



Investir dans les populations rurales

## Conseil d'administration

Cent trente-neuvième session  
Rome, 12-13 septembre 2023

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### Rapport du Président

### Proposition de prêt

### Royaume du Lesotho

### Projet d'appui à la compétitivité de la filière de la laine et du mohair

Numéro du projet: 2000003942

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#### **POUR: APPROBATION**

**Mesures à prendre:** Le Conseil d'administration est invité à approuver la recommandation telle qu'elle figure au paragraphe 55.

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## Carte de la zone du projet



Les appellations figurant sur cette carte et sa représentation graphique ne constituent en aucun cas une prise de position du FIDA quant au tracé des frontières ou limites, ou aux autorités de tutelle des territoires considérés.

Source: FIDA | 14-07-2022

## Résumé du financement

<b>Institution initiatrice:</b>	FIDA
<b>Emprunteur:</b>	Royaume du Lesotho, représenté par le Ministère des finances et de la planification du développement
<b>Organisme d'exécution:</b>	Ministère de l'agriculture, de la sécurité alimentaire et de la nutrition
<b>Coût total du projet:</b>	72,644 millions d'USD
<b>Montant du premier prêt du FIDA (Système d'allocation fondé sur la performance):</b>	14,2 millions d'EUR
<b>Conditions du premier prêt du FIDA:</b>	Conditions mixtes
<b>Montant du deuxième prêt du FIDA (Mécanisme d'accès aux ressources empruntées):</b>	4,68 millions d'EUR
<b>Conditions du deuxième prêt du FIDA:</b>	Conditions ordinaires: Délai maximum de remboursement de 35 ans, y compris un différé d'amortissement maximum de 10 ans, sous réserve d'une échéance moyenne maximale de 20 ans
<b>Cofinanceurs:</b>	Fonds de l'Organisation des pays exportateurs de pétrole pour le développement international (Fonds de l'OPEP) Fonds pour l'environnement mondial (FEM)
<b>Montant du cofinancement:</b>	Fonds de l'OPEP: 20 millions d'USD FEM: 5,2 millions d'USD
<b>Conditions du cofinancement:</b>	Prêt du Fonds de l'OPEP Don du FEM
<b>Contribution de l'emprunteur:</b>	8,061 millions d'USD
<b>Contribution des bénéficiaires:</b>	7,381 millions d'USD
<b>Déficit de financement:</b>	11,802 millions d'USD
<b>Montant du financement climatique apporté par le FIDA:</b>	4,130 millions d'USD
<b>Institution coopérante:</b>	Supervision directe par le FIDA

## I. Contexte

### A. Contexte national et justification de l'intervention du FIDA

#### Contexte national

1. Le Royaume du Lesotho, dirigé par un gouvernement de coalition, a connu une décennie d'instabilité politique relative, les partis et coalitions se succédant à un rythme soutenu et entraînant parfois la chute de gouvernements. Cela n'est pas sans conséquence sur la dynamique de développement du pays. L'eau, les diamants et les textiles sont les principaux produits exportés par le Lesotho; parmi eux, seuls les textiles créent un nombre important d'emplois.
2. Le secteur agricole, source importante de moyens d'existence, occupe environ 71% de la population rurale basotho<sup>1</sup>. L'élevage représente la plus grande part du produit intérieur brut (PIB) agricole. La laine et le mohair sont les deux produits agricoles les plus importants et représentent environ 60% des exportations agricoles. Depuis le classement du Lesotho comme pays à revenu intermédiaire inférieur, en 2019, les conditions d'emprunt pour le financement du développement se durcissent. Cela représente un important défi de développement pour le pays, et fait du développement axé sur le secteur privé et du renforcement de la résilience des filières commerciales des priorités essentielles.
3. La laine et le mohair sont les fibres naturelles les plus utilisées dans le secteur de l'habillement et sur le marché de la mode haut de gamme. L'élevage de moutons à laine et de chèvres mohair contribue de manière significative aux moyens d'existence d'environ 45 000 familles rurales basotho. La laine et le mohair sont des produits biodégradables, renouvelables et écologiques, d'où leur positionnement de niche en tant que fibres « vertes ». Ces produits étant influencés par les dépenses de détail des consommateurs, leur viabilité est dépendante des préférences de consommation et des exigences du marché final<sup>2</sup>.
4. Le secteur de la laine et du mohair du pays est en butte à des difficultés majeures: coordination limitée de la filière et méfiance; défaut de données pour la gestion, les politiques et la planification; accès limité au financement; gestion peu performante des installations publiques essentielles (hangars de tonte, haras de moutons et de chèvres pour les races améliorées). Par ailleurs, la forte dépendance à l'égard de l'Afrique du Sud pour l'achat d'intrants et l'accès aux services pèse sur les agriculteurs indépendants, les associations et les principaux acteurs du secteur privé. La prédominance des rapports sur papier limite la certification des produits.
5. Les bonnes performances économiques du secteur sont en outre entravées par une scission récemment intervenue au sein de la principale organisation de producteurs<sup>3</sup>, par la modification plutôt circonstanciée des règles de commercialisation et par le fait que, en dehors du cadre des projets, la mise à niveau systématique est insuffisante.

<sup>1</sup> Incidences de la crise ukrainienne: le prix des aliments pour animaux devrait augmenter à court et moyen terme. Les agriculteurs doivent donc être formés à l'utilisation des ressources locales pour l'alimentation des animaux (par une gestion appropriée des pâturages), y compris à la valorisation des sous-produits agricoles et industriels (paille de céréales et de légumineuses, tiges de maïs, drêches de brasseries, etc.) Les prix des combustibles ont augmenté au Lesotho, entraînant une hausse du coût d'exploitation des projets.

<sup>2</sup> Mofo, Liako. *Trade & Industrial Policy Strategies – Regional Wool Value Chain*, 2021.

<sup>3</sup> Les deux principales organisations de producteurs sont la Lesotho National Wool and Mohair Growers Association et la Skylight Wool and Mohair Association.

### **Aspects particuliers relatifs aux thématiques transversales prioritaires du FIDA**

6. Conformément aux engagements en matière de transversalisation, le projet a été validé comme:
- incluant un financement climatique;
  - axé sur les jeunes;
  - incluant des activités relatives à la capacité d'adaptation.
7. **Changements climatiques.** Le Lesotho connaît un accroissement de la fréquence des événements climatiques extrêmes, tels que les inondations et les sécheresses, et souffre d'une érosion importante de la couche arable et d'une baisse de la fertilité des sols. Ces tendances ont des répercussions négatives sur la production et la productivité du secteur de l'élevage et sur les moyens d'existence des producteurs.
8. **Inclusion sociale.** L'indice de développement humain du Lesotho est faible (165<sup>e</sup> rang sur 189 pays)<sup>4</sup>. Malgré les progrès réalisés par le pays en matière de réduction de la pauvreté ces dernières années, des niveaux élevés de vulnérabilité économique persistent au sein de la population rurale. Le Lesotho a le deuxième taux de prévalence du VIH le plus élevé du monde (23%). Avec un taux de chômage de 32%, une portion importante de la population est privée de revenus stables et n'est pas en mesure de mobiliser des fonds de roulement, des actifs productifs ou des financements pour investir dans les moyens d'existence ruraux.

### **Justification de l'intervention du FIDA**

9. Le FIDA est aujourd'hui le partenaire de développement le plus important et le plus ancien des pouvoirs publics et du secteur de la laine et du mohair au Lesotho. Il est stratégique et recommandé de s'appuyer sur le Projet d'appui à la production de laine et de mohair et de continuer à travailler avec les quelque 45 000 producteurs de laine et de mohair pour consolider les résultats de ce projet et avoir un impact plus profond. Le projet se caractérise en outre par une approche favorable aux pauvres, sachant que la production de laine et de mohair est concentrée dans des districts où le taux de pauvreté est élevé.
10. Le secteur offre de réelles possibilités d'atténuer les risques climatiques et d'incorporer des aspects climatiques et environnementaux, tels que la gestion saine des animaux et des paysages qui est encouragée par des normes de production responsable de plus en plus demandées. Le FIDA peut tirer parti de ses connaissances et de son expérience d'envergure mondiale pour que le financement de l'action climatique soit pris en compte et pour préparer le sous-secteur à attirer potentiellement d'autres financements climatiques, notamment à titre de compensation interne des émissions, et des investissements connexes.
11. Après consultation des autorités publiques, il est clairement apparu qu'un moyen efficace de promouvoir une filière de la laine et du mohair plus inclusive et autosuffisante dans le pays était de constituer un consortium dirigé par les parties prenantes pour faciliter la gouvernance de la filière, sa réglementation et la prestation de services. Les connaissances générales du FIDA seront utiles pour aider les parties prenantes de la filière au Lesotho à mettre en place et à exploiter des systèmes de filières par l'intermédiaire d'un consortium associant le fonds de la laine et du mohair et la société de la laine et du mohair (consortium WMF-WME).

<sup>4</sup> Cela correspond à un indice de développement humain égal à 0,527, d'après le profil de pays 2020 du Lesotho.

## B. Enseignements à retenir

12. La conception du Projet d'appui à la compétitivité de la filière de la laine et du mohair s'inspire de divers enseignements tirés de précédentes interventions, à savoir:
- i) La pérennisation et le retrait du projet sont pris en compte dès le départ, d'où la création du consortium WMF-WME (ci-après le consortium).
  - ii) Une attention particulière est accordée à la création d'un écosystème numérique viable, durable et axé sur les entreprises.
  - iii) La gouvernance et la coordination de la filière, recensées comme principales limites dans le cadre du Projet d'appui à la production de laine et de mohair, sont prises en compte et traitées par un renforcement institutionnel approprié qui s'accompagne de travaux de réglementation et d'élaboration de politiques.
  - iv) La poursuite du programme d'abattage et d'échange et la numérisation du plan d'élevage sélectif reproduisent à plus grande échelle des avancées importantes et renforcent les systèmes pour un approvisionnement fiable d'un point de vue génétique depuis le Lesotho.
  - v) L'approche de l'alliance productive et le recours limité aux subventions de contrepartie pour trois fenêtres seulement s'appuient sur l'évaluation de la première phase du Projet de développement de la petite agriculture et sur l'expérience tirée de l'exécution de sa seconde phase.
  - vi) Une approche en plusieurs étapes et les conditions de déclenchement autour de la gestion financière et des résultats s'inspirent de projets appuyés par le FIDA, tels que le Projet de régénération des paysages et des moyens d'existence (Lesotho), le Projet d'appui au mécanisme incitatif de financement agricole fondé sur le partage de risques (Togo) et le Projet d'irrigation et de gestion intégrée des bassins versants du district de Kayonza (Rwanda).

