

Comprehensive National Agriculture Policy (CNAP) for Lesotho

2022 - 2026

"Food and nutrition security, and decent jobs creation for all Basotho"

FINAL DRAFT



Policy statement:

This is the policy of the government of Lesotho that will **ensure** sustainable irrigation and other infrastructure for agriculture; improved access to finance and risk sharing in agriculture, technology and use for agriculture, functioning land markets for agriculture, genetic resources, and management of range and natural resources; value chains development in agri-food systems and enhanced agricultural markets; enhanced capacity for farmers, agricultural institutions and associations; and enhanced agricultural productivity and production;

Characterized by policy objectives and measures that are intimately aligned to the Lesotho Instrument Base National Agriculture Investment Plan (L-IB-NAIP), while taking full cognizance of NSDP II and other existing related policies, to promote sustainable commercialization and diversification of agriculture.



Preface

The Development of the Comprehensive National Agricultural Policy (CNAP) follows three, aligned steps: (i) sector diagnosis to identify critical issues; including strengths, weaknesses, opportunities and threats (SWOT analysis) of the sector; and possible policy responses that can be used to address the identified issues (Diagnostic Report); (ii) development of commitments, including policy objectives and measures that can be used to address identified issues in the diagnostic report (Comprehensive National Agricultural Policy (CNAP)) and (iii) the National Agricultural Investment Plan which shows clear and implementable instruments that can be used to achieve the policy objectives, including budgetary requirements, required institutional setup, timelines and the Monitoring and Evaluation (M&E) Framework that can be used to assess performance of the policy (Lesotho Instrument Based National Agricultural Investment Plan (L-IB-NAIP) 2022 – 2026). Therefore, the L-IB-NAIP serves as an implementation vehicle of the CNAP and as such, the two documents must be aligned. Both the Diagnostic report and L-IB-NAIP were done and completed before the CNAP, though they were developed separately. This therefore means a reverse process was followed to develop the CNAP to ensure that it is aligned to the L-IB-NAIP. Given the foregoing, the policy must be read together with (a) the Diagnostic Report, which contains contextual details of the issues addressed by the policy, and (b) the L-IB-NAIP, which provides details on instruments and measures to be used in implementing the policy. The CNAP is therefore summarised and details can be obtained from both the Diagnostic and L-IB-NAIP reports.



List of Abbreviations

ACSE	Agriculture Cluster Service Enterprises
ADF	Agricultural Development Fund
AgCLIR	Agribusiness Commercial Legal and Institutional Reform Assessment
AGIS	Agricultural Geo-Referenced Information System
AgPER	Agricultural Public Expenditure Review
AI	Artificial Insemination
AIS	Agriculture Information System
APP	Application
BEDCO	Basotho Enterprise Development Cooperation
BoS	Bureau of Statistics Lesotho
APPSA	Agricultural Production Productivity in Southern Africa
CAADP	Comprehensive Africa Agriculture Development Programme
CNAP	Comprehensive National Agricultural Policy
CSA	Climate Smart Agriculture
DPPA	Department of Planning and Policy Analysis
DSA	Daily Subsistence Allowance
FAO	Food and Agriculture Organisation
FNCO	Food and Nutrition Coordinating Office
FANRPAN	Food and Natural Resources Policy Analysis
GAP	Good Agriculture Practice Certification
GDP	Gross Domestic Product
GoL	Government of Lesotho
GLOBALG.A.P	Global Good Agricultural Practice
GVCP	Green Value Chains Project
HCAD	High Council of Agricultural Development
HDD	Household Dietary Diversity
HFIAS	Household Food Insecurity Access Scale
IA	Investment Area
ICM	Integrated Catchment Management
ICP	Intensive Crop Production
IDD	Individual Dietary Diversity
IFAD	International Fund for Agricultural Development
IP	Implementation Plan
IWMI	International Water Management Institute
LADF	Lesotho Agricultural Development Fund
LAFIA	Lesotho Agri-food Systems Industry Associations
LDHS	Lesotho Demographics and Health Survey
L-IB-NAIP	Lesotho Instrument-Based National Agricultural Investment Plan



LIPAD	Lesotho Integrated Plan for Agricultural Development
LNDB	Lesotho National Dairy Board
LNDC	Lesotho National Development Cooperation
LRIDF	Lesotho Rural Infrastructure Development Fund
LWMGA	Lesotho Wool and Mohair Growers Association
M	Maloti (Lesotho currency)
MAFS	Ministry of Agriculture and Food Security
MEF	Monitoring and Evaluation Framework
MFRSC	Ministry of Forestry, Range and Soil Conservation
MGYSR	Ministry of Gender, Youth, Sports and Recreation
MHEs	Market Hub Enterprises
MHFS	Market Hub Firms
MICS	Multiple Indicators Cluster Survey
Mio	Million
MTEC	Ministry of Tourism, Environment and Culture
NAP	National Agricultural Policy
NARS	National Agricultural Research Systems
NGO	Non-Governmental Organisation
NSDP	National Strategic Development Plan
OPV	Open Pollinated Varieties
PEA	Public Expenditure on Agriculture
PER	Public Expenditure Review
PII	Policy Implementation Instrument
PSCED	Private Sector Competitiveness and Economic Diversification Project
PSs	Principal Secretaries
SA	South Africa
SIAs	Sector Industry Associations
SMREs	Small and Medium Rural Enterprises
SPS	Sanitary and Phytosanitary
RIDF	Rural Infrastructure Development Fund
RISDP	Regional Indicative Strategic Development Plan
ROLL	Regeneration of Landscapes and Livelihoods
SADC	Southern African Development Community
SADP	Smallholder Agricultural Development Programme
SDGs	Sustainable Development Goals
SPARS	Strategic Plan for Agriculture and Rural Statistics in Lesotho
UNDP	United Nations Development Program
WAMPP	Wool and Mohair Promotion Project



Comprehensive National Agricultural Policy (CNAP)

Summary

Introduction and Background

The CNAP represents the first ever comprehensive policy for the agricultural and food sector in Lesotho. Its development was led by the Ministry of Agriculture and Food Security, Department of Planning and Policy Analysis (MAFS-DPPA), financed by the Food and Agriculture Organization (FAO) of the United Nations, with technical support from FAO and Food and Natural Resources Policy Analysis Network (FANRPAN). The CNAP was inspired by the need to develop an overarching agricultural sector policy that will provide strategic direction to agricultural sub-sectors and all programmes relevant to agriculture regardless of the ministry their mandates belong, to ensure sustainable commercial agriculture and food security as envisioned in the National Strategic Development Plan II (NSDP II, 2018/19 – 2022/23), the vision and objectives of the Ministry of Agriculture and Food Security (MAFS).

The CNAP follows two principal policy frameworks that guided the sector 16 to 19 years ago, namely, the Agricultural Sector Strategy (2003) and Lesotho Food Security Policy and Strategic guidelines (2005). Though these two frameworks are outdated, the issues identified and covered by them still remain relevant. Over the years other sector and sub-sector policies and strategies were developed to guide agriculture. However, they were driven by both national and regional priorities and do not flow from a comprehensive framework as per the expectations of NSDP II and regional frameworks such as the Smart Policy instruments for CAADP and Country CAADP Implementation Guidelines under the Malabo Declaration.

Despite the developments in the policy and strategy formulations, agriculture still falls short of expectations as the back bone of the economy, as it is commonly referred. The output and performance of the sector has not changed much over the last two decades. As evidenced by the Agriculture Public Expenditure Review performed by the Worldbank in 2019, a few policy interventions that have high political appeal like the agricultural input subsidies have expended most of the resources, leaving insufficient public funding for other critical and complementary strategies for developing agriculture and achieving food security. Most importantly, the public funding that has gone into the sector has not done much to leverage private investment, which is critical for enhancing employment-generating growth.

The development of the policy benefited from extensive (i) review of literature from key national and sector policy and strategy papers as well as relevant reports produced by development partners such as FAO, IFAD, World Bank and others; and (ii) stakeholder consultations on the strengths, opportunities, threats and constraints of the agri-food sector. Stakeholder consultations covered the whole country and a wide range of stakeholders including the Public Sector (government Ministries), Financial sector (banks and insurance companies), private sector (agricultural inputs



and produce retailers), parastatals (LNDC and BEDCO), NGOs and Civil Society, Farmers and Farmer Groups, Development Partners and research and academia. The consultations were conducted at the central and district levels and a total of 431 stakeholders were consulted. The issues identified through these two processes, which informed the CNAP, are covered in the Diagnostic Report produced in February, 2022.

The CNAP will allow government to align all donor interventions in the agricultural sector to government priorities and flagship programs; harmonise all interventions with the government policy implementation instruments; effectively stimulate and leverage private investments; plan and manage for results and keep all partners accountable. It is anchored on Promoting smallholder inclusive value chain development as upgrading and integrating smallholder farmers into commodity value chains is viewed as vital for achieving the Policy's objectives. Upgrading smallholder inclusive value chains are the vehicle to reduce the burden of food imports, create employment in the agriculture and food systems, and ensure food and nutrition security.

The CNAP was developed after the Lesotho Instrument Based National Agricultural Investment Plan (L-IB-NAIP)¹, which is supposed to be an implementation vehicle of the CNAP. As such the two documents are aligned and should be read together.

Policy Vision, Goals and Objectives

Based on the sector's diagnosis as well as the national and regional priorities, the CNAP envisions the agriculture sector that will ensure sustainable Food and nutrition security, Economic growth and improved livelihoods for all Basotho, through promotion and transformation of the Lesotho agri-food-systems, with a focus on ensuring that all farmers are an integral part of commodity value chains. As such, the policy overall goal is to promote sustainable commercialization and diversification of agriculture to ensure economic growth and improved livelihoods. It's developmental goal is to ensure sustainable agriculture sector growth, decent jobs creation and food and nutrition security for Basotho.

In alignment with NSDP II, the CNAP aims to:

- Enhance productivity and production;
- Improve functioning of land markets;
- Improve animal- and crop-genetic resources;
- Build sustainable infrastructure for agriculture;
- Improve access to finance and risk sharing in agriculture;
- Improve technology and use for agriculture;
- Improve production of high-value crops and livestock products;

¹ The L-IB-NAIP follows the CAADP process under the Malabo Declaration. The Report is now complete and has gone through stakeholders and technical review and is now going undergoing the final review process by CAADP.



- Build capacity of farmers, agricultural institutions and associations;
- Develop value chains in agri-food systems and enhance agricultural markets;
- Improve management of range, land, water, and other natural resources; and
- Build climate resilience across the agri-food sector value chains.

Its development is premised on the CAADP theory of change which stipulates that government is expected to create a functional ecosystem of agriculture and food system, by providing an enabled environment, using organisational, financial and technical instruments. The functional ecosystem will enable the private sector (Civil Society Organisations, Smallholder Farmers Organization, Corporates, Small-Medium Enterprises) to provide various goods and services at each stage of the supply chain, from production and processing to distribution and marketing. This well-functioning ecosystem will lead to increased food and nutrition security, food-self-sufficiency, creation of jobs, value addition and exports and imports substitution.

Policy Outcomes and indicators

Implementation of the CNAP is expected to yield the following achievements, to be traced by four indicators:

- i. Agriculture Sector Growth Rate measured by the percentage of increase of Agriculture Gross Domestic Production. The target is at least 6% on average, over the 5 year period.
- ii. Change in Food Self Sufficiency. The self-sufficiency ratio is the volume of national production over the volume of consumption. The target is to improve the ratio by 75% for maize, 50% for all other imported food, and above 100% for cereals, roots and tubers.
- iii. Improved household access to food and dietary diversity. This composite indicator is measured through (i) the individual dietary diversity (IDD); (ii) household dietary diversity (HDD); and (iii) Household food insecurity access scale (HFIAS). The target is to reduce the level of food insecure individuals by 50 percent and for at least 50 percent of children 6-23 months to receive the minimum acceptable diet over the next 5 years.
- iv. Number of decent jobs for the youth created by the sector. The target is to create job opportunities for at least 30 percent of the youth in agricultural value chains over the next 5 years.

Strategic Framework

To achieve these outcomes and facilitate the change mapped by the CAADP theory-of-change, government will invest in three categories of expenditures:

- Expenditure Category 1: Building the systems (public and private sectors') that will generate the outcome results. These include: (i) the public-sector governance and accountability system; (ii) a nexus of private sector enterprises;



and (iii) the Lesotho Agri-Food-systems Industry Association (LAFIA). The public-sector governance and accountability system is aimed at ensuring sound sector management and build transparency and trust among sector stakeholders and consists of two components (a) a Planning, Monitoring & Evaluation, and Reporting System and (b) a Financial Management System. A nexus of private sector enterprises consists of (a) the Agricultural Clusters Service Enterprises (ACSE) as drivers of commodity value chains; (b) The Market Hub Firms (MHFs) for transformation of the Lesotho food distribution chains; and Other micro, small and medium enterprises for delivery of a wide range of goods and services to farmers and other value chain players. LAFIA will be entrusted to implement the Lesotho Agricultural Development Fund (LADF), as well as the private sector window of the Lesotho Rural Infrastructure Development Fund (LRIDF) (see section on the budget and resources mobilisation towards the end of the end of the Executive Summary).

- Expenditure Category 2 – Developing critical infrastructures and institutional arrangements regarding their ownership, operation and maintenance. The institutional arrangements regarding ownership, operation and maintenance of each of these infrastructures will be duly clarified.
- Expenditure Category 3 – Direct support to farmers and firms through smart subsidies, crafted to incentivise private financing. They comprise one-time expenditures by the public sector to enable value chain players, specifically farmers and small and medium enterprises, to develop their production equipment. through smart subsidies, crafted to incentivise private financing. Most of these subsidies are one-time expenditures by the public sector to enable value chain players, specifically farmers and small and medium enterprises, to develop their production equipment.

The three categories of expenditures will represent approximately 20% of the total budget for Direct Transfers, 30% for Building Systems, and 50% for Rural Infrastructures.

These expenditures will be expended through 7 Strategic Axes responding to the issues identified by stakeholders and through the literature review, in alignment to the national development policy objectives identified by NSDP 11 as follows:

- i. Enhancing the enabling capacity of the public sector;
- ii. Promoting the development of private sector-led Agri-food-systems;
- iii. Enhancing the Business Environment for Smallholder-Inclusive and Private Sector Led Agri-food Systems and Value Chains;



- iv. Sustainable Management of Land, Natural Resources and the Environment;
- v. Developing Technology, Innovation and Infrastructure for Agriculture;
- vi. Targeted State Support and Direct Transfers to Value Chain Players; and
- vii. Emergency Preparedness, Nutrition and Social Protection.

Each Axis consists of a series of Investment Areas (IA) under which the GoL will implement specific Policy Implementation Instruments (PIIs) and policy measures, consisting of each or combination of:

- (a) regulation, that can be prescriptive or prohibitive;
- (b) economic or financial, such as subsidies or fiscal measures that create incentives or disincentives;
- (c) communication/capacity-building, such as sharing knowledge, raising awareness or training people;
- (d) infrastructure development, to support production or commercialisation (public sector or public/private partnerships); and
- (e) setting up & operating dedicated agencies

In total, the policy will be implemented through 33 Investment Areas (IAs) and 117 Policy Implementation Instruments (PIIs) which are fully described in the policy according to six elements: (1) PII rationale (2) Government's aim with the PII; (3) policy measures to be engaged; (4) beneficiaries of the PII; (5) its eligible expenditures and (6) the budget required to implement the PII (that is, the amount of resources the GoL will commit towards implementing the PII. Other implementation details are contained in the L-IB-NAIP. Tables 1 – 7 below provides summaries of the 7 strategic Axes and respective AIs and PIIs.

Table 1: Strategic Axis 1 - Enhancing the enabling capacity of the public sector

Investment Areas	Policy Implementation Instruments
1.1 Strengthen the capacity of the sector to define strategies and priorities in alignment with national and international priorities	<p>1.1.1 Enhancing the capacity within the agriculture sector to develop appropriate agricultural investment plans harmonised and aligned with sectoral, national and international priorities and commitments</p> <p>1.1.2 Establishing and maintaining mechanisms for regular feedback and communication within the sector</p>



1.2 Enhancing public sector efficiency and accountability in delivering critical enabling results	1.2.1 Strengthening the public sector's organizational and institutional capacity 1.2.2 Enhancing the agriculture sector's accountability system 1.2.3 Setting-up and operating the National Agricultural Geo-Referenced Information System (AGIS) 1.2.4 Assessing and enhancing sector policies 1.2.5 Transferring property ownership and/or management from Government to private sector.
1.3 Provide public resources to finance development of national agri-food systems	1.3.1 Setting-up, financing, and steering the implementation of the Agricultural Development Fund (ADF) 1.3.2 Setting-up, financing, and steering the implementation of the Rural Infrastructure Development Fund (RIDF)
1.4 Enhance the capacity and participation of public sector agricultural agencies in integrated sectoral and cross sectoral and integrated planning	1.4.1 Enhancing the capacity and participation of public sector agriculture agencies in integrated sectoral and cross-sectoral and integrated planning 1.4.2 Developing guidelines and requirements for sectoral and cross-sectoral coordination in policy development and planning



Table 2: Strategic Axis 2 - Promoting the development of private sector-led Agri-food-systems

Investment Areas	Policy Implementation Instruments
2.1 Private Enterprise Development in Agri-Food-Systems	2.2.1 Enabling the development of Agriculture Cluster Service Enterprises (ACSE) as drivers of smallholder-inclusive agricultural value chains
	2.1.2 Enabling the development of Market Hub Enterprises (MHEs)
	2.1.3 Enabling the development of Small and Medium Rural Enterprises (SMREs)
	2.1.4 Promoting the development of storage service provider firms
2.2 Upgraded Value Chain Organization, Aggregation, Traceability and Operations Visibility	2.2.1 Promoting spatial development initiatives in agriculture
	2.2.2 Promoting improved architectures, business models and aggregation for smallholder-inclusive agricultural value chains
	2.2.3 Promoting the establishment and operation of protocols for value chain traceability, transparency, and operations visibility
	2.2.4 Promoting the establishment and operation of mechanisms for certification for geographical origin, environmental sustainability, and social responsibility of agricultural value chains
	2.2.5 Promoting and strengthening Sector Industry Associations (SIAs)
	2.2.6 Promoting and strengthening producer and value chain operator organisations and associations
	2.2.7 Promoting and supporting digitalisation and the use of information technology in agricultural value chain organization, traceability, and transactions
2.3 Promote Agro-Processing Development	2.3.1 Promoting and supporting private sector participation in agro-processing
	2.3.2 Promoting and supporting the development of improved farm-level pre-processing activities
2.4 Labour Practices in Agricultural Value Chains	2.4.1 Defining and enforcing standards for labour practices in the agricultural sector
	2.4.2 Promoting and enabling the establishment of sector labour associations in agriculture



	2.4.3	Establishing of mechanisms for conflict resolution and arbitration on labour relations in the agriculture sector
2.5 Promotion of Products from Improved Agricultural Value Chains	2.5.1	Supporting the establishment of promotional mechanisms for improved agricultural value chains
	2.5.2	Supporting the establishment of promotional mechanisms for improved agricultural value chains

Table 3: Strategic Axis 3 - Enhancing the Business Environment for Smallholder-Inclusive and Private Sector Led Agri-food Systems and Value Chains

Investment Areas	Policy Implementation Instruments	
3.1 Agricultural Risk Sharing	3.1.1	Promoting the use of specific market and production contracts
	3.1.2	Promoting the use of agricultural insurance instruments
	3.1.3	Promoting the use of warehouse receipts for collateral
	3.1.4	Promoting the setting-up of public mutual fund for residual risks including disaster insurance
3.2 Agriculture Finance Instruments	3.2.1	Enabling Agency Banking to expand its outreach in rural areas
	3.2.2	Ensuring that credit is affordable and accessible to agricultural value chain players
	3.2.3	Promoting the use of capital market instruments, such as National Securities Markets, for agri-food systems investments
	3.2.4	Promoting and facilitating access to supportive financing for socially and environmentally responsible agriculture
3.3 Market Intervention Schemes	3.3.1	Implementing market intervention schemes for specific (perishable and staple) agricultural products
	3.3.2	Establishing price intervention policies on cash crop, staple commodities and livestock
	3.3.3	Establishing Market Observatory systems
3.4 Food Safety and Quality Measures	3.4.1	Developing and implementing sanitary and phytosanitary (SPS) measures
	3.4.2	Establishing quality control and assurance (certification and labelling) processes in



		agricultural value chains for food safety, food quality, nutritional value and residues
3.5 Trade and Trade Related policies	3.5.1	Introducing and implementing import/export policies where necessary
	3.5.2	Introducing pro-competition market regulations and regulating anti-competitive behaviour
	3.5.3	Implementing trade facilitation agreements with neighbouring countries and trading partners

Table 4: Strategic Axis 4 - Sustainable Management of Land, Natural Resources and the Environment

Investment Areas	Policy Implementation Instruments	
4.1 Land Administration and Management	4.1.1	Promoting land registration, cadastre and licensing arrangements that clarify land tenure and use rights
	4.1.2	Enabling secure tenure for farmers, livestock raisers and fish farmers of the land they use for their agricultural enterprises
4.2 Conservation and Sustainable Use of Natural Resources	4.2.1	Promoting best practices for agriculture to maintain biodiversity in agriculture and the environment
	4.2.2	Promoting and implementing protection measures for key ecosystems and habitats providing ecosystem services for agriculture
	4.2.3	Enhancing the production of improved livestock breeds
	4.2.4	Establishing and promoting agricultural practices that preserve & enhance ecosystem services
	4.2.5	Defining and enforcing standards and measures to reduce the pollution of land, air, and water from agriculture
4.3 Sustainable Agriculture Practices	4.3.1	Enabling the adoption of sustainable practices for soil conservation
	4.3.2	Promoting and supporting forums for the dissemination of sustainable agriculture practices
4.4 Climate Change Mitigation, Adaptation and Resilience	4.4.1	Promoting and supporting climate smart technologies and practices
	4.5.1	Promoting integrated watershed management



4.5 Protection and Sustainable use of Water Resources	4.5.2 Promoting and supporting the use of water efficient practices and technologies for agriculture and agricultural value chains
	4.5.3 Promoting and supporting measures to ensure the reduction of water pollution from agriculture and agricultural value chains
4.6 Renewable Energy and Energy Efficiency	4.6.1 Promoting the use of energy in agriculture and agricultural value chains generated from renewable sources
	4.6.2 Developing and enforcing standards for the management of energy consumption in agriculture and agricultural value chains
	4.6.3 Promoting the development and dissemination of energy efficient agricultural technologies

Table 5: Strategic Axis 5 - Developing Technology, Innovation and Infrastructure for Agriculture

Investment Areas	Policy Implementation Instruments
5.1 Agricultural Knowledge Generation and Research	5.1.1 Establishing and improving research mechanisms for development of technology to foster agricultural value chain performance
	5.1.2 Supporting the development of improved genetic materials, appropriate inputs and improved technology for crops, livestock, and fish
	5.1.3 Promoting and enabling research cooperation at regional and international levels
5.2 Agricultural Knowledge Dissemination, Education, Extension, and Training	5.2.1 Making information on best practices on all aspects of agricultural value chain performance available to agricultural value chain players;
	5.2.2 Developing and building the capacity of extension services for supporting and training agricultural value chain players
5.3 Availability and Supply of Key Agricultural Inputs	5.3.1 Enabling the production and supply of quality and certified genetic materials for crops, livestock and fish
	5.3.2 Establishing a national and local seed/breed bank to preserve national genetic resources and promote biodiversity in agriculture.
5.4 Promoting Irrigation	5.4.1 Delegation of public sector role in the development and management of large-scale irrigation schemes
	5.4.2 Promoting community managed small and medium scale irrigation schemes



	5.4.3 Mobilizing public and private resources to jointly finance the development of irrigation schemes
	5.4.4 Addressing irrigation sector risks
5.5 Development of Feeder Roads and Market Infrastructure	5.5.1 Developing feeder roads and other transport infrastructure
	5.5.2 Promoting farmers' and community markets

Table 6: Strategic Axis 6 - Targeted State Support and Direct Transfers to Value Chain Players

Investment Areas	Policy Implementation Instruments
6.1 Access to Key Agricultural Inputs and Support for Improved and Sustainable Practices for Targeted Groups	<p>6.1.1 Enabling access for targeted farmers (livestock, crop, fish etc) to safe and quality agricultural inputs</p> <p>6.1.2 Enabling livestock and fish farmers' access to safe and quality veterinary medicines</p> <p>6.1.3 Enabling the adoption of improved and sustainable agriculture practices through targeted subsidies and incentives for transformation</p> <p>6.1.4 Enabling access to key agricultural inputs and sustainable practices for women and youth.</p>
6.2 Access to Agricultural Equipment and Improved Facilities for Targeted Groups	<p>6.2.1 Enabling farmers' access to improved agricultural equipment</p> <p>6.2.3 Enabling livestock farmers' access to improved livestock facilities</p> <p>6.2.4 Enabling farmers' access to improved post-harvest technologies and facilities</p> <p>6.2.5 Enabling access to agricultural equipment and improved facilities for women and youth</p>
6.3 Access to Improved Agricultural Services for Targeted Groups	<p>6.3.1 improving farmers' and agricultural value chain players' access to information on improved agricultural practices</p> <p>6.3.2 Ensuring farmers' access to appropriate soil-testing services</p> <p>6.3.3 Ensuring farmers' and agricultural value chain players' access to appropriate agricultural extension services and advice</p> <p>6.3.4 Ensuring livestock and fish farmers' access to appropriate veterinary services</p> <p>6.3.5 Enabling access to agricultural services for women and youth</p>



6.4 Access to Irrigation	6.4.1	Enabling farmers' access to improved irrigation and water management technology
	6.4.2	Enabling farmers' participation in water and irrigation management arrangements
	6.4.3	Enabling access to irrigation for women and youth

Table 7: Strategic Axis 7 - Emergency Preparedness, Nutrition and Social Protection

Investment Areas	Policy Implementation Instruments	
7.1 Emergency Preparedness	7.1.1	Establishing and maintaining mechanisms for surveillance and prevention of plant and animal pests and diseases
	7.1.2	Establishing and maintaining seed, grain and fodder reserves, and storage facilities
	7.1.3	Ensuring inclusive access to knowledge and training in disaster preparedness methods in agriculture
	7.1.4	Establishing and maintaining an early warning system for natural disasters affecting agriculture
	7.1.5	Establishing and maintaining emergency evacuation services in coordination with relevant agencies
7.2 Emergency Response	7.2.1	Establishing and maintaining mechanisms for rapid response to and control of plant & animal pests and diseases
	7.2.2	Establishing and maintaining of provisions for special market interventions to stabilize markets in emergency situations
	7.2.3	Building sectoral capacity to contribute to the rehabilitation of disaster affected areas
	7.2.4	Developing and disseminating guidelines on the rehabilitation of the agriculture sector in disaster affected areas
7.3 Nutrition and Health Assistance	7.3.1	Implementing micronutrients initiatives
	7.3.2	Implementing measures to strengthen dietary diversity
	7.3.3	Implementing measures to provide and distribute specific foods for therapeutic and nutritional purposes to targeted demographics
	7.3.4	Implementing the training of health professionals and community service providers on the promotion of breastfeeding
	7.3.5	Implementing the development of milk bank clinics



	7.3.6 Implementing the provision of access to safe potable water for all
	7.3.7 Implementing the provision of improved sanitary services
	7.3.8 Disseminating information on the benefits of better hygiene practices
7.4 Social Protection Schemes	7.4.1 Implementing school feeding schemes in areas needed
	7.4.2 Implementing food subsidies, food rations, food stamps or coupons to targeted areas or demographics
	7.4.3 Implementing unconditional cash transfer schemes
	7.4.4 Implementing conditional cash transfer schemes

Budget and Mobilizing public resources to finance the CNAP

The total budget for implementing the CNAP through L-IB-NAIP is estimated at **M2.33 billion**, consisting of:

- M98 million for Strategic Axis 1,
- M223 million for Strategic Axis 2,
- M437 million for Strategic Axis 3,
- M391 million for Strategic Axis 4,
- M366 million for Strategic Axis 5,
- M228 million for Strategic Axis 6,
- M476 million for Strategic Axis 7 and
- a contingency of approximately M111 million.

To mobilize public required resources, the Government will implement a smart policy of small taxes and levies (e.g., on food imports) that do not burden consumer prices. The resources mobilized will be used to finance two Public Funds that will be legislated:

- i. The Lesotho Rural Infrastructure Development Fund (LRIDF) and
- ii. The Lesotho Agricultural Development Fund (LADF).

The LADF will have a private sector orientation and the LRIDF will include both private and public sector windows as follows:

- a) The public sector window – devoted to financing public infrastructure.
- b) The private sector window – devoted to financing private sector infrastructure.

To facilitate these, smart subsidies will be provided as direct transfers to farmer organizations and firms. Likewise, public resources will be used to capitalize promoted enterprises and later transferred to the general public as equities or debts. The operation of the private sector window of the LRIDF will be entrusted to the industry association.



Institutional Arrangements

Oversight of the CNAP and L-IB-NAIP Implementation:

Given the importance of the CNAP for agricultural development, the responsibility of its (and L-IB,NAIP's) implementation will be given to the High Council for Agricultural Development (HCAD), which will oversee their implementation. The HCAD will consist of the Prime Minister; Attorney-General; Minister of Agriculture and Food Security (MAFS); Minister of Forestry, Range and Soil Conservation (MFRSC); Minister of Finance; Minister of Development Planning; a principal Chief nominated by the College of Chiefs; Minister of Local Government and Chieftainship; two members of the National Assembly (from Economic and Social Clusters) appointed by the Speaker; PS Agriculture, who will also serve as the Secretary of the Council; and up to three persons appointed by the Prime Minister (representing the private Sector, academia, Youth and Women), by virtue of their special expertise, skill or experience.

The constitutional mandate of the HCAD will be to assist the King in the discharge of his functions, and to exercise such other functions as are conferred by the Constitution. The HCAD will engage all required players (Parliament, Ministries, Department and Administrations) to enforce the institutional arrangements for CNAP and L-IB-NAIP's implementation, resource allocation, and disbursement. The HCAD's deliberation will be informed by the cause-to-effect links between the Policy Implementation Instruments and the impacts.

Steering Committee of the CNAP and L-IB-NAIP:

The Steering Committee of CNAP and L-IB-NAIP will be composed of representatives of all sector stakeholders (public and private). Its role will be to examine and approve the annual plan and all periodic reports before they are transmitted to the Ministry of Finance and Parliament.

