

Document: EB 2014/LOT/P.7/Rev.1
Date: 18 September 2014
Distribution: Public
Original: English

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Investing in rural people

President's report

Proposed loan and grant to the Kingdom of Lesotho for the Wool and Mohair Promotion Project

Note to Executive Board representatives

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Abbreviations and acronyms

ASAP	Adaptation for Smallholder Agriculture Programme
AWP/B	annual work plan and budget
DSF	Debt Sustainability Framework
LNWMGA	Lesotho National Wool and Mohair Growers Association
M&E	monitoring and evaluation
MAFS	Ministry of Agriculture and Food Security
MDP	Ministry of Development Planning
MEMWA	Ministry of Energy, Meteorology and Water Affairs
MFLR	Ministry of Forestry and Land Reclamation
MoF	Ministry of Finance
MTICM	Ministry of Trade and Industry, Cooperatives and Marketing
OFID	OPEC Fund for International Development
PCU	project coordination unit
PSC	project steering committee
RB	results-based
SSA	shearing shed association
WAMPP	Wool and Mohair Promotion Project

Map of the project area

Kingdom of Lesotho

Wool and Mohair Promotion Project (WAMPP)



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.

Map compiled by IFAD | 16-06-2014

Kingdom of Lesotho

Wool and Mohair Promotion Project

Financing summary

Initiating institution:	IFAD
Borrower/recipient:	Kingdom of Lesotho
Executing agency:	Ministry of Agriculture and Food Security
Total project cost:	US\$38.9 million
Amount of IFAD loan:	SDR 3.83 million (equivalent to approximately US\$5.8 million)
Amount of IFAD Debt Sustainability Framework (DSF) grant:	SDR 3.83 million (equivalent to approximately US\$5.8 million)
Amount of IFAD Adaptation for Smallholder Agriculture Programme (ASAP) Trust Fund grant:	SDR 4.61 million (equivalent to approximately US\$7.0 million)
Terms of IFAD loan:	40 years, including a grace period of 10 years, with a service charge of three fourths of one per cent (0.75 per cent) per annum
Cofinancier(s):	OPEC Fund for International Development (OFID) Lesotho National Wool and Mohair Growers Association (LNWMGA)
Amount of cofinancing:	OFID: US\$12.0 million (subject to approval) LNWMGA: US\$1.5 million Unidentified: US\$2.8 million
Terms of cofinancing:	Subject to negotiation
Contribution of Borrower/Recipient:	US\$4.0 million
Contribution of beneficiaries:	In kind
Appraising institution:	IFAD
Cooperating institution:	Directly supervised by IFAD

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed financing to the Kingdom of Lesotho for the Wool and Mohair Promotion Project, as contained in paragraph 52.

Proposed loan and grant to the Kingdom of Lesotho for the Wool and Mohair Promotion Project

I. Strategic context and rationale

A. Country and rural development and poverty context

1. Steady growth of the economy over the past three decades has not translated into significant improvements in well-being for the majority of people in Lesotho. Garment manufacture, diamond mining and the export of water and electricity to South Africa have all contributed to this growth, but wealth distribution has been highly unequal (with a Gini coefficient of 0.52) and remittances from work in South African mines, farms and factories have gradually declined.
2. In the past 50 years, Lesotho has moved from virtual self-sufficiency in grain production to high dependence on imports, which now account for about 50 to 60 per cent of its annual grain requirements. The main reason for the dramatic decline in grain production has been the extreme variability of Lesotho's rainfall – particularly the severity and length of periods of drought.
3. The frequency of HIV and AIDS remains high at 23 per cent at the national level, constituting a serious impediment to rural development. Lesotho has the third highest HIV prevalence in the world.
4. About 70 percent of Lesotho's population lives in rural areas, and poverty is predominantly rural, with rural women generally poorer than men. Poverty incidence varies among regions, with the highest in the Mountain Region where revenue from sheep and goats (wool, mohair and meat) is often the only source of income. The livelihoods of these predominantly smallholder farmers are threatened by declines in production and productivity in the wool and mohair value chains, and the sector is highly vulnerable to climate-related shocks.

B. Rationale and alignment with government priorities and RB-COSOP

5. Livestock production dominates the rural economy in Lesotho and contributes approximately 5 per cent of gross domestic product. Wool and mohair are the main agricultural exports; after South Africa, Lesotho is the world's second largest producer of mohair, with 14 per cent of the global market. All mohair production is in the hands of smallholder farmers in mountain areas, where the incidence of poverty is highest.
6. Natural and human factors threaten the productivity and sustainability of the wool and mohair production system, affecting the livelihoods of these poor livestock farmers. Poor land management practices have contributed to large-scale land degradation, which has been exacerbated by erratic rainfall and fragile environments and soils. Climate change is expected to have negative impacts on productivity of the agriculture and livestock sectors, mainly through unpredictable rain and snowfall patterns, peaks in temperature, flooding and droughts. The combined human and climate effects will increase soil erosion and gully formation, resulting in loss of Lesotho's already limited crop- and rangelands. The project will

seek to reverse this situation by introducing sustainable, climate-smart and resilient approaches to rangeland management to mitigate threats and promote enhanced efficiency and remuneration in the livestock sector.

7. The Wool and Mohair Promotion Project (WAMPP) is well aligned with the Government's key development strategies and policies, including the National Strategic Development Plan, which prioritizes support to the development of high-value livestock products, and the National Vision 2020. WAMPP will also support Lesotho's National Adaptation Programme of Action, which gives high priority to sustainable livestock and rangeland management, and agriculture sector policies such as the Lesotho Agriculture and Food Security Investment Plan and the National Action Plan for Food Security.
8. Synergy and complementarity will be sought with the Lesotho Adaptation of Small-scale Agricultural Production project – funded by the Global Environment Facility – particularly in the area of building systems and capacity for delivering climate information.
9. There is significant scope for developing linkages between WAMPP and ongoing projects and programmes supported by other international agencies. Opportunities include exchange of lessons and experiences on strategy work for climate change adaptation with the United States Agency for International Development's Climate Change Adaptation in the Lesotho Highlands initiative; and linkages to the Food and Agriculture Organization of the United Nations' Strengthening the National Marketing System for Selected Agrifood Value Chains in Lesotho project, on climate change adaptation for improved agricultural production and marketing.

II. Project description

A. Project area and target group

10. The project is national in scope, covering all ten administrative districts. It will focus on Lesotho's rangelands, which cover more than two thirds of the country's surface and are located predominantly in the highlands.
11. The project will target smallholder farmers with the potential to increase the productivity of their sheep and goats through enhanced resilience to climate change; poor rural dwellers with access to the value chain through value-adding activities, or with the potential to become producers; and poor rural dwellers, especially women and young people, whose skills in textile and garment production for niche markets can be enhanced.

