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**IFAD**

**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT**

**Executive Board – Eighty-Third Session**

Rome, 1-2 December 2004

**REPORT AND RECOMMENDATION OF THE PRESIDENT**

TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO

**THE KINGDOM OF LESOTHO**

FOR THE

**SUSTAINABLE AGRICULTURE AND NATURAL RESOURCE MANAGEMENT  
PROGRAMME**



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**CURRENCY EQUIVALENTS**

Currency unit	=	Loti (Maloti) (LSL)
USD 1.00	=	LSL 6.15
LSL 1.00	=	USD 0.16

**WEIGHTS AND MEASURES**

1 kilogram (kg)	=	2.204 pounds (lb)
1 000 kg	=	1 metric tonne (t)
1 kilometre (km)	=	0.62 miles (mi)
1 metre (m)	=	1.09 yards (yd)
1 square metre (m <sup>2</sup> )	=	10.76 square feet (ft <sup>2</sup> )
1 acre (ac)	=	0.405 hectare (ha)
1 ha	=	2.47 ac

**ABBREVIATIONS AND ACRONYMS**

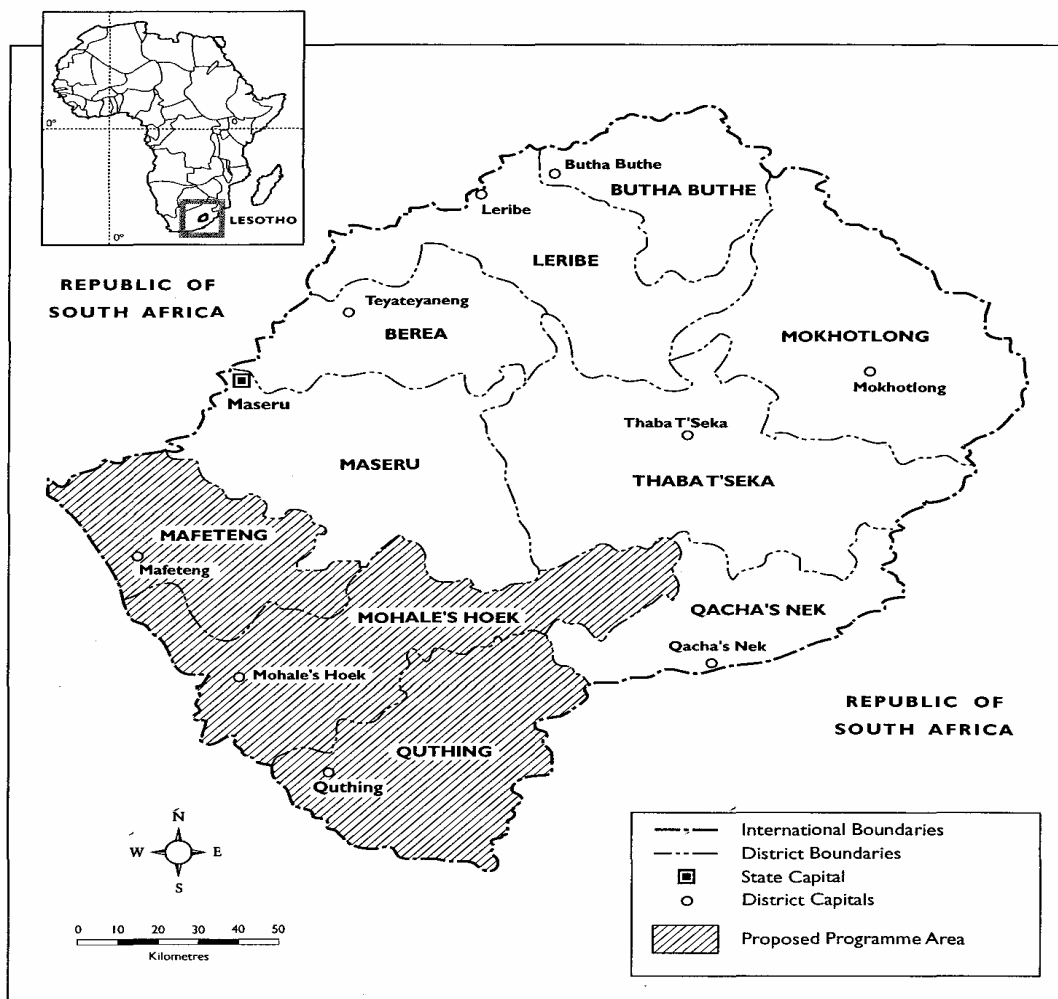
ARC	Area Resource Centre
AWP/B	Annual Work Programme and Budget
CAP	Community Action Plan
CBO	Community-Based Organization
MAFS	Ministry of Agriculture and Food Security
MFLR	Ministry of Forestry and Land Reclamation
MFS	Machobane Farming System
NGO	Non-Governmental Organization
PCP	Participatory Community Planning
PRSP	Poverty Reduction Strategy Paper
RSA	Republic of South Africa
UNOPS	United Nations Office for Project Services

**GOVERNMENT OF THE KINGDOM OF LESOTHO****Fiscal Year**

1 April – 31 March

MAP OF THE PROGRAMME AREA

KINGDOM OF LESOTHO  
SUSTAINABLE AGRICULTURE AND NATURAL RESOURCE MANAGEMENT PROGRAMME (SANReMP)



Source: IFAD

*The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.*

**THE KINGDOM OF LESOTHO**

**SUSTAINABLE AGRICULTURE AND NATURAL RESOURCE MANAGEMENT PROGRAMME**

**LOAN SUMMARY**

<b>INITIATING INSTITUTION:</b>	IFAD
<b>BORROWER:</b>	The Kingdom of Lesotho
<b>EXECUTING AGENCY:</b>	Ministry of Agriculture and Food Security and the Ministry of Forestry and Land Reclamation
<b>TOTAL PROGRAMME COST:</b>	USD 12.0 million
<b>AMOUNT OF IFAD LOAN:</b>	SDR 6.8 million (equivalent to approximately USD 10.1 million)
<b>TERMS OF IFAD LOAN:</b>	40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum
<b>CONTRIBUTION OF BORROWER:</b>	USD 1.7 million
<b>CONTRIBUTION OF BENEFICIARIES:</b>	USD 200 000
<b>APPRAISING INSTITUTION:</b>	IFAD
<b>COOPERATING INSTITUTION:</b>	United Nations Office for Project Services (UNOPS)

## PROGRAMME BRIEF

**Who are the beneficiaries?** The beneficiaries of the programme are rural households, in the southern districts of Mafeteng, Mohale's Hoek and Quthing, that are classified as either landless (without regular wage employment), below subsistence, subsistence or small-scale farmers owning less than 2 hectares of land each on average. Nearly 30% of the beneficiaries are *de jure* woman-headed households, and approximately 60% of beneficiary households cannot produce enough food to meet their requirements throughout the year.

**Why are they poor?** Poverty in the programme area can be attributed to past government policies contributing to the decline in agricultural production and productivity, severe land degradation, retrenchment of Basotho migrant mine workers from the Republic of South Africa, lack of public investment in agriculture over the past decade, the limited natural resource base, drought, weak agricultural support services, rampant stock theft, lack of basic social infrastructure, the impact of HIV/AIDS, and lack of alternative off-farm employment opportunities.

**What will the programme do for them?** The programme will support investments geared to increase agricultural production and productivity through: adoption of improved and ecologically sound production technologies; crop diversification and intensification; effective delivery of core support services, responsive to the needs and priorities of beneficiary households; reduced stock theft; and improved animal health, husbandry, nutrition and marketing. The programme's gender-sensitive, participatory community planning sub-component has been designed to harness the potential for improved land and water use and management in support of sustainable agricultural development. Overall, planned programme investments will increase household incomes to near or above the national poverty line.

