant or authority.

Displaced persons classified under paragraph (a) and (b) shall be provided compensation from the community for the land, building or fixed assets on the land and buildings taken by the project in accordance with the provisions of this framework if they occupy the project area prior to the cut-off date (date of commencement of the census). Displaced persons classified under paragraph (c), shall be eligible for compensation from the community for the assets but not land. Displaced persons who encroach on the project area after the cut-off date shall not be entitled to compensation, or any resettlement assistance or any other form of rehabilitation assistance.

#### **4.5 ENTITLEMENTS FOR COMPENSATIONS**

Entitlements for compensation by project affected persons from the local community shall be based on the criteria outlined in section 4.3 above, and the various categories of losses identified in the desk studies and field consultations. The matrix in annex 2 will be used in the settlement of claims for compensation for lost of assets of project affected persons based on the aforementioned principles in section 4.3 above and legal framework where land is involuntarily taken. Unless otherwise indicated, payment of compensation and other entitlements and the extension of assistance will be given by the local community to head of households and not individuals. Annex 2 provides details of entitlements to compensations to various potential categories of project affected persons.

#### **4.6 APPROACH AND PROCEDURES FOR DELIVERY OF COMPENSATIONS**

Once valuation of land losses and asset losses has been finalized, it is the responsibility of the extension workers and District Lands Officer to circulate to District Development Committees for review and approval of the compensation packages from the community to project affected people. The process of payment of compensations has to be effected speedily so as to reduce risks of inflations and devaluation of the sums of the money. Normally the compensations have to be delivered to project affected persons within a period of six months from the date of valuation of the assets. The recommended procedures for the community to deliver compensation to project affected people are as follows:

- (a) **Delivery of compensation based on official valuations**

This delivery mechanism is based on what the community offers and what the displaced person may accept as compensation payable to him. Normally the sums are disbursed to the District Commissioners or Chief Executive Officer (CEO) for the community in question for payment to the displaced persons. Local village headmen, Chiefs and district Commissioners shall maintain records of displaced persons, their claims and entitlements. After payment of such sums, districts Commissioners document the name(s) of the displaced persons, the amount of compensation and the records of how the compensation was arrived at. A copy of such records shall be made available to the government and local chiefs. Efforts should be made to ensure the entire household is made aware of compensation negotiations and agreed amounts.

(b) **Delivery of compensation-based values arbitrated by formal courts**

Normally this approach is based on the recommended figures for compensations from formal courts. Such incidents occur when some people appeal to courts for review of the compensation packages. What is decided by the courts can be used for compensation to project affected people.

It should be highlighted that in case some project affected persons have objections to land acquisition and resettlement, their objections have to be done in writing to the District Commissioner within 21 working days after the public notice; or the formal complaint may be lodged via the local village headmen and Chiefs. It should also be pointed out that normally claims are not entertained after five years from the date of the proclamation; and or 12 months after the execution of the purpose out of which the claim has arisen in respect of any damage done to the land acquired.

#### **4.7 GRIEVANCE REDRESS MECHANISMS ON RESETTLEMENT ACTIVITIES**

Resettlement of people generates a number of challenges and complaints especially to those moved from one place to another. Examples of complaints include: objections to use of someone's land, encroachment on private land, theft of properties within the land, harassment of women, and marginalization in distribution of material assistance. And examples of grievances: include dissatisfaction with amount of compensation and, dissatisfaction with size and nature of land replacement. Such grievances are likely to crop up in one way or another in the implementation of the agricultural activities to be funded from the Wool and Mohair value chain Competitiveness Project (WaMCoP). It should be pointed out that since the implementation of the agricultural activities will be community based, negotiation and agreement by consensus will provide the first avenue to iron out and resolve any grievances expressed by the individuals, the land owners or households whose land and properties might be affected. The communities will ensure that resettlement related grievances should be addressed during the identification and appraisal of sites.

In this context, proper channels of grievance redress mechanisms will be put in place, and the project affected people sensitised to make use of them. Normally, the channels have to be in line with norms of the communities as well as laws of the country. The process of grievance redress mechanisms will involve informal courts handled by traditional leaders (village headmen, Chiefs). In some cases, there may be need for involvement of the District Commissioner, formal courts within the judiciary and the Lesotho Police Service. The Lesotho Police Service would be involved in reports of cases which are criminal in nature.

When an aggrieved person declares a grievance, they may elect to take the community-based route or the more formal one (Figure 4-1):

##### **4.7.1 Community Based System**

This will be a stand-alone Grievance Mechanism where the communication mechanism involves only community members. This will be used to facilitate agreements among community members but also to solve disagreements where these might occur. The Community Based Grievance Redress Mechanism, aims to use the existing traditional structures and facilitate grievance resolution at higher levels (including the court of law, where necessary).

Communities tend to rely substantially on their own internal social regulatory systems including mechanisms to deal with grievances that work in parallel with the formal systems. These internal social regulatory systems will be used to the extent possible at community level. Recourse where necessary will be facilitated by the Programme, but in general the Project Management will ensure easy access to information through culturally appropriate means and language of communication.

In solving problems, negotiation and agreement by consensus will provide the first avenue to iron out and resolve any grievances expressed by programme affected individuals. Thus, appropriate community-based channels of grievance redress mechanisms will be put in place, and the programme affected people sensitised to make use of them.

The channels will have to be in line with the norms of the communities as well as laws of the country. Thus, the process will involve informal courts handled by traditional leaders (village headmen, Chiefs, Principal Chiefs, etc). And will follow the following route (Figure 9-7):

**i) Village Chief (Morena) level**

The first port of entry is the Village Grievance Redress Committee (VGRC) to operate at Village Chief (Morena) level. The VGRC preside over the matter over a set time (possibly 15 days) from receipt of the grievance to act upon it.

**ii) Principal Chief (Morena Oa Sehloho) level**

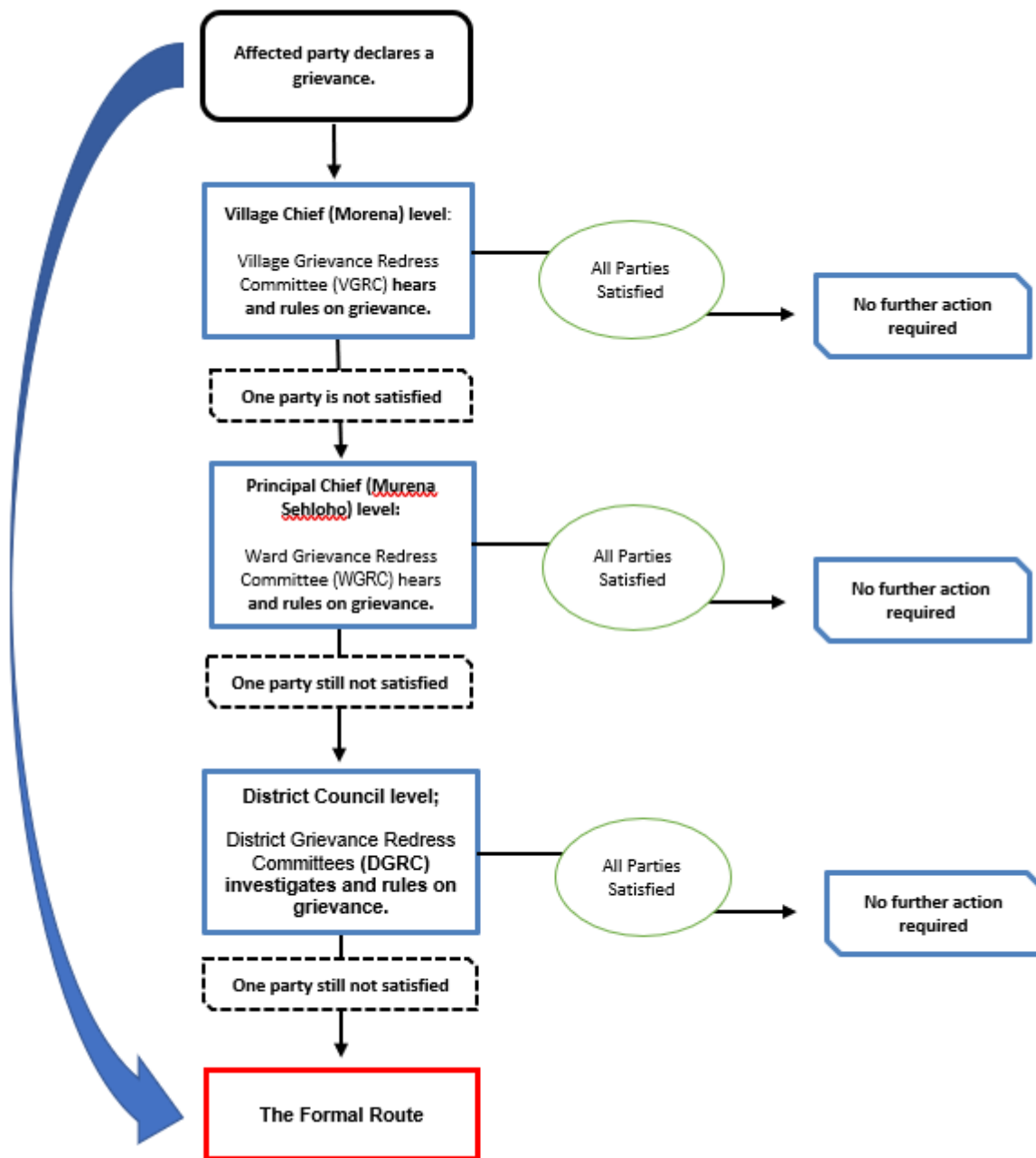
When one party is not satisfied with the decision at Village Chief (Morena) level, the complaint can be taken up to the Ward Grievance Redress Committee (WGRC). The WGRC operates under the Principal Chief (Morena Oa Sehloho) level. In most cases such complaints get sorted out at the Principal Chief level.

**iii) District Council level**

However, those who are not satisfied will be allowed to appeal to the District Council Secretary (DCS) or the District Administrator (DA). At this level the District Grievance Redress Committee (DGRC) will preside over the case.

However, if the aggrieved party is still not satisfied then they can ultimately take the formal route.

The process is outlined in Figure 4-1 below.



**Figure 4-1** The Community-based grievance mechanism.

#### 4.7.2 Formal Project GRM

The formal project Grievance Redress Mechanism is detailed in Appendix 4. it consists of the following components: -

- The access point for impacted/concerned people will be situated as close to the beneficiary, stakeholder or partner as possible, such as places at the project site. Project staff will be responsible for receiving the Grievances, classifying and logging them.
- An acknowledgement of receipt should be given to the complainant containing an expectation of when they will receive a response.
- The grievance is then Assessed and investigated to identify all the key facts.
- A resolution is then arrived at and the proposed actions are confirmed with the project Management.

- A response is then communicated to the complainant within the timescale promised.
- The complainant is given room to appeal to the Courts of Law if they are not satisfied with the response.
- Once done the case is brought to a closure and all the staff members of the project are made aware of the complaint, any underlying issues and plans to prevent any future recurrence of the issue.

#### **4.7.3 Formal Courts**

Formal courts include magistrates, High Court of Lesotho and Supreme Court of Lesotho. These courts handle both civil and criminal cases. In regards to complaints and cases during the proposed resettlements, households with complaints bordering on compensations and criminal cases will have opportunity to take cases to these courts for review and determination on course of action. Such cases may include review of amount of compensations, cases of theft of valuable property as well as beating each other. Magistrate courts are located across the country and this would help project affected people to access the services of these magistrates in case such needs arise.

#### **4.7.4 The Lesotho Police Service**

It is also envisaged that in the course of the implementation of the agricultural activities funded from WaMCoP the project areas may not be spared from criminal and security complaints. If therefore issues regarding security or criminal activities occur and have a potential to endanger the life, or property of the people in the area, then certainly this will have to be reported to the local police station. Lesotho Police Services have stations, sub-stations and units across the country and it is anticipated that they will be able to handle most of the cases of a criminal nature which may crop up in the course of relocation and resettlement of the people in new sites.

## 5. THE RESETTLEMENT SCREENING FOR AGRICULTURAL ACTIVITIES UNDER WAMCOP

### 5.0 INTRODUCTION

A resettlement screening process will review potential issues as part of the planning process. The exercise will be principally a community-based exercise and will be done through a participatory approach. The purpose would be to identify potential impacts from the sub-projects of the WaMCoP. The objectives of this screening process are:

- To guide communities in the identification of appropriate sites for carrying out the various agricultural activities to be funded from WaMCoP within their villages.
- To guide communities in the identification of measures for addressing resettlement related issues (if they arise) prior to submission of the proposal.
- To monitor measures for addressing the social impacts from resettlement.

### 5.1 THE SCREENING PROCESS

Figure 5-1, outlines a diagrammatic flow of the proposed resettlement screening of the community driven projects to be funded from WaMCoP.

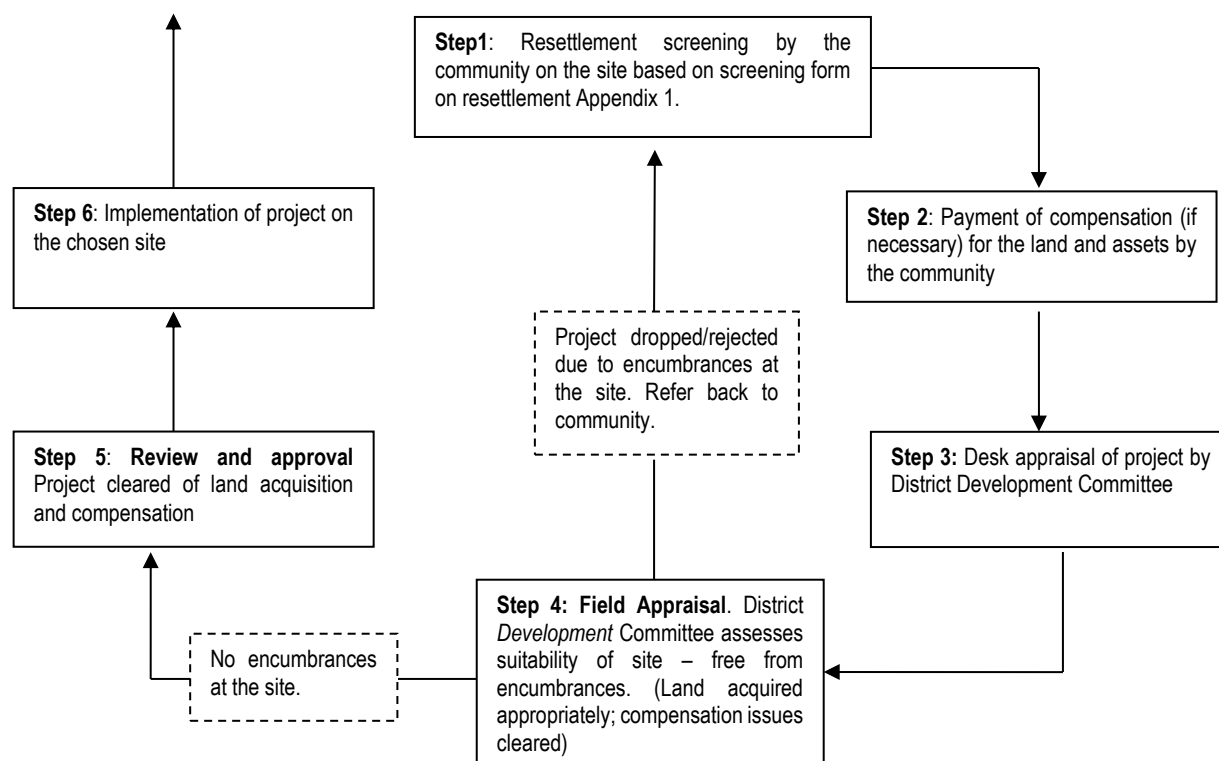


Figure 5-1 Diagrammatic flow of the screening process.

### 5.1.1 Screening of the sites by Development Committee

This step will be the first step in the resettlement screening process, and it will be done by the village development committee or area development committees on the proposed site of the sub-project. The committee would be assisted by the Area Extension Officers (AEO). The committee will carry out the exercise based on the screening form (sample in appendix 1). The committee will be trained on the use of the screening forms.

The aim of this exercise will be to assess the suitability of the proposed site or identify any form of encumbrances. In case the land on the chosen site is owned by someone or has assets for somebody, the village development committee will have to identify necessary compensatory measures for affected persons.

### 5.1.2 Desk appraisal of the proposed site and project

Desk appraisal of Agricultural Activities from the community will be carried out by District Development Committee led by the District Lands Officers in the districts of site location. This will assist in the appreciation of the scale and size of the proposed plans. The project appraisal form has to indicate that the proposed site is either free from encumbrances or that all resettlement related issues have been sorted out by the community well in advance.

### 5.1.3 Field appraisal of the proposed site and the project

The purpose of the site visit will be for the District Development Committee to verify the indications by the community that the proposed site is free from encumbrances or that any resettlement related issues have been sorted out. In this connection, while in the field, the District Development Committee members will undertake a rapid verification screening of the site and proposed activities. This will be undertaken by use of the *Resettlement Screening Form (appendix 1)*. Based on the field verification results, the District Development committee will make any one of the following recommendations on the request for funding from WaMCoP.

(a) **Rejection of funding for a proposed agricultural activity on a proposed site.**

This would be based on the observations that the implementation of the project on the proposed site **would bring** about involuntary resettlement, voluntary or involuntary physical dislocation, eviction of squatters, loss of land (whether ownership is recognized by customary land tenure or land titles), impact on cultivations and property, loss of access to property, loss of access to natural resources and other economic resources.

(b) **Approval of funding for a proposed agricultural activity on a proposed site.**

This would be based on the observations that the implementation of the project on the proposed site **would not** bring about involuntary resettlement, voluntary or involuntary physical dislocation, eviction of squatters, loss of land (whether ownership is recognized by customary land tenure or land titles), impact on cultivations and property, loss of access to property, loss of access to natural resources and other economic resources.



## 5.2 PREPARATION OF RESETTLEMENT ACTION PLAN FOR SELECTED AGRICULTURAL ACTIVITIES

Any project related activity that will involve acquiring land which will involve displacement of people and properties, whether the land was secured before funding request or not, will require the formulation of resettlement action plans (RAP). It will be the responsibility of the District Lands Officer to assist the community in the mobilization of an appropriate team of experts to prepare a resettlement action plan within a reasonable time. An outline of the contents of a resettlement action plan is provided in Appendix 3. In general, a resettlement action plan for a community based agricultural activity must consist of at least the following aspects:

- Description of the location of the proposed sub project.
- The size of land which the sub project will take up and its existing uses.
- Detailed inventory of all assets to be lost by all households and individuals affected by having to move their place of residence or business to allow for the construction of the facility. This must be made from baseline survey (census of the area) against which the future well-being of the household can be measured. A plan of action for the resettlement of the homestead must be drawn.
- Inventory of the people who will lose land over which they have established ownership or rights of use (either permanently or temporarily) to allow for the establishment of the activity. This must be made of the baseline survey (census of the area) against which the future well-being of the households can be measured. A plan of action for the resettlement of replacement of homestead must be drawn. This should also detail how compensation for crops will be paid, where replacement of land will be found (if necessary), and which steps will be followed to ensure that the households' productive base is re-established.
- A plan of action for ensuring that the communally held resource base is replaced/re-established to ensure that no one is worse off after project implementation than before it was established.

The preparation of a resettlement action plan would be done as a collaborative effort between the community and District Development Committee. Key officials to be involved would be the District Lands Officer, District Forestry Officer, District Water Officer, Environmental District Officer, Community Development Officer and extension workers. In case there are inadequate technical personnel (such as valuation experts) at district level, assistance has to be sought from the Department of Lands, Surveys, and Physical Planning (LSPP). Such a wide range of experts would provide adequate support to the village development committee or area development committee to produce a credible schedule for compensations to the project affected people.

The District Development Committee will be responsible for reviewing and approval of the Resettlement Action Plan prepared by the Village Development Committee. However, Resettlement Action Plans prepared by District Development Committee will be reviewed and approved by The Department of Lands, Surveys, and Physical Planning (LSPP). The IFAD will also review and clear RAPs.

### 5.3 MONITORING OF RESETTLEMENT ACTIVITIES

Monitoring mechanisms for resettlement activities within the programme will be linked to existing government monitoring systems at community level, district level and national level. Monitoring at community level will be undertaken by Area Development Committee and District Development Committee (DDC) with technical support from the extension workers. Monitoring resettlement activities at community level has to be done by the District Development Committee (DDC) as opposed to the community structures so that the District Development Committee can provide an independent assessment. The District Monitoring and Evaluation Officer will provide technical support in tracking key monitoring indicators on the exercises. This will help to effectively provide oversight on compliance to compensatory measures by the community in all cases of agricultural activities which required the acquisition of land and displacement of people.

Monitoring at national level will assess the effectiveness of the stakeholders in mainstreaming of resettlement principles in administration and implementation of the Agricultural Activities funded from the Wool and Mohair value chain Competitiveness Project (WaMCoP). The key stakeholders in monitoring at national level will be the WaMCoP - PMU, Ministry of Finance and Development Planning (MFDP), Department of Lands, Surveys, and Physical Planning (LSPP), and Ministry of Local Government and Chieftainship (MLGC). Information from District Offices will be collected by the District Monitoring and Evaluation Officer (M&EO) and will be transmitted to the Ministry of Finance and Development Planning (MFDP). The ministry will produce consolidated annual monitoring reports. Key issues to be monitored at community level will be the type of resettlement losses, delivery of compensations to affected people and provision of resettlement assistance to project affected people.

Table 5.1 below outlines a suggested monitoring plan at community level. The plan outlines typical resettlement losses, entitlements, monitoring indicators, authorities responsible for monitoring and means of verifications.

**Table 5-1** Proposed monitoring plan of resettlement activities at community level

Type of resettlement losses	Compensation entitlement	Monitoring indicators	Monitoring authorities	Means of verifications	Frequency of monitoring
Loss of land	<ul style="list-style-type: none"> <li>Land replacement</li> <li>Cash compensation in lieu of land</li> </ul>	<ul style="list-style-type: none"> <li>Hectares of land replacement.</li> <li>Cash paid in Lesotho Maloti</li> <li>Number of people compensated.</li> <li>Number of people getting equal or more land than their original pieces of land.</li> </ul>	District Development Committee Chiefs	Records with local village headmen and Village Development Committee	Annually
Loss of residential structures	<ul style="list-style-type: none"> <li>Cash compensation</li> </ul>	<ul style="list-style-type: none"> <li>Cash compensation.</li> <li>Number of structures compensated.</li> <li>Number of people compensated.</li> <li>Number of people made better-off by the cash compensation</li> </ul>	District Development Committee Chiefs	Records with local village headmen and Village Development Committee	Annually
Loss of commercial/business structure	<ul style="list-style-type: none"> <li>Cash compensation</li> </ul>	<ul style="list-style-type: none"> <li>Cash paid in Lesotho Maloti.</li> <li>Number of structures compensated.</li> <li>Number of people compensated.</li> <li>Number of people made better-off by the cash compensation</li> </ul>	District Development Committee Chiefs	Records with local village headmen and Village Development Committee	Annually
Loss of rental accommodation	<ul style="list-style-type: none"> <li>Cash compensation</li> </ul>	<ul style="list-style-type: none"> <li>Cash compensation in Lesotho Maloti</li> <li>Number of accommodation units compensated.</li> <li>Number of people made better-off by the cash compensation</li> </ul>	District Development Committee Chiefs	Records with local village headmen and Village Development Committee	Annually
Loss of businesses	<ul style="list-style-type: none"> <li>Cash compensation</li> </ul>	<ul style="list-style-type: none"> <li>Cash paid in Lesotho Maloti</li> <li>Number of businesses compensated.</li> <li>Number of people made better-off by the cash compensation</li> </ul>	District Development Committee Chiefs	Records with local village headmen and Village Development Committee	Annually
Loss of livelihood	<ul style="list-style-type: none"> <li>Cash compensation</li> </ul>	<ul style="list-style-type: none"> <li>Cash paid in Lesotho Maloti</li> <li>Number of means of livelihood restored.</li> <li>Number of people afforded better means of livelihood.</li> </ul>	District Development Committee Chiefs	Records with local village headmen and Village Development Committee	Annually

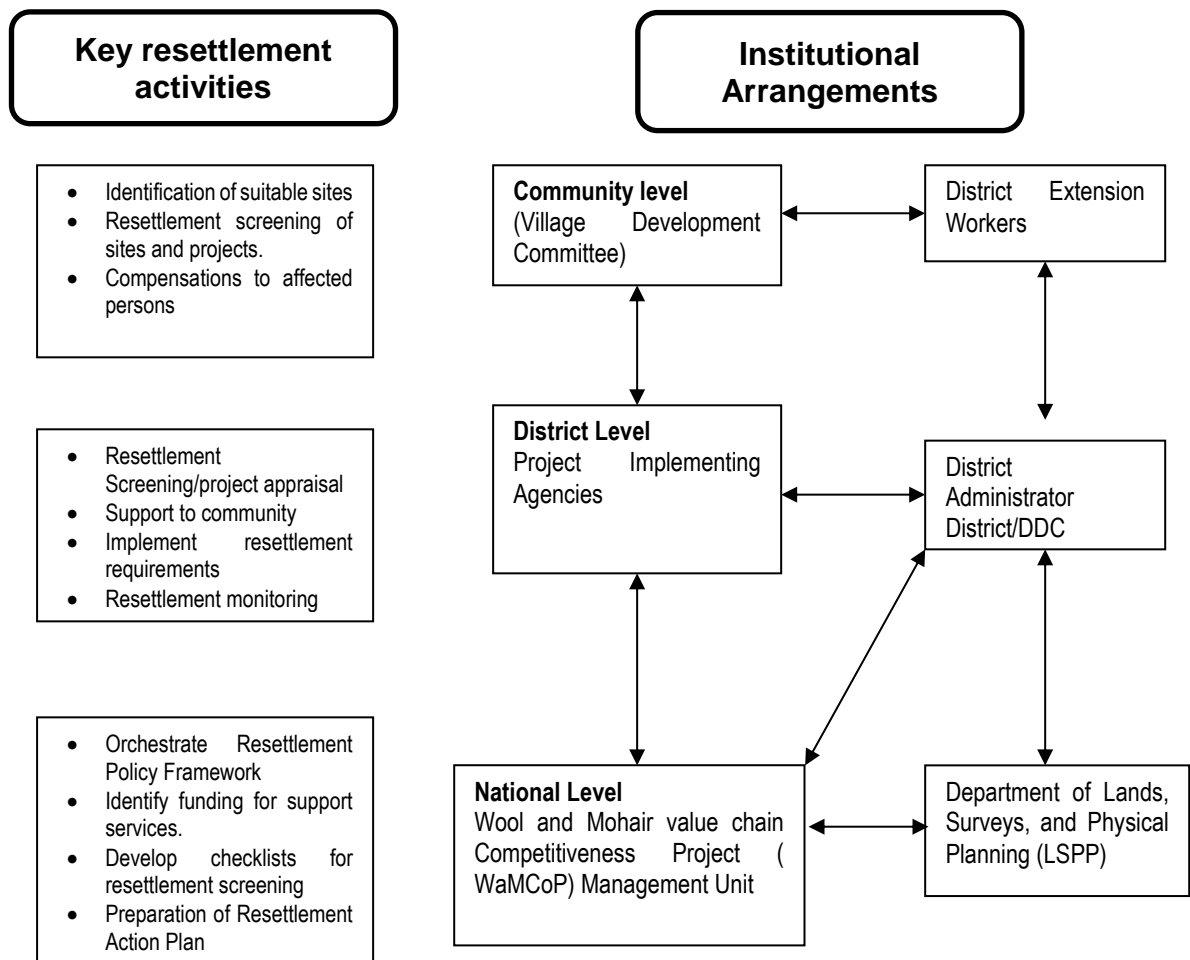
Type of resettlement losses	Compensation entitlement	Monitoring indicators	Monitoring authorities	Means of verifications	Frequency of monitoring
Loss of recreation amenities	<ul style="list-style-type: none"> <li>Cash compensation</li> </ul>	<ul style="list-style-type: none"> <li>Cash paid in Lesotho Maloti</li> <li>Number of amenities restored.</li> <li>Number of extra amenities established.</li> <li>Number of better amenities established.</li> </ul>	District Development Committee Chiefs	Records with local village headmen and Village Development Committee	Annually
Loss of social amenities	<ul style="list-style-type: none"> <li>Cash compensation</li> </ul>	<ul style="list-style-type: none"> <li>Cash paid in Lesotho Maloti</li> <li>Number of social amenities restored.</li> <li>Number of extra social amenities established.</li> <li>Number of better social amenities established.</li> </ul>	District Development Committee Chiefs	Records with local village headmen and Village Development Committee	Annually
Loss of forest trees	<ul style="list-style-type: none"> <li>Cash compensation</li> </ul>	<ul style="list-style-type: none"> <li>Number of trees compensated.</li> <li>Cash paid in Lesotho Maloti.</li> <li>Number of people compensated</li> <li>Increase in afforested lands above original levels.</li> </ul>	District Development Committee Chiefs	Records with local village headmen and Village Development Committee	Annually
Loss of fruit trees	<ul style="list-style-type: none"> <li>Cash compensation</li> </ul>	<ul style="list-style-type: none"> <li>Cash paid in Lesotho Maloti</li> <li>Number of fruit trees compensated.</li> <li>Number of people compensated</li> <li>Number of fruit trees replaced in excess of the loss.</li> </ul>	District Development Committee Chiefs	Records with local village headmen and Village Development Committee	Annually
Loss of crops	<ul style="list-style-type: none"> <li>Cash compensation</li> </ul>	<ul style="list-style-type: none"> <li>Kilograms of crops compensated.</li> <li>Cash paid in Lesotho Maloti</li> <li>Number of people compensated</li> <li>Number of people made better-off by the cash compensation.</li> </ul>	District Development Committee Chiefs	Records with local village headmen and Village Development Committee	Annually
Loss of vegetables	<ul style="list-style-type: none"> <li>Cash compensation</li> </ul>	<ul style="list-style-type: none"> <li>Cash paid in Lesotho Maloti.</li> <li>Kilograms of vegetables compensated.</li> <li>Number of people compensated</li> <li>Number of people made better-off by the cash compensation</li> </ul>	District Development Committee Chiefs	Records with local village headmen and Village Development Committee	Annually

Type of resettlement losses	Compensation entitlement	Monitoring indicators	Monitoring authorities	Means of verifications	Frequency of monitoring
Loss of grazing land	<ul style="list-style-type: none"> <li>Grazing replacement land</li> </ul>	<ul style="list-style-type: none"> <li>Availability of alternative grazing land</li> <li>Hectarage of better grazing lands made available.</li> </ul>	District Development Committee Chiefs	Records with local village headmen and Village Development Committee	Annually
Blockages to access to natural resources	<ul style="list-style-type: none"> <li>Alternative access routes</li> </ul>	<ul style="list-style-type: none"> <li>Functional alternative routes to natural resources.</li> <li>Any better access routes created.</li> </ul>	District Development Committee Chiefs	Records with local village headmen and Village Development Committee	Annually
Blockage of pathways/footpaths	<ul style="list-style-type: none"> <li>Provision of alternative pathways/footpaths</li> </ul>	<ul style="list-style-type: none"> <li>Functional alternative footpaths/pathways</li> <li>Any better access routes created e.g. bridges and paved pathways.</li> </ul>	District Development Committee Chiefs	Records with local village headmen and Village Development Committee	Annually
Blockage to access to irrigation land	<ul style="list-style-type: none"> <li>Provision of alternative irrigation land</li> </ul>	<ul style="list-style-type: none"> <li>Availability of alternative irrigation land.</li> <li>Hectarage of better irrigation lands made available.</li> </ul>	District Development Committee Chiefs	Records with local village headmen and Village Development Committee	Annually
Loss of public facilities	<ul style="list-style-type: none"> <li>Cash compensation</li> </ul>	<ul style="list-style-type: none"> <li>Number of structures/sites.</li> <li>Cash compensation in Lesotho Maloti</li> <li>Number of extra public facilities established.</li> <li>Number of better public facilities established.</li> </ul>	District Development Committee Chiefs	Records with local village headmen and Village Development Committee	Annually

## 6. INSTITUTIONAL ARRANGEMENTS AND CAPACITY BUILDING

### 6.0 INSTITUTIONAL ARRANGEMENTS

Resettlement exercises have been a traditional responsibility of the Department of Lands, Surveys, and Physical Planning (LSPP), the District Commissioner, Traditional Authorities and village headsmen within the chosen area. However, today because of the multi – dimension of resettlement activities, successful implementation of resettlement depends on collaboration of different stakeholders, at local level (village/area level), district level and national level. This is necessary because the implementation of the activities would require inputs, expertise and resources which would be adequately taken care of if the concerned parties liaise from time to time. Figure 6-1 below outlines a diagrammatic arrangement of key institutions to be involved in resettlement.



