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ACT NO. 13 OF 2022

**Millennium Challenge Account - Lesotho II
Authority Act, 2022**

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ACT NO. 29 OF 2022

**Millennium Challenge Account - Lesotho II
Authority Act, 2022**

An Act to establish the Millennium Challenge Account-Lesotho II Authority with the object to implement the program and projects to reduce poverty through sustainable economic growth in Lesotho as described in the Millennium Challenge Compact signed on May 12, 2022 and incidental matters.

Enacted by the Parliament of Lesotho.

PART I - PRELIMINARY

Short title and commencement

1. This Act may be cited as the Millennium Challenge Account-Lesotho II Authority Act, 2022, and shall come into operation on the date of its publication in the Gazette.

Interpretation

2. (1) In this Act, unless the context otherwise requires -

“Authority” means the Millennium Challenge Account-Lesotho II Authority established under section 3;

“Board” means the Board of Directors of the Authority established under section 8;

“Compact” means the Millennium Challenge Compact concluded between the United States of America acting through MCC and the Kingdom of Lesotho acting through the Ministry of Foreign Affairs and International Relations, signed on May 12, 2022, and set out in Schedule 1 of this Act, as amended or modified from time to time;

“Companies Act” means the Companies Act, 2011;

“Financial Year” means the 12-month period of time set out in section 45;

“Fiscal Agent” means the entity engaged pursuant to section 46;

“Government” means the Government of the Kingdom of Lesotho;

“Government Affiliate” means an affiliate, ministry, local government council; department, agency, corporation or any other legal entity registered or established by the Government;

“Government Contribution” means the Government’s total contribution over the term of the Compact towards meeting the project objectives of the Program to be allocated on a yearly basis as set out in the Compact;

“Inspector General” means the Inspector General of the Millennium Challenge Corporation;

“Key Staff” means the positions in the Operations Unit as set forth in the Program Implementation Agreement;

“MCA-Lesotho II” means the abbreviated name of the Authority as referred to in section 3(1);

“MCC” means the Millennium Challenge Corporation of the United States Government, established under the Millennium Challenge Act of 2003 of the United States of America, as amended;

“MCC Disbursement Request” means a written disbursement request for MCC Funding submitted by the Authority pursuant to the Compact and the Programme Implementation Agreement;

“MCC Funding” means the financial assistance provided by MCC to the Government under the provisions of the Compact;

“MCC Observer” means the person designated by MCC to attend among other things Board meetings on behalf of MCC;

“Minister” means the individual holding the position of, or acting as, the Minister of Finance of the Kingdom of Lesotho;

“Non-Key Staff” means employees and consultants hired by the Authority who are not Key Staff;

“Operations Unit” means the employees or consultants of the Authority responsible for the day-to-day activities and assisting the Board with the implementation of the Programme;

“Procurement Agent” means the entity engaged by the Authority in accordance with section 47;

“Procurement Guidelines” means Program Procurement Guidelines of the MCC, as amended from time to time, as published on the website of the MCC for the procurement of all goods, services, and works under the Programme;

“Programme” means the projects and activities contemplated under the Compact;

“Programme Assets” means the assets and property purchased or funded, in whole or in part, by the Authority with MCC Funding;

“Program Guidelines” means the guidelines, policies or guidance papers relating to the administration of the MCC Funding, in each case, as such may be posted from time to time on the MCC website;

“Program Implementation Agreement” means the Program Implementation Agreement concluded between the United States of America acting through MCC and the Kingdom of Lesotho acting through the Ministry of Foreign Affairs and International Relations, signed on May, 12, 2022, and set out in Schedule 2, as amended or modified from time to time;

“Stakeholders Committee” means one or more bodies of representatives from the private sector, beneficiaries, civil society, and local and regional governments, which may be formally established to provide advice and input to the Authority regarding the implementation of the Programme and which may satisfy the MCC Environmental Guidelines’ requirement of stakeholder engagement; and

“Taxes” means any existing or future taxes, duties, levies, contributions or other similar charges as set out in section 41.

(2) In the event of any conflict between this Act and any other laws

in force in Lesotho, other than the Constitution of Lesotho 1993, this Act shall prevail.

(3) In the event of any inconsistency between the Compact and any law in force in Lesotho other than the Constitution of Lesotho 1993, the Compact shall prevail.

(4) Pursuant to section 3.6 of the Compact, neither the Lesotho Public Procurement Regulations of 2007², nor any other laws, regulations or policies of Lesotho shall apply to procurements to implement the Programme.

PART II - THE AUTHORITY

Establishment of the Authority

4. (1) There is established an authority, to be known as the Millennium Challenge Account-Lesotho II Authority abbreviated as MCA-Lesotho II.

(2) The Authority is -

- (a) a body corporate with perpetual succession, subject to section 47; and
- (b) capable of -
 - (i) performing the Government's obligations under the Compact including, without limitation, the Government's obligations to oversee, manage and implement the Programme;
 - (ii) suing and being sued in its own name;
 - (iii) entering into contracts as contemplated in section 6(1)(d); and
 - (iv) performing all such acts as are necessary for, or incidental to, the attainment of the Compact goal, project objectives and purpose of the Authority.

(3) The Authority shall have the powers, purpose and functions as set out in this Act, the Compact, the Programme Implementation Agreement, related agreements and, to the extent not inconsistent with such documents, any regulations made pursuant to section 49 and any policies adopted by the Board pursuant to section 16(4).

(4) The Authority and its properties, including all Programme Assets, shall have immunity from execution and attachment.

Common seal and custody of seal

4. (1) The Authority shall have a common seal.

(2) The affixing of the seal shall be authenticated by the signature of the Chairperson of the Board or such other member authorised either generally or specially by the Board to act for that purpose and of the Secretary of the Board or some other person authorised either generally or specially by the Board to act for that person.

(3) A certificate signed by the Chairperson or other member of the Board that any instrument purporting to be made or issued by or on behalf of the Board was so made or issued shall be conclusive evidence of that fact.

(4) Every document purporting to be an instrument made or issued by or on behalf of the Authority and to be sealed with the seal of the Authority and authenticated in the manner provided by this section shall be received in evidence and be deemed to be such an instrument and to be so made or issued without further proof unless the contrary is shown.

(5) The seal of the Authority shall be kept in the custody of the Secretary of the Board.

Objective and purpose of the Authority

5. (1) The objective of the Authority is to implement the Compact funded by the MCC, aimed at reducing poverty in Lesotho through economic sustainable growth.

(2) The Authority serves, on behalf of the Government during implementation of the Compact, as the central point of contact for the MCC, other

donors, contractors, grantees, and consultants, as well as the general citizenry.

(3) Notwithstanding subsection (2), the Government through the Authority remains responsible for its commitments under the Compact.

(4) The Authority shall in the implementation of the Compact discharge all of its designated rights and responsibilities established pursuant to the Compact.

Powers of the Authority

6. (1) The Authority shall have all the necessary powers and legal capacity contemplated by the Compact and this Act including, without limitation, the powers -

- (a) to discharge all inherent and designated rights and responsibilities;
- (b) to engage implementing entities, including Government Affiliates, and third parties, and may further delegate its powers in accordance with the Compact, the Programme Implementation Agreement and this Act with the approval of the MCC;
- (c) to purchase or acquire by any other means, sell, exchange, lease, dispose of, turn to account or otherwise deal with its assets whether movable or immovable (subject to the Land Act 2010) for such consideration as it thinks fit;
- (d) to enter into such contracts including international agreements as may be necessary, with private and public entities, domestic and foreign, including Government Affiliates, for the performance of its functions and any contract in respect of land or servitudes shall be subject to the Land Act 2010;
- (e) to insure against all normal commercial risks associated with the operations of the Authority;

- (f) to open and maintain bank accounts in its own name to the extent permitted under the Compact;
- (g) to engage the Fiscal Agent and the Procurement Agent as referred to in Part VII, and any replacement of these agents, subject to the approval of the MCC;
- (h) from time to time, to employ such technical or other advisers as it considers fit to advise it in respect of any matter or issue in connection with the exercise of its functions under the Compact and this Act; and
- (i) generally, to perform such duties and exercise such powers of the Authority as contemplated in the Compact, the Programme Implementation Agreement and other related agreements.

(2) The Authority shall not directly or indirectly engage in any activity prohibited under section 2.7 of the Compact.

Functions of the Authority

7. (1) The functions of the Authority shall be to -
- (a) facilitate, coordinate and ensure implementation of the Compact, the Program Implementation Agreement, and related agreements, and in so doing, ensure functional liaison with and compliance by Government Affiliates to facilitate, coordinate, and ensure implementation of such documents;
 - (b) prepare and maintain budgets and financial records, and have prepared financial accounting statements in accordance with the Compact, the Programme Implementation Agreement and the Program Guidelines;
 - (c) ensure that all procurements by the Authority are performed in accordance with the Procurement Guidelines, notwithstanding any contrary provisions of any Lesotho law, regulation, rule or policy regarding

procurements;

- (d) continue the consultative process with relevant stakeholders; and
- (e) be accountable to the Government and the people of Lesotho for the Compact's results, in accordance with the MCC's requirements and policies.

(2) The Authority shall discharge its functions in an independent, transparent and accountable manner.

PART III - THE BOARD

Establishment of the Board

8. There shall be a governing body of the Authority which shall be the Board of Directors.

Composition of the Board

9. (1) The Board shall be comprised of voting members and non-voting members.

(2) The voting board members shall, consist of the Government officials described in subsection (3)(a) who shall serve in their official capacities and be referred to as "government board members," and the individuals representing the private sector and civil society organizations described in subsections 3 (b) and (c), who shall be referred to collectively, as "non-government board members."

(3) There shall, initially, be -

- (a) six government board members representing the Ministries responsible for Finance, Agriculture and Food Security, Health, Local Government and Chieftainship, Gender, Youth, Sports and Recreation and Water;
- (b) three private sector board members, one of which shall be selected from an umbrella organisation representing

women's business organizations, one from an umbrella organisation representing entrepreneurship organizations, and one from an umbrella organisation representing farmers, all to be selected in accordance with section 10(3); and

- (c) two civil society board members, one from an umbrella organisation representing youth and one from an umbrella organisation representing people with disabilities to be selected in accordance with Section 10(3).
- (4) The non-voting board members shall, initially, consist of -
 - (a) a representative from the Ministry responsible for trade and industry;
 - (b) a representative from the Ministry responsible for small business;
 - (c) a representative from the Ministry responsible for labour and employment;
 - (d) a representative from the Ministry responsible for law and justice;
 - (e) a representative from the Ministry responsible for tourism, environment and culture;
 - (f) the Chief Executive Officer of the Authority; and
 - (g) representatives from other Ministries or organizations as the Government and MCC may agree who may be called in to provide expert guidance with regard to their sectors.
- (5) The MCC Observer to the Board -
 - (a) shall not be entitled to a vote;
 - (b) may propose topics to be discussed by the Board or

present documents to the Board for consideration; and

- (b) shall be entitled to attend and participate in all Board meetings and to receive all Board papers, correspondence and other documentation.

(6) The Government may, with the approval of MCC, designate other Ministries as successors to those referred in subsections (3)(a) and (4).

(7) All non-voting board members shall be entitled to attend and participate in all Board meetings and be entitled to receive all Board papers, correspondence and other documentation received by or to which voting members of the Board are entitled, if the items on the agenda concern them or their sectors.

(8) The Secretary of the Board shall cause the names of the represented government ministries and non-government organizations entitled to vote on the Board to be published in the Gazette.

Selection of Board Members

10. (1) The voting members of the Board shall be selected as set out in this section and subject to the prior approval of the MCC.

(2) Each government board member shall be a senior official with authority to act on behalf of the Ministry he or she represents and the government board member shall serve in his or her official capacity as long as he or she remains in office and not in a personal capacity.

(3) The members of the Board representing the private sector and civil society shall be selected by the Government in strict adherence to criteria agreed to between the Government and the MCC and pursuant to a transparent process approved by the MCC, and the MCC shall approve the final selection of each such member.

Vacancies

11. (1) If a person serving as a representative of a Ministry resigns or is removed from such Ministry, or a vacancy otherwise occurs with respect to the person, his or her position on the Board shall be taken by another person desig-

nated by the Ministry which the person represented on the Board, being another official of equivalent rank within such Ministry, or from another Government body relevant to the Programme, with the approval of the MCC.

(2) Should a vacancy occur with respect to one or more members of the Board representing the private sector or civil society, a replacement shall be selected in accordance with section 10(3).

(3) Any person filling a vacancy shall be subject to the MCC approval and, in the case of non-government board members, be appointed for the remainder of the term of the person he or she has replaced.

Disqualifications

12. (1) A person shall be disqualified from serving on the Board, if the person would be disqualified from being a director of a company under section 57 of the Companies Act, 2011.

(2) A voting member may be replaced by another official or person if he is absent from three consecutive meetings without an apology acceptable to the Board.

Term

13. Subject to his continuing eligibility to serve as a member of the Board, non-government voting members may serve on the Board until 120 days after expiry of the Compact.

Chairperson

14. (1) The Board shall select the chairperson from among the Government voting members of the Board by majority vote to serve as Chairperson of the Board until 120 days after the expiry of the Compact.

(2) The Chairperson shall certify that all documents and reports submitted to the MCC by the Board in accordance with the Compact, Program Implementation Agreement, and related agreements, have been approved by the Board, and such submissions are true, accurate and complete.

Secretary of the Board

15. There shall be a Secretary of the Board who shall be the legal adviser of the Authority, unless otherwise determined by the Board.

Functions of the Board

16. (1) The Board shall be an independent decision-making body with ultimate authority and responsibility for the oversight, direction and decisions of the Authority, subject to any rights of approval of the MCC contained in the Compact, the Programme Implementation Agreement, related agreements and the MCC policies.

(2) The Board shall give effect to the provisions of this Act and at all times in so doing, be mindful of the provisions of the Compact, the Programme Implementation Agreement and other related agreements.

(3) Without limiting the generality of subsection (2), the responsibilities of the Board shall include -

- (a) ensuring compliance with and implementing the Programme in accordance with the provisions of the Compact, the Programme Implementation Agreement and related agreements;
- (b) ensuring that the MCC Funding is used for its intended purposes;
- (c) overseeing and providing direction to the Operations Unit; and
- (d) considering the recommendations and advice of the Stakeholders Committee(s).

(4) The Board shall, with the approval of the MCC, institute and implement such internal guidelines and policies consistent with the Compact and the Programme Implementation Agreement as may be requisite for the proper functioning of the Authority and the execution of the Programme including by-laws, a conflict of interest policy, a transparency policy and a policy regarding the treatment and handling of confidential information.

(5) Each member of the Board shall discharge a fiduciary duty to the Authority and in exercising their responsibilities as a member of the Board, shall act in accordance with the best interest of the Authority, the Programme and the objectives of the Compact.

Meetings of the Board

17. (1) Regular meetings of the Board shall be held at least quarterly at a time and place to be determined by the Chairperson.

(2) The Board may convene frequently in the initial stages of the programme implementation which period may be monthly.

