

## **11<sup>th</sup> European Development Fund**

National Indicative Programme  
(2014 – 2020)

For co-operation between the

**Kingdom of Lesotho  
and the European Union**



## GENERAL CLAUSES

The Government of The Kingdom of Lesotho and the European Commission hereby agree as follows:

- (1) The Government of The Kingdom of Lesotho, (represented by Leketekete Ketso, Minister of Finances) and the European Commission, (represented by Andris Piebalgs, Commissioner for Development) hereinafter referred to as the Parties, determined the general orientations for cooperation for the period 2014-2020.

These orientations which are included in the National Indicative Programme, concern the European Union Aid in favour of The Kingdom of Lesotho and were drawn up in accordance with the provisions of Articles 2 and 4 of Annex IV to the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000, revised and signed in Luxemburg on 25 June 2005 and revised and signed in Ouagadougou on 22 June 2010.

The National Indicative Programme is annexed to the present document.

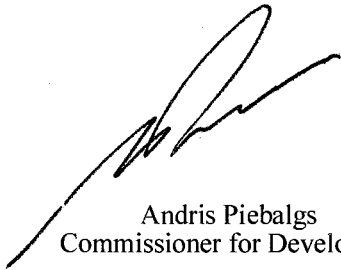
- (2) As regards the indicative programmable financial resources which the European Union envisages to make available to The Kingdom of Lesotho for the period 2014-20, an amount of EUR 142 million is foreseen for the allocation referred to in Article 3.2 (a) of Annex IV of the ACP-EC Partnership Agreement (A-allocation). A B-allocation referred to in Article 3.2 (b) can be established to cover unforeseen needs. This allocation is at EUR 0 until a need arises. These allocations are not entitlements and may be revised by the Commission, following the mid-term and end-of-term reviews, in accordance with Article 5.7 of annex IV of the ACP-EC Partnership Agreement.
- (3) The A-allocation is destined to cover macroeconomic support, sectoral policies, programmes and projects. The National Indicative Programme concerns the resources of the A-allocation. It also takes into consideration financing from which The Kingdom of Lesotho benefits or could benefit under other European Union resources. It does not pre-empt financing decisions by the Commission.
- (4) The B-allocation is destined to cover unforeseen needs such as humanitarian, emergency and post emergency assistance, where such support cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate exogenous shocks. The B-allocation shall be established according to specific mechanisms and procedures and does therefore not constitute a part of the programming.
- (5) Pending the entry into force of the Internal Agreement between the Representatives of the Governments of the Member States of the European Union, meeting with the Council on the financing of European Union Aid under the multiannual financial framework for the period 2014 to 2020, financing decisions for projects and programmes can be taken by the Commission at the request of the Government of The Kingdom of Lesotho within the limits of the A- and B-allocations referred to in this document under the condition that sufficient financial resources are available in the transitional measures ("Bridging Facility") composed of uncommitted balances from the previous EDFs and from funds de-committed from projects or programmes under those EDFs. The respective projects and programmes shall be implemented according to the rules and procedures of the 10<sup>th</sup> EDF until the entry into force of the 11<sup>th</sup> EDF implementing rules and financial regulation.



- (6) The European Investment Bank may contribute to the implementation of the present National Indicative Programme by operations financed from the Investment Facility and/or from its own resources, in accordance with Articles 2c and 3 of the 11th EDF multi-annual financial framework for the period 2014-2020.
- (7) In accordance with Article 5 of Annex IV to the ACP-EC Partnership Agreement, the National Indicative Programme as well as the A-and B-allocations can be revised following the mid-term review and the end-of-term review or ad hoc reviews.

Signatures

For the European Commission



Andris Piebalgs  
Commissioner for Development

For the Government of the Kingdom of Lesotho



Leketekete Ketso  
Minister of Finance



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## LIST OF ACRONYMS

ACP	African, Caribbean and Pacific group of States	M&E	Monitoring and Evaluation
AIDS	Acquired Immunodeficiency Syndrome	MoF	Ministry of Finance
CEP	Country Environmental Profile	MoDP	Ministry of Development Planning
CoW	Commissioner of Water	MoEMW	Ministry of Energy, Meteorology and Water Affairs
DPCF	Development Partners Consultative Forum	MTEF	Medium-Term Expenditure Framework
DOTS	Directly Observed Treatment, Short-course	MTFF	Medium-Term Fiscal Framework
EC	European Commission	MTR	Mid-Term Review
EU	European Union	NGO	Non-government Organisation
EDF	European Development Fund	NIP	National Indicative Programme
GCCA	Global Climate Change Alliance	NSDP	National Strategic Development Plan 2012/13 - 2016/17
GDP	Gross Domestic Product	NSA	Non-State Actors
GIS	Geographic Information Systems	OPEC	Organisation of the Petroleum Exporting Countries
GIZ	Gesellschaft für Internationale Zusammenarbeit GmbH	PEFA	Public Expenditure and Financial Accountability
GNI	Gross National Income	PFM	Public Finance Management
GoL	Government of Lesotho	PSIRP	Public Sector Improvement and Reform Programme
HDI	Human Development Index	SACU	Southern Africa Customs Union
HIV	Human Immunodeficiency Virus	SADC	Southern African Development Community
HRD	Human Resources Development	TCF	Technical Cooperation Facility
IDA	International Development Association	UN	United Nations
IMF	International Monetary Fund	UNDP	United Nations Development Programme
LHDA	Lesotho Highlands Development Authority	USA	United State of America
LHDP	Lesotho Highlands Development Project	WB	World Bank
LTSWSS	Long-Term Strategy for the Water and Sanitation Sector	WASCO	Water and Sewerage Company
LWSIMS	Lesotho Water Sector Information Management System	WSSCG	Water and Sanitation Sector Co-ordination Group
MDG	Millennium Development Goal		



## **LESOTHO - Summary of the 11th EDF National Indicative Programme (NIP)**

Lesotho is a multi-party democracy with a stable political environment. Water is the most important natural resource with high potential for export. Economic performance slowed down in 2009 due to economic recession and decline in Southern African Customs Union revenues. Further challenges lie in ensuring that institutions work effectively, ensuring better access to water and sanitation and addressing the challenges posed by climate change, HIV/AIDS and high number of Orphans and Vulnerable Children.

**EU-Lesotho cooperation** under the 11th EDF is coherent with the "Agenda for Change" and supports the implementation of the **National Strategic Development Plan (NSDP) 2012/132016/17**. The reduction and eventual eradication of poverty remains the key objective for EU cooperation and will take place within the framework of the NSDP, taking into account the principle of ownership. The NSDP emphasises the need to: maintain fiscal consolidation; improve water and electricity infrastructure; reduce obstacles to private sector growth; improve human resource development; and address the health and social problems created by the HIV and AIDS epidemic. Lesotho's NSDP has been confirmed as relevant to achieving the objectives of the long-term Vision 2020.

**The indicative allocation for the 11th EDF envelope is of EUR 142 million.** The NIP will focus on three **focal sectors Water, Energy and Governance**. The selection is justified by their critical role in economic development and raising living standards and by their strong complementarities.