B. Project development objective

12. The project's goal is to boost resilience to the adverse effects of climate change and economic shocks among poor, smallholder wool and mohair producers in the Mountain and Foothill Regions of Lesotho. The development objectives are to: (i) enable smallholder livestock producers to generate higher incomes and more sustainable livelihoods; and (ii) increase their ability to cope with and recover from natural shocks. The project's three major outcomes are: (i) livestock producers manage rangelands in a sustainable and climate-smart way; (ii) smallholder sheep and goat producers sustainably increase production of superior-quality wool and mohair; and (iii) livestock producers increase market returns from wool and mohair.

C. Components/outcomes

13. The project will have three components: (i) climate-smart rangeland management; (ii) improved livestock production and management; and (iii) wool and mohair fibre handling and marketing.
14. **Component 1: Climate-smart rangeland management.** The objective of this component is to promote a sustainable system for climate-resilient management of

communal grazing and rangeland with the aim of improving livestock nutrition, maximizing production and returns for smallholder wool and mohair producers, and avoiding loss and damage from climate-related events. Livestock producers will be enabled to improve their productivity in the face of increasing land degradation. In addition to resources from an IFAD loan and a Debt Sustainability Framework (DSF) grant, an Adaptation for Smallholder Agriculture Programme (ASAP) grant has been mobilized to fund specific adaptation activities, such as weather information services, and interventions for best-practice natural resource management under this component. The proposed adaptation measures have been embedded in the other WAMPP interventions, to render the project results more climate-resilient.

15. **Component 2: Improved livestock production and management.** The objective of this component is to increase the quantity and quality of wool and mohair produced by smallholder farmers in Lesotho. The planned activities will address the deficiencies identified in animal nutrition, breeding and health to raise production standards and maximize returns for smallholder producers. The expected outcome of component 2 will be that smallholder sheep and goat producers increase production and productivity of superior-quality wool and mohair. Achieving this outcome will require WAMPP to intervene in all three factors affecting livestock productivity: (i) animal feeding; (ii) animal breeding; and (iii) animal health. ASAP funds will be used for specific adaptation measures such as animal health mapping to enhance the climate resilience of the IFAD investments.
16. **Component 3: Wool and mohair fibre handling and marketing.** The objective of this component is to increase market returns from wool and mohair production and processing for livestock producers through improving the quality of the fibre they produce, while stimulating a niche cottage industry for wool and mohair tapestry products; and providing a market outlet for unproductive animals to remove them from the rangeland. Value-chain challenges will be addressed in three subcomponents: (a) value-chain improvements; (b) support to the development of cottage industries and niche markets; and (c) promotion of livestock auctions and district slaughter slabs.

III. Project implementation

A. Approach

17. The seven-year project will adopt a value-chain approach to ensure that the main constraints to wool and mohair production and marketing are addressed. At the production level, WAMPP will focus on introducing climate-smart approaches for rangeland management, capacity-building, and investments in animal husbandry practices, to halt – and possibly reverse – the ongoing degradation of rangelands. At the processing level, the project will address constraints related to technical and policy issues in marketing by strengthening capacities in the Lesotho National Wool and Mohair Growers Association (LNWMGA), shearing shed associations (SSAs) and relevant ministries and district-level offices. The value-chain approach necessitates the involvement of several government ministries, the private sector and civil society. The resultant complexity of project actors and linkages is mitigated, to a large extent, by the long history of wool and mohair production and marketing in Lesotho, where most of the necessary operational linkages are already well established.

B. Organizational framework

18. To the extent feasible, project activities will be implemented through existing structures and processes. Key organizations in project delivery will include government ministries, farmers' organizations, the private sector and non-governmental organizations (NGOs). Key government ministries include the Ministry of Agriculture and Food Security (MAFS); the Ministry of Forestry and Land Reclamation (MFLR); the Ministry of Trade and Industry, Cooperatives and

Marketing (MTICM); the Ministry of Energy, Meteorology and Water Affairs (MEMWA) and Lesotho Meteorological Services; the Ministry of Finance (MoF); the Ministry of Development Planning (MDP); and the Ministry of Local Government and Chieftainship.

19. The roles of the ministries and their technical departments and services will be to: (i) take the lead role in providing technical support, expert advice and supervision to all levels of project operation; (ii) review and develop government policy initiatives related to project activities; (iii) provide the location, development, implementation and oversight of an appropriate legal and regulatory framework within which project and associated industry activities will operate; and (iv) ensure that laws and regulations are properly enforced.
20. LNWMGA is the other major player in project implementation. LNWMGA and its associated growers' associations at the district level (district wool and mohair growers associations) and the shearing shed level (SSAs) constitute the institutional backbone of WAMPP as a national project for individual smallholder producers scattered throughout Lesotho.
21. NGOs and community-based organizations will be vital in supporting SSAs and grazing associations/village grazing schemes, particularly in building community consensus on defining grazing areas and establishing an equitable system of resource allocation, which should be based on the community's own priorities. Private service providers will be instrumental in providing specialist technical services, accompanied by training to build local expertise to sustain interventions.
22. A project steering committee (PSC) will be responsible for project oversight and governance. It will be chaired by the Principal Secretary of MDP, with a consultative technical committee (CTC) at the director level, co-chaired by MAFS, MFLR and MTICM. A project coordination unit (PCU) in MAFS will be responsible for day-to-day coordination between participating ministries and LNWMGA. The PCU will also be responsible for monitoring and evaluation (M&E), reporting, major procurement and overall financial management of the project.
23. At the district level, each implementing agency will deliver the tasks assigned under the annual work plan and budget (AWP/B) through the appropriate branches: MAFS through district agricultural officers; and MTICM through district trade and marketing officers. A district project coordination committee, convened and chaired by the district administrator or designate and composed of district officers from MAFS, MFLR and MTICM and district wool and mohair growers associations, will ensure delivery of project services in each targeted district and village.

C. Planning, monitoring and evaluation, and learning and knowledge management

24. The main planning tools for WAMPP comprise the logical framework, the M&E framework and its indicators and targets, and the results-based annual work plan and budget (RB-AWP/B). The logframe provides the overall targets of project implementation at the output, outcome, development objective and impact levels. The RB-AWP/B breaks down these targets by year and assigns financial resources: IFAD loan and grant; ASAP grant; Organization of the Petroleum Exporting Countries (OPEC) Fund for International Development (OFID) loan, to the extent available to the project; government budget; and implementing partner contributions. The RB-AWP/B will present annual reports on the project's financial and physical outputs and outcomes for the year, and its accumulative achievements. Implementation of the RB-AWP/B will be monitored through the project's M&E framework, with regular reports ranging from quarterly to semi-annually. The planning, monitoring and reporting cycle is essential for efficient project management and achieving the agreed results.