## II. Description du projet

### A. Objectifs, zone d'intervention et groupes cibles

13. L'objectif global du projet est d'accroître la résilience économique et climatique des moyens d'existence des producteurs de laine et de mohair. L'objectif de développement consiste à promouvoir une croissance économique inclusive et durable et la création d'emplois dans le secteur privé dérivant de la production de laine et de mohair. Le projet ciblera quelque 45 000 ménages (environ 225 000 personnes) sur une période de sept ans (2023-2030), dont 50% de femmes et 35% de jeunes.
14. Le projet, de portée nationale, mettra cependant l'accent sur les régions montagneuses où l'incidence de la pauvreté est élevée et l'accès au marché limité, mais où le cheptel d'ovins et de caprins est important. Toutes les activités de la composante 1, à l'exception de la promotion des industries artisanales, seront mises en œuvre à l'échelle du pays, et ce dès la phase de démarrage<sup>5</sup>. Pour faciliter le démarrage et faire en sorte que le projet soit axé sur la réduction de la pauvreté, plusieurs activités de la composante 2 seront, dans un premier temps, ciblées géographiquement.

<sup>5</sup> Cette approche est influencée par les travaux fondateurs accomplis dans le cadre du Projet d'appui à la production de laine et de mohair et sur lesquels s'appuiera la majeure partie des activités de la composante 1. Le développement de l'industrie artisanale ciblera Berea et Leribe et sera progressivement étendu à d'autres districts.

15. Le groupe cible sera principalement constitué de petits exploitants de laine et de mohair. Les hangars de tonte seront le point d'entrée du projet, et par conséquent les membres des associations de producteurs de laine et de mohair au niveau des hangars de tonte formeront le groupe cible principal.

## **B. Composantes, résultats et activités**

16. Le projet comprendra trois composantes: i) appui à la création de systèmes de filières; ii) gestion et coordination de filières climato-compatibles; iii) gestion du projet.
17. **Composante 1: appui à la création de systèmes de filières.** Un appui à l'établissement et à la mise à niveau des systèmes sera fourni pour permettre à la filière de prospérer. Cette composante se décline en trois sous-composantes: 1.1) gouvernance de la filière et stratégie de secteur; 1.2.) production responsable de laine et de mohair; 1.3) développement commercial et industrie de la mode. Sous la houlette de l'unité de coordination du projet (UCP), cette première composante fournira un appui aux pouvoirs publics et aux acteurs de la filière pour améliorer la gouvernance et la réglementation et préciser les critères de certification dans le secteur grâce à l'établissement de systèmes, directives et réglementations au plan national. Dans le cadre des sous-composantes 1.2 et 1.3, le projet permettra de financer davantage de producteurs ruraux pour la mise à niveau des troupeaux (abattage et échange), et pour renforcer les filières nationales essentielles au moyen d'alliances productives (alimentation animale, élevage sélectif et services de santé animale).
18. **Composante 2: gestion et coordination de filières climato-compatibles.** Un appui sera apporté au fonctionnement et à l'amélioration des systèmes de filières locaux pour les amener à être autosuffisants. Cette composante se décline en deux sous-composantes: 2.1) accès à la finance productive et aux services; 2.2) filière responsable. L'exécution de la stratégie de secteur implique la consolidation du fonds de la laine et du mohair et de la société de la laine et du mohair récemment créés. En tant qu'organisme à but non lucratif composé de tous les acteurs de la filière, et doté d'un conseil d'administration, cette organisation pilotera la coordination et le développement de la filière en s'inspirant du modèle appliqué en Afrique du Sud. Dans le prolongement du renforcement des capacités, les actifs seront confiés au consortium qui sera chargé de leur gestion et administration dans le cadre de contrats axés sur les résultats. Par ailleurs, un fonds renouvelable chargé de subvenir aux besoins des agriculteurs en investissements de petite et moyenne dimension dans la filière permettra une sélection limitée de prêts en nature et viendra combler une lacune critique en matière d'investissement dans les exploitations agricoles.
19. **Composante 3: gestion du projet.** Cette composante appuiera l'exécution efficace et efficiente du projet. Elle se décline en deux sous-composantes: 3.1) communication pour le changement comportemental et suivi de l'apprentissage; 3.2) coordination du projet. Les activités seront axées sur les fonctions de suivi-évaluation, de communication et de gestion des connaissances. L'UCP s'occupera des activités fiduciaires traditionnelles et consultera les parties prenantes tout au long de l'exécution du projet.
20. **Stratégie d'exécution du projet et approche par étapes.** Le Projet d'appui à la compétitivité de la filière de la laine et du mohair sera exécuté en trois phases. La première phase, d'une durée de 18 mois, est la phase de démarrage et de mise en place des systèmes; la deuxième phase, d'une durée de deux ans, est la phase de mise en œuvre et d'exécution des systèmes; la troisième phase est celle de la reproduction à plus grande échelle, de la consolidation et du retrait progressif après le projet. Des missions d'appui à la supervision et à l'exécution examineront les progrès accomplis entre la première phase et la deuxième phase, et la mission

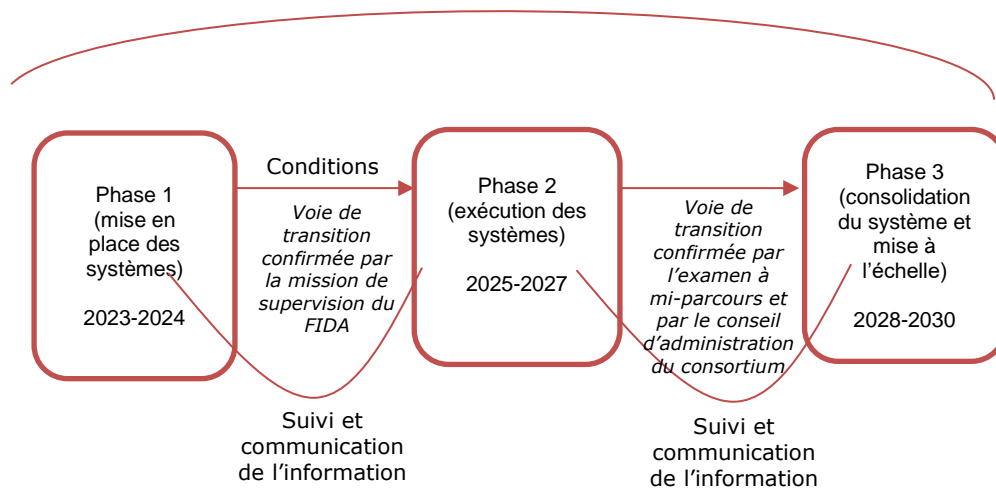


d'examen à mi-parcours examinera la transition de la deuxième vers la troisième phase.

21. La sortie des phases 1 et 2 dépend de cinq critères liés à la performance: i) le plan d'entreprise pour le consortium WMF-WME est élaboré et validé par les acteurs de la filière, et la structure de gouvernance est établie; ii) les systèmes fiduciaires, le logiciel de surveillance et le secrétariat du consortium sont établis et validés; iii) le consortium élabore un plan d'entreprise pour chaque actif qui lui est confié par les pouvoirs publics; iv) le consortium finalise le mécanisme d'exécution du fonds renouvelable, en particulier le système informatique, les manuels de financement et les critères d'éligibilité; v) un prestataire de services est engagé pour cibler, établir et aider les groupes d'épargne.

**Figure 1**

Approche programmatique en trois phases



### C. Théorie du changement

22. Le projet vise à créer des systèmes de filières viables et à renforcer et développer des institutions chargées d'exploiter ces systèmes de manière durable, afin que les producteurs puissent en retirer des avantages économiques et s'appuyer sur des systèmes de production et de marché plus résilients. Concrètement, le Lesotho a besoin d'institutions et d'organisations solides pour appuyer et améliorer sa production de laine et de mohair en fonction de la demande, et pour que cette montée en grade de la production des fibres réponde aux exigences du marché en matière de mode éthique. En l'absence d'institutions nationales solides et d'intégration à la filière de la laine et du mohair sud-africaine, certains acteurs clés étant basés en Afrique du Sud, le Lesotho aspire à bâtir un consortium national associant le fonds de la laine et du mohair et la société de la laine et du mohair comme point d'ancrage institutionnel majeur. Le projet viendra aider le pays à réaliser cette ambition.
23. En outre, le projet appuiera la numérisation des transactions pour créer un écosystème favorable à une filière basotho dans laquelle la gouvernance, la planification et les investissements sont transparents et basés sur des données. L'appui à des domaines essentiels pour la filière, tels que l'alimentation, la génétique et les services vétérinaires sera renforcé grâce à l'alliance productive et l'amélioration génétique d'un grand nombre de bêtes étant favorisée par le programme d'abattage et d'échange.

### D. Alignement, appropriation et partenariats

24. Le projet tient compte des priorités nationales du Lesotho, en ce qui concerne l'agriculture paysanne, le développement de la filière de la laine et du mohair, le renforcement des capacités des agriculteurs et l'amélioration de la productivité,

telles qu'elles sont fixées dans le deuxième plan national de développement stratégique et dans la politique agricole nationale globale. L'objectif de développement et les interventions du projet sont alignés sur ces deux plans stratégiques et concourront à la réalisation de leurs buts.

25. De manière générale, le projet tient compte des objectifs de développement durable suivants et contribuera à leur réalisation: 1 (pas de pauvreté); 2 (faim zéro); 8 (travail décent et croissance économique); 9 (industrie, innovation, et infrastructure); 10 (inégalités réduites); 13 (mesures relatives à la lutte contre les changements climatiques); 15 (vie terrestre).
26. Le projet a été conçu en tenant compte des objectifs et des principes énoncés dans le programme d'options stratégiques pour le pays du FIDA 2020-2025 et il est en conformité avec le Cadre stratégique du FIDA 2016-2025 visant à favoriser une transformation inclusive et durable du monde rural.

## **E. Coût, avantages et financement**

27. Le déficit de financement de 11,802 millions d'USD pourra être financé dans le cadre de cycles ultérieurs du Système d'allocation fondé sur la performance ou dans celui du Mécanisme d'accès aux ressources empruntées (MARE) (selon des conditions de financement à définir et sous réserve des procédures internes et de l'approbation ultérieure du Conseil d'administration), ou par un cofinancement à déterminer pendant l'exécution.
28. Les composantes 1 et 2 du projet relèvent partiellement de l'action climatique. Le montant total alloué par le FIDA au projet au titre du financement de l'action climatique, calculé suivant les méthodes des banques multilatérales de développement pour le suivi du financement de l'adaptation aux changements climatiques et de l'atténuation de leurs effets, est estimé à 4,130 millions d'USD, soit 20,4% de la contribution totale du Fonds.

### **Coût du projet**

29. Le coût total du projet, qui tient compte des hausses de prix et des circonstances matérielles, est estimé à 72,644 millions d'USD pour la période d'exécution du projet d'une durée de sept ans. Les coûts par composante du projet sont les suivants: i) financement de la création de systèmes de filières: 42,109 millions d'USD, soit 58%; ii) gestion et coordination de filières climato-compatibles: 24,862 millions d'USD, soit 34,2%); iii) gestion du projet: 5,672 millions d'USD (7,8%).

