



Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 10-Apr-2019 | Report No: PIDISDSA26662

**BASIC INFORMATION****A. Basic Project Data**

Country Lesotho	Project ID P165228	Project Name Second Phase Smallholder Agriculture Development Project	Parent Project ID (if any)
Region AFRICA	Estimated Appraisal Date 10-Apr-2019	Estimated Board Date 30-May-2019	Practice Area (Lead) Agriculture
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance	Implementing Agency Ministry of Agriculture and Food Security (MAFS)	

Proposed Development Objective(s)

The development objective of the project is to support increased adoption of climate smart agricultural technologies in Lesotho's agriculture, enhanced commercialization and improved dietary diversity among targeted beneficiaries.

Components

Scaling Up Climate Smart-Agricultural Practices and Advisory Services
Improving Commercialization and Nutrition
Project Management, Coordination and Monitoring and Evaluation
Contingency Emergency Response Component

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	57.00
Total Financing	57.00
of which IBRD/IDA	50.00
Financing Gap	0.00

DETAILS**World Bank Group Financing**

International Development Association (IDA)	50.00
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IDA Credit	50.00
Non-World Bank Group Financing	
Counterpart Funding	5.00
Local Beneficiaries	5.00
Trust Funds	2.00
Japan Policy and Human Resources Development Fund	2.00
Environmental Assessment Category	
B-Partial Assessment	
Decision	
The review did authorize the team to appraise and negotiate	

B. Introduction and Context

Country Context

- The Kingdom of Lesotho is a small, mountainous, landlocked country in Southern Africa with a population of 2.2 million.** It is an open economy, traditionally centered on trade, with textiles, water, and diamonds as its main exports. Lesotho is a member of the Southern African Customs Union (SACU), the Southern African Development Community, and the Common Monetary Area all of which create strong opportunities for regional trade. As a member of the Common Monetary Area, its currency is pegged to the South African Rand.
- Lesotho is one of the poorest countries in the region, with high levels of poverty and inequality.** An estimated 57 percent of the population lives below the national poverty line and 34 percent fall below the extreme poverty line. Income inequality is among the highest in the world. Rural areas, heavily dependent on subsistence and semi-subsistence agriculture, account for 70 percent of the population and 87 percent of all people living below the poverty line (SCD, 2015). A wide (30 percent) poverty gap, high rates of unemployment, wide prevalence of HIV/AIDS, and climate vulnerability further constrain the scope for inclusive growth and improvements in living standards. GDP per capita is estimated at US\$1,181 (2017) and when adjusted by Purchasing Power Parity is equivalent to 16 percent of the world's average.
- Economic performance declined after 2012 as Lesotho's growth drivers shifted from exports to high public expenditure and consumption.** Real annual GDP growth was at a low 2.5 percent in 2016-2017 down from a 4.5 percent average over the previous five years. The sharp decline in SACU-related revenues over 2016-2017 and increase in public expenditures to 60 percent of GDP, fueled by wage and employment growth in the public sector, have resulted in a widening of the fiscal deficit and a difficult economic outlook for the country. Output is estimated to have contracted by 1.6 percent in 2017 and is projected to remain subdued in the near term.



4. **Recognizing the inherent unsustainability of this economic model, Lesotho has endorsed a new template for development.** The recently completed National Strategic Development Plan (NSDP)-II 2018/19 – 2022/23 seeks to pursue inclusive, sustainable growth and private sector-led employment creation. The Government of Lesotho (GoL) has identified four productive sectors, viz. agriculture, manufacturing, tourism and creative industries and technology and innovation as potential sectors for job creation and inclusive economic growth under a new growth path led by the private sector.

Sectoral and Institutional Context

5. **Agriculture plays a significant role in Lesotho's economy.** Over 70 percent of the country's population lives in rural areas and depends, directly or indirectly, on agriculture for employment and livelihood. The sector has the highest potential to increase food security, reduce rural poverty, and generate both on- and off-farm employment opportunities. Main crops include maize, sorghum and wheat which are planted as monocrops on 85 percent of the country's arable land which comprises 10 percent of Lesotho's total land area. Livestock contributes 75 percent of total agricultural output, including semi-intensive and intensive production of pigs and poultry, as well as extensive (free range) production of goats and sheep on rangelands in the foothills and highland areas (Johane, 2011). Sheep and goats, which dominate the livestock sector, are reared mainly for wool and mohair.
6. **Lesotho's agricultural sector suffers from low levels of productivity and commercialization which has made the country heavily dependent on food imports to meet domestic consumption needs.** Despite 70 percent of the rural population engaged in some form of agricultural activity, the sector contributes less than 10 percent to the national gross domestic product (GDP). Most of the rural population is engaged in subsistence farming: rain-fed, undiversified farming (primarily cereal production) and extensive livestock grazing characterize the sector. Productivity challenges in the sector, include, *inter alia*, limited size of arable land¹, unfavorable farm structures (average land holding of about 1.0 ha per family), outdated farm technologies and farm management practices, limited technical expertise, sub-optimal use of inputs, lack of an adequate irrigation and drainage system, weak rural infrastructure, a rudimentary rural advisory system, and limited access to credit and investment capital. In addition, the country has experienced severe land degradation. Massive soil erosion and loss of scarce agricultural land have resulted in extremely low agricultural productivity levels: land productivity averaged about USD 70 per hectare per year compared to the regional average of about USD 120 per hectare per year for the period 2008-2013; cereal yields average less than 1,000 kg per hectare, failing to meet the SADC RISDP target of achieving at least 2,000 kg per hectare². Consequently, marketable surplus remains low. A nascent private sector further constrains commercialization. Private sector activity in Lesotho is dominated by micro-enterprises, with a marked absence of the small and medium-sized enterprises that drive economic growth and job creation in most countries.³