The Lesotho Agri-Food Systems Industry Association (LAFIA) and the CNAP and L-IB-NAP Steering Committee, will be jointly in charge of the overall coordination of CNAP and L-IB-NAIP. LAFIA will be entrusted to implement the Lesotho Agricultural Development Fund (LADF) and the private sector window of the Lesotho Rural Infrastructure Development Fund (LRIDF). The Association will be equipped with the sector accountability system, which will include financial management, monitoring and evaluation, as well as reporting components. Moreover, the L-IB-NAIP strategic framework empowers the LAFIA to ensure the harmonization and alignment of Government and donors' interventions.

The Ministry of Agriculture and Food Security (MAFS), other Ministries, Departments and Agencies will be in charge of coordinating specific investment areas under their competencies.



Implementation Plan (IP) and Monitoring and Evaluation Framework (MEF)

The CNAP is the first ever comprehensive policy for the agri-food sector. It is ambitious and covers all key actors in the sector. Because of its comprehensiveness and resources available during the development of both the CNAP and L-IB-NAIP, their Implementation Plan (IP) and Monitoring and Evaluation Framework (MEF) were not developed, though the Results Framework Template was developed by the L-IB-NAIP. To complete the work under both processes, it is recommended that resources be allocated to the development of these two key activities that will greatly facilitate successful implementation of both documents (that is CNAP and L-IB-NAIP).



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1. Introduction

1.1 Background and Rationale for the Comprehensive National Agricultural Policy (CNAP) Development

The CNAP represents a comprehensive policy for the agricultural sector and its development was led by the Ministry of Agriculture and Food Security, Department of Planning and Policy Analysis (MAFS-DPPA), financed by the Food and Agriculture Organization (FAO), with technical support from FAO and Food and Natural Resources Policy Analysis Network (FANRPAN). The CNAP development was inspired by the need to develop an overarching agricultural sector policy that will provide strategic direction to agricultural sub-sectors and all programmes relevant to agriculture regardless of the ministry their mandates belong, to ensure sustainable commercial agriculture and food security as envisioned in the National Strategic Development Plan II (NSDP II, 2018/19 – 2022/23) and the vision and objectives of the Ministry of Agriculture and Food Security (MAFS).

The CNAP follows two principal comprehensive policy frameworks that guided the sector 16 to 19 years ago, namely, the Agricultural Sector Strategy (2003) and Lesotho Food Security Policy and Strategic guidelines (2005). Though these two frameworks are outdated, the issues identified and covered by them still remain relevant. Over the years other sector and sub-sector policies and strategies were developed to guide agriculture (see Table 1 below). However, these policies/strategies are driven by both national and regional priorities and do not flow from the current and up-to date comprehensive framework as per the expectations of NSDP II and regional frameworks such as the Smart Policy instruments for CAADP and Country CAADP Implementation Guidelines under the Malabo Declaration. Despite the developments in the policy and strategy formulations, agriculture still falls short of expectations as the back bone of the economy, as it is commonly referred. The output and performance of the sector has not changed much over the last two decades. As evidenced by the Agriculture Public Expenditure Review (Worldbank, 2019), a few policy interventions that have high political appeal like the agricultural input subsidies have expended most of the resources, leaving insufficient public funding for other critical and complementary strategies for developing agriculture and achieving food security. Most importantly, the public funding that has gone into the sector has not done much to leverage private investment, which is critical for enhancing employment-generating growth.

The above challenges notwithstanding, agriculture continues to be an important sector for Lesotho's economy and food security. It has been prioritized together with manufacturing, tourism and creative industries as critical productive sectors under the National Strategic Development Plan (NSDP II).

Table 7: Historical overview of agricultural policy/strategy development in Lesotho

Regional Framework	National Framework	Year and Status	Sectoral Framework	Year and Status
Agenda 2063	Lesotho Vision 2020	Complete	Agriculture Sector Strategy	2003



COMPREHENSIVE NATIONAL AGRICULTURAL POLICY

Sustainable Development Goals (SDGs)	NSDP II 2018/19-2022/23	Complete	Lesotho Food Security Policy	2005
			National Action Plan for Food Security	2006
Comprehensive Africa Agriculture Development Program (CAADP 2015-2025)	National Agriculture Investment Plan (NAIP)	Incomplete	Food and Nutrition Security policy	2016
		Incomplete	Agricultural Subsidy Policy	2007
	Lesotho Integrated Plan for Agricultural Development (LIPAD) 2019 - 2023	Complete	National Seed Policy	2016
		Complete	Plant protection policy	complete 2021 complete
Southern African Development Community Regional Indicative Strategic Development Plan (SADC RISDP)	Strategic Plan for Agriculture and Rural Statistics in Lesotho (SPARS): 2019/20 – 2023/24	Complete		
Others	The Lesotho Irrigation Master Plan	2021 Complete		
Food and Nutrition Strategy – SADC 2015 – 2025	The Lesotho National Irrigation Policy	Incomplete		
	Lesotho Food Security Policy and Strategic guidelines	2005 Complete	MAFS Strategic Plan 2019-2023	2019 Complete
	Agricultural Sector Strategy	2003 Complete	National Livestock Policy	2021, Complete

The CNAP will allow government to:

- Align all donor interventions in the agricultural sector to government priorities and flagship programs;
- Harmonise all interventions with the government policy implementation instruments;
- Effectively stimulate and leverage private investments;
- Plan and manage for results; and
- Keep all partners accountable.

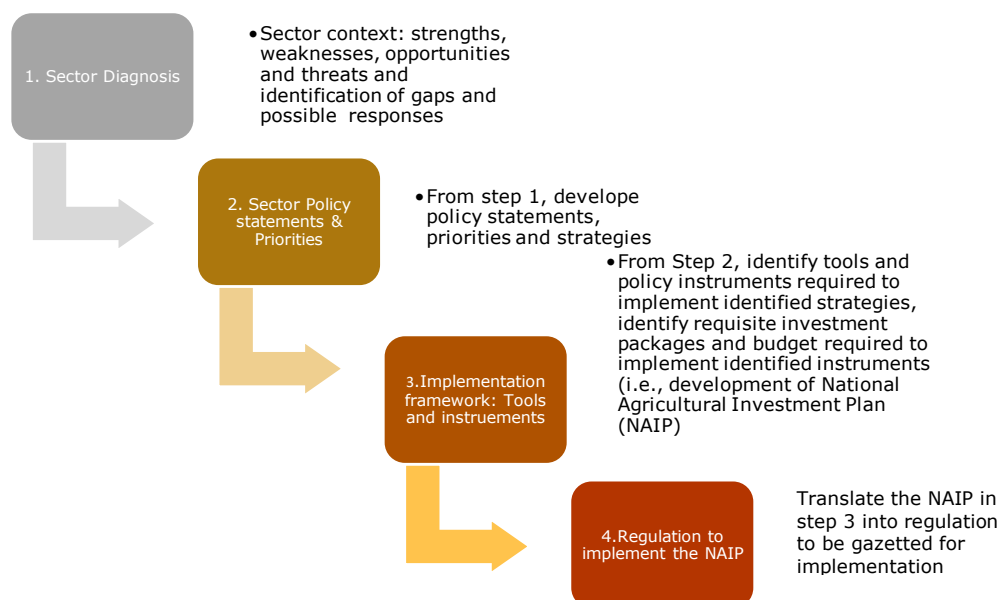


1.2 The Process and Approach followed in developing the CNAP

1.2.1 The Process of CNAP development

The CNAP is guided by and builds on the CAADP instrument-based approach which adopts the following four, interrelated, steps shown in Figure 1 below.

Figure 1: Policy Development Steps



Source: Adapted from Smart Policy Instruments for CAADP and Kingdom of Lesotho: Guidelines for Policy formulation, implementation, monitoring and evaluation and review (2020).

The Diagnostic Report, Lesotho Instrument-Based National Agricultural Investment Plan (L-IB-NAIP) 2022 – 2016) covering Steps 1 and 3, respectively are now complete and the CNAP covers Step3. This means the CNAP development follows a reverse process from the L-IB-NAIP and as such, it is important to ensure alignment between these documents to avoid duplication and leverage on work already done.

1.2.2. CNAP development Approach

The CNAP was informed by

- ii) Extensive literature review of continental, regional, national and sector policy and strategy papers, as well as related documents produced by development partners and related ministries (refer to Diagnostic Report, Annexure 1, for Annotated bibliography).
- iii) Stakeholder engagements across the following broad categories at the central and district levels:
 - a. Central Level
 - Public Sector – Government Ministries
 - Financial sector – Banks and insurance companies
 - Private sector – Agricultural inputs and produce retailers



- Parastatals – LNDC and BEDCO
 - NGOs and Civil Society
 - Farmers and Farmer Groups
 - Development Partners
 - Research and academia
- b. District level – similar stakeholder categories excluding the financial sector and development partners, as well as community leaders and street vendors. The financial sector and development partners were left out at the district level because they operate in the same manner in the districts as they do at the central level. Ten districts of the country were involved in the consultations. In total, 431 stakeholders comprising women, men and the youth were engaged (refer Diagnostic Report, Annexures 2 and 3 for the list of engaged stakeholders and summary responses, respectively).

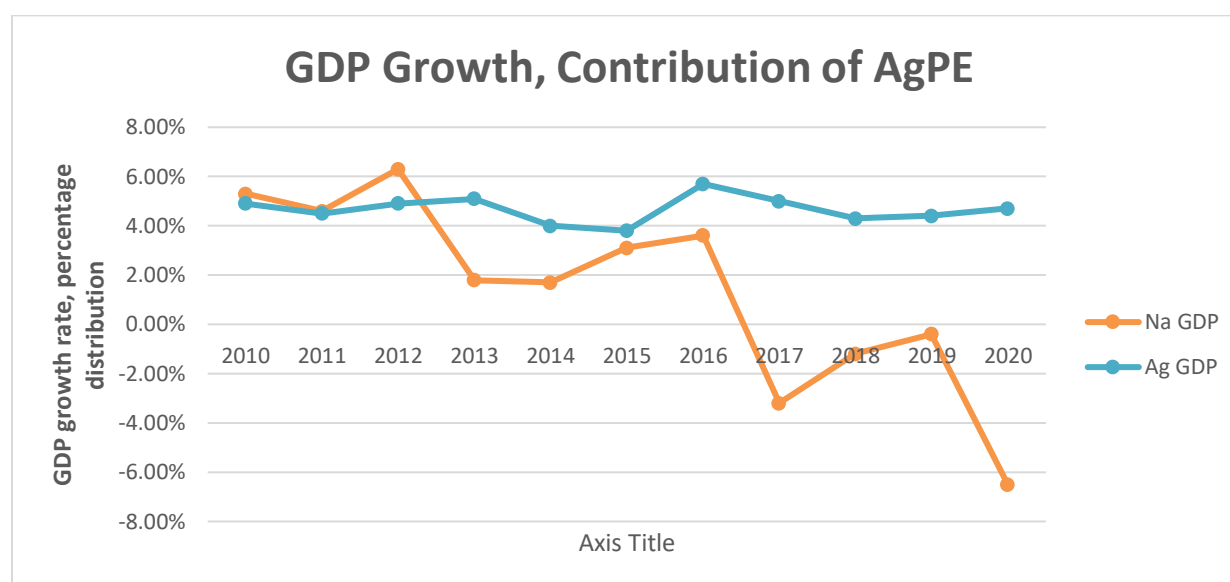


2. Setting the Context

2.1 Significance of Agriculture in Lesotho and contribution to economic growth

Agriculture in Lesotho consists of field crops; horticultural crops, including fruits; livestock, including fishery/aquaculture; bee keeping/apiculture. The sector sustains livelihoods of 71% of Lesotho population residing in the rural areas and directly generates employment for 41% of this population, although primarily on an informal basis, with women making up the largest share of the labour force (World Bank, 2020). Main crops include maize, sorghum, wheat, peas & beans, while sheep and goats, which dominate the livestock sector, are reared mainly for wool and mohair. Notwithstanding, the significance of the sector in terms of contribution to GDP has been declining over the years (*Figure 2*).

Figure 2: Historical Contribution of Agriculture to Lesotho's GDP



Source: Bureau of Statistics (BoS) National Accounts

The poor performance of the sector continues in spite of growing number of local and international bodies intervening through various projects (see box 1 for details) to promote more sustainable and ecologically friendly practices that enable farmers to increase and stabilize the output on a long-standing basis. Because of its poor performance, even incomes from those employed by the sector have been historically depressed leading to chronic food insecurity, malnutrition and stunting; primarily affecting women, children and vulnerable groups from poor households (NSDP II). The country is a net food importer, mainly from the neighbouring South Africa, which negatively affects trade balance of the country. Evidently, the NAP needs to focus on, among others, promotion of import substitution of food and agricultural products.

Even though the general performance of the sector has over time been following declining trajectory, other subsectors like Livestock and Horticulture have registered growth over time with livestock being the biggest foreign exchange earner of the sector. A number of factors contributing to the poor performance of the sector have been identified in the literature and by stakeholders as:

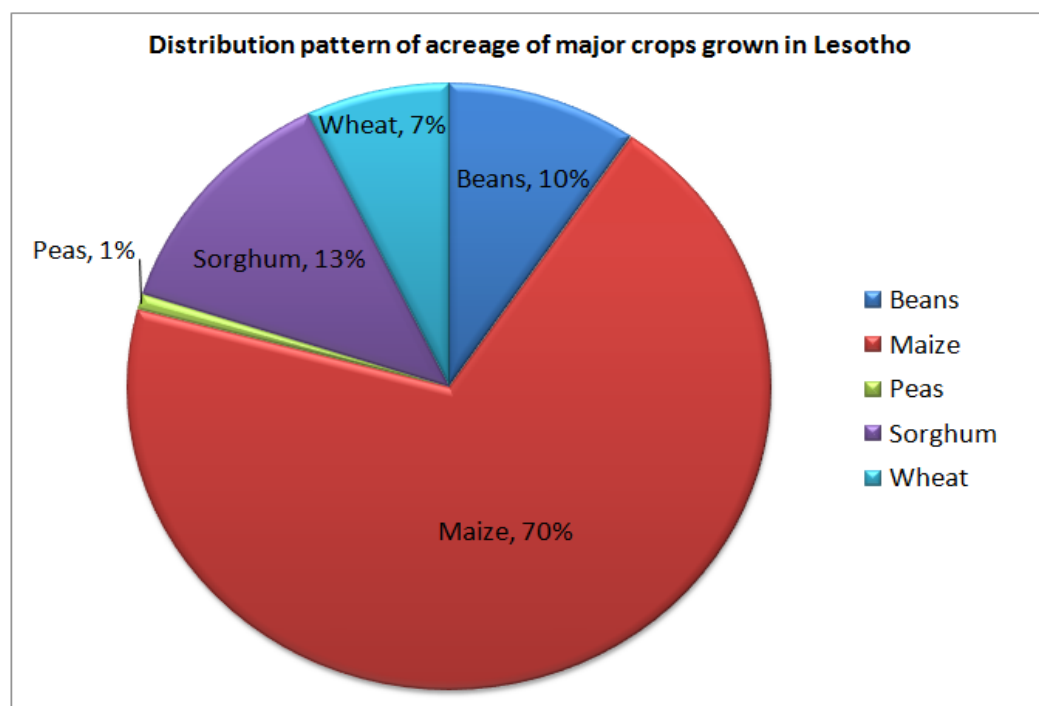


- Small farm size - the sector is mostly dominated by subsistence agriculture, with certain small portion of farmers practising commercial scale, even though the poorest depend entirely on agriculture for their livelihoods.
- Lack of irrigation - even though the country has abundant water resources, the water is not necessarily in agricultural places where it is most useful.
- Weak advisory services
- Limited access to credit and financing capital
- Unfavourable climatic conditions
- Soils that are generally poor in natural fertility,
- Acute soil erosion,
- Depressed public (investment) expenditure
- Weak value chains
- Agricultural markets availability and accessibility
- Weak private sector and participation thereof

2.1.1 Crops Sub-sector

Agricultural crop production is mainly under smallholder rain fed systems which are characterized by very limited high-yielding input use and heavy reliance on maize production, with main crops planted as monocrops on 70 percent of the country's arable land (Figure 3).

Figure 3: Distribution pattern of acreage of major crops grown in Lesotho



Source: Lesotho Food Systems: Context, Challenges and Opportunities (July, 2021)²

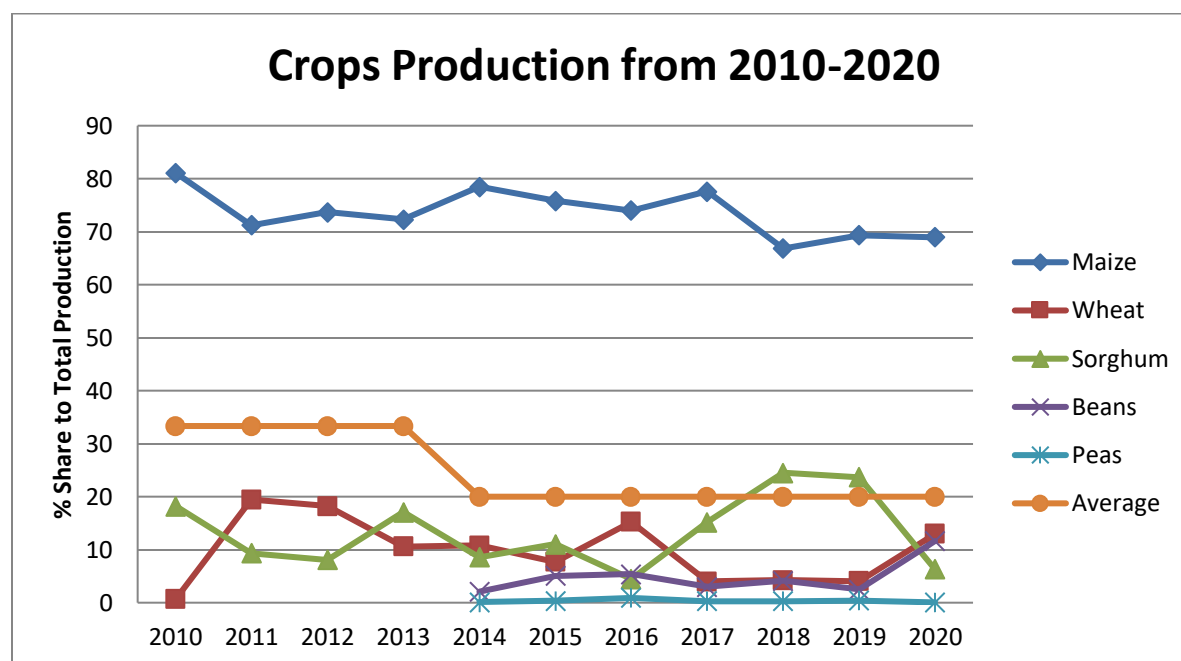
² Prepared by Masia Johane (Team Leader), Professor Philip Makama, Professor Oluremi Ehsan Rizvi, Dr Fedelis Asanjor and Dr P. Nkhabutlane.



Due to, among others, late planting time, low seeding rate, low soil fertility, poor seed-bed preparation, there has been low crop production and productivity in the country, with the subsector contributing 28% to agriculture GDP compared to Livestock which contributes more than 50%. Monoculture cropping system dominated by maize (Figure 3), which is largely unsustainable and depletes land resources on which production relies, continues to be the challenge for the country.

Climate change has compounded crop production challenges with periodic droughts and floods affecting productivity of the sub-sector. Figure 4 below shows various crops production trends for the past 10 years. The Figure shows that maize has consistently topped the list since 2011, with a marginal decline in 2017 where sorghum and beans picked up. Notwithstanding, all the crops follow a general declining trend.

Figure 4: Historical Performance of Crop Production



Source: BoS National Accounts

2.1.2 Livestock Sub-sector

Livestock production in Lesotho is dominated by wool and mohair production (Figure 5), though it has been underdeveloped with lack of feed/fodder and high disease and mortality rates in the country (World Bank, 2020). The main types of livestock kept are sheep, goats, as well as cattle, with a minimum livestock ownership per household ranging from around 30 to more than 300. Livestock contributes 75 percent of the total agricultural output and constitutes 52% of agriculture GDP, including semi-intensive and intensive production of pigs and poultry, as well as extensive (free range) production of goats and sheep on rangelands in the foothills and highland areas.

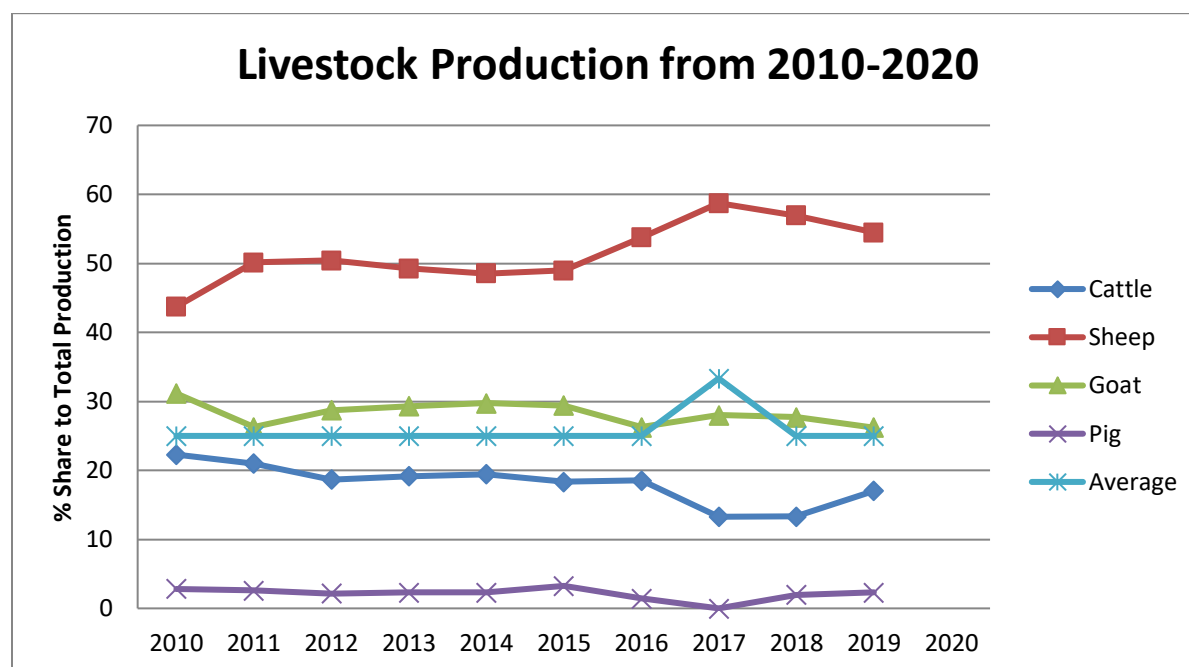
Even though the subsector is faced with several challenges, it contributes significantly to the livelihoods of people living in the rural areas, with the poor earning the highest proportion of their incomes from it. The major setback to the subsector lies in stock theft, which has been a



problem in Lesotho for decades (Khoabane, 2009). Notwithstanding, livestock production has led to acute degradation in the mountain areas rangelands due to, among others, overstocking and unsustainable husbandry practices. Establishment of rangeland management areas and grazing associations has not yet been successful in arresting the problem.

Apart from livestock industry, Lesotho also has potential in expanding poultry and dairy industry, which is currently dominated by imports. The country also has potential in aquaculture, which still requires further development (i.e., trout fish production in the Highlands). According to Figure 5, livestock production is dominated by sheep and goats production, largely because of the Lesotho good quality wool and mohair, which are the country's highest foreign exchange earner in the Agriculture Sector. Piggery, though showing signs of picking up, is the lowest livestock enterprise in terms of production.

Figure 5: Historical Performance of Livestock Production



Source: BoS National Accounts

2.1.3 Horticulture

In recent years, Lesotho has shown an ample opportunity and significant potential in horticulture due to its climate, soil, and elevation, which is well suited for a diversity of horticulture crops. A crop suitability map identified 5,500 square kilometres (550,000 hectares) of micro-climate areas favourable for fruit cultivation and an even larger area is deemed to be suitable for vegetable production in Lesotho. Though production of vegetables has been steadily picking up (Figure 6)³, It still falls short of demand significantly, with the country meeting 80% or more of the demand through imports, mainly from SA (Figure 7).

³ From Lesotho Food Systems: Context, Challenges and Opportunities (July, 2021



Figure 6: Vegetable production trend in Lesotho (FAOSTAT)

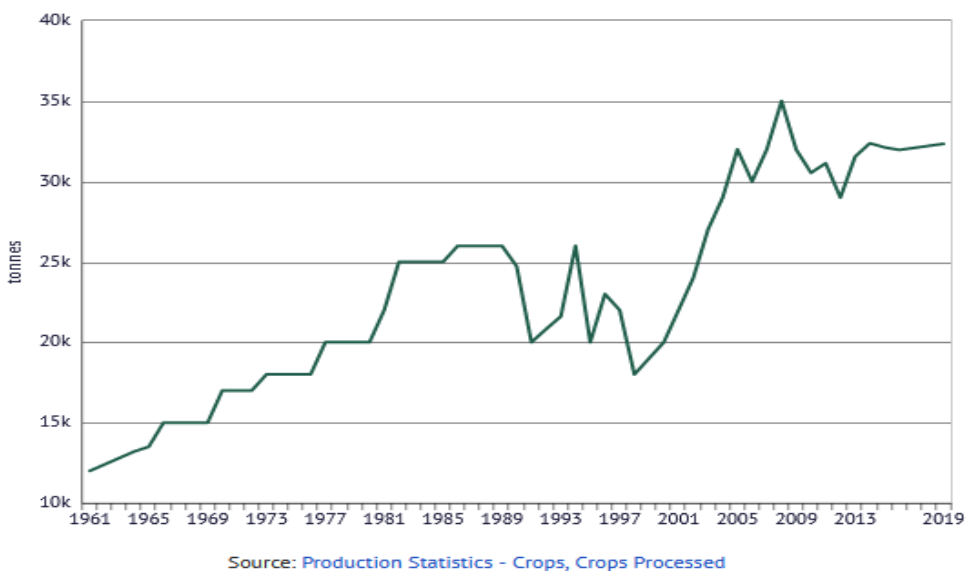
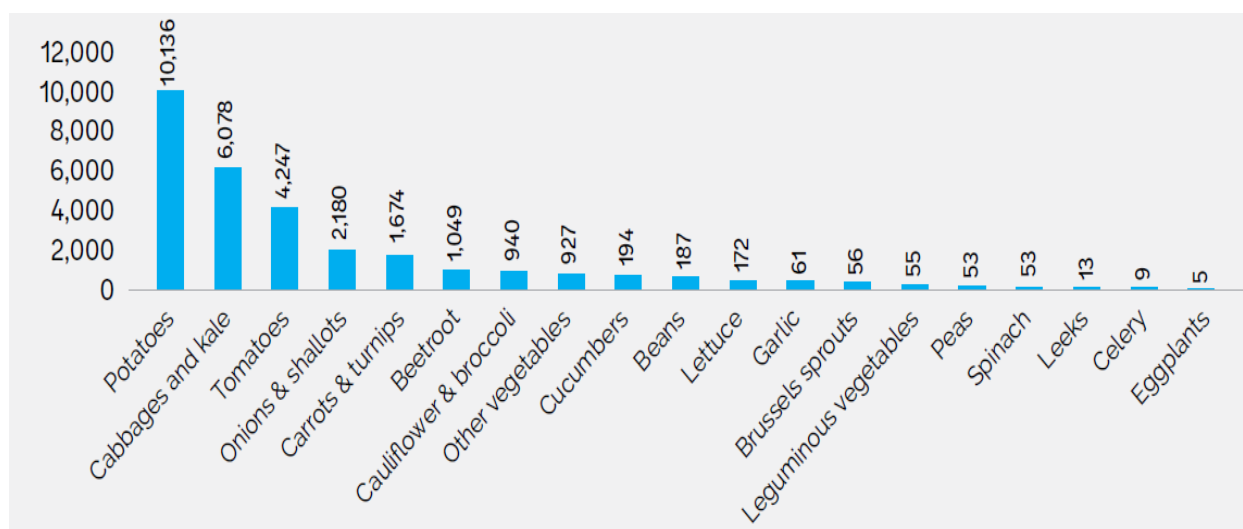


Figure 7: Vegetables imports in Lesotho (tonnes)

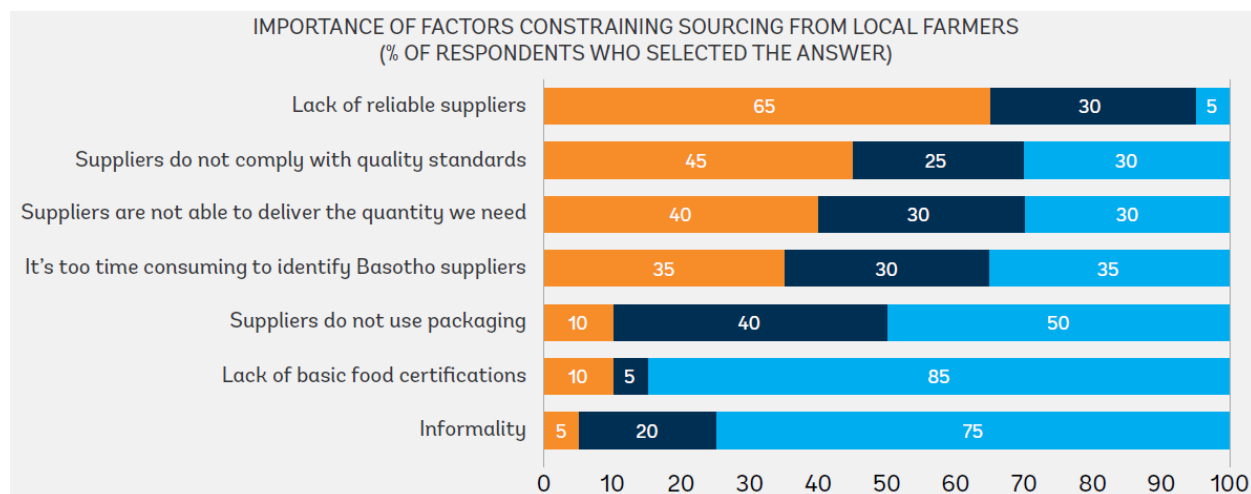


Source: UNCOMTRADE



Local vegetables production, dominated by informal and smallholder farmers, is plagued by several factors contributing to shortfall in the local supply of fresh food and vegetables (Figure 8). To unlock potential in the horticulture sub-sector, CNAP should address these challenges.