**How will the beneficiaries participate in the programme?** First, a socio-economic and production-systems study led by the Food and Agriculture Organization of the United Nations has enhanced the responsiveness of planned programme activities to the needs and priorities of beneficiary households. Second, the programme will deepen the participatory community planning process as an integral part of the government budget cycle, with a view to ensuring that implementation of programme activities accurately reflects the community action plans prepared by beneficiary households. Through the participatory community planning process, the programme will sensitize, motivate and empower beneficiaries in setting the agenda for their own development. Third, beneficiaries will contribute labour and materials towards conservation works and social infrastructure, in addition to being responsible for the registration and branding of their livestock, essential to successful reduction of stock theft. Fourth, beneficiaries will collaborate with field extension and research staff in jointly carrying out on-farm demonstrations and action research.



**REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD  
TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO  
THE KINGDOM OF LESOTHO  
FOR THE  
SUSTAINABLE AGRICULTURE AND NATURAL RESOURCE MANAGEMENT  
PROGRAMME**

I submit the following Report and Recommendation on a proposed loan to the Kingdom of Lesotho for SDR 6.8 million (equivalent to approximately USD 10.1 million) on highly concessional terms to help finance the Sustainable Agriculture and Natural Resource Management Programme. The loan will have a term of 40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum. It will be administered by the United Nations Office for Project Services (UNOPS) as IFAD's cooperating institution.

**PART I – THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY<sup>1</sup>**

**A. The Economy and Agricultural Sector**

1. The Kingdom of Lesotho is a landlocked, mountainous country completely surrounded by the Republic of South Africa (RSA). Only about 25% of the country's landmass has agricultural potential and most of it is severely degraded. About 82% of the total population of 2.1 million lives in rural areas. The annual population growth rate is estimated at approximately 2.4%. However, the impact of the HIV/AIDS pandemic is likely to reduce life expectancy at birth from around 66 to 45 years by 2010.

2. Lesotho is a member of the Southern African Customs Union, which accounts for about 50% of fiscal revenue. Its currency, the loti (or maloti), is interchangeable at par with the RSA rand. Over the past decade, Lesotho's economic performance has improved dramatically, following structural adjustment support from development partners aimed at improving the efficiency of the public sector, promoting investment opportunities for the private sector, and diversifying the fiscal revenue base. Between 1991 and 1997, gross domestic product (GDP) grew by 8% per year, on average, in real terms. The high GDP growth rate was fuelled by construction of the Katse dam at an estimated cost of USD 2.5 billion. However, GDP declined by 5% in 1998 as a result of political unrest, before recovering marginally to a modest growth of 0.2% in 1999. The service, manufacturing and agricultural sectors account for 42%, 40% and 18% of GDP, respectively. Crop and livestock production account for 70% and 30% of agricultural GDP, respectively. The manufacturing sector has continued to perform well, buoyed by garment exports under the African Growth and Opportunity Act. Notwithstanding the recent appreciation of the rand against reserve currencies, Lesotho's balance of payments position remains robust. The Government of Lesotho is committed to fiscal discipline, with the inflation rate for 2003 estimated at 7%. Led by the manufacturing sector, the economy is projected to grow in real terms by about 4% per annum through 2007.

3. Lesotho ranked 145 out of 177 countries in the 2004 Human Development Index. However, most of its socio-economic indicators compare favourably with the average for sub-Saharan Africa. The introduction of universal, free primary education in 2000 raised the primary school enrolment ratio to 85% in 2002. The adult literacy rate of about 82% is characterized by significantly higher rates for women (90%) than for men (73%). While 80% of the population has access to clean water

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<sup>1</sup> See Appendix I for additional information.

and primary health services, life expectancy at birth continues to decline, primarily as a result of the HIV/AIDS pandemic. Its prevalence rate among the 15-49 age group is estimated at 31%, making it the fourth highest in the world. The Government recognizes the pandemic's potentially adverse impact on economic and human development and has made HIV/AIDS a cross-cutting issue to be addressed in all sectoral programmes, with a view to reducing the prevalence rate to 25% by 2007.

4. Approximately 58% of the population lives below the national poverty line – defined as the level of expenditure on food necessary to meet the daily requirement of 2 200 kilocalories. The high incidence and severity of poverty have been exacerbated by retrenchment of migrant mine workers from the RSA, the lack of investment in agriculture, and the highly inequitable income-distribution pattern evident from a Gini coefficient of 0.66. Poverty in rural Lesotho can also be attributed to increased landlessness; severe land degradation; poor production technologies; rampant stock theft; poor animal health, husbandry and nutrition; ineffective agricultural extension and research support services; and culturally embedded land-tenure practices that continue to inhibit sustainable natural resource use and management.

### **B. Lessons Learned from Previous IFAD Experience**

5. During the past two decades, IFAD has supported five development projects in Lesotho through loans on highly concessionary terms and grants amounting to USD 31 million in the aggregate. Their overall objective has been to improve household food security, family nutrition and incomes by: (i) increasing the productivity of smallholder agriculture; (ii) developing farmer-owned and -managed microscale irrigation schemes; and (iii) promoting income-generating activities. These investments have demonstrated that rural households can achieve food security concurrent with improved natural resource management. They have also shown that there is scope for agricultural diversification and intensification within the limitations of Lesotho's natural resource base. The difficulties encountered in promoting rural savings and credit groups under the Rural Finance and Enterprise Support Project have challenged the notion that the private banking sector can be relied on to deliver financial services to poor rural households without clearly defined risk-sharing arrangements. Additionally, the ongoing Sustainable Agricultural Development Programme for the Mountain Areas has provided a useful platform for piloting and institutionalizing the participatory community-action planning process as an integral part of the annual budget cycle. It has also provided opportunities for increased partnerships with non-governmental organizations (NGOs).

6. Overall, the lessons learned strongly suggest that constraints on smallholder agriculture in Lesotho mean placing a premium on exploitation of low-risk and high-yielding farming systems. Second, sustainability of project investments is directly correlated to the level and scope of beneficiary participation. Third, access by beneficiaries to complementary social infrastructure is critical to a sustained increase in agricultural production and productivity. Fourth, implementation of development programmes through existing public institutions is more cost-effective and essential to continuity and sustainability. Lastly, experience shows that partnerships with NGOs and the private sector are useful in reinforcing government capacity, particularly in closing evident institutional capacity gaps at local levels.

### **C. IFAD's Strategy for Collaboration with Lesotho**

#### **Lesotho's Policy for Poverty Eradication**

7. Lesotho's poverty reduction strategy paper (PRSP) identifies eight priority areas and two critical cross-cutting issues: employment creation; improved agricultural production and food security; good governance; infrastructure development; increased access to health-care facilities; human resource development; sustainable natural resource use and management; and improved service delivery, particularly in the public sector. The two cross-cutting issues recognize the dramatic challenges posed by HIV/AIDS and the importance of streamlining and integrating gender into

development strategies, policies and investment programmes. The Government has also prepared an agricultural sector strategy to broaden the productive base of the rural economy through agricultural diversification and intensification, including support for horticulture, microscale irrigation, intensified livestock production, and the promotion of private enterprise in production and processing. The main thrust of this strategy is to shift emphasis from monocropping to high-value export commodities consistent with Lesotho's limited comparative advantage. Additionally, agricultural support services are being decentralized and reoriented in order to better respond to the needs and priorities of smallholder farmers.

8. The government has already rationalized and harmonized the diverse extension methodologies through implementation of a unified extension system based on the multi-disciplinary, participatory approach. The agenda for agricultural research, which has yet to be formulated, is expected to focus more on action research and practical measures to strengthen its linkages with extension services and farmers as end users. These strategies will be underpinned by upgrading of essential facilities at the field level, particularly in remote locations, coupled with increased partnerships with NGOs in an effort to close evident institutional capacity gaps.