**Figure 6-1** Institutional Arrangements for Resettlement Activities

## **6.1 DEFINITION OF RESPONSIBILITIES OF STAKEHOLDERS**

The following sections outline key responsibilities of the institutions involved in resettlement planning and implementation within the context of implementation of the agricultural activities to be funded from the Lesotho Wool and Mohair value chain Competitiveness Project (WaMCoP).

### **6.1.1 Responsibilities of the community**

In the context of community development initiatives, permanent community level structures include village development committees and area Development committees. Main responsibilities in resettlement activities will be as follows:

- The Village Development Committee/ Area Development Committees (ADC), which includes extension workers, will be responsible for resettlement screening based on the screening form (appendix 1). This will help to identify and mitigate the potential social impacts within selected sites. The exercise will help the communities to select potential sites without cases of resettlement. The committees will be responsible for consultations with wider communities on resettlement related matters.
- The Village Development Committees (VDC) and Area Development Committee (ADC) will be responsible for the identification of project affected people, assets to be compensated and identification of resources for compensations for those to be displaced.
- The Village Development Committee/Area Development Committee will be responsible for initial attention to grievances which may arise from resettlement related matters. Further review of the grievances will be the responsibility of Chiefs within the area. It should be pointed out that since the agricultural activities are community based, negotiation and agreement by consensus will provide the best avenue to iron out and resolve any grievances expressed by the individuals, the land owners or households whose land and properties might be affected. The communities will ensure that resettlement related grievances should be addressed during the identification and appraisal of land for the agricultural activities.

The main institutional weaknesses of these local structures are (i) inadequate knowledge on the use of the screening forms on resettlement and (ii) inadequate skills in scoping social impacts from resettlement related exercises. One way of addressing these gaps will be for District Development Committee (DDC) members, particularly District Lands Officers, Environmental District Officers and extension workers to provide technical back up to the village development committees.

### **6.1.2 Responsibilities of the Local Authority**

The District Development Committee is the key implementation arm of the District and its responsibilities in relation to resettlement activities will be as follows:

- District Offices will be the main implementing government institutions on resettlement activities within the implementation schedule of the WaMCoP. The main tasks will include project screening for resettlement, implementation of compensatory

measures, supervision and monitoring of community level resettlement activities in line with Resettlement Plan Framework. Necessary annual budgets provisions for resettlement related activities will be made for each district.

- At desk appraisal, the District Development Committee will screen the proposal for information on land acquisition and resettlement. Application without such information will be referred to the communities. At field appraisal level, the District Development Committee will verify that the land on the site is free from encumbrances. The local authority will have to confirm the information that the communities have appropriately acquired land and that all resettlement related matters have been cleared.
- Making recommendations on rejections for funding Agricultural Activities which would bring about unwarranted involuntary resettlement of households or communities when implemented.
- In case there is need to prepare resettlement action plans for special agricultural activities to be funded from the WaMCoP, the District Commissioner, District Agricultural Officer (DAO) and District Lands Officer will arrange and provide technical support to the communities in the exercise.
- The District Development Committee will be responsible for monitoring the community level activities on resettlement to ensure that compensatory measures are taken care off and adequately before commencement of the agricultural activity.

Some institutional weaknesses at district level include inadequate technical skills for valuation of properties, inadequate knowledge on use of screening forms on resettlement and in adequate skills in scoping social impacts from resettlement. The Lesotho Government has deployed District lands Officers in local authorities in order to assist District Commissioners in overall land administration and property management matters. The main job descriptions for District Lands Officer include overall land management within the district, monitoring land uses, conflict resolution on referred cases of land disputes, and resettlement activities.

### **6.1.3 Responsibilities at national level**

Resettlement activities require multi – sectoral services and as such several line ministries would be involved in one way or the other. However, in the case of resettlement issues related to agricultural activities to be funded from the Lesotho Wool and Mohair value chain Competitiveness Project (WaMCoP), the following ministries have to be involved adequately: WaMCoP PMU, Department of Lands, Surveys, and Physical Planning (LSPP), Ministry of Finance and Development Planning (MFDP), Ministry of Agriculture and Food Security, Ministry of Forestry and Land Reclamation, and the Department of Environment. Some of the main activities to be done at national level are as follows:

- Mainstreaming resettlement planning within project management systems of the Wool and Mohair value chain Competitiveness Project (WaMCoP) by synchronising resettlement screening with agricultural activity appraisal systems.
- Preparation of comprehensive and user-friendly checklists on social impacts from land acquisition and resettlements to enhance orderly resettlement activities by the communities.
- Provision of necessary resources to district level staff for conducting resettlement awareness meetings within communities.



- Provision of necessary resources to district level staff for monitoring resettlement activities carried out at community level by the communities themselves.
- Coordinating national level monitoring on resettlement activities within the period of implementation of agricultural activities.
- Sensitization of stakeholders on resettlement planning in implementation of Agricultural Activities funded from the WaMCoP.
- Preparation of Resettlement Action Plan.

## **6.2 CAPACITY BUILDING FOR MANAGEMENT OF RESETTLEMENT ACTIVITIES**

. The risks of generating resettlement issues emanates from the observations that most of the agricultural activities will require land uptake within the local villages and the provisions of the new Land Act may induce some resettlement issues. At the moment the specific locations are not known. In order to effectively screen resettlement issues, it is likely that the exercise will require dynamic and multi-disciplinary professionals. It is therefore necessary for the authorities to put in place appropriate tools for enhancing the knowledge and skills among the staff to be involved in resettlement screening and identification of compensatory measures. Some of the key capacity building activities which have to be carried out are as follows:

- (a) Preparation of checklists for social and economic impacts from resettlement activities to be used at local level. Such tools will guide the communities in avoiding involuntary resettlement in site identification processes. The target group for this exercise will be staff of the WaMCoP PMU, District Development committees, Area Development committees and village development committees.
- (b) Training and awareness in use of resettlement screening forms in appraisal of Agricultural Activities. The target group for this exercise will be staff of the WaMCoP, and village development committees.
- (c) If needed, establishment of appropriate computer-based information management systems for resettlement activities at local level. This would be necessary to capture systematically, data related to resettlement at local level.

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## 8. APPENDICES

### APPENDIX 1 RESETTLEMENT SCREENING FORM FOR PROPOSED SITES



**Government of the Kingdom Lesotho**

District / Town / City District

### LESOTHO WOOL AND MOHAIR VALUE CHAIN COMPETITIVENESS PROJECT (WaMCoP)

### RESETTLEMENT SCREENING FORM

#### GUIDELINES FOR THE EVALUATION

The evaluator to undertake the assignment during field visit of the site.  
The evaluator to undertake the assignment after prior briefing of the exercise.  
The form to be completed by consensus of at least three people.

<b>Project Name:</b>	<b>Estimated Cost:</b>
<b>Project Location:</b> Village: Chief: District:	<b>Project Objectives</b>
<b>Land tenure status</b>	<b>Proposed Main Project Activities:</b>
<b>Name / Signature and Position of Evaluator</b>	<b>Date of appraisal</b>

	SCOPE AND FOCUS OF SCREENING	METHODOLOGY OF SCREENING			
		Appraisal of Impacts		Evaluation of Impacts	
		No	Yes	Low	High
<b>1.0</b>	<b>SCREENING CRITERIA FOR PROPOSED SITE FOR THE PROJECT</b>				
	<i>Will implementation of the agricultural activity within proposed site generate the following socio-economic impacts?</i>				
1.1	Loss of private land/gardens				
1.2	Loss of private residential premises				
1.3	Loss of private commercial premises				

1.4	Loss of crops for a person/persons				
1.5	Loss of forest trees for a person/persons				
1.5	Loss of fruit trees for a person/persons				
1.6	Eviction of squatters/pirates				
1.7	Eviction of vendors				
1.8	Loss of rental accommodation				
1.9	Closure/blockage of public footpath/road				
1.10	Blockage of pathways for livestock				
1.11	Loss of grazing land				
1.12	Loss of cultural sites – graveyards, ritual sites				
1.13	Loss public facilities – church, borehole, water kiosks,				
1.14	Loss of access to public water resources				
1.15	Loss of access to natural resources				

### **OVERALL EVALUATION OF THE RESETTLEMENT SCREENING PROCESS.**

The results of the screening process will be (i) that the proposed agricultural activity on the proposed site be funded from WaMCoP (entries of “NO” against each of the social impact in column 4 in table above by Village Development Committee); (ii) that the proposed agricultural activity is rejected for funding from WaMCoP (an entry/entries of “YES” against each social impact in column 4 {high impact} in table above by Village Development Committee); or (iii) in case the proposed site and project have identified any resettlement issues, the District team will forward the sub-project for further consideration by other stakeholders. The Resettlement Screening Form will be considered as part of the overall sub-project approval processes.

## APPENDIX 2 ENTITLEMENTS FOR VARIOUS CATEGORIES OF PROJECT AFFECTED PEOPLE.

CATEGORY OF PROJECT AFFECTED PERSONS	TYPE OF LOSS	ENTITLEMENTS FOR THE PROJECT AFFECTED PERSONS		
		Compensation for loss of structure	Compensation for loss of land and other assets	Compensation for loss of home and livelihoods
Property owners including those on customary land regulated by traditional authorities	Loss of land	<ul style="list-style-type: none"> <li>• Cost at full replacement value</li> </ul>	<ul style="list-style-type: none"> <li>• Land replacement at new site plus land clearing by the project.</li> </ul>	<ul style="list-style-type: none"> <li>• Cash compensation for crops and trees at replacement values in scarce season</li> <li>• Allow sufficient time to harvest annual crops</li> </ul>
	Loss of structures – residential premises or business	<ul style="list-style-type: none"> <li>• Cost at full replacement value</li> </ul>	<ul style="list-style-type: none"> <li>• Fence, brick work, wire and wood</li> <li>• Wells</li> <li>• Stores</li> <li>• Wastes water facilities</li> <li>• Connection to utilities</li> <li>• Access roads</li> </ul>	<ul style="list-style-type: none"> <li>• Lump sum payment for loss of income from rented property based on number of months per tenant,</li> </ul>
	Socio-economic identity	<ul style="list-style-type: none"> <li>• None</li> </ul>	<ul style="list-style-type: none"> <li>• None</li> </ul>	<ul style="list-style-type: none"> <li>• Disturbance allowance, transportation cost for relocation</li> <li>• Rehabilitation assistance, skill training , cash transfer public works programme</li> <li>• Link the project affected communities to micro –finance loans and assistance.</li> </ul>
Residential tenant Business tenant	Loss of rental accommodation	<ul style="list-style-type: none"> <li>• Replacement of number of houses lost on the site</li> </ul>	<ul style="list-style-type: none"> <li>• Replacement costs for non- movables</li> </ul>	<ul style="list-style-type: none"> <li>• Disturbance assistance</li> <li>• Transportation assistance if relocating</li> <li>• Provision of rental fees for few months</li> </ul>
Business tenant	Loss of premises	<ul style="list-style-type: none"> <li>• None</li> </ul>	<ul style="list-style-type: none"> <li>• Replacement costs for non- movables if installation was agreed with owners</li> </ul>	<ul style="list-style-type: none"> <li>• None</li> </ul>

	Loss of business	•	•	• Payment of lost income at an agreed rate (say payment of six months of pas year average turnover)
Vendors	Loss of hawkers	• Compensation at full replacement value for structure	• None	• Payment of lost income at an agreed rate (say payment of six months of pas year average turnover)
Encroachers using land (pirates)	Loss of land			
	Loss of structures/shelter	• Compensation at full replacement value for structure • Payment of site rent	• None	• Cash compensation for crops, trees at full replacement cost during scarce seasons • Permission of sufficient time for harvesting annual crops, fruits and timber trees
Squatters – living on the site	Loss of shelter/structures	• Compensation at full replacement value for structure • Payment of site rent	• None	• Payment in wages while rebuilding • Provision of disturbance assistance • Provision of transport assistance in relocation
Community	Public facilities	• Compensation at full replacement value for structure • Payment of site rent	• Replacement of land at new site plus clearing of the site. • Waste facilities, connection to utilities and provision of access roads.	• Payment of lost income for business. • Establishment of temporary facilities during construction.

### **APPENDIX 3 AN OUTLINE OF THE CONTENTS OF RESETTLEMENT ACTION PLAN.**

1. Description of the sub - project
2. Objectives of the sub –project.
3. Socio-economic characteristic of the people on the selected site
4. Inventory of the project affected people and assets to be lost
5. Eligibility criteria
6. Payment of compensation and records
7. Housing infrastructure and social services
8. Community participation
9. Integration with host population
10. Work plan for implementation of the resettlement
11. Cost and budget
12. Monitoring and evaluation plan

## **APPENDIX 4: FORMAL GRIEVANCE REDRESS MECHANISM**

### **1.0 INTRODUCTION**

The grievance redress mechanism (GRM) is a system by which queries or clarifications about the project will be responded to, problems with implementation will be resolved, and complaints and grievances will be addressed efficiently and effectively.

### **2.0 PURPOSE OF THE GRM**

The GRM will serve the following purpose:

- to be responsive to the needs of beneficiaries and to address and resolve their grievances.
- to serve as a conduit for soliciting inquiries, inviting suggestions, and increasing community participation.
- to collect information that can be used to improve operational performance.
- to enhance the project's legitimacy among stakeholders.
- to promote transparency and accountability.
- to deter fraud and corruption and mitigate project risks.

### **3.0 STRUCTURE OF THE GRM**

The GRM consists of a small number of components:

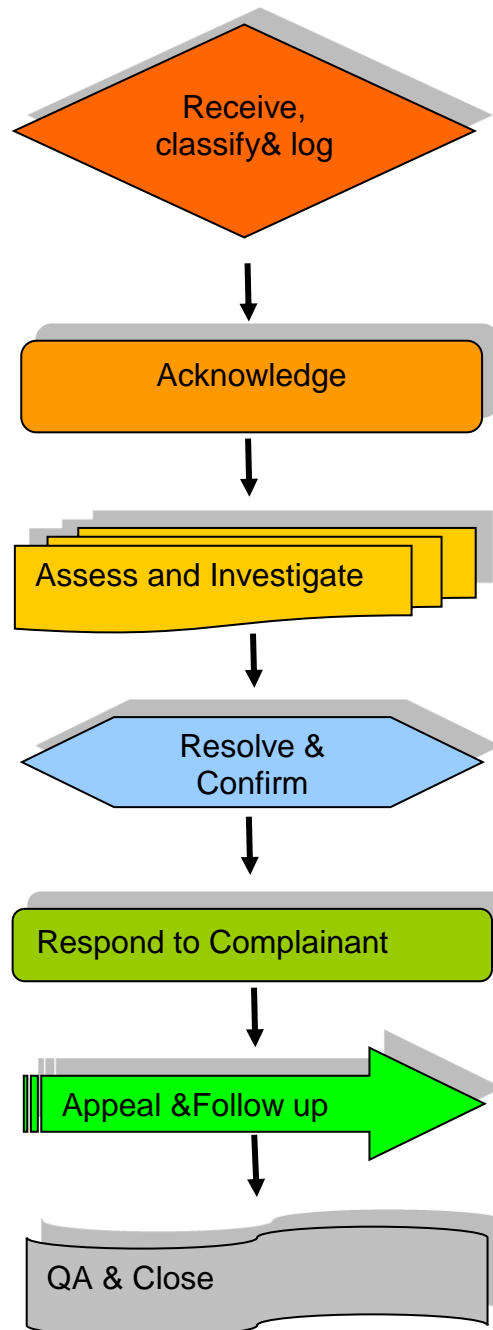
- The access point for impacted/concerned people
- Grievance log
- Acknowledgement stage
- Assessment stage
- Passing of resolution
- Response
- Room for appeal
- Case closure

The components are summarized in the process flow diagram below.



## Process Overview

The following key steps must be followed for all complaints received by WaMCoP staff:



The requirements for each of these steps is detailed below



## 1.0 Receive, classify & log

### Summary

Ensure that all potential issues are captured and classified for escalation, review and action as required.

### Receiving the Grievance:

The access points will be as close to the users as possible. An easily accessible and well publicized focal point or user-facing 'help desk' is the first step. This will be established at each sub-project, and WaMCoP Offices so that it will be seen as credible and accessible. The main issues for the access point include the following:

- Uptake channels should include some or all of the following:
  - phone hotline,
  - email,
  - mail,
  - SMS,
  - webpage,
  - or face-to-face.
- The uptake channels will be publicized and advertised via local media and the implementing agency.
- Verbal complaints should be recorded by staff for them to be considered.
- Many complaints may be resolved 'on the spot' and informally by the WaMCoP staff but should also be logged in order to (i) encourage responsiveness; and (ii) ensure that repeated or low-level grievances are being noted in the system.
- The GRM should have the ability to handle anonymous complaints.

Typically, the complainant will be provided with a receipt and 'roadmap' telling him/her how the complaint process works and when to expect further information.

### Logging and classifying:

Any complaint, issue or negative stakeholder interaction (whether this is formally logged by the complainant or not), must be logged and classified for action.

All of these complaints must be formally logged using the standard forms.

All complaints must be prioritized as follows:

- ✓ **Priority 1 – urgent**, potential high health and high business impact. **This require a response to the Complainant within three (3) working days.**
  - This should be used (sparingly) for major health issues where the complaint may have disastrous impacts on either human, the environment or WaMCoP itself.

- Also, this could be used in a situation where the complainant may be in a position to influence or make public statements that would impact upon the WAMCOP reputation.
- ✓ **Priority 2, - non-urgent**, lower health environmental and social impact. This requires a response to the complainant within 2 working weeks.
  - This should be used for most complaints with individual stakeholders, as this allows a reasonable time to collect information and produce a balanced response.
- Discretion and flexibility should be exercised in prioritizing all complaints
  - The staff member logging the complaint should review the complaint and its priority with the Sub-project/ WaMCoP Project Manager before proceeding to the next step.
  - The Sub-project/ WaMCoP Project Manager will decide on the appropriate person(s) to carry out subsequent steps, including the investigation.
  - **All Priority 1 complaints must be escalated immediately to the WaMCoP Project Manager.**

## 2.0 Acknowledge

### Summary

Ensure that every complaint receives a formal written acknowledgement, containing an expectation of when they will receive a response, and the person dealing with it.

- All complaints, regardless of priority, should receive a pro forma acknowledgement sent out 1<sup>st</sup> class mail on the day of receipt.

## 3.0 Assess & Investigate

### Summary

Follow up all aspects of the complaint, both internal and external, to ensure that the key facts are identified and clarified.

- The priority of the complaint will drive the timescale for completion (3 days for urgent or 2 weeks for non-urgent).
- All areas of interaction and communication should be established (who, what, where, when, why etc.) and documented where possible.

## 4.0 Resolve & Confirm

### Summary

Ensure that the final resolution is clear and fair. Also confirm the proposed action and resolution with another senior person (WaMCoP Management).

- Ensure that the proposed resolution meets corporate guidelines and does not prejudice WaMCoP in any unnecessary legal or financial manner.
- Document the proposed action and discuss and agree with the WaMCoP Project Manager.
- Discuss and review the solution from both the corporate and complainant viewpoint to ensure fairness and clarity.
- The review should include recognition and documentation of any underlying issues that have contributed to the complaint and recommendations for actions to prevent further occurrence.
- This should then be reviewed as part of the bi-monthly quality assurance reviews.

## 5.0 Respond to Complainant

### Summary

Provide the Complainant with the resolution within the timescales promised.

- The details of the findings and proposed resolution should be clearly explained (in written or verbal form as appropriate) to the complainant- within the agreed timescales.
- If this cannot be done on time the Complainant should be contacted by telephone to request further time.

## 6.0 Appeal & Follow

### Summary

Ensure that complaints are followed up to confirm that the complainants are satisfied with the response given. If not satisfied the Complainant is advised on the route for Appealing.

- All Priority 1 complaints and 95% of priority 2 complaints must be followed up within a reasonable timescale.
- This will be carried out by WaMCoP Administration team / WaMCoP Project Manager's office.
- The follow-up should identify the following
  - Is the complainant satisfied with the response?
  - Did they feel that their complaint was properly and fairly handled?
- Any negative responses to these questions should be referred to WaMCoP Project Managers for action and direct follow up with the complainant.
- The complainant is given room for appealing to the Ministry of Agriculture or Courts of Law, if he is not satisfied.

## 7.0 QA & Close

### Summary

Ensure that the WaMCoP as a whole is aware of the complaints and any underlying issues. Plan actions to remove these and prevent future recurrence.

- All complaints should be reviewed monthly as part of the quality assurance review meetings.
- Any complaints where action can be taken to avoid recurrence must be acted upon and raised with the appropriate managers/teams across the WaMCoP.

## **Lesotho**

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### **Wool and Mohair Value Chain Competitiveness Project Project Design Report**

#### **Annex: Lso Wa M Co P Stakeholder Engagement Plan Sep 2.0**

Mission Dates: 1-23 June 2022

Document Date: 10/11/2022

Project No. 2000003942

Report No. 6224-LS

East and Southern Africa Division  
Programme Management Department





**KINGDOM OF LESOTHO**

**MINISTRY OF AGRICULTURE AND FOOD SECURITY(MAFS)  
AND  
DEPARTMENT OF MARKETING (DOM)**

**LESOTHO – WOOL AND MOHAIR COMPETITIVENESS PROJECT  
(WaMCoP)**



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**STAKEHOLDER ENGAGEMENT PLAN  
(SEP)**

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**Prepared for:**

**Ministry of Agriculture and Food Security (MAFS) and  
Department of Marketing (DOM)  
Maseru  
Lesotho**

**June 2022**



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The Lesotho – Wool and Mohair Competitiveness Project (WaMCoP) Stakeholder Engagement Plan (SEP) is intended to provide complete documentation for the requirements of a holistic Stakeholder Engagement system for the project. This SEP contains the findings of a study conducted for the Wool and Mohair sector of the Kingdom of Lesotho and the instrument has been developed on the basis of the local conditions and findings.

<b>Report no.</b>	<b>001</b>
<b>Issue no.</b>	<b>001</b>
<b>Date of issue</b>	<b>30/06/22</b>

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**CHECKED**

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**DATE**

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**APPROVED**

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**DATE**

**This Report is Available from:**

**Ministry of Agriculture and Food Security (MAFS)**  
**Attention: The Principal Secretary of MAFS**  
**MAFS**  
**Maseru**  
**Lesotho**

## TABLE OF CONTENTS

	Page
TABLE OF CONTENTS.....	3
TABLE OF TABLES.....	4
TABLE OF FIGURES.....	4
<b>1 STAKEHOLDER ENGAGEMENT PLAN.....</b>	<b>5</b>
1.1 INTRODUCTION/PROJECT DESCRIPTION.....	5
1.2 OBJECTIVES OF THE PLAN.....	5
<b>2 REGULATORY REQUIREMENTS.....</b>	<b>6</b>
2.1 RELEVANT NATIONAL LEGISLATION.....	6
<b>3 PREVIOUS STAKEHOLDER ENGAGEMENT ACTIVITIES.....</b>	<b>10</b>
<b>4 STAKEHOLDERS IDENTIFICATION AND ANALYSIS.....</b>	<b>12</b>
4.1 IDENTIFYING STAKEHOLDERS.....	12
4.2 PRELIMINARY STAKEHOLDERS IDENTIFICATION.....	12
<b>5 STAKEHOLDER ENGAGEMENT CONSIDERATIONS.....</b>	<b>15</b>
5.1 STAKEHOLDER ENGAGEMENT.....	15
5.2 PURPOSE AND TIMING OF STAKEHOLDER ENGAGEMENT PROGRAM.....	15
5.3 PROPOSED STRATEGY FOR INFORMATION DISCLOSURE.....	16
5.4 PROPOSED STRATEGY FOR CONSULTATION.....	16
5.5 STAKEHOLDERS ANALYSIS.....	17
5.6 CURRENT STAKEHOLDER CONSULTATION.....	19
5.7 PLANNING FOR STAKEHOLDER ENGAGEMENT.....	19
5.7.1 Stakeholder Consultation Techniques/Methods.....	20
5.8 ENGAGEMENT ACTIVITIES AND INFORMATION DISCLOSURE.....	21
5.8.1 Stakeholders Engagement Activities.....	21
5.8.2 Communication Plan.....	22
5.8.3 Information Disclosure.....	23
<b>6 AN OVERVIEW OF STAKEHOLDER ENGAGEMENT.....</b>	<b>25</b>
6.1 WHAT IS STAKEHOLDER ENGAGEMENT?.....	25
6.2 PRINCIPLES FOR EFFECTIVE STAKEHOLDER ENGAGEMENT.....	25
<b>7 RESOURCES AND RESPONSIBILITIES FOR IMPLEMENTATION.....</b>	<b>27</b>
7.1 RESOURCES.....	27
7.1.1 Budget.....	27
7.1.2 Training.....	27
7.2 RESPONSIBILITIES.....	27
7.2.1 Responsibilities.....	27
<b>8 GRIEVANCE REDRESS MECHANISM.....</b>	<b>29</b>
8.1 INTRODUCTION.....	29
8.2 DEFINITION OF GRM.....	29
8.3 GRM SCOPE AND USE.....	29
8.4 GRM FOR WAMCoP.....	30

8.5	STRUCTURE OF THE GRM .....	30
8.6	MONITORING AND REPORTING .....	36
8.6.1	<i>Review of Engagement Activities in the Field</i> .....	37
8.6.2	<i>Reporting Stakeholders Engagement Activities</i> .....	37

**TABLE OF TABLES**

<b>Table 2-1</b>	Relevant Legislation. ....	6
<b>Table 3-1</b>	WaMCoP design process.....	10
<b>Table 4-1</b>	Identified Stakeholders for WaMCoP .....	12
<b>Table 5-1</b>	Stakeholder engagement techniques .....	16
<b>Table 5-2</b>	Stakeholder Engagement Techniques.....	20
<b>Table 5-3</b>	Stakeholder Engagement Activities .....	21
<b>Table 5-4</b>	Stakeholders Engagement Communication Plan.....	22
<b>Table 5-5</b>	Summary Overview of the Stakeholder Engagement Plan (SEP).....	24
<b>Table 8-1</b>	Key Performance Indicators by Project Phase .....	37

**TABLE OF FIGURES**

<b>Figure 3-1</b>	WaMCoP design process and key milestones .....	11
Figure 5-1	Basic Stakeholder Influence/Interest Chart. ....	18

# 1 STAKEHOLDER ENGAGEMENT PLAN

## 1.1 INTRODUCTION/PROJECT DESCRIPTION

This Stakeholder Engagement Plan (SEP) forms part of the set of Environmental and Social Management Instruments for Lesotho - while increasing wool and mohair sub-sector's climate resilience and market-beneficiation with a specific focus on the small producers and value chain enterprises in Wool and Mohair sector hereafter referred to as "The Project". The key areas to be covered include high poverty-stricken districts challenged by lack of access to local and international markets through value addition. The Implementing Agency of the Project is the **Ministry of Agriculture and Food Security (MAFS)** through the WaMCoP Project Coordinating Unit (PCU) and Trust Company (TC). The agency's responsibility is to effectively engage stakeholders in achieving the project objectives, hence the formulation of SEP. This will be applied throughout all public consultation processes.

The SEP aims are to improve and facilitate decision making by creating an atmosphere of understanding that actively involves project-affected people and relevant stakeholders in a timely manner. It provides stakeholders with sufficient opportunity to voice opinions and concerns that may influence project decisions.

## 1.2 OBJECTIVES OF THE PLAN

The Key objectives of the SEP are to:

- Identify key stakeholders that are affected, and/or able to influence the Project and its activities,
- Identify the most effective methods, timing, and structures through which to share project information, and to ensure regular, accessible, transparent, and appropriate consultation,
- Provide guidance for stakeholder engagement such that it meets the standards of International Best Practice,
- Develop a stakeholders' engagement process that provides stakeholders with sufficient opportunity to voice their opinions and concerns and be able to influence the project,
- Establish formal grievance redress mechanisms,
- Define roles and responsibilities for the project implementers in conducting stakeholder consultations,
- Define reporting and monitoring measures to ensure the effectiveness of the SEP and periodical reviews of the SEP based on findings.

The SEP provides a framework for achieving effective stakeholder involvement and promotes greater awareness and understanding of issues so that the project is carried out effectively. Effective stakeholder engagement develops a "social licence" to operate and depends on mutual trust, respect and transparent communication between the implementing agency and its stakeholders. The key elements of the SEP are:

- Stakeholder identification and analysis
- Stakeholder Engagement Program
- Grievance Redress Mechanism
- Monitoring and Reporting

## 2 REGULATORY REQUIREMENTS

### 2.1 RELEVANT NATIONAL LEGISLATION

The WaMCoP Stakeholder Engagement Plan (SEP) takes into account the existing institutional and regulatory framework within the context of Lesotho and international laws. These applicable laws and international good practices are discussed below.

Table 2-1, outlines the Relevant national legislation for the implementation of WaMCoP .

Table 2-1 Relevant Legislation.

