

**MINISTRY OF TRADE AND INDUSTRY, COOPERATIVES
AND MARKETING**

**PRIVATE SECTOR COMPETITIVENESS AND
ECONOMIC DIVERSIFICATION PROJECT**

PROGRESS REPORT No. 06

1st JANUARY 2009 TO 31st MARCH 2009

A. THE PROJECT

a.1. Summary of Project Scope and Objectives

The Private Sector Competitiveness and Economic Diversification Project (PSCP) is funded through a credit of USD 8.00 million from the International Development Association (IDA). The project being implemented over a period of five years (Oct 2007–Nov 2012).

The Project's ultimate objective is to facilitate increased growth and competitiveness of the Lesotho private sector and to stimulate private sector development to attain high and sustainable level of growth needed to reduce poverty and realize the Millennium Development Goals (MDGs).

The Project Development Objective is to facilitate increased participation of the private sector in the economy by creating conditions for improving its productivity and competitiveness.

a.2. Project Description

a.2.1. Project Beneficiaries and Target Groups

The project will benefit large, medium and small formal sector and informal enterprises. It will assist the private sector by reducing uncertainties related to the investment climate and the high cost of doing business in Lesotho. While most of the benefits will accrue to entrepreneurs in the targeted sectors, other sectors will also derive indirect benefits. The project is also expected to stimulate formal and informal sector employment.

The horticulture out-grower scheme is targeting in the case of tree crops, the block farming initiative (BFI); and smallholder out-grower initiative (SOI). In the case of the BFI, 11 farmers are expected to participate in the program where all 11 farmers will form a single legal entity through which they will grow and manage tree crop production. The SOI will focus primarily on Basotho farmers with a history of growing and managing small plots of tree crops, but require additional on-farm technical support to bring up the quality and production volume to commercial levels. High value horticulture pilot will focus on a 21 hectare plot with approximately 30 farmers who will benefit. Products will be targeted to the following market on Table 1.

	Table 1. Target Market	
Year	Tree Crops	High Value Horticulture
1	Local retail market*: 0%	Local retail market: 100%
2	Local retail market: 50% South African market: 50%	Local retail market: 100%
3	Local retail market: 40% South African market: 60%	Local retail market: 80% South African market: 20%
4	Local retail market: 40% South African market: 60%	Local retail market: 70% South African market: 30%
5	Local retail market: 40% South African market: 40% Regional/EU market: 10%	Local retail market: 50% South African market: 40% Regional/EU market: 10%
* Apples and cherries only expected to bear fruit starting year 2		

The garment and textile component will focus on skills development within the garment industry. It will help increase productivity and competitiveness of the sector.

The Lesotho Enterprise Assistance Programme (LEAP) component with a Matching Grant Scheme (MGS) will target through two “windows of funding” (i) the Micro, Small and Medium Enterprise (MSME) firms, with free assistance for firm-level HIV/AIDS programs, specifically for on-site testing and for treatment programs, using outside service providers; (ii) and under LEAP will build the capacity of the private business and professional associations and of chambers.

To support the Government’s Poverty Reduction Strategy through private sector-led economic growth, the PSCED Project will consist of three components.

- (i) *Component One* - Improving the Business Environment through Reducing Costs of Doing Business and Strengthening Legal Framework
- (ii) *Component Two* - Supporting Economic Diversification through Development of Skills, Institutions and Market Linkages
- (iii) *Component Three* - Project Implementation Support

The implementation of the project will cost USD 10.50 million (**USD 8.10 million IDA financing and USD 2.00 million Government counterpart funding**) over five years period (See **Annex 1** for the detailed costs by component and **Table 8** for the summary costs by components).

a.2.2. Component One: Improving the Business Environment

a.2.2.1. Improving the Business Environment through Reducing Costs of Doing Business and Strengthening Legal Framework

Overall objective: to support implementation of policy measures intended to improve the business environment and reduce the cost of doing business. This Component will comprise the following subcomponents:

a.2.2.1.1. Subcomponent A – Company Registration and Licensing Reform

a.2.2.1.1.1. Company registration

Objective: Strengthen the capacity of the Company Registry to improve the effectiveness of its role in the establishment of businesses and as an information resource for the public and private sectors by supporting the consolidation of business registration processes.

Activities: The following activities will be supported by the project:

- (i) Implementation assistance for the trade and industrial licensing reform
- (ii) Design and installation of an integrated and computerized system for business Licensing, notification and company registration
- (iii) Purchase of computer equipment and associated software
- (iv) Design and conduct of training programs for MCTIM staff to support new licensing regimes
- (v) Design and conduct of training programs for the staff of the Registrar General’s Office
- (vi) Operation and maintenance of the installed IT systems; and

(vii) Costs of publishing and printing of laws and regulations

Expected Results

- (i) A modern and efficient Company Registry established and consolidates all business registration processes;
- (ii) The time required for registration significantly reduced;
- (iii) The costs to businesses lowered below that of its regional competitors;¹ and
- (iv) Businesses and the public access company information in an efficient manner.

