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Investing in rural people

President's report

Proposed loan

Kingdom of Lesotho

Regeneration of Landscapes and Livelihoods

Project ID: 2000002340

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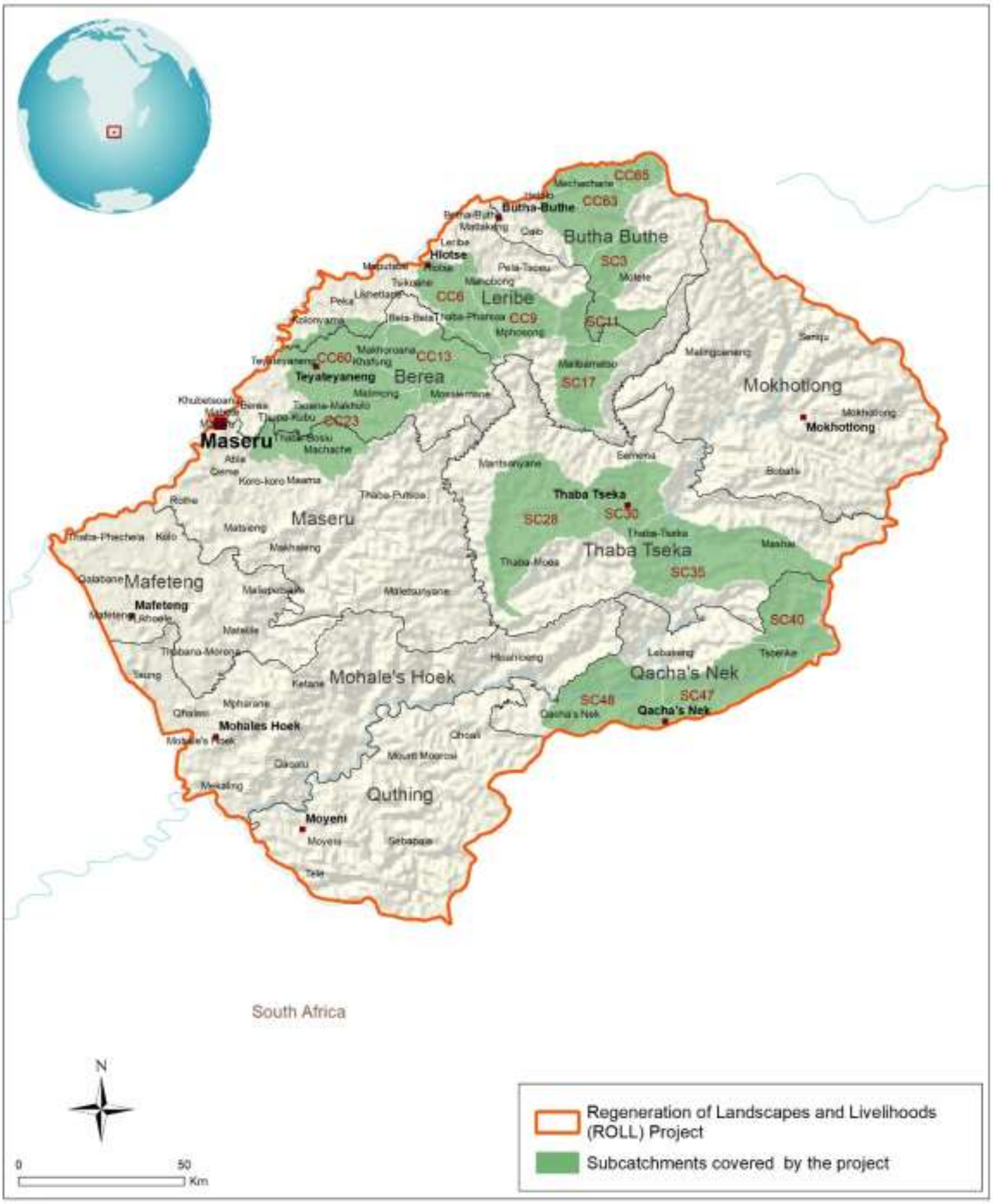
**The team was supported by additional IFAD technical staff, the East and Southern Africa Division front office and consultants as well as government officials mapped to the project design.*

Abbreviations and acronyms

AWP/B	annual workplan and budget
FAO	Food and Agriculture Organization of the United Nations
GEF	Global Environment Facility
KM	knowledge management
M&E	monitoring and evaluation
OPEC Fund	OPEC Fund for International Development
ROF	regeneration opportunities fund
ROLL	Regeneration of Landscapes and Livelihoods
SDG	Sustainable Development Goal
SO	strategic objective

Map of the project area



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.

Map compiled by IFAD | 01-09-2021

Financing summary

Initiating institution:	IFAD
Borrower/recipient:	Government of the Kingdom of Lesotho, Ministry of Finance
Executing agency:	Ministry of Forestry, Range and Soil Conservation
Total project cost:	US$46.348 million
Amount of IFAD loan 1:	EUR 3.14 million, equivalent to US$3.73 million
Terms of IFAD loan 1:	The loan, granted on highly concessional terms, shall be free of interest but shall bear a fixed service charge as determined by the Fund at the date of approval of the loan by the Fund's Executive Board, payable semi-annually in the Loan Service Payment Currency. The loan 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. The principal of the loan, granted on highly concessional terms, will be repaid at four and half per cent (4.5 per cent) of the total principal per annum for years eleven (11) to thirty (30), and one per cent (1 per cent) of the total principal per annum for years thirty-one (31) to forty (40).
Amount of IFAD loan 2:	EUR 6.36 million, equivalent to US$7.57 million
Terms of IFAD loan 2:	The loan, granted on blend terms, shall be subject to interest on the principal amount outstanding and a service charge as determined by the Fund at the date of approval of the loan by the Fund's Executive Board. The interest rate and service charge determined will be fixed for the life cycle of the loan and payable semi-annually in the Loan Service Payment Currency. The loan shall have a maturity period of twenty-five (25) years, including a grace period of five (5) years, starting from the date of approval of the loan by the Fund's Executive Board. The principal of the loan granted on blend terms shall be repaid in equal instalments.
Cofinanciers:	OPEC Fund for International Development (OPEC Fund) Global Environment Facility (GEF) Food and Agriculture Organization of the United Nations (FAO) Cofinancing is discussed with all three parties. OPEC Fund is awaiting borrowing request and plans to approve the project in September 2021; GEF finance is expecting GEF CEO endorsement in November 2021 and FAO cofinancing is committed under a memorandum of understanding (MoU) between ROLL and FAO drafted as an annex to the Project Implementation Manual (PIM). It will be finalized once GEF funds are finally approved.
Amount of cofinancing:	OPEC Fund: US$15.50 million GEF: US$3.50 million FAO: US$2.40 million

Terms of cofinancing:	OPEC Fund: loan and grant GEF: grant FAO: in kind
Contribution of borrower/recipient:	US$7.99 million
Contribution of beneficiaries:	US$2.16 million
Financing gap:	US$3.50 million
Amount of IFAD climate finance:	US$6.55 million

Recommendation for approval

The Executive Board is invited to approve the recommendation contained in paragraph 54.

I. Context

A. National context and rationale for IFAD involvement

National context

1. **Economic outlook.** The Kingdom of Lesotho recently graduated to lower-middle-income country status, yet nearly 50 per cent of its population still lives below the national poverty line (US$1.65 per day). Lesotho's GDP growth – 1.13 per cent between 2015 and 2020 – is projected to slow to 0.6 per cent in the coming years. This trend is attributed to the impact of the COVID-19 pandemic. The national debt currently amounts to about 47 per cent of GDP.[1]

2. **Demography and human development.** Lesotho's population is about 2.1 million, with approximately 80 per cent of people living in rural areas. The country's Human Development Index stands at 0.497. Lesotho suffers from widespread hunger[2] and high prevalence of HIV/AIDS (23.4 per cent in 2017).[3] The latter has become the leading cause of morbidity and mortality in the country, but both diseases present serious national health and economic challenges. Life expectancy is 54 years.[4]

3. **Agriculture and food security.** Agricultural production is the leading source of livelihoods for rural populations, with 70 per cent of households partly depending on it. Agriculture accounted for 8 per cent of GDP in 2018 and the sector employs 44 per cent of the active population. Lesotho is a small, landlocked country whose macroeconomic stability depends on economic trends in South Africa. It also suffers from the economies of scale of neighboring producers. The majority of food consumed in the country is imported. Difficult agroclimatic conditions and limited arable land result in low agricultural growth.

4. **Policies and programmes.** Lesotho, a constitutional monarchy, is governed as a parliamentary democracy. The country has experienced recurrent periods of political instability. The 2019-2023 National Strategic Development Plan emphasizes the critical importance of agriculture to the rural poor and sets three goals for the sector: (i) sustainable commercialization and diversification; (ii) development of agrifood systems; and (iii) rehabilitation of rangelands and wetlands. A comprehensive multisectoral national framework addressing rural challenges is lacking.

Special aspects relating to IFAD's corporate mainstreaming priorities

5. In line with mainstreaming commitments under the Eleventh Replenishment of IFAD's Resources (IFAD11), the project has been validated as:

☒ Including climate finance; and
☒ Nutrition-sensitive.

6. **Gender.** Women in Lesotho account for most of the agricultural labour force and provide considerable inputs to household food security. However, their role is undervalued and constrained by controls over resources, services and the labour

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[1] World bank, Lesotho Overview.
[2] Lesotho is ranked 100th out of 107 countries by the 2020 Global Hunger Index.
[3] Joint United Nations Programme on HIV/AIDS (UNAIDS), Lesotho factsheets.
[4] United Nations Development Programme (UNDP), Human Development Indicators.

market opportunities. Gender-based violence is common (86 per cent of women affected).[5] Despite notable advances, economic and social disparities persist.