No.	LEGAL INSTRUMENTS	INTERPRETATION
<b>1.0</b>	<b>RELEVANT POLICIES</b>	
1.1	<b>Poverty Reduction Strategy - National Strategic Development Plan (2012).</b>	The National Strategic Development Plan II (NSDP II), the overarching policy framework, recognizes the wool and mohair sector as a priority for growing the rural economy. Like the PRSP and the INDF, it served as an implementation strategy for the National Vision 2020. The Strategy denotes: Creation employment and income generation, agriculture and food security through infrastructure development including management and conservation of the environment.
1.2	<b>Food Systems Transformation Pathway for Lesotho 2021</b>	This policy prioritises the formulation of policy instruments in agricultural marketing, agro-processing and value-addition. This will further serve as a guiding reference for the project.
1.3	<b>The Agricultural Sector Strategy 2003</b>	The Agricultural Sector Strategy (ASS) 2003, formulates its own policies with goals, objectives and outputs for 19 subsectors which fall into three groups: i) The production sub-sectors, which are crops, livestock and subsistence production; ii) Cross cutting issues (food and nutrition, conservation and range management, land use, land tenure, rural finance and investment); and iii) Government services (extensions, training and research). The strategy put emphasis on development of productive capacities of households/farmers to tap in agribusiness/ value chains.
1.4	<b>Other National Agricultural Strategies</b>	The National Action Plan for Food Security 2007-2017, the Comprehensive Africa Agriculture Development Programme (CAADP), and the National Agricultural Investment Programme (NAIP) are some of Lesotho government's statements of policy and strategy in the agricultural sector development. They indicate how the Ministry of Agriculture and Food Security (MAFS) aims to achieve the national goals and scale up agricultural productivity in an effort to provide food security and reduce poverty.
1.5	<b>The Agriculture and Food Security Policy of Lesotho (2006)</b>	Lesotho's agriculture and food security policy signifies that agriculture is critically dependent on environmental resources such as land, water, forest, and air. Within the policy, replenishing soil fertility and increasing the use of high yielding crop varieties and improved livestock breeds are priorities. The policy shows that climate change has serious impacts on agriculture and livestock sectors and that Climate Smart Agriculture (CSA) could reduce the impacts of climate change. The tenets of CSA such as increasing agricultural productivity, conservation agriculture, block farming, homestead gardening, improved livestock production, land conservation and improvement and crop diversification.
1.6	<b>National Agriculture Investment Plan (NAIP), the Comprehensive Agriculture Policy, and</b>	This policy measures underdevelopment. It focuses on promoting food and fodder production, export orientation, irrigation, and the adoption of climate smart technologies, as well as sustainable intensification, and reduction of pressure on environmental resources

No.	LEGAL INSTRUMENTS	INTERPRETATION
	<b>Irrigation Policy 2022. (Underdevelopment)</b>	
1.7	<b>National Environmental Policy, 1998</b>	<p>The overall goal of the National Environmental Policy (NEP) is to achieve sustainable livelihoods and development for Lesotho. The Policy relates directly to Lesotho's national development priorities. It focuses on the social and economic dimensions, the management and conservation of natural resources, and the promotion of community participation. The objectives of the policy promote sustainable use of natural shared resources by encouraging intensified livestock production through reduction of large numbers of livestock on rangelands, rather promoting rearing of high quality livestock instead of unproductive large quantities. It further supports production of fodder as a means of reducing pressure on environmental resources</p>
1.8	<b>Lesotho Science and Technology Policy 2006-2011 (2006)</b>	<p>The Science and Technology Policy recognises that technical and scientific aspects are critical to the development of any livelihood related sector, (e.g., Agriculture) making it essential to have trained, qualified, competent and highly motivated personnel to operate effectively; well-serviced, modern equipment and technologies. It highlights the MAF's roles in training, community education, research and extension.</p> <p>This policy is critical in implementation of subprojects by enhancing communication, digitization of manual transactions, data collection for the purposes of M&amp;E and informed decision making. It also supports the project aims of enrolling critical actors on digital platform, enabling data on their operations available in real time, providing a rich source of information for smallholder farmer profiling and their business performance.</p>
1.9	<b>ICT Policy for Lesotho - 4 March 2005</b>	<p>The Ministry of Communications, Science and Technology is the custodian of this policy. The Policy provides the nation with a vision and strategy for becoming a fully integrated member of the Information Society. It is intended to unite Government, industry, civil society and the general public in the achievement of its national development goals and endeavours to reduce the digital divide between the "haves" and the "have nots," to promote gender equality, protect the environment and to improve food security and the standard of living of all Basotho. It further strives to promote a food secure society capable of exploiting the full potential of Information and communications technologies (ICTs).</p> <p>The policy has nine overall objectives but the most relevant for the agriculture sector is to "Promote usage of ICTs throughout all sectors of society including disadvantaged groups." The policy then outlines the role of each sector in implementing it.</p> <p>It then highlights Agriculture as one of the ten (10) cross cutting catalysts that provide the strategic framework needed to guide the successful implementation of the ICT policy and to realise national development goals.</p> <p>ICTs have the potential to revolutionize the management of the agricultural sector and improve food security. ICTs may significantly improve information flows between farmers, consumers, and agriculturalists and thus lead to higher crop yields, production that is more responsive to consumer needs and greater market access. ICTs can be used to improve crop planning, monitoring and forecasting. Livestock Registration, Marking and Information Systems (LRMIS) can be used to prevent stock theft as well as to control diseases. It can also be used to track and locate livestock throughout the country.</p> <p>Therefore, the project adoption of IFAD ICT4D tools such as e-finance, e-extension, other financing instruments in livestock sectors (e-Wallet) are</p>

No.	LEGAL INSTRUMENTS	INTERPRETATION
		effectively envisioned in this policy to scale up wool and mohair competitiveness.
2.0	<b>LEGISLATION</b>	
2.1	<b>Managed Resources Areas Order, No 18 of 1993</b>	<i>Section 12:</i> makes provision for prohibition on activities in Managed Resource Areas other than for grazing purposes including prohibition of burning that causes land degradation (GoL, 1993).
2.2	<b>The Environmental Management Act (EMA) 2010.</b>	<p>Environment Act makes provision for the protection and management of the environment and conservation and sustainable utilization of natural resources of Lesotho (GoL, 2001a), It provides for the protection of the land base against the negative impacts of development that cause excessive land disturbance and soil erosion.</p> <p>The Act outlines the government’s processes to achieve the environmental protection objective, including the preparation of a Project Brief (PB) and/or ESMP which entails mitigation measures to offset adverse impacts of proposed activities from development projects.</p> <p>The Act also specifies that no person shall operate, execute or carry out a project or activity specified in the First Schedule without a license/approval issued by the Director of the Department of Environment (DoE).</p> <p>The Act further sets requirements for public participation in the design of (sub-) projects and for the dissemination of information relevant to these projects (disclosure).</p> <p>The Act makes provisions for where proposed agricultural activities will have various effects on the environment and the relevant clauses that cover the protection and management of the environment included therein.</p>
2.3	<b>Local Government Act 1997.</b>	<p>This Act provides for the establishment of local authorities and describes their responsibilities.</p> <p>Under the Act, the government has established the Local Government Service while the interests of the Central Government at district level will be represented by the District Administrator (DA), who coordinates the duties and functions of all public officers in the district. The DA reports to the Minister of Local Government. Therefore, liaison with DA office during project lifecycle is critical as the initial point of contact at the district level.</p>
2.4	<b>Land Act (2010).</b>	<p>The Act governs land ownership and occupation, the acquisition of property for public and private development purposes. It makes provision for ensuring sustainable use of agricultural land and stipulates that the lessee shall use and take steps to ensure that land used for arable purposes is farmed in accordance with the practices of good husbandry customarily used in the area and that land used for pastoral purposes is used in a sustainable manner in accordance with the best principles of pastoralism practiced in the area.</p> <p>The Act also covers the grant of title to land; the administration of land; the expropriation of land for public purposes; the grant of servitudes; and the creation of land courts and the settlement of disputes relating to land.</p>
2.5	<b>Weeds Eradication Act 1969.</b>	<p>Weeds Eradication Act (1969) deals with alien invasive plants and control of their encroachment into the climax vegetation. (GoL, 1969).</p> <p>This act protect the quality of wool and Mohair as it promotes eradication of invasive plants which threatens rangelands and contaminates wool and mohair</p>
2.6	<b>Liremo Control Act 1970.</b>	The act makes provision for the protection of <i>Liremo</i> through controlling their



No.	LEGAL INSTRUMENTS	INTERPRETATION
		use (GoL, 1970a). This has since been revised by King Moshoeshoe II and declared all indigenous trees and shrubs <i>Liremo</i> that are plants of economic value which, though not cultivated, are community owned resources, the use of which is controlled directly by the chief or appointed headmen. These indigenous shrubs are usually in good harmony with the natural environment while other provide food for small ruminants
2.7	<b>The Public Health Order No. 12 of 1970.</b>	<p>The Order sets out the functions of the Ministry of Health, as to promote the personal health and environmental health within Lesotho; to prevent and guard against the introduction of disease from outside; to prevent or control communicable disease; to advise and assist district administrations and local authorities in regard to matters affecting public health.</p> <p>It stresses the notification of Communicable diseases and non-Communicable diseases, the inspection of premises where a person suffering from such a disease may have entered and the cleansing thereof.</p> <p>Generally, the Order makes provisions for all matters concerning public health in Lesotho and provide basis for measures to be taken to combat covid 19 and other pandemics.</p>
2.8	<b>The Water Act 2008 - Water and Sewage Authority – (WASA).</b>	The Water Act 2008 provides for good quality and healthy water resources by preventing pollution of water resources through measures such as the control of processes causing pollution, the control or prevention of movement of pollutants, compliance with prescribed standards or management of waste, and the elimination of any sources or potential sources of pollution by safe disposal of hazardous substances (GoL, (1991).
2.9	<b>Lesotho Labour Code Act (2000 amendment).</b>	This Act outlines requirements on working conditions in support of the project objectives in job creation, in particular the protection of the health and safety of workers. Requirements cover, amongst others, employers’ obligations, workers’ rights, settlement of disputes, disputes of rights, and code of good practice.
2.10	<b>Gender and Development Policy (2003)</b>	The overall goal of the policy is to take gender concerns into account in all national and sectoral policies, programmes, budgets and plans in order to achieve gender equality in the development process.
2.11	<b>National Youth Policy (2017-2030)</b>	Notes that by 2030, 20 percent of Basotho youth, should be engaged in agro business.
3.0	<b>STATUTORY INSTRUMENT</b>	<b>INTERPRETATION OF LEGISLATION</b>
3.1	<b>Guidelines for EIA in Lesotho, 2008.</b>	The Act contains set of guidelines for EIA (GoL, 2010b), which are intended to facilitate participation in and compliance with Lesotho's EIA requirements by the developers, which include WaMCoP due to the nature of its economic and value chain development. The EIA guidelines are therefore aimed at "integrating environmental concerns and economic development from the earliest stages of the project to the exit of the same.
3.2	<b>Pesticides and Toxic Substances Regulations.</b>	<p>Lesotho does not have a specific legislation dealing with the management of chemicals and pesticides, specifically persistent organic pollutants substances. There are however, a few pieces of legislation, which generally touch on dangerous substances and hazardous substances. The laws that exist are fragmented and not specific to chemicals.</p> <p>The country is further incapacitated in terms of financial requirements to meet the infrastructural developments and human resource base to undertake some of the requirements of managing the toxic substances.</p>

### 3 PREVIOUS STAKEHOLDER ENGAGEMENT ACTIVITIES

#### IFAD WaMCoP DESIGN MISSION APRIL 26<sup>th</sup>-30<sup>th</sup>, 2021

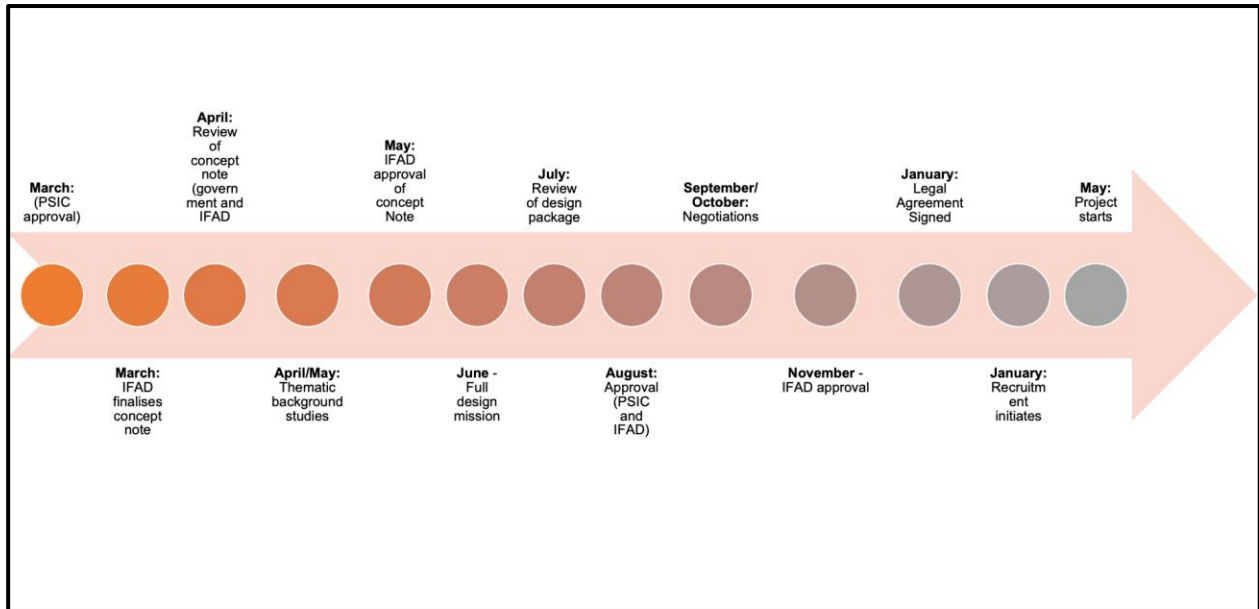
The purpose of the present Stakeholder Engagement Plan is, among others, to provide information on how Stakeholder Engagement will be practiced throughout the course of the project and which methods will be used as part of the process; as well as to outline the responsibilities of the Ministry of Agriculture and Food Security (MAFS). While the project is not expected to cause any serious or substantial environmental and/or social risks, the Project will apply the IFAD SECAP requirements.

As part of stakeholder engagement in preparing the WaMCoP Project several missions and consultations have taken place, commencing with a IFAD scoping mission and drafting of the Concept Note in March 2022 (Figure 3-1) and culminating with the IFAD design mission in June 2022. The process is summarised in table 3-1 and figure 3-1 below:

**Table 3-1** WaMCoP design process

No.	DATES	CONSULTATION PROCESS
1.		IFAD Scoping Mission
2.	March 2022	IFAD Approval of WaMCoP
3.	March 2022	PISC approval
4.	April 2022	Review of Concept Note – Government and IFAD
5.	April/May 2022	Thematic background studies
6.	May 2022	IFAD approval of Concept note
7.	June 2022	Full Design mission, Draft PDR + Budget
8.	July 2022	Review of Design Package
9.	August 2022	Approval PISC and IFAD
10.	September/October	Negotiations
11.	November 2022	IFAD Approval
12.	January 2023	Legal Agreement Signed
13.	January 2023	Recruitment initiates
14.	May 2023	Project Starts

As part of the current consultations during the preparation of WaMCoP, the MAFS/IFAD are engaged in ongoing dialogue with all possible stakeholders. They have informed the main stakeholders on the Project design, indicated its openness for feedback on the Project design, and informed them on the applicability of the SECAP to WaMCoP. MAFS/IFAD have also stressed the importance of stakeholder engagement with the primary beneficiaries of the project – The possible Wool and Mohair Associations, the farmers, women and youths in the target constituencies.



**Figure 3-1** WaMCoP design process and key milestones

The June 2022 design mission consultations were to introduce the project and gather stakeholders' views and perceptions on the proposed project. The Project will continue to conduct in-depth stakeholder engagement throughout Project implementation.

## 4 STAKEHOLDERS IDENTIFICATION AND ANALYSIS

### 4.1 Identifying Stakeholders

To develop an effective SEP, it is necessary to determine who the stakeholders are and understand their needs and expectations for engagement, and their priorities and objectives in relation to the Project. This information is then used to tailor engagement to each type of stakeholder. As part of this process, it is particularly important to identify individuals and groups who may find it more difficult to participate and those who may be differentially or disproportionately affected by the project because of their marginalised or vulnerable status.

Stakeholders for the purpose of this project have been and will continue to be identified on a continuous basis by identifying those people and institutions that have an interest in the successful planning and execution of the project including special interest groups. These include those:

- Project Implementing Agencies (funding agencies, executing agencies, partners)
- Directly and/or indirectly project-affected people (PAPs) and
- Interested parties (Social and labour regulatory authorities, Contractors, Media society, and Civil Society etc)

The affected group comprises of Wool and Mohair farmers with their groups/associations, aggregators, Coalitions of beneficiaries, Micro, Small & Medium Enterprises (MSMEs) in a value chain such as cottage industry, inputs suppliers, service providers, brokers/market agencies who will benefit from the hardware and software services offered by the project. A subset of this category are the vulnerable groups including women and youth. A significant factor in achieving inclusiveness of the engagement process is safeguarding the participation of all projected affected people including vulnerable individuals in public consultations and other engagement forums established by the project. Vulnerable groups are persons who may be disproportionately impacted or further disadvantaged by the project as compared with any other groups due to their susceptible status, and that may require special engagement efforts to ensure their equal representation in the consultation and participation in the program. In this case, women and youths fall into that category though there are differences within the same categories and/or gender lines that needs to be carefully considered.

Engagement is directly proportional to impact and influence, and as the extent of impact of a project on a stakeholder group increases, or the extent of influence of a particular stakeholder on a project increases, engagement with that stakeholder group should intensify and deepen in terms of the frequency and the intensity of the engagement method used.

### 4.2 Preliminary Stakeholders Identification

The key stakeholders identified in the SEP and to be continuously engaged could include:

**Table 4-1** Identified Stakeholders for WaMCoP

LEVEL	STAKEHOLDER	SPECIFIC INFORMATION TARGET	ROLE IN THE PROJECT
Global	IFAD	Country/Regional Office	Funding Agency
Central Government	Ministry of Finance and Development Planning (MFDP)	Permanent Secretary's office	Fund Manager

LEVEL	STAKEHOLDER	SPECIFIC INFORMATION TARGET	ROLE IN THE PROJECT
	Ministry of Agriculture and Food Security (MAFS) and Department of Marketing	Project Coordinating Unit/Trust Company staff	Implementing Agency
		Department of Agricultural Extension Services	Steering Committee member / oversight and technical expertise on agricultural production
	Ministry of Forestry, Range and Soil Conservation (MFRSC)	Ministry of Forestry, Range and Soil Conservation -Soil and Water Conservation (MFRSC-SWC)	Steering Committee member / oversight and technical expertise on forestry, rangeland, soil and water resource management
	Ministry of Gender, Youth, Sports & Recreation (MGYSR)	Designated officer	Participating ministry Responsible for Youth and gender affairs
	Ministry of Finance and Economic Planning (MoFEP)	Designated officer	Participating ministry Responsible for budgets and finances
	Ministry of Trade and Industry	Designated officer	Steering Committee member
	Ministry of Small Business Development and Co-operatives	Designated officer	Steering Committee member
	Ministry of Development Planning	Designated officer	Steering Committee member
	Lesotho National Farmers Union (LENAFU)	Designated officer	Steering Committee member
	Lesotho National Development Corporation (LNDC)	Designated officer	Steering Committee member
	Private Sector Representatives	Designated officers	Steering Committee member
<b>Private Sector, VC Role players and Associations</b>	Input manufacturing / supplier companies	Designated officers	Input suppliers
	Transporters, buyers, processing businesses	Designated officers	produce market linkages,
	MSMES in Cottage Industry	Designated officers	Processors of Wool and Mohair Products
	Wool and Mohair associations	Associations representatives	Producers of wool and Mohair
	BKB brokers/Market Agencies	Brokers representatives	Market linkages
	ICT/Telecommunications services/Commercial Banks	Designated officers	Agricultural and Wool and Mohair Activities.
<b>Civil Society</b>	Women, and youth promoters	NGO focal persons	Interested parties, Technical expertise
<b>District</b>	District Administration Office WaMCoP	Designated officers	All District coordination
	District WaMCoP Project Coordinating Unit/Trust Company	Staff members	District level Implementing Agency
	Rural District Council.	District administrator.	All District development
	Department of Agricultural Extension Services	All District Officers	Technical expertise on agricultural production
	Department of Environment.	District Officers	Environmental protection
<b>Village</b>	Traditional Leadership	Chiefs	Overall traditional leadership, upholding of cultural values, Land distribution, community level GRM
	Village Leadership	Village Head	Traditional leadership, upholding of cultural values, Land distribution, community level GRM
		Village Development Committees (VIDCOs)	Coordinating Village development plans

LEVEL	STAKEHOLDER	SPECIFIC INFORMATION TARGET	ROLE IN THE PROJECT
	Community based organisations	Agriculture Production Groups (APGs)	Steering Committee member / Affected parties / production management
	Wider Community	Community leadership	Indirectly affected parties
<b>Household</b>	Farmers/ Water Users	Women and Youth	Directly Affected parties / primary project beneficiaries

The above list is not exhaustive. As the project gets underway, the PCU/TC will develop a detailed SEP identifying emerging and all possible stakeholders, their specific information needs and the appropriate modes of consultation as well as feedback mechanisms. The consultation process shall ensure that all those identified as stakeholders are conferred with. Active engagement of all stakeholders will facilitate a common understanding of the specific opportunities and constraints which can be the foundation for deeper harmonization and coordination of the various support services.

## 5 STAKEHOLDER ENGAGEMENT CONSIDERATIONS

### 5.1 STAKEHOLDER ENGAGEMENT

The following considerations should be made when planning for stakeholder engagement:

**Resourcing Stakeholder Engagement:** Stakeholder engagement requires resources as it takes time to develop and build trust-based relationships with stakeholders. Relationships with stakeholders should develop, grow, and be sustained. This becomes a continuous process as additional stakeholders might be identified that will also need to be engaged.

Some stakeholders will need to be educated about the concept of engagement itself, as well as on the complex issues requiring specialised and technical knowledge. These demands can increase the cost of consultation required to meet external expectations.

**Managing expectations:** Stakeholders can have unrealistically high expectations of benefits that may accrue to them from a project and as such the PCU/TC must be clear on what the PROJECT can and cannot do, establishing a clear understanding of their roles and responsibilities. The engagement processes should provide the PCU/TC with an opportunity to develop relationships with stakeholders and potential project partners.

**Securing stakeholder participation:** Cultural norms and values can prevent stakeholders from freely participating in meetings. Often there are conflicting demands within project beneficiaries and it can be challenging for a project to identify stakeholders who are representative of common interests. There may be a need to employ local officers who are sensitive to local power dynamics.

**Consultation fatigue:** Stakeholders can easily tire of consultation processes especially when promises are unfulfilled, and their opinions and concerns are not taken into consideration. Often stakeholders feel their lives are not improving because of a project and this can lead to consultation meetings being used as an area to voice complaints and grievances about the lack of development. Implementing Partners must not make wild promises to stakeholders; but expectations should be managed through dissemination of accurate information. Opinions for stakeholders should be treated as feedback to the project and other project partners and specialists.

### 5.2 PURPOSE AND TIMING OF STAKEHOLDER ENGAGEMENT PROGRAM

The main goal of the Stakeholder engagement plan is primarily to garner all support of the agriculture, especially the Wool and Mohair sector. This support will allow for ease of implementation as it is assumed that mobilization of these stakeholders will provide an enabling environment for implementation of the various livelihood activities. Sharing of information will be aligned with ongoing information dissemination meetings that already exist within the Ministry of Agriculture and Food Security (MAFS). In addition to the scheduled meetings, it is worth mentioning that there will be progress updates on implementation of project activities at different levels. The updates will be provided by different implementers of project activities. Documentation of these meetings will form part of project documentation.

### 5.3 PROPOSED STRATEGY FOR INFORMATION DISCLOSURE

Information and data that will be shared will be information about the project description that will include among many other issues, the project background, the theory of change and the summarized presentation of each of the project components and subcomponents. The selection of project beneficiaries will also be outlined.

The information will largely be shared at the early stages of the project. This will be presented in a document format, distributed to the district offices who will present it to lower levels, i.e., the beneficiaries. The documents will also be published in the Government of Lesotho website as well as the Ministry of Agriculture and Food Security website. There will also be public presentations and discussions over scheduled radio and television platforms. Ministry Officials responsible for implementation, management and coordination of project activities will make presentations about the project as well as the progress update while engaging with the public and responding to arising questions, concerns and comments.

The Ministry/PCU/TC will also use the following platforms to reach more stakeholders and widen ease of access to information:

- Media briefing
- Newspapers, posters, radio, television,
- Information centres and exhibitions or other visual displays,
- Brochures, leaflets, posters, nontechnical summary documents and reports,
- Official correspondence, meetings,
- Website, social media.

The strategy will also include means to consult with project-affected stakeholders if there are significant changes to the project resulting in additional risks and impacts. The most critical aspect of the strategy is leveraging on village level leadership engagement, coordination with the District Administrator's Offices, project affected people and PCU/TC

### 5.4 PROPOSED STRATEGY FOR CONSULTATION

Ministry of Agriculture Food and Security, Department of Marketing and PCU/TC have earlier identified groups of stakeholders under the Wool and Mohair Sector. These include members of the community governance structures, District Administration Structures, Ministry Officials, Wool and Mohair Farmer groups/associations, aggregators, VC players which include MSMEs in cottage Industry, inputs suppliers, the market brokers/agents, and the general public. The project coordination unit and the Trust Company will be responsible for coordination of all project events and will keep a schedule of implementation of all outreach activities and will report on progress.

The identified stakeholder groups will be engaged using various platforms including:

- Interviews
- Surveys, polls, and questionnaires for beneficiary feedback
- Public meetings, workshops, and/or focus groups on specific topic.
- Participatory methods
- Other traditional and non-traditional mechanisms for consultation and decision making.

**Table 5-1** Stakeholder engagement techniques



ENGAGEMENT TECHNIQUE	APPROPRIATE APPLICATION OF THE TECHNIQUE
Correspondences (Phone, Emails)	<ul style="list-style-type: none"> <li>• Distribute information to Government officials, NGOs, Local Government, and organisations/agencies</li> <li>• Invite stakeholders to meetings and follow-up</li> </ul>
One-on-one meetings	<ul style="list-style-type: none"> <li>• Seeking views and opinions</li> <li>• Enable stakeholder to speak freely about sensitive issues</li> <li>• Build personal relationships</li> <li>• Record meetings</li> </ul>
Formal meetings	<ul style="list-style-type: none"> <li>• Present the Project information to a group of stakeholders</li> <li>• Allow group to comment – opinions and views</li> <li>• Build impersonal relation with high level stakeholders</li> <li>• Disseminate technical information</li> <li>• Record discussions</li> </ul>
Public meetings (following COVID-19 guidelines)	<ul style="list-style-type: none"> <li>• Present Project information to a large group of stakeholders, especially communities</li> <li>• Allow the group to provide their views and opinions</li> <li>• Build relationship with the communities, especially those impacted</li> <li>• Distribute non-technical information</li> <li>• Facilitate meetings with presentations, PowerPoint, posters etc.</li> <li>• Record discussions, comments, questions.</li> </ul>
Focus group meetings	<ul style="list-style-type: none"> <li>• Present Project information to a group of stakeholders (8- 15 people groups)</li> <li>• Allow stakeholders to provide their views on targeted baseline information</li> <li>• Build relationships with communities</li> <li>• Record responses</li> </ul>
Project website	<ul style="list-style-type: none"> <li>• Present project information and progress updates</li> <li>• Disclose SEP, GRM and other relevant project documentation</li> </ul>
Project leaflet	<ul style="list-style-type: none"> <li>• Brief project information to provide regular update</li> <li>• Site specific project information.</li> </ul>
Surveys	<ul style="list-style-type: none"> <li>• Gathering opinions and views from individual stakeholders</li> <li>• Gather baseline data</li> <li>• Record data</li> <li>• Develop a baseline database for monitoring impacts</li> </ul>
Workshops/Webinars	<ul style="list-style-type: none"> <li>• Present project information to a group of stakeholders</li> <li>• Allow a group of stakeholders to provide their views and opinions</li> <li>• Use participatory exercises to facilitate group discussions, brainstorm issues, analyse information, and develop recommendations and strategies</li> <li>• Record responses</li> </ul>

## 5.5 STAKEHOLDERS ANALYSIS

The initial stage of stakeholder analysis will include identifying parties which are directly and/or indirectly affected by the project, interested groups, and those who have the potential to influence project outcomes. The next step will be to assess the level of stakeholder interests and support for the project. In summary the assessment shall be geared towards:

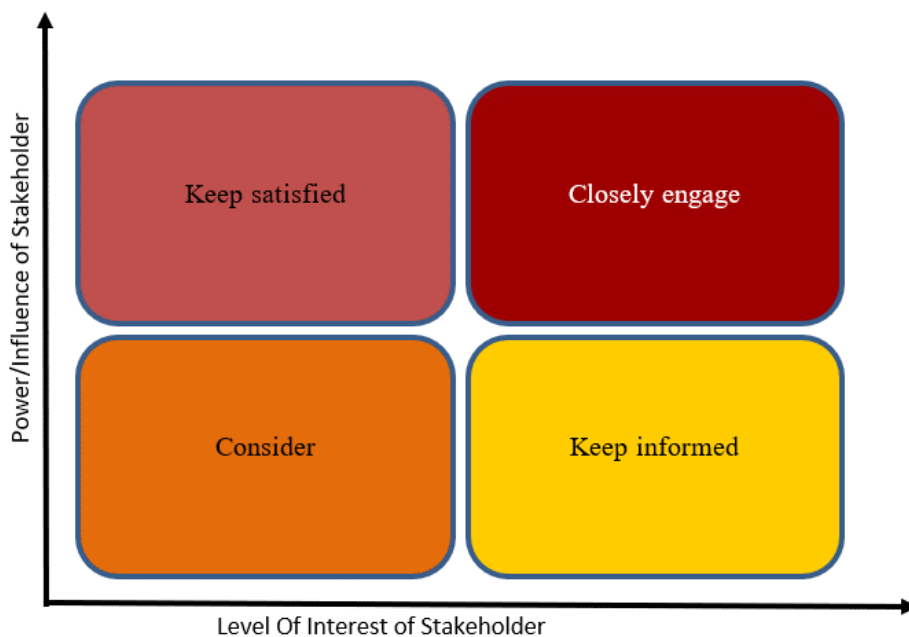
- stakeholders' interests,
- areas of potential risks and misunderstandings,
- mechanisms to positively influence other stakeholders,
- key people to be informed about the project during the preparation and implementation phases and,
- Negatively impacted stakeholders as well as their adverse effects on the project.

The PCU/TC and the implementation partners shall continuously classify stakeholders based on the following attributes:

- their power to influence and their interest on the project,
- the legitimacy of each stakeholder’s relationship with the project, and
- the urgency of the stakeholder’s claim on the project activities, potential risks, and impacts.

Based on this analysis, the communication strategy, and the coordination mechanism to be developed by the PCU/TC shall incorporate strategies to engage the ‘High Interest and High Influence stakeholders’ and the ‘high Interest and Low Influence’ stakeholders.

**High interest and high influence stakeholders:** The plan should be to fully engage this group and apply all effort to ensure that they are satisfied and fully always informed of the project. This can be done by focusing efforts on these groups of stakeholders throughout the project cycle, giving them the importance, they deserve, involving them in project governance decision making bodies and engaging them and consulting them regularly as well as providing timeous feedback. The engagement plan targeting these stakeholders shall be incorporated into the project annual work plan.



**Figure 5-1** Basic Stakeholder Influence/Interest Chart.  
 (Adapted from: <https://www.boreal-is.com/data/uploads/2020/07/A-step-by-step-guide-to-building-a-stakeholder-engagement-plan>)

**High interest and medium/low influence stakeholders:** The high interest and low influence stakeholders should be kept informed, ensuring that no major issues arise because of the project. The project will maintain this group’s interest in the project, involving them in the implementation arrangements, tapping into their interest and keep them in the loop.

The objective of the engagement and consultation plan under the WaMCoP is to:

- Begin early in the project planning process to gather initial views on the project proposal and inform project design,

- Encourage stakeholder feedback, particularly as a way of informing project design and engagement by stakeholders in the identification and mitigation of environmental and social risks and impacts,
- Ensure that stakeholders understand how the project is likely to affect them
- Ensure consistency in messaging,
- Continue engagement on an ongoing basis as risks and impacts arise and manage stakeholders' expectations,
- Ensure prior disclosure and dissemination of relevant, transparent, objective, meaningful and easily accessible information in a timeframe that enables meaningful consultations with stakeholders in a culturally appropriate format, in the local language and is understandable to stakeholders,
- Consider and respond to feedback,
- Support active and inclusive engagement with project-affected parties,
- Ensure that consultation(s) is/ are free of external manipulation, interference, coercion, discrimination, and intimidation; and
- Ensure consultation (s) is/are documented and disclosed by the project.

## **5.6 CURRENT STAKEHOLDER CONSULTATION**

The missions that have been conducted so far were conducted physically with the IFAD team accompanied by selected senior officials from the Ministry of Agriculture and Food Security (MAFS).

