



Investing in rural people

Executive Board

President's memorandum

Proposed additional financing to

Kingdom of Lesotho

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

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Action: The Executive Board is invited to approve the recommendation for the proposed additional financing contained in paragraph 32.

Technical questions:

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Project delivery team

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Financing summary

Initiating institution:	IFAD
Borrower/recipient:	Kingdom of Lesotho, represented by the Ministry of Finance and Development Planning
Executing agency:	Ministry of Agriculture, Food Security and Nutrition
Total project cost:	US\$72.644 million
Amount of original IFAD loan 1 under the performance-based allocation system (PBAS):	EUR 14.2 million (equivalent to approximately US\$15.234 million)
Terms of original IFAD loan 1:	Blend terms: 25 years, including a grace period of 5 years, with a service charge of 0.75 per cent and an interest rate of 1.25 per cent per annum in SDR (adjustments for single-currency loans)
Amount of original IFAD loan 2 under the Borrowed Resource Access Mechanism (BRAM):	EUR 4.68 million (equivalent to approximately US\$5 million)
Terms of original IFAD loan 2:	Ordinary: 28 years, including a grace period of 10 years, subject to average maturity of 19.25 years and interest at a rate equal to the IFAD Reference Interest Rate, including a variable spread
Amount of additional IFAD financing:	US\$11.802 million
Terms of additional IFAD financing:	Blend terms: 25 years, including a grace period of 5 years, with a service charge of 0.75 per cent and an interest rate of 1.25 per cent per annum in SDR (adjustments for single-currency loans)
Cofinanciers:	OPEC Fund for International Development (OPEC Fund) and Global Environment Facility (GEF)
Amount of cofinancing:	OPEC Fund: US\$20 million GEF: US\$5.2 million
Terms of cofinancing:	OPEC Fund: Loan with terms to be confirmed GEF: Grant
Contribution of borrower:	US\$8.061 million
Contribution of beneficiaries:	US\$7.381 million
Amount of original IFAD climate finance:	US\$4.13 million
Amount of additional IFAD climate finance:	US\$2.771 million
Cooperating institution:	Directly supervised by IFAD

I. Background and project description

A. Background

1. The Wool and Mohair Value Chain Competitiveness Project (WaMCoP) was designed in 2022 and submitted to the 139th session of the Executive Board.¹ The financing agreement was signed by the Government of Lesotho and IFAD in January 2024. The project entered into force on 10 January 2024, the completion date is set for 31 March 2031 and the closing date for 30 September 2031.
2. The project was approved by the Executive Board with a total cost of US\$72.644 million over the seven-year project implementation period. The total cost consisted of: IFAD a performance-based allocation system (PBAS]) loan of US\$15.2 million; a Borrowed Resource Access Mechanism (BRAM) loan of US\$5 million; an OPEC Fund for International Development (OPEC Fund) loan of US\$20 million; a Global Environment Facility (GEF) grant of US\$5.2 million; a Government of Lesotho contribution of US\$8.061 million; and beneficiary contributions (in-kind) of US\$7.381 million.
3. The project was designed and approved with an estimated US\$11.802 million financing gap with the expectation that the gap would be filled during the first two years of implementation. The current US\$11.802 million additional financing request is in line with the original blend lending terms in the financing agreement and the project's closing date. Of the total original IFAD amount, US\$4.13 million was classified as climate finance under the IFAD methodology. The total additional IFAD climate finance for this additional financing proposal is estimated at US\$2.771 million.

B. Original project description

4. The project's overall goal is to improve the economic livelihoods and climate resilience of wool and mohair farmers. In line with Lesotho's National Strategic Development Plan II, the project's development objective is to promote inclusive sustainable economic growth and private sector-led job creation in the wool and mohair sector. The project targets 45,000 households, or approximately 225,000 people, over a seven-year period (2024-2031) and will pay particular attention to the inclusion of rural marginalized groups such as youth and women in the value chain.
5. The project has three components: (i) support for building value chain systems; (ii) climate-smart value chain operation and coordination; and (iii) project management.

II. Rationale for additional financing

A. Rationale

6. The Government is in the process of recruiting the project coordination unit (PCU) and has begun the shortlisting of candidates to fill key managerial positions. Recruitment is expected to be completed by end of July 2024. IFAD and the Government conduct follow-up meetings every two weeks to update each other on progress in start-up activities. The implementing ministry has formed an interim technical committee comprising technical directors and human resource units to ensure that start-up milestones are met as the PCU recruitment process continues.

