

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

**PRIVATE SECTOR COMPETITIVENESS AND
ECONOMIC DIVERSIFICATION PROJECT**

PROGRESS REPORT No. 09

1st OCTOBER 2009 TO 31st DECEMBER 2009

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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) Review and redraft the Companies Act, 1967.
- (ii) Costs of publishing and printing of laws and regulations
- (iii) Design and installation of an integrated and computerized system for business Licensing, notification and company registration
- (iv) Purchase of computer equipment and associated software
- (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;

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 Companies Bill was drafted by an international consultant during the prep phase of the PSC Project in 2006. The document was reviewed by FIAS and their comments were received in January, 2008. The Parliamentary Counsel began redrafting the law in May, 2008. The Draft Company Registration Bill was much later submitted to the Attorney General's office for clearance in March, 2009 prior to submission to Cabinet for approval. The Attorney reviewed the Bill and his comments were incorporated in a new draft. A sensitization workshop for MTICM management staff in preparation for submission of the draft Bill to Cabinet took place in September 2009. Following this the new draft was produced and resubmitted to the Attorney General in November, 2009 for issuance of clearance certificate. It is envisaged that the clearance certificate will be issued by January 2010. The Bill will thereafter be submitted to Cabinet for approval and this will be followed by sensitization workshop for parliamentarians in February, 2010. The enactment of the Bill is therefore anticipated to happen in March, 2010. The passing of the law is expected to improve Lesotho's ranking on the Doing Business Indicators.

Parallel to these efforts, the PSC project is facilitating automation of the Company Registry while at the same time preparing for implementation of the new Companies Bill once enacted. Activities in this regard include identification of resources required for establishing an electronic data base for the commercial registry; training and other required needs to automate company registry. A study on the reform and development of companies' registry to ensure smooth transition from the existing regime to the new regime has been finalized. Resources required for establishing the electronic data base for the commercial registry have been identified. These include procurement of four computers for electronic database for the Commercial Registry, and recruitment and training of temporary staff to capture companies' registry data in order to establish electronic commercial registry. The process of data capturing was completed in September, 2009. This was followed by a verification process which is currently in progress and is expected to be completed in February, 2010. The established database has simplified the processes of name reservation which used to be checked manually. This as a result has reduced the number of days required to register a business in Lesotho. Other enhancements of the existing company registry are underway to further reduce the number of days required to register a company. The automation of the Company Registry will be completed by mid-February, 2010.

Next Steps

- Issuance of a clearance certificate by the Attorney General for submission of the draft Bill to Cabinet in January, 2010;
- Submit the Bill to Cabinet for approval in January, 2010
- Hold sensitization workshop for parliamentary sub-committee on Economic cluster in February, 2010
- Hold sensitization workshops for parliamentarians in February, 2010
- Adoption of the Act by Parliament in March, 2010.
- Finalize automation of the company registry and migrate from paper-based registration to electronic registration by mid-February, 2010.

Challenge

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

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.

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:

- (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) Implementation assistance for the trade and industrial licensing reform
- (iii)
- (iv) Redesigning application forms and procedures, including developing transparent criteria for decision-making and job descriptions for MTICM staff.
- (v) Computerization of data processing and its integration into the broader computerization program within MTICM.
- (vi) Designing and supporting the implementation of an efficient appeal mechanism.
- (vii) Developing procedures and M&E procedures to support performance targets. Design and conduct of training programs for MCTIM staff to support new licensing regimes

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

The Business Reporting and Industrial Licensing Bill was similarly drafted by an international consultant during the preparation phase of the PSC project in 2006. In November, 2008, a stakeholders' workshop was held to review the Bill. Unfortunately a number of contentious issues which could not be resolved were raised. Consequently it was agreed that the legal consultant who drafted the Bill be invited to facilitate another stakeholders' workshop in order to address the outstanding issues. The second workshop was held in February, 2009 to further discuss the draft Bill. The international consultant and the local consultant who drafted the Bill facilitated the second workshop and managed to address most key issues that were raised during the first workshop. 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 still expressed reservations on certain provisions in the Bill. Inter-Ministerial legal working Group has, however, cleared all issues pertaining to Industrial Licensing, while consultations on Business reporting Bill are underway.