The objectives of the March 2022 joint (GoL – IFAD) mission were as follows: (a) identify key bottlenecks in the wool and mohair sector that a new investment project could potentially address; (b) agree on the project concept of the new investment project with the GoL; (c) align the new investment project to Lesotho's existing policies and aspirations; and (d) incorporate the inputs of sector players and ensure multi-stakeholder buy-in.

The mission engaged with several key stakeholders which included: the Ministry of Agriculture and Food Security (MAFS), the Lesotho National Wool and Mohair Growers Association (LNWMGA), Standard Lesotho Bank, Lesotho Postbank, Skylight Wool and Mohair Association, Animal feed traders, Maluti Wool and Mohair Centre, Marketing Associations, the National University of Lesotho (NUL), the Lesotho National Development Corporation (LNDC), the Wool and Mohair Promotion Project (WAMPP) and selected WAMPP beneficiaries. In addition, virtual meetings with key sector stakeholders were conducted and they include: Textile Exchange (certification body), BKB & OVK (brokers), Cape Wool (Sector Governance in RSA); Vodacom (e-Voucher /mobile payment).

## **5.7 PLANNING FOR STAKEHOLDER ENGAGEMENT**

The WaMCoP PCU/TC will establish an operational plan in line with proposed project activities to ensure the participation and engagement of the stakeholders, ensuring that each group gets involved as defined and receive the agreed information. The plan must ensure a balance in the involvement and benefits between different gender segments and the participation of vulnerable groups, ensuring that the project's objectives are met in terms of inclusive social, economic and environmental benefits of the Wool and Mohair sector. Regular meetings will be scheduled with the representatives of the groups of actors involved in the project, for the revision of the plan,

activity progress and necessary adjustments according to probable changes in the initial context during the execution of the project.

### 5.7.1 Stakeholder Consultation Techniques/Methods

There are a variety of engagement techniques used to build relationships with stakeholders, gather information from stakeholders, consult with stakeholders, and disseminate project information to stakeholders. A range of techniques will be applied that are specifically tailored to the identified stakeholder groups. The format of every engagement activity should meet general requirements on accessibility, i.e., should be held at venues that are easily reachable and do not require long commute, entrance fee or preliminary access authorization, cultural appropriateness (i.e., with due respect to the local customs and norms), and inclusivity, i.e., engaging all segments of the project affected parties including the vulnerable individuals. If necessary, logistical assistance should be provided to enable participants from the remote areas, persons with limited physical abilities and those with insufficient financial or transportation means to attend public meetings scheduled by the project. Particular attention will be given to the vulnerable groups to ensure that they are not denied project benefits.

In general, public consultations will take place through virtual and physical workshops, seminars, meetings, radio programs, request for written proposals/comments, questionnaire administration, public reading and explanation of project ideas and requirements. In the wake of Covid-19 however, there needs to be a paradigm shift as to how engagement processes are carried out to minimize risk of infection and spread of the disease. There is need to do a cost-benefit analysis and strike a balance between virtually based communication channels and those that need physical interaction. The techniques mostly used in SEP are outlined in the table below:

**Table 5-2** Stakeholder Engagement Techniques

ENGAGEMENT TECHNIQUE	APPROPRIATE APPLICATION OF THE TECHNIQUES
WaMCoP PCU/TC - Internal	<ul style="list-style-type: none"> <li>• Emails</li> <li>• Progress Meetings</li> <li>• Bulletin board Grievance procedure Code of conduct</li> </ul>
Official correspondences (Phone, Emails)	<ul style="list-style-type: none"> <li>• Distribute information to Co-Implementing partners (at central, regional and local level), other Government departments, NGOs, Local Government, private sector, and organisations/agencies</li> <li>• Invite stakeholders to meetings and follow-up</li> </ul>
-Social Media: WhatsApp, Facebook, Twitter -Webinars: Zoom, Microsoft teams, Google classes Meetings etc. -Bulk SMSes	<ul style="list-style-type: none"> <li>• Share information with beneficiaries</li> <li>• Distribute information to Co-Implementing partners</li> <li>• Invite stakeholders to meetings and follow-up</li> <li>• Online Meetings with stakeholders</li> <li>• Online Workshops with stakeholders</li> </ul>
Media briefing	<ul style="list-style-type: none"> <li>• Present the Project information to media representatives</li> <li>• Allow media inputs, questions, comments, opinions and views</li> <li>• Build impersonal relation with the media society</li> <li>• Disseminate information for media and public consumption</li> <li>• Record discussions</li> </ul>
Project website	<ul style="list-style-type: none"> <li>• Present project information and progress updates</li> <li>• Disclose SEP, GRM and other relevant project documentation</li> </ul>
One-on-one physical meetings	<ul style="list-style-type: none"> <li>• Seeking views and opinions</li> <li>• Enable stakeholder to speak freely about sensitive issues</li> <li>• Build personal relationships</li> <li>• Record meetings</li> </ul>
Formal physical meetings	<ul style="list-style-type: none"> <li>• Present the Project information to a group of stakeholders</li> <li>• Allow group to comment – opinions and views</li> <li>• Build impersonal relation with high level stakeholders</li> </ul>

	<ul style="list-style-type: none"> <li>Disseminate technical information</li> <li>Record discussions</li> </ul>
Public consultation meetings	<ul style="list-style-type: none"> <li>Present Project information to a large group of stakeholders, especially communities</li> <li>Allow the group to provide their views and opinions</li> <li>Build relationship with the communities, especially those impacted</li> <li>Distribute non-technical information</li> <li>Facilitate meetings with presentations, PowerPoint, posters etc.</li> <li>Record discussions, comments, questions.</li> </ul>
Focus group meetings	<ul style="list-style-type: none"> <li>Present Project information to a group of stakeholders (8-15 people groups)</li> <li>Allow stakeholders to provide their views on targeted baseline information</li> <li>Build relationships with communities</li> <li>Record responses</li> </ul>
Project leaflet	<ul style="list-style-type: none"> <li>Brief project information to provide regular update</li> <li>Site specific project information.</li> </ul>
Surveys	<ul style="list-style-type: none"> <li>Gathering opinions and views from individual stakeholders</li> <li>Gather baseline data</li> <li>Record data</li> <li>Develop a baseline database for monitoring impacts</li> </ul>
Multi-stakeholder meetings and/or Workshops/Webinars	<ul style="list-style-type: none"> <li>Present project information to a group of stakeholders</li> <li>Allow a group of stakeholders to provide their views and opinions</li> <li>Use participatory exercises to facilitate group discussions, brainstorm issues, analyse information, and develop recommendations and strategies</li> <li>Record responses</li> </ul>

## 5.8 ENGAGEMENT ACTIVITIES AND INFORMATION DISCLOSURE

### 5.8.1 Stakeholders Engagement Activities

Prior to the commencement of stakeholder’s engagement activities, meetings shall be scheduled with relevant Traditional Authorities, Community Representatives, political leaders in the project area, Government Ministries and Departments, Media, and other Interested & Affected Parties (I&APs). The purpose of these meetings shall be to refine stakeholder’s engagement strategy to meet the requirements of I&APs and ensure that future communication is effective and cognisant of all social sensitivities.

**Table 5-3** Stakeholder Engagement Activities

STAGE	OBJECTIVES	KEY ACTIVITIES	TARGET STAKEHOLDERS
Preliminary Engagements	<ul style="list-style-type: none"> <li>To gain a preliminary understanding of the scope of the WaMCoP Project and relevant stakeholders;</li> </ul>	<ul style="list-style-type: none"> <li>Field Visits</li> <li>Stakeholder identification process</li> </ul>	<ul style="list-style-type: none"> <li>Government Ministries and Departments</li> <li>Local Authorities</li> <li>Wool and Mohair Groups/Associations</li> <li>Commercial Banks</li> <li>Animal feed traders, Marketing Associations, the</li> <li>Tertiary institutions</li> <li>Lesotho National Development Corporation (LNDC)</li> <li>Wool and Mohair Promotion Project (WAMPP)</li> </ul>

			<ul style="list-style-type: none"> <li>Textile Exchange certification body</li> <li>Wool &amp; Mohair brokers,</li> <li>Mobile money service Providers</li> </ul>
Engagements	<ul style="list-style-type: none"> <li>To meet key stakeholders and introduce them to the project and Grievance Redress Mechanism (GRM) Process,</li> <li>To disclose the GRM as well as other project documents in the public domain to all interested and affected stakeholders,</li> <li>To gather issues of concern and through this identify a list of potential negative and positive impacts,</li> </ul>	<ul style="list-style-type: none"> <li>Meetings with key stakeholders to facilitate the broader stakeholder's engagement process,</li> <li>Dissemination of engagement materials (background information documents, posters, media notices etc.),</li> <li>Consultations through training workshops with GRM focal points, and all other stakeholders</li> <li>Feedback from stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>Government Ministries and Departments</li> <li>Local Authorities</li> <li>Wool and Mohair Groups/Associations</li> <li>Commercial Banks</li> <li>Animal feed traders, Marketing Associations, the</li> <li>Tertiary institutions Lesotho National Development Corporation (LNDC)</li> <li>Wool and Mohair Promotion Project (WAMPP)</li> <li>Textile Exchange certification body</li> <li>Wool &amp; Mohair brokers, Mobile money service Providers</li> </ul>
Disclosure of the Grievance Redress Mechanism (GRM) and other project specific Reports.	<ul style="list-style-type: none"> <li>To expose the stakeholders to the developed GRM and other project specific Reports.</li> </ul>	<ul style="list-style-type: none"> <li>Disseminate the GRM and other project specific Reports to all stakeholders,</li> <li>Expound the contents of the GRM and other project specific Reports to all stakeholders,</li> </ul>	<ul style="list-style-type: none"> <li>Government Ministries and Departments</li> <li>Local Authorities</li> <li>Wool and Mohair Groups/Associations</li> <li>Commercial Banks</li> <li>Animal feed traders, Marketing Associations, the</li> <li>Tertiary institutions Lesotho National Development Corporation (LNDC)</li> <li>Wool and Mohair Promotion Project (WAMPP)</li> <li>Textile Exchange certification body</li> <li>Wool &amp; Mohair brokers,</li> <li>Mobile money service Providers</li> </ul>

## 5.8.2 Communication Plan

**Table 5-4** Stakeholders Engagement Communication Plan

DATE	STAKEHOLDERS	COMMUNICATION	METHOD OF ENGAGEMENT
	PCU/TC Ministry of Agriculture and Food Security (MAFS),	<ul style="list-style-type: none"> <li>Grievance Redress Mechanism</li> <li>WamCoP Stakeholders Engagement Plan</li> </ul>	<ul style="list-style-type: none"> <li>Formal Meeting</li> </ul>
	<ul style="list-style-type: none"> <li>District Agricultural Officers</li> <li>Project Field Officers (PFO)</li> <li>Community Leadership</li> </ul>	<ul style="list-style-type: none"> <li>Preliminary Meeting</li> <li>Present information on GRM and other project specific reports</li> <li>Induction and training on use of GRM tools</li> </ul>	<ul style="list-style-type: none"> <li>Formal Meetings</li> <li>Workshops</li> </ul>

	<ul style="list-style-type: none"> <li>Wool and Mohair Groups/ Associations</li> <li>Commercial Banks</li> <li>Animal feed traders, Marketing Associations, the</li> <li>Tertiary institutions Lesotho National Development Corporation (LNDC)</li> <li>Wool and Mohair Promotion Project (WAMPP)</li> <li>Textile Exchange certification</li> </ul> <p>Wool &amp; Mohair brokers, Mobile money service Providers</p>	<ul style="list-style-type: none"> <li>Distribute non-technical information</li> <li>Facilitate meetings with presentations, PowerPoint, posters etc.</li> </ul>	
	<ul style="list-style-type: none"> <li>Project Field Officers (PFO)</li> <li>Agric Extension Officers</li> <li>District Agricultural Officers</li> <li>Community Leadership</li> <li>Ministry of Agriculture and Food Security (MAFS),</li> <li>Wool and Mohair Groups/ Associations</li> <li>Commercial Banks</li> <li>Animal feed traders, Marketing Associations, the</li> <li>Tertiary institutions Lesotho National Development Corporation (LNDC)</li> <li>Wool and Mohair Promotion Project (WAMPP)</li> <li>Textile Exchange certification</li> </ul> <p>Wool &amp; Mohair brokers, Mobile money service Providers</p>	<ul style="list-style-type: none"> <li>Present information on GRM</li> <li>Induction and training on use of GRM tools</li> <li>Distribute non-technical information</li> <li>Facilitate meetings with presentations, PowerPoint, posters etc.</li> <li>Allow to provide their views and opinion</li> <li>Request guidance on how to handle WaMCoP issues related to their views and opinions</li> </ul>	<ul style="list-style-type: none"> <li>Formal Meeting</li> <li>Workshop</li> <li>Email</li> </ul>
	<ul style="list-style-type: none"> <li>Communities</li> <li>Animal feed traders, Marketing Associations</li> <li>Project Beneficiaries</li> <li>Vulnerable Persons</li> <li>Wool and Mohair and VC role players</li> </ul>	<ul style="list-style-type: none"> <li>Present GRM and other project specific reports to project communities</li> <li>Allow the communities to provide their views and opinions</li> <li>Build relationships with the communities</li> <li>Facilitate meeting with presentation and posters</li> </ul>	Community Meetings
	Media- Social media news, newspaper editors, journalists, Radio and television	<ul style="list-style-type: none"> <li>Distribute non-technical information</li> </ul>	<ul style="list-style-type: none"> <li>Press Statements</li> </ul>

### 5.8.3 Information Disclosure

The type of information to be disclosed to the various stakeholders depends on their interests and how they will be affected by the Programme – or how WaMCoP activities may be affected by them. Thereafter various communication tools can be utilized for the engagement process, such as:

- Project notices published in local newspapers,
- Radio advertisements,
- Direct mailings to communities,
- Presentations with or without focus group sessions),
- Targeted e-mails,
- Virtual meetings, presentations, seminars, workshops, with stakeholders,

- One-on-one meetings, presentations, seminars, workshops, e-mails, and phone conversations with stakeholders,
- Site tours, and
- The use of social media.

Table 1.5 below gives a general overview of the types of information needs for various stakeholder groups.

**Table 5-5** Summary Overview of the Stakeholder Engagement Plan (SEP)

Stakeholders	Information to be disclosed	Consultation means
WaMCoP • Project Beneficiaries, Vulnerable Persons, Wool and Mohair groups/associations, Animal feed traders, Marketing Associations, other VC role players, general public, inputs Suppliers, Market Brokers/Agents, Tertiary institutions	Current and new activities and how these relate to them in terms of opportunities and threats	Local leaders i.e., Chief's or district offices, Churches, national media, social media, Agriculture website etc.
	Forum to express community / health fears and get feedback e.g., accidental release/escape; contamination; emergencies (fire)	Public consultations, focal group discussions, social media. Training specific members of the communities, awareness, education
Staff / workers at target Districts	How wool and Mohair Value chains project work how they can participate	Staff newsletters, bulletin boards, email, website, meetings with management, staff sensitization & inhouse training programs.
Farmers Groups, Wool and Mohair Associations Agricultural NGOs Farmers Union Agrochemical companies	Consultation on agricultural needs / food security issues.	District Extension services, Baseline surveys/subsequent surveys to monitor impacts, emails, bulletins
Intergovernmental Institutions; IFAD, FAO, etc	Setting regeneration agenda for participating Districts	Intergovernmental meetings and consultations
	Capacity building for participating Districts.	Build partnerships through meetings, seminars, workshops
University Graduates in Agriculture and ICT	Internship opportunities	Website, public media, bulletin boards
Women and Youth	Opportunities in the wool and mohair value chains	District Agricultural Offices, public consultations



## 6 AN OVERVIEW OF STAKEHOLDER ENGAGEMENT

### 6.1 WHAT IS STAKEHOLDER ENGAGEMENT?

Stakeholder Engagement will be free of manipulation, interference, coercion, and intimidation, and conducted on the basis of timely, relevant, understandable and accessible information, in a culturally appropriate format. It involves interactions between identified groups of people and provides stakeholders with an opportunity to raise their concerns and opinions (e.g., by way of meetings, surveys, interviews and/or focus groups), and ensures that this information is taken into consideration when making project decisions.

Effective stakeholder engagement develops a “social licence” to operate and depends on mutual trust, respect and transparent communication between Ministry of Agriculture and Food Security (MAFS), Department of Marketing (DOM) and PCU/TC and their stakeholders. It thereby improves its decision-making and performance by:

- **Managing costs:** Effective engagement can help WaMCoP avoid costs, in terms of money and reputation;
- **Managing risk:** Engagement helps WaMCoP and communities to identify, prevent, and mitigate environmental and social impacts that can threaten project viability;
- **Enhancing reputation:** By publicly recognising human rights and committing to environmental protection, MAFS/DOM and financial institutions (IFAD) involved in financing the project can boost their credibility and minimise risks;
- **Avoiding conflict:** Understanding current and potential issues such as rights to service provision and proposed project activities;
- **Improving corporate policy:** Obtaining perceptions about a project, which can act as a catalyst for changes and improvements in MAFS/DOM corporate practices and policies;
- **Identifying, monitoring and reporting on impacts:** Understanding a project’s impact on stakeholders, evaluating and reporting back on mechanisms to address these impacts; and
- **Managing stakeholder expectations:** Consultation also provides the opportunity for MAFS/DOM and PCU/TC to become aware of and manage stakeholder attitudes and expectations.

### 6.2 PRINCIPLES FOR EFFECTIVE STAKEHOLDER ENGAGEMENT

This (SEP) is informed by a set of principles defining its core values underpinning interactions with identified stakeholders. Common principles based on “International Best Practice” include the following:

- **Commitment** is demonstrated when the need to understand, engage and identify the community is recognized and acted upon early in the process,
- **Integrity** occurs when engagement is conducted in a manner that fosters mutual respect and trust,
- **Respect** is created when the rights, cultural beliefs, values and interests of stakeholders and affected communities are recognized,
- **Transparency** is demonstrated when community concerns are responded to in a timely, open, and effective manner,
- **Inclusiveness** is achieved when broad participation is encouraged and supported by

- appropriate participation opportunities; and
- **Trust** is achieved through open and meaningful dialogue that respects and upholds a community's beliefs, values and opinions.

## **7 RESOURCES AND RESPONSIBILITIES FOR IMPLEMENTATION**

### **7.1 RESOURCES**

The stakeholder engagement activities have been estimated to cost about US \$ 30,000.00 throughout the project life and will be allocated from the overall project allotment. However, the design and implementation of **a detailed and accurate** SEP will be the overall responsibility of the PCU/TC. Other resources to be committed will be organized as such:

- The WaMCoP PCU Information Office will be in charge of the SEP in liaison with the project development team lead by the department of planning.
- The WaMCoP PCU are committed to the implementation of the project as well as the implementation of the SEP in keeping with requirements and good governance pillars therefore makes a commitment to commit some of the project funds towards the implementation of the SEP activities.
- Additional information on SEP related activities will be available from the Information office with support from the Ministry of Agriculture and Food Security (MAFS) and Department of Marketing (DOM).

#### **7.1.1 Budget**

The Project Coordinating Unit will ensure that the WaMCoP has an adequate standing budget allocated towards the Stakeholder Management Programme.

#### **7.1.2 Training**

All the WaMCoP partners and PCU/TC team will attend a workshop that will bring awareness on the project, SEP, GRM as well as other project specific documents.

### **7.2 RESPONSIBILITIES**

The management, coordination and implementation of the SEP and its integral tasks will be the responsibility of dedicated team members within PCU/TC, partner ministries and its Contractors, Sub-contractors and Consultants. The roles and responsibilities of the organizations are presented below.

#### **7.2.1 Responsibilities**

The management, coordination and implementation of the SEP and its integral tasks will be the responsibility of the project Environmental and Social specialist (ESS) together with other dedicated team members within the WaMCoP PCU/TC. Their roles and responsibilities are presented below.

#### **The Project Coordinating Unit/ Trust Company**

The PCU/TC will be accountable for ensuring WaMCoP achieves its development objectives and for oversight of all day-to-day operations of the project. The PCU/TC will also be responsible for all reporting requirement of GoL and IFAD related to the project. The PCU/TC under the oversight of the Permanent Secretary will work closely with relevant stakeholders to ensure that the SEP is implemented in a successful manner.

**Environment and Social Specialist (ESS).**

The Social Inclusion Specialist will be responsible for the management of project related Environment and social safeguards issues. He/she will oversee all stakeholder engagement activities regarding the implementation of the GRM as well as other project specific documents. Responsibilities will include the following:

- Continuous Development, implementation and monitoring of the stakeholder's engagement plan and other project specific documents,
- To bring together the different stakeholders engaged in the project and develop joint strategies and plans, ensuring that key stakeholders are engaged while creating and maintaining momentum. Liaise with the Project Director to ensure that stakeholders engagement requirements are understood,
- Guiding and overseeing community sensitization processes, ensuring that key information reaches all intended target groups, that beneficiary selection is transparent and in line with pre-defined criteria and that all target groups participate in relevant programme decision-making processes,
- Liaising with local stakeholders regularly to disseminate information about social risk mitigation activities considered by WaMCoP,
- To develop and maintain the stakeholder database/map,
- Proactively identify stakeholders, project risks and opportunities and inform Project Director to ensure that the necessary planning can be done to either mitigate risk or exploit opportunities.
- To organize regular meetings and/or prepare regular communications, in close collaboration with the PCU/TC
- Liaise with the Project Director to ensure that stakeholder engagement requirements are understood.

## 8 GRIEVANCE REDRESS MECHANISM

### 8.1 INTRODUCTION

Implementation of the project may generate several challenges and complaints especially those which relate to infringement of rights of sections of the society. As part of addressing such complaints and in the spirit of the continuous consultation process, a Grievance Redress Mechanism (GRM) has been developed for WaMCoP. This GRM is in line with the GRMs that are being applied by the rest of the projects currently in the country which include the WAMPP and the ROLL.

The goal of the GRM is to strengthen accountability to beneficiaries and to provide channels for project stakeholders to provide feedback and/or express grievances related to project supported activities. The GRM is a mechanism that allows for the identification and resolution of issues affecting the project. By increasing transparency and accountability, the GRM aims to reduce the risk of the project inadvertently affecting citizens/beneficiaries and serves as an important feedback and learning mechanism that can help improve project impact.

The mechanism focuses not only on receiving and recording complaints but also on resolving them. While feedback should be handled at the level closest to the complaint, all complaints should be registered and follow the basic procedures set out in this chapter.

### 8.2 DEFINITION OF GRM

For the purposes of these Operational Guidelines, a Grievance Redress Mechanism is a process for receiving, evaluating, and addressing project-related complaints from citizens and affected communities at the level of the project. The terms 'grievance' and 'complaint' are used interchangeably.

### 8.3 GRM SCOPE AND USE

*SCOPE:* Grievance Redress Mechanism will be available for project stakeholders and other interested parties to submit questions, comments, suggestions and/or complaints, or provide any form of feedback on all project-funded activities.

*GRM's users:* Project beneficiaries, project affected people (i.e., those who will be and/or are likely to be directly or indirectly affected, positively or negatively, by the project), as well as the broader citizenry can use the GRM for the above purposes (see Scope).

*GRM's management:* The GRM is managed by the WaMCoP PCU/TCs, under the direct responsibility of MAFS/DOM.

*Submission of complaints:* Complaints can be expressed at any time throughout project implementation.

#### **8.4 GRM FOR WaMCoP**

The WaMCoP GRM will be a system by which queries or clarifications about the programme will be responded to, problems with implementation will be resolved, and complaints and grievances will be addressed efficiently and effectively. The purpose of the grievance redress mechanism is:

- To be responsive to the needs of beneficiaries and to address and resolve their grievances,
- To serve as a conduit for soliciting inquiries, inviting suggestions, and increasing community participation,
- To collect information that can be used to improve operational performance,
- To enhance the programme's legitimacy among stakeholders,
- To promote transparency and accountability,
- To deter fraud and corruption and mitigate programme risks.

#### **8.5 STRUCTURE OF THE GRM**

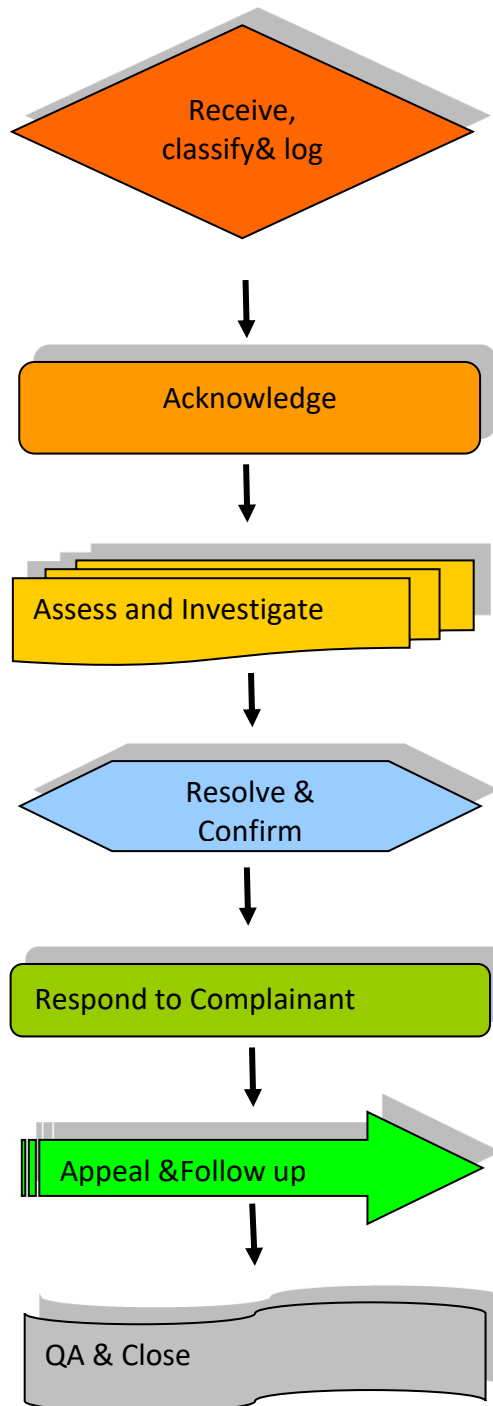
The GRM consists of a small number of components:

- The access point for impacted/concerned people
- Grievance log
- Acknowledgement stage
- Assessment stage
- Passing of resolution
- Response
- Room for appeal
- Case closure

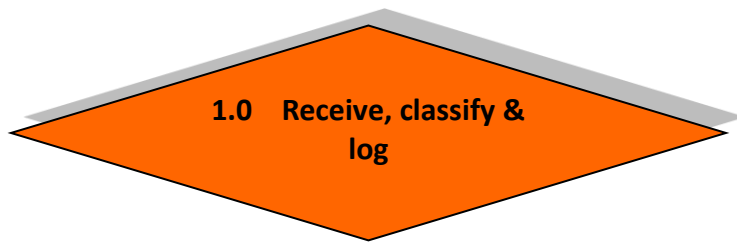
The components are summarized in the process flow diagram below.

**Process Overview**

The following key steps must be followed for all complaints received by WaMCoP coordinating unit staff:



The requirements for each of these steps is detailed below



## 1.0 Receive, classify & log

### Summary

Ensure that all potential issues are captured and classified for escalation, review and action as required.

### Receiving the Grievance:

The access points will be as close to the users as possible. An easily accessible and well publicized focal point or user-facing 'help desk' is the first step. This will be established at each sub-project, and WaMCoP PCU/TC Offices so that it will be seen as credible and accessible. The main issues for the access point include the following:

- Uptake channels should include some or all of the following:
  - phone hotline,
  - email,
  - mail,
  - SMS,
  - webpage,
  - or face-to-face.
- The uptake channels will be publicized and advertised via local media and the implementing agency.
- Verbal complaints should be recorded by staff for them to be considered.
- Many complaints may be resolved 'on the spot' and informally by the WaMCoP staff but should also be logged in order to (i) encourage responsiveness; and (ii) ensure that repeated or low-level grievances are being noted in the system.
- The GRM should have the ability to handle anonymous complaints.

Typically, the complainant will be provided with a receipt and 'roadmap' telling him/her how the complaint process works and when to expect further information.

### Logging and classifying:

Any complaint, issue or negative stakeholder interaction (whether this is formally logged by the complainant or not), must be logged and classified for action.

All of these complaints must be formally logged using the standard forms.

All complaints must be prioritized as follows:

- **Priority 1 – urgent**, potential high health and high business impact. **This require a response to the Complainant within three (3) working days.**



- This should be used (sparingly) for major health issues where the complaint may have disastrous impacts on either human, the environment or WaMCoP itself.
- Also, this could be used in a situation where the complainant may be in a position to influence or make public statements that would impact upon the WaMCoP reputation.
- ✓ **Priority 2, - non-urgent**, lower health environmental and social impact. This requires a response to the complainant within 2 working weeks.
  - This should be used for most complaints with individual stakeholders, as this allows a reasonable time to collect information and produce a balanced response.
- Discretion and flexibility should be exercised in prioritizing all complaints
  - The staff member logging the complaint should review the complaint and its priority with the Sub-project/ WaMCoP Coordinating/Trust Company before proceeding to the next step.
  - The Sub-project/ WaMCoP PCU/TC will decide on the appropriate person(s) to carry out subsequent steps, including the investigation.
  - **All Priority 1 complaints must be escalated immediately to the WaMCoP Director**

**2.0 Acknowledge**

**Summary**  
 Ensure that every complaint receives a formal written acknowledgement, containing an expectation of when they will receive a response, and the person dealing with it.

- All complaints, regardless of priority, should receive a pro forma acknowledgement sent out 1<sup>st</sup> class mail on the day of receipt.

### 3.0 Assess & Investigate

#### Summary

Follow up all aspects of the complaint, both internal and external, to ensure that the key facts are identified and clarified.

- The priority of the complaint will drive the timescale for completion (3 days for urgent or 2 weeks for non-urgent).
- All areas of interaction and communication should be established (who, what, where, when, why etc.) and documented where possible.

### 4.0 Resolve & Confirm

#### Summary

Ensure that the final resolution is clear and fair. Also confirm the proposed action and resolution with another senior person (WaMCoP Management).

- Ensure that the proposed resolution meets corporate guidelines and does not prejudice WaMCoP in any unnecessary legal or financial manner.
- Document the proposed action and discuss and agree with the WaMCoP Project Director.
- Discuss and review the solution from both the corporate and complainant viewpoint to ensure fairness and clarity.
- The review should include recognition and documentation of any underlying issues that have contributed to the complaint and recommendations for actions to prevent further occurrence.
- This should then be reviewed as part of the bi-monthly quality assurance reviews.

## 5.0 Respond to Complainant

### Summary

Provide the Complainant with the resolution within the timescales promised.

- The details of the findings and proposed resolution should be clearly explained (in written or verbal form as appropriate) to the complainant- within the agreed timescales.
- If this cannot be done on time the Complainant should be contacted by telephone to request further time.

## 6.0 Appeal & Follow up

### Summary

Ensure that complaints are followed up to confirm that the complainants are satisfied with the response given. If not satisfied the Complainant is advised on the route for Appealing.

- All Priority 1 complaints and 95% of priority 2 complaints must be followed up within a reasonable timescale.
- This will be carried out by WaMCoP Administration team / WaMCoP Project Director's office.
- The follow-up should identify the following
  - Is the complainant satisfied with the response?
  - Did they feel that their complaint was properly and fairly handled?
- Any negative responses to these questions should be referred to WaMCoP Project Directors for action and direct follow up with the complainant.
- The complainant is given room for appealing to the Ministry of Agriculture and Food Security or Courts of Law, if he is not satisfied.

## 7.0 QA & Close

### Summary

Ensure that the WaMCoP as a whole is aware of the complaints and any underlying issues. Plan actions to remove these and prevent future recurrence.

- All complaints should be reviewed monthly as part of the quality assurance review meetings.
- Any complaints where action can be taken to avoid recurrence must be acted upon and raised with the appropriate Director/teams across the WaMCoP.