<i>Sector</i>	<i>Indicative allocation, EUR</i>	<i>% NIP</i>
1. Water	78 million	55%
2. Energy	28 million	20%
3. Good governance	22 million	15%
Other measures/ support to civil society	7 million	5%
Support measures	7 million	5%
<i>Total</i>	142 million	

**The overall and specific objectives** for the three sectors are in line with those identified in the NDSP and sector strategies. The objective of the EU support to the water sector is the expansion of water and sanitation distribution services to industries, commercial centres, households and other institutions. For energy, the aim is to provide Lesotho's people and productive sectors with access to a modern, clean, affordable and reliable energy supply. Finally, support to good governance is intended to achieve more efficient and cost effective provision of public goods and services. **Indicators** are largely selected from the monitoring framework of the NSDP which is currently being developed. Targets, deadline and intermediate benchmarks are to be in line with this framework. As for the **aid modalities**, the 11th EDF interventions will recur to sector reform contracts when possible, in combination with project approach and blending of financial instruments (for the sectors of water and energy). Cooperation with other donors, including Member States, the European Investment Bank and other development banks is also envisaged. Possible complementary support, especially for interventions with a regional dimension, should be sought from the 11th EDF regional programme, other facilities (EU-Africa Infrastructure Trust Fund; ACP-EU Energy Facility, ACP-EU Water Facility, etc.), and Development Cooperation Instrument Budget Lines.

An indicative amount of EUR 7 million may be set aside to **support the capacity of civil society organisations** to engage as an effective partner. An indicative amount of maximum EUR 7 million will be set aside for **Technical Cooperation Facility (TCF) and support to the Office of the National Authorising Officer**.

## NATIONAL INDICATIVE PROGRAMME

### 1. THE OVERALL LINES FOR THE EU RESPONSE

#### 1.1. Strategic objectives of the EU's relationship with the Kingdom of Lesotho

The strategic objectives for EU-Lesotho cooperation 2014 - 2020 are guided by the European Commission's (EC) *Communication on the Agenda for Change (2011)*. These objectives are also reflected in Article 1 of the revised ACP-EU Partnership Agreement. The reduction and eventual eradication of poverty remains a key objective of the EU's co-operation. The "Agenda" further stipulates that working towards these objectives should preferably take place within the framework of the development strategies of individual ACP States taking into account the principle of ownership (*Paris Declaration on Aid Effectiveness (2005)*), the *Accra Agenda for Action (2008)* and the Outcome Document of the *High Level Forum on aid effectiveness in Busan, Korea (2011)*.

Priority areas of co-operation will be those where EU assistance can have the greatest impact. The 'Agenda' recommends concentrating EU resources in support of human rights, democracy and of good governance and inclusive and sustainable growth for human development.

Regarding human rights, democracy and governance, the "Agenda" points out that the EU support should address governance in its different dimensions, i.e. the political, economic, social and environmental dimensions<sup>1</sup>. Applying these orientations to EU-Lesotho cooperation under the 11<sup>th</sup> EDF, priorities are the reform and modernisation of the public sector including a more effective judiciary, and the strengthening of the capacity of national oversight bodies

In the area of inclusive and sustainable growth for human development, EU-Lesotho cooperation will support a strong economy and a well-managed natural environment. The strategic objective will be to contribute to higher levels of economic growth that provide greater employment opportunities and a better sustainable livelihood for the poor, in particular in the rural areas.

During the first years of the 11<sup>th</sup> EDF, the National Indicative Programme (NIP) will support the implementation of Lesotho's National Strategic Development Plan (NSDP) 2012/13 to 2016/17. Priority shall be given to strengthening Government's capacities for delivering key services effectively and efficiently; fostering private sector growth, economic diversification and increased job opportunities. Although the current NSDP does not cover the full period of the 11<sup>th</sup> EDF, it is not expected that overall and specific strategic objectives will change after 2017.

#### 1.2. Choice of sectors

The Government of Lesotho's (GoL) overall development programme is guided by Vision 2020. Vision 2020 sets as its overall goal that by 2020 the country will be firmly established as a mature democracy and a prosperous middle income nation. The NSDP sets out the strategies and means for realising these aspirations. The NSDP emphasises the need to: maintain current fiscal consolidation; improve the water and electricity infrastructure; reduce regulatory and administrative obstacles to private sector growth; improve human resource development; and

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<sup>1</sup> For the purpose of this National Indicative Programme, "governance" is defined as consisting of the processes and institutions by which authority in a country is exercised. This includes the process by which governments are selected, monitored and replaced and includes the capacity of government to effectively formulate and implement sound policies.

address the health and social problems created by the HIV and AIDS epidemic. In responding to these challenges, the 11<sup>th</sup> EDF NIP will focus on the sectors of: Water, Energy and Governance.

The analysis conducted during the first phase of the programming exercise confirmed that Lesotho's NSDP is highly relevant to the Government's approach to development planning and its strategies for achieving the objectives of the country's long-term Vision 2020 <sup>2</sup>. Country and programme level evaluations of EU assistance to Lesotho under the 9<sup>th</sup> and 10<sup>th</sup> EDF confirmed the significance of EU support to Lesotho's policies for economic development and poverty alleviation. Based on this synergy and its coherence with the "Agenda for Change", EU-Lesotho 11<sup>th</sup> EDF cooperation will support policies for: developing sustainable economic infrastructure; expanding manufacturing as a means of generating employment opportunities; strengthening political, economic and environmental governance; and addressing social vulnerability.

The selection of water and energy as focal sectors is justified by their critical role in both the economic development and in raising the living standards. In addition, climate change and water resources management and energy are closely linked through the impact on agriculture production, biodiversity, the condition of upland wetlands and soil erosion. As for energy, the potential for the development of sustainable sources of energy and greater access for the poor is considerable; efficient energy use is also a critical competitiveness factor.

The selection of governance is justified by the pivotal role it plays in economic development and poverty eradication. Previous and ongoing EU support has included capacity building at the level of central government (Public Finance Management), decentralisation, reform of the justice sector and human rights (social protection). The priority for governance as a focal sector is also justified by the strong interrelationship between the quality of public services, economic growth and poverty reduction. Better governance would also be an important aspect of the support to the water and energy sectors, particularly in the area of data/information generation for the purpose of monitoring and encouraging results-based management.

Recognising the importance of the Information and Communication Technologies (ICT) particular attention will be paid to the full exploitation of new technologies in the sectors addressed by the programme.

### ***1.2.1 Sector 1 — Water***

Lesotho's unique geographic location and mountainous topography make water the country's most important natural resource. Water impounded in the Maluti mountain range is exported to South Africa (850 million cubic metres annually). Despite abundance of water, Lesotho experiences frequent water supply problems in areas of population concentration, in the mountains, and for industry. Approximately 77 percent of all households (91% urban and 73% rural) have access to a dependable water supply. Access to water is particularly problematic in the western lowlands, where two thirds of the population lives and where there is the greatest potential for creating employment opportunities through the expansion of industry and manufacturing.

The importance of investment in the water sector is reflected in Vision 2020 and the continued high priority of the sector in the public investment programme under the NSDP. The NSDP underlines in particular the need to develop the water sector with a view to improving food

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<sup>2</sup> See also: IMF country report No 12/331, December 2012, Poverty Reduction Strategy Paper - Joint Staff Advisory Note, "Overall, the NSDP presents a coherent analysis and offers an appropriate path forward to sustained poverty reduction and sustainable economic growth", page 2.

security, rural incomes, and public health but at the same time stresses the importance of environmental preservation and protection in the implementation of future investments.

Compared to households' access to clean water, access to sanitation is even more problematic; only 26% of rural households and 31% of urban households have improved pit latrines, septic tanks or mains sewer collection and treatment.