¹ [EB 2023/139/R.3/Rev.1.](#)

Special aspects relating to IFAD's corporate mainstreaming priorities

7. In line with IFAD's mainstreaming commitments, the project has been validated as:
- Including climate finance
 - Youth-sensitive Including adaptive capacity

B. Description of geographical area and target groups

8. Since this request for additional financing was built into the original design as a financing gap, there are no changes to the geographical area of intervention or the project's target groups.
9. **Areas of intervention and programmatic approach.** While WaMCoP is national in scale, it places a special focus on highland areas with a high incidence of poverty, limited market access and high numbers of sheep and goats. All component 1 activities, excluding the promotion of cottage industries, will be national from the outset. To facilitate start-up and ensure a poverty-reduction focus, several activities under component 2 will be guided by geographical targeting. These activities are related to in-kind loans, savings groups, a responsible production certification system and incentive-based community initiatives for rangeland management. The districts of Mokhotlong, Maseru Rural, Quthing and Thaba-Tseka have been selected because of their high wool and mohair production and high poverty levels (>60 per cent in Mokhotlong and Thaba-Tseka and 50–60 per cent in Quthing). As the project matures, the geographically focused activities will gradually be scaled up to the remaining districts.
10. **Targeting the primary target group.** The project targets 45,000 households engaged or willing to engage in the wool and mohair sector. The target groups are predominantly smallholder wool and mohair farmers. The operational entry point for the project is the shearing sheds, and therefore the wool and mohair farmer members of farmers' associations, which themselves are also considered a target beneficiary. Since the shearing sheds include small- and large-scale farmers, eligibility criteria will be introduced to prevent elite capture and ensure fair access and distribution of the sought-after benefits. To promote participation by the most resource-poor farmers, the following activities will be implemented, among others: (i) a subsidized culling and exchange programme; (ii) community-based savings groups; and (iii) subsidized cooking stoves.

C. Components, outcomes and activities

11. According to the project design report, this additional financing will fill the project's financing gap for the planned activities to be completed. These activities are divided into the following three components.
- (a) **Component 1: Support for building value chain systems.** This component will facilitate the development and upgrading of the systems that enable the value chains to thrive. It has three subcomponents: 1.1. value chain governance and sector strategy; 1.2. responsible wool and mohair production; and 1.3. business development and value addition. Led by the PCU, the first component will support the Government and the value chain actors to improve sector governance, regulation and compliance with international certification standards by establishing national systems, guidelines and regulations. Under subcomponents 1.2 and 1.3, the project will further channel resources to rural producers to upgrade flock quality through a culling and exchange programme and strengthen critical sector services, such as animal feed, breeding and animal health services through productive alliances and partnerships.
- (b) **Component 2: Climate-smart value chain operation and coordination.** This component will support the operation and improvement of locally

grounded value chain systems, leading them to self-sustainable levels. It has two subcomponents: 2.1. access to productive finance and services; and 2.2. responsible value chain production. Deployment of the sector strategy entails strengthening the emerging Trust Fund and Trust Company (TF-TC) consortium. As a not-for-profit enterprise comprising critical actors and a board of trustees, this trust is expected to drive the coordination of the value chain and its development. After capacity-building, and through performance-based contracts, some assets will be entrusted to the TF-TC to manage and operate. A revolving fund will also be created to finance farmers with small and medium-sized investments in the value chain, allowing a limited selection of in-kind loans to fill market gaps in farm investments.

- (c) **Component 3: Project management.** This component will support effective and efficient implementation of the project. It has two subcomponents: 3.1. communication for behaviour change and monitoring for learning; and 3.2. project coordination. Activities will focus on monitoring and evaluation, communication and knowledge management functions. The PCU will handle traditional fiduciary activities and consult with stakeholders throughout project implementation.

D. Costs, benefits and financing

12. **Project costs.** Project components 1 and 2 are partially counted as climate finance, as per the multilateral development banks' methodologies for tracking climate change adaptation and mitigation finance. The total IFAD climate finance covering the original financing and the additional financing of the financing gap for this project is estimated at US\$6.901 million.

Table 1

Original and additional financing summary

(Thousands of United States dollars)

	<i>Original financing*</i>	<i>Additional financing</i>	<i>Total</i>
IFAD loan	15 200	11 802	27 002
IFAD BRAM	5 000		5 000
Other cofinanciers	25 200		25 200
Beneficiaries	7 381		7 381
Borrower	8 061		8 061
Financing gap	11 802		0
Total	72 644	11 802	72 644

* See tables of EB 2023/139/R.3/Rev.1 for a detailed breakdown.

Table 2

Additional financing: project costs by component (and subcomponent) and financier

(Thousands of United States dollars)

