

ANNEX 2

of the Commission Decision on the Annual Action Programme 2014 in favour of the Kingdom of Lesotho to be financed from the European Development Fund Bridging Facility

Action Document for Technical Cooperation Facility V for the Kingdom of Lesotho

1. IDENTIFICATION

Title/Number	Technical Cooperation Facility V – CRIS N° FED/2013/025-040		
Total cost	Total estimated cost EUR 4,000,000 Total amount of EDF Contribution EUR 4,000,000 CSP/NIP –EDF Bridging Facility		
Aid method management mode	Project approach – direct management and indirect management with the Kingdom of Lesotho		
DAC code	15110	Sector	Economic and Development Policy

2. RATIONALE AND CONTEXT

2.1 Summary of the action and its objectives

The specific objectives of Technical Cooperation Facility V (TCF V) are to: support the identification, formulation, and implementation of actions under the 11th EDF; and to assist the government in the implementation of current 10th European Development Fund (EDF) National Indicative Programme (NIP) and other EU/EDF funded interventions.

The TCF V will be used to expedite the mobilisation of technical assistance and capacity building support in the implementation of all aspects of EU-Lesotho cooperation. Although not directly linked to any one initiative or policy it will provide ad-hoc support to a broad range of government policies, and especially to those relevant to the 11th EDF focal sectors (Water, Energy and Governance). The measures carried out will complement the Government of Lesotho's own activities in these priority areas, as expressed in the National Strategic Development Plan 2012/13 – 2016/17 (NSDP).

2.2 Context

2.2.1 Country context

2.2.1.1 Economic and social situation and poverty analysis

Average economic growth in Lesotho over the period 2011 – 2013 exceeded the NSDP target of 5 % per year. Real gross domestic product (GDP) grew at an average of 5.5 % between 2008/09 and 2012/13, largely influenced by construction, financial intermediation, mining, agriculture and manufacturing. In the short to medium-term, growth is expected to slow due to the continuing uncertainties in the regional and global economic environment as well as the concern surrounding the future of African Growth and Opportunity Act (AGOA) trade preferences beyond 2015. Despite a commitment to fiscal consolidation, the government is still challenged by the high public sector wage bill, which underlines the need for greater focus on public sector reforms. In the medium term, the government's fiscal effort will focus on eliminating unproductive expenditures, improving capital budget execution, enhancing aid effectiveness, broadening the tax base and enhancing domestic revenue mobilisation.

Although the per capita income of USD 1380 places the country on the cusp of middle income status the global crisis of 2008/09 and the ensuing recession seriously affected the country through its

negative impacts on revenues from the Southern African Customs Union (SACU), on the local textile industry, and on employment opportunities for Basotho in South Africa. The prospect of a consequent decline in revenue could threaten government's ability to create conditions that are conducive to increased private sector growth both through reforming the regulatory environment and through investment in economic infrastructure and services.

Unemployment, especially among the youth, is still critical: according to the 2008 Labour Force Survey, joblessness amongst those in the 15-24 years age bracket stood at only 45.1 %. The country's present economic growth pattern, largely based on capital-intensive sectors such as mining, has also resulted in increasing inequality and social exclusion. Limited agricultural potential due to a scarcity of good quality arable land and a relatively high cost of introducing advanced technologies such as irrigation, combined with a lack of policies supporting the transformation of farming have translated into a poor performance of agriculture. This in turn has led to a significant portion of the population becoming increasingly vulnerable to food insecurity.

Despite substantial progress towards the Millennium Development Goals (MDGs) related to primary education, gender and women's empowerment, poverty continues to present a critical challenge to Lesotho's development. With a Gini-Coefficient of 0.525, poverty in Lesotho is mainly driven by income inequality, which is exacerbated by the dual threat of HIV and AIDS and persistent food insecurity: an estimated 43 % of the population lives on less than USD 1.25 per day; 23 % of persons in the 15 – 49 years age group are HIV seropositive; and approximately 12 % of the population, spread across different livelihood zones regularly experience a food deficit of 6-8 % of the standard requirement. In addition, declining job opportunities for low-skilled Basotho in South Africa have affected remittances to families in Lesotho, which historically have provided an important safety net for a significant part of the population.