To address the challenges in water and sanitation, the NSDP identifies two strategic objectives for the sector:

- Expand water and sanitation distribution services to industries, commercial centres, households and other institutions,
- Expand water harvesting infrastructure for increased security of supply in remote areas

Given the close link between water and the natural environment, the 11<sup>th</sup> EDF's involvement in the water sector must also cover environmental issues, in particular climate change, and catchment conservation and management.

The EU's involvement in the water sector dates back to the 8<sup>th</sup> EDF. Under the 10<sup>th</sup> EDF a sector budget support programme is implemented which has been instrumental in developing the Longterm Strategy for the Water and Sanitation Sectors (LTSWSS).

The modalities for the 11<sup>th</sup> EDF interventions in the water sector should include a combination of a sector reform contract (as a follow-up to the ongoing water sector budget support programme), a project approach and a blending of financial instruments in cooperation with other donors, including Member States, the European Investment Bank and other development banks. Possible complementary support, especially for interventions with a regional dimension, should be sought from the 11<sup>th</sup> EDF regional programme, ACP-EU Water Facility and the EU- Africa Infrastructure Trust Fund.

### ***1.2.2 Sector 2 - Energy***

Access to modern and sustainable energy is a prerequisite for economic growth and poverty alleviation. Energy is critical to the provision of basic needs (cooking, heating, and lighting, etc.), makes productive activities (manufacturing, industry, commerce, agriculture) possible and stimulates the creation of employment opportunities. Inadequate access to energy constitutes a significant obstacle to poverty reduction and food security and the development of the enterprise sector. An improved energy supply can expand agricultural processing and agricultural land under irrigation, thereby improving productivity.

As with water, Lesotho's has a strong potential for the generation of electricity from renewable sources. A more developed energy sector can be a vector of transformation, both in urban and rural areas. To take advantage of the potential for sustainable power generation, the NSDP identifies three objectives for the sector:

- Increase energy generation to attain self-sufficiency, with the possibility of exporting clean energy;
- Expand access to electricity for industry, commercial centres and households; and
- Promote energy conservation and efficiency.

The close linkages between water, energy and food security, as part of Lesotho's "water-energy- labour" nexus, stands for an integrated approach of the EU's co-operation with Lesotho; an approach that supports inclusive socio-economic development that takes into account environmental issues.

Support to the energy sector will not only be a benefit to the main urban areas, it will also support the use of renewable energy by household and for agricultural purposes in remote areas.

However, while the Government gives high importance to initiatives that exploit the renewable energy potentials, the development of an overarching policy environment and a strengthening of the institutional

framework is the first priority. First steps in this direction have been undertaken under the 10<sup>th</sup> EDF Global Climate Change Alliance (GCCA) programme. The 11<sup>th</sup> EDF energy programme must build on such experiences thereby contributing to a more solid policy environment and more effective governance and planning.

The possibility for mobilising innovative financial instruments for the energy sector is high. The EIB has already expressed interest. The modalities for 11<sup>th</sup> EDF interventions in the energy sector could include a combination of sector reform contracts, a project approach and a blending of financial instruments in cooperation with other donors, including Member States, the European Investment Bank and other development banks. Possible complementary support, especially for interventions with a regional dimension, should be sought from the 11<sup>th</sup> EDF regional programme, ACP-EU Energy Facility and the EU-Africa Infrastructure Trust Fund.

### *1.2.3 Sector 3 - Governance*

A key goal of Vision 2020 is that Lesotho will be a stable democracy where the principles of good governance are anchored on respect for human rights, the rule of law, political openness, participation and tolerance. To attain this goal, the government is focussing on those areas that influence the government's core services' results and facilitate a more structured approach to economic and social development. EU support in the area of governance will complement the government's initiatives, building on the experiences of the 9<sup>th</sup> and 10<sup>th</sup> EDF. The particular focus of such support will be:

- Improved public sector management and service delivery: Support for this pivotal aspect of governance is justified by the strong interrelationship between the quality of public sector services, economic growth and poverty reduction.
- As part of a strengthening of public service delivery, support would be given to Government's commitment to pro-poor social protection through providing social welfare to the most vulnerable segments in Basotho society and in particular vulnerable children. This support would safeguard the momentum achieved under the 10th EDF, thereby contributing to increased efficiency and sustainability of social assistance interventions.
- The Rule of Law: the NDSP emphasises the need for a clear and predictable legal and regulatory environment that is characterised by the rule of law and an independent, impartial and efficient judiciary. In recognition of this emphasis and the premise that governance is multidimensional and is dependent on the successful interaction of the three arms of government (Executive, Judiciary and Legislature), a continuation of 10th EDF support to strengthening the role and performance of Lesotho's Justice Sector could be appropriate. A more efficient judiciary has also an important impact on economic growth and job creation: this deserves special consideration .
- Protection of the rights of Lesotho's people: In the years following the 1998 General Elections, Lesotho has made substantial progress towards representative and inclusive governance. To build on this progress and strengthen the abilities of the legislature and other agencies to perform their oversight function, support would target the capacity of Parliament and its complementary agencies. The timing should take into account the elections to be held in 2017;
- Increasing the capacity of the Government to look after its own capacity maintenance and development. The Lesotho Institute of Public Administration (LIPAM) is a key actor and its further development is an essential governance pre-requisite.

In view of the varied, cross-cutting and specific nature of governance support, the project approach, including twinning, is the most appropriate means of implementation.

## 2. FINANCIAL OVERVIEW (INDICATIVE AMOUNTS)

The indicative allocation for the 11<sup>th</sup> EDF envelope of EUR 142 million in support of the priority sectors is as follows:

<b>Water</b>	<b>±55 percent or 78 million EUR</b>
<b>Energy</b>	<b>±20 percent or 28 million EUR</b>
<b>Good governance</b>	<b>±15 percent or 22 million EUR</b>
<b>Other measures; support to civil society</b>	<b>±5 percent or 7 million EUR</b>
<b>Support measures</b>	<b>±5 percent or 7 million EUR</b>

In order to support investments in economic infrastructure, SADC regional 11<sup>th</sup> EDF funds may be accessed and the EU response and National Indicative Programme may be complemented by operations financed by the EIB from the Cotonou Investment Facility and/or its Own Resources. Furthermore, additional funding might be available from the EU-Africa Infrastructure Trust Fund; the ACP-EU Energy Facility, the ACP-EU Water Facility and DCI Budget Lines.

## 3. EU SUPPORT PER SECTOR

### 3.1. Water (indicative amount EUR 78 million - ± 55% of the NIP)

3.1.1 Developing the water infrastructure, is a necessity to enable Lesotho's long-term growth. The EU's support to the water sector is derived from the specific objectives identified in the NSDP. The latter considers as the overall objective for the water sector the expansion of water and sanitation distribution services to industries, commercial centres, households and other institutions.

This objective is confirmed in the Long-Term Strategy for the Water and Sanitation Sector (LTSWSS), which identifies the specific objectives for the sector's development as follows:

- The development and management of Lesotho water resources in order to maximise socioeconomic benefits, without compromising its sustainability ;
- Rural, peri-urban and urban areas have access to secure, affordable water supplies and improved sanitation;
- Effective adaptation to climate change, mitigating or preventing any negative consequences that it may have on the people of Lesotho.