Tableau 1

**Coûts du projet par composante et sous-composante et par source de financement**

(en milliers d'USD)

Composante/sous-composante	Premier prêt du FIDA		Deuxième prêt du FIDA		Fonds de l'OPEP		FEM		Déficit de financement		Bénéficiaires		Emprunteur		Total	
	Montant	%	Montant	%	Montant	%	Montant	%	Montant	%	Montant	%	Montant	%	Montant	%
<b>Composante 1: appui à la création de systèmes de filières</b>																
1.1 Gouvernance de la filière et stratégie de secteur	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
1.2 Production responsable de laine et de mohair	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
1.3 Développement commercial et industrie de la mode	3 757	38,6	-	-	3 631	37,3	-	-	1 952	20,0	380	3,9	20	0,2	9 740	13,4
<b>Sous-total</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>Composante 2: gestion et coordination de filières climato-compatibles</b>																
2.1 Accès à la finance productive et aux services	5 514	29,3	2 900	15,3	1 593	8,4	-	-	3 938	20,6	4 924	26,0	60	0,3	18 929	26,1
2.2 Filière responsable	1 310	22,1	-	-	984	16,6	2 200	37,1	-	-	1 427	24,1	13	0,2	5 933	8,2
<b>Sous-total</b>	<b>6 823</b>	<b>27,6</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>15,7</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>Composante 3: gestion du projet</b>																
3.1 Communication pour le changement comportemental et suivi de l'apprentissage	1 059	57,3	-	-	633	34,2	-	-	-	-	-	-	156	8,4	1 848	2,5
3.2 Coordination du projet	1 352	35,3	-	-	1 500	39,2	-	-	131	3,4	-	-	841	22,0	3 824	5,3
<b>Sous-total</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</b>	<b>15 200</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>11 802</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>

Tableau 2  
**Coût du projet par catégorie de dépenses et par source de financement**  
(en milliers d'USD)

Catégorie de dépenses	Premier prêt du FIDA		Deuxième prêt du FIDA		Fonds de l'OPEP		FEM		Déficit de financement		Bénéficiaires		Emprunteur		Total	
	Montant	%	Montant	%	Montant	%	Montant	%	Montant	%	Montant	%	Montant	%	Montant	%
<b>Dépenses d'investissement</b>																
A. Travaux de génie civil	116	1,4	-	-	3 460	40,3	-	-	1 506	7,6	-	-	3 500	40,8	8 583	11,8
B. Véhicules, équipement et matériels	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
C. Assistance technique	1 801	15,0	2 550	20,8	5 928	48,3	200	1,6	617	4,7	1 005	8,2	162	1,3	12 262	16,9
F. Formation et ateliers	2 085	53,4	450	11,5	1 354	34,7	-	-	15	0,4	-	-	-	-	3 904	5,4
E. Crédit et fonds de garantie	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
<b>Total des dépenses d'investissement</b>	<b>12 944</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>11 066</b>	<b>17,2</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>II. Dépenses ordinaires</b>																
A. Salaires, traitements et indemnités	2 075	27,2	-	-	1 941	25,4	-	-	736	9,6	2 662	34,8	228	3,0	7 641	10,5
B. Dépenses de fonctionnement	182	23,7	-	-	-	-	-	-	-	-	44	5,7	541	70,6	767	1,1
<b>Total des dépenses ordinaires</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>Total</b>	<b>15 200</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>11 802</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>

Tableau 3  
**Coût du projet par composante et sous-composante et par année du projet**  
(en milliers d'USD)

<i>Composante/sous-composante</i>	<i>2023</i>	<i>2024</i>	<i>2025</i>	<i>2026</i>	<i>2027</i>	<i>2028</i>	<i>2029</i>	<i>Total</i>
<b>Composante 1: appui à la création de systèmes de filières</b>								
1.1 Gouvernance de la filière et stratégie de secteur	188	6 560	2 047	47	3 035	22	22	11 921
1.2 Production responsable de laine et de mohair	4 185	7 221	3 439	3 222	972	783	625	20 448
1.3 Développement commercial et industrie de la mode	1 341	1 953	1 465	1 465	1 465	1 405	645	9 740
<b>Sous-total</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>Composante 2: gestion et coordination de filières climato-compatibles</b>								
2.1 Accès à la finance productive et aux services	1 431	2 576	2 981	3 436	3 190	2 845	2 470	18 929
2.2 Filière responsable	911	1 282	1 171	854	838	638	238	5 933
<b>Sous-total</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>Composante 3: Gestion du projet</b>								
3.1 Communication pour le changement comportemental et suivi de l'apprentissage	371	177	178	373	164	200	385	1 848
3.2 Coordination du projet	556	670	468	486	506	525	613	3 824
<b>Sous-total</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</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>

### **Stratégie et plan de financement et de cofinancement**

30. Les principales activités de démarrage et les investissements essentiels seront financés par des ressources du FIDA. Le Fonds de l'OPEP s'est en outre engagé à consentir un co-investissement d'au moins 20 millions d'USD, qui a été intégré au projet. Le projet, qui met un accent particulier sur la biodiversité, la santé des sols et les pratiques régénératrices, est éligible aux ressources au titre du Wool and Mohair Fund, relevant de la huitième reconstitution des ressources du FEM (FEM8), et un formulaire d'identification de projet a été préparé conjointement en ce sens par le FIDA et le Gouvernement lesothan pour un montant de 5,2 millions d'USD. Le cofinancement du Gouvernement a été approuvé par le comité d'investissement du secteur public. Un cofinancement du secteur privé y sera adossé par des contributions pendant l'exécution.

### **Décaissement**

31. Les fonds alloués au projet transiteront par un compte désigné de la Banque centrale du Lesotho libellé en dollar des États-Unis, distinct du système du compte unique du Trésor, de manière à éviter de potentielles contraintes de liquidité.

### **Résumé des avantages et analyse économique**

32. Le taux de rentabilité économique est estimé à 13,5%, avec une valeur actuelle nette de 16,819 millions d'USD. Ces chiffres indiquent que, pour un coût d'opportunité du capital de 10%, le Projet d'appui à la compétitivité de la filière de la laine et du mohair générera un taux de rentabilité économique satisfaisant et qu'il est plus que justifié d'un point de vue économique. L'analyse de sensibilité, basée sur des augmentations de 10%, 20% et 50% des coûts du projet, indique des taux de rendement de 12,4%, 11,5% et 9,2%, respectivement.
33. Dans l'ensemble, le taux de rentabilité économique reste satisfaisant. Ces taux et cette stabilité s'expliqueraient par l'augmentation de la productivité des activités ciblées, grâce à l'adoption de systèmes productifs efficaces et résilients, y compris de techniques culturelles et de matériaux biologiques végétaux et animaux efficaces. Grâce à ces différentes mesures, les agriculteurs devraient obtenir une prime pour la laine et le mohair.

### **Stratégie de retrait et pérennisation**

34. La pérennisation du projet et la stratégie de retrait font partie intégrante de la conception du projet. On compte que le consortium WMF-WME continuera d'utiliser les actifs physiques et financiers qui lui seront confiés pour améliorer progressivement les fonctions de coordination de la filière et la prestation de services équitables aux agriculteurs et aux autres acteurs de la filière. Le consortium sera chargé de la gouvernance et de l'exécution des activités clés de la filière et fera fonction d'organe sectoriel pour l'ensemble de celle-ci.

## **III. Risques**

### **A. Risques et mesures d'atténuation**

35. Le risque global inhérent au projet est considéré comme substantiel. Après application des mesures d'atténuation, le risque résiduel est jugé modéré. Les risques ont été notés les plus élevés dans les sous-catégories suivantes: i) contexte national; ii) contexte environnemental et climatique; iii) passation des marchés. Après prise en compte des mesures d'atténuation des sous-catégories de risques retenues, le risque résiduel est globalement modéré.

Tableau 4  
**Synthèse des risques**

<i>Aspect du risque</i>	<i>Niveau de risque inhérent</i>	<i>Évaluation du risque résiduel</i>
Contexte national	Substantiel	Modéré
Stratégies et politiques sectorielles	Modéré	Faible
Contexte environnemental et climatique	Substantiel	Modéré
Portée du projet	Modéré	Faible
Capacités institutionnelles d'exécution et viabilité	Modéré	Faible
Gestion financière	Substantiel	Modéré
Passation des marchés	Substantiel	Modéré
Impact environnemental, social et climatique	Modéré	Faible
Parties prenantes	Modéré	Faible
<b>Risque global</b>	Substantiel	Modéré

## **B. Catégorie environnementale et sociale**

36. **Le Projet d'appui à la compétitivité de la filière de la laine et du mohair est classé dans la catégorie environnementale et sociale préliminaire modérée.** Le projet est axé sur la productivité et sur l'environnement favorable à la filière de la laine et du mohair, et certaines de ses activités peuvent avoir des conséquences négatives pour l'environnement et accroître la pression sur les ressources naturelles. Toutefois, les effets négatifs potentiels sur l'environnement et la société sont limités, spécifiques au site, prévisibles et réversibles pour la plupart d'entre eux et peuvent être maîtrisés par l'application de mesures d'atténuation appropriées.

## **C. Classement au regard des risques climatiques**

37. **Le risque climatique est jugé substantiel.** On peut craindre de vastes répercussions liées aux changements climatiques. Les principaux risques liés aux changements climatiques auxquels sont exposés les petits exploitants des zones ciblées par le projet comprennent l'augmentation des températures et la variabilité des précipitations, avec des pluies plus intenses dans certaines zones, des saisons des pluies plus courtes et des sécheresses potentielles dans certains endroits. Cependant, les activités de gestion des risques devraient accroître la résilience et la capacité d'adaptation des ménages, des infrastructures, des communautés et des écosystèmes.

## **D. Soutenabilité de la dette**

38. Le risque lié à la dette extérieure du Lesotho est modéré, avec une marge de manœuvre limitée en cas de choc, comme il y a deux ans<sup>6</sup>. La dette extérieure, qui représente 82% de la dette publique totale, a été essentiellement contractée auprès de partenaires multilatéraux à des conditions concessionnelles. Les emprunts extérieurs, accordés à des conditions avantageuses, devraient rester essentiels pour financer les grands projets d'investissement. Cependant, le niveau de concessionnalité devrait diminuer progressivement à long terme, à mesure que le Lesotho se développe et devrait cesser d'être éligible aux ressources de l'Association internationale de développement. Les ratios dette extérieure/PIB et dette totale/PIB avoisinent des seuils de risque élevé, ce qui laisse peu de marge de manœuvre pour absorber de nouveaux chocs.

<sup>6</sup> Fonds monétaire international, « Kingdom of Lesotho: 2022 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Kingdom of Lesotho », 2022, <https://www.imf.org/en/Publications/CR/Issues/2022/06/08/Kingdom-of-Lesotho-2022-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-519018>.

