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**INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL FINANCE CORPORATION
MULTILATERAL INVESTMENT GUARANTEE AGENCY
PERFORMANCE AND LEARNING REVIEW
OF THE COUNTRY PARTNERSHIP FRAMEWORK**

FOR

THE KINGDOM OF LESOTHO

FOR THE PERIOD FY16-20

APRIL 17, 2019

Southern Africa Country Management Unit, Africa Region

International Finance Corporation

Multilateral Investment Guarantee Agency

The date of the last Country Partnership Framework was June 2, 2016

FISCAL YEAR

[April 1 – March 31]

CURRENCY EQUIVALENTS

(Exchange rate as of March 18, 2019)

Unit of Currency = LSL (Lesotho Loti)

US\$1 = LSL 14.43

ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
ASA	Advisory Services and Analytics
BADEA	Arab Bank for Economic Development in Africa
Cat DDO	Catastrophe Deferred Drawdown Option
CDC	Centers for Disease Control and Prevention
CERC	Contingency Emergency Response Component
CGP	Child Grant Program
CPF	Country Partnership Framework
CRW	Crisis Response Window
DE4A	Digital Economy for Africa
DeMPA	Debt Management Performance Assessment
DfID	Department for International Development
DLI(s)	Disbursement Linked Indicator(s)
DPO	Development Policy Operation
DSA	Debt Sustainability Analysis
ECCD	Early Childhood Care and Development
EIB	European Investment Bank
EU	European Union
FAO	Food and Agricultural Organization of the United Nations
FDI	Foreign Direct Investment
FIRST	Financial Sector Reform and Strengthening Initiative
FM	Financial Management
GAVI	Global Alliance for Vaccines and Immunization
GDP	Gross Domestic Product
GP	Global Practice
HIV/AIDS	Human Immune Virus/Acquired Immune Deficiency Syndrome
HR	Human Resource
ICT	Information Communication Technology
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IFC	International Financial Corporation
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
IPF	Investment Project Financing
LHWP	Lesotho Highlands Water Project
M&E	Monitoring and Evaluation

MCC	Millennium Challenge Corporation
MFD	Maximize Finance for Development
MIGA	Multilateral Investment Guarantee Agency
MOH	Ministry of Health
MW	Mega Watt
NDRF	National Disaster Risk Finance
NISSA	National Information System for Social Assistance
NISSA-CBT	NISSA - Community Based Targeting
NSDP	National Strategic Development Plan
OAP	Old Age Pension
OFID	OPEC Fund for International Development
OPRC	Output and Performance based Roads Contracts
P4R	Program for Results
PBF	Performance Based Financing
PEPFAR	President’s Emergency Plan for Aids Relief
PER	Public Expenditure Review
PHRD	Policy and Human Resources Development
PLR	Performance and Learning Review
PPIAF	Public-Private Infrastructure Advisory Facility
PPP	Public Private Partnership
PPP	Purchasing Power Parity
QMMH	Queen ‘Mamohato Memorial Hospital
RAMP	Reserves Advisory and Management Program
SACU	Southern Africa Customs Union
SADC	Southern Africa Development Community
SAP	Social Assistance Project
SDG	Sustainable Development Goals
SIP	School Improvement Plan
SREP	Scaling up Renewable Energy Program
SSA	Sub-Sahara Africa
TA	Technical Assistance
TB	Tuberculosis
UN	United Nations
UNAIDS	The Joint United Nations Programme on HIV and AIDS
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
WBG	World Bank Group
WEAP	Water Evaluation and Planning
WFP	World Food Programme
WHO	World Health Organization
WTO	World Trade Organization

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**PERFORMANCE AND LEARNING REVIEW
OF THE COUNTRY PARTNERSHIP FRAMEWORK, FY16-FY20 FOR THE
KINGDOM OF LESOTHO**

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**PERFORMANCE AND LEARNING REVIEW OF THE
KINGDOM OF LESOTHO-WORLD BANK GROUP (WBG)
COUNTRY PARTNERSHIP FRAMEWORK (FY16-20)**

I. INTRODUCTION

1. *This Performance and Learning Review (PLR) summarizes progress at the mid-point of the implementation of the Country Partnership Framework, 2016-2020, (CPF) for the Kingdom of Lesotho.*¹ The CPF was closely aligned to *National Vision 2020*, and its supporting operational document, the *National Strategic Development Plan 2013-2017* (NSDP), which identified inclusive growth as the key development objective, building on five focus areas: infrastructure, skills, technology, health, and environment.

2. *The CPF was crafted to address the high priorities of the NSDP in two focus areas: improving efficiency and effectiveness of the public sector and promoting private sector job creation.* Each of these focus areas was supported by four strategic objectives: the first through improving (i) public sector and fiscal management, (ii) the equity of the social assistance system, (iii) basic education outcomes, and (iv) health outcomes; and the second, through improving (v) the business environment to diversify the economy, (vi) smallholder and MSME agriculture productivity, (vii) transport connectivity, and (viii) water and renewable energy supply for industrial, agriculture and export opportunities.

3. *This PLR also assesses the validity of the CPF in light of the issuance of the government's National Strategy Development Plan II 2018-2023 (NSDP-II) and concludes that the original CPF strategy remains relevant.* NSDP-II maintains the focus on private sector-led job creation and inclusive growth through four priorities: sustainable growth; human capital; infrastructure; and governance. It identifies four areas of comparative advantage: agriculture; manufacturing; technology and innovation; and tourism and crafts. The PLR proposes certain adjustments to the remaining period of the CPF in order to achieve tighter alignment with the reshaped national priorities. Thus, it selectively tilts the focus of WBG assistance towards deepening assistance efforts on human capital and promoting private investments, particularly in climate smart agriculture and renewable energy, whilst encouraging structural reforms to attain growth sustainability. These changes are expected to sharpen the poverty-fighting focus of the CPF and to strengthen the forces of inclusion. The PLR presents a revised results matrix (Annex 1), compares the changes made to the original results matrix (Annex 2), and also presents progress made under the first three years of the CPF period (Annex 3).

4. *This PLR has been prepared in close consultation with the government of Lesotho, with its key development partners.* These consultations revealed a strong consensus behind the current strategy, the need to align with NSDP-II, sharpen the focus on capacity and implementation, and ensure greater coherence of approaches by development partners working closely with the government.

¹ Report No 97823-LS (June 2, 2016), discussed by the Board of Executive Directors on June 30, 2016,

5. *Lesotho is not classified as a fragile state but shares the characteristics of one*, given its disappointing human capital endowment, political fragmentation and instability, a politicized security sector, weak government capacity, poor quality of most public services and high poverty and inequality.²

II. MAIN CHANGES IN COUNTRY CONTEXT

A. Political Context

6. *Since independence in 1966, Lesotho has been a parliamentary democracy on the Westminster model with a constitutional monarchy but has suffered from periodic military coups d'état.* In response to repeated interventions by the army into politics, a preventive mission in the form of a standby military force was deployed by the Southern African Development Community (SADC) from end-2017 to November 2018 to facilitate a secure, stable and peaceful environment for security sector reforms intended to depoliticize the military. Despite the planned withdrawal of the force, security sector reforms continue.

7. *Following the most recent period of military intervention in the initial phase of the CPF period, early general elections were held, and a four-party coalition government took office in June 2017 -- the third government to be sworn into office in five years.* The prime minister has to balance a constellation of political forces and demands that are not always consistent – a feature that lends fragility and at times lack of firm direction to the government.

8. *Nevertheless, the government is promoting a national dialogue to support internal peace and build political consensus within the country as well as to undertake key constitutional and security reforms.* It has pursued initial economic reforms and is working towards a broader consensus across the coalition on overall structural reforms.

B. Economic Developments

9. *The economy is highly vulnerable to overall developments in the Southern Africa Customs Union (SACU), where South Africa is the dominant member, and which pools and redistributes import-related revenues by formula.* Economic activity in the region also drives labor exports by Lesotho and, hence, remittances. Thus, the growth pattern is heavily driven by public spending funded by SACU revenues, and rests on highly volatile foundations.³ The shock of a sharp fall in SACU-related revenues over 2016-2017 (a fall of 8 percent of GDP compared to the most recent peak in 2014) was not met with an adjustment in expenditures, resulting in a widening of the fiscal deficit and an accumulation of budgetary arrears. Reflecting these developments, output is estimated to have contracted by 1.6 percent in 2017 but recovered to show an expansion of 1.7 percent in 2018. Growth over the past three years has averaged 1.5 per cent annually or below population increase (Table 1).

²The twin criteria for the classification of fragility are a CPIA score below 3.2 and the presence of UN peace-keeping forces. These criteria are widely considered to be outmoded and are being re-defined as proposed in a discussion paper from OPCS.

³Despite the volatility, Lesotho draws substantial benefits from SACU membership, particularly access to the large South African market, infrastructure, and the common labour market.

Table 1: Selected Economic and Financial Indicators

	2015/16	2016/17	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
	Actual	Actual	Projected	Projected	Projected	Projected	Projected	Projected
Real GDP growth	2.5	3.1	-1.6	1.1	1.1	2.3	2.7	3.3
Inflation (end of period)	7.5	4.4	4.9	7.0	6.0	5.5	5.5	5.5
Current Account (% of GDP, incl. official transfers)	-4.3	-8.2	-3.8	-6.1	-12.8	-1.9	0	-11
Foreign Direct Investment (% of GDP)	2.6	0.8	0.7	0.7	0.7	0.7	0.8	0.8
Gross International Reserves (months of imports)	6.2	4.6	3.9	3.9	3.7	3.9	4.1	4.2
As a % of GDP								
	2015/16	2016/17	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
	Actual	Actual	Projected	Projected	Projected	Projected	Projected	Projected
o/w Tax Revenues	20.3	20.4	19.6	20.8	21.8	22.2	23.2	23.2
o/w SACU	19.7	13.2	17.2	14.5	12.3	14.7	14.7	14.5
TOTAL REVENUE AND GRANTS	47.2	40.9	43.1	41.4	40.7	44.0	43.9	43.7
o/w Compensation of employees	17.1	17.8	17.7	19.0	18.7	17.4	17.3	17.1
o/w Non-financial assets 1/	11.1	9.7	7.3	9.0	8.4	8.8	8.7	8.6
TOTAL EXPENDITURE	48.2	47.3	45.5	46.3	45.3	43.4	42.9	42.7
Overall Fiscal Balance	-1.0	-6.3	-2.4	-4.9	-4.6	0.6	1.0	1.0
Primary Balance	-0.2	-5.6	-1.5	-4.1	-4.1	1.8	2.1	2.1
Non-SACU Fiscal Balance	-20.7	-19.5	-19.6	-19.4	-17.5	-14.1	-13.7	-13.5
Gross Public Debt	42.2	36.8	36.0	42.5	44.0	44.0	44.0	44.0

10. *Over recent years, the deficit has been partly financed by drawing down deposits at the central bank, leading to a contraction of international reserves.* A further use of this option would undermine the monetary basis for defending the peg to the rand. The need for fiscal adjustment is urgent, especially as SACU revenues are projected to remain weak (given protracted sluggish growth in South Africa) and fiscal space has been exhausted. From 2020, economic growth will be supported by water and mining projects, but to be sustainable a significant fiscal adjustment is required. The joint Bank-Fund 2018 *Debt Sustainability Analysis* (DSA) suggests that the risk of external debt distress would rise to moderate from low.