(3) Special meetings may be convened by the Chairperson on the request of three or more voting members of the Board.

Notice of meetings

18. (1) A notice for any regular meeting shall be given, in writing, to each member of the Board by hand or electronic mail at least seven days prior to the date of such a meeting.

(2) A notice for any special meeting shall be given, in writing, to every member of the Board not less than forty eight hours before the date and time of such a meeting, in the manner set out for regular meetings.

(3) Notwithstanding subsections (1) and (2) a meeting may be held on shorter notice, if at least six voting members of the Board and the MCC Observer waive, in writing, the requirement to receive notice in respect of any such a meeting.

(4) All notices shall be in writing and shall specify the date, time and venue of the meeting with an agenda of the proposed business of the meeting.

Quorum

19. At all meetings of the Board the quorum shall be six voting members of whom at least three shall be government board members and two shall be non-government board members who may be represented by their alternates, and

such alternates shall be no less senior than the immediate deputy of such members.

Voting

20. (1) Decisions of the Board shall be taken by a majority of the voting members present.

(2) Each voting member shall have one vote.

(3) In the event of an equality of votes the Chairperson presiding at the meeting shall have a casting vote.

(4) Any urgent decision may be taken by the Board without a formal meeting, subject to the MCC approval, if -

(a) a written draft resolution is circulated to all members of the Board; and

(b) at least six voting members of the Board consent, in writing, to the resolution.

Board Executive Committee

21. (1) The Board may, in accordance with the terms of the Program Guidelines, form a Board Executive Committee of its members authorized to take certain limited actions.

(2) If formed by the Board, the majority of the executive committee shall be voting members of the Board, with at least one member appointed from the non-government board members.

(3) The Chief Executive Officer shall be a member of the executive committee.

Other Committees

22. The Board may form other committees which make recommendations to the main Board as appropriate. Such committees may be composed of voting members and non-voting members of the Board and such other persons that may

have particular expertise necessary for the committee. The Board may rely on information, opinions, reports and the like prepared by any committee the Board may create, but the members of the Board remain responsible for actually taking decisions on matters addressed or raised by committees or that are otherwise necessary or prudent on behalf of the Authority and the proper implementation of the Program.

Remuneration of Board Members

23. (1) Members of the Board who are Government officials or employees shall not be entitled to receive remuneration in connection with the performance of their duties as members, except for reimbursement for reasonable, incidental expenses arising from their attendance at regular or special meetings, with the approval of the MCC.

(2) The Minister responsible for finance and the MCC may agree to remuneration terms for Board members other than those who are Government officials or employees.

Indemnity

24. (1) A member of the Board shall not be personally liable for any debt or obligation of the Authority.

(2) The Authority shall, at the cost and expense of the Government without utilising any MCC Funding for this purpose, indemnify, defend and hold harmless, each member of the Board including the MCC Observer, from and against any and all claims, losses, actions, liabilities, costs, damages or expenses, arising or incurred by the member in connection with or arising as a result of that member's acting as a member of the Board, except to the extent attributable to the member's fraud, gross negligence, recklessness or willful misconduct.

Applicability of Companies Act, 2011

25. The following sections of the Companies Act, 2011 shall apply to members of the Board, Key Staff and Non-Key Staff of the Authority as if such Board, Key Staff and Non-Key Staff were directors of a company:

(a) section 60 - relating to the officers of the company;

- (b) section 57- regarding the disqualification of persons for being appointed;
- (d) section 65 - relating to the disclosure of interests by a director; and
- (e) section 69 - relating to the disclosure and use of company information.

PART IV - OPERATIONS UNIT

Chief Executive Officer

26. (1) There shall be a Chief Executive Officer of the Authority who shall be selected through an open and competitive recruitment and selection process and nominated by the Board, with the approval of the MCC.

(2) The Chief Executive Officer shall -

- (a) head the Operations Unit and be responsible for the execution of the policies of the Authority and the transaction of its day to day business as set out in the Compact, the Program Implementation Agreement and other related agreements under the direction of the Board; and
- (b) report to the Board as required on all aspects of the management and administration of the Authority.

Establishment of the Operations Unit

27. (1) There shall be an Operations Unit of the Authority under the direction and oversight of the Board, made up of staff which shall execute the day-to-day activities of the Authority in the implementation of the Program.

(2) The Operations Unit shall be headed by the Chief Executive Officer and the composition and specific functions of the Operations Unit shall be set out in the Authority's by-laws.

(3) The other Key-Staff (not including the Chief Executive Officer)

shall be selected following an open and competitive recruitment and selection process and hired by the Chief Executive Officer in accordance with the MCC policies.

(4) The Authority shall use only qualified and experienced staff for the performance of its responsibilities under the Compact, Program Implementation Agreement and related agreements.

(5) The Authority shall be responsible for and shall take all necessary action with respect to any misconduct or failure of any staff retained by the Authority.

(6) The staff of the Authority shall be exempt from all civil servant laws of Lesotho, including the Public Service Act, 2005³, and any related rules, regulations, or policies.

(7) The staff of the Authority shall not be considered as workers in the public service and as such they are governed by the provisions of the Labour Code Act, 1992 and any related rules and regulations.

PART V - STAKEHOLDERS COMMITTEE

Establishment

28. (1) The Board may establish one or more Stakeholders Committees to represent the constituencies of the various projects of the Program and each committee shall be in a form satisfactory to the MCC.

(2) The Authority shall use the Stakeholders Committees to continue the consultative process throughout the compact implementation.

(3) The Stakeholders Committees shall be used primarily to inform the various constituent groups about compact implementation and provide advice and input to the Authority concerning the Program, with the goal of promoting transparency.

Composition

29. (1) The size, composition and manner of selection of members of a Stakeholders Committee shall be agreed between the Government and the MCC,

and approved by the Board and shall be dictated by the project areas and scope of the Program.

(2) The membership of a stakeholders committee shall include the Government, private sector, civil society and all structures that were consulted in developing the Compact.

Functions

30. A Stakeholders Committee shall -

- (a) engage the various constituent groups on compact implementation;
- (b) provide advice, guidance and recommendations to the Authority in regard to the implementation of the Compact; and
- (c) be entitled to receive from the Board such documentation as may reasonably be required for the Stakeholders Committee to discharge the obligations of the Stakeholders Committee.

Term of office

31. A member of the Stakeholders Committee shall be appointed for a term of two years, but shall be entitled to re-selection for a further term, unless disqualified from being a member of such Stakeholders Committee.

Vacancies

32. Any vacancy which occurs for whatever reason in membership of the Stakeholders Committee shall be filled by a person selected in accordance with the selection procedures adopted by the Board and agreed by the Government and MCC pursuant to section 29 for the remainder of the term of the person so being replaced.

Chairperson and Secretary

33. (1) There shall be a Chairperson selected by the Stakeholders Com-

mittee from among its members, who shall serve for a term of 2 years.

(2) There shall be a Secretary selected by the Stakeholders Committee from among its members, who shall serve for a term of 2 years.

(3) A Chairperson or Secretary who continues to be a member of the Stakeholders Committee may be re-elected as Chairperson or Secretary after their initial two year term.

Meetings and decisions

34. The Stakeholders Committee shall hold at least 2 general meetings per year and any other periodic meetings that may be required to discharge its functions as set out in section 30.

Notice of meetings

35. At least 7 days written notice of any general meeting shall be given to all members of the Stakeholders Committee by hand or email stating the date, time and venue of such meeting with an agenda listing the issues to be considered.

Remuneration

36. Members of a Stakeholders Committee shall not be entitled to receive remuneration in connection with the performance of their duties as members but may be entitled to reimbursement for reasonable expenditures arising from their attendance at Stakeholder Committee meetings as budgeted for and approved by the Board, with the prior approval of the MCC.

PART VI - FINANCIAL PROVISIONS

Funds, assets, resources and liabilities

37. The funds, assets, resources and liabilities of the Authority shall consist of -

- (a) any funds, assets, resources and liabilities arising under any contract entered into by the Lesotho II Compact Development Team under the auspices of the Lesotho

Millennium Development Agency prior to the establishment of the Authority that are assumed and accepted by the Authority;

- (b) the Programme Assets;
- (c) all monies or property that may be donated, contributed or granted to the Authority from whatever source;
- (d) all property and investments acquired by or invested in the Authority and, subject to section 39, all monies earned or arising from the property and investments; and
- (e) such other monies or property as may, in any manner, become payable to or vest in the Authority in respect of any matter incidental to its purposes and functions.

Bank accounts

38. The Authority may open and maintain an account or accounts with a bank and approved by the MCC.

Interest and earnings

39. The Authority shall remit to the MCC all interest and other earnings that accrue on the MCC Funding in accordance with section 2.5 of the Compact and the Programme Implementation Agreement.

Appropriation of monies and budget

40. (1) All income and property and all monies of the Authority acquired from whatever source are to be applied exclusively to the fulfilment of the purposes of the Authority in accordance with the Compact, the Program Implementation Agreement and this Act.

(2) The Government shall appropriate on an annual basis the Government Contribution from the general budget of Lesotho to the Program.

(3) The Government Contribution and MCC Funding shall be allocated directly to the Authority for the execution of the Programme and any other

source of financing shall be incorporated into its budget.

(4) The Government Contribution and MCC Funding are to be used solely for purposes of the Program and shall be exempt from all Taxes contemplated in existing laws or that are in force during the term of the Compact as further detailed in section 41.

(5) The compact budget comprised of the Government Contribution and MCC Funding shall be subject to the provisions set out in the Compact, Program Implementation Agreement and any related agreement.

Exemption from taxation

41. (1) Notwithstanding anything to the contrary in any written law contained, and without limit in the generality of section 2.8 of the Compact, the Authority is not liable to pay any existing or future taxes, duties, levies, contributions or other similar charges which are of or in Lesotho including any such taxes imposed by a national, regional, local or other governmental or taxing authority which are of or in Lesotho but liable to pay fees or charges for services that are generally applicable in Lesotho, reasonable in amount and imposed on a nondiscriminatory basis.

(2) Specifically, no Taxes or any other governmental charges of any kind or nature shall be assessed or levied upon the Authority, its activities, employees, agents, contractors or sub-contractors, or in respect of MCC Funding or the Government Contribution, except as may be set out in section 2.8 of the Compact or agreed between Government and the MCC.

(3) The exemption described in this section shall be implemented through the procedures set out in the Compact, including Annex VI of the Compact, or such other procedures as the MCC and the Government may agree.

(4) For the purposes of this section, the tax exemption does not apply to natural persons who are citizens or permanent residents of Lesotho, and legal persons formed under the laws of Lesotho as set out in Annex VI of the Compact.

Authority to cover outgoings

42. The Authority shall perform its functions as to ensure that, taking one

year with another, its available resources are sufficient to meet the expenditures properly chargeable to the Authority.

Accounts and audit

43. (1) The Authority shall keep proper accounts and other financial records in relation to the operations of the Authority, and, such accounts and records shall conform to the MCC policies and internationally accepted standards.

(2) The accounts of the Authority shall be audited by an independent external auditor approved by the MCC and selected and procured in accordance with the MCC's Accountable Entities Guidelines for Contracted Financial Audits and the Procurement Guidelines.

(3) Audits of the Authority shall be performed in accordance with the Compact and the Programme Implementation Agreement and shall be subject to quality assurance oversight by the Inspector General.

(4) The following persons shall not be procured as auditors of the Authority:

- (a) a member of the Board, Key Staff or Non-Key Staff of the Authority or any person related to such by blood, marriage, or domestic partnership;
- (b) a person who -
 - (i) is a business partner of a member of the Board;
 - (ii) is an employer or employee of a member of the Board, or of Key Staff or Non-Key Staff of the Authority;
 - (iii) is an officer or employee of a body corporate which is employed by the Authority; or
 - (iv) by himself or herself or his or her partner or his or her employee, regularly performs the duties of the Secretary or bookkeeper to the Authority.

(5) The Authority shall provide access to its accounts, financial records and facilities to the Inspector General, the United States Government Accountability Office, and the MCC and their agents to conduct any audit assessment review, evaluation or inspection of the Authority or the Programme as contemplated by the Compact.

Information to be furnished to the Minister

44. The Authority shall, not later than six months after the end of the Financial Year, submit to the Minister -

- (a) a balance sheet and profit and loss account that truly and correctly reflects the state of affairs of the Authority at the end of the last preceding Financial Year;
- (b) a report signed by the auditor procured under section 43 after examination of the accounts of the Authority -
 - (i) containing a statement that to the best of his knowledge and belief and on information supplied to him, the balance sheet and profit and loss account reflect a true statement of the assets and liabilities of the Authority at the end of the last preceding Financial Year and of the profit and loss for the period covered; or
 - (ii) if he is unable to make the statement or to make it without qualification, containing particulars of the facts or circumstances that prevent him from making that statement, or an indication of the qualification; and
- (c) a report of the Authority concerning the operations of the Authority during the last preceding Financial Year and its future policy program.

(2) The Minister shall not later than three months, present the reports mentioned in subsection (1) to Parliament

Financial year

45. The financial year of the Authority shall -
- (a) commence on the first day of April;
 - (b) be for the twelve consecutive months; and
 - (c) terminate on the last day of March of the following year.

PART VII - FISCAL AND PROCUREMENT AGENTS**Fiscal agent**

46. The Authority shall engage a Fiscal Agent through an open and internationally competitive process approved by the MCC to discharge financial management activities on behalf of the Authority which shall include the following:

- (a) preparing the fiscal accountability plan specifying fiscal management and procurement related controls to be followed by the Authority;
- (b) ensuring and certifying that disbursements of MCC Funding are properly authorised in accordance with control procedures set out in the Programme Implementation Agreement, related agreements and the MCC policies;
- (c) managing and performing account reconciliation of any permitted account established and maintained for the purpose of receiving disbursements of MCC Funding as set out in the Compact, Programme Implementation Agreement, related agreements and the MCC policies;
- (d) providing applicable certifications in connection with the MCC Disbursement Requests;
- (e) maintaining proper accounting records and a document disaster recovery system of all the MCC-funded financial transactions; and

- (f) assisting in the preparation of budget development procedures.

Procurement agent

47. (1) The Authority shall engage a Procurement Agent through an open and internationally competitive process approved by the MCC to carry out procurement activities on behalf of the Authority.

(2) The Procurement Agent shall be responsible for the implementation of the procurement standards set out in the Compact, the Programme Implementation Agreement and the Procurement Guidelines.

Intellectual property rights

48. Should there be any financial gain to the Authority as a result of any intellectual property developed that was funded, in whole or in part, with MCC Funding or the Government Contribution, the Authority shall be liable for compensating the inventor of such intellectual property, in relation to copyrights, trade secrets or patents developed during compact implementation.

PART VII - MISCELLANEOUS

Regulations

49. The Minister may, on the recommendation of the Board and with the approval of the MCC, make regulations consistent with the Compact and this Act for the better functioning of the Authority.

Winding up of the Authority

50. The Authority shall wind up 120 days after the expiry of the Compact pursuant to the Companies Act, 2011 or subsequent legislation, unless continued under section 51.

