

**AGREEMENT BETWEEN THE UNITED NATIONS OFFICE FOR PROJECT SERVICES AND  
THE UNITED NATIONS DEVELOPMENT PROGRAMME FOR THE EIF SUSTAINABILITY  
SUPPORT PROJECT IN LESOTHO FUNDED UNDER EIF PHASE 2**

**Annex II**

**Approved Project Document**

**24 pages (including cover sheet)**

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## SUSTAINABILITY SUPPORT PHASE FOR LESOTHO

**Title:** Sustainability Plan for strengthening the capacity of the Ministries of Trade, Agriculture and Small Business Development to integrate EIF activities into Government strategies, plans and policies.

**Country:** Kingdom of Lesotho

**Fiduciary Implementing Entity:** United Nations Development Program (UNDP)

**Main Implementing Entity:** United Nations Development Program (UNDP)

**Coordinating Entity:** Ministry of Trade and Industry

**Type:** Tier I & II

**Starting Date:** June 2019

**Ending Date:** May 2021

**Duration:** 2 years

**Total Cost:** USD 436,314

<b>Cost per year:</b>	Year I	Year II
	USD 190,080	USD 109,674

**EIF:** USD 299,754

### **Government Contribution:**

**Objective:** The main objective of this phase is to consolidate the gains made in the first and second phase of the Tier I and Tier II projects and further strengthen trade mainstreaming in national and sector strategies while developing the capacity of the Ministry to develop and monitor Tier II projects. This will strengthen the national EIF structures and ensure sustainability of EIF national program within the country and beyond the EIF project funding.

**Results:** The EIF national program will contribute towards poverty reduction, employment and wealth creation with the aim of achieving sustainable development in Lesotho. The Sustainability Support Project (SSP) will improve the Ministry of Trade and Industry (MTI)'s capacity to manage EIF in-country by providing operational support for the National Implementation Unit (NIU) which will result into improved trade coordination and improve market access for horticulture products.

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**Brief Description:** This phase will address the ineffective EIF national implementation arrangement and the inadequate coordination between MTI, MAFS, and MSBCM, the three main implementing agencies of the HPTD. The project will strengthen the NSC to oversee Tier I and Tier II project implementation and enhance the capacity of the Lesotho Coordination Committee on Trade to manage the trade process in Lesotho. The project will also support the Ministry of Agriculture and Food Security (MAFS) and Department of Quality Assurance and Standards (DQAS) to provide improved extension services to the horticultural farmers thereby making the sector more productive and efficient. The Ministry of Small Business Development, Cooperatives and Marketing will strengthen the linkages between the marketing centre and the horticultural producers.

**Endorsed by:**

**EIF National Focal Point:**

**Donor Facilitator:**

**National Steering Committee:**

**Approval date:**

**Beneficiaries:** Ministry of Trade and Industry, Ministry of Agriculture and Food Security, Ministry of Small Business Development, Cooperatives and Marketing, relevant Government departments and the private sector.

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## ABBREVIATIONS

AfDB	Africa Development Bank
DOC	Department of Crop Services
DOM	Department of Marketing
DOT	Department of Trade
DOSB	Department of Small Business
DSQA	Department of Standards, Quality and Assurance
DTIS	Diagnostic Trade Integration Study
DTISU	Diagnostic Trade Integration Study Update
EDSP	Economic Diversification Support Project
EIF	Enhanced Integrated Framework
EU	European Union
GNI	Gross National Income
HPTD	Horticulture Production and Trade Development
IF	Integrated Framework
LCCT	Lesotho Coordination Committee on Trade
LDCs	Least Developed Countries
LNDC	Lesotho National Development Corporation
LNDC	Lesotho National Development Corporation
MAFS	Ministry of Agriculture and Food Security
MDAs	Ministries, Departments and Agencies
MSBCM	Ministry of Small Business Cooperatives and Marketing
MSME	Micro Small and Medium Enterprises
MTI	Ministry of Trade and Industry
MTP	Medium Term Plan
NIM	National Implementation Modality
NIU	National Implementation Unit
NSC	National Steering Committee
NSDP	National Strategic Development Plan
NTP	National Trade Policy
POPS	Project Operations Policies and Procedures
PS	Principal Secretary
PSCP	Private Sector Development Competitiveness Project
PU	Planning Unit
SACU	Southern Africa Customs Union
SADC	Southern Africa Development Community
SADP	Smallholder Agricultural Development Program
SPS	Sanitary and Phytosanitary Measures
TBT	Technical Barriers to Trade
TRF	Trade Related Facility

## 1.0 Situation Analysis

The Kingdom of Lesotho is a landlocked country surrounded by the Republic of South Africa and it is one of the smallest countries in Africa with an approximate area of 30,355 sq km. Its population is estimated to be almost 2 million with over 70 percent living in the rural areas and engaged in subsistence agriculture. Whereas the country has made slight human development index progress in the last 10 years, it is still ranked 162 out of 187 countries (2015) in terms of human development index and still faces problems of low life expectancy at birth, low level of average education and low Gross National Income (GNI) per capita. Its economy is based on agriculture, livestock, manufacturing and mining. The economy also depends heavily on remittances and receipts from the South African Customs Union (SACU). The main exports comprise of clothing 40 percent, and diamonds 22 percent. Others include water, vehicles, wool and tobacco. The main export destination is USA 35 percent, South Africa 30 percent followed by Belgium and Canada.

Lesotho's GDP was estimated to be USD 1.9b in 2017. The real GDP growth rose to 3.8 percent in 2017 from 2.4 percent in 2016 while GDP per capita was USD 983.6. Agriculture contributes approximately 7.4 percent to GDP, industry 34.5 percent and services 58 percent. Agriculture is a major source of employment for approximately 39.7 percent of the population living in rural areas. Although slightly more than 10 percent of land is arable, crop farming is the main source of income for the rural population.

The overall business environment in Lesotho has improved slightly in the last few years. The World Bank Doing Business report (2016/17) shows that Lesotho ranks 120<sup>th</sup> position out of 189 countries surveyed in terms of the overall business climate. While the Global Competitiveness report shows that in 2018, Lesotho scored 42.32 out of 100 from 9.85 scored in 2007. This has been due to various reforms including the establishment of the One Stop Business Facilitation Center (OBFC) and the Trade Portal that has eased business and investment registration in the country.