C. Poverty Reduction and Shared Prosperity

11. *Despite economic growth, Lesotho faces severe challenges of poverty, inequality and high unemployment.* Poverty remains widespread, but with a recent marginal improvement. Between 2002 and 2010, there was no progress in reducing extreme poverty. The headcount poverty rate (using the national poverty line) remained flat around 57 percent, whilst the Gini coefficient was around 54 percent. The headcount poverty rate at international prices (\$1.9/day PPP) fell from 59.7 percent in 2010 to 54.4 percent in 2017. Despite modest progress, Lesotho falls into a pre-fragile group of countries with high poverty and high inequality levels (Charts 2a, 2b). Poverty is deep with the large proportion of the population living significantly below the poverty line.

Chart 2a. Poverty and inequality levels

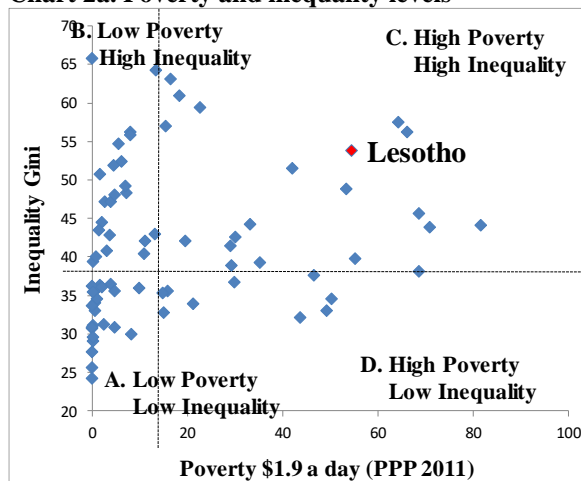
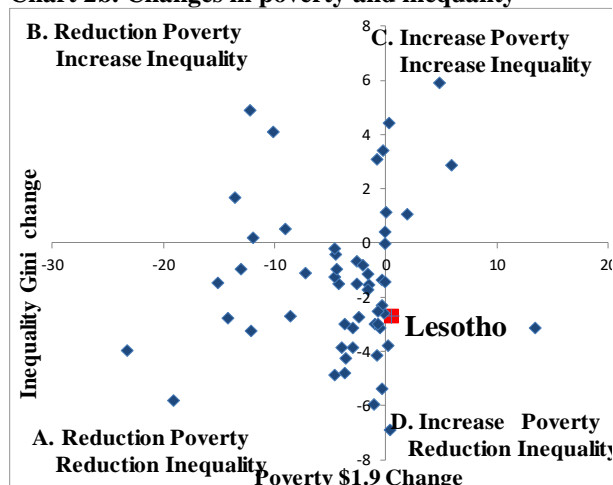


Chart 2b. Changes in poverty and inequality



Source: Lesotho estimated 2017/8 figures are presented. Poverty rates are PPP US\$1.90 a day. Latest available data per country available in the World Development Indicators database (WDI).

12. ***Economic growth has not been inclusive.*** Consumption per head of the bottom 40 percent of the population contracted by 0.4 percent annually between 2003 and 2011, but saw a reversal between 2010 and 2018, with a growth of 0.6 percent or below the African shared prosperity average. The geographical disparities in poverty and inequality are significant. The spatial rural/urban poverty split of 60:40 percent has remained relatively constant over time. Extreme poverty is concentrated among the elderly and poverty falls drastically with the level of education. High rates of poverty are linked to a persistent burden of communicable diseases, in particular, TB and HIV/AIDS. The country has a low employment to working-age population ratio, a high level of unemployment (especially youth—more than 40 percent are unemployed), and is a large labor exporter. The level of education is highly correlated with the type of employment. Individuals completing less than primary education have the highest probability of being employed in agriculture. The high fertility rate, 3.3 births per women, retards progress on poverty.

13. ***Lesotho has made moderate progress towards achieving the Sustainable Development Goals (SDGs), scoring 51 percent on the SDG Index.*** Progress towards attaining goals related to no poverty, zero hunger, good health, quality education, clean energy, and peace, justice and strong institutions has been stagnant or slow. Progress has quickened somewhat in achieving goals on gender, clean water and sanitation, sustainable cities and communities, and life of land.

14. ***Lesotho has a disappointing human capital index of 37 (a perfect score = 100), lower than the sub-Saharan Africa average or the average for low income countries (Box 1).*** In both probability of survival to age five and in the adult survival rate, the index is exceptionally low falling within the first quartile of world distribution. Lesotho also has high rates of stunting and poor learning outcomes. Student performance in harmonized tests is exceptionally low.

Box 1: Lesotho – Human Capital Index

Lesotho's HCI is lower than the average for its region and its income group.

- **Human Capital Index.** A child born in Lesotho today will be **37 percent** as productive when she grows up as she could be if she enjoyed complete education and full health.
- **Probability of Survival to Age 5.** **91** out of 100 children born in Lesotho survive to age 5.
- **Expected Years of School.** In Lesotho, a child who starts school at age 4 can expect to complete **8.7 years** of school by her 18th birthday.
- **Harmonized Test Scores.** Students score **393** on a scale where 625 represents advanced attainment and 300 represents minimum attainment.
- **Learning-adjusted Years of School.** Factoring in what children actually learn, expected years of school is only **5.5 years**.
- **Adult Survival Rate.** Across Lesotho, **50 percent** of 15-year olds will survive until age 60. This statistic is a proxy for the range of fatal and non-fatal health outcomes that a child born today would experience as an adult under current conditions.
- **Healthy Growth (Not Stunted Rate).** **67** out of 100 children are **not** stunted. **33** out of 100 children are stunted and are at risk of cognitive delays and physical limitations that can last a lifetime.
- **Fertility.** The total fertility rate is 3.3 births per woman. Childbearing peaks at age 20-24 (181 births per 1,000 women) and drops steadily thereafter. Rural women have 1.6 more children, on average, than urban women (rural total fertility rate of 3.9 vs. 2.3 in urban areas).

Source: Human Capital Index (World Bank, 2018)

D. Emerging Development Issues

15. *The NSDP-II has created the basis for reforms to raise the rate of sustainable growth.*

The emerging development issues can be clustered under:

Macro-adjustment and structural reforms. The exhaustion of fiscal space against the background of economic shocks has heightened the need for economic reforms. Government policy statements (NSDP-II, budget speech 2018/19) indicate a turn away from boom and bust growth cycles dependent on SACU-funded public spending towards a sustainable private sector-driven growth model. Though the budget takes initial steps on expenditure containment, a projected further rise in the wage bill indicates the need for firm measures to rein-in wages and improve expenditure efficiency.

Digital technology. The authorities are increasingly also prioritizing digital technologies, particularly e-commerce and e-government applications, to enhance business entry, lower business costs, connect markets to suppliers, reduce the regulatory compliance burden, raise public service quality, and improve access to finance.

Human capital. The centrality of human capital as a key development issue is recognized in NSDP-II. Early childhood nutrition has been flagged as a priority intervention by the government, especially in view of the high stunting rate. High social spending has co-existed with disappointing education and health outcomes far below those in comparator countries in spite of higher expenditure as a percent of GDP. In service delivery, the authorities believe that fragmentation of government institutions needs to be countered through stronger internal policy coordination. Wider use of performance-based indicators will scale-up impact in tackling early childhood development and nutrition and systemic issues prohibiting improved health outcomes.

Critical to raising results in social spending are strengthening of public financial management and the introduction of effective evaluation systems.

Climate-change. Lesotho is highly vulnerable to climate change, which affects food security, human and animal diseases, loss of soil and of biodiversity, and natural resource degradation. Priorities lie in building climate resilience and low-carbon pathways, strengthening climate change governance as well as developing a disaster financing strategy and scaling up shock-resistant social protection. The *National Climate Change Policy* (2017), built through intensive stakeholder consultations, identifies major vulnerabilities and risks and policies to address them, together with capacity development needs and resource mobilization strategies.

III. SUMMARY OF PROGRAM IMPLEMENTATION

E. Progress Towards Attaining CPF Objectives

16. ***The first half of the CPF period has seen an upturn in knowledge-based activities*** that generated policy recommendations for a shift in the growth model, for raising the effectiveness of public spending, and for building the foundations for climate-change adaptation policies (Annex IV). This emphasis on high-quality, pertinent ASA products has also laid the basis for the lending program for the rest of the extended CPF period and will help bridge the transition to the following CPF period.

17. ***Over this period, project lending has increased sharply, largely directed at public sector modernization and access to and quality of service delivery.*** Fresh commitments from country and regional IDA and the Crisis Response Window amounted to US\$132.8 million during FY16-18; against the CPF expectation for FY16-20 of US\$77 million. With the exception of the transportation sector, the supplementary progress indicators in the CPF results matrix were largely met in the promoting jobs creation focus area. However, in the focus area of improving efficiency and effectiveness of the public sector, targets for many social assistance and health indicators remain to be met.

Focus Area 1: Improving efficiency and effectiveness of the public sector

18. ***Measured by the CPF results matrix, the education supplementary indicator has been met, with the number of schools with school improvement plans reaching 326, 100 percent of the targeted schools.*** Health indicators are only partially met, and the indicators on public and fiscal management were largely met; the exception is lower than expected progress on old age pension reform (Annex III).⁴ In some cases, the timetable proved to be over-ambitious: the biometric census of government staff is expected to be completed in early 2019 (not 2017), and the public investment plan also in early 2019. Many indicators under this focus area can be met only later in the extended CPF period: percentage of old age pensioners with yearly proof of life verification, improvements in the health care referral system, and in health PPP contracting as projects mature and begin to show impact and, in health and nutrition as a follow-on project comes on stream. The proposed revisions to the CPF results matrix are presented in Annex 1.

⁴ These indicators proved to be over-sanguine in design as they underestimated the lags of the impact of projects on supplementary or final results. The projects in most cases have an age of around three years.

19. ***The CPF facilitated a transition to sustainable growth by improving access to and quality and targeting of public services, and retooling institutions that has rested on a rich agenda of knowledge and advisory products.*** A public expenditure review focused on raising impact in social spending and strengthening expenditure management, and was supplemented by diagnostics on youth unemployment, nutrition (and multi-sectoral anti-stunting policies), and secondary and vocational education. Fiscal studies have examined food subsidies, tobacco and alcohol taxation, and efficiency of state-owned enterprises. A poverty assessment has been initiated and will be completed by the end of FY19. Work on trade, employment, debt management, financial sector and capital markets, and state-owned enterprises provide a firm foundation for the next generation of structural reforms and design of budget support operations.

20. ***The projects in this pillar – public sector modernization, education, health and social assistance -- generally have had high rates of disbursement, but progress in implementation has to be reinforced so as not to lose momentum.*** Dialogue with the Bank is centered on basic project implementation: cross-ministerial coordination, severe capacity limitations in ministries and agencies, inadequacies in selecting and managing public investments, and deficiencies in procurement, including the recruitment of consultants. The tuberculosis project has the further burden of coordination with its regional country partners and an ambitious implementation timetable. Some of these factors reflect the youth of the portfolio, which has been under implementation in most cases for just three years or less.⁵

Focus Area 2: Promoting private sector job creation

21. ***Through the knowledge dialogue and the implementation of the existing portfolio, commendable progress toward supplementary indicator targets can be seen.*** Indicators on streamlining the one-stop business facilitation center and acceptance of e-payments were met. Infrastructure gap analysis was carried out to identify priority areas for the provision of bulk water supply, and the investment plan for scaling up renewable energy was completed, bringing US\$18.5 million for renewable energy development and expecting to leverage US\$71 million (including through IDA).⁶ While there is insufficient data to measure market access for farmers, the competitive grants scheme to help farmers improve their productivity has been scaled up to three additional districts toward greater impact.