¹ While the agricultural land area of 2.36 million ha accounts for 78 percent of total land area, only 357,000 ha (12 percent) is suitable for crop production. Most agricultural land is mountain pasture, suited to extensive livestock production – which accounts for 75 percent of the total value of agricultural output. FAOSTAT

² Charles Nhemachena, Greenwell Matchaya and Sibusiso Nhlengethwa. Agricultural Growth Trends and Outlook in Lesotho. 2016

³ A survey of registered business enterprises in 2015 shows that of 9,625 registered business enterprises, 75.6 percent were micro-enterprises (1-4 employees) and 37.5 percent had a turnover of less than one million maloti (approximately \$US70,000). Only 15 percent of the enterprises surveyed were small to medium (5-50 employees), and only 4.3 percent had a gross revenue of 1-5 million maloti (\$US 70,000-\$350,000). This pattern is even more evident in agro-processing and agri-business. Five large enterprises dominate the food and beverage sector³, with few medium- or micro-enterprises.



7. **Climate change poses major challenges to the development of Lesotho's agricultural sector.** The Inter-Governmental Panel on Climate Change (IPCC) categorizes Lesotho as one of the countries highly vulnerable to the impacts of climate change. The country has a temperate climate with subalpine characteristics and experiences regular droughts, floods, frosts, snow, hailstorms, and strong winds. The El Niño-Southern Oscillation (ENSO) phenomenon particularly affects climate variation in Lesotho (MEMWA, 2013)⁴. High intra-seasonal and inter-annual rainfall variability, with frequent droughts, has often resulted in delayed planting or farmers not planting at all, reduced seed germination due to hardened soil and lack of water, crops failures, deterioration of rangelands and pasture, water scarcity for livestock, and increased food prices of staple grains such as maize.⁵ Chronic droughts have also negatively impacted the livestock sector, resulting in rangeland degradation and limiting the carrying capacity of pastoral land. The drought of 2015-16 growing season was the most severe on record putting over 534,000 people at risk of food insecurity. The current rain-fed crop production system with its focus on maize at the expense of diversification to more drought-tolerant crops (sorghum, millet, cowpeas) increases vulnerability to climatic shocks. The crop production system also makes limited use of climate smart agricultural technologies such as new varieties, conservation agriculture, intercropping, integrated pest management and simple water harvesting technologies, all of which compromise productivity. The erratic and severe weather patterns and land degradation reinforce the need to mainstream climate resilience in Lesotho's agricultural sector.
8. **Provision of irrigation is critical for addressing climatic risks in Lesotho's agriculture; however, the subsector is beset with challenges.** Despite the ready availability of water from the mountains, only 2,600 ha of arable land has been developed for irrigation. Poor management and inadequate maintenance have reduced the area under irrigation, with only an estimated 1,200 ha under irrigation in 2014. The modernization of national water resource management policies and institutions has been slow and physical infrastructure has deteriorated due to lack of public funds for maintenance. Many pump stations are no longer operational and existing headworks and reservoirs have silted up. On-farm irrigation systems have also deteriorated due to ill-defined property rights over infrastructure and weak local capacity for management. There are few effective community-based irrigation management systems and poor links between the existing institutions and the local public institutions responsible for water management. Combating the effects of climate change and increasing productivity towards food security and commercialization will require sustained efforts to provide adequate, reliable and timely delivery of irrigation to Lesotho's crop and livestock farmers.
9. **Development of high value cash crops, such as fruits and vegetables and potatoes as well as dairy and small-scale pig and poultry production offer opportunities for moving from uncompetitive maize monocropping production to a more diversified production base responsive to climatic risks.** Lesotho's higher altitude, potential for early season production and access to cheap water and labor combine to create favorable conditions for the production and export of vegetables, fruit and seed potatoes. Regional demand for fruit and vegetables is increasing as urban populations grow, incomes rise, and the popularity of healthy diets increases. Higher production and sales of these high value crops would also deepen domestic agricultural markets, generate rural employment and improve nutrition. Diversification and commercialization need a much broader base than this however, as current commercial vegetable production currently ranges from 100-600 ha and commercial potatoes are less than 500 ha. Government and donor support for increased production and

⁴ World Bank, 2016. "Lesotho Water Security and Climate Change Assessment." World Bank, Washington, DC.