Continuation of the Authority

51. (1) The Authority may continue to exist and function for such period after 120 days beyond the Compact's expiry, including any extension or renewal as the Minister may determine and as may be provided for by an Act of Parlia-

ment.

(2) The Minister shall make such a determination under subsection (1) no later than 120 days before the Compact's expiry.

(3) From and after the effective date, stated in an Act made pursuant to subsection (1), any reference to the MCC and its functions and to the Compact shall, subject to modifications, be removed from this Act.

Act to prevail over other laws

52. This Act and its provisions, including the provisions of the Compact set out in Schedule 1 and those of the Program Implementation Agreement set out in Schedule 2 and incorporated by this reference, shall prevail over any existing or future law, rule or regulation that is inconsistent with or conflicts with a provision of this Act.

SCHEDULE I

COMPACT AGREEMENT

**MILLENNIUM CHALLENGE COMPACT BETWEEN THE UNITED
STATES OF AMERICA, ACTING THROUGH THE MILLENNIUM
CHALLENGE CORPORATION AND THE KINGDOM OF LESOTHO,
ACTING THROUGH THE MINISTRY OF FOREIGN AFFAIRS AND
INTERNATIONAL RELATIONS MILLENNIUM CHALLENGE
COMPACT**

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MILLENNIUM CHALLENGE COMPACT PREAMBLE

This MILLENNIUM CHALLENGE COMPACT (this “*Compact*”) is between the United States of America, acting through the Millennium Challenge Corporation, a United States government corporation (“*MCC*”), and the Kingdom of Lesotho, acting through the Ministry of Foreign Affairs and International Relations (the “*Government*”) (individually, a “*Party*” and collectively, the “*Parties*”). As used in this Compact, the terms listed in Annex V shall have the respective meanings provided therein.

Recalling that the Parties successfully concluded an initial Millennium Challenge Compact (which entered into force on September 17, 2008, and expired by its terms on September 17, 2013) that advanced the progress of Lesotho in achieving lasting economic growth and poverty reduction, demonstrated the strong partnership between the Parties, and was implemented in accordance with MCC's core policies and standards;

Recognizing that the Parties are committed to the shared goals of promoting economic growth and the elimination of extreme poverty in Lesotho and that MCC assistance under this Compact supports Lesotho's demonstrated commitment to strengthening good governance, economic freedom and investments in people;

Recalling that the Government consulted with the private sector and civil society of Lesotho to determine the priorities for the use of MCC assistance and developed and submitted to MCC a proposal for such assistance to achieve lasting economic growth and poverty reduction; and

Recognizing that MCC wishes to help Lesotho implement the program described herein to achieve the goal and objectives described herein (as such program description and objectives may be amended from time to time in accordance with the terms of this Compact, the "**Program**").

The Parties hereby agree as follows:

ARTICLE 1.

GOAL AND OBJECTIVES

Section 1.1 Compact Goal. The goal of this Compact is to reduce poverty through economic growth in Lesotho (the "**Compact Goal**"). MCC shall provide assistance in a manner that strengthens good governance, economic freedom, and investments in the people of Lesotho.

Section 1.2 Project Objectives. The Program consists of the four projects described in Annex I (each a "**Project**" and collectively, the "**Projects**"). The objective of each of the respective Projects (each a "**Project Objective**" and collectively, the "**Project Objectives**") is:

- (a) to improve health outcomes through strengthening Lesotho's primary health care (PHC) system (the "**HSS Project Objective**");
- (b) to increase rural incomes related to commercial horticulture, including for women, youth, and the rural poor, and establish a sustainable and inclusive model of irrigation, water resource, and land management (the "**MDIH Project Objective**");
- (c) to stimulate an increase in firm-level profits and formal employment from a pipeline of Firms supported by the Project, including MSMEs owned by women and youth and Firms in rural areas (the "**BETA Project Objective**"); and
- (d) to facilitate DFC¹ investments in Lesotho (the "**ACFD Project Objective**").

ARTICLE 2.

FUNDING AND RESOURCES

Section 2.1 Program Funding.

Upon entry into force of this Compact in accordance with Section 7.3, MCC shall grant to the Government, under the terms of this Compact, an amount not to exceed Two Hundred Sixty-Nine Million Seven Hundred Thirty-Eight Thousand United States Dollars (US\$269,738,000) ("**Program Funding**") for use by the Government to implement the Program. The multi-year allocation of Program Funding is generally described in Annex II.

Section 2.2 Compact Facilitation Funding.

NOTE

1. DFC or the US International Development Finance Corporation is the US Government's development bank whose mission is to mobilize investments that produce positive developmental impacts in lower income countries.

(a) Upon the signing of this Compact, MCC shall grant to the Government, under the terms of this Compact and in addition to the Program Funding described in Section 2.1, an amount not to exceed Thirty Million Two Hundred Sixty-Two Thousand United States Dollars (US\$30,262,000) (***“Compact Facilitation Funding”*** or ***“CFF”***) under Section 609(g) of the Millennium Challenge Act of 2003, as amended (the ***“MCA Act”***), for use by the Government to facilitate implementation of this Compact, including for the following purposes:

- (i) financial management and procurement activities;
- (ii) administrative activities (including start-up costs such as staff salaries) and administrative support expenses such as rent, computers, and other information technology or capital equipment;
- (iii) monitoring and evaluation activities;
- (iv) feasibility, design, and other project preparatory studies; and
- (v) other activities to facilitate Compact implementation as approved by MCC.

The allocation of CFF is generally described in Annex II.

(b) In accordance with Section 7.5, this Section 2.2, and other provisions of this Compact applicable to CFF shall be effective, for purposes of CFF only, as of the date this Compact is signed by MCC and the Government.

(c) Each Disbursement of CFF (other than any Disbursement for the MCC Contracted CFF Activities) is subject to satisfaction of the conditions precedent to such disbursement as set forth in Annex IV.

(d) If MCC determines that the full amount of CFF available under Section 2.2(a) exceeds the amount that reasonably can be utilized for the purposes set forth in Section 2.2(a), MCC, by written notice to the Government, may withdraw the excess amount, thereby reducing the amount of the CFF available under Section 2.2(a) (such excess, the ***“Excess CFF Amount”***). In such event, the amount of CFF granted to the Government under Section 2.2(a) shall be reduced by the Excess CFF Amount, and MCC shall have no further obligations with respect to such Excess CFF Amount.

(e) MCC, at its option by written notice to the Government, may elect to grant to the Government an amount equal to all or a portion of such Excess CFF Amount as an increase in the Program Funding, and such additional Program Funding shall be subject to the terms and conditions of this Compact applicable to Program Funding.

(f) Without limiting the generality of Section 2.2(a), the Government agrees that MCC shall directly administer and manage a portion of the Compact Facilitation Funding for the purpose of facilitating the hiring of MCA-Lesotho II staff and for such other purposes as may be agreed in writing by the Parties (the “MCC Contracted CFF Activities”). Notwithstanding anything to the contrary in this Compact or the Program Implementation Agreement, MCC shall utilize applicable United States Government procurement rules and regulations in any procurements it administers and manages in connection with MCC Contracted CFF Activities and shall disburse Compact Facilitation Funding from time to time for the MCC Contracted CFF Activities directly to the relevant providers upon receipt of valid invoices approved by MCC.

Section 2.3 MCC Funding.

Program Funding and CFF are collectively referred to in this *Compact as “MCC Funding,”* and includes any refunds or reimbursements of Program Funding or CFF paid by the Government in accordance with this Compact. The total amount of MCC Funding made available under this Compact shall not exceed Three Hundred Million United States Dollars (US\$300,000,000).

Section 2.4 Disbursement.

In accordance with this Compact and the Program Implementation Agreement, MCC shall disburse MCC Funding for expenditures incurred in furtherance of the Program (each instance, a “*Disbursement*”). Subject to the satisfaction of all applicable conditions precedent, Disbursements shall be made available to the Government, at MCC’s sole election, by (a) deposit to one or more bank accounts established by the Government and acceptable to MCC (each, a “*Permitted Account*”) or (b) direct payment to the relevant provider of goods, works or services for the implementation of the Program. MCC Funding may be expended only for Program expenditures.

Section 2.5 Interest.

The Government shall pay or transfer to MCC, in accordance with the Program Implementation Agreement, any interest or other earnings that accrue on MCC Funding prior to such funding being used for a Program purpose.

Section 2.6 Government Resources; Budget.

(a) Consistent with the Guidelines for Country Contributions, the Government shall make a contribution of no less than Twenty-Two Million Two Hundred Seventy-Three Thousand United States Dollars (US\$22,273,000) over the Compact Term toward meeting the Project Objectives of this Compact (the “**Government Contribution**”). The yearly allocation of the Government Contribution is generally described in Annex II, and a more detailed allocation shall be described in the Program Implementation Agreement, along with additional terms and conditions applicable to the Government Contribution. The Government Contribution shall be subject to any legal requirements in Lesotho for the budgeting and appropriation of such contribution, including approval of the Government’s annual budget by its legislature. During implementation of the Program, the Government Contribution may be modified with MCC approval as provided in the *Guidelines for Country Contributions*, provided that the modified contribution continues to advance the Project Objectives. In addition, the Government shall provide all funds and other resources, and shall take all other actions, that are necessary to carry out the Government’s responsibilities under this Compact.

(b) The Government shall use its best efforts to ensure that all MCC Funding it receives or is projected to receive in each of its fiscal years is fully accounted for and identified in its annual budget for the duration of the Program.

(c) The Government shall not reduce the normal and expected resources that it would otherwise receive or budget from sources other than MCC for the activities contemplated under this Compact and the Program.

(c) Unless the Government discloses otherwise to MCC in writing, MCC Funding shall be in addition to the resources that the Government would otherwise receive or budget for the activities contemplated under this Compact and the Program.

Section 2.7 Limitations on the Use of MCC Funding.

The Government shall ensure that MCC Funding is not used for any purpose that would violate United States law or policy, as specified in this Compact or as further notified to the Government in writing, including but not limited to the following purposes:

- (a) for assistance to, or training of, the military, police, militia, national guard or other quasi-military organization or unit;
- (b) for any activity that is likely to cause a substantial loss of United States jobs or a substantial displacement of United States production;
- (c) to undertake, fund or otherwise support any activity that is likely to cause a significant environmental, health, or safety hazard, as further described in MCC's Environmental Guidelines and any guidance documents issued in connection with such guidelines (collectively, the ***"Environmental Guidelines"***); or
- (d) to pay for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions, to pay for the performance of involuntary sterilizations as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations or to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning.

Section 2.8 Taxes.

- (a) Unless the Parties specifically agree otherwise in writing, the Government shall ensure that all MCC Funding is free from the payment or imposition of any existing or future taxes, duties, levies, contributions or other similar charges (but not fees or charges for services that are generally applicable in Lesotho, reasonable in amount and imposed on a nondiscriminatory basis) (***"Taxes"***) of or in Lesotho (including any such Taxes imposed by a national, regional, local or other governmental or taxing authority of or in Lesotho). Specifically, and without limiting the generality of the foregoing, MCC Funding shall be free from the payment of (i) any tariffs, customs duties, import taxes, export taxes, and other similar charges on any goods, works or services introduced into Lesotho in connection with the Program; (ii) sales tax, value added tax, excise

tax, property transfer tax, and other similar charges on any transactions involving goods, works or services in connection with the Program, (iii) taxes and other similar charges on ownership, possession or use of any property in connection with the Program, and (iv) taxes and other similar charges on income, profits, or gross receipts attributable to work performed in connection with the Program, and related social security taxes and other similar charges on all natural or legal persons performing work in connection with the Program. For the avoidance of doubt, in the case of the foregoing clause (iv), natural and legal persons shall remain subject to taxation in their home jurisdictions (but excluding MCA-Lesotho II and any other entity formed for the purpose of implementing the Government's obligations hereunder).

(b) The mechanisms that the Government shall use to implement the tax exemption required by Section 2.8(a) for certain principal Taxes are set forth in Annex VI. Such mechanisms may include exemptions from the payment of Taxes that have been granted in accordance with applicable law, refund or reimbursement of Taxes by the Government to MCC, MCA-Lesotho II or to the taxpayer, or payment by the Government to MCA-Lesotho II or MCC, for the benefit of the Program, of an agreed amount representing any collectible Taxes on the items described in Section 2.8(a). For the avoidance of doubt, the identification (or lack of identification) of Taxes on Annex VI shall in no way limit the scope of the tax-free treatment required by this Section 2.8. In addition, the Government shall from time to time execute and deliver, or cause to be executed and delivered, such other instructions, instruments or documents, and to take or cause to be taken such other actions as may be necessary or appropriate in the determination of MCC, in order to implement the provisions of this Section 2.8.

(c) Unless otherwise specifically provided herein or in the PIA, if a Tax has been paid contrary to the requirements of Section 2.8(a), the Government shall refund promptly to MCC (or to another party as designated by MCC) the amount of such Tax in United States dollars or the currency of Lesotho within thirty (30) days (or such other period as may be agreed in writing by the Parties) after the Government is notified in writing (whether by MCC or MCA-Lesotho II) that such Tax has been paid. Failure to refund such amount within the specified time shall result in interest accruing on the unpaid amount in accordance with Section 5.4.

(d) The Government shall not apply any MCC Funding, any proceeds thereof or any Program Assets to satisfy its obligations under Section 2.8(c).

ARTICLE 3.

IMPLEMENTATION

Section 3.1 Program Implementation Agreement.

The Parties shall enter into an agreement providing further detail on the implementation arrangements, fiscal accountability and disbursement, and use of MCC Funding and the Government Contribution, among other matters (the ***“Program Implementation Agreement” or “PIA”***); and the Government shall implement the Program in accordance with this Compact, the PIA, any other Supplemental Agreement and any Implementation Letter.

Section 3.2 Government Responsibilities.

(a) The Government has principal responsibility for overseeing and managing the implementation of the Program.

(b) The Government hereby designates an entity to be established as an autonomous entity through an act of the Lesotho Parliament, as the accountable entity to implement the Program and to exercise and perform the Government’s right and obligation to oversee, manage and implement the Program, including without limitation, managing the implementation of the Projects and their Activities, allocating resources, and managing procurements. Such entity shall be referred to herein as ***“MCA-Lesotho II,”*** and shall have the authority to bind the Government with regard to all Program activities. The Government hereby also designates MCA-Lesotho II to exercise and perform the Government’s right and obligation to oversee, manage, and implement the activities described in the Grant and Implementation Agreement, dated February 20, 2019, by and between the Government and MCC (as amended or otherwise modified, the ***“CDF Agreement”***). The designation contemplated by this Section 3.2(b) does not relieve the Government of any obligations or responsibilities hereunder or under any related agreement, for which the Government remains fully responsible, and any provision of this Compact, the PIA or any Supplemental Agreement obligating MCA-Lesotho II to take any action or refrain from taking any action, as the case may be, means the Government shall cause MCA-Lesotho II to take such action or refrain from taking such action, as the case may be. MCC hereby acknowledges and consents to the designation in this Section 3.2(b).