22. The road rehabilitation target will not be met in the timeframe of this CPF since road rehabilitation works are planned to be done through output and performance-based road contracts (OPRC). OPRC is a new concept in Lesotho and represents a significant shift away from more traditional approaches.⁷ For this reason, it was agreed to pursue first an OPRC assessment study through the ongoing project and deferring implementation while the assessment study was done. As such, the CPF presently focuses on the delivery of the OPRC

⁵ The health sector performance enhancement project is an exception: it was slow-disbursing owing to poor financial management design, but after re-structuring in late 2017, disbursements have increased rapidly.

⁶ The renewable energy investment plan was endorsed by the Climate Investment Funds in 2017 and is being implemented by the government with the support of the AfDB and the Bank.

⁷ OPRC is a contracting modality by which a private contractor is responsible for carrying out initial rehabilitation works to bring a road network into a predetermined level of service and is responsible for maintaining such network for a number of years under a lump sum contract. This allows the road agency to focus on the key outcomes-or services levels-that it wishes to achieve on the network (rather than on the inputs) while transferring the responsibility and risks for the delivery of said outcomes to the contractor, as long as pre-defined performance indicators are met at the agreed price (lump-sum).

study, the implementation of footbridges as well as improving road safety. The footbridges are intended to provide settlement inhabitants, in particular children and women, with all-weather pedestrian connection over a river or a highland terrain to improve access to schools, health centers and local agricultural markets. Similarly, given that Lesotho has an appalling record of death and injuries on its roads, amongst the worst in Africa, road safety is a high priority in the transport sector. Feasibility studies for the hydropower component of Phase II of the highlands water project are near completion. Geotechnical investigative work, from which the financial and technical viability of the proposed conventional power supply option will be determined is in progress but will no longer be completed with Bank financing due to delays. These studies identify 218MW of large hydropower potential.

23. ***A private sector diagnostic that examined the impediments to investment and growth, focusing on manufacturing, horticulture, and the digital economy – three of the key priorities of the NSDP-II – was delivered.*** This work influenced the design of the smallholder agriculture development project phase II, the Agriculture Productivity Program for Southern Africa (APPSA) project and is helping refine activities under the private sector competitiveness project. A digital economy (DE4A) diagnostic is underway. A further knowledge output related to a trade integration strategy and advisory work on trade facilitation, particularly electronic transactions, is now being used to modernize border systems as a part of the private competitiveness project. The IFC has advisory products in helping implement the WTO trade facilitation agreement and raise *Doing Business* scores, which contribute to scaling up impact under the private competitiveness project. A climate smart agriculture profile was developed to guide policies in this area and will be followed by an investment plan. These are vital inputs into the second phase of the smallholder agriculture development project.

24. ***Pre-feasibility studies and PPP advisory work are taking place in scaling up renewable energy*** and on a set of policy, legal, implementation questions, which, if well-designed, could play a major role in energizing the private sector. These ASA activities have laid the foundations of planned projects in agriculture, off-grid renewable energy, and, in the case of the digital economy for lending during the next CPF period starting in FY21.

25. ***In lending, the transport infrastructure and connectivity project has not progressed as expected.*** Since the project became effective in December 2017, it focused on bid preparation and tendering for the footbridges. It has disbursed little and critical studies are pending. The OPRC assessment which has been underway since early in 2018 is now near completion. This study will produce bidding documents to enable a procurement process for OPRC to be launched. In the meantime, technical capacity is being built within the country to undertake OPRCs. The assessment needs to be complemented by increased capacity in the Roads Directorate which has been without a Director General, Director and lower level positions for three years, and contract management capacity needs to be embedded in government structures. The project will benefit from an increased presence of Bank staff in the field to provide close implementation support and facilitate consistency and a continued engagement. A reinvigorated effort with a strengthened Bank team is being made, with a transport specialist to be located in the Maseru Country Office. Success will be contingent also on greater government commitment as well, especially to put in place capacity to manage OPRC contracts and implementation of project activities.

F. Portfolio Performance

26. ***The portfolio consists of eight national IDA projects and two regional IDA projects*** (totaling US\$192.3 million) – all of which are effective except a newly approved regional project -- and with US\$108.4 million undisbursed, plus two recipient-executed trust fund projects for an additional US\$6.2 million. Thus, the grand total of commitments stands at US\$198.4 million.

27. ***Portfolio performance is influenced by weak performance incentives in ministries and agencies, frequent changes in leadership, and severe constraints on local funding.*** These factors hamper project leadership, execution of tasks (such as planning, adhering to timetables and procurement), and proactivity in finding solutions to emerging difficulties, leading to inadequate monitoring of performance. Capacity strengthening to reinforce the facilitating role of central government ministries such as the Ministry of Development Planning and Ministry of Finance rather than official seeing their role as blocking effective and timely project design and implementation. Finally, poor governance practices in financial management lead to unsatisfactory outcomes. Supplementing project implementation arrangements with additional staff and support to financial management reforms have mitigated the impact of these weaknesses.

28. ***The Bank has worked closely with the authorities to improve portfolio performance.*** A review of project implementation arrangements resulted in agreed actions to simplify project implementation structures. The Bank has increased the corps of sector specialists in the field office to intensify supervision and dialogue. As a result, the management of the portfolio has recorded striking improvement in the current CPF period. The disbursement ratio has risen steadily over the CPF period from 16.8 percent in FY15 to 34.2 percent in FY18. Over the same period, projects at risk have fallen from 50 percent to 22 percent, and commitments at risk from 17 percent to 8 percent. The number of problem projects has been reduced from two to one. Moreover, as a percentage of commitments made, climate change co-benefits were zero in all years up to FY18, when they rose to 55; in FY19 they are projected to increase further.

29. ***The portfolio inherited from the pre-CPF period has three well-performing projects, two of which received additional financing during the initial CPF period, and one unsatisfactory.*** The private sector competitiveness and economic diversification project (including additional financing) has led to job creation in horticulture and handicrafts and advancements on critical reforms: business licensing and registration; secured transactions; and insolvency. Under the smallholder agriculture development project, gains in productivity have advanced (including under the additional financing). The health sector performance-enhancement project has focused on quality and utilization of primary care facilities and district hospitals but has lagged severely in building up PPP management capability.

30. ***Performance of the public financial management reform project that finances an upgrade in the IFMIS is unsatisfactory.*** Business process reviews and reforms, change management, operational acceptance of the upgraded IFMIS as well as procurement have all suffered prolonged delays. Measures are being taken to bolster ownership and to train personnel and helped ensure that an upgrade of the IFMIS took place on April 1, 2019 to secure improvements in financial management in FY20. In addition, the water sector improvement

project closed. During the initial CPF period it financed the design studies for the subsequent phases of the lowlands water development program.

31. ***IFC has a strong advisory presence in the country, but no investments.*** IFC has been providing technical assistance for public-private partnerships, building capacity for PPP management in government institutions, besides being transaction advisors and improving oversight for the Queen Mamohato Memorial Hospital PPP which has significantly improved tertiary health service provision. It is supporting an international telecommunications company, Vodacom, on a digital services project which targets 685,000 registered clients. It is also working on trade facilitation and Doing Business reforms. IFC has not made any investments largely because of relatively few projects which meet IFC standards and safeguards and potential conflicts of interest inherent in a small economy. Further, given the presence of local and South African banks, which have strong liquidity, IFC's additionality is constrained. IFC will continue to look for investment opportunities based on outcomes under Focus Area 2. MIGA will continue to pursue opportunities to provide political risk insurance to private cross-border investors, supported by the active involvement of its Africa Hub.

G. Evolution of Partnerships

32. ***Internal partnerships.*** The WBG has worked in a complementary and collaborative fashion in a number of areas. The Bank and IFC jointly support contract management and fiscal sustainability on the Queen Mamohato Memorial Hospital PPP. The IFC and the Bank have collaborated in trade facilitation, Doing Business reforms, renewable energy, and encouraging FDI in horticulture. IFC is collaborating with the Bank on the DE4A assessment. These activities have leveraged IDA interventions in all these areas by introducing to the client the rich possibilities of private sector involvement and strengthening the enabling environment.

33. ***External partnerships.*** The Bank-Fund partnership continues to be strong. The most recent Article IV mission in February 2019, discussions on an IMF extended credit facility arrangement and the Bank dialogue on structural reforms are closely coordinated and aligned with the national development strategy. An agreement on the magnitude and composition of spending cuts and resolution of budget arrears in support of a Fund arrangement is still to be reached.

34. ***Lesotho benefits from a strong partnership amongst international providers of knowledge and development assistance, with coordination taking place through the Bank office in Maseru.*** Principal partners are the multilaterals: AfDB, the EU, the EIB, and the UN group. China has an active partnership, including exploring investments in solar energy, health and water supply. USAID, President's Emergency Plan for Aids Relief, the Global Fund and GAVI (the vaccine alliance) are key partners particularly in health. The US-MCC has agreed to re-enter Lesotho from 2020 with a new compact that focuses on health and governance. UK-DfID is re-establishing an office in Lesotho.

35. ***The IDA dialogue on economic reforms is partnered with IMF as well as the EU.*** Cooperation with the UN institutions has been close on improving data, disaster risk management, education, health and social protection; and the EU, IMF and AfDB on public financial management reform. AfDB is also a partner on private sector development, digital economy, energy and water. EU collaboration also extends to social protection, water (where the EU and EIB are financing water supply improvements in different lowlands zones to those

than the Bank is financing) and energy (where the EU financing focuses on legal and regulatory reforms critical to the success of the Bank's investment financing). Work on agriculture has been done jointly with FAO, which implemented contingency emergency (CERC) funds released in response to the drought in FY16 and is now collaborating on the agriculture PER to be completed in FY19, and IFAD which co-finances the smallholder agriculture development projects.

IV. EMERGING LESSONS

36. Based on the record thus far of CPF implementation as well as drawing on a longer period of portfolio implementation, the following lessons can be offered:

37. ***The strategic enlargement of the Maseru office has paid rich dividends.*** In the first half of the CPF period, the local office was greatly strengthened with the addition of seven Global Practices staff covering governance, health, social protection, agriculture, water, and environmental and social safeguards. This has led to a much more robust, near-continuous dialogue on policies and project implementation with the authorities, to a closer supervision of projects, and to stronger overall development partnerships. An enhanced field presence has also fostered a strengthened capacity within the government. The results are evident in portfolio performance and in knowledge products which benefit the lending pipeline. GPs without a presence in Maseru have continued to face challenges during project preparation (transport, energy) and implementation (transport).

38. ***Pay close attention to capacity constraints.*** The CPF experience has reaffirmed earlier insights that binding capacity constraints lie in the areas of technical analysis, in policy analysis and policy-formulation, and in building a shared understanding and coordination within the government to assist implementation of policies and programs. Capacity is particularly weak with respect to soft skills, for example in collaborating across ministries, in monitoring and evaluation and in internalizing a results focus including adherence to agreed timetables. As a result, the design of policies and projects is unduly shouldered by development partners, and implementation requires overly close supervision by partners. The key lesson is that WBG interventions should start by bolstering capacity, especially in public management skills and soft skills, as well as at the project level. It is also vital to expand the absorptive capacity of the client, especially in such new areas as reforms to regain fiscal space; digital technologies; maximizing new sources of finance; and climate-change imperatives. As capacity in skills and systems is built-up, it will become feasible to employ tools such as the PforR instrument.