7. **Youth.** Lesotho has a young population – 39 per cent of inhabitants are between 15 and 35 years old. Unemployment affects 15.3 per cent of those aged between 25 and 29, a figure that rises to 36 per cent for rural youth. Orphans account for 54.3 per cent of young people aged below 18 (largely reflecting HIV/AIDS deaths). Overall, rural youth lack access to productive assets, finance, and skills development.

8. **Nutrition.** Malnutrition is rife in Lesotho. This translates into high stunting rates in children under the age of five (33 per cent), with significant disparities across the country. Poor nutrition explains high level of anaemia (51 per cent of children under five) and overweight (45 per cent of women between 15 and 49 years old).

9. **Environment and climate change.** Climate change simulations see temperatures increasing between 1.5°C and 2°C and a reduction of total monthly precipitation of approximately 5.5 per cent by 2050.[6] Recurrent droughts will result in reduced water availability for a predominantly rainfed agriculture. Other potential climate impacts include crop failures due to heat and drought stress, production losses caused by unpredictable rains, reduced planting area, and increased susceptibility to pests and disease.

10. **Rationale for IFAD involvement.** The Regeneration of Landscapes and Livelihoods (ROLL) project is an opportunity for IFAD to capitalize on 40 years of engagement with the Government of Lesotho and help drive coordinated efforts on regeneration. The project aims to bring together key development partners, notably the World Bank, FAO and the World Food Programme, not only in pursuit of the Fund's own strategic objectives (SOs), but also to contribute to the goals of the United Nations Development Assistance Framework. IFAD has also successfully mobilized cofinancing from GEF and OPEC Fund, ROLL will reaffirm IFAD's leadership in innovative rural finance in the region.

B. Lessons learned

11. ROLL draws on lessons from Lesotho and beyond. The country strategy and opportunities programme (COSOP) (1998–2018) results review highlighted the need for ongoing support to address the dual burden of extensive rural degradation and persistent rural poverty. Behaviour change and more sustainable resource use do take time and require continuous engagement together with, ideally, smart incentives.

12. A careful analysis of previous experience in community-driven labour schemes and related innovation, monitoring instruments and scaling-up mechanisms[7] informed the project's objectives and approach. The project learns from the Wool and Mohair Promotion Project's experience in road construction and from the intervention of the Ministry of Forestry, Range and Soil Conservation (MFRSC) on labour schemes, as well as from international experience in setting up benefit-sharing mechanisms[8] and performance-based support options.[9]

II. Project description

A. Objectives, geographical area of intervention and target groups

13. **The project development objective** is to ensure that rural communities adopt transformational practices for regenerated landscapes and sustainable livelihoods,

[5] German Agency for International Cooperation (GIZ), 2018, Partnership for Prevention o*f Violence against Women and Girls.*
[6] IFAD, University of Cape Town (UCT), 2020, *Climate Change and Future Crop Suitability in Lesotho.*
[7] IFAD, 2020, Community-driven development in IFAD-supported projects evaluation analysis.
[8] IFAD/GEF-supported Upper Tana Nairobi Water Fund in Kenya.
[9] Kirehe Community-based Watershed Management Project in Rwanda.

leading to improved nutrition and adaptation to climate change. This objective is underpinned by four outcomes: (i) changed resource use practices; (ii) reduction of environmental degradation; (iii) improved livelihoods; and (iv) the establishment of a facility and a fund for landscape regeneration. Project duration is set at eight years.

14. **Geographic area of intervention.** ROLL is national in scale, and will initiate operations in five districts, namely Thaba-Tseka, Leribe, Berea, Qachas Nek and Botha-Bothe. It will work in landscapes in 16 subcatchments, 1,000 villages and the same number of coalitions and groups (grazing associations, women's saving groups, herder groups). The selection of subcatchments and landscapes is informed by key biophysical and socio-economic variables on climate vulnerability.

15. **Target groups and strategy.** About 100,000 people and 68,000 rural households will directly benefit from the project. On average, rural households in Lesotho have five members, which adds up to 340,000 beneficiaries. Vulnerable rural households are the main target group, comprising small-scale producers (poor farmers, livestock owners and herders), unemployed youth and wage labourers. ROLL's targeting strategy follows a three-pronged approach in pursuit of the project's objectives. For environmental management, sensitization at the village level will promote large community participation. For household income generation, an approach that focuses on the poor and is gender sensitive will reach the most vulnerable. For awareness-raising, national campaigns (radio and TV) and visits to schools will be undertaken.

16. **Gender, youth and nutrition.** Among other instruments, the project integrates the Gender Action Learning System and other household methodologies to strengthen the social capital of target groups. Quotas will be set to meet the targets of 40 per cent women's participation and of 20 per cent youth engagement. Similarly, the first two components aim to improve nutrition by enhancing food security through the following: (i) supporting production of diverse and nutritious foods; (ii) promoting household consumption of safe and nutritious foods; (iii) improving household hygiene; and (iv) providing opportunities for women to access and control productive resources and income-generating activities. Nutrition interventions will seek to reach at least a third of project beneficiaries.

B. Components, outcomes and activities

17. The project will have the following components: (i) regeneration coalition facility; (ii) regeneration opportunities fund (ROF); and (iii) project management and coordination.

Component A. Regeneration coalition facility

18. In this component, community members and local interest groups in a landscape are brought together under the umbrella of a landscape coalition. The expected outcome is to support coalitions of local groups and decision-makers to engage in landscape regeneration efforts. Component A rests on three main groups of complementary activities:

    (i) **Scoping and assessments.** In line with the strong focus on participation, this set of activities includes: (i) mapping existing community-based organizations and ascertaining the perceived levels of social cohesion; and (ii) assessing environmental and socio-economic challenges and opportunities, including those related to natural resource management. Both will be facilitated by the project and service providers, and carried out by the communities.

    (ii) **Coalition-building.** As an interactive process within project villages, coalitions are formed consisting of local organizations, farmers and villagers. The process entails: (i) participatory awareness-raising on sustainable natural resource management and requests to the communities to define alleviation measures; and, subsequently, (ii) the formalization of the coalitions, which then can submit funding requests to the ROF's various windows.

(iii) **Planning, mobilization and implementation**. This set of activities includes: (i) technical assistance for landscape assessment and planning; (ii) support to coalitions for submitting plans to ROF; and (iii) continuous assistance to strategy implementation.

(iv) **Nutrition and social inclusion demonstration.** A set of activities is programmed around nutrition-related activities, using five pathways: increasing production, promoting consumption, improving hygiene, enhancing women's access to productive resources, and supporting nutrition education. ROLL will develop a gender and youth strategy and action plan to facilitate equitable participation of women and men.

Component B. Regeneration opportunities fund

19. The ROF seeks to catalyse investments in activities benefiting the people and the environment equally. The fund is subject to strict disbursement conditions and mid-course performance audits. Its long-term sustainability will be supported through cofinancing and partnerships formed during the project. ROF is set up with a phased approach and comprises three funding windows providing technical and financial support:

(i) The **landscape support window** is aimed at coalitions and groups, including those of women and youth in landscapes, and will provide support for labour-based schemes, such as the debrushing and reseeding of degraded lands; for small green and grey infrastructure for soil and water conservation; and for community projects on forestry or biodiversity enhancement.

(ii) The **sustainable enterprises window** is aimed at rural enterprises that want to transition into more sustainable practices. The window provides for technical assistance that will include financial skills and business development skills targeting youth and women.

(iii) The **innovation window** is aimed at enterprises, groups and civil society organizations pursuing innovations to regenerate landscapes. The window will provide seed funding to support the research, development and piloting of such innovations, jointly with landscape coalitions active in ROLL. It will explicitly target 20 per cent of youth.

Component C. Project management and coordination

20. This component will serve to facilitate the effective and efficient implementation of components A and B. It includes (i) project monitoring and evaluation; (ii) policy engagement; (iii) knowledge management functions; (iv) coordination of innovative activities; and (v) partnership management.

C. Theory of change

21. ROLL's theory of change is premised on the understanding that rural poverty and environmental degradation are mutually reinforcing, which results in a downward spiral of overexploited natural resources and declining productivity. The theory of change links strongly to the landscape graduation model.[10] A participatory and iterative process, it engages local communities, including vulnerable groups, in: (i) defining environmental challenges; (ii) identifying appropriate actions; and (iii) building necessary commitments to ensure effective implementation of landscape regeneration measures.

22. The use of a graduation model allows for differentiated targeting and support. The facility under component A will support communities in establishing landscape

[10] The graduation model will guide coalitions in determining the best strategy to regenerate the landscape and to determine eligibility for ROF funding.

coalitions and in agreeing on a set of interventions and targets. The fund under component B will provide different tailored technical and financial support for the interventions decided by the coalitions. The income generated through productive investments is expected to diversify the community's economic opportunities and diet. The adoption of sustainable resource use practices will contribute to landscape regeneration.

D. Alignment, ownership and partnerships

23. The project aims to contribute to the sustainable development goals (SDGs): SDG 1 (no poverty), SDG 8 (decent work and economic growth) and SDG 15 (life on land). It will make significant contributions to SDG 2 (zero hunger), SDG 5 (gender equality) and SDG 13 (climate action). It seeks to strengthen the environmental sustainability and climate resilience of poor rural people's economic activities (IFAD SO3) while promoting diversified rural enterprise and employment opportunities (IFAD SO2).

24. ROLL will work on strengthening the regulatory and policy frameworks that affect outcomes. This will be done together with the Government and other development partners within the working group on natural resource management, which include GIZ, the European Union, the World Bank, the Millennium Challenge Corporation and key governments. Most of ROLL's policy-related work will be around creating awareness and community mobilization to promote the rollout and the enforcement of updated regulations such as the Rangeland Management Act.

E. Costs, benefits and financing

25. The project finance contains a gap of US$3.5 million which may be closed through performance-based allocation system cycles (under financing terms and subject to internal procedures and Executive Board approval) or by cofinancing identified during implementation. Targets will be adjusted accordingly, following the scalable approach.

26. ROLL component B (ROF) is partially counted as climate finance. Under the multilateral development banks' methodologies, US$6.55 million is climate finance (58 per cent of the total IFAD financing) consisting of US$4.53 million in adaptation and US$2.02 million in mitigation finance.