### **Poverty Eradication Activities of Other Major Donors**

9. Major donor activities include the Department for International Development (United Kingdom) (DFID)-financed Livelihoods Recovery through Agriculture Programme, which targets vulnerable rural households in the southern districts affected by HIV/AIDS and seeks to improve food security through increased agricultural production. The International Development Association (IDA)-led Agricultural Policy and Capacity Building Project, which closed in December 2003, has spearheaded ongoing institutional and policy reforms to, inter alia, streamline and rationalize the capital and recurrent budgets of the Ministry of Agriculture and Food Security (MAFS), strengthen capacity for analysis and formulation of public strategies and policies, and improve delivery of core support services in the agricultural sector. Other important donor initiatives include support by IDA and the United Nations Development Programme (UNDP) in the fight against HIV/AIDS; Irish Aid support for complementary social infrastructure; German Agency for Technical Cooperation (GTZ) support for the decentralization process, and European Union assistance for stock theft control.

### **IFAD's Strategy in Lesotho**

10. The IFAD country strategy is consistent with Lesotho's PRSP. It calls for investment programmes with the greatest potential impact on improved household food security, family nutrition and incomes, particularly among rural households that are *de jure* headed by women. The strategy emphasizes the need for a participatory process in programming and implementation, and the need to redress and reverse the continued decline in agricultural production and productivity as a result of land degradation. It underscores the importance, therefore, of sustainable natural resource use and management as an important prerequisite to the sustained increase in agricultural production and productivity. It recognizes the need for local capacity-building in support of the decentralization process and seeks to promote partnerships with NGOs. The strategy also calls for a more holistic response to the needs and priorities of poor rural households through support for complementary social infrastructure.

### **Programme Rationale**

11. Historically, the level of public investment in agriculture has been comparatively low, due in part to the sector's limited potential contribution (15-18%) to GDP. The sector is, nonetheless, the main source of livelihood for nearly 55% of the country's population. Both the PRSP and agricultural sector strategy place appropriate emphasis on investments in agriculture that are underpinned by a participatory planning process as the most suitable approach to sustainable rural-poverty reduction. Compared with other parts of the country, rural households in the programme area are poorer and

more vulnerable to drought as a result of severe land degradation. They depend on rain-fed agriculture, and around 60% are currently in need of food relief. Population pressure and the continued loss of arable land mean that most households can no longer meet their food-security needs from farming. The Sustainable Agriculture and Natural Resource Management Programme (SANReMP) provides the Government with a useful tool to implement the PRSP and agricultural sector strategy in a manner that complements other public-sector investments.

## PART II – THE PROGRAMME

### A. Programme Area and Target Group

12. The programme area represents three of Lesotho's ten administrative districts, namely Mafeteng, Mohale's Hoek and Quthing. The three districts, which account for about 30% of the total population, suffer the most degradation. The target group consists of 88% of the population in the programme area, classified as either landless, below subsistence, subsistence or small-scale farmers operating on less than 2 hectares (ha) of land on average. The selection criteria for participating village communities, particularly with regard to land- and water-conservation activities, will include: the proportion of *de jure* woman-headed households; remoteness from access roads; lack of access to complementary social infrastructure; extent of land degradation; the size of land holdings; livestock numbers per household; the lack of inhibiting social conflicts; and the commitment and willingness of beneficiary households to formulate and implement sound land-use plans.

### B. Objectives and Scope

13. The overall goal of SANReMP is to improve food security, family nutrition and incomes for rural households in the programme area. Its specific objective is to secure a sustained increase in agricultural production and productivity through investment to: (i) promote the effective delivery of core support services responsive to the needs and priorities of poor rural households; (ii) promote agricultural diversification and intensification with due attention to sustainable natural resource use and management; (iii) strengthen institutional capacity of the decentralized district administrations as the focal points for programming, implementation, monitoring and evaluation; and (iv) empower local communities through the participatory community-action planning process.

### C. Components

14. The programme comprises three components, namely: (i) agricultural diversification and intensification; (ii) land and water management; and (iii) local capacity-building.

#### Agricultural Diversification and Intensification

15. **Improved crop production.** The major constraints to increased crop production and productivity relate to inadequate husbandry, exacerbated by the unavailability of household labour and limited access to draught-animal power and farm implements. The dominant traditional rain-fed farming system is a low input/low output high-risk venture. Through training of field-level staff and farming households, SANReMP will promote the adoption of ecologically sound crop-husbandry practices under the traditional rain-fed farming system and the indigenous Machobane farming system (MFS). The programme will also promote investments in low cost, microscale, gravity-fed irrigation systems, including the adoption of rain-harvesting techniques for use by landless households engaged in homestead gardens. Additionally, SANReMP will promote the development of local seed-multiplication capacity, and adoption of improved post-harvest processing and storage technologies, and will train artisans in making improved harness for draught-animal power. No research is currently being undertaken, and the capacity of the research centre at Siloe in Mohale's Hoek is quite inadequate. There is no coherent strategy for undertaking agricultural research that is responsive to the needs and priorities of rural households. In line with the decentralization process, the programme will

support the upgrading of facilities at the Siloe agricultural research substation and assist the Department of Research in firming up a strategy for agricultural research in Lesotho.

16. **Improved livestock production.** The succulent alpine pastures and accessible surface-water supplies in the rangelands, as well as excellent growing conditions for temperate grasses and legumes, provide opportunities for the programme to support small-ruminant development – mainly sheep and goats. Small stock is the most important: domestic animals kept primarily for the production of wool and mohair. They provide small-scale and subsistence farmers with their only source of cash income. Overall, however, productivity is comparatively low, due to poor and indifferent animal husbandry practices, poor animal health and nutrition, and the inferior quality of wool and mohair clip. The programme will address these constraints by ensuring the effective delivery of core support services, including the upgrading of existing and planned area resource centres (ARCs) and subcentres (ARS-Cs) in the three districts. Support will also be provided for herd upgrading to improve stock quality in collaboration with grazing associations, and wool and mohair growers' associations/groups. Their members will be trained at the Moyeni sheep stud farm and Quthing farmers training centre.

17. Currently, there is a lack of field-level epidemiological capability and effective disease surveillance and diagnosis. Facilities at the only district veterinary clinic at Mohale's Hoek are clearly inadequate. Access to veterinary drugs is limited. The programme will provide a minimal level of field veterinary support, including establishment of three district veterinary clinics with links to herders, ARS-Cs and ARCs. These investments will provide the basis for a national disease surveillance network through which the provision of vaccination and prophylactic services can be planned and executed. Revolving drug funds will also be established at district and field levels to enhance access to essential drugs by farmers through ARS-Cs, woolsheds and dip-yards. Most dipping facilities are poorly located strategically and badly designed, leading to environmental pollution, stress to stock and increased health risks for local populations. The programme will support construction of plunge-dip yards using improved designs that meet environmentally acceptable standards.

18. In order to improve the quality of animal fibre for export, and thereby increase returns to smallholder farmers for wool and mohair, the programme will support upgrading of woolsheds to permit more efficient shearing, combined with intensive skills training for classifiers and shearers. It will also introduce improved rams of suitable quality to replace "cast for age" sires at the Moyeni sheep stud farm. Equally important, the programme will support the renovation and upgrading of district abattoirs, which currently pose a public health risk. Farmers are losing significant numbers of draught animals, breeding herds, small stock and cattle (as well as wool and mohair) to the ever-growing problem of stock theft. The loss of valuable, trained draught oxen is catastrophic for the small-scale farmer in meeting timely operations during the cropping calendar. To reduce stock theft, the programme will support ownership identification of livestock in the three districts, underpinned by close monitoring of animal movements.

### **Improved Land and Water Management**

19. The main thrust of this component is to promote participatory identification, design and implementation of communally accepted and ecologically sound measures to improve natural resource use and management. The programme will support a benchmark survey to firm up the degree of land degradation and the socio-economic profiles of beneficiary households, including the status of food insecurity and child malnutrition. The programme will also support development of land-degradation monitoring and will upgrade the technical skills of land and water management staff.