39. ***A related lesson is to take explicit account of capacity constraints in designing the complexity, scale and implementation timetable of operations.*** Particularly in the areas of public financial management (especially procurement), transportation, education, social protection and health, improvements in results performance are contingent on addressing capacity needs. This is increasingly important given the move toward larger projects in the portfolio.

40. ***Pro-actively address knowledge needs.*** Substantial knowledge efforts during the initial phase of the CPF period have helped to build the basis for economic reforms and for conceptualizing the deliverables. They have also contributed to the improvement in portfolio performance by identifying points for policy adaptations and building capacity. Several pieces

of further analytical work and technical assistance are essential to the CPF agenda: a poverty assessment focusing on human capital; the role of digital economy; climate-change adaptations, especially in agriculture but also in shock-responsive social protection; and a public expenditure review in agriculture.

41. ***Adopt a holistic approach.*** WBG interventions are most enduring if based on a thorough knowledge product, well-internalized by the client, and, ideally, in the preparation of which the client has participated. The principal insights of the knowledge product should be supported through programmatic actions in the future such as the possible development policy operations or projects that are designed in a modular form for ease of implementation. Success depends on building-in technical assistance and intensive supervision. The use of disbursement-linked indicators or other forms of results-based disbursements (such as in the social assistance project) provides incentives for high quality project implementation and systemic sector reforms. A strategic reallocation of IDA resources towards development policy operations and/or a Catastrophe Deferred Drawdown operation (CAT-DDO) to support key reforms should a sound macroeconomic framework be put in place would, therefore, be justified.

V. ADJUSTMENTS TO THE COUNTRY PARTNERSHIP FRAMEWORK

A. Background

42. ***Since the CPF was approved, Lesotho has benefitted from a large unanticipated expansion of its IDA18 envelope from US\$77 million to US\$151.5 million, including the base US\$141.5 million and an additional US\$10 million for nutrition*** (to combat stunting), given Lesotho's pioneering efforts and leadership in this field. This overall allocation will be supplemented by Lesotho's share of regional resources⁸ (e.g., in fighting tuberculosis, improving agriculture research, establish a center of excellence for horticulture, and digital economy), special funds for climate-change (scaling-up renewable energy), and access to the IDA18 Scale-Up Facility (for lowlands water development). These substantial additional resources will be private sector-oriented through investments in agriculture, energy, and water, and will also bolster human capital through further investments in performance-based health systems and nutrition.

B. Adjustments in Light of Country Circumstances

43. ***The CPF with its two focus areas remains an appropriate framework for engagement with the government, but with adjustments to more fully reflect priorities of NSDP-II and the emerging development issues (section II.D).*** These adjustments are expected to lead to a greater impact on poverty and inclusion. Within the two focus areas, the strategic objectives will be deepened to achieve targeted results and supplemented by the common NSDP-II and WBG corporate priorities in human capital, digital economy (including maximizing finance for development), and climate adaptation and resilience. In particular, in human capital, the Bank will deepen its knowledge and intensify the policy dialogue on stunting and, more broadly, on poor health and education outcomes, and finance a multi-sectoral nutrition and health project. The ASA program (Annex 4) will provide the basis for the design of reforms that could be supported by a Cat DDO and/or DPOs as well as the rest of the lending program. It will add to

⁸ Prior to FY16, Lesotho had not been awarded any regional project financing.

the knowledge base on poverty, human capital, and inclusion and help address capacity gaps in key areas such as the management of PPPs.

44. *With a greatly expanded envelope, choices in lending over FY16-18 have been guided closely by the need to ensure adequacy of capacity, firm foundations in analytical and policy work, risks that can be managed and mitigated, and realistic implementation timetables.* Lending aimed at minimizing net new projects by focusing on additional financing and follow-on projects to scale up successful interventions (Table 2-Portfolio of Current Programs column). Thus, a proliferation of projects was avoided and the average size of projects increased steadily.

45. *The lending pipeline for FY19-20 further builds on existing projects and helps scale up sector wide impact with the possible introduction of the Program-for-Results (P4R) which will build on the use of Lesotho's first disbursement-linked indicators (DLI) IPF (Social Assistance Project).* The average size of projects is planned to almost triple from US\$16.5 million in FY15 to almost US\$50 million by the end of FY20. The size of the portfolio has been at a steady state of around nine projects throughout the CPF period, with each project being larger in size and impact. Two projects will close this fiscal year. The portfolio will reflect intensified synergies and integrated solutions across projects within prioritized geographical areas, which requires use of teams with diverse skills across GPs. Thus, cross-benefits in energy, water, agriculture and job-creation interventions as well as nutrition will be maximized in a particular area, utilizing insights from spatial approaches to development.

Table 2: Current Portfolio and the Indicative Lending Program for FY16-20

Focus Areas	Portfolio of Current Programs	FY19 Indicative Lending	FY20 Indicative Lending
Improving Efficiency & Effectiveness of the Public Sector	<ul style="list-style-type: none"> • Health Sector Performance Enhancement (US\$12m IDA FY13, US\$4m HRITF) closing FY19 • Education Quality for Equality (US\$25m IDA FY16, US\$2.1m GPE) • Social Assistance (US\$40m IDA FY16 and AF FY17 CRW) • <i>Regional</i> -- TB & Health Systems Support (US\$15m IDA FY16) • Public Sector Modernization (US\$10m IDA FY16) • Public Financial Management Reform Support (US\$5.5m FY14) closing FY19 • Transport Infrastructure and Connectivity (US\$18.3m IDA FY18) 		<ul style="list-style-type: none"> • Health and Nutrition Project (US\$60m IDA) (possibly P4R)
Promoting Private Sector Job Creation	<ul style="list-style-type: none"> • Second Private Sector Competitiveness and Economic Diversification (US\$26.5m IDA FY13 and AF FY17) • Smallholder Agriculture Development (US\$20m IDA FY12 & AF FY18) • <i>Regional</i> -- Agriculture Productivity Program for Southern Africa (US\$20m IDA FY19) 	<ul style="list-style-type: none"> • Smallholder Agriculture Development II (US\$50m IDA and US\$2m Japanese PHRD) • Lowlands Water (US\$78m IDA including US\$48m Scale up Facility) 	<ul style="list-style-type: none"> • Renewable Energy and Energy Access (US\$40m IDA and US\$12.9m SREP)

Notes: Program leverages Scale up Facility, Regional IDA, CRW, SREP, GPE, Japanese PHRD and Health Results Innovation Trust Fund

46. ***The lessons learned are reflected in the adjustments proposed in this PLR.*** The enhanced strength of the field office, in depth of talent and coverage, will be maintained and intensified as the transport GP completes the hiring of a transport specialist. Projects proposed are being built upon a holistic approach and programmatic approaches will be used as feasible, especially to support sector or economy-wide reforms. The knowledge agenda continues to be ambitious (Annex 4) and driven by reform needs and emerging priorities. Finally, through ASA and TA as well as the close dialogue via the Maseru office, a reinvigorated WBG approach to building client capacity is central to the strategy.

47. ***The CPF structure maintains the two original focus areas*** with changes in the strategic objectives for the extended period to reflect the changing environment:



Focus Area 1: Improving efficiency and effectiveness of the public sector

48. ***Dealing with revenue volatility in the light of fluctuating SACU earnings remains a critical priority for economic stability.*** This would require the adoption of a medium-term fiscal rule that stabilizes the absorption of revenues in the economy and ensures a viable fiscal balance. On the expenditure side, there is a need, *inter alia*, for a significant reduction in the public-sector wage bill in relation to GDP over the medium term and for raising the efficiency of public spending, especially in the social sectors, in line with recommendations of recent Public Expenditure Reviews. If the authorities demonstrate a commitment to reforms and a sound macro-economic framework, a DPO series could be triggered.⁹ Alternatively, as a second-best option, an additional financing to the Public Sector Modernization Project could be considered if performance continues to be strong and it is needed to support reforms in the absence of a DPO.

49. ***With vast deficiencies in human capital, needs for assistance in this area are enormous.*** The PLR will step up efforts to assist improvements in human capital by focusing on the most urgent needs. New investment lending will therefore focus on early childhood development and nutrition and systemic health reforms. In the next phase of support – CPF 2021 onwards -- the WBG will build on the recent analytical work in secondary education to

⁹ This may require restructuring the CPF pipeline to free the necessary resources.

scale up its efforts in this area essential to addressing not only efficiency of spending and improved education outcomes but also early marriage and child birth that contribute to lack of progress toward increasing human capital in other areas.

50. ***The knowledge products of the CPF period and those planned (Annex 4) provide the basis for deepening CPF support to preparedness for disasters.*** The second strategic objective will be deepened to: improve the risk-responsiveness and equity of the social assistance system. All new lending operations continue to include a CERC. A National Disaster Risk Finance (NDRF) strategy would identify: (i) the key priorities in financing disaster response, (ii) the key beneficiaries to receive assistance during disaster scenarios, (iii) the financing instruments and (iv) the distribution channels for disaster assistance, including national safety net programs. In line with the Bank's *Global Crisis Risk Platform*, studies will be undertaken to map multi-dimensional risks and to strengthen client knowledge of and access to crisis risk management. Given high risk, a risk-monitoring mechanism can be developed and used. In view of the emphasis on prevention, options could be explored to trigger upstream financing to stem food security, health and other risks.

51. ***A lending operation – Cat DDO – would be proposed, provided development policy financing conditions are met,*** on the basis of a matrix of actions related to hazard risk management that is expected to center on food security, health, integrated catchment management and infrastructure risks.¹⁰ A sound disaster risk management plan will be required. Under current policies, half of the proposed credit amount for a Cat DDO would be additional to the IDA envelope.

Focus Area 2: Promoting private sector job creation

52. ***In the first strategic objective, improve the business environment and diversify the economy, the emphasis will shift towards the digital economy.***¹¹ In line with NSDP-II priorities on technology and WBG corporate priorities on maximizing finance, the WBG will step-up assistance on digital technologies and e-governance, an essential pillar of competitiveness and the fight against corruption, and critical to raising both business productivity and the quality of public services. Clearly, such a development agenda will need to span two or more CPF periods; only a beginning can be made in the remaining two years of the current CPF period that focuses on diagnosis and the initial steps of delivering a digital service economy. The country has to contend with low ICT literacy and skills and the need to develop laws and regulations to facilitate electronic governance and establish a seamless, open-access cross-border fiber optic backbone managed under high governance standards. The WBG will help unlock dividends from digitalization whilst mitigating risks, through advisory work on digital platforms, identity and literacy and legal and regulatory adaptations. It will review the adequacy of the telecom infrastructure. IFC will explore opportunities to develop or improve the quality of digital infrastructure through PPPs and promote digital technology in financial services. MIGA, working with the World Bank and IFC, will explore opportunities to de-risk foreign investment through its political risk insurance covers to support Maximizing Finance for Development (MFD) initiatives.

¹⁰ Since both DPOs and CATs belong to the family of budget-support operations, it is proposed that a flexible approach be taken with DPOs being extended in some years and a CAT DDO in others.