A workshop for MTICM staff to further consult on the Bill was held in May, 2009 and their comments were submitted to the consultant for incorporation. Further consultations with the private sector were undertaken through a workshop with Lesotho Chamber of Commerce and Industry (LCCI) in December, 2009. The consultations revealed that the private sector has serious reservation with the concept of business reporting and that the reservation cannot be easily resolved. Specifically, it is felt that the concept would be counter-productive and would have undesirable impacts on Lesotho's business environment. The PS MTICM, PSC Project Manager and WB Representative on the other hand met to explore ways to expedite promulgation of the two Bills. To expedite the

process, the MTICM decided to separate the business reporting component from the industrial licensing component. To this end, the industrial licensing Bill has been drafted and will soon be presented to Cabinet in February, 2010. It is similarly expected that the Bill will be enacted by Parliament first quarter of 2010. The business reporting component on the other hand will be addressed through amendment of the Trading Enterprise Regulations (1999) which is expected to be finalized and implemented in February, 2010. The proposed amendments will significantly reduce the time it takes to obtain a trades' license and the implementation of these changes could gain Lesotho four places overall in next year's competitiveness rankings (these are in addition to the four places that could be achieved by implementing the Companies Law).

With regard to the issuance of Traders' and Industrial licenses, it currently takes only 5 working days to obtain a license. This is a significant achievement compared to 35 days registered during the preparation phase of the project. These achievements are attributed to the establishment of One Stop Business Facilitation Centre (OBFC) within the Ministry of Trade and Industry, Cooperatives and marketing.

A strategy workshop for the OBFC was held in February, 2009 and the draft strategic plan was completed in March, 2009. The strategic plan was thereafter adopted by the PRC, OBFC Steering Committee and MTICM. A time-bound action plan for implementation of the strategic plan has also been adopted by OBFC Steering Committee and MTICM. The strategic plan had identified a number of challenges that need to be addressed systematically through a phased implementation plan. It also provides a good basis for PSC Project support for operationalization of the new company law, the new business licensing regime, as well as for the issuance of both residence and work permits.

There are however challenges faced by OBFC which are centered on institutional capacity and effectiveness of the center. The various legal and administrative issues that are currently affecting the capacity and the effectiveness of the OBFC need to be addressed through a comprehensive review of the facility. This review will determine the scope of the PSC project support for OBFC. MTICM on the other hand is in the process of appointing a permanent Director to oversee the overall operation of OBFC. The Director is expected to be appointed by March, 2010.

Next Steps

- Finalize the drafting of Industrial Licensing Bill by February, 2010
- Submit the draft Industrial Licensing Bill to Attorney General for issuance of clearance certificate
- Submit draft Industrial Licensing Bill to Cabinet for approval in February, 2010
- Recruit permanent Director for OBFC by March 2010
- Establish formal institutional status and high level oversight of OBFC By January, 2010
- Establish organizational structure, reporting and accountability arrangements and operating procedures for OBFC by January 2010
- Review effectiveness of OBFC with a view to improving its operations by January,2010

Challenge

Delays in the issuance of important permits required from other Government agencies continue to be a serious challenge. The new Law may not have the desired impact of significantly the time to obtain a license if other Government departments are not committed to reforms.

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 policy and 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 policy and 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 policy and operational guidelines.

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 policy and operational guidelines..

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 policy and operational guidelines.

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 policy and operational guidelines..

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

The feasibility study on the National Identification Card System (NICS) was completed in 2008 and the Millennium Challenge Account is in the process of implementing NICS. The business plan that makes a business case for establishment of a passport and ID Card production facility in Moleleke's Hoek has been completed and presented to the Ministry of Home Affairs by the MCC.