2.2.1.2 National Development Policy

The Government of Lesotho's "*Vision 2020*" has the goal of the country being firmly established as a mature democracy and a prosperous middle income nation by the end of the current decade. *Vision 2020*'s overarching goals have been prioritised in a succession of national development frameworks, of which the most recent is the National Strategic Development Plan (NSDP) 2012/13 – 2016/17 being adopted in 2012. As a point of departure NSDP sets the strategic goals to be pursued over the Plan's period as: high shared and employment creating economic growth; the development of key economic infrastructure; an enhancement of the national labour force's skills profile; the adoption of technology as a foundation for innovation; improved health with particular reference to combatting HIV and AIDS; a reversal of the current environmental degradation and the development measures for adapting to climate change; and the promotion of peace, democratic governance and the building of effective institutions.

2.2.2 *Sector context: policies and strategies*

To support the government in implementing strategies that would lead to the achievement of the principal strategies contained in the National Strategic Development Plan 2012/13 – 2016/17 (NSDP), EU assistance is presently directed through a range of instruments (general and sector budget support, grants to Non-state Actors) and through projects targeted at economic and social governance. For the upcoming 11th EDF NIP the EU response to Lesotho's *Vision 2020* and NSDP priorities will focus on the Water and Energy sectors, complemented by a deepening of the support to economic and social governance and the introduction of cooperation in the area of climate change and environmental governance. In providing a means of expeditiously mobilising technical assistance and capacity building support in the implementation of all aspects of EU-Lesotho cooperation, the Technical Cooperation Facility will provide ad-hoc support to a broad range of government policies, especially to those relevant to the 11th EDF focal sectors (Water, Energy and Governance) as well as potential other EU financial sources like the regional and continental programmes. It will also provide a flexible resource that can be used to addressing issues that could potentially have a negative impact on the implementation of EU-Lesotho cooperation.

2.3 Lessons Learnt

The provision of targeted technical assistance has shown to have a positive impact on the efficient implementation of EDF programmes in Lesotho. From experience Technical Cooperation Facility (TCF) support has proved to be valuable in increasing the effectiveness of EU-Lesotho cooperation, particularly in the context of both general and sector budget support. It has helped the Government of Lesotho and the EU Delegation to bring forward important reform programmes, particularly within different ministries such as the Ministries of Finance, Development Planning and Social Development. The successful use of the different types of contracts under previous TCFs has demonstrated that, through its flexibility and ability to mobilise timely and sufficient expertise and experience, such a facility is most valuable for addressing unforeseen needs and demands before they impact adversely on the various stages of the project cycle and its management.

A Result Oriented Monitoring (ROM) mission in 2010 included an assessment of the TCF III and concluded that, while a useful and flexible tool, the potential of the facility had not been fully used. In particular the mission recommended that the potential availability of resources from the facility should be disseminated to those ministries involved with the focal sectors; and that the TCF could have provided more support to the visibility of the overall EU/EDF programme in Lesotho. These findings have already been taken on board during the implementation of the subsequent TCF IV, and will continue to be fundamental in the execution of the proposed TCF V, where the facility will assist the contracting and implementation of all focal sector programmes.

2.4 Complementary actions

This project will contribute to capacity building; provision of expertise; and improved management and coordination in a broad range of interventions throughout government. In particular, the project will support the implementation of complementary activities under the Poverty Reduction Budget Support Programme Phase II (PRBSP II), which is providing direct assistance to the reform of public finance management, donor coordination and a strengthening of project cycle management. In addition, the project will both complement and be complemented by EDF programmes in: Water Sector Budget Support; support to Orphans and Vulnerable Children; deepening decentralisation and supporting Non-State Actors; strengthening the Justice sector; and assisting Lesotho the development and application of its Climate Change Response Strategy.

