

LESOTHO COUNTRY PARTNERSHIP FRAMEWORK FY22-26



WORLD BANK GROUP

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Outline

1. Country Partnership Framework (CPF) FY2022-26 Foundations

- Country Priorities
- Systematic Country Diagnostic (SCD) Update Findings
- Completion and Learning Review (CLR) and Lessons Learned

2. Overview of World Bank Group (WBG) Lesotho CPF FY2022-26

- Structure
- What will we do differently
- Current IDA Portfolio

How does the WBG engage in a country?

The WBG's approach to country engagement includes four distinct steps

Systemic Country Diagnostic

The SCD is a diagnostic by the WBG in consultation with national authorities, the private sector, and other stakeholders, as appropriate to develop CPF objectives together.



Country Partnership Framework

The CPF is the central tool for the WBG and the country for guiding the WBG's country programs and gauging their effectiveness. It builds on the country's development program and articulates a results-based engagement.



Performance & Learning Review

Every 2 years during the implementation of a CPF, or at midterm, a Performance and Learning Review (PLR) is prepared to summarize progress in implementing the CPF program.



Completion & Learning Review

At the end of every CPF period a CLR assesses the CPF program performance using the results framework set out in the most recent PLR.



Country Partnership Framework – Foundations

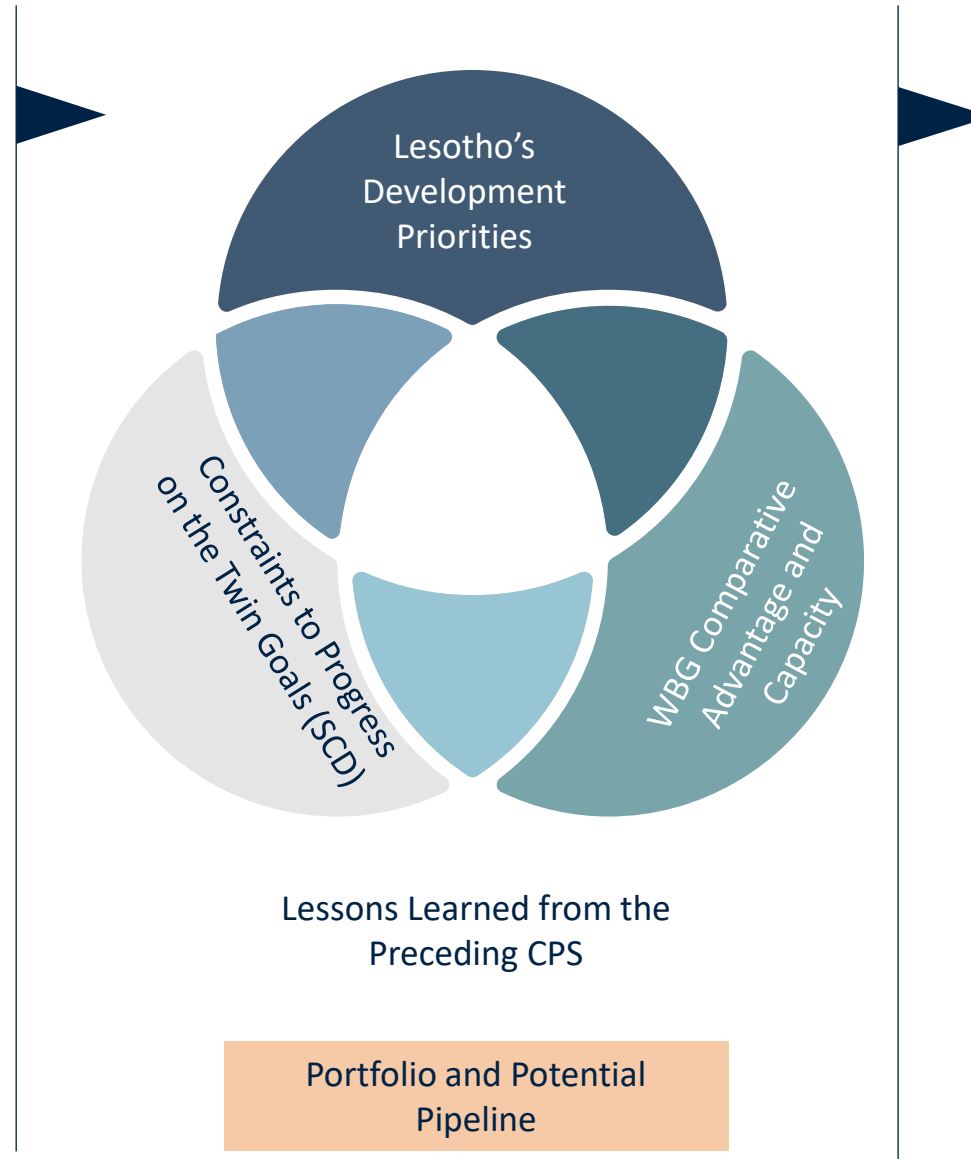
The CPF is founded on:

1. Three key elements:

- Government's development priorities (e.g. **NSDP2**)
- Assessment of key development challenges and opportunities to progress towards twin goals (**SCD**)
- Self-assessment of the WBG's comparative advantage

2. Lessons learned. what has and has not worked well in the WBG's experience over the past five years (**CLR**).

3. Existing portfolio and new demands to deliver results during the CPF period.



CPF

- Previous CPF FY2016-20
- **This CPF covers FY2022-26**

Government Program and Medium-Term Strategy

Government has recently conducted the 2021 Mid-Term Review (MTR) of the NSDP II 2018/19-22/23

MTR: NSDP II with specific focus on 'job creation and inclusive growth' remains relevant, but it is too ambitious, with too many interventions, and is not in line with the limited resources (financial and non-financial). COVID-19 has created additional pressure.

2018 NSDP II

Objective

- Transform Lesotho from a consumer-based economy to a private sector and export-driven economy and pursuing people-centered development.

Key Priority Areas (KPA)

- **KPA I.** Enhancing Inclusive and Sustainable Economic Growth and Private Sector Job Creation
- **KPA II.** Strengthening Human Capital
- **KPA III.** Building Enabling Infrastructure
- **KPA IV.** Strengthening National Governance and Accountability Systems
- **Cross-Cutting Topics.** Environment and Climate Change, Youth and Gender

Adjusted Priorities

- **KPI I. Inclusive, sustainable growth, private sector job creation**, especially in agriculture, manufacturing, mining and tourism.
- **KPA IV.** Strengthening **National Governance and Accountability Systems**
- **KPA II and III.** Strengthening **Human Capital Building & Enabling Infrastructure** with **activities prioritized** to contribute to the objectives in NSDP II

Implementation

- Integration of NSDP II into Medium-Term Fiscal Framework
- Monitoring and Evaluation and Policy Coordination
- Private Sector Engagement
- Financing Strategy

The SCD Update (1/2)

- **Development outcomes have not changed substantially since 2015:**
 - Most binding constraints identified in the first SCD remain valid but there has been **slow progress** in addressing them.
- **The weak development performance reflects gaps in implementation.** In most cases, the laws, policies and institutions that are meant to support the efficient and effective delivery of development outcomes exist. They are often not well implemented, or distorted:
 - **In bridging implementation gaps, Lesotho has an opportunity to build new momentum on progress made in the recent past** related to digitalization of government systems and strengthening inter-Ministerial and interagency coordination.
 - **Improving public spending outcomes** in service delivery, strengthened public investment management and rebalancing public investments to increase complementarity with private sector development.

Focus areas for addressing development issues

- **Rebalancing Growth:** Shifting to private investment and exports for job creation
- **Strengthening human capital** and improving service delivery especially in rural areas and lagging regions
- **Strengthening climate risk management and resilience**

The SCD Update (2/2)

Lesotho has the realizable potential of eliminating extreme poverty and boosting shared prosperity within a generation:

- South Africa provides Lesotho with **access to markets and advanced infrastructure** that create links with the rest of the world.
- Lesotho has **access to international markets** — including favorable trade preferences through the SACU, SADC, the Continental Free Trade Area, and the African Growth and Opportunity Act (AGOA) — which, if leveraged, could support export-led growth.
- The country has **abundant water resources** which, if better managed, could ensure reliability and quality of water supply services, and support economic growth and livelihoods.
- **Demographic trends are favorable**, with an increase in life expectancy and in the supply of working age people.
- The country enjoys significant financial and technical **support from the development partner community**.