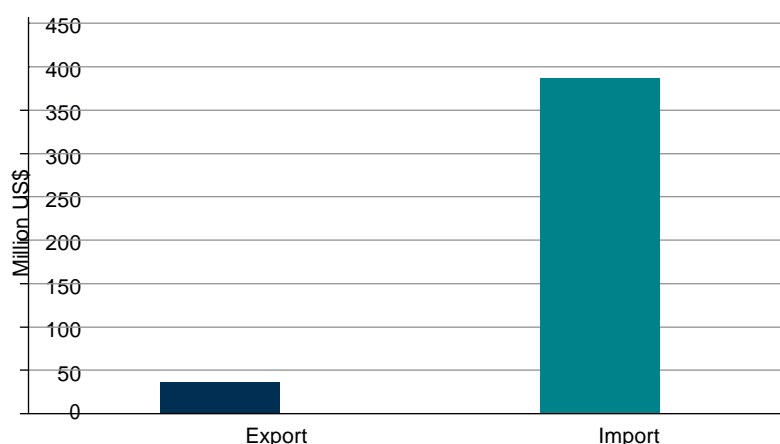
Figure 8: challenges of sourcing vegetables from local produces



Source: Lesotho Food Systems: Context, Challenges and Opportunities (July, 2021)

Overall, the Food and Agriculture sector fails to meet food requirements of the country and as such Lesotho has a huge agriculture trade imbalance (Figure 9).

Figure 9: Lesotho's agrofood exports and imports, million US\$ (2014-2016 average)



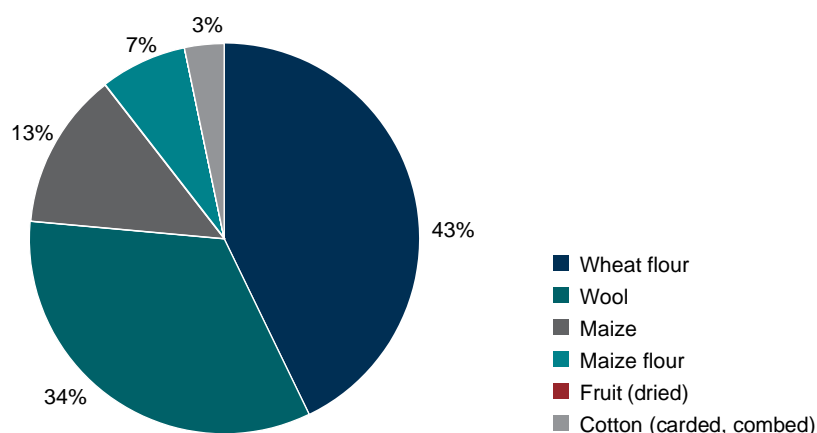
Source: FAOSTAD 2019⁴

⁴ From the Lesotho Agriculture Public Expenditure Review (PER), 2019



Export products mainly consist of primary agriculture and milled products, while imported agro-food products are a mix of primary and processed goods. Wheat flour stands out as the country's most important agro-food export product according to FAOSTAT, contributing 42 percent of total agro-food exports and averaging US\$12.5 million (PER, 2019). Wool is the second most important, averaging US\$9.8 million from 2014 to 2016, or 27 percent of total agricultural exports. Lesotho's exports of horticultural products are negligible. Other export commodities include maize products and cotton (Figure 10; FAOSTAT 2019). On the import side, maize and maize flour are by far the most important commodities and make up more than one half of all agro-food imports. Imported maize accounts for 60 percent of the maize consumed in Lesotho. Otherwise, the main imported agro-food products include livestock-sourced food such as chicken meat and processed dairy products, as well as wheat, wheat flour, and breakfast cereals (Figure 11; FAOSTAT 2019).

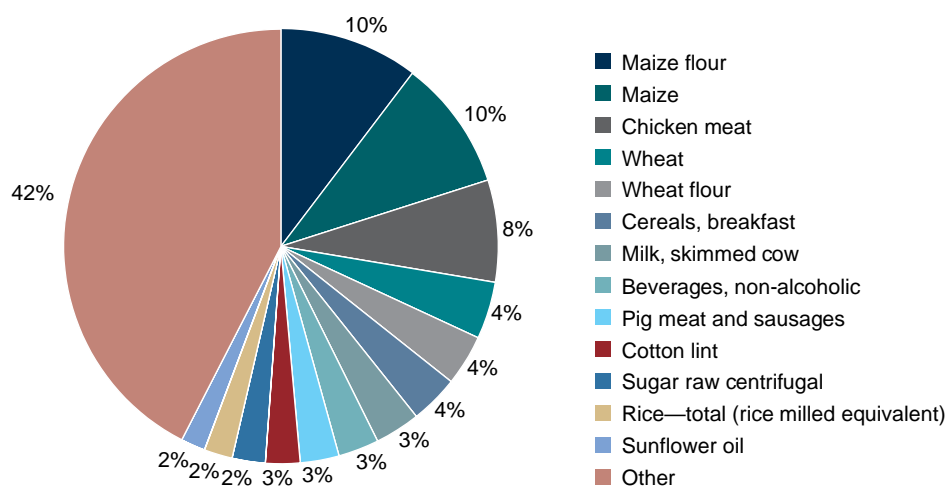
Figure 10: Lesotho's agro-food exports by commodity, share of US\$ (2014–2016 average)



Source: FAOSTAT 2019.



Figure 11: Lesotho agro-food imports by commodity, share of US\$ (2014-2016 average)



Source: FAOSTAT 2019.



2.1.4 Agricultural Public Expenditure

2.1.4.1 Investment expenditure and implications for productivity and employment creation stimulus

Even though the sector is considered important to employment creation and poverty alleviation, it has a low productivity base, which largely results from low investment in infrastructure, including irrigation, low uptake of new technologies and inputs, poor quality extension and advisory services, and limited access to credit.

Between 2010/11 and 2015/16, 322.7 million maloti, or 1,513.5 Maloti per rural capita, were allocated to public expenditure on agriculture (PEA), accounting for less than 3 per cent of total public expenditures in Lesotho (AgPER, 2019), which is way below the 10 percent target agreed by the Government of Lesotho in the Maputo (2003) and Malabo (2014) Declarations under CAADP (African Union 2003, 2014). The 10% budget allocation as per the Malabo declaration, is to reach the target of 6% annual growth of the sector. The country is still below the target. The current agriculture annual growth rate in 2020, is 4.7%.

Sector specific expenditure go to crops sector (83 %), followed by livestock (14 %) and forestry (3 %). This composition is not in line with their relative contribution to GDP, to which the livestock sub- sector contributes 52 %, crops 28 % and Forestry 20 %. The Intensive crop production programme (ICP) comprises 69 per cent of crop expenditure. Subsidies to the sector go to inputs, especially ICP, rather than capital.

2.1.2.4 Investment/donor led projects and private sector involvement

Investment programs such as business incubators and donor projects (refer to Annex 1), are housed within Government of Lesotho institutions, which limits private sector participation and prevents the development of a strong private-sector-led investment ecosystem (AgCLIR,2021). For the sector to realize expected annual growth as per the regional declarations and NSDP II, there is a need to collectively (State and Non-State Actors) implement the National Agriculture Investment Plan (NAIP) under Comprehensive Africa Agriculture Development Programme (CAADP) process. By implementing the NAIP, it is expected that Lesotho's agriculture will grow by 8% (Lesotho MGM Report, 2019). Collective implementation, monitoring and evaluation will enhance mutual accountability for actions and result.



2.2 Overview of Policy Issues

The following overview presents key policy issues presented in NSDP II and validated by stakeholders during engagements with them⁵, according to opportunities, constraints and achievements.

2.2.1 Opportunities

Agriculture remains a critical sector for food security and employment creation. It is the backbone of the rural economy where 65.8 percent of the population lives. However, its contribution to GDP has declined over time, from a high of 15.2 percent in 1984 to a low of 5.2 percent in 2014, with a slight increase to 6.9 percent in 2016. The sector is estimated to employ 8.5 percent of the urban population and 54.3 percent of the rural population. It is mostly dominated by subsistence agriculture, with few farmers producing at a commercial scale, yet the country holds potential to produce organic products for exports to the European Union and United States markets, as well as other trade partners. There is a need to explore organic food production to economically reposition Lesotho and achieve prosperity in the short- to long-term.

The livestock industry is dominated by wool and mohair production, which are exported in raw form. South Africa remains the main corridor for export, although there is a growing trend of wool exports to the international markets, particularly China and India. Wool and mohair are also utilised by local producers of tapestries and knitwear, although this constitutes a small percentage of consumption. Given Lesotho's climatic conditions, it has potential to expand wool and mohair production. Lesotho also has potential to expand the poultry and dairy industries, which are currently dominated by imports from South Africa. The GoL has declared the dairy industry a priority for food security, and several initiatives are underway to stimulate dairy development. Crop production is dominated by maize, sorghum, and wheat production, which occupy about 60 percent, 20 percent, and 10 percent of agricultural land, respectively. In recent years, Lesotho has shown significant potential in horticulture, with the primarily products of fresh fruits and vegetables. Lesotho has further demonstrated potential in aquaculture, particularly the production of trout, which takes place in the Highlands. Trout is exported to South Africa and Japan. Other market opportunities remain to be explored.

There is ample opportunity for Lesotho to be competitive in agricultural exports. The cold climate provides a comparative advantage for wool and mohair production, clean trout farming, and the early maturation of certain fruits and vegetables. Early maturation would afford Lesotho an opportunity to get produce to markets at a time when competition is limited and maximise on premiums. These investment opportunities and others in the agriculture sector are summarised in table 2 below.

⁵ Refer to the Diagnostic report for details on the stakeholders diagnosis of the agri-food sector and responses they proposed.



Table 8: Agriculture Sector Opportunities

Investment Opportunity	Brief Description
Bio-Trade	Lesotho has biodiversity and derivatives that should be commercialised sustainably. Some local businesses already use these for medicinal, cultural, and cosmetic purposes.
Commercial Poultry production (e.g. chicken, eggs and related value chain products), seed potato production, asparagus	The country currently imports more than 80 percent of poultry products from South Africa. As such, local demand could support poultry production. Given competitive wages, poultry production and related value chain products remain opportunities for investment. Seed potatoes and asparagus also have great export potential.
Horticulture	There is potential for crop and fruit tree farming. Experimental evidence provided through the World Bank "Private Sector Competitiveness" project showed that Lesotho has a comparative advantage of high-altitude conditions, which are conducive for early ripening seasons.
Aquaculture	Lesotho's climate conditions present great potential for aquaculture. Trout is currently bred and exported to Japan and the European Union.
Red Meat Production	The country's rangelands have potential to support production of organic red meat.
Medicinal Plants (e.g. Cannabis)	Private companies are planting medicinal cannabis plants, then marketing and selling to the United Kingdom, Canada, and United States. Further investment potential exists.
Wool, Mohair, Hides and related products	Lesotho is second in the world in terms of production of wool and mohair. The potential lies in value chain development and scaling-up production.

Opportunities in the agriculture sector remain largely untapped, and the sector has great potential to create jobs, especially for the population living in rural areas, women, and youth (including those not transiting to tertiary education which is more than 65 percent of the total youth population).

2.2.2 Constraints

These opportunities, however, are undermined by many challenges including: soil erosion and land degradation, which reduce the ability to produce adequate food; fragmented and under-developed value chains; lack of harvesting and post-harvest technology and infrastructure (i.e., slaughter houses, storage facilities); limited access to agriculture finance and agriculture insurance for risk-sharing



(e.g., only 1 percent of total commercial bank credit financed agriculture in 2016); lack of specialised agricultural skills and limited training for farmers; inadequate research and extension services; failure to meet international sanitary and phytosanitary standards and lack of coordination and market information systems. In addition, the land cover suitable for agriculture has declined to 9 percent due to encroachment on the most productive and potentially high-yielding land over the past decades, soil erosion, and other forms of environmental degradation and climate change. The encroachment is due, in part, to the lack of law enforcement and neglect by administrative authorities.

Notwithstanding, the remaining arable land can still provide Lesotho with enough food to satisfy the population and export market. The greatest limit is irrigation infrastructure, with only 36,000 hectares of land declared suitable for irrigation. Around 2,600 hectares have been developed, while large tracks remain fallow. Local producers experience post-harvest losses due to either disorganised markets, which result in producers running between traders to dispose of produce. Access to markets is further restricted by lack of storage and road infrastructure. Due to these issues, producers often experience losses or low returns, which are often less attractive compared to off-farm returns. Low adaptation to high-yielding technologies and poor adaption to climate change has also affected the sector. As a result, Lesotho is faced with chronic food insecurity and malnutrition, primarily affecting women, children, and vulnerable groups from poor households. This also undermines overall population productivity. In 2017/18, an estimated 15 percent of the population was food insecure, with 78 percent (224,664) in rural areas, despite implementation of agricultural support programmes, including input subsidy schemes and crop sharing schemes by the GoL.

2.2.3 Achievements

Achievements of the agri-food system to-date are presented in Box 1 below. The commercialisation of agriculture requires a well-functioning agri-food system. However, the Lesotho system is largely under-developed and Farmers are not well organised and lack support services and coordinated information sharing to ensure their effective participation in the sector. They are unable to supply markets because they are not aggregated into producer organisations and common value chains, and value addition is limited due to lack of skills.



Box 1: Agri-food Sector Achievements

- The GoL implemented the Enhanced Integrated Framework Tier II project that provided greenhouse technology to local farmers for production of high-value fresh fruits and vegetables. It created 100 jobs.
- The spawn production facility for mushrooms was established at Masianokeng.
- The horticulture pilot farms (i.e., commercial orchards) were successfully established in Mahobong, Qoqolosing, and Thuathe plateau.
- The GoL completed the geographic information system field mapping and provided farmers with inputs, fertiliser subsidies, and rehabilitated several farmer training centres.
- An estimated 40,677 people were sensitised on conservation agriculture and 54 people were trained in para-veterinary skills.
- The GoL vaccinated 935,870 sheep and goats against anthrax and sheep scab, 76,842 other animals against anthrax, and 26,357 against rabies.
- The new drought-tolerant varieties of seeds were improved and several value chain feasibility studies were completed with assistance from the Food and Agriculture Organization (FAO).

Source: NSDP II

2.2.4 NSDP II proposed Strategic Objectives and Interventions

To ensure sustainable commercial agriculture, while remaining cognisant of climate change impacts, environmental degradation, other natural disasters, as well as harmful cultural practices that have rendered the economy vulnerable, NSDP II commits Lesotho to specific interventions to achieve positive results. To increase agriculture production and its commercialisation, NSDP II commits the country to address issues related to management of range, water sheds, protection of the environment and biodiversity, and reversing alarming environmental degradation that has aggravated the food insecurity situation through the following interventions:

Table 9: NSDP II Agriculture Sector Policies and Interventions

Strategic Objectives	Interventions
1. Improve Functioning of land Markets	<ul style="list-style-type: none"> ▪ Organise land titling. ▪ Conduct land capability assessment and create online database of land parcels suitable for agricultural production and responsible irrigation. ▪ Market identified land parcels to potential investors.
2. Improve animal- and crop-Genetic Resources	<ul style="list-style-type: none"> ▪ Promote improved animal breeds and use of plant germ plasm. ▪ Enhance seed certification capacity. ▪ Enhance production and use of certified seeds (including plant propagating materials). ▪ Promote research and dissemination of drought-tolerant crop varieties.



	<ul style="list-style-type: none"> ▪ Promote conservation of gene banks, community seed banks, and zoological and botanical gardens to conserve biological diversity of valuable plant and animal species. ▪ Promote management and conservation of indigenous breeds and enhance appropriate use. ▪ Promote vertical integration in agricultural sector.
3. Build Sustainable Infrastructure for Agriculture	<ul style="list-style-type: none"> ▪ Provide access corridors and other supporting infrastructure (e.g., livestock sales yards) for agriculture. ▪ Promote environmentally-friendly and energy-saving irrigation and water harvesting. ▪ Promote climate smart and resource efficient infrastructure. ▪ Develop irrigation policy and irrigation master plan. ▪ Strengthen and promote integrated catchment management. ▪ Promote development of private sector-led post-harvest and storage facilities. ▪ Establish Lesotho Agri-Georeferenced Information System
4. Improve Access to Finance and Risk Sharing in Agriculture	<ul style="list-style-type: none"> ▪ Provide financial and technical support services to farmers to facilitate access to finance. ▪ Strengthen agricultural financial institutions. ▪ Explore and establish agri-insurance in collaboration with private sector. ▪ Finalise and operationalise collateral registry to allow use of land and other assets as collateral. ▪ Develop capital market instruments for agriculture.
5. Improve Technology and Use for Agriculture	<ul style="list-style-type: none"> ▪ Promote conservation agriculture. ▪ Mechanise agricultural production. ▪ Enhance integrated management of pests and diseases. ▪ Strengthen national agriculture research. ▪ Strengthen animal disease control through surveillance and risk assessment. ▪ Enhance farmer access to veterinary services.
6. Improve Production of high-Value Crops and Livestock Products	<ul style="list-style-type: none"> ▪ Support small-holder farmers in producing high-value crops. ▪ Develop climate screening guidelines to reduce production risks and vulnerabilities. ▪ Promote crop diversification with differing susceptibilities to droughts, pests, flooding, etc. ▪ Review subsidy policy to include high-value crops and livestock. ▪ Develop market responsive breeding programmes (both livestock and crops). ▪ Promote intensive and commercial livestock production. ▪ Promote production and use of quality feeds.
7. Build Capacity of Farmers, Agricultural Institutions, and Associations	<ul style="list-style-type: none"> ▪ Organise producers and industry players into enterprise-based associations (system) in order to transform the Lesotho agri-food system. ▪ Provide institutional framework and enforcement mechanisms for development of well- functioning producer organisations and industry associations. ▪ Integrate environment and climate change into agricultural policies, strategies, plans, and regulatory frameworks.



	<ul style="list-style-type: none"> ▪ Review Extension Services Model to incorporate outsourcing of extension service from private sector. ▪ Raise awareness of farmers advocating for adoption of climate smart and conservation agricultural practices. ▪ Strengthen capacity of extension agents, associations, and training institutions on climate smart and conservation agriculture. ▪ Provide agriculture skills-based training for youth, women, and vulnerable groups.
8. Develop Value Chains in Agri-Food Systems and Enhance Agricultural Markets	<ul style="list-style-type: none"> ▪ Promote aggregation of smallholder farmers into upgraded value chains. ▪ Improve private sector-led distribution of input subsidies. ▪ Develop community and enterprise-based value chain systems. ▪ Develop and promote sanitary and phytosanitary regulatory framework ▪ Systems and Codex-compliant food policy and food quality labels. ▪ Develop and implement agricultural market strategy (e.g., resuscitate agri-products exhibitions and auction sales across the board) ▪ Promote agricultural value addition and processing
9. Improve Management of Range Resources	<ul style="list-style-type: none"> ▪ Promote active and inclusive participation of all stakeholders in rangeland resource management. ▪ Improve range governance. ▪ Rehabilitate rangelands and wetlands in collaboration with the private sector, investors, and communities. ▪ Develop and implement conservation strategies to improve rangeland resource resilience to climate change. ▪ Improve existing guidelines and grazing control regulations for sustainable management of range resources. ▪ Develop national fire policy for rangeland management. ▪ Improve rangeland grazing capacity. ▪ Devise and implement mechanisms for mandatory compensation for utilisation of rangeland resources (e.g., environmental services and ecosystem services) for the grazing levy, etc. ▪ Manage alien and invasive vegetation species. ▪ Enforce key land use policies and acts (e.g., land, environment, range, water, climate change, etc.).



3. Broad Policy Directions

3.0 Vision and Mission

The Government's vision for the agriculture sector is "Sustainable Food and nutrition security, Economic growth and improved livelihoods for all Basotho".

To achieve this vision, the Government is committed to promoting the transformation of the Lesotho agri-food-systems, with a focus on ensuring that all farmers are an integral part of commodity value chains.

3.1 Policy Goal

To promote sustainable commercialization and diversification of agriculture to ensure economic growth and improved livelihoods.

3.2 Policy Development Objective

The Policy Development Objective (PDO) is to ensure sustainable agriculture sector growth, decent jobs creation and food and nutrition security for Basotho.

3.3 Policy principles

Transparency

Protecting and promoting the free flow of accurate and complete information is essential to serve the interests of our stakeholders

Professionalism

Ensuring that work, activities or tasks are carried out in a diligent manner and with high level of good conduct.

Integration

Ensuring that planning in the agri-food sector includes all stakeholders

Inclusivity

Respecting diversity, hence striving to ensure that different stakeholders in the agri-food sector are engaged and supported by government as appropriate.

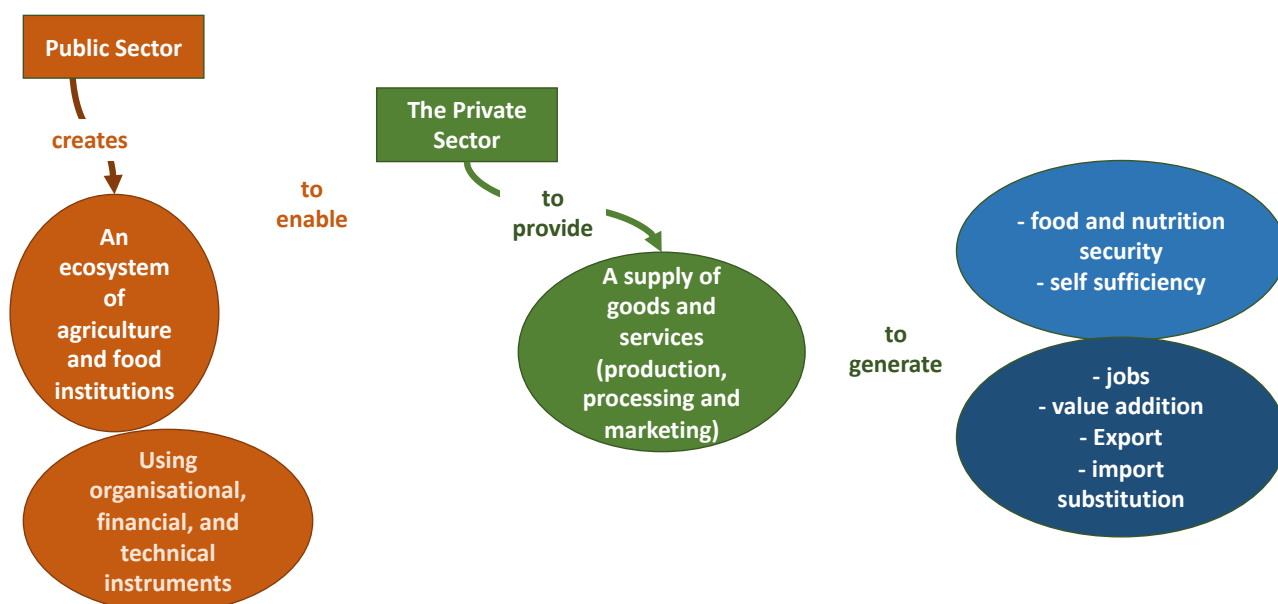
Accountability

Ensuring that resources or assets are used well and not misused or wasted. These assets include, but are not limited to, intellectual property rights and other rights, staff time, information and documentation and corporate opportunities.



3.4 Policy Theory of Change and Outcome results

Figure 3: CNAP Theory of Change



The development of the CNAP is premised on the CAADP theory of change which stipulates that government is expected to create a functional ecosystem of agriculture and food system, by providing an enabled environment, using organisational, financial and technical instruments. The functional ecosystem enables the private sector (Civil Society Organisations, Smallholder Farmers Organization, Corporates, Small-Medium Enterprises) to provide various goods and services at each stage of the supply chain, from production and processing to distribution and marketing. This well-functioning ecosystem will lead to increased food and nutrition security, food-self-sufficiency, creation of jobs, value addition and exports and imports substitution.

3.5 Public Expenditure Categories

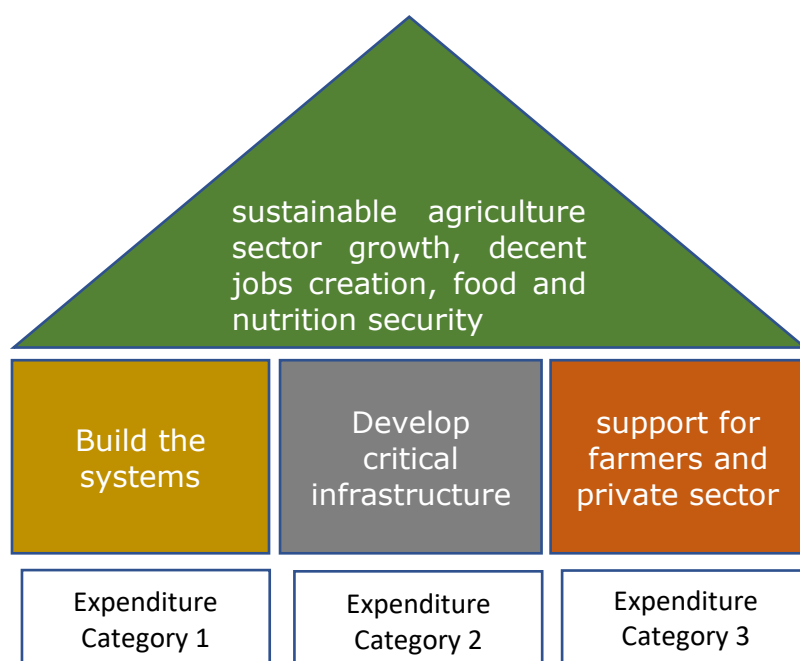
To facilitate the change mapped by the theory of change, this policy will address three categories of expenditures (Figure 4):

- i. Expenditure Category 1: Building the systems (public and private sectors') that will generate the outcome results.
- ii. Expenditure Category 2 – Developing critical infrastructures and institutional arrangements regarding their ownership, operation and maintenance.
- iii. Expenditure Category 3 – Direct support to farmers and firms through smart subsidies, crafted to incentivise private financing. They comprise one-time expenditures by the public sector to enable value chain players, specifically



farmers and small and medium enterprises, to develop their production equipment.

Figure 4: CNAP Expenditure Categories



4.Strategic Framework

4.1 National Development Policy Objectives

In alignment with NSDP II, the policy aims to:

- Enhance agricultural productivity and production;
- Improve functioning of land markets;
- Improve animal- and crop-genetic resources;
- Build sustainable infrastructure for agriculture;
- Improve access to finance and risk sharing in agriculture;
- Improve technology and use for agriculture;
- Improve production of high-value crops and livestock products;
- Build capacity of farmers, agricultural institutions and associations;
- Develop value chains in agri-food systems and enhance agricultural markets;
- Improve management of range, land, water, and other natural resources; and
- Enhance climate resilience across the agri-food systems value chains

4.2 Policy Outcomes and indicators

- v. Agriculture Sector Growth Rate measured by the percentage of increase of Agriculture Gross Domestic Production. The target is at least 6% on average, over the 5 years period.
- vi. Change in Food Self Sufficiency. The self-sufficiency ratio is the volume of national production over the volume of consumption. The target is to improve the ratio by 75% for maize, 50% for all other imported food, and above 100% for cereals, roots and tubers.
- vii. Improved household access to food and dietary diversity. This composite indicator is measured through (i) the individual dietary diversity (IDD); (ii) household dietary diversity (HDD); and (iii) Household food insecurity access scale (HFIAS). The target is to reduce the level of food insecure individuals by 50 percent and for at least 50 percent of children 6-23 months to receive the minimum acceptable diet over the next 5 years.
- viii. Number of decent jobs for the youth created by the sector. The target is to create job opportunities for at least 30 percent of the youth in agricultural value chains over the next 5 years.