3.1.2. The EU's support to the water sector is derived from these specific objectives. Cooperation under the 11<sup>th</sup> EDF would mainly result in the following:

- The sustainable management of Lesotho's water resources through a process of water resource management based on integrated catchment conservation and management;
- Increased access to secure, safe and affordable water supplies and improved sanitation, in particular:
  - o The further development of a secure, safe and affordable water supply for human consumption, commercial and industrial development;
  - o The development of water and sanitation infrastructure in areas where bulk water supply methods are not a practical or economically feasible option. The possible alternatives include environmentally sensitive and sustainable water harvesting technologies; small scale irrigation schemes; small scale gravity schemes and well/spring protection;
- The national climate change strategy addressing the impact emanating from climate change through

the implementation of mitigating measures is approved and implemented according to milestones set. The scope of the strategy would have a multi-country dimension, including the implications of climate change for the neighbouring parts of South Africa and the Senqu/Orange/Vaal watershed.

3.1.3. The end-of-term review of the Lesotho Water and Sanitation Programme<sup>3</sup> pointed out that the Lesotho Water Sector Information Management System (LWSIMS) is no longer operational. The review noted that the LWSIMS provided a sound basis for monitoring the sector's performance in terms of both quantifiable and non-quantifiable indicators. In the absence of data from the LWSIMS, the initial indicators used for 11<sup>th</sup> EDF support to the sector are gauged in terms of process and output indicators. The main indicators for measuring the aforementioned results are contained in the sector intervention framework attached in Attachment 3.

To redress the loss of the LWSIMS, a facility for monitoring and evaluation making use of GIS technology is being developed with 10<sup>th</sup> EDF assistance. The 11<sup>th</sup> EDF programme will continue to build on this intervention. This would form an integral part of the broader monitoring of catchment management and climate change. During the identification and preparation of interventions under this sector, there will be a continuing definition of the expected results, particularly with regard to refining the outcome, output and intermediate process indicators.

3.1.4. Donor coordination and policy dialogue: To coordinate and inform donors involved in the sector, a Water and Sanitation Sector Co-ordination group (WSSCG) chaired by a senior official meets every three months. Representatives of institutions concerned with management of the water sector attend the meeting. In addition to the WSSCG, policy dialogue for the sector takes place at the Joint Annual Review of the Water Sector Budget Support Programme. At a more global level, donors meet regularly at the Development Partners Consultative Forum (DPCF) to discuss common issues and upcoming projects. While a formal system of designating a lead donor for specific sectors is not operational in Lesotho, the Ministry of Development Planning (MoDP) is finalising a Partnership Policy for Aid Effectiveness.

3.1.5. The Government's financial and policy commitments: The Government of Lesotho recognises that Lesotho's future depends on the development of the water sector. The sector is thus given particular significance in the NSDP, a factor that is reinforced by the development of the LTSWSS and the allocation to water projects of approximately LSL 3.4 billion, or 47% of the total resources allocated to the ten highest priority capital projects over the period 2012/13 to 2014/15.

3.1.6 Environmental assessment: In 2012 a country environmental profile (CEP) for Lesotho was prepared with EU assistance. The conclusions of the CEP were that the LTSWSS, through the adoption of an integrated catchment conservation and management approach, had the potential to significantly address key environmental concerns. However, the CEP did note that the past policies for water management especially the Lesotho Highlands Development Project (LHDP) could have a significant environmental impact. With the implementation of measures of Catchment Conservation Plans prepared under the 11<sup>th</sup> EDF, the adverse environmental of all large dams, existing and planned, will be addressed.

3.1.7. A global overall risk assessment of an intervention in the water sector suggests that the most significant risk is of a political nature. Consistent political support is essential for the initial development and the subsequent sustainability of the Government of Lesotho's strategies and programmes in the water sector. A lack of political will to pursue policy innovations and to introduce a sector wide strategy based on integrated catchment conservation and management will inevitably lead to implementation challenges. Actions of Government that give due emphasis to the water sector as the main priority in its economic, social and environmental agenda, and to the importance of adopting an integrated catchment management approach

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<sup>3</sup> 9<sup>th</sup> EDF Lesotho Water & Sanitation Programme (9 ACP LSO 005) - End of Term Review; Consortium SAFEGE - September 2013

should mitigate this risk.

Further to the political risks, the lack of human and institutional capacities has to be taken into account. Moreover, possible resistance to catchment conservation measures cannot be ignored. Alleviating these risks requires that the Government gives high priority to ensuring that its institutional capacity is adequate and that a robust communication strategy is developed. The 11<sup>th</sup> EDF programme will address these issues through supporting the Government in the preparation of implementation plans that are supported by relevant risk management.

As Lesotho makes up a significant portion of the headwaters of the Orange/Senqu river system, there is a need to ensure impacts that actions undertaken in Lesotho do not contravene commitments made under the Revised SADC Protocol on Shared Watercourses and the Orange Senqu River Commission (ORASECOM) Agreement. Regular contact with ORASECOM should ensure that any activities undertaken would not require a revision of either agreement.

### **3.2. Energy (indicative amount EUR 28 million - ± 20 % of NIP)**

3.2.1 The overall objective for cooperation in the energy sector is to provide Lesotho's people and productive sectors with access to a modern, clean, affordable, sustainable and reliable energy supply.

The specific objectives leading to this overall goal consistent with the NSDP are:

- Effective and sustainable governance of the energy sector at the national level;
- A more sustainable and cleaner energy sector providing universal access to modern, affordable and reliable energy with a reduced reliance on biomass.

3.2.2 The expected results are as follows:

- An effective governance and regulatory framework that allows the sector to exploit Lesotho's potential for clean and renewable energy production in an equitable, responsive and accountable way thereby contributing to Government's strategy for increased economic growth;
- Increased secure supply and access to affordable, reliable and high quality electricity for domestic, industrial and agricultural uses.
- Increased use of energy saving methods (cooking etc.) in those areas without access to electricity.

3.2.3 The main indicators for measuring the aforementioned results are contained in the sector intervention framework attached in Attachment 3.

3.2.4 Donor coordination and policy dialogue: A system of sector specific donor co-ordination is yet to be developed for the energy sector. Currently, coordination takes place in an ad hoc nature between actors operating in the sector. The EU's ongoing budget support programme on climate change will establish a sector working group of which many members have an expertise on renewable energy issues. Once this structure has been set up, it will provide a firm basis for sector coordination.

3.2.5 The Government's financial and policy commitments: The main objectives, results and indicators for the 11<sup>th</sup> EDF NIP are derived from the NSDP. A renewable energy policy is currently being finalised and should be adopted by 2014, with implementation to follow. The Ministry of Energy, Meteorology and Water Affairs (MoEMWA) is aware of weaknesses in the policy environment and institutional framework for the energy sector and will update the draft 2003 Energy Policy. The National Environmental Policy and the National Forestry Policy also contain policy objectives linked to the energy sector.

3.2.6 Environmental Assessment. The conclusions of the 2012 CEP identified energy generation as an environment sensitive area and recommended to prepare a Strategic Environmental Assessment (SEA). Ownership of the SEA will be promoted within Government together with training on the SEA and its usage.



The SEA would focus on: the adequacy of the environmental regulatory framework for addressing potential environmental impacts associated with the introduction of new technologies; the degree to which energy policy promotes opportunities to reduce pressures on the environment; capacities to implement environmental safeguards; the degree to which the energy sector integrates the expected effects of climate change; and the extent to which energy policy promotes the use of low carbon technologies.