(c) The Government shall ensure that any Program Assets or serv-

ices funded in whole or in part (directly or indirectly) by MCC Funding are used solely in furtherance of this Compact and the Program unless MCC agrees otherwise in writing.

(d) The Government shall take all necessary or appropriate steps to achieve each of the Project Objectives during the Compact Term (including, without limiting Section 2.6(a), funding all costs that exceed MCC Funding and are required to carry out the terms hereof and achieve such objectives, unless MCC agrees otherwise in writing).

(e) The Government shall ensure that the Program is implemented, and that the Government carries out its obligations hereunder, with due care, efficiency, and diligence in conformity with sound technical, financial, and management practices, and in conformity with this Compact, the Program Implementation Agreement, each Supplemental Agreement, each Implementation Letter, and the Program Guidelines.

(f) Subject to Section 3.6(b), the Government retains the ownership rights, including the right to use, all Intellectual Property developed under the Program; and also hereby grants to MCC a perpetual, irrevocable, royalty-free, worldwide license (including the right to assign such license) to practice or have practiced on its behalf (including the right to produce, reproduce, publish, repurpose, use, store, modify, or make available) any portion or portions of Intellectual Property as MCC sees fit in any medium, now known or hereafter developed, for any purpose whatsoever related to furthering its mission. MCC and the Government may describe any Intellectual Property developed during the Compact Term in an Implementation Letter. For the avoidance of doubt, the Government hereby waives any license fees and agrees that MCC shall have no financial liability to the Government for the license.

Section 3.3 Policy Performance. In addition to undertaking the specific policy, legal, and regulatory reform commitments identified in Annex I (if any), the Government shall seek to maintain and to improve its level of performance under the policy criteria identified in Section 607 of the MCA Act, and the selection criteria and methodology used by MCC.

Section 3.4 Accuracy of Information.

The Government assures MCC that, as of the date this Compact is signed by the Government, the information provided to MCC by or on behalf of the Government in the course of reaching agreement with MCC on this Compact is true,

correct, and complete in all material respects.

Section 3.5 Implementation Letters.

From time to time, MCC may provide guidance to the Government in writing on any matters relating to this Compact, MCC Funding or implementation of the Program. The Government shall use such guidance in implementing the Program. The Parties may also issue jointly agreed upon writings to confirm and record their mutual understanding on aspects related to the implementation of this Compact, the PIA or other related agreements, including any agreed upon revisions, exceptions or modifications that are permitted hereunder. Such writings are referred to herein as ***“Implementation Letters.”***

Section 3.6 Procurement and Grants.

(a) The Government shall ensure that the procurement of all goods, works, and services to implement the Program shall be in accordance with MCC’s Program Procurement Guidelines (the ***“Program Procurement Guidelines”***). Accordingly, neither the Lesotho Public Procurement Regulations of 2007 (as amended) nor any other laws, regulations or policies of Lesotho regarding procurements shall apply to procurements to implement the Program. The Program Procurement Guidelines include the following requirements, among others:

(i) open, fair, and competitive procedures must be used in a transparent manner to solicit, award, and administer contracts and to procure goods, works, and services;

(ii) solicitations for goods, works, and services must be based upon a clear and accurate description of the goods, works, and services to be acquired;

(iii) contracts must be awarded only to qualified contractors that have the capability and willingness to perform the contracts in accordance with their terms on a cost effective and timely basis; and

(iv) no more than a commercially reasonable price, as determined, for example, by a comparison of price quotations and market prices, shall be paid to procure goods, works, and services.

(b) The Government shall ensure that any grant issued in furtherance of the Program (each, a “**Grant**”) is awarded, implemented, and managed pursuant to open, fair, and competitive procedures in accordance with MCC’s Program Grant Guidelines (the “**Program Grant Guidelines**”).

Section 3.7 Records; Accounting; Covered Providers; Access.

(a) Government Books and Records. The Government shall maintain, and shall use its best efforts to ensure that all Covered Providers maintain, accounting books, records, documents, and other evidence relating to the Program adequate to show, to MCC’s satisfaction, the use of all MCC Funding and the Government Contribution to the implementation and results of the Program (“Compact Records”). In addition, the Government shall furnish or cause to be furnished to MCC, upon its request, originals or copies of such Compact Records.

(b) Accounting. The Government shall maintain, and shall use its best efforts to ensure that all Covered Providers maintain, Compact Records in accordance with generally accepted accounting principles prevailing in the United States, or at the Government’s option and with MCC’s prior written approval, other accounting principles, such as those (i) prescribed by the International Accounting Standards Board, or (ii) then prevailing in Lesotho. Compact Records must be maintained for at least five (5) years after the end of the Compact Term or for such longer period, if any, required to resolve any litigation, claims or audit findings or any applicable legal requirements.

(c) Access. Upon MCC’s request, the Government, at all reasonable times, shall permit, or cause to be permitted, authorized representatives of MCC, the Inspector General of MCC (“**Inspector General**”), the United States Government Accountability Office, any auditor responsible for an audit contemplated herein or otherwise conducted in furtherance of this Compact, and any agents or representatives engaged by MCC or the Government to conduct any assessment, review, or evaluation of the Program, the opportunity to audit, review, evaluate, or inspect facilities, assets, and activities funded in whole or in part by MCC Funding or the Government Contribution.

Section 3.8 Audits; Reviews.

(a) Government Audits. The Government shall, on at least an annual basis (or on such other intermittent basis as requested by MCC in writing),

conduct, or cause to be conducted, financial audits and review engagements of all Disbursements of MCC Funding and the Government Contribution covering the period from signing of this Compact until the following March 31 or September 30 and covering each twelve-month period thereafter, through the end of the Compact Term, as well as the 120-day period following the expiration of the Compact Term. All such audits shall be performed in accordance with and subject to the terms of the *Accountable Entities Guidelines for Contracted Financial Audits* (the “**Audit Guidelines**”) or such other processes and procedures as MCC may direct from time to time. In addition, the Government shall ensure that such audits are conducted by an independent auditor approved by MCC and selected in accordance with the Audit Guidelines. Each audit must be completed, and the draft audit report delivered to MCC no later than 120 days after the applicable audit period, or such other period as the Parties may otherwise agree in writing. Any changes to the period to be audited shall be included in an audit plan developed and implemented by MCA-Lesotho II in accordance with the Audit Guidelines and Program Implementation Agreement and as approved by MCC (the “*Audit Plan*”) or as agreed by the Parties in writing.

(b) **Audits of Other Entities.** The Government shall ensure that MCC-financed agreements between the Government and any Covered Provider state that the Covered Provider is subject to audit in accordance with the Audit Guidelines.

(c) **Corrective Actions.** The Government shall use its best efforts to ensure that each Covered Provider (i) takes, where necessary, appropriate, and timely corrective actions in response to audits, (ii) considers whether the results of the Covered Provider’s audits necessitate adjustment of the Government’s records, and (iii) permits independent auditors to have access to its records and financial statements as necessary.

(d) **Audit by MCC.** MCC shall have the right to arrange for audits of the Government’s use of MCC Funding.

Cost of Audits, Reviews or Evaluations. MCC Funding may be used to fund the costs of any audits, reviews or evaluations required under this Compact.

COMMUNICATIONS

Any document or communication required or submitted by either Party to the other under this Compact must be in writing and, except as otherwise agreed with MCC, in English. All such documents or communication must be submitted to the address of each Party set forth below or to such other address as may be designated by any Party in a written notice to the other Party.

Millennium Challenge Corporation

To the Government:

Ministry of Finance

To MCA-Lesotho II:

Upon establishment of MCA-Lesotho II, the Government shall notify the Parties of the contact details for MCA-Lesotho II.

Section 4.2 Representatives.

For all purposes relevant to implementation of this Compact, the Government shall be represented by the individual holding the position of, or acting as, the Minister of Finance of the Kingdom of Lesotho, and MCC shall be represented by the individual holding the position of, or acting as, Vice President, Compact Operations (each of the foregoing, a “***Principal Representative***”). Each Party, by written notice to the other Party, may designate one or more additional representatives of the Government or MCC, as appropriate (each, an “***Additional Representative***”) for all purposes relevant to implementation of this Compact except for amending this Compact pursuant to Section 6.2(a). The Government hereby designates the future Chief Executive Officer (or equivalent officer) of MCA-Lesotho II as an Additional Representative for the Government. MCC hereby designates the Deputy Vice President, Department of Compact Operations (Africa) and the Resident and Deputy Resident Country Directors for Lesotho as Additional Representatives for MCC. A Party may change its Principal Representative to a new representative that holds a position of equal or higher authority upon written notice to the other Party.

Section 4.3 Signatures.

Signatures to this Compact and to any amendment to this Compact shall be original signatures appearing on the same page or in an exchange of letters or diplomatic notes.

ARTICLE 5.

TERMINATION; SUSPENSION; EXPIRATION

Section 5.1 Termination; Suspension.

(a) Either Party may terminate this Compact in its entirety by giving the other Party thirty (30) days’ prior written notice. MCC may also terminate MCC Funding in part by giving the Government thirty (30) days’ prior written notice.

(b) MCC may, immediately, upon written notice to the Government, suspend or terminate this Compact or MCC Funding, in whole or in part, and any obligation related thereto, if MCC determines that any circumstance identified by MCC as a basis for suspension or termination (as notified to the Gov-

ernment in writing) has occurred, which circumstances include but are not limited to the following:

(i) the Government fails to comply with its obligations under this Compact or any other agreement or arrangement entered into by the Government in connection with this Compact or the Program;

(ii) any statement, affirmation or assurance of the Government made or deemed made in this Compact, the PIA, any Supplemental Agreement, or in any certificate or other document delivered in connection with this Compact proves to have been incorrect or misleading as of the date when made or deemed made;

(iii) an event or series of events has occurred that makes it probable that any of the Project Objectives is not going to be achieved during the Compact Term, or that the Government is not going to be able to perform its obligations under this Compact;

(iv) a use of MCC Funding or continued implementation of this Compact or the Program violates applicable law or United States Government policy, whether now or hereafter in effect;

(v) the Government or any other person or entity receiving MCC Funding or using Program Assets is engaged in activities that are contrary to the national security interests of the United States;

(vi) an act has been committed or an omission or an event has occurred that would render Lesotho ineligible to receive United States economic assistance under Part I of the Foreign Assistance Act of 1961, as amended (22 U.S.C. 2151 et seq.), by reason of the application of any provision of such act or any other provision of law;

(vii) the Government has engaged in a pattern of actions inconsistent with the criteria used to determine the eligibility of Lesotho for assistance under the MCA Act;

(viii) Lesotho is classified as a Tier 3 country in the United States Department of State's annual Trafficking in Persons Report; and

(ix) a person or entity receiving MCC Funding or using Pro-

gram Assets is found to have been convicted of a narcotics offense or to have been engaged in drug trafficking.

Section 5.2 Consequences of Termination, Suspension or Expiration.

(a) Upon the suspension or termination, in whole or in part, of this Compact or any MCC Funding, or upon the expiration of this Compact, the provisions of Section 4.2 of the Program Implementation Agreement shall govern the post-suspension, post-termination or postexpiration treatment of MCC Funding, any related Disbursements, and Program Assets. Any portion of this Compact, MCC Funding, the Program Implementation Agreement or any other Supplemental Agreement that is not suspended or terminated shall remain in full force and effect.

(b) MCC may reinstate any suspended or terminated MCC Funding under this Compact if MCC determines that the Government or other relevant person or entity has committed to correct each condition for which MCC Funding was suspended or terminated.

Section 5.3 Refunds; Violation.

(a) If any MCC Funding, any interest or earnings thereon, or any Program Asset is used for any purpose in violation of the terms of this Compact, then MCC may require the Government to repay to MCC in United States Dollars the value of the misused MCC Funding, interest, earnings, or asset, plus interest thereon in accordance with Section 5.4 within thirty (30) days after the Government's receipt of MCC's request for repayment. The Government shall not use MCC Funding, proceeds thereof or any Program Assets to make such payment.

(b) Notwithstanding any other provision in this Compact or any other agreement to the contrary, MCC's right under Section 5.3(a) to obtain a refund shall continue during the Compact Term and for a period of (i) five (5) years thereafter or (ii) one (1) year after MCC receives actual knowledge of such violation, whichever is later.

Section 5.4 Late Payment Interest.

If the Government fails to pay any amount under this Compact or the Program Implementation Agreement when due (including amounts under Sections 2.8(c)

and 5.3(a)), the Government shall pay interest on such past due amount. Interest shall accrue on such amount at a rate equal to the then current US Treasury Current Value of Funds Rate, calculated on a daily basis and a 360-day year from the due date of such payment until such amount is paid in full. Any such payment shall first be credited against interest due, and once the interest due amount is extinguished, then payments shall be credited against outstanding principal.

Section 5.5 Survival.

The Government's responsibilities under this Section and Sections 2.7 (Limitations on the Use of MCC Funding), 2.8 (Taxes), 3.2(f) (Government Responsibilities), 3.7 (Records; Accounting; Covered Providers; Access), 3.8 (Audits; Reviews), 5.2 (Consequences of Termination, Suspension or Expiration), 5.3 (Refunds; Violation), 5.4 (Late Payment Interest), and 6.4 (Governing Law) shall survive the expiration, suspension or termination of this Compact, provided that the terms of Sections 2.7 and 2.8 shall survive for only 120 days following this Compact's expiration.

ARTICLE 6.

COMPACT ANNEXES; AMENDMENTS; GOVERNING LAW

Section 6.1 Annexes.

Each annex to this Compact constitutes an integral part hereof, and references to "Annex" mean an annex to this Compact unless otherwise expressly stated.

Section 6.2 Amendments and Modifications.

(a) The Parties may amend this Compact only by a written agreement. Such agreement shall specify how it enters into force.

(b) Notwithstanding subsection (a), the Parties agree that the Government and MCC may by written agreement, which shall enter into force upon signature, modify any Annex to, in particular, but without limitation (i) suspend, terminate or modify any Project or Activity, (ii) change the allocations of funds as set forth in Annex II, (iii) modify the implementation framework described in Annex I, (iv) add, change or delete any indicator, baseline or target or other information set forth in Annex III in accordance with the M&E Policy, (v) add, modify or delete any condition precedent described in Annex IV or (vi) modify

the mechanisms for exempting MCC Funding from Taxes as set forth in Annex VI; *provided that*, in each case, any such modification (A) is consistent in all material respects with the Project Objectives, (B) does not cause the amount of Program Funding to exceed the aggregate amount specified in Section 2.1 (as may be modified by operation of Section 2.2(e)), (C) does not cause the amount of CFF to exceed the aggregate amount specified in Section 2.2(a), (D) does not reduce the Government's responsibilities or contribution of resources required under Section 2.6(a), and (E) does not extend the Compact Term.

(c) The Parties understand that any amendment of this Compact or any modification of any Annex pursuant to this Section 6.2 may be entered into by the Government without the need for further action by the Government (including any parliamentary action), or satisfaction of any additional domestic requirements of Lesotho.