Project costs

27. The total project costs, including physical and price contingencies, are US$46.348 million (LSL 741.572 million) over eight years. Total base costs amount to US$43.026 million; physical and price contingencies are estimated to add US$3.323 million to this amount. Component A accounts for 28 per cent, component B for 53 per cent, and component C for 19 per cent of total base costs. The total of IFAD's contribution to ROLL is estimated at US$11.3 million (24 per cent), under a highly concessional loan (33 per cent of IFAD financing) and a blend terms loan (67 per cent).

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

	IFAD loan		*OPEC Fund*		*OPEC Fund grant*		*FAO*		*GEF*		*Gap*		*Beneficiaries*		*Borrower/ recipient*		*Total*
Components	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*
A. Regeneration coalition facility	3 501	27	1 339	10	-	-	2 223	17	1 781	14	-	-	337	3	3 794	29	12 975
B. Regeneration opportunities fund	6 279	26	9 094	37	-	-	-	-	1 301	5	3 500	14	1 819	7	2 535	10	24 528
C. Project management and coordination	1 520	17	4 567	52	500	6	177	2	418	5	-	-	-	-	1 665	19	8 846
Total	**11 300**	**24**	**15 000**	**32**	**500**	**1**	**2 400**	**5**	**3 500**	**8**	**3 500**	**8**	**2 155**	**5**	**7 994**	**17**	**46 348**

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

	IFAD loan		*OPEC Fund*		*OPEC Fund grant*		*FAO*		*GEF*		*Gap*		*Beneficiaries*		*Borrower/ recipient*		*Total*
Expenditure category	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*
I. Investment costs																	
A. Technical assistance	2 060	20	2 531	25	217	2	1 883	19	1 949	19	-	-	337	3	1 103	11	10 080
B. Vehicles, equipment and materials	388	27	646	45	-	-	130	9	-	-	-	-	-	-	290	20	1 453
C. Training/workshops	1 052	40	677	26	283	11	388	15	250	9	-	-	-	-	-	-	2 649
D. Regeneration fund	6 279	26	9 094	37	-	-	-	-	1 301	5	3 500	14	1 819	7	2 535	10	24 528
Total investment costs	**9 779**	**25**	**12 948**	**33**	**500**	**1**	**2 400**	**6**	**3 500**	**9**	**3 500**	**9**	**2 155**	**6**	**3 928**	**10**	**38 710**
II. Recurrent costs																	
A. Salaries and allowances	1 082	18	1 993	32	-	-	-	-	-	-	-	-	-	-	3 114	50	6 189
B. Operating costs	439	30	58	4	-	-	-	-	-	-	-	-	-	-	951	66	1 449
Total recurrent costs	**1 521**	**20**	**2 051**	**27**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4 065**	**53**	**7 638**
Total	**11 300**	**24**	**15 000**	**32**	**500**	**1**	**2 400**	**5**	**3 500**	**8**	**3 500**	**8**	**2 155**	**5**	**7 994**	**17**	**46 348**

Table 3
Project costs by component and project year
(Thousands of United States dollars)

	2021		*2022*		*2023*		*2024*		*2025*		*2026*		*2027*		*2028*		*Total*
Components	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*
A. Regeneration coalition facility	1 664	13	1 694	13	1 822	14	1 780	14	1 717	13	1 741	13	1 647	13	909	7	12 975
B. Regeneration opportunities fund	2 483	10	4 177	17	4 442	18	4 175	17	2 885	12	2 660	11	2 520	10	1 188	5	24 528
C. Project management and coordination	1 251	14	1 203	14	1 034	12	986	11	1 071	12	996	11	1 016	11	1 290	15	8 846
Total	**5 398**	**12**	**7 075**	**15**	**7 298**	**16**	**6 941**	**15**	**5 672**	**12**	**5 397**	**12**	**5 182**	**11**	**3 387**	**7**	**46 348**

Financing and cofinancing strategy

28. The total projects costs will be financed by (i) two IFAD loans for a total amount of US$11.3 million; (ii) an OPEC Fund loan of US$15.0 million; (iii) an OPEC Fund grant of US$0.5 million; (iv) a GEF grant (US$3.5 million); (v) FAO in-kind cofinancing (US$2.4 million); (vi) Government of Lesotho contribution of US$7.994 million; (vii) the beneficiaries contribution in-kind (US$2.155 million); and (viii) a financing window of US$3.5 million. The Government contribution of US$7.994 million includes US$0.980 million as taxes and duties foregone.

Disbursement

29. The project will open separate designated accounts at the Central Bank of Lesotho, one to receive funds from the IFAD loans, the others for the GEF Grant and OPEC Fund loan/grant once respective cofinancing agreements are finalized. The project will maintain corresponding operating bank accounts in local currency in commercial banks, including one operational account for the Government's contribution. The project coordination unit (PCU) will manage the operating accounts. The PIM will ensure a clear framework to measure and monitor in-kind contributions.

30. ROF will be the disbursement window for resources under component B. The financing agreement will detail specific disbursement conditions for the fund. Additional designated accounts may be opened as required to receive financing allocated under component B. Performance audits, carried out on reaching agreed expenditure thresholds, will be set as a condition for ROF to progressively access financing. Disbursements to participating service providers will be based on the agreed annual workplan and budget (AWP/B).

Summary of benefits and economic analysis

31. The economic rate of return is estimated at 17.5 per cent. Expected direct benefits include; (i) improved income from on-farm activities; (ii) increased food availability; and (iii) profitable income-generating activities. Other benefits include: (i) creation of 5,525 new/sustainable income-generating activities targeting women and youth, (ii) sustained permanent employment through the income-generating activities (iii) foreign exchange savings as a result of increased production and reduced imports; and (iv) substantial positive fiscal impact, due to: (a) increased output, income, and employment, and (b) multiplier effects from increased economic activity in the targeted districts.

Exit strategy and sustainability

32. The project‘s emphasis is on self-sustaining natural resource management at the individual and community level. The landscape graduation model is designed to progressively shift from high dependence on public investment by increasing the responsibility of targeted communities and private sector investment. The exit pathway at the institutional level will be shaped by the partnerships formed at project implementation. Efforts to develop ROF as a fully operational legal entity through capacitation and joint resource mobilization aim to ensure its efficiency and sustainability.

III. Risks

A. Risks and mitigation measures

33. The overall inherent risk rating is substantial. After mitigation measures, the residual risk is moderate. The risk subcategories rated highest are: (i) country context, (ii) procurement and (iii) financial management. The residual risk after accounting for mitigation measures of the selected risk subcategories is moderate to substantial.

Table 4
Risks and mitigation measures

Risk areas	*Inherent risk rating*	*Residual risk rating*
Country context	High/Substantial	Substantial/Moderate
Sector strategies and policies	High	Substantial
Environment and climate context	High/Substantial	Moderate
Project scope	Moderate	Low
Institutional capacity for implementation and sustainability	Substantial	Moderate
Financial management	High	Moderate
Project procurement	Substantial	Moderate
Environmental, social and climate impact	Moderate	Low
Stakeholders	Moderate	Low
Overall	Substantial	Moderate

B. Environment and social category

34. The environmental and social categorization is B. Given the environmental management orientation of the project, the expected environmental impacts are positive and any potential negative impacts are site specific and reversible. Potential negative social impacts might stem from temporary or structurally reduced access to natural resources. The project will deploy participatory methods to ensure that targeted communities are aware of potential effects and possible alternative options.

C. Climate risk classification

35. The climate risk classification is moderate. A basic climate risk analysis illustrates the implications of climate change and integrate the findings into the participatory processes for implementation. Specific measures to promote climate-smart agriculture (with climate change adaptation and mitigation benefits) have been integrated into the environmental and social management framework.

D. Debt sustainability

36. Lesotho's external debt risk changed to moderate "with limited space", from "with some space".[11] The present value of public and publicly guaranteed external debt in relation to GDP is expected to approach 40 per cent in fiscal year 2020-2021, (10 points higher than the 2019 Debt Sustainability Analysis [DSA]) due to the COVID-19 crisis and recent exchange rate depreciation. It is expected to slowly decline, as domestic borrowing expands and financing needs decline. External debt (three-quarters of total debt) is largely owed to multilateral creditors on a concessional basis. The main creditors are the International Development Association, the African Development Bank, the European Investment Bank and the International Monetary Fund. The main bilateral creditors are China and Kuwait. Lesotho is participating in the Debt Service Suspension Initiative, which offers potential savings of US$9.8 million (0.4 per cent of 2019's GDP).

IV. Implementation

A. Organizational framework

Project management and coordination

37. ROLL will be coordinated by a project management unit (PMU). The PMU will be housed at the MFRSC, with involvement of the Ministry of Tourism, Environment and Culture, the Ministry of Agriculture and Food Security, the Ministry of Local

[11] World Bank/International Monetary Fund Debt Sustainability Analysis of July 2020.

Government and Chieftainship Affairs, the Ministry of Gender, Youth, Sports and Recreation, and the Ministry of Water and other relevant ministries as required. Project delivery will be focused at the local level, directed by local councils in close collaboration with traditional authorities. Service providers and technical expertise will be recruited for specific interventions.

38. The Project Steering Committee (PSC) will consist of directors from line ministries and NGOs; crop farmers and livestock owners; and representatives of the private sector and civil society. The Committee will provide strategic oversight and approve the AWP/B and procurement plans plus progress reports, including financial reports. The Technical Advisory Committee is an interministerial body set up to support project implementation and prepare PSC meetings and decisions. FAO as a cofinancing party with an in-country presence, will play a key strategic role in technical backstopping and managing the political context and mitigating its influence on the project.

Financial management, procurement and governance

39. Financial management will be centralized and operated by the PMU. The accounts will be prepared in accordance with the International Public Sector Accounting Standards. Disbursement will follow the imprest account mechanism, supplemented by reimbursement mechanisms and direct payments in compliance with IFAD guidelines. The project's Inherent risk is thus mitigated from high to moderate. The project will be visible on the IFAD Client Portal.