25. Every year, each implementing partner¹ will prepare an RB-AWP/B for WAMPP, for consolidation by the PCU. The overall RB-AWP/B will be based on the project logframe, targets and indicators. Guidelines and templates provided in the project implementation manual will facilitate the planning and reporting process. The AWP/Bs will be prepared through a participatory approach with stakeholders, incorporating information from the M&E systems of the PCU and implementing partners, and recommendations from IFAD supervision and implementation support missions. The PSC will approve the consolidated draft AWP/B, which will then be submitted to the Government, IFAD and cofinanciers to seek their concurrence.

D. Financial management, procurement and governance

26. **Financial management.** Although the results of a November 2012 review of public expenditure and financial accountability – financed by the European Union – were generally weak, the financial control environments of the Rural Financial Intermediation Programme (in MoF) and the Smallholder Agriculture Development Project (in MAFS) have been mainly satisfactory. The use of cash-basis financial reporting standards from the International Public Sector Accounting Standards, and of external audit standards from the International Standards of Auditing is perfectly acceptable to IFAD; the financial statements have been unqualified and the quality of the external audit by the Office of the Auditor-General has been good. Both of these IFAD-financed projects use well-known, off-the-shelf accounting packages to provide the required financial information by category, component and financier, and the Integrated Financial Management Information System reports results to the Government of Lesotho. Governance indicators are also encouraging, with an inherent risk level of “medium”.
27. **Flow of funds.** Flow of funds. IFAD and ASAP funds will flow into designated accounts and hence to project accounts in MAFS from where they will flow to dedicated bank accounts at the implementing entities (MFLR, MTICM and LNWMGA), based on approved AWP/Bs. Counterpart funding from the Government of Lesotho will be remitted to separate project accounts in each of the three ministries."
28. Risks related to the flow of funds and multiple-entity reporting will be only partially mitigated by implementation of an off-the-shelf accounting package, strong PCU staffing, specific performance auditing of LNWMGA and regular international technical assistance, especially given the rapid increase in LNWMGA's activities over the life of the project. Consequently, the overall financial management risk assessment rating for the WAMPP project design is “high”.
29. **Procurement.** All procurement financed under the project will be carried out in accordance with national procurement procedures to the extent consistent with IFAD's 2010 Procurement Guidelines.
30. To maximize efficiencies, to the extent possible procurement will be performed at the national level, with international bidding as appropriate. Procurement responsibility for items included in the relevant AWP/B can be decentralized to procuring entities under the Public Procurement Regulations of Lesotho (2007).
31. **Governance.** An enhanced framework for good governance has been developed for WAMPP to ensure: (i) transparency; (ii) accountability in the use of resources; and (iii) participation, with people having a voice in decisions that may affect them. Key features of the framework include: (i) inclusive targeting of women and disadvantaged households; (ii) participation of community representatives in local-level planning; (iii) community and participatory monitoring of project activities, including a complaints mechanism; (iv) both internal and external audits of project

¹ Implementing partners include MAFS, MFLR, MTICM, MEMWA, LNWMGA and other partners at each administrative level.

accounts; (v) IFAD supervision and support; (vi) regular outcome surveys to provide information on the coverage and quality of project outputs; (vii) reporting of results to the PSC, IFAD and national government institutions, with key information published on a project website; and (viii) a complaints and remedies mechanism. The framework will support the transparent use of funds and constitutes a preventive measure against misuse of project funds.

E. Supervision

32. The project will be directly supervised by IFAD, with a focus on: (i) fiduciary aspects; (ii) achievements and quality of project implementation; and (iii) implementation support. Direct supervision will be a continuous process requiring sustained communication and engagement with Government, the PCU, implementing partners and the target group. Instruments for guiding and improving implementation will include continuous policy dialogue with Government, adjustment of AWP/Bs, revision of implementation manuals, supervision and midterm review missions, and amendments to legal agreements as appropriate.
33. During the start-up phase, supervision will focus on ensuring that the institutional arrangements to support project implementation are in place. IFAD will support a series of workshops and training sessions to sensitize all potential stakeholders, service providers and beneficiaries to the project objectives and their own roles and responsibilities. Targeted training during the start-up phase will aim to increase technical capacities and ensure adequate implementation quality.

IV. Project costs, financing, benefits

A. Project costs

34. Total project costs are estimated at US\$38.9 million, including physical and price contingencies. The parameters underpinning these costs are: (i) a seven-year project period, starting in 2014; (ii) price contingencies of 14 per cent, and physical contingencies of 9 per cent; (iii) inflation set at 4.7 per cent until project start-up, then reaching 7.1 per cent for the last four years of the project; and (iv) an exchange rate fixed at US\$1 = LSL 10.5 (the 2014 average). Taxes and duties are estimated to make up approximately US\$3.1 million of total project costs and will be paid by the Government.

Table 1
Project costs, by component and financier^a
 (Thousands of United States dollars)

<i>Component</i>	<i>IFAD loan and grant^b</i>	<i>OFID</i>	<i>ASAP</i>	<i>LNWMGA</i>	<i>Government of Lesotho</i>	<i>Unidentified financing</i>	<i>Total</i>
	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>
1. Climate-smart rangeland management	414	4 185	6 476		1 042	81	12 198
2. Improved livestock production and management	4 092	724	412	1 419	624	1 127	8 398
3. Wool and mohair fibre handling and marketing	1 318	6 895	112	126	1 053	729	10 233
4. Project coordination and management	5 788	171			1 259	885	8 103
Total	11 610	11 974	6 999	1 545	3 978	2 822	38 932

^a Financing gap of approximately US\$2.8 million

^b 50 per cent loan, 50 per cent DSF grant

B. Project financing

35. The project will be financed by an IFAD loan of US\$5.8 million; an IFAD DSF grant of US\$5.8 million; ASAP grant financing of US\$7.0 million; OFID financing of US\$12.0 million; and a contribution from LNWMGA of US\$1.5 million. The

Government will finance any balance of project costs. In addition to cash outlays for specific activities, the Government of Lesotho's contribution, valued at US\$4.0 million, will include office accommodation for the PCU and salaries for the government staff supporting project implementation. Beneficiaries will contribute by providing their labour for shed construction, renovation, water supply and access road works, shed management and administration, and the development of fodder reserves. The financing gap of approximately US\$2.8 million is expected to be covered by an additional cofinancier, to be identified before project start-up, or by additional funds, to be requested from IFAD by the Government of Lesotho at the time of the project's midterm review.