Being landlocked, Lesotho's trade depends on the effectiveness and efficiency of South African ports. Where inefficiencies exist in trade facilitation procedures, they make imports and exports expensive. Other trade challenges include limited diversification and expansion of manufacturing base, value addition in the agricultural sector and tourism development. The Diagnostic Trade Integrated Study (DTIS) 2003, mapped the major trade challenges facing Lesotho and made recommendations on how to exploit the regional and global markets, including improving business environment and investment climate and building the national capacity to trade. The DTIS Action matrix identified the main priority areas for supporting trade development. These included:

- (i) building capacity in institutions for national policy-making and boosting trade;
- (ii) regional multilateral integration to open regional and global markets while developing domestic trade;
- (iii) improving business environment and physical infrastructure.



Lesotho adopted Vision 2020 of ‘...a stable democracy, a united and prosperous nation at peace with itself and its neighbors; with a healthy and well-developed human resource base’. This vision prioritizes the implementation of several macro-economic policies and actions targeted towards increasing levels of industrialization, competitiveness, quality livelihoods, good governance and rule of law; an educated and pro-learning society with distinct culture and values. In pursuit of the Vision 2020 private sector development goal, a number of policies have since been put in place to promote, build, expand and contribute to this vision, including; the Lesotho Industrial Policy (2015); National Investment Policy (2015); Financial Sector Development Strategy (2013); and the Micro, Small, and Medium Enterprise Policy (2016). These policies acknowledge the role and involvement of the private sector in the development and implementation of productive socio-economic activities; with more focus on agriculture, manufacturing, tourism; and mining which Vision 2020 identifies as the main growth drivers.

## 2.0. EIF process and progress

The Kingdom of Lesotho has been a beneficiary of the Integrated Framework (IF) program since 2002 when the first Diagnostic Trade Integration study (DTIS) was developed. The IF was replaced with the Enhanced Integrated Framework (EIF). The EIF is as a unique global partnership dedicated to supporting the Least Developed Countries (LDCs) to use trade as a tool for economic growth and poverty reduction. Phase I implementation of the Enhanced Integrated Framework (EIF) in Lesotho covered Tier 1 (2010 – 2017) and Tier II. The central focus of Phase II is to leverage Aid for Trade (Aft) resources while assuring that capacity improvements for all LDCs are sustainable.

The Diagnostic Trade Integration Study (DTIS) that was developed in 2003 and updated in 2012 reviewed the progress in implementation of the DTIS action matrix, identified gaps, challenges and opportunities. During this period, Lesotho has strengthened stakeholder collaboration on issues of trade and made efforts to operationalize the NSDP, DTISU and MTP in order to increase the country’s productive capacity, product and market diversification and product competitiveness both at the local and international level.

The focus of the Tier I project was mainly on:

- (i) Transforming the National Implementation Unit (NIU) activities from project to program;
- (ii) Building project management capacity of MTI through the Planning Unit (PU);
- (iii) Facilitating trade mainstreaming and coordination of Aid for Trade;
- (iv) Improving coordination to enhance inter-ministerial communication;
- (v) Improving resource allocation through improved donor coordination and
- (vi) Improving private sector participation in trade related projects.

Although the Tier I project registered some successes, there were some problems that affected its implementation. These included:

- (i) Inefficient structures and institutional capacity building;
- (ii) Lack of coordination among stakeholders due to ineffective national implementation arrangement;
- (iii) Limited implementation of the DTISU recommendations during the first and second Phase;
- (iv) Inadequate capacity of the Planning Department during Phase II period due to shortage of staff;
- (v) Lack of leadership involvement at the implementation and delivery levels;
- (vi) Failure to adhere to fiduciary set standards and best practices by the NIU during Phase I and II.

The Tier 2 project on Horticultural Productivity and Trade Development (HPTD) was in line with Lesotho Diagnostic Trade and Integration Study. The project was implemented between 13 October 2013 and 31<sup>st</sup> December 2016. The HPTD project was aimed at strengthening the competitiveness of the horticultural sector, promoting new businesses in the domestic, regional and international markets, and generating additional incomes and employment.

The Final evaluation for the TIER 2 project which took stock of the results achieved over the project implementation period was completed in December 2017. The aim was to confirm whether the project achieved the objectives and outcomes as set out in the logical framework of the project. The evaluation established that the project contributed towards making the horticultural sector competitive, however there were significant problems that affected its implementation and delivery of the desired results. These include:

- (i) Lack of commitment to the project by key stakeholders;
- (ii) Absence of NIU for the large part of the project leading to lack of coordination between key ministries;
- (iii) Failure by the government to increase support to the mushroom laboratory leading to the collapse of the mushroom spawn production;
- (iv) Inability to operationalize the Marketing Center due to absence of a business plan and a credible operator;
- (v) Inadequate support to beneficiaries of Tier II project to access finance, markets and to coordinate production to meet the requirements of the existing market opportunities.

## 2.1 Support to trade agenda by government

The Government of Lesotho has integrated trade into the overall development programs. The DTIS that was updated in 2012 informed the trade chapter of the National Strategic Development Plan (NSDP) 2011/13-2016/17 and trade has also featured in the NSDP II 2018/19-2022/23. The new strategy defines a new development path and represents Lesotho's renewed commitment and strategic guidance towards the creation of shared prosperity. One of the four pillars of NSDP II is Strategic framework for enhancing inclusive and sustainable economic growth and private sector led job creation. This has renewed the country's drive to create trade opportunities for the



population to enhance economic growth and wealth creation. The Government has used both the DTISU action matrix and NSDP I to mobilize resources for trade related activities. In addition, the United Nations Development Program (UNDP) and the NIU with support from EIF secretariat developed a capacity needs assessment study to establish the capacity development needs of trade related institutions.

