The World Bank is an international financial institution owned by the people of more than 180 countries whose views and interests are represented by their governments. The Bank is the world's largest source of development assistance, providing nearly $30 billion in loans annually. The mission of the World Bank is to fight poverty, and to help people help themselves by:

- Investing in people, particularly through basic health and education;
- Strengthening the ability of the governments to deliver quality services, efficiently and transparently;
- Promoting reforms to create a stable macroeconomic environment, conducive to investment and long-term planning; and
- Focusing on social development, inclusion, governance, and institution-building as key elements of poverty reduction;
- Protecting the environment; and
- Supporting and encouraging private business development.

The Bank is also helping countries to strengthen and sustain the fundamental conditions they need to attract and retain private investment. With Bank support — both lending and advice — governments are reforming their overall economies and strengthening banking systems. They are investing in human resources, infrastructure, and environmental protection which enhances the attractiveness and productivity of private investment.

The Bank also taps into its vast worldwide networks to bring global knowledge and experience to local ideas and innovations. Through this involvement, member countries also contribute and share their development experience and knowledge.
Lesotho's Membership in the World Bank

Lesotho joined the World Bank and the International Development Association (IDA) in 1968. It joined the International Finance Corporation (IFC) in 1972 and was a founding member of the Multilateral Investment Guarantee Agency (MIGA) in 1988.

To date the World Bank has assisted Lesotho with 29 projects in agriculture, infrastructure, health, population, education, roads, water, and land management & conservation. Cumulative IDA commitments to Lesotho are US$297 million for 27 credits, and cumulative International Bank for Reconstruction and Development (IBRD) commitments are US$155 million for two loans. IFC has committed US$0.45 million to two enterprises in Lesotho.

In addition, the Bank has provided economic and sector analysis in various areas, such as agriculture, education, sanitation, poverty, public expenditure, and finance.
What does the World Bank Do in Lesotho?

Poverty is Lesotho’s major development problem. Although GDP grew rapidly (6.9% per annum during 1990-97), nearly half of Lesotho’s population is still poor. Rural areas where about 82 percent of Basotho households live, are the poorest. This is aggravated by an unemployment rate of around 35% and, in recent years, the steady return of Basotho mineworkers from South Africa.

Areas of World Bank Support to Lesotho

Supporting poverty reduction through a Community Development Project to support reforms of LHRF This is complemented by (i) rural development components of the LHWP Phase 1B; and (ii) efforts to maximize income generating opportunities for the rural poor through the Agriculture Policy and Capacity Building Project.

Investing in human resource development through follow-up Adaptable Program Loans (APLs) in the Education and Health Sectors. Education Sector Development Project II approved in April 1999 continues to provide support to primary education. It will also provide support for the development of guidelines for non-formal education and a strategy review on vocational education to further efforts to increase focus on training and technical education. The World Bank, through the World Bank Institute (WBI), is also exploring further development of teacher education programs. A Health Sector Project is currently being prepared as an APL which will help define the long-term strategy and institutional issues in the sector. The World Bank is also working with the government on preparing a Public Sector Improvement Project to address capacity weaknesses in government institutions.

Promoting a comprehensive approach to the natural environment. UNDP is currently taking the lead in this area by providing support for the implementation of the Government’s national environmental action plan. The World Bank’s support in this sector focuses around three activities: first, a proposed Maluti/Drakensberg Trans-border project (supported by GEF and implemented jointly with South Africa) for promoting biodiversity conservation; second, a proposed Water Supply Project which will support improvement in water quality and availability, as well as sanitation; and third, the Agricultural Policy and Capacity Building Project which addresses the issues of range management and land reform.

Assisting Lesotho to improve the enabling policy environment through the Poverty Reduction Strategy Paper (PSRP) and selected Economic and Sector Work (ESW). The World Bank provides policy advice to support the Government’s reform program through the ongoing Privatization and Private Sector Development Project.
Lesotho’s Government is committed to **reducing poverty** based on sound economic management and the establishment of an enabling policy environment which encourages productive employment opportunities. The Government recognizes that any strategy to reduce poverty must promote a more productive use of labor, the country’s (and especially the poor’s) most abundant resource.