40. The MFRSC internal audit will provide regular review audits. The project will submit quarterly interim statements to IFAD for reporting purposes. The external audit of the project will be undertaken by the Office of the Auditor-General of the Government of Lesotho in conformity with IFAD guidelines on audits for IFAD-funded projects.

41. The procurement risk matrix for ROLL indicates a substantial inherent risk rating of 1.87. Given the low procurement capacity of the MFRSC, the PMU will set up a competent procurement team. The MFRSC and the procurement team will be supported by a procurement technical assistant for the tender evaluation panel and major procurements. The PMU will receive procurement training organized by IFAD following an assessment of capacity needs.

42. The Transparency International Corruption Perceptions Index ranks Lesotho as at moderate risk (41 points in 2020). Strict compliance with the IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations will be required. The project will ensure total adherence to IFAD's policy on preventing and responding to sexual harassment, sexual exploitation and abuse. All procurement entities, bidders, suppliers, contractors, consultants and service providers will be required to observe the highest ethical standard in accordance with paragraph 69 of the IFAD Project Procurement Guidelines.

Project target group engagement and feedback, and grievance redress[12]

43. Targeted communities will play a central role in monitoring the project's activities and results. Communities will set their own targets and monitor progress. ROLL will pilot a cost-effective way to survey beneficiaries' satisfaction with project services. ROLL will regularly collect more in-depth opinions from target communities through interviews and focus groups during field visits, midterm and completion surveys.

Grievance redress

44. The project will set up a grievance mechanism in responding to IFAD requirements while also sensitive to any pre-existing mechanisms. Affected populations will be made aware of the existence of these mechanisms through the scoping and mobilization exercise, and as part of the regular client feedback provision. The PMU

[12] See Framework for Operational Feedback from Stakeholders for further details.

will maintain a register of grievances received, actions identified, and the status monitored by the PSC.

B. Planning, monitoring and evaluation, learning, knowledge management and communication

45. Project planning will be conducted in close collaboration with key stakeholders at national; district and village level. Planning and budgeting will be integrated in the government's processes and based on the AWP/B. The ROLL logical framework will guide the development of the AWP/B reporting and monitoring system. ROLL logframe indicators are aligned with Lesotho's 2020–2025 COSOP results framework.

46. The monitoring and evaluation (M&E) unit at PMU level will be responsible for M&E activities. Capacity-building on M&E will include: (i) in-depth training for the ROLL M&E officer through the Program in Rural M&E (PRiME); (ii) training for all PMU staff on planning, budgeting and use of M&E information; (iii) training of all staff with data input responsibilities on the use of the management information system; (iv) training on participatory planning and approaches for implementing partners and community coalition facilitators; (v) mainstreaming of participatory M&E in capacity-building of groups supported by the project.

47. Knowledge management (KM) is crucial to sustainably changing natural resource management patterns. ROLL's KM strategy will aim at: (i) promoting behavioural change; (ii) developing policy-relevant knowledge products; and (iii) ensuring visibility. A KM and communication strategy will be developed with relevant ministries and implementing institutions, including the National University of Lesotho.

Innovation and scaling up

48. ROLL introduces two major innovations: (i) the landscape graduation model; and (ii) the implementation modality through a facility and a fund. The latter will provide a dedicated window to foster research and innovation. Combining innovations and tech-supported interventions with knowledge management is another innovation of the project. Prospects for scaling up include the broader adoption of the graduation methodology and the mobilization of cofinancing for ROF.

C. Implementation plans

Implementation readiness and start-up plans

49. Project implementation is due to start in November 2021. To ensure implementation readiness, a comprehensive draft PIM has been prepared, including a first draft of the AWP/B, a procurement plan and a list of terms of reference for service providers. The time between project design and start-up will be used to work on the establishment of the ROF and other preparatory and baseline studies.

Supervision, midterm review and completion plans

50. Standard IFAD procedures for project supervision will be used to cover relevant aspects of project implementation, including Social, Environmental and Climate Assessment Procedures requirements, annual supervision missions and continuous engagement from the IFAD regional office and consultants. A joint midterm review will be carried out in the fourth project year and a completion report compliant with IFAD requirements by the end of the project.

V. Legal instruments and authority

51. A project 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 as appendix I.

52. The Kingdom of Lesotho is empowered under its laws to receive financing from IFAD. Further ratification is not required.

53. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VI. Recommendation

54. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

> RESOLVED: that the Fund shall provide a loan on highly concessional terms to the Kingdom of Lesotho in an amount of three million one hundred and forty thousand euro (EUR 3,140,000), equivalent to US$3,730,000 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 loan on blend terms to the Kingdom of Lesotho in an amount of six million three hundred and sixty thousand euro (EUR 6,360,000), equivalent to US$7,570,000 and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Gilbert F. Houngbo
President

Negotiated financing agreement: "Regeneration of Landscape and Livelihoods Project"

(Negotiations concluded on 20 September 2021)

Loan No: __________

Project name: Regeneration of Landscapes and Livelihoods ("the ROLL"/ "the Project")

Kingdom of Lesotho (the "Borrower")

and

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

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

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

WHEREAS, the Fund has agreed to provide financing for the Project on the terms and conditions set forth herein;

NOW THEREFORE, the Parties hereby agree as follows:

Section A

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

2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of December 2018, and December 2020, and as may be amended hereafter from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein, unless the Parties shall otherwise agree in this Agreement.

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

Section B

1. The amount of the Loan eligible to highly concessional terms is three million one hundred and forty thousand Euro (EUR 3 140 000).

2. The amount of the Loan eligible to blend terms is six million three hundred sixty thousand Euro (EUR 6 360 000).

3. The Loan granted on highly concessional terms shall be free of interest but shall bear a fixed service charge as determined by the Fund at the date of approval of the Loan by the Fund's Executive Board, payable semi-annually in the Loan Service Payment Currency.

The Loan 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.

4. The principal of the Loan granted on highly concessional terms will be repaid at four and half per cent (4.5%) of the total principal per annum for years eleven (11) to thirty (30), and one per cent (1 %) of the total principal per annum for years thirty-one (31) to forty (40).

5. The Loan granted on blend terms shall be subject to interest on the principal amount outstanding and a service charge as determined by the Fund at the date of approval of the Loan by the Fund's Executive Board. The interest rate and service charge determined will be fixed for the life cycle of the loan and payable semi-annually in the Loan Service Payment Currency. The Loan shall have a maturity period of twenty-five (25) years, including a grace period of five (5) years starting from the date of approval of the Loan by the Fund's Executive Board.

6. The principal of the Loan granted on blend terms will be repaid in equal instalments.

7. The Loan Service Payment Currency shall be in EUR

8. The first day of the applicable Fiscal Year shall be 1 April.

9. Payments of principal, interest and service charge shall be payable on each 15 January and 15 July.

10. The Borrower shall open and thereafter maintain one (1) designated account (the "Designated Account''), at the Central Bank of Lesotho, to receive the proceeds of the IFAD Loan. The Borrower shall also open and thereafter maintain one (1) additional designated accounts (the "Additional Designated Account''), at the Central Bank of Lesotho, to receive the proceeds of the IFAD Loan for financing exclusively the activities pertaining to the Regeneration Opportunity Fund (ROF) under Component B of the Schedule 2.

11. The Lead Implementing Agency shall open project operational bank accounts (collectively, "Project Accounts'') in local currency which will thereafter be maintained under the Project Coordination Unit to receive the Financing from the designated accounts.

12. The Borrower shall inform the Fund of the officials authorized to operate the designated accounts and the Project Accounts.

13. The Borrower shall provide counterpart financing for the Project approximately in the amount of eight million one hundred and eighty thousand United States Dollars (USD 8 180 000) in the form of taxes and duties foregone and largely to support the activities in components 1, 2 and 3 of the Project as outlined in schedule 1.

14. The Borrower shall open a project bank account to receive the co-financing from the Government of the Kingdom of Lesotho. This account shall be managed by the Project Coordination Unit.

Section C

1. The Lead Project Agency shall be the Ministry of Forestry, Range and Soil Conservation (MFRSC).

2. The following are designated as additional Project Parties:

(i) Ministry of Tourism, Environment and Culture (MTEC);

(ii) Ministry of Agriculture and Food Security (MAFS);

(iii) Ministry of Local Government and Chieftainship (MLGC);

(iv) Ministry of Energy and Meteorology;

(v) Ministry of Water; and

(vi) The Food and Agriculture Organisation of the United Nations (FAO), Maseru.

Additional Project Parties are described in Schedule 1 Part 8.

3. A joint mid-term review will be carried out in the fourth Project year.

4. The Project Completion Date shall be eighth anniversary of the date of entry into force of this Agreement and the Financing Closing Date shall be 6 months later, or such other date as the Fund may designate by notice to the Borrower. The Financing Closing Date will be established as specified in the General Conditions.

5 Procurement of goods, works and services financed by the Financing shall be carried out in accordance with procurement methods and any other measures identified by IFAD.

Section D

1. The Fund will administer the Financing and supervise the Project.

Section E

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

(a) The PIM and/or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of the Fund and the Fund, after consultation with the Borrower, has determined that it has had, or is likely to have, a material adverse effect on the Project.

(b) The Lead Project Agency fails and/or is unable to enter into a Memorandum of Understanding, or other similar agreement with the Food and Agriculture Organisation of the United Nations (FAO), Maseru, to facilitate the implementation of the Project, within 180 days of the execution of this Agreement.