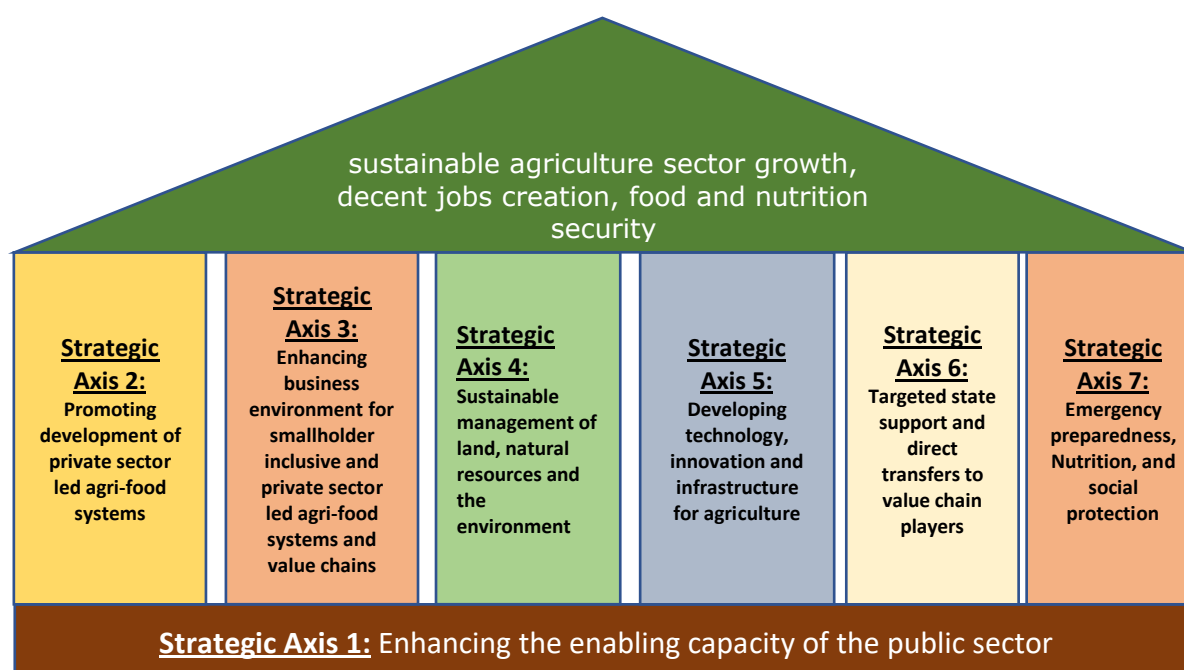


4.3 Strategic Axes

To achieve the national development policy objectives, the CNAP identifies 7 Strategic Axes as captured in Fig 5 below, in alignment with the 7 Axes of the L-IB-NAIP. Each Axis consists of a series of Investment Areas (IA) under which the GoL will implement specific Policy Implementation Instruments (PII) and policy measures, consisting of each or combination of:

- (a) Regulation, that can be prescriptive or prohibitive;
- (b) Economic or financial, such as subsidies or fiscal measures that create incentives or disincentives;
- (c) Communication/capacity-building, such as sharing knowledge, raising awareness or training people;
- (d) Infrastructure development, to support production or commercialisation (public sector or public/private partnerships); and
- (e) Setting up & operating dedicated agencies

Figure 5: CNAP Strategic Axes



4.4 Strategic Axis Details: Investment Areas (IAs), Policy Implementation Instruments (PIIs) and measures

4.4.1 Strategic Axis 1 : Enhancing the enabling capacity of the public sector: institutions, policy and legal framework

4.4.1.1 Situation Analysis

The success of agriculture lies in well-functioning and adequately capacitated institutions, with up-to-date and integrated/harmonized policies and legal framework creating enabling environment for large scale commercial agriculture, food systems and close coordination of all key stakeholders of the sector. However, the public sector suffers from numerous capacity and institutional constraints consisting of:

- i. *Weak integrated planning capacity:* The public sector has weak planning capacity to integrate priorities of government and those of key stakeholders that are in partnership with government to advance agricultural development such as development partners, NGOs, private sector and civil society. Critical policy and planning positions lie vacant in MAFS and general lack of on-the job training constrain staff to keep up with modern demands of agriculture.
- ii. *Lack of accountability and inherent inefficiencies*
- iii. *Weak extension institutions:* Extension officers are not able to keep-up with modern-day agriculture demands due to, among others, lack of refresher trainings and resources such as up-to date technologies.
- iv. *Poor quality of agricultural information and dissemination thereof:* leading to Information asymmetry for farmers. There is no information hub where farmers can get all required information across the agricultural value chain from inputs access, production technologies, pest and disease control, harvest and post-harvest handling, trade and markets, prices, agriculture standards, etc. Even radio programs that used to exist in the past have been discontinued.
- v. *Ill functioning farmer organizations/associations/cooperatives:* Farmers, especially in Crops sub-sector, are poorly organised with weak commodity-based associations to facilitate collective gains along agri-sector value chains.
- vi. *Inadequate Public resources to finance the development of national agri-food systems.* The capacity of the public sector to enable private sector participation in the agri-food system is generally constrained by inadequate financial resources to (i) support investments by the private sector in the agri-food system across the entire value chain (from production to retail, processing and trade) and (ii) supply infrastructure required for private sector participation, especially where costs associated with such infrastructure development do not appeal to the private sector.
- vii. *Poor sector coordination leading to conflicts, misalignments and overlaps between mandates*
- viii. *Coordination and collaboration capacity* within MAFS and with related ministries and other key stakeholders (private sector, NGOs, civil society, farmer groups etc.) is weak and there is disjointed planning and silo



mentality resulting from lack of inclusive process in defining priorities and strategies of the sector in alignment with those of related stakeholders.

- ix. *Outdated and misaligned policy and legal framework:* Currently MAFS does not have up-to date comprehensive national agricultural policy to provide strategic direction of the sector from which respective sub-sectors can draw. The current policy comes 17 years since the Agriculture and Food Policy of 2003. Most sector policies are still in draft form such as the Irrigation policy and the ministry does not have legal instruments to enforce/facilitate policy implementation.

To address these constraints, Government will adopt four (4) investment Areas (IA) and eleven (11) Policy Implementation Instruments (PIIs), to be implemented through a combination of policy measures consisting of capacity building and communication, regulation and setting up of dedicated agencies.

4.4.1.2 INVESTMENT AREA 1.1: Inclusive processes for defining strategies and priorities for the agricultural sector and aligning with national and international priorities and commitments

Under this IA, government will implement the following to PIIs:

PII 1.1.1: Enhancing capacity within the agriculture sector to develop appropriate agricultural investment plans harmonised and aligned with sectoral, national and international priorities and commitments

Rationale:	The rationale for this PII is to create a balance between national priorities and interests on the one hand and international commitments and priorities on the other.
Aim:	With this PII, Government aims to strengthen organisational and operational capacity of planners and key decision makers in the agri-food sector.
Policy Measures:	Government will engage capacity building measures to prepare, implement and monitor the results of capacity building activities, including training of staff involved in planning and development of planning procedures.
Beneficiaries:	MAFS will benefit from increased capacity to deliver enabling results for the sector and other main actors in the agri-food sector will benefit from improved delivery of enabling results to the sector.
Eligible Expenditures:	The GoL will bear the cost of (i) assessing existence and capacity of enabling roles and how they are shared among various Ministries, Departments and-Agencies (MDAs) and (ii) Strengthening the capacity of various (MDAs) to play their role in the agri-food sector (including reorganization, operational, management tools, equipment, and staffs' capacity)



Budget: M32.6 mio

PII 1.1.2: Establishing and maintaining mechanisms for regular feedback and communication between policy makers and agricultural sector stakeholders

Rationale:	With this PII, Government will establish and maintain mechanisms for regular feedback and communication between policy makers and agricultural sector stakeholders to ensure synergies and complementariness.
Aim:	Government aims to provide communication platforms to ensure enhanced trust, communication and transparency between public sector agencies, the private sector and all stakeholders in the agricultural sector.
Policy Measures	Government will employ communication measures to conduct regular public forums for discussion and debate among the key stakeholders in the agricultural sector.
Beneficiaries:	MAFS, other MDAs and other public agencies in the agri-food sector will benefit through enhanced trust, contact and influence.
Eligible Expenditures:	The GoL will bear the cost of (i) preparing for communication forums, including advertising and eliciting stakeholder participation, (ii) holding the forums (including venue, facilitation and supporting resources) and (iii) providing communication support services (including software, design, publishing etc).
Budget:	M3 mio.



4.4.1.3 INVESTMENT AREA 1.2: Enhancing the efficiency and accountability of the public sector in delivering critical enabling results

Under this IA, government will implement the following five PIIs.

PII 1.2.1: Strengthening the public sector's organizational and institutional capacity

Rationale:	With this PII, Government will strengthen the weak capacity of the agricultural sector in terms of institutions and resources.
Aim:	With the aim of covering capacity building costs aimed at strengthening the organizational and operational capacity of MDAs in the agricultural sector to efficiently deliver critical enabling results to the agriculture and food (agri-food) sector.
Policy Measures	Government will engage capacity-building measures.
Beneficiaries:	MDAs in the agricultural sector.
Eligible Expenditures:	The GoL will bear the cost of (i) assessing enabling roles and capacity needs of MDAs; (ii) Establishing and implementing monitoring and evaluation mechanism for institutional change process and (iii) Strengthening the institutional capacity of the MDAs to play their roles in the agri-food sector (reorganization, operational, management tools, equipment, and staffs' capacity).
Budget:	M33 mio

PII 1.2.2: Enhancing the agricultural sector's accountability system

Rationale:	With this PII Government will enhance the agricultural sector's accountability system.
Aim:	With the aim of covering capacity building costs aimed at ensuring sound sector management (transparency, full accountability and efficient and effective management) and building trust among sector stakeholders.
Beneficiaries:	The public sector will benefit from an effective accountability system and will build and benefit from trust among stakeholders including the public and private sectors and development partners.
Policy Measures:	To achieve this, Government will use a series of key capacity-building measures, including the financial management systems and monitoring, evaluation and reporting system.



Eligible Expenditures: The GoL will bear the cost of (i) assessing and upgrading the sector accountability system; (ii) Strengthening the capacity of concerned MDAs in implementing the upgraded accountability system and (iii) conducting impact assessment of capacity-building measures.

Budget: M3 mio

PII 1.2.3: Setting-up and operating the Lesotho Agriculture Geo-Referenced Information System (Lesotho AGIS)

Rationale: The rationale for this PII is to set-up and manage the Lesotho AGIS to help agri-food sector stakeholders make informed decisions required to achieve sustainable agriculture production and food systems.

Aim: The aim is to cover the costs of setting up the Lesotho AGIS aimed at informing stakeholders, policy makers, enterprises as well as land users on how the sector as a whole, and specific sub-sectors, perform and on investment opportunities.

Beneficiaries: MAFS and other MDAs. AGIS will facilitate easy access to agri-food sector information by stakeholders within and outside the sector, which will enable them make informed decisions required to achieve sustainable agriculture production and food systems

Policy Measures: Dedicated agency measures will be used in the design, establishment, operation and constant updating of the Lesotho AGIS.

Eligible Expenditures: The GoL will bear the cost of (i) designing and setting-up the Lesotho AGIS; (ii) Operating, maintaining, updating and adapting the AGIS for different users.

Budget: M3 mio

PII 1.2.4: Assessing and enhancing agric-sector policies

Rationale: To review and update sector policies and legal framework to ensure that they are relevant, fit-for-purpose and are aligned, and not conflicting or duplicating mandates of those of related MDAs within the agri-food sector. In addition, the PII will enhance capacity of the public sector to develop agri-food sector policies and legal framework.

Aim: The PII is aimed at covering capacity building costs aimed at enhancing capacity of the public sector to regularly assess and review effectiveness of the agri-food sector policies and legal framework, update relevant policies and legal framework and inform policy



reforms. Also, the PII is aimed at covering costs of stakeholder engagements on new policies and legal frameworks as well as on their performance reviews to ensure transparency and stakeholder involvement in policy and legal reviews of the agri-food sector.

Policy Measures:	Government will use <i>capacity-building measures</i> to undertake periodic assessment of the impacts of the PII, its review and development. This will be supported by regular, on-going training in policy analysis, development and formulation to build institutional capacity for developing appropriate policy. Process measures will also be required to finance inclusive stakeholder consultations on policies and policy implementation.
Beneficiaries:	MAFS and MDAS will benefit from regular, on-going training in policy analysis, development and formulation to build institutional capacity for developing appropriate policy and legal frameworks. Stakeholder involvement in policy and legal frameworks reviews and updates will give them the opportunity to discuss the cause to effect link between policies and impacts.
Eligible Expenditures:	The GoL will bear the cost of (i) annual impact assessment of specific Policy Implementation Instruments and their effectiveness in generating the desired results; (ii) Consultancy to review assessment findings, review Policy Implementation Instruments, and develop new or refined PIIs; (iii) Conducting regular training and/or workshops on agricultural policy for decision-makers and staff in relevant public sector agencies; and (iv) Stakeholder consultations to discuss review of policy and Policy Implementation Instruments, develop a policy implementation roadmap and build consensus.
Budget:	M2 mio

PII 1.2.5 Transferring property ownership and/or management from Government to private sector

Rationale:	To transfer property ownership and/or management from Government to private sector to allow government focus on creating enabling environment.
Aim:	to improve the efficiency, quality, choice, accessibility and affordability of services to stakeholders in the agricultural sector through transferring ownership, property and/or business (if need be) from Government to the private sector.
Policy Measures:	a series of regulatory measures to ensure that there is a regulatory framework in place that will ensure that standards of service provision are improved after privatisation; dedicated agency measures to support regulatory measures through building the capacity and operations of a regulatory body to oversee the



privatisation process; and communication and capacity building measures to design an effective privatisation process.

Beneficiaries: the public sector, the private sector, producers and other agricultural value chain operators.

Eligible Expenditures: The GoL will bear the cost of (i) developing the necessary regulatory framework; (ii) establishing and maintaining appropriate regulatory body (including physical and technical capacity as required); (iii) designing and implementing an assessment of privatisation feasibility, modalities and impacts; (iv) regular monitoring and evaluation of privatisation performance and impacts; (v) Cost for implementation of transfers/sales from public sector to private sector including costs for technical / legal support for privatisation.

Budget: 250 Mio

4.4.1.4 INVESTMENT AREA 1.3: *Provision of public resources to finance the development of national agri-food systems*

Under this IA, government will implement two PIIs:

PII 1.3.1: Setting-up, financing and steering the implementation of the Lesotho Agricultural Development Fund (LADF), run by the Lesotho Agriculture and Food Sector Industry Association (LAFIA).

Rationale: The Fund will provide government with a flexible means of targeting public sector investment, particularly in essential investment areas that may not be attractive for private investors or to boost investment in priority strategic areas that will underpin future development in sector.

Aim: To mobilize and use public resources to leverage private sector investments in order to multiply the national contribution to financing the Lesotho agriculture and food sector.

Policy measures: Dedicated agency measures: The LADF will be devoted to performing direct transfer to value chain players and to contribute to capitalizing their enterprises. Its operation will be entrusted to the Lesotho Agriculture and Food Sector Industry Association (LAFIA).

Beneficiaries: value chain players through direct transfers to capitalize their enterprises.

Eligible Expenditures: The GoL will bear the cost of (i) contracts to develop regulatory framework and operating procedures; (ii) Stakeholder consultations to review and discuss regulatory framework and operating procedures; (iii) Training programmes for managers and steering



committee members; (iv) Designing and drafting new taxes or levies to fund the ADF; (v) Designing bond purchases on financial markets (vi) Technical / legal support on approval and implementation of funding measures (vii) Establishing physical and technical management capacity (viii) Supporting steering committee (ix) Regular monitoring and evaluation of ADF performance.

Budget: M1 mio

PII 1.3.2: Setting-up, financing and steering the implementation of the Lesotho Rural Infrastructure Development Fund (LRIDF)

Rationale: To channel public resources into the development of appropriate infrastructure for rural areas in order to enable an efficient and effective agri-food system.

Aim: For Government to mobilize and use public resources to finance the development of rural infrastructures that are critical for the Lesotho Agri-Food-Systems.

Policy measures: Combination of dedicated agency and finance measures: The LRIDF will consist of a public sector window and a private sector window. The public sector window will finance the development of macro structures in irrigation schemes, the extension of water and electricity networks, the development of feeder roads, connecting foot and road bridges. The private sector window will be entrusted to LAFIA to finance farmers' connection to the irrigation schemes and enterprise access to water and electrical networks.

Beneficiaries: Value Chain players.

Eligible Expenditures: The GoL will bear the cost of (i) contracts to develop regulatory framework and operating procedures; (ii) Stakeholder consultations to review and discuss regulatory framework and operating procedures; (iii) Training programmes for managers and steering committee members (iv) Designing and drafting new taxes or levies to fund the RIDF (v) Designing bond purchases on financial markets (vi) Technical/legal support on approval and implementation of funding measures (vii) Establishing physical and technical management capacity (viii) Supporting steering committee (ix) Regular monitoring and evaluation of ADF performance (x) Establishing and maintaining a regular coordinating mechanism (xi) Ensuring harmonisation of operating procedures with other sectors.

Budget: M0.92 mio



4.4.1.5 INVESTMENT AREA 1.4: Coordination of agricultural investment planning across the sector and with other sectors

Under this IA, government will implement the following two PIIs:

PII 1.4.1: Enhancing the capacity and participation of public sector agriculture agencies in cross-sectoral and integrated planning

Rationale:	To enhance the coordinating capacity of public sector agriculture agencies.
Aim:	With this PII, government will ensure that planners from the public sector in agriculture participate and effectively contribute to mechanisms for coordinating planning within the sector and with other key economic sectors.
Beneficiaries:	stakeholders in the agricultural sector and public sector planners and policy makers.
Policy Measures:	Capacity building and dedicated agency measures.
Eligible Expenditures:	The GoL will bear the cost of (i) design and implementation of an assessment of coordination mechanisms; (ii) Capacity-building needs assessment (iii) Design and implementation of appropriate training and capacity-building activities (iv) Assessment of effectiveness of capacity-building activities.
Budget:	M0.25 mio

PII 1.4.2: Developing guidelines and requirements for sectoral and cross-sectoral coordination in policy development and planning

Rationale:	To ensure proper sectoral coordination required for policy development and planning.
Aim:	The aim of this PII is to provide clear guidelines and procedures for planners from the public sector in agriculture to ensure high standards of coordination within the sector and with other key economic sectors.
Beneficiaries:	The main beneficiaries of this PII include public sector planners, policy makers and stakeholders in the agricultural sector.
Policy measures:	Combination of regulatory measures to establish requirements and standards for sectoral and cross-sectoral coordination and develop appropriate guidelines; dedicated agency measures to set up an appropriate mechanism for monitoring and enforcing the application of the guidelines and associated requirements



and standards for coordination; and capacity measures to build the capacity of the staff responsible for operating such a mechanism.

Eligible Expenditures:	The GoL will bear the cost of (i) designing and developing draft requirements and standards for sectoral and cross-sectoral coordination; (ii) stakeholder consultations on requirements and standards; (iii) Costs for approval process for requirements and standards; (iv) designing and developing guidelines on sectoral and cross-sectoral coordination; (v) capacity building for staff of monitoring and enforcement mechanism; (vi) physical and technical capacity of enforcement monitoring and enforcement mechanism; (vii) regular monitoring and evaluation of implementation of coordination guidelines and requirements.
Budget:	M1,4 mio



4.4.2 strategic axis 2: Promoting the development of private sector-led agri-food-systems

4.4.2.1 Situation Analysis

Involvement of the private sector in the agri-food sector is still weak because of a number of reasons:

- i. Poor private enterprise development in agri-food-systems
- ii. Unequal access to information on existing markets and requirements thereof, resulting in market failures - there is not enough market intelligence on agri-food sector markets, including prices and supply requirements. There is need for real time data on these to facilitate interaction between demand and supply and eliminate challenges of having excess supply of domestic produce (e.g. vegetables) on the one hand and supply shortages on the other simply because existing supply either does not meet market requirements or producers are not aware of existing domestic supply. Agricultural Information Service (AIS) of MAFS is increasingly becoming ineffective in disseminating pertinent agricultural information to farmers, extension officers, input suppliers, retailers and other actors in the sector.
- iii. Weak value chains - There is need for institutions that can link all the chains involved in the agri-food system, for example, aggregating the produce of smallholder farmers and including them into organized value chains, ensuring their access to capital and all the goods and services necessary to produce and distribute their respective commodities to either final consumers, retail stores, aggregation and processing centres. There are inadequate food distribution systems, contributing to food insecurity in areas that are not easily accessible in the country.
- iv. Weak Value Chain Organization, aggregation, certification, traceability and operations visibility. Farmers incur huge post-harvest losses due to inadequate storage facilities and aggregation centres, which also facilitate interaction between agricultural produce demand and supply. To-date there are only two fresh produce aggregation centres in Maseru and Leribe, with no collection centres outside the respective districts. One other aggregation Centre is being planned for Mohale's Hoek. In addition, there is poor traceability and operations visibility which are essential ingredients for ensuring quality of value chains and eventual certification of appropriate standards. Certification according to geographic area of origin and compliance to environmental and social sustainability standards across the value chains is also weak. To facilitate these, digitisation and use of information technology in agricultural value chain organisation, traceability and transactions is key. The GLOBALG.A.P. initiative between the Ministries of Trade and Industry, and Agriculture and Food Security and LNDC is a good start, but is still in pilot phase.
- v. Weak value chains and support services such as mechanisation, business management, extension, processing and packaging. Currently there are not enough enterprises providing goods and services required by value chain players (farmers and firms) for production, processing and business



management. For example, farmers struggle to find packaging material for their produce locally. Value chains are disintegrated with no/poor models of bringing producers and other value chain players together on the one hand and value-chain players and buyers on the other.

- vi. There are weak farmer-marketing and other sector associations. Farmers, especially crop farmers, are not organised and hence do not leverage on collective inputs purchasing and produce marketing, something done well by the wool and mohair producers through associations such as the Lesotho Wool and Mohair Growers Association (LWMGA). To engage with a more efficient and enabling sector and take advantage of the opportunities that the sector has, the private sector also needs to be better organised in a manner that brings together different value chain actors from the private sector to better present their interests and act in a coordinated fusion. It is also important to strengthen the producer and value chain operator organisations and associations.
- vii. Generally, the rural sector is characterised by various developmental challenges, including poverty, underdevelopment of agricultural value chains, often concentrated in particular geographic areas due to combinations of remoteness, lack of infrastructure, and limited investment. It is then important to develop agri-food systems, that are inclusive, according to size of operation and geographic areas.
- viii. Agro-processing is still at an infant stage, necessitating development of improved farm level pre- and post-processing activities. Some Farmers participate in both agricultural production and processing, which is not encouraged. There is weak private sector involvement, which may be due to prohibitive costs of agro-processing infrastructure. Processing capacity is key to being able to participate in improved value chains. Farmers need to undertake farm-level 'pre-processing' activities that prepare their produce for delivery to marketing and processing enterprises.
- ix. The agriculture sector provides employment for a significant proportion of rural people and with the development of agribusiness and private enterprises in agricultural value chains, the role of the sector as a provider of employment is likely to increase. It is therefore important to ensure that labour practices in the agricultural sector comply with national, regional and international standards such as those of ILO.
- x. Promotion of Products from Improved Agricultural Value Chains Having in place improved value chains adds value to the products they handle, increases productivity and quality and generates better earnings for the value chain players involved. This includes producers, including smallholder farmers, processors, sellers and distributors along the value-chain.
- xi. Improved value chains will bring benefits in terms of the quality of produce, the efficiency of distribution (and therefore its freshness), and the creation of added-value products that will diversify the products available to consumers. Not all consumers will necessarily be aware of these benefits, unless they are provided with information regarding these benefits. It is therefore important to broker services to promote awareness to consumers and potential customers of agricultural produce and advantages of seeking produce from improved agricultural value-chains.



To address these constraints, Government will implement five IAs and 18 PIIs, through a combination of (i) capacity/communication, (ii) economic, (iii) setting up dedicated agencies and (iv) development of infrastructure measures.

4.4.2.2 INVESTMENT AREA 2.1: private enterprise development in agri-food systems

Under this IA, government will implement the following four PIIs:

PII 2.1.1 – Enabling the development of Agriculture Clusters Service Enterprises (ACSEs) as drivers of smallholder-inclusive agricultural value chains.

Rationale:	To facilitate aggregation of smallholder farmers' produce and including them into organized value chains to ensure their access to capital and other services required for their participation in the agri-food system.
Aim:	To promote ACSEs as value chain driver enterprises.
Policy Measures:	To actualise this PII, government will engage (a) capacity-building measures to develop appropriate management tools and establish ACSEs and APEX ACSE, (b) economic measures to mobilize finance/seed money for the ACSEs and (c) the process measures to monitor and review ACSE performance and any options available for expansion.
Beneficiaries:	Value chain players: ACSE management, relevant public sector agencies, district councils and SIAs or producer Associations.
Eligible Expenditures:	The GoL will bear the cost of (i) developing corporate management tools for ACSEs; (ii) Technical assistance to set-up ACSEs and their apexes at regional or sector level (e.g., cereals, vegetables, livestock, dairy, poultry, piggery, tomatoes etc); and (iii) Seed money, i.e., public sector equities to be progressively transferred to FBOs and the general public as equities or debt, within the first two years.
Budget:	M38 mio

PII 2.1.2 Enabling the development of Market Hub Enterprises (MHEs)

Rationale:	To ensure equitable distribution of good quality food in the country through the MHEs that will own and operate food market hubs equipped with adequate infrastructures close to major population centres.
Aim:	To promote MHEs as drivers for transforming food distribution systems in Lesotho. The MHEs will be specialised in grouping food commodities



and distributing to wholesalers and will be promoted as joint ventures between ACSEs, Banks, private firms, and Government (Central, Local), that will progressively transfer its shares to the general public through equities or debts.

Policy Measures: The realisation of this PII will be based on (a) capacity building measures required to develop appropriate management tools for the MHEs, design MHE architecture and to establish MHEs and facilitate their proper functioning and (b) economic measures to mobilize finances and seed money for the establishment of MHEs and incentivise participation by District Councils or other public sector agencies.

Beneficiaries: Eligible Expenditures: The GoL will bear the cost of (i) developing corporate management tools for MHEs; (ii) Technical assistance to set-up MHEs; and (iii) Seed money in the form of public sector equities to be transferred to the general public within the first two years.

Budget: M33 mio

PII 2.1.3: Development of Small and Medium Enterprises (SRMEs)

Rationale: To provide varied agricultural services such as mechanization, business management, extension, processing activities and running small and medium size processing and packaging equipment and irrigation technology.

Aim: To promote a wide range of small and medium enterprises to provide required goods and services to value chain players (farmers and firms) for production, processing and business management.

Policy Measures: To realise this PII, a combination of (a) capacity-building measures to develop appropriate management tools for SMREs to facilitate proper functioning of these ventures once established; (b) economic measures to provide seed capital for new SMREs; and process measures to provide constant review and assessment of experience to allow both enabling agencies and SMREs.

Beneficiaries: *SRMEs*.

Eligible Expenditures: The GoL will bear the cost of (i) Developing corporate management tools for agri-food SMREs; (ii) Setting-up medium agri-food enterprises as joint ventures between farmer organizations and private operators; and (iii) Supporting SMREs in developing business plans, using guarantee mechanisms and accessing bank financing.

Budget: M34 mio



PII 2.1.4 Promoting the development of storage service provider firms

Rationale:	To provide effective storage facilities for agricultural produce, seeds, feed and fodder and thus minimising post-harvest losses.
Aim:	To ensure that priority agricultural value chains can access effective storage facilities for food, seed, feed, and fodder through the development of storage service firms.
Policy Measures	Government will engage a combination of (a) capacity-building measures to develop appropriate management tools for storage service providers; (b) economic measures to provide seed capital for new storage service provider firms; and (c) process measures to provide for constant review and assessment of experience.
Beneficiaries:	Producers and smallholders as well as agricultural value chain players
Eligible Expenditures:	The GoL will bear the cost of (i) outsourcing the development of corporate management tools (accounting, inventory, information systems, software); (ii) facilitating and guiding establishment of storage service provider firms, including joint ventures; (iii) capacity building for storage service provider firm management; (iv) designing and implementing measures for providing financial support to storage service provider firms; (v) supportive finance to storage service provider firms; and (vi) consultations to review performance and identify future options for development.
Budget:	M10.5 mio

4.4.2.3 INVESTMENT AREA 2.2: Upgraded Value Chain Organization, Aggregation, Traceability and Operations Visibility

Under this IA, government will implement the following seven PIIs:

PII 2.2.1 – Promoting spatial development initiatives in agriculture.

Rationale:	To address rural developmental challenges; including poverty and underdevelopment of agricultural value chains; often concentrated in particular geographic areas due to combination of remoteness, lack of infrastructure and limited investment.
Aim:	To promote the development of agri-food systems in specific geographic areas, which are supported and enabled by public sector interventions.
Policy Measures	Government will engage a combination of (a) communication and capacity-building measures, which will include a careful



assessment of the geographical, social and economic characteristics of the areas; (b) infrastructure development measures to facilitate spatial development initiatives; and (c) economic measures (financial and fiscal incentives) to incentivise local authorities, local entrepreneurs, ACSE, MHEs or local industry and producer associations to engage in a spatial development initiatives.

Beneficiaries: ACSEs/MHEs, farmer/producer organisations, local authorities, agriculture and agribusiness private sector operators and financial institutions.

Eligible Expenditures: The GoL will bear the cost of (i) studies of area agri-food systems, constraints and capacity building needs; (ii) consultations with stakeholders in local agri-food systems to identify key constraints and options for development; (iii) undertaking cross-sectoral planning activities, including spatial planning and identifying spatial development options; and (iv) developing and establishing an appropriate operations and maintenance mechanism for critical infrastructure.

Budget: M3 mio

PII 2.2.2 – Promoting improved architectures, business models and aggregation for smallholder-inclusive agricultural value chains.

Rationale: To promote access to different options and choices of agricultural value chains and producers to improve their performance in the sector.

Aim: To increase accessibility and availability of options for improved agricultural value chain organization to producers and value chain operators

Policy Measures Government will engage combination of (a) Communication and capacity building measures to develop improved value chain profiles and information dissemination methods; (b) infrastructure development and (c) economic measures to develop mechanisms for registration of producers and value chain players.

Beneficiaries: include producers and the agri-food sector

Eligible Expenditures: The GoL will bear the cost of (i) establishing a registration mechanism; (ii) producer and value chain player registration and profiling by SIAs/producer associations; (iii) outsourcing the development of improved value chain profiles, architecture and business models; and (iv) subsidy to support development and capacity building of organisations for improved value chains



Budget: M17.5 mio

PII 2.2.3 – Promoting the establishment and operation of protocols for value chain traceability, transparency and visibility of operations.

Rationale: Improved traceability and visibility of operations are key elements in improved value chains and are important for ensuring quality in value chains, enhancing efficiency and for the application (and eventual certification) of standards.

Aim: To ensure market performance of agricultural value chains is improved through the development and implementation of efficient value chain traceability and operation visibility systems.

Policy Measures: Government will engage economic measures to provide subsidies for studies assessing current traceability systems and options to establish new systems or upgrade the existing ones and Infrastructure development measures to ensure availability of connectivity and information infrastructure.

Beneficiaries: Private sector enterprises and value chain actors as well as consumers.

Eligible Expenditures: The GoL will bear the cost of (i) assessment studies on existing traceability systems; (ii) establishing and operating an advanced traceability system; (iii) regular review and assessment of operation of the system; and (iv) assessing the needs for designing, producing and establishing appropriate information technology and hardware.

Budget: M0.65 mio

PII 2.2.4 – Promoting the establishment and operation of mechanisms for certification of geographical origin, environmental sustainability and social responsibility of agricultural value chains

Rationale: Upgraded agricultural value chains aim to generate additional value for the products they handle through increased efficiency, improved quality, and better organization of the value chain.

Aim: With this PII government aims to ensure that producers, value chain operators and agricultural enterprises are familiar with, and have opportunity to pursue certification of the geographical origin, environmental sustainability, and social responsibility for their products.

Policy Measures: To realise this, government will engage a combination of (a) Regulatory measures for establishing a clear regulatory framework; (b) dedicated agency measures to establish a certification body responsible for monitoring the application of regulatory protocols and certification; (c)



communication and capacity building measures to equip producers and value chain players on how to apply appropriate certification protocols and (d) economic measures to facilitate farmers adoption of certification protocols.

Beneficiaries: Producers, value chain actors and private sector enterprises as well as consumers.

Eligible Expenditures: The GoL will bear the cost of (i) studies, development and approval of regulatory frameworks and protocols for certification mechanisms; (ii) developing targeted subsidies for producers and value chain operators to assist them comply with certification protocols; and (iii) developing and implementing capacity-building materials for participants in certification protocols.