Outside of EDF and EU Budget projects and programmes, the activities supported by the TCF will be complemented by World Bank, African Development Bank and International Monetary Fund (IMF) activities in support of public finance management reform; water sector initiatives funded by EIB, the World Bank, Arab Bank for Economic Development in Africa (BADEA), Kuwait Fund; Organization of the Petroleum Exporting Countries (OPEC) and a number of Gulf State Funds.

2.5 Donor Coordination

The numbers of donors active in grant aid to Lesotho has decreased in recent years and, of those remaining, few have funds available for technical assistance and longer-term programmes. In order to optimise the benefits accruing to donor support from both grant and loan funded cooperation the government has established two functional entities. At the broader level, the Development Partners Consultative Forum (DPCF) has provided a framework for dialogue between donors and Government.

At the Government level, a Department for Aid Coordination has been established within the Ministry of Development Planning to facilitate and strengthen government's capacity for ensuring that donor policies and interventions are harmonised with its own. The Department for Aid Coordination is developing a capability for capturing information on current and prospective donor supported activities and has also developed a "Development Partnership Policy Framework" (DPPF). As the key policy document on Lesotho's cooperation with its partners, the DPPF will be the basis for increasing the effectiveness of aid in future years. The DPPF was signed between government and its development partners in the second quarter of 2014. Under the complementary support component of the 10th EDF

PRBSP II, assistance is being given to strengthening the Department for Aid cooperation's capacity for coordinating donor cooperation.

3. DETAILED DESCRIPTION

3.1 Objectives

The overall objective of the proposed project is to assist the government attain its objectives as described in its National Strategic Development Plan (NSDP) in general and the EU-Lesotho 11th EDF National Indicative Programme 2014 – 2020 in particular.

The specific objectives are to support the implementation of the NSDP through the identification, formulation, and implementation of actions under the 11th EDF and to assist government in executing current 10th EDF NIP and other EU/EDF funded activities. In both instances particular emphasis will be given to: the ongoing reform of Public Finance Management; improved awareness among key actors of public sector reform; taking advantage of the opportunities offered by a deepening regional cooperation and integration; the exploitation of renewable resources; adaptation to climate change; and trade issues, including the EU- Southern African Development Community (SADC) Economic Partnership Agreement.

3.2 Expected results and main activities

The expected results are:

1. Enhanced capacity of government and in particular the office of the National Authorising Officer (NAO), to identify, prepare and monitor EDF programmes in accordance with EU rules and procedures;
2. Knowledge and skills improved among project/programme stakeholders and increased visibility and awareness of EDF programmes, both at national and Southern African Development Community (SADC) regional level;
3. Improved capacity, greater awareness and understanding among key actors in the public, private and civil society sectors on issues of development, governance, trade, climate change, regional cooperation and integration issues.

The following main activities will be implemented to achieve the results identified above:

Result area 1: *Enhanced capacity of government and in particular the Office of the NAO, to identify, prepare and monitor EDF programmes in accordance with EU rules and procedures.*

Under this result area the aim will be to support the Office of the NAO and to strengthen its capacity to effectively and efficiently manage EU support to Lesotho and, in particular, the early commitment of resources allocated to the 11th EDF NIP. The assistance provided would augment both support and capacity building measures where these cannot be provided within specific projects themselves. The activities supported would include audit and evaluation where this is not provided for in the relevant project.

Result area 2: *Knowledge and skills improved among project/programme stakeholders and increased visibility and awareness of EDF programmes, both national, SADC regional and continental level.*

Under this result area the aim will be to strengthen capacity of government and relevant non-state actors to prepare development programmes in line with national development priorities, mobilise (internal and external) resources, manage all aspect of the project cycle and effectively monitor and evaluate development outcomes and impacts. Particular emphasis will be placed on the cooperation programme between Lesotho and the EU.