Component/subcomponent	Original IFAD loan		Original IFAD BRAM		Additional IFAD loan		OPEC FUND		GEF		Beneficiaries		Government		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. Support to building value chain systems																
1.1 Value chain governance and sector strategy	195	1.6	2 100	17.6	2 000	16.8	1 000	8.4	-	-	126	1.1	6 501	54.5	11 921	16.4
1.2 Responsible wool and mohair production	2 014	9.8	-	-	3 781	18.5	10 660	52.1	3 000	14.7	524	2.6	470	2.3	20 448	28.1
1.3 Business development and value addition	3 757	38.6	-	-	1 952	20.0	3 631	37.3	-	-	380	3.9	20	0.2	9 740	13.4
Subtotal	5 966	14.2	2 100	5.0	7 733	18.4	15 290	36.3	3 000	7.1	1 030	2.4	6 991	16.6	42 109	58.0
2. Climate-smart value chain operation and coordination																
2.1 Access to productive finance and services	5 514	29.3	2 900	15.3	3 938	20.8	1 593	8.4	-	-	4 924	26.0	60	0.3	18 929	26.1
2.2 Responsible value chain production systems	1 310	22.1	-	-	-	-	984	16.6	2 200	37.1	1 427	24.1	13	0.2	5 933	8.2
Subtotal	6 823	27.6	2 900	11.7	3 938	15.8	2 577	10.4	2 200	8.8	6 351	25.5	73	0.3	24 862	34.2
3. Project management																
3.1 Communication for behaviour change and monitoring for learning	1 059	57.3	-	-	-	-	633	34.2	-	-	-	-	156	8.4	1 848	2.5
3.2 Project coordination	1 352	35.3	-	-	131	3.4	1 500	39.2	-	-	-	-	841	22.0	3 824	5.3
Subtotal	2 411	42.5	-	-	131	2.3	2 132	37.6	-	-	-	-	997	17.6	5 672	7.8
Total	15 200	21.0	5 000	6.9	11 802	16.2	20 000	27.5	5 200	7.2	7 381	10.2	8 061	11.1	72 644	100.0

Table 3

Additional financing: project costs by expenditure category and financier

(Thousands of United States dollars)

Expenditure category	Additional IFAD loan	
	Amount	%
I. Investment costs		
A. Civil works	1 506	17.6
B. Vehicles, equipment and materials	3 400	16.2
C. Technical assistance	617	5.0
D. Training / workshops	15	0.4
E. Credit and guarantee funds	5 528	29.9
Total investment costs	11 066	17.2
II. Recurrent costs		
A. Salaries and allowances	736	9.6
B. Operating costs	-	-
Total recurrent costs	736	8.8
Total	11 802	16.2

Table 4

Project costs by component and project year

(Thousands of United States dollars)

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

Financing and cofinancing strategy and plan

13. The original approved IFAD resources are drawn from the Twelfth Replenishment of IFAD's Resources (IFAD12) PBAS and BRAM allocations for Lesotho. The additional US\$11.802 million from IFAD to fill this financing gap is drawn from an additional IFAD12 PBAS reallocation provided to Lesotho under blended terms and comes as an addition to the original allocation. The OPEC Fund has further committed a loan of at least US\$20 million to cover the rest of the financing gap. These funds are expected to be approved by the OPEC Fund's board on 26 June 2024. Should there be an issue with the approval of the funds, alternative sources of financing will be sought, potentially including the IFAD13 funding allocation for Lesotho. With a sharp focus on biodiversity, soil health and regenerative practices, the project qualifies for resources under the Eighth Replenishment of the GEF Trust Fund, and a project identification form has been prepared jointly by IFAD and the Government for US\$5.2 million. A project design mission is scheduled for 17 to 28 June 2024, with the project document package expected to be approved by the GEF Council in October 2025. Government cofinancing is approved by the public sector investment committee and the Lesotho National Development Corporation's board of directors. Private sector cofinancing will be leveraged through contributions during implementation. Beneficiaries will contribute through in-kind contributions in some activities and the promotion of productive alliances.

Disbursement

14. Project funds will flow through a designated account in United States dollars at the Central Bank of Lesotho, held separately from the Treasury Single Account system to prevent potential liquidity constraints.

Summary of benefits and economic analysis

15. Filling of the financing gap was already built into the project's original economic and financial analysis (EFA) at design. As per the EFA, the project's economic rate of return (ERR) is estimated at 13.5 per cent, with a net present value of US\$16.819 million. These results indicate that, based on an opportunity cost of capital of 10 per cent, WaMCoP will generate a satisfactory ERR and is more than economically justified. The sensitivity analysis, based on 10 per cent, 20 per cent and 50 per cent increases in project costs, shows rates of return of 12.4, 11.5 and 9.2 per cent, respectively. Overall, the ERR is satisfactory. These rates and stability can be explained by higher productivity of the targeted activities through the adoption of efficient, resilient production systems that include traditional techniques and efficient biological plant and animal materials. Through the different

measures, farmers are expected to fetch a premium price for their wool and mohair.

Exit strategy and sustainability

16. WaMCoP's sustainability and exit strategy are embedded in project design and do not change with this additional financing. It is expected that the TF-TC consortium will continue the use of entrusted physical and financial assets to gradually improve value chain coordination functions and increase equitable service delivery to farmers and other value chain actors. The TF-TC consortium will take up the governance and operations of key value chain activities and serve as a sectoral body for the entire value chain.