### 8.6 MONITORING AND REPORTING

Monitoring and evaluation of the SEP process is vital as it ensures that the WaMCoP PCU/TC can respond to identified issues and alter the schedule and nature of engagement activities to make them more effective. As part of the SEP, a mechanism for providing feedback to the stakeholders on their information needs will be set up. In addition, the SEP will include means for monitoring the effectiveness of the public consultation processes and outcomes from consultations, and for determining where further action may be necessary regarding engagement.

The environmental and social safeguards specialists in the WaMCoP PCU/TC will be responsible to ensure that the SEP is implemented throughout the life of the project. They will also be responsible for communicating and reporting on all stakeholder matters to the Project Director.

Monitoring of the stakeholder engagement process allows the efficacy of the process to be evaluated. Amongst others the following monitoring activities will be implemented:

- During the engagement activities: short-term monitoring to allow for adjustments/improvements to be made during engagement; and
- Following completion of all engagement activities: review of outputs at the end of engagement to evaluate the effectiveness of the SEP as implemented.

To help in the monitoring system, a series of key performance indicators for each stakeholder engagement stage will be developed. Table below shows an example of the indicators and performance against the indicators to show successful completion of engagement tasks.

**Table 8-1** Key Performance Indicators by Project Phase

PHASE	ACTIVITIES	INDICATORS
Planning for Project	Share updates on Project activities	Posters displayed in allocated service centres by time specified
GRM, SEP and other project specific documents Implementation	Share updates on SEP, GRM and other project specific documents activities	<ul style="list-style-type: none"> <li>• Posters displayed in allocated service centres by time specified,</li> <li>• Affected community stakeholders will have received and understand the information disclosed and attended the public meetings,</li> <li>• Communities provided feedback,</li> <li>• No complaints about non-receipt of project specific documents received.</li> </ul>

The identification of WaMCoP related impacts and concerns is a key element of stakeholder engagement that will occur over the complete Project life cycle. As such, the identification of new concerns, impacts and grievances as the GRM and project progress will serve as an overall indicator for the implementation of the stakeholder engagement process. There are two keyways in which the stakeholder engagement process, as will be provided for in the M&E action plan, will be monitored:

- Review of Engagement Activities in the Field
- Reporting Stakeholders Engagement Activities

### 8.6.1 Review of Engagement Activities in the Field

During the engagements with stakeholders the engagement team will assess meetings using the following engagement tools:

- Stakeholders database,
- Issue and Response table, and
- Meeting records of all consultations held.

### 8.6.2 Reporting Stakeholders Engagement Activities

Performance will be reviewed following the stakeholder’s engagement sessions conducted in the field. In assessing performance, the following will be considered:

- Materials disseminated: Types, frequency, and location,
- Place and time of formal engagement events and level of participation including specific stakeholders’ groups e.g., Chiefs,
- Number of people attending public or formal meetings,
- Number of comments received type of stakeholder and detail of feedback provided,
- Meeting minutes, attendance register and photographic evidence,
- Numbers and type of stakeholders who contact the WaMCoP project team by mail, telephone, and any other means of communication,
- Comments received by government authorities, community leaders and other project partners and passed to the WaMCoP project, and
- Number and types of feedback and/or grievances and the nature and timing of their resolution; and the extent to which feedback and comments have been addressed and have led to corrective actions being implemented.

## **Lesotho**

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### **Wool and Mohair Value Chain Competitiveness Project Project Design Report**

#### **Annex: Lso Gef8 Lesotho Wa M Co P 12 09 2022**

Mission Dates: 1-23 June 2022

Document Date: 10/11/2022

Project No. 2000003942

Report No. 6224-LS

East and Southern Africa Division  
Programme Management Department



# GEF-8 PROJECT IDENTIFICATION FORM (PIF)



## TABLE OF CONTENTS

<b>GENERAL PROJECT INFORMATION .....</b>	<b>3</b>
Project Summary***	4
Indicative Project Overview	5
<b>PROJECT OUTLINE.....</b>	<b>7</b>
<b>A. Project Rationale.....</b>	<b>7</b>
<b>B. Project Description .....</b>	<b>16</b>
Project Description	16
Coordination and Cooperation with Ongoing Initiatives and Project.	27
Core Indicators	29
NGI (only): Justification of Financial Structure	30
Risks to Project Preparation and Implementation	30
Safeguards Rating (PIF level):	32
<b>C. Alignment with GEF-8 Programming strategies and country/regional priorities .....</b>	<b>32</b>
<b>D. Policy requirements.....</b>	<b>38</b>
Gender Equality and Women’s Empowerment***:	38
Private Sector	38
Environmental and Social Safeguards	39
<b>E. Other requirements.....</b>	<b>39</b>
Knowledge management	39
<b>ANNEX A: FINANCING TABLES .....</b>	<b>40</b>
GEF Financing Table	40
Project Preparation Grant (PPG)	40
Indicative Focal Area Elements	40
Programming Directions	40
Trust Fund	40
(in \$)	40
GEF Project Financing	40
Co-financing	40
Indicative Co-financing	41
<b>ANNEX B: ENDORSEMENTS .....</b>	<b>41</b>
Record of Endorsement of GEF Operational Focal Point (s) on Behalf of the Government(s):	42
Compilation of Letters of Endorsement	42
<b>ANNEX C: PROJECT LOCATION .....</b>	<b>42</b>
<b>ANNEX D: ENVIRONMENTAL AND SOCIAL SAFEGUARDS SCREEN AND RATING .....</b>	<b>44</b>
<b>ANNEX E: RIO MARKERS .....</b>	<b>50</b>
<b>ANNEX F: TAXONOMY WORKSHEET .....</b>	<b>50</b>
<b>ANNEX G: NGI RELEVANT ANNEXES.....</b>	<b>51</b>
<b>LIST OF KEY REQUIREMENTS LEADING TO CEO ENDORSEMENT SUBMISSION.....</b>	<b>52</b>



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## GENERAL PROJECT INFORMATION

Project Title:	Wool and Mohair Value chain Competitiveness project (WaMCoP)		
Region:	AFRICA	GEF Project ID:	
Country(ies):	Kingdom of Lesotho	Type of Project	Full sized project
GEF Agency(ies):	IFAD	GEF Agency Project ID:	2000003622
Anticipated Executing Entity(s) and Type:	Executing agencies: Ministry of Agriculture and Food Security (MAFS), Ministry of Tourism Environment and Culture (MTEC)	GOVERNMENT	
	<b>Other Coordinating Ministries:</b> Ministry of Development Planning, Ministry of Local Government and Chieftainship (MLGC); Ministry of Water (MoW), Department of Water Affairs		
GEF Focal Area(s):	LD, BD, CC	Submission Date:	
Type of Trust Fund:	GETF	Project Duration (Months)	84 months
GEF Project Grant: (a)	US \$ 7,240,000 BD - US \$ 1,900,500; LD - US \$ 3,529,500; CC - US \$ 1,810,000	GEF Project Non-Grant (b)	
Agency Fee(s) Grant: (c)	US \$ 760,000	Agency Fee(s) Non-Grant: (d)	
Total GEF Financing: (a+b+c+d)	US \$ 8,000,000	Total Co-financing:	IFAD US \$ 15,250,00 (Loan) & 5, 000, 000 (BRAM <sup>1</sup> ) OPEC US \$20,000,000(Loan) PS - US \$ 7,381, 000 (Loan) GoL US \$ 8,000,000 (In Kind) TBD US\$ 11,752,000 (Loan) Total US\$ 67,444,000
PPG Amount (e):	US \$ 150,000	PPG Agency Fee(s) (f):	US \$ 14,250
Total GEF Resources (a+b+c+d+e+f)	US \$ 8,164,250		
Project Tags:	<input type="checkbox"/> CBIT <input type="checkbox"/> NGI <input type="checkbox"/> SGP <input type="checkbox"/> Innovation		
Project Sector <sup>2</sup> (CCM only)			

<sup>1</sup> Borrowed Resources Allocation Mechanism - IFAD's new financing mechanism through which borrowed resources are channeled to eligible countries

<sup>2</sup> For ITS, this is the same pulldown menu that we have for GEF-7

### **Project Summary\*\*\***

The proposed Wool and Mohair Value chain Competitiveness project, funded by Global Environmental Fund (GEF) (WaMCoP-GEF)<sup>3</sup> aims to improve the resilience of landscapes and communities in degraded ecosystems and drought-prone areas of Lesotho by promoting inclusive and environmentally sustainable growth of the wool and mohair value chain (VC). WaMCoP-GEF will be integrated into the WaMCoP project, which includes funding from IFAD, OFID, OPEC, Private sector and the GoL. WaMCoP is an IFAD12 investment under design and expected to start implementation during the second quarter in 2023. The project will promote climate-smart agriculture practices and technologies, and responsible standards for livestock VC production systems.

As part of responsible production systems, the project will seek to advance low-emission production and biodiversity enhancement into the VC. Building on demand for 'net zero carbon products', the project will help determine appropriate emission reduction measures and accounting procedures and test these. Emissions reductions will help achieve the country's Nationally Determined Contribution of 10 – 35 per cent reduction compared to business as usual (BAU) by 2030. In conjunction with the end-to-end, traceability and certification established through the project, becoming internationally recognized for low-emission production would help stimulate demand for wool and mohair from Lesotho. Going beyond a pure carbon focus, the project will simultaneously explore how biodiversity enhancement can be stimulated through the VC. This will address how better land use management can help protect fauna-rich wetlands and biodiversity in the soil. Coalitions will develop biodiversity management plans, which will guide in conserving, restoring, and enhancing the biodiversity value landscapes.

The project will also promote farmland protection and rehabilitation techniques to reduce runoff and enhance rainwater infiltration. This will assist with biodiversity conservation and land degradation issues. The protection activities will include, among others: reducing pressure on the land by destocking (through culling and exchange), rotational grazing, construction of soil erosion control structures such as check dams, gabions, side drains, terraces, and contour bunds. This will be combined with land husbandry practices geared towards increasing the farms' vegetative cover to increase soil fertility.

The emission intensity of livestock will be significantly reduced through sustainable rangeland management, supplementary livestock feed, and herd size management. The project will conduct a carbon balance analysis (using ExACT or GLEAM-I) to detail mitigation efforts credibly. The tandem effect of more efficient livestock systems and landscape regeneration, adding in the mitigation potential of land-use change and the adaptation value of regeneration, holds significant potential to transition to a low-emission, climate-resilient development pathway.

The large-scale role out of the responsible standards, introduction of the certification system digitization of the fiber transactions along the VC using industry standards, which have animal welfare and land management criteria as central requirements, at a substantial scale among smallholder farmers requiring systems approach, is a notable innovation. The institutional up-grading of the VC and entrusting of assets to a private sector-driven entity will be crucial innovations in the organisation of the VCs. The approach to cottage industry, working from the end-market, and linking to high-end markets will be new for Lesotho. The project will also feature a mechanism to reduce the carbon footprint, by matching contributions from supply chain partners.

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<sup>3</sup> WaMCoP- GEF refers to IFAD investment including GEF financing while WaMCoP refers to the baseline project with IFAD financing only

## Indicative Project Overview

**Project Objective:** To promote inclusive and environmentally sustainable growth of the wool and mohair value chain by improving biodiversity conservation, sustainable land management, and restoration of natural ecosystems in Lesotho.

Project Components	Component Type	Project Outcomes	Project Outputs	Trust Fund	(in \$)	
					GEF Project Financing	Co-financing
<b>Component 1</b> Support for building value chain systems.	Technical Assistance	<p><b>Outcome 1.1:</b> Strengthened value chain governance and sector strategy on responsible production of wool and mohair along with carbon sinking and biodiversity conservation</p> <p>Outcome 1.2 Improved rangeland management and carbon accounting system through Responsible<sup>4</sup> wool and mohair production</p>	<p>1.1.1: Reviewed Gender responsive sector policy and Strengthened regulatory framework on responsible production of wool and mohair along with carbon sinking and biodiversity conservation</p> <p>1.2.1 Reduced herd size and GHG emissions from small ruminant production.</p> <p>1.2.2 Rangeland management including the animal health and welfare plan; and the land management, soil health and biodiversity plan, and carbon accounting system developed</p>	GEFTF	3,198,000.00	28,582,000.00
<b>Component 2.</b> Climate smart value chain operation and coordination	Investment	Outcome 2.1: Improved access to productive finance and physical assets	2.1.1:Sustainable financial and physical assets provided to 30 000 farmers	GEFTF	2,880,000.00	24,890,800.00

<sup>4</sup> Responsible refers to sustainable practices being adopted and standards being adhered to

		Outcome 2.2. Responsible standards integrated in wool and mohair value chain production system leading restoration of 150 000ha of land and certification of shearing shed-linked farmer associations	2.2.1: Inclusive digital platform developed  2.2.2: Certification of responsible production and carbon sequestration and biodiversity enhancement			
<b>Component 3:</b> Outreach and knowledge management for promotion of sustainable wool and mohair production	Technical Assistance	<b>Outcome 3.1: Improved</b> understanding on the importance of responsible and sustainable wool and mohair production in Lesotho  <b>Outcome 3.2:</b> Improved monitoring and learning knowledge Management functions).	Output 3.1.1 Shearing Sheds Associations, and Grazing Associations trained in participatory rangelands and pastures monitoring and evaluation. 50% female 50% men will be targeted  3.2.1 Knowledge sharing events conducted to enable the networking with stakeholders to facilitate further uptake responsible standards  3.2.3 Project gender disaggregated M&E system enables tracking of project progress, performance and specifically capturing best practices to enable replication of responsible standards	GEFTF	800,000,00	10,599,000
<b>Subtotal</b>					6,878,000	64,071,800
<b>Project Management Cost (PMC)</b>					362,000	3,372,200
<b>Total Project Cost</b>					7,240,000.	67,444,000

## PROJECT OUTLINE

### A. PROJECT RATIONALE

#### Environmental challenges, root causes and barriers

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 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 in the lowlands and foothills on the Western border and the Senqu River valley in the south.

Wool and mohair are natural fibers predominantly used in the apparel industry and especially in the high-end fashion market. Wool sheep and mohair goat farming contribute significantly to rural people’s livelihoods, both in South Africa and Lesotho. Although wool and mohair command higher prices compared to other fibers, Lesotho’s animal fibers only make-up 2 percent of the global fiber market, with wool representing 1 percent and mohair 0.01 percent.<sup>5</sup> Wool and mohair are bio-degradable, renewable, and eco-friendly. This positions them as niche “green” fibers. As these commodities are heavily dependent on consumer retail spending, the viability of wool and mohair are contingent on aligning to consumer preferences and end-market requirements.<sup>6</sup>

The global market for wool and mohair is undergoing a sizeable shift towards responsible production standards. It is to be expected that in five to ten years, non-certified fiber will be traded as second-class produce. The move to responsible production is a move to sustainable intensification, i.e., to widen smallholder farmers' access to improved breeds and other inputs (feed and fodder, vet services and drugs). Unfortunately, Lesotho’s wool and mohair sector faces key constraints: limited VC coordination; lack of data for management, policy and planning; limited access to finance; and sub-optimal management of critical public assets (shearing sheds, sheep and goat studs for improved breeding ). Furthermore, heavy dependence on South Africa for input procurement and access to services constrain individual farmers, associations, and the larger private sector actors. The dominance of paper-based reporting constrains the certification of products.

The sound economic performance of the industry is further hampered by a recent split in the major producer organization,<sup>7</sup> a relatively ad-hoc modification of the marketing regulations, and limited systematic up-grading outside of development projects. An assessment of the recent regulatory reforms revealed a range of challenges and provided recommendations to improve coordination, trust-building and regulatory plus policy steps.<sup>8</sup>

These poor natural resource management practices have led to severe environmental degradation, demonstrated by soil erosion, loss of wetlands, loss of water retention capacity and increased incidence of pests and diseases. Lesotho’s topography (elevated mountainous areas), geology (sedimentary and basaltic layers) and climate make it vulnerable to soil erosion, but several human activities fast-track the problem. The current levels of degradation present a serious challenge to rural residents, leading

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<sup>5</sup> WAMPP/IFAD 2020 Assessment of the impacts of the wool and mohair marketing regulation change on the sub-sector

<sup>6</sup> Mofo, Liako. (2021). Regional Wool Value Chain. *Trade and Industrial Policy Strategies (TRIPS)*

<sup>7</sup> The two dominant producers’ organisations are the Lesotho National Wool and Mohair Growers Association and the Skylight Wool and Mohair Association.

<sup>8</sup> WAMPP/IFAD 2020 Assessment of the impacts of the wool and mohair marketing regulation change on the sub-sector

to declining crop yields, crop failure, water points drying up and the need for considerable investments in the control of invasive species. The severe overstocking of rangelands decreases the recovering ability of the pastures, leading to a widespread denudation of soil surfaces, which multiplies the impacts of climate events such as drought and heavy rainfall on soil losses. A large-scale effort is needed to transform this 'broken' system.

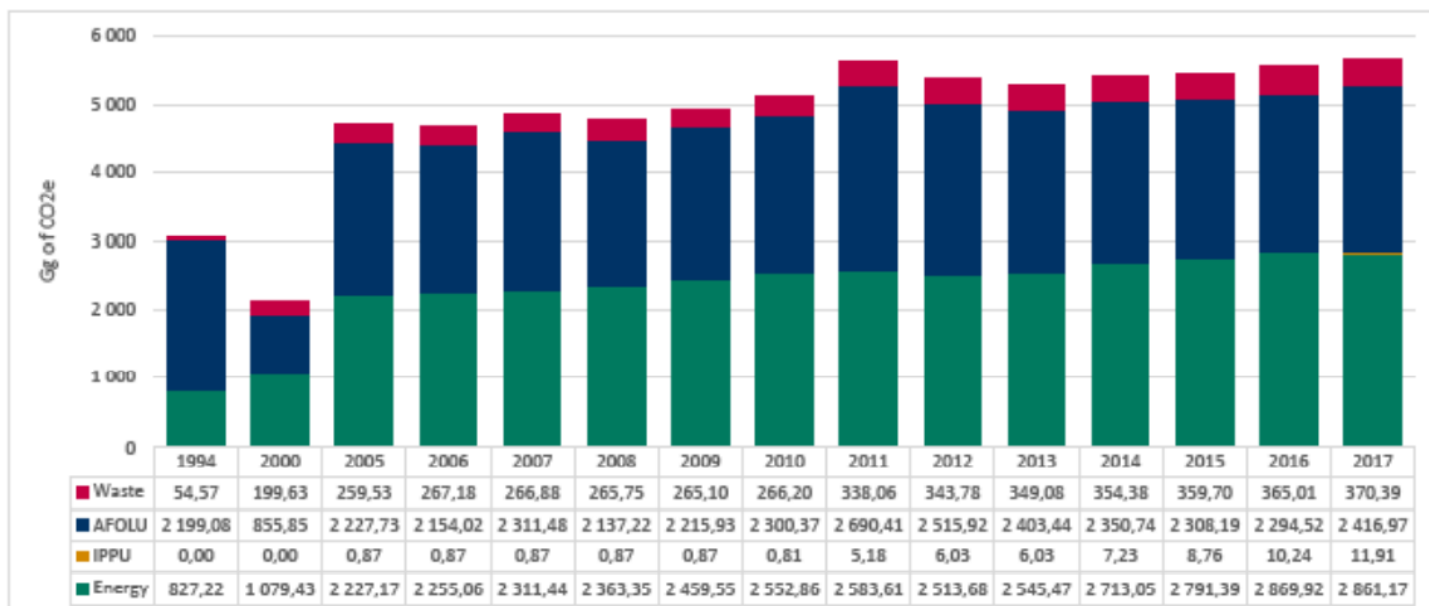


Figure 1. Lesotho’s GHG emissions trends from 1994 to 2017

The Figure 1. presents the trends in Lesotho’s GHG emissions from 1994 to 2017. The 1994 and 2000 emissions were based on the 1996 IPCC guidelines and were not recalculated due to unavailability of dataset used while compiling the inventory.<sup>9</sup>

The statistics shows that the country’s GHG emissions due to Agriculture, Forestry and Other Land Use (AFOLU) have increased by 83.7% from 2199.08 Gg CO<sub>2</sub>e in 1994 to 2416.97 Gg CO<sub>2</sub>e in 2017. The waste sector emissions have increased by 574.7% while the energy sector increased by 245.9%. While this growth is primarily due to the growth of the economy, it is also partly due to the improvement in the quality of the country’s GHG inventories, in terms of accuracy and completeness, overtime. This observed increase in GHG emissions highlights the need to take appropriate measures in the agriculture sector to curb any further degradation (GoL 2021)

The potential environmental impacts of the project include land degradation from agricultural activities, degradation of fragile ecosystems, air pollution from construction and fodder milling, water pollution from process water effluent discharges, agro-chemical pollution from the use of fertilizers and biocides, etc. All these also call for more environmentally friendly approaches in project execution.

The environmental challenges faced by Lesotho have an important counterpoint in a major environmental opportunity and potential enabler of a transformation towards sustainable use of landscapes: the abundance of freshwater. Lesotho’s precipitation characteristics, high altitude and

<sup>9</sup> The kingdom of Lesotho’s first biennial update report 2021

geographic proximity to major demand centers in southern Africa, makes water one of the country's most valuable renewable and sustainable natural assets. The value of Lesotho's water resources is derived from its strategic position in the Orange-Senqu River basin. The basin accounts for over 10 percent of GDP in Sub-Saharan Africa and is among the three most economically important basins per unit area on the African continent (after the Nile and the Limpopo River basins).

### ***Root causes of environmental challenges that need to be addressed***

#### **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<sup>10</sup>. 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 <sup>11</sup>

#### **Poor productivity.**

The severe erosion of topsoil leads to a loss of soil fertility and impacts the productivity of both arable and rangelands. 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. Wool yields have declined from an average of 5 kg of wool per sheep to 2.74 kg in 2010/11<sup>12</sup>. All production systems in Lesotho are projected to be at least somewhat adversely affected by climate change <sup>13</sup>). 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.

Severe land degradation, visible throughout the country, is Lesotho's biggest environmental problem. Information on the status of national natural resources is critical for evidence-based decision making in the protection of the natural resource base. <sup>14</sup>

#### **Soil erosion.**

It is estimated that the country loses 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).

#### **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

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<sup>10</sup> <https://www.gov.ls/wp-content/uploads/2021/06/National-Strategic-Development-Plan-II-2018-19-2022-23.pdf>  
<sup>11</sup>

<sup>12</sup> Lesotho NAP .PDF (unccd.int)

<sup>13</sup> [Lesotho Overview: Development news, research, data | World Bank](#)

<sup>14</sup> FAO enhancing land cover monitoring capacities in Lesotho using Earth Observations data



herder associations, is pertinent to improve livestock productivity. Various interventions are required 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 deshrubbing.

### **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 ( 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<sup>15</sup>.

Biodiversity is under threat in Lesotho due to intense droughts that affect the country. This, coupled with aridity and desertification, is deteriorating traditional rangelands and reducing agricultural (both crop and livestock) yields. The productivity of major crops and animals has declined significantly in recent years due to poor land and rangeland conditions. Severe land degradation, visible throughout the country, is Lesotho's biggest environmental problem. It is estimated that the country loses close to 40 M tonnes of soil every year. The loss is equivalent to more than 2 percent of the topsoil every year. 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. 54 percent of cropland are estimated to be exposed to sheet erosion (NSDP II). 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.

### **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.

### ***Climate***

Significant fluctuations in temperature and rainfall characterize the climate of Lesotho. Between October and April, it receives approximately 85 percent of its average annual precipitation (700mm). Precipitation is characterized by heavy torrential rain resulting in severe soil erosion. At the same time, with snowfall in the mountains. Temperatures are highly variable on diurnal, monthly, and annual time scales but generally lower than those of similar latitude inland regions due to the altitude. Average winter minimum temperatures range from -6.3°C in the lowlands to 5.1°C in the highlands. While monthly average mean winter minimum temperatures can reach -10.7°C, and daily winter minimum temperatures can drop as low as -21°C, with sub-zero daily minimum temperatures possible even in

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<sup>15</sup><https://www.undp.org/content/dam/lesotho/docs/Reports/NSDP%20II%202019-2023.pdf>

summer both in the lowlands and the highlands. In recent decades, increased temperatures, erratic rainfall, heavy rains, and mid-season dry spells have become more common

### ***Current impacts of climate change***

According to the National Resilience Framework, drought is the leading natural hazard contributor to Lesotho's high levels of vulnerability and food insecurity, followed by heavy rains and extreme weather variability. Agricultural productivity has been steadily declining due to recurrent and prolonged droughts, dry spells, floods, early frost, and associated increased pests and diseases, negatively impacting overall economic performance. Changes in climatic conditions have decreased livestock production in the past decades<sup>16</sup> already affected livestock production, and future climate change will continue to threaten and exacerbate the situation. Climate scenarios project high chances of water stress by 2060 and will add more stress to agriculture. The increasing temperatures have resulted in increased heat stress for livestock. Significant shifts in rainfall patterns observed in recent years have compromised the country's water resources. The size and number of freshwater sources are diminishing, soil erosion, soil moisture loss, and desertification.

Recurrent droughts have accelerated environmental degradation, loss of biodiversity, and related ecosystem services, reducing or losing natural resource-based livelihoods for the rural poor. Climate change accelerates the decline of biodiversity and ecosystem services. It reduces livelihoods and income generation opportunities for the rural poor who depend on indigenous plant species for income, fuel, wood, food, forage, and shelter, building materials. Further, it imposes an extra workload on women and girls, who have to walk long distances to fetch water and wood for cooking, heating, and other household chores. This reduces opportunities for women and girls to engage in productive activities such as childcare, income generation, and education and increases their vulnerability to gender-based violence. In addition, competition for scarce water resources causes social tensions and conflict between communities.

Lesotho is experiencing the negative effects of Climate Change (CC) such as increased frequency of extreme events like desertification, increased soil erosion, droughts, and reduced soil fertility. These negative trends are affecting livestock production/productivity and the livelihoods of wool and mohair producers. Climate-related hazards, such as droughts and floods, rainfall variability and increasing temperatures, have resulted in reduced lengths of seasons and increased longer intervals of heat stress. Desertification in Lesotho manifests itself in the form of loss of biological diversity, deterioration of rangelands and poor crop and animal productivity and other signs of land degradation. The resultant poor land and rangeland conditions led to significant decline in productivity in major crops and animals in the recent years.

**Projected Changes to Precipitation** Water resources are likely to be increasingly strained across Lesotho in the coming decades. Warmer temperatures are expected to accelerate the rate of evapotranspiration for the country. With more frequent and severe droughts, the region will likely experience negative impacts on water supply and agriculture. A potentially simultaneous increase in flooding events poses a serious water pollution threat, affecting the health of wetland ecosystems and agriculture and livestock communities. Rainfall in Lesotho is highly variable. Northern areas of the country are expected to experience below normal precipitation through mid-century, with slightly above normal rainfall through the end of the century. Southern areas of Lesotho are expected to have

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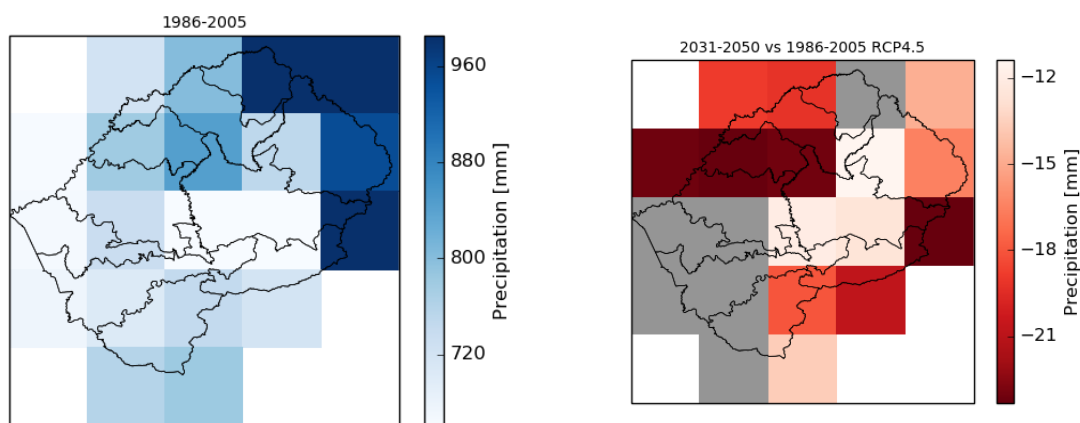
<sup>16</sup> Environmental Change in Lesotho: An Analysis of the Causes and Consequences of Land-Use Change in the Lowland Region (sahistory.org.za)

below normal rainfall through the end of the century of between 50 and 100 mm per annum in the Lowland, Foothill, and southern Senqu Valley zones. Significant changes in precipitation and temperature could have severe impacts on people’s livelihoods, particularly in the Lowlands, the Foothills, and the Senqu Valley, where increasing temperatures and decreasing precipitation might lead to a substantial decrease in crop harvests.

Figure 1 presents the change in projected annual average precipitation for Lesotho. Lesotho’s projected precipitation regime, aggregated across a national scale, will only slightly reduce against observed historical trends. However, changes in precipitation patterns for Lesotho are projected to experience an increase in extreme precipitation events, indicating potential for prolonged dry periods in between events. The country’s drought areas may be further exacerbated by these trends.

In 2021, 70.52 percent of Lesotho’s population resided in rural areas and of the rural population 85 percent depended on agricultural activities for their livelihoods<sup>17</sup>. Agriculture is mainly subsistence in nature (90 per cent) with commercial farming at only 10 per cent. Subsistence dry-land farmers are more vulnerable to climate change than commercial farmers. Droughts and water availability will continue to affect food production and security. Climate change projections are not all negative however. Certain crops (maize, sorghum and wheat) are set to be more productive in the northern part of Lesotho under mid-term climate projections. However, the increase in precipitation and temperature during September to May is expected to negatively impact growth of crops, such as beans and cucurbits (gourds).

Climate change is set to increase the incidence of fungal diseases. Rainfall decreases will negatively affect topsoil health and in the Southern areas of Lesotho, crop yields are set to be more adversely affected than in the Northern regions.



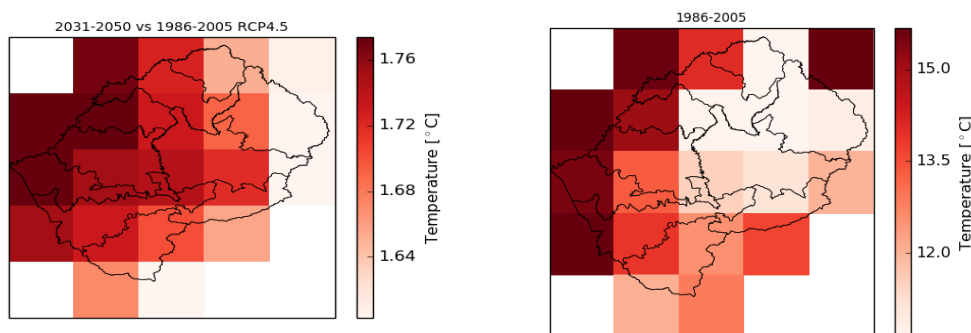
**Figure 1: Precipitation sum over the reference period 1986-2005. Projected change in precipitation for 2021-2050 compared to the reference period 1986-2005**

### Projected Changes in Temperature

Increased temperatures are expected for the region, mean monthly temperature changes are expected to increase by more than 2.0°C for the 2050s and by 4.4°C by end of the century. Temperature increases are expected throughout the country, although slightly lower degrees of temperature

<sup>17</sup> <https://helplesotho.org/wp-content/uploads/2015/03/9.-agriculture.pdf>

increases are expected to occur in the mountain zones. Increased incidence of heat waves and higher rates of evapotranspiration are expected, which will affect multiple aspects of local economic development and agricultural productivity. Increased heat and extreme heat conditions will negatively impact human and animal health, agriculture, and ecosystems.