### ***Trade Related Facility (Southern Africa Development Community (SADC)***

The Ministry of Trade and Industry is implementing the Trade Related Facility (TRF) an EU/SADC funded project aiming at strengthening the implementation of existing regional trade agreements at the national level. The project supports regional integration and trade and economic development. The project is implementing the country's commitments under SADC Trade Protocol and the SADC-EU Economic Partnership Agreement. The activities that are funded under this project include: the development of institutional capacity standards and quality infrastructure, improving capacity for trade and tariff administration, improving capacity for trade facilitation, upgrading Sanitary and Phytosanitary (SPS) and Technical Barriers to Trade (TBT) facilities, enhancing the competitiveness of MSMEs in the horticultural sector and formulation of a National Trade Policy (NTP). The MTI is in the process of developing an Implementation Plan for the NTP and a National Export Strategy.

The National Implementation Team (NIT) composed of Component Officers from beneficiary ministries will work closely with the TRF project team to ensure that activities supported by TRF build onto what was achieved in the first phase of HPTD and the current EIF support. The SSP will undertake a productivity assessment of Good Agricultural Practices (GAP) and a traceability assessment of greenhouses that were supported by the HPTD project. This information will be shared with TRF to enable them select firms that will be further supported.

### ***Private Sector Competitiveness and Economic Diversification Project (World Bank)***

The MTI is also implementing a Private Sector Competitiveness Project (PSCP) funded by World Bank which started in 2007 and will end in 2022. The project focuses on two major interventions namely improving the business environment and supporting economic diversification. This project is based on the Poverty Reduction Strategy and private sector competitiveness. The number of sectors identified include tourism, manufacturing, commercial agriculture, horticulture and deciduous fruits focusing on apples. Other areas of focus include developing value chains such as leather, spices, red meat, and tourism. The project supports trade facilitation reforms focusing on upgrading customs and boarder management systems and establishing a single window among others.

### ***Economic Diversification Support Project (AfDB)***

Through funding from the Africa Development Bank, the Ministry is being supported to implement the Economic Diversification Support Project (EDSP). The overall development objective is to support the implementation of the national strategic development plan that would



lead to a diversified and competitive economy. The specific objective is to support private sector development through improving partnerships, entrepreneurship and skills development, access to finance and markets, strengthen capacity in industrial policy planning, improve capacity for standards and certification of products, improve public-private sector dialogue and investment promotion in selected sectors critical for economic diversification. The SSP will work closely with the project to support farmers and green house operators to enhance literacy and access to finance. This is one aspect that was not achieved in the first phase of the HPTD. The project is also facilitating the establishment of the standards and quality infrastructure that will support the development of standards for goods produced in Lesotho. The SSP will support training of the Standards and Quality Officers and Agriculture Production Officers in traceability systems, standards inspection and testing.

### ***Smallholder Agriculture Development Project (IFAD/World Bank)***

The objective of the project is to increase marketed output among project beneficiaries in Lesotho through (i) increasing agricultural market opportunities by supporting Lesotho's emerging agricultural businesses to contribute to increased commercialization of the agricultural sector; (ii) increase marketed oriented smallholder production and respond to market requirements while improving productivity of semi subsistence farmers to become more market oriented.

#### **2.2 Status of the national implementation arrangements**

The Ministry of Trade and Industry will provide technical leadership and coordination through the Principal Secretary (PS) as a Focal Point for EIF. For oversight and management, the Ministry of Trade and Industry will establish the National Steering Committee by drawing some membership of the Lesotho Coordination Committee on Trade (LCCT). The LCCT aims at addressing fragmented trade policy formulation process which is regarded as the major impediment to Lesotho's effective participation in international trade. The LCCT also provides oversight and technical support to programs and projects implemented by MTI, including SSP. In this context, the NSC membership comprise of the following:

- 1) EIF Focal Point Principal Secretary MTI Chairperson
- 2) Representative of Principal Secretary for Ministry of Finance
- 3) Representative of Principal Secretary for Ministry Development Planning
- 4) Representative of Principal Secretary for Ministry of Agriculture and Food Security
- 5) Representative of Principal Secretary for Ministry of Small Business Cooperatives and Marketing
- 6) Representative of Principal Secretary for Ministry of Tourism, Environment and Culture
- 7) Chief Executive Officer Private Sector Foundation of Lesotho
- 8) Chief Executive Officer Lesotho Chamber of Commerce and Industry (LCCI)
- 9) Chief Executive Officer Lesotho National Development Corporation (LNDC)
- 10) Director Trade
- 11) Director Industry
- 12) Director Standards and Quality Assurance
- 13) Representative of Lesotho NGO
- 14) UNDP (Donor Facilitator)



#### 15) Director Planning-Secretary /EIF Coordinator

The NSC will meet every six months to review project activity reports, approve work plans, budgets for the next period. They will also receive semi – and annual technical reports from the Project Technical Committee (PTC).

### 2.3 Project Management

At the MIT level, the project will directly be supervised by Principal Secretary of Ministry of Trade and Industry as the Focal Point (FP) for EIF in Lesotho. The Director of Planning Unit who is also responsible for supervising all project in the Ministry will lead the National Implementation Team (NIT) and will report directly to the PS/FP. He will be deputized by the Chief Trade Development Officer/ Trade Component Manager who will be in charge of the day to day management of the project and coordination.

At the implementation level, a Project Technical Committee will be established comprising of Component Managers from MTI, MSBCM (Department of Marketing), MAFS (Department of Crops) to coordinate various activities as specified below:

- (i) Department of Trade responsible for Trade mainstreaming, Aid for Trade and development of Tier II projects
- (ii) Department of Standards and Quality Assurance (DSQA) responsible for improving the standards of horticultural products,
- (iii) Department of Crop Services (DOC) to build capacity of extension officers and monitor the greenhouse technologies used by farmers,
- (iv) Marketing MSBCM in collaboration with MAFS (DOC), LNDC and Market Center to map small farmer holders, provide market information and link producers and collectors to the market,
- (v) Information Officer MTI in collaboration with Department of Field Services through Agric Information office responsible for publicizing project's activities to improve their visibility to the general public.
- (vi) BEDCO responsible for Training of small holder farmers on Business Management