Completion and Learning Review (CLR) - FY2016-20

Achievements and Shortcomings

CPF Outcome	Achievements
Focus Area I. Improving Efficiency and Effectiveness of the Public Sector	
Objective 1. Improve public sector and fiscal management	<ul style="list-style-type: none"> Public Sector Investment Plan completed for deriving the capital budget; Strong expenditure management improvements (e.g., civil servant payrolls and beneficiary corrections in OAP).
Objective 2. Improve the risk-responsiveness and equity of the social assistance system	<ul style="list-style-type: none"> The social assistance system (institutional framework, coverage, selection criteria and targeting) has significantly improved, thereby contributing to reducing inequality.. Large increase in the number of active mobile money accounts setting a solid foundation for shifting the payment system from cash to mobile payment.
Objective 3. Improve basic education outcomes	<ul style="list-style-type: none"> Dropout rate of primary education improved slightly but was marginally worse for junior secondary education.
Objective 4. Improve health outcomes	<ul style="list-style-type: none"> Moderate improvement in health outcomes, lagging its neighbors Lesotho reacted fast and well on a COVID-19 preparedness & response plan Little progress in contractual disputes around the QMMH.
Focus Area II. Promoting Private Sector Jobs Creation	
Objective 5. Improve the Business Environment and Diversify the Economy	<ul style="list-style-type: none"> Major improvements in the business environment - both regulatory reforms and the use of digital technology. The area under horticulture crops increased by five times in five years.
Objective 6. Build climate resilience and improve agricultural productivity	<ul style="list-style-type: none"> Lesotho's agriculture sector improved diversification, increased commercialization and mainstreamed climate resilience, despite adverse impact of the 2015/16 and 2019/20 droughts. Productivity of tomatoes and cabbages increased by 21.3 percent between 2017 and 2020; The number of beneficiaries who have adopted improved production technologies / farming practices in targeted areas increased from 234 in 2011 to 3,271 in 2020
Objective 7. Increase water and renewable energy supply for industrial and agriculture opportunities	<ul style="list-style-type: none"> The water and energy projects had late starts, but the water sector has already made substantial progress especially on the Metolong Dam and Water Supply Program.