Budget: M0.75 mio.

PII 2.2.5 – Promoting Sector Industry Associations (SIAs)

Rationale: SIAs bring together different value chain actors from the private sector to better represent their interests and act in a coordinated fashion.

Aim: To increase participation of stakeholders in the agricultural sector and ensure implementation and monitoring of sector policies through effective and strong SIAs.

Policy Measures: (a) Regulatory measures to establish strong regulatory frameworks and relevant legislative mechanisms; (b) communication and capacity-building measures to develop an appropriate design supported by management systems and tools for effective SIAs; and (c) economic and process measures to facilitate mechanisms for sector support as well as monitoring and evaluation.

Beneficiaries: The public sector, producers, other value chain actors and private sector enterprises as well as consumers

Eligible Expenditures: The GoL will bear the cost of (i) development and approval of the regulatory framework; (ii) design, establishment and registering of SIAs; (iii) development and consultations on corporate management systems and tools; (iv) designing, developing and implementing capacity building measures; and (v) Regular monitoring and evaluation of SIA performance

Budget: M33.5 mio

PII 2.2.6 – Promoting and strengthening producer and value chain operator organisations and associations



Rationale:	With this PII government will ensure the efficiency of value chain operators and producers, it is important to promote and strengthen their associations and organisations.
Aim:	With the aim of ensuring that organisations and associations of agricultural producers and value chain players are active participants in the development and functioning of upgraded agricultural value chains and effectively represent the interests of their constituents.
Policy Measures	Government will engage combination of (a) Regulatory measures for establishing the organisations and associations; (b) communication and capacity building measures for the mobilising association membership and supporting them develop the associations accordingly; (c) economic measures to help kick-start new organisations with capital and initial operating costs.
Beneficiaries:	farmers, value chain players and the agri-food sector.
Eligible Expenditures:	The GoL will bear the cost of (i) setting-up an innovative framework that clarifies the status, functions and operational rules for farmers and value chain organizations and the sector (Proposal design and stakeholder consultations); (ii) monitoring of the implementation process; (iii) facilitation cost to promote the creation or restructuring of farmer organizations and SIAs, as needed; (iv) Acquisition of office equipment and capacity building of staff.
Budget:	M1.634 mio

PII 2.2.7 – Promoting and supporting digitalisation and the use of information technology in agricultural value chain organization, traceability and transactions

Rationale:	Digitalisation and use of information technology in agricultural value chains, traceability and other transactions improves efficiencies and visibility of value chain players.
Aim:	To ensure that agricultural producers and value chain operators have access to digital technologies to support upgraded value chain organization, traceability and transactions.
Policy Measures	To realise this, government will use a combinations of (a) Regulatory measures for the development and establishment of a regulatory framework for online digital services; and (b) economic measures to subsidise the creation of digital infrastructure in rural areas with existing service providers or joint-ventures and public-private partnerships for establishing and managing new network areas or



direct intervention by government to construct and manage new network infrastructure.

Beneficiaries: producers and value chain players, private sector operators and policy makers in the agriculture sector.

Eligible Expenditures: The GoL will bear the cost of (i) setting up digital platforms for Agricultural Value Chains (AVCs) and (ii) training AVCs on the use of IT in agriculture

Budget: M4.35 mio

4.4.2.4 INVESTMENT AREA 2.3: development of agri-food processing

Under this IA, government will implement two PIIs:

PII 2.3.1: Promoting and supporting the development of improved firm-level processing activities

Rationale: Firm-level processing activities are in their infancy in Lesotho and there is great need to promote and support the development of improved firm level processing activities.

Aim: To ensure that private agricultural enterprises are able to access and invest in improved processing activities as part of their operations.

Policy Measures: To actualise this, Government will use a combination of (a) targeted economic measures to enable private firms to improve their processing activities. These measures will include improved access to appropriate technologies through facilitation of importation of new machinery and equipment or tax breaks on investments in such machinery. Where firms have access to other finance mechanisms, matching subsidies to supplement other sources of finance may be appropriate; (b) Capacity building measures - new technologies may require specific training to enable enterprises to use and maintain them.

Beneficiaries: Agricultural businesses and enterprises, producers and value chain operators as well as the agricultural food sector as a whole.

Eligible Expenditures: The GoL will bear the cost of (i) construction, improvement or rehabilitation of agri-food processing facilities; (ii) Matching grant for purchase of processing equipment; (iii) Building capacity for firm management on firm-level processing activities.

Budget: M10.5 mio

PII 2.3.2: Promoting and supporting the development of improved farm-level pre-processing activities



Rationale:	Processing capacity is key to being able to participate in improved value chains. Farmers need to undertake farm-level 'pre-processing' activities that prepare their produce for delivery to marketing and processing enterprises, such as Agriculture Cluster Service Enterprises.
Aim:	To ensure that smallholder farmers are able to access and invest in improved farm-level pre-processing activities as part of their operations. Appropriate pre-processing capacity can help smallholders to achieve better prices for their produce and take advantage of relatively simple farm-level technologies to enhance the entire value chain by processing freshly harvested produce and then storing it for sale when prices are optimal.
Policy Measures	Government will engage a combination of (a) communication and capacity-building measures, which will play an important role in farm-level improvements in pre-processing. Information and training packages will need to be developed and implemented, along with measures to monitor and review the effectiveness of this training. Skills development among extension staff in promoting the appropriate measures will also be important for providing longer-term support. (b) Targeted economic measures to enable smallholders to improve their pre-processing activities through subsidies for equipment or access of loans on concessionary terms.
Beneficiaries:	Improved farm-level pre-processing may contribute to the development of private enterprises in the agri-food system, particularly ACSEs, MHEs and storage provider enterprises, as well as creating opportunities for SMREs in general.
Eligible Expenditures:	The GoL will bear the cost of (i) cost of construction or rehabilitation of Agri- food pre-processing facilities; (ii) Matching grant for pre-processing equipment; and (iii) Cost of capacity building on firm-level pre-processing facilities.
Budget:	M0.9 mio.

4.4.2.5 INVESTMENT AREA 2.4: Labour practices in agricultural value chains

Under this IA, Government will implement three PIIs as follows:

PII 2.4.1: Defining and enforcing standards for labour practices in the agricultural sector

Rationale:	The agriculture sector provides employment for a significant proportion of rural people and with the development of agribusiness
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and private enterprises in agricultural value chains, the role of the sector as a provider of employment is likely to increase.

Aim:	To ensure that labour practices in the agricultural sector can be verified as achieving relevant ILO standards. The measures to ensure the supply and safe use of key agricultural inputs, many of which will be used by agricultural workers, need to take into account labour practices and standards. Likewise, workers in the sector need to be included among the targets of agricultural knowledge dissemination and extension activities.
Policy Measures	To realise this, Government will engage a combination of (a) Regulatory measures to develop appropriate standards and establish a regulatory framework for labour in agriculture; and (b) communication and capacity-building measures will be required to establish capacity to supervise, monitor and enforce labour standards as well as to disseminate information about new standards and promote their application among agribusiness and private enterprises in the sector and among workers.
Beneficiaries:	workers in the agricultural sector, agribusiness and private enterprises in the agri-food system.
Eligible Expenditures:	The GoL will bear the cost of (i) cost of developing the standard labour practices framework in agricultural value chains; and (ii) Cost of monitoring of implementation and enforcement mechanisms of labour practices
Budget:	M13 mio

PII 2.4.2: Promoting and enabling the establishment of sector labour associations (SLAs) in agriculture

Rationale:	It is of essence to ensure that associations that represent the interests of agricultural workers are established and strengthened to engage in negotiations with private sector enterprises to achieve high standards of labour practice.
Aim:	To achieve labour standards.
Policy Measures	To realise this, Government will use communication and capacity-building measures to develop and disseminate information, hold public consultations to promote worker organisation and ensure that private sector enterprises properly understand the importance of worker representation in the agri-food system.
Beneficiaries:	Workers in the agricultural sector, agribusiness and private enterprises in the agri-food system.



Eligible Expenditures: The GoL will bear the cost of (i) developing SLAs in agriculture; and (ii) setting-up the processes that promote the SLAs in agriculture.

Budget: M0.65 mio.

PII 2.4.3: Establishing mechanisms for conflict resolution and arbitration on labour in the agriculture sector

Rationale: Higher standards for labour practices in the agricultural sector and better organisation among agricultural workers are an essential part of upgrading the agricultural sector and establishment of formal mechanisms for conflict resolution and arbitration in disputes.

Aim: To promote the establishment of mechanisms for conflict resolution and arbitration on labour in the agriculture sector.

Policy Measures: Government will engage a combination of (a) Regulatory measures that establish an appropriate legal and institutional framework for conflict resolution and arbitration and develop clear rules and protocols for the functioning of these mechanisms; (b) communication and capacity-building measures that encourage actors in the agricultural sector to establish such mechanisms for themselves; and where necessary (c) dedicated agency measures can assist with the establishment and capacity-building of such mechanisms.

Beneficiaries: Workers in the agricultural sector, agribusiness and private enterprises in the agri-food system as well as the entire agri-food system will be the main beneficiaries from the implementation of this PII.

Eligible Expenditures: The GoL will bear the cost of (i) developing the mechanisms for conflict resolution and arbitration; and (ii) Monitoring and operationalising the mechanisms.

Budget: M0.55 mio

4.4.2.6 INVESTMENT AREA 2.5: Promotion of products from improved agricultural value chains

Under this IA, Government will implement two PIIs as follows:

PII 2.5.1: Promoting products from improved agricultural value chains

Rationale: Having in place improved value chains adds value to the products they handle, increases productivity and quality and generates better earnings for the value chain players involved. This includes



producers, including smallholder farmers, processors, sellers and distributors along the value-chain.

Aim:	To bring benefits in terms of the quality of produce, efficiency of distribution (and therefore its freshness), and creation of added-value products that will diversify the products available to consumers.
Policy Measures	Government will use Communication and capacity-building measures to raise customer awareness of produce from improved value-chains.
Beneficiaries:	consumers, producers and value chain players.
Eligible Expenditures:	The GoL will bear the cost of (i) outsourcing the development of communication and knowledge products on the benefits of improved products; and (ii) Farmer registration and profiling
Budget:	M0.75 mio

PII 2.5.2: Facilitating mechanisms for bringing together agricultural value-chain players and buyers

Rationale:	The public sector should facilitate establishment of mechanisms for bringing together agricultural value chain players and buyers. ICT and web-based platforms are some of the most effective platforms where buyers and sellers can meet and interact.
Aim:	To ensure that producers and value chain players in improved agricultural value chains seek out and create linkages with potential buyers for their products.
Policy Measures	Government will engage a combination of (a) Communication and capacity-building measures; and (b) financial measures where there is need for either a digital platform or trade events to bring together buyers and sellers.
Beneficiaries:	producers, value chain players and buyers of business and food distribution businesses and farmers' associations.
Eligible Expenditures:	The GoL will bear the cost of (i) developing the mechanisms for bringing together agricultural value-chain players and buyers; and (ii) Seed money to cover farmers' shares in the Agriculture Cluster Service Enterprises.
Budget:	M20 mio



4.4.3 Strategic Axis 3: Enhancing the business environment for smallholder-inclusive and private sector led agri-food systems and value-chains

4.4.3.1 Situation Analysis

Smallholder farmers still do not treat farming as a business in the strict sense because of structural challenges that exist. Most farmers still produce without market assurance as there are no established structures for forward contracting. As such, production risks are completely absorbed by them. In addition, financial and insurance services are still weak, constraining sustainability of agri-food systems value chains.

- i. *Lack of agriculture financing products:* Farmers' decisions to produce and diversify their production are influenced by access to finance. It is therefore, difficult to achieve commercial agriculture without access to inclusive finance. Currently farmers experience difficulties accessing agricultural finance. Most banks in the country do not have financial products for agriculture, with available financial instruments not matching the farmers' needs. Even those who manage to access loans, do so under other typical financial products offered by banks, subjected to high interest rates not conducive for agriculture. Farmers are therefore, discouraged to adopt new technologies, to use improved agricultural inputs, and/ or to make any decisions that can improve the efficiency of their production. Improving access to finance can increase farmers' production and investment options and provide them with more effective tools to manage agricultural risks.
- ii. *Limited access to agricultural finance by the youth:* this is still a challenge as youth are underemployed and have limited access to finance and considered not credit worthy. Consequently youth cannot invest in agricultural production.
- iii. *Inability of farmers to meet financial institutions requirements:* Consultations with the banks indicated that farmers do not yet treat agriculture as business and lack financial records needed by banks to make financing decisions, especially because of high risks involved in farming. Lack of collateral was also cited as another impediment, though introduction of movable assets as another form of collateral by the Central Bank of Lesotho (CBL) will ease this constraint. Insurance companies cited the same constraints, but also added the challenge of getting up to date climate related data from BoS as a major problem in designing commensurate insurance products for farmers.
- iv. *Stringent regulatory requirements by the CBL:* The financial institutions also cited stringent regulation measures by CBL, which constrain them from making exceptions for farmers (e.g. clients' accounts are not supposed to go dormant for a certain period of time, which is possible in farming because of the nature of the business).
- v. *Standards, grading and certification system:* There are weak and in some cases crude grading system used. There is need to develop or develop capacity for farmers on grading techniques/systems for all the produce to facilitate value



chains. For example, commodities supplied to retail or processing plants need to be properly graded and packed. Products certification is still at infancy stage and there is need to introduce and / or establish certification to improve efficiencies in receiving, verifying, processing and delivering of certification documents to trading partners. There is no/limited quality assurance, standards and certification facilities and systems. Quality Assurance laboratory is available at the Ministry of Trade and Industry however it is non-functional when it comes to agricultural produce. Green Value Chain Project (GVCP) will assist with respect to standards and certification. However, there is still need for:

- Quality assurance laboratory and systems (e.g., quality assurance committees) be established.
- Upscaling of initiatives supporting grading standards and certification such as the GLOBALG.A.P under the GVCP
- Lesotho Standards Institute to fast-track standard setting for agricultural produce
- Promote national bureau of standards
- Training of Extension Officers and farmers inequality assurance
- Develop brand for all agricultural commodities

vi. *Poor application of phytosanitary measures:* phytosanitary measures are applied at a limited scale with inconsistencies between LRA and MAFS existing in their application. The existing Phytosanitary Section at DAR needs to be capacitated and strengthened, to also play coordination role in all phytosanitary matters. Also, there is no policy and legal framework guiding grading and certification of agricultural products, hence the need for the development and implementation of regulatory framework in this regard.

To address these constraints, Government will implement five IAs and 16 PIIs

4.4.3.2 INVESTMENT AREA 3.1: Agricultural Risk Sharing

Under this IA, Government will implement the following four PIIs:

PII 3.1.1: Promoting the use of specific market and production contracts.

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| Rationale: | The rationale for this PII is to develop a legal and regulatory framework that lays out how market and production contracts can be made and enforced as well as a range of market contractual options available to value-chain players that are trusted by all parties involved. |
| Aim: | With the aim of establishing a strong legal framework for the creation and enforcement of agricultural contracts to enable the development of upgraded value-chains. |



Policy Measures:	Government will engage a combination of (a) regulatory measures to design an appropriate regulatory framework for agricultural contracts, carrying out consultations with key stakeholder groups in the sector and the supporting process of approval; and (b) communication and capacity-building measures to disseminate information regarding different forms of contractual arrangements to stakeholders on a wider scale.
Beneficiaries:	The whole agri-food system (smallholder producers, value chain players, agribusiness, and market players) will benefit through greater flexibility in service provision and financing arrangements based on trusted and enforceable contractual arrangements.
Eligible Expenditures:	The GoL will bear the cost of (i) The process of developing and enacting the regulatory framework that supports market and production contracts in agriculture; and (ii) Monitoring its implementation.
Budget:	M4.5 mio.

PII 3.1.2: Promoting the use of agricultural insurance instruments

Rationale:	Agricultural producers, and different actors in the agricultural supply chain face a series of risks affecting the production, income, and welfare of their households. These are mainly production risks related to weather conditions, pests and diseases, market conditions among others. Consequently, the income stability and investment choices of agricultural stakeholders can be negatively affected.
Aim:	With this PII, Government aims to provide access to producers and value-chain players in the agricultural sector to a suit of agricultural insurance products to value chain players to enhance their access to bank financing.
Policy Measures	Government will engage Communication and capacity building measures to develop and disseminate information about agricultural insurance options, among insurance companies. Supporting economic measures will also be used to incentivise the development of the insurance products.
Beneficiaries:	Value chain players and smallholder farmers.
Eligible Expenditures:	The GoL will bear the cost of (i) Developing information packages for insurance companies; (ii) Decision-making process (technical assistance, stakeholders' consultation) on tax break as incentive for insurance companies that offer agriculture insurance instruments such as peri-crop insurance, index-based crop insurance, livestock insurance and reinsurance schemes; (iii) Digressive subsidy of farmers' premiums.



Budget: M109.35 mio.

PII 3.1.3 – Promoting the use of warehouse receipts for collateral

Rationale: The rationale for this PII is to formulate regulatory framework to allow for use of warehouse receipts that can be used as collateral in transactions, which can generate some key benefits.

Aim: The government aims to promote the use of warehouse receipts as collateral. This is critical in enabling smallholder farmers' access to bank financing.

Policy Measures: Government will use a combination of (a) regulatory measures to permit the use of warehouse receipts as collateral and (b) communication and capacity building measures to sensitise key stakeholders in the agricultural sector about the new regulatory framework.

Beneficiaries: Value-chain players and agricultural producers.

Eligible Expenditures: The GoL will bear the cost of (i) Developing and enacting a regulation on warehouse receipts as collateral; (ii) Setting-up, operating and monitoring the implementation of warehouse receipts systems; and (iii) Building the capacity of firms licensed to manage warehouses as collateral.

Budget: M2.1 Mio.

PII 3.1.4 – Promoting the setting-up of public mutual fund for residual risks.

Rationale: The rationale for this PII is to promote access to professionally managed portfolios of investment in mutual funds can provide an important additional instrument for channelling investment into the agricultural sector and provide an important complement to investment in the agricultural sector whether through the Agricultural Development Funds (ADF).

Aim: Government will engage Economic measures to enable the establishment and initial functioning of the mutual fund and farmer's participation.

Policy Measures: Government will enable the establishment and initial functioning of the mutual fund and farmers' participation.

Beneficiaries: The implementing agencies including service providers and relevant public sector agencies and value chain players.



Eligible Expenditures: The GoL will bear the cost of (i) Designing and setting-up of the mutual fund; (ii) Government's contribution to the fund; (iii) Government's shares (below 50% of the total shares) to the capital stock, (iv) Subsidy to affiliated farmers' contribution to capital stock.

Budget: M1.45 Mio.

4.4.3.3 INVESTMENT AREA 3.2: Agricultural Finance instruments

Under this IA, Government will implement the following four PIIs:

PII 3.2.1 – Enabling Agency banking to expand the outreach of banks in rural areas.

Rationale: The rationale for this PII is to promote producers' access to agency banking in rural areas which will be important in facilitating agricultural producers and value-chain operators' access and use of other forms of financing including the Agricultural Development Fund (ADF), the Rural Infrastructure Development Fund (RIDF) and the range of finance measures envisaged under other IAs.

Aim: The government aims to promote Agency Banking as a means to expand the outreach of banks in rural areas.

Policy Measures: Government will engage a combination of (a) communication and capacity-building measures to ensure that the banking system has the capacity to provide appropriate services to users in rural areas and to ensure that relevant users are aware of such services and their operations; and (b) Economic measures to provide supporting role in the initial establishment and operation of agency banking in selected rural areas.

Beneficiaries: Smallholder farmers, value-chain players, banks and the wider rural economy are the main beneficiaries in the implementation of this policy instrument.

Eligible Expenditures: The GoL will bear the cost of (i) Incentivizing banks to develop agency banking platforms and linking them to the national payment system; (ii) Packaging and disseminating Agency Banking as a means to expand the outreach of banks in rural areas; and (iii) Enabling private enterprise access to agency banking to facilitate access to services and information for farmers.

Budget: 7.75 Mio.



PII 3.2.2 – Ensuring that credit is affordable and accessible to agricultural value-chain players.

Rationale:	The rationale for this PII is to establish banking agencies in the rural areas to provide a guarantee for smallholder farmers and value-chain players in the rural areas access affordable credit.
Aim:	The government aims to make small loans available and affordable to these stakeholders.
Policy Measures	To initiate demand for rural credit, Government will use communication and capacity-building measures that will increase awareness of credit availability to smallholder farmers in the rural areas. Government will also use a range of economic measures to incentivize banks and financial institutions to develop tailor-made, simplified loan packages for the rural agricultural sector.
Beneficiaries:	Smallholder farmers, value-chain operators, banks, and other private enterprises in the rural areas will be the main beneficiaries.
Eligible Expenditures:	The GoL will bear the cost of (i) Developing and implementing an appropriate information campaign to inform agricultural producers and value-chain operators on credit availability; (ii) Designing and implementing public consultations on credit availability and requirements for access to bank credit; (iii) Providing incentives to banks and other financial institutions to develop adjusted loan packages for smallholder agricultural producers and value-chain operators operating in upgraded value chains; (iv) Subsidy (up to 50%) of interest rates on smallholder farmer loans for long term investments, specifically farm equipment that will enhance productivity and quality.
Budget:	M29.75 Mio.

PII 3.2.3 - Promoting the use of capital market instruments, such as National Securities Markets, for agri-food systems investments.

Rationale:	The rationale for this PII is to facilitate move from Government-driven agriculture finance, to incentivizing banks to provide loans for medium- and long-term borrowers, with low interest rates.
Aim:	The government aims to mobilize public resources to finance agri-food-systems development.
Policy Measures	To achieve this, government will engage a combination of (a) communication and capacity-building measures to encourage actors on the capital market to consider investments linked to agriculture and assist in the design and dissemination of appropriate instruments; and (b) regulatory measures to ensure that the



regulatory framework for capital market instruments is appropriate for use for agri-food system investments.

Beneficiaries: Capital market operators, farmers, agri-business and agricultural enterprises and value-chain operators will be the main beneficiaries.

Eligible Expenditures: The GoL will bear the cost of (i) Developing, enhancing, and operating capital market instruments for agriculture; (ii) Dissemination information on appropriate capital market instruments among capital market operators; (iii) Controlling and developing the regulatory framework for capital markets to ensure appropriateness.

Budget: M26.25 Mio.

PII 3.2.4 – Promoting and facilitating access to supportive financing for socially and environmentally responsible agriculture.

Rationale: The rationale for this PII is to attract private investors in agricultural transformation. In the long-term, increasing investment in the agricultural sector in Lesotho will be dependent on mobilizing private sector finance. However, there are certain areas that are likely to require some special support from public sector resources to help overcome initial reluctance by the private investor.

Aim: The government aims to ensure that agricultural producers and value-chain players are able to access financing to support the transition of their enterprises to more socially responsible and environmentally sustainable practices.

Policy Measures To achieve this, Government will engage economic measures to enable access to finance for transformation to socially responsible and environmentally sustainable agriculture.

Beneficiaries: Agricultural producers and value chain operators.

Eligible Expenditures: The GoL will bear the cost of (i) Designing and approving measures for providing financial support for transformation of agricultural enterprises; (ii) Subsidies for interest rates on loans provided through rural banking system for conversion to socially responsible and environmentally sustainable agricultural practices; (iii) Establishing a special fund within the Agricultural Development Fund mechanism to provide loans / grants for conversion to socially responsible and environmentally sustainable agricultural practices; (iv) Tax breaks for agricultural and value-chain enterprises converting to socially responsible and environmentally sustainable agricultural practices

Budget: M2.05 Mio.



4.4.3.4 INVESTMENT AREA 3.3: Market intervention schemes

Under this IA, Government will implement the following three PIIs:

PII 3.3.1 – Developing and enacting market intervention schemes for specific (perishable and staple) agricultural products

Rationale:	The rationale for this PII is to improve storage facilities and better organisation of value chains to avoid price volatility.
Aim:	The government aims to stabilize agricultural markets through implementing market intervention schemes that protect farmers from making distress sales in the event of bumper crop.
Policy Measures	To achieve this, Government will use a combination of (a) communication and capacity-building measures to inform government decisions on market stabilization measures; and (b) infrastructure development measures to develop appropriate storage infrastructure for market stabilization schemes where storage facilities are lacking.
Beneficiaries:	Agricultural producers and value chain operators as well as the agri-food system as a whole will benefit.
Eligible Expenditures:	The GoL will bear the cost of (i) Procurement of goods; (ii) Construction and/or rehabilitation of storage facilities and other needed infrastructure; (iii) Costs of implementation of market intervention schemes including purchase and storage of agricultural produce; and (iv) Obtaining advice from Market on when and what market intervention is needed.
Budget:	M7.9 Mio.

PII 3.3.2 – Establishing price intervention policies on cash crop and staple commodities.

Rationale:	The rationale for this PII is to set up clearly defined policies to be in place to help decision-makers determine when, where and how they should intervene in supporting or controlling prices.
Aim:	The government aims to intervene to stabilize produce markets by either setting price floors or establishing target price interventions during market fluctuations.
Policy Measures	To achieve this, Government will use a combination of (a) communication and capacity-building measures to inform government policies on price intervention measures; and (b) economic measures to establish emergency funds to finance price intervention measures when required.



Beneficiaries:	Agricultural producers and investors in the agricultural sector will benefit from the PII.
Eligible Expenditures:	The GoL will bear the cost of (i) Food Market Observatory studies to determine which intervention is needed and what prices at which to set vulnerable products; (ii) Managing the appropriate price intervention measures; (iii) Developing clear policies, including thresholds for price intervention measures; and (iv) Capacity building on monitoring and evaluation of the impact of price intervention measures
Budget:	M3.8 Mio.

PII 3.3.3 – Establishing Market Observatory Systems.

Rationale:	The rationale for this PII is to set up a functioning Market Observatory for effective and responsive agricultural policy-making.
Aim:	The government aims to provide policy, decision-makers and investors in the agriculture sector with accurate and up-to-date information and short analyses on commodities and agriculture markets.
Policy Measures	Government will engage dedicated agency measures to design, establish, build the capacity of, operate and monitor a market observatory.
Beneficiaries:	Policy and decision-makers, investors, entrepreneur, producers and value chain operators will benefit from the PII.
Eligible Expenditures:	The GoL will bear the cost of (i) Establishing, operating and managing a Market Observatory for priority commodities; (ii) Establishing an advisory board; (iii) Capacity building (technical and physical) for the market observatory; and (iv) Monitoring and evaluation for performance and impact of market observatory.
Budget:	M21.2 Mio.

4.4.3.5 INVESTMENT AREA 3.4: Food safety and quality measures

Under this IA, Government will implement the following two PIIs:

PII 3.4.1–Developing and implementing sanitary and phytosanitary (SPS) measures.



Rationale:	The rationale for this PII is to formulate effective SPS measures applied to agricultural products, commodities and livestock which is essential for agricultural trade.
Aim:	The aim of this PII is to promote SPS measures to ensure customers and consumers are capacitate on the safety of food for consumption, and to prevent the spread of pests or diseases among animals and plants.
Policy Measures	To achieve this, Government will engage a combination of (a) process measure to support an initial study of existing national SPS capacities (food safety and quality, plant health, animal health); (b) regulatory measures, based on the preliminary studied, to support (c) dedicated agency measures to design, establish, and operate an agency to implement SPS measures and monitor SPS nationally.
Beneficiaries:	The general population, as well as food producers, will benefit from this PII.
Eligible Expenditures:	The GoL will bear the cost of (i) Commissioning and implementing a study to assess the national SPS capacities; (ii) Developing and/or updating SPS regulations to match international WTO standards; (iii) Establishing and operating SPS agency; (iv) Capacity building (physical and equipment) of SPS agency to implement and review SPS measures; and (v) Regular monitoring and assessment of performance of the SPS agency.
Budget:	M20.8 Mio.

PII 3.4.2 – Establishing quality control and assurance (certification and labelling) processes in agricultural value chains for food safety, food quality, nutritional value and residues.

Rationale:	The rationale for this PII is to develop a regulatory framework and the establishment of a dedicated agency tasked with the implementation and monitoring of food and safety standard certification and labelling mechanisms establishment.
Aim:	With this PII, Government aims to strengthen the quality assurance certification process in food production, processing, and distribution.
Policy Measures	To establish certification and labelling mechanisms for food quality and safety, Government will engage a combination of (a) regulatory framework and dedicated agency tasked with the implementation and monitoring of food safety standards; (b) Process measures to design an appropriate architecture and system for SPS quality and safety certification and labelling; (c) a set of economic measures and infrastructure development measures to establish ICT coverage in rural areas to facilitate traceability and appropriate certification and



labelling of product quality and safety; and (d) communication and capacity building measures to promote and enable engagement with SPS certification and labelling systems among producers and value-chain operators.

Beneficiaries: Consumers, the agri-food system in general and the value-chain enterprises will benefit from this PII.

Eligible Expenditures: The GoL will bear the cost of (i) Designing an appropriate architecture and system for SPS quality and safety certification and labeling; (ii) Capacity building of quality assurance agency to develop and enforce quality standards, upgrade food certification processes and enforce the use of quality labels; (iii) Updating regulations on food quality (food additives, contaminants, hygiene, labelling); and (iv) Subsidies for private sector operators to establish ICT infrastructure for rural areas.

Budget: M57 Mio.

4.4.3.6 INVESTMENT AREA 3.5: Trade and trade related policies

Under this IA, Government will implement three PIIs as follows:

PII 3.5.1 – Introducing and implementing import/export policies when necessary.

Rationale: The rationale for this PII is to protect the national market by developing import policies including import tariffs, import/export bans, or import/export quotas whenever they are necessary.

Aim: The government aims to render Lesotho's import policy conducive for the development of the agricultural sector.

Policy Measures: Government will employ a range of policies such as: import tariffs, import/export bans, or import/export quotas whenever they are necessary to protect the national market. These will be implemented accordance to the requirements and conditions as specified under the 2002 SACU agreement and the 2010 SADC trade protocol.

Beneficiaries: The main beneficiaries include consumers and agricultural production and exporting enterprises.

Eligible Expenditures: The GoL will bear the cost of (i) the decision-making process to determine which policy is needed; (ii) Establishing necessary import/export policy; and (iii) Ensuring import tariffs are consistent with international obligations.

Budget: M2 Mio.