## IV. Exécution

### A. Cadre organisationnel

#### Gestion et coordination du projet

39. Un comité de pilotage du projet sera établi pour fixer les orientations générales du projet et contrôler son exécution. Le comité de pilotage et les activités du projet seront appuyés par un comité technique consultatif composé de directeurs et de responsables des principales agences parties prenantes, y compris les départements ministériels.
40. L'UCP dirigera la coordination du projet au quotidien et sa gestion. Elle sera hébergée par le Ministère de l'agriculture, de la sécurité alimentaire et de la nutrition et sera dotée des effectifs adéquats, des professionnels étant recrutés par concours en externe. L'UCP coordonnera et appuiera étroitement la composante 1 et le consortium WMF-WME exécutera avant tout la composante 2. Ce modèle pluraliste de mise en œuvre des activités du projet répond aux principes consacrés régissant l'exécution des projets de développement des filières.

#### Gestion financière, passation des marchés et gouvernance

41. **Gestion financière.** L'UCP et le consortium WMF-WME disposeront de structures appropriées pourvues d'un personnel expérimenté pour gérer les finances du projet. Ils prépareront les plans de travail et budgets annuels (PTBA) et percevront les avances du FIDA, en fonction du PTBA et du plan de trésorerie pour la période suivante. L'UCP fera l'objet d'un audit du Bureau du Contrôleur général, conformément à la réglementation nationale applicable, et le consortium et l'entreprise sociale liée à l'Initiative pour une mode éthique feront l'objet d'un audit réalisé par un cabinet d'audit privé supervisé par le Bureau du Contrôleur général.
42. **Passation des marchés.** Dans l'ensemble, les capacités institutionnelles en matière de passation des marchés sont considérées comme présentant un risque moyen. L'évaluation spécifique du projet, fondée sur les activités prévues du programme, fait apparaître la nécessité d'apporter des améliorations dans les domaines suivants: i) cadre réglementaire de la passation des marchés; ii) documents d'appel d'offres types; iii) suivi de la passation des marchés; iv) accès aux informations relatives à la passation des marchés. Par ailleurs, le FIDA fournira une assistance technique à distance et sur le terrain pour renforcer les capacités en matière de passation des marchés.
43. **Gouvernance.** Le risque inhérent au pays a été jugé élevé. D'après l'évaluation des politiques et des institutions nationales 2019 – classement 2020 de la Banque mondiale, le Lesotho enregistre une performance moyenne (score 3,3), et se classe 17<sup>e</sup> sur 40 pays d'Afrique subsaharienne (le score moyen étant de 3,1). Les principaux points faibles sont la politique budgétaire (note 2,5), la qualité de la gestion budgétaire et financière (note 2,5) et la qualité de l'administration publique (note 2,5) où l'absence de contrôles appropriés a entraîné une augmentation de la masse salariale en 2019 (environ 41% des dépenses publiques).

#### Participation et retours d'information du groupe cible, et mécanisme de réponse aux doléances

44. Les associations d'agriculteurs et autres acteurs de la filière désigneront des représentants et des experts chargés de porter leur voix au sein du fonds de la laine et du mohair et de siéger au conseil d'administration. Il s'agit d'une caractéristique essentielle de la participation du groupe cible. L'équipe de projet recueillera régulièrement les points de vue et opinions du groupe cible sur les résultats du projet, et les partagera avec le Gouvernement lesothan. Le projet s'appuiera sur des groupes de discussion réguliers, sur des enquêtes portant sur les indicateurs de base relatifs aux effets directs et sur des sondages annuels géoréférencés via WhatsApp pour recueillir des opinions et des réactions.



### **Mécanisme de réponse aux doléances**

45. Comme la mise en œuvre des activités agricoles se fera au niveau communautaire, la négociation et la recherche d'un accord par consensus seront les principaux moyens de régler les griefs de ceux dont les terres et les propriétés pourraient être touchées. Cela étant, un mécanisme de réponse aux doléances plus formel sera également mis en place (avec une sensibilisation appropriée). Les personnes concernées pourront opter pour l'un ou l'autre de ces deux systèmes parallèles (communautaire ou formel). Le circuit communautaire reposera sur des tribunaux informels administrés par des chefs traditionnels<sup>7</sup>. Le circuit formel associera le mécanisme de réponse aux doléances établi dans le cadre du projet.

### **B. Planification, suivi-évaluation, apprentissage, gestion des savoirs et communication**

46. La planification et la budgétisation seront intégrées aux processus publics et seront basées sur les PTBA selon une approche ascendante. Le cadre logique du projet guidera l'élaboration du PTBA et du système d'établissement de rapports et de suivi.
47. Les informations fiables et opportunes résultant du système de suivi-évaluation appuieront la prise de décision et la gestion adaptative. Les données sur les résultats et l'impact seront collectées au moyen d'enquêtes de référence, d'examens à mi-parcours et à l'achèvement, conformément aux directives du FIDA pour la mesure des indicateurs de base relatifs aux effets. Les données relatives à la résilience seront collectées au démarrage et à la fin du projet grâce aux fiches d'évaluation de la résilience du FIDA.
48. De plus, des études qualitatives seront menées dans le cadre du projet et des supports de connaissances sur les zones d'impact seront élaborés.

### **Innovations et reproduction à plus grande échelle**

49. Les principales innovations du Projet d'appui à la compétitivité de la filière de la laine et du mohair comprennent l'appui et le renforcement institutionnel du consortium WMF-WME, envisagé comme un mécanisme durable lié à la filière, qui reproduira à plus grande échelle et développera plus avant les stratégies couronnées de succès après la fin du projet, dans sept ans; la promotion d'une production et d'une certification responsables, de faibles émissions et l'amélioration de la biodiversité; la numérisation de la filière; la mise à niveau du programme national d'élevage; la création du système d'intervention et de surveillance pour les maladies; le partenariat avec les acteurs privés.

### **C. Plans d'exécution**

#### **Plans de préparation à l'exécution et de démarrage**

50. Les activités du projet s'appuieront sur celles du Projet d'appui à la production de laine et de mohair et le Gouvernement lesothan et le FIDA sont convenus de recruter l'équipe de la nouvelle UCP au moyen d'un processus de mise en concurrence. Le FIDA et le Gouvernement lesothan se sont engagés à consacrer des ressources au recrutement et au démarrage pour permettre l'exécution rapide du projet. Le Projet d'appui à la compétitivité de la filière de la laine et du mohair permettra par conséquent de renforcer les capacités d'une organisation naissante et non pas de repartir de zéro.

#### **Supervision, examen à mi-parcours et plans d'achèvement**

51. Les missions seront organisées conjointement par le FIDA et par les pouvoirs publics. La supervision comprendra des missions de supervision conjointe annuelles, ainsi que des examens périodiques sur dossier pour s'assurer de l'exécution du projet à un rythme approprié. L'examen à mi-parcours aura lieu à mi-chemin du cycle de vie du projet et permettra d'évaluer de façon critique l'état

<sup>7</sup> Chefs de village, chefs, chefs principaux, conseil de district.

d'avancement du projet au regard de son but et de son objectif de développement. L'achèvement du projet incombera au Gouvernement lesothan qui se concentrera sur les progrès accomplis, les enseignements tirés et la pérennisation des interventions.

## **V. Instruments et pouvoirs juridiques**

52. L'octroi à l'emprunteur/bénéficiaire du financement proposé est régi par un accord de financement entre le Royaume du Lesotho et le FIDA. Une copie de l'accord de financement négocié figure à l'appendice I.
53. Le Royaume du Lesotho est habilité, en vertu de son ordre juridique, à recevoir un financement du FIDA.
54. Je certifie que le financement proposé est conforme aux dispositions de l'Accord portant création du FIDA, et aux Principes et critères applicables aux financements du FIDA.

## **VI. Recommandation**

55. Je recommande au Conseil d'administration d'approuver le financement proposé par la résolution suivante:

DÉCIDE: que le Fonds accordera au Royaume du Lesotho un prêt à des conditions mixtes d'un montant de quatorze millions deux cent mille euros (14 200 000 EUR), qui sera régi par des modalités et conditions conformes en substance aux modalités et conditions indiquées dans le présent rapport.

DÉCIDE EN OUTRE: que le Fonds accordera au Royaume du Lesotho un prêt à des conditions ordinaires d'un montant de quatre millions six cent quatre-vingt mille euros (4 680 000 EUR), qui sera régi par des modalités et conditions conformes en substance aux modalités et conditions indiquées dans le présent rapport.

Le Président  
Alvaro Lario

# Negotiated financing agreement: "Wool and Mohair Value Chain Competitiveness Project"

(Negotiations concluded on 7 June 2023)

Loan No: \_\_\_\_\_

Loan No: \_\_\_\_\_

Project name: Wool and Mohair Value Chain Competitiveness Project (the "WaMCoP"/ "the Project")

Kingdom of Lesotho (the "Borrower")

and

The International Fund for Agricultural Development (the "Fund" or "IFAD")

(each a "Party" and both of them collectively the "Parties")

**WHEREAS** the Borrower has requested a loan from the Fund for the purpose of financing the Project described in Schedule 1 to this Agreement;

**WHEREAS**, the Fund has agreed to provide financing for the Project;

**WHEREAS** the Borrower has undertaken to provide additional support, financially or in kind that may be needed to the Project;

**WHEREAS** the Project has an estimated financing gap of eleven million seven hundred and fifty two thousand United States dollars (USD 11 752 000). The Parties endeavour to secure funds to fill the financing gap within the first five years of the Project's implementation.

**WHEREAS** the Parties are jointly submitting a proposal to the Global Environment Facility (GEF) to support the technical components of the Project by advancing a "greening" of the value chain.

For avoidance of doubt, IFAD's intentions stated herein in regards to supporting the effort to secure funds to meet the financing gap or submitting the proposal to GEF to secure financing for the Project shall not be construed as a commitment or agreement to provide said financing to the Borrower.

**NOW THEREFORE**, the Parties hereby agree as follows:

## Section A

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1), the Allocation Table (Schedule 2), and the Special Covenants (Schedule 3).

2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of December 2022, and as may be amended hereafter from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein, unless the Parties shall otherwise agree in this Agreement.

3. The Fund shall provide a Loan (the "Financing") to the Borrower, which the Borrower shall use to implement the Project in accordance with the terms and conditions of this Agreement.