Progress to Date

The draft Company Registration Bill has been submitted to Attorney General's office for adoption before it goes to Cabinet for approval. The Attorney General has committed that the Bill will be sent to Cabinet for approval in April 2009. It is therefore envisaged that the Bill will be enacted by Parliament before end of August, 2009. This as a result will improve Lesotho's ranking on the Doing Business Indicators for the financial year 2009/2010. The PSC project is also committed to support the implementation of Companies Act. The support includes transfer of company's registration functions from the Registrar General's office to the OSS, identification of resources required for establishing the electronic data base for the commercial registry, training and other required needs to establish the registry of OSS. In this regard PSC project will devise an action plan in consultation with relevant stakeholders in July to take this process forward.

Next Steps

- Solicit clearance certificate from Attorney General for submission of the draft Bill to Cabinet in April, 2009;
- Hold sensitization workshop for the MTICM staff prior to submission of the Bill to Parliament in April, 2009
- Submit the Bill to Cabinet for approval in May, 2009
- Hold sensitization workshop for parliamentary sub-committee on Economic cluster in June, 2009
- Hold sensitization workshop for parliamentarians in July, 2007
- Adoption of the Act by Parliament in August, 2009.
- Draw up an action plan for implementation of the Companies Act in July, 2009.

Challenge

Delays in enacting Companies Registration Bill will affect Lesotho's ranking on the Doing Business Indicators.

a.2.2.1.1.2. Business licensing

Objective: Streamline the industrial and trading licensing regimes so as to reduce significantly the time and costs to both the public and private sectors, and to restrict the licensing process to essential regulatory purposes. In the area of trade licensing, the mandatory trade license will be converted into a reporting requirement, while in the area of industrial licensing, the procedures will be redesigned to reduce drastically the duration and burden of the licensing process.

Activities: The following activities will be supported by the project:

¹ According to the Doing Business Report (2006) it takes 73 days to register a firm in Lesotho at a cost of 40% of average income per capita. The target is to reduce the time and cost by December 2009 below that of South Africa, where currently it takes 35 days to register a firm at a cost of 7% of average income per capita.

- (i) Redrafting of the legislation and regulations referring to industrial and trade licensing (e.g., the Industrial Licensing Act (1969); Pioneer Industries Encouragement Act (1969)).
- (ii) Redesigning application forms and procedures, including developing transparent criteria for decision-making and job descriptions for MTICM staff.
- (iii) Computerization of data processing and its integration into the broader computerization program within MTICM.
- (iv) Designing and supporting the implementation of an efficient appeal mechanism.
- (v) Developing procedures and M&E procedures to support performance targets.
- (vi) Staff training to support the new licensing process.

Expected Results

- (i) The time and costs to both the public and private sectors or obtaining trade license reduced;
- (ii) The duration and burden of the industrial licensing process reduced

Progress to Date

A stakeholders' workshop was organized in February, 2009 to further discuss the draft Business Reporting and Industrial Licensing Bill. The international consultant who drafted the Bill facilitated the workshop and addressed critical issues that needed further clarification from the Workshop that was held in November, 2009. These issues included explanation of the rationale and benefits of the proposed amendments to the stakeholders. A broad stakeholder consensus was achieved on the draft Bill although the Ministry of Trade and Industry Cooperatives and Marketing expressed that they still have reservations on certain provisions in the Bill. In this regard the Ministry is expected to consult internally and submit final comments to the consultants for further review of the proposed Bill.

A strategy workshop for the One Stop Shop (OSS) was held in February, 2009 and the draft strategic plan was completed in March, 2009. The draft strategic plan will therefore be submitted to PRC for review and adoption. Subsequent to adoption of the strategy by the PRC, the plan will be submitted to OSS Steering Committee and MTICM for adoption. It is envisaged that the plan will be subjected to review by Cabinet in June, 2009.

Next Steps

- Submission of final comments from MTICM to the consultants for further revisions to the current draft Bill in April, 2009
- Approval of the revised draft Bill by the Inter-Ministerial Legal Working Group and drafting instructions to the Law Office in July, 2009
- Submission of draft Bill to the Attorney General in August, 2009
- Review and adoption of the draft strategic plan by the PRC in April, 2009
- Review and adoption of the draft strategic plan by OSS Steering Committee and MTICM in May, 2009
- Review and adoption of the draft strategic plan by Cabinet in June, 2009

- Adoption of action plan by OSS Steering Committee and MTICM to implement the key recommendations in July, 2009

Challenge

Delays in the issuance of important permits required from other Government agencies continue to be a serious challenge. The new Law may not be a solution to reduction of amount of time to obtain a license.

a.2.2.1.1.3. Subcomponent B – Immigration and Passport Service (IPS) Reform

Objectives: (i) streamline and simplify the procedures to issue basic documents, such as visas, work permits and residency permits; (ii) improve the public perception of the IPS by instilling the principals of improved productivity, courteousness and efficiency in IPS officers; and (iii) reduce corruption during border crossing activities and in the dispensation of immigration benefits.

Activities: The project will upgrade and enhancement of Lesotho's IPS operations and staff capacity and will support the following:

- (i) Pilot project for Visa Pre-Clearance and Port of Entry (POE) Visa Issuance.
- (ii) Pilot project to partially computerize adjudication and information services within the Ministry of Home Affairs
- (iii) Pilot project to computerize operations at selected ports of entry enabling them to communicate electronically with each other and IPS headquarters.
- (iv) Development and implementation of a historical baseline database capable of providing information and generating periodic management status reports for the GOL.
- (v) Analytical Studies.