20. **Soil and water conservation.** During the participatory community planning (PCP) process, communities will be sensitized and trained to formulate land-use maps and community action plans (CAPs) to be implemented as part of the annual work programme and budget (AWP/B). Soil-conservation works will include biological and physical soil-conservation measures. The southern

districts are prone to drought. Through demonstrations, the programme will promote the construction of small earth dams to retain runoff for small-scale irrigation and livestock, header tanks to provide microscale irrigation for homestead gardens and rain storage tanks utilizing roof catchments. Demonstrations for on-farm water-harvesting and moisture-retention techniques will include cultural methods to improve infiltration of rainwater and reduce runoff on cropped land. In the rangelands, the programme will support training for members of grazing associations in rangeland and pasture management and rehabilitation of degraded areas, and will promote legislation on land tenure and grazing rights for range management areas and village grazing areas.

### **Social Infrastructure**

#### **Local Capacity-Building**

21. One of the main challenges to successful staff redeployment to districts, ARCs and ARS-Cs is the lack of basic office and housing facilities. The current staffing levels in the three districts vary from 30-80% of established posts. The programme will upgrade the facilities and basic infrastructure needed to attract and retain qualified staff in remote locations. Limited support will also be provided to improve staff mobility, particularly at ARCs, ARS-Cs and farmers' training centres. It will also promote and institutionalize the PCP process as an integral part of the annual budget cycle. The process will commence with the appointment of local service providers (reputable NGOs) to develop training modules and to sensitize and upgrade skills of field-level staff in participatory methods. At communal or village levels, a multidisciplinary team will sensitize communities in participatory situation analysis, identification and prioritization of needs, analysis of key problems and possible solutions, and development of CAPs.

22. The PCP process will also provide a forum for awareness building about HIV/AIDS in a manner complementary to initiatives being supported by other development partners. Communities will also be educated about the potential contribution that planned investments can make in helping rural households cope with the socio-economic effects of the pandemic.

23. In order to ensure that the programme funds are accounted for in a timely manner, the programme will upgrade the financial accounting and information systems and will improve staff skills through training and the appointment of a qualified programme accountant, assisted by district programme accountants.

### **D. Costs and Financing**

24. Total programme costs amount to LSL 78.1 million or USD 12.0 million, including price and physical contingencies. In line with government policy, no duties or taxes are levied on donor-funded development projects. Table 1 presents a summary of programme costs by component.

**TABLE 1: SUMMARY OF PROGRAMME COSTS<sup>a</sup>**  
(USD '000)

Components	Local	Foreign	Total	% of Foreign Exchange	% of Total Base Costs
<b>A. Agricultural Diversification and Intensification</b>					
1. Agricultural research	779.9	109.0	888.9	12	8
2. Improved crop production	300.8	265.1	565.9	47	5
3. Improved livestock production	298.8	497.7	796.5	62	7
<b>Subtotal</b>	<b>1 379.5</b>	<b>871.8</b>	<b>2 251.3</b>	<b>39</b>	<b>21</b>
<b>B. Land and Water Management</b>					
1. Land and water conservation	224.4	337.2	561.6	60	5
2. Range management	192.1	247.6	439.7	56	4
<b>Subtotal</b>	<b>416.5</b>	<b>584.8</b>	<b>1 001.3</b>	<b>58</b>	<b>9</b>
<b>C. Local Capacity-Building</b>					
1. Participatory community planning	280.9	280.9	561.7	50	5
2. Extension	1 297.3	1 704.2	3 001.5	57	28
3. Livestock services	317.5	649.5	967.0	67	9
4. District agricultural offices	691.0	600.1	1 291.2	46	12
5. Programme coordination	1 372.9	135.5	1 508.4	9	14
6. District sub-accountancies strengthening	102.1	99.5	201.5	49	2
<b>Subtotal</b>	<b>4 061.6</b>	<b>3 469.6</b>	<b>7 531.2</b>	<b>46</b>	<b>70</b>
<b>Total baseline costs</b>	<b>5 857.6</b>	<b>4 926.3</b>	<b>10 783.9</b>	<b>46</b>	<b>100</b>
Physical contingencies	281.0	293.3	574.2	51	5
Price contingencies	409.3	247.3	665.6	38	6
<b>Total programme costs</b>	<b>6 547.9</b>	<b>5 466.9</b>	<b>12 014.7</b>	<b>46</b>	<b>111</b>

<sup>a</sup> Discrepancies in totals are due to rounding.

25. The programme will be financed by an IFAD loan of USD 10.1 million, accounting for about 84.3% of the total costs. The government contribution amounting to USD 1.7 million or 14% will go towards recurrent costs, including staff salaries and allowances. Beneficiary households will contribute about USD 200 000 or 1.7% in labour and locally available materials, mainly for conservation works. Table 2 presents a summary of the programme financing plan by component.

**TABLE 2: FINANCING PLAN<sup>a</sup>**  
(USD '000)

Components	IFAD		Government		Beneficiaries		Total		Foreign Exchange	Local (Excl. Taxes)	Duties and Taxes
	Amount	%	Amount	%	Amount	%	Amount	%			
<b>A. Agricultural Diversification and Intensification</b>											
1. Agricultural research	974.3	96.7	33.5	3.3	-	-	1 007.8	8.4	119.1	888.7	-
2. Improved crop production	555.5	86.2	89.0	13.8	-	-	644.5	5.4	300.3	344.2	-
3. Improved livestock production	795.0	90.9	79.3	9.1	-	-	874.3	7.3	543.6	330.7	-
<b>Subtotal</b>	<b>2 324.8</b>	<b>92.0</b>	<b>201.7</b>	<b>8.0</b>	-	-	<b>2 526.6</b>	<b>21.0</b>	<b>963.0</b>	<b>1 563.6</b>	-
<b>B. Land and Water Management</b>											
1. Land and water conservation	528.8	80.0	0.0	-	132.0	20.0	660.7	5.5	396.7	264.1	-
2. Range management	425.9	84.9	9.1	1.8	66.4	13.2	501.4	4.2	281.7	219.7	-
<b>Subtotal</b>	<b>954.6</b>	<b>82.1</b>	<b>9.1</b>	<b>0.8</b>	<b>198.4</b>	<b>17.1</b>	<b>1 162.2</b>	<b>9.7</b>	<b>678.4</b>	<b>483.8</b>	-
<b>C. Local Capacity-Building</b>											
1. Participatory community planning	632.5	100.0	0.0	-	-	-	632.5	5.3	316.2	316.2	-
2. Extension	2 951.6	89.0	363.9	11.0	-	-	3 315.5	27.6	1 881.4	1 434.1	-
3. Livestock services	912.2	85.5	155.2	14.5	-	-	1 067.4	8.9	715.0	352.4	-
4. District agricultural offices	606.8	42.9	806.9	57.1	-	-	1 413.7	11.8	657.8	755.9	-
5. Programme coordination	1 547.0	92.3	129.9	7.7	-	-	1 676.9	14.0	147.8	1 529.1	-
6. District sub-accountancies strengthening	200.0	90.9	20.1	9.1	-	-	220.0	1.8	107.2	112.8	-
<b>Subtotal</b>	<b>6 850.0</b>	<b>82.3</b>	<b>1 476.0</b>	<b>17.7</b>	-	-	<b>8 326.0</b>	<b>69.3</b>	<b>3 825.5</b>	<b>4 500.5</b>	-
<b>Total programme costs</b>	<b>10 129.4</b>	<b>84.3</b>	<b>1 686.9</b>	<b>14.0</b>	<b>198.4</b>	<b>1.7</b>	<b>12 014.7</b>	<b>100.0</b>	<b>5 466.9</b>	<b>6 547.9</b>	-

<sup>a</sup> Discrepancies in totals are due to rounding.