## **Section B**

1. A. The amount of the Loan eligible to blend terms (BT Loan) is fourteen million, two hundred thousand EUR (14 200 000 EUR).
- B. The amount of the Loan eligible to ordinary terms (OT Loan) is four million, six hundred and eighty thousand EUR (4 680 000 EUR).
2. The blended terms Loan shall be subject to interest on the principal amount outstanding and a service charge as determined by the Fund at the date of approval of the blended terms Loan by the Fund's Executive Board. The interest rate and service charge determined will be fixed for the life cycle of the loan and payable semi-annually in the Loan Service Payment Currency, and shall have a maturity period of twenty-five (25) years, including a grace period of five (5) years starting from the date of approval of the Loan by the Fund's Executive Board. The principal of the blended terms Loan will be repaid in equal instalments.
3. The Loan granted on ordinary terms shall be subject to interest on the principal amount outstanding of the Loan, at a rate equal to the IFAD Reference Interest Rate including a variable spread, payable semi-annually in the Loan Service Payment Currency, and have a maturity period of twenty eight (28) years, including a grace period of ten (10) years, starting from the date as of which the Fund has determined that all general conditions precedent to withdrawal have been fulfilled.
4. The Loan Service Payment Currency shall be in EUR.
5. The first day of the applicable Fiscal Year shall be 1 April.
6. Payments of principal, interest and service charge shall be payable on each 15<sup>th</sup> June and 15<sup>th</sup> December.
7. There shall be a Designated Account in EUR, for the exclusive use of the Project opened in the Central Bank of Lesotho. The Borrower shall inform the Fund of the officials authorized to operate the Designated Account.
8. There shall be Project Operational Accounts in local currency opened at a local commercial bank and details would be communicated to IFAD. Separate Project accounts will be maintained for the different Project co-financiers.
9. Once operational the Wool and Mohair fund shall open two separate Operational Bank Accounts at a local bank and details communicated to the Fund to facilitate the implementation of Component 2. One Operational Bank Account shall be used for IFAD funds and the other for Government of Lesotho contributions. The funds received from IFAD shall be used for the sole purpose of paying for eligible expenses of the Project.
10. The Borrower shall provide counterpart financing for the Project, in cash and in kind. The in-kind contribution will be in the form of assets transferred to the Wool and Mohair Enterprise, contribution towards civil works, administrative support and foregone taxes and duties on all Project inputs that involve funding from IFAD. The cash contribution will amount to an equivalent of three million United States dollars (USD 3 000 000) and in-kind contribution equivalent of five million United States dollars (USD 5 000 000).

## **Section C**

1. The Lead Project Agency shall be the Ministry of Agriculture and Food Security and Nutrition (MAFSN).
2. The following are designated as additional Project Parties:
  - (a) Lesotho National Development Corporation (LNDC)
  - (b) The National Farmer Associations (LNWMGA and Skylight)
  - (c) Ethical Fashion Initiative
  - (d) Textile Exchange
  - (e) GS1 South Africa
  - (f) Africa Clean Energy
  - (g) The Wool and Mohair fund and Wool and Mohair Enterprise (once established and operational)

Additional Project Parties are described in Schedule 1 section 9. The above list is not exhaustive and the Parties may agree on additional Project Parties from time to time.

3. A Mid-Term Review will be conducted as specified in Section 8.03 (b) and (c) of the General Conditions; however, the Parties may agree on a different date for the Mid-Term Review of the implementation of the Project.
4. The Project Completion Date shall be the seventh anniversary of the date of entry into force of this Agreement and the Financing Closing Date shall be 6 months later, or such other date as the Fund may designate by notice to the Borrower.
5. Procurement of goods, works and services financed by the Financing shall be carried out in accordance with procurement methods and any other measures identified by IFAD.

## **Section D – administration and supervision**

The Fund will administer the Financing and supervise the Project.

## **Section E – Withdrawal conditions and cancellation**

1. The following are designated as additional grounds for suspension of this Agreement:
  - (a) The Project Implementation Manual (PIM) and/or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of the Fund and the Fund, after consultation with the Borrower, has determined that it has had, or is likely to have, a material adverse effect on the Project.
  - (b) In the event that the Borrower does not request a disbursement of the Financing for a period of at least 12 months without justification.
2. The following are designated as additional grounds for cancellation of this Agreement:
  - (a) In the event that the Borrower did not request a disbursement of the Financing for a period of at least 12 months without justification.

- 3. The following are designated as additional conditions precedent to withdrawal:
  - (a) The IFAD no objection to the Project Implementation Manual shall have been obtained.
  - (b) The Key Project personnel have been appointed as per section 10 Schedule 3 of this Agreement.
  - (c) IFAD approved accounting software has been procured and installed.
- 4. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower:

Minister for Finance and Development Planning  
 Finance House, Government Complex  
 Maseru, Kingdom of Lesotho

For the Fund:

The President  
 International Fund for Agricultural Development  
 Via Paolo di Dono 44  
 00142 Rome, Italy

If applicable, the Parties accept the validity of any qualified electronic signature used for the signature of this Agreement and recognise the latter as equivalent to a hand-written signature.

This Agreement, has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Borrower.

KINGDOM OF LESOTHO

\_\_\_\_\_  
 Adelaide Retselisitsoe Matlanyane  
 Minister for Finance and Development Planning

Date: \_\_\_\_\_

INTERNATIONAL FUND FOR  
AGRICULTURAL DEVELOPMENT

\_\_\_\_\_  
 Alvaro Lario  
 President

Date: \_\_\_\_\_

## Schedule 1

### *Project Description and Implementation Arrangements*

#### I. Project Description

1. *Target Population.* The Project shall target smallholder wool and mohair farmers, particularly members of wool and mohair farmers associations. The project will target about 45,000 households (approximately 225,000 persons).
2. *Project area.* The Project will be national in scale and will place a special focus on the highland areas (*the "Project Area"*).
3. *Goal.* The goal of the Project is to increase the economic and climate resilience of wool and mohair farmers' livelihoods.
4. *Objectives.* The objective of the Project is to promote inclusive and sustainable economic growth and private sector led job creation from wool and mohair.
5. *Components.* The Project shall consist of the following Components:

##### 5.1 Component 1: *Support to building value chain systems*

This component will support the establishment and up-grading of the wool and mohair systems, enabling the value chains to thrive. It will support government and value chain players to improve sector governance, regulation, and compliance with certification by establishing national systems, guidelines, and regulations. It will be implemented by the Project Coordination Unit (PCU) and will have three sub-components as follows:

- 5.1.1 *Sub-Component 1.1:* Value chain governance and sector strategy, which consists of two interventions aiming at improving the sector's policy and regulatory framework and building the capacity of value chain stakeholders to operate under the new private sector led sector governance system.
- 5.1.2 *Sub-Component 1.2:* Responsible wool and mohair production, which will see the promotion of 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. In partnership with African Clean Energy (ACE), energy efficient cooking stoves will be promoted to ensure a reduction of deforestation ultimately supporting soil carbon sequestration efforts.
- 5.1.3 *Sub-Component 1.3:* Business development and cottage industry, which will support the business development of critical supply chains of the wool and mohair value chains through the promotion of productive alliances. Moreover, national value will be promoted through transforming cottage industries into commercial fashion production. The Ethical Fashion Initiative has been selected as a strategic partner to implement the development of Lesotho fiber processing and market linkages.

Under sub-components 1.2 and 1.3, the Project will 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).

##### 5.2 Component 2: *Climate smart Value Chain operation and coordination*

This component will support the operation and improvement of locally grounded value chain systems, towards self-sustainability.

This component will have two sub-components as follows:

- 5.2.1 *Sub-Component 2.1:* Access to productive finance and services, which aims to ensure farmers' access to financing services as well as inputs. It consists of three

interventions led by the Wool and Mohair fund and Wool and Mohair Enterprise (hereinafter Consortium): (i) Consortium provides services to farmers by managing entrusted physical and financial assets; (ii) roll-out a revolving fund to provide in-kind loans to farmers; and (iii) collaborate with a service provider to promote financial literacy and saving groups, targeting poorer households.

- 5.2.2 *Sub-Component 2.2: Responsible value chain production* - under this sub-component, the Consortium will lead the roll-out of the responsible production system (set-up under sub-component 1.2) 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. The textile exchange has been selected as a strategic partner to assist in developing a model for certification in Lesotho. To support certification efforts and further promote value chain efficiencies, a digital platform will be established and will operate for the whole value chain. Moreover, the Consortium will coordinate the implementation of all activities required to meet the responsible production standards, as well as carbon sequestration and biodiversity enhancement.

The Wool and Mohair Enterprise (WME) will be a collaboration between key value chain players of the wool and mohair value chain and will act as a sectoral body. Its aim is to govern and coordinate value chain operations, manage critical value chain assets, and equitably deliver required services to all players. The Wool and Mohair fund (WMF) will be the financial entity that will channel finance to the wool and mohair sector. It will ensure farmers' access to financing services as well as inputs. The WMF will consist of an endowment fund and a revolving fund. The capital growth generated from investing the funds from the endowment fund will be used to finance the operations of the Consortium and support sector development. The revolving fund is aimed at providing in-kind input loans to farmers. The Wool and Mohair Enterprise will report to the Wool and Mohair fund. The WME and the WMF will be established during the Projects implementation.

The Consortium will comprise of cooperating partners/shareholders including but not limited to the Borrower, Lesotho National Development Corporation (LNDC) and key value chain players including relevant farmer associations, significant brokers and trader's associations. The partners/shareholders of the Consortium will be agreed upon by the Parties from time to time. It will be formed based on Memorandums of Understanding between the cooperating partners and will operate under a corporate management system that meets international standards and IFAD requirements, as well as follow a defined roadmap that will be determined jointly by the Parties. The Consortium's ability to implement will be determined following the fulfilment of performance related triggers to transition the Project from phase 1 to phase 2 as outlined in the PIM. The Consortium will primarily execute Component two.

Following capacity building, and through performance-based contracts, assets will be entrusted to the Consortium to manage and operate.

### 5.3 *Component 3: Project Management*

This component will support the effective and efficient implementation of the project. It has two sub-components as follows:

- 5.3.1 *Sub-Component 3.1: Communication for behaviour change and monitoring for learning; and*
- 5.3.2 *Sub-Component 3.2: Project coordination.* Activities will focus on monitoring and evaluation, communication, and knowledge management functions. Moreover, the PCU will handle traditional fiduciary activities and consult with stakeholders throughout project implementation.

## **II. Implementation Arrangements**



6. *Lead Project Agency.* The Lead Project Agency shall be the Ministry of Agriculture, Food Security and Nutrition (MAFSN). The responsible department for the Project will be the Department of Livestock Services (DLS), supported by the Department of Marketing (DOM).

7. *Project Steering Committee.* A Project Steering Committee (PSC) will be established to provide policy guidance and oversight of Project implementation. It will be convened and chaired by Principal Secretary MAFSN or an authorised representative, with membership open to the Ministry of Defence, National Security and Environment, Ministry of Trade, Industry, Business Development and Tourism, Ministry of Local Government, Chieftainship, Police and Home Affairs, Ministry of Finance and Development Planning, 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 Consortium a light secretariat will be established that will oversee the day-to-day operations of the institution. The composition and descriptive role of the light secretariat will be established during the formation of the WME and WMF.

8. *Project Coordination Unit.* The Project Coordination Unit (PCU) will lead the day-to-day coordination and project management for the Project. It will be housed in MAFSN and adequately staffed with professionals recruited competitively from the market. The PCU will be responsible for Project implementation including fiduciary aspects (including audits); knowledge management/communication (including public awareness campaigns); grievance redress mechanism; citizen engagement; and monitoring the implementation of safeguard related measures. The PCU will consolidate the financial reports from the Consortium and other implementing agencies before submitting to IFAD. The PCU will share regular reports with the PSC and other relevant technical departments within the line Ministries. The PCU will be staffed as outlined in Schedule 3 section 10.