Progress to Date

These activities have been suspended pending the completion of the IPS strategic plan.

1. Pilot project for Visa Pre-Clearance and POE Visa Issuance

Objective: to simplify and streamline admission protocol and accelerate the entry of tourists, guest workers and investors to Lesotho.

Activities:

- (i) Design and implementation of a program for establishing visa pre-clearance and visa issuance procedures at four selected POE's – **Maseru Bridge, Ficksburg Bridge, Maseru Airport, Sani pass and Caledonsport**. The activities will be undertaken in close collaboration between the Ministries of Home Affairs; and Tourism, Culture and Environment.
- (ii) Training of staff to carry out these new responsibilities.

Progress to Date

This activity has been suspended pending the completion of the IPS strategic plan.

2. Pilot project to partially computerize adjudication and information services

Objective: to upgrade and expand the computerization of its adjudication, benefits and information services, and to make it more difficult to misuse the immigration system.

Activities: Upgrade and computerization of the existing adjudication and information services at IPS headquarters within the Ministry of Home Affairs, including procurement and installation of new hardware and software as well as providing capacity building of staff to increase their ability to effectively operate the new equipment.

Progress to Date

This activity has been suspended pending the completion of the IPS strategic plan.

3. Pilot project to computerize operations at selected ports of entry

Objectives: To computerize the IPS inspection and admission services at the selected five ports of entry (**Maseru Bridge, Ficksburg Bridge, Maseru Airport, Sani pass and Caledonsport**), markedly improve IPS service delivery as the ports will be able to communicate electronically with each other and IPS headquarters and to provide better service to citizens, tourists, guest workers and investors.

Activities:

- (i) Development and implementation of an integrated and enhanced management information system.
- (ii) Procurement and installation of hardware and software
- (iii) Staff capacity building required to operate the new system

Progress to Date

This activity has been suspended pending the completion of the IPS strategic plan.

4. Development of a historical baseline database

Objective: To develop a historical IPS baseline database to assist in the management of day to day IPS operations by automatically generating periodic reports.

Activities: Computerize the manual data records for services provided during 2004-06.

Progress to Date

This activity has been suspended pending the completion of the IPS strategic plan

5. Development of a training and certification program for Consular Officers

Presently, Consular Officers are permitted to issue visas and travel documents with little or no training. Within embassies internal policies and procedures for securing the visa issuance process are seriously deficient.

Objective: To provide training to consular officers issuing visa and travel documents and improve the procedures for securing visa issuance.

Activities: The activities will be conducted in close collaboration with the Ministries of Home and Foreign Affairs:

- (i) Design and implementation of a program leading to the training and certification of consular officers authorized to issue visas.
- (ii) Creation of a staff training program intended to develop their skill and capacity to administer this program.

Progress to Date

These activities have been suspended pending the completion of the IPS strategic plan.

6. Analytical studies

Objective: To provide guidance to the Government on the most efficient way to issue residency/work permits and on how an intra governmental communication channel and a National Identification Program can be implemented.

Activities: Three studies designed to compliment and enhance the pilot projects and to provide guidance for action in pertinent operational areas of IPS will be financed:

- (i) Feasibility study for the creation of intra governmental communication channel.
 - a. Develop a strategic blueprint for incorporating an intra governmental communication channel capability into the existing IPS information management system.
 - b. The goal is to create inter-ministerial interoperability permitting other ministries, which operate off of different systems, to access the IPS database.
 - c. The results of this study will guide the GOL in designing appropriate information management enhancements to IPS operating systems in order to bring them into line with international “best practices”. This work will need to be coordinated with IT managers in the affected ministries.
- (ii) Feasibility study and design of a National ID card System utilizing a public-private sector approach.
 - a. A well structured national identification system, which restricts everyone to a single unique identity number, could reap significant benefits for the GOL.
 - b. An identity number, which can be used as a key to identify individuals in numerous systems that are currently employed within Lesotho’s public and private sectors is urgently needed.
 - c. This verification system will be used extensively whenever entitlement to government benefits or other services are called into question.
 - d. The study will contain recommendations for design, advertisement, coordination, funding, development and implementation of the project, recommendations for use of a possible private-public funding modality, as well as recommendations for the type of ID card production system best suited for use in Lesotho. The costs associated with establishing the system would be provided under the Compact Program funded by the Millennium Challenge Corporation.

- (iii) A study to determine whether a front loaded or back loaded Residency/Work Permit Issuance policy is best for Lesotho. The issuance of work and residency permits represents the culmination of a number of important decisions. How and when these decisions are made determines whether the process will yield commercially sensible and efficient outcomes for investors. Two approaches to issuance of these documents exist; each can provide worthy outcomes. To determine which approach offers the most consistent advantages this activity will:
- a. Conduct an in depth analysis of each approach to determine which is better suited for use in Lesotho,
 - b. With the aim to reduce the number of decisions required at the recruitment level, which helps to reduce the number of bottlenecks and thus delays.
 - c. Determine whether or not the use of features such as the key worker scheme and/or open lists for foreign recruitment can facilitate investment in priority sectors.