Result area 3: *Improved capacity, greater awareness and understanding among key actors in the public, private and civil society sectors on issues of development, governance, trade, climate change, regional cooperation and integration issues.*

Under this result area the aim will be to strengthen the ability of government and relevant private sector/non-state actors to participate in regional, continental and global issues and to benefit from opportunities related to regional integration and trade, development cooperation and sustainable development.

In order to achieve the above results, the Technical Cooperation Facility (TCF) will provide resources for support interventions in the form of Technical Assistance (medium and short term), and financial support for training activities, conference, seminars and meetings. It will also promote the visibility of the EU funded interventions in Lesotho. The main activities to be carried out under the TCF are:

- i. *Technical Assistance Facility:* In keeping with the objectives of the ACP/EU Partnership Agreement the project will provide a facility for operational support to the coordination and management of EU-Lesotho cooperation complemented by short- and medium-term technical assistance. This assistance will be used to ensure:
 - The commitment and implementation of the 11th EDF National Indicative Programme (NIP) and other EU programmes supporting and complementing Lesotho's National Strategic Development Plan (NSDP).
 - A strengthening of the national and regional/continental link leading to a better integration of Lesotho into the regional and continental initiatives and furthermore increase the potential for EU support to Lesotho.
 - Assistance for the national development agenda through development of indicators and other features of the NSDP to allow for a continued linkage between EU support and the national development agenda. This could also include support for the NSDP mid- and end-of-term reviews.
- ii. *Training:* The intention of this activity is to ensure ownership of EDF programmes, particularly in the 11th EDF NIP focal sectors and the 11th EDF SADC regional programme. The activity will finance various training actions such as seminars or awareness-raising activities and the inclusive hands-on development of project/programme content, including relevant results/indicators, prior to or during the formulation of a project or programme identified for inclusion in the 11th EDF NIP, SADC RIP or continental programme like the Infrastructure Trust Fund. The main target of the training will be government officials. However, it could also be used to allow a better appreciation for EU/Lesotho/SADC policies and procedures amongst private sector/non-state actors and civil society organisations.
- iii. *Conferences and seminars:* This would provide support to meetings both within Lesotho as well as in the wider SADC region and EU network. It is relevant to promote the understanding of the national/regional development agenda as well as the role the EU could play. This would also allow for identification and implementation oriented meetings in preparation of new initiatives. Actions implemented could include: (a) more general capacity building activities for government officials, parliamentarians and private sector/non-state actors on topics related either to the priorities of the ACP-EU Partnership Agreement (democracy, human rights, environment, poverty reduction, trade, development assistance, aid coordination, etc.) or to EDF or other EU administrative and financial procedures, (b) attendance at conferences/seminars on issues related to water sector policy and development, watershed management and protection, energy policy and renewable energy enhancement, climate change, regional cooperation and integration and other ACP-EU Partnership Agreement priorities, and (c) participation by Lesotho government officials, parliamentarians or non-state actors in EDF/EU related international meetings or seminars on development, regional and Africa continental integration, environmental, water, energy or trade themes.
- iv. *Visibility:* To ensure a greater awareness of the Government of Lesotho/EU activities as well as the publication of achievements and results, it is necessary to organise a number of events and other activities for the promotion of our cooperation. In light of the fact that the 11th EDF will

target a large number of people in the water and energy sectors it is crucial that objectives and intentions are clearly explained.