9. *Implementing partners.* The key implementing partners include:

- (a) Ministry of Agriculture and Food Security and Nutrition (MAFSN)
- (b) Lesotho National Development Corporation (LNDC)
- (c) The National Farmer Associations (LNWMGA and Skylight)
- (d) Ethical Fashion Initiative (EFI)
- (e) Textile Exchange
- (f) GS1 South Africa
- (g) Africa Clean Energy
- (h) The Wool and Mohair fund and Wool and Mohair Enterprise (once established and operational)

The above list is not exhaustive and the Parties may agree on additional Project Parties from time to time.

10. *Monitoring and Evaluation.* The Project will set up a solid Monitoring and Evaluation (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. The primary responsibility for the M&E system will lie with the M&E Unit within the PCU. The M&E focal point for the Consortium will closely interact with the PMU's

M&E officer. All contracts and Memorandums of Understanding (MoUs) signed by the PCU will include details on implementing partners' data collection responsibilities.

11. *Knowledge Management.* The Project will carry out qualitative studies and produce Knowledge Management products on impact areas including changes in interactions among value chain actors, and changes in access to value chains and benefits from the Project promoted innovations for the most vulnerable. The Project's Knowledge Management officer will also liaise closely with the Consortium and capture key aspects of its functioning.

12. *Project Implementation Manual.* A comprehensive Project Implementation Manual (PIM) will be prepared, together with an AWPB, procurement plan and terms of reference for various service providers to be procured, and to ensure implementation readiness. Any revisions to the PIM and AWPB shall have to be previously approved by the Fund.

13. *Project Co-financing.* The Project shall be capable of receiving co-financing contributions from other institutions. The Borrower will enter into co-financing agreements with the co-financiers to provide financing for the Project.

## Schedule 2

### Allocation Table

1. *Allocation of Loan Proceeds.* (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan and the allocation of the amounts to each category of the Financing and the percentages of expenditures for items to be financed in each Category:

Category	Blend Term Loan Allocated (Expressed in EUR)	Ordinary Term Loan Allocated (Expressed in EUR)	Percentage net of taxes
I. Civil Works	90 000		100%
II. Vehicles, Equipment and Materials	4 180 000	2 530 000	100%
III. Technical Assistance	3 280 000		100%
IV. Credit	3 350 000	1 680 000	100%
V. Recurrent Cost	1 900 000		100%
Unallocated	1 400 000	470 000	
<b>TOTALS</b>	<b>14 200 000</b>	<b>4 680 000</b>	

(b) The terms used in the Table above are defined as follows:

- (i) Technical Assistance category include eligible expenditures for costs associated with training and workshops.
- (ii) Recurrent Costs include eligible expenditures for cost associated with operating cost, salaries and allowances of Project staff.

### 2. *Disbursement arrangements*

- (a) *Start-up Advance.* Withdrawals in respect of expenditures for start-up costs incurred before the satisfaction of the general conditions precedent to withdrawal shall not exceed an aggregate amount of four hundred and seventy thousand Euros four hundred and seventy thousand (EUR 470 000). Activities to be financed by Start-up Costs will require the no objection from IFAD to be considered eligible.
- (b) *Start-up Costs.* Withdrawals in respect of expenditures for start-up costs (in Category(ies)) incurred before the satisfaction of the general conditions precedent to withdrawal shall not exceed an aggregate amount of EUR 470 000 equivalent. Activities to be financed by Start-up Costs will require the no objection from IFAD to be considered eligible and should be in line with the approved start-up budget.

### Schedule 3

#### *Special Covenants*

#### **I. General Provisions**

In accordance with Section 12.01(a)(xxiii) of the General Conditions, the Fund may suspend, in whole or in part, the right of the Borrower/Recipient to request withdrawals from the Loan/Grant Account if the Borrower/Recipient has defaulted in the performance of any covenant set forth below, and the Fund has determined that such default has had, or is likely to have, a material adverse effect on the Project:

1. Within nine (9) months of entry into force of the Financing Agreement, the Project will enter into Memorandum of Understandings (MoU) with implementing partners, as outlined in the project implementation manual, that will structure the collaboration, define roles, responsibilities and duties with regards to implementation, financial management, accounting and reporting. The MoUs shall be shared with IFAD for No Objection.

2. *Planning, Monitoring and Evaluation.* The Borrower shall ensure that (i) a Planning, Monitoring and Evaluation (PM&E) system shall be established within twelve (12) months from the date of entry into force of this Agreement. The project has to launch the procurement process for the baseline within the first six (6) months.

3. *Gender.* The Project shall ensure that it develops a gender and youth strategy and action plan to facilitate equitable participation of women and men to the economic opportunities and benefits generated by the Project.

4. *Indigenous People (IP) Concerns.* The Borrower shall ensure that the concerns of IPs are given due consideration in implementing the Project and, to this end, shall ensure that:

- (a) the Project is carried out in accordance with the applicable provisions of the relevant IP national legislation;
- (b) indigenous people are adequately and fairly represented in all local planning for Project activities;
- (c) IP rights are duly respected;
- (d) IP communities, participate in policy dialogue and local governance;
- (e) The terms of Declarations, Covenants and/or Conventions ratified by the Borrower on the subject are respected;
- (f) The Project will not involve encroachment on traditional territories used or occupied by indigenous communities.

5. *Land tenure security.* The Borrower shall ensure that the land acquisition process has already been completed and that compensation processes were consistent with international best practice and free prior and informed consent principles.

6. *Anticorruption Measures.* The Borrower shall comply with IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations.

7. *Sexual Harassment, Sexual Exploitation and Abuse.* The Borrower and the Project Parties shall ensure that the Project is carried out in accordance with the provisions of the IFAD Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse, as may be amended from time to time.

8. *Use of Project Vehicles and Other Equipment.* The Borrower shall transfer relevant vehicles and equipment from the IFAD supported WAMPP project to support Start Up activities. The specifications of the vehicles and equipment to be transferred will be clarified to IFAD by the Borrower prior to the Start Up period.

9. *IFAD Client Portal (ICP) and Contract Monitoring Tool (CMT)*. The Borrower shall ensure that a request is sent to IFAD to access the project procurement Contract Monitoring Tool in the IFAD Client Portal (ICP). The Borrower/Recipient shall ensure that all contracts, memoranda of understanding, purchase orders and related payments are registered in the Project Procurement Contract Monitoring Tool in the IFAD Client Portal (ICP) in relation to the procurement of goods, works, services, consultancy, non-consulting services, community contracts, grants and financing contracts. The Borrower/Recipient shall ensure that the contract data is updated on a quarterly basis during the implementation of the Project.

10 *The Key Project Personnel are*: Project Coordinator, Procurement Officer and Contract Manager, Financial Management Officer, Financial Accountant, M&E and KM/communication officer, and Senior Project Assistant. In order to assist in the implementation of the Project, the PCU, unless otherwise agreed with IFAD, shall employ or cause to be employed, as required, key staff whose qualifications, experience and terms of reference are satisfactory to IFAD.

The Parties agree that the preferred method of staffing the Key Project Personnel shall be competitive recruitment. The recruitments shall be under a consulting contract following the individual consultant selection method in the IFAD Procurement Handbook, or any equivalent selection method in the national procurement system that is acceptable to IFAD. At the request of the Borrower and subject to IFAD modalities, government officials may be seconded, provided they meet clear performance metrics.

The recruitment of Key Project Personnel is subject to IFAD's prior review as is the dismissal of Key Project Personnel. Key Project Personnel are subject to annual evaluation and the continuation of their contract is subject to satisfactory performance. Any contract signed for Key Project Personnel shall be compliant with the national labour regulations or the ILO International Labour Standards (whichever is more stringent) in order to satisfy the conditions of IFAD's updated SECAP. Repeated short-term contracts must be avoided, unless appropriately justified under the Project's circumstances.

## **II. SECAP Provisions**

1. The Borrower shall carry out the preparation, design, construction, implementation, and operation of the Project in accordance with the nine standards and other measures and requirements set forth in the Updated Social, Environmental Climate Assessment Procedures of IFAD ("SECAP 2021 Edition"), as well as with all applicable laws and regulations to the Borrower/Recipient and/or the sub-national entities relating to social, environmental and climate change issues in a manner and substance satisfactory to IFAD. The Borrower/Recipient shall not amend, vary or waive any provision of the SECAP 2021 Edition, unless agreed in writing by the Fund in the Financing Agreement and/or in the Management Plan(s), if any.

2. For projects presenting high or substantial social, environmental and climate risks, the Borrower/Recipient shall carry out the implementation of the Project in accordance with the measures and requirements set forth in the Environmental and Social Impact Assessments (ESIAs)/Environmental, Social and Climate Management Frameworks (ESCMFs) and/or Resettlement Action Plans/Frameworks (RAPs/Fs) and Environmental, Social and Climate Management Plans (ESCMs) for high risk projects and Abbreviated ESIAs and/or Abbreviated RAP/F and ESCMs for substantial risk projects and Free, Prior and Informed Consent (FPIC) Plans, FPIC Implementation Plans, Indigenous Peoples Plans (IPPs), Pesticide Management Plans, Cultural Resources Management Plans and Chance Finds Plans] (the "Management Plan(s)"), as applicable, taken in accordance with SECAP requirements and updated from time to time by the Fund.

The Borrower shall not amend, vary, or waive any provision of the ESCMPs and Management Plan(s), unless agreed in writing by the Fund and if the Borrower/Recipient has complied with the same requirements as applicable to the original adoption of the ESCMPs and Management Plan(s).

3. The Borrower shall not, and shall cause the Executing Agency, all its contractors, its sub-contractors and suppliers not to commence implementation of any works, unless all Project affected persons have been compensated and/or resettled in accordance with the specific RAP/Abbreviated RAP, FPIC and/ or the agreed works and compensation schedule.

4. The Borrower shall cause the Lead Project Agency to comply at all times while carrying out the Project with the standards, measures and requirements set forth in the SECAP 2021 Edition and the Management Plan(s), if any.

5. The Borrower shall disclose the draft and final ESIA reports and all other relevant Management Plan(s) with Project stakeholders and interested parties in an accessible place in the Project-affected area, in a form and language understandable to Project-affected persons and other stakeholders. The disclosure will take into account any specific information needs of the community (e.g., culture, disability, literacy, mobility or gender).

6. The Borrower shall ensure or cause the Executing Agency and Implementing Agency to ensure that all bidding documents and contracts for goods, works and services contain provisions that require contractors, sub-contractors and suppliers to comply at all times in carrying out the Project with the standards, measures and requirements set forth in the SECAP 2021 Edition, ESCMPs and the Management Plan(s), if any.

7. The Borrower will ensure that a Project-level grievance mechanism is established that is easily accessible, culturally appropriate, available in local languages, and scaled to the nature of the Project's activity and its potential impacts to promptly receive and resolve concerns and complaints (e.g. compensation, relocation or livelihood restoration) related to the environmental and social performance of the Project for people who may be unduly and adversely affected or potentially harmed if the Project fails to meet the SECAP standards and related policies. The Project-level grievance mechanism needs to take into account indigenous peoples, customary laws and dispute resolution processes. Traditional or informal dispute mechanisms of affected indigenous peoples should be used to the greatest extent possible.