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

(a) The IFAD no objection to the Project Implementation Manual (PIM) shall have been obtained;

(b) Establishment of the Project Steering Committee (PSC) and the Project Technical Advisory Committee as provided for in schedule 1 section 7 shall be finalised. The Programme Coordinator, the Finance Officer and the Programme Procurement Officer within the PCU shall have been appointed following receipt of no-objection from the Fund;

(c) The execution of a Memorandum of Understanding or other similar agreement with FAO to facilitate the implementation of the Project;

(d) A suitable off-the-shelf accounting software shall have been purchased, installed and implemented at PCU and staff duly trained in the use of it;

(e) The Fund Manager-ROF shall have been appointed, following receipt of no-objection from the Fund, as additional condition to disbursement of the

Financing for the activities implemented by the ROF under Component B of the Schedule 2;

(f) The Additional Designated Account referred to in Section B.10 above shall have been duly opened by the Borrower and the authorized signatories shall have been submitted to the Fund, as additional condition to disbursement of the Financing for the activities implemented by the ROF under Component B of the Schedule 2.

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

For the Kingdom of Lesotho:

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

For the Fund:

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

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

KINGDOM OF LESOTHO

____

Date: ____________

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

____
Gilbert F. Houngbo
President

Date: ______________

Schedule 1

Programme Description and Implementation Arrangements

I. Programme Description

1. *Target Population*. The Project shall directly benefit 100,000 people, corresponding to approximately 68,000 rural households. The primary target group will be vulnerable rural households who live in selected catchment areas. This will comprise small-scale producers including poor smallholder farmers, livestock owners and herders, together with unemployed youth and wage labourers.

2. *Project area*. The Project will work in landscapes defined as smaller areas within a sub-catchment directly associated with and used by a village or a cluster of villages. Those landscapes can include a variety of different natural resource areas, such as grazing/range areas, forests, croplands, wetlands and conservation areas. A list of 19 areas directly associated with villages within 16 sub-catchments in 5 districts of Lesotho have been selected for project start-up. Expansion of the list of sub-catchments can be pursued within the lifetime of the project. (The "Project/Area").

3. *Goal.* Human interaction with the natural environment is the primary cause of environmental degradation in Lesotho, exacerbated by climate change. In turn, environmental degradation and low productivity lead to increased poverty, poor nutrition outcomes and vulnerability to climate change. The goal of the Project is to change the dynamic of human interaction with their natural environment and reverse the environmental degradation that has been occasioned due to over exploitation of natural resources. ROLL therefore aims to promote both more sustainable resource use practices and diversified income opportunities.

4. *Objectives*. The objective of the Project is to ensure that rural communities adopt transformational practices for regenerated landscapes and sustainable livelihoods leading to improved nutrition and adaptation to climate change. This objective is underpinned by four outcomes; 1) change in resource use practices; 2) reduction of environmental degradation; 3) improved livelihoods; and 4) the establishment of a facility and a fund. The duration of the project is eight years.

5. *Components*. The Programme shall consist of the following Components:

5.1 Component A: Regeneration Coalition Facility

In this component, different interest groups in a landscape are brought together under the umbrella of a landscape coalition. The objective of this component is to promote meaningful change by promoting a common understanding on the causes of landscape degeneration and of the short and long-term threats that this presents to the livelihoods of all diverse interest groups in a landscape coalition. Based on this common understanding, coalitions will identify the measures needed to reverse degradation, develop a shared commitment to establish more sustainable resource usage patterns and jointly take part in mobilizing resources from the Regeneration Opportunities Fund. The component will furthermore entail activities geared towards technological and organisational innovation, and promote nutrition related activities within the selected landscapes.

5.2 Component B: Regeneration Opportunities Fund

The Regeneration Opportunities Fund (ROF) has the objective of catalysing investments into the regeneration of landscapes. The Fund will be set up as an efficient and focused mechanism that can continue to function beyond the lifetime of the ROLL project. The ROF will finance coalition plans in the selected landscapes. In doing so, the ROF will serve multiple impact areas that have the potential to attract further capital seeking societal and environmental benefits in terms of downstream water provision, biodiversity preservation and enhancement, and carbon sequestration.

The ROF will be established in a phased approach. The first year will be used to finalize the design of the Fund's structure and governance arrangements, following the features and requirements as described in this Agreement, the Project Design Report and associated documents. The process of design and implementation of the ROF will be overseen by a dedicated steering committee. The criteria for financial disbursements through the ROF will include the establishment of the governance bodies, the recruitment of a competent Fund Manager, an approved Investment Manual and a dedicated financial management system.

The ROF has the aspiration to grow into a larger independent entity to channel investments in landscapes in Lesotho beyond the lifetime of the ROLL project. To facilitate this, the ROF will require a robust governance and oversight, as well as strong results-based delivery model, sound monitoring and skilled management.

5.3 Component C: Project Management

This component will serve to facilitate the effective and efficient implementation of components A and B. It will also include the project's monitoring and evaluation as well as the overall policy engagement and knowledge management functions. This component also includes the coordination of the innovation activities related to any co-financing the Project receives from the Global Environment Facility (GEF) investments and the partnership with FAO.

II. Implementation Arrangements

6. *Lead Programme Agency*. The lead programme Agency shall be the Ministry of Forestry, Range and Soil Conservation (MFRSC).

7. *Programme Management Unit*.

The lead governance body for the project will be the Project Steering Committee (PSC), comprised of Directors and chaired by the Principal Secretary through the Director of Soil and Water Conservation, from the MFRSC. The other members of the PSC shall include but not be limited to representatives from the Ministry of Forestry, Range and Soil Conservation, Ministry of Agriculture and Food Security, Ministry of Finance, Ministry of Water, Ministry of Environment, Ministry of Local Government, Ministry of Gender, Youth & Recreation. It shall also include representatives of farmers and herders' associations, NGOs, private sector and the civil society, and as observers LHDA, and ICM Unit.

The day-to-day management and coordination of the project will be undertaken by a Project Management Unit (PMU). The PMU will undertake the financial management and procurement of the Project. The PMU will be housed at the MFRSC and will be adequately staffed with professionals attracted from the market and seconded from the Government of the Kingdom of Lesotho (GoL). Selection of the PMU staff will be on competitive basis and the Fund will be allowed to sit as observer in key recruitments as necessary. The principal technical partners from Government will include the Ministries of Tourism, Environment and Culture; Agriculture and Food Security; Water; Local Government and Chieftain Affairs; and Gender, Youth, Sports and Recreation among others as may be agreed upon from time to time.

8. *Implementing partners*. The Projects other implementing partners are:

(i) Ministry of Agriculture and Food Security (MAFS);

(ii) Ministry of Local Government and Chieftainship (MLGC);

(iii) Ministry of Energy and Meteorology;

(iv) Ministry of Water;

(v) Ministry of Tourism, Environment and Culture (MTEC); and

(vi) The Food and Agriculture Organisation (FAO)

9. *Monitoring and Evaluation*. ROLL will pay high priority to sound monitoring and impact measurement, as both will play a key role in establishing conducive environment for the ROF to graduate into and independent lasting funding mechanism. Project planning will be conducted in close collaboration with key stakeholders at national, district and village level through the Coalition process. Planning and budgeting will be integrated in the GoL processes and will be based on Annual Work Plans and Budgets (AWPBs). The consolidated AWPB will be submitted to the PSC for review and approval and then sent to IFAD for review and No Objection at least 60 days before the start of the Programme year. A Management Information System (MIS) will facilitate the storage, use and analysis of data. This system will, to the extent possible, be connected to the national ICM dataset currently being established with the support of the ICM Support Project and GIZ/FAO. Data on outputs will be collected through the reports of implementing partners, validated by the PMU and triangulated through field visits by the PMU M&E unit. Data on outcomes and impact will be collected through a set of three surveys - baseline, mid-line and completion.

M&E activities will be conducted as much as possible in a participatory way. This means that the communities themselves will set their own targets and monitor progress towards those targets. Tools such as participatory mapping, resource flow diagrams and outcome mapping will be used. Moreover, a system will be set up for regularly collecting beneficiaries' feedback on their satisfaction with project services through cost-effective, yearly WhatsApp surveys.

10. *Knowledge Management*. Knowledge Management and communications will be closely linked to the policy engagement objectives, and aim at creating a broader societal awareness of the existential threat to households and communities posed by landscape degradation. Measures will be introduced to raise awareness amongst a range of stakeholders including local councillors, district officials, traditional leaders, decision makers at national level amongst others.

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

12. *Project Co-financing*. The Project shall be capable of receiving co-financing contributions from other institutions such as GEF and the OPEC Fund for International Development (OPEC Fund). The Project will also receive in kind contributions from FAO. The Borrower will enter into co-financing agreements with the co-financiers to provide financing for the Project.

Schedule 2

Allocation Table

1. *Allocation of Loan Proceeds.* (a) The Table below sets forth the components eligible for expenditure under the Financing, the amounts of the Financing allocated to each component and the percentages of expenditures for items to be financed in each component:

Component	33% of the Loan granted on Highly Concessional (HC) terms (EUR)	67% of the Loan granted on Blend (BT) terms (EUR)	Percentage
Component A	875 000	1 774 000	100%
Component B	1 576 000	3 173 000	100%
Component C	378 000	774 000	100%
Unallocated	311 000	639 000	100%
TOTAL	3 140 000	6 360 000	

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

(i) The Financing is provided 100% net of taxes;

(ii) Component A covers the expenditure for the activities implemented under the Regeneration Coalition Facility (RCF);

(iii) Component B covers the expenditure for the activities implemented under the Regeneration Opportunity Fund (ROF): it also includes the costs for the development and management of the ROF Fund;

(iv) Component C covers the expenditure for project coordination, monitoring and evaluation and knowledge management.

2. *Disbursement arrangements*

(a) *Start-up Advance*. Withdrawals in respect of expenditures for start-up costs incurred before the satisfaction of the general conditions precedent to withdrawal shall not exceed an aggregate amount of USD 500 000 equivalent. The activities to be financed by Start-up Costs will require the no objection from IFAD to be considered eligible.

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 to request withdrawals from the Loan Account if the Borrower has defaulted in the performance of any covenant set forth below, and the Fund has determined that such default has had, or is likely to have, a material adverse effect on the Project.