Table 2
Project costs, by expenditure category and financier
(Thousands of United States dollars)

Expenditure category	IFAD loan and grant		OFID		ASAP		LNWMGA		Government of Lesotho		Unidentified financing		Total
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	
1. Works			6 118	85.2			61	0.8	1 006	14			7 184
2. Consultancies	1 614	30.2	171	3.2	2 623	49.1	116	2.2	295	5.5	528	9.8	5 347
3. Goods, services and inputs	2 802	26.2	5 686	53.1	683	6.4	49	0.5	1 284	12	209	1.95	10 713
4. Workshops	784	19.6			2 538	63.7					660	16.57	3 982
5. Salaries and allowances	3 558	48.4			762	10.4	404	5.5	1 260	17.1	1 379	18.65	7 363
6. Operating costs	2 130	61			345	9.9	915	26.2	100	2.9			3 490
7. Vehicles	308	79			48	12.4			33	8.5			389
8. Training	414	89.4									49	10.6	463
Total	11 610	29.6	11 974	30.8	6 999	18.0	1 545	4.0	3 978	10.2	2 825	7.3	38 932

C. Summary benefit and economic analysis

36. The overall economic internal rate of return of the project investment is estimated at 23 per cent for the base-case scenario. The net present value of the project, discounted at 10 per cent, is LSL 605.337 million, equivalent to US\$57.65 million. The analysis shows significant net incremental benefits for farmers and rural entrepreneurs in the project area.
37. An estimated 50,000 households will benefit directly from the project; 25 per cent of these households will be directly engaged in activities related to improved animal health, husbandry and breeding.
38. Benefits will accrue from: (i) increased wool and mohair yields and livestock productivity resulting from improved vaccination, enhanced husbandry and better nutrition; (ii) an improved land and natural resource base for sustainable wool and mohair production; (iii) an increased proportion of fibre production marketed; (iv) reduced transportation costs and enhanced processing efficiency through innovative technology and improved shearing shed infrastructure; (v) better-quality fibre products attracting higher prices at auction, resulting from processors' demand for higher-quality fleeces; (vi) increased forage production; (vii) increased employment as hired or family labour in both on- and off-farm activities; and (viii) tax revenues resulting from the increased volume of taxable production. Major increases in incomes will depend largely on the adoption of improved technologies by farmers, households and rural entrepreneurs, which the project will promote through a breeding and vaccination programme. Benefits will also accrue from infrastructure investments for improved market access and support for marketing linkages.

D. Sustainability

39. The project has been designed to use existing systems or, where this is not feasible, to establish new systems that are sustainable and will not place an undue burden on the Government's budget at the end of the project. These new systems will include a privately managed supply chain for veterinary drugs and vaccines for producers; privately operated commercial breeding farms; and support to SSA-managed wool sheds. The prospects for sustainability of project investments are enhanced significantly because WAMPP is based on an existing, well-developed value chain for wool and mohair.
40. A key feature of the project is the development of clear local-level ownership through traditional and non-traditional authorities assuming responsibility for land management and maintenance in productive uses that increase incomes and food security. The project strengthens the capacity and role of LNWMGA (at the central and district levels), which is well positioned to strengthen links between wool and mohair producers and private-sector wholesalers.

E. Risk identification and mitigation

41. Key risks, assumptions and possible mitigation measures under the project include the following:
- Poor coordination among stakeholders leading to poor execution of project activities. This risk has been mitigated by having the MDP chair the PSC to ensure that key project functions are properly carried out through the approval process for project progress reports and AWP/Bs.
 - Price fluctuations in the wool and mohair market leading to reduced returns on investments and threatening the viability of livestock enterprises. To mitigate this risk, the project will focus on promoting the production of high-quality, high-price wool and mohair through measures in animal husbandry and rangeland management.
 - Rangeland degradation continues to have negative impacts on productivity of the wool and mohair sector. The project will address this risk by: (i) reducing grazing pressure on rangelands by promoting the large-scale disposal of unproductive animals at local slaughter slabs and auctions; (ii) promoting best practices in participatory rangeland management and monitoring; and (iii) launching animal breeding and exchange programmes.

V. Corporate considerations

A. Compliance with IFAD policies

42. WAMPP is fully aligned with relevant IFAD policies and strategies, including the IFAD Strategic Framework 2011-2015, with expected project outcomes supporting particularly the first three of the Framework's strategic objectives. Through the project: (i) the poor will benefit from access to productive rangelands (as natural resources and their economic asset base) that are more resilient to climate change; (ii) the poor will have access to services (i.e. weather forecasts, animal extension, shearing sheds and related services including marketing) to help reduce poverty and improve income, nutrition and resilience to a changing natural environment; and (iii) the poor and their organizations such as SSAs will manage profitable sheep and goat farms and non-farm activities, i.e. cottage enterprises.
43. The project is also well aligned with IFAD's Gender Policy, particularly in its support to women through job creation and capacity-building in wool handling at shearing sheds, and its development of cottage industries for producing textiles and garments for niche markets. The large number of women-headed households in the country make it likely that women account for an estimated 20-30 per cent of primary wool and mohair producers, who will become direct beneficiaries of the support envisaged under WAMPP.

44. WAMPP has been classified as a Category B investment, in that its potential negative environmental impact is expected to be of low significance and sensitivity. With its strong focus on climate adaptation, funded by ASAP, the project is expected to generate many positive impacts on the environment and on beneficiaries' ability to cope with climate-related shocks.

B. Alignment and harmonization

45. WAMPP supports the key development strategies and policies of the Government of Lesotho, including the National Strategic Development Plan, the National Vision 2020 and the National Adaptation Programme of Action. The Lesotho Agriculture and Food Security Investment Plan and the National Action Plan for Food Security will also be effectively supported. There is significant scope for developing linkages between WAMPP and ongoing projects and programmes supported by other international agencies.

C. Innovations and scaling up

46. WAMPP will build on, adjust and scale up the proven successful approaches and activities of several other projects. For example, the IFAD-funded Sustainable Agriculture and Natural Resource Management Programme supported the construction of woolsheds and experimented with the outreach of veterinary services through community animal health workers. WAMPP builds on lessons learned from this and other projects and will replicate activities at the national scale. Project scaling up will follow a sequential approach: (i) involvement of customary rules and institutions to support resilient rangelands; (ii) disposal of unproductive animals to reduce stocking rates to sustainable levels; (iii) increase of productivity to produce larger quantities of high-quality wool and mohair; and (iv) enhancement of the handling and marketing of wool and mohair through the main value chain actors, i.e. LNWMGA and buyers.
47. This sequential approach will follow an in-built learning loop. The project's M&E system will regularly collect results and lessons learned to fine-tune its approaches, especially the innovative rangeland management practices and breeding exchange programmes. Once these two critical elements have been operationalized, the project will be rolled out to the entire country.