⁵ CIAT; World Bank; 2018, 201Climate-Smart Agriculture in Lesotho. CSA Country Profiles for Africa Series.



commercialization of small-scale dairy, pig and poultry enterprises will also be necessary, in addition to continued support for mohair and fine wool.

10. **A more diversified production base, with greater emphasis on horticulture and livestock production also offers a means to increase dietary diversity and reduce child malnutrition.** Lesotho's high rates of child malnutrition are attributed to poverty, low dietary diversity and inadequate consumption of fruits and vegetables. Limited dietary diversity affects all children - only 23 percent of children have minimum dietary diversity and 11 percent have a minimum acceptable diet. Fruit and vegetable availability was estimated at 128 grams in 2013, compared with the WHO recommended daily intake of 400 grams. Increased horticulture and livestock production would contribute to improved nutrition by (a) increasing the availability of fruits and vegetables as well as protein-rich foods; and (b) improving incomes and so access to a more diverse diet.
11. **Recognizing the significant role of agriculture in Lesotho's overall economic growth agenda, the Government of Lesotho (GoL) is undertaking critical measures to build a commercial and climate resilient agricultural sector.** The National Strategic Development Plan (NSDP) II (2018/19-2022/23), which prioritizes the development of the agricultural sector, identifies three broad areas of strategic action: (i) sustainable commercialization and diversification of agriculture, (ii) a well-functioning agri-food system, and (iii) rehabilitation of range lands and wet lands. Priorities for action within these areas include: (i) improved technology and infrastructure (including irrigation and climate smart agriculture); (ii) increased production of high value crop and livestock products; (iii) the development of institutional frameworks for producer and industry organizations; (iv) building the capacity of farmers to benefit from these institutions; and (v) the development of value chains and agricultural markets. The NSDP II also calls for the need to scale up current nutrition systems towards strengthening human capital and expanding the use of water harvesting for irrigation. Gender and climate change are indicated as critical cross-cutting issues. Several policies and strategies, including Vision 2020, National Climate Change Policy (2017), Lesotho Food and Nutrition Policy (2016) and Lesotho Zero Hunger Strategic Review (LZHSR) accord high priority to scaling up climate-smart practices and actions to promote agricultural adaptation and increased food security, achieving zero hunger by 2030, access to adequate food and healthy diets all year round, ending malnutrition, doubling of smallholder productivity and incomes, and eliminating food loss and waste. The GoL has also initiated reform of the water sector to promote sustainable and productive use of Lesotho's water resources.
12. **The Bank has provided substantial support to the development of Lesotho's agriculture sector over the past decade.** Through the ongoing *Smallholder Agricultural Development Project (SADP)* as well as *Private Sector Competitiveness and Economic Diversification Project (PSCED)* the Bank has provided financial and technical assistance to improve commercialization and competitiveness in Lesotho's agricultural sector. SADP is providing training and competitive grants to smallholder farmers for improving marketable surplus in several value chains, including horticulture (fruit and vegetable production), poultry, piggery and dairy. The project is also supporting the development of an irrigation master plan to assist the government in its efforts of defining strategic priorities for improving the irrigation subsector in terms of alignment with agriculture growth potential, improving resource utilization, water delivery service, and institutional and financial sustainability and identify a pipeline of high priority irrigation investments for support from donors, government, private sector and other non-state actors. The PSCED is assisting in building an enabling business environment, leveraging private investment support, providing access to finance to increase productivity and increasing market opportunities in Lesotho's horticulture subsector. The Bank has also supported the preparation of the *Lesotho Climate Smart Agricultural Profile* which provides an overview of the agricultural challenges in Lesotho and recommends country-specific climate smart agricultural practices that can help the country adapt to and mitigate climate change.



13. **The proposed Lesotho Climate Smart Agriculture Project (LCSAP) is being prepared at the request of the Government of Lesotho to contribute to its efforts in developing a climate smart agricultural sector.** The proposed project, an IDA credit in the amount of US\$50 million and a Japanese Policy and Human Resources Development (PHRD) grant of US\$2.0 million aims to harness the triple wins of CSA in Lesotho's agri-food sector, i.e., improved productivity, increased adaptive capacity to climate risks and reduced greenhouse gas emissions. Through the provision of technical assistance and investment support, the proposed project would introduce and scale up best practices in CSA and sustainable land management thereby mainstreaming climate and environmental considerations into agriculture as well incentivize a shift from uncompetitive maize monocropping to high potential value chains, all of which are expected to result in positive outcomes of enhanced climate resilience, increased commercialization, food security, job creation, improved rural livelihoods and improved nutritional outcomes.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

The development objective of the project is to support increased adoption of climate smart agricultural technologies in Lesotho's agriculture, enhanced commercialization and improved dietary diversity among targeted beneficiaries.