1. Within six (6) months of entry into force of the Financing Agreement, the Project will enter into Memorandum of Understanding (MoU) with implementing partners that will structure the collaboration, define roles, responsibilities and duties with regards to implementation, financial management, accounting and reporting. Prior to entering into the MoUs, the Project will obtain a no objection from the Fund.

2. The Borrower shall facilitate the implementation of special purpose audits on project performance, to be carried out by the Office of the Auditor General or by a qualified independent auditor, upon reaching the threshold of 15% and subsequent 40% expenditure of the Financing allocated to the Component B in Schedule 2. The audit will assess whether or not ROF operations are meeting ROLL's objectives and in the most efficient way in accordance with the ROF investment guidelines as approved by the Fund. Performance audit reports shall be subject to the review by the Fund to release the non-objection to the ROF to further access the Financing.

3. The Project shall submit Interim financial reports (IFRs) to the Fund on the financial progress by expenditure category, component and financier. IFRs shall be provided (i) with each fund withdrawal request, and/or (ii) at quarterly intervals within 30 days after the period-end. Quarterly IFRs shall be subject to verification by the Office of the Auditor General or by a qualified independent auditor, on a bi-annual basis. The auditor will provide assurance to the Fund over the quality and accuracy of the project IFRs and will submit audit reports 45 days after the end of the months of March and September of each calendar year. IFR templates shall be detailed in the Letter to the Borrower.

4. *Planning, Monitoring and Evaluation*. The Borrower shall ensure that (i) a Planning, Monitoring and Evaluation (PM&E) system shall be established within twelve (12) months from the date of entry into force of this Agreement.

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

6. *Compliance with the Social Environmental and Climate Assessment Procedures* (SECAP). The Borrower shall ensure that the Project will be implemented in compliance with IFAD's SECAP.

7. *Environment and Social Safeguards*. The Borrower shall ensure that: (a) all Project activities are implemented in strict conformity with the Borrower's relevant laws/regulations; (b) all Project activities give special consideration to the participation and practices of ethnic minority population in compliance with IFAD's *Policy on Indigenous Peoples* (2009), as appropriate; (c) proposals for civil works include confirmation that no involuntary land acquisition or resettlement is required under the Project. In the event of unforeseen land acquisition or involuntary resettlement under the Project, the Borrower shall immediately inform the Fund and prepare the necessary planning; (d) women and men shall be paid equal remuneration for work of equal value under the Project; (e) recourse to child labour is not made under the Project; (f) the measures included in the Gender Action Plan prepared for the Project are undertaken, and the resources needed

for their implementation are made available, in a timely manner; and (g) all necessary and appropriate measures to implement the Gender Action Plan to ensure that women can participate and benefit equitably under the Project are duly taken.

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

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

10. *Use of Project Vehicles and Other Equipment.* The Borrower shall ensure that:

(a) All vehicles procured under Component B are allocated to the ROF. Remaining vehicles and equipment are allocated to the PCU and lead ministry.

(b) The types of vehicles procured under the Project are appropriate to the needs of the Project; and

(c) All vehicles transferred to or procured under the Project are dedicated solely to Project use.

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

Logical framework

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
Outreach	**1.b Estimated corresponding total number of households members**				Project M&E	Annual	PMU	Effective and efficient project implementation (A) Project co-financing targets achieved (A)
	Household members - Number of people	0	238000	340000				
	1.a Corresponding number of households reached				Project M&E	Annual	PMU	
	Households - Number	0	47600	68000				
	1 Persons receiving services promoted or supported by the project				Project M&E	Annual	PMU	
	Females - Number	0	28000	40000				
	Males - Number	0	42000	60000				
	Young - Number	0	14000	20000				
	Total number of persons receiving services - Number of people	0	70000	100000				
Project Goal Regeneration of landscapes and livelihoods	**% of population under poverty line in target constituencies**				National datasets		LBOS	Major negative trends in macroeconomic environment (R)
	% of Population - Percentage (%)	54		49				
	Land degradation in selected sub-catchments				National datasets		LBOS	
	Soil erosion in tonnes/ha/year - Area (ha)	72.1	64.9	50.5				
Development Objective Rural communities adopt transformational practices for regenerated landscapes and sustained livelihoods	**Targeted households reporting and increase in income**				Mid-line and end-line surveys	Mid-term and completion	PMU	• Climate change counteracts gains made (R) • Graduation model levels indicate improvements (A) • Absolute numbers are calculated based on percentage share of end targets for 'Persons receiving services promoted or supported by the project' (A)
	Households - Percentage (%)							
	Landscapes achieving improvement in socio-economic and environmental level using graduation model				Project M&E	Annual	PMU	
	Number of landscapes - Number	0	250	750				
	IE 2.1 Percentage of individuals reporting an increase in empowerment				Pro-WEAI	Mid-term and completion	PMU	
	Females - Percentage (%)		20	50				
	Males - Percentage (%)		20	50				
	Young - Percentage (%)		20	50				
	Total Persons - Percentage (%)		20	50				
	Females - Number		8000	20000				
	Males - Number		12000	30000				
	Total persons - Number		20000	50000				
	SF 2.1 % of HH satisfied with project-supported services				Mid-line and end-line surveys	Mid-line and end-line	PMU	• Absolute numbers are calculated based on percentage share of end targets for ' Corresponding number of households reached' (A) • Each household consists of 5 members (A)
	Households - Percentage (%)		70	80				
	HH (number)		47600	54400				
	HH members		238000	272000				

Outcome 1. Changed resource use practices	**3.2.2 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices**				Mid-line and end-line surveys	Mid-terms and completion	PMU	• Clear and common understanding of sustainable use (A) • Absolute numbers are calculated based on percentage share of end targets for ' Corresponding number of households reached' (A) • Each household consists of 5 members (A)
	Households - Percentage (%)		20	50				
	HH (number)		13600	34000				
	HH members		68000	170000				
	SF 2.2 Percentage of HH reporting they can influence decision-making of local authorities and project-supported service providers				Project M&E	Annual	PMU	
	Households - Percentage (%)		60	80				
	HH (number)		40800	54400				
	HH members		204000	272000				
Output 1.1 Formation of coalitions through participation	**Number of coalitions built/strengthened**				Project M&E	Quarterly	PMU	
	Number of coalitions - Number	0	1000	1000				
Output 1.2 Groups trained in landscape management	**3.1.1 Groups supported to sustainably manage natural resources and climate-related risks**				Project M&E	Quarterly	PMU	• Group size is 12.5 people on average (A) • Around 1.5 HH members per HH supported under CI 3.2.2 will participate in the groups on average (A)
	Total size of groups - Number of people		35000	50000				
	Females - Number		14000	20000				
	Males - Number		21000	30000				
	Young - Number		7000	10000				
	Groups supported - Number	0	2800	4000				
Outcome 2. Reduction of environmental degradation	**Vegetation improvement in rangelands within target landscapes**				National Monitoring System	Annual	PMU	Jointly agreed upon monitoring system active (A)
	% of target landscapes with improvement in vegetation - Percentage (%)		30	50				
	3.2.1: Greenhouse gas emissions (CO2e) avoided and/or sequestered				FAO Ex-Act Analysis	Baseline, Mid-line, End-line	FAO	Duration of accounting 20 years (A) Indicator corresponds to GEF CI 6 (A)
	tCO2e/20y	0		9667453				
	Number of hectares	0		350403				
	tCO2e/ha	0		27.6				
	tCO2e/ha/yr	0		1.4				
Output 2.1 Land management plans developed and implemented	**GEF CI 3. Area of land restored (Hectares)**				Project M&E	Annual	PMU	Unclear understanding (R)
	3.1 Area of degraded agricultural lands restored - Area (ha)	0	2000	4500				
	3.2 Area of forest and forest land restored - Area (ha)	0	2500	5000				
	3.3 Area of natural grass and shrublands restored - Area (ha)	0	95500	340500				
	Total area of land restored - Area (ha)	0	100000	350000				
	GEF CI 4. Area of landscapes under improved practices (hectares; excluding protected areas)				Project M&E	Annual	PMU	Unclear understanding (R)
	4.1 Area of landscapes under improved management to benefit	0	2100	4350				

	biodiversity (qualitative assessment, non-certified) - Area (ha)							
	4.3 Area of landscapes under sustainable land management in production systems - Area (ha)	0	4900	10150				
	Total area of landscapes under improved practices (hectares; excluding protected areas) - Area (ha)	0	7000	14500				
Output 2.2 Increasing water retention of wetlands	**Improved water level of selected wetland sites and ponds**				Project M&E	Annual	PMU	Indicator further developed by development partners incl GIZ
	Estimate of volume of water retained - Percentage (%)		30	50				
Output 2.3 Invasive species removed from rangeland	**Hectares of invasive species removed**				Project M&E / National Monitoring System	Annual	PMU	Efficient invasive species removal strategies deployed (A) Climate change counteracts gains made (R)
	Hectares of land - Area (ha)	0	40000	100000				
	# of landscape coalitions reporting improved availability of grazing land and water				Project M&E	Annual	PMU	
	Number of landscape coalitions - Number	0	250	750				
Outcome 3. Improved livelihoods	**1.2.8 Women reporting minimum dietary diversity (MDDW)**				Survey	Baseline, Mid-line, End-line, Annual	PMU	
	Women (number) - Number		5000	10000				
	Women (%)		12.50%	25%				
	HH (number)		5000	10000				
	HH (%)		12.50%	25%				
	HH members		20000	40000				
Output 3.1 Improved nutrition awareness	**1.1.8 Households provided with targeted support to improve their nutrition**				Project M&E	Annual	PMU	The targets may be revised based on baseline figures Local availability of products from different food groups (A)
	Total persons participating - Number	0	14000	20000				
	HH (number)	0	14000	20000				
	HH (%)	0	20%	29%				
	Total HH members	0	56000	80000				
	Males - Number	0	5600	8000				
	Females - Number	0	8400	12000				
	Young - Number	0	2800	4000				
Output 3.2 Land and water available for sustainable farming, forestry and nature conservancy enterprises	**Number of new /sustainable IGAs created**				Project M&E	Annual	PMU	
	Income Generating Activities - Number of enterprises - Number	0	2000	5525				
	Women-led IGAs - Number	0	800	2210				
	Youth led IGAs - Number	0	400	1105				
Outcome 4. Effective facility and fund established	**# partners participating in fund**				Project M&E	Annual	PMU	
	Partners - Number	0	0	3				