3.2.7 Overall risk assessment: As with the water sector, the main risk concerns political commitment. This is critical both for the initial development and the subsequent sustainability of the government's development programmes in the sector. A lack of political commitment to pursue both current policy innovation and other reforms would affect implementation. The development of a solid policy, regulatory and legal framework for the sector should mitigate this risk and facilitate investment in the energy sector.

The catchment conservation and management proposed for the water sector will address the risks for the environment. This should allow a better assessment of the possibilities for sustainable water harvesting as well as energy generation.

### **3.3. Governance (indicative amount EUR 22 million - ± 15 % of NIP)**

3.3.1 Effective governance in its political, economic, social and environmental dimensions is vital for inclusive and sustainable development. Vision 2020, the NSDP and the "*Agenda for Change*" underline the importance of this. In the field of good governance, the 11<sup>th</sup> EDF programme aims to:

- Contribute to enhancing the capacity of the public sector, in particular in playing its strategic role in shaping the growth and success of the nation's economy;
- Contribute to enhancing the capacity of the justice sector to deliver fairly and timely;
- Contribute to enhancing the performance of agencies mandated with critical oversight functions (Parliament, Ombudsman, Independent Electoral Commission, DCEO, LEWA etc)

The overall objective for support in the area of governance will be the more efficient and cost effective provision of public goods and services.

The specific objectives of the support to the governance sector are:

- To establish effective public financial management practices leading to fiscal discipline and fairness, the effective targeting of resources; operational cost efficiency and the delivery of services that is governed by evidence-based, results-oriented management;
- To improve public service delivery through reforming and strengthening public sector administration and the introduction of modern management processes to the Lesotho public service;
- To ensure a well functioning internal system of capacity building (LIPAM) targeted to the needs of an efficient and effective modern administration.
- To improve the performance of the justice sector in terms of the fair, timely and efficient delivery of justice and the fight against corruption;
- To enhance the oversight and scrutiny of the performance of the public service and its institutions;

3.3.2 The expected results of support to the governance sector are:

- Improved public finance management will result in a credible and compliant budget and financial management process in which the business of government is managed through efficient revenue collection, transparent procurement, efficient financial administration and result-based budgeting within medium term fiscal and expenditure frameworks (MTFF/MTEF);

- The result of an intervention in support of public sector reform will be a disciplined, professional and motivated public service providing services to all sectors of Lesotho society in an efficient and cost effective manner. The realisation of this result would be based on the implementation of a structured and sequenced medium-term plan for the transformation of the public service, the first phase of which would be the Public Service Strategic Plan 2013-2016. The coverage of the plan includes: performance based assessment; measures for combating corruption; and the development of human capital within the public sector through a reformed and strengthened Lesotho Institute for Public Administration and Management (LIPAM) as the designated entity for public sector capacity building;
- As part of improved public service delivery, 11th EDF support will consolidate the work started under the 9th and 10th EDF in support of Government's policies for providing welfare assistance to vulnerable households and individuals.
- Both the Agenda for Change and the NSDP emphasise the rule of law as a key factor in strategies targeting economic growth, the protection of human rights and the eradication of poverty. In support of a professional, accessible and impartial justice Sector, the 11th EDF will expand and consolidate activities that strengthen the rule of law. In this context and given that sustainable capacity building is a long-term process, the 10th EDF targets of an independent, accountable and transparent Judiciary fairly and efficiently dispensing justice and combating corruption remain valid.
- An essential parliamentary role is the oversight of the executive. Parliament's capacity to carry out this oversight function is a key determinant of good governance. Being aware that the public sector is subject to scrutiny provides an incentive for accountability. Consequently, the result of 11th EDF support given to the Lesotho Parliament should be greater, transparency, openness and accountability of the executive. Special attention will be given to those committees responsible for the oversight of the government policy in the focal sectors of our support. As a corollary to this result, complementary support provided to the Independent Electoral Commission will contribute to upholding the rights of the people of Lesotho in selecting its representatives in a free and fair way.

3.3.3 The main indicators for measuring the aforementioned results are contained in the sector intervention framework attached in Attachment 3.

3.3.4 Donor coordination and policy dialogue: Donor coordination in the area of governance is primarily carried out through the Improvement and Reform Steering Committee (IRSC), which is concerned with progress in public sector reform. This forum is complemented by GoL-EU governance dialogue and the decentralisation coordination group that meets regularly. Government Ministers and high ranking officials are open to policy discussions with the Head of Delegation as and when needed. Close coordination on PFM reform is maintained with the Bretton Woods institutions.

3.3.5 The Government's financial and policy commitments of Vision 2020 and the NSDP identify improved public sector performance as a priority. The measures foreseen include comprehensive public administration reform, organisational restructuring, decentralisation, personnel performance management, public finance reform and regulatory reform.

3.3.6 Overall risk assessment. Specific (political) risks can compromise the impact and the results of the 11<sup>th</sup> EDF support to the governance sector. Because of the nature of interventions, the governance sector is even more vulnerable than other sectors. Weaknesses in the oversight by relevant bodies can be exacerbated by a lack of commitment to oversight and independent scrutiny; the latter is a real risk to governance interventions. Such weaknesses and the impact they can have on the nation's objectives for economic development can only

be addressed through closely managed programmes of focused support to capacity building. Ownership and commitment of beneficiaries is therefore essential. It also requires robust monitoring and implementation systems. Confidence building measures, enhanced dialogue and regular risk assessments are the best mitigating measures to address the (political) risks of engaging in the governance sector.

#### **4. OTHER MEASURES IN SUPPORT OF NSAS**

An indicative amount of EUR 7 million may be set aside for support to civil society organisations <sup>4</sup>. The strategies elaborated in Vision 2020 and NSDP consider that a strong partnership between Government and civil society is a necessity. Civil society can make an effective contribution to Lesotho's development through advocacy and in the fight against poverty. Building on the experiences of previous EDF support to civil society organisations, the 11<sup>th</sup> EDF programme focuses on further strengthening the capacity of civil society to engage as an effective partner. Strengthening the competence and expertise of civil society organisations is needed in areas such as: effective engagement with the Government in a structured dialogue; monitoring Government public service delivery performance, participate in the design, implementation and monitoring of gender-sensitive and sustainable policies linked to the focal sectors of our cooperation; water and energy, including key transversal issues such as climate change and food security.. The envisaged measures include: technical assistance to develop capacity of civil society organisations, grants; intra-regional cooperation; twinning and the exchange of best practices.

#### **5. SUPPORT MEASURES**

An indicative amount of maximum EUR 7 million will be set aside for support to the identification and formulation of actions that will be implemented under the 11<sup>th</sup> EDF. Assistance will also be provided responding to analytical and advisory needs, including policy advice on key strategic issues. The latter will be highly relevant in the context of preparing policy documents once the current NSDP and the Vision 2020 document come to an end. To meet this requirement and to examine the opportunities for regional cooperation, North-South and South-South cooperation or "twinning" arrangements, the blending of implementation modalities and greater private sector involvement, 11<sup>th</sup> EDF funds would be made available through a Technical Cooperation Facility (TCF) and through support to the Office of the National Authorising Officer.

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<sup>4</sup> Civil society organisations are defined as government's social and economic partners, the private sector, labour unions and other civil society organisations in all their different forms.