Key Results

- Land area brought under climate-smart agriculture and sustainable landscape management
- Household Commercialization levels (value of produce sold as a % of value of produce)
- Farmers adopting improved agricultural practices
- Households with increased dietary diversity (disaggregated by women and children)

D. Project Description

25. The project will build on the achievements and lessons learned under SADP as well as the Lesotho Climate Smart Investment Plan (CSIP). Through a robust, multi-stakeholder process, the CSIP has developed a normative vision and CSA goals for Lesotho's agriculture sector and pathways for achieving the vision and goals. It has prioritized key policy actions and investments towards building a productive, climate-resilient and low-emissions agriculture sector in Lesotho. The CSA goals, developed under the three pillars of CSA, call for, *inter alia*, increasing yields of major crops, reducing losses across agricultural value chains, including post-harvest losses, increasing arable land under stress-tolerant crops, conservation agriculture, and agroforestry as well as reduced livestock emissions. Strategies for achieving these goals include measures reflected in project design, i.e. climate resilience and nutrition security (such as agricultural diversification, CSA practices at the farm level, stress tolerant crops); commercialization (agricultural value chain, market infrastructure development) and capacity development (knowledge development, integrate weather and market advisories using ICT).

26. The following four components are envisaged under the project: (i) Promoting Climate-Resilient Agriculture; (ii) Improving Agricultural Commercialization and Nutrition; (iii) Project Management, Coordination and Monitoring and Evaluation; and (iv) Contingency Emergency Response.



Component 1: Scaling Up Climate-Smart Agricultural Practices and Advisory Services (Total Cost: US\$20.0 million)

27. This component aims at strengthening the **adaptive capacity of smallholder farmers** to adjust and modify their production systems to minimize the potential future impacts from climate variability. The overall goal is to enhance climate resilience through solutions that improve soil health, increase water use efficiency, and increase farm productivity and crop diversification. The component focuses on: (i) capacity building for scaling-up the adoption of climate-smart agriculture technologies by farmers and enhancing farm management practices aimed at improving soil health, water-use efficiency, crop diversification, and farm productivity; (ii) promoting a more efficient use of surface water accompanied with a more sustainable use of groundwater, leading to improved availability and quality of water at the farm level; and (iii) improving access to climate and market advisory services through ICT, thereby strengthening farmers' adaptation and resilience.

Component 2: Improving Agricultural Commercialization and Nutrition (US\$30.0 million of which IDA US\$23.0 million; PHRD Grant US\$2.0 million; Beneficiary Contribution US\$5.0 million)

28. The objective of this component is to support the development of high potential value chains (VCs) in Lesotho's agricultural sector by strengthening backward and forward linkages within selected VCs with overall aim of promoting diversification from uncompetitive maize monocropping to high value cash crops and sustainable livestock production animal husbandry, improving productivity, quality, value addition and market linkages towards increased agricultural commercialization and improved nutrition.

29. Component interventions will foster the integration of a greater number of smallholder producers that dominate Lesotho's rural landscape in potentially remunerative VCs, promote sustainable intensification of production through adoption of CSA and environmentally friendly agricultural technologies supported under Component 1, incentivize contract farming, strengthen horizontal alliances and encourage farmers to establish producer groups, strengthen vertical alliances by building trusted commercial partnerships between farmers and private agri-businesses and drive enterprise operations towards more lucrative domestic and export markets. Activities under the component are expected to result in the positive outcomes of job creation, improved beneficiary incomes, better nutritional outcomes and increased economic opportunities for women and youth in the rural sector.

30. The component will finance services to support the formation of new as well as strengthen the existing (e.g., those established under SADP-1) farmer groups in Lesotho's agriculture sector. Special attention will be accorded to the need and interests of women and youth⁶. Where feasible, the formation and strengthening of horizontal alliances will draw on the Smallholder Horticulture Empowerment Project (SHEP⁷) approach developed by the Japan International Cooperation Agency (JICA). This approach shifts smallholder thinking from subsistence farming to farming as a business by training farmers to conduct their own market surveys to identify local crops with potential for commercialization; training them to grow these crops profitably; organizing stakeholder forums to exchange information with other like-minded farmers, input suppliers and potential buyers; and by helping them to build good relations with these market agents.

⁶ Youth are defined as people under 35 years of age.



31. Two matching grant programs are envisaged under the component: grants up to US\$30,000 for smallholder farmers for increased productivity and grants ranging from US\$30,000 to US\$100,000 to agri-enterprises for post-harvest infrastructure and management. All grants will require an equity contribution: 25 percent for the smaller grants and 40 percent for the larger grants. The procedures and selection criteria used for both matching grant programs will be detailed in a Grant Manual which will be prepared in a manner satisfactory to the Bank. The Grant Manual will specify implementation arrangements of the Matching Grant Programs and include appropriate technical, fiduciary, environmental and social safeguards provisions to ensure that the grant funds will be used for intended purposes only. It will also include the Bank's Anti-Corruption Guidelines and consequences should the agreed commitments not be met. Any changes to the Grant Manual during project implementation will require prior Bank approval. The PMU will be responsible for administering the Grant Scheme.