### **E. Procurement, Disbursement, Accounts and Audit**

26. **Procurement.** Goods and services required for the programme will be procured in accordance with government financial regulations and IFAD procurement guidelines. Based on the approved annual procurement plan, vehicles, motorcycles and equipment will be bulked into sizeable bid packages to enhance competitiveness and thereby good value. Individual contracts estimated to cost USD 100 000 equivalent or more will be awarded following international competitive bidding procedures. Any contract estimated to cost less than this amount, and contracts for civil works, will be awarded following the national competitive bidding procedures of the Government. Minor civil works in remote locations may, however, be carried out through force account. In addition, the procurement of pedigree sires will be carried out following international shopping procedures. The training of field-level staff will be outsourced to reputable local NGOs. Consultancy services will be engaged in accordance with the procurement procedures of UNOPS as the cooperating institution.

27. **Disbursement.** In order to facilitate the smooth flow of funds from the IFAD loan account, which is critical for timely programme implementation, the Ministry of Finance and Development Planning will open a special account denominated in United States dollars in the Central Bank of Lesotho, in which the authorized allocation of USD 800 000 will be deposited in advance, immediately after effectiveness. The special account will be maintained and operated in accordance with provisions of the IFAD loan agreement. Payments made under contract costing less than USD 20 000 equivalent will be reimbursed by IFAD against certified statements of expenditure. Related supporting documents in respect of such statements will be retained by MAFS, the Ministry of Forestry and Land Reclamation (MFLR) and the Ministry of Finance and Development Planning in a central location for review by supervision missions and the annual audit of the programme accounts. Withdrawal applications in respect of all other expenditures will be fully documented to the satisfaction of the cooperating institution.

28. **Accounts and Audit.** MAFS, MFLR, the Ministry of Finance and Development Planning and the district sub-accountancies will ensure that programme accounts and financial records are prepared and maintained in accordance with generally accepted accounting standards. The financial statements will be compiled within two months after the end of the fiscal year and presented to the Auditor General, UNOPS and IFAD. The annual statutory audit will be carried out by the Auditor General in accordance with generally accepted auditing standards. The Auditor General will submit the report of such audit, together with the audited accounts, to reach IFAD and UNOPS within six months of the end of the fiscal year, including the auditor's separate opinions on the statements of expenditure and the operation of the Special Account facility.

### **F. Organization and Management**

29. Overall responsibility for coordinating programme implementation will rest with the Ministry of Finance and Development Planning through a programme management committee (PMC). MAFS and MFLR will be responsible for programme implementation in collaboration with the decentralized districts' administrations working in partnership with local NGOs. The PMC will ensure synergic planning and implementation of programme activities, monitoring and oversight, including the review and approval of the AWP/B. As lead institution, MAFS will provide the secretariat for the PMC.

30. A Programme Coordination and Management Unit (PCMU) will be established by MAFS with responsibility for programme planning, monitoring and reporting. It will also backstop the three District Implementation Committees by ensuring that the consolidated AWP/B accurately reflects the CAPs. The PCMU will also prepare progress reports and coordinate the timely preparation of disbursement and procurement requests and impact assessments. Under the leadership of the district secretary, the district implementation committee will coordinate and monitor programme activities at the district level.

### **G. Economic Justification**

31. The primary beneficiaries of the programme will be poor rural households that are either landless, below subsistence, subsistence or small-scale farmers operating on less than 2 ha of land. About 20% of the target group are expected to adopt improved production technologies promoted under the programme. Women, who account for at least 47% of all heads of households in the three districts, will be the main beneficiaries, because investments in the MFS, microscale irrigation schemes, homestead gardening, improved small stock, and post-harvest processing and storage are designed to respond to the specific needs and priorities of women. The programme will also generate significant environmental benefits from the rehabilitation of degraded lands and from discouraging encroachment by smallholder farmers on marginal lands through agricultural diversification, intensification and the introduction of ecologically sound production technologies. About 600 ha of marginal lands could revert back to improved pasture or vegetative cover. Additionally, increased agricultural production and productivity under the programme will generate gainful employment opportunities for under- and unemployed youth and retrenched migrant workers as a result of the increased demand for labour in intensified farming, processing and marketing operations.

32. Direct economic benefits will be derived from increased agricultural output as a result of the adoption of improved production technologies and modal changes in extension-delivery methods that involve beneficiary households in planning and implementation. Most crop output will be used to close food-security gaps at household and communal levels, with little or no surplus for marketing. Livestock products such as hides, wool and mohair have regular and well-established marketing channels. Based on a cost-benefit analysis over 20 years, the programme's economic rate of return is estimated at 17%, which compares favourably with the opportunity cost of capital in Lesotho and RSA. The sensitivity analysis shows that the economic rate of return is robust, but more sensitive to benefit declines and delays in benefits than to cost increases.

### **H. Risks**

33. The sustainability of programme investments will greatly depend on the programme's ability to secure the long-term commitment of beneficiary households. There is the risk that acceptance of participatory methods by line department staff may be slow, thereby jeopardizing the overall pace and quality of implementation. However, the structured design of the PCP process and its implementation by a reputable NGO should mitigate this risk. In addition, there is a risk that the remedial measures required to eliminate stock theft may be weakened by lack of commitment from local communities, chiefs and government. Again, the PCP process and local capacity-building initiatives under the programme have been designed so as to mitigate this risk.

34. There is also the risk that it may be difficult, and slow, to transfer capable, motivated staff to the more remote areas in the districts and extension areas. To mitigate this risk, the programme provides appropriate support for staff mobility, hardship and travelling allowances, and suitable housing and office facilities. Assurance has been obtained from the Government that a minimum critical mass of staff will be appointed to the three districts before approval of the respective AWP/B.

### **I. Environmental Impact**

35. The programme will improve land and water use and management and thereby arrest and reverse the rate of land degradation. Through the PCP process, the programme will sensitize and train beneficiary households in the formulation and implementation of sound land-use plans, leading to the adoption of appropriate biological conservation, water-harvesting and moisture-retention techniques. No expansion of the area under crop production is expected under the programme. The development and adoption of improved and ecologically sound agricultural production technologies will maximize soil and water conservation and enhance soil fertility. Improvements in livestock production are expected from better animal health, husbandry and nutrition, leading to increased quality and quantity of livestock products. While the improved livestock will require more daily dry matter, stocking rates

are expected to decrease marginally as a result of increased fodder production through, inter alia, rotational and deferred grazing, fodder reserves and conservation. The introduction of improved and suitably located trench plunge-dips, combined with the closure of polluting dip-tanks located on river banks, will further minimize an environmental hazard. Lastly, the development of grazing plans in collaboration with the beneficiaries, the formation of grazing associations, the demarcation of range management areas and the training of farmers in pasture management will all contribute to better rangeland and environmental protection. Overall, the programme's impact on the environment will be positive and it has been classified as Category B.

#### **J. Innovative Features**

36. The key innovative feature of the programme is its promotion and entrenchment of the participatory community-action planning process as an important and integral part of the annual budget cycle.

#### **PART III – LEGAL INSTRUMENTS AND AUTHORITY**

37. A loan agreement between the Kingdom of Lesotho and IFAD constitutes the legal instrument for extending the proposed loan to the borrower. A summary of the important supplementary assurances included in the negotiated loan agreement is attached as an annex.