**ATTACHMENT 1 - LESOTHO AT A GLANCE**

<b>General Information</b>				
<b>Area (Sq. Km)</b>	30,355 sq km			
<b>Geography</b>	Landlocked, completely surrounded by South Africa; mountainous with more than 80% of the country >1,800 m above sea level			
<b>Climate</b>	Temperate; cool to cold, dry winters; hot, wet summers			
<b>Natural resources</b>	Water, diamonds, building stone			
<b>Land Use (% of land area)(2011)</b>	Arable land: 10.14% ; Permanent crops: 0.13% ; Forest: 1.46 %			
<b>Natural Hazards</b>	Periodic droughts, frosts for three to six months of the year, depending on altitude			
<b>Environment - current issues</b>	Population pressure forcing settlement in marginal areas which results in: overgrazing, severe soil erosion and soil exhaustion. Highlands Water Project controls, stores and redirects water to South Africa			
<b>Population (de jure 2011)</b>	1,894,194			
<b>Age structure</b>	0 - 14 years 33.1 %			
	15 - 54 years 56.3 %			
	>55 years 10.5 %			
<b>Urban population (2011)</b>	27.6 %			
<b>Rate of urbanisation</b>	3.57 % (2010 - 2015 estimate)			
<b>Government type</b>	Parliamentary constitutional monarchy			
<b>Legal system</b>	Mixed legal system of English common law and Roman-Dutch law; judicial review of legislative acts in High Court and Court of Appeal			
<b>Suffrage</b>	18 years of age; universal			
<b>Macroeconomic Indicators</b>	<i>1990</i>	<b>2000</b>	<b>2005</b>	<b>2012</b>
<b>GDP current prices (US \$ billions)</b>	0.544	0.771	1.37	2.45
<b>Annual per cent change in GDP, constant prices</b>	5.64	5.14	2.70	3.96
<b>GDP per capita (current US\$)</b>	341	415	710	1,193
<b>Net Official Development Assistance as % GNI</b>	15.4	3.6	3.6	9.1 (2011)
<b>Net Aid in flows from bilateral donors (US\$ millions)</b>	99.4	32.0	46.0	197.5 (2011)
<b>Net inflows from UN Agencies (US\$ millions)</b>	15.1	4.2	9.8	7.8 (2011)
<b>Personal remittances, received (current US\$ millions)</b>	427.9	478.1	599.4	649.3 (2011)
<b>Annual per cent change in Consumer Prices</b>	11.6	6.1	3.4	6.1
<b>Tax revenue (% of GDP)</b>	39.6	36.1	46.2	58.7 (2008)

<b>Government Expenditure as % GDP</b>	<b>25.6</b>	<b>35.4</b>	<b>36.7</b>	<b>38.1</b>	
<b>Industry, value added (% of GDP)</b>	<b>34.1</b>	<b>30.4</b>	<b>33.0</b>	<b>34.6</b>	
<b>Manufacturing, value added (% of GDP)</b>	<b>14.5</b>	<b>13.5</b>	<b>19.4</b>	<b>12.3</b>	
<b>Agriculture, value added (% of GDP)</b>	<b>24.7</b>	<b>11.9</b>	<b>9.0</b>	<b>7.4</b>	
<b>Services as % of GDP</b>	<b>41.1</b>	<b>57.6</b>	<b>57.9</b>	<b>58.0</b>	
Governance Indicators					
<b>(Estimate and Rank) *</b>	<b>1996</b>	<b>2000</b>	<b>2005</b>	<b>2012</b>	
<b>Voice and accountability</b>	<b>-0.53/33</b>	<b>-0.35/39</b>	<b>-0.16/45</b>	<b>0.04/52</b>	
<b>Political Stability - No Violence</b>	<b>0.12/49</b>	<b>-0.02/43</b>	<b>0.02/47</b>	<b>0.25/56</b>	
<b>Government Effectiveness</b>	<b>-0.14/52</b>	<b>-0.17/49</b>	<b>-0.17/50</b>	<b>-0.54/32</b>	
<b>Regulatory Quality</b>	<b>-0.37/37</b>	<b>-0.39/34</b>	<b>-0.65/25</b>	<b>-0.54/32</b>	
<b>Rule of Law</b>	<b>0.00/51</b>	<b>0.04/53</b>	<b>-0.16/47</b>	<b>-0.29/46</b>	
<b>Control of Corruption</b>	<b>-0.47/36</b>	<b>-0.12/57</b>	<b>0.18/56</b>	<b>0.11/62</b>	
Socio-economic Indicators					
<b>Human Development Index</b>	<b>Index Rank</b>	<b>2000</b>	<b>2005</b>	<b>2010</b>	<b>2012</b>
		<b>0.423</b>	<b>0.404</b>	<b>0.452</b>	<b>0.461</b>
		<b>132</b>	<b>138</b>	<b>141</b>	<b>158</b>
<b>Population (millions)</b>		<b>1.597</b>	<b>1.856</b>	<b>1.880</b>	<b>1.894</b>
<b>Population Growth Rate (annual %)</b>		<b>1.74</b>	<b>0.99</b>	<b>0.72</b>	<b>0.13</b>
<b>% Population on &lt;\$1.25 per day</b>		<b>56.4 (1993)</b>	<b>43.4 (2003)</b>		
<b>% Urban population with access to improved water source</b>		<b>95 (1990)</b>	<b>94 (2000)</b>		<b>91 (2010)</b>
<b>% Rural population with access to improved water source</b>		<b>78 (1990)</b>	<b>76 (2000)</b>		<b>73 (2010)</b>
<b>Improved sanitation facilities (% of rural population with access)</b>		<b>24 (1994)</b>	<b>25 (2000)</b>		<b>26 (2010)</b>
<b>Improved sanitation facilities (% of urban population with access)</b>		<b>38 (1994)</b>	<b>37 (2000)</b>		<b>32 (2010)</b>
<b>Access to electricity (% of population)</b>			<b>16 (2009)</b>		<b>29 (2013)</b>
<b>Adult literacy rate (% ages 15 and above)</b>			<b>86.2 (2000)</b>		<b>89.6 (2010)</b>
<b>Youth Literacy Rate (% ages 15 - 24)</b>			<b>90.9 (2000)</b>		<b>91.9 (2010)</b>
<b>% Net primary enrolment ratio</b>		<b>70.6 (1990)</b>	<b>76.2 (2000)</b>		<b>75.0 (2010)</b>
<b>Mean years of schooling (adults aged 25 years and above)</b>		<b>4.42 (1990)</b>	<b>4.90 (2000)</b>		<b>5.77 (2010)</b>
<b>Expected years of schooling - primary to tertiary</b>		<b>9.48 (1990)</b>	<b>9.87 (2000)</b>		<b>10.26 (2010)</b>
<b>Under-five mortality rate per 1,000 live births</b>		<b>87.5 (1990)</b>	<b>117.3 (2000)</b>		<b>86 (2011)</b>
<b>Maternal mortality ratio per 100,000 live births</b>		<b>520 (1990)</b>	<b>762 (2004)</b>		<b>1,200 (2009)</b>
<b>% Children &lt; 5 years under weight for age</b>		<b>13.8 (1992)</b>	<b>15 (2000)</b>		
<b>HIV prevalence - % ages 15 - 49 years</b>		<b>0.8 (1990)</b>	<b>23.9 (2000)</b>		<b>23.3 (2011)</b>
<b>Antiretroviral therapy coverage (% of people with advanced HIV infection)</b>			<b>50 (2009)</b>		<b>58 (2011)</b>