**Figure 2: Temperature sum over the reference period 1986-2005. Projected change in precipitation for 2021-2050 compared to the reference period 1986-2005**

**Barriers to achieve sustainable production systems that increase economic and environmental benefits of the wool and mohair VC clustered in three groups:**

**Barrier 1.** *Limited coordination of the VC, lacking critical services and of lack responsible standards for sustainable production systems*

The Wool and Mohair sector in Lesotho consists of (i) the Lesotho National Wool and Mohair Growers Associations (LNWMGA) - representing the major share of producers, (ii) a recent split and emergence of a new association as well as (iii) an increasing number of non-associated farmers. The three groups are disjointed and uncoordinated and this has led to sub-optimal levels of coordination of small producers. Brokers and traders are better organized, but there is limited coordinated efforts for industry investments and up-grading of structures, systems or even addressing cross-boundary challenges. This has resulted in lack of critical services required by the wool and mohair farmer to enhance productivity.

Several critical assets, such as the shearing sheds, are weakly managed, leading to limited up-grading without dedicated projects. Although the Government, through the national Vet and the department of livestock services plays a critical role, and the department of marketing also assists in the crossborder marketing, in the main the wool and mohair farmers face untold challenges trying to sell their commodity.

An assessment of the regulatory system that supports the Wool and Mohair sector revealed a range of challenges which (i) include weak implementation and enforcement capacities for existing regulations and policies, (ii) lack of binding standards for responsible production, making it difficult for the farmers to be competitive in the global market, (iii) limited institutional, technical capacity to coordinate and promote cross-sectoral action to implement environmental initiatives and interventions, including limited capacity to design and implement appropriate interlinked policies and programs. Specific problems contributing to the negative state of affairs can be identified as inadequate enforcement of legislation, contradicting programs, poor grazing controls, ineffective institutional arrangements, fragmented legal instruments, and outdated range resources management policy and legislation.

**Barrier 2.** *Poor access to finance in wool and mohair VCs, for intensified production and poor digitisation of the VC constraining the certification of products to meet international market standards*

Access to finance for productive investments is insufficient and unequitable, with bank finances limited to larger rural enterprises. This limited access to finance constrains individual farmers, associations, and even the larger private sector actors in this VC from developing the value chain. This limits access to key production inputs and services constraining the sector's potential to advance the livelihoods of all producers. Also without the requisite financing the digitisation of the VC is limited and hence constraining the certification of products, despite increased requirements from the global off-takers.

Further the supply chains for feed, veterinary drugs, improved breed and artificial insemination are fragile and there is heavy dependence on South Africa for the procurement of all these critical inputs and services further constraining the poor farmers and inhibiting any meaningful development.

Financial incentives for sustainable land, rangelands, and pasture management are indeed an investment into the future and need to be regarded as such. A long-term investment strategy is needed for sustainable land and water management based on a benefit sharing mechanism and leveraging blended (public and private) finance.

**Barrier 3.** *Stakeholders have inadequate knowledge and weak technical capacities for responsible standard for wool and mohair production important for certification and to improve market value*

While there have been successful projects and programmes in Lesotho targeting environmental degradation and specifically land degradation, interventions have not always been accompanied by strong approaches to knowledge management and awareness raising on the successes of the interventions. This is exacerbated by weak capacities to monitor environmental changes effectively, or the effect these have on livelihoods and socio-economic conditions. This poor dissemination of important knowledge leaves the farmers un-equipped to face the ever evolving production landscape.

Despite achievements of past interventions in the wool and mohair industry, its current operation is challenged by among other factors, failure to meet the responsible production standards that are increasingly demanded by international markets. The wool and Mohair farmers have inadequate knowledge and weak technical capacities for responsible production standards for wool and mohair, which are important for certification and to improve market value. The level of knowledge of the farmers will need to be raised by practically developing animal health and welfare plan; land management, soil health and biodiversity plan and compliance plan at shearing-shed level to meet the requirements of the sustainable production standards. To support this process, a digital platform will be established to ensure operations visibility and traceability in the whole value chain, including carbon sequestration and biodiversity enhancement, as the farming communities work towards the certification of shed-linked programmes. This will lead to farmers getting paid the premium price, and to climate adaptation and mitigation being promoted to a high degree.

**Baseline scenario and any associated baseline project**

Although WaMCoP will be a national project, it will place a special focus on the highland areas which are characterized by high poverty incidence, infertile, easily erodible soils, and degraded landscapes. The Highlands are thus affected by severe environmental degradation is further demonstrated by loss of wetlands, loss of water retention capacity and increased incidence of pests and diseases. Lesotho's topography (rugged elevated mountainous areas), geology (sedimentary and basaltic layers) and climate make it vulnerable to soil erosion, but several human activities fast-track the problem. The current levels of degradation present a serious challenge to rural residents, leading to declining crop yields, crop failure, water points drying up and the need for considerable investments in the control of

invasive species. The severe overstocking of rangelands decreases the recovering ability of the pastures, leading to a widespread denudation of soil surfaces, which multiplies the impacts of climate events such as drought and heavy rainfall on soil losses. The droughts exert an enormous impact on farmers who depend on rain-fed agriculture and livestock production, resulting in chronic food insecurity,<sup>18</sup> whilst the flooding can be very damaging.

In general, the livestock productivity and the livelihoods of wool and mohair producers are being negatively affected by these climatic trends. The country is experiencing adverse climate change (CC) effects, such as increased frequency of desertification, increased soil erosion, droughts, and reduced soil fertility. Desertification in Lesotho manifests as loss of biological diversity, deterioration of rangelands, poor crop, and animal productivity, and other signs of land degradation. Climate-related hazards, such as droughts and floods, rainfall variability, and increasing temperatures have reduced seasons' lengths and longer intervals of heat stress.

The frequency and diversity of natural hazards that affects the country makes risk mitigation difficult. Recurring drought has led to disaster situations for Basotho communities and the wider economy.<sup>19</sup> While drought conditions are generally a common phenomenon of the climate in southern Africa, Lesotho has experienced increasingly frequent occurrences of drought in recent years.<sup>20</sup> Natural hazards and climate shocks affect all economic sectors in Lesotho, including agriculture and livestock, water, tourism, and health.

Impacts of extreme rainfall events on public and private infrastructure has resulted in costly repairs, road closures, limited or no access to electricity, and complete failures of sewage and storm water systems. River flooding affects many thousands of people and has led to the most deaths of natural hazards (1900-2020)<sup>21</sup>. Like precipitation, temperature extremes also have wide-reaching impacts, such as on agriculture. These changes are negatively affecting agricultural productivity and by the same token, food security. Natural hazards are exacerbated in many mountain areas in Lesotho and the country is particularly vulnerable as more than 70 percent of the population live in remote and ecologically fragile mountainous terrain<sup>22</sup>.

The general wool and mohair farmers are still practicing the traditional farming methods which emphasises on overstocking (high numbers of sheep and goats) resulting in overgrazing of rangelands, poor agricultural practices and biomass removal. This is producing poor quality wool and mohair and degrading the environment at the same time. However, the global market for wool and mohair is changing and shifting towards responsible production standards. Soon, non-certified fiber will be traded as second-class. The move to responsible production leads to intensified production with improved access to breeds and inputs (feed and fodder). Lesotho wool and mohair VC is taking steps towards responsible production but is constrained by limited coordination and lack of data to inform sector management, policy, and planning. Digitization of the VC is limited, hence constraining the certification of products, despite increased requirements from global off-takers.

## Alternative scenario

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<sup>18</sup> Building the role of social protection in disaster risk response and resilience in Lesotho, World Bank group, 2017 and The Fill the Nutrient Gap analysis, 2019

<sup>19</sup> Kamara, J., Agho, K. and Renzaho, A. (2019). Understanding disaster resilience in communities affected by recurrent drought in Lesotho and Swaziland – a qualitative study. PLOS ONE. DOI: <https://doi.org/10.1371/journal.pone.0212994>

<sup>20</sup> [https://climateknowledgeportal.worldbank.org/sites/default/files/2021-08/15930-WB\\_Lesotho%20Country%20Profile-WEB.pdf](https://climateknowledgeportal.worldbank.org/sites/default/files/2021-08/15930-WB_Lesotho%20Country%20Profile-WEB.pdf)

<sup>21</sup> EM-DAT: The Emergency Events Database – Universite catholique de Louvain (UCL) - CRED, D. Guha-Sapir, Brussels, Belgium. URL: [http://emdat.be/emdat\\_db/](http://emdat.be/emdat_db/)

<sup>22</sup> IFPRI (2013). Lesotho. In: Southern African agriculture and climate change – A comprehensive analysis. URL: <http://www.ifpri.org/publication/Lesotho>

The proposed GEF financed project aims to improve the resilience of landscapes and communities by improving farming practices in the degraded ecosystems and drought-prone areas within the Wool and Mohair VC. The proposed GEF-financed project aims to improve the resilience of landscapes and communities in degraded ecosystems and drought-prone areas of Lesotho by promoting inclusive and environmentally sustainable growth of the wool and mohair VC. The project will promote climate-smart agriculture practices and technologies, and responsible standards for livestock VC production systems.

As part of responsible production systems, the project will seek to advance low-emission production and biodiversity enhancement into the VC. Building on demand for 'net zero carbon products', the project will help determine appropriate emission reduction measures and accounting procedures and test these. Emissions reductions will help achieve the country's Nationally Determined Contribution of 10–35 percent reduction compared to BAU by 2030. In conjunction with the end-to-end, traceability and certification established through the project, becoming internationally recognized for low-emission production would help stimulate demand for wool and mohair from Lesotho. Going beyond a pure carbon focus, the project will simultaneously explore how biodiversity enhancement can be stimulated through the VC. This will address how better land use management can help protect fauna-rich wetlands and biodiversity in the soil. Coalitions will develop biodiversity management plans, which will guide in conserving, restoring, and enhancing the biodiversity value landscapes.

The project will also promote Farmland protection and rehabilitation techniques to reduce runoff and enhance rainwater infiltration. This will assist with biodiversity conservation and land degradation issues. The protection activities will include, among others: reducing pressure on the land by destocking (through culling and exchange), rotational grazing, construction of soil erosion control structures such as check dams, gabions, side drains, terraces, and contour bunds. This will be combined with land husbandry practices geared towards increasing the farms' vegetative cover to increase soil fertility.

The emission intensity of livestock will be significantly reduced through rangeland management, supplementary livestock feed, and herd size management. The project will conduct a carbon balance analysis (using EXACT, GLEAM-I) to detail mitigation efforts credibly. The tandem effect of more efficient livestock systems and landscape regeneration, adding in the mitigation potential of land-use change and the adaptation value of regeneration, holds significant potential to transition to a low-emission, climate-resilient development pathway.

The large-scale role out of the responsible standards, digitization of the fiber transactions along the VC using industry standards, which have animal welfare and land management criteria as central requirements, at a substantial scale among smallholder farmers requiring systems approach, is a notable innovation. The institutional up-grading of the VC and entrusting of assets to a private sector-driven entity will be crucial innovations in the organisation of the VCs. The approach to cottage industry, working from the end-market, and linking to high-end markets will be new for Lesotho. The project will also feature a mechanism to reduce carbon footprint, by matching contributions from supply chain partners.

## **B. PROJECT DESCRIPTION**

### **Project Description**

#### **Theory of change**

Currently Lesotho's wool and mohair VC is not expressing its full potential in terms of the social and economic benefits to the country's population. Consequently, unsustainable production practices risk reducing the economic and environmental viability of the VC in the future. The wool and Mohair sector is constrained by



1. Limited coordination of the VC, lacking critical services and of lack responsible standards for sustainable production systems
2. Poor access to finance in wool and mohair VCs, for intensified production and poor digitisation of the VC constraining the certification of products to meet international market standards
3. Stakeholders have inadequate knowledge and weak technical capacities for responsible standard for wool and mohair production important for certification and to improve market value.

WaMCoP-GEF aims to make the livelihoods of wool and mohair farmers more resilient to economic and environmental shocks. To reach this goal, the project will promote inclusive and environmentally sustainable growth of the wool and mohair value chain by improving biodiversity conservation, sustainable land management, and restoration of natural ecosystems in Lesotho.

WaMCoP will do so through three components. The first, component, will strengthen the inclusiveness and efficiency of the systems underpinning the wool and mohair value chain. This entails entrusting key assets to the Trust Company and a Trust Fund (previously established under the WAMPP<sup>23</sup> project) which will work as a joint venture between all value chain role players. It also entails strengthening the public sector policy and regulatory framework and the national breeding and disease surveillance mechanisms. Enhancing the value chain systems equally requires working upstream by promoting the national supply of key inputs and services (veterinary services, artificial insemination, fodder, etc.) and downstream by modernizing cottage industries and linking them to international markets. Component 1 will also establish a system for carbon accounting and set up incentives to reduce the size of animal stocks (through culling and exchange), enhance rangeland management, limit deforestation (through the promotion of improved cooking stoves). The carbon accounting system will align with carbon in setting, which should see greater sustainable practices within Lesotho's wool and mohair value chain. Once the carbon accounting approach is clarified, nature-based solutions, such as renewable energy and regenerative agriculture, will be implemented along the value chain.

The targeted project Outcomes depend on the following set of assumptions:

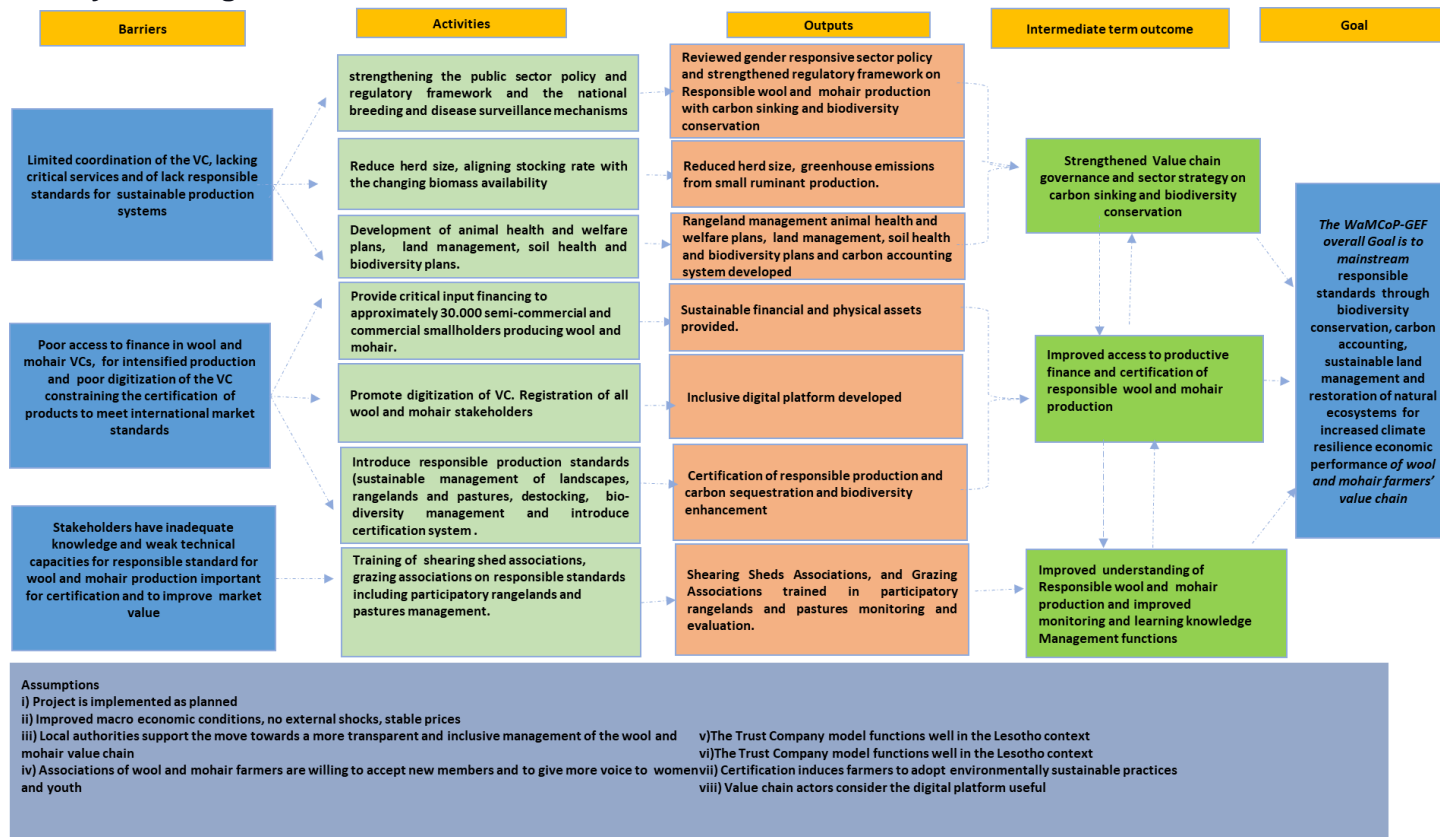
- (i) Project is implemented as planned
- (ii) Improved macro-economic conditions, no external shocks, stable prices
- (iii) Local authorities support the move towards a more transparent and inclusive management of the wool and mohair value chain
- (iv) Associations of wool and mohair farmers are willing to accept new members and to give more voice to women and youth
  - The Trust Company model functions well in the Lesotho context
- (v) The Trust Company model functions well in the Lesotho context
- (vi) Certification induces farmers to adopt environmentally sustainable practices
- (vii) Value chain actors consider the digital platform useful

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<sup>23</sup> The Wool and Mohair Promotion Project (WAMPP) was designed to boost resilience to the adverse effects of climate change and economic shocks among poor rural people across the country. The project had three components: i) Climate-smart rangeland management, ii) Improved production and management of livestock and iii) Improved handling and marketing strategies for wool and mohair fibres. It focuses on the rangelands that cover more than two thirds of the country's surface. Activities targeted smallholder farmers and other poor rural dwellers, giving special attention to poor rural women and young people in the project area. The proposed WaMCoP will build on the successes of the WAMPP project and target the same stakeholders for upscaling.



## Theory of change



*IF capacity building activities, responsible standards, access to finance and physical standards, and an improved policy sector and regulatory framework is in place*

*THEN*

*The economic & climate resilience of wool & mohair farmers will be strengthened*

*BECAUSE*

*The resulting strengthened value chain (through market access certification, responsible production practices and the implementation of ecosystem restoration activities & biodiversity and rangeland management plans) will increase productivity and profitability in the sector.*

## Project Components

### Component 1 Support to building value chain systems

This component will support the building of value chain systems and will ensure adoption of sustainable sector strategy and better value chain governance. It will be mainly implemented by the project coordination unit (PCU).

**Outcome 1.1: Strengthened value chain governance and sector strategy on responsible production of wool and mohair along with carbon sinking and biodiversity conservation:**

This sub-component consists of two interventions aiming at improving sector policy and regulatory framework and building the capacity of VC stakeholders on responsible production of wool and mohair along with carbon sinking and biodiversity conservation.

**Intervention 1.1.1 Support to improving sector policy and regulatory framework**

This sub-component consists of two interventions aiming at improving the sector's policy and regulatory framework and building the capacity of VC stakeholders to operate under the new private sector led sector governance system. Through technical assistance, the PCU will support MAFS to review and develop a sector policy and implementable regulations. This responds to the need to have greater policy coherence within the sector. The current sector policy does not account for key developments in the sector, such as gender dynamics and does not clearly spell out the responsible production approach, carbon accounting and biodiversity conservation. The policy review and development will be carried out in a participatory and inclusive manner. Key issues will be collectively explored by the VC and distilled into an overarching policy framework, including responsible production of wool and mohair, carbon sinking and biodiversity conservation, asset management and equity of access to goods and services.

**Output:** This will result in a new improved sector policy and a strengthened regulatory framework on responsible production of wool and mohair along with carbon sinking and biodiversity conservation.

**Outcome 1.2. Improved rangeland management and carbon accounting system through Responsible<sup>24</sup> wool and mohair production**

This sub-component promotes sustainable intensification of wool and mohair production through improvements in animal breeding, animal nutrition and animal health, and secondly supports the rehabilitation of rangelands. The activities for this sub-component include the following: Reduce herd size, aligning stocking rate with the changing biomass availability, will eventually improve farming productivity. The expected result is higher quality wool and mohair brought to market, improved income, improved resilience, and reduced greenhouse gas (GHG) emissions with less impact on the environment.

**Intervention 1.2.1 Reduced herd size and GHG emissions from small ruminant production.**

This intervention aims to sustainably intensify small ruminant production through improved breeding, nutrition and health management.

Breeding will involve three stream of activities;

1. the operationalization of the National Sheep and Goat Breeding Plan (NBP), which will include
  - 1.1. implementing a digitized database for genealogical registration of quality Merino and Angora breeding stock;
  - 1.2. completing the certification of farms specializing in sheep and goat breeding; and
  - 1.3. establishing and operationalizing artificial insemination at the existing studs in Mokhotlong and Quthing districts, including the procurement of quality semen and the promotion of artificial insemination service providers;
2. the establishment of a new breeding centre for the genetic selection of high-quality Angora goats and upgrading the two existing studs; and

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<sup>24</sup> Responsible refers to sustainable practices being adopted and standards being adhered to

3. the upgrading of the culling and exchange program with a revised strategy based on the experience of the WAMPP.

Animal nutrition. This will support capacity building and training opportunities via on-farm demonstrations on improved animal nutrition practices and acquisition of farm equipment to strengthen on-farm feed and forage production capacity.

Animal health. The main activity will be the implementation of a disease surveillance and emergency response plan, under the responsibility of Directorate of Livestock Services (DLS) and in collaboration with other public and private stakeholders. Among other things this will involve the provision of hands-on/on farm demonstrations aiming at improving animal health practices and management.

**Output:** The above intervention will result in improved yield per animal and a lower carbon footprint. Reduced herd size, aligning stocking rate with the changing biomass availability, will eventually improve farming productivity. The expected result is higher quality wool and mohair brought to market, improved income, improved resilience, and reduced GHG emissions with less impact on the environment.

### **Intervention 1.2.2 Rangeland management and carbon accounting system**

This intervention consists of setting up the system for rangeland management and carbon accounting certification. The communal farmer groups will be requested to develop 2 critical plans: (1) the animal health and welfare plan; and (2) the land management, soil health and biodiversity plan. In addition, (3) a compliance plan at shearing-shed level is needed. The development, implementation, and monitoring of these plans will be coordinated by the Trust Company led shearing shed management unit (SSMU), with participation of farmer associations, traditional leaders, government officials, and extension services. The project will also integrate the custodian of the responsible standards, the Textile Exchange, as a service provider, to assist in fleshing out the plans for the communal farmer groups.

For land management, the approach used by the IFAD-financed Regeneration of Landscapes and Livelihoods (ROLL) project will be customized. For that purpose, the WaMCoP Project Coordination Unit (PCU) WaMCoP will sign a MoU with the ROLL PCU which should see ROLL lead on rangeland related activities where there is geographic overlap. The Rangeland management activities will start in ROLL covered districts (Thaba - Tseka and Maseru rural) and progressively expand to others. As implementation proceeds, activities will progressively expand to other WaMCoP high-priority districts, where a service provider will continue with a harmonized and demonstrated approach obtained from the experiences in the four high priority districts.

For animal health and welfare, each SSMU will work directly with farmer associations to adopt the responsible production standards for wool and mohair; develop an animal health and welfare plan; implement the plan; and work to get certified for responsible production and for low emission production and biodiversity enhancing. This will help the sector to become internationally recognized for low-emission production, in conjunction with the end-to-end traceability and certification established through the project, will help further stimulate demand for wool and mohair from Lesotho.

Carbon accounting. Building on the demand for 'net zero carbon products', the project will help determine appropriate emission reduction measures and accounting procedures, and test these.<sup>25</sup> A study will guide the right approach for measuring product carbon footprints that are acceptable to supply chain partners. This will advance low-emission fiber production, coupled with the end-to-end traceability and certification established through the project, this will further stimulate demand for Lesotho's wool and mohair.

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<sup>25</sup> This approach will align with carbon in setting, which should see greater sustainable practices within Lesotho's wool and mohair value chain. Once the approach is clarified, nature-based solutions, such as renewable energy and regenerative agriculture, will be implemented along the value chain.

Promotion of efficient cooking stoves. This intervention will also promote the use of efficient cooking stoves in order to (1) benefit women in vulnerable households with time savings, prevention of respiratory diseases, and access to electricity; and (2) reduce deforestation, hence enhancing soil carbon sequestration. Through a built-in ventilator and a solar panel, the African Clean Energy (ACE) cooking stoves enable smokeless cooking using any type of solid biomass fuel (crop residue, animal waste, or small sticks). The solar-powered battery generates electricity, giving users who ordinarily don't have electricity the facility to charge their phones or plug in the LED lamp attachment.

When compared to the open fire cooking that is common in rural and peri-urban Lesotho, the ACE stove results in a reduction of wood consumption by 50-85%, saving 2.5 to 5 Co2 equivalent tonnes per year. ACE quantifies its carbon impact by making carbon claims on actual usage, rather than assumptions. Once users connect their smartphones to the stove, it communicates back to the ACE database with activity data from that unit. This data will be shared with WaMCoP PMU, allowing the project to quantify the impact of the cooking stoves in terms of climate change mitigation, and producing insights into the energy consumption habits of off-grid households, on whom little data is currently available.

**Output:** Farmers will have two critical plans: (1) the animal health and welfare plan; and (2) the land management, soil health and biodiversity plan. They will also have a compliance plan at shearing-shed level. The implementation, and monitoring of these plans will result in regenerated landscapes, adoption of responsible production standards, and healthy animals. Coupled with the development of a carbon accounting system, this will then translate to higher quality wool and mohair production, improved income, improved resilience, and reduced GHG emissions with less impact on the environment.

The use of the ACE stove will result in a reduction of wood consumption by 50-85 percent, saving 2.5 to 5 CO<sub>2</sub> equivalent tonnes per year. ACE quantifies its carbon impact by making carbon claims on actual usage, rather than assumptions. Once users connect their smartphones to the stove, it communicates back to the ACE database with activity data from that unit. This data will be shared with WaMCoP PMU, allowing the project to quantify the impact of the cooking stoves in terms of climate change mitigation, and producing insights into the energy consumption habits of off-grid households, on whom little data is currently available.

## **Component 2 Climate smart value chain operation and coordination**

**This component will be private sector led with implementation taken on by t** the Trust Fund-Trust Company consortium. Climate smart value chain operations and coordination will act as catalysts towards adoption of sustainable practices and jobs creation. This component will be expected to yield two main outcomes: (1) sustainably increase in quality and quantity of Smallholder production of wool and mohair (key performance indicator: 27.000 households reporting an increase in production); (2) Wool and mohair farmers have adopted environmentally sustainable rangeland-management practices (key performance indicator: 28.000 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices). These outcomes will be achieved through 2 sub-components: (2.1) Access to productive finance and (2.2) Responsible Value Chain production system.

### **Outcome 2.1 improved access to productive finance and other goods and services**

The aim of this component is to ensure farmers' access to financing services as well as inputs. The established Trust Fund –Trust Company (TF-TC) consortium will provide a wide range of services to farmers by managing entrusted physical and financial assets.

#### **Intervention 2.1.1 Managing and sustaining financial and physical assets**

The TF-TC consortium will manage entrusted financial and physical assets to efficiently provide required goods and services to value chain players. The Consortium will establish and create structures to manage the shearing sheds (i.e., shearing shed management units), the goat and sheep stud, the auction yards, slaughter slabs, etc., providing equitable access to all farmers and value chain players. Likewise, it will establish appropriate delivery mechanisms to provide critical input financing to approximately 30.000 semi-commercial and commercial smallholders producing wool and mohair.

The 30 000 farmers will be financed through a revolving fund which will be initialized and managed by a not-for-profit company structure with improved implementation arrangements focused on ensuring sustainable operations, including leveraging in-kind disbursement mechanisms, and securing off-take and repayment arrangements. The resources of the endowment fund will be invested to generate revenues. Every year, the board of trustees will approve a plan aiming at reinvesting those resources to promote sector development. Other revenue streams of the TF-TC consortium include fees from the management of the shearing shed and value chain visibility platform, and incomes from the operation of auction yards, slaughter slabs and artificial insemination infrastructure.

**Output:** This intervention will result in improved production, productivity, and quality output that will attract premium prices and generate higher incomes without adversely affecting the environment.

## **2.2 Outcome 2.. Responsible standards integrated in wool and mohair value chain production system leading to certification of shearing shed-linked farmer associations**

This component will support the responsible production system and get shearing shed-linked farmer associations certified. This will be done by establishing a digital platform which will operate for the whole value chain. The component will also coordinate the implementation of all activities required to meet the responsible production standards, as well as carbon sequestration and biodiversity enhancement, and organize the certification of shed-linked communities. This will lead to farmers getting paid the premium price, and to climate adaptation and mitigation being promoted to a high degree, thanks to interventions such as sustainable land management, rotational grazing, destocking, soil health improvements and biodiversity enhancement.

### **Intervention 2.2.1 Value chain inclusive digital platform**

**The PCU will establish a visibility platform<sup>26</sup> onto which all role players that deliver wool and mohair into the formal market, big and small, will be registered and become users. The PCU will establish it by signing an agreement with a selected platform service provider, which specifies the role of the TC as the host and manager of this digital platform. Each role player will monitor and record their internal operations and upload the data to the visibility platform.**

The roll-out of the value chain visibility platform will be national, across the wool and mohair sector in Lesotho. The implementation process will be preceded by a pilot implementation in one supply chain, over the first year. The pilot phase will include one broker, one shearing shed, all the farmers delivering into that shearing shed and one supplier for each of fodder & feed, genetically improved animals, and veterinary medicines to the farmers. Roll-out to the rest of the sector will be coordinated over the second and third years of the project. The digital platform is designed to sustain business through revenue streams such as service fees, data access fees, etc. Farmers will not be inserting data directly in the digital platform, but they will have access to all data that concerns their operations, and will receive training on how to visualize, analyse, and use the data to improve their businesses.

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<sup>26</sup> A visibility platform is a digital platform onto which every participant enters their information which then becomes available to the other users and can be used for the end-to-end traceability of their products.



**Outputs:** The digitization process will result in all players being registered and being able to monitor and record their internal operations. This will enhance traceability of their wool and mohair products and thus enhance the quality of production.

### **Intervention 2.2.2 Certification of production**

This intervention will entail the management of the certification system for responsible production, carbon sequestration and biodiversity enhancement.<sup>27</sup> The Trust Company will coordinate the shearing-shed management units (SSMUs) in managing the certification system for responsible production, carbon sequestration and biodiversity enhancement<sup>28</sup>. In collaboration with the PCU recruited service provider, each SSMU will liaise with shearing-shed-linked farmer associations, landscape coalition<sup>29</sup> and other players (extension services, brokers, digital platform owners) to implement a series of activities

The activities under this intervention will include: (1) adoption of the responsible production standards, by each shed level farmer association (SLFA) and landscape coalition (LC); (2) preparation and adoption of animal health and welfare plan by each SLFA; (3) preparation and adoption of land management (along with local regulations on destocking and rotational grazing), soil health and biodiversity plan by each LC; (4) preparation and adoption of the shearing shed compliance plan; (5) monitoring of the implementation of the land management, soil health and biodiversity plans; (6) monitoring of the implementation of the herd health and welfare plans; (7) monitoring of the implementation of shearing shed compliance plans; (8) recording compliance parameters (land and biodiversity, animal health and welfare, shed keeping) for each shearing-shed linked landscape coalition and farmer association; (9) organizing the third-party certification of compliance for responsible production and for low emission production and biodiversity enhancing; and (10) claim payment for environmental services.