32. Towards improved nutrition, the project will support a broad advocacy campaign to increase the knowledge among the people of Lesotho of the benefits of dietary diversity. In addition to media campaigns, the project will finance the development of industry guidelines for sugar, salt, and fat content, nutrition fortification in food products, and labelling through stakeholder consultations. This work will be coordinated by the Food and Nutrition Coordination Office (FNCO) in collaboration with CGIAR and other partners. Activities to enhance knowledge on diets and nutrition will include nutrition education and demonstrations on production, processing, cooking demonstrations, food safety and storage. The project will also provide grants to individuals for increasing household-level production and consumption of safe and nutritious foods. This activity will target women to increase their capacity to feed their families a diversified diet through the consumption of inter alia, a variety of fruits and vegetables as well as protein-rich food such as eggs and meat. Grants will be provided for cultivation of horticulture products as well as purchase and rearing of small livestock and ruminants. Grants will also be provided for small-scale processing which will generate income opportunities for grant recipients. Under this window, small grants in the size of USD 2,000-20,000 (up to 80 percent of total investment cost) will be available for production of nutritious foods and small-scale, nutrition-sensitive processing (e.g. purchase of small equipment such as dryers, canning). Women and youth will be given priority under this program.

COMPONENT 3: Project Management, Coordination, Monitoring and Evaluation (US\$7.0 million)

33. This component will support project management, coordination, monitoring and evaluation (M&E) of project activities. The existing Project Management Unit (PMU) within the Ministry of Agriculture and Food Security will be responsible for project implementation including fiduciary aspects (including audits); knowledge management/communication (including public awareness campaigns); grievance redress mechanism; citizen engagement; and monitoring the implementation of safeguard related measures. It will finance PMU staff related costs (training etc.), goods, equipment and vehicles, incremental operating costs, assessments/analyses/studies for preparation of future projects/operations, and other eligible expenses associated with overall project implementation. Support will also be provided for social/results/impact surveys at project mid-term as well as project completion. Additional periodic surveys will be supported to improve project implementation, for example to assess and improve women and youth participation. The monitoring and evaluation (M&E) system will be strengthened to improve the efficiency of data collection, analysis, evaluation and reporting. The capacity of the PMU will be enhanced by hiring additional technical and administrative staff as needed,

COMPONENT 4: Contingency Emergency Response Component (US\$0.0 MILLION)



34. A Contingency Emergency Response Component (CERC) with zero allocation to partially cover emergency response via implementation of key activities by the appropriate agencies to respond to the emergency. The CERC could also be used to channel additional funds should they become available as a result of an eligible emergency.

E. Implementation

Institutional and Implementation Arrangements

35. **Project oversight.** The project will be implemented under the direct oversight of Principal Secretary MAFS. A Project Management Committee (PMC) that was established under SADP will be maintained given the multi-sectoral nature of project interventions. The PMC will include representatives from several ministries such as Ministry of Finance (MoF), Ministry of Development Planning (MoDP), Ministry of Agriculture and Food Security (MAFS), Ministry of Forestry and Land Reclamation (MFLR), Ministry of Trade & Industry, Cooperatives and Marketing (MTICM), Ministry of Environment and Tourism (MoET), Ministry of Local Government and Chieftainship (MLGC). The PMC, which is an extension of the Technical Working Group formed during project preparation of the ongoing SADP will review all project reports and Annual Work Plans and Budgets (AWPB). The PMC will meet quarterly with the Project Manager acting as the Secretary to the PMC.

36. **Project Implementation.** The existing Project Management Unit (PMU) within the Ministry of Agriculture and Food Security (MAFS) will be responsible for project implementation including fiduciary aspects (including audits); knowledge management/communication (including public awareness campaigns); grievance redress mechanism; citizen engagement; and monitoring the implementation of safeguard related measures. It will finance PMU staff related costs (training etc.), goods, equipment and vehicles, incremental operating costs, assessments / analyses / studies for preparation of future projects/operations, and other eligible expenses associated with overall project implementation. Support will also be provided for social/results/impact surveys at project mid-term as well as project completion. Additional periodic surveys will be supported to improve project implementation, for example to assess and improve women and youth participation. The monitoring and evaluation (M&E) system will be strengthened to improve the efficiency of data collection, analysis, evaluation and reporting.