Section 6.3 Inconsistencies.

In the event of any conflict or inconsistency between:

(a) any Annex and any of Articles 1 through 7, such Articles 1 through 7, as applicable, shall prevail; or

(b) this Compact and any other agreement between the Parties regarding the Program, this Compact shall prevail.

Section 6.4 Governing Law.

This Compact is an international agreement and as such shall be governed by international law.

Section 6.5 Additional Instruments.

Any reference to activities, obligations or rights undertaken or existing under or in furtherance of this Compact or similar language shall include activities, obligations, and rights undertaken by, or existing under or in furtherance of any agreement, document or instrument related to this Compact and the Program.

Section 6.6 References to MCC Website.

Unless expressly provided otherwise, any reference in this Compact, the PIA or

any other agreement entered into in connection with this Compact, to a document or information available on, or notified by posting on the MCC Website shall be deemed a reference to such document or information as updated or substituted on the MCC Website from time to time.

Section 6.7 References to Laws, Regulations, Policies and Guidelines; References to Compact Expiration and Termination; Government Successors.

(a) Unless expressly provided otherwise, each reference in this Compact, the PIA, or any other agreement entered into in connection with this Compact, to a law, regulation, policy, guideline, or similar document shall be construed as a reference to such law, regulation, policy, guideline, or similar document as it may, from time to time, be amended, revised, replaced, or extended, and shall include any law, regulation, policy, guideline or similar document issued under or otherwise applicable or related to such law, regulation, policy, guideline or similar document.

(b) Unless expressly provided otherwise, each reference in this Compact, the PIA, or any other agreement entered into in connection with this Compact, to a policy, guideline, guidance paper, or similar document shall be construed as a reference to an MCC policy, guideline, guidance paper, or similar document relating to the administration of MCC-funded assistance programs, in each case, as such may be posted from time to time on the MCC Website.

(c) Unless expressly provided otherwise, each reference in this Compact, the PIA, or any other agreement entered into in connection with this Compact, to a Government ministry shall be construed to include any successor ministry with the relevant subject matter or sector authority.

(d) Each reference in this Compact, the PIA or any other agreement entered into in connection with this Compact, to the Compact's "expiration" refers to the date on which the Compact Term ends if the Compact is not terminated earlier, which in accordance with Section 7.4 is five (5) years after its entry into force. Each reference in any of the aforementioned documents to the Compact's "termination" refers to this Compact ceasing to be in force prior to its expiration in accordance with Section 5.1.

Section 6.8 MCC Status.

MCC is a United States government corporation acting on behalf of the United

States Government in the implementation of this Compact. MCC and the United States Government assume no liability for any claims or loss arising out of activities or omissions under this Compact. The Government waives any and all claims against MCC or the United States Government or any current or former officer or employee of MCC or the United States Government for all loss, damage, injury, or death arising out of activities or omissions under this Compact and agrees that it shall not bring any claim or legal proceeding of any kind against any of the above entities or persons for any such loss, damage, injury, or death. The Government agrees that MCC and the United States Government or any current or former officer or employee of MCC or the United States Government shall be immune from the jurisdiction of all courts and tribunals of Lesotho for any claim or loss arising out of activities or omissions under this Compact.

ARTICLE 7.

ENTRY INTO FORCE

Section 7.1 Domestic Procedures.

The Government shall proceed in a timely manner to complete all of its domestic requirements for this Compact and the PIA to enter into force. The Parties understand that consistent with Lesotho law, prior to the Government sending the letter described in Section 7.3, this Compact and the PIA are to be submitted to and approved by the Lesotho Parliament.

Section 7.2 Conditions Precedent to Entry into Force.

Each of the following conditions must be met to MCC's satisfaction before this Compact enters into force:

(a) the Program Implementation Agreement is signed by the parties thereto;

(b) The Government delivers to MCC:

(i) a letter signed and dated by the Principal Representative of the Government, or such other duly authorized representative of the Government acceptable to MCC, confirming that the Government has completed its domestic requirements necessary for this Compact to enter into force and that the other conditions precedent to entry into force in this Section 7.2 have been met;

(ii) a signed legal opinion from the Attorney General of Lesotho (or such other legal representative of the Government acceptable to MCC), in form and substance satisfactory to MCC;

(iii) complete, certified copies of all decrees, legislation, regulations or other governmental documents relating to the Government's domestic requirements necessary for this Compact and the PIA to enter into force, which MCC may post on its website or otherwise make publicly available;

(c) MCC determines that, after signature of this Compact, the Government has not engaged in a pattern of actions inconsistent with the eligibility criteria for MCC Funding; and

(d) The conditions set forth in Annex VII are satisfied.

Section 7.3 Date of Entry into Force.

This Compact shall enter into force on the date of the letter from MCC to the Government in an exchange of letters confirming that MCC and the Government have completed their respective domestic requirements for entry into force of this Compact and that the conditions precedent to entry into force in Section 7.2 have been met to MCC's satisfaction.

Section 7.4 Compact Term.

This Compact shall remain in force for five (5) years after its entry into force, unless terminated earlier under Section 5.1 (the "***Compact Term***").

Section 7.5 Provisional Application.

Upon signature of this Compact, and until this Compact has entered into force in accordance with Section 7.3, the Parties shall provisionally apply the terms of this Compact; *provided that*, no MCC Funding, other than CFF, shall be made available or disbursed before this Compact enters into force.

SIGNATURE PAGE FOLLOWS ON THE NEXT PAGE

IN WITNESS WHEREOF, the undersigned duly authorized by their respective governments have signed this Compact.

Done at Maseru, Lesotho, this 12th day of May, 2022.

FOR THE UNITED STATES
OF AMERICA,
acting through
THE MILLENNIUM
CHALLENGE CORPORATION

/s/

.....
Name: Alice P. Albright
Title: Chief Executive Officer

FOR THE KINGDOM OF LESOTHO,
acting through THE MINISTRY
OF FOREIGN AFFAIRS AND
INTERNATIONAL RELATIONS

/s/

.....
Name: Honorable 'Matšepo
Molise-Ramakoae
Title: Minister of Foreign Affairs and
International Relations

SIGNATURE PAGE TO MILLENNIUM CHALLENGE COMPACT
BETWEEN THE UNITED STATES OF AMERICA
ACTING THROUGH THE MILLENNIUM CHALLENGE CORPORATION
AND THE KINGDOM OF LESOTHO
ACTING THROUGH THE MINISTRY OF FOREIGN AFFAIRS AND
INTERNATIONAL RELATIONS

ANNEX I

PROGRAM DESCRIPTION

This Annex I describes the Program to be funded with MCC Funding and the Government Contribution during the Compact Term.

A. PROGRAM OVERVIEW

1. Background and Consultative Process.

(a) Background.

The Kingdom of Lesotho is a mountainous, landlocked country approximately the size of Maryland and is surrounded entirely by South Africa. Of its two million inhabitants, approximately 60% live below the poverty line. In addition, the distribution of wealth and income within the country is highly unequal, with a GINI coefficient of .45, placing Lesotho in the top fifth of all countries. Several factors drive the poverty and economic inequality in Lesotho, including the mountainous geography which isolates rural areas from centers of economic activity, the persistent political instability, and pervasive gender discrimination.

To identify and prioritize the most significant of these drivers or the most binding constraints to economic growth in Lesotho, MCC and the Government's compact development team, the Lesotho Millennium Development Agency (LMDA) conducted a constraints analysis. From this analysis, two binding constraints to growth emerged, and through a consultative process further described below, MCC and the Government agreed to focus on one: ineffective policy planning, coordination, and execution. This constraint is characterized by the Government's ineffectiveness in delivering the public goods and services necessary to create private-sector led, poverty-reducing growth in Lesotho. Root cause analysis of the constraint revealed that Lesotho suffers from a cyclic system of an underdeveloped private sector, too small to demand quality public goods and services from a government that instead delivers those goods and services based on political and personal patronage, further retarding private sector growth. Additionally, institutionalized and systemic gender discrimination and a lack of meaningful employment opportunities for a burgeoning youth population further exacerbate the effects of the constraint.

MCC and the Government have designed a Program that seeks to address the root causes of the constraint of ineffective policy planning, coordination, and execution across three key sectors: health, agriculture, and access to finance. The Program aims to spur private sector growth by increasing workforce productivity through improved health outcomes, investing in the emerging and largely uncaptured horticulture sector, and supporting the creation and viability of private businesses. The Program's investments are also designed to target structurally disadvantaged populations, particularly the poor, women, and youth. The Parties expect that a stronger, more robust, and organized private sector constituency will be able to demand more effective and efficient goods and services from government. In turn, a more effective and efficient government can provide the public with the goods and services necessary to stimulate and sustain private-sector led, poverty-reducing growth.

(b) Consultative Process.

Beginning in early 2018 when Lesotho was reselected for compact development, MCC and LMDA conducted stakeholder workshops and other forms of stakeholder consultations that included all levels of government, civil society, private sector, donors, and regular citizens throughout the country. As the program design began to take shape, consultations were targeted towards those stakeholders who are likely to be engaged or affected by the Program's design and implementation. While the COVID-19 pandemic reduced MCC and LMDA's ability to host large workshops in 2020 and 2021, LMDA utilized virtual meetings, small stakeholder meetings, and television, radio, and print media to share information and solicit feedback on the program design.

2. Description of Program and Beneficiaries.

(a) Program Description.

The Program consists of four Projects, each designed to respond to the constraint of ineffective policy planning, coordination, and execution, align with the Government's national development priorities, and lead to poverty reduction and sustainable economic growth in Lesotho: (i) the Health Systems Strengthening Project, (ii) the Market Driven Irrigated Horticulture Project, (iii) the Business Environment and Technical Assistance Project; and (iv) the American Catalyst Facility for Development Project.

(b) Intended Beneficiaries.

The Program is projected to benefit a total of 2,591,000 people². This includes 1,429,000 beneficiaries defined as "poor" and 2,028,000 beneficiaries defined as "near-poor."³

NOTE

2. This number includes beneficiaries affected during the 20-year period following the end of the Compact Term and reflects population growth over that time. 2019 Revision of World Population Prospects (2019). United Nations. Site: <https://population.un.org/wpp/>.

3. These beneficiary categories are defined based on the following levels of consumption per day (in 2011 PPP international dollars): Extremely poor: less than \$1.90; Poor: less than \$3.20; Near-poor: between \$3.20 and \$5.50.

Beneficiaries of the Health Systems Strengthening Project are expected to include roughly 2.5 million people representing all individuals who access public primary health care services over the course of the 20-year benefit time horizon considered for the cost-benefit analysis. A substantial share of benefits are expected to accrue through improved maternal and child health outcomes, and therefore disproportionately accrue to women and children.

Households of farmers participating in the Market Driven Irrigated Horticulture Project are primarily the beneficiaries of that Project. Assuming one household per farm, one farm per hectare, and five family members per household, the total number of direct beneficiaries is expected to be 10,000. In addition, for every dollar of additional production attributable to the Project, another 23 percent of indirect benefits can be expected due to multiplier effects. Therefore, depending on the employment patterns outside of irrigated horticulture, the number of indirect beneficiaries of the Project could be an additional 2,300, for a total of 12,300 beneficiaries.

Beneficiaries of the Business Environment and Technical Assistance Project are primarily the households of the firms that receive technical assistance through the Project. Assuming one household per small firm, and 14 employees total, each leading a household, in the medium sized firms, and five family members per household, the total number of beneficiaries of the Project is approximately 6,000.

The American Catalyst Facility for Development Project will be a joint effort of the US International Development Finance Corporation (DFC), MCC and the Government. While DFC will appraise, oversee and monitor project activities, MCC and the Government expect to work closely with DFC during all phases of the Project from identifying activities to activity development and through implementation. It is expected that DFC will assess and report the benefits of all project activities using its Impact Quotient (IQ) system for measuring development impact, which measures the investment's impact on economic growth, potential job creation, inclusion, and innovation. MCC and DFC will collaborate to assess and quantify the benefits of the Project in a manner that is acceptable to all parties.

B. DESCRIPTION OF PROJECTS

Set forth below is a description of each Project that the Government agrees to implement, or cause to be implemented, using MCC Funding and the Government Contribution to advance the applicable Project Objective. In addition, specific activities to be undertaken within each Project (each, an “*Activity*”), including sub-activities, are also described.

1. Health Systems Strengthening Project

(a) Summary of Project and Activities.

The objective of the Health Systems Strengthening Project (the “*HSS Project*”) is set forth in Section 1.2 of this Compact. To accomplish the HSS Project Objective, the Project focuses on strengthening key elements of the primary health care (PHC) system in Lesotho, specifically increasing the capacity of Lesotho’s Ministry of Health (MOH) in all ten districts, including all healthcare facilities receiving subventions from the Government, strengthening the patient registration and referral systems, improving clinical competencies and supervision, integrating budgeting and financial reporting systems, and increasing coordination across all levels of the health care system. The Project also supports improved information availability and utilization to contribute to greater transparency and accountability in the health sector.

The HSS Project is comprised of the following three Activities:

(i) Primary Health Care Service Provision Activity.

This Activity tackles the challenges to providing quality PHC, including gender-based violence (GBV) prevention and response, in Lesotho through an integrated approach that includes support to stakeholders at the national, district, and village levels.

Specifically, the Activity supports:

(A) expansion, improvement, and implementation of a standardized, transferable patient record system, interoperable with the national health information system (referred to as DHIS2), including software and IT hardware as required for system operation and to access patient medical records and aggregate patient data for decision-making;

(B) expansion, improvement, and implementation of a standardized patient registration, triage and referral process to ensure patients receive quality PHC services, including GBV services, at the lowest level of the health system that can safely and effectively provide the services;

(C) technical assistance to support the MOH in providing staff training on the improved patient record system and the improved patient referral and triage processes; and to support the MOH's integration of the systems into service delivery practice;

(D) establishment of a MOH-led quality assurance program to ensure clinical practice guidelines and standard operating procedures in the health-care system, including GBV prevention and response, are consistent with global evidence-based best practice, updated regularly, and consistently applied to enable a more standardized level of care and coordination among health care workers;

(E) training of health care workers, including pre-service students and in-service staff, in the use of the standardized clinical guidelines and operating procedures developed as part of the MOH-led quality assurance program;

(F) establishment of regional Centers of Excellence to model quality care, and provide mentorship and clinical competency-based training for health workers at lower levels of the health system;

(G) technical assistance to the MOH to implement the Counter Domestic Violence Law, including to establish policies and processes that strengthen delivery of GBV-related health services, referrals, and reporting;

(H) capacity building for local training institutions to provide pre- and in-service training to MOH professionals in (1) supportive supervision, a facilitative approach that promotes mentorship, joint problem-solving and communication between supervisors and supervisees, (2) administrative competencies in areas such as finance and human resource management, and (3) clinical competencies;

(I) establishment of a standardized system

for utilizing village health workers (VHWs) in the delivery of PHC; and capacity building for health center staff who support and supervise VHWs, including the ability of health center staff to report VHW data into the health information system;

(J) implementation research and technical assistance to the MOH to re-design, standardize and improve the use of community-based services (e.g., VHWs, health posts, and health outreaches) to deliver quality PHC; and

(K) technical assistance to the MOH to strengthen its internal and external communication capacity and efforts, including support for the design, development, and distribution of health information materials to healthcare workers and the public.