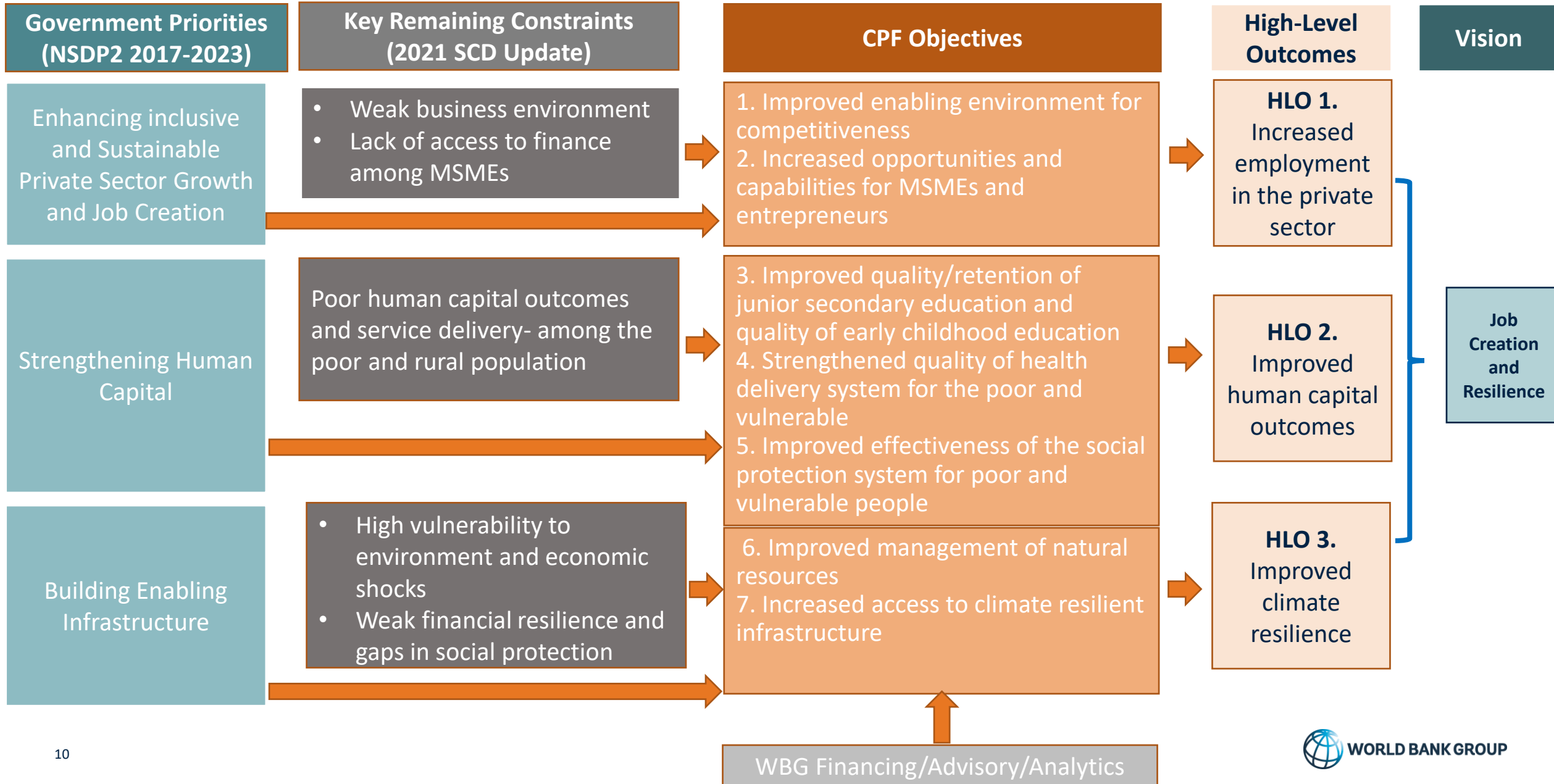
CLR for CPF FY2016-20

Lessons Learned

1. Maintain the contents of the CPF focus areas
2. Strengthen partnerships with government and other stakeholders for stronger program ownership, accountability.
3. Strengthen systematic and proactive portfolio management by adopting proven practices for targeting both project preparation and implementation issues.
4. Test results-based financing for enhanced focus on development results and outcomes.
5. Strengthen the new CPF Program Results Framework particularly related to realism of timeframes, result measurement, reporting, and evaluation for better program monitoring and engagement.
6. Build into the program mechanisms and flexibility for responding swiftly to unexpected adverse events.
7. Apply systematically a governance filter to better understand the local context and feasibility of programs.

3. Overview of WBG – Lesotho CPF FY2022-26

Results Chain Overview



Overview of WBG – Lesotho CPF FY2022-26

Vision: To support Lesotho in building a sustainable and resilient economy in a post-COVID environment by promoting a private sector driven, export-oriented economy for job creation supported by an enabling, efficient and effective public sector

High-Level Outcomes	HLO 1. Increased employment in the private sector	HLO 2. Improved human capital outcomes	HLO 3. Improved climate resilience
CPF Objectives	<ol style="list-style-type: none">1. Improved enabling environment for competitiveness2. Increased opportunities and capabilities for MSMEs and entrepreneurs	<ol style="list-style-type: none">3. Improved quality/retention of junior secondary education and quality of early childhood education4. Strengthened quality of health delivery system for the poor and vulnerable5. Improved effectiveness of the social protection system for poor and vulnerable people	<ol style="list-style-type: none">6. Improved management of natural resources7. Increased access to climate resilient infrastructure
Foundational Issues	<ul style="list-style-type: none">• Governance and Government Capacity• Macroeconomic and Fiscal Sustainability		
Approaches	<ul style="list-style-type: none">• Gender, digitalization and spatially-differentiated approach (lagging region approach)		

What will we do differently in the next CPF?

Focus more on project implementation for impact through:

- applying lagging region approach with greater civic engagement.
- applying a political economy lens through a governance facility for project preparation and implementation.
- ensuring digital transformation across all HLOs.
- having an explicit focus on gender supported by the gender facility.
- stronger and integrated disaster risk / resilience approach.
- In addition, ongoing initiatives such as strengthening capacity and systems will continue.