Progress to Date

Feasibility study and design of a National ID card System have been completed. These have been accepted by the Government of Lesotho for implementation to be supported by the Millennium Challenge Account.

The feasibility study on Revitalization and Reorganization of Lesotho's Residency and Work permit issuance protocols has been completed. The recommendations of the study and the action Plan have been submitted and accepted by the Government of Lesotho. Work with regard to streamlining the integrated issuance of both work permits and residency permits has started and is expected to be completed by May, 2009. There is commitment from the Ministry of Home Affairs to delegate authority to the OSS Immigration Desk for the issuance of all residency permits. In this regard, it is envisaged the instrument delegating this authority will be signed by the Minister of Home Affairs by April, 2009.

Next steps

- Establishment of the Immigration Advisory Committee residency and work permits study by April, 2009
- Adoption of an action plan based on the study recommendations in April, 2009
- Establishment of a Legal Working Group for harmonization of legal requirements for streamlining of integrated issuance of both permits in April, 2009.
- Present the action plan to the PRC for adoption.
- Implement the action plan for Revitalization and Reorganization of Lesotho's Residency/Work permit issuance protocols.
- Signing of the instrument delegating authority by the Minister to the Immigration Desk for issuing all residency permits at the OSS by April, 2009
- Appointment of a consultant to help implementation of the residency and work permits study (revised business processes, job descriptions, procedures manuals, training and quality assurance)

Challenge

There is a slow progress in the implementation of activities of Immigration and Passport Service Reform and Revitalization sub-component of the project due to limited institutional and human resource capacity within the Ministry.

a.2.2.1.1.4. Subcomponent C – Improving Access to Finance

Banks typically require well secured collateral from applicants and are ill-suited to serve the needs of MSMEs due to informal asymmetries on project quality between the bankers and entrepreneurs, the lack of adequate collateral and inadequate lending instruments.

Objective: The objective of this subcomponent is to assist the Government in addressing the issue of the limited access to finance by SMEs from commercial banks facilitated by two actions:

- (i) Technical assistance to help the Lesotho National Development Corporation (LNDC) to design and set up an Enterprise Development Facility (EDF) which would provide guarantee to SME's to unlock loanable funds from the commercial banks.
- (ii) Technical assistance to develop a well functioning leasing industry in Lesotho.

Activities: The project will provide support to complement some of the activities already ongoing, such as:

- (i) Training of LNDC staff in commercial risk assessment and credit risk guarantee, and in assets/liability management to build LNDC expertise and familiarizing them with assets/liability management and operational issues, to take into account the new line of business in the form of contingent liability carried off the balance sheet.
- (ii) Revision of LNDC Investment Committee's procedures to align LNDC decision making process to respond to demand from SME's for guarantee.
- (iii) TA to develop leasing industry activities under this sub-component are designed to complement each other in order to create a suitable environment to attract leasing firm in Lesotho. They will be implemented by LNDC under the aegis of MFDP. They include the following activities:
 - *Develop Leasing Industry for Lesotho.* The project will fund short term consultancy to develop a leasing industry for Lesotho including the drafting, for adoption and promulgation of a Leasing Act consistent with the corresponding Act in South Africa, which will indicate the rights, duties and obligations of participants including those related to the adjudication of cases etc.
 - *Design a tax regime applicable to leasing.* Short term consultancy services will be provided to the Government for designing a tax regime applicable to the leasing industry, by (i) studying the existing tax regime, (ii) consulting with the Government to design the appropriate tax regime including definition of possible tax incentives to be conceded by the Government to the leasing industry and (iii) other actions and regulatory reform needed to attract leasing institutions in Lesotho.

Progress to Date

A road Map for implementation of a Partial Credit Guarantee Scheme has been developed. Based on the roadmap, Lesotho National Development Cooperation (LNDC) has developed a Working Paper for establishment and implementation of the Scheme. The Working Paper has been approved by the LNDC Board in September, 2008. LNDC through the Ministry of Trade and Industry, Cooperatives and Marketing (MTICM) has submitted a request to the Ministry of Finance and Development Planning for funds that will guarantee beneficiaries of the scheme. The process of soliciting funds from potential donors is still underway. In the meantime, the Ministry of Finance has promised to write to IFC seeking support for the Partial Credit Scheme. However, limited progress in the implementation of activities planned under this sub-component still persists and it continues to be unclear as to when the scheme will be operational.

The procurement process to engage a consultant to develop a Leasing Act and design tax regime for leasing industry in Lesotho was re-launched as the shortlisted consultants had shortfalls on the assignment. Based on the scope of work to be done, consulting firms are targeted for the assignment as opposed to individual consultants. The Ministry of Finance and Development planning has therefore been requested to seek support from IFC for a leasing industry expert to carry out a mission and conduct a workshop on the prospects for developing the industry in Lesotho.