38. The Kingdom of Lesotho is empowered under its laws to borrow from IFAD.

39. I am satisfied that the proposed loan will comply with the *Agreement Establishing IFAD*.

#### **PART IV – RECOMMENDATION**

40. I recommend that the Executive Board approve the proposed loan in terms of the following resolution:

RESOLVED: that the Fund shall make a loan to the Kingdom of Lesotho in various currencies in an amount equivalent to six million eight hundred thousand Special Drawing Rights (SDR 6 800 000) to mature on or prior to 15 July 2044 and to bear a service charge of three fourths of one per cent (0.75%) per annum, and to be upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

Lennart Båge  
President



**SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES  
INCLUDED IN THE NEGOTIATED LOAN AGREEMENT**

(Loan negotiations concluded on 24 November 2004)

1. The Government will open and thereafter maintain in a bank acceptable to IFAD a current account denominated in loti for programme operations (the “programme account”) and will make available quarterly and in advance the amount of counterpart contributions specified in the AWP/B for each programme year.
2. The Government will open and thereafter maintain in a commercial bank acceptable to IFAD a current account denominated in loti for each programme district (collectively referred to as the “district accounts”) and will transfer funds quarterly from the programme account into the respective district accounts, as specified in the AWP/B.
3. The Government will make available to each programme party, during the programme implementation period, counterpart funds from its own resources in accordance with its customary national procedures for development assistance, and it will make budgetary allocations for each fiscal year equal to the counterpart funds called for in the AWP/B for the relevant programme year and make such allocations available to each programme party quarterly.
4. The Government will take the necessary action to ensure that its counterpart funding for the programme is accurately reflected in the annual budget and that such counterpart funds are applied in accordance with the AWP/B for each programme year; it will further ensure that its counterpart funds are made available to the programme in a timely fashion throughout the programme implementation period.
5. **Gender focus.** In line with the particular programme target on women and female-headed households, the Government will ensure that women are represented in all programme activities.
6. **Pest management practices.** As part of maintaining sound environmental practices as required by Section 7.15 of the *General Conditions for Agricultural Development Financing*, the programme parties will maintain appropriate pest management practices under the programme and, to that end, the Government will ensure that pesticides procured under the programme do not include any pesticide either proscribed by the International Code of Conduct on the Distribution and Use of Pesticides of the Food and Agriculture Organization of the United Nations, as amended from time to time, or listed in Tables 1 (Extremely Hazardous) or 2 (Highly Hazardous) of the World Health Organization’s Recommended Classification of Pesticides by Hazard and Guidelines to Classification, 1996-1997, as amended from time to time.
7. **Senior economic planner.** During the first year of the programme, the Government will create the position of senior economic planner and appoint a senior economic planner to each programme district with qualifications and experience acceptable to IFAD.
8. **Senior accountant.** Within the 30 days following loan effectiveness, the Government will post a senior accountant to each programme district with qualifications and experience acceptable to IFAD. The senior accountant will duly maintain the programme’s financial statements and books of account during the programme implementation period.
9. The following is specified as a condition for disbursement of funds from the loan: no withdrawals may be made from the loan account in respect of expenditures for any fiscal year until the AWP/B for that year has been approved by IFAD and the cooperating institution.

## ANNEX

10. The following are specified as conditions precedent to the effectiveness of the loan agreement:
- (a) the programme coordination and management unit has been duly established;
  - (b) the programme management committee has been duly established;
  - (c) the Government has appointed a senior economic planner to each programme district with qualifications and experience acceptable to IFAD;
  - (d) the loan agreement has been duly signed, and the signature and performance thereof by the Government have been duly authorized and ratified by all necessary corporate, administrative and governmental action; and
  - (e) a favourable legal opinion, issued by the Attorney General or other legal counsel approved by IFAD in form and substance acceptable to IFAD, has been delivered by the Government to IFAD.

APPENDIX I

COUNTRY DATA

LESOTHO

<b>Land area (km<sup>2</sup> thousand) 2002 1/</b>	30	<b>GNI per capita (USD) 2002 1/</b>	550
<b>Total population (million) 2002 1/</b>	1.78	<b>GDP per capita growth (annual %) 2002 1/</b>	3
<b>Population density (people per km<sup>2</sup>) 2002 1/</b>	59	<b>Inflation, consumer prices (annual %) 2002 1/</b>	34
<b>Local currency</b>	Loti (Maloti) (LSL)	<b>Exchange rate: USD 1 =</b>	LSL 6.15
<b>Social Indicators</b>		<b>Economic Indicators</b>	
Population (average annual population growth rate) 1996-2002 1/	1.0	GDP (USD million) 2002 1/	714
Crude birth rate (per thousand people) 2002 1/	33	Average annual rate of growth of GDP 1/ 1982-1992	5.5
Crude death rate (per thousand people) 2002 1/	23	1992-2002	3.2
Infant mortality rate (per thousand live births) 2002 1/	91	Sectoral distribution of GDP 2002 1/	
Life expectancy at birth (years) 2002 1/	38	% agriculture	16
Number of rural poor (million) (approximate) 1/	n/a	% industry	43
Poor as % of total rural population 1/	n/a	% manufacturing	20
Total labour force (million) 2002 1/	0.74	% services	41
Female labour force as % of total 2002 1/	37	Consumption 2002 1/	
<b>Education</b>		General government final consumption expenditure (as % of GDP)	33
School enrolment, primary (% gross) 2002 1/	124 a/	Household final consumption expenditure, etc. (as % of GDP)	82
Adult illiteracy rate (% age 15 and above) 2002 1/	18 a/	Gross domestic savings (as % of GDP)	-15
<b>Nutrition</b>		<b>Balance of Payments (USD million)</b>	
Daily calorie supply per capita, 2/	n/a	Merchandise exports 2002 1/	395
Malnutrition prevalence, height for age (% of children under 5) 2002 3/	46 a/	Merchandise imports 2002 1/	779
Malnutrition prevalence, weight for age (% of children under 5) 2002 3/	18 a/	Balance of merchandise trade	-384
<b>Health</b>		Current account balances (USD million)	
Health expenditure, total (as % of GDP) 2002 1/	6 a/	before official transfers 2002 1/	-242
Physicians (per thousand people) 2002 1/	n/a	after official transfers 2002 1/	-119
Population using improved water sources (%) 2002 3/	78 a/	Foreign direct investment, net 2002 1/	81
Population with access to essential drugs (%) 1999 3/	80-94	<b>Government Finance</b>	
Population using adequate sanitation facilities (%) 2002 3/	49 a/	Overall budget balance (including grants) (as % of GDP) 2002 1/	n/a
<b>Agriculture and Food</b>		Total expenditure (% of GDP) 2002 1/	n/a
Food imports (% of merchandise imports) 2002 1/	n/a	Total external debt (USD million) 2002 1/	637
Fertilizer consumption (hundreds of grams per ha of arable land) 2002 1/	344	Present value of debt (as % of GNI) 2002 1/	50
Food production index (1989-91=100) 2002 1/	130	Total debt service (% of exports of goods and services) 2002 1/	12
Cereal yield (kg per ha) 2002 1/	936	Lending interest rate (%) 2002 1/	17
<b>Land Use</b>		Deposit interest rate (%) 2002 1/	5
Arable land as % of land area 2002 1/	11 a/		
Forest area as % of total land area 2002 1/	0 a/		
Irrigated land as % of cropland 2002 1/	0 a/		

a/ Data are for years or periods other than those specified.

1/ World Bank, *World Development Indicators* database CD ROM 2004

2/ UNDP, *Human Development Report*, 2000

3/ UNDP, *Human Development Report*, 2004

**PREVIOUS IFAD FINANCING IN LESOTHO**

<b>Project Name</b>	<b>Initiating Institution</b>	<b>Cooperating Institution</b>	<b>Lending Terms</b>	<b>Board Approval</b>	<b>Loan Effectiveness</b>	<b>Current Closing Date</b>	<b>Loan Acronym</b>	<b>Approved Loan Amount</b>
Agricultural Marketing and Credit Project	IFAD	World Bank: IDA	HC	04 Dec 80	11 Aug 81	31 Dec 88	L-I-55-LE	SDR 4 850 000
				04 Dec 80	11 Dec 80		G-I-63-LE	SDR 260 000
Local Initiatives Support Project	IFAD	UNOPS	HC	03 Dec 86	18 Mar 87	31 Oct 96	L-I-199-LE	SDR 4 050 000
Soil and Water Conservation & Agroforestry Programme	IFAD	UNOPS	HC	14 Sep 88	26 Apr 89	30 Jun 98	L-S-13-LE	SDR 6 000 000
				15 Sep 88	12 Sep 88	31 Dec 88	G-S-11-LE	USD 260 000
Rural Finance and Enterprise Support Project	IFAD	UNOPS	HC	02 Dec 93	21 Dec 94	31 Mar 03	L-S-40-LS	SDR 2 950 000
				06 Sep 94	11 May 94		G-S-38-LE	USD 170 000
Sustainable Agricultural Development Programme for the Mountain Areas	IFAD	UNOPS	HC	10 Sep 98	21 Feb 00	30 Sep 06	L-1-481-LS	SDR 6 350 000
				22 Dec 98	28 Jan 99		G-I-69-LS	USD 57 500