The World Bank is committed to assisting Lesotho to meet its development objectives. Its assistance is focused on supporting Government’s efforts to:

- **reduce poverty** by investing in human resource development, improving health service delivery, providing technical assistance for the reform of the Lesotho Highlands Revenue Fund (LHRF), and promoting a comprehensive approach to the natural environment.

- **improve Lesotho’s external competitiveness** by assisting in improving the enabling environment for private sector development, including initiating efforts to reduce transactions costs, enhance financial sector activities, and expand exports.
The World Bank Group consists of five institutions:

The International Bank for Reconstruction & Development (IBRD), founded in 1944, is the main lending arm of the World Bank. It provides a range of loan products to middle-income countries and creditworthy poorer countries at near-market interest rates to support development across a wide number of sectors. The IBRD borrows the money it lends on world financial markets. IBRD lends about US$17 billion annually. Lesotho is eligible to borrow from IBRD.

International Development Association (IDA) is the World Bank Group's concessional lending window. It provides long-term loans at zero interest to the poorest of the developing countries (those with per capita incomes less than US$925). The overarching goals of IDA lending are to assist countries in reducing poverty and achieving sustainable, broad-based economic growth. IDA is funded with contributions from the Bank's wealthier member countries—including some developing countries—for most of its financial resources. Lesotho is eligible to borrow from IDA.

International Finance Corporation (IFC), the World Bank's private sector arm, promotes growth in the developing world by financing private sector investments and providing technical assistance and advice to governments and businesses. In partnership with private investors, IFC provides both loan and equity finance for business ventures in developing countries. The IFC's African Development Facility (APDF) provides advisory support to small entrepreneurs.

Multilateral Investment Guarantee Agency (MIGA) was established in 1988. It helps encourage foreign investment in developing countries by providing guarantees to foreign investors against loss caused by non-commercial risks. MIGA also provides technical assistance to help countries disseminate information on investment opportunities.

International Centre for Settlement of Investment Disputes (ICSID), provides facilities for the settlement — by conciliation or arbitration — of investment disputes between foreign investors and their host countries.
IFC’s Strategy

IFC, through FIAS, contributed to the design of the IDA-supported Industry and Agro-industrial Development Project, and the Privatization and Private Sector Development Project, especially in regard to investment incentives and reform measures. IFC has no operation in Lesotho at this time. IFC is, however, exploring complementing IDA operations in selected sectors where activities may emerge in the near future (for instance, financial sector reform, privatization, and small and medium enterprise development.

Business Opportunities in World Bank Funded Projects

Every year the roughly US$25 billion of World Bank lending commitments from IBRD and IDA generate upwards of US$50 billion a year in total project investments worldwide. These projects include agriculture, energy, environment, transportation, mining, telecommunications, water supply and sanitation, urban development, vocational training and education, health services, population planning and private sector development.

Each project can involve many separate contracts and business opportunities for suppliers, contractors, and consultants worldwide. Some 40,000 contracts are awarded each year to private firms. Contracts range in size from several hundred million dollars (for major infrastructure or industrial plants) to a few thousand dollars (for supplies of small quantities of goods and services). Contracts are awarded through competitive procedures detailed in the Bank's procurement guidelines.

Lesotho companies can benefit from the business generated by the Bank Group’s lending. During the 1998 fiscal year, a total of US$11.2 million of business was awarded to Lesotho firms, while in the 1997 fiscal year a total of US$4.7 million was awarded.