D. Policy engagement

48. The project's engagement in policy dialogue will focus on supporting the Department of Range Resources Management in finalizing the Range Management Act for submission to Parliament. The Act will provide the legislative framework for implementation of the National Range Resources Management Policy and will address issues of usufruct rights to grazing land, demarcation and mapping – all areas of critical concern for successful project implementation and the sustainability of returns from investments made during the project's life. The project will also seek to engage in policy dialogue with the Government on the national livestock breeding strategy.

VI. Legal instruments and authority

49. A financing agreement between the Kingdom of Lesotho and IFAD will constitute the legal instrument for extending the proposed financing to the borrower/recipient. A copy of the negotiated financing agreement is attached herewith as an annex.
50. The Kingdom of Lesotho is empowered under its laws to receive financing from IFAD and from the IFAD ASAP Trust Fund, acting through IFAD in its capacity as Trustee of the ASAP Trust Fund.
51. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and with the Policies and Criteria for IFAD Financing.

VII. Recommendation

52. I recommend that the Executive Board approve the proposed financing in terms of the following resolutions:

RESOLVED: that the Fund shall provide a loan on highly concessional terms to the Kingdom of Lesotho in an amount equivalent to three million eight hundred and thirty thousand special drawing rights (SDR 3,830,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the Fund shall provide a DSF grant to the Kingdom of Lesotho in an amount equivalent to three million eight hundred and thirty thousand special drawing rights (SDR 3,830,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the Fund shall provide an ASAP grant to the Kingdom of Lesotho in an amount equivalent to four million six hundred and ten thousand special drawing rights (SDR 4,610,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze
President

Negotiated financing agreement: "Wool and Mohair Promotion Project"

(Negotiations concluded on 3 September 2014)

Loan Number: []

DSF Grant Number: []

ASAP Grant Number: []

Project Title: Wool and Mohair Promotion Project (the "Project")

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

and

The Kingdom of Lesotho (the "Borrower/Recipient")

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

Whereas:

(A) The Borrower/Recipient has requested financing from the Fund for purposes of Financing the Project described in Schedule 1 to this Agreement;

(B) The IFAD Executive Board approved at its 105th Session the proposal to establish a Trust Fund for the Fund's Adaptation for Smallholder Agriculture Programme (ASAP), with the purpose of financing, in the form of grants, components of the IFAD-financed core portfolio of Projects and Programmes to increase the resilience of small farmers to climate change in the five key ASAP outcome areas; and

(C) The Borrower/Recipient intends to apply for a loan from the OPEC Fund for International Development ("OFID") in the amount of approximately twelve million United States dollars (USD 12 000 000) ("OFID Financing") to partly finance the Project on terms and conditions to be set forth in a financing agreement between the Borrower/Recipient and OFID ("OFID Financing Agreement").

NOW THEREFORE, the Parties hereto 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, as may be amended 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.

3. The Fund shall provide financing to the Borrower/Recipient, which the Borrower/Recipient shall use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

1. The financing is composed of:
 - A. A Loan of three million eight hundred and thirty thousand Special Drawing Rights (SDR 3 830 000) (the "Loan").
 - B. A DSF Grant of three million eight hundred and thirty thousand Special Drawing Rights (SDR 3 830 000) (the "DSF Grant").
 - C. A Grant from ASAP of four million six hundred and ten thousand Special Drawing Rights (SDR 4 610 000) (the "ASAP Grant")
2. The Loan is granted on highly concessional terms and shall be free of interest but bear a service charge of three fourths of one per cent (0.75%) per annum payable semi-annually in the Loan Service Payment Currency, and shall have a maturity period of forty (40) years, including a grace period of ten (10) years starting from the date of approval of the Loan by the Fund's Executive Board.
3. The Loan Service Payment Currency shall be the USD.
4. The first day of the applicable Fiscal Year shall be 1 April.
5. Principal and service charge shall be payable on each 15 January and 15 July.
6. The Borrower/Recipient shall open and thereafter maintain two (2) designated accounts in United States Dollars (USD) in the Central Bank of Lesotho to receive respectively the proceeds of the Loan and DSF Grant and of the ASAP Grant (collectively, the "Designated Accounts"), and two (2) Project accounts denominated in Maloti (collectively, the "Project Accounts").
7. The Borrower/Recipient shall provide counterpart financing for the Project in the amount of three million nine hundred and seventy-eight thousand United States dollars (USD 3 978 000) to cover among other things duties and taxes, salaries for Project staff, and office space for the Project Coordination Unit (PCU).

Section C

1. The Lead Project Agency shall be the Ministry of Agriculture and Food Security (MAFS) of the Borrower/Recipient.
2. The following are designated as additional Project Parties:
 - (i) the Ministry of Forestry and Land Reclamation (MFLR);
 - (ii) the Ministry of Trade and Industry, Cooperatives and Marketing (MTICM);
 - (iii) the Ministry of Local Government and Chieftainship Affairs (MoLG);
 - (iv) the Ministry of Energy, Meteorology and Water Affairs (MEMWA); and
 - (v) the Lesotho National Wool and Mohair Growers Association (LNWMGA).
3. The Project Completion Date shall be the seventh anniversary of the date of entry into force of this Agreement.

Section D

The Financing shall be administered and the Project supervised by the Fund.

Section E

1. The following are designated as additional grounds for suspension of this Agreement:

- (a) The right of the Borrower/Recipient to withdraw the proceeds of the OFID Financing under the OFID Financing Agreement, to the extent this has entered into force, has been suspended.
- (b) The Project Implementation Manual ("PIM") referred to under paragraph 11, Section II of Schedule 1 hereto, or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior consent of the Fund, and the Fund has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the Project.

2. The following is designated as an additional ground for cancellation of this Agreement: The right of the Borrower/Recipient to withdraw the proceeds of the OFID Financing under the OFID Financing Agreement, to the extent this has entered into force, has been cancelled.