Next Step

- Ministry of Finance and development Planning to write to IFC seeking support for the PCG scheme in April, 2009
- Engage a consultant to develop Leasing Act and design tax regime for leasing industry in Lesotho.
- Ministry of Finance and Development Planning to seek support from IFC for a leasing industry expert to carry out a mission and conduct a workshop on the prospects for developing the industry in Lesotho by April, 2009

Challenge

Slow progress in the implementation of activities of this sub-component creates uncertainties regarding the feasibility of establishing the scheme.

a.2.3. Component Two: Supporting Economic Diversification through Development of Skills, Institutions and Market Linkages

Overall Objective: to build the capacity of the private sector by: (i) strengthening the linkages with the regional economy, especially South Africa; (ii) strengthening institutional support for employable skills and business management; and (iii) improving productivity at the firm level; and to Strengthen forward and backward linkages, build relevant skills to enhance the productivity in key selected sectors (i.e., garment, horticulture and tourism) and support to the Public/Private dialogue and private sector organizations. To achieve these goals, the Component would comprise the following four Sub-Components:

a.2.3.1. Subcomponent A - Skills Development for the Garment Industry

Objective: To establish and implement an industry-led skills development shared facility aiming to enhance the competitiveness of the textile and garments industries in Lesotho in the medium- to long-term: (i) enhance the competitiveness of garment manufacturers through improving their productivity

levels, (ii) meet the demands of major buyers to add more value to 'commodity' type products currently produced in Lesotho and support emerging product differentiation initiatives of new investors; (iii) slow down the eroding market position of the industry in Lesotho, particularly under AGOA and support diversification into the South African and EU markets; and (iv) prevent any further withdrawal of investors and loss of employment and encourage new investors in the garment sector.

Activities: The following activities will be financed under this sub-component are:

- (i) Establishment and operation of two Lesotho Garment Skills Development Centers: Consultancy services to support the establishment and operation of two Skills Development Centers in Maseru and Maputsoe through (a) registration of the Maputsoe Centers non-profit association of factories in the area, appointment of the Management Councils for both Centers, (b) appointment of two Center Managers and two Accountants for managing the Centers for the project duration on a declining proportion (100% for the first three years, reducing to 67% in the fourth year and 33% in the fifth year), (c) 50% of the cost of hiring contract private specialist training providers including a trainer of trainers for up to 3 years, (d) hiring of a training audit specialist for periodic monitoring and evaluation of training quality and impact.
- (ii) Acquisition and installation of equipment to support training and provision of technical support services: Acquisition and installation of equipment to support training and provision of technical support services as follows (a) general and specialized line equipment, primarily sewing machines, (b) automatic fabric laying and laser cutting machine, button holing, button fixing and embroidery machines, (c) Computer-aided Design and Manufacturing (CAD/CAM) laboratory facilities including garment CAD and embroidery software, (d) fabric testing laboratory facilities, and (d) ancillary equipment and facilities such as furniture, computers, teaching aids, manuals, electrical accessories.
- (iii) Refurbishment of the buildings: The project will support the necessary refurbishment of the two buildings, acquisition and installation of required utilities, health and safety equipment and facilities as well as limited improvement of the access road to the centers.

Progress to Date

Two skills centers have been established in Maputsoe and Maseru. The Lesotho Northern Region Skills Center appointed a new Center Manager and Administrator in January 2009 and the center is fully staffed and operational. The buildings for the two centers have been refurbished although further works need to be done at Maseru Region Skills Center as refurbishments were done to permit training activities to commence. The two centers have registered with the Technical and Vocational Training Department, Ministry of Education (TVD) and ComMark. The training curriculum is being developed by the two center managers and will subsequently be subjected to TVD for approval in order to get accreditation for the two centers. The management council for both centers has been established and is functional. In January, 2009, Ministry of Labour joined the Management Council and this brings the number of government Ministries represented in the council to four.

The two centers undertook a comprehensive training needs assessment in February, 2009 and this indicated demand for additional basic sewing training as well as specialized courses in training of supervisors, quality management, sewing machine repair and maintenance, operation of specialized equipment and health and safety, work study and training of trainers. This is expected to form the basis

for training plans for both centers. A draft business plan for the two centers including a fee structure is being reviewed and the exercise is expected to be completed by end of June, 2009.

Training performance is very encouraging at both centers with a total of 49 workers trained at Maputsoe skills center and 60 workers trained at Maseru Skills center. This brings the total number of people trained at both centers to 109. Amongst trained workers, 69 of them were trained in basic sewing, 19 in basic business principles, quality, productivity and garment costing while 8 were trained on a tailor-made program on linkages. The two centers are still committed to train 2000 people by end of the project.

Next steps

- Submission of budget for additional refurbishment works for the Maseru Region Skills Development Center by April, 2009
- Review and adoption of the business plan by Management Council of both centers by June, 2009
- Preparation of a quarterly training program with outputs and budgets and a standard reporting format by June, 2009
- Finalization of training curriculum and submission to TVD for accreditation by June, 2009
- Production of communications materials and establishing a website by August, 2009

a.2.3.2. Subcomponent B - Horticulture Out-grower Scheme

Objective: To add more value to horticultural products grown in Lesotho, particularly vegetables, and tree crops such as apples and cherries, and to link them to markets in South Africa, and the EU (UK) through (i) improving quality, volume and delivery capability of Basotho farmers; (ii) transitioning away from smallholder farming into group or block farming methods; and (iii) production of organic products to help tap into high premium niche markets.