Output 4.1 Number of coalitions supported through the facility	**# of coalitions supported through facility**				Project M&E	Annual	PMU	
	Coalitions - Number	0	1000	1000				
Output 4.2 Investments in Mio Maloti channelled through the Fund	**Mio Maloti investment channelled to coalitions**				Project M&E	Annual	PMU	
	Millions Maloti - Number	0	200	407				
Output 4.3 Effective management of the Facility/Fund	**Percentage/number of coalition plans executed on target each year**				Project M&E	Annual	PMU	
	Percentage of plans - Percentage (%)	0	65	85				
	Number of plans - Number	0	650	850				

/a – indicator disaggregated by gender and age

Integrated Project Risk Matrix

Risk Categories and Subcategories	Inherent	Residual
Country Context		
Political Commitment		
Risk(s): The risk that an unstable political landscape can result in a lack of political will and commitment to the agriculture sector that lead to a potential reversal of key political decisions and withdrawal of support needed for the achievement of the project's objectives (this includes programmed counterpart funding)	Substantial	Substantial
Mitigations: ● Core responsibilities and clear stakeholder roles will be included in the loan agreements/IFAD ● Establishment of the Regeneration Opportunities Fund to attract additional financing from external investors		
Governance		
Risk(s): The risk that elite capture of project benefit streams can divert resources and thereby reduce the project effectiveness and affect the achievement of objectives	Substantial	Moderate
Mitigations: ● Design and implement strong targeting policy and practices; delivery-focused implementation mechanism/IFAD and PMU/ All years of project implementation ● Ensure transparent process of allocation of rewards and incentives/IFAD and PMU/ All years of project implementation ● Ring-fencing of select activities (e.g. bring in service provider)/PMU/ All years of project implementation ● Implementation of graduation methodology/PMU/ All years of project implementation		
Risk(s): The risk that political interference with area selection process which leads to the diversion of project resources to landscapes less in need of support leading to their sub-optimal allocation, compromising the project effectiveness and achievement of objectives	Moderate	Low
Mitigations: Evidence-based area selection processes/IFAD and MFRSC/ All years of project implementation		
Risk(s): Given that Lesotho is ranked 85 out of 180 countries according to the 2019 Corruption Perception Index (CPI) by Transparency International there is a risk that corrupt practices lead to a diversion of funds and/or benefit streams which compromises the achievement of objectives	Substantial	Moderate
Mitigations: ● Evidence-based area selection processes/IFAD and MFRSC/ All years of project implementation ● Engagement of the internal audit (IA) unit within the ministry to carry out annual review of the systems of the PCU and all implementing agencies/ MFRSC/ All years of project implementation		
Macroeconomic		
Risk(s): The risk that negative impact of COVID-19 pandemic on Lesotho's economy, reduced SACU revenue and volatile performance of key sectors (such as wool and mohair and textile sectors) can tighten fiscal space for	High	Substantial

Risk Categories and Subcategories	Inherent	Residual
the Government of Lesotho and thus restrict ability to meet co-financing targets		
Mitigations: Allowing core activities and proof of concept at smaller scales and regardless of government co-financing		
Fragility and security		
Risk(s): The risk that Lesotho is vulnerable to natural and man-made shocks including civil unrest, conflict, and/or weak governance structures and institutions given the 'elevated warning' issued for Lesotho by the Fund For Peace in the Fragile State Index 2019 and the inclusion of the country in the list of 'States of Fragility 2020' by the OECD	High	Substantial
Mitigations: Project design gave strong focus at community and coalition level. This ideally protects against some risk of project blockage due to unrest in the capital. However, residual risk remains substantial in a context of relatively centralise governance structures		
Sector Strategies and Policies		
Policy alignment		
Risk(s): No risk envisaged		
Policy development & implementation		
Risk(s): The risk that the weak regulatory framework and current policy reforms under way (e.g. rangeland management act, forestry and land act) that complement project activities through sanctions can be contradicting and/or create loopholes that can compromise incentives of targeted communities to engage in project activities	High	Substantial
Mitigations: Supporting government to develop appropriate regulatory frameworks/IFAD/ All years of project implementation		
Environment and Climate Context		
Project vulnerability to environmental conditions		
Risk(s): Project areas and population living there are vulnerable to land degradation which is aggravated by extreme weather events (drought and floods). The current practices of overgrazing also exacerbate land/pasture degradation resulting in soil erosion, siltation of water bodies and destruction of biodiversity	High	Moderate
Mitigations: ● The SECAP annex and the preliminary ESMF included in the project design document identifies actions to reduce pressure on the natural resources and improve landscapes ● Project activities are directed to improving landscapes, mitigating effects of degradation and climatic change		
Project vulnerability to climate change impacts		
Risk(s): The risk that existing or possible future climate variability and/or extreme climatic events (e.g. droughts, heavy storms etc.) may further exacerbate land degradation and change the needs of targeted areas	Substantial	Moderate
Mitigations:		

Risk Categories and Subcategories	Inherent	Residual
• A climate risk analysis included in the project design report will help minimise the identified risks • Wide array of project activities including the graduation methodology are geared to counter degradation and increase resilience against the impacts of climate change		
Project Scope		
Project relevance		
Risk(s): The risk that the objectives and interventions of the project are not well aligned with national development or IFAD priorities, and/or are not sufficiently relevant or responsive to the needs and priorities of the intended target group throughout the project’s lifespan	Moderate	Low
Mitigations: Strong stakeholder consultation and involvement of government in design process/ IFAD and MFRSC/ within project design process		
Technical soundness		
Risk(s): The risk that the setup of the legal entity to manage the Fund may incur delays that reduce ability to achieve project targets	Substantial	Moderate
Mitigations: Ensure strong buy-in and oversight of process, set intermediate milestones/MFSRC and IFAD / All years of project implementation		
Risk(s): The risk that spreading project resources across 5 districts implies insufficient support to enable graduation of villages in selected landscapes and thus decrease effectiveness of the project	Moderate	Low
Mitigations: • Pilot of project interventions in selected areas of targeted districts before scaling up/ PCU/ within 1st year of project implementation • Coalition facilitator to ensure continuity of activity/ PCU/ All years of project implementation		
Risk(s): The risk that communities do not understand or accept the project interventions leading to a low participation in project activities and thus undermining the project implementation and achievement of objectives	Moderate	Low
Mitigations: • Develop clear implementation and communication guidelines and materials (KM activities)/ PCU/ 1st year of project implementation • Constant support and appropriate incentives to raise and sustain interest/ PCU/ All years of project implementation		
Institutional Capacity for Implementation and Sustainability		
Implementation arrangements		
Risk(s): The risk that insufficient institutional capacity to implement project activities in the line ministries and at local level causes a delay of project interventions and leads to a reduced ability to achieve project targets	Substantial	Moderate
Mitigations: • Establish strong PMU (IFAD to indicate key staff)/IFAD and MFRSC/ December 2021 • Design clear implementation modalities/IFAD and MFSRC/ December 2020 • Determination of capacity gaps/IFAD/ January 2021		

Risk Categories and Subcategories	Inherent	Residual
• Line ministries will be capacitated on a regular basis/ IFAD/ All years of project implementation • Establishment of steering committee to strengthen oversight/ MFRSC/ December 2021 • Contracting of service providers/ PMU/ All years of project implementation		
M&E arrangements		
Risk(s): The risk that the project executing agency's M&E processes and systems are weak or inefficient, resulting in a limited ability to monitor, validate, analyse and communicate results, capture lessons, and adjust implementation to seize opportunities and take corrective actions in a timely manner	Substantial	Moderate
Mitigations: Establish strong PMU (IFAD to indicate key staff)/IFAD and MFRSC/ December 2021		
Procurement[13]		
Legal and regulatory framework		
Risk(s): Due to the national procurement framework being under reform since 2018, the lack of national standard bidding documents, the insufficient procurement monitoring and, most importantly, the observed lack of capacity and general lack of experience with donor-funded procurement of the MFRSC, there is a risk that the Borrower's regulatory and institutional capacity and practices prove to be inadequate for the MFRSC to conduct procurement in a manner that optimizes value for money and integrity	High	Moderate
Mitigations: • Procurement under ROLL will follow IFAD's project procurement framework, resulting in the full adoption of IFAD's Project Procurement Guidelines and IFAD's Procurement Handbook in lieu of the national procurement framework/ PMU/ All years of project implementation • IFAD-funded projects in Lesotho will employ the full set of IFAD standard procurement documents (SPDs) (with the exclusion of SADP II, which uses World Bank templates)/ PMU/ All years of project implementation • IFAD-funded projects in Lesotho will be set up onto the Contract Monitoring Tool (CMT) function of ICP/ IFAD/ within 2021		
Accountability and transparency		
Risk(s): The Country lacks publicly available information on the procurement complaints management, specifically concerning cases being heard and applicable procedures. While Lesotho presents a medium Country Corruption Perception Index Score (40/100), the local authority responsible for investigating corruption allegations is not independent from the government and no systematic debarment system is in place. Furthermore, there is an unclear relationship between the procurement units, the Procurement Policy and Advice Division (PPAD) and the Directorate on Corruption & Economic Offence (DCEO), which is Lesotho's anti-corruption authority. The risk is that accountability, transparency and oversight arrangements could be inadequate to safeguard the integrity of project procurement and contract execution, leading to potential cases of misprocurement and unintended use of funds	Substantial	Moderate

[13] For the full list of risks and mitigations related to both the country level and project institutional dimensions of public procurement, kindly refer to the ROLL Procurement Risk Matrix, which was used to inform this section of the IPRM.