3. The following are designated as additional general conditions precedent to withdrawal:

- (a) The Designated Accounts and the Project Accounts referred to in Section B 6. above, shall have been duly opened;
- (b) The Borrower/Recipient shall have deposited adequate counterpart funds to cover the first year of Project implementation, as specified in the first Annual Work Plan and Budget ("AWPB");
- (c) The Project Steering Committee ("PSC"), the Project Consultative Technical Committee ("PCTC") and the Project Coordination Unit ("PCU") referred to respectively in paragraphs 6, 7, and 8, Section II of Schedule 1 hereto shall have been duly established and key staff shall have been appointed with the prior endorsement of the Fund;
- (d) The Lead Project Agency shall have entered into the performance-based agreement with the Lesotho National Wool and Mohair Growers Association (LNWMGA) in the form approved by the Fund; and
- (e) The Lead Project Agency shall have entered into the Memorandum of Understanding (MoU) with each Ministry designated as a Project Party in Section C 2 above in the form approved by the Fund.

4. The following are designated as specific conditions precedent to first replenishment by the Fund of the advance to the Designated Accounts:

- (a) The Lead Project Agency shall have submitted the PIM referred to in paragraph 11, Section II of Schedule 1 hereto to the Fund for approval prior to its adoption;

- (b) The Lead Project Agency shall have installed a multi-site off-the-shelf accounting Project software; and
- (c) The LNWMGA shall have contracted an independent audit firm, acceptable to the Fund to conduct a performance audit of the Project activities assigned thereto.

5. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Fund:

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

For the Borrower/Recipient:

Minister of Finance
Ministry of Finance
P.O. Box 395, Maseru 100
Lesotho

This Agreement, dated [], has been prepared in the English language in six (6) original copies, three (3) for the Fund and three (3) for the Borrower/Recipient.

For the Fund
(insert name and title)

For the Borrower/Recipient
(insert name and title)

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. *Project Area.* The Project shall be implemented in all administrative districts of the Borrower/Recipient's territory with special focus on the Mokhotlong, Maseru, Thaba Tseka, Quthing and Butha-Buthe districts.
2. *Target Population.* The Project shall benefit approximately 50 000 households or 200 000 resource poor wool and mohair producers within the Project Area.
3. *Goal.* The overall goal of the Project is to boost the resilience of poor, smallholder wool and mohair producers to adverse effects of climate change in the Mountain and Foothill Regions of Lesotho.
4. *Objectives.* The development objectives are to: (i) enable smallholder livestock producers to generate higher incomes and more sustainable livelihoods; and (ii) increase their ability to cope with and recover from natural shocks.
5. *Components.* The Project shall have three Components: (1) Climate smart rangeland management; (2) Improved livestock production and management; and (3) Wool and Mohair fibre handling and marketing.
 - 5.1. Component 1: Climate Smart Rangeland Management. The objective of this component is to promote a sustainable system of climate-resilient communal grazing and rangeland management with the aim of improving livestock nutrition, maximizing production and returns for smallholder wool and mohair producers, and avoiding loss and damage resulting from climate-related events. This component will enable livestock producers to increase their productivity while countering rising trends in land degradation.
 - 5.2. Component 2: Improved Livestock Production and Management. The objective of this component is to increase the quantity and quality of wool and mohair produced by smallholder farmers in the Borrower/Recipient's territory. The activities planned under Component 2 will address the identified deficiencies in animal nutrition, breeding, and health to raise production standards and maximise returns for smallholder producers. The expected outcomes of component 2 will be that smallholder sheep and goat producers increase the production and productivity of superior quality of wool and mohair by intervening in all three factors affecting livestock productivity: (i) feeding, (ii) breeding, and (iii) animal health.
 - 5.3. Component 3: Wool and Mohair Fibre Handling and Marketing. The objective of this component is to increase market return from wool and mohair systems for livestock producers through improved quality of the fibre while at the same time stimulating a niche cottage industry for wool and mohair tapestry products, and providing a market outlet for unproductive animals that need to be removed from the rangeland. Value Chain challenges will be addressed in three sub-components: (a) value chain-based enterprise enhancement, (b) supporting cottage industry and niche market development and (c) promotion of livestock auctions and district slabs.

II. Implementation Arrangements

6. Project Steering Committee (PSC)

There shall be a PSC to provide policy guidance and oversight for Project implementation. The PSC shall be convened and chaired by the Principal Secretary (PS) of the Ministry of Development Planning (MDP) and include representatives from each of the Project Parties. The PSC shall meet bi-annually to review physical and financial progress, assess management effectiveness, decide on corrective measures where appropriate, review lessons learned and good practices, and approve AWPBs and Project Procurement Plan.

7. Project Consultative Technical Committee (PCTC)

There shall be a Project Consultative Technical Committee (PCTC) including Directors and focal points, among others, of the following: MAFS (Convenor and Co-chair), MFLR (Co-chair), MTICM (Co-chair), MEMWA, Ministry of Finance (MoF), Ministry of Home Affairs (MoHA), MDP, MoLG, LNWMGA, other relevant private sector actors, farmer/herder organisations and Non-Governmental Organisations. The PCTC shall meet quarterly and shall be tasked with providing technical and operational guidance, discuss and resolve operational problems, provide technical review of AWPBs and reinforce knowledge sharing across ministries.

8. Project Coordination Unit (PCU)

There shall be a Project Coordination Unit (PCU), hosted by the MAFS, tasked with the implementation, co-ordination and management of Project activities including consolidation of AWPBs, Procurement Plans, Progress and Financial Reports as received from the other implementing entities and co-ordination of the procurement of goods, works and services. The PCU shall also be responsible for monitoring and evaluation and provide support to implementation and supervision missions. It shall include the following professionals seconded from the Government or recruited pursuant to a competitive and transparent process: (i) the Project director; (ii) three technical component managers responsible for coordinating activities under each Component who shall be based in their respective line ministries (MTICM, MFLR and MAFS) with clearly defined lines of authority, communication and decision-making within the PCU framework; (iii) a financial management officer; (iv) a procurement officer; (v) a monitoring and evaluation officer; and (vi) a knowledge management and communication officer.

9. Lesotho National Wool and Mohair Growers Association

The Lesotho National Wool and Mohair Growers Association (LNWMGA) shall exercise leadership over the wool and mohair sub-sector, oversee activities of the sub-sector actors, provide wholesale inputs, deliver extension services and run breeding farms. In addition, the LNWMGA shall act as the policy advocate for the wool and mohair sub-sector and shall be a key service provider to the Project.

10. Non-Governmental Organizations and Community Based Organizations

Non-governmental organizations (NGOs) and community-based organizations (CBOs) shall support the Shearing Shed Associations and the Grazing Associations/Village Grazing Scheme, in building community consensus to define grazing areas and establish an equitable system of resource allocation to be based on the communities' own priorities. In addition, service providers shall be contracted to provide specialist technical advice and training to build local expertise to sustain interventions.