Activities: During the preparation phase (funded partially by the PHRD grant and the PPF advance), initial work has been undertaken to identify two demonstration plots to explore the financial, agronomic and social sustainability of the proposed partnership:

- (i) Land preparation activities;
- (ii) Inputs for initial planting of crops and trees;
- (iii) Technical support targeted farmer group

Progress to Date

The first phase of the Horticultural sub-component focuses on the establishment of seven (7) fruit trees pilot projects, three of which are regarded as 'targeted' farmers while the other four (4) as 'non-targeted' farmers. The pilot projects are located in the Northern, Central and Southern parts of the country. Up to 10,000 seedlings of cherries, apples and peaches have been planted over an area of approximately 10ha. Priority is given to targeted farmers in terms of equipment and inputs. Assistance to non-targeted farmers on the other hand is limited to technical support and limited inputs. Irrigation systems and netting have been installed in all three pilot sites. The technical partner, Denmar Estates is expected to link the three targeted farmers with South African and European Market. The Government of Lesotho through Ministry of Trade and Industry, Cooperatives and Marketing has signed an agreement with Denmar Estates to formalize the market linkages.

Five training sessions and two study tours have so far been offered to all participating farmers and extension officers from MAFS. 3 training sessions were conducted in-house while the other 2 were practical training on pruning, weeding, weed control, fertilization and tree training. The in-house training covered; basic principles of irrigation, control pests and diseases, effective use of the Blue Book, basic plant nutrition, application of fertilizers and basic business principles. Two study tours were also organized for both the pilot and non-targeted farmers to Denmar Estates to familiarize them with intensive fruit production.

Soil sampling was carried out at three pilot sites and based on the test findings, fertilizer and lime requirements were established for the farms. These were procured and delivered to pilot sites in March, 2009.

Fencing is complete at Qoqolosing and still underway in Thuathe and Mahobong. Hail netting on the other hand is complete at the three pilot sites. The irrigation systems have been installed at the three pilot sites and are fully operational in Thuathe and Qoqolosing while the intake line at Mahobong requires some adjustments.

3.5 tons of maize for Livelihood support was delivered to targeted farmers (for the financial year, 2008/2009).

The data book (Blue Book) has been translated into Sesotho and is being kept by farmers for regular recording of the required information.

Next steps

- Complete fencing at Thuathe and Mahobong by May, 2009;
- Procure, distribute and install rain gauges and thermometers at the three pilot sites by April, 2009
- Conduct training assessment by May, 2009
- Finalize field training schedule for the next six months by June, 2009
- Engage a consultant to assist MAFS to complete the GIS tree variety maps by June, 2009
- Make copies of all blue book data and assess the quality of the available data by may, 2009
- Organize a refresher course for farmers on the Blue book in may, 2009
- Submission of a format for data compilation and reporting from the Blue Books by the Project Advisor in April, 2009
- Review of staffing and the partnership arrangements with Denmar in consultation with the Technical Advisor by April, 2009.

a.2.3.3. Subcomponent C - Tourism industry support

Objective: to contribute to and provide support for the GOL strategy for growing the tourism industry in Lesotho and for providing a workable framework for delivering this growth.

Activities: The following activities will be supported:

- (i) Launch and provide support for World Hotel Link: The objective is to strengthen the marketing outreach of local hotels, guesthouses and other tourism businesses by building an online reservation platform (Worldhotel-link.com) and channeling specific capacity building activities to those listed enterprises.

- a. Concessioneering out to the private sector building and operating of the WHL Lesotho portal. The WHL team will assist the LTDC and LCT in the selection process of a local operator(s) to build and run the portal.
 - b. Technical assistance to building the content of the WHL Lesotho Portal; provision of training and workshops to the operators and service providers. This activity will be contracted out to the WHL, which will prepare and conduct training of the local operator(s) on the use of the system, web marketing, itinerary packaging, independent travel market workshops, etc; and marketing the service to the market ready and nearly market ready product in Lesotho. A series of market access workshops will be organized by WHL in at least three districts, (Maseru, Quthing and Mokhotlong) in order to attract service providers and possible WHL portal participants from the entire country.²
- (ii) Support to LCT
- a. The project will cover the costs of a competitively selected Executive Director of LCT and provide limited funding for TA and operational costs.³ The project funding will be provided on a decreasing scale over the live of the project, with 100% in the first year declining to 20% in the final year of the project.
 - b. After these initial stages of establishing the portal and building content, WHL, LCT and LTDC will continue to work together to support service providers featured on the WHL Lesotho portal, as well as encouraging others to join. It is expected that many of the service providers featured will be encouraged to apply for matching grant funds offered under the LEAP initiative in this project, thereby strengthening the sector focus of the overall project.
- (iii) Support to LTDC:

The project will strengthen LTDC for investment promotion, brand development and marketing through the following activities:

- a. *Investment Promotion.* LTDC has a pivotal role in attracting investment to the sector. The project preparation activities have provided for the development of a transparent concessions procedure and manual for at least three targeted sites (for which an MOU will be signed with the MTEC outlining clear guidelines) and the project will support LTDC to target (possibly in partnership with Multilateral Investment Guarantee Agency MIGA) investor missions to Lesotho to showcase these potential concession sites for investment.
- b. *TA to LTDC in commercial concessioneering.* The TA will assist the LTDC in developing attractive concession contracts for at least three areas in Lesotho agreed with the Government and LTDC: Liphofung Cultural and Historical site in Botha Bothe district; Tsehlanyane National Park in Leribe; and Sehlabathebe National Park in Qacha's Nek.⁴ The sites offer a unique mixture of traditional performances, pony trekking, camp sites,

² The topics to be included are: market access; independent market; identifying and packaging my product through USPs; valuing and pricing my product; understanding commission; managing advanced bookings; deposits and cancellation policies; identifying channels to market.

³ The Government has already committed to provide the office space and cover some of the operational expenses.

⁴ Sehlabathebe National Park in Qacha's Nek is the only gazette National Park in Lesotho.

rare indigenous woodland in Lesotho, and spectacular mountain scenery with rich floral and faunal diversity. In addition, the Government and LTDC identified two additional sites, Bokong Nature Reserve in Leribe and Semonkong, for possible concessioning to the private sector.

- c. *Grading system.* Development of a practical and customer oriented Star Grading System for the accommodation sub-sector and associated legal and regulatory reforms.
- d. *Strategic Plan for LTDC.* Assist the LTDC with a comprehensive “roadmap” setting the direction and pace of implementing the LTDC’s mandate of tourism investment promotion, marketing and facilitating tourism private sector development over the next 5 years in a coordinated and focused manner.
- e. *Brand Development and Marketing Strategy.* LTDC will be supported to develop a Lesotho brand and stimulate market demand through a range of targeted marketing and information provision activities. Brand development for Lesotho is critical to address the key challenges identified; lack of awareness of Lesotho as a tourism destination and the poor destination image. Ahead of a landmark year of 2010 for southern Africa, *Brand Lesotho* will enable the following:
 - i. Create a distinct identity for Lesotho regionally (alongside more established destinations such as South Africa, Namibia, and Botswana). This is also in line with the indication that Lesotho is largely visited as part of a broader South Africa and Southern Africa tour.
 - ii. Bring focus to marketing efforts. This will direct the approach to target marketing, especially in view of limited marketing funds/budget; which need to be channeled for maximum market impact.
 - iii. Encourage consistency in how the destination is marketed by both the public and private sector, thereby promoting a focus on “packaging” Lesotho.
 - iv. Help to create and maintain a positive image of Lesotho among travel trade and consumers by creating a “unique place in the consumer’s mind” and creating the basis for engaging with /developing ‘relationships’ with the brand.

The main marketing focus will be to build Lesotho’s image as a choice tourist destination through coordinated effort based on an identifiable brand, market segments, and appropriate demand driven product offerings and packages, with emphasis on South Africa as Lesotho’s main tourist market. The promotion components of advertising, media and tour operators’ familiarization, trade and consumer workshops, information materials and PR activities have all been designed to work in tandem to sensitize and create interest in South African as the key segment of consumers and travel trade.

In addition LTDC will be supported to improve the quality and dissemination of marketing collaterals. Tourists are more likely to use local providers if they have information about them, can access them easily, and have appropriate expectations. LTDC has an important role in producing this information promoting products in the destination.

Progress to Date

An online booking system for tourism accommodation facilities and activities in Lesotho has been established to strengthen the marketing outreach of local hotels, guest houses, BB and other tourism

businesses. To date, 25 establishments and 2 tour operators have been registered with the portal operator. Access workshops have been held for tourism operator from various parts of the country and 180 tourism operators and service providers have been trained.

The executive Director for Lesotho Council for Tourism (LCT) has been appointed and started work in December, 2009. In January, 2009 the official launch and the first Annual General Meeting (AGM) of LCT took place. At that meeting the New Board of Directors was elected LCT Constitution was amended and adopted. LCT is currently operating from the Ministry of Tourism, Environment and Culture (MTEC). The Council has made a lot of progress since its establishment and membership drive is underway. Among activities that LCT is actively engaged in, is preparation of the 2010 World Cup in partnership with Mangaung Municipality in the Free State.

The drafting of the strategic plan for the Lesotho Tourism Development Corporation (LTDC) and the report on the Accommodation Grading System for Lesotho have been completed and the documents are being reviewed. The draft concessions report for Sehlabathebe site has also been completed although further work needs to be done on the report to clarify and address a number of issues before the request for expressions of interest can be launched. The concessions task force has only met once since the launch of the study yet it is important that Task Force meet periodically. The procurement process for brand development and a marketing strategy was re-launched in February, 2009 and dead line for submission of proposals was end of March, 2009. Evaluation of proposals will follow in April, 2009.