3.3 Risks and assumptions

The following table illustrates potential risks and the mitigating measures taken or to be taken to address them:

Potential Risk	Mitigating Measure
Political and security situation in the country is not stable.	<p>The EU is following the developments in Lesotho closely and is ready to cooperate with SADC and with the Government of Lesotho to support the implementation of the agreements reached through the brokerage of SADC.</p> <p>The support through the TCF (mainly short TA and PEs) should enable the EU to rapidly respond to opportunities to support the stabilisation of the Government.</p>
Lesotho defaulting on the policy agenda set out by the National Strategic Development Plan (NSDP). Since the objectives of EU cooperation are based on the NSDP, they can only be achieved if the agenda remains in place.	The Technical Cooperation Facility (TCF) will provide the possibility to strengthen the NSDP through, for instance, further development of indicators and through providing support mid- and end-of-term reviews of the NSDP.
Lack of commitment and ownership by the Government.	Inclusive dialogue will be encouraged throughout to ensure good understanding and ownership.
Reduced capacity of the relevant government departments to manage and implement project activities, as per lessons learnt.	The implementation of the project will go some way in mitigating this very risk by providing the technical and administrative assistance needed to develop the relevant competencies.
Capacity building support undermined due to the departure of trained staff.	This risk is to be mitigated by involving concerned bodies at both institution and individual levels in the capacity building elements of project and by developing durable and streamlined systems.
The possibility of Lesotho being able to fully exploit the potential for regional support Lesotho will largely depend on a solution to the involvement of South Africa in regional EDF funded programmes and agreement on a future Southern African Development Community (SADC) regional multi-annual programme.	Although not a major part of the TCF, the activities supported should support a greater awareness of the growing importance of regional and continental initiatives, particularly in the context of the focal sectors chosen for the 11th EDF.

3.4 Cross-cutting Issues

Cross cutting issues such as environment, gender equality, good governance and human rights are an integral part of this project. Consultancies funded under the Technical Cooperation Facility (TCF) will look at matters related to the aforementioned issues, for example: Country Environment Profile, Governance Profile, Public Expenditure and Financial Accountability (PEFA) Assessment, Public Expenditure Reviews, etc. None of the envisaged project activities are considered to be detrimental to the environment. The project will have a positive impact on good governance and Official Development Assistance (ODA) coordination through the technical assistance provided. In the identification and implementation of actions financed under the Facility the issue of gender will be given careful attention. This will be of particular relevance in the preparation of financing proposals for the 11th EDF and in the identification of output and impact indicators at the project and annual work plan level where, as appropriate and meaningful, the indicators will be disaggregated by gender.

3.5 Stakeholders

Key stakeholders of the interventions foreseen for the Technical Cooperation Facility (TCF) are those ministries involved with implementation in the 11th EDF NIP focal sectors and non-state actors active in the same sectors. The ultimate beneficiaries are the people of Lesotho who will benefit from more efficient and effective governance and improved water and energy supply. The benefits for these stakeholders go beyond the national arena since the TCF will also enhance the possibility for Lesotho to increase the linkages to regional and continental initiatives.

4. IMPLEMENTATION ISSUES

4.1 Financing Agreement

In order to implement this action, it is foreseen to conclude a Financing Agreement with the partner country referred to in Article 17 of Annex IV to the Cotonou Agreement.

4.2 Indicative operational implementation period

The indicative operational implementation period of this action, during which the activities described in sections 3.2. and 4.3. will be carried out, is **48 months** from the date of entry into force of the Financing Agreement or, where none is concluded, from the adoption of this Action Document, subject to modifications to be agreed by the responsible authorising officer in the relevant agreements. The relevant Committee shall be informed of the extension of the operational implementation period within one month of that extension being granted.

4.3 Implementation components and modules

4.3.1. Procurement (direct management)

Subject	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Evaluation	Services	1	3/2018
Audit	Services	3	2/2016, 2/2017, 2/2018
Technical Assistance	Services	10	Three per year

4.3.2 Indirect management with the partner country

A part of this action, with the objective of assisting the government in attaining the goals set out in the National Strategic Development Plan in general and the EU/Lesotho 11th EDF National Indicative Programme 2014 – 2020 in particular, may be implemented in indirect management with the Kingdom of Lesotho in accordance with Article 58(1)(c)(i) of the Regulation (EU, Euratom) No 966/2012 according to the following modalities.