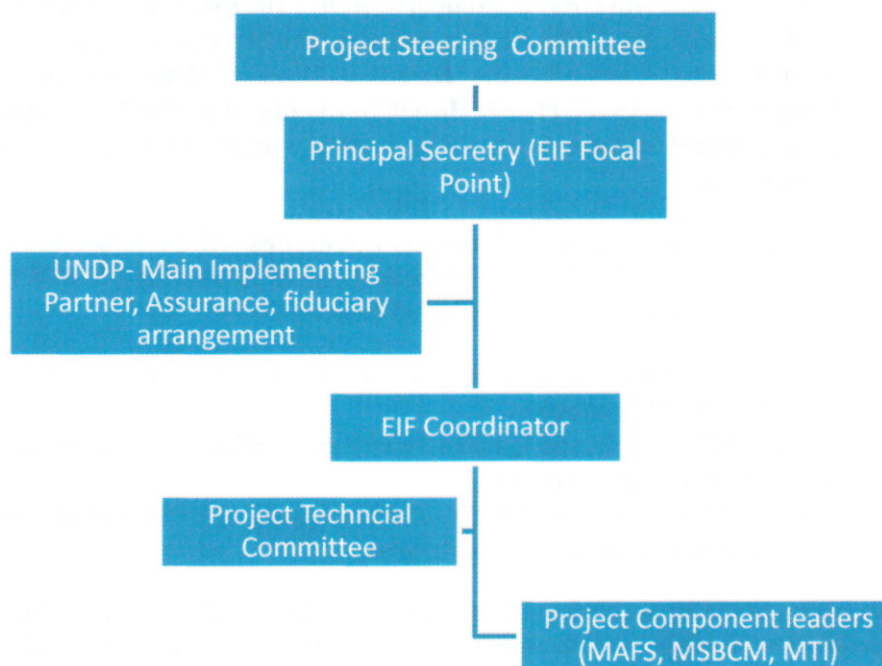
The Project Technical Committee will be seek partnership and synergies with ongoing projects and institutions including the Smallholder Agriculture Development Project (SADP) (IFAD – Ministry of Agriculture), Private Sector Competitiveness Project (PSCP) (World Bank – Ministry of Trade and Industry) and Trade Related Facility (TRF) and World Vision-Lesotho to facilitate the creation of synergies in order to avoid duplication of activities.

The NIU will work closely with the Directorate of Trade, Industry, Standards, MSBCM and MAFS to ensure that project activities are mainstreamed in the departments to become programs that will be funded under the regular budget. The MTI will receive monthly reports from the component officers and will provide consolidated monthly progressive reports to the PS/FP and UNDP. These reports will be copied to MAFS, MSBCM, DSQA.

The fiduciary matters will be handled by UNDP who will be the funds recipient entity. UNDP will report directly to the Trust Fund Manager (TFM) on all fiduciary matters and will handle the day

to day fiduciary management function. In order to improve efficiency and facilitate timely implementation of activities, UNDP will designate an Officer to liaise with the EIF Coordinator and ensure that requisitions are handled timely to avoid delays that may affect program implementation. The project will provide part financing for the time spent on project activities.

As main implementing partner to the project, UNDP will oversee implementation and provide management support to the project



## 2.4 Capacity constraints

The final evaluation of Tier I identified the following capacity gaps;

- (i) Weak institutional capacity to manage Tier I project;
- (ii) Limited capacity to develop Tier II projects due to poor coordination and limited participation of stakeholders;
- (iii) Limited awareness and engagement of stakeholders on issues related to trade mainstreaming;
- (iv) Lack of coordination on trade issues;
- (v) Weak monitoring and evaluation processes.

On the other hand, the Tier II project faced the following capacity gaps:

- (i) Lack of coordination between MTI, MSCM and MAFS;
- (ii) Absence of a standards legal and regulatory framework;
- (iii) Inadequate training on standards and quality;
- (iv) Absence of business plan for the marketing center to make vegetable production profitable and sustainable;



- (v) Inadequate skills in greenhouse technologies and financial management among small holder farmers and greenhouse operators.
- (vi) Absence of monitoring and evaluation aspect in MAFS, and MSCM

The strategy below shows how these challenges will be addressed in SSP.

### 3.0 Strategy

The overall goal of the project is to facilitate sustainable integration of EIF activities into the relevant ministries' and departments' functions and establish an effective production and marketing system for vegetables.

The specific objectives are to:

- (i) Strengthen institutional and technical capacity of the EIF national implementing structure;
- (ii) Improve the capacity of officials to design and implement trade related projects and monitor Aid for Trade Flows;
- (iii) Working closely with Ministry of Planning and Development, improve donor coordination and collaboration for improved support to trade;
- (iv) Strengthen the capacity of the Department of Crop Services, Extension staff and DSQA to provide extension services to small holders and greenhouse operators;
- (v) Strengthen the capacity of the Department of Marketing of the MSBCM and Department of Crops (MAFS) to provide oversight and management of the Marketing Centers.

Assist in setting up an NIU team and putting in place a Manual of Operations as well as providing continuous training to the Ministry staff in fiduciary and project design and management.

#### 3.1. Project description

The SSP will strengthen the NSC to oversee Tier I and Tier II project implementation and operational sustainability. This period will also address the ineffective EIF national implementation arrangement and the lack of coordination between MTI, MAFS, and MSBCM, the three main implementing ministries of the HPTD. The Department of Crop Services and the DSQA will be supported to improve extension services delivery to horticultural farmers thereby making the sector more efficient and productive. Through the project, the Marketing Department of MSBCM in collaboration with Department of Crop Services (MAFS) will strengthen the linkages

Due to management challenges that were identified in the final evaluation of the Tier I project, an induction workshop for members of NSC will be organized at the commencement of the project and will cover among others; objectives of the SSP project, management and implementation arrangements and responsibilities of NSC members.

In order to improve the LCCT's capacity to plan and promote trade mainstreaming and coordination, a workshop on Trade Mainstreaming, Aid for Trade and DTISU action matrix monitoring will be organized for members of the Committee to enable them further to appreciate the role of LCCT in steering the national trade agenda. It is expected that by the end of the SSP,

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LCCT will be strengthened to be able to over-see all trade related technical assistance including projects on industry, investment, infrastructure and enterprise development and private sector competitiveness that are implemented by MTI. This will reduce fragmentation of steering committees that are addressing similar and complimentary programs implemented by MTI. It will also reduce duplication of activities and improve resource mobilization, allocation and utilization.

The SSP will provide logistical support to the LCCT Sub-Committees to facilitate trade negotiations consultative process. This will improve private public sector participation in setting trade agenda thereby ensuring that key priorities and interests of stakeholders are identified and considered during negotiations. The Sub-Committees will also organize post negotiations meetings with stakeholders to brief them on the outcomes of the negotiations.