PII 3.5.2 – Introducing pro-competition market regulations and regulating anti-competitive behaviour

Rationale:	The rationale for this PII is to maintain market competition by either removing, or reducing the undesirable features of, and impediments to competition in various industries.
Aim:	The government aims to establish policies that maintain healthy competition in the market.
Policy Measures	Government will use combination of (a) communication and capacity building and (b) regulatory measures.
Beneficiaries:	Farmers, value chain organisations and private enterprises in agri-food system.
Eligible Expenditures:	The GoL will bear the cost of (i) studies to analyse competitive behaviour in the market; (ii) Design/revision and adoption of pro-competition regulations; (iii) deregulating competition bottlenecks; (iv) Supervising and analysing mergers and acquisitions of large companies.
Budget:	M2.8 Mio.

PII 3.5.3 – Implementing trade facilitation agreements with neighbouring countries and trading partners.

Rationale:	The rationale for this PII is to reducing the bureaucratic red tape that impede the moving of goods across borders by creating trade agreements between neighbouring countries.
Aim:	The government aims to enter into beneficial trade facilitation agreements with neighbouring countries and trading partners.
Policy Measures	To achieve this, Government will use a combination of (a) communication and negotiation measures; (b) regulatory measures to facilitate trade and (c) process measures to change port clearing procedures.
Beneficiaries:	Consumers, importing processing and distribution enterprises as well as producers and exporting enterprises will be the main beneficiaries from the implementation of this PII.
Eligible Expenditures:	The GoL will bear the cost of (i) Consultations and negotiation of terms of agreement; (ii) Adopting and changing regulations that facilitate trade; and (iii) Changing port clearance procedures.
Budget:	M3.3 Mio



4.4.4 Strategic Axis 4: Sustainable management of land, natural resources and the environment.

4.4.4.1 Situation Analysis

Agriculture in Lesotho is mainly subsistence, on fragmented small parcels of land, with, in most cases, no proximity to water resources for irrigation. Traditionally farmers were allocated these parcels of land by traditional chiefs to allow them grow food for their families. Land administration has since evolved with new Land Act administered by the Land Administration Authority (LAA), with power given to the Local Government, through Local Councillors to administer rural land. With the new Act, agricultural land can be registered and formally transferred to respective users (including women and youth) by owners of such land. However, challenges around access to agricultural land and sustainable management of such land and other natural and environmental resources still abound.

- i. *Unestablished Lease Market:* For agriculture to be commercialised, production has to happen on large tracks of land, for economies of size, and not small parcels that traditionally define agriculture in Lesotho. However, agricultural land is still predominately in the hands of those who own small parcels and in most cases with limited production resources. This land predominantly lies fallow year-in-out. There is need for well-established land lease market to allow those who own resources, with no access to land, to lease land from those holding it, but with no production resources. Zoning land according to suitability of crops will facilitate land aggregation to ensure that economic blocs of land are leased. This will also facilitate access to agricultural finance and insurance services
- ii. *Bureaucracy involved in land registration:* Even though, land allocations in the rural areas are now inheritable, the processes of land transfers and leasing take a long time and are only central in Maseru, where there is backlog of applications, leaving most farmers without registered land.
- iii. *Disharmony between legislation and weak legislation enforcement:* Despite calls to reserve agricultural land and not to allocate it for residential purposes, local councillors continue allocating such unabated, with residential areas encroaching into fertile and productive agricultural land. Stakeholders also raised concern about cannabis production which seems to be taking land away from food production, calling for policy makers to make pronounced decision on the law governing land allocation to cannabis production. This is debatable though as there are still large tracks of land that go fallow and cannabis production is at least putting such land to productive use.



- iv. *Land allocation not tied to irrigation water access:* These are discord between agricultural land and water availability, which does not auger well with commercial agriculture. Consulted stakeholders emphasized the need to match suitability of crops to irrigation potential and facilitating establishment of crop zones and blocs linked to water resources and established irrigation infrastructure in the form of dams. Easy access to these by women and youth should be mainstreamed. Importance of irrigation for the success of agriculture cannot be over emphasised, especially with the advent of climate change. Irrigated agriculture is, on average, at least thrice as productive per unit of land as rainfed agriculture, thereby allowing for more agricultural production intensification and crop diversification. Erratic rainfall and poor water management practices have a direct negative impact on irrigated agriculture in Lesotho. Majority of the small-scale farmers in Lesotho rely on rainfed agriculture for their production, making them vulnerable to the highly variable and unpredictable rainfall. Therefore, rain water harvesting and storage in dams and tanks as well as use of groundwater, play an important role in agricultural production (International Water Management Institute, 2006).
- v. *Inequitable access by women and youth:* Traditionally, Women have limited participation in agriculture in terms of decision making and women and youth still have limited access to agricultural land and water even though women are the principal agricultural workers and food producers, responsible for ensuring food availability in families. Youths' land rights and tenure security have been constraint by their status as legal minors, making them not to have access to hold statutory land rights.
- vi. *Poor farming practices:* Most of the farmers in Lesotho do not apply proper agronomic, water and soil conservation, and rangeland grazing practices which lead to low agricultural productivity. Improper agronomic practices encompass mono-cropping of cereal and leguminous crops. This has become a common practice for many years, leading to continuous mining of soil nutrients, reduced organic matter in the soil and significant soil erosion, making arable land less productive over time.
- vii. *Climate change resilience, adaptation and mitigation:* With an attempt to mitigate the climate change impact on agricultural productivity, the government developed the Lesotho Climate-Smart Agriculture Investment Plan (CSAIP) aiming to identify climate-smart agriculture (CSA) mitigation and adaption strategies to climate vulnerability and evaluating the costs and benefits of investments to implementing the strategies. On the other hand, still in an intervention to mitigating climate change effect, several donor-funded agricultural



projects had provided small-scale farmers with protective structures such as greenhouses, tunnels and shade nets for improved crop productivity and wool sheds for improved wool and mohair productivity.

- viii. Integrated Catchment Management (ICM): ICM approaches in the country are still at infancy stage. Ecosystems play a critical role in water security in the country and aquatic ecosystems in Lesotho are directly responsible for 22% of GDP and 30% of employment, thus catchment degradation is a direct threat to food security, people livelihood and economic growth of the country. The success of agricultural development and the irrigation development in agriculture is closely linked to the successful efforts of the country in terms of Integrated Catchment Management. The ICM program and participation of all stakeholders in the agri-food sector towards its successful implementation will contribute greatly to the priorities of the sector.

To address these constraints, Government will adopt and implement six IAs and 19 PIIs.

4.4.4.2 INVESTMENT AREA 4.1: Land administration and management

Under this IA, Government will implement the following PIIs:

PII 4.1.1: Promoting land registration, cadastre and licensing arrangements that clarify land tenure and use rights

Rationale:	The rationale for this PII is to protect property rights and facilitate land transactions to enable land to be used as collateral for loans. It provides incentives for investment in land and therefore creates an impetus for sustainable economic growth.
Aim:	With this, Government aims to improve land administration and management to enable secure tenure for farmers (crops, livestock, fisheries, apiculture) and promote best practices in land use planning and environmental management, best practices in soil and land management restoration, reclamation and regeneration of agricultural land.
Policy Measures:	To achieve this, Government will use land registration measure to facilitate the rural land market in general and to meet public policy targets related to secure land tenure, sustainable rural land use, and effective use of mechanization services.
Beneficiaries:	Smallholder farmers, value chain players and the community at large
Eligible Expenditures:	The GoL will bear the cost of (i) enhancing and operating the land registration system (LRS); (ii) Modernising maps and spatial data for



land registration and licensing; (iii) Capacity building for implementing agencies.

Budget: M4.85 mio.

PII 4.1.2: - Enabling secure tenure for farmers, livestock raisers and fisheries farmers of the land they use for their agricultural enterprises.

Rationale: The rationale of this PII, is to secure rights to the land, resources, and property farmers use, occupy, and depend on for their livelihoods and business. Secure land tenure may lead to economic growth by: (i) preserving livelihoods; (ii) maintaining social stability; (iii) increasing incentives for investment and sustainable productive land use (iv) making it easier to gain credit to finance investments in agriculture or other entrepreneurial activity; and (v) attracting external investment critical for economic growth.

Aim: Government aims to create an enabling environment for the sustainable development of land resources, ensuring equal land rights to farmers to stimulate agricultural growth.

Policy Measures Government will engage a combination of (a) communication and capacity building, (b) regulatory and (c) economic measures to develop special policy and investment intervention to secure land rights for farmers to enhance economic growth and development.

Beneficiaries: Farmers, including livestock and fisheries producers will benefit from this PII.

Eligible Expenditures: The GoL will bear the cost (i) educating the public on the importance of land rights for inclusive access to secure land; (iii) Removing legal and regulatory barriers to women's land tenure security; (iv) Divestiture and privatization of government land; and (v) Dissemination and awareness on property rights, land reforms and land right acquisition procedures.

Budget: M4.8 mio.

PII 4.1.3 - Promote best practices in land use planning and environmental management.

Rationale: The purpose of land use planning is to identify, in each landscape, the combination of land uses that is best able to meet the needs of stakeholders, while safeguarding resources for the future.



Aim:	With this PII Government aims to promote efficient land management and land use.
Policy Measures	To achieve this, Government use a combination of (a) communication, (b) regulation and (c) economic measures to subsidise communities engaged in land management efforts.
Beneficiaries:	The main actors in the agri-food sector and farmers will be the main beneficiaries.
Eligible Expenditures:	The GoL will bear the cost of (i) assembling knowledge packages and dissemination on the importance and benefits of land use planning and environmental management; (ii) Establishment of regulations that require/encourage land used planning; (iii) Subsidizing communities engaging in land management efforts.
Budget:	M4.1 mio.

PII 4.1.4 Promote best practices in soil and land management for crops, livestock, and aquaculture

Rationale:	Sustainable soil and land management is critical to minimizing land degradation, soil erosion, rehabilitating degraded areas and ensuring the optimal use of land and soil resources. Sustainable practices of soil and land management enhance agricultural output and productivity.
Aim:	Government aims to promote best practices in soil and land management in agriculture.
Policy Measures	Government will engage communication and capacity building measures.
Beneficiaries:	farmers, value chain players and the community are the main beneficiaries of these practices.
Eligible Expenditures:	The GoL will bear the cost of (i) assembling knowledge packages and dissemination on the importance and benefits of best practices in soil and land management.
Budget:	M3.5 mio.



PII 4.1.5 Promoting and enabling the restoration, reclamation, and regeneration of land for agriculture

Rationale:	The rationale for this PII is to sustain the outcome of agriculture transformation, and to invest in promoting the reclamation of agriculture lands.
Aim:	Government aims to promote the reclamation and restoration of degraded land for agricultural and other productive economic activities.
Policy Measures	Government will use combination of (a) communication and capacity and (b) economic measures
Beneficiaries:	Land owners and users will benefit from implementation of this PII.
Eligible Expenditures:	The GoL will bear the cost of (i) formulating and implementing land reclamation schemes; (ii) Subsidy Programme for community members participating in restoration, reclamation and regeneration of land; and (iii) Cost of making necessary assessment of areas to be reclaimed and restored for agriculture or other purposes.
Budget:	M7.73 Mio.

4.4.4.3 INVESTMENT AREA 4.2: Conservation and Sustainable use of natural resources

Under this IA Government will implement the following five PIIs:

PII 4.2.1 – Promoting best practices for agriculture to maintain biodiversity in agriculture and the environment.

Rationale:	Natural resource management specifically focuses on a scientific and technical understanding of resources, ecology, the life-supporting capacity of those resources and how they are affected by human interactions.
Aim:	With this PII Government aims to conserve the environment and maintain biodiversity through best practices in agriculture.
Policy Measures	To achieve this, Government will use communication and capacity building measures.
Beneficiaries:	Ministry of Forestry, Range and soil conservation (MFRSC), MAFS and farmer-organisations will benefit from implementation of this PII.



Eligible Expenditures: Government will cover the cost of capacity building on the importance of natural resource, rangelands and biodiversity conservation.

Budget: M7.5 Mio.

PII 4.2.2 – Promoting and implementing protection measures for key ecosystems and habitats providing ecosystem services for agriculture.

Rationale: Agricultural ecosystems provide the population with food, forage, bioenergy and pharmaceuticals that are important for human well-being. The rationale for this PII is to protect agricultural ecosystems.

Aim: With this PII, Government aims to conserve natural resources by promoting measures that protect the ecosystem and habitats .

Policy Measures: To achieve this, Government will use communication and capacity building measures.

Beneficiaries: MFRSC, MAFS and farmer-organisations will benefit from implementation of this PII.

Eligible Expenditures: The GoL will bear the cost of (i) Designing and implementing measures that protect the key ecosystems and habitants; and (ii) Capacity building for government agencies that are directly involved in the implementation process.

Budget: M14.5 Mio.

PII 4.2.3 – Establishing and promoting agricultural practices that preserve & enhance ecosystem services.

Rationale: Ecosystem services in agriculture provide food, forage, bioenergy and pharmaceuticals that are important for human well-being. These services include spatial planning, which encourages inter-regional cooperation on comprehensive planning.

Aim: With this PII, Government aims to conserve the natural resources by promoting agricultural practices that preserve and enhance the ecosystem services.

Policy Measures: Government will use communication and capacity building measures.

Beneficiaries: MFRSC, MAFS and farmer-organisations will be beneficiaries of this PII..

Eligible Expenditures: The GoL will bear the cost of capacity building on preservation and enhancement of ecosystem services.

Budget: M7.5 Mio.



PII 4.2.4 – Promoting and implementing ‘payment for the environment’ schemes where appropriate.

Rationale:	Agricultural activities can be beneficial but can bring negative repercussions on humans and on the environment.
Aim:	With this PII, Government aims to conserve the natural resources through schemes that ‘incentivise’ the agricultural sector to protect the environment.
Policy Measures	To achieve this, Government will use a combination of (a) process and (b) economic measures (subsidies) to support positive environmental externalities through transfer of financial resources from beneficiaries of certain environmental services to those who provide them to ensure sustainable management and utilisation.
Beneficiaries:	The main beneficiaries from this PII will be the MFRSC, MAFS, farmer-organisations and smallholder farmers.
Eligible Expenditures:	The GoL will bear the cost of (i) coordinating main actors and communities involved in environmental schemes; (ii) Designing and operating the schemes; and (iii) Conferring subsidies (40%) to farmers and stakeholders who take up the operation of the schemes.
Budget:	M83.75 Mio.

PII 4.2.5 – Defining and enforcing standards and measures to reduce the pollution of land, air, and water from agriculture.

Rationale:	Economic activities of enterprises, including those in the food and agriculture sector, pollute environmental resources (air, land and water) and cause “externalities” whose impacts are not usually taken into account in rational decision making from a purely economic standpoint and are not normally reflected in the enterprise’s accounts. The rationale for this PII is to enforce standards and measures to reduce the pollution of land, air, and water from agriculture.
Aim:	With this PII Government aims to introduce restrictive measures to reduce pollution to these environmental resources.
Policy Measures	Government will introduce regulatory (restrictive) measures to reduce pollution to these environmental resources.
Beneficiaries:	These measures will benefit farmers and the general population.
Eligible Expenditures:	The GoL will bear the cost of (i) formulating new or strengthening and updating existing pollution reduction policies and regulations; (ii) Enforcing and enacting regulations on pollution (taxation, tax



exemption, incentives and subsidies); and (iii) Capacity building and awareness raising on environment pollution matters.

Budget: M1.8 Mio.

4.4.4.4 INVESTMENT AREA 4.3: Sustainable agriculture practices

Under this IA Government will implement the following two PIIs:

PII 4.3.1 – Enabling the adoption of sustainable practices for soil conservation.

Rationale:	Soil conservation is key to environmental sustainability. It helps to protect natural resources and watersheds, resorted habitats for plants and wildlife, improves water quality and promotes soil quality. Investment efforts to promote soil conservation and efficient utilization remains of vital importance for agriculture production, livelihoods' protection and overall improvement of the economy.
Aim:	With this PII Government aims to promote adoption of sustainable soil conservation practices.
Policy Measures	Government will engage communication and capacity building measures.
Beneficiaries:	Farmers and the general population will be the main beneficiaries of this PII.
Eligible Expenditures:	The GoL will bear the cost of capacity building on adoption of sustainable practices for soil conservation.
Budget:	M750 000

PII 4.3.2 – Promoting and supporting forums for the dissemination of sustainable agriculture practices

Rationale:	Sustainable agriculture practices involve a wide range of production practices, including conventional and organic. They promote: (i) Production of sufficient human food, feed, fibre and fuels to meet the needs of a growing population; (ii) Protection of the environment and expansion of the natural resource supply; and (iii) Sustained economic viability of the agricultural system.
Aim:	With this PII Government aims to ensure that agricultural producers and value-chain players are able to access support on sustainable agricultural practices.



Policy Measures:	Government will engage communication and capacity building measures.
Beneficiaries:	Agricultural producers and value-chain players will be the main beneficiaries.
Eligible Expenditures:	The GoL will bear the cost of establishing or resuscitating and supporting forums for sustainable agricultural practices.
Budget:	M750 000.

4.4.4.5 INVESTMENT AREA 4.4: *Climate change mitigation, adaptation and resilience*

Under this IA Government will implement the following PII:

PII 4.4.1 – Promoting and supporting climate smart technologies and practices.

Rationale:	The major cause of climate change today lies in the unsustainable emission of carbon dioxide and other greenhouse gases that are trapping heat and increasing global warming. The most important challenge for agriculture in the twenty-first century is the need to feed increasing numbers of people, while at the same time keeping low greenhouse gas emissions and conserving the local and global environment resources. Policy and investment interventions aiming to achieve both food security and environment sustainability will have to address both climate mitigation and adaptation concerns at the same time.
Aim:	With this PII, Government aims to promote and support climate change mitigation and adaptation technologies and practices.
Policy Measures	The government will engage a combination of communication and economic (e.g. tax holidays) measures.
Beneficiaries:	The PII will benefit the general population and farmers in general.
Eligible Expenditures:	The GoL will bear the cost of (i) Designing schemes that integrate Climate Smart technologies and other best practices that build resilience in agricultural value chains; (ii) Operating the schemes to promote climate smart technologies and practices; and (iii) Subsidy to enterprises who are involved in promoting and supplying climate smart technologies and practices.
Budget:	M51 Mio.



4.4.4.6 INVESTMENT AREA 4.5: Protection and Sustainable use of water resources

Under this IA Government will implement the following three PIIs:

PII 4.5.1 – Promoting integrated watershed management.

Rationale:	The rationale for this PII is to enhance investment efforts to promote water conservation and efficient utilization, which is of vital importance for agriculture production, livelihoods' protection and overall population hygiene, health, and wellbeing.
Aim:	With this PII, Government aims to protect and conserve water resources by promoting integrated watershed management. Watershed management does not only conserve water but is also efficient in controlling pollution and other natural resources in the watershed.
Policy Measures	To achieve this, Government will use a combination of (a) capacity building and (b) regulation measures.
Beneficiaries:	The beneficiaries of this PII will be farmers and the general population.
Eligible Expenditures:	The GoL will bear the cost of (i) Capacity building on governance of natural resource and (ii) Governance (regulation, monitoring and control) function.
Budget:	M30.5 Mio.

PII 4.5.2 – Promoting and supporting the use of water efficient practices and technologies for in agriculture and agricultural value chains

Rationale:	Promoting the sustainable use of water resources will imply: (i) Promoting efficient and sustainable irrigation systems through introduction of water saving technology and practices(ii) Promoting drought-resistant crops through improved access of seeds and genetic resources, (iii) Promoting efficient use of water along the value chain; (iii) Planning, designing and managing multiple uses of water resources; (iv) Preventing water pollution; (v) Reducing food loss and waste to alleviate the overall pressure on natural resources.
Aim:	With this PII, Government aims to promote and support the use of water efficient practices and technologies in agriculture.



Policy Measures Beneficiaries: Government will engage processes measures to implement the PII.

Eligible Expenditures: The GoL will bear the cost of (i) supporting the creation of joint ventures between water user associations, farmer organizations, district assemblies and private firms.

Budget: M750 000

PII 4.5.3 – Promoting and supporting measures to ensure the reduction of water pollution from agriculture and agricultural value chains

Rationale: Economic activities of enterprises, including those in the food and agriculture sector, pollute environmental resources (including water) and cause “externalities” whose impacts are not usually taken into account in rational decision making from a purely economic standpoint and are not normally reflected in the enterprise’s accounts.

Aim: With this PII Government aims to introduce restrictive measures to reduce water pollution.

Policy Measures Government will use economic (restrictive) measures to reduce water pollution.

Beneficiaries: Farmers and general population will benefit from the PII.

Eligible Expenditures: The GoL will bear the cost of strengthening the capacity of third-party service providers: staffs training, coaching, acquisition of management equipment.

Budget: M3 Mio.

4.4.4.7 INVESTMENT AREA 4.6 Renewable energy and energy efficiency

Under this IA Government will implement the following three PIIs:

PII 4.6.1 – Promoting the use of energy in agriculture and agricultural value chains generated from renewable sources.

Rationale: The rationale for this PII is to shift from traditional fuels to sustainable low-carbon energy sources such as wind power, solar, geothermal or hydroelectric and to re-organize rural and urban dwellings and transport systems to make them more energy-efficient and carbon-neutral.



Aim:	With this PII Government aims to protect the environment by promoting the use of carbon-neutral and renewable energy sources.
Policy Measures	Government will use a combination of (a) communication and capacity building and (b) regulatory measures.
Beneficiaries:	The Ministry of Tourism, Environment and Culture, other relevant MDAs, parliament and scientific advisory committee will benefit from implementation of the PII.
Eligible Expenditures:	The GoL will bear the cost of (i) provision of renewable energy to lift water (use of straw, husk and low-head turbines); and (ii) Social marketing and behaviour change communication to stimulate increased production and consumption of energy deriving from renewable sources.
Budget:	M8.5 Mio.

PII 4.6.2 – Developing and enforcing standards for the management of energy consumption in agriculture and agricultural value chains.

Rationale:	The rationale for this PII is to enable efficient energy management in order to achieve and maintain optimum energy procurement and utilization throughout the farm organization, minimize energy costs or waste without affecting production, comfort and health of farmers and quality of the agricultural goods and services.
Aim:	With this PII Government aims to promote effective management for sustainable energy consumption in the agriculture sector.
Policy Measures	Government will use a combination of (a) communication and capacity building and (b) regulatory measures to implement the PII.
Beneficiaries:	Farmers and value-chain operators in general will benefit from implementation of this PII.
Eligible Expenditures:	The GoL will bear the cost of (i) Formulation and enforcement of regulations and policies to incentivize production and consumption of energy deriving from renewable resources; and (ii) Improving infrastructure to meet the demands of growing energy consumption.
Budget:	M3.2 Mio.

PII 4.6.3 – Promoting the development and dissemination of energy efficient agricultural technologies.



Rationale:	Increasing the energy-use efficiency and conservation in the agricultural sector is becoming increasingly vital as producers attempt to increase their output without increasing the size of their cropland. The rationale for this PII is to increase the energy-use efficiency and conservation in the agricultural sector.
Aim:	With this PII, Government aims to promote the development and dissemination of energy efficient agricultural technologies.
Policy Measures	Government will engage a combination of (a) capacity building and economic (subsidy) measures to implement the PII.
Beneficiaries:	Farmers and value-chain players in general will benefit.
Eligible Expenditures:	The GoL will bear the cost of (i) Strengthening capacity on the development of the technologies; (ii) Research and development; and (iii) Subsidy to facilitate access by value chains to the efficient technologies.
Budget:	M37 Mio.



4.4.5 Strategic axis 5: Developing technology, innovation and infrastructure for agriculture

4.4.5.1 Situation Analysis

This strategic axis focuses on five key thematic areas: agricultural knowledge generation and research; agricultural knowledge dissemination, education, extension and training; availability and supply of key agricultural inputs; irrigation promotion and development of feeder roads and market infrastructure.

Agricultural research, innovation and training: Agriculture in Lesotho is characterised by weak National Agricultural Research System (NARS) with inadequate laboratory equipment; weak collaboration among the NARS at local, regional and international levels; weak linkages between research and extension; weak knowledge management and depository systems; lack of support for farmer innovations; poor resource allocation to the NARS (e.g. Lesotho Agricultural College (LAC) and Department of Agricultural Research (DAR) and agricultural research which is generally not demand driven. Research capacity in terms of human and financial resources is weak with inadequate experts in varied research areas, poor retention and motivation of research experts. Leading to brain drain, limited research funds for the NARS (DAR and training institutions such as the National University of Lesotho (NUL) and LAC). Agricultural training is not always aligned to emerging agri-food sector challenges and agri-food sector technology advancement does not keep pace with emerging challenges due to, among others, limited funds incapacitating research activities. Funds generated by DAR are consolidated into the fiscus and not ploughed back into research. The sector is also characterised by weak extension services that fail to meet modern day requirements of agriculture. The private sector's role in extending research and extension is weak and unclear.

Agricultural inputs supply and availability: agricultural input markets, particularly the seed industry, is still at infancy stage, leading to farmers relying on imported improved seeds. In the livestock sub-sector, the problem is the same. For example, unavailability of replacement stock for day old chicks, point of lay pullets and fattening piglets is still a big challenge. The country does not have hatcheries and breeders (parent stock) for layers chickens and fattening piglets in the country, hence reliance on South Africa for such stock. The same applies for improved dairy cows and sheep (rams) though the WAMPP project is slowly reversing this trend for the breeding of improved sheep. Inputs stores are mostly based in main towns, not easily accessible to farmers in the rural areas, thus increasing transaction costs of such farmers. Because of reliance on imports, inputs prices tend to be high and unaffordable to most farmers, except for those that are subsidized. The inputs subsidy program introduced to improve access resulted more in distortions than solutions. The program favours crops sub-sector (cereals and legumes) over livestock sub-sector; affects timely supply of inputs in required varieties and quantities and distorts private sector participation in timely distribution of agricultural inputs.



Irrigation infrastructure and potential: Lesotho is considered to have relatively abundant water resources. However, agriculture in the country is still largely rainfed due to lack of/inadequate irrigation infrastructure, including dams and reservoirs, which does not auger well with the country's vision of commercialising agriculture. Impending climate change challenges, with persistent droughts and irregular temporal and spatial rainfall, also call for irrigated agriculture. However, most crop production is subjected to rainfed conditions even during drought periods and at times planting is delayed due to late onset of rains, with deleterious implications for crop production and productivity. Even in cases where irrigation infrastructure exists, mainly driven by agricultural capital projects, success has been limited, with such schemes collapsing shortly after the projects have come to an end. Lack of policy direction in irrigation matters compounds the problem. For a long time the sector did not have irrigation policy except for the draft developed in 2002. Recently the Irrigation Master Plan was developed through SADP (WAPCOS Limited, 2020), which shows irrigation potential in the country. The draft Irrigation Policy has also been developed (MAFS, 2021), aimed at providing strategic direction towards irrigated agriculture in the country, though it is yet to be approved.

Feeder Roads and Marketing infrastructure: Most feeder roads connecting farms to market centres are bad, thus unnecessarily increasing transaction costs. Marketing infrastructure is generally underdeveloped characterised by lack of open market infrastructure, ICT infrastructure to facilitate marketing information, lack of and/or inadequate storage infrastructure; lack of and/or limited aggregation centres; lack of agricultural processing infrastructure; lack of internationally accredited infrastructure for slaughtering livestock and processing meat products (e.g. abattoirs and slaughter slabs) and inadequate agricultural trade infrastructure including infrastructure for brand development (e.g. wool and mohair and meat products) and unestablished standards and certification centres. Outdated marketing policy also does not provide requisite policy infrastructure.

To address these constraints, Government will implement five investment Areas (IA) and 13 Policy Implementation Instruments (PIIs), through a combination of (i) technology generation, (ii) technology transfer, (iii) training stake-holders and (iv) development of market and irrigation infrastructure measures.

4.4.5.2 INVESTMENT AREA 5.1: Agricultural knowledge generation and research

Under this IA, Government will implement the following three PIIs:

PII 5.1.1 – Establishing and improving research mechanisms for the development of technology to foster agricultural value chain performance.

Rationale: To create environment and provide resources that will enable research institutions to continuously develop technology that will foster agricultural chain performance. Fostering of the development



of technology can only be possible through improved research activities and promotion of innovation through establishment and support of innovation hubs and industrial parks.

Aim:	To support research activities as well as bring autonomy to activities of public sector research agencies so that they are able to secure external funding for their activities that will be driven by private sector needs.
Policy Measures:	Government will use combination of (a) capacity building to train those who will use the technologies along the value chains and those responsible for innovations to register their patents so that they benefit from their innovations; and (b) economic measures that unlock finance to ensure access to the technologies.
Beneficiaries:	Farmers, and value-chain actors in general.
Eligible Expenditures:	The GoL will bear the cost of (i) Cost of research grant for value chain players for the development of technologies; and (ii) Fund for academic and research institutions to enhance their operation capacity.
Budget:	M12 mio



PII 5.1.2: Supporting the development of improved genetic materials, appropriate inputs and improved technology for crops

Rationale:	The merit of improved genetic materials, appropriate inputs and improved technology for crops, livestock and fish is improved quality and quantity of produce. The rationale for this PII is therefore to support research have potential to improve genetic materials and and technologies to improve agricultural production.
Aim:	To develop improved crop genetic materials that are resilient to climate change.
Policy Measures:	To realise this, Government will use combination of (a) regulatory; (b) communication and capacity building, and (c) economic measures to generate public sector funds to match private investment in research.
Beneficiaries:	Farmers and value-chain players.
Eligible Expenditures:	The GoL will bear the (i) ministrative cost for the preparation and adoption of an act that provides legal intellectual property rights protection to breeders of improved genetic resources and (ii) competitive grant to cover the cost of the necessary infrastructure.
Budget:	M9.5 mio

PII 5.1.3: Promoting and enabling research cooperation at regional and international levels.

Rationale:	To share and exchange the resources and technical information among the countries having common goals and challenges in agriculture.
Aim:	To ascertain that National Agricultural Research Institutions will be at par with other countries in agricultural technologies and participate in forums that will enhance its capability.
Policy Measures:	Capacity building and communication measures.
Beneficiaries:	Research Institutions, Educational Institutions, Non- Governmental Organizations agriculturally oriented.
Eligible Expenditures:	The GoL will bear the cost of (i) coordinating and supporting research initiatives at regional and international levels and (ii) acilitating access to research grants for proposals.
Budget:	M3.25 mio



4.4.5.3 INVESTMENT AREA 5.2: Agricultural knowledge dissemination, Education, Extension and Training

Under this IA Government will implement the following two PIIs:

PII 5.2.1: Making information on best practices of all aspects of agricultural value chain performance available to agricultural value chain players.