<b>Tuberculosis per 100,000 people</b>	<b>184 (1990)</b>	<b>553 (2000)</b>	<b>632 (2011)</b>
<b>Tuberculosis treatment success rate under DOTS, percentage</b>	<b>No data</b>	<b>71 (2001)</b>	<b>69 (2010)</b>
<b>Life expectancy at birth - in years</b>	<b>59.3 (1990)</b>	<b>47.6 (2000)</b>	<b>47.9 (2011)</b>

*\* Estimate = Estimate of governance performance (ranges from approximately -2.5 (weak) to 2.5 (strong) governance) Rank = Percentile rank among all countries (ranges from 0 (lowest) to 100 (highest) rank)*

*Source: UNDP Human Development Report 2013; World Bank Data Catalogue- World Development Indicators 2013; Government of Lesotho Bureau of Statistics website 2013*

ATTACHMENT 2 - LESOTHO DONOR MATRIX

Donor - Sector	Education and Skills Development	Road Transport Infrastructure	Governance (Human Rights, Justice, Public Administration, Democracy)	Agriculture and Rural Development	Trade, Industry and Tourism	Health	Water	Energy	Environment, Wildlife and Natural Resources	General Budget Support	Other, including Non-State Actors, Private Sector	Totals
Loan Funding												
African Development Bank	13.2							16.9				30.1
EIB							154.3	5.0				159.3
World Bank/IDA	24.1	49.0		14.2	25.9	22.4	52.0					187.6
IFAD				12.8								12.8
OPEC					10.7	2.2	38.0					50.9
BADEA					8.0		26.9	10.6				45.5
Kuwait Fund							29.9					29.9
Total Loan Funding	37.3	49.0		27.0	44.6	24.6	301.1	32.5				
Grant Funding												
EU/EDF			14.0				32.0			92.6	10.0	148.6
IrishAid												
BMZ (GIZ+KFW)			8									8
USA/Millennium Challenge Corporation							94.0					94.0
World Bank/IDA												
African Development Fund												
GEF												
UN Family				12.3								12.8
Global Fund						176.6						
Total Grant Funding			22	12.8		176.6	126.0			92.6	10	176.6
Grand Total	37.3	49.0	22	39.8	44.6	201.2	427.1	32.5		92.6	10	

Note: Data on Donor Loan and Grant portfolios is incomplete. Amounts shown are indicative. Shading represents level of donor involvement in 2011 = Major donor involvement in sector O = Significant donor involvement

Above figures do not include EU Flex payments

Sources: Cooperating Partner/Donor Agency reports and databases - October 2013

### ATTACHMENT 3 - SECTOR INTERVENTION FRAMEWORK<sup>5</sup>

<b>Inclusive and Sustainable Growth for Human Development</b>	
Sector 1 - Water : Expand secure water supply and sanitation services to industries, commercial centres, households and other institutions	
Specific Objective 1 <i>The development and management of Lesotho's water resources in order to maximise socio-economic benefits, without compromising the sustainability of vital environmental systems</i>	
Expected Results	Means of verification
1.1. The sustainable management of Lesotho's water resources	CoW reports MoEMWA reports
Indicators	
1.1.1 Legal framework specifying roles and responsibilities of the institutions and bodies involved in the production and delivery of water and supply of sanitation services adopted and implemented	
1.1.2 Catchment Conservation Plans prepared, adopted and implemented for the six designated catchment areas	
1.1.3 The completion and implementation of a water resources and sanitation master plan for those areas that are underserved with secure water and improved sanitation. The plan would identify the recommended options for providing the populations in these areas with water and sanitation services	
Specific Objective 2 <i>Rural, peri-urban and urban households have access to secure, safe and affordable water supplies and improved sanitation</i>	
Expected Results	Means of verification
The development and distribution of a secure, safe and affordable water supply for human consumption, commercial, industrial and agricultural development	Government Gazette CoW reports BoS surveys and annual statistical reports
Indicators	
2.1.1 Proportion of persons living in Lesotho with access to reliable and safe water supply (rural, peri-urban and urban measured separately)	
Indicator: Access to Dined water:	
Baseline: Urban 72% Rural 59 % (2011/12)	
Target: Urban and peri-urban 100%	
Rural: To be determined following completion of Master Plan - will be dependent on sources of supply and settlement patterns	

<sup>5</sup> Indicators are largely selected from the indicator framework of the NSDP. Currently an M&E framework has been developed for the NSDP and it is expected that this will be approved by Cabinet in the coming months. Targets, dead line and intermediate bench marks will be selected once the M&E framework has been approved.



Expected Results	Indicators	Means of verification
2.2 The development and distribution of a secure, safe and affordable water supply for human consumption and commercial and industrial development (continued)	<p>2.2.1 Proportion of persons living in Lesotho with access to improved sanitation services (rural, peri-urban and urban measured separately)</p> <p>Indicator: Households with no sewage facilities: Baseline: Urban 9% Rural 80% Target: Urban 0% Rural 50%</p> <p>2.2.2 Net increase in the number of jobs in the manufacturing sector:</p> <p>Indicator: Net Increase in N° jobs @ end of year Baseline: 45,622 persons employed in manufacturing (2012 4<sup>th</sup> Qtr) Target: Net increase of 10,000 jobs per year</p> <p>2.2.3 Increase in area under irrigation</p> <p>Indicator: Area under irrigation Baseline: Irrigated area: 1,100 ha (2011) Target: To be decided</p>	Government Gazette CoW reports BoS surveys and annual statistical reports
2.3 The development of water and sanitation infrastructure in areas where bulk water supply methods are not a practical or economically feasible option	<p>2.3.1 Number of households living in underserved areas with secure, safe water supply and sanitation services</p> <p><i>Baseline and target data to be developed at project implementation</i></p>	CoW and MoEMWA reports BoS surveys
<b>Specific Objective 3: Effective adaption to climate change, mitigating or preventing any negative consequences that it may have on the people of Lesotho</b>		
<b>Expected Results</b>		
<b>3.1 Climate Change Strategy implemented</b>		
<b>Indicators</b>		
3.1.1	Climate change policy and strategy adopted and implemented as part of the Catchment Conservation and Management Process	MoEMWA reports CoW reports
3.1.2	Implementation of an effective data management system for monitoring and evaluating water resource and catchment management that is coordinated with other countries and relevant institutions	CoW reports
<b>Sector 2 - Energy</b>		
<b>Specific Objective 1 <i>Effective governance of the Energy Sector</i></b>		
1.1 An energy sector that provides its services in an equitable,	1.1.1 Energy sector policy and long-term Sector Plans approved and implemented	MoEMWA reports

responsive and accountable fashion with sound management practices and increased competition	1.1.2 Legal framework specifying roles and responsibilities of the institutions and bodies involved in generation and distribution of electricity adopted and implemented	
Specific Objective 2 <i>Lesotho's people and productive sectors have access to modern, affordable and reliable energy supply</i>		
Expected Results		
2.1 Security of supply and increased access to affordable, reliable and high quality electricity for domestic, industrial and agricultural use.	<p>2.1.1 Increase in the number households connected to electricity</p> <p>Indicator Percentage of households connected to electricity: Baseline: 29% (September 2013) Target: 40% (2020)</p> <p>2.1.2 Increase in the number of commercial and industrial consumers connected to electricity</p> <p>Indicator: Number of commercial and industrial consumers Baseline: 352 (2010)</p> <p>2.1.3 Increase in amount of electricity generated in Lesotho Indicator: Meeawatt hours generated per year Baseline: 500,580 Megawatt hours generated (2010) Department of Energy to provide 2012 figures</p> <p>2.1.4 Reduced use of biomass for household consumption (cooking) Baseline 75.6% of rural population (2010)</p> <p>Source for Baseline: Environment and Energy Statistics Report BoS, August 2012 Department of Energy Statistics 2013</p>	Means of verification BoS surveys