The feasibility study on Revitalization and Reorganization of Lesotho's Residency and Work permit issuance protocols has been completed. Recommendations of the study and the action Plan have been approved by Government of Lesotho. Work in this regard was completed in May, 2009. The PSC project has commissioned a consultant to facilitate the implementation of the action for issuance of residence and work permits. Expected deliverables under this assignment included the following:

- An immigration policy;
- Operational manuals and guidelines for the immigration services;
- IT system required for the automation of the residence permit applications;
- Enforcement policy to guide implementation of IPS laws or standard operating procedures;
- Training program for immigration officials;
- New application forms and registration certificates to support the reform; and
Specification of information requirements for residence permits.

To date, the immigration policy and operation guidelines have been drafted; specification of the IT system prepared; and new application forms designed. The remaining activities will be completed in January, 2010.

The MHAPS has deployed two Immigration officers to OSBFC for issuance of Residents permits. The Ministry has delegated authority to these officers to issue residency permits at OBFC. Two computers have been procured to facilitate issuance of residence and work permits at the OBFC.

Legal Working Group for harmonization of legal requirements for streamlining of integrated issuance of residency and work permits was established. Work with regard to harmonization of relevant trade and labour-related legislation with the focus on issuance of both work permits and residency permits was completed in May, 2009. The report was reviewed and adopted by Legal Working Group comprising legal officers from various Government ministries (MITCM, MTEC, MFDP, MHAPS, Law Office and Education). The Immigration Advisory Committee on residency and work permits has been established. Among its tasks, the committee is overseeing drafting of Immigration Policy. The Ministry of Home Affairs on the other hand, has newly appointed 10 immigration managers who are going to be based in ten districts. The managers have actively been involved in the drafting of the Immigration Policy. Application forms and registration certificates for residence permits have also been designed and are awaiting IT system to be installed. The Ministry of Home Affairs is in discussion with the Ministry of Communications to explore the possibility of IT platform that can enhance installation of the required IT system for issuance of residence permits and possibly visas.

Next steps

- MCC to support implementation of the NICS
- Finalize the implementation of the aspects of the action plan pertaining to the issuance of residence and work permits by January 2010
- Install IT system required for automation of the residence permit applications.

Challenges

Slow progress in the implementation of activities of this sub-component is adversely affecting project implementation progress.

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 road map, Lesotho National Development Cooperation (LNDC) has developed a Working Paper for establishment and implementation of the Scheme. The Working Paper was approved by the LNDC Board in September, 2008. LNDC through the Ministry of Trade and Industry, Cooperatives and Marketing (MTICM) submitted a request to the Ministry of Finance and Development Planning for funds for capitalization of the scheme. However the proposed scheme was not allocated funds for the financial year 2009/2010. The Ministry of Finance and Development Planning (MFDP) has advised that the scheme should await completion of an ongoing MFDP facilitated SMME training initiative and the planned review of LNDC mandate.

On the other hand, the Ministry of Finance undertook a study in November 2009 within the framework of the Rural Financial Intermediation Program (RUFIP), International Fund for Agricultural Development (IFAD) funded program. The study among others focused on review of existing guarantee mechanisms in Lesotho and assessed the feasibility for creating a new credit guarantee mechanism. The report of the study has been drafted and recommendations will be presented at the next meeting of PRC in January, 2010 for adoption. It is envisaged that consensus on the coordination and management of the scheme will be reached during the same PRC meeting.

The procurement process to engage a consultant to develop a Leasing Act and design tax regime for leasing industry in Lesotho was re-launched in September, 2009 after several attempts to get a suitable consultant. Evaluation of CVs was made in November 2009 and the preferred consultant selected. The selected consultant is in the process of preparing a combined technical and financial proposal. Work in this regard is expected to commence in February, 2010.