11. Project Implementation Manual

The Project shall be implemented in accordance with the approved AWPB and Procurement Plan and guided by the PIM, the terms of which shall be adopted by the Lead Project Agency subject to the Fund's prior approval. The PIM shall include, among other things: (i) Terms of reference, implementation responsibilities and appointment modalities of all Project staff and consultants; (ii) Project operating manuals and procedures; (iii) monitoring and evaluation systems and procedures; (iv) a detailed description of implementation arrangements for each Project component; (v) modalities for the selection of service provider(s) and Project Parties to be based on transparent and competitive processes; and (vi) financial management and reporting arrangements including accounting, approval of payments, financial reporting, internal controls, fixed asset management, as well as internal and external audit arrangements.

12. Mid-Term Review

The Lead Project Agency and the Fund shall jointly carry out a review of the Project implementation no later than the third anniversary of the date of Entry into Force of this Agreement (the "Mid-Term Review") based on terms of reference prepared by the Lead Project Agency and approved by the Fund. Among other things, the Mid-Term Review shall consider the performance and financial management of contracted implementing partners, the efficacy of technical assistance and capacity building activities, the overall achievement of Project objectives and the constraints thereon and recommend such reorientation as may be required to achieve such objectives and remove such constraints. The Borrower/Recipient shall ensure that the agreed recommendations resulting from the Mid-Term Review are implemented within the specified time therefor and to the satisfaction of the Fund. Such recommendations may result in modifications to this Agreement or cancellation of the Financing.

13. Performance Based Agreements

The Lead Project Agency shall enter into a performance-based agreement with each of the LNWMGA, contracted service providers, NGOs and CBOs to ensure implementation of the Project. Each performance-based agreement shall specify the scope of the work to be undertaken, expected deliverables, estimated budget for specific activities, as well as clearly defined performance evaluation criteria. Each performance-based agreement shall be monitored closely by the Lead Project Agency, renewed annually based on satisfactory performance and shall: (i) specify that each of the LNWMGA, contracted service providers, NGOs and CBOs shall maintain a register of assets acquired with the proceeds of the Financing and that at completion of Project Implementation, such assets shall be transferred to the Lead Project Agency; (ii) provide that each of the LNWMGA, contracted service providers, NGOs and CBOs shall implement a financial management system which will enable clear identification of Project expenditures; and (iii) be submitted to the Fund for its prior approval. In addition, the performance-based agreement which the Lead Project Agency shall conclude with the LNWMGA shall provide that such entity open and thereafter maintain a dedicated bank account for Project operations. Each performance-based agreement may not be modified without prior consent of the Fund.

14. Memorandum of Understanding

The Lead Project Agency shall enter into a Memorandum of Understanding (MoU) with each Ministry designated as a Project Party under Section C 2 above for the implementation of the activities under the Project assigned thereto. Each MoU shall clearly specify the scope of the work to be undertaken, expected targets, estimated budget for specific activities, as well as clearly defined target indicators. Each MoU shall be monitored by the PSC and shall: (i) be submitted to the Fund for its prior approval; and (ii) specify that each Ministry designated as a Project Party under Section C 2 above shall maintain a register of assets acquired with the proceeds of the Financing and that at completion of the Project implementation, such assets will be transferred to the Lead

Project Agency. In addition, the MoUs which the Lead Project Agency shall conclude with the MFLR, and the MTICM shall provide that such ministries open and thereafter maintain dedicated bank accounts for Project operations at central level. Each MoU may not be modified without the prior consent of the Fund.

Schedule 2

Allocation Table

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

Category	Loan Amount Allocated (expressed in SDR)	DSF Grant Amount Allocated (expressed in SDR)	ASAP Grant Amount Allocated (expressed in SDR)
I. Consultancies	480 000	480 000	1 560 000
II. Goods, Services and Inputs	920 000	920 000	430 000
III. Workshops	360 000	360 000	1 510 000
IV. Salaries and Allowances	1 060 000	1 060 000	450 000
V. Operating Costs	630 000	630 000	200 000
Unallocated Costs	380 000	380 000	460 000
TOTAL	3 830 000	3 830 000	4 610 000

(b) In all cases the percentage of expenditures to be financed will be 100% net of taxes, beneficiaries and Government contributions.

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

"Consultancies" includes Eligible Expenditures for costs associated with technical assistance and studies;

"Goods, Services and Inputs" includes Eligible Expenditures for costs associated with vehicles; and

"Workshops" includes Eligible Expenditures for costs associated with training, extensions and capacity building.

(d) Eligible Expenditures shall concurrently be allocated to the Loan and DSF Grant in equal measure.

2. *Start-up Costs.* 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 one hundred and fifty thousand Special Drawing Rights (SDR 150 000).

Schedule 3

Special Covenants

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 Account, the DSF Grant Account, and/or the ASAP 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. *Gender and Youth.* The Borrower/Recipient shall ensure that women and youth are represented in the organization and management of the Project. The Borrower/Recipient shall also ensure that women and youth beneficiaries shall be represented in all Project activities and that they receive appropriate benefits from the Project outputs.
2. *Operation and Maintenance.* The Borrower/Recipient shall ensure that adequate human and financial resources are provided to support the operation and maintenance of Project-financed investments and the recurrent costs of the Project operations both during and after the Project Implementation Period, at least for the useful life of such investments.
3. *Counterpart Funds.* The Borrower/Recipient shall ensure that counterpart funds are clearly identifiable in the financial management system and all financial statements.

Logical framework (excerpt)