F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

The Project will be undertaken in all the ten districts of Lesotho—Teyateyaneg, Butha-Buthe, Leribe, Mafeteng, Maseru, Mohale's Hoek, Mokhotlong, Qacha's Nek, Quthing and Thaba-Tseka. Lesotho is predominantly mountainous, with the highlands and mountain zones covering approximately 59 percent of the total land area. This land is mostly characterized by steep slopes with fragile soil formations which are extensively degraded. The highlands cover approximately 15 percent of the country, while the lowlands and Senqu (Orange) River Valley make up approximately 17 percent and 9 percent of the country, respectively. The cultivable land is largely confined to the lowlands and highlands along the Western border and the



Senqu River valley in the south, the latter being densely populated and resulting in much pressure on natural resources. Land degradation in various forms is a dominant landscape feature in the country, and inherent infertile soils affect the productivity of both arable and rangelands. Lesotho is highly susceptible to climate-related events such as frost, drought, strong winds, snow, hailstorms and floods, all of which have a devastating effect on agricultural productivity, including crop failure and increased incidences of invasive plants and infestation by pests. Specific geographical locations for the proposed sub-projects have not been identified yet but will be selected on a demand-driven basis during the implementation of the Project. Site-specific environmental and social assessments will be carried out during implementation and biophysical characteristics comprehensively described. The designs of the sub-projects will also incorporate climate resilience engineering measures and take into consideration the various environmental conditions which could exacerbate impacts on the natural resource base.

G. Environmental and Social Safeguards Specialists on the Team

Majbritt Fiil-Flynn, Social Specialist

Mantsebo Moipone Amelia Ndlovu, Social Specialist

Ntaoleng Celestina Mochaba, Environmental Specialist

SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	The environmental risks of the Project are moderate given the potential adverse but manageable impacts likely to be generated from the construction and operation of small-scale irrigation and drainage schemes. The project will finance minor rehabilitation works, the purchase and installation of on-farm pipeline systems and irrigation auxiliaries, irrigation canal and head work repair, provision of pressure pipes and network repairs. The project will also finance the rehabilitation of existing pump stations and construction of water harvesting and distribution reservoirs and where feasible also establishment and repair of existing vertical wells (boreholes). The total command area (hectares) for rehabilitation of the on-farm irrigation infrastructure is not known, but will be determined from the recommendations of the Irrigation Master Plan



currently being developed with full participation of key stakeholders, including smallholder farmers who will directly benefit from the Project. Key environmental impacts associated with the construction and operation of irrigation schemes include (a) changes to the low flow regime of rivers which may have significant negative impacts on downstream users, (b) changing hydrological regime associated with irrigation schemes may alter the capacity of the environment to assimilate water soluble pollutants, (c) excessive use of both natural and chemical fertilizers may result in excess of nutrients which might have impacts on water bodies and human health, (d) areas with water tables that have a low hydraulic gradient are at risk from salinization, (e) reduction in low flows and flood flows may alter the river morphology, reducing the capacity to transport sediment and thereby causing a buildup of sediments in slower moving river reaches, (f) irrigation schemes may fail if the sediment load of water supply is higher than the capacity of the irrigation canals to transport sediment loads, (g) irrigation schemes may have ecological impacts, particularly in wetland areas affecting natural habitats.

The Resettlement Policy Framework has been prepared to guide the PMU in avoidance, minimization and mitigation of any potential resettlement impacts associated to rehabilitation of irrigation infrastructure and activities related to commercialization of agricultural that will require land acquisition or restricted access to land and land use. The Resettlement Policy Framework has been prepared to guide the preparation of Resettlement Action Plans

Performance Standards for Private Sector Activities OP/BP 4.03

No

Natural Habitats OP/BP 4.04

Yes

The policy is triggered. Reduction in natural river flow and discharge of polluted return flows from irrigation schemes, have potential impacts to habitats both within and alongside rivers. Significant changes to low flows (+/-20%) will alter micro-habitats particularly wetlands.



Forests OP/BP 4.36	No	The Project will not support sub-projects located within forested areas or plantations as defined under OP 4.36. Therefore, the policy is not triggered.
Pest Management OP 4.09	Yes	The Pest Management Policy is triggered as agro-chemicals will be used for irrigation subprojects. Based on observations from the ongoing Smallholder Agriculture Development Project, the risk of pesticide use is considered low to moderate due to the small quantities of pesticides currently being used in the sub-projects. An Integrated Pest Management Plan (IPMP) will be prepared to provide guidance on the sustainable application of fertilizers and pesticides taking into consideration the soil type and slope to ensure protection of both surface and ground water.
Physical Cultural Resources OP/BP 4.11	Yes	The policy is triggered given the likelihood of chance finds in conjunction with earth works and/or an encounter of graveyard sites from the experience implementing infrastructure projects in Lesotho. The ESMF will include Physical Cultural Resources Management Plan (PCRMP) that includes measures for avoiding and mitigating any adverse impacts on physical cultural resources as well as providing Chance Find Procedures (CFP). The CFP will entail measures to screen for and manage potential impacts on cultural heritage or property that could be affected by project activities.
Indigenous Peoples OP/BP 4.10	No	The policy will not be triggered as there are no indigenous peoples in Lesotho.
Involuntary Resettlement OP/BP 4.12	Yes	OP 4.12 will be triggered. The project will likely expand the irrigation service area; however, this will only be confirmed once the Irrigation Master Plan has been prepared and investments to be supported under SADP-2 are identified for support during project implementation. At this stage while it is unknown whether there will be any land acquisitions as a direct result of the project, there might be restricted access to resources (whether related to private or communal resources) related to rehabilitation of irrigation infrastructure and therefore Involuntary Resettlement OP 4.12 is triggered to address any adverse impacts. Since the exact location of these structures is not known, a Resettlement Policy Framework will be prepared, consulted and disclosed prior to appraisal. The