¹¹ The powerful effects of a digital economy on governance, public service quality and responsiveness were discussed in earlier sections of this PLR.

53. There is a large development agenda in financial and capital markets, particularly the need to *strengthen banking supervision¹², deepen financial inclusion, develop microlending through financial and other institutions*, including savings and loan institutions, promote consumer financial protection and develop the insurance industry. The WBG will be selective in its interventions given the presence of other donors. IFC will explore support for mobile money operators that are important for financial inclusion and e-payment.

54. *The second strategic objective will reflect the salience of climate-change and will be deepened to: build climate resilience and adaptation; and improve agricultural productivity; the earlier objective was limited to small-holder agriculture.* The WBG will assist the authorities with the National Climate Change Policy in partnerships with other IFIs and bilateral donors, utilizing instruments to incentivize the private sector (Box 2). Advisory work will focus on developing priorities in climate change policy and to operationalizing the strategy with costing and sources of assistance. This work will rely on the climate smart agriculture policy framework just completed and the investment plan under development, which develops proposals for increasing resilience in agriculture and safeguarding livelihoods in the face of climate change. It will also support water resource management to bolster resilience, relying on a master irrigation plan just developed. The institutional and policy changes necessary to develop an effective irrigation system and the infrastructure required will be supported through the second phase of the smallholder agriculture development project which will replace the smallholder agriculture development project which is closing.

Box 2: Maximizing Finance for Development

The World Bank, IFC, and MIGA will continue efforts to crowd-in additional private sector financing applying MFD principles through the Cascade approach. In three important sectors supporting the strategy of private sector-led growth, the role of private investments can be greatly enhanced under the MFD/Cascade framework.

Agriculture. Private investments in high-potential horticulture will be unlocked with greater certainty in government policies, improved trade facilitation, and the possible use of risk mitigation instruments (including guarantees). The WBG support for horticulture over a decade through pilot projects is attempting to attract agribusiness private investment. This effort will be scaled up using the de-risking tools of MFD/Cascade.

Digital technology. The critical task is to complete the legal and regulatory environment and use targeted public investment to leverage private financing for infrastructure and private operation of digital services. The WBG will address public policy gaps, increase digital literacy, and aid public investments in infrastructure, in the long-term purchase of internet and datacenter services from private providers, and in connectivity and e-government applications throughout government.

Energy. In renewables, the government could assist the private sector to build new hydropower capacity, capacity in renewables generation (micro-hydro, solar, wind) and support efficiency improvements. There is scope to replace power imports, save costs by reducing diesel generation, and improve energy access (off-grid generation through solar PV & batteries). The WBG will support reforms in energy sector governance and regulation policies, legal framework, planning, and safeguards to support private investment. It will provide investment funding and possibly partial risk guarantees. The IFC could use its energy advisory services to foster private sector projects, strengthen the PPP framework, identify IPPs for possible PPPs and provide transaction advice.

55. The strategic objective in the original CPF relating to increasing transport connectivity to facilitate private sector growth will be eliminated. The public interest objectives of improved road safety and greater use of footbridges has been subsumed under the revised Focal Area 1. The public interest objectives of improved road safety and greater use of footbridges has been subsumed under the revised Focal Area 1.

¹² The IMF is providing support in this area.

56. Support to the Lesotho Highlands Water Project is no longer envisioned during the CPF period. The strategic objective related to water has been revised to eliminate water export opportunities.

VI. RISKS TO THE CPF PROGRAM

57. *The risk evaluation has not changed materially since the CPF was prepared.* The overall assessment is one of substantial risks (Table 3).

Table 3: Systematic Operations Risk-Rating

RISK CATEGORIES	RATING
Political and Governance	Substantial
Macroeconomic	High
Sector strategies and policies	Moderate
Technical design of program	Moderate
Institutional capacity for implementation and sustainability	High
Fiduciary	Substantial
Environmental and Social	Substantial
Stakeholders	Moderate
Overall	Substantial

58. *The mitigation of risks will be assisted if political and governmental stability holds, and the four-party coalition coheres to support economic reforms.* Three sets of high or substantial risks – macroeconomic and capacity-related as well as fiduciary – are being addressed through policy dialogue and capacity building. Should the authorities embark upon fundamental macroeconomic and fiscal reforms with firm commitment, ideally with the support of the IMF, and deepen their engagement with PFM and public expenditure reforms, the basis would be created for a DPO series, which would increase efforts to mitigate risks.

Annex 1: PLR Results Matrix

Strategic Focus Area I: Improving Efficiency and Effectiveness of the Public Sector		
Justification: Support Lesotho in its transition to a new growth model by assisting the Government to reduce the size of the public sector, promote better institutions and improve service delivery. This focus area will address the key constraints to a well performing public sector—that is, making the state more efficient and effective.		
Strategic Objective 1. Improve public sector and fiscal management		
Intervention logic: Improving public sector and fiscal management is essential for building capability to reduce macro vulnerabilities and crises that have a significant negative impact on the poor. Government spends about 30 percent of GDP in three social sectors—education, health and social protection— with deteriorating outcomes. Key structural challenges include reducing government expenditures by reducing ghost workers in the civil service and non-eligible recipients of the Old Age Pension, improving public investment decision making and improving public financial management and procurement. Further, several years following the reforms to improve road sector management, the road institutions continue to experience institutional capacity constraints. Moreover, road safety management capacity is weak in Lesotho, and the road safety reform has not been concluded.		
CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p>Indicator 1: Capital budget is fully derived from public investment plan that prioritizes capital investments in alignment with National Strategic Development Plan II priorities and macro fiscal framework Baseline (2015): No public investment plan Target (2020): 100%</p> <p>Indicator 2: Irregular HR and payroll records corrected/removed Baseline (2015): 0% Target (2020): 90%</p> <p>Indicator 3: Non-eligible beneficiaries eliminated from the OAP roster Baseline (2015): 0 Target (2020): 90%</p> <p>Indicator 4: Enhanced delivery of Motor Vehicle services to Citizens Baseline (2015): No</p>	<p>Progress Indicator 1: NSDP public investment plan completed Baseline (2015): No Target (2019): Yes</p> <p>Progress Indicator 2: Biometric census of all government employees completed Baseline (2015): No Target (2019): Yes</p> <p>Progress Indicator 3: Percentage of OAP beneficiaries with a yearly proof of life verification. Baseline (2015): 0 Target (2019): 65%</p> <p>Indicator 4: Establishment of National Road Safety Council Baseline (2015): No Target (2018): Yes</p>	<p>ASAs:</p> <ul style="list-style-type: none"> - Health PER, FY17 - Public Expenditure Review (PER), Improving Expenditure Efficiency for Inclusive Growth, FY19 - Education PER, FY19 - Agriculture PER, FY19 - State Owned Enterprises, A Country Policy Note, FY17 - Medium Term Debt Management Strategy, FY18 - DEMPA, FY19 - RAMP TA, FY16-21 - FIRST TA on Strengthening Insurance and Pension Regulation and Supervision (US\$0.37 million; FY16-18) - Tobacco and Alcohol Taxation TA, FY17 – 18 - International Tax Capacity Building Program, FY19-21 - Continuous Survey Methodology TA FY17 – 18 - Poverty Assessment, FY20 - Technical Assistance to the National Identification Department and Civil Registry Department, FY19 - Digital Economy Diagnostic and Implementation Plan, FY20 <p>Lending:</p> <ul style="list-style-type: none"> - Public Sector Modernization IPF (Ongoing, US\$10 million; FY16)

<p>Target (2020): Yes, as evidenced by reduction in processing time using the Lesotho Integrated Transport Information System of: driver licenses, vehicle registration certificates, and issuance of roadworthiness inspection certifications as well as operationalization of Road Accident Data Management System.</p>		<ul style="list-style-type: none"> - Social Assistance IPF (Ongoing; US\$40 million; FY16, includes US\$20 million AF FY17) - PFM Reform IPF (Ongoing; US\$5.5 million; FY14) - Transport Infrastructure and Connectivity (Ongoing; US\$18.3m; FY18) <p>Partners: AfDB, EU, IMF, UNICEF</p>
<p>Strategic Objective 2. Improve the risk-responsiveness and equity of the social assistance system</p>		
<p>Intervention logic: There is limited effectiveness of social assistance programs to reach the poorest, despite very high spending by international standards (5.7 percent of GDP). Likewise, Lesotho is known to be prone to shocks and natural disasters. Ensuring the effectiveness of existing social assistance programs in reaching the poorest would require the improvement of targeting tools of which the National Information System for Social Assistance (NISSA) is currently the most important. The NISSA is expanding but would need to cover all community councils in the country, in order to be used as the main targeting tool (i) across all existing social assistance programs, and (ii) in the case of a shock or an emergency to reach the poorest and most vulnerable households.</p>		
<p>CPF Objective Indicators</p>	<p>Supplementary Progress Indicators</p>	<p>WBG Program</p>
<p>Indicator 5: Increased percentage of households receiving the expanded Child Grant Program that are in the poorest forty percent of the population Baseline (2015): 65% Target (2020): 75%</p> <p>Indicator 6: Increased percentage of vulnerable households reached through the existing social protection system if there is a shock or natural disaster Baseline (2015): 0% Target (2020) 80%</p>	<p>Progress Indicator 5: Increased percentage of community councils in the country covered by NISSA-CBT registry Baseline (2015): 0 Target (2019): 100%</p> <p>Progress Indicator 6: Enrollment in the Child Grant Program Baseline (2015): 24,500 households Target (2019): 42,000 households</p> <p>Progress Indicator 7: Number of active mobile money accounts per 1000 adult Baseline (2015): 150 Target (2019): 325</p>	<p>ASAs:</p> <ul style="list-style-type: none"> - Rapid Social Response Trust Fund (Ongoing; US\$250,000) - Forever Young? Southern Africa: preparing social sectors for a changing population (FY16) - FIRST TA on Financial Inclusion (Ongoing; US\$1.49 million) <p>Lending:</p> <ul style="list-style-type: none"> - Social Assistance IPF (New; US\$40 million; FY16, includes US\$20 million AF FY17) <p>Partners: EU, FAO, UNICEF, WFP, UNDP, UNICEF</p>