Next Step

- The PRC to agree on the next steps with regard to the PCGS.
- Engage a consultant to develop the Leasing Act and associated tax regime for leasing industry in Lesotho by November, 2009

Challenge

Slow progress in the implementation of activities of this sub-component is adversely affecting project implementation progress.

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 centres have been established in Maputsoe and Maseru. The centers are fully staffed and operational. The buildings for the two centers have been refurbished although further works need to

be done at Maseru Region Skills Centre as refurbishments were done to permit training activities to commence. The two centers are registered with the Technical and Vocational Training Department, Ministry of Education (TVD). The management councils for both centers have been established and are functional. In January, 2009, Ministry of Labour joined the Management Council and this brought the number of Government Ministries represented in the council to four. The two centers undertook a comprehensive training needs assessment in February, 2009. The study revealed high demand for basic sewing training which was followed by specialized courses on supervisory, quality management, sewing machine repair and maintenance, operation of specialized equipment, health and safety, work study and training of trainers. The centers therefore offer training based on this training needs assessment. To date, both centers have trained 293 people on Basic Sewing. The centers also offer on the job training courses that are tailor made to firm specific needs. By end of December, 2009, the two centers had trained 440 workers. A large number of trained workers are basic sewing machinists and these workers have been employed by the industry with total placements of 280 by end of December, 2009.

The two centers prepared a business plan in 2009. The primary objective for developing the plan was to determine viability and sustainability of the centers. The business plan was adopted by Management Council of Northern Region Skills center. The Maseru Center has not yet adopted the business plan, but instead is in the process of reviewing it so as to develop a viable business model for the center. The sustainability of the centers is however still unclear taking into account a number of internal and external factors faced by the centers. These include, among others, ownership of the centers by the industry and the global economic crisis.

The Maseru center has reviewed training program to better respond to the needs of the industry. A proposal was made to appoint a service Provider who would provide training which would respond to needs of the industries in Maseru. The proposal was endorsed by the PMU and Management Council of Maseru Center. The new private sector driven training programme is expected to commence in January, 2010. It is hoped that the new training programme will inform the business planning process; stimulate private sector participation; and promote sustainability on the long run.

Several meetings have been held with the Government and the private sector to explore the options for sustaining the centre beyond the PSC project life span. The Limkonkwin University has expressed interest in operating the two centres in partnership with the private sector and the Government. A proposal in this regard is being prepared and is expected to be submitted and presented to PRC by first quarter of 2010.

The center managers have been proactive in marketing the centers. Brochures have been prepared to promote the centers. The refurbishment of the Maseru center building is still incomplete due to inadequate counterpart funds. The assessment of the assessment of training offered by the centers has been undertaken and the results portrayed improved productivity/efficiency rate and reduced rejection rate.

Next steps

- Continue with training at both centers.
- Complete refurbishment of MRSC by January, 2010
- Accreditation of the centers by TVD still awaited
- Finalize sustainability scenarios by First quarter of 2010
- Draft business plans that reflect future business models for the centers by January, 2010
- Establish websites for both centers to increase outreach and private sector participation by January, 2010
- Review training curriculum submitted to TVD and re-submit it by January, 2010
- Sell unused second hand machinery both centers by January, 2010

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 10,761 seedlings of cherries, apples and peaches have been planted over an area of approximately 10ha. Priority is given to targeted farmers in terms of assistance with equipment and inputs. Assistance to non-targeted farmers on the other hand is limited to technical support and limited inputs. The technical partner, Denmar Estates is expected to link the three targeted farmers with the South African and European Markets. The Government of Lesotho through Ministry of Trade and Industry, Cooperatives and Marketing has signed an agreement with Denmar Estates to formalize this arrangement.