Rationale:	This will ensure that all value chain players acquire knowledge and skills to make them competent in executing activities related to their enterprise (node). They can execute their tasks diligently optimizing the time, resources and profitability.
Aim:	To promote the publicity, use and adoption of latest agricultural technologies generated that will enhance productivity when applied accordingly.
Policy Measures:	Government will use Capacity building and communication measures.
Beneficiaries:	Farmers and agri-food sector value-chain actors
Eligible Expenditures:	The GoL will bear the cost of (i) designing information dissemination material (e.g pamphlets, flyers, adverts); and (ii) Community Workshops and forums (e.g Pitso).
Budget:	Budget: M1.75 mio.

PII 5.2.2: Developing and building the capacity of extension services for supporting and training agricultural value chain players.

Rationale:	Agricultural extension services are critical for training and dissemination of information to value chain players. Oftentimes extension service staff require refresher courses and fresh training that keep them up-to-date with new innovations and technologies within their field.
Aim:	With this PII, Government aims to ensure that agricultural value chain players receive relevant support and training from empowered extension service staff.
Policy Measures:	Government will engage Communication and capacity building.
Beneficiaries:	Farmers and value chain players in general.



Eligible Expenditures: The GoL will bear the cost of (i) technical assistance to design the capacity building programme for extension services in agricultural value chain; and (ii) training value chain players, government officials and other key stakeholders.

Budget: Budget: M1.3 million.

4.4.5.4 INVESTMENT AREA 5.3: Availability and supply of key agricultural inputs

Under this IA Government will implement the following two PIIs:

PII 5.3.1: Enabling the production and supply of quality and certified genetic materials for crops.

Rationale: Lesotho is heavily dependent on South Africa for supply of key agricultural inputs which are exorbitant and unaffordable by most farmers in the country. There are several costs incurred by the manufacturers in South Africa in the production processes and also for transportation delivering to Lesotho, some of which can be avoided by producing within country. That will reduce the costs of such inputs making them affordable to farmers.

Aim: To support sustainable production and supply of genetic materials for crops and livestock.

Policy Measures: To realise this Government will engage a combination of (a) regulatory measures for standards and certification; (b) economic measures through providing matching grants for those who will be willing to invest in production of seeds, including tax breaks, and (c) capacity building measures for producers, suppliers and farmers.

Beneficiaries: Farmers and value chain players in general.

Eligible Expenditures: The GoL will bear the costs of (i) reviewing the regulatory framework for the production of quality and certified genetic inputs; (ii) subsidies for procurement of requisite technologies and equipment to improve access by small and medium enterprises and (iii) training of small-medium enterprises on production of certified genetic inputs.

Budget: M 3.25 mio.



PII 5.3.2: Establishing a national and local seed bank to preserve national genetic resources and promote biodiversity in agriculture.

Rationale:	Seed saving is a practice that farmers and their families are engaged in since ages. It has allowed them to cultivate a large number of different local varieties, which have been able to adapt to different environmental conditions and changes. Seeds can be saved at the farm but may not be enough to meet the requirements of all the farmers. Besides, their yield potential decline with time giving low production, hence a need to have a breeding programme.
Aim:	To establish a national seed bank that can be established and managed through a dedicated agency measure.
Policy Measures:	Through this PII, Government will establish a national seed bank, managed through a dedicated agency.
Beneficiaries:	Farmers and value chain players in general.
Eligible Expenditures:	The GoL will bear the cost of (i) establishing the Seed/Breed Bank; (ii) Financing Grant for breeding seeds; and (iii) The cost of capacity building for breeders and seed producers.
Budget:	M3.25 mio.

4.4.5.5 INVESTMENT AREA 5.4: Promoting irrigation infrastructure (public interventions)

Through this IA, Government will implement the following four PIIs:

PII 5.4.1: Delegation of the public sector role in the development and management of large-scale irrigation schemes.

Rationale:	A large area of arable land is under dryland farming which is characterized by low productivity compared to irrigated areas, which could be about 300% higher. During this current situation of prevailing climate change, rainfall is highly erratic resulting frequent periods of dry spell leading to failure in crop production or very low yield, that translate into low national food production necessitating large volume of imported food into the country. For the country to be self-sufficient, there is a need to irrigate the fields to boost production both during dry and rainy seasons. Because initial cost of installing irrigation scheme is high and most farmers cannot afford it, the government and donor agencies have to intervene.
Aim:	To make it possible for agricultural producers and value-chain operators to increase their benefits from large-scale irrigation schemes through improved and more efficient management and



maintenance of these schemes where the public sector roles are delegated to the private sector.

Policy
Measures:

Under this PII Government will use a combination of (a) Regulatory measures to establish standards for the delivery of irrigation services by private sector operators; (b) dedicated agency measures to establish an appropriate oversight mechanism to monitor and enforce standards in irrigation service delivery; (c) communication and capacity-building measures to develop appropriate models and tools for new enterprises (including private, public-private partnerships and joint venture) to develop and manage large-scale irrigation schemes; (d) economic measures to enable and promote the establishment of new enterprises to develop and manage large-scale irrigation schemes and (e) Process measures to develop and approve procedures for the tendering of irrigation works to private, public-private or joint-venture enterprises and the medium and long-term monitoring and evaluation of impacts.

Beneficiaries: Farmers and value-chain players in general.

Eligible
Expenditures:

The GoL will bear the cost of (i) Rehabilitation and modernisation of the schemes; (ii) Procurement of Scheme Management Entities (SME) (third party service provider could be private firms or joint ventures between water user associations, farmer organizations, district assemblies, and private firms); (iii) Governance (regulation, monitoring and control) function; (iv) Supporting the creation of joint ventures between water user associations, farmer organizations, district assemblies, and private firms; (v) Strengthening the capacity of third party service providers, staffs training, coaching, acquisition of management equipment (computers, software....); and (v) Provision of renewable energy to lift water (use of straw, husk and low-head turbines).

Budget: M72.25 mio.

PII 5.4.2: Promoting community-managed small and medium-scale irrigation schemes.

Rationale:

This is to promote the development and management of small and medium scale irrigation schemes under the management of local users and associated interest groups. Where schemes are already in existence under the control of the state, regulatory measures need to develop appropriate legislation that allows the devolution of responsibility for small and medium scale irrigation to local bodies. Appropriate incentives for management performance by local communities and management organizations are likely to be important and the management capacity of local water users, producer associations, local authorities and local private enterprise will need to be strengthened.



Aim:	The PII is aimed at ensuring that agricultural producers increase their benefits from small and medium-scale-irrigation schemes by participating in and exercising control over the development and management of irrigation schemes.
Policy Measures:	To realise this Government will engage a combination of (a) Regulatory measures; (b) dedicated agency measures; (c) economic measures; and (d) communication and capacity-building measures.
Beneficiaries:	Farmers and value chain players in general.
Eligible Expenditures:	The GoL will bear the cost of (i) rehabilitation and modernisation of the schemes; (ii) Procurement of third party service providers, could be private agri-business firms or joint ventures between water user associations, farmer organizations, district assemblies; (iii) Governance (regulation, monitoring and control) function; (iv) Supporting the creation of joint ventures between water user associations, farmer organizations, district assemblies, and private firms; (v) strengthening the capacity of third party service providers: staffs training, coaching, acquisition of management equipment (computers, software...etc.); and (v) Provision of renewable energy to lift water (use of straw, husk and low-head turbines).
Budget:	M97.45 mio.

PII 5.4.3: Mobilizing public and private resources to jointly finance the development of irrigation schemes.

Rationale:	Public sector needs to share responsibilities of irrigation infrastructure development with the private sector. Private sector involvement can improve performance in existing irrigation schemes and encourage innovation and better adaptation to sectoral and user requirements in the development of new schemes. It can also allow better use of public funds to support those areas or steps in irrigation development and innovation where the private sector does not have an interest or the capacity to invest.
Aim:	The PII is aimed at catalysing irrigation development by creating an enabling environment for joint public-private financing arrangements.
Policy Measures:	To actualise this, Government will use a combination of (a) regulatory measures to establish a regulatory framework and to set rules for blended public-private finance for investment in irrigation; (b) dedicated agency measures to support the development of an Irrigation Development Authority to oversee, catalyse and facilitate



the process of mobilizing various forms of financial solutions for the agriculture sector; (c) communication and capacity-building measures; and (d) economic measures to place sufficient resources at the disposal of an Irrigation Development Authority to enable it to co-finance public-private partnerships and joint ventures.

Beneficiaries: Farmers and value chain players in general.

Eligible Expenditures: The GoL will bear the cost of (i) developing Public private partnerships arrangements; (ii) designing, setting up and operating an irrigation and drainage facility; (iii) Supporting the creation of joint ventures between water user associations, farmer organizations, district assemblies, and private firms; and (iv) Strengthening the capacity of third-party service providers.

Budget: M31.8 mio.

PII 5.4.4: Addressing irrigation sector risks.

Rationale: Public interventions in the promotion of irrigation must focus on the reduction of various risks associated with private sector investment in irrigation. These risks discourage private investors from participating in the development of irrigation schemes or get involved in partnerships with the public sector to manage and maintain irrigation works.

Aim: With this PII, Government aims to ensure that private investors are attracted to invest in irrigation development through the availability of mechanisms that enable them to mitigate and spread the risks of their investments.

Policy Measures: To realise this, Government will engage a combination of (a) regulatory measures where pricing arrangements will be used; (b) a dedicated agency measure to enable establishment of an Irrigation or Water Authority; and (c) economic measures such as indexation of water tariffs to support pricing arrangements.

Beneficiaries: Private and public sector

Eligible Expenditures: GoL will bear the cost of: (i) Designing irrigation and drainage sector risks mitigation tools; and (ii) Operating the ID sector risks mitigation tools.

Budget: M76.5 mio.



4.4.5.6 INVESTMENT AREA 5.5: Development of market infrastructure

Under this IA, Government will implement the following two PIIs:

PII 5.5.1 Promoting farmers' and community markets

Rationale:	Access to appropriate market infrastructure is a key element in the development of agricultural value chains. It is important to appreciate that the development of feeder roads is closely linked with the development of markets, though it requires significant resources. Therefore, wherever possible, GoL needs to strive to improve and develop feeder resources which will help improve the rural transport network and, hence, link farmers to market centres. Farmers' and community markets can play a key role in supporting private enterprise development and the growth of upgraded agricultural value chains.
Aim:	With this PII, Government aims to improve access to local markets where basic market infrastructure is available to them to enhance their trading opportunities.
Policy Measures:	Government will engage a combination of (a) Infrastructure development measures; (b) communication and capacity-building measures and (c) economic measures.
Beneficiaries:	Farmers and value chain players in general
Eligible Expenditures:	The GoL will cover the cost-share (incentive) with District Assemblies for the construction or rehabilitation of feeder roads and river ports.
Budget:	M15 mio.

PII 5.5.2: Promoting the development of other market infrastructure.

Rationale:	Upgraded value-chains need larger scale aggregation, marketing and distribution facilities that can improve efficiency in the value-chain and ensure standards of quality and efficiency that will enable access to high-value and distant markets in urban areas or even beyond national borders. The development of these forms of larger-scale market infrastructure and cold-chain facilities is likely to be essential in transforming the agriculture sector by making available facilities required by upgraded value-chains, facilitating access to higher-value markets and ensuring efficiency in the process of transport, processing, value-addition and marketing.
Aim:	This PII is aimed devolving ownership or management responsibility for such structures to the private sector or to joint public-private sector entities that can operate with a high degree of independence.



Policy Measures:	Under the PII, Government will engage (a) Infrastructure development measures to support the development of other key market infrastructure; (b) communication and capacity building measures to develop appropriate management models and tools, promote participation in management by appropriate entities and build their capacity to manage effectively; and (c) economic measures to support the development of other market infrastructure which might include the development of appropriate models for joint venture initiatives to develop and manage large-scale market infrastructure and cold chain facilities.
Beneficiaries:	Farmers and value chain players in general.
Eligible Expenditures:	The GoL will bear the cost of (i) strengthening the capacity of private management agencies and service providers; (ii) Provision of primary infrastructure (e.g stalls); (iii) Rehabilitation and modernisation of market infrastructure (e.g market centres) and (iv) regulation, monitoring and control of the markets.
Budget:	M27.15 mio.



4.4.6 STRATEGIC AXIS 6: Targeted state support and direct transfers to value chain players

4.4.6.1 Situation analysis

This Axis focuses on four thematic areas, viz., (i) access to key agricultural inputs and support for improved and sustainable practices for targeted groups; (ii) access to agricultural equipment and improved facilities for targeted groups; (iii) access to improved agricultural services for targeted groups and (iv) access to irrigation.

The underlying situation for the four thematic areas can be summed by the following points:

- i. The agricultural subsidy policy of 2003 introduced in Lesotho with the purpose of making agricultural inputs affordable and available to a targeted group of subsistence farmers at below market price has failed dismally having no positive impact. Subsidized inputs are always inadequate in amount and arrive very late in the season resulting in crop damage by early chilling injuries if ever planted.
- ii. There is a limited range of products sold at the outlets and are also not based on the localities where they will be planted, thus distributed indiscriminately to the farmers.
- iii. The policy of subsidy is biased to inputs used in crop production only and does not cater for livestock production.
- iv. Subsidy policy is outdated and necessitating a review. Besides, it is not complied with during administration of subsidized inputs.
- v. Farmers experience difficulties accessing agricultural finance because they do not meet requirements stipulated by financial Institutions.
- vi. Most banks in the country do not have financial products tailor-made for agriculture.
- vii. Banks argue that most farmers do not recognize farming as a business, which makes it difficult for the financial sector to develop financial instruments targeted to agriculture.
- viii. Farmers are unaware of sacred angels offering funds to develop people without means. There are many coming in Lesotho for such funds and institutions like BEDCO is exploring such opportunities on behalf of farmers.
- ix. There are no insurance products developed by Insurance companies' tailor-made for the farmers and their produce because of the manner in which farming is conducted.
- x. Moreover, all the farmers have no licenses as producers running crop or livestock business. They also need to register with Lesotho Revenue Authority to get clearance, which off-course have not done.
- xi. The farmers have not insured themselves such that if they die before settling loan, the insurance company cannot recover their money which they loaned him/her.



- xii. Most of the subsistence farmers in the rural areas having land to cultivate, no longer have animals to use as a source of draught power because of theft.
- xiii. This type of farm machinery is expensive for farmers and the farmers cannot be extended loan to purchase them. Some farmers go for second hand machinery which do not last and are expensive to maintain.
- xiv. There is no farm machinery plant or repair center in Lesotho dedicated for farmers tractors and implements.
- xv. Farm machinery is bought indiscriminately without capacity required for the place where they will be working.
- xvi. Farmers and value chain players do not have enough access to agricultural information, advisory services and knowledge that would help them in making decision for their farms or perform agricultural activities diligently. This also hinders them from performing best practices in value chain processes.
- xvii. Extension service on both livestock and crop production is not available in some areas to advice farmers because of understaffing. Livestock farmers do not have extension service to assist in with medication, breeding, nutrition and general management, even to encourage farmers to embark on small enterprises such as bee-keeping and aquaculture.
- xviii. Crop production farmers are not getting enough information on proper agronomic practices entailing seed-bed preparation, fertilization, pests and disease control, weed control and harvesting.
- xix. Most of the famers do not irrigate their crops and are entirely dependent on rainfall which is highly unpredictable. With the advent of climate change farmers, severity of drought is increasingly becoming a common phenomenon. This situation necessitates installation of irrigation system in irrigable land where source of water is reliable as determined by water specialists.
- xx. Farmers do not have funds to install irrigation systems in their field to counteract the effects of drought.
- xxi. Youth and women can play an important part in irrigation schemes, but are not included in training of scheduling of water requirement, maintenance and operating the systems.

To address these constraints, government will implement four AIs and 13 PIIs through a combination (a) communication and capacity building; (b) regulatory and (c) economic (subsidies) measures.

4.4.6.2 INVESTMENT AREA 6.1: Access to key agricultural inputs and support for improved and sustainable practices for targeted groups.

Under this IA, Government will implement the following four PIIs:

PII 6.1.1 – Enabling access for targeted farmers (livestock, crop, fish etc)



to safe and quality agricultural inputs

Rationale:	Harsh environments, characterized by scarce feed and water resources and high disease pressure with large seasonal and annual variation, can have significant adverse impact on productivity and production of livestock farming.
Aim:	GoL aims to promote famers' access to improved livestock breeds, certified high-quality seed and improved fingerlings in a sustainable and commercially viable way.
Beneficiaries:	Farmers, seed production and breeding enterprises and certification agencies will benefit from implementation of this PII.
Eligible Expenditures:	The GoL will bear the cost of (i) digressive subsidy to farmers involved in upgraded commodity value chains for their access to improved seeds, breeds, fingerlings and other inputs; and (ii) Stakeholder consultations (e.g. farmers, input suppliers etc).
Budget:	M4.4 mio.

PII 6.1.2 – Enabling livestock and fish farmers' access to safe and quality veterinary medicines

Rationale:	Good quality, optimum doses, correct methodology, and timely administration of veterinary medicines leads to increases in livestock production. Unfortunately, livestock producers have limited access to these medicines and in many cases, lack the necessary know how to administer them properly. Improper administration of veterinary medicines can be severely hazardous to public health and safety (e.g. acute or chronic exposure to drug residues, antimicrobial resistance etc.). Policy, investment and regulations are needed to improve farmers' access to veterinary inputs and adequate capacity to use them within the established safety standards.
Aim:	With this PII, government aims to promote access to and safe use of quality veterinary medicines by livestock and fishery farmers.
Beneficiaries:	Beneficiaries of the PII include veterinary medicines enterprises, farmers, value chain players and the general public.
Eligible Expenditures:	The GoL will bear the cost of (i) digressive input subsidy to farmers, for the use of quality veterinary medicines and (ii) information and training to farmers and extension service workers in safe handling and use of veterinary drugs.
Budget:	Budget: M3.95 mio.



PII 6.1.3 – Enabling the adoption of improved and sustainable agriculture practices through targeted subsidies and incentives for transformation

Rationale:	Sustainable agriculture includes environmentally friendly methods of farming that allow the production of crops, livestock or fisheries without any adverse effects on human or natural systems. With the drive for more sustainable food systems and the increasing need to reduce the environmental footprint of the quality of food, the need for accurate environmental impact measurement with practical solutions is critical.
Aim:	With this PII, Government aims to provide support to farmers and value chain actors to adopt improved and sustainable agriculture practices.
Beneficiaries:	The PII will benefit environmentalists, conservationists, farmers, agricultural professionals and value chain players.
Eligible Expenditures:	The GoL will bear the cost of (i) digressive input subsidy to support sustainable agriculture practices; and (ii) Stakeholder consultations (e.g. farmers, input suppliers).
Budget:	Budget: M10.95 mio.

PII 6.1.4 – Enabling access to key agricultural inputs and sustainable practices for women and youth

Rationale:	High quality inputs increase agricultural productivity, improve food security, and contribute to economic growth. This is more critical for women and youth whose livelihoods are mainly dependent on smallholder farming, to increase their productivity and enhance their resilience against shocks.
Aim:	With this PII, Government aims to promote women and youth farmers' access to improved livestock breeds, certified high-quality seed and improved fingerlings in a sustainable and commercially viable manner.
Beneficiaries:	Women and Youth.
Eligible Expenditures:	The GoL will bear the cost of (i) digressive subsidy to women and youth farmers involved in upgraded commodity value chain for their access to improved seeds, breeds, fingerlings and other inputs; and (ii) Stakeholder consultations (e.g farmers, input suppliers etc).
Budget:	Budget: M2.5 mio.



4.4.6.3 INVESTMENT AREA 6.2: Access to agricultural equipment and improved facilities for targeted groups

Under this IA, Government will implement the following three PIIs:

PII 6.2.1 – Enabling farmers’ access to improved agricultural equipment

Rationale:	To achieve sustainable growth of the agri-food sector, it is essential that farmers have access to appropriate and improved agricultural equipment since they have been proven to decuple agricultural productivity. Investment is required to: (i) develop domestic manufacturing potential and capabilities; (ii) stimulate manufacturing of quality and functionally advanced machinery, farm implements and equipment at competitive prices to drive the transformation of the agri-food sector; (iii) establish custom hiring enterprises and develop an institutional framework that would enable farmers to be organized and profiled within agricultural clusters to access mechanization services they might not be able to afford individually.
Aim:	With this PII Government aims to promote agricultural efficiency through improved access to modernization and mechanization for farmers and agriculture holdings.
Beneficiaries:	Farmers and agriculture holdings, custom hiring enterprises and banks.
Eligible Expenditures:	The GoL will bear the cost of (i) the matching grant for the acquisition of infrastructure and equipment by farm and post farm manufacturing companies; (ii) Subsidizing imports of mechanization machinery that may not be manufactured locally.
Budget:	M31 mio.



PII 6.2.2 – Enabling farmers’ access to improved post-harvest technologies and facilities

Rationale:	Post-harvest losses consist of produce that is lost or wasted between harvest and the moment of human consumption, anywhere along the value chain. It exacerbates the problems of low agricultural productivity and food insecurity and rural poverty by reducing both quality (including nutritional content and safety) and quantity of agricultural products. Post-harvest losses are due to inadequate storage, poor transport infrastructure, processing facilities, human capacity and technology. The negative impacts of these losses affect actors across the entire value chain in the form of reduced income and hindered growth of their enterprise. Investment efforts are required to promote the development of post-harvest facilities and systems that enable farmers and actors along the value chain to improve storage, processing and distribution of their products in a way that preserve the quality of products (including safety and nutritional content).
Aim:	to develop appropriate facilities, including processing, preservation and storage to reduce post-harvest losses.
Eligible Expenditures:	The GoL will bear the cost of targeted subsidy to facilitate access to improved technologies and facilities; and (ii) Regulation, monitoring and control of the post-harvest technologies and facilities.
Budget:	M6.75 mio.

PII 6.2.3 – Enabling access to agricultural equipment and improved facilities for women and youth

Rationale:	To achieve sustainable growth of the agri-food sector, it is essential that women and young farmers have access to appropriate and improved agricultural equipment since they have been proven to decouple agricultural production. Investment is required to: (i) Develop domestic manufacturing potential and capabilities; (ii) Stimulate manufacturing of quality and functionally advanced machinery, farm implements and equipment at competitive prices to drive the transformation of the agri-food sector; (iii) Establish custom hiring enterprises and develop an institutional framework that would enable farmers organized and profiled within agricultural clusters to access mechanization services they might not be able to afford individually.
Aim:	To promote agricultural efficiency through improved access to modernization and mechanization for farmers and agriculture holdings.
Beneficiaries:	Farmers and agriculture holdings, custom hiring enterprises and banks.



Eligible Expenditures: The GoL will bear the cost of (i) matching grant, designed to assist women and youth, for the acquisition of infrastructure and equipment by farm and post farm manufacturing companies and (ii) subsidizing mechanization machinery imported by women and youth farmers that may not be manufactured locally.

Budget: M10 mio.

4.4.6.4 INVESTMENT AREA 6.3: Access to improved agricultural services for targeted groups

PII 6.3.1–Improving farmers’ and agricultural value chain players’ access to information on improved agricultural practices

Rationale: Provision of efficient market information has positive benefits for farmers, value-chains, traders and policymakers. It enables farmers to negotiate with traders from a position of greater strength. It also facilitates spatial distribution of products from rural areas to urban areas and between urban markets by sending clear signals from urban consumers to rural producers regarding quantities and varieties required.

Aim: To create a functional market information system to gather, analyse and disseminate relevant information on improved agricultural practices for the agricultural sector.

Beneficiaries: Farmers and agriculture holdings, marketers, agro-processors, consumers, custom hiring enterprises and banks.

Eligible Expenditures: The GoL will bear the cost of (i) conducting studies on efficient Market Information System management, (ii) setting up and operating the Market Information system, (iii) setting up information dissemination channels and (iv) capacity building of the Market Information System providers.

Budget: M8.2 mio.

PII 6.3.2 – Ensuring farmers’ and agricultural value chain players’ access to appropriate agricultural extension services and advice

Rationale: Extension and advisory services are critical for facilitating smallholder and enterprise access to technology and knowledge. Advisory services are increasingly becoming key in playing a brokering role to support multi-stakeholder innovation processes that link key actors in the value chain with research services, higher education institutions and other key stakeholders.



Aim:	To facilitate inclusive access to appropriate agricultural extension and advisory services.
Beneficiaries:	Value chain players
Eligible Expenditures:	The GoL will bear the cost of (i) knowledge dissemination and training of farmers, various agencies and actors, (ii) resuscitating Farmer Field Schools in the country's districts and (iii) establishing and promoting e-extension services.
Budget:	M13.05 mio.

PII 6.3.3 – Ensuring livestock and fish farmers' access to appropriate veterinary services

Rationale:	Good quality, optimum doses, correct methodology, and timely administration of veterinary medicines, with adequate support from veterinary services, leads to increases in livestock production. However, there is limited access by livestock producers to these services and in many cases, there is lack of the necessary know how. Inadequate and low-quality veterinary services can lead to severely hazardous to public health and safety (ex. acute or chronic exposure to drug residues, antimicrobial resistance etc.).
Aim:	To promote access to appropriate veterinary services by farmers.
Beneficiaries:	Livestock and fish farmers
Eligible Expenditures:	The GoL will bear the cost of (i) setting-up and operating a system to regulate veterinary services, (ii) decision making on proposals for increasing the number of local veterinary services and (iii) digressive subsidy to farmers to enhance their access to the local veterinary services.
Budget:	M7.15 mio.

PII 6.3.4 – Enabling access to agricultural services for women and youth

Rationale:	Agricultural services include support in the use of land, structure/building used with the purpose of buying or selling commodities and services that are critical to support agricultural operations. These services play an important role in assisting farmers to utilise their resources efficiently. Farmers need to be knowledgeable in order to produce the desired quality and quantity. These services are designed to provide guidance and advice to farmers from planting to post-harvesting seasons. Women and young farmers who are empowered with knowledge on these services are able to increase their productivity, income, develop a stable rural livelihood and contribute to food and nutrition security.
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Aim:	To facilitate inclusive access to agricultural services for women and youth.
Beneficiaries:	Women and youth
Eligible Expenditures:	The GoL will bear the cost of (i) supporting youth and women run Agricultural Mechanisation Service Centres (AMSC) and (ii) matching grants and seed capital for equipment.
Budget:	M41.5 mio.

4.4.6.5 INVESTMENT AREA 6.4: Access to irrigation water and infrastructures

PII 6.4.1 – Enabling farmers’ access to improved irrigation and water management technology.

Rationale:	The promotion of small and medium-scale irrigation schemes that can be developed and managed by local users and associated interest groups is regarded as increasingly central to strategies for agricultural development in Lesotho.
Aim:	To facilitate access to improved irrigation technology through the development and management of irrigation schemes.
Beneficiaries:	Agricultural producers, local associations, producer and citizen groups and local agri-businesses
Eligible Expenditures:	The GoL will bear the cost of (i) survey, mapping and needs assessment (design of continuous contour trenching, contour basin, swale technology, and other techniques), (ii) construction of the irrigation systems through a matching grant, (iii) strengthening the capacity of farmers in low land areas and flood plains in continuous contour trenching and (iv) capacity building for operation and maintenance of water conservation structures.
Budget:	M72.25 mio.

PII 6.4.2 – Enabling access to irrigation for women and youth

Rationale:	Water management is essential at critical production periods of crop growth. In particular, it is essential to improve water and irrigation management in water-constrained rain-fed areas, particularly for women and youth who are more under-represented.
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Aim:	To provide access to women and young farmers to enhanced water and increase their participation in water and irrigation management measures.
Beneficiaries:	Women and youth
Eligible Expenditures:	Government is committed to covering the costs of (i) forming, capacitating and coaching women- and youth-led irrigation schemes; (ii) Establishment, rehabilitation and modernisation of women and youth-based irrigation schemes; and (iii) Matching grants and seed capital.
Budget:	M16.1 mio.



4.4.7 strategic axis 7: Emergency preparedness, nutrition and social protection

4.4.7.1 Situation Analysis

This axes covers four thematic areas on nutrition and health; emergency preparedness; emergency response and social protection.

Nutrition and health: In an attempt to improve agricultural sector, there should be an improvement in nutrition and health assistance by implementing micronutrients initiative programmes. Implementing measures that strengthens dietary diversity, provide and distribute specific foods for therapeutic and nutritional purposes to targeted demographics are really critical to the sector. Nonetheless, the economy is still faced with high food and nutrition insecurity due to, among others;

- i. High levels of poverty, malnutrition, stunting, anemia and obesity
- ii. Food diversity and safety – many households do not consume variety of foods and this hinders consumption of other nutrients needed by the body, which could be a result of inadequate knowledge in nutrition and health by communities (especially women who are traditionally responsible for feeding families).
- iii. Inaccessibility and unaffordability of nutritious food – the high costs of sustainably produced food make it difficult for poor households to achieve healthy and sustainable diets.
- iv. Nutrition insensitive farming – the country has historically adopted a monotone type of crop farming largely focusing on maize, resulting in imbalance between agricultural production and nutritional outcomes, thus requiring a concerted and multi-pronged approach that increases and diversifies food production and consumption, especially for the nutritionally vulnerable, that is, young children, pregnant and lactating women, adolescent girls, the elderly and the chronically ill.
- v. Poor road infrastructure negatively affecting accessibility – implying that there is weak social protection for vulnerable groups including the orphans, disabled, women, children and the elderly who still go without food due to poverty.

Emergency preparedness: The country generally has weak emergency preparedness against agriculture related disasters. Mechanisms against disasters related to animal and plant pests and diseases, pandemics such as COVID 19 and HIV with deleterious implications for agriculture and climatic disasters such as droughts and floods are weak and emergency response to related disasters is generally weak though efforts exist.

Weak Social Protection: for vulnerable groups including the orphans, disabled, women, children and the elderly who still go without food due to poverty. High food and nutrition insecurity still prevail due to, among others, low agricultural productivity and nutrition insensitive production, poverty and heavy reliance on food imports, estimated at 80% of total food consumed in the country. Teenage



Pregnancy exacerbates the problem, resulting in children being abandoned or left with unemployed parents of the teenagers, in most cases elderly, who cannot afford nutritious food for the children and also in some cases lack nutrition knowledge.