The project will support the design of new Tier II projects. The Monitoring and Evaluation Committee of LCCT will receive and appraise new Tier II project proposals. The complement of the project technical committee may be increased to include new members as necessary and when new Tier II projects are developed

For effective donor coordination mechanism, MTI and Ministry of Development Planning and the Donor Facilitator will organize an annual donor round table conference to discuss strengthening dialogue on trade as well as ensure availability of funding of trade priorities as presented in the DTISU.

### 3.2. Project results

The project will achieve the following results:

- (i) Effective institution capacity to implement national EIF activities;
- (ii) Functional public and private sector coordination on trade matters;
- (iii) Improved coordination of DTISU Action matrix and MTP implementation;
- (iv) Improved donor coordination and monitoring of Aid for Trade flows;
- (v) Increased visibility of the EIF process in Lesotho;
- (vi) Improved production and marketing of vegetables due to improved extension services.

### 3.3. Key activities

#### Tier I

	Activity	Responsible Department
1	Support semi-annual NSC Meeting	Planning Unit MTI
2	NIT Quarterly meetings	Planning Unit MTI
3	Inception workshop for members of NSC	Planning Unit MTI
4	Develop Strategic plan for LCCT	Department of Trade
5	Support LCCT meetings	Department of Trade
6	Study Tour on SWA to planning	Planning Unit MTI
7	Develop Paper on SWA	Planning Unit



	<b>Activity</b>	<b>Responsible Department</b>
8	Annual-Donor Round Table Conferences	Department of Trade and Planning Unit
9	Monitor Aid for Trade Flows, MTF, DTISU Implementation matrix	Department of Trade
	<b>Capacity building</b>	
10	Trade mainstreaming, DTISU and Aid for Trade	Department of Trade
11	Development of Tier II projects	Department of Trade/Planning Unit
12	WTO SPS and TBT Training	Department of Trade/Department of Crop Services (DOC)
13	Training of Planning Officers	Planning Unit
14	Setting up a new NIU with fiduciary capacity	Planning Unit
15	Regional Trade meetings	Department of Trade
16	EIF Global meetings	Planning Unit/Department of Trade
17	Publicity	Information Unit/MTI

#### **Tier II HDTP**

	<b>Activity</b>	<b>Responsible Department</b>
1	Training of field MAFS Plant Protection Supervisors	Plant Protection/MAFS DOC, DAR
2	Training of extension staff from the 10 districts in greenhouse technologies;	Plant Protection/MAFS DOC, DAR
3	Undertake productivity assessment on Good Agricultural Practices	DSQA, DOC, DAR
4	Undertake traceability assessment of greenhouses produce	DSQA, DOC
5	Training of producer groups on business development focusing on costing and green house management;	BEDCO, DOM, DOSB
6	Provide an oversight and strengthen the operation of market centers;	MSBCM/ Marketing, DOC
7	Provide vegetable crates to selected greenhouse operators	DSQA, MTI

#### **3.4. Link between project strategy and DTISU**

The project responds to several pillars in the DTISU matrix. For example:

- (i) Training of public and private sector will address the weak analytical capacity in support of trade, investment policy and negotiations;
- (ii) Strengthening of the NSC, LCCT sub committees and development of a paper on Sector Wide Approach will address the problems of fragmented trade policy making and multiplicity of trade arrangements;
- (iii) Provision of training to extension staff, farmers and greenhouse operators will address inadequate labor skills, low entrepreneurship and worker discontent;

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### 3.5. Risks and Mitigation Measures

<b>Internal Risks</b>		<b>Mitigation Measures</b>
1.	Lack of cooperation from targeted MDA's and the private sector	<ul style="list-style-type: none"> <li>Enhanced communication among members of NSC and private sector;</li> <li>Clear articulation of roles and responsibilities in the project</li> </ul>
2.	Ministries, Departments and Agencies (MDAs) devoting less time to project	<ul style="list-style-type: none"> <li>Progressive monthly reports from project component officers</li> </ul>
3.	High Staff turnover	<ul style="list-style-type: none"> <li>Key staff members will participate in workshops on EIF process and trade mainstreaming;</li> <li>Share project reports with staff</li> </ul>
4.	Delays in project implementation	<ul style="list-style-type: none"> <li>Quarterly NIT meetings;</li> <li>Strengthen NSC engagement;</li> <li>Close supervision by the FP or his designate;</li> <li>Regular meetings with the UNDP and project component leads</li> </ul>
5.	Weakness in project implementation	<ul style="list-style-type: none"> <li>Regular NIT meetings</li> <li>Regular project reports to FP</li> </ul>
<b>External Risks</b>		<b>Mitigation measures</b>
1.	Competing demand from other assignments	<ul style="list-style-type: none"> <li>Activities integrated in departmental schedules;</li> <li>Coordinated support and implementation of project activities</li> <li>Quarterly NIT meetings</li> </ul>
2.	Lack of cooperation from project beneficiaries	<ul style="list-style-type: none"> <li>TORs at the commencement of the project;</li> <li>Inaugural workshop will specify NSC and project beneficiaries' roles and obligations</li> </ul>
3.	Strategic relevance of project activities beyond project life span	<ul style="list-style-type: none"> <li>Integrate project activities in Ministries' programs;</li> <li>Development of Tier II project</li> </ul>
4.	Lack of cooperation between the NIU and the UNDP	<ul style="list-style-type: none"> <li>Establish continuous dialogue between the two Units to discuss the progress of the program implementation and fiduciary related matters.</li> <li>Regular meetings</li> </ul>

### 4.0. Project Implementation Arrangement

#### 4.1. Legal status and description of the implementing entities

The UNDP Lesotho Country Office will be the Main Implementing Entity (MIE) also responsible for fiduciary matters in the project. Project management within UNDP will be provided through the Sustainable and Inclusive Economic Growth (SIEG) portfolio with direct responsibility to the UNDP Deputy Resident Representative. Through a dedicated programme officer, UNDP will work in collaboration with the national implementing team of the Ministry of Trade and Industry, to ensure delivery of project activities.