Strategic Objective 3. Improve basic education outcomes		
<p>Intervention logic: Despite reduced repetition rates and high rates of transition in between cycles, Lesotho has low levels of student retention within cycle, with 62 percent retention at the primary level and 70 percent at the junior secondary level. Among other constraints, the lack of all-weather pedestrian connection over rivers in rural areas has contributed to reduced education outcomes.</p>		
CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p>Indicator 7: Reduction in dropout rate (Grade 1–Grade 6) in targeted primary schools* Baseline (2015): 18% Target (2020): 14.5%</p> <p>Indicator 8: Reduction in dropout rate (Grade 8–Grade 9) in targeted* junior secondary schools Baseline (2015): 20% Target (2020): 17%</p> <p>*Targeted primary schools are the 300 lowest performing schools plus 32 other primary schools targeted by the basic education project. They are located mostly in mountainous poor rural areas. Performance criteria includes student flow, examination success rate, resources per student, and poverty level. *Targeted junior secondary schools are 71 junior secondary schools in the same catchment areas as the targeted primary schools.</p>	<p>Progress Indicator 8: Increased number of targeted schools that disburse against approved SIPs Baseline (2015): 0 Target (2018): 332 (100%)</p> <p>Progress Indicator 9: Reduction in pedestrian travel time to basic education services during rainy season in project areas Baseline (2015): 0% Target (2019): 50%</p>	<p>ASA:</p> <ul style="list-style-type: none"> – Job Readiness of Secondary School Graduates FY17 – Education PER, FY19 – Disability Trust Fund, (Ongoing US\$250,000) – ECCD Assessment, FY20 <p>Lending:</p> <ul style="list-style-type: none"> – Education Quality for Equality IPF (Ongoing; US\$25 million; FY16) – Global Partnership for Education (Ongoing, US\$2 million; FY17) – Transport Infrastructure and Connectivity (Ongoing, US\$18.3m; FY18) <p>Partners: AfDB, China, Japan, UNESCO, UNICEF, US Peace Corps, USAID.</p>
Strategic Objective 4: Improve health outcomes		
<p>Intervention logic: Despite government efforts, during the past decade Lesotho has only moderately improved health outcomes at a pace slower than its neighboring countries. This is due to system-wide problems in the health sector, such as low utilization of health facilities, poor quality of services, and drug non-availability. These results reflect poor human resource management practices, poor procurement and FM practices, lack of reliable information for decision making and low patients’ awareness, contract management issues plague the QMMH hospital and health network PPP, and its integration with the rest of the health system has proved challenging. Maternal and infant mortality in Lesotho is still among the highest in Sub-Saharan Africa, and the HIV/AIDS prevalence and TB incidence are the highest in the world.</p>		
CPF Objective Indicators	Supplementary Progress Indicators	WBG Program

<p>Indicator 9: Average Health Facility Quality of Care Score at targeted primary care facilities* Baseline: 60.2 for six districts that introduced the performance based approach between 2014 and 2017 Baseline: 62 for four districts that introduced the performance based approach in 2018 Target (2021): 75 for all ten districts</p> <p>*Targeted primary care facilities are those in all 10 districts.</p> <p>Indicator 10: Improved QMMH contract management Baseline (2015): QMMH contract disputes go unresolved Target (2020): Contract disputes resolved in accordance with mechanisms and timelines established in the QMMH PPP contract</p> <p>Indicator 11: Nationwide TB treatment success rate for new and relapse TB cases Baseline (2015): 71% Target (2020): 80%</p>	<p>Progress Indicator 10: Number of targeted primary health facilities with PBF contract Baseline (2015): 35 Target (2018): 170 (this is 100% of primary health facilities in all 10 districts)</p> <p>Progress Indicator 11: Develop health care referral guidelines Baseline (2015): no referral system Target (2019): referral guidelines are developed and adopted</p> <p>Progress Indicator 13: PPP contract management unit established and fully functional Baseline (2015): no PPP Unit or contract management unit Target (2019): Clinical and Legal consultants on board in MOH Contract Management Office and MOF PPP Unit</p> <p>Progress Indicator 14: Number of new/relapse TB cases notified Baseline (2015): 7,650 Target (2019): 7,150</p>	<p>ASA:</p> <ul style="list-style-type: none"> - Health PER, FY17 - Tobacco and Alcohol Taxation TA; FY17-18 - Queen Mamohato Memorial Hospital (QMMH) PPP Contract Management TA (IFC) - Integrated Health Care Delivery, FY18–19, US\$451,000 Japanese Policy and Human Resource Development Trust Fund - PPIAF – PPP Diagnostic and Unit Development (including support by IFC Advisory) <p><i>Lending:</i></p> <ul style="list-style-type: none"> - Health Sector Performance Enhancement IPF (Ongoing; IDA US\$12 million; Health Results Innovation Trust Fund US\$4 million) - Regional Southern Africa Tuberculosis and Health Systems Support IPF (Ongoing; US\$15 million; FY16) - Health and Nutrition Project (New; US\$60 million; FY20) <p>Partners: CDC, China, Clinton Health Access Initiative, Global Fund, Japan, Partners in Health, PEPFAR, UNAIDS, USAID, WHO, GAVI</p>
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Focus Area II: Promoting Private Sector Jobs Creation

With a high unemployment rate of 28 percent, a low employment-to-working-age population ratio, and a high proportion of employment outside of the country, Lesotho development and growth are locked in a poverty trap. To break out, the country will need to focus on a pro-poor and broad-based employment, which is feasible only by building a dynamic, competitive private sector and resilient middle class. Achieving this will require a sustained effort to build an export-led economic model driven by the growth of private sector.

Strategic Objective 5: Improve the Business Environment and Diversify the Economy

Intervention logic: With such a small domestic market, Lesotho needs competitive, export-oriented firms capable of generating significant employment. This requires a stronger business environment, more efficient customs procedures, expanded range of and access to financial services, investment promotion in new sectors, more backward linkages to the local economy, and targeted support to new growth sectors identified in the NSDP (such as agriculture), with high potentials for domestic and international private sector investment, firm growth, and job creation.

CPF Objective Indicators	Progress Indicators	WBG Program
<p>Indicator 12: Number of areas with investment climate reform progress during the CPF period Baseline (2015): 0 Target (2020): 4 (Reforms expected, for example, in reducing the time it takes to register a business, dealing with construction permits, improving access to finance, and resolving insolvency)</p> <p>Indicator 13: Number of areas under horticulture crops (hectares) with Bank support Baseline (2015): 43 hectares Target (2020): 212 hectares</p>	<p>Progress Indicator 15: Enhance the technology platforms at the One Stop Business Facilitation Center Baseline (2015): Business registration done online at the One-Stop Business Facilitation Center Target (2018): e-payments accepted at the One-Stop Business Facilitation Center for business registration and licensing services</p>	<p>ASAs:</p> <ul style="list-style-type: none"> - FIRST TA on Financial Inclusion (Ongoing; US\$1.49 million) - IFC Investment Climate Advisory Services Program, (Ongoing) FY18 - Unlocking the Potential of Lesotho’s Private Sector: A Focus on Apparel, Horticulture and ICT, FY19 - Horticulture Commercialization, FY19 - PPP Readiness Diagnostic and Unit Development (including support from PPIAF and IFC Advisory) - Digital Economy Diagnostic and Implementation Plan, FY20 <p>Lending:</p> <ul style="list-style-type: none"> - Private Sector Competitiveness and Economic Diversification IPF Phase II (Ongoing; US\$26.5 million, including US\$13.4 million AF FY17) - Smallholder Agriculture Development IPF (Ongoing; US\$20 million, including US\$10 million AF FY18) - Regional Agriculture Productivity Program for Southern Africa IPF (Ongoing; US\$ 20 million, FY19) - Smallholder Agriculture Development Project II (New FY20; US\$52 million including US\$2 million from a Japanese Policy and Human Resource Development Grant) <p>Partners: AfDB, EU, USAID</p>

Strategic Objective 6: Build climate resilience and improve agricultural productivity

Intervention logic: The development of a competitive private sector and broad-based employment incomes will have to come in large part from the rural areas, where three quarters of Lesotho population and most of the poor reside. With the decline of mining jobs and remittances, the WBG interventions will support Lesotho to generate self-employment by raising the productivity and returns of smallholders and MSMEs. This will spur additional demand for non-farm employment opportunities. Commercially viable smallholder agriculture is essential to increase the share of market output and to establish incentives for adopting technologies and production methods that improve yields and mitigate risks. Increased water supply in rural areas will be essential for improved irrigation. Climate change and extremes need to be mitigated.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p>Indicator 14: Change in yields of the major crops in targeted districts (percentage)* Baseline (2015): 0 Target (2020): 12%</p> <p>*Targeted districts are: Berea, Butha-Buthe, Leribe, Mafeteng, Maseru, Mohale's Hoek and Quthing. Major crops are: cereals, maize, sorghum, potato, tomato, cabbage, pumpkin, spinach and carrot.</p> <p>Indicator 15: Land area with climate-smart agriculture and sustainable landscape management practices (hectares) Baseline (2015): 175 Target (2020): 1,800</p>	<p>Progress Indicator 16: Number of farmers receiving competitive grants Baseline (2015): 4,800 Target (2019): 7,570</p> <p>Progress Indicator 17: Number of farmers adopting improved/climate-smart agricultural technologies with Bank support Baseline (2015): 234 Target (2019): 3,000</p>	<p>ASA:</p> <ul style="list-style-type: none"> - Water Security and Climate Change Assessment (FY16) - Early Warning System TA, FY16 - 17 - FIRST TA on Financial Inclusion (Ongoing; US\$1.49 million) - Climate Smart Agriculture Profile, FY18 - Climate Smart Agriculture Investment Plan, FY19 - Agriculture PER, FY19 <p>Lending:</p> <ul style="list-style-type: none"> - Smallholder Agriculture Development IPF (Ongoing; US\$20 million, including US\$10 million AF FY18) - Regional Agriculture Productivity Program for Southern Africa IPF (Ongoing; US\$ 20 million, FY19) - Smallholder Agriculture Project II (New FY19; US\$52 million, including US\$2 million from a Japanese Policy and Human Resource Development Grant) <p>Partners: FAO, IFAD, WFP, Japan</p>

Strategic Objective 7. Increase water and renewable energy supply for industrial and agriculture opportunities

Intervention Logic: Water contributes substantial, sustainable revenues to Lesotho's GDP and is its key strategic renewable resource with direct links to the Bank's twin goals. The water sector is central to Lesotho's long-term growth and poverty reduction serving as an intermediate input for improving human development outcomes and private sector development by supplying water in the lowlands for domestic needs and manufacturing, mining and agriculture. Bank funds are expected to leverage significant financing from other partners, and access roads to major dam sites improve the road infrastructure. The most promising renewable energy sources are water and solar, which are essential to develop to mitigate against climate change.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p>Indicator 16: Bulk water supply works underway or completed in priority water demand zones (ie with significant industrial water demand) Baseline (2015): 0 Target (2020): 2 designated water demand zones (Maputsoe and Leribe) with bulk water supply works underway or completed</p> <p>Indicator 17: Number of privately financed industrial/agriculture projects to be supplied by electricity infrastructure through Bank support Baseline (2015): 0 Target (2020): 10</p>	<p>Progress Indicator 18: Infrastructure Gap Analysis identifies priority areas for provision of bulk supply to meet water demand especially in areas of high industrial, commercial and/or agricultural use and potential Baseline (2015): 0 Target (2018): 9 designated water demand zones</p> <p>Progress Indicator 19: SREP Investment Plan completed Baseline (2015): Not completed Target (2018): Completed</p>	<p>ASA:</p> <ul style="list-style-type: none"> - Scaling-up Renewable Energy TA (Ongoing; US\$3.9 million) - Water Security and Climate Change Assessment, FY16 - Scaling up Renewable Energy TA (Closed; US\$0.39 million) <p><i>Lending:</i></p> <ul style="list-style-type: none"> - Water Sector Improvement IPF - Phase II (Closed; US\$53.4 million) - Lowlands Water Development IPF (New; US\$78 million) - Renewable Energy and Energy Access Project IPF (New FY20; US\$52.9 million, including US\$12.9 million from SREP) <p>Partners: Abu Dhabi Fund, AfDB, BADEA, China, EU, EIB, Kuwait Fund, OFID, China, USAID</p>