Specifically, the TC will sign a service contract with an approved certification body (Control Union), which will send auditors to review documents and procedures against the requirements of the standard at shed level; upon successfully meeting all requirements, of the standard, scope certificate will be issued by the ACB to shearing shed linked communities.

The TC managed value chain visibility platform will serve as the data repository for the compliance of role players to the requirements for certification. It will link-up with the digital certification platform of the Textile Exchange organization who owns the standard and certification process. The visibility platform will link the products in the value chain to the compliant (or non-compliant) origin and its certification status, enabling the verification of product items against the Responsible Production certificates. The reports of the platform will provide the data required by the TC, the PCU and the GoL, to coordinate the activities related to certification, de-stocking, landscape regeneration, animal healthcare, shed management, and compliance parameters.

Basically the project will apply already existing internationally recognised certification standards and systems implemented by an approved certification body (Control Union). The Control Union standard will be applied at shed level. It is currently not being applied in Lesotho and will be introduced by the project.

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<sup>27</sup> The work will be closely coordinated with and building on work started by the big broking firms that pilot the responsible production standards in Lesotho. The TC-TF consortium as an industry level organization in Lesotho will oversee and improve the national roll-out and seek PCU support as needed.

<sup>28</sup> The work will be closely coordinated with and building on work started by the big brokering firms that pilot the responsible production standards in Lesotho. The TC-TF consortium as industry level organization in Lesotho will oversee and improve the national roll-out and seek PCU support as needed.

<sup>29</sup> 750 landscape coalitions are promoted and strengthened by ROLL, and this shows a clear link at shed-level between the two complementary projects.

**Outputs:** The certification process will require the farmers to practice very high standards of production thus resulting in healthy animals, well managed landscapes, rangelands and pastures, proper destocking and bio-diversity management. The TC managed value chain visibility platform will serve as a data repository for the compliance of role players to the requirements for certification. The reports of the platform will provide the data required by the TC, the PCU and the government of Lesotho (GoL), to coordinate the activities related to certification, de-stocking, landscape regeneration, animal healthcare, shed management, and compliance parameters.

### **Component 3 Outreach and knowledge management for promotion of sustainable wool and mohair production**

The component includes monitoring and evaluation and knowledge management. The component will include a sub-component on communication for behaviour change and monitoring for learning. The activities of this component will serve to facilitate the effective and efficient implementation of Components 1 and 2. Its activities will include gender and youth responsive monitoring and evaluation and the knowledge management functions and will result in shearing shed associations and grazing associations being trained in participatory rangelands and pastures monitoring and evaluation.

#### **Outcome 3.1 Improved understanding on the importance of responsible and sustainable wool and mohair production in Lesotho**

This sub-component will serve to facilitate the effective and efficient implementation of Components 1 and 2.

**Intervention 3.1.1** Shearing Sheds Associations, and Grazing Associations trained in participatory rangelands and pastures monitoring and evaluation. 50 percent female 50 percent men will be targeted

**Outputs:** This intervention will result in i) shearing shed associations, grazing associations etc. being trained in participatory rangelands and pastures monitoring and evaluation. 50 percent female 50 percent men will be targeted. ii) Knowledge sharing events conducted to enable the networking with stakeholders to facilitate further uptake responsible standards. iii) Project gender disaggregated M&E system enables tracking of project progress, performance and specifically capturing best practices to enable replication of responsible standards.

#### **Outcome 3.2: Improved monitoring and learning knowledge Management functions.**

Its activities will include the monitoring and evaluation and the knowledge management functions.

##### **Intervention 3.2.1 Sharing of Knowledge**

Knowledge sharing events conducted to enable the networking with stakeholders to facilitate further uptake of responsible standards.

**Outputs:** More and more stakeholders adopt the responsible production standards.

##### **Intervention 3.2.2 Improvement of M&E system to include gender disaggregation:**

Project gender disaggregated M&E system enables tracking of project progress, performance and specifically capturing best practices to enable replication of responsible standards

**Outputs: Project tracking enhanced due to availability of disaggregated data.**

The following are the stakeholder who contributed to the development of the proposal and will contribute towards its implementation.

STAKEHOLDER CATEGORY	STAKEHOLDER	ROLE IN PROJECT
<b>Government</b>	Ministry of Agriculture and Food Security ( <b>MAFS</b> )	The MAFS is an executing agency together with the Ministry of Tourism Environment and Culture (MTEC). MAFS will lead the baseline and the GEF project in close coordination with MTEC. MAFS will house a Project coordination unit that will focus on the coordination of efforts and effective project delivery on a daily basis.
	Ministry of Tourism, Environment and Culture ( <b>MTEC</b> )	The MTEC is a co-executing agency together with MRFSC that will lead on the GEF aspects and ensure the mainstreaming of sustainable management and the generation of global environmental benefits (GEBs)
	Ministry of Forestry, Range and Soil Conservation ( <b>MRSFC</b> )	The MFRSC will provide technical inputs and support efforts on rangeland rehabilitation. Moreover, through the ROLL, greater
	Ministry of Development Planning ( <b>MDP</b> )	The MDP will play a coordination role among line Ministries and development partners and will be included as part of the broader project steering committee.
	Ministry of Local Government and Chieftainship Affairs ( <b>MLGC</b> )	The MLGC will act as one the principal technical partners that will provide expertise in terms of sustainable land management and administration. MLGC will also play a project coordinating role together with MoW and MAFS for the local level implementation.
	Ministry of Communication Science and Technology ( <b>MCST</b> ) - <b>Appropriate Technology Section (ATS)</b>	<b>(MCST) - Appropriate Technology Section (ATS)</b> Provision of technical support on and supply of energy and time saving technologies
	Ministry of Water ( <b>MoW</b> )	The MoW will play a role in supporting the project activities as well as provision of advisory and technical knowledge on development on water and management of water resources
	Ministry of Gender, Youth, Sports & Recreation ( <b>MGYSR</b> )	Technical support on gender and youth related issues. May provide guidance and support on empowerment initiatives for women and youth in the project areas



	Lesotho National Development Corporation ( <b>LNDC</b> )	This parastatal, will support the project by providing advisory services to the design of the Trust Company and will equally serve as a shareholder in the entity.
<b>Community based organizations</b>	<b>Lesotho National Wool and Mohair Growers Association (LNWMGA)</b>	The LNWMGA will play a critical role in terms of supporting project implementation, as it will facilitate linkages to the shearing sheds and potentially, implement the culling and exchange programme.
	<b>Shearing Shed Associations</b>	The shearing sheds will be the operational entry point for the project and will be the primary interface between the project and farmers. The shearing shed associations will therefore help shape project activities and customize them to match the needs of the rural population.
	<b>Community-based Organizations (CBOs)</b>	The CBOs will assist with planning implementation, monitoring social and economic development activities and provide technical support to the project strategy to catalyse behavioural change.
<b>Private sector</b>	ACE	ACE will provide cooking stoves to households engaged under WaMCoP under a 50 percent subsidy.

### ***Gender Equality and Women’s Empowerment.***

In previous projects implemented in the country, there was a significant imbalance in gender representation since women accounted for approximately 20 percent of participants. Women, however, should be at the forefront and their participation in climate change action is gradually increasing. Thus, the target for this WaMCoP Project will be to have 50 percent of women beneficiaries.

Women in Lesotho make up most of the agricultural labor force and make substantive inputs to household food security through their active participation in agriculture, livestock production (Especially small ruminants), and other non-farm activities. These multiple responsibilities together with household management and childcare result in time poverty. However, their roles are generally undervalued and constrained by limitations on control over resources, services, and labor market opportunities. Women and girls aged 15+ spend 15.6 percent of their time on unpaid care and domestic work, compared to 6.2 percent spent by men (Country Factsheet, UN Women<sup>30</sup>).

There are multifaceted barriers to women’s participation which are deeply rooted in cultural ideologies, religion and social norms and socialization. Despite several attempts by the government to include women in decision making positions such as using affirmative action using quotas and the PR system, women are still not effectively participating in governance issues especially at national level. Moreover, women still experience several barriers that prohibit them to fully participate in governance processes and these barriers are deeply rooted in the country’s culture, tradition and social norms that negatively affect women. Men on the other hand have used the ecosystem to their advantage by continuously suppressing women in issues of leadership despite the gender frameworks in the country.

<sup>30</sup> <https://data.unwomen.org/country/lesotho>

In most cases, women walk long distances in search of arable land and to fetch water and firewood, thereby compounding the heavy workloads. In most rural areas, especially dry areas, women depend on wells, springs, streams, and rivers for water for domestic use.

In a bid to empower women, the government has made several attempts to include women in decision making positions such as affirmative action using quotas and the PR system. Also, the systematic inclusion of women and gender aspects in conservation efforts has the potential to create positive impacts on poverty alleviation, natural resource management and the empowerment of women.

The project will ensure the inclusion of women in the implementation of the project, from the project management board and the project management team to the consultants, through training and active participation in the consultation workshops. In this sense, project management and monitoring will be gender sensitive, including sex-disaggregated indicators showing who is involved and whose views are represented. In short, gender considerations will be cross-cutting in this project, in terms of both its products and its processes.

### ***Knowledge Management.***

Several key results expected by WaMCoP, such as the increased inclusiveness and improved management of the Wool and Mohair value chain, will require qualitative studies to support the quantitative evidence collected by the project's M&E system, and to provide guidance for policy engagement. In particular, the project will carry out qualitative studies and produce KM products on impact areas including changes in interactions among value chain actors, and changes in access to value chains and benefits from WaMCoP promoted innovations for the most vulnerable. Overall, the project will support evidence based decision making throughout the whole value chain.

The broader mainstreaming themes of WaMCoP and WaMCoP-GEF will be harmonized and this will ensure that awareness on key areas of concern, such as climate change, land degradation and biodiversity management will be prioritized. As noted above, the project will have a systematic approach to collecting data and generating key findings, this holds true for the mainstreaming themes flagged. Climate change considerations will be communicated through TV, radio campaigns and online media. WaMCoP-GEF and ROLL will both partner to develop knowledge management reflection sections and clinics, where key issues around rangeland management and biodiversity management will be teased out. This will be vital in ensuring the projects tease out key factors of success and challenges as it relates to rangeland and biodiversity management.

WaMCoPs visibility will be enhanced through a project website, as well as through social media accounts. Experience with WAMPP showed that information on project services sometimes arrived late to farmers that are not members of shearing shed associations, leading to discontentment from marketing group farmers who felt excluded. The WaMCoP M&E and KM unit will ensure that information on project services and eligibility criteria reaches all farmers in a timely manner.

### **Coordination and Cooperation with Ongoing Initiatives and Project.**

Does the GEF Agency expect to play an execution role on this project?

Yes       No

If so, please describe that role here. Also, please add a short explanation to describe cooperation with ongoing initiatives and projects, including potential for co-location and/or sharing of expertise/staffing (*max. 500 words, approximately 1 page*)

WaMCoP-GEF will be integrated into the WaMCoP project, which includes funding from IFAD, OFID and the GoL. The two WaMCoP and WaMCoP-GEF will be executed by the same PCU based in the Ministry of Agriculture and Food Security (MAFS). The executing agency for the intervention will be the Ministry of

Agriculture and Food Security (MAFS), where the project coordination unit (PCU) will be housed and lead on day-to-day coordination and effective project delivery. The Trust Company, a not for profit, wool and mohair sectoral body, will also support project implementation and work cooperatively with the PCU on key activities. Technical partners such as the Ministry of Forestry, Range and Soil Conservation (MFRSC) and the Ministry of Tourism, Environment and Culture (MTEC), will be called upon to provide technical level support and assist in project delivery. A Project Steering Committee (PSC) composed of MAFS, MTEC, MFRSC, the Ministry of Trade and Industry (MOTI) and the Ministry of Local Government and Chieftainship (MLGC) will provide strategic level oversight to the project and ensure project level coherence. In line with good practices, reporting, monitoring and accounting (expenditure records) will be kept separate for specific financiers, including the GEF.

Project delivery will be centered at the local level and in particular, around the shearing sheds, which serve as the main service point of key wool and mohair related activities. The project will therefore work closely with dominant producer organizations, farmers and herd boys engaged in the wool and mohair value chain. The pluralistic model of implementation, where the PCU leads on implementing component 1 and the Trust Company leads on component 2, is expected to yield a fluid approach to overall project implementation. The Trust Company will serve as the *de facto* exit strategy of this project and ensure that all critical activities undertaken by the project can be continued post the life-cycle of the seven year intervention. The PCU will however, closely monitor and evaluate progress across both components and ensure a monitoring and feedback loop is established. It is anticipated that the Trust Company will take a stronger role in project implementation from year 2 of the project and gradually build the capacity to take on more activities.

IFAD as the GEF Agency will supervise the overall implementation of the project. Details of the implementation arrangements and responsibilities, including for Lesotho partner institutions and the project steering committee will be agreed upon during project preparation, according to the partners' respective fields of expertise and comparative advantages.

### ***Coordination with other relevant GEF-financed projects and initiatives***

The WaMCoP project will collaborate closely with a number of ongoing GEF and LDCF initiatives in Lesotho, including:

- **Regeneration of livelihoods and landscapes.** This GEF funded intervention, supervised by IFAD aims to support rural communities to transform their landscapes and livelihoods by adopting sustainable land management practices. It is already envisioned that there will be linkages between the WaMCoP and the ROLL as the projects will overlap implementation in the high-priority districts outlined above (highlands). Moreover, it is anticipated that the ROLL PMU and WaMCoP -GIF PCU will sign a memorandum of understanding to anchor implementation related complementarities.
- **Integration of Natural Capital Accounting Into Lesotho's Policy and Decision Making for Sustainable Development.** The GEF funded intervention, implemented by the United Nations Environment Programme (UNEP), aims to mainstream natural capital through the application of natural capital accounting (NCA) in integrated watershed management. Component 2, which seeks to support the precise practical application for a distinct watershed management approach offers key lessons for the ambition under WaMCoP, to have a distinct natural capital account for the wool and mohair sector. It is expected that both projects will have synergies and collaborate on supporting natural capital in Lesotho.
- **Building climate-resilient livelihoods and food systems.** The GEF funded project implemented by FAO. The project aims to develop decision-support systems for policy-makers and practitioners to assist with formulating and evaluating policies and measures for climate-resilient food systems

transformations and also focuses on agricultural water management. The project's objective is to enhance the climate resilience of landscapes and communities for food security through sustainable water management. The project strategy is to leverage all key stakeholders and initiatives towards the goal of LDC graduation and building a sustainable, resilient, inclusive economy and food-secure society - as envisioned in the second National Strategic Development Plan (NSDP II) 2019-2023, where agricultural water management is the central pillar of climate resilience.

- **Strengthening Climate Services in Lesotho for Climate Resilient Development and Adaptation to Climate Change.** The GEF funded project implemented by UNEP. The aim of the project was to provide community-based early warning services, the installation of weather monitoring equipment and the training of staff in agro meteorology, forecasting and early warning methods and approaches. The project focuses on the reduction of the country's vulnerability and risk to climate change hazards, characterized by irregular and unpredictable rainfall associated with increased floods and landslides as well as seasonal and prolonged droughts, through the development of an Early Warning System (EWS) and enhancing the availability of climate information for long-term planning. The project will be demonstrated in six pilot sites to test the effectiveness of the EWS on now cast weather, flood forecasting and advisories capacity.

### Core Indicators

Project Core Indicators		Expected at PIF
1	<b>Terrestrial protected areas</b> created or under improved management for conservation and sustainable use (Hectares)	
2	<b>Marine protected areas</b> created or under improved management for conservation and sustainable use (Hectares)	
3	Area of <b>land restored</b> (Hectares)	150 000 ha
4	Area of <b>landscapes under improved practices</b> (excluding protected areas)(Hectares)	7000 ha
5	Area of <b>marine habitat under improved practices</b> (excluding protected areas) (Hectares)	
6	<b>Greenhouse Gas Emissions Mitigated</b> (metric tons of CO2e)	TBD
7	<b>Number of shared water ecosystems</b> (fresh or marine) under new or improved cooperative management	
8	Globally over-exploited <b>marine fisheries</b> moved to more sustainable levels (metric tons)	
9	<b>Reduction, disposal/destruction, phase out, elimination</b> and avoidance of <b>chemicals of global concern</b> and their waste in the environment and in processes, materials and products (metric tons of toxic chemicals reduced)	
10	Reduction, avoidance of emissions of <b>POPs to air</b> from point and non-point sources (grams of toxic equivalent gTEQ)	
11	Number of <b>direct beneficiaries disaggregated by gender</b> as co-benefit of GEF investment	45,000 - 50% ♂ and 50% ♀

Explain the methodological approach and underlying logic to justify target levels for Core and Sub-Indicators (*max. 250 words, approximately 1/2 page*)

The primary target group will be smallholder farmers willing to engage in the wool and mohair sector, specifically the resource-poor ones. The direct beneficiaries who will receive support from GEF

resources will be 225 000 beneficiaries representing 45 000 households. The proposed target is based on the costs of achieving the target per beneficiary, land area available in target locations and the total investment available. Women represent at least 50% of people directly involved in project activities. An appropriate social targeting strategy will be developed, and the targeting performance will be monitored continuously. All people-centered data will be disaggregated by gender, age, and persons with disabilities (PwDs). A detailed targeting strategy for women, youth, and PwDs will be developed at design. The Global Environment Benefits targets align with the government's Land Degradation Neutrality Targets, the costs of implementation, challenges, and the capacity that will be available to implement the activities.

**NGI (only): Justification of Financial Structure**<sup>31</sup>

Please describe the financial structure and include a graphic representation. This description will include the financial instrument requested from the GEF and terms and conditions of the financing passed onto the Beneficiaries.

**Risks to Project Preparation and Implementation**

Projected climate change will have significant impacts on agricultural livelihoods as they are linked to future projected water supply constraints as well as temperature rises. Subsistence dry-land farmers are more vulnerable to climate change than commercial farmers.

The projected decrease in precipitation for the country in July to August, which began in 2010 and will likely continue through the end of the century, will reduce soil moisture reserves and negatively impact the growth of crops, fodder and vegetation. Southern areas of Lesotho are expected to be more adversely affected regarding crop yields and productivity<sup>[1]</sup>. Increased heat will increase stress on crops and fodder and is also likely to alter the timing and length of the growing season. An increased likelihood of droughts and prolonged dry periods will continue to exacerbate soil erosion and land degradation. Likewise, rising temperatures could alter the presence of agricultural pests and increase risks of fires. Increased frequency and intensity of extreme events may also change or impact species composition and alter ‘regulating services’, such as soil water maintenance, base flows and filtration.

Risk Categories	Rating	Comments
Climate	Substantial	<p>The main climate change risks to reaching the WaMCoP objectives include rising temperatures and rainfall variability with more intense rainfall in some areas, shorter rainy seasons and potential droughts in some locations. Rainfall is expected to decrease by 50 and 100 mm per annum in the Lowland, Foothill, and southern Senqu Valley zones by the end of the century. Temperatures are expected to increase by more than 2.0°C for the 2050s and by 4.4°C by the end of the century. High temperatures may lead to decreased yields and quality of fodder and degradation of grazing rangelands, increased pests and diseases incidences, poor drainage in low-lying areas and soil erosion that results in reduced water holding capacity and soil fertility.</p> <p>The project strategically seeks to promote climate smart agriculture to help offset the environmental risks</p>

<sup>31</sup> *Note: Make this into a pop-up which appears only if “NGI” was selected in the “General project Information”*

Environment and Social	Moderate	<p>The environmental vulnerabilities for WaMCoP activities include erosion, which may increase due to cultivation on slopes and sheep rearing. This will lead to land degradation and possible siltation of water channels. The current soil fertility conditions entail increased use of agro-chemicals for the desired levels of fodder production, which will lead to diffuse sources of pollution in some locations. Discharge of poor-quality effluent from slaughter slabs and other wool and mohair value chain processing will result in point sources of pollution at these sites.</p> <p>The project strategically seeks to promote environmentally friendly approaches to help offset the environmental risks.</p>
Political and Governance	High	<p>Political risks: Changes in political circumstances and government priorities</p> <p>Broad stakeholder engagement and aligning the project to broader government development goals embedded in government institutions will support the management of changes in political circumstances</p>
Macro-economic	High	<p>Growth in Lesotho has been subdued for several years, even prior to the pandemic in 2020. The macroeconomic outlook for the country is contingent on the performance of South Africa and the United States. However, transfers from the Southern African Customs Union (SACU) which account for around half of the total tax take, will continue to reduce due to the economic contraction in the SACU region. This will require further economic adjustments in Lesotho and could very well see limited counterpart financing.</p> <p>Notwithstanding the importance of counterpart finance from the Government of Lesotho, the project is taking strides to mobilise counterpart finance from the private sector. This should insulate the project to some degree from the uncertainties embedded in the macroeconomic climate of the country.</p> <p>Experience has also shown that on-going projects have considerable leverage to advocate government to advance outstanding counterpart finance and this experience will feed into the legal agreement and equally into discussions with government.</p>
Strategies and Policies	Moderate	<p>The policy environment surrounding WaMCoP is favourable, as the comprehensive national agricultural policy, the national strategic development plan, and the livestock development policy all underscore key tenants of the project. However, the wool and mohair sector is still not underpinned by a clear and predictable sectoral strategy and this does pose some degree of risk, as ad-hoc policy decisions (i.e., marketing regulations of 2018) have often been undertaken in the vacuum of clear policy orientation.</p> <p>Under component 1 of the project, there will be concerted effort in supporting a sectoral strategy that will underpin key interventions in the sector. The sectoral strategy will be evidence-based and will look to create greater strategic and policy coherence in the wool and mohair sub-sector. Moreover, it is envisioned that the Trust Company will also be a</p>

		player that drives policy development and can engage with the government on substantive issues.
Technical design of project or program	Low	The project technical design has benefitted from consultations with government agencies and has received political will. The engagement with other stakeholders will continue at PPG and during implementation.
Institutional capacity for implementation and sustainability	Moderate	Lack of technical and institutional capacities for the promotion of responsible production and improved management of rangelands and ecosystems.  Capacity building is part of this project design, and therefore, capacity needs will be identified to ensure that the required policy and institutional capacities are in place. Logistical and financial support will be offered to government staff involved in the project. WaMCoP will promote regular feedback sessions. The involvement of the private sector will be instrumental in offering quick returns to mitigate this risk
Fiduciary: Financial Management and Procurement	High	The financial institutions have not really grasped how to finance agricultural activities, and the financial products have not been tuned to meet small producer needs. Financial Inclusion remains a major cause of concern. The Lesotho experience cannot be classified as positive.  Put in place grants and promote business relationships among all stakeholders in the program area.
Stakeholder Engagement	Moderate	This is a demand driven program, and the small producers/farmers have put this program and climate change high in their agenda. Regular follow-up, keeping the momentum, and sharing of information, visit exchanges, etc.
Other	n/a	
Financial Risks for NGI projects	n/a	
Overall Risk Rating	Substantial	The risks associated with WaMCoP may be classified under the substantial bracket because of the vulnerability of the livestock sub-sector and the target areas selected. Food security and sufficiency has always been a major issue in the country and amplified with the negative effects of climate change.

**Safeguards Rating (PIF level):**

The Project's potential negative environmental and social effects are limited and site-specific, and therefore the preliminary environmental and social categorization is **Moderate**

**C. ALIGNMENT WITH GEF-8 PROGRAMMING STRATEGIES AND COUNTRY/REGIONAL PRIORITIES**

The project design is consistent with the following objectives of the GEF8 biodiversity, climate change and Land degradation focal areas as reflected in the GEF8 document. This project is aligned with:

Biodiversity Objective 1. To improve conservation, sustainable use, and restoration of natural ecosystems

Climate change Pillar I: Promote innovation, technology development and transfer, and enabling policies for mitigation options with systemic impact

#### 1.4. Promote Nature-based Solutions with high mitigation potential

- LD-1-1: Agriculture and Rangeland Systems: Maintain or improve flow of agroecosystem services to sustain food production and livelihoods through SLM
- LD-1-4: Integrated Landscapes: Reduce pressures on natural resources from competing land uses and increase resilience in the wider landscape
- LD-2-5: Create enabling environments to support scaling up and mainstreaming of SLM and LDN

Besides the GEF Land Degradation Focal Area Objectives, the project is aligned and conceived to contribute to the following UNCCD 2018 – 2030 Strategic Framework:

- Strategic Objective 1: To improve the condition of affected ecosystems, combat desertification/land degradation, promote sustainable land management and contribute to land degradation neutrality;
- Strategic Objective 2: To improve the living conditions of affected populations;
- Strategic Objective 3: To mitigate, adapt to, and manage the effects of drought in order to enhance resilience of vulnerable populations and ecosystems; and
- Strategic Objective 4: To generate global environmental benefits through effective implementation of the UNCCD

#### Global Environmental Benefits

WaMCoP-GEF will support, (i) responsible wool and mohair production (ii) the reduction of environmental degradation, (iii) climate resilience; and (iv) biodiversity conservation, and improved economic permanence of the wool and hair VC. The project will support carbon emission reduction and enhance carbon sequestration potential through the preservation of pastures and prevention of further degradation and at the same time increasing productivity. WaMCoP will contribute to enhancing resilience of the targeted households through climate-sensitive investments at community level, and to rehabilitate and sustainably manage rangelands. The investment will result in setting up the system for rangeland management and carbon accounting certification.

The rangeland management related activities will include:

- i) forming landscape coalitions, (LC) inclusive of farmer associations, as well as traditional and formal authorities;
- ii) each LC adopts the responsible production standards for wool and mohair;
- iii) each LC jointly develops land management, soil health and biodiversity plans, along with by-laws, i.e., local regulations on destocking and rotational grazing;
- iv) and each LC access project deployed financing incentives, including funding from the Regeneration Opportunities Fund to co-finance the implementation the plan and enforce the local regulation; and
- v) SSMU supports each linked LC to get certified compliant for responsible production and for low emission production and biodiversity enhancing.



WaMCoP-GEF will take a landscape management approach, informed by lessons learned on the interlinked challenges of poverty, ecosystem services, climate change, biodiversity conservation, institutional performance, governance, and community-based engagement and management.

WaMCoP-GEF will be fully blended with GoL, IFAD, private sector and OFID resources to fund locally driven planning and replicable, innovative investment action, and the following global environmental benefits in line with GEF 8 core indicators:<sup>32</sup>

- Area of land restored: 150,000 ha in four districts contributing 23% to 650 000ha LDN national target. This encompasses (rangelands, shrub lands and grasslands) and forested land (with climate resilient practices). The restoration activities will include –sustainable land management, rotational grazing, destocking, soil health improvements, biodiversity enhancement debushing.
- Area of landscape under improved management practices: 7000 ha (2 500 ha of restored forest and shrub land, 3,500 ha of restored agricultural land) in four districts of Lesotho. Greenhouse gas emissions mitigated: The estimations of emissions will be calculated using the Global Livestock Environmental Assessment Model (GLEAM-i) on grasslands, shrub lands, cropland and rangelands
- 45 000 households and 225 000 beneficiaries (50% ♂ and 50% ♀) direct beneficiaries

#### Additional Global Environmental Benefits

- Enhanced sustainable livelihoods for local communities and ecosystem-dependent people;
- Climate Change Mitigation through potential carbon in setting across the wool and mohair value chain
- Carbon accounting will support an improved understanding and awareness of opportunities for improved biodiversity management;
- Mitigation and monitoring of GHG emissions from land degradation and land use change in the two protected area landscapes;
- Forest conservation and management with sustained carbon sequestration and the concomitant avoidance of greenhouse gas emissions;
- Conservation and enhanced carbon stocks in agriculture, forestry, and other land use

*Further the project is consistent with relevant conventions:*

**UNCCD NAP:** The main objective of the Lesotho NAP is to structure and guide the implementation of the UNCCD and define the elements of strengthening environmental capacities, enhance public awareness and mobilize active participation in order to better manage the natural resources, and combat Desertification, Land Degradation and Drought (DLDD). The objective also contains elements of strengthening the policy, legal and institutional foundations for environmental management. The program endeavors to ensure collaboration and coordination among government institutions, NGOs, the donor community and the public in order to minimize duplication and fragmentation of efforts and maximize impact. Of considerable importance is the need for accountability and transparency of institutions, organizations and agencies that are involved with the implementation of the NAP.

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<sup>32</sup> At this early stage of project proposal development, GEB indicators can be only approximate. Project preparation activities are particularly geared toward substantiating these indicators in close collaboration with the envisaged stakeholders. They will therefore evolve alongside the proposal in the project preparation phase.

**LDN:** Lesotho joined the Land Degradation Neutrality (LDN) Target Setting Programme (TSP) and committed to achieving LDN by 2030, recognizing the importance of land as a vital resource for human health and wellbeing. Specific targets until 2030 as outlined in its LDN report (2019) include:

- Improve productivity and soil organic carbon stocks to 1 percent in all land classes by 2030 as compared to 2015;
- Rehabilitate 600,000 hectares of degraded land to functionality by 2030;
- Convert 135,600 ha of bush land back to rangeland by 2030 as compared to 2015;
- Halt the conversion of forests and wetlands to other land cover classes by 2022;
- Increase forest cover by 61,325 ha by 2030 as compared to 2015;
- Reduce the rate of soil erosion and sealing (conversion to artificial land cover) by 20 percent by 2030 as compared to 2015.

**National Communication:** Lesotho's first national communication (NC1) was submitted in 2000 and reiterated that despite both short- and long-term training that had taken place in climate-related fields, the country required additional financial resources and greater coordination skills to build institutional capacity and take the subject of climate change to a broader audience, including rural communities.

The second national communication (NC2) was submitted in 2023 and followed up on the NC1 in analyzing critical climate impacts and providing updates on what policies and measures the country has taken and envisaged to implement the Convention.

The third national communication (NC3) was submitted in 2023 and followed up on the NC1 in analyzing critical climate impacts and providing updates on what policies and measures the country has taken and envisaged to implement the Convention. It outlines how Lesotho has since made notable advances in transforming its national circumstances, and particularly its climate change policies and institutional arrangements, which included the establishment of the National Climate Change Committee (NCCC). Lesotho Meteorological Services (LMS) was restructured to accommodate the secretariat of the National Climate Change Committee as it pursues and implements the National Climate Change Policy (NCCP) and the Nationally Determined Contributions (NDC). These policies and institutional arrangements have helped to respond to climate change challenges in a more systemic manner.

**NDC.** Lesotho's NDC of 2017 highlights several adaptation needs to which the proposed WaMCoP project will contribute, among these chiefly a) the need to improve data and information gathering, analysis and monitoring capacities so as to mainstream CC approaches into natural resource management across sectors, and b) the creation of a systemic enabling working environment. With regard to specific adaptation actions, the NDC refers to the earlier established NAPA.

In terms of livestock/agriculture, the NDC for Lesotho includes:

- Potential waste mitigation measures include: Introducing targets for waste reduction (e.g. % of waste sent to landfill), and recycling; Reducing traditional use of firewood in households with sufficient livestock, by installing biogas digesters to generate cooking gas.
- Many actions/plans/targets for adoption outlined in the NDC have co-benefits on strengthening food security, poverty reduction, and resilience, which include: Sorghum breeding for high yield and drought tolerance; Smallholder Agriculture Development Project; Cropping Systems (2011 - 2017); Lesotho Block Farming Initiatives; High efficiency irrigation systems: Gravity & Drip; etc.
- The NDC contains adaptation measures to promote agriculture production in an environmentally sustainable manner, including: 1. Capacity building in sustainable forest management; 2. 120,000 ha reforestation from 2015 to 2030; 3. Land rehabilitation program; 4. Reducing vulnerability from climate change in the foothills, lowlands and the Lower Senqu River Basin; 4. Wetlands restoration and rehabilitation project; 5. Developing capacity for climate change adaptation capacity in the agricultural

sector; Eco-system based climate change adaptation in southern Lesotho; Strengthening Capacity for climate change adaptation through support to integrated watershed management programme in Lesotho; etc.