Five training sessions and three study tours have so far been offered to all participating farmers and extension officers from MAFS. 3 training sessions were theory while the other 2 were practical on pruning, weeding, weed control, fertilization and tree training. The theory sessions 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. Training of farmers on application of pesticides took place in October 2009 while training on Tree training, tree-tying, bud notching and fruit thinning was conducted in November, 2009. Three study tours were organized for both targeted 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; the required inputs (fertilizer and lime) were procured and delivered to farmers in March, 2009. Fencing is complete at all three pilot areas. Hail netting is also complete at Thuathe and Qoqolosing while the structure at Mahobong needs to be adjusted to specifications. Irrigation systems have been installed and are functional at three pilot sites. Farmers are assisted with fuel for irrigation pumps during the dry season. Lime, fertilizer and pesticides are procured on regular basis for both targeted and non-targeted farmers. The latest delivery was made in September, 2009.

Despite the collapse of the hail netting on several times (4 times) at the pilot farms due to bad weather, fruit trees continue to grow exceptionally well. Damaged trees which were destroyed as a result of the collapse of the netting structures have all been replaced. The trees at the pilot farms started blossoming in October, 2009. Bees were therefore hired to transact pollination for the first time. Some trees thereafter started bearing fruits although these fruits were thinned out to stimulate tree growth.

Rain gauges and thermometers have been procured and installed at three targeted pilot areas. It was later on discovered that Mini weather stations would best suit the intended purpose of data gathering.

Mini weather stations were therefore procured, delivered and installed at three pilot sites to replace rain gauges. Trellising is completed at Thuathe and Qoqolosing, while Mahobong is partially complete.

Project budget has been reviewed to accommodate additional capital investment essential for pilot projects. This has made it possible to install simple storage sheds as well as pit latrines at the pilot farms for safe keeping of fertilizers and chemicals and to accommodate hygiene requirements respectively.

Approximately, 3.5 tons of maize for livelihood support was delivered to targeted farmers for the financial year, 2008/2009. The same quantity of maize has been procured and delivered to targeted farmers as livelihood support for the financial year 2009/2010.

The data book (Blue Book) for collection of field data has been translated into Sesotho. The book is being kept by pilot farmers for regular recording of the required information. Farmers have been trained to capture data into the Blue book. This is currently being done on a regular basis and the data will be used for the program roll-out. A format for data compilation and reporting from the Blue Book has been developed. The quality and relevance of data collected through the Blue book was assessed and the blue book was reviewed to address gaps that were identified. Central database for pilot farms has been established and is being maintained, the latest updates on the database were made in December 2009. A local consultant has been engaged on part-time basis to assist targeted farmers with data collection and overall farm management.

The PSC project in collaboration with the Ministry of Agriculture and Food security are currently working on roll-out strategy for horticulture sub-component. As part of the strategy, a detailed economic and financial analysis has to be made to develop a comprehensive profile of potential investments required by both public and private sector and the benefits of establishing commercial operations in Lesotho. Consultants to perform this analysis will be appointed in February, 2010.

Next steps

- Undertake fortnightly field visits to the pilot sites.
- Finalize adjustment of specifications and reinstallation of hail nets at Mahobong by January, 2010
- Procure more lime, pesticides and fertilizers when necessary
- Complete trellising in Mahobong and Qoqolosing by January, 2010.
- Continue to collect data from the pilot farms for the purpose of maintaining the database
- Engage consultants to perform both economic and financial analysis as part of a roll-out strategy for horticulture program by January, 2010
- Identify prospective varieties exhibiting exceptional growth potential, particularly with respect to timing of harvest, yield, color, taste and other key characteristics following the 2009/2010 harvest season

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. Concessioning 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 concessioning.* 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, rare indigenous woodland in Lesotho, and spectacular mountain scenery with rich floral and faunal diversity. In addition, the Government and LTDC

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.

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. The utilization of the portal is picking up slowly and is expected to expand as availability of market ready tourism establishments increase. Access workshops have been held for tourism operators from various parts of the country and 180 tourism operators and service providers have been trained.