Risk Categories and Subcategories	Inherent	Residual
Mitigations: ● The Revised IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations shall apply to all projects, vendors and third parties, in addition to the relevant national anticorruption and fraud laws/ IFAD, MFRSC and PMU/ All years of project implementation ● Pursuant to the aforementioned Policy, IFAD has the right to sanction firms and individuals including by declaring them ineligible, either indefinitely or for a stated period of time, to participate to any IFAD-financed and/or IFAD-managed activity or operation. IFAD also has the right to unilaterally recognize debarments by any of the International Financial Institutions that are members to the Agreement for Mutual Enforcement of Debarment Decisions if such debarments meet the requirements for mutual recognition under the Agreement for Mutual Enforcement of Debarment Decisions/ IFAD/ All years of project implementation ● IFAD can strongly encourage government through policy dialogue to accelerate the adoption of the Public Procurement Bill, 2018, which provides the establishment of an autonomous Public Procurement Authority tasked with debarring suppliers, contractors or consultants from participating in public procurement/ IFAD/ All years of project implementation		
Capability in public procurement		
Risk(s): The Procurement Unit of the MFRSC (PU) handles a low number of procurement activities (none of which involves works or consulting services) and lacks experience with donor-funded procurement, since the MFRSC has had no major donor-funded projects in the past five years, and the minor projects it led showed that procurement was managed directly by the donors. Consequently, the PU exhibited procurement processes of mediocre quality. There is a risk that the capacity of the MFRSC could not meet the standards required by IFAD, resulting in adverse impacts to the development outcomes of the Project	Low	Low
Mitigations: ● IFAD will provide trainings on its project procurement framework and international procurement practice from the start-up phase of ROLL, to be attended by the PU, Tender Panel and Technical Units of the MFRSC, as well as by the relevant members of the ROLL PMU/ IFAD/ within first year of implementation ● ROLL will adopt IFAD's SPDs, so as to increase the quality of procurement documents./ PMU/ All years of project implementation		
Public procurement processes		
Risk(s): A sample review of public procurement processes handled by the PU showed that procurement methods for goods were not entirely consistent with IFAD Project Procurement Guidelines and that the PU lacked experience with procurement of works and services. Procurement planning, contract administration/management and record keeping were also found to be inaccurate. The observed shortcomings could result in the misuse of project funds or sub-optimal implementation of the project	Substantial	Low
Mitigations: ● IFAD will provide capacity building in the form of specific trainings for the MFRSC's staff and ROLL will engage a procurement TA, both in country and remotely/ IFAD/ All years of project implementation ● IFAD will review low-value procurement processes of works and consulting services on a prior review basis/ IFAD/ All years of project implementation		

Risk Categories and Subcategories	Inherent	Residual
• ROLL will use the latest IFAD procurement plan template and the ROLL Team will be trained on the preparation, update and upgrade of the template during the start-up phase /IFAD/ withing 1st year of implementation • Contract administration/management and record keeping will follow the provisions of the IFAD Procurement Handbook/ PMU/ All years of project implementation • ROLL will be set up onto the Contract Monitoring Tool (CMT) function of the IFAD Client Portal (ICP), which will provide the level of contract monitoring requested by IFAD/ IFAD /2021		
Financial Management		
Organization and staffing		
Risk(s): Inadequate staff capacities, skills and experience in project accounting of donor funds management and IFAD guidelines	High	Substantial
Mitigations: • The staff with required skills and knowledge will be recruited competitively and will be headed by a finance manager • In the first 18 months, an internationally FM consultant will be recruited to back stop the team		
Budgeting		
Risk(s): Failure to adhere to a result based approach in AWPB preparation such that the identified activities by implementing entities during the budget period are not fully implemented resulting in very low performance of the AWPB AWPB not approved at commencement of fiscal year Over/under expenditure on project activities not tracked	Moderate	Low
Mitigations: • Clear budget guidelines and procedures to be detailed in the PIM to assist the preparation of budgets • ROLL will deploy a budgeting module in the accounting software		
Funds flow/disbursement arrangements		
Risk(s): ROLL will mobilise funds from public and private entities for the Regeneration Opportunities Funds in addition to IFAD and its co-financiers and these may lead to cumbersome treasury arrangements	High	Substantial
Mitigations: • Disbursements will be Centralised at PMU including those for ROF. Disbursement to implementing agencies will be on a quarterly basis • Separate designated accounts shall be maintained for each financiers • Separate designated account shall be maintained for the ROF • Detailed guidelines for the Regeneration Fund will be put in place • Performance audit will be conducted in the life of the project to determine furthers disbursements and any gaps that need to be addressed		
Internal controls		
Risk(s): Segregation of duties due to limited staff numbers High staff turnover due to limited capacities in country Limited reviews by the internal audit unit at LPA due to limited staff numbers	Substantial	Moderate

Risk Categories and Subcategories	Inherent	Residual
Limited controls and application in regards to the ROF resources		
Mitigations: ● Vacant positions in the LPA that are to provide additional oversight to be filled by September 2021 ● Clear and detailed guidelines on the management and reporting for the ROF ● Set up of an Internal audit committee at MFRSC to provide additional oversight ● A performance audit to carried out for the ROF when cumulative expenditure reaches 15% and 40% of the allocated financing		
Accounting and financial reporting		
Risk(s): Financial statements not meeting the accounting standards due to limited staff skills in the preparations Inadequate record Keeping Failure to provide reports according to agreed formats by various financiers Failure to account for beneficiary contributions Implementing partners and community level beneficiaries not having sufficient financial management capacities per GoL and IFAD requirements	Substantial	Moderate
Mitigations: ● Use of a computerised accounting system customised to produce the necessary reports ● Ensure clear accounting guidelines that are well understood are put in place ● Capacity building for all the finance persons involved in the accounting functions on the necessary IFAD guidelines		
External audit		
Risk(s): Delayed submission of audit reports as per IFAD guidelines Audit report is not comprehensive and informative	Substantial	Moderate
Mitigations: Engagement of the office of the Auditor General as per IFAD guidelines on the Financial Accounting and Auditing guidelines		
Environment, Social and Climate Impact		
Biodiversity conservation		
Risk(s): The risk that ROLL support to enterprises leads to further increasing pressure on landscapes, e.g. through more cattle or hillside cultivation leading to reputational damage and reduced ability to achieve project targets	Moderate	Low
Mitigations: Define clear sustainability criteria for enterprises to be supported		
Resource efficiency and pollution prevention		
Risk(s): No significant risk envisaged		
Cultural heritage		
Risk(s):		

Risk Categories and Subcategories	Inherent	Residual
No significant risk envisaged		
Indigenous Peoples		
Risk(s): The risk that the project may cause significant adverse physical, social, or economic impacts on indigenous peoples, or in threats to or the loss of resources of historical or cultural significance to them	Moderate	Low
Mitigations: Develop a social inclusion strategy to ensure marginalized groups are involved/ PMU/ by 1st year of the project implementation		
Community health and safety		
Risk(s): The risk that the project may cause significant adverse impacts on the physical, mental, nutritional or social health/safety status of an individual, group, or population, including as a result of gender-based violence (GBV)	Moderate	Low
Mitigations: ● Develop a Nutrition Action Plan to promote nutrition education and awareness/ PMU/ within the 1st year of implementation ● Integrate awareness and prevention of GBV in the project trainings/ PMU/ All years of project implementation		
Labour and working conditions		
Risk(s): The risk that the project may cause exploitative labour practices (e.g. forced or child labour), gender based violence, discriminatory and unsafe/unhealthy working conditions for people employed to work specifically in relation to the project, including third parties and primary suppliers	Moderate	Low
Mitigations: ● Develop a social inclusion strategy to undertake awareness and prevention of child labour in the project activities / PMU/ within 1st year of implementation, in line with IFAD SECAP Procedures ● The Service providers and suppliers selection will include criteria on prevention of exploitative practices, child protection and prevention of GBV/ PMU/ within 1st year of implementation		
Physical and economic resettlement		
Risk(s): No risk envisaged		
Greenhouse gas emissions		
Risk(s): No risk envisaged		
Vulnerability of target populations and ecosystems to climate variability and hazards		
Risk(s): No risk envisaged		
Stakeholders		
Stakeholder engagement/coordination		
Risk(s): The risk that conflicts in intervention areas between or within local/formal authorities, communities or other relevant groups hinder coalition formation, which hinders the implementation project activities	Substantial	Moderate
Mitigations: ● Rapid qualitative assessment of villages in targeted landscapes and stakeholder consultations previous to the start of activities/MFRSC/Spring 2020		

Risk Categories and Subcategories	**Inherent**	**Residual**
• Engagement with principal chiefs and local counsellors/PMU/ All years of project implementation		
Risk(s): The risk that overlapping activities from different projects with contradicting incentive schemes that reduce community engagement and/or lead to a duplication of efforts or confusion of targeted communities	Moderate	Low
Mitigations: • Close collaboration and consultation with relevant agencies and other stakeholder/IFAD and MFRSC/ all project years • Participation in NRM donor-working group/ IFAD / all years of project implementation • Alignment with national integrated catchment boundaries in area selection process/IFAD and MFRSC/ January 2021		
Risk(s): The risk that unwillingness of relevant agencies to cooperate and align project activities leading to a decreased effectiveness of the project and lower ability of avoiding a duplication of efforts	Moderate	Low
Mitigations: • Strong stakeholders consultations during project design; Continued discussions on scope for partnership/ IFAD, MFRSC and PMU/ all years of project implementation • Invoke support of steering committee if needed/ IFAD, MFRSC and PMU/ all years of project implementation		
Stakeholder grievances		
Risk(s): The risk that the project has ineffective grievance/complaint redress processes (including with respect to allegations of non-compliance with IFAD's E,S,C standards, fraud, corruption, or SEA), leading to unaddressed stakeholder complaints that may undermine project implementation and achievement of project development objectives	Moderate	Low
Mitigations: Establish a grievance and complaints mechanism for the project/ PMU/ within 1st year of implementation		