Next steps

- Revisions of the draft Concessions Report and adoption of the Concessions Task Force by May, 2009
- Development of an action plan to address the policy, regulatory and institutional issues prior to launching the search for investors by June, 2009
- The Concessions task Force to meet periodically and submit a work plan and progress report to P the PMU.
- LCT to submit a detailed six month work plan with a timeline and targeted outcomes by May, 2009
- LTDC to coordinate proposed activities on grading system and marketing/branding strategy with the LCT and MTEC and ensure that these are consistent with support under the Lesotho Enterprise Assistance program (LEAP) for the private operators in the tourism sector

a.2.3.4. Subcomponent D – Lesotho Enterprise Assistance Program

Activities: The Lesotho Enterprise Assistance Program (LEAP) will address these issues, using a mix of four separate interventions:

- (i) Direct assistance to individual firms, providing the direct mentoring assistance; and also the provision of cost-sharing grants to firms, for the use of specialized services.
 - (ii) Cost-sharing grant assistance to representative business and professional associations and chambers, to build their capacity to better serve their members.
 - (iii) Grant financing for the first five years to support regular public-private sector dialog.
 - (iv) Cost-sharing grant assistance to firms, for on-site HIV/AIDS testing.
- (i) The project will fund measures to promote public-private dialog through support to private sector apex organization.

- (ii) Further, a small proportion of funds will be earmarked to conduct strategic studies supporting the public-private sector dialogue, corporate governance agenda, and building critical institutions supporting PSD (i.e., setting up the Commercial Court, development of the Alternative Dispute Resolution (ADR) and a small claims court, development of an investment strategy for Lesotho, etc.).
- (iii) Funding will be provided to co-finance workshops and seminars for distribution and discussion of the findings and recommendations.

Progress to Date

Promotional tours have been undertaken throughout the whole country. Preliminary information on potential service providers has been gathered and is being captured into a database. An international LEAP manager was recruited in February, 2009 and all systems and procedures for operation and management of the scheme are in place. To date, two seminars have been held for LEAP beneficiaries and 13 firms have been assisted while 87 firms have received direct mentoring. 261 applications have so far been received of which 36 warrant immediate follow-up. Of these 36 applications that needed immediate follow-up, 10 firms have been visited and 4 of them submitted back applications. Based on the amount of work that needs to be done under the program, an additional staff is going to be recruited. The project was also prepared to support establishment of the Lesotho Private Sector Foundation (LPSF) secretariat, however there has been no progress on this matter despite initiatives made by PMU to encourage them to submit requests for support under LEAP.

Next steps

-
- Appointment of additional LEAP staff by June, 2009
- Reorganize application and grant processing procedures by April, 2009
- Launch contacts with existing mid-sized exporting firms by April, 2009
- PS-MTICM to convene a meeting with the PS cabinet to seek clarity and agree on a way forward on the LBC and LPSF by April, 2009,
- Continue with direct mentoring
- Facilitate engagement of Service providers and reimburse 60% subsidy to those who received matching grant assistance.

Challenges

- Unclear perception in market of what LEAP has to offer...proliferation of 'business plan' proposals
- Grantees have difficulties funding even their 40% of activities
- Outside of bigger textile firms (excluded from LEAP program) there are few local firms with clear export potential.
- Majority of proposals are from traders/importers/distributors or start-ups – few manufacturers
- Weak Chambers of Commerce/Business Associations

a.2.4. Component Three: Project Implementation Support

The objective of this component is to ensure efficient and effective project management. This is facilitated by a project implementation structure consisting of four levels, namely; the Private-Public Steering Committee (PPSC) consisting of relevant members of the Cabinet and representatives of Business Chambers for provision of strategic guidance; the Project Review Committee (PRC) consisting of relevant Principal Secretaries, Registrar General and CEOs of the LNDC and LTDC for tactical and operational guidance; the Project Management Unit (PMU) consisting of the Project Manager,

Administrative Secretary, Procurement Manager, Financial Manager and Monitoring and Evaluation Specialist for overall day to day management of the project; and the Focal Points from executing agencies for management and implementation of individual project sub-components.

The Component supports implementation costs of the PSC Project:

- (i) Support for Project Management Unit (PMU) and LEAP Business Advisory Unit to finance the consultant positions and training for Project Manager, LEAP Program Manager, LEAP Business Advisor, Secretary and consultancy services for provision of procurement, financial management and M&E services.
- (ii) Operational costs and goods necessary for the functioning of the PMU and LEAP Business Advisory Unit.
- (iii)

Progress to Date

The Project Management Unit is adequately staffed and fully operational. There have been 7 PRC meetings since project effectiveness. However, the Public Private Steering Committee (PPSC) has not met as yet. In March, 2009, the Planning workshop was held where the focal points in collaboration with the PMU developed detailed work plans for the various activities under the project.

Next Step

- GoL and the PMU to review the need for the LNDC Service Contract by April, 2009
- Revise Monitoring and Evaluation framework for the Project with the support of the Bank team in Pretoria by June, 2009
- PMU to hire a consultant to carry out the MTR and submit a report by July, 2009

Challenges

The PPSC has not met since project effectiveness. This is primarily due to the difficulty in getting the Ministers to meet. The PSC Project will however continue with its efforts to make this committee meet.

Conclusion

The overall project implementation is satisfactory, despite slippages experienced under some sub-components. The project focal points at various Government Ministries and Agencies continue to render the necessary and required support.