III. Risk management

A. Risks and mitigation measures

17. There is no change in the risks and mitigation measures, as they were all anticipated in the original design with the integrated financing gap. 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) environment and climate context; and (iii) procurement. The residual risk after accounting for mitigation measures in the selected risk subcategories is broadly moderate.

Table 5

Overall risk summary

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

B. Environment and social category

18. As per the original design, the environment and social category for WaMCoP is "moderate". The project focuses on productivity, and the enabling environment for the wool and mohair value chain and some of its activities can have an adverse impact on the environment and increase the pressure on natural resources. However, the potential negative environmental and social effects are limited, site specific, predictable, mostly reversible and can be managed with appropriate mitigation measures.

C. Climate risk classification

19. As per the original design, the climate risk classification is "substantial". There is a potential for widespread impacts from climate change. The main climate change risks that smallholders face in the WaMCoP target areas include rising temperatures and rainfall variability, with more intense rainfall in some areas, shorter rainy seasons and potential droughts in some locations. However, risk management activities are likely to increase the resilience and adaptive capacity of households, infrastructure, communities and ecosystems.

D. Debt sustainability

20. According to the latest International Monetary Fund–World Bank debt sustainability analysis published in July 2023, the risk of external and overall debt distress is moderate, with limited space to absorb shocks. The gross public debt-to-GDP ratio stood at 59.8 per cent of GDP in fiscal year 2022/2023, with 74 per cent of it external. Growing risks of debt from unaddressed contingent liabilities, exchange rate depreciation and persistent domestic arrears heighten the debt sustainability risks. While debt indicators remain below the thresholds of the baseline scenario, stress tests indicate vulnerability to contingent liability, current transfers to GDP, the exchange rate and export shocks, exceeding their thresholds in the near term. Greater efficiency in critical public infrastructure investment is needed to raise productivity and lift the growth outlook. Finally, addressing contingent liability risks, strengthening public financial management and introducing robust and enforceable fiscal rules will be critical to maintaining debt sustainability.

IV. Implementation

A. Compliance with IFAD policies

21. The project objective remains the same as in the approved original financing, and activities supported by the additional funds are consistent with the original design, implementation approaches and components. Compliance with all relevant IFAD policies, including the Social, Environmental and Climate Assessment Procedures (SECAP), targeting policies and performance indicators, was observed at project design. Therefore, the additional financing will align accordingly. The Operational Policy and Results Division team has provided clearance in this regard.

B. Organizational framework Management and coordination

22. There is no change in this plan from the original design. A project steering committee (PSC) will be established to provide policy guidance and oversight of project implementation. The PSC and broader project will also be supported by a project consultative technical committee, which will comprise directors and focal points of key stakeholder agencies, including government departments. The PCU will handle day-to-day coordination and project management. It will be attached to the Ministry of Agriculture, Food Security and Nutrition and adequately staffed with competitively recruited professionals, and, where necessary, the Government. The PCU will closely coordinate and support component 1, and the TF-TC consortium will primarily execute component 2. This pluralistic model for delivering project activities subscribes to well-established implementation principles of value chain development projects.

Financial management, procurement and governance

23. **Financial management.** As per the original design, both the PCU and the TF-TC consortium will have appropriate structures with experienced staff to manage project finances. They will prepare annual workplans and budgets (AWPBs) and withdraw advances from IFAD, based on AWPB and cash forecasts for the next period. While the PCU will be audited by the Office of the Auditor General (OAG), as mandated under government law, the TF-TC consortium and Ethical Fashion Initiative-linked social enterprise will be audited by a private audit firm supervised by OAG.
24. **Procurement.** As per the original design, the overall institutional procurement capacity risk rating is “medium”. WaMCoP’s specific assessment, based on planned programme operations, indicates the need for improvement in the following areas: (i) procurement regulatory framework; (ii) standard bidding documents; (iii) procurement monitoring; and (iv) access to procurement information. In addition, IFAD will provide technical assistance both remotely and in-country to build procurement capacity.

25. **Governance.** The project is hosted by the Ministry of Agriculture, Food Security and Nutrition and its Department of Marketing, as well as the Department of Livestock Services. The Lesotho National Development Cooperation is a key strategic actor, especially in oversight and capacity-building for the TF-TC consortium and implementation of component 2. National farmers' associations will play a key role in implementing the culling and exchange programme and as board members of the TF-TC consortium. In terms of internal governance, WaMCoP will be overseen by a PSC to provide policy guidance and oversight of project implementation. While component 1 is PCU led, component 2 will be private sector led, with implementation shouldered by the TF-TC consortium. Moreover, a partnership will be established with critical private-sector actors such as the Ethical Fashion Initiative to develop the cottage industry and the Textile Exchange to promote responsible production certification. A strategic partnership with the Global Standard aims to support digitalization and reduce certification costs.