<b>Human Rights, Democracy and Good Governance</b>		
Sector 3 - Governance		
Specific Objective 1 - Effective Public Finance Management		
Expected Results		
1.1 Credible and compliant budget and finance management.	1.1.1 All future Public Expenditure and Financial Accountability (PEFA) Assessment scores/ratings will improve significantly and demonstrate evidence of a sustained upward trajectory.	Means of verification PEFA Assessment Report (Next Assessment due 2015)

	<p>Annual and periodic progress reports of PFM Action Plan implementation</p>
<p>Specific Objective 2 Improved public service delivery through reforming and strengthening public service administration and the introduction of modern management processes</p> <p>Expected Results</p> <p>Indicators</p> <p>Means of verification</p>	<p>Baseline PEFA Scores 2012:</p> <p>PFM Out-turns: credibility of the budget  PI-4 Stock and monitoring of expenditure payment arrears NR Key cross-cutting issues:  Comprehensiveness and Transparency B  PI-6 Comprehensiveness of information included in budget documentation B PI-10 Public access to key fiscal information D Budget Cycle Policy-based Budgeting  PI-11 Orderliness and participation in the annual budget process B+ PI-12 Multi-year perspective in fiscal planning, expenditure policy and budgeting B Predictability and Control in Budget Execution  PI 16 Predictability in the availability of funds for commitment of expenditure D+ PI 17 Recording and management of cash balance, debt and guarantees B PI 18 Effectiveness of payroll controls D PI 19 Competition, value for money and controls in procurement D+ PI 20 Effectiveness of internal controls for non-salary expenditure D+ Accounting, Recording and Reporting  PI 22 Timeliness and regularity of accounts reconciliation D PI 24 Quality and timeliness of in-year budget reports D+ PI 25 Quality and timeliness of annual financial statements D External Scrutiny and Audit  PI 26 Scope, nature and follow-up of external audit D+ PI 27 Legislative scrutiny of the annual budget laws C+ PI 28 Legislative scrutiny of external audit reports D+</p> <p><i>Note: The 2012 PEFA assessment noted extensive weaknesses in the data available. It is expected that the 2015 assessment together with regular review of the PFM Reform Action Plan 2012 - 2017/18 will provide additional and more accurate indicators of performance over time</i></p>

<p>2.1 A disciplined, professional and motivated public service providing its services to all sectors of Lesotho society in an efficient and cost effective manner</p>	<p>2.1.1 <i>In the absence of domestic measures of performance and public satisfaction with services provided, indicators will be taken from the World Bank's governance indicators, which provide indices of governance performance (ranges from approximately -2.5 (weak) to 2.5 (strong) governance)</i></p> <p>Indicator 2000 2011 (Baseline year) Government Effectiveness - 0.17 - 0.54 Regulatory Quality - 0.39 - 0.54</p> <p>Note:</p> <p>Governance Effectiveness - Reflects perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.</p> <p>Regulatory Quality - Reflects perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development. <i>The definition of additional Public Service Improvement baseline and performance indicators would be developed at the time of preparing 1<sup>st</sup> EDF intervention in governance</i></p> <p>2.1.2 Improved public service delivery will also contribute to the universal coverage of vulnerable households and individuals under GoL social protection schemes.</p> <p>Indicator: NISSA Re2ister covera2e Baseline: 3 Districts (2013) Target: 10 Districts</p> <p>Indicator: Covera2e Cash Grants Pro2ramme Baseline: 3 Districts (2013) Target: 10 Districts</p>	<p>World Bank - World Governance Indicator Reports</p> <p>UNICEF/Government Reports</p>
<p>Specific Objective 3 A professional, accessible and impartial Justice Sector delivering fair, timely and efficient justice and effectively combatting corruption</p> <p>Expected Results</p> <p>3.1 An independent, accountable and transparent Judiciary fairly and efficiently dispensing justice and combatting corruption</p> <p>Expected Results</p>	<p>Indicators</p> <p>3.1.1 <i>In the absence of domestic measures of performance, indicators will be taken from the World Bank's governance indicators</i></p> <p>Indicator 2000 2011(Baseline year) Rule of Law 0.04 - 0.29 Control of Corruption - 0.12 0.11</p> <p>Target; Indices show an upward trend from 2011</p> <p>Indicators</p>	<p>Means of verification</p> <p>World Bank - World Governance Indicator Reports</p> <p>Means of verification</p>

	<p>Note:</p> <p>Rule of Law: Reflects perceptions of the extent to which population has confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.</p> <p>Control of Corruption: Reflects perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests.</p> <p>3.1.2 Timeliness and effectiveness of court system</p> <p>Indicator: Length of time taken from case registration to judgement</p> <p><i>During the implementation of the 10th EDF project of support to Justice a Baseline (2014) will be established and targets set</i></p>	
<p>Specific Objective 4 <i>Enhanced and impartial scrutiny of the public service and its institutions</i></p>		
	<p>Indicators</p>	<p>Means of verification</p>
<p>4.1 Greater transparency, openness and accountability of the executive</p>	<p><i>Indicators for the increased effectiveness of oversight bodies and in particular Parliament, will be developed during sector specific programme identification and preparation. These indicators would be developed in consultation with the beneficiary institutions with strategic level indicators to be included retrospectively into the 11<sup>th</sup> EDF Intervention Framework. Possible output indicators could include:</i></p> <ul style="list-style-type: none"> <li>- <i>The development of an oversight manual for parliamentarians</i></li> <li>- <i>The tracking of oversight instrument (questions, interpellations, etc)</i></li> </ul>	<p>Parliament business records</p>
<p>4.2 The protection of the rights of Lesotho's citizens</p>	<p><i>the absence of domestic measures of performance, indicators will be taken from the World Bank's governance indicators, which provide indices as measures of governance performance (ranges from approximately -2.5 (weak) to 2.5 (strong) governance)</i></p> <p>Indicator 2000 2011 (Baseline year) Voice and accountability - 0.35 0.04</p> <p>Target; Index shows a continued upward trend from 2011</p> <p>Note: Voice and Accountability: Reflects perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.</p>	<p>World Bank - World Governance Indicator Reports</p>

The results, indicators and means of verification specified in the present annex may need to evolve to take into account changes intervening during the programming period.

**ATTACHMENT 4 - INDICATIVE TIMETABLE FOR COMMITMENTS**

Table to be completed once 11th EDF financial allocation for Lesotho confirmed

	Indicative allocation	2014	2015	2016	2017	2018	2019	2020
Inclusive and Sustainable Growth for Human Development								
<i>Sector 1 - Water</i>								
<i>Sector 2 - Energy</i>								
Human Rights, Democracy and Good Governance								
<i>Sector 3 - Governance</i>								
Other measures								
<b>Support to Non-State Actors</b>								
Support measures								
<b>Technical Cooperation Facility</b>								
Total Commitments								