- The NDC seeks more inclusive and efficient agricultural and food systems through adaptation actions, including: Conservation advocacy, extension/training, research integration into formal curricula; Climate change adaptation of small-scale agricultural production; Lesotho wool & mohair improvement project (2015-2022); Develop mechanisms to improve access to climate change adaptation technologies (2015-2020); Improvement of Capabilities to Cope with Natural Disasters caused by Climate Change; etc.<sup>33</sup>
- The WaMCoP project will address issues around reduction of use of firewood by introducing stoves, climate smart agriculture, climate change adaptation capacity, environmentally sustainable production, rehabilitation and restoration of degraded lands, and conservation of natural resources.
- The NDC is currently being revised. It is being enhanced by adopting a whole-of-government and a whole-of-society approach, engaging with religious leaders, communities, youth, women and key vulnerable groups.

**NAPA.** The Lesotho NAPA identifies 11 priority adaptation options including the ones on livestock and agriculture. The key objectives of the Lesotho NAPA were set as:

- Identification of regions and communities vulnerable to climate change
- Assessment of impact of climate change on community livelihoods
- Identification and prioritization of responsive adaptation activities for implementation in the vulnerable zones

The NAPA Adaptation Options for Lesotho include:

<sup>34</sup>Option 1: Improve Resilience of Livestock Production Systems Under Extreme Climatic Conditions in Various Livelihood Zones in Lesotho

Option 2: Promoting Sustainable Crop Based Livelihood Systems in Foothills, Lowlands and Senqu River Valley.

Option 3: Capacity Building and Policy Reform to Integrate Climate Change in Sectoral Development Plans.

Option 4: Improvement of an Early Warning System against Climate Induced Disasters and Hazards.

Option 5: Securing Village Water Supply for Communities in the Southern Lowlands.

Option 6: Management and Reclamation of Degraded and Eroded Land in the Flood Prone Areas (Pilot Project for Western Lowlands).

Option 7: Conservation and Rehabilitation of Degraded Wetlands in the Mountain Areas of Lesotho.

Option 8: Improvement of Community Food Security through the Promotion of Food Processing and Preservation Technologies.

Option 9: Strengthening and stabilizing eco-tourism based rural livelihoods.

Option 10: Promote Wind, Solar and Biogas Energy Use as a Supplement to Hydropower Energy.

Option 11: Stabilizing Community Livelihoods which are Adversely Affected by Climate Change through Improvement of Small Scale Industries

Activities under this project, included under the NAPA, include capacity building of communities and promotion of catchment management, Improvement of the Resilience of Livestock Production Systems under Extreme Climatic Conditions, and Conservation and Rehabilitation of Degraded lands. The proposed project also contributes to Option 3 “Capacity Building and Policy Reform to Integrate Climate

<sup>33</sup> <https://www.fao.org/faolex/results/details/es/c/LEX-FAOC187334/>

<sup>34</sup> Lesotho’s National Adaptation Programme of Action (NAPA) on Climate Change Under the United Nations Framework Convention on Climate Change. Ministry Of Natural Resources Lesotho Meteorological Services

Change in Sectoral Development Plans” .The top two options (livestock and arable agriculture) emerged as high priority options for the country. This is also aligned to the national strategies for poverty reduction because agriculture (livestock and crops) are key economic activities in Lesotho’s rural areas.

**National Disaster Management Plan (NDMP):** The NDMP aims at: reducing its vulnerability to climate related disasters such as sustained and severe droughts; increasing its capability to prevent, alleviate, contain, or minimize the effects of climate-related disasters; enhancing readiness or preparedness to deal with climate related disasters; and ensuring the country's full recovery from the impacts of disasters. GEF assistance will therefore not only support the overall objectives of disaster management, due to severe erosion, but also strengthen and capacitate the process of planning for disaster mitigation.

**Poverty Reduction Strategy:** Lesotho’s Poverty Reduction Strategy advocates for building capacity in environmental education in order to break this link. In particular, the strategy calls for the augmentation of public awareness campaigns, the inclusion of environmental issues in school curricula, and the intensification of the awareness of the importance of integrating environmental impact assessments into the country's planning process. In this respect, interventions in climate change, which is a major component of environmental management, are bound to have a direct impact on poverty alleviation. The latter occupies the highest priority on Lesotho's development agenda.

**Vision 2020:** Lesotho’s Vision 2020 embodies the country's development aspirations up to the year 2020, advocates for the strengthening of institutions that are responsible for natural resources and environmental management, environmental advocacy and awareness campaigns as the main challenge for the implementation of global agreements for sustainable development. As part of the implementation strategy for Vision 2020 (and succeeding the Poverty Reduction Strategy Paper (PRSP) and the Interim National Development Framework (INDF)), Lesotho developed the National Strategic Development Plan (NSDP) of 2012/13 – 2016/17.

**2030 Agenda for Sustainable Development:** Lesotho is highly committed to the implementation of the 2030 Agenda for Sustainable Development. This commitment is operationalised through the National Strategic Development Plan II (NSDP II), 2018/19 – 2022/23. The NSDP II is also aligned with the African Union Agenda 2063 and the SADC Regional Indicative Strategic Development Plan. SDGs reflect the aspirations of Basotho: living in a country of stable democracy, a united and prosperous nation at peace with itself and its neighbours, with a healthy and educated human resource base. The 2030 Agenda embodies the country's development aspirations up to the year 2020, advocates for the strengthening of institutions that are responsible for natural resources and environmental management, environmental advocacy and awareness campaigns as the main challenge for the implementation of global agreements for sustainable development.

**UNDAF 2019-2023:** the UN Development Assistance Framework (UNDAF) was developed and finalized in 2018 with a validity of five years. The UNDAF 2019-2023 outlines the strategic direction and results expected from cooperation between the GoL and the UN Country Team (UNCT). This strategic planning instrument serves as a collective response of the UN System to support the national development initiatives of the GoL as per the NSDP II as well as the Sustainable Development Goals (SDGs), African Union Agenda 2063 and other strategies and international instruments. The project will align with and contribute to the UNDAF stipulated three strategic areas, specifically to (SO2) sustainable human capital development; and (SO3) Sustainable and Inclusive Economic Growth for Poverty Reduction.

The project responds directly to 4th and 5th strategic Goals of the NSDP II by improving national resilience to climate change through undertaking vulnerability assessments and strengthening capacity for disaster risk and sustainable land management.

The project is also in line with key policies in Lesotho, chiefly including: National Environment Policy (1998), National Climate Change Policy (2017); National Forestry Policy (1997); National Range Resources Management Policy (2015); Lesotho Water and Sanitation Policy (2007); National Decentralization Policy (2014); Soil and Water Conservation Policy (2014) or Food security policies and strategies.

Equally important to mention in the project context are the Orange-Senqu River Basin/ORASECOM Transboundary Diagnostic Analysis (TDA) (2013); the Lesotho IWRM Plan (2014) and the Regional Strategic Action Program (2014). It is expected that this project will generate valuable lessons, methodologies and approaches to strengthen these policies so as to promote resilience throughout sectoral and national planning and will therefore engage with its proponents.

#### D. POLICY REQUIREMENTS

##### **Gender Equality and Women's Empowerment\*\*\*:**

We confirm that gender dimensions relevant to the project have been addressed as per GEF Policy and are clearly articulated in the Project Description (Section B).

Yes     No (If –and only if– NO is selected, a pop-up field should open for the Agency to provide an explanation)

##### Stakeholder Engagement

We confirm that key stakeholders were consulted during PIF development as required per GEF policy, their relevant roles to project outcomes and plan to develop a Stakeholder Engagement Plan before CEO endorsement has been clearly articulated in the Project Description (Section B).

Yes     No (If –and only if– NO is selected, a pop-up field should open for the Agency to provide an explanation)

Were the following stakeholders consulted during project identification phase?

Indigenous Peoples and Local Communities?     Yes     No

Civil Society Organizations?     Yes     No

Private Sector?     Yes     No

(Please upload to the portal documents tab any stakeholder engagement plan or assessments that have been done during the PIF development phase.)

##### **Private Sector**

Will there be private sector engagement in the project?

Yes     No

And if so, has its role been described and justified in the section B project description?

Yes     No

- The project is deliberately tuned towards a private sector approach for implementation and delivery, reducing the size and mandate of the management unit to “coordinate” and steer the process. The private sector will have an active participation in many of the activities, cutting across both components. The Trust Fund-Trust Company consortium, will be a fully-fledged value chain sectoral entity that will lead the implementation of component 2 and equally underpin the sustainability of operations. Africa Clean Energy, a private sector entity, will also work with the project on providing cooking stoves, which WaMCoP will subsequently subsidize for resource poor communities. Moreover, as part of rolling out the responsible standards, the textile exchange, will work in Lesotho and potentially devise a scheme where significant brands i.e., Gucci, would be willing to invest in the development of the supply chain. Therefore, the project will actively work through mechanisms which should crowd-in greater private sector

participation during the life cycle of the project. At the initial stage, the private sector is participating up to US\$ 7.381 million, representing 10.2% of total project costs.

### **Environmental and Social Safeguards**

We confirm that we have provided indicative information regarding Environmental and Social risks associated with the proposed project or program and any measures to address such risks and impacts (this information should be presented in Annex D).

Yes  No (If –and only if– NO is selected, a pop-up field should open for the Agency to provide an explanation)

## **E. OTHER REQUIREMENTS**

### **Knowledge management**

We confirm that an approach to Knowledge Management and Learning has been clearly described in the Project Description (Section B)

Yes

## ANNEX A: FINANCING TABLES

### GEF Financing Table

Indicative Trust Fund Resources Requested by Agency (ies), Country (ies), Focal Area and the Programming of Funds

GEF Agency	Trust Fund	Country/Regional/Global	Focal Area	Programming of Funds	(in \$)			
					Grant/Non-Grant (For NGI Projects Only)	GEF Project Grant	Agency Fee	Total GEF Financing
IFAD	GEF TF	Lesotho	Biodiversity	BD STAR allocation		1,900,500	199,500	2,100,000
IFAD	GEF TF	Lesotho	Land Degradation	LD STAR allocation		3,529,500	370,500	3,900,000
IFAD	GEF TF	Lesotho	Climate Change	CC STAR allocation		1,810,000	190,000	2,000,000
Total GEF Resources						7,240,000	760,000	8,000,000

### Project Preparation Grant (PPG)

Is Project Preparation Grant requested?  Yes  No  
If yes<sup>35</sup>: fill in PPG table (incl. PPG fee)

GEF Agency	Trust Fund	Country/Regional/Global	Focal Area	Programming of Funds	(in \$)		
					PPG (a)	Agency Fee (b)	Total c = a + b
IFAD	GEF TF	Lesotho	BD	BD STAR allocation	60,450	5,743	66,193
IFAD	GEF TF	Lesotho	LD	LD STAR allocation	59,250	5,628	64,878
IFAD	GEF TF	Lesotho	CC	CC STAR allocation	30,300	2,879	33,179
Total PPG Amount					150,000	14,250	164,250

### Indicative Focal Area Elements

Programming Directions	Trust Fund	(In \$)	
		GEF Project Financing	Co-financing
Biodiversity FA: Objective 1. To improve conservation, sustainable use, and restoration of natural ecosystems	GEFTF	1,900,500	36,800,000

<sup>35</sup> Note: Make this into a "pop-up" which appears only if PPG was selected, and if amount requested is above limits, they have to justify it

Land Degradation FA: Objective 1. Avoid and reduce land degradation through sustainable land management (SLM)	GEFTF	3,529,500	22,000,000
Climate Change FA: Objective 1.4: Promote Nature-based Solutions with high mitigation potential	GEFTF	1,810,000	8,644,000
<b>Total Project Cost</b>		<b>7,240,000</b>	<b>67,444,000</b>

### Indicative Co-financing

Sources of Co-financing	Name of Co-financier	Type of Co-financing	Investment Mobilized	Amount (\$)
Recipient Government	Ministry of Agriculture and Food Security (MAFS)	In-kind	Recurrent expenditures	8,061,000
GEF Agency	International Fund for Agricultural Development	Loan <sup>36</sup>	Investment Mobilized	15,250,000
		BRAM	Investment Mobilized	5,000,000
Donor Agency	OPEC Fund for international development	Loan	Investment mobilized	20,000,000
Private sector		Loan	Investment Mobilized	7,381,000
Donor Agency	International finance	Loan	Investment Mobilized	11,752,000
Total co-financing				67,444,000

## ANNEX B: ENDORSEMENTS

<b>Name of GEF Agency Coordinator</b>	<b>GEF Agency Coordinator Contact Information</b>
Tom Anyonge	Tel. +39 06 54592519   Email: <a href="mailto:t.anyonge@ifad.org">t.anyonge@ifad.org</a>
<b>Name of Agency Project Coordinator</b>	<b>Agency Project Coordinator Contact Information</b>
Janie Rioux (Senior Climate Finance Specialist)	+39-3519509554   Email: <a href="mailto:j.rioux@ifad.org">j.rioux@ifad.org</a>
Paxina Chileshe-Toe (Regional Climate and Environment Specialist)	+ 254 793484367   Email: <a href="mailto:p.chileshe@ifad.org">p.chileshe@ifad.org</a>

<sup>36</sup> IFAD Loan for WaMCoP IFAD investment



**Record of Endorsement of GEF Operational Focal Point (s) on Behalf of the Government(s):**

Name of GEF OFP	Position	Ministry	Date (MM/dd/yyyy)
Stanley Damane	Director of Environment and GEF Operational Focal point	MINISTRY OF TOURISM, ENVIRONMENT AND CULTURE	
<i>&lt;&lt;additional fields to be added for regional projects or global projects with on the ground investments&gt;&gt;</i>			

**NGIs** do not require a Letter of Endorsement if beneficiaries are: i) exclusively private sector actors, or ii) public sector entities in more than one country. However, for NGI projects please confirm that the agency has informed the OFP of the project to be submitted for Council Approval  YES

**Compilation of Letters of Endorsement**

Please attach the Operational Focal Point endorsement letter(s) in this Annex. For SGP, use the SGP OFP endorsement letter format. For regional and global projects (as appropriate): please include a compilation of the signed LOEs in one PDF file in this annex.

**ANNEX C: PROJECT LOCATION**

Please provide geo-referenced information and map where the project interventions will take place

- The project target areas will include districts of Mokhotlong, Maseru Rural, Quthing and Thaba Tseka. The districts were selected because of high production of wool and mohair and high levels of poverty (>60% in Mokhotlong and Thaba Tseka and 50%-60% in Quthing).
- The specific areas within the districts will selected based on i) high climate vulnerability ii) high land degradation. iii) Biodiversity hot spots
- The specific geo-referenced for project sites will be provided at startup.

	District location	
District	Longitude	Latitude
Mokhotlong,	-29.287556	29.060539
Maseru	-29.3167	27.4833
Quthing	-30.2456484	27.42288468
Thaba Tseka	-29.52204	28.6084



## ANNEX D: ENVIRONMENTAL AND SOCIAL SAFEGUARDS SCREEN AND RATING

(PIF level) Attach agency safeguard screen form including rating of risk types and overall risk rating.

**Overall risk rating: Moderate**

The Project’s potential negative environmental and social effects are limited and site-specific, and therefore the preliminary environmental and social categorization is moderate. Given the environmental management thrust of the project, the expected environmental impacts are predominantly positive. Potential negative social impacts emanate from the temporarily or structurally reduced access to natural resources, particularly grazing land. The project is deploying participatory methods to ensure these effects are recognized and minimized and that alternatives are offered to those people affected.

### WaMCoP – GEF

#### Environmental and Social Safeguards Screening Checklist

Environmental and Social Safeguards Classification: Moderate

Environmental and Social Safeguards				
Biodiversity conservation	Yes/No	Likelihood	Consequence	Risk Rating
1.1 Could the project potentially involve or lead to conversion or degradation of biodiversity, habitats (including modified habitat, natural habitat and critical natural habitat) and/or ecosystems and ecosystem services?	Yes	Unlikely	Moderate  Project will significantly affect modified habitat, but will not impinge on natural habitat or critical natural habitat.	Moderate
1.2 Could the project involve or potentially lead to activities involving habitats that are legally protected, officially proposed for protection, or recognized as protected by traditional local communities and/or authoritative sources (e.g. National Park, Nature Conservancy, Indigenous Community Conserved Area, ICCA, etc.)?	No	Highly unlikely	Minor  Project is not close to any protected area.	Low
1.3 Could the project potentially involve or lead to an increase in the chance of human-wildlife encounters/conflict?	No	Highly unlikely	Minor  Humans and wildlife co-exist, but no chance of human-wildlife conflict	Low
1.4 Could the project potentially involve or lead to risks to endangered species (e.g. reduction, encroachment on habitat)?	No	Highly unlikely	Minor  Net loss in biodiversity with a status of Least Concern, Near Threatened or Vulnerable.	Low
1.5 Could the project potentially involve or lead to impacts/risks to migratory wildlife?	No	Highly unlikely	Negligible  No impact on migratory wildlife	Low

Environmental and Social Safeguards				
1.6 Could the project potentially involve or lead to introduction or utilization of any invasive alien species of flora and fauna, whether accidental or intentional?	No	Highly unlikely	Negligible No introduction or utilization of invasive alien species	Low
1.7 Could the project involve or lead to the handling or utilization of genetically modified organisms?	No	Highly unlikely	Negligible No introduction or utilization of genetically modified organisms	Low
1.8 Could the project involve or lead to procurement through primary suppliers of natural resource materials?	No	Possible	Negligible No procurement of natural resource materials through primary suppliers.	Low
Resource Efficiency and Pollution Prevention	Yes/No	Likelihood	Consequence	Risk Rating
2.1 Could the project involve or lead to the release of pollutants to the environment due to routine or non-routine circumstances with the potential for adverse local, regional, and/or transboundary impacts?	Yes	Likely	Minor Pollutants may possibly be released, either routinely or by accident, but treatment systems are proven and verified. Receiving environment has absorptive capacity.	Moderate
2.2 Could the project involve or lead to primary not environmentally sustainable production of living natural resources? (Note: this includes the cultivation or rearing of plants or animals, including annual and perennial crop farming, animal husbandry (including livestock), aquaculture, plantation forestry, etc)	Yes	Likely	Moderate Project is fully dependent on production of living natural resources. Project is sited in an existing agricultural area, with low environmental and/or social sensitivity.	Low
2.3 Could the project involve or lead to engagement in areas of forestry, including the harvesting of natural forests, plantation development, and/or reforestation?	No	Highly unlikely	Minor The project is not focussed on forestry, which is a well-regulated aspect.	Low
2.4 Could the project involve or lead to significant consumption of raw materials, energy, and/or water?	Yes	Almost certain	Minor The project will require consumption of raw materias, energy, and/or water, but this will be a small component of the project, and impacts can be appropriately managed.	Moderate
2.5 Could the project involve or lead to significant extraction, diversion or containment of surface or ground water (e.g. construction of dams, reservoirs, river basin developments, groundwater extraction)?	No		No Construction of Dams will be undertaken.	Low
2.6 Could the project involve inputs of fertilizers and other modifying agents?	Yes	Likely	Minor The project only requires minimal amounts of fertilizer	Moderate

Environmental and Social Safeguards				
2.7 Could the project involve or lead to procurement, supply and/or result in the use of pesticides on crops, livestock, aquaculture or forestry?	Yes	Possible	Moderate The project requires use of pesticides, but options are available to replace potentially polluting pesticides with alternatives.	Moderate
2.8 Could the project be located in an area which is being, or has been, polluted by an external source (e.g. a mine, smelter, industry)?	No	Highly unlikely	Minor The project is not located in an area of previous pollution.	Low
2.9 Could the project involve livestock – extensive and intensive systems and animal products (dairy, skins, meat, etc.)?	Yes	Almost certain	Minor The project involves livestock or fisheries, but not in extensive or intensive systems.	Moderate
<b>Cultural Heritage</b>	<b>Yes/No</b>	<b>Likelihood</b>	<b>Consequence</b>	<b>Risk Rating</b>
3.1 Could the project be located in areas that are considered to have archaeological (prehistoric), paleontological, historical, cultural, artistic, and religious values or contains features considered as critical cultural heritage?	No			Low
3.2 Could the project directly or indirectly affect indigenous peoples' rights, lands, natural resources, territories, livelihoods, knowledge, social fabric, traditions, governance systems, and culture or heritage (tangible and intangible)?	No			Low
3.3 Could the project involve or lead to significant excavations, demolitions, movement of earth, flooding or other environmental changes?	No			Low
3.4 Could the project involve or lead to adverse impacts to sites, structures, or objects with historical, cultural, artistic, traditional or religious values or intangible forms of culture (e.g. knowledge, innovations, practices)? (Note: projects intended to protect and conserve Cultural Heritage may also have inadvertent adverse impacts)	No			Low
3.5 Could the project involve or lead to alterations to landscapes and natural features with cultural significance?	No			Low
3.6 Could the project involve or lead to utilization of tangible and/or intangible forms (e.g. practices, traditional knowledge) of Cultural Heritage for commercial or other purposes?	No			Low
<b>indigenous peoples</b>	<b>Yes/No</b>	<b>Likelihood</b>	<b>Consequence</b>	<b>Risk Rating</b>
4.1 Could the project be sited in areas where indigenous peoples are present (including the project area of influence)?	No			Low
4.2 Could the project result in activities located on lands and territories claimed by indigenous peoples?	No			Low
4.3 Could the project result in impacts on the rights of indigenous peoples or to the lands, territories and resources claimed by them?	No			Low

Environmental and Social Safeguards				
4.4 Could the project result in the utilization and/or commercial development of natural resources on lands and territories claimed by indigenous peoples?	No			Low
4.5 Could the project lead to impacts on the Cultural Heritage of indigenous peoples, including through the commercialization or use of their traditional knowledge and practices?	No			Low
<b>Labour and Working Conditions</b>	<b>Yes/No</b>	<b>Likelihood</b>	<b>Consequence</b>	<b>Risk Rating</b>
5.1 Could the project operate in sectors or value chains that are characterized by working conditions that do not meet national labour laws or international commitments? (Note: this may include discriminatory practices, high gender inequality and the lack of equal opportunities, denial of freedom of association and collective bargaining, labour migrants)	No			Low
5.2 Could the project use or operate in a value chain where there have been reports of forced labour? (Note: Risks of forced labour may be increased for projects located in remote places or where the status of migrant workers is uncertain)	No			Low
5.3 Could the project involve children (a) below the nationally-defined minimum employment age (usually 15 years old) or (b) above the nationally defined minimum employment age but below the age of 18 in supported activities or in value chains?	No			Low
5.4 Could the project: (a) operate in a sector, area or value chain where producers and other agricultural workers are typically exposed to significant occupational and safety risks, and/or (b) promote or use technologies or practices that pose occupational safety and health (OSH) risks for farmers, other rural workers or rural populations in general? (Note: OSH risks in agriculture might include: dangerous machinery and tools; hazardous chemicals; toxic or allergenic agents; carcinogenic substances or agents; parasitic diseases; transmissible animal diseases; confined spaces; ergonomic hazards; extreme temperatures; and contact with dangerous and poisonous animals, reptiles and insects. Psychosocial hazards might include violence and harassment.)	Yes	Possible	Moderate  The project operates in a sector, area, or value chain where workers are occasionally exposed to significant OSH risks, and where regulation is known to be weak or non-existent.	Moderate
<b>Community Health, Safety and Security</b>	<b>Yes/No</b>	<b>Likelihood</b>	<b>Consequence</b>	<b>Risk Rating</b>
6.1 Could the project be at risk from water-borne or other vector-borne diseases (e.g. temporary breeding habitats), and/or communicable and noncommunicable diseases?	Yes	Possible	Moderate  The project is situated in an area where there is past evidence of negative impacts from water-borne or other vector borne diseases, or communicable/noncommunicable diseases, but where regulation or containment of these impacts has been shown to be effective.	Moderate

Environmental and Social Safeguards				
6.2 Could the project lead to unintended negative impacts on nutrition?	No			Low
6.3 Is there a possibility of harm or losses due to failure of structural elements of the project (e.g. collapse of buildings or infrastructure)?	No			Low
6.4 Could the project involve or lead to the construction or rehabilitation of dams?	No			Low
6.5 Could the project involve or lead to transport, storage, and use and/or disposal of hazardous or dangerous materials (e.g. explosives, fuel and other chemicals during construction and operation)?	Yes	Likely	Minor The project has only minor involvement with the transport, storage, and use and/or disposal of hazardous or dangerous materials, and regulation of hazardous materials is effective.	Moderate
6.6 Could the project lead to adverse impacts on ecosystems and ecosystem services relevant to communities' health (e.g. food, surface water purification, natural buffers from flooding)?	Yes	Likely	Minor The project will only have minor impacts on ecosystem services, and these can be mitigated through standard environmental management planning.	Moderate
6.7 Could the project lead to the potential for gender-based violence, including sexual harassment, exploitation and abuse, as a result of labour influx, land redistribution, or other actions that alter community dynamics?	No			Low
6.8 Could the project lead to increases in traffic or alteration in traffic flow?	No			Low
6.9 Could the project lead to an influx of project workers?	No			Low
6.10 Could the project involve or lead to the engagement of security personnel to protect facilities and property or to support project activities?	No			Low
<b>Physical and economic resettlement</b>	<b>Yes/No</b>	<b>Likelihood</b>	<b>Consequence</b>	<b>Risk Rating</b>
7.1 Could the project result in temporary or permanent and full or partial physical displacement (including people without legally recognizable claims to land)?	No			Low
7.2 Could the project result in economic displacement (e.g. loss of assets or access to resources due to land acquisition or access restrictions – even in the absence of physical relocation)?	No			Low
7.3 Could the project present a risk of forced evictions?	No			Low

Environmental and Social Safeguards				
7.4 Could the project result in impacts on or changes to land tenure arrangements and/or community-based property rights/customary rights to land, territories and/or resources?	Yes	Highly unlikely	Minor The project will result in minor impacts on or changes to land tenure arrangements and/or community-based property rights/customary rights. Legal recourse and other forms of arbitration/conflict resolution are available.	Low
<b>Financial intermediaries and direct investments</b>	<b>Yes/No</b>	<b>Likelihood</b>	<b>Consequence</b>	<b>Risk Rating</b>
8.1 Could the investment be granted to an institution that does not have an environmental and social policies and an associated environmental and social management system (ESMS) in place (transparent, publicly available)?	No			Low
8.2 Could the investment be granted to an institution with insufficient capacities (i.e. unqualified personnel e.g. ES Officer) to implement the ESMS?	No			Low
8.3 Could the investment be granted to an institution that does not have an Exclusion List?	No			Low
8.4 According to the institution's portfolio classification: Could the institution have potential high-risk projects in their portfolio?	No			Low
8.5 Is there evidence that the institution does not comply with the local legal framework?	No			Low
8.6 Does the institution provide a stable communication channel with stakeholders and local communities (e.g. a Grievance Redress Mechanism)?	Yes	likely	Communities and stakeholders can contact the institution and a process is in place for institutionalizing the communication channels (e.g., complaint-management system) and training staff accordingly.	Low
8.7 Does the organization provide auxiliary or capacity building support services?	Yes	Possible	Minor The institution offers basic training services to customers (directly or third-party service providers to improve business and livelihood opportunities.	Moderate



## ANNEX E: RIO MARKERS

Climate Change Mitigation	Climate Change Adaptation	Biodiversity	Desertification
Climate Change Mitigation 1	Climate Change Adaptation 1	Biodiversity 1	Desertification 1

## ANNEX F: TAXONOMY WORKSHEET

Level 1	Level 2	Level 3	Level 4
Influencing Models	Strengthen institutional capacity and decision-making Convene multi-stakeholder alliances Demonstrate innovative approaches Deploy innovative financial instruments		
Stakeholders	<b>Private Sector</b>	Capital providers Large Corporations ; SMES ; Individuals /Entrepreneurs;	
	Beneficiaries		
	Local Communities		
	Civil Society	Community based organizations, non-governmental organizations	
	Type of Engagement	Partnership Participation	
	Communications	Awareness Raising Education Behaviour Change	
Capacity, Knowledge and Research	Enabling Activities		
	Capacity Development		
	Knowledge Generation and Exchange		
	Learning	Theory of Change; Adaptive Management; Indicators to Measure Change	
	Innovation		
	Knowledge and Learning	Knowledge Management Innovation Capacity Development	
	Stakeholder Engagement Plan		

Gender Equality	Gender Mainstreaming	Beneficiaries; Women's Groups; Sex disaggregated indicators; Gender sensitive indicators	
	Gender Results Areas	Access and Control over natural resources Access to Benefits and Services Capacity Development Awareness Raising	
Focal Area/Theme	Biodiversity	Mainstreaming	Agriculture & Agrobiodiversity
	Forest	Forest and Landscape Restoration	Drylands
	Land Degradation	Sustainable Land Management;	Restoration and Rehabilitation of Degraded Lands; Ecosystem Approach; Integrated and Cross-sectoral Approach; Community-based NRM; Sustainable Livelihoods; Income Generating Activities; Sustainable Agriculture; Sustainable Pasture Management; Improved Soil and Water Management Techniques; Sustainable Fire Management
		Land Degradation Neutrality;	Land Productivity; Land Cover and Land cover change; Carbon stocks above or below ground;
		Food Security	
	Climate Change	Climate Change Adaptation	Climate Resilience
		Climate Change Mitigation	Agriculture, Forestry and other land use
Rio Markers	Climate adaptation 1 Climate mitigation 1		

## ANNEX G: NGI RELEVANT ANNEXES

<sup>37</sup>

1. Annex X (currently existing in NGI projects): Termsheet
2. Annex X (currently existing in NGI projects): Reflow table
3. Annex X (currently existing in NGI projects): Agency capacity to implement NGI

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<sup>37</sup> *Annex H: Only if NGI was selected on top*

## **LIST OF KEY REQUIREMENTS LEADING TO CEO ENDORSEMENT SUBMISSION**

### **During project design/by endorsement:** <sup>38</sup>

- **Stakeholders:** provide list of stakeholders, roles in the project and means of engagement; specifically address civil society organizations, vulnerable groups and Indigenous Peoples and Local Communities (IPLCs) (as applicable) and their roles in the project
- **Gender Equality and Women's Empowerment:** carry out gender analysis and prepare gender action plan; include relevant gender aspects in Theory of change and gender-sensitive indicators in results framework (i.e. including the process to collect sex-disaggregated data and information on gender); include gender equality considerations/gender-responsive measures and actions in relevant activities in project components.
- **Environmental and Social Safeguards (ESS) related documents:** depending on types of ESS risks to be prepared (such as Environmental and Social Impact Assessment, Environmental and Social Management Framework/Plan, Indigenous Peoples Plan and Grievance Mechanism) and made public in country/location in relevant language/s (provide publication date and locations)
- **Private sector involvement mechanisms** (for non NGI projects: anticipated roles and type of PS; this will already be central to the project document for NGI projects)
- **Knowledge Management Plan** - develop "Knowledge Management Approach" for the project and how it will contribute to the project's overall impact, including plans to learn from relevant previous and ongoing projects; proposed tools and methods for knowledge exchange and learning; knowledge outputs; strategic communication plan; and budget and timeline.
- **Results.** Inclusion of final Core Indicator targets, along with a comprehensive results framework with indicator name, units of measurement, and baseline and target data.
- **Monitoring and Evaluation.** Include a budget, along with an explanation of monitoring arrangements and deliverables.
- **Institutional arrangements** (incl. reporting arrangements and flow of funds) and cross-sector integration approaches, as relevant
- **Sustainability:** Post-project financing sustainability plan
- **Co-finance:** Confirm amount and type of co-financing and the definition of investment mobilized
- **To be complemented by new GEF8 policies and requirements.**

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<sup>38</sup> *Note: This **a list to remind agencies of key requirements** to address during project **preparation** and include in the endorsement request. No text is, therefore, to be entered here.*