(ii) District Health Management Team Reform Activity.

This Activity focuses on improving the capacity of Lesotho's local-level health-care management units, known as District Health Management Teams (DHMTs), to address local priorities and deliver high quality PHC services to the populations they serve. To accomplish this, the Activity supports expanding DHMT health financial systems and management capacity and bolstering the institutional support DHMTs receive from national and central level entities. The Parties expect that with adequate central-level support and resources, better trained DHMT staff, and the ability and autonomy to manage financial resources, DHMTs can provide a significantly higher quality of PHC.

Specifically, the Activity provides funding for:

(A) capacity building for local training institutions to provide management and skills training to DHMT staff in areas such as annual planning, financial management, personnel and equipment management, and data analysis;

(B) technical assistance to support MOH staff (central and DHMT) management capacity through on-the-job training and mentoring;

(C) technical assistance to Government ministry professionals and other health sector stakeholders in forming multi-disci-

plinary teams and/or technical working groups to identify administrative, managerial, and/or clinical problems in their respective practices and execute solutions;

(D) support to the Ministry of Finance (MOF) and MOH to extend financial management systems to the DHMT level, enabling district-level decision-makers to access funding and financial data in a timely manner, and better target expenditures by tracking finances and services delivered, as well as disease incidence and prevalence;

(E) an assessment of the interoperability of the DHMT financial and health information systems to determine how financial and health service data can be most efficiently accessed and analyzed for preparing and adjusting the annual operating plans (AOPs) of the DHMTs;

(F) technical assistance to strengthen DHMT capacity to involve stakeholders and partners in the planning and evaluation of programs, services, and comprehensive AOPs, including an operations budget that is assessed and adjusted quarterly, allowing the measurement of district-level PHC service delivery, including GBV services, against targets;

(G) technical assistance to the MOH and MOF to establish an annual budgetary process for determining the annual budget and resource needs of the DHMTs, and allocating funds and resources in a timely manner based on the approved budget and plan in order to increase DHMT planning and financial autonomy;

(H) grants to DHMTs meeting established key performance indicators as a means of incentivizing financial reforms and improved PHC service delivery, including GBV services;

(I) technical assistance to support DHMTs to produce quarterly data and the MOH to revitalize the Annual Joint Review to measure performance against targets;

(J) technical assistance to support the MOH in tracking and managing health care worker training; and

(K) technical assistance to support the MOH in defining PHC staffing structures, roles and processes from the community to

district levels, including GBV.

(iii) Digital Health Services Activity.

Access to reliable data and the ability to use it appropriately is critical in the health sector both for health system management and for providing quality clinical care. This Activity supports interventions aimed at making health data systems across Lesotho interoperable, improving data availability, confidentiality, analysis, and usability at all levels of the health system, and equipping the Government to improve its current and future workforce capacities to analyze and use health data.

Specifically, this Activity includes:

(A) integration, extension, and improvement of the existing health management system, providing decision makers at all levels with quality information to make clinical, management, and resource allocation decisions;

(B) identifying and addressing gender data gaps for public health services and administrative processes, and standardize gender-disaggregated data collection and reporting;

(C) expansion of the e-Register IT system currently limited to HIV and tuberculosis patients into a national electronic medical record system covering all PHC patients (including those who have experienced interpersonal violence) and linked to the patients' national identification documents;

(D) pre-service and in-service health worker training programs to offer nurses, facility administrators, ministry level staff and other health workers courses in health information competencies, including adherence to confidentiality, and training on digital health applications to ensure all relevant stakeholders have the capacity necessary to utilize the integrated digital health systems, together with the creation of a joint MOH and the Ministry of Communication, Science and Technology (MOCST) capacity development master plan to structure and guide the training;

(E) technical assistance to MOH and MOCST to develop and implement standard operating procedures for provision

of ICT technical support, including district- and facility-level maintenance and software support;

(F) establishment of a center of expertise in data analysis and visualization (1) to promote professional development in data analysis, (2) to assist the MOH, civil society and others deriving insights from available data sets, and (3) to provide small grants to civil society to promote innovation, transparency and accountability in health services, as well as to promote other Project Objectives of this Compact;

(G) technical assistance to help DHMTs develop mechanisms for periodic validation of data necessary to increase transparency in the use of resources and accountability through public verification;

(H) technical assistance to support implementation of the Data Protection Act and a government-wide data sharing policy, including development of a platform for sharing government data to facilitate the use of aggregate health data by academia, the private sector, development partners, and the public; and

(I) technical assistance to align reporting of health information with national development plans and M&E indicators.

(b) Environmental and Social Mitigation Measures.

The HSS Project is classified as a Category C project per the Environmental Guidelines. An Environmental and Social Impact Assessment (ESIA) is not planned for the Project as no major environmental, climate, or social impacts have been identified with the proposed health activities. A compact-wide Environmental and Social Management System (ESMS) will be developed and will outline any specific environmental and social risks and related management measures within the HSS Project. One area of possible risk is related to the IT equipment installation under the PHC Services Provision Activity which may require developing Environment and Social Management Plans (ESMPs) or Health and Safety Management Plans (HSMPs) depending on whether building or room upgrades are needed, or disposal of old equipment is required. Finally, the Project will need to be monitored for compliance with IFC Performance Standard 2 Labor and Working Conditions.

(c) Gender and Social Inclusion.

The HSS Project integrates gender and social inclusion across its activities. There is particular attention to providing local health services, including VHWs and health outposts that reach the most remote villages, and empowering health clinic managers, nurses, and VHWs to better collect and use data for health services and decision making at the local level. Coordination and supportive supervision of VHWs is aimed at improving health care access for remote and underserved populations, and then better connecting these patients to higher levels of the health care system where they will benefit from improved health center services, referrals, patient data tracking, and district hospital services.

The Project integrates and highlights GBV response throughout the project design through its focus on providing better and expanded services for GBV survivors at PHC locations, addressing pre-service training of health staff, ensuring protocols for GBV are standardized in all health facilities, applying international best practices on tracking GBV in the health data system, and ensuring confidentiality, coordinating referrals both within the MOH as well as to and from other relevant government institutions and nongovernmental service providers, and promoting awareness in communities of GBV-related health services. The Counter Domestic Violence Law provides the legal framework for implementation of all the GBV treatment, referral work and reporting that is integrated throughout the HSS Project design.

The HSS Project does not involve large works, but nonetheless poses a risk for women working with foreign and Basotho contractors of being coerced into sexual relationships in exchange for maintaining employment and achieving better working conditions. Also, given the anticipated increase in internet access and usage as a result of e-government services and data use in the HSS Project, there is an increased risk of social media being used to find and lure victims into forced labor and sex trafficking. The Government will conduct a stand-alone, project-level trafficking-in-persons (TIP) risk assessment for the Project.

(d) Donor Coordination.

The HSS Project considers and connects elements of the work of multiple donors and lenders, principal among them the President's Emergency Plan for AIDS Response (PEPFAR), the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund) and the World Bank. MCC's collaboration with PEPFAR is discussed below. In addition, the HSS Project utilizes certain standard operating

procedures, including tele-mentoring and training tools in use by PEPFAR and the Global Fund. MCC will engage actively with Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) in the GBV Coordination Forum (GBVCF), a cross-ministerial and nongovernmental anti-GBV stakeholder group led by the Ministry of Gender Youth Sports and Recreation whose aim is to strengthen national GBV efforts and activities through increased coordination. The Project also builds on learning from a World Bank-funded performance-based finance approach to quality of care.

(e) USAID.

PEPFAR is the majority presence of USAID in Lesotho and Centers for Disease Control and Prevention (CDC) representatives are part of the Lesotho PEPFAR team. MCC has contributed \$800K to the Lesotho Demographic and Health Survey (DHS) via an interagency agreement with USAID Lesotho. MCC regularly coordinates with the Lesotho PEPFAR Country Chair, Lesotho USAID Country Director and PEPFAR team to ensure the HSS Project will sustain other USG investments and is not duplicative. Finally, the health program builds on the substantial work of PEPFAR/USAID/CDC in the e-Register system and connection to DHIS2, the national health information system, and the Project will extend both systems.

(f) Sustainability.

Sustainability of the HSS Project rests on four pillars. First, the Project interventions change systems and build capacity at the central or MOH-level and at district- and community-level health facilities across the country. Project interventions targeting these institutions are inherently sustainable to the extent they can improve the use of data and empower local actors to effectively deliver services independent of high-level political turnover. Second, the Project targets cost savings through decentralizing resources to the level at which they can be most efficiently used. These reforms and capacity building will result in more efficient use of existing resources, and the opportunity for the MOH to make reallocations based on where resources are most needed. Third, the Project is built around reforms aimed at fostering accountability at all levels within the health system. This approach ensures that performance improvements are driven by incentives within Government institutions rather than by outside parties, and increases the likelihood that improvements will be sustained beyond the Compact Term. Finally, the Government will assume financial responsibility for the operational and maintenance costs of the digital health and health communication investments during the final years of the Compact Term. This will ensure that the long-

term recurring costs of maintenance and communications are part of the Government's regular and ongoing budget.

(g) Policy, Legal and Regulatory Reforms.

The HSS Project is a reform project at its core and will offer technical assistance and use resultsbased financing to achieve and incentivize behavior change. In addition, the Project addresses legal and regulatory reform through the following: (i) implementation of the Counter Domestic Violence Law, establishing policies and processes to strengthen the delivery of GBV related health services, referrals and reporting; and (ii) technical assistance to support implementation of the Data Protection Act and a government-wide data sharing policy.

2. Market Driven Irrigated Horticulture Project

(a) Summary of Project and Activities.

The objective of the Market Driven Irrigated Horticulture Project (the “**MDIH Project**”) is set forth in Section 1.2 of this Compact. The Project plans to achieve this objective by making a catalytic investment in irrigation in partnership with commercial investors, providing local capacity building and technical assistance, and supporting reforms in land, water, and gender with the expectation that these interventions will spur sustainable and inclusive private sector growth and investment in the horticulture sector.

The MDIH Project is comprised of the following three Activities and sub-activities:

(i) Institutional Reform Activity.

This Activity aims to ensure that strong legal and policy frameworks are in place in Lesotho to support the growth of irrigation throughout the country in an equitable and sustainable way. It achieves this goal by improving the capacity of Government and other institutions to deliver and sustain the services necessary for inclusive growth in irrigated horticulture. The Activity targets land, water, and gender-inclusive services in particular.

(A) Rural Land Registration Reform Sub-Activity

The irrigated land to be developed under the MDIH Project will be very valuable because of its productive potential. Providing strong and secure rights to this

land will catalyze its productive use and protect the interests of the land holders. The strongest land rights available in Lesotho are leases registered with the Land Administration Authority (LAA). Funding under this subactivity will support interventions aimed at improving Lesotho's rural land registration system so that rural land market participants, including holders of irrigated land, can obtain registered land leases in an efficient and cost-effective manner.

Specifically, this sub-activity includes:

(1) technical assistance to various Government entities at the national, regional, and local levels to support reforms to the rural land registration system. These are likely to include registration business processes, including collaboration across levels of government, land-survey reforms, land-use planning reforms, targeted information technology investments, training, and outreach to the beneficiary populations;

(2) addressing regulatory and administrative gaps that weaken women's land rights, and ensuring that women fully participate in and benefit from the registration reforms, including:

(A) technical assistance for reforms necessary to implement key provisions of the Harmonization Bill and inheritance legal reforms that impact compact gender objectives;

(B) technical assistance for regulatory and administrative reforms that address gaps in implementation of gender equality objectives in the Land Act, including those that enable and promote the practice of retroactively adding spouses' names to land titles issued before passage of the Legal Capacity of Married Person Act (LCMPA) or prior to marriage of the document holder, as allowed by law; and to enable joint or co-owners to be included on land titles;

(C) technical assistance for strengthening protections for vulnerable smallholders against inequitable land sales and leasing;

(D) an outreach, communication and social and behavior change (SBC) campaign on the gender and social reforms, designed for communities, local government, and the judiciary; and

(3) support for the integration of natural resources management into land use planning to the extent practical, through both formal structuring of land use plans at the national level, and through training and capacity building that will be implemented at the local level on grazing management and best land use practices for farmers in the Irrigated Perimeters along with community members, local chiefs, herd boys and local extension workers.

Interventions under this sub-activity are expected to be carried out in the local council jurisdictions where the Irrigated Perimeters are located, and in up to five additional jurisdictions where the Government foresees future irrigation investments as set forth in its National Irrigation Master Plan (NIMP). District governments, and national-level institutions such as the LAA, the Ministry of Local Government and Chieftainship, and the Ministry of Law and Justice are expected to be key participants in this sub-activity.

(B) Irrigation and Water Reform Sub-Activity

The Irrigation and Water Reform Sub-Activity furthers the objective of the MDIH Project by reforming the laws, policies, and regulations governing Lesotho's irrigation sector and the institutions that oversee, administer, and implement them. The sub-activity includes:

(1) technical assistance to key Government ministries responsible for providing water and irrigation related services, including the Ministry of Water (MOW) and its office of the Commissioner of Water, and the Ministry of Agriculture and Food Security (MAFS) to expand, improve, and strengthen the legal and regulatory framework for irrigated agriculture and formalize the roles within these agencies to support improved governance of the irrigated agriculture and integrated water resources management sectors, with a focus on inclusion of reforms that support access and opportunities for women, youth, and vulnerable populations;

(2) technical assistance to MAFS to enact a national irrigation law and adoption of an irrigation policy that function jointly to provide, at a minimum, for the development and use of public irrigation infrastructure and the creation of independent farmer managed water user associations (WUAs) as a special type of legal form with effective fee recovery mechanisms;

(3) technical assistance to MOW to support revisions to the Lesotho Water Act (Act No. 15 of 2008) to (i) promote improved

water resources management (WRM) and support the implementation of key WRM activities; (ii) strengthen the legal basis for integrated catchment management (ICM); (iii) foster and facilitate inter-ministerial collaboration; (iv) promote better data collection and management; and (v) address dam safety;

(4) cross-cutting measures delivered through training and capacity building within MAFS and participating farming communities that link pertinent policy reforms with local level implementation procedures, improve collaboration between relevant national and local level government agencies and farmers of Irrigated Perimeters, and foster replication of the MDIH Project success;

(5) technical assistance and capacity building to MAFS and MOW to implement new regulations, policies, strategies, and procedures using the Irrigation Infrastructure Development Activity as an example where practical; and

(6) providing climate and river basin monitoring equipment and institutional support to MOW to advance data collection and long-term monitoring within project affected catchment management areas.