C. Monitoring and evaluation, learning, knowledge management and strategic communication

26. **Monitoring and evaluation.** The monitoring and reporting arrangements remain the same. Planning and budgeting will be integrated into government processes and based on AWPBs, employing a bottom-up approach. The WaMCoP logical framework will guide development of the AWPB and the reporting and monitoring system. The monitoring and evaluation system will generate timely and reliable information to support decision-making and adaptive management. Outcome and impact data will be collected through baseline, midterm and completion surveys, in compliance with the IFAD Core Outcome Indicators Measurement Guidelines. Resilience data will be collected at baseline and completion through the IFAD resilience scorecards. The project will also conduct qualitative studies and produce knowledge management products on impact areas.
27. **Innovation and scaling up.** With the financing gap filled, WaMCoP's major innovations will include support for and institutional strengthening of the TF-TC consortium, which is envisioned as a sustainable value chain-based mechanism that will scale up and further develop successful strategies beyond the seven-year project life cycle; the promotion of responsible production and certification, low emissions and biodiversity enhancement; digitalization of the value chain; upgrading of the national breeding programme; the establishment of a disease response and surveillance system; and partnerships with private sector actors.

D. Proposed amendments to the financing agreement

28. Upon approval of the additional financing, the financing agreement will be amended to reflect the additional US\$11.802 million.

V. Legal instruments and authority

29. A financing agreement between the Kingdom of Lesotho and IFAD will constitute the legal instrument for extending the proposed financing to the borrower/recipient. The signed financing agreement will be amended following approval of the additional financing.
30. The Kingdom of Lesotho is empowered under its laws to receive financing from IFAD.
31. I am satisfied that the proposed additional financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VI. Recommendation

32. I recommend that the Executive Board approve additional financing in terms of the following resolution:

RESOLVED: that the Fund shall provide a loan on blend terms to the Kingdom of Lesotho in an amount of eleven million eight hundred and two thousand United States dollars (US\$11,802,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Alvaro Lario
President

Updated logical framework incorporating the additional financing

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Indicator Name	Baseline	Mid-term*	End target	Source	Freq.	Resp.	
Outreach	CI 1 Persons receiving services promoted or supported by the project²							
	# total people	0	22,500	45,000	MIS	Monthly	PMU	Project implementation takes place as planned
	CI 1a. Corresponding number of households reached							
	# households	0	22,500	45,000	MIS	Monthly	PMU	
	CI 1b. Estimated corresponding total HH members							
	# people	0	112,500	225,000	MIS	Monthly	PMU	
Goal	Households reporting increased resilience							
Improved livelihood resilience for smallholder wool and mohair farmers in targeted areas	% of households reporting increased climate resilience	0	40%	70%	Survey using resilience scorecard	Baseline and completion	PMU/outsourced	Improved macro-economic conditions, no external shocks, stable prices
	% of households reporting increased economic resilience	0	40%	70%				
Development Objective	Households reporting an increase in incomes from wool and mohair							
Inclusive and sustainable economic growth and private-led job creation from wool and mohair	# households	0	13,500	30,000	Survey	Baseline, midline, completion	PMU/outsourced	Improved macro-economic conditions, no external shocks, stable prices
	% of households	0	30%	67%				
	Number of households with increased assets							
	% of households	0	20%	45%	Survey	Baseline, midline, completion	PMU/outsourced	Participation in saving groups and subsidized access to cooking stoves promotes asset building
	SF 2.1 Households satisfied with project-supported services							
	# of households	0	18,000	36,000	COI survey	Baseline, midline, completion	PMU/outsourced	Project implementation takes place as planned and project services in line with needs and preferences of target group
	% of households	0	40%	80%				
	# of household members	0	90,000	180,000				
	SF 2.2 Households reporting they can influence decision-making of local authorities and project-supported service providers							
	# of households	0	18,000	36,000	COI surveys	Baseline, midline, end-line	PMU/outsourced	Local authorities support the move towards a more transparent and inclusive management of the wool and mohair value chain
	% of households	0	40%	80%				
	# of household members	0	90,000	180,000				
	IE. 2.1 (Number) Percentage of individuals demonstrating an improvement in empowerment³							
	# total persons	0	11,250	22,500	COI surveys	Baseline, midline, endline	PMU/outsourced	Associations of wool and mohair farmers are willing to accept new members and to give more voice to women and youth
	% total persons	0	25%	50%				
Outcome 1.1	CI 2.2.4: Number (Percentage) of supported rural producers' organization members reporting new or improved services provided by their organization⁴							
Inclusiveness and transparency of value chain governance have improved	# of members	0	15,000	30,000	COI surveys	Midline, end-line	PMU/Outsourced	The Trust Company model functions well in the Lesotho context
Outcome 1.2	Policy 3: Number of existing/new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment							
Sustainable sector strategy adopted	# of documents	0	1	2	Project records	Annually	PMU	Policy makers willing to adopt reforms in the wool and mohair sector
Outcome 1.3	CI 2.2.1 New jobs created⁵							
New employment opportunities are promoted in wool and mohair input supply (veterinary services) and value addition (cottage industry)	# of people	0	200	400	EFI records on new jobs in cottage industry	Yearly	PMU	International markets offer opportunities for Lesotho cottage production.
Output 1.1	Number of assets sustainably entrusted to Trust Company							
Trust Company established and operational	# of assets	0	20	60	MIS	Once	PMU	Trust company successfully set up by WAMPP project
Output 1.2	Number of users of studbook/surveillance app							
	# of users of studbook	0	60	120	MOAFS records	Annual	PMU	

² Indicator is disaggregated by gender, age and people with disabilities.