In addressing these constraints, the Government will implement four IAs and 21 PIIs through a combination of (a) communication and capacity building; (b) regulatory; (c) processes and (d) economic measures.

4.4.7.2 INVESTMENT AREA 7.1: *Emergency Preparedness*

Under this IA, Government will implement the following five PIIs:

PII 7.1.1 – Establish and maintain mechanisms for surveillance and prevention of plant and animal pests and diseases

Rationale:	To combat the risk posed by animal pests and diseases and to reduce the drain on public resources in the agri-food sector through early detection of invasion or incidence of pests and diseases.
Aim:	To prevent and control plant and animal pest and diseases that may have a substantial effect on the stability of food supply through direct losses.
Beneficiaries:	farmers
Eligible Expenditures:	The cost will include: (i) The design and operation of early warning systems to detect pests and diseases, and develop and implement a quick response plan; (ii) Developing and updating already existing legal frameworks (policies and legislation) on the prevention and control of plant and animal pests and diseases; and (iii) Developing technologies for controlling plant and animal pests and diseases.
Budget:	M15.5 mio.

PII 7.1.2 Establish and maintain germ plasm (seed and semen), grain and fodder reserves, and storage facilities

Rationale:	To ensure equitable distribution of good quality food in the country through the MHEs that will own and operate food market hubs equipped with adequate infrastructures close to major population centres.
Aim:	to encourage investment into seed, fodder and grain reserves, and storage facilities to ensure farmers have seed security after disasters.
Beneficiaries:	Crop and livestock farmers



Eligible Expenditures: Government is committed to covering the costs of: (i) Knowledge dissemination on the importance of germ plasm (seed and semen) and grain storage and storage measures; (ii) Building warehouses and storage facilities for national germ plasm (seed and semen) and grain reserves; (iii) Protection and demarcation of fodder reserves; (vi) Fodder processing and storage; and (vii) Capacity building for rangelands fire management.

Budget: M10.5 mio.

PII 7.1.3 Ensure inclusive access to knowledge and training in disaster preparedness methods in agriculture

Rationale and aim: To inform and train farmers and communities in proper disaster preparedness methods.

Beneficiaries: Value chain players

Eligible Expenditures: Government is committed to covering the costs of (i) Developing best disaster preparedness farm practices; and (ii) Training and knowledge dissemination measures to educate farmers and communities.

Budget: M2.5 mio.

PII 7.1.4 Establish and maintain an early warning system for natural disasters affecting agriculture

Rationale and aim: To keeping abreast of natural disasters and instituting an Early Warning System that reaches the entire community.

Beneficiaries: agricultural value chain players

Eligible Expenditures: Government is committed to covering the costs of: (i) Strengthening the agencies responsible for coordinating hazard identification, vulnerability and risk assessment; (ii) Strengthening a monitoring and warning service; (iii) Strengthening communication channels; (iv) Instituting appropriate disaster preparedness measures, and (v) Administrative cost for the preparation and adoption of an early warning system regulation.

Budget: M4.95 mio.

PII 7.1.5 Establish and maintain emergency evacuation services in coordination with relevant agencies

Rationale and aim: To institute effective emergency evacuation services to save lives of humans and livestock during emergency situations



Beneficiaries: Nation at large

Eligible Expenditures: Government is committed to covering the costs of: (i) Developing an emergency evacuation plan; (ii) Executing the plan; and (iii) Building weather resistant shelters to house evacuees

Budget: M2.5 mio.



4.4.7.3 INVESTMENT AREA 7.2: Emergency Response

PII 7.2.1 Establish and maintain mechanisms for rapid response to and control of plant & animal pests and diseases

Rationale and aim:	To establish a comprehensive rapid response strategy for plant and animal pests and diseases
Beneficiaries:	farmers
Eligible Expenditures:	Government is committed to covering the costs of: (i) Strengthening the plant pest and animal disease control agency; (ii) Information dissemination and training of farmers to recognize signs of an infestation; and (iii) Establishment of communication channels to allow farmers to report incidents of infestations
Budget:	M500 000.

PII 7.2.2 Establish and maintain provisions for special market interventions to stabilize markets in emergency situations

Rationale:	To stabilize the resultant vulnerability of the market for the areas that are undergoing emergency situations or disasters challenges, Government aims to to provide special intervention methods in those circumstances to help farmers recover faster and stabilize markets.
Beneficiaries:	Farmers and consumers
Eligible Expenditures:	Government is committed to covering the costs of: (i) The decision-making process to determine what intervention is needed; and (ii) Carrying out the needed interventions.
Budget:	M750 000

PII 7.2.3 Build sectoral capacity to contribute to the rehabilitation of disaster affected areas

Rationale and aim:	To rehabilitate and reconstruct areas that are affected by disasters.
Beneficiaries:	Farmers
Eligible Expenditures:	Government is committed to covering the costs of: (i) Funding the rebuilding and rehabilitation of damaged agricultural infrastructure; (ii) Supporting NGOs who engage in rehabilitation and rebuilding work; and (iii) Offering tax breaks to for profit organizations supporting the rehabilitation of affected areas.



Budget: M1.45 mio.

PII 7.2.4 Develop and disseminate guidelines on the rehabilitation of the agriculture sector in disaster affected areas

Rationale and aim: To minimize damage caused by unavoidable disasters on farmers and communities at risk as they are the primary actors who will be applying the acquired disaster preparedness and rehabilitation methods on their farms, Government aims to develop and inform farmers and communities on effective and proper disaster rehabilitation and preparedness.

Beneficiaries: Farmers

Eligible Expenditures: Government is committed to covering the costs of developing and disseminating knowledge material, including guidelines and training materials

Budget: M450 000

4.4.7.4 INVESTMENT AREA 7.3: Nutrition and Health Assistance

PII 7.3.1 Implement micronutrients initiatives programmes

Rationale: Majority of children under 5 in Lesotho suffer from micronutrient deficiencies, largely caused by a dietary deficiency of vitamins and minerals. With this PII, Government aims to implement and monitor micronutrients programmes to combat deficiencies in all populations, especially for vulnerable groups.

Beneficiaries: Nation at large

Eligible Expenditures: Government is committed to covering the costs of: (i) Studies to assess nutrient deficiencies in the population; (ii) Setting fortification standards and creating legislation to enforce them; (iii) Monitoring fortification programme; (v) Communication and social marketing of programme; and (vi) Assessing the impact of micronutrient initiatives programme

Budget: M26 mio.



PII 7.3.2 Implement measures to strengthen dietary diversity (food fortifications)

Rationale and aim: There is low dietary diversity in Lesotho, with 89% of the population under 5 not receiving a minimum diversified diet. With this PII Government aims to promote measures that strengthen dietary diversity.

Beneficiaries: Nation at large

Eligible Expenditures: Government is committed to covering the costs of: (i) Communication and social marketing of programme; (ii) Influencing social behavioural patterns; and (iv) Training communities to produce diverse vegetables, livestock, etc

Budget: M4.75 mio.

PII 7.3.3 Implement measures to provide and distribute specific foods for therapeutic and nutritional purposes to targeted demographics

Rationale and aim: Government aims to meet the nutritional needs of vulnerable groups and reduce malnutrition during emergencies.

Beneficiaries: Targeted population

Eligible Expenditures: Government is committed to covering the costs of: (i) Implementing, managing and monitoring the therapeutic food distribution programme; and (ii) Developing and disseminating knowledge packages for the promotion of the programme.

Budget: M 870 000.

PII 7.3.4 Implement conditional cash transfer schemes

Rationale and aim: Breastfeeding contributes to the health of both mother and child and with this PII Government aims to promote breastfeeding among nursing mothers.

Beneficiaries: Members of the scheme, financiers

Eligible Expenditures: Government is committed to covering the costs of: (i) Training health professionals to promote breastfeeding; and (ii) Disseminating knowledge packages on the benefits of breastfeeding

Budget: M 870 000.



PII 7.3.5 Implement the development of milk bank clinics

Rationale and aim:	Milk banks ensure that babies receive the benefit of breast milk if it is not naturally available to them. Availability of, and access to milk banks is essential for public health. With this PII Government aims to promote the development of milk banks.
Beneficiaries:	Children and breast feeding mothers
Eligible Expenditures:	Government is committed to covering the costs of: (i) Creating human milk banks; (ii) Tax breaks or subsidies to hospitals and clinics that operate milk banks; (iii) Dissemination of information on the benefits and existence of milk banks; (iv) Subsidies to mothers and children in need of milk banks; and (v) Incentives for mothers who provide milk for the banks
Budget:	M5.5 mio.

PII 7.3.6 Implement the provision of access to potable water for all

Rationale and aim:	With this PII Government aims to reduce water borne diseases by providing safe drinking water.
Beneficiaries:	Population at large.
Eligible Expenditures:	Government is committed to covering the costs of: (i) Building and updating water infrastructure; (ii) Quality assurance testing of piped water; and (iii) Public service education on safe water.
Budget:	M7 mio.

PII 7.3.7 Implement the provision of improved sanitary services

Rationale and aim:	To provide improved sanitation services to the public to improve the general health of the population.
Beneficiaries:	Every participant
Eligible Expenditures:	Government is committed to covering the costs of: (i) Assessing the need for public sanitary facilities; (ii) Providing public sanitary facilities; (iii) Improving waste disposal management; (iv) Subsidies to low-income communities to help build public and private sanitary facilities; and (v) Support of NGOs and private institutions involved in providing access to improved sanitation to communities



Budget: M24.9 mio.

PII 7.3.8 Disseminate information on the benefits of better hygiene practices

Rationale and aim: To control the spread of diseases by raising awareness of good hygiene practices.

Beneficiaries: Nation at large

Eligible Expenditures: Government is committed to covering the costs of: (i) Developing and adapting knowledge packages to raise awareness about better hygiene practices; (ii) Social marketing of the initiative; and (iii) Support for NGO, private sector, Government and civil societies working to raise awareness of better hygiene practices materials

Budget: M5.35 mio.

4.4.7.5 INVESTMENT AREA 7.4: Social Protection Schemes

PII 7.4.1 Implement school feeding schemes in needy areas

Rationale aim: To produce high returns in (a) education and gender equality, (b) health and nutrition; (c) social protection and local economies and (d) agriculture, Government aims to provide school feeding schemes in communities.

Beneficiaries: Pupils involved

Eligible Expenditures: Government is committed to covering the costs of: (i) Designing, developing and implementing the programme; (ii) Engaging health and nutritional experts to design nutritious meal plans; and (iii) Studies to monitor the outreach impact effectiveness of the programme

Budget: M4.55 mio.

PII 7.4.2 Implement food subsidies, rations, food stamps or coupons to targeted areas or demographics

Rationale and aim: To provide vulnerable populations with food aid through food rations, food stamps or coupons as a social safety net and protection measure.

Beneficiaries: Vulnerable groups



Eligible Expenditures: Government is committed to covering the costs of: (i) Decision-making process to determine whether and what food aid programme is needed; (ii) Strengthening the Food Management Unit (FMU) for implementing the programme; (iii) Monitoring and ensuring that food aid is only going to targeted demographics; and (iv) Studies to determine the effectiveness of the food aid programme and review if necessary.

Budget: M4.55 mio.

PII 7.4.3 Implement unconditional cash transfer schemes

Rationale and aim: Unconditional cash transfers entail transfers of cash made by government or non-governmental organizations to individuals or households identified as highly vulnerable, with the objective of alleviating poverty, providing social protection, or reducing economic vulnerability. Included in this category are social pensions to the elderly, disability grants, child support grants, and several pilot cash transfer schemes. With this PII Government aims to reduce poverty by providing welfare programmes without any conditions upon the receivers' actions based on the premise that giving cash to citizens provides them a safety net and thus allows them to have autonomy over their own lives.

Beneficiaries: Members of the scheme.

Eligible Expenditures: Government is committed to covering the costs of: (i) Operating the scheme; and (ii) Monitoring to ensure target vulnerable groups have been reached

Budget: M176.1 million

PII 7.4.4 Implement the development of milk bank clinics

Rationale and aim: Cash transfers are a popular strategy for reducing poverty and improving health and education outcomes in poor communities. Conditional cash transfers provide money to households with stipulations, or under specific behavioural conditions. With this PII Government aims to reduce poverty by providing welfare programmes conditional on meeting government specified criteria

Beneficiaries: Consumers of the milk

Eligible Expenditures: Government is committed to covering the costs of: (i) Operating the scheme; and (ii) Monitoring to ensure target vulnerable groups are reached

Budget: M176.1 mio.



5. Implementing policy tools to address three categories of public investments

The GoL will implement these policy instruments to address three categories of investments, with the aim to leverage private investments:

5.1 Investment Category 1 – Building the systems (public and private sectors) that will generate the outcome results as per the CAADP Results Framework.

These include: (i) the public-sector governance and accountability system; (ii) a nexus of private sector enterprises; and (iii) the Lesotho Agri-Food-systems Industry Association (LAFIA).

5.1.1 The public-sector governance and accountability system

The aim of the system is to ensure sound sector management and build transparency and trust among sector stakeholders. The system will include two components:

- (i) A Planning, Monitoring & Evaluation, and Reporting System, that will be designed to empower GoL to ensure alignment and harmonisation of Government and donor interventions and account for results.
- (ii) A Financial Management System that:
 - (a) links sector funding to a medium-term expenditure framework;
 - (b) allocates sector resources to specific policy tools;
 - (c) entrusts private agencies to manage some of the facilities operating policy tools;
 - (d) accommodates various donor financing mechanisms, and harmonises them with Government's tools;
 - (e) enhances the mechanisms for effective oversight by parliament on sector budget and expenditure; and
 - (f) ensures periodic audit and review.

5.1.2 A nexus of private sector enterprises

- (i) *The Agricultural Clusters Service Enterprises (ACSE)* as drivers of commodity value chains - ACSEs will be promoted as a joint venture between farmer organizations, private operators, and Government (Central and Local), that will progressively transfer its shares to the general public through equities or debts. These enterprises will be licensed to manage warehouses as collateral.
- (ii) *The Market Hub Firms (MHF)*'s promotion is critical for the transformation of the Lesotho food distribution chains. As with the ACSEs, the Government will promote MHFs as a joint venture between ACSEs, Banks, private firms, and Government (Central, Local) that will progressively transfer its shares to the general public through equities or debts.



- (iii) *Other micro, small and medium enterprises* will be promoted to deliver a wide range of goods and services to farmers and other value chain players, including mechanization services, soil testing services, compost provision, certified seeds provision, veterinary services, artificial insemination and livestock breeding services, milk collection, feed provision, business management services, etc.

5.1.3 The Lesotho Agri-Food-systems Industry Association (LAFIA).

LAFIA will be promoted as an association that represents all the players (farmers, farmer organizations, private firms...) of the agri-food systems. The Agency will be equipped with *a corporate governance system that complies with international norms*. This will ensure that members effectively keep managers accountable. In addition, because Government can keep the agency accountable, LAFIA will be entrusted to implement the Lesotho Agricultural Development Fund (LADF), as well as the private sector window of the Lesotho Rural Infrastructure Development Fund (LRIDF).

5.2 Investment Category 2 – Developing critical infrastructures.

The institutional arrangements regarding ownership, operation and maintenance of each of these infrastructures will be duly clarified.

5.3 Investment Category 3 – Direct transfer to farmers and firms

Through smart subsidies, crafted to incentivise private financing. Most of these subsidies are one-time expenditure by the public sector to enable value chain players, specifically farmers and small and medium enterprises, to develop their production equipment.

The three categories of expenditures will represent approximately 20% of the total budget for Direct Transfers, 30% for building systems, and 50% for rural infrastructures.

6. Mobilizing public resources to finance the implementation of the menu of policy tools

To mobilize public resources to finance the development of the transformation of agriculture, the Government will implement a smart policy of small taxes and levies (e.g., on food imports) that do not burden consumer prices. The resources mobilized will be used to finance two Public Funds that will be legislated:

- iii. The Lesotho Rural Infrastructure Development Fund (LRIDF) and



iv. The Lesotho Agricultural Development Fund (LADF).

While the LADF will have a private sector orientation, the LRIDF will include both private and public sector windows as follows:

- c) *The public sector window* – devoted to financing public infrastructure.
- d) *The private sector window* – devoted to leveraging the financing of private sector infrastructure.

Smart subsidies will be provided as direct transfers to farmer organizations and firms. Likewise, public resources will be used to capitalize promoted enterprises and later transferred to the general public as equities or debts.

The operation of the private sector window of the LRIDF will be entrusted to the industry association.

The Lesotho Agricultural Development Fund (LADF) will have a private sector orientation. Government will entrust the LADF to the industry association to perform direct transfers to farmers and firms. In addition, Government will continue mobilizing complementary resources from development partners.

7. Promoting smallholder inclusive value chain development

Successful implementation of the CNAP rests on the upgrading and integration of smallholder farmers into commodity value chains. Upgraded smallholder inclusive value chains are a critical vehicle to reduce the burden of food imports, create employment in the agriculture and food systems, and ensure food and nutrition security.

To this effect, every financial year, the sector's medium-term expenditure framework will specify for each priority commodity value chain, the expected results in terms of productivity, production, access to market, farmers revenues, and reduction of imports, among others. It will also specify the expenditures (i.e., the specific Policy Tools) Government will implement in support of these priority commodity value chains.

The criteria for selecting the priority commodity value chains include:

- (i) Potential to contribute to reducing food imports;
- (ii) Potential to provide livelihood for the vulnerable (landless, weak people such as HIV patients, widows etc.);
- (iii) Impact on nutrition; and
- (iv) Benefits on the environment.

In combining these criteria, the first list of 12 priority commodities have been profiled as maize, beans and peas, mushroom, honey, poultry, vegetables, dairy, potato, and piggery (refer to Annex 4 of the L-IB-NAIP for details). 7.



8. Implementation Arrangements⁶

8.1 Institutional arrangements

8.1.1 The Oversight Role of The High Council for Agricultural Development (HCAD)

The High Council for Agricultural Development (HCAD) will be established to oversee the implementation of the CNAP and L-IB-NAIP programme. The HCAD will consist of: (i) the Prime Minister; (ii) the Attorney-General; (iii) The Minister of Agriculture and Food Security; (iv) The Minister of Forestry, Range and Soil Conservation (MFRSC); (v) The Minister of Finance ; (vi) Minister of Development Planning; (vii) a principal Chief nominated by the College of Chiefs; (viii) Minister of Local Government and Chieftainship; (ix) Two members of the National Assembly (from Economic and Social Clusters) appointed by the Speaker; (x) PS Agriculture, who will also be the Secretary of the Council; and (xi) Up to three persons appointed by the Prime Minister (representing the private Sector, academia, Youth and Women), by virtue of their special expertise, skill or experience.

The oversight role of the High Council for Agricultural Development will encompass:

- (1) Monitoring the institutional arrangements for the implementation of the CNAP and L-IB-NAIP, including the setting-up and operation of the Lesotho Agri-food-system Industry Association (LAFIA), the Agricultural Development Fund (LADF), the Rural Infrastructure Development Fund (LRIDF), and the Agriculture Georeferenced Information System (AGIS).
- (2) Annual sessions on resource allocation to the implementation of the CNAP and L-IB-NAIP and the performance of the programme, with a focus on the cause to effect link between the expenditure on specific policy tools and their impacts.
- (3) Six monthly sessions on disbursement and expenditure performance.

At each of its sessions, the HCAD will deliberate on a dedicated report, prepared by the LAFIA (under the supervision of the Office of the Prime Minister) and previously reviewed by the Steering Committee.

In accordance with its constitutional role, the HCAD will engage the Ministry of Finance and the National Assembly in playing their role in the process of preparation and approval of the Medium-Term Expenditure Framework (MTEF).

The Ministry of Finance will ensure that public resources are allocated to implement those policy tools that are effective for the transformation of the

⁶ Extracted from the L-IB-NAIP



agriculture and food system.

Likewise, the National Assembly will enforce the principle of allocating public resources to implementing policy tools that are effective for the transformation of the agriculture and food system. During its session on sector budget, Parliament will match the resources allocated to each policy tool in the MTEF with the performance recorded for the policy tool in the past years.

8.1.2 The Role of the Steering Committee

The Steering Committee of the CNAP and L-IB-NAIP will be composed of representatives of all sector stakeholders (public and private). Its role will be to examine and approve periodic reports, as well as the annual plan, before its transmission to Ministry of Finance and Parliament. The Steering Committee will focus on discussing the sector results and the contribution of each partner to these results, as well as the cause to effect link between policy tools and results. It will hold at least two (2) meetings every year. A ministerial decision will specify the composition and mandate of the Steering Committee of the L-IB-NAIP.

8.1.3 Coordination of the CNAP and L-IB-NAIP implementation

The Lesotho Agri-Food Systems Industry Association (LAFIA) and the L-IB-NAIP Steering Committee will be jointly in charge of the overall coordination of L-IB-NAIP. LAFIA will be equipped with a sector accountability system, which will include financial management, monitoring and evaluation, as well as reporting components. Its mandates will be: (i) to implement the public sector window of the Lesotho Rural Infrastructure Development Fund; (ii) coordinate the activities with regard to enhancing the capacity of the public sector to deliver enabling results; (iii) support the setting-up of the ACSEs, Market Hub Enterprises and Industry Associations (LAFIA) at the start; (iv) the development, in close collaboration with other MDAs, of proposals for decision making with regard to macro-economic, trade and trade related, import and export, taxation... and other policies, on behalf of the Ministry of Agriculture and Food Security; (v) the monitoring of commodity value chains; (vi) the management of the agri-food-systems georeferenced information system (AGIS); and (vii) the compliance check of all interventions to the policy orientations. The LAFIA and L-IB NAIP Steering Committee will operate under the supervision of the High Council for Agricultural Development (HCAD).

The Ministry of Agriculture and Food Security and other Ministries, Departments and Administrations will be in charge of coordinating specific investment areas under their competencies.

8.1.4 Implementation agencies

The implementation of the Lesotho Agricultural Development Fund (LADF) and the private sector window of the Lesotho Rural Infrastructure Development Fund (LRIDF) will be entrusted to the Lesotho Agri-Food-systems Industry Association (LAFIA) that will be responsible for effecting the direct transfers to its member farmers and firms. Thus, the LAFIA will be in charge of fully or partially



implementing some of the policy tools. The Ministry of Agriculture and Food Security, in collaboration with the HCAD, will keep LAFIA accountable. Dedicated public agencies will be in charge of delivery extension and quality control services in the districts.

In compliance with the regulation in force, private firms will be contracted through tender procedures for service delivery.

9. Accountability mechanisms

9.1 Harmonization and alignment of interventions

The L-IB-NAIP strategic framework empowers the Government to harmonize and align Government and donors' interventions.

Alignment of all interventions. *Any ongoing intervention* will be mapped with one or more pillars and intervention areas. Moreover, the policy tools the intervention area is implementing, the financial contribution to the policy tool, and targets to be accounted for will be spelled out. For *new Government and donor financed operations*, the formulation should clearly position the intervention within the L-IB-NAIP framework: policy tools, intervention areas, pillars, and financial contribution to achieve identified target results under each policy tool. Government's approval will be granted only if compliance checks yield a positive outcome.

Harmonization of interventions. Firstly, by enforcing compliance with the orientation spelled-out under each policy tool, Government will ensure that all interventions are harmonized with the Government's policy. Secondly, Government will ensure that various Government and donor financed interventions are complementary and contribute to achieving the targets set under specific policy tools.

9.2 Financial management

The Medium-Term Expenditure Framework (MTEF) for the agriculture and food sector will be adapted to the L-IB-NAIP Framework. Every year, the budget will reflect the amount of resources allocated to each individual policy tool, investment area, and pillar. Likewise, budget execution will report on the percentage of expenditure, and the level of achieved targets under each policy tool. Moreover, the same information (amount of resources for each policy tool, percentage of expenditure, and level of achieved targets) will be availed for each Government and donor financed intervention. All these will be set as a financial management system designed to ensure transparency and accountability. While the financial management system will comply with international standards, the accounting and auditing sub-systems will be set to satisfy the requirements of finance ministries and sectoral ministry auditing arms, as well as donors.



9.3 Planning, monitoring & evaluation and reporting system

As a component of the CNAP and L-IB-NAIP accountability system, the planning, monitoring and evaluation component will be designed to ensure all actors plan and report against the L-IB-NAIP results framework.

9.3.1 Planning.

Government will ensure that all annual plans by Governmental agencies and donor financed interventions spell out the amount of resources planned under each policy tool for the achievement of specified targets. The MTEF will be a compilation of all plans by Government and donor agencies and organized according to the expenditure categories, Strategic Axes, Investment Areas, and Policy Tools of the CNAP and L-IB-NAIP framework.

9.3.2 Monitoring and evaluation.

All players will have the obligation to monitor and assess the results of their respective contribution to the specific policy tools they are involved in implementing. This will allow the compilation at national level. As such, the system will allow matching of expenditures with results under each expenditure category, Strategic Axis, investment area and policy tool. It will also allow the establishment of the cause to effect links between policy tools and outcome results.

9.3.3 Reporting.

The system will clarify the obligations for each partner with regard to reporting against the L-IB-NAIP results framework: (i) periodicity; (ii) content; (iii) format; and (iv) audience. Every partner will report on their expenditure, level of target achievement and outcomes generated. As such, the system will empower Government to keep all partners (national and international) accountable. The reports will be compiled at national level after every six months. The annual report will be submitted for the annual sector review. Moreover, by establishing the link between policy tools and outcome results, the sector reports will inform the revision of policies and the decision-making process in general.

10. Safeguards

The implementation of the CNAP and L-IB-NAIP policy tools will comply with the safeguard procedures in force in Lesotho. Specifically, direct transfers are crafted to incentivise beneficiaries to comply with safeguard norms.



11. Budget summary

The approximate summary budget (in million Maloti) per Strategic Axis is presented as follows⁷:

AXES	2022	2023	2024	2025	2026	Total
Strategic Axis 1	11,07	73,288	5,154	4,024	4,024	97,560
Strategic Axis 2	105,775	37,353	33,553	27,303	19,300	223,284
Strategic Axis 3	255,135	94,100	68,150	10	10	437,385
Strategic Axis 4	69,350	83,350	80,600	69,100	53,350	328,500
Strategic Axis 5	139,200	112,950	62,850	26	25,250	366,250
Strategic Axis 6	130,050	35,950	34,700	13,900	13,200	227,800
Strategic Axis 7	117,600	89,675	91,305	89,205	87,855	475,640
Total	828,180	526,666	364,812	223,782	212,979	2,156,419
Contingency (5%)	41,409	26,333	18,241	11,189	10,649	107,821
Total	869, 589	552, 999	383,053	234,971	223,628	2,264,240

11. Sustainability

With the (policy) tools-based approach, the implementation of the CNAP and L-IB-NAIP transcends the action and duration of simple projects. The proposed policy tools are the technical and financial tools that the Government will implement over the long term to contribute to sustainable agricultural production and productivity, food security and regional integration, enhanced competitiveness and improved markets and trade of agricultural, livestock, fisheries, and forestry products. Funding from donors will then be directed to help the Government implement its own tools. Periodic evaluations will help to readjust these operational policy measures and improve their performance. As such, Accountability of beneficiaries and their commitment to implementing sustainability mechanisms is a guiding principle of the L-IB-NAIP policy tools and the value chain approach focusing on regional clusters favours the sustainability of production, processing and marketing of commodities of regional interest.

⁷ Refer to L-IB-NAIP (2022 – 2025) for detailed budget analysis.



Annex 1: On-going and planned Agricultural Development Projects in Lesotho

This Annex presents a snapshot of on-going and planned programs/projects implemented in the country to advance agriculture, with the financial support from the government of Lesotho supported by its partners in development.

Project Title	Objective (s)	Location	Responsible Institution	Budget	Source of Funding
Smallholder Agriculture Development Project Phase II (SADP II)	Increased adoption of climate smart agricultural technologies in Lesotho's agriculture, enhanced commercialization and improved dietary diversity among targeted beneficiaries.	Nationwide	Ministry of Agriculture and Food Security (MAFS)	US\$62 mio	IFAD WB PHRD GoL
Wool and Mohair Promotion Project (WAMPP)	Enhanced economic and climate resilience of poor, smallholder wool and mohair producers to adverse effects of climate change in the mountain and foothills of Lesotho.	Nationwide	Ministry of Agriculture and Food Security (MAFS)	US\$36.1 mio	ASAP OFID IFAD GoL
Agricultural Production Productivity in Southern Africa (APPSA)	Promotion of regional approach to agricultural technology generation and dissemination by strengthening and scaling up of Regional Center of Leadership (RcOL) on commodity of regional importance, being horticulture base farming system in the case of Lesotho.	Nationwide	Ministry of Agriculture and Food Security (MAFS)	US\$20 mio	WB GoL
Integrated Catchment Management (ICM)	Facilitation of socio-economic development adaptation to climate change in Lesotho. ICM addresses (i) a cycle of environmental degradation (ineffective governance of land and water resources); (ii) poverty	Nationwide	Department of Water, Ministry of Water Resources	EUR39 mio	EU GIZ GoL



	(addresses food insecurity) and (iii) climate change (strengthen resilience of ecological infrastructure and livelihoods).				
Lesotho Renewable Energy and Energy Access Project	Increased access to electrification in rural and peri-urban areas of Lesotho. The Project is intended to reach schools, health centers, agricultural resource centers and households.		Department of Energy, Ministry of Energy	US\$40 mio	WB
Promoting Green Value Chains for COVID 19 recovery	Support for the GoL to initiate a value-chain programme to consolidate efforts towards creating sustainable green livelihoods and jobs, through development of local-chains and supplier development systems and taking advantage of the youth in the application of clean and digital technologies to increase quality and volumes of locally produced food.	Mohale's Hoek		US\$1.5 mio	UNDP
Regeneration of Landscapes and Livelihoods (ROLL)	Regeneration of degraded and sustainable management of landscapes for sustainable livelihoods.	Thaba-Tseka, Botha-Bothe, Leribe, Qacha's Nek and Berea	Ministry of Forestry, Range and Soil Conservation (MFRSC)	US\$46.35 mio	IFAD OPEC GEF FAO GoL
Private Sector Competitiveness and Economic Diversification Project (PSCEP)	Increased private sector investments, firm growth and jobs created in non-traditional sectors.	Leribe and Maseru	Ministry of Trade and Industry	US\$14.5 mio	WB GoL



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