(C) Capacity Support for Inclusive Horticulture Services Sub-Activity

This sub-activity targets the structurally disadvantaged populations of women, youth, and the poor with the goal of including them in the emerging high-value horticulture sector. It recognizes that government institutions supporting the sector have largely gender- and inclusionblind policies and programs, and without a specifically focused intervention, women, youth, and the poor are at risk of falling further behind. To that end, this sub-activity will build capacity in the MAFS to provide services that respond to the needs of women, youth, and the poor enabling them to succeed in commercial horticulture. Priority areas include budgeting, data disaggregation and use, training methodologies and content (e.g., use of ‘gender transformational’ approaches), information dissemination and technology, and support for farmer’s organizations and aggregation. The sub-activity will also build capacity within the Ministry of Gender, Youth, Sports and Recreation (MOGYSR) to carry out its role in supporting gender and youth programming in other ministries with roles in supporting the horticulture sector beyond the Compact Term.

(ii) Irrigated Horticulture Support Services Activity.

This Activity focuses on helping smallholder farmers and landowners overcome

the obstacles to sustaining their irrigation systems by providing relevant technical assistance and attracting experienced commercial farmers to help leverage smallholder efforts and sustain infrastructure investments. To maximize benefits, the Activity features interventions designed with SBC and gender and inclusion in mind, and MCC and the Government expect the interventions to directly contribute to the long-term sustainability and profitability of the Program's investment in irrigation.

The Activity is comprised of the following sub-activities, and will be managed or coordinated by a team of expert consultants who will provide support, training and coordination of all capacity building interventions:

(A) Land Rights Formalization Sub-Activity

This sub-activity works in tandem with the Rural Land Registration Reform Sub-Activity by focusing on ensuring holders of land rights are able to secure those rights through leases registered with the LAA, taking advantage of the strongest form of land holding in Lesotho.

Specifically, this sub-activity includes: (1) technical assistance to the local councils to identify holders of land that will be developed into irrigated land by the Project and issue documentation evidencing these pre-existing land rights to such holders; (2) support to the local councils to lay out and survey the irrigated land parcels developed by the Project; (3) support to the land holders with pre-existing rights to decide how they want to use the irrigated land parcels they will receive through the Project (for example, direct farming of the land, transferring use rights to the land to an anchor farmer, or a combination of direct farming and anchor farmer use); and (4) support to the local councils and the LAA to prepare and issue registered land leases for each irrigated parcel in the names of the leaseholders.

Like the Rural Land Registration Reform Sub-Activity, this sub-activity will also focus on ensuring that women fully participate in and benefit from the intervention. Because women's land rights in rural Lesotho remain tenuous, a systematic process of documenting and registering leases in the Irrigated Perimeters that reflect women's rights will help to ensure full compliance with the law, address procedural or administrative barriers to documenting jointly held rights, and ensure that gender equitable standards are followed. Accordingly, this sub-activity will:

(1) At the start, carry out communications and outreach, SBC, and workshops using a gender transformative methodology (e.g., GALS). These will include information on the gender legal reforms, process for registration, making and disputing claims of rights, reasons for joint titling, and relevant gender issues;

(2) In delineation of rights and boundaries and land registration, use best practices to identify the rights of different vulnerable populations and address their land tenure security; and

(3) Apply best practices in securing women's land rights, including: (A) application forms and titles will be designed for more than one applicant and owner to allow for joint ownership, leaving no discretion to administrators; (B) land leases will be issued in joint ownership between spouses based on the default absolute community of property marital property regime found in the Land Act, the LCMPPA as well as in custom; (C) widows will be presumed to have legal rights to a land parcel, with the burden of proof on the disputant to show cause for the land rights to be awarded otherwise; and (D) accessible adjudication processes/grievance procedures will be established that allow any party to dispute the rights that are claimed on a given parcel.

(B) Scheme Management and Capacity Building Sub-Activity

Successful management, operation and maintenance of the Irrigation Schemes will require new institutions that are designed for the context of Lesotho as well as a cadre of smallholder farmers and other community members skilled and trained to support those institutions. The Scheme Management and Capacity Building Sub-Activity seeks to provide these two key ingredients through the following interventions:

(1) support for the design and establishment of one or more of the following types of institutions:

(A) Independent Farming Unit: A farmer association of viable size with an elected management committee (or similar structure). This entity would enter into contractual agreements as a joint venture with an investor or anchor farmer for the operation of the Independent Farming Unit. Targets will be developed for significant participation by women and youth.

(B) Water User Association or Scheme Man-

agement Entity: A WUA or other scheme management entity will be necessary to control and manage the provision of water to each irrigated perimeter, including the operation and maintenance of bulk water use, storage, and provision. The leadership of each WUA will have significant representation from women and youth.

(C) Scheme Governance Board: Each scheme is proposed to have an overarching governance board to deal with issues that affect the entire scheme, for example water tariffs, approval of commercial joint venture partners, and common infrastructure issues. The scheme governance board will have significant representation from women and youth smallholders.

The design of these institutions will be further developed in consultation with communities, public sector agencies and international development partners in Lesotho and across Africa who have tried and tested various approaches. Moreover, goals will be established for each institutional type to provide for participation of women and youth.

(2) to jump-start farmer training and capacity building, an irrigated pilot area will be established on each project site in the first year of the Compact Term allowing the independent farming units and WUAs to be established and mobilized early. The pilot areas are also important to demonstrate irrigated horticulture's potential to farmers hesitant to grow irrigated horticulture products and prefer food security staples like maize;

(3) a training center at each project site to support classroom-based instruction for smallholders, new institutions, and other critical service providers such as agriculture extension staff. Training courses will include livelihood enhancement topics, with a focus on gender and youth inclusion, to address social, economic, and cultural challenges to achieving the full benefits of the MDIH Project. The training centers also will offer childcare within a dedicated space to ensure the participation of women; and

(4) to promote inclusion, opportunity, and equity across the schemes for women, youth, and poor smallholders:

(A) Facilitation and promotion of inclusion:
(i) a community transaction advisor or other means of ensuring fair representation, secure land rights and equitable business arrangements for smallholders, including those who are poor and vulnerable, under the Irrigation Schemes, in-

cluding equitable and clear contracts between smallholders and investors in leasing and other contractual farming arrangements; (ii) engagement of social and gender and SBC staff amongst the expert consultants located at each project site to address gender, social, and equity issues in the scheme; and (iii) engagement with a local organization, most likely an NGO, with a strong track record in law, rural development, and facilitation, to advise and represent women, youth and other poor and vulnerable scheme participants across the sites, helping them assess risks and opportunities, cope with social/gender challenges, and mediate conflict pertaining to land, contracts, intra-household, community and other disputes. This may be the same organization that provides outreach and support on social/gender land sub-activities under the Institutional Reform Activity and the Irrigated Horticulture Support Services Activity.

(B) Training, capacity and economic participation: (i) support for anchor farmers to employ a strategy to increase opportunities for women, youth, and poor farmers in the scheme; (ii) recruitment strategies and targets to facilitate participation of women and youth as trainers and pilot plot managers, smallholder plot managers, and contracts with anchor farmers; targets for women and youth participation will be set once benchmarked; (iii) use of “gender transformative methodologies,” such as the Gender Action Learning System (GALS), as part of farmer training and recruitment, and other stakeholder outreach. (iv) training of local household members on relevant topics including conflict management, GBV, diet diversity for children, and potentially other priority areas identified; (v) programs to incentivize women and youth to take up opportunities in post-harvest handling (PHH) and Integrated Cold Chain (ICC); (vi) training of local household members on home gardens to safeguard food security during the transition to commercial horticulture; (vii) technical and financial assistance for a childcare mechanism at each project site.

(C) Financial Assistance Program Sub-Activity

This sub-activity is designed to address the immediate or short-term financial barriers that hinder small-holder farmers and small- to medium-sized commercial entities from participating in irrigated horticulture, such as the costs for mechanized equipment and the recurrent costs for inputs or maintenance and repair of equipment. To cover these costs and get small-holder farmers operating as soon as possible, this sub-activity provides grants to smallholder farmers to cover their capital requirements including costs of on-farm connections to the main irrigation systems and of mechanized machinery. Additionally, the sub-activity supports a cold chain innovation challenge that will award grants to small busi-

nesses that design energy efficient and affordable mobile products for precooling or the process of removing field heat from produce immediately after harvest to slowdown the deterioration and senescence processes thereby decreasing potential post-harvest loss. Given that post-harvest handling and cold chain management in particular are generally expensive and consume significant energy, the Parties expect that developing an affordable precooling system will work to reduce financial barriers of irrigated horticulture for smallholder farmers.

(iii) Irrigation Infrastructure Development Activity.

This Activity includes the development of up to 2,000 hectares of irrigated land at several sites near Leribe (Tsoili-Tsoili, Manka, Likhakeng) and Mohale's Hoek (Phamong/Lithipeng) (the "Irrigated Perimeters"). Final site selection and size will be determined and agreed to by MCC and the Government in writing prior to EIF, and will be based upon feasibility and design studies to be completed as well as consultation with local communities, local authorities, and the private sector.

Following completion of final site selection, the Parties expect this Activity to include the following features:

(A) design and construction of irrigation infrastructure such as (1) intake structures at the main rivers (Caledon, Hlotse, and Senqu), (2) small dams on tributaries to create reservoirs, (3) pumps (including pump stations) and piped systems to bring water to hydrants located at the edge of farm fields, (4) secondary and tertiary distribution pipelines, (5) access roads, and (6) training centers;

(B) introduction of post-harvest facilities for sorting, grading, cleaning and packaging horticultural products, cold storage, and an associated training program for farmers to decrease the products' value loss/degradation, thereby increasing their shelf-life;

(C) commercial investment in one or more of the Irrigated Perimeters by a commercially experienced firm or consortium upon demonstration of the economic sustainability of the perimeter investment; and

(D) expansion of the Government's existing national program in ICM to the Irrigated Perimeters.

(b) Environmental and Social Mitigation Measures.

The MDIH Project is classified as a Category A project under the Environmental Guidelines as it poses potentially significant environmental and social risks and/or impacts that are diverse, irreversible, or unprecedented.

The sites proposed for the Irrigated Perimeters and reservoirs considered potential environmental and social risks and endeavored to avoid or minimize impacts. Land acquisition and reallocation, wetland impacts and community safety in the vicinity of new dams are potentially significant and sensitive issues, and as such will require more complex interventions and mitigation measures to address. ESIA's and ESMPs for the Irrigated Perimeters, dams and water storage infrastructure will address cumulative impacts to watersheds and downstream ecosystems and communities. IFC Performance Standards 1- 6 will apply. A Resettlement Policy Framework (RPF) will be prepared, followed by Resettlement Action Plans (RAPs) and a Livelihood Restoration and Diversification Plan (LRDP).

A preliminary feasibility study for the Project indicates that river water sources are insufficient at the potential irrigation sites in all four areas, and tributary dams and water storage structures are essential. In addition to following South African Dam Safety Legislation, the Project's design requirements include employing a Professional Engineer for the design, approval of the design tender by the MOW, water use permits and approvals from the MOW, adherence to the OrangeSenqu River Basin Commission (ORASECOM) Agreement, an ESIA prior to construction, a Community Dam Safety Plan, and periodic safety inspections.

The Irrigation Schemes are themselves an important contribution to Lesotho's climate change adaptation and resilience as it provides for sustainable storage of water during periods of increasingly irregular rainfall and extended drought. Nevertheless, sustainability depends on ensuring that design proposals are conservative enough to account for such accelerating climate change impacts. A Rapid Climate Change Risk Analysis assessed potential impacts. Most crops will benefit from decreases in frost days, increased temperatures and longer growing seasons. Using regional data from ORASECOM and risk-based stochastic modelling of climate scenarios, infrastructure will be sized for increased water requirements and dams will have conservative spillway and freeboard design.

To ensure that there are no fatal flaw impacts on downstream ecosystems and communities, a Rapid Ecological Assessment of the Mohokare (Caledon) and Senqu rivers estimated ecological flow requirements, sedimentation volumes from upstream erosion, and potential risks to local populations, land use, flora and fauna. The downstream risks have been minimized in the design, except for a small wetland where the Manka flows into the Mohokare that must be studied in the ESIA and mitigation and management measures proposed in the ESMP. Current upstream risks include land degradation, slope instability, and sedimentation that affects water quality and would reduce reservoir capacity and lead to larger land size requirements for inundation and land acquisition; reduced soil quality and waterway contamination from pesticides and fertilizers; and dam safety issues in construction, operations, and maintenance. These risks and related mitigation measures will be further explored during the ESIA.

Because MDIH Project-affected persons (PAPs) are also the intended beneficiaries, resettlement considerations are also opportunities for livelihood development and diversification. Nevertheless, land acquisition, resettlement and livelihood restoration will pose significant challenges for project success. Aerial imagery and limited site visits have identified land access and social issues, including permanent physical displacement. A draft entitlement framework categorizes PAPs and provides initial cost estimates for land acquisition, livelihood restoration, and development. These estimates, like the current estimate of between 1,004 to 1,260 affected households, still contain significant assumptions and uncertainty. As more detailed information becomes available, cost estimates may increase.

Completion of an RPF to guide the subsequent preparation of RAPs and LRDPs will focus on key principles: 1) design to avoid and minimize land acquisition and resettlement wherever possible; 2) extensive stakeholder engagement; 3) fair compensation rates; and 4) structure and sequencing of design, ESIA, resettlement, and construction contracts. To avoid delays to construction start-up, project design and land acquisition must be closely coordinated and procurement and mobilization schedules well integrated.

Consultations at the proposed Irrigated Perimeters involved communities in preliminary planning and design through community meetings, focus group discussions and key respondent interviews with district and national government representatives. Community Scheme Planning Groups are being established to serve as focal points for community participation on each site. The main observations raised during the consultations include social issues as well as biophys-

ical concerns. Further stakeholder engagement in the ESIA and RAP/LRDP studies will enable better understanding of community concerns and how to address them.

Given that the Institutional Reform Activity and Irrigated Horticulture Support Services Activity include limited physical works, it is not anticipated that the Activities would result in any significant environmental, health or safety hazard. As such, the Activities are classified as Category C under the Environmental Guidelines. These activities present numerous opportunities to improve environmental and social aspects within Lesotho's land, irrigation and water sectors. Continuation of stakeholder engagement is planned to ensure that reforms are sensitive to social and gender inclusion and representative of the interests of vulnerable groups. Compliance with IFC Performance Standard 1 will be important to achieving the success of these activities and providing a platform for grievances to be heard and resolved. The Irrigated Horticulture Support Services Activity includes a grant program which would be classified as Category D and undergo environmental and social screening, as would the associated grant projects if their scope/scale so warrant.

(b) Gender and Social Inclusion.

The MDIH Project offers significant potential to support employment of women and youth, particularly in the Irrigation Infrastructure Development Activity. The Activity offers short-term income earning opportunities and the chance to develop skills and work experience that participants can use in future employment, as well as in works maintenance. To facilitate these results, project engineering and construction firms will develop a plan for recruitment and retention of women and youth in construction and monitor results.