8. This section applies to any event which occurs in relation to serious environmental, social, health & safety (ESHS) incidents (as this term is defined below); labor issues or to adjacent populations during Project implementation that, with respect to the relevant IFAD Project:

- (i) has direct or potential material adverse effect;
- (ii) has substantially attracted material adverse attention of outside parties or create material adverse national press/media reports; or
- (iii) gives rise to material potential liabilities.

In the occurrence of such event, the Borrower shall:

- Notify IFAD promptly;
- Provide information on such risks, impacts and accidents;
- Consult with Project-affected parties on how to mitigate the risks and impacts;

- Carry out, as appropriate, additional assessments and stakeholders' engagements in accordance with the SECAP requirements; and
- Adjust, as appropriate, the Project-level grievance mechanism according to the SECAP requirements; and
- Propose changes, including corrective measures to the Management Plan(s) (if any), in accordance with the findings of such assessment and consultations, for approval by IFAD.

**Serious ESHS incident** means serious incident, accident, complaint with respect to environmental, social (including labor and community), health and safety (ESHS) issues that occur in loan or within the Borrower/Recipient's activities. Serious ESHS incidents can comprise incidents of (i) environmental; (ii) occupational; or (iii) public health and safety; or (iv) social nature as well as material complaints and grievances addressed to the Borrower/Recipient (e.g. any explosion, spill or workplace accident which results in death, serious or multiple injuries or material environmental contamination, accidents of members of the public/local communities, resulting in death or serious or multiple injuries, sexual harassment and -violence involving Project/Programme workforce or in relation to severe threats to public health and safety, inadequate resettlement compensation, disturbances of natural ecosystems, discriminatory practices in stakeholder consultation and engagement (including the right of indigenous peoples to free, prior and informed consent), any allegation that require intervention by the police/other law enforcement authorities, such as loss of life, sexual violence or child abuse, which (i) have, or are likely to have a material adverse effect; or (ii) have attracted or are likely to arouse substantial adverse attention of outside parties or (iii) to create substantial adverse media/press reports; or (iv) give, or are likely to give rise to material potential liabilities).

9. The Borrower shall ensure or cause the Executing Agency, Implementing Agency, contractors, sub-contractors and suppliers to ensure that the relevant processes set out in the SECAP 2021 Edition as well as in the ESCMPs and Management Plan(s) (if any) are respected.

10. Without limitation on its other reporting obligations under this Agreement, the Borrower shall provide the Fund with:

- Reports on the status of compliance with the standards, measures and requirements set forth in the SECAP 2021 Edition, ESCMPs and the management plan (if any) on a semi-annual basis - or such other frequency as may be agreed with the Fund;
- Reports of any social, environmental, health and safety incidents and/accidents occurring during the design stage, the implementation of the Project and propose remedial measures. The Borrower/Recipient will disclose relevant information from such reports to affected persons promptly upon submission of the said reports; and
- Reports of any breach of compliance with the standards, measures and requirements set forth in the SECAP 2021 Edition and the Management Plan(s) (if any) promptly after becoming aware of such a breach.

11. The Borrower shall fully cooperate with the Fund concerning supervision missions, midterm reviews, field visits, audits, and follow-up visits to be undertaken in accordance with the requirements of SECAP 2021 Edition and the Management Plan(s) (if any) as the Fund considers appropriate depending on the scale, nature and risks of the Project/Programme.

12. In the event of a contradiction/conflict between the Management Plan(s), if any and the Financing Agreement, the Financing Agreement shall prevail.

**GENERAL CONDITIONS FOR AGRICULTURAL DEVELOPMENT FINANCING**



## Logical framework

Results Hierarchy	Indicators				Means of Verification			Assumptions	
	Indicator Name	Baseline	Mid-term*	End target	Source	Freq.	Resp.		
<b>Outreach</b>	<b>CI 1 Persons receiving services promoted or supported by the project<sup>8</sup></b>								
	# total people	0	22,500	45,000	MIS	Monthly	PMU	Project implementation takes place as planned	
	<b>CI 1a. Corresponding number of households reached</b>								
	# households	0	22,500	45,000	MIS	Monthly	PMU		
	<b>CI 1b. Estimated corresponding total HH members</b>								
	# people	0	112,500	225,000	MIS	Monthly	PMU		
<b>Goal</b>	<b>Households reporting increased resilience</b>								
<i>Improved livelihood resilience for smallholder wool and mohair farmers in targeted areas</i>	% of households reporting increased climate resilience	0	40%	70%	Survey using resilience scorecard	Baseline and completion	PMU/outsourced	Improved macro-economic conditions, no external shocks, stable prices	
	% of households reporting increased economic resilience	0	40%	70%					
<b>Development Objective</b>	<b>Households reporting an increase in incomes from wool and mohair</b>								
<i>Inclusive and sustainable economic growth and private-led job creation from wool and mohair</i>	# households	0	13,500	30,000	Survey	Baseline, midline, completion	PMU/outsourced	Improved macro-economic conditions, no external shocks, stable prices	
	% of households	0	30%	67%					
	<b>Number of households with increased assets</b>								
	% of households	0	20%	45%	Survey	Baseline, midline, completion	PMU/outsourced	Participation in saving groups and subsidized access to cooking stoves promotes asset building	
	<b>SF 2.1 Households satisfied with project-supported services</b>								
	# of households	0	18,000	36,000	COI survey	Baseline, midline, completion	PMU/outsourced	Project implementation takes place as planned and project services in line with needs and preferences of target group	
	% of households	0	40%	80%					
	# of household members	0	90,000	180,000					
	<b>SF 2.2 Households reporting they can influence decision-making of local authorities and project-supported service providers</b>								
	# of households	0	18,000	36,000	COI surveys	Baseline, midline, end-line	PMU/outsourced	Local authorities support the move towards a more transparent and inclusive management of the wool and mohair value chain	
% of households	0	40%	80%						
# of household members	0	90,000	180,000						
<b>IE. 2.1 (Number) Percentage of individuals demonstrating an improvement in empowerment<sup>9</sup></b>									
# total persons	0	11,250	22,500	COI surveys	Baseline, midline, endline	PMU/outsourced	Associations of wool and mohair farmers are willing to accept new members and to give more voice to women and youth		
% total persons	0	25%	50%						

<sup>8</sup> Indicator is disaggregated by gender, age and people with disabilities.

<sup>9</sup> Indicator is disaggregated by gender and age.

<b>Outcome 1.1</b> <i>Inclusiveness and transparency of value chain governance have improved</i>	<b>CI 2.2.4: Number (Percentage) of supported rural producers' organization members reporting new or improved services provided by their organization<sup>10</sup></b>							
	# of members	0	15,000	30,000	COI surveys	Midline, end-line	PMU/Outsourced	The wool and mohair enterprise model functions well in the Lesotho context.
<b>Outcome 1.2</b> <i>Sustainable sector strategy adopted</i>	<b>Policy 3: Number of existing/new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment</b>							
	# of documents	0	1	2	Project records	Annually	PMU	Policy makers willing to adopt reforms in the wool and mohair sector
<b>Outcome 1.3</b> <i>New employment opportunities are promoted in wool and mohair input supply (veterinary services) and value addition (cottage industry)</i>	<b>CI 2.2.1 New jobs created<sup>11</sup></b>							
	# of people	0	200	400	EFI records on new jobs in cottage industry	Yearly	PMU	International markets offer opportunities for Lesotho cottage production.
<b>Output 1.1</b> <i>Wool and Mohair Enterprise established and operational</i>	<b>Number of assets sustainably entrusted to Wool and Mohair Enterprise</b>							
	# of assets	0	20	60	MIS	Once	PMU	Wool and Mohair Enterprise successfully set up by WAMPP project
<b>Output 1.2</b> <i>National systems (breeding, disease surveillance, testing, certification) enhanced to support the improvement of Lesotho clip quality</i>	<b>Number of users of studbook/surveillance app</b>							
	# of users of studbook	0	60	120	MOAFS records	Annual	PMU	Ministry of Agriculture takes the lead in designing and operating the system
	# of users of surveillance app	0	12,500	25,000				
<b>Output 1.3</b> <i>Farmers provided with access to culling &amp; exchange and to subsidized efficient cooking stoves</i>	<b>CI 3.1.3 Persons accessing technologies that sequester carbon or reduce greenhouse gas emissions<sup>12</sup></b>							
	# of total persons accessing technologies	0	8,500	16,600	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
<b>Output 1.4</b> <i>Productive alliances have been installed</i>	<b>CI 1.1.3: Rural producers accessing production inputs and/or technological packages<sup>13</sup></b>							
	Total rural producers	0	15,000	30,000	Wool and Mohair Fund Records	Annual	PMU	National providers of wool and mohair inputs and services are willing to collaborate with the project
	<b>CI 2.1.3: Rural producers' organizations supported<sup>14</sup></b>							
Total rural producers	0	60	120	Wool and Mohair Fund Records	Annual	PMU	National providers of wool and mohair inputs and services are willing to collaborate with the project	
<b>Output 1.5</b> <i>Cottage industries supported with equipment and marketing services</i>	<b>People in cottage industries supported with equipment and marketing services<sup>15</sup></b>							
	# of total persons	0	200	400	Ethical Fashion Initiative (EFI) records	Annual	PMU	Women, youth, and PwD continue showing interest for employment in cottage industries
<b>Outcome 2.1</b> <i>Smallholder production of wool and mohair has sustainably increased in quality and quantity</i>	<b>CI 1.2.4 Households reporting an increase in production</b>							
	# of households	0	13,500	27,000	COI survey	Baseline, midline, completion	PMU/outsourced	No external shocks, stable prices
	% of households	0	30%	60%				
	Total number of household members	0	67,500	135,000				
<b>Outcome 2.2</b>	<b>CI 3.2.2: Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices</b>							
	# household	0	19,000	38,000	COI survey		PMU/outsourced	

<sup>10</sup> Indicator is disaggregated by gender and age.

<sup>11</sup> Indicator is disaggregated by gender, age, and people with disabilities.

<sup>12</sup> Indicator is disaggregated by gender, age, and people with disabilities.

<sup>13</sup> Indicator is disaggregated by gender and age.

<sup>14</sup> Indicator is disaggregated by gender and age.

<sup>15</sup> Indicator is disaggregated by gender, age, and people with disabilities.