The Executive Director for the Lesotho Council for Tourism (LCT) started work in December, 2009. In January, 2009 the official launch and the first Annual General Meeting (AGM) of the LCT took place. At that meeting the New Board of Directors was elected and LCT Constitution was amended and adopted. The constitution of the LCT was registered with the Law Office in May, 2009. The LCT is currently housed in the Ministry of Tourism, Environment and Culture (MTEC). The LCT Participated in the annual South African Tourism Fair (INDABA 2009) to showcase Lesotho's tourism potential through LEAP support. In September, 2009, the LCT Secretariat organized a training course on hospitality for 50 accommodation establishments that are LCT and Non-LCT members. LCT in collaboration with MTEC and LTDC have developed tourism work plan for 2010. The work plan focused on opportunities arising from the 2010 World Cup in South Africa. The Plan has been submitted to the World Bank for 'No Objection'. Implementation of the plan is expected to commence in January, 2010.

The membership of the council stands at 45 by end of December, 2009. The membership is currently from the following subsectors; hospitality, Tour operators and Tour Guides, transport and Events and Leisure.

Draft strategic plan for Lesotho Tourism Development Corporation (LTDC) is in place. Although the plan had been adopted by LTDC Board for implementation, there are a number of deficiencies revealed that warrant review of the current plan. The review of the current LTDC strategic plan is therefore expected to be finalized by first quarter of 2010.

The report on Accommodation Grading System for Lesotho has been finalized and accepted by Government. 15 potential assessors were thereafter trained of which only 4 people were found suitable.

The procurement process for the consultant to develop a Lesotho brand and associated marketing strategy has been re-launched. Proposals from 2 consultants were received and evaluation of technical proposals was undertaken in December, 2009 subsequent to which evaluation report was submitted to the World Bank for 'No Objection'. Work in this regard is expected to commence in February, 2010.

The final draft of the concessions report for Sehlabathebe has been submitted. Request for expressions (RFP) of interest was launched in May 2009. Enquiries on the bid were made but there was no interest expressed. Although the RFP was launched, the current concessions document does not adequately cover policy, regulatory and institutional issues. The document therefore needs to be reviewed with the assistance of a Transactions Advisor to address these deficiencies. The concessions manual that has been developed with the assistance of the project continue to be used as a guideline for issuance of concessions in the tourism sector. To date there are three places that have been concessioned out using the concessions manual; Liphofung, Tsehlanyane and Thaba-Bosiu. Plans are underway for concession of Semonkong.

Next steps

- Continue to train tourism operators to meet international standards
- Review strategic plan of LTDC by March, 2010
- Appoint Transactions Advisor By January 2010 and review concessions document prior to re-launch
- Submit detailed tourism work plan with timelines and targeted outcomes By January, 2010
- Continue with search for an investor for SNP concessions
- Membership drive for LCT to continue
- Work in close collaboration with members and partners to prepare for FIFA 2010 World Cup
- LTDC, LCT and MTEC to coordinate activities on grading system and marketing/branding strategy and ensure that they are consistent with support under the LEAP for the private operators in the tourism sector.

Challenge

The Tourism Action Plan should focus on activities that are outlined in the Project Implementation Manual (PIM).

a.2.3.4. Subcomponent D – Lesotho Enterprise Assistance Program

Program (LEAP) is designed to strengthen human and institutional capacity of the private businesses, mostly Basotho-owned MSMEs, as well as their representative organizations. This is done through provision of financial and technical assistance. The ultimate objective is to build international competitiveness in private businesses; build the capacity of private business and professional associations and of chambers to better serve their members; and support to institutionalize private-public dialogue. The assistance will be provided through a Matching Grant Scheme (MGS) under the LEAP program as follows:

Direct assistance to individual private firms, through mentoring assistance and provision of cost-sharing grants for the use of specialized services. LEAP will cover 60% of the cost of service fees and of invoiced travel costs on a reimbursement basis. The firm itself will cover the remaining 40% of the cost.