Leverage success from the previous CPF implementation including:

- digital transformation (e.g., national ID).
- Prime minister's delivery unit to accelerate private sector development.
- results-based financing (e.g., Social Assistance Project (IPF) using disbursement-linked indicators).

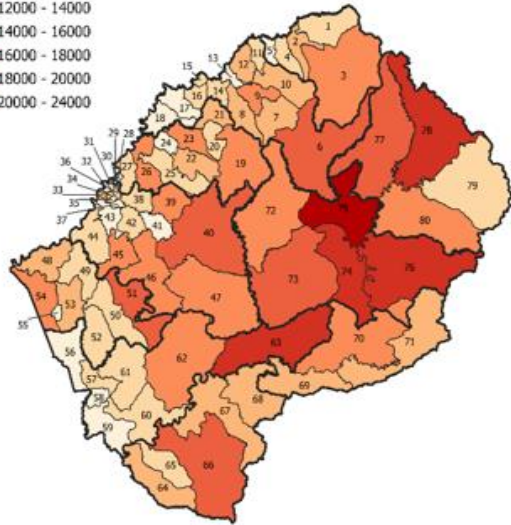
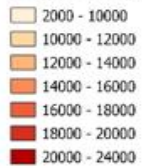
Using different instruments and approaches to overcome implementation bottlenecks, e.g.:

- Appropriate Instruments e.g., DLIs, PforRs and DPOs to support governance reforms
- Alternative supervision techniques (e.g., remote sensing, GEMs) to address risks associated with implementation in remote areas.

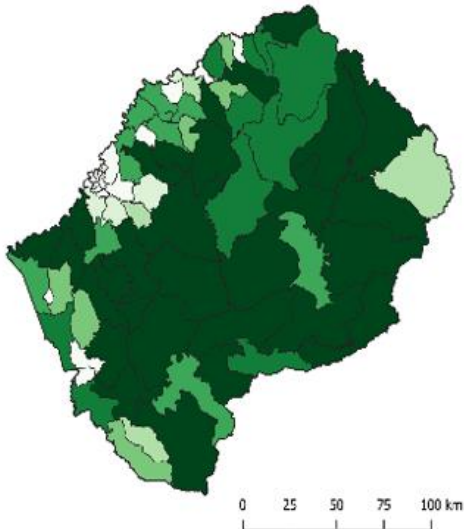
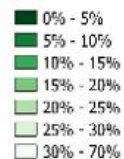
Implementing the FY2022-26 CPF

Spatially-Differentiated / Lagging Region Approach to Address Disparities and Deepen Stakeholder Engagement

Number of Poor



Share of population with access to electricity grid, improved water sources and sanitation facilities



Lesotho's Situation

- The number of poor and weak service delivery concentrate in mountain and rural areas (figures on the left).
- Productive activities outside Maseru and the urban centres are limited.
- The previous CPF focused on national-level systematic issues (e.g., social protection) and nation-wide project (e.g., SADP and SADP2) as well as development of industrial zones for private sector project (LREEAP and LWDP2).

What is Lesotho's Spatial Approach

- Synergising World Bank-financed projects (e.g., health, education, infrastructure) at selected geographical areas with high number of poor and weak service delivery.
- Expected results include
 - **Efficiency gain.** Spatial targeting could be more efficient to accelerate geographical development.
 - **Synergies** between World Bank-financed projects and beyond.
 - **Citizen engagement** especially with stakeholders
 - **Delinking with politics** especially around the next general election in Sep 2022.
 - **Complementarity** with the previous CPF focusing on national-level systematic issues

Risks

- Weak legal and policy framework for decentralization.
- Capacity constraints and data availability/quality at the local level.
- Political influence on the selection of targeted areas.
- Transaction costs to implement a project (e.g., COVID related restrictions).

Global Lessons and Selected Country Experience

- Low economic concentration and heightened spatial inequalities are common.
- Many countries use Place Based Policies (agglomeration, equity and connectivity) to jump start growth in particular locations (e.g., Bhutan).
- The success of spatial “hardware” solutions such as special economic zones, large infrastructure and new cities hinges on development “software” that includes (e.g., entrepreneurial and human capital, government capabilities).
- Basic principle is “decoupling” the geography of production from the geography of living standards.