		Resettlement Policy Framework will guide the preparation of Resettlement Action Plans. The Resettlement Policy Framework will guide the PMU in avoidance, minimization and mitigation of any potential resettlement impact.
Safety of Dams OP/BP 4.37	Yes	This policy has been triggered as a precautionary measure. At this stage, there is insufficient information to determine whether irrigation schemes and drainage canals would rely on water from existing dams or new small dams would need to be supported under the project. An exclusion clause will be included in the ESMF indicating that the project would not support activities that are high risk and trigger a full environmental assessment.
Projects on International Waterways OP/BP 7.50	Yes	Exception notification to be sent to riparian states will be requested since the proposed small-scale irrigation schemes will not adversely change the quantity and quality of water flows to other riparian states. In addition, the proposed schemes will not be adversely affected by the use of water downstream by the other riparian states.
Projects in Disputed Areas OP/BP 7.60	No	The project will not finance activities located in any known areas under territorial dispute as defined in OP 7.60. Therefore, the policy is not triggered.

KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

Potential environmental impacts are anticipated under Component 1: Support for Irrigation and Component 2: Agricultural Commercialization. The provision of grants may result in agricultural intensification and increased application of fertilizers and pesticides by grant recipients. The grants will be awarded based on screening criteria set forth in the ESMF/ IPMP currently under preparation. The screening criteria as set forth in the ESMF will help to screen out project activities corresponding to a category A, and to provide adequate due diligence on a case-by-case basis for the grants. The approach outlined in the ESMF/IPMP will apply to the matching grants, irrigation rehabilitation and any activity that would be proposed to be financed within the project or the subsequent AFs. The environmental impacts associated with the grants program and irrigation rehab should be readily mitigated through sound construction practices (dust and noise, waste management, material sourcing) while the operational impacts can be mitigated through environmentally friendly farming approaches (manure management, waste disposal, emissions from food processing facilities, improved water resource use).

Under Component 1 rehabilitation of the irrigation schemes is foreseen to lead to better management of water



resources. This activity will potentially entail minor construction related impacts that can be mitigated through a site-specific ESMP. The overall project would lead to an increase in agricultural practices therefore having implications on pest management, which should apply and follow the Integrated Pest Management Plan as prepared under the ESMF.

The potential social issues are likely to be on restriction to land use and access and possible land acquisition for the rehabilitation of irrigation infrastructure and agricultural commercialization activities. The project will likely expand the irrigation service area; however, this will only be confirmed once the Irrigation Master Plan has been prepared and investments to be supported under SADP-2 are identified for support during project implementation. At this stage while it is unknown whether there will be any land acquisitions as a direct result of the project, there might be restricted access to resources (whether related to private or communal resources) related to rehabilitation of irrigation infrastructure and activities under commercialization of agriculture, as a result Involuntary Resettlement OP 4.12 is triggered to address any adverse impacts. Since the exact scope of works for rehabilitation of irrigation infrastructure and commercialization of agriculture activities is not known, a Resettlement Policy Framework has been prepared for the project. The Resettlement Policy Framework will guide the preparation of place specific Resettlement Action Plans. The Resettlement Policy Framework will guide the PMU in avoidance, minimization and mitigation of any potential resettlement impact.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

There are no long term or indirect impacts associated with the project, beyond the potential increase in agricultural production and therefore implications on pest management, where the Integrated Pest Management Plan as prepared under the ESMF should apply.

There are no long term adverse social impacts anticipated for the project, however, the project is expected to have significant positive effects on households, by improving dietary diversity in households, increasing climate resilience of farmers and promote adoption of climate smart agricultural technologies for enhanced agricultural commercialization.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

NA

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

The Government of Lesotho has prepared an ESMF/IPMP and RFP.