The best way to find out about upcoming business opportunities is to subscribe to Development Business, a United Nations publication that monitors projects in the pipeline of the World Bank and publicizes opportunities to bid as they arise. Each month Development Business publishes the World Bank’s Monthly Operational Summary (MOS), which is a summary of projects under consideration for financing by the World Bank as well as a description of recently approved Bank projects. It also includes a list of the categories of goods and services to be procured. Lesotho firms can subscribe to Development Business through the International Subscription Services office in South Africa, Tel: (011) 880 1448, Fax: (011) 646 6565 or on-line at www.devbusiness.com.
MIGA's Strategy

Lesotho is a member of MIGA. The Agency has issued one guarantee for a project in the non-financial services sector in Lesotho. Lesotho is an active beneficiary of technical assistance services provided by MIGA's Investment Marketing Services department since 1993. A number of entities in Lesotho are also active users of MIGA's Internet-based marketplace, IPAnet.

Working in Partnership

Development is a long and complex process. In its contributions to this process, the World Bank seeks to work closely with other development partners — in government, in the broader community (non-governmental organizations and other community-based groups), in the private sector, and in the international community.
Recognizing the importance of participation, the World Bank is increasingly promoting participatory approaches in lending operations and in research and analytical work. The World Bank values the local knowledge and expertise of groups at all levels who are seeking to promote development and encourages their participation in projects and activities.

In this spirit, the World Bank has moved beyond simply financing projects to addressing broader issues such as human and social development, governance, and institutions. The need for an integrating framework has become apparent. The Comprehensive Development Framework (CDF) is one mechanism by which to coordinate development efforts and assistance. The approach calls for a development plan owned by the country itself, focused on a long-term vision of the results to be achieved, and supported by strong partnerships among governments, donors, civil society, the private sector and other development actors. It seeks a better balance in policymaking by highlighting the interdependence of all elements of development — social, structural, human, governance, environmental, economic, and financial.

During the period of apartheid, extensive external support was provided in an effort to reduce Lesotho’s high dependence on South Africa. However, South Africa’s entry into the world community has resulted in the reduction of aid flows to Lesotho. The key partners are now World Bank, the International Monetary Fund (IMF) and other United Nation agencies (especially the UNDP, WFP), the European Union (EU), Ireland Aid, and the United Kingdom Department for International Development (DFID).
The UNDP is responsible for donor coordination in Lesotho and organizes the country's periodic Round Table Conferences. The theme of the last Round Table Conference was "Poverty Reduction Within the Context of Good Governance".

South Africa provides support to Lesotho through the Common Monetary Area (CMA) and South Africa Customs Union (SACU).

The Bank actively seeks to work with other partners. For example, the Bank has worked closely with the USAID, DFID and African Development Bank on education reform; with Ireland and DFID in supporting management reform in health; and has taken the leadership in the agricultural sector program to bring together the EU and other key donors. The Bank and the IMF have worked together in supporting macroeconomic reforms, and recently on preparing the Poverty Reduction Strategy Paper (PRSP).

World Bank Lending at a Glance

Governments propose projects to the Bank for financing.

The Bank, by drawing on information from its worldwide experience, works with Governments to refine the proposals.

The Bank lends money to governments to help finance the projects.

Governments implement the projects with support from local Institutions and non-governmental organizations.

By providing technical assistance and monitoring the projects, the Bank helps with project implementation and helps governments meet their development objectives.

Sharing Information

As a knowledge institution, the World Bank is committed to sharing information and experience with clients, partners and the general public. The World Bank's policy is to be open about its activities and to welcome and seek opportunities to explain its work to the widest possible audience.

In 1993, the Bank did a major review of its disclosure policy to increase future information available to the public. Under the revised policy, the range of documents released has been expanded significantly, and public access to those documents has been made easier. All publicly available documents can be accessed through the Bank's web site at www.worldbank.org.
The World Bank Offices in Southern Africa

The World Bank is changing the way it does business in order to fight poverty more effectively. Many responsibilities have been decentralized to Country Offices to enable the Bank to be quicker, more relevant and more flexible in response to clients.

The World Bank has maintained a small liaison office at the UNDP office building in Maseru, Lesotho since 1998. In addition, the World Bank Country Office located in Pretoria, South Africa is charged with regional responsibilities for the Southern African countries of Botswana, Lesotho, Namibia, South Africa and Swaziland, as well for the Southern Africa Regional Activities.