HC: Highly concessional



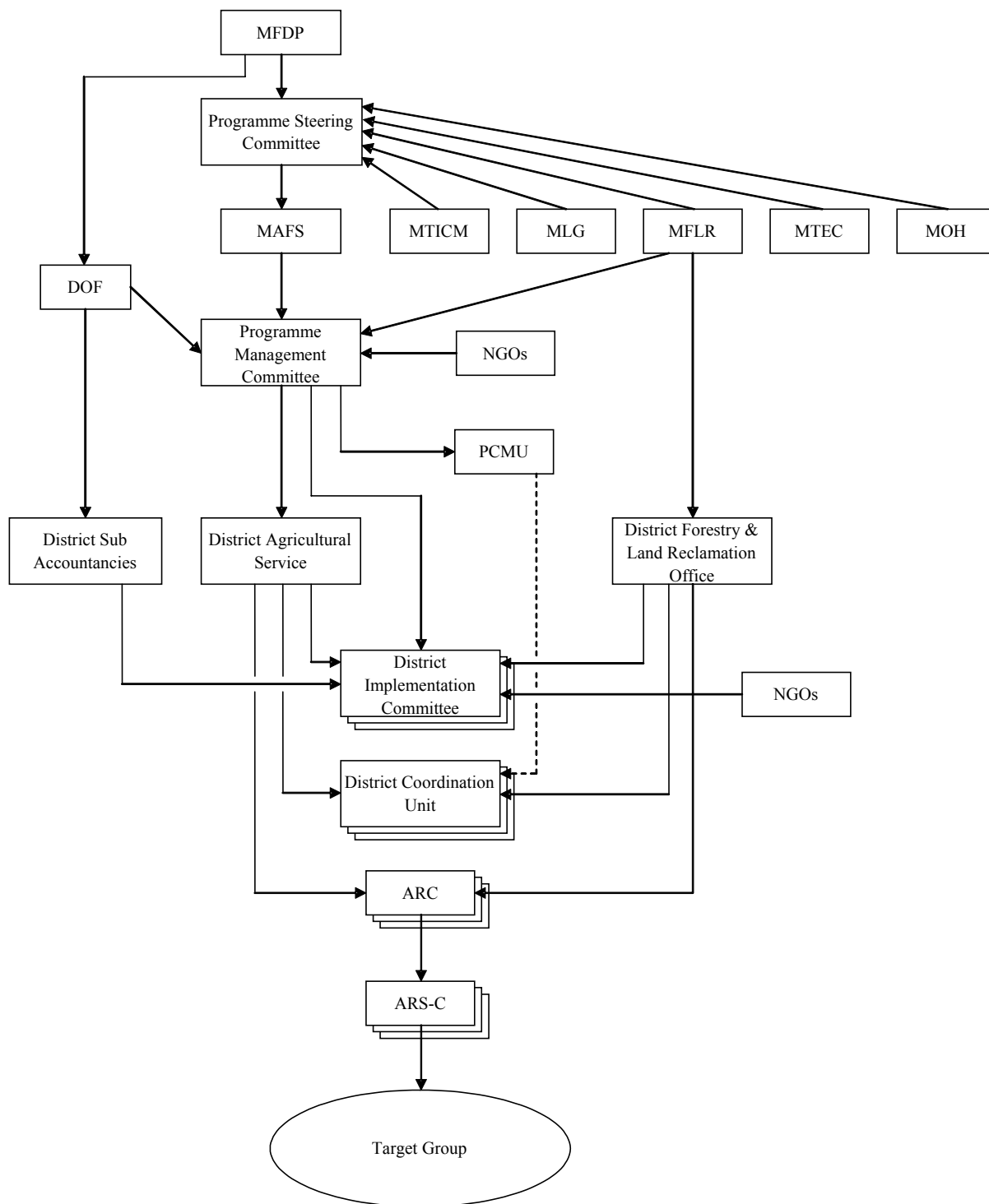
**LOGICAL FRAMEWORK**

Narrative Summary	Verifiable Indicators/Programme District	Means of Verification	Assumptions/Risks
<b>Goal</b>			
Improved food security, rural households in family nutrition and incomes for Mafeteng, Mohale's Hoek, and Quthing Districts	<ul style="list-style-type: none"> <li>• Improvement in asset index</li> <li>• Prevalence HH poor/ultra poor</li> <li>• Prevalence HH below the Poverty Datum Line (PDL)</li> <li>• Prevalence of children &lt; 5 stunted - height for age</li> <li>• Prevalence of children &lt; 5 wasted - weight for height</li> </ul>	<ul style="list-style-type: none"> <li>• Benchmark Survey</li> <li>• Mid-term Survey</li> <li>• Completion Assessment Survey</li> <li>• Government reporting</li> </ul>	<p>Good weather</p> <p>Political stability</p> <p>HIV/AIDS pandemic contained</p>
<b>Development Objective</b>			
Sustained increase in agricultural production and productivity underpinned by community action planning	<ul style="list-style-type: none"> <li>• Community Action Plans prepared/approved (#)</li> <li>• Annual HH grain self-sufficient (%)</li> <li>• HH with grain last for less than 6 mths (%)</li> <li>• Increased dietary intake</li> <li>• Area forested /afforested (ha)</li> <li>• Degraded area re-established to pasture (ha)</li> </ul>	<ul style="list-style-type: none"> <li>• Benchmark Survey</li> <li>• Mid-term Survey</li> <li>• Completion Assessment Survey</li> <li>• Government reporting</li> <li>• GIS satellite imagery</li> <li>• Dietary Intake Recall Survey</li> </ul>	<ul style="list-style-type: none"> <li>• Institutional capacity strengthened in district/field</li> <li>• Decentralization process continues</li> <li>• Macro-economic environment conducive to development</li> <li>• Political stability maintained</li> </ul>
<b>Output 1: Agricultural Production Intensified/Diversified</b>			
<p>1.1 Crop production increased through farming system intensification</p> <p>1.2 Crop production increased through production system diversification</p>	<ul style="list-style-type: none"> <li>• Smallholder farmers trained in improved cultural practices by gender (#)</li> <li>• Smallholder farmers practising improved crop husbandry techniques under TRF/MFS systems by gender (#)</li> <li>• MSI systems installed/operating (#)</li> <li>• Farmers utilizing improved draught animal power</li> <li>• Increased yields (kg/ha) by crop – winter/summer cereal and potatoes</li> <li>• Farmers trained by subsector/production system (#)</li> <li>• HYV seed produced annually by crop/district (kg)</li> <li>• Extensification of area under arable cropping (ha)</li> <li>• Seed banks established and functional (#)</li> <li>• Seed multiplication groups established (#)</li> <li>1.</li> <li>• Homestead gardens established (#)</li> <li>• Small community based food processing equipment installed and plants operating (#)</li> <li>• New crops introduced into farming system(#)</li> <li>• Improved technologies demonstrated (#)</li> <li>• HH engaged in PHS/processing activities (#)</li> </ul>	<ul style="list-style-type: none"> <li>• EAs monthly reports and visits</li> <li>• ARC manager 6-monthly reports</li> <li>• SMS subsector reports</li> <li>• DAO 6-monthly and annual reports</li> </ul> <ul style="list-style-type: none"> <li>• EAs monthly reports and visits</li> <li>• ARC manager 6-monthly reports</li> <li>• SMS subsector reports</li> <li>• DAO 6-monthly and annual reports</li> </ul>	<ul style="list-style-type: none"> <li>• Rural HH adoption of improved/ecologically sound crop production technologies</li> <li>• HRD plan implemented and effective</li> <li>• Farmers' access to credit to adopt new technologies</li> <li>• Free of natural disasters to offset productivity gains</li> </ul> <ul style="list-style-type: none"> <li>• Adoption of improved crop production technologies</li> <li>• HRD plan implemented</li> <li>• Farmers access to credit to adopt new technologies</li> </ul>