How to Implement it in Lesotho

- Starting with pilot for limited number of geographical areas for pilot.
- Constructing a selectivity filter building on a spatial subnational [Project Targeting Index \(PTI\)](#) piloted in 2019-2020.
- Using [GEMS](#) for government M&E and stakeholder engagement
- Collaborating with other development partners with ground experience (e.g., IOM).
- Engaging with local governments and beneficiaries.

Mitigation Measures

- Clear and transparent criteria for spatial targeting through a selectivity filter.
- Collaboration with other development partners to ensure synergies and reduce transaction costs
- Capacity building (e.g., fiscal decentralization through the PER)



Current IDA Portfolio

	Project Name	IDA Amount (\$mIn)	o/w Undisb. (\$mIn)	Effect. Date	Closing Date
	HLO 1. Increased employment in the private sector				
1	Second Private Sector Competitiveness and Economic Diversification Project	26.5	3.2	Jan 2014	Jun 2022
	HLO 2. Improved human capital outcomes				
2	Education Quality for Equality (LEQEP)	25	6.7	Jul 2016	Dec 2022
3	COVID-19 Emergency Preparedness and Response	29.5	18.7	May 2020	Jun2022
4	Lesotho Nutrition and Health System Strengthening Project	22	22.0	Aug 2021	Jun 2026
5	(Regional) TB and Health System Strengthening Project	36	-	Dec 2016 Nov 2020	Dec 2021
	HLO 3. Improved climate resilience				
6	Lesotho Lowlands Water Development Project	78	72.5	Aug 2019	Mar 2024
7	Smallholder Agriculture Development Project II (SADPII)	50	38.0	Aug 2019	May 2026
8	Renewable Energy and Energy Assistance Project (LREEAP)	40	33.7	Jul 2020	Jan 2027
9	Transport Infrastructure and Connectivity Project (TICP)	18.3	7.9	Dec 2017	Dec 2023
10	(Regional) Agriculture Productivity Program Southern Africa (APPSA)	25	-	Apr 2019	Jan 2025
	Foundational Issue				
11	Public Sector Modernization Project (PSMP, P152398)	10	0.6	May 2016	Nov 2021
	Total National IDA	299.3	203.2		
	Total Regional and National IDA	61	-		

Annexures

Stakeholder Consultations

Consultation

Nov 2020. SCD update consultations with 5 stakeholder groups (Government, Development Partners, CSOs, Private Sector, Media and Youth).

Mar 2021. High-level meeting between the CD and the Ministers of Development Planning and Finance.

May 2021 and onward. Consultation meeting with the government CPF team.

May 2021. Country Opinion Survey.

Jun-Jul 2021. Consultation meetings with development partners.

Jul 2021-Sep 2021. Consultation with the private sector.

Sep 2021. Final consultation of the SCD update.

Sep 2021. Consultation with the private sector.

Outcomes/Key Messages

- Broad agreement with the focus areas, approaches and cross-cutting issues.
- Importance of broader stakeholder engagement especially with non-government stakeholders emphasized.
- Areas for strengthening collaboration with other development partners identified (e.g., private sector development).



Overview of WBG Country Partnership Framework (CPF) FY2022-26

CPF Results Matrix: HLO1. Increase employment in the private sector

WBG Program		CPF Objectives	HLO 1. Increase employment in the private sector Indicator. Number of jobs created in the private sector (gender disaggregate)
<p>Ongoing Financing</p> <ul style="list-style-type: none"> Private Sector Competitiveness and Economic Diversification Project Lesotho Lowlands Water Development Project Smallholder Agriculture Development Project II Renewable Energy and Energy Assistance Project Agriculture Productivity Program Southern Africa 	<p>Financing Pipeline</p> <ul style="list-style-type: none"> Lesotho Competitiveness and Financial Inclusion Project (FY22) Economic Recovery Development Policy Financing (FY22) New budget policy series (FY23-) 	<p>Objective 1. Improved enabling environment for private investment and competitiveness</p> <p>Ind 1. Increase in the number of private firms using digital G2B services</p>	
<p>ASA</p> <ul style="list-style-type: none"> Jobs Platform <ul style="list-style-type: none"> Implement Country Action Plan for growth entrepreneurs (FY22) Incubation training rollout (FY22) Support for textile and apparel, tourism and horticulture value chains (FY22) FSAP 		<p>Objective 2. Increased opportunities and capabilities for MSMEs and entrepreneurs</p> <p>Ind 2. Number of selected startups launched</p> <p>Ind 3. Increase in access to credit or innovative financing for participating SMEs</p>	