<i>Wool and mohair farmers have adopted environmentally sustainable rangeland-management practices</i>	% of households	0	42%	84%		Baseline, midline, completion		Certification induces farmers to adopt environmentally sustainable practices	
	# of household members	0	95,000	190,000					
	<b>CI 3.2.1: Number of tons of greenhouse gas emissions (CO2e) avoided and/or sequestered<sup>16</sup></b> (Nota bene: to be filled when carbon analysis is finalised)								
	Hectares of land - Area (ha)	0	?	?	GLEAM -I and EX -ACT. Tools by FAO				
<b>Output 2.1</b> <i>In-kind loans disbursed to farmers and saving groups established</i>	<b>CI 1.1.5: Persons in rural areas accessing financial services<sup>17</sup></b>								
	# total persons accessing loans	0	15,000	30,000	Wool and Mohair Fund records (for loans), and reports from Implementing partners (for savings)	Monthly	PMU	Continued demand for in-kind loans and continued interest in participation in savings groups	
	# of total persons accessing savings	0	5,000	10,000					
	# of persons accessing financial services	0	20,000	40,000					
	<b>CI 1.1.7 Persons in rural areas trained in financial literacy and/or use of financial products and services<sup>18</sup></b>								
# total persons	0	5,000	10,000	Wool and Mohair Fund records (for loans), and reports from Implementing partners (for savings)	Monthly	PMU	Continued demand for in-kind loans and continued interest in participation in savings groups		
<b>Output 2.2</b> <i>Digital platform established and operational</i>	<b>Number of value chain actors registered on the platform uploading data on the shared digital platform</b>								
	% of farmers	0	50%	80%	Digital Platform	Monthly	PMU	Value chain actors consider the digital platform useful	
	% of traders	0	50%	80%					
	% of input suppliers	0	50%	80%					
<b>Output 2.3</b> <i>Certification system established and operational</i>	<b>Percentage of Lesotho clip produced by beneficiaries meeting responsible standards</b>								
	% of clip	0	20%	60%	BKB records	Annually	PMU	Market prices continue providing incentives for responsible production	

<sup>16</sup> Indicator is further disaggregated by, tCO2e/ha, tCO2e/ 20 years, CO2e/ha/year.

<sup>17</sup> Indicator is disaggregated by gender and age.

<sup>18</sup> Indicator is disaggregated by gender and age.

## Integrated project risk matrix

<b>Risk Categories and Subcategories</b>	<b>Inherent</b>	<b>Residual</b>
<b>Country Context</b>	<b>Substantial</b>	<b>Moderate</b>
<b>Political Commitment</b>	<b>Substantial</b>	<b>Substantial</b>
<p>Risk(s): Lesotho held elections in October 2022 and a new three-party coalition is leading the government. The new administration is still trying to plan, organise and set-up delivery mechanisms. Several ministries have been reconfigured and the human capacity too, this process has produced some uncertainty in the short term that needs to be managed.</p>		
<p>Mitigations: At the macro level, the new government is broadly continuing with the same priorities as the previous government. 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. 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>Risk(s): 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 Afro Barometer 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. Several bills have been passed to parliament for their review.</p>		
<p>Mitigations: 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>Substantial</b>	<b>Moderate</b>

Risk(s): 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.		
Mitigations: 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. 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.		
<b>Fragility and security</b>	<b>Substantial</b>	<b>Moderate</b>
Risk(s): 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.		
Mitigations: The strong promotion of a Wool and Mohair Enterprise that underpins the wool and mohair value chain, is an attempt to create a robust pocket of stability within Lesotho's civil society landscape.		
<b>Sector Strategies and Policies</b>	<b>Moderate</b>	<b>Low</b>
<b>Policy alignment</b>	<b>Moderate</b>	<b>Low</b>
Risk(s): 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.		
Mitigations: 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 Wool and Mohair Enterprise will also be a player that drives policy development and can engage with the government on substantive issues.		
<b>Policy development &amp; implementation</b>	<b>Moderate</b>	<b>Low</b>
Risk(s): 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.		
Mitigations: 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.		
<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>
Risk(s): 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.		
Mitigations: 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.		
<b>Project vulnerability to climate change impacts</b>	<b>Substantial</b>	<b>Moderate</b>
Risk(s): 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.		
Mitigations: 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.		
<b>Project Scope</b>	<b>Moderate</b>	<b>Low</b>
<b>Project relevance</b>	<b>Moderate</b>	<b>Low</b>
Risk(s): 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.		
Mitigations: 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 Wool and Mohair		

Enterprise , this should further contribute to an evolving “relevance” of the project, especially as the Wool and Mohair Enterprise will lead implementation of key activities.		
<b>Technical soundness</b>	<b>Low</b>	<b>Low</b>
Risk(s): WaMCoP will naturally build on the key lessons accumulated through the existing Wool and Mohair Promotion Project. However, The Wool and Mohair Enterprise and its key role in driving the project is a risk to be acknowledged. And naturally, a Wool and Mohair Enterprise that has a weak operational thrust in implementing selected activities, could undermine the effectiveness of the project.		
Mitigations: The Wool and Mohair Enterprise ( 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.		
<b>Institutional Capacity for Implementation &amp; Sustainability</b>	<b>Moderate</b>	<b>Low</b>
<b>Implementation arrangements</b>	<b>Moderate</b>	<b>Low</b>
Risk(s): 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. A risk related to the Wool and Mohair Fund-Wool and Mohair Enterprise set-up is the delay in its establishment. There is also a risk that there could be a delay in establishing the input supply-pre financing system through the revolving fund		
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: <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> With respect to the Wool and Mohair Fund-Wool and Mohair Enterprise delays, the following measures will be introduced: <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 Wool and Mohair Fund-Wool and Mohair Enterprise 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 Wool and Mohair Fund-</li> </ul>		

<p>Wool and Mohair Enterprise set-up a key outcome of the project.</p> <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>M&amp;E arrangements</b>	<b>Moderate</b>	<b>Low</b>
<p>Risk(s): 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>		
<p>Mitigations: 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>Procurement</b>	<b>Substantial</b>	<b>Moderate</b>
<b>Legal and regulatory framework</b>	<b>High</b>	<b>Moderate</b>
<p>Risk(s): 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>Mitigations: 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</p>		



<p>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>		
<b>Accountability and transparency</b>	<b>Substantial</b>	<b>Moderate</b>
<p>Risk(s): 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>Mitigations: 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>		
<b>Capability in public procurement</b>	<b>Moderate</b>	<b>Low</b>

<p>Risk(s): 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>Mitigations: 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>Risk(s): 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., the LNWMGA). This may constitute a risk for WaMCoP as well, considering that the identified implementing partners will carry out procurement process directly.</p>		
<p>Mitigations: 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</p>		

<p>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>Financial Management</b></p>	<p><b>Substantial</b></p>	<p><b>Moderate</b></p>
<p><b>Organization and staffing</b></p>	<p><b>High</b></p>	<p><b>Moderate</b></p>
<p>Risk(s): 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 Wool and Mohair Fund and Wool and Mohair Enterprise 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>		
<p>Mitigations: One Finance Manager and one Accountant will be competitively hired at the PCU level. Additionally, one Accountant will be competitively recruited for the Wool and Mohair 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>		
<p><b>Budgeting</b></p>	<p><b>Moderate</b></p>	<p><b>Low</b></p>

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		
Mitigations: 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.		
<b>Funds flow/disbursement arrangements</b>	<b>High</b>	<b>Moderate</b>
Risk(s): Risk in timely flow of resources to the Wool and Mohair Fund/Enterprise 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.		
Mitigations: 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.		
<b>Internal controls</b>	<b>Substantial</b>	<b>Moderate</b>
Risk(s): 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.		
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 Wool and Mohair Fund and Wool and Mohair Enterprise 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 Wool and Mohair Fund and Wool and Mohair Enterprise . 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&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.		
<b>Accounting and financial reporting</b>	<b>High</b>	<b>Moderate</b>
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. Need to accurately record and account for in-kind contributions		
Mitigations: 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).		
<b>External audit</b>	<b>Moderate</b>	<b>Low</b>
Risk(s): Delayed /inadequate external scrutiny of WaMCoP-P. Also, WaMCoP-P will work with private sector implementing agencies with fiduciary responsibilities (Wool and Mohair Fund/ Enterprise and Ethical Fashion) which will manage some key aspects of the project. According to the Office Auditor General, Wool and Mohair Fund and Companies with less than 50% Government shareholding are not subject to OAG audit.		
Mitigations: Early engagement of OAG for exploring availability/capacity to include WaMCoP into yearly OAG work plan. Wool and Mohair Fund Company and Ethical Fashion to be audited by a private audit firm but supervised by the OAG.		
<b>Environment, Social and Climate Impact</b>	<b>Moderate</b>	<b>Low</b>
<b>Biodiversity conservation</b>	<b>Moderate</b>	<b>low</b>
Risk(s): 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.		
Mitigations: 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.		
<b>Resource efficiency and pollution prevention</b>	<b>Moderate</b>	<b>Low</b>
Risk(s): 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.		
Mitigations: 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.		
<b>Cultural heritage</b>	<b>Low</b>	<b>Low</b>

Risk(s): Natural features, antics and relics may be destroyed in the project area e.g., during excavations for foundations for agriculture infrastructure.		
Mitigations: (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.		
<b>Indigenous Peoples</b>	<b>Low</b>	<b>Low</b>
Risk(s): Lesotho consists almost entirely of the Basotho people (99.7%) and the other subgroups are poorly defined and essentially part of the Basotho people.		
Mitigations: All people (Basotho) to be treated equally regardless of possible different ethnic origin.		
<b>Community health and safety</b>	<b>Low</b>	<b>Low</b>
Risk(s): 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.		
Mitigations: To mitigate the risks the following approaches will be adopted: <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>		
<b>Labour and working conditions</b>	<b>Moderate</b>	<b>Low</b>
Risk(s): Poor working conditions at sheep sheds.		
Mitigations: <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>		
<b>Physical and economic resettlement</b>	<b>Low</b>	<b>Low</b>
Risk(s): No physical resettlement is envisaged. However economic resettlement may occur if: <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</li> </ul>		

in deprivation of members of the community from accessing some resources.		
Mitigations: Enforce the implementation of the Resettlement Plan Framework. Avoid any subprojects that will entail any physical displacement of people. Minimise any potential economic displacements.		
<b>Greenhouse gas emissions</b>	<b>Low</b>	<b>Low</b>
Risk(s): Emissions may emanate from accumulations of Sheep and Goats dung ( <b>nitrous oxide</b> ) if not properly managed especially at sheep and goats studs.		
Mitigations: 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.		
<b>Vulnerability of target populations and ecosystems to climate variability and hazards</b>	<b>Substantial</b>	<b>Moderate</b>
Risk(s): 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. There is also the risk of accelerating land degradation and the total loss of topsoil on sloping rangelands.		
Mitigations: CSA investments will reduce the vulnerability to climate variability. The CSA investments that will reduce the risks include the following: <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> To manage the risk of further land degradation, WaMCoP will partner with ROLL to: <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>		
<b>Stakeholders</b>	<b>Moderate</b>	<b>Low</b>
<b>Stakeholder engagement/coordination</b>	<b>Low</b>	<b>Low</b>

<p>Risk(s): 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>		
<p>Mitigations:</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>		
<b>Stakeholder grievances</b>	<b>Moderate</b>	<b>Low</b>
<p>Risk(s): Grievance redress mechanism not availed to project stakeholders. And channels for lodging complaints not clarified to stakeholders</p>		
<p>Mitigations: 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>		