The project will be implemented by the Project Management Unit (PMU) under the MAFS that is currently implementing SADP. The PMU has demonstrated limited capacity in assessing environmental and social (E&S) risks and impacts, developing appropriate mitigation measures and implementing and monitoring E&S aspects of the project. Currently, it does not have full-time and qualified E&S safeguards specialists to oversee the monitoring and implementation of safeguards. Before LCSAP appraisal, the PMU has prepared a comprehensive Environmental and Social Management Framework (ESMF) and Resettlement Policy Framework (RPF) and carried out stakeholder consultations in line with both the Lesotho Environmental Impact Assessment (EIA) law and regulations and the World Bank Safeguard Policies. The ESMF and RPF will provide clear procedures and methodologies for carrying out site-specific E&S assessments, review, approval and implementations of physical investments (sub-projects) to be financed by LCSAP. During implementation, the PMU will be responsible for carrying out site-specific E&S impacts assessment for each sub-project including the associated Environmental and Social Management Plans (ESMPs) and Resettlement Action Plans (RAPs) according to procedures outlined in the ESMF and RPF. The site-specific ESMPs and RAPs will be included in the bidding documents for any civil works to be implemented. The PMU will ensure that all the mitigation



measures recommended in the site-specific ESIAs and RAPs are implemented, monitored and reported in progress reports submitted to the Bank. The Bank will also work with the PMU in recruiting full-time dedicated and qualified E&S specialists whose responsibilities will be to screen sub-projects, determine the level and degree of E&S risks and impacts, prepare site-specific ESMPs and RAPs, and ensure that mitigation and management measures are implemented, monitored and reported in progress reports. The E&S specialists would also train/re-train PMU staff and district agriculture officers in the implementation of appropriate mitigation measures for types of impacts expected.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

The key stakeholders include representatives of the Project Management Unit and the Ministry of Agriculture and Food Security (MAFS), farmers associations, entrepreneurs, local authorities, irrigation schemes, as well as the members of the local communities where the project will be implemented. The ESMF/IPMP, RPF have been subjected to public consultations and disclosure before appraisal while each of the subsequent ESMPs and RAPs prepared for each specific subproject will also be subjected to disclosure and public consultations. The ESMF/IPMP and RFP will be disclosed through the MAFS website and Bank's external website.

B. Disclosure Requirements

Environmental Assessment/Audit/Management Plan/Other

Date of receipt by the Bank	Date of submission for disclosure	For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors
13-Mar-2019	01-Apr-2019	

"In country" Disclosure

Lesotho

10-Apr-2019

Comments

Resettlement Action Plan/Framework/Policy Process

Date of receipt by the Bank	Date of submission for disclosure
28-Mar-2019	01-Apr-2019

"In country" Disclosure

Lesotho

10-Apr-2019

Comments



Pest Management Plan

Was the document disclosed prior to appraisal?

Yes

Date of receipt by the Bank

13-Mar-2019

Date of submission for disclosure

01-Apr-2019

"In country" Disclosure

Lesotho

10-Apr-2019

Comments

If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.

If in-country disclosure of any of the above documents is not expected, please explain why:

All safeguards instruments will be consulted upon and disclosed in country and on the Bank's external website.

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)

OP/BP/GP 4.01 - Environment Assessment

Does the project require a stand-alone EA (including EMP) report?

Yes

If yes, then did the Regional Environment Unit or Practice Manager (PM) review and approve the EA report?

Yes

Are the cost and the accountabilities for the EMP incorporated in the credit/loan?

Yes

OP/BP 4.04 - Natural Habitats

Would the project result in any significant conversion or degradation of critical natural habitats?

Yes

If the project would result in significant conversion or degradation of other (non-critical) natural habitats, does the project include mitigation measures acceptable to the Bank?

No

OP 4.09 - Pest Management



Does the EA adequately address the pest management issues?

Yes

Is a separate PMP required?

Yes

If yes, has the PMP been reviewed and approved by a safeguards specialist or PM? Are PMP requirements included in project design? If yes, does the project team include a Pest Management Specialist?

Yes

OP/BP 4.11 - Physical Cultural Resources

Does the EA include adequate measures related to cultural property?

Yes

Does the credit/loan incorporate mechanisms to mitigate the potential adverse impacts on cultural property?

Yes

OP/BP 4.12 - Involuntary Resettlement

Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared?

Yes

If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?

Yes

OP/BP 4.37 - Safety of Dams

Have dam safety plans been prepared?

NA

Have the TORs as well as composition for the independent Panel of Experts (POE) been reviewed and approved by the Bank?

NA

Has an Emergency Preparedness Plan (EPP) been prepared and arrangements been made for public awareness and training?

NA

OP 7.50 - Projects on International Waterways

Have the other riparians been notified of the project?

No

If the project falls under one of the exceptions to the notification requirement, has this been cleared with the Legal Department, and the memo to the RVP prepared and sent?

Yes

Has the RVP approved such an exception?

No

The World Bank Policy on Disclosure of Information

Have relevant safeguard policies documents been sent to the World Bank for disclosure?

Yes

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?

Yes

All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?

Yes

Have costs related to safeguard policy measures been included in the project cost?

Yes

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?

Yes

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?

Yes

CONTACT POINT

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Borrower/Client/Recipient

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Implementing Agencies



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APPROVAL

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