³ Indicator is disaggregated by gender and age.

⁴ Indicator is disaggregated by gender and age.

⁵ Indicator is disaggregated by gender, age, and people with disabilities.

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Indicator Name	Baseline	Mid-term*	End target	Source	Freq.	Resp.	
National systems (breeding, disease surveillance, testing, certification) enhanced to support the improvement of Lesotho clip quality	# of users of surveillance app	0	12,500	25,000				Ministry of Agriculture takes the lead in designing and operating the system
Output 1.3 Farmers provided with access to culling & exchange and to subsidized efficient cooking stoves	CI 3.1.3 Persons accessing technologies that sequester carbon or reduce greenhouse gas emissions⁶							
	# of total persons accessing technologies	0	8,500	16,600	Reports from association implementing the Culling & Exchange and from African Clean Energy (ACE) for the cooking stoves	Annual	PMU	Continued strong demand for improved animals and efficient cooking stoves
Output 1.4 Productive alliances have been installed	CI 1.1.3: Rural producers accessing production inputs and/or technological packages⁷							
	Total rural producers	0	15,000	30,000	Trust Fund Records	Annual	PMU	National providers of wool and mohair inputs and services are willing to collaborate with the project
	CI 2.1.3: Rural producers' organizations supported⁸							
	Total rural producers	0	60	120	Trust Fund Records	Annual	PMU	National providers of wool and mohair inputs and services are willing to collaborate with the project
Output 1.5 Cottage industries supported with equipment and marketing services	People in cottage industries supported with equipment and marketing services⁹							
	# of total persons	0	200	400	Ethical Fashion Initiative (EFI) records	Annual	PMU	Women, youth, and PwD continue showing interest for employment in cottage industries
Outcome 2.1 Smallholder production of wool and mohair has sustainably increased in quality and quantity	CI 1.2.4 Households reporting an increase in production							
	# of households	0	13,500	27,000	COI survey	Baseline, midline, completion	PMU/ outsourced	No external shocks, stable prices
	% of households	0	30%	60%				
	Total number of household members	0	67,500	135,000				
Outcome 2.2 Wool and mohair farmers have adopted environmentally sustainable rangeland-management practices	CI 3.2.2: Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices							
	# household	0	19,000	38,000	COI survey	Baseline, midline, completion	PMU/ outsourced	Certification induces farmers to adopt environmentally sustainable practices
	% of households	0	42%	84%				
	# of household members	0	95,000	190,000				
	CI 3.2.1: Number of tons of greenhouse gas emissions (CO2e) avoided and/or sequestered¹⁰ (Nota bene: to be filled when carbon analysis is finalised)							
	Hectares of land - Area (ha)	0	?	?	GLEAM -I and EX -ACT. Tools by FAO			
Output 2.1 In-kind loans disbursed to farmers and saving groups established	CI 1.1.5: Persons in rural areas accessing financial services¹¹							
	# total persons accessing loans	0	15,000	30,000	Trust Fund records (for loans), and reports from Implementing partners (for savings)	Monthly	PMU	Continued demand for in-kind loans and continued interest in participation in savings groups
	# of total persons accessing savings	0	5,000	10,000				
	# of persons accessing financial services	0	20,000	40,000				
	CI 1.1.7 Persons in rural areas trained in financial literacy and/or use of financial products and services¹²							
	# total persons	0	5,000	10,000	Trust Fund records (for loans), and reports from Implementing partners (for savings)	Monthly	PMU	Continued demand for in-kind loans and continued interest in participation in savings groups
Output 2.2 Digital platform established and operational	Number of value chain actors registered on the platform uploading data on the shared digital platform							
	% of farmers	0	50%	80%	Digital Platform	Monthly	PMU	Value chain actors consider the digital platform useful
	% of traders	0	50%	80%				
	% of input suppliers	0	50%	80%				
Output 2.3 Certification system established and operational	Percentage of Lesotho clip produced by beneficiaries meeting responsible standards							
	% of clip	0	20%	60%	BKB records	Annually	PMU	Market prices continue providing incentives for responsible production

⁶ Indicator is disaggregated by gender, age, and people with disabilities.

⁷ Indicator is disaggregated by gender and age.

⁸ Indicator is disaggregated by gender and age.

⁹ Indicator is disaggregated by gender, age, and people with disabilities.