UNDP will be responsible for the submission of periodic progress; financial and project reports to the EIF Trust Fund Manager and the EIF Executive Secretariat. UNDP will report as required on project implementation in terms of funds utilized, activities implemented, outputs delivered,



and outcomes achieved. These reports will also be shared with the EIF Coordinator/Director Planning Unit and the EIF Focal Point to enable them to understand how the funds have been used. The project PMU will prepare online half yearly and annual reports which link technical reports with work plans and funds disbursed.

The project will be executed through the Ministry of Trade and Industry using the UNDP's National Implementation Modality (NIM). Through the NIM, project implementation is led by national stakeholders, to guarantee country ownership while providing tailored assistance to recruitment, procurement and project management processes. UNDP will support the MTI and partner Ministries to ensure that project operations are aligned to meet UNDP and EIF requirements, rules and regulations. In this context, UNDP will provide guidance on project management including annual work planning and project reporting based on the principles of results-based management. Reporting will be closely monitored to facilitate knowledge transfer and systems establishment as necessary. UNDP's support activities under NIM include the following:

- Communications: to convey development results and outcomes in the context of specific development programmes and projects;
- Human resources: support with the recruitment, selection, hiring, contracting, and/or contract administration of project personnel as per the project's specification in staffing and services;
- Procurement: assistance with the procurement of goods or services on behalf of a project, covering the entire procurement cycle tasks, transport, storage, distribution, on-site receipting of goods, customs clearance, logistics, etc.
- Finance: direct project payment requests;
- Programme advice: UNDP's advisory services and technical support on programme implementation and direct contribution to development results;
- Reporting: evidence-based reporting on results achieved compared to baseline and evaluation; fulfilling substantive reporting requirements
- Advocacy: effective advocacy, media interaction, public information and communication of project's activities as part of broader UNDP's communication and advocacy activities related to Lesotho.

#### 4.2. National ownership

The SSP is a follow up of the Tier I project that came to an end in June 2016 and the Tier 2 project that ended 31<sup>st</sup> March 2018. The project has been designed to ensure that there is sustainability of activities that were implemented under both projects. The project recognizes synergies in mandates and activities of different ministries for development of trade and in context of this project.

The project design is based on the discussion between the MTI which is the main implementation agency for program activities and key stakeholders such as MSBCM, MAFS, Private Sector Foundation and BEDCO. Stakeholders took great care to ensure that project activities are integrated and aligned to the overall functions of different ministries and departments.

MTI will take a leading role in implementing this project working closely with other stakeholders. Whereas most of the activities under Tier I will be implemented by the MTI-DOT, activities under the Tier II project will be implemented by MTI –DSQA, MSBCM- Department of Marketing, MAFS- Department of Crop Services, BEDCO and the Marketing Center. For example, MAFS will

be responsible for agronomical and agricultural extension services while MSBCM will be responsible for marketing and BEDCO will train farmers including owners of greenhouses.

#### 5.0. Outcome, Outputs and activities

<b>OUTCOME 1: The Government of Lesotho owns a trade agenda conducive to sustainable pro-poor growth</b>	
O1.1	Trade coordination mechanisms are capacitated to be more effective and sustainable.
	(i) Inception workshop for Members of NSC (ii) Organize half yearly NSC Meetings (iii) Develop a strategic plan for LCCT (iv) Support LCCT meetings (v) Study Tour to gain experience in implementation of a Sector Wide Approach to Planning (vi) Participate in Regional meetings
Output 2: Strengthened institutional coordination of trade and development	
Op 2.1	NIU integrated into the Government System
	(i) Organize quarterly NIT Committee meetings
Op.2.3	Quality Government donor dialogue on trade related matters
	(i) Organize Annual Donor –MTI Round Table; (ii) Monitor Aid for Trade Flows, MTF, DTISU Implementation matrix; (iii) Develop Tier II projects
Op3.3	Quality information dissemination tools for different stakeholders
	(i) Newspaper supplements (ii) Radio Programs (iii) Brochures (MDAs) and private sector
Output 4: Capacity of trade related ministries, departments and agencies improved	
Op4.1	No of public, private sector participants trained on trade related subjects categorized by age and gender
	(i) Organize a National Workshop on SPS and TBT (ii) Organize workshop on Trade mainstreaming, DTISU and Aid for Trade (iii) Organize training on Development of Tier II projects (iv) Train Planning Unit officers
<b>OUTCOME 4: IMPROVED SUSTAINABILITY OF HPTD PROJECT</b>	
Output 1: Support farmers to improve the quality and increase the volume of vegetables production	
O4-Op1-ID1	No. of extension staff trained to support greenhouse farmers (categorized by gender and age)
	(i) Train MAFS Crop Production Supervisors (ii) Train extension staff from the 10 districts on green- house technology
O4Op1-ID2	No. of farmers trained to improve their businesses and quality of produce (age/gender)
	(i) Train small holder greenhouse farmers on business management (ii) Train small holder greenhouse farmers on greenhouse technology and traceability practice (iii) Undertake productivity assessment on operating greenhouses (iv) Undertake traceability assessment on operating greenhouses
O4Op1- ID3:	No of farmers and greenhouse farmers linked to market centers
	(i) Develop linkages between farmers, and market centers (ii) Provide selected farmers with crates



#### 6.0. Legal Status of the activity implementing entity

The Ministry of Trade and Industry is a Government body established by the Constitution of Lesotho. The Mandate of the Ministry is to create a more equitable and enabling environment for industrial, agri-business and commercial development through formulating and monitoring the implementation of commercial marketing and industrial policies.

Through the Department of Standards and Quality Assurance, the Ministry is mandated to support the competitiveness of Lesotho's products and services through the provision of quality standardization and conformity assessment infrastructure with the objectives of ensuring that technical market requirements are met.

At the technical level, the MTI is headed by the Principal Secretary (PS) responsible for all financial and technical matters of the Ministry. The Ministry has implemented several projects starting from the Integrated Framework, Tier I project Capacity Building Project Phase I and II and the Tier II project on Horticulture Productivity and Trade Development Project (HPTD). The Ministry's PS is also the EIF Focal Point supervising all national EIF activities in Lesotho. The Ministry is currently implementing the TRF project funded by EU/SADC, Other programs that are successfully being implemented by Lesotho include: One Stop Business Facilitation Center and the Private Sector Competitiveness & Economic Diversification Project.