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
<p>The Project Goal will be to boost the economic and climate resilience of poor wool and mohair producers in the Mountain and Foothill Regions of Lesotho.</p>	<ul style="list-style-type: none"> Reduction in the prevalence of child malnutrition: Child stunting to be reduced from 39.2 per cent (2009) to 32.7% by WAMPP completion 50,000 Households with improvement in household assets ownership index (RIMS Level III) 250,000 poor smallholder household members whose climate resilience¹ has been increased - disaggregated by sex 	<ul style="list-style-type: none"> Baseline, mid-term and completion impact surveys LVAC reports Qualitative studies to complement indicator-based data. Disaster Management Agency (DMA) reports 	<ul style="list-style-type: none"> Stable macro-economic conditions (A) Stable political environment (A)
<p>Project Objective (i) Smallholder livestock producers generate higher incomes and more sustainable livelihoods. (ii) Smallholder Livestock Producers increase their ability to cope with and recover from climate related shocks</p>	<ul style="list-style-type: none"> 20,000 households report an increased capacity to cope with shocks (MPAT indicator #9) 25,000 households report a 50% reduction in hunger period by year 7 50,000 households with improved income by 50% by Year 7 	<ul style="list-style-type: none"> Baseline mid-term and completion impact surveys LDFS sentinel sites monitoring soil cover, and erosion risk Qualitative studies to complement indicator-based data. On-going monitoring of wool and mohair production & sales MPAT surveys 	<ul style="list-style-type: none"> Livestock owners (SSAs) have free access to international auction floor
<p>Outcome 1 – Livestock producers manage rangelands in sustainable and climate smart way</p>	<ul style="list-style-type: none"> Grazing land managed under climate smart agricultural practices increases from 280,000 (functional grazing schemes command area) to 600,000 ha 150 out of the 200 grazing scheme use climate information for sustainable livestock and rangeland management 100% of targeted VGS and Rangeland Management associations adopt improved range management practices, including planned grazing 	<ul style="list-style-type: none"> Results of the Biophysical baseline and subsequent surveys Baseline and periodic survey to report on improved practice adoption DRRM & NGO quarterly report 	<ul style="list-style-type: none"> Chiefs accept to delegate management authority to RMA to issue grazing permits (A) Herders continue to refuse to sell unproductive animals (R)
<p>Output 1.1 A new Rangeland Management Baseline is established for enhanced biophysical and climatic monitoring</p>	<ul style="list-style-type: none"> A biophysical baseline for rangelands and grazing areas established in all 10 districts Guidelines developed for the establishment and management of grazing associations and range management areas Range Management Act developed and submitted to Parliament Rangeland hotspots most at risk to climatic extremes are mapped 5 additional weather stations established Number of SMS Early Warning registered users of climate information 	<ul style="list-style-type: none"> Quarterly progress reports National baseline assessment of rangelands published Climatic Vulnerability maps available Grazing land permits SMS climate warning messages received 	<ul style="list-style-type: none"> Local and traditional leadership are supportive (A) Intra-community conflicts disrupt progress (R)

¹ Under WAMPP a climate resilient household is defined as one that derives benefits from project investments for climate risk management: (i) rangeland degradation reduced; (ii) livestock mortality reduced and (iii) revenues from wool & mohair maintained or increased in spite of a climate related shock.

<p>Output 1.2 Community based Climate Resilient Rangeland Management established</p>	<ul style="list-style-type: none"> • 50,000 households covered by new or improved climate information services • 200 VGS and RMAs trained on sustainable rangeland management and the use of climate information • 150 VGS and RMAs prepare grazing plans and rangeland management plans • At least 5 holistic range management pilots established • At least 50,000 households are sensitized to improved rangeland management practices including disposal of unproductive animals to reduce pressure 	<ul style="list-style-type: none"> • Shed lease agreement • Baseline, mid-term and completion impact surveys • Survey and Monitoring reports on implemented plans and rehabilitated areas 	<ul style="list-style-type: none"> • Local and traditional leadership are supportive (A) • Intra-community conflicts disrupt progress (R)
<p>Outcome 2: Smallholder sheep and goat producers increase the production of superior quality wool and mohair</p>	<ul style="list-style-type: none"> • Share of superior mohair and wool quality increases by an aggregate 20% above baseline for LNWMGA members by year 7 • Average wool and mohair yields increase from 2.64 kg² wool to 3.0 kg per head and from 0.75kg of mohair to 1.0 kg by year 7 • 75% of small ruminant producers members of SSA adopt improved feeding practice 	<ul style="list-style-type: none"> • Baseline mid-term and completion impact surveys, • BKB Fibretrack annual reports • Shearing sheds reports • Annual livestock production report 	<ul style="list-style-type: none"> • Heavy snow, frost and drought negatively impact availability of forage rangeland , crop residues and cultivated forage (R) • Demand for quality wool and mohair remains constant or increase(A)
<p>Output 2.2a A National Breeding Programme is established to boost wool and mohair production</p> <p>Output 2.2b An exchange programme for substitution of unproductive sheep and goat with quality breeding stock is established</p>	<ul style="list-style-type: none"> • 2 Breeding Centres established and managed by LNWMGA • National elite breeding flock of > 1000 sheep and > 500 goats established • 20 District commercial elite breeding flocks are certified for quality stock delivery to herders • At least 2000 rams and 1000 bucks distributed to herders under the Exchange Programme by year 7 	<ul style="list-style-type: none"> • LNWMGA reports • Training reports • District livestock reports • Breeding Centres reports • Research publications 	<ul style="list-style-type: none"> • Breeding Centres are leased to LNWMGA (A) • Improved genetic stock is available in numbers required by farmers (A) • Livestock auctions are organised and slaughtering slabs are operational (A)
<p>Outcome 3: Livestock producers increase market returns from wool and mohair systems</p>	<ul style="list-style-type: none"> • 20 % increase the quantity (MT) of wool and mohair in higher grades • 10,000 sheep and 2,000 goats sold through district level auctions, per year • At least 25,000 sheep & 10,000 goats culled under the national breeding & exchange programme by Y7³ 	<ul style="list-style-type: none"> • BKB and other outlet market reports • Shearing Shed records • Cottage industry records 	<ul style="list-style-type: none"> • Livestock owners (SSAs) have free access to international auction floor • International market returns sustain industry vitality (A) • Access to supply top quality mohair resolved (A)
<p>Output 3.1a: Shearing Shed Association members are trained for viable enterprise development.</p> <p>Output 3.1b: Shearing shed facilities and infrastructure are provided</p>	<ul style="list-style-type: none"> • 135 SSA trained in enterprise management, having a business plan and operating in profit • 270 fibre classers trained (70% women) and 800 shearers trained • 16 new sheds constructed (baseline 135 sheds), using up-dated climate resilient design (incl. solar panel or grid connectivity) • 46 existing shearing sheds renovated, based on a climate resilient design • 50 km of all weather (single) access road constructed/up-graded – new project 	<ul style="list-style-type: none"> • LNWMGA Progress reports • SSA Annual Reports • Wool broker “Fibre Track” • SSA reports • BKB Fibre track 	<ul style="list-style-type: none"> • Farmers are willing to adopt market oriented practices (A) • Depressed fibre prices affect flow of wool and mohair through SSAs (R) • Loss of especially shearers to more remunerative SA labour market (R)

² Fibre Track 2012/13 report for Lesotho wool/sheep production sold through BKB.

³ This indicator will be the result of interventions under Component B (the exchange program and fattening) and under Component C (auctions and slaughtering slabs).