¹⁰ Indicator is further disaggregated by, tCO2e/ha, tCO2e/ 20 years, CO2e/ha/year.

¹¹ Indicator is disaggregated by gender and age.

¹² Indicator is disaggregated by gender and age.

Updated summary of the economic and financial analysis

Table A
Financial cash flow models

Table 1: Cash Flow (US\$ 000)

Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20				
1. COSTS																								
2. COSTAB COSTS																								
economic costs	7 568	12 693	9 010	9 099	6 380	5 602	4 109	-																
Total costs	7 568	12 693	9 010	9 099	6 380	5 602	4 109	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2. NET ECONOMIC BENEFITS																						total	%	
Benefits related to livestock	0	60	-445	-849	-780	-376	483	1 909	6 250	18 017	21 157	23 095	16 904	17 825	19 034	20 511	21 057	21 604	531	21	21	228	95%	
Benefits related to cottage industry - EFI initiative	0	0	-303	-50	463	648	806	894	1 127	1 127	1 127	1 127	-303	-34	463	648	806	894	1 127	1 127	22	22	239	
Total Benefits	0	60	-748	-899	-317	272	1 289	2 803	7 377	19 144	22 284	24 222	16 601	17 791	19 497	21 159	21 863	22 498	658	282	22	22	832	100%
3. ECONOMIC CASH FLOW	-7 568	-12 632	-9 758	-9 999	-6 698	-5 331	-2 820	2 803	7 377	19 144	22 284	24 222	16 601	17 791	19 497	21 159	21 863	22 498	658	282				

ERR

14.60%

NPV

21 404

Table B

Project costs – Components Project Cost Summary

	(M '000)			(USD '000)			%	%
	Local	Foreign	Total	Local	Foreign	Total	Foreign Exchange	Base Costs
A. Support to building Value Chain systems (PCU led)								
1. Value Chain governance and sector strategy	190,173	563	190,736	11,886	35	11,921	-	17
2. Responsible wool & mohair production	235,772	87,820	323,592	14,736	5,489	20,225	27	28
3. Business development and value addition	131,101	24,670	155,771	8,194	1,542	9,736	16	14
Subtotal	557,046	113,053	670,099	34,815	7,066	41,881	17	59
B. Climate smart value chain operation and coordination (TC led)								
1. Access to productive finance	259,677	40,960	300,637	16,230	2,560	18,790	14	26
2. Responsible value chain production systems	64,264	30,667	94,931	4,017	1,917	5,933	32	8
Subtotal	323,941	71,627	395,568	20,246	4,477	24,723	18	35
C. Project coordination unit								
1. Communication for behavior change and monitoring for learning	18,787	8,579	27,366	1,174	536	1,710	31	2
2. Project coordination	46,630	5,298	51,928	2,914	331	3,246	10	5
Subtotal	65,417	13,878	79,294	4,089	867	4,956	18	7
	946,404	198,557	1,144,961	59,150	12,410	71,560	17	100
Physical Contingencies	2,622	1,195	3,817	164	75	239	31	-
Price Contingencies	12,718	803	13,521	795	50	845	6	1
	961,743	200,556	1,162,299	60,109	12,535	72,644	17	102

Table C

Main assumptions and shadow prices

Crops	0.64507489	0.999
Live animals, own consumption meat, hides etc	0.079331258	0.998
Other Agriculture	0.18362137	0.998
Stone, quarrying products	0.283082017	0.999
Diamonds; precious and semi-precious stones	0.046670278	0.996
Food Products	0.444514351	0.998
Textiles and Clothing	0.24908067	0.998
Footwear, leather	0.477591319	0.999
Other Manufactures	0.551782794	0.999
Electricity supply	0.085563573	0.991
Water supply inc sewerage	0.253835281	0.997
Transfer tunnel	0	1.324
Civil Works	0.13051847	0.996
Buildings	0.145092505	0.997
Repairs motor vehicles, and hlsd appliances	0.148296291	0.992
Trade formal	0.130363595	0.992
Trade fuel	0.129888119	0.995
Trade informal	0.026296517	0.981
Hotels and Restaurants	0.156699727	0.995
Road transport of passengers	0.159340399	0.976
Road transport of goods	0.16189396	0.995
Suppl. transp. services, airports, travel agencies	0.180084557	0.931
Telecoms	0.106868475	0.994
Banking services	0.150721344	0.882
Central Bank of Lesotho	0.214817791	0.992
Insurance & other financial services	0.245146027	0.959
Rentals	0.044909841	0.994
Imputed residential rentals, owner occupiers	0	0.998
Other business Services	0.143275195	0.997
Public administration services	0.334452468	0.994
Education services	0.724035035	0.998
Health and social services	0.709241181	0.998
Personal and other services	0.554399326	0.997
Services of domestic helpers etc.	0.909054863	0.999
Coal	0.821679934	0.999
Tobacco products	0.847887853	0.999
Machinery and equipment n.e.c.	0.904831551	0.999
Motor vehicles, trailers and semi-trailers	0.972505582	1.000
Air transport international	1	1.000
Workers expenditures in SA	1	1.000
Students expenditures abroad	1	1.000
Embassies expenditure abroad	1	1.000
Trade Margins - Domestic	0	0.992
Freight Margins - Domestic	0	0.995