Strategic Objective 2. Improve the risk-responsiveness and equity of the social assistance system (Changed from Improve equity of the social assistance system)		
CPF Objective Indicators	Revised Indicators	Rationale for Change
<p>Indicator 4: Increased percentage of households receiving the expanded Child Grant Program that are in the poorest forty percent of the population Baseline (2015): 65% Target (2020): 75%</p>	<p>New Indicator: Increased percentage of vulnerable households reached through the existing social protection system if there is a shock or natural disaster Baseline (2015): 0% Target (2020): 80%</p>	<p>The Government has undertaken to expand the National Information System for Social Assistance (NISSA) to all 64 Community Councils by April 2019. This includes the update of the data of 36 Community Councils that were collected in 2012. This will increase the accuracy of the targeting of CGP recipients which is based on the NISSA data.</p> <p>This proposed new indicator will measure improved risk-responsiveness of the social assistance system. Bank support was scaled up in this area following the 2015/16 El Nino induced drought through the Additional Financing of the Social Assistance Project and the Social Rapid Response Trust Fund.</p>
Strategic Objective 3. Improve basic education outcomes		
CPF Objective Indicators	Revised Indicators	Rationale for Change
<p>Indicator 5: Reduction in dropout rate (Grade 1–Grade 6) in targeted primary schools* Baseline (2015): 18% Target (2020): 15%</p> <p>Indicator 6: Reduction in dropout rate (Grade 8–Grade 9) in targeted* junior secondary schools Baseline (2015): 21% Target (2020): 18%</p> <p>*Targeted primary schools are the 300 lowest performing schools. They are located mostly in mountainous poor rural areas. Performance criteria includes student flow, examination success rate, resources per student, and poverty level.</p>	<p>* Targeted primary schools extended to 332 schools based on the same criteria. In addition, targeted junior secondary schools are those in the same catchment areas as the primary schools that are targeted.</p>	<p>Increased number of targeted schools to include those targeted by a GPE grant executed by the Bank.</p>

Strategic Objective 4: Improve health outcomes		
CPF Objective Indicators	Revised Indicators	Rationale for Change
<p>Indicator 7: Average Health Facility Quality of Care Score at targeted primary care facilities*</p> <p>Baseline (2015): 43.8 Target (2020): 60</p> <p>*Targeted primary care facilities are those in the following 6 districts: Leribe, Mafeteng, Mohale's Hoek, Mokhotlong, Quithing, and Thaba Tseka.</p> <p>Indicator 8: Improved QMMH contract management Baseline (2015): QMMH contract disputes go unresolved Target (2020): Contract disputes resolved in accordance with mechanisms and timelines established in the QMMH PPP contract</p> <p>Indicator 9: Nationwide TB treatment success rate for new and relapse TB cases Baseline (2015): 71% Target (2020): 80%</p>	<p>Target revised upward to 75. Baseline revised to 60.2 for the initial six districts (2014-2017) and 62 for the four districts that introduced the performance-based finance (PBF) approach later (2018).</p> <p>*Targeted primary care facilities extended to all 10 districts.</p>	<p>The current average quality score for all 10 districts is 72.4. The 43.8 baseline score applied to 6 primary care facilities that introduced the PBF approach in 2015. The initial 6 districts (enrolled between 2014 and 2017) had a baseline average quality of care score of 60.2, while the baseline score for the four districts that enrolled in July 2018 is 62. The proposed target of 75 would require the initial 6 districts to maintain their score and the recently enrolled districts to improve to their level.</p> <p>Slower than expected establishment of the PPP unit in the Ministry of Finance and contract management unit in the Ministry of Health mean that contract disputes continue to go unresolved. With one additional year and continued support, the original target is expected to be met one year later.</p> <p>Lesotho achieved a 77% TB treatment success rate by December 2018, and with continued Bank support is likely to achieve the 80% treatment success rate target by 2020.</p>

Focus Area II: Promoting Private Sector Jobs Creation

Strategic Objective 5: Improve the Business Environment and Diversify the Economy

CPF Objective Indicators	Revised Indicators	Rationale for Change
<p>Indicator 10: Number of areas with investment climate reform progress during the CPF period Baseline (2015): 0 Target (2020): 4 (Reforms expected, for example, in reducing the time it takes to register a business, dealing with construction permits, improving access to finance, and resolving insolvency)</p> <p>Indicator 11: Increase in domestic enterprises registered and operational in non-textile sectors Baseline (2015): 17,330 Target (2020): 18,240</p>	<p>Revised Indicator: Number of areas under horticulture crops (hectares) with Bank support Baseline (2015): 43 hectares Target (2021): 212 hectares</p>	<p>Lesotho has made progress on two reforms, credit reporting and construction permits, and Bank support continues in these areas to deepen the reform. Legislation has been submitted to Parliament on business registration and licensing, movable collateral and insolvency after extended delays. Given delays one additional year is needed to achieve the original objective.</p> <p>Change made to recognize support under the CPF to economic diversification is concentrated on promoting horticulture as a future engine of growth rather than the registration and operation of businesses in general.</p>

Strategic Objective 6: Build Climate Resilience and Improve Agriculture Productivity (Changed from Improve smallholder and MSME agricultural productivity)		
CPF Objective Indicators	Revised Indicators	Rationale for Change
<p>Indicator 12: Household commercialization level in targeted agricultural areas*</p> <p>Baseline (2015): 64%</p> <p>Target (2020): 70%</p> <p>*Targeted districts are: Berea, Butha-Buthe, Leribe and Mafeteng.</p>	<p>Revised Indicator: Change in yields of the major crops in targeted project districts (percentage)*</p> <p>Baseline (2015): 0</p> <p>Target (2020): 12%</p> <p>*Target districts extended to 3 additional districts: Maseru, Mhales Hoek and Quithing. Major crops are: cereals, maize, sorghum, potato, tomato, cabbage, pumpkin, spinach and carrot.</p> <p>New Indicator: Land area with climate-smart agriculture and sustainable landscape management practices (hectares)</p> <p>Baseline (2015): 175</p> <p>Target (2020): 1,800</p>	<p>The revised indicator on yields of major crops is more relevant to measure agriculture productivity. Measuring marketing surplus does not reflect an actual increase in crop productivity.</p> <p>New indicator added to measure new strategic objective of building climate resilience. Climate-smart agriculture is an integrated approach to managing landscapes—cropland, livestock, forests and fisheries--that address the interlinked challenges of food security and climate change. Sustainable landscape management practices refer to a combination of at least two technologies and approaches to increase land quality and restore degraded lands for example, agronomic, vegetative, structural, and management measures that, applied as a combination, increase the connectivity between protected areas, forest land, rangeland, and agriculture land.</p>

Strategic Objective 7: Increase transport connectivity to facilitate private sector growth (Deleted)		
CPF Objective Indicators	Revised Indicators	Rationale for Change
<p>Indicator 13: Number of local agricultural markets and tourist sites with improved transport connectivity Baseline (2015): 0 Target (2020): 5</p> <p>Indicator 14: Number of construction and road maintenance jobs created during CPF period Baseline (2015): 0 Target (2020): 1,000</p>	Both indicators deleted.	<p>Given delays in completing the planned OPRC assessment, road rehabilitation is no longer envisioned during the CPF period. The objectives of support in transport have shifted to focus on expected outcomes related to road safety and the construction of footbridges.</p> <p>Since road rehabilitation using OPRC is no longer within the scope of the CPF, Strategic Objective 7 has been deleted.</p> <p>Outcomes of Bank support to the transport sector linked with road safety have been merged into Strategic Objective 1 under Strategic Focus Area 1 as they contribute to public sector management.</p> <p>The impact of support to footbridges is captured under Strategic Objective 3 (Focus Area 2) as they contribute primarily to education outcomes.</p>
Strategic Objective 8. Increase water and renewable energy supply for industrial and agriculture opportunities (Changed from Increase water and renewable energy supply for industrial, agriculture and export opportunities)		
CPF Objective Indicators	Revised Indicators	Rationale for Change
<p>Indicator 15: Bulk water supply works underway or completed in priority water demand zones (ie with significant industrial, commercial and/or agriculture water demand) Baseline (2015): 0 Target (2020): 3 designated water demand zones</p> <p>Indicator 16: New viable renewable energy generation projects identified Baseline (2015): 0 Target (2020): 30 MW</p>	<p>Revised Indicator: Bulk water supply works underway or completed in priority water demand zones (i.e. with significant industrial water demand) Baseline (2015): 0 Target (2020): 2 designated water demand zones with bulk water supply works underway or completed</p> <p>Revised Indicator: Number of privately financed industrial/agriculture projects to be supplied by electricity infrastructure through Bank support Baseline (2015): 0 Target (2020): 10</p>	<p>Extension is in line with CPF extension, and the focus of the lowlands water project to focus on 2 designated water zones (Zone 2--Maputsoe and Zone 3--Leribe) with 2 others (Mafeteng and Mohale's Hoek financed by the EU and EIB). Water will supply the Maputsoe Industrial Park and surrounding households and will not be available for agriculture use. The indicator has been revised accordingly.</p> <p>The target was met in December 2017 when the SREP Investment Plan was completed. It identifies 32.7 MW of off-grid renewable potential.</p>

<p>Indicator 17: Feasibility study for hydropower component of Phase II of the highlands water project (includes feasibility of export opportunities) Baseline (2015): not completed Target (2018): completed</p>	<p>Original Indicator 17: Deleted</p>	<p>Support to Lesotho Highlands Water Project not envisioned during the CPF period. The feasibility study is near complete; geotechnical technical investigative work is outstanding. It will no longer be completed with Bank financing due to delays. This study identifies 218MW of large hydropower potential. Strategic Objective 8 has been revised to eliminate water export opportunities as an objective.</p>
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Annex 3: Matrix Summarizing Progress towards CPF Objectives

Indicator	Unit of Measurement	Baseline Value, 2015	Target Value, 2018	Status (as of end-2018)
Strategic Focus Area I: Improving Efficiency and Effectiveness of the Public Sector				
Strategic Objective 1. Improve public sector and fiscal management				
Progress Indicator 1: NSDP public investment plan completed	Yes/No	No	Yes	Almost Achieved/Minor delay The NSDP public investment plan is expected to be completed by end April 2019.
Progress Indicator 2: Biometric census of all government employees completed	Yes/No	No	Yes	Almost Achieved/Minor delay Enumeration of civil servants is complete. Consultations on key findings and the final report highlighting payroll irregularities is expected by end April 2019.
Progress Indicator 3: Percentage of Old Age Pension (OAP) beneficiaries with a yearly proof of life verification.	Percentage	0	75	Not Achieved. No OAP pensioners have a yearly proof of life verification. The government began a pilot proof-of-life and National ID roll out in 2018. The pilot is expected to be completed in April 2019 and the lessons applied to a nationwide roll out. By the end of 2019, the percentage of OAP beneficiaries with yearly proof of life verification is expected to be 65 percent.
Strategic Objective 2. Improve equity of the social assistance system				
Progress Indicator 4: Percentage of community councils in the country covered by NISSA-CBT registry	Percentage	0	50	Achieved. 91 percent coverage in December 2018 (58 out of 64 community councils). The target is being revised to reflect government plans to reach full coverage of all 64 community councils by end April 2019.
Progress Indicator 5: Enrollment in the Child Grant Program	Number of households	24,500	38,000	Achieved. 38,000 households enrolled as of November 2018. The target is being revised to reflect the expectation that at least 42,000 households will be enrolled in the Child Grant Program by 2019 across the ten districts.