Overview of WBG Country Partnership Framework (CPF) FY2022-26

CPF Results Matrix HLO2. Improved human capital outcomes

WBG Program

CPF Objectives

HLO 2.
Improved human capital outcomes

Indicator.
(a) Reduced child stunting and (b) Improved education outcomes in foundational literacy and numeracy disaggregated by gender and urban/rural location

Objective 3. Improved quality/retention of junior secondary education and quality of early childhood education

Ind 4. % of students completing junior secondary schooling, particularly from poor households

Ind 5. % of children attending pre-school where the new ECCD curriculum has been rolled out

Objective 4. Strengthened quality of health delivery system for the poor and vulnerable

Ind 6. Women ages 15-19 currently using a modern contraceptive method (Percentage)

Ind 7. Women ages 15-49 who took iron tablets for 90+ days during the pregnancy of the most recent birth (Percentage)

Objective 5. Improved effectiveness of the social protection system for poor and vulnerable people

Ind 8. Share of cash transfer beneficiaries who receive their benefits through digital payments

Ind 9. Share of safety net beneficiaries in the bottom two quintiles

Ind 10. Number of eligible poor households covered by the Child Grant Program (o/w female)

Ongoing Financing

Education Quality for Equality, Basic Education Improvement Project, Transport Infrastructure and Connectivity Project (TICP9)

Financing Pipeline

Basic Education Strengthening Project (FY22), a new education project (subject gov't demand, FY22)

ASA

- Gender assessment (FY22),
- Lesotho Territorial Development for Resilient & Inclusive Growth(FY22),
- The impact of COVID-19 on human development outcomes,
- Poverty Assessment (FY24)

Ongoing Financing

COVID-19 Emergency Preparedness and Response), Lesotho Nutrition and Health System Strengthening Project , TB and Health System Strengthening Project , TICP, Lesotho Lowlands Water Development Project (LLWDP), Smallholder Agriculture Development Project II

Financing Pipeline

Economic Recovery Development Policy Financing, FY22), new DPO series (FY23-)

ASA

- (Digital health assessment, updating the eHealth strategy and technical inputs to integrated digital health solutions in primary health care

Ongoing Financing

N/A

Financing Pipeline

Basic Education Strengthening Project (P175065, FY22), A new social protection project (subject to gov't demand, FY22), Economic Recovery Development Policy Financing (FY22), new DPO series (FY23-)

ASA Same as ASA Pipeline in Objective 3.

Overview of WBG Country Partnership Framework (CPF) FY2022-26

CPF Results Matrix HLO3. Improved climate resilience

WBG Program

CPF Objectives

HLO 3. Improved climate resilience

Indicator. An indicator related to food security (currently, communicating with OPCS and WFP to identify a relevant indicator)

Area of restored watersheds (hectares)

Objective 6. Improved management of natural resources

Ind 11. Number of farmers who adopt improved climate smart technologies

Ind 12. Number of people benefitting from access to safe/clean water

Objective 7. Increased climate resilient infrastructure

Ind 13. Renewable energy generation capacity of mini grid increased (megawatt)

Ongoing Financing

Smallholder Agriculture Development Project II, Agriculture Productivity Program Southern Africa, Lesotho Lowlands Water Development Project (Phase 2)

Financing Pipeline

Integrated climate resilience project (subject to gov't demand)

ASA

Protection and Management of Ecosystem Services for Inclusive and Climate Resilient Future of Lesotho
Technical assistance on NDC

Ongoing Financing

Renewable Energy and Energy Assistance Project, Transport Infrastructure and Connectivity Project

Financing Pipeline

Economic Recovery Development Policy Financing (FY22), Integrated climate resilience project (subject to gov't demand)

ASA

Protection and Management of Ecosystem Services for Inclusive and Climate Resilient Future of Lesotho