Trade Margins - Export	0	0.992
Freight Margins - Export	0	0.995
Trade Margins - Import	0	0.992
Freight Margins - Import	0	0.995
Non-Fin Private Operating Surplus - Domestic Corporate	0	1.000
Non-Fin Private Operating Surplus - Foreign	0	1.000
Non-Fin Public Operating Surplus	0	0.984
Financial Operating Surplus - Domestic	0	0.766
Financial Operating Surplus - Foreign	0	0.763
Mixed Income Unincorporate	0	0.997
Mixed Income Informal Sector	0	0.997
Non-Marketed Surplus	0	0.998
Government (Cons. of Fixed Capital)	0	0.948
Rural Households - Wages	0.031380766	0.998
Rural Households - Farming	0.011489553	0.998
Rural Households - Other Income	0.012676749	0.998
Urban Households - Wage Income Skilled Private Sector	0.145714806	0.998
Urban Households - Wage Income Unskilled Private Sector	0.03625697	0.998
Urban Households - Wage Income Skilled Public Sector	0.217702179	0.998
Urban Households - Wage Income Unskilled Public Sector	0.127717772	0.998
Urban Households - Business	0.006309384	0.997
Urban Households - Informal Sector	0.024935531	0.995
Urban Households - Other Incomes Sources	0.022649468	0.998
Private Enterprise	0.791557939	1.000
Public Enterprise	0.326409146	1.000
Commercial Banks	0.460737524	0.763
Central Bank of Lesotho	0.011896721	0.823
Government	0.045045162	0.948
Government - extra budgetary Units	0	0.907
Local Government	0	0.174
Private Non-Profit Organizations and NGOs	0	0.996
Tourism	0	0.995
Households	0.790817433	0.999
Private Enterprise	0.276848798	0.999
Public Enterprise	0.820110655	1.000
Commercial Banks	0.560048187	0.560
Central Bank of Lesotho	0.821056827	0.821
Government	0.342587958	0.919
Government - Extra Budgetary Units	0	1.947
Local Government	0	0.000
Private Non-Profit Organizations and NGOs	0	1.000

Table D

Beneficiary adoption rates and phasing

Beneficiaries and Investment Phasing										
	Unit	PY1	PY2	PY3	PY4	PY5	PY6	PY7	PY8	Total
Farmers										
HH Wool 40 Mohair 20	no.		2,240	3,600	4,800	5,600	4,560			20,800
HH Wool 100 Mohair 40	no.		1,840	2,240	2,400	2,720	2,000			11,200
HH Wool 100 Mohair 100	no.		1,200	1,600	1,760	2,000	1,440			8,000
	Sub-total									40,000
Breeding Centre Rehabilitation	no.	-	1	1		-	-	-	-	2
Shearing Shed Construction	no.	-	4	6	6	6	-	-	-	22
Shearing Shed Renovation	no.	-	6	8	10	10	12	-	-	46
Early Warning System Upgrade	no.	-	-	-	-	1	-	-	-	1

Table E

Economic cash flow

Year	Total Incremental Benefits ('000 Maloti)	Incremental Costs ('000 Maloti)	Cash Flow ('000) maloti
1	0	21,554	(21,554)
2	(10,628)	33,078	(43,705)
3	(26,300)	32,573	(58,872)
4	(39,209)	36,823	(76,032)
5	(46,370)	32,840	(79,210)
6	(44,946)	22,472	(67,418)
7	(20,295)	13,180	(33,475)
8	18,538	15,035	3,503
9	61,370	15,035	46,335
10	181,929	15,035	166,894
11	143,960	15,035	128,925
12	182,145	15,035	167,110
13	213,136	15,035	198,101
14	244,373	15,035	229,338
15	273,644	15,035	258,609
16	304,931	15,035	289,896
17	335,139	15,035	320,104
18	367,380	15,035	352,345
19	400,469	15,035	385,434
20	508,913	15,035	493,878
NPV@ 10 % ('000 LSL)		433,679	
NPV@ 10 % ('000 USD)		41,303	
IRR		21%	

Table F

Sensitivity analysis

ERR and SENSITIVITY ANALYSIS

	Base cost	Costs increase			Benefits increase		Benefits decrease			Benefits delay	
		+10%	+20%	+50%	10%	+20%	-10%	-20%	- 30%	1 year	2 years
ERR	14.6%	13.6%	12.6%	10.3%	15.7%	16.6%	13.5%	12.2%	11.8%	12.8%	11.1%
NPV (USD 000)	21,404	17,445	13,487	1,611	27,503	33,602	15,305	9,206	7,376	12,848	5,020