The staff in the Pretoria office work closely with the staff based in Washington and elsewhere to deliver services as outlined in the country assistance strategy. In addition, as the representatives of the World Bank, the Pretoria office:

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- Develops strong ties with clients and other stakeholders;
- Helps develop capacity;
- Conducts public relation activities to stimulate discussion and broaden understanding of development issues;
- Facilitates coordination among parties involved in development; and
- Assists visiting missions and facilitates workshops and seminars held in the Southern Africa region.

**Economic and Sector Work**

The World Bank's policy dialogue and economic and sector work, in collaboration with the International Monetary Fund and other donors, have helped the Government maintain prudent management of the macroeconomy. The following is a selected list of economic and sector work:

**Reforming the Health Sector:** Brochure prepared by the Ministry of Health and Social Welfare with inputs from the World Bank. Aims to provide a basis for understanding the priorities selected for health sector reform and the strategies provided to address these priority areas.

**Financial Sector Reform:** Review investigates constraints facing the financial sector, outlines options opened to financial authorities and provides a framework for developing a strategy for reform. Targets broad macroeconomic issues of financial intimidation.

**Pathways Out of Poverty / Poverty Assessment:** Report on the poverty situation in Lesotho. Product of a collaboration between the Government of Lesotho, the Lesotho Council of NGOs and the World Bank with assistance from the EU and USAID.

**Strategic Economic Options Report:** World Bank provided technical assistance to the Government Task force working on this issue. Various donor agencies, the Lesotho Council of NGOs, the National University of Lesotho and staff of relevant line ministries were asked to review drafts of the sectoral papers that informed the SEOR.
World Bank HIV/AIDS Strategy in Africa

The HIV/AIDS epidemic has spread with ferocious speed. Nearly 34 million people in the world are currently living with HIV/AIDS, one-third of whom are young people between the ages of 10 and 24. AIDS is now the leading cause of death in Sub-Saharan Africa. By any measure, and at all levels, its impact in Africa is simply staggering.

The recently published Intensifying Action Against HIV/AIDS in Africa: Responding to a Development Crisis strategic plan introduces the Bank's new response to the epidemic in partnership with African governments and UNAIDS. The new strategy, officially launched in Lusaka, Zambia at ICASA 1999, stands on four pillars:

- **Advocacy** to position HIV/AIDS as a central development issue and to increase/sustain an intensified response;

- **Increased resources and technical support** for African partners to mainstream HIV/AIDS in all sectors;

- **Prevention efforts** targeted to both general and specific audiences, and activities to enhance HIV/AIDS treatment and care;

- **Expanded knowledge base** to help countries design and manage prevention, care, and treatment programs based on epidemic trends, impact projections, and identified best practices.

To stimulate and support implementation of the Intensifying Action Against HIV/AIDS in Africa strategy, the Bank has established a multisectoral AIDS
Campaign Team for Africa (ACTafrica), which is based in the Office of the Regional Vice Presidents. The high-level placement of ACTafrica underscores the Bank's commitment to HIV/AIDS prevention and care.

The following is a list of ongoing World Bank HIV/AIDS related activities in Lesotho:

- Supporting the Government and Health Leadership;
- Multi-country study on the economic impact of HIV/AIDS;
- Study of the impact of AIDS on Lesotho migrant laborers;
- Funding of AIDS awareness publications and advertisements; and
- Incorporating HIV/AIDS components in World Bank projects.
Lesotho’s Highlands Water Project

The Lesotho Highlands Water Project (LHWP), construction of which began in 1992, is the most ambitious multi-purpose project presently under implementation in Lesotho. By exporting a portion of the water from the Senqu/Orange river system through a series of dams and tunnels to Gauteng, the water-short region of South Africa, Lesotho can effectively utilize one of its most abundant resources to support its economic development goals.