Narrative Summary	Verifiable Indicators/Programme District	Means of Verification	Assumptions/Risks
<p>1.3 Livestock off-take increased through enhanced animal performance</p> <p>1.4 Production and farm-gate value of animal products, increased thought quality control and improved techniques</p> <p>1.5 Efficiency of shearing sheds improved through incorporation of essential design features</p> <p>1.6 Improved livestock security, registration and surveillance</p>	<ul style="list-style-type: none"> <li>• Increase in HHs producing fodder crops (#)</li> <li>• Reduction in mortality rates by specie - sheep/goats/cattle (%)</li> <li>• Increased smallstock birth/calving rates (%)</li> <li>• Improved weaning rates by stock specie (%)</li> <li>• Milk yields per lactation (lt/cow)</li> <li>• Rehabilitation of District Veterinary Clinics completed</li> <li>• Plunge dip (54) constructed/rehabilitated (#)</li>   <li>• Increase fleece yields - wool and mohair (kg)</li> <li>• Increased annual wool/mohair clip auctioned (kg)</li> <li>• Reduction in second cuts (kg)</li> <li>• Smallstock flocks classed to uniform staple quality</li>   <li>• Improved daily shearing rate of shearers (#)</li> <li>• Shearers trained professionally (#)</li> <li>• Woolsheds upgrading completed to meet minimum operational standards</li>   <li>• Reduction in HHs reporting livestock larceny (%)</li> <li>• All livestock owners registered (#)</li> <li>• Livestock <b>marked</b> for identification (#)</li> </ul>	<ul style="list-style-type: none"> <li>• EAs monthly reports and visits</li> <li>• ARC manager 6-monthly reports</li> <li>• DAPO subsector reports</li> <li>• DAO 6-monthly and annual reports</li> <li>• Dip Registrars</li> <li>• Village Livestock Registers</li>   <li>• ARC manager 6-monthly reports</li> <li>• SMS subsector reports (DAPO)</li> <li>• DAO 6-monthly and annual reports</li> <li>• Village Livestock Registers</li> <li>• Woolshed shearing records</li>   <li>• Woolshed shearing records</li> <li>• Shearer tally records</li>   <li>• Police records on stolen stock reported</li> <li>• Village Livestock Registers</li> </ul>	<ul style="list-style-type: none"> <li>• Meaningful beneficiary participation secured</li> <li>• Minimum veterinary services established</li> <li>• <b>Procedures</b> for revolving drug funds operational</li> <li>• Farmers access to credit to adopt new technologies</li>   <li>• Flock classing adopted by Wool &amp; Mohair Associations</li>   <li>Regulatory measures approved for grazing permits, livestock travel permits for monitoring animal movement</li> </ul>
<p><b>Output 2: Land and Water Management Improved</b></p>			
<p>2.1 Rangeland pastures rejuvenated in Village Grazing Areas</p> <p>2.2 Stable stocking rates in the rangeland through demarcation and declaration of Rangeland Management Areas</p> <p>2.3 Water conservation: for soil moisture enhancement to enhance dry land cropping; for small-scale irrigation; to secure clean water for domestic purposes; and for livestock supplies</p>	<ul style="list-style-type: none"> <li>• <b>Grazing</b> area of pasture in village surrounds re-seeded (ha)</li> <li>• Increase in carrying capacity (AU/ha)</li> <li>• Village Grazing Areas declared (#)</li>   <li>Changes in rangeland carrying capacity (AU/ha)</li>   <li>• Small dams built for irrigation/stock water (#)</li> <li>• Roof water harvesting tanks installed (#)</li> <li>• Small-scale irrigation systems established (#)</li> </ul>	<ul style="list-style-type: none"> <li>• EAs monthly reports and visits</li> <li>• Pasture seed distributed to village grazing areas</li> <li>• Village Livestock Registers</li>   <li>• Village Livestock Registers</li> <li>• Registrar for range management areas</li> <li>• Dipping Registrars</li>   <li>• MFLR reports</li> </ul>	<ul style="list-style-type: none"> <li>• Land tenure reforms in place</li> <li>• Beneficiary HH aware of their land user rights, particularly women</li> <li>• Beneficiaries introduced to and tenure reforms</li> <li>• Meaningful beneficiary participation in program and implementation</li> <li>• Legislation to secure grazing rights for registered CBOs</li> </ul>

Narrative Summary	Verifiable Indicators/Programme District	Means of Verification	Assumptions/Risks
2.4 Soil conservation measures adopted to mitigate the accelerated erosion process	<ul style="list-style-type: none"> <li>Land use plans prepared for land management</li> <li>Area under gullies reclaimed (ha)</li> <li>Gully plugs constructed by type</li> <li>Length of diversion ditches constructed (<b>km</b>)</li> <li>Area land protected by conservation works (ha)</li> <li>Land use plans formulated, community implemented (%)</li> <li>Trees planted annually (#)</li> </ul>	<ul style="list-style-type: none"> <li>MFLR reports</li> </ul>	
<b>Output 3: Institutional Capacity Strengthened</b>			
3.1 Public institutions and community-based organizations (CBOs) capacity to sustainably manage community assets and natural resources  3.2 Agricultural research outreach in lowland districts enhanced	<ul style="list-style-type: none"> <li>Unified extension system operational</li> <li># of staff trained in unified extension system, M&amp;E, financial accounting, management and procurement procedures</li> <li>Facilities at Siloe Agricultural Research Substation (SARS) upgraded</li> <li>Common interest groups and CBOs formed and functional (#)</li> <li>Villages/HHs participating in PCP process(#)</li> <li>CAPs formulated/accepted for financing in AWPB</li> <li># of participating NGOs</li> <li>On-farm trials completed/disaggregated by crop (#)</li> </ul>	<ul style="list-style-type: none"> <li>District AWPBs</li> <li>Meetings minutes of District <b>Implementation</b> Committee</li> <li>NGO half year &amp; annual reports</li> <li>NGO half year &amp; annual reports</li> <li>SARS seasonal reports</li> </ul>	<ul style="list-style-type: none"> <li>Government commitment to p'ship with NGOs</li> <li>Human resource development plan in place</li> </ul>
<b>Programme Inputs (USD 'million)</b>	<b>Financing (USD '000)</b>		
Agricultural Diversification and Intensification      2.5 Land & Water Management      1.2 Local Capacity-Building      8.3 Total      12.0	IFAD      10.1 Government      1.7 Beneficiaries      0.2 Total      12.0	<ul style="list-style-type: none"> <li>Report &amp; Recommendation of the President</li> <li>Appraisal Report</li> <li>Loan and Grant Agreements</li> </ul>	

ORGANIGRAMME



- |       |  |       |   |
|-------|--|-------|---|
| ARC   | Area Resource Centres                        | MLG   | Ministry of Local Government                            |
| ARS-C | Area Resource Sub-Centres                    | MOH   | Ministry of Health                                      |
| DOF   | Department of Finance                        | MTEC  | Ministry of Tourism, Environment and Culture            |
| MAFS  | Ministry of Agriculture and Food Security    | MTICM | Ministry of Trade, Industry, Cooperatives and Marketing |
| MFDP  | Ministry of Finance and Development Planning | NGOs  | Non-Governmental Organizations                          |
| MFLR  | Ministry of Forestry and Land Reclamation    | PCMU  | Programme Coordination and Management Unit              |