The Kingdom of Lesotho will act as the contracting authority for the procurement and grant procedures. The Commission will control ex ante all the procurement procedures except in cases where programme estimates are applied, under which the Commission applies ex ante control for procurement contracts above EUR 50 000 and may apply ex post control for procurement contracts up to EUR 50 000. The Commission will control ex ante the contracting procedures for all grant contracts. Payments are executed by the Commission except in cases where programmes estimates are applied, under which payments are executed by the partner country for ordinary operating costs, direct labour and contracts up to the ceilings indicated in the table below.

Works	Supplies	Services	Grants
EUR < 300 000	EUR < 300 000	EUR < 300 000	EUR ≤ 100 000

The financial contribution partially covers, for an amount of EUR 800 000 the ordinary operating costs incurred under the programme estimates.

In accordance with Article 262(3) of Delegated Regulation (EU) No 1268/2012, the Kingdom of Lesotho shall apply procurement rules of Chapter 3 of Title IV of Part Two of Regulation (EU, Euratom) No 966/2012. These rules, as well as rules on grant procedures in accordance with Article 193 of Regulation (EU, Euratom) No 966/2012, will be laid down in the Financing Agreement concluded with the Kingdom of Lesotho.

Short term expertise will be contracted by the NAO. They assume the supervision. Medium term technical assistance provided to government ministries will be fully integrated in existing governmental structures without creating new parallel structures. Wherever possible and in accordance with the partnership commitments of the Paris, Accra and Busan declarations, the Technical Cooperation Facility will use existing structures within government and will provide support for capacity building by training government employees, both at the level of the relevant ministry and within the office of the NAO.

4.4 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act shall apply.

4.5 Indicative Budget

Module	Amount (EUR)
4.3.1. – Procurement (direct management implemented by the Commission as the Contracting Authority)	2 100 000
4.3.2. – Indirect management with Lesotho National Authorising Office as the Contracting Authority	1 400 000
4.7. – Evaluation and audit	100 000
4.8. – Communication and visibility	100 000
Contingencies	300 000
Total	4 000 000

4.6 Performance monitoring

The main performance indicator for the Technical Cooperation Facility (TCF) will be the levels of commitment and disbursement of 11th EDF resources. This will involve the successful identification, formulation, implementation and evaluation of actions under the chosen focal sectors (Water, Energy and Governance) and in the areas of climate change, regional integration and support to civil society organisations. In the course of implementation specific and objectively verifiable indicators will be identified and measured both annually and over the period of the Facility.

Monitoring will be conducted through regular reports on the implementation of the Facility, regular joint NAO/Government of Lesotho meetings with EU Delegation staff and external Result Oriented Monitoring (ROM) missions.

4.7 Evaluation and audit

The EU shall appoint, in accordance with European Commission procurement rules, reputable external auditors/accountants (i.e. international firms, members of an internationally recognised auditing body). Their role shall include:

1. Expenditure verification of programme estimates in accordance with the Practical Guide to procedures for programme estimates (EU Budget/EDF) and with mandatory terms of reference laid down by the Commission.
2. All other audits deemed necessary during or after the operational implementation period of the Financing Agreement. The decision to launch an audit will be based on a risk assessment and/or made in accordance with the annual audit plan of the Commission.

One final evaluation is foreseen. The indicators for the final evaluation will include:

- A functioning NAO office carrying out its role and responsibilities without external assistance;
- The full commitment of Lesotho's 11th EDF allocation to projects and programmes under the agreed focal sectors 11th EDF National Indicative Programme;
- Commitment and disbursement rates for current programmes and projects are consistent with annual forecasts.

4.8 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU. This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated before the start of implementation and supported with the budget indicated in section 4.5 above.

The measures shall be implemented either by the partner country, contractors, grant beneficiaries and entrusted entities. Appropriate contractual obligations shall be included in, respectively, financing agreements, procurement and grant contracts, and delegation agreements. Communication and visibility will implement through programmes estimates.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.