#### 7.0. Fiduciary responsibilities

UNDP will be responsible for all the fiduciary commitments as per MOU that will be signed with the TFM and will submit financial reports directly to TFM. Whereas authorization for procurements and payments will be done by UNDP in its capacity as a fiduciary MIE, the MTI will establish an internal system of requisition of funds before the any request is submitted to UNDP. The EIF Coordinator will ensure that all requests for payments corresponds to designated work plans and must be processed and endorsed by all relevant departments before they are submitted PS/FP for onward transmission to UNDP.

#### 7.1. Financial and Fiduciary management

The NIT will prepare project progress reports. The FP and UNDP will ensure that the progress reports are prepared in a timely manner (biannually and annually) to enable smooth project implementation and monitoring.

Disbursement and programming of the funds will be according to the tasks as outlined in the Annual Work plans (AWP) based on the project log frame.

The role of MTI in implementing the project will entail the following:

- Set up a Financial Management system that conforms with the government financial rules in the first year of the project;
- Make sure the mechanism for receiving and spending project funds in line with government financial rules and principles is in place;
- Ensure that there is competent staff to manage the finances of the project;



- Prepare and submit to UNDP a duly completed FACE form for approval of work plans and allocation of funds for the period based on approved activities and budgets in the approved work plans. The first form should be submitted prior to the implementation of activities;
- Prepare reports on expenditure and activities for submission to UNDP and requests for further advances; and
- Undergo an external audit as provided for in the UNDP National Implementation Guidelines and as budgeted in the EIF Project Proposal.

UNDP will undertake training in areas of financial management, procurement, and reporting as required in the project. UNDP will ultimately be responsible for the timely submission of financial and narrative reports to the EIF Secretariat and Trust Fund Manager (United Nations Office for Projects Services).

### 7.2. Public Procurement Rule

Procurement of goods and services will be done, under the responsibility of the UNDP and according with UNDP Procurement Rules and regulations.

### 7.3. Audit Requirements

UNDP will ensure annual audit of the project using standard procedures and guidelines for project audits.

Annual audit and mid-term evaluation cost/budget are to be borne by the project and included in the project budget. In accordance with UNDP Audit Guidelines, the following Quality Assurance activities will be undertaken throughout the life of the project:

- (i) Annual audits will be carried out throughout the life of the project. UNDP will identify an independent and reputable firm to carry out the audit.
- (ii) There will undertake periodic onsite audit of the project finances. These might be spot checks by UNDP staff or by audit firms and the results documented regularly.
- (iii) Programmatic monitoring of activities supported by cash transfers – following UNDP's standards and guidance for site visits and field monitoring.

### 8.0 Monitoring and evaluation

A monitoring and evaluation plan will be developed to guide project oversight and performance UNDP will submit bi-annual and annual project reports to the EIF Executive Secretariat and Trust Fund Manager as agreed in the UNDP-EIF corporate agreement. The NIT however, will report to UNDP on quarterly basis through the FACE form and other appropriate NIM project requirements.

- Within the annual cycle, the following monitoring and evaluation activities will be carried out:
  - A bi-annual Progress Report will be produced to track the progress in achieving the stated results based on the quality criteria specified in the logical framework;

- An Issue Log will be activated and updated to facilitate tracking and solving of potential problems or change requests;
- A Risk Log based on the initial project risk assessment will be activated and regularly updated through the review of the environment that may impact the project;
- From the above information, a Quarterly Progress Report (QRP) will be submitted to the NSC by the Project manager to the Programme Board using standard format provided by UNDP;
- A Project Lesson Learned Log will be activated and regularly updated to record lessons for adaptation and to contribute to the end of project Lessons-Learned Report;
- A Monitoring Schedule Plan shall be developed and updated to track management actions/events.

### Annually

Annual Project Report will be developed and approved by the NSC. The Report will consist of the programme achievements and Financial Report based on the expenditure. The Annual Monitoring Report will have the following sections;

- Summary
  - Proposals for changes in the project (if any) and justification
  - Assessment of interventions against the logic framework
  - Risk Log and Issue Log updates
  - Capacity Development
  - Compatibility and Sustainability factors
  - Implementation modalities and lessons learnt
- Annual Project Review. As part of the project management requirement at UNDP, an Annual Project Review will be carried out during the fourth quarter of the year to assess the performance of the project and appraise the annual work plan for the following year. The review will focus on the extent to which progress is being made towards outputs, and that these remain aligned to appropriate outcomes.
  - Evaluation. There will be an end of project evaluation after completion of the project. The evaluation will review the results and lessons learned and recommend for the continuation or otherwise of the activities. The focus will be on relevance, results, effectiveness and efficiency of the implementation. The evaluation will follow UNDP and EIF Guidelines and its cost will be borne by the Project.

### 9.0 Sustainability of Results

There has been an attempt to mainstream project activities within different departments though this has been limited to MTI. During this phase, the NSC will be revamped and terms of reference developed to enable each institution to understand their roles and responsibilities in monitoring Tier I and Tier II projects. The project also undertakes to build capacities of the LCCT to strengthen coordination of trade related projects in the long run.



The implementation strategy facilitate complementarity between the project activities and ongoing initiatives within partner ministries. It is anticipated that ministries will be able to mainstream trade and EIF activities in their strategies and schedules to take advantage of programme synergies and maximize potential of results.

With regards to the Tier II project, there has been an increase in the adoption of greenhouses by farmers. For example, the World Vision and the Smallholder Agriculture Development Program (SADP) have been supplying farmers with green houses due to increasing demand. Under the first phase of the HPTD project, three technicians were trained in greenhouse installation and have provided manpower to the two programs.

During this phase, a number of field staff from the ten districts will be trained in greenhouse technologies and management, thereby building on to the staff trained in the first phase.

The MSBCM is in the process of constructing 2 more regional marketing centers one in the north and one in the south and plans to engage the private sector to manage the centers. In regard to the Marketing center, LNDC has identified an investor with technical know- how and marketing experience and with extensive network of distribution channels to manage the marketing center that was constructed under the HPTD. Under the agreement, 60 percent of the sales will be from out-growers. This will enable the farmers to have a sustainable market outlet for their produce.