The Lesotho Highlands Water Project capitalizes on Lesotho’s comparative advantage and is a major contributor to its high growth rate. Revenues from the sale of water support the Social Fund that is at the center of the Government’s poverty reduction strategy. The project includes a comprehensive environmental action
plan that has been carefully reviewed and enjoys widespread support from local communities and NGOs as well as the independent Environmental and Social Expert Panel.

At the same time, LHWP forms an integral part of South Africa's innovative water management strategy, providing water to the industrial heartland of Gauteng. The project is an example of mutually beneficial regional cooperation which is particularly important in the water sector in this arid region. It is also an example of a new role for the Bank in large infrastructure projects, where our technical advice on social and economic issues is more important than our relatively small share in project financing (less than 5 percent of financing for Phase 1A).

South Africa will pay an average of about US$40 million per annum in royalties to Lesotho for the water it receives from LHWP. Between 1990 and 2044 these royalties are expected to account for 20 percent of Lesotho's export revenues, 10 percent of public revenues and about 4 percent per annum of GDP. In addition to royalties, Lesotho benefits from associated taxes and customs revenues of about US$200 million from project related activities, as well as from roads, clinics, telecommunications facilities and about 35-40,000 annual job equivalents.

Phase 1A, which is now complete, cost roughly US$2.5 billion, 85% of which was for the transfer of 18m/sec of water to Gauteng, and 15% was for the installation of 72 MW of hydropower capacity. The dam was impounded in October 1995. Water started to flow to South Africa in January 1998. Electricity generation began in late 1998.

Phase 1B, which is now underway, is estimated to cost US$1.5 billion and will result in transferring another 12m3/sec of water to Gauteng. The World Bank is providing an IBRD loan of US$45 million to Lesotho with a direct South Africa guarantee for Phase 1B.

The Bank’s support is geared towards playing the following roles:
- providing comfort to other lenders through our appraisal and supervision process;
- playing a facilitation role between South Africa and Lesotho;
- ensuring that the Bank’s environmental and social policies are adhered to; and
- helping Lesotho maximize the benefits of project.
List of Past and Ongoing World Bank Projects in Lesotho

Closed Projects:

*Project Name — Amount (Date of Approval)*

- Roads — US$ 4.95 million (1966)
- Thaba Bosiu Rural development — US$ 5.6 million (1973)
- Education I — US$ 4.0 million (1974)
- DFC I — US$ 2.5 million (1977)
- Education II — US$ 7.5 million (1977)
- Rural Development II — US$ 6.0 million; 0.08 million cancelled (1978)
- Roads III — US$ 9.0 million; 2.4 million cancelled (1979)
- Rural Water Supply — US$ 6.0 million; 0.95 million cancelled (1979)
- DFC II — US$ 4.0 million; 0.54 cancelled (1980)
- Urban I — US$ 6.0 million; 0.51 cancelled (1980)
- Third Education Project — US$ 10.0 million; 0.3 cancelled (1981)
- Fourth Highway Project — US$ 15.2 million; 0.15 cancelled (1984)
- Fourth Education Project — US$ 10.0 million (1985)
- Health and Population Project — US$ 3.5 million; 0.53 million cancelled (1985)
- Land Management & Conservation Project — US$ 16.0 million;
  11.8 million cancelled (1988)
- Industrial and Agro-industries Project — US$ 21.0 million (1990)
- Lesotho Highland Water Project Phase 1A — US$ 110.0 million (1991)
- Education Sector Development Project — US$ 25.2 million (1992)

Ongoing Projects

*Project Name* | *Approval Date* | *US$M*
--- | --- | ---
Privatization and Private Sector Development | 05/17/95 | 11.00
Road Rehabilitation and Maintenance | 05/09/96 | 40.00
Lesotho Highlands Water Project 1B | 06/04/98 | 45.00
Agriculture Policy and Capacity Building | 06/25/98 | 6.80
Second Education Sector Development | 04/15/99 | 21.00
Community Development Support Project (LIL) | 12/20/99 | 4.67
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