Cost-sharing grant assistance to representative business and professional associations and chambers to build their capacity to better serve their members. LEAP will cover 75% of the costs of service fees and associated travel costs for the use of external services on a reimbursement basis.

LEAP HIV/AIDS grants will support expenditures by businesses for contracting outside specialists to conduct on-site HIV testing at the firm's premises.

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.
 - The project will fund measures to promote public-private dialog through support to private sector apex organization.
 - 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.).
 - 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 country. Preliminary information on potential service providers has been gathered and captured on a database. All systems and procedures for operation and management of the scheme are in place. Applications from 53 companies employing a total of 2504 people had been approved by end of December, 2009. There are 21 applications in the pipeline. These applications amount to M874, 372 (US\$ 124, 910) and follow-up meetings are held on regular basis to help them translate their requests into implementable action plans. By end of December, 2009, 53 Companies had signed letters of Agreement for assistance by LEAP and around

M812, 312 (\$116, 045) had been committed for activities to be undertaken by these companies. 32 companies have claimed for their completed activities and disbursement of the program stands at 788, 267.26 (\$112, 609.61).

Based on the amount of work that needs to be done to implement the program, two additional staff members were recruited in June, 2009 and this has made it possible for the sub-component to achieve progress recorded to date.

4 people have been appointed to serve in LEAP Approvals Committee for a period one year until December, 2010 and to date, 2 applications have been appraised by the committee.

The PSC project will also be supporting the Lesotho Private Sector Foundation (LPSF) and the Business Council of Lesotho (BCL). The LPSF/BCL work plan has been prepared and submitted to the World Bank for No Objection and the position of LPSF Chief Executive Officer has been advertised.

Next steps

- Continue to market and promote LEAP to Lesotho private sector.
- Encourage companies in the pipeline and see how their applications could be translated into realistic action plans and grant approvals.
- Engage LEAP approvals Committee for applications worth of US \$ 25, 000
- The PRC to evaluate the program and proposed measures to improve the scheme.
- Undertake a Strategic Planning exercise for LPSF to reach consensus on the preferred model of Public-Private dialogue.
- Appoint the CEO for the LPSF.

Challenges

- Most of the business would like LEAP to provide start up capital and/or equipment..
- Grantees have difficulties funding their contribution of 40%.

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.

Progress to Date

The Project Management Unit is adequately staffed and fully operational. There have been 13 PRC meetings since project effectiveness. The Public Private Steering Committee (PPSC) has however 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. The PRC met in October, 2009 to evaluate progress of the project, the report of this evaluation was thereafter presented to the World Bank Mission in November, 2009. The third planning workshop was held in December, 2009 where the focal points in collaboration with the PMU developed work plans based on priority actions of November, Aide Memoire.

The procurement and financial management documents/records have adequately been filed and stored electronically. The latest audit of the project was released in September, 2009. Based on this report, the project continues to perform well in the overall management of the allocated funds.

The framework for monitoring and evaluation of the project has been reviewed and proposed changes submitted to the World Bank for consideration. The existing framework is however still used to monitor and assess performance of the project. An attempt to terminate the LNDC Service Contract as per Aide Memoire of the World Bank mission in November, 2009 was made in December, 2009, but this attempt did not succeed as there was no consensus among parties. It was therefore resolved that the contracts of fiduciary staff be reviewed to be aligned with those of LNDC staff. It is expected that this review will be completed by April, 2010.

Next Step1

- LNDC to review contracts of fiduciary staff by April, 2010
- PMU to hire a consultant to carry out the Mid Term Review of the project

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 delay in the promulgation of the new company registration and business licensing laws has led to the downgrading of the project to Moderately Satisfactory. This delay continues to affect Lesotho's ranking on the Doing Business Indicators. The slow progress on the other hand to implement activities under Immigration sub-component and activities under Access to Finance are also affecting project performance. It is imperative that more effort should be made to improve the situation before Mid-Term Review.