In 2018/19 financial year, MAFS was allocated funds to construct a new mushroom laboratory. This will enable the farmers to have continued access to spawns. The Ministry also plans to buy a vehicle for extension services to the ten districts and a refrigerated vehicle to collect mushrooms from rural areas to the center. The Technical Committee will work closely with the PSCP PMU to explore synergies and seek more funding to support the vegetable sector. Other programs that will link to SSP include the TRF support to the DSQA to provide technical assistance including training and the computerized market information system that is funded by IFAD under MAFS to provide information to farmers.

### 9.1 Financial sustainability

The EIF activities are now budgeted for and implemented in the respective departments of the Ministry and other trade related ministries such as the MAFS and MSBCM. Efforts are being made by the Ministry of Development Planning to strengthen donor coordination to avoid duplication of efforts and maximize the impact of donors' support in the country. Through increased engagement with stakeholders and donors, MTI will lobby to have its annual budget increased to fund more activities that support the EIF program.

### 9.2 Institutional Sustainability

The Ministry established the Lesotho Coordination Committee on Trade with the responsibility of coordinating the development and implementation of the trade policy and trade mainstreaming. Membership to the committee comprise of public, private sector and donor representatives. The committee will continue to monitor the trade agenda of Lesotho. The project will provide logistical support to enable them hold regular meetings including subcommittee meetings. Subsequently, the Government will continue funding LCCT when the project ends. The

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Department of Trade will budget for the meetings of LCCT under recurrent budget, strengthen it and improve its capacity to manage Lesotho's trade agenda.

### 9.3 Human Resource Sustainability

The staff that will be implementing the activities of this phase will be Government employees and some have been working on the project. The project will be coordinated by the Director Planning Unit but in order to for the Tier I and II activities to be sustainable, he will work closely with the various directorates through the Component Managers. When the project ends, staff will continue implementing these activities under the guidance of their heads of departments.

The Officer in charge of Crop Production will be directly supervised by the Director Crop protection to ensure that activities undertaken are in line with horticulture sector requirements to enable them to continue implementing the project beyond EIF funding.

To help building up fiduciary capacities of the MTI, the EIF will recruit an external expert that will assist in putting in place a Manuel of Operations as well as providing continuous training to the Ministry staff in fiduciary, project design and management.

### 10.0 Exit Strategy

At the end of the project, UNDP in collaboration with the Ministry of Trade and Industry will map project achievements, challenges and lessons learnt to enable design of new project and successor programmes. With capacities developed during the project implementation stage, the project partners will be expected to take up some of the responsibility for continuity and sustainability of project results. Finally, assets and equipment procured under the project will transferred to national partners in context of the UNDP and EIF policies and procedures.

### 11.0 Fundraising activities preceding the preparation of the project proposal

The project will host continuous discussions with partners and responsible government ministries to increase resources envelope for trade and development. Discussions were held with the donor facilitator and the WB project on Competitiveness and Economic Diversification and the Trade Related Facility (TRF) to explore the different synergies that can be created by the three project to avoid duplication of activities. For example, the TRF is funding the National Trade Policy and Trade Facilitation activities including meetings as well as standards and quality assurance program. For effective donor coordination mechanism, MTI and Ministry of Development Planning and the Donor facilitator will organize annual donor round table conference to discuss funding of trade priorities as presented in the DTISU.

### 12.0 Summary description of government donor coordination forum for trade

The Ministry revamped the NSC to take leadership on coordinating the trade agenda and ensuring that trade is mainstreamed in all programs and strategies. The Ministry of Development Planning hosts the Aid Coordination Forum Platform for donors that meets regularly to discuss issues driven by Ministry of Development Planning. MTI as key stakeholder is participating in these meeting, and will negotiate to include trade as part of the agenda in these dialogues. MTI is also participating more actively in the Public-Private Sector dialogue on Investment Climate Reforms coordinated by the Ministry of Development Planning.



#### **14.0 Consultative meetings Organised**

The project was discussed with the donor facilitator at the formulation stage. Further on it was presented to the NSC where the donor facilitator is also represented.

#### **15.0 Role of the EIF Donor Facilitator**

The Donor Facilitator's role is to help MTI overcome the challenges of attracting financing to the sector. The aim is to ensure that there is donor coordination and funding is geared towards sector priorities as identified in the DTISU and other sector strategies. During this phase, MTI will work more closely with the Ministry of Development Planning and Donor facilitator to ensure that coordination with other donors is strengthened and priority areas funded. The scheduling of annual Donor Round Table conferences with the support of Ministry of Development Planning and the Donor Facilitator will strengthen MTI capability to attract funding.

##### **15.1 Please describe the Outcome of the presentation to the donor community**

The Project was discussed between UNDP and the donor facilitator and the recommendations have been integrated into the document.

#### **16.0 Leveraging Plan**

The MTI currently has a number of projects that are supervised by the Planning Unit. The Director will ensure that there is no duplication and will work closely with the Component managers to ensure that the activities supported by the project are budgeted for in the mainstream budget. E

##### **16.1 Additional resources that will be leveraged (from government, the private sector and the development partners) through the implementation of the project**

The Government and donors will continue to fund activities that support the project. For example, MTI is implementing a Trade Related capacity building and technical assistance program under the Trade Related Facility (TRF) with funding from the European Union within the framework of the 10<sup>th</sup> European Development Fund (10<sup>th</sup> EDF). Under this program, MTI will receive funding for the following activities:

- (i) Formulation of a National Trade Policy;
- (ii) Development of National and Institutional Capacities for Standards and Quality Infrastructure;
- (iii) Improving Capacity for Trade and Tariff Administration;
- (iv) Establishment of Competition Policy and Institution;
- (v) Improving Capacity for an Efficient Trade Facilitation;
- (vi) Upgrading TBT and SPS Facilities;
- (vii) Enhancing Competitiveness of Small and Medium Enterprises (SMEs) in the Horticulture Sector.

The EU is also supporting the Government of Lesotho to implement the Economic Partnership Agreement. The Ministry completed an EPA implementation plan that outlines the activities that will be funded under this program. This will contribute towards supporting regional integration. Other programs include PSCP and the EDSP that have component on horticulture, standards and quality assurance and trade facilitation among others. These programs will build onto SSP intervention.