Indicator	Unit of Measurement	Baseline Value, 2015	Target Value, 2018	Status (as of end-2018)
Progress Indicator 6: Percentage of adults with a mobile money account	Percent of total adults	50	54	Achieved. 79 percent as of end September 2018. It is proposed to replace the indicator with “number of active mobile money accounts per 1000 adult.” The revised indicator provides information on both access and usage of accounts in line with the objective of Bank support in this area. Also, data on the revised indicator is collected and reported annually by IMF Financial Access Survey and Central Bank of Lesotho whereas the original indicator is only measured periodically.
Strategic Objective 3. Improve basic education outcomes				
Progress Indicator 7: Increased number of targeted schools with approved School Improvement Plans	Number	Zero	100	Achieved. All 332 targeted schools completed school improvement plans by December 2018. However, the SIP grant is delayed as only 37 schools have received 50% of the grant in their special accounts by December 2018. None of the schools has spent the grant yet. The government reports improved governance at school level since the preparation of SIPs. Schools are reporting lower rates of teacher and student absenteeism, increased community and parents’ engagement in school life, and increased protection of the physical environment in schools. This indicator is being revised to measure disbursement against the SIPs.

Strategic Objective 4: Improve health outcomes				
Progress Indicator 8: Number of targeted primary health facilities with Performance Based Financing contract	Number	35	97	Achieved. The project started implementation in 2014 with only 6 primary care facilities contracted with PBF in Quthing district. In 2015, the number of facilities contracted increased to 34 with 28 additional ones from Leribe District. The PBF approach was then expanded to four additional districts covering 100 facilities enrolled since July 2017. Since July 2018, the PBF approach was scaled-up to cover all 10 districts. 171 facilities are currently under contract
Progress Indicator 9: Develop health care referral system	Yes/No	No system exists	System is adopted and in place in all tertiary, secondary and primary facilities	Not Achieved. Development and Implementation of referral guidelines has been delayed. Referral guidelines are expected to be developed by 2019.
Progress Indicator 10: PPP contract management unit established and fully functional	Yes/No	No unit exists	Unit at Ministry of Finance staffed and fully operational, including Standard Operating Procedures	Not Achieved. PPP Unit at Ministry of Finance was not staffed due to challenges in attracting qualified applicants from the local and regional markets. One position was filled in 2018, another is due to be filled by April 2019. The Unit is expected to be staffed and fully operational in 2019. Standard Operating Procedures have been designed.
Progress Indicator 11: Proportion of health facilities with TB smear microscopy	Percentage	17	20	Not Achieved. The proportion has fallen to 10 percent. Previously, the government was focusing on improving microscopy coverage in all district hospitals. However, gene expert technology is more accurate and faster at diagnosing TB cases, and the government has shifted its focus to improving gene expert coverage. Therefore this indicator is being dropped, and replaced with one to reflect these improvements in TB diagnostic technology.
Focus Area II: Promoting Private Sector Jobs Creation				
Strategic Objective 5: Improve the Business Environment and Diversify the Economy				
Progress Indicator 12: Enhance the technology platforms at the One Stop Business Facilitation Center: e-payments accepted for business registration and licensing services	Yes/No	No	Yes	Achieved.

Strategic Objective 6: Improve smallholder and MSME agricultural productivity				
Progress Indicator 13: Targeted beneficiaries recording better access to markets	Percent of total beneficiaries	23	50	No Data/New Indicator. Data for this original indicator is not available. However, this indicator has been replaced by the number of farmers receiving competitive grants, which is expected to lead to increased agriculture productivity. The 2015 baseline is 4,800 farmers, and the 2019 end target is 7,570. As of December 2018, 6,270 farmers had received competitive grants.
Strategic Objective 7: Increase transport connectivity to facilitate private sector growth				
Progress Indicator 14: Kilometers of roads under rehabilitation and/or maintenance	Kilometers	0	200	Not Achieved. The planned OPRC assessment study has not yet been completed. Given the delays and financing for road rehabilitation has been dropped from the CPF program and may be considered once the OPRC assessment is done, government capacity bolstered and an approach to MFD/Cascade explored. New progress indicators are being introduced in focal area 1 related to road safety and footbridge construction.
Strategic Objective 8. Increase water and renewable energy supply for industrial, agriculture and export opportunities				
Progress Indicator 15: Infrastructure Gap Analysis identifies priority areas for provision of bulk supply to meet water demand especially in areas of high industrial, commercial and/or agricultural use and potential	Number	0	4 designated water zones	Achieved. This gap analysis was completed for all 9 zones that are part of the Lesotho Lowlands Water Development Program Phase II.
Progress Indicator 16: Scaling up Renewable Energy Investment Plan completed Baseline (2015): Not completed Target (2017): Completed	Text	Not completed	Completed	Achieved. The SREP Investment Plan was completed in December 2018. It brings US\$18.5 million for renewable energy development to Lesotho aiming to leverage US\$71 million (including IDA).

Annex 4: ASA Activities over the CPF Period

Activities completed over FY16-18

Improving Efficiency and Effectiveness of the Public Sector

Reports:

- Health Public Expenditure Review
- Job Readiness of Secondary School Graduates
- Forever Young? Southern Africa: getting social sectors ready for a changing population
- State-owned Enterprises: A Country Policy Note
- Medium-term Debt Management Strategy

Technical Assistance:

- Continuous Multipurpose Household Survey
- Youth Unemployment Diagnostic
- Vocational Education
- Tobacco and Alcohol Taxation
- Money Laundering

Promoting Private Sector Job Creation

Reports:

- Water Security and Climate Change Assessment
- LHWP Royalties Model Modernization
- WEAP Manual
- Climate Smart Agriculture Policy Framework
- A Snapshot of Early Mobile Money Service Uptake in Lesotho

Technical Assistance:

- Early Warning System
- FIRST--Technical Assistance on Strengthening Insurance and Pension Regulation and Supervision
- Developing a Trade Integration Strategy
- Scaling Up Renewable Energy Investment Plan

Activities proposed for FY19-20

Improving Efficiency and Effectiveness of the Public Sector

Reports:

- Public Expenditure Review: Improving Expenditure Efficiency for Inclusive Development and Growth (FY19)
- Education Public Expenditure Review (FY19)
- Agriculture Public Expenditure Review (FY19)
- DEMPA (FY19)
- Poverty Assessment (FY19)
- PPP Readiness Diagnostic and Prefeasibility Study (FY20)
- Adolescent Girls Health (FY20)
- Social Protection System Performance (FY20)

Technical Assistance

- Regional High-level Forum on Early Childhood Nutrition in Southern Africa (FY19)

- Combatting Early Childhood Nutrition Roadmap (FY19)
- National Identification and Civil Registry Department (FY19)
- Integrated Health Care Delivery (FY19-20)
- RAMP (FY19-20)
- International Tax Capacity Building Program (FY19-20)
- Disaster Risk Management Assistance (FY19-20)
- Rapid Social Response (FY19)
- IFC Advisory Services: PPP Unit Development and PPP Agreement (FY19-20)
- Disability
- ECCD Study

Promoting Private Sector Job Creation

Reports:

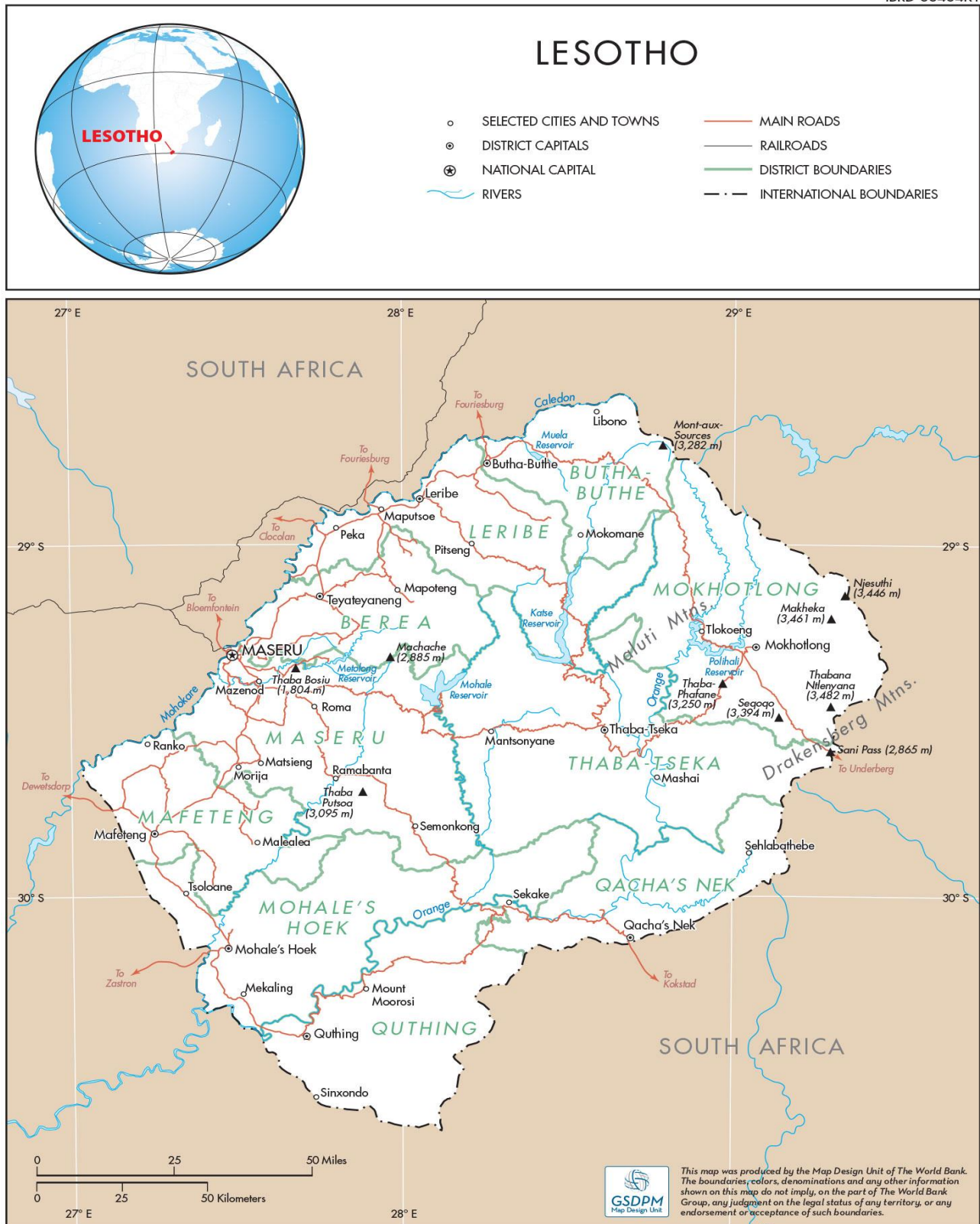
- Unlocking the Potential of Lesotho’s Private Sector, A Focus on Apparel, Horticulture and ICT (FY19)
- Climate Smart Agriculture Investment Plan (FY19)
- Horticulture Commercialization (FY19)
- Digital Economy (DE4A) Diagnostic and Implementation Plan (FY20)

Technical Assistance

- FIRST--Technical Assistance on Financial Inclusion (FY19-20)
- IFC Advisory Services: Doing Business (FY19-20)
- IFC Advisory Services: Trade Integration (FY19-20)
- Integrated Catchment Management (FY20)

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