With respect to safeguards in the Irrigation Infrastructure Development Activity, MCC and the Government will focus on considerations in building infrastructure and carrying out resettlement in communities where gender norms are deeply entrenched, and many smallholders and community residents are poor and historically disempowered. Engineering and construction contracts will employ gender and social expertise to support development of protocols and ensure quality implementation and monitoring.

The quality and gender-responsiveness of the HIV and AIDS plan will be particularly robust in the context of a country with a 23 percent prevalence rate, despite significant recent successes in epidemic control. Particular attention will

be on the quality of the TIP risk assessment and TIP risk management plan, in the context of the country's recent move from the State Department's Tier III list to the Tier II watch list. Child labor is also reported in construction work, and women employed on construction sites have been harassed by their Basotho and South African employers, which can increase vulnerability to sex trafficking. Given the high risk of TIP in Lesotho overall and the specific project risk for the irrigation infrastructure construction and increased horticultural labor, MCC and the Government will conduct a stand-alone project-level TIP risk assessment to augment the ESIA.

(d) Donor Coordination.

The MDIH Project builds on smaller donor programs that have introduced high-value horticulture production in Lesotho, including programs funded by the World Bank, European Union (EU), and Food and Agriculture Organization (FAO). The Irrigation Infrastructure Development Activity and the Irrigated Horticulture Support Services Activity align with a World Bank, International Fund for Agricultural Development (IFAD) and Japan International Cooperation Agency-funded Smallholder Agriculture Development Project (SADP) II, underway through 2026, which is building capacity for irrigated horticulture. Additionally, the MDIH Project will leverage the Government's and EU's efforts in ICM by expanding the EU-funded nation-wide program in ICM to the MDIH Project implementation. The MDIH Project will also partner with the EU and MOW to strengthen data collection and management for decisionmaking for WRM.

(e) USAID.

USAID Southern Africa Trade Hub provided support in the due diligence of the MDIH Project by conducting an agriculture market study and helping to organize and facilitate an agriculture investors conference in South Africa and Lesotho. USAID is not expected to have a role in the implementation or monitoring of the Project but may continue to provide guidance on identifying appropriate investors in the region.

(f) Sustainability.

The MDIH Project is, by design, market driven and ensures that the private sector is the engine for sustainably developing the irrigated horticulture sector in Lesotho. By collaborating with a commercial anchor farmer, Basotho farmers

will benefit from the technical resources and ancillary investments that the private sector partner will make in developing a skilled workforce, promoting optimal farming practices, and maximizing crop yields. Additionally, the Program's investments support the development of horticulture value chains and markets such as cold chain infrastructure and other post-harvest activities and, trucking and logistics, thereby enhancing the long-term viability of agribusinesses

The institutional reforms and government capacity building are also designed and expected to create a strong legal and regulatory framework that will support sustainability and enable the Project to be replicated in other areas of Lesotho. Training and capacity building of farmers and small landholders also bolsters the long-term sustainability of the Project.

(g) Policy, Legal and Regulatory Reforms.

The MDIH Project requires extensive reforms in gender, land and water to implement and sustain the Project and establish a conducive environment for the Government to replicate it. These reforms are described in detail in the Institutional Reform Activity. They include regulatory reform of the rural land registration system to make it work better for rural populations, changes to key laws and regulations to eliminate lingering gender-discriminatory language, and strengthening the capacity of key government ministries responsible for providing water and irrigation related services necessary for the Project's investments.

3. Business Environment and Technical Assistance Project

(a) Summary of Project and Activities.

The objective of the Business Environment and Technical Assistance Project (the ***"BETA Project"***) is set forth in Section 1.2 of this Compact. The Parties expect inclusive, sustainable private sector growth in Lesotho will be stimulated by creating a robust pipeline of businesses and facilitating a public-private dialogue in which these private sector actors can engage with the Government and the Government can respond.

The BETA Project is comprised of the following three Activities:

(i) Pipeline Development Activity.

This Activity will identify, build, and connect existing and new high-growth po-

tential firms to direct technical assistance and business development services (BDS) to support increased firm level profits and business maturation. Additionally, the Activity will provide grants to select women- and youth-owned businesses to facilitate business plan implementation.

Firms selected to receive technical assistance and BDS support are expected to be investment ready or near investment ready firms with high potential to scale and drive labor-intensive growth. The technical assistance will cover topics such as core business operations (e.g., financial literacy, accounting, marketing, market research, and legal compliance), soft skills, and fundraising. Additionally, technical assistance could include pre-investment support such as feasibility studies, including studies related to bridging information gaps and strengthening priority sector value chains. The technical assistance may be provided on a one-to-one basis for growth and mature stage firms or through a one-to-many training model or other instructional model for early-stage firms. The programming will be prioritized by business life-stage and tailored offerings reserved for larger firms prioritizing agri-business, high potential growth-oriented horticulture value chain (HVC) firms (e.g., post-harvest handling and cold chain), and entrenching gender and social inclusion components across the programming. The BETA Project aims to support up to approximately 50 mature stage and 500 early-stage firms.

Select early-stage firms and start-ups will receive assistance through an incubator and accelerator program. The incubator will provide training on core business operations, access to workspaces and other operating resources (e.g., computer labs), entrepreneurship skills, and personal initiative training. The incubator and accelerator program will be sector neutral and delivered to cohorts of firms by an established incubator with demonstrated experience successfully developing MSMEs. A grant will be provided to incentivize an incubator and accelerator with a demonstrable track record to expand into Lesotho. The grant funding may partially subsidize the cost of incubating MSMEs. Local BDS providers will receive training to build their capacity to improve the quality and effectiveness of services provided in Lesotho and sustainability of the BDS provider business model.

The Pipeline Development Activity also includes interventions for advancing opportunity to women- and youth-owned MSMEs and businesses from and serving remote rural communities. These include: (a) a needs assessment to determine factors that will constrain women, youth and those from rural, disadvantaged communities from applying and successfully accessing business

support resources, including those provided under the BETA Project; (b) capacity building of BDS service providers to foster increased participation of women and youth, provide tailored services, and entrench gender and inclusion targets and metrics in their practices; (c) technical assistance to women- and youth-owned business that address the unique and specific needs of these businesses, including gender smart business models of technical assistance service delivery, and personal initiative training; (d) mentorship, incubation and acceleration interventions with a high target for and designed to serve women- and youth-owned SMEs, employing a portfolio of best practices; (e) market access and supplier development programs to access formal supply chains through e.g. formalization, cooperative schemes, compliance with quality standards, and potentially a ‘gender-smart’ label’; (f) promotion of gender empowerment policies and practices that adopt improved working conditions, skills, productivity, and satisfaction of women employees; and (g) grants to approximately 100-125 early-stage women- and youth-owned MSMEs, accompanied by technical assistance offered under the BETA Project.

Furthermore, the Activity will enhance the competitiveness of local producers by working with government institutions such as Lesotho Standards Institute (LSI) and National University of Lesotho (NUL) to build their capacity to facilitate compliance of local produce with the requirements of the local and export markets.

(ii) Business Ecosystem Strengthening Activity.

This Activity aims to increase private sector participation in public policy decision-making, thereby improving delivery of critical services for strengthening the business environments. To achieve this goal, the Activity will develop a Public-Private Dialogue (PPD) mechanism or platform for coordinating constructive dialogue between Government and private sector actors to identify and address critical barriers to business formation and growth.

Specifically, the Activity will support: (a) developing an agreed PPD framework with the key private sector entities that will establish the rules of engagement for collaboration between the Government and private sector in setting agendas for government action necessary to improve the business environment; (b) establishing a PPD coordinating unit within the Lesotho Chamber of Commerce and Industry (LCCI) to provide secretariat services for the dialogue and create and manage technical working groups (TWGs) to serve as a formal channel for private sector actors to determine areas of common interest and share their sug-

gestions and recommendations with the Government; and (c) technical assistance to the TWG to help them identify and implement business environment and policy reforms that improve the investment climate in Lesotho and are prioritized through the PPD (e.g., a standards and certification regime).

The PPD mechanism also will (a) advance policies that remove barriers to women and youth owned MSME growth and (b) build capacity of supporting business and horticulture associations. The PPD Secretariat will include a gender and inclusion position as key personnel and a TWG focused on gender and inclusion will be established. In addition, the TWG will receive technical assistance to examine business enabling environment issues that are raised by members and implement solutions, work to embed a gender lens in investment priorities, and promote industry-wide adoption of practices that promote inclusion.

(iii) Financial Ecosystem Strengthening Activity.

This Activity will increase financing options for MSMEs and large firms by structuring financing vehicles that address access to credit issues for firms across the size spectrum, especially women and youth owned firms, and building the capacity of financial sector actors to develop and deliver innovative financial products.

To achieve this goal, the Activity will fund:

(A) technical experts or consultants to (1) design and launch financing vehicles that mobilize financing for MSME firms across the size spectrum, which may include an SME working and growth capital fund potentially anchored by the Lesotho Pension Fund, (2) provide technical assistance and grants to financial institutions to develop and pilot appropriate gender- smart financial products for micro enterprises, (3) create an innovative crowdfunding model that leverages women's savings groups to promote formalization and increase opportunities to leverage finance for MSMEs, (4) create a financing vehicle designed to provide equity capital to growth stage businesses not yet ready for commercial equity funding, and (5) assist larger firms in accessing financing from existing impact funds outside of Lesotho. The Activity may also fund the costs of a credit guarantee to incentivize domestic investment in the SME working and growth capital fund;

(B) technical assistance to the Central Bank of Lesotho, other Government entities, and other public or private organizations engaged in the financial and business sector to strengthen the institutional, legal, and regulatory framework for SME financing in Lesotho and promote gender lens investing;

(C) technical assistance to key Government financial regulatory agencies and public and private financial institutions to (1) increase deliberate financial programming and products for women and youth, (2) organize financial sector convenings on gender lens investing, and (3) address specific barriers and challenges unique to women and youth owned businesses;

(D) capacity building for women's savings groups, to promote formalization, increase market opportunity to members, leverage finance and provide a catchment platform for target beneficiaries of the BETA Project; and

(D) data collection, impact measurement, and support for studying and measuring the effectiveness of specific interventions of the BETA Project at the firm level as well as the overall efficacy of the BETA Project and disseminating the results of such studies.

(b) Environmental and Social Mitigation Measures.

Based on the Environmental Guidelines, the BETA Project is categorized as a Category C project, given that it is comprised largely of technical assistance and is expected to have minimal direct environmental and social impacts. Many of the proposed activities, such as support to business incubation and pipeline development, will likely not imply any environmental or social impacts. However, there is an opportunity to develop environmental and social capacity with financial institutions and program beneficiaries by providing specific technical assistance in those areas and supporting each of them in the development of an ESMS appropriate to their organization. Also, the specific lines of intervention under the BETA Project will need to be sensitive to and avoid supporting firms that are engaged in activities known to be environmentally and socially harmful.

The BETA Project will be included in the compact-wide ESMS which will outline the management of any project-specific environmental and social impacts, risks, and opportunities. Additionally, the Project will benefit from the environmental and social expertise of an environmental and social oversight consultant (ESOC).

The Pipeline Development Activity's proposed grant programs would be categorized as a Category D project as grantee firms may use MCC Funding to fund activities that could potentially result in adverse environmental and social impacts. Under a Category D designation, MCC requires grant recipients to comply with minimum standards of impact analysis, IFC Performance Standards, ongoing monitoring, and relevant laws and regulations of the host country. For those activities that could imply environmental and social impacts, such as support to infrastructure and value chain services, environmental and social screening, development of environmental and social impact assessments, management plans, and other mitigation measures will be undertaken in accordance with the Environmental Guidelines and IFC Performance Standards.

(c) Gender and Social Inclusion.

The BETA Project was developed with input from several private sector and NGO partnerships to ensure the inclusion of women, youth, and rural communities. The design of the Project achieves this inclusion by directly targeting women- and youth-owned MSMEs, and businesses in and serving remote rural economies in each Activity. Each Activity is categorized as either gender accommodating, gender empowering or gender transformative.

Additionally, the BETA Project's learning agenda will seek to better understand which interventions are most effective with respect to women and youth-owned firm creation and growth as well as successfully addressing issues related to access to finance. GSI safeguards will be employed to reduce risks, including countering TIP.

(d) Donor Coordination.

Throughout project development, MCC and the Government collaborated with other development partners active in the agriculture and horticulture sectors and that are or have worked on private sector development in Lesotho. These development partners include the World Bank (SADP, SADP II and the Gender Innovation Lab) and the African Development Bank (AfDB) through PPD development and Lesotho Post Bank financial product development. In addition, the Financial Ecosystem Strengthening Activity was informed by partnerships with two local NGOs, Caritas and Care for Basotho, who work closely with local savings and lending groups.

The BETA Project is designed to build partnerships with multiple actors to in-

crease financing options for firms in Lesotho, particularly women and youth owned MSMEs. MCC has been in discussions with several stakeholders about investing in a proposed SME working and growth capital investment vehicle for over two years. This includes the DFC, Innovation for Poverty Action (IPA), the African Development Bank (AfDB), local commercial banks and the Lesotho Pension Fund. MCC also has been in discussions with the World Bank's Gender Innovation Lab about developing a capacity building and access to credit program with micro-finance institutions and Lesotho Post Bank to develop and test gender-smart financial products. Collaboration is ongoing with the World Bank, AfDB, and EU who all have programs focused on private sector strengthening.

(e) USAID.

The USAID Southern Africa Trade hub provided early input and support into the development of the BETA Project and consultation and coordination with the hub is expected to continue during implementation of the Project.

(f) Sustainability.

Sustainability is built into the BETA Project in several ways. First, attracting existing incubators and accelerators to Lesotho that have demonstrable financially sustainable models will increase the chances that private firm pipeline development and support can continue beyond the Compact Term. Second, the Financial Ecosystem Strengthening Activity focuses on "crowding in" capital to address access to finance challenges by providing catalytic design funding and derisking the pipeline with technical assistance. Last, by focusing on building existing Government and non-Government institutions and addressing policy, regulatory and legal framework constraints, the Project will have a significant impact on the business operating environment and financial system in Lesotho well beyond the Compact Term.

(g) Policy, Legal and Regulatory Reforms.

Several reforms will be pursued to ensure the success of the BETA Project. These will include the establishment of a PPD mechanism, development of a policy, regulatory and institutional framework for horticulture standards and certification and quality conformity, and assessment and reform of the policy, regulatory and legal reforms that could enable greater access to finance for MSMEs.

4. American Catalyst Facility for Development Project

(a) Summary of Project and Activities.

The objective of the American Catalyst Facility for Development Project (the “**ACFD Project**”) is set forth in Section 1.2 of this Compact. Specific activities to be supported by the ACFD Project will be agreed to by the Parties in writing after receiving proposals from DFC.

(b) Environmental and Social Mitigation Measures.

The ACFD Project activities will be governed by guidelines agreed to by MCC and DFC.

(c) Gender and Social Inclusion.

The Parties will agree in writing to the applicable gender and social inclusion measures for each activity of the ACFD Project as activities are identified.

(d) Donor Coordination.

While DFC will appraise, oversee and monitor ACFD Project activities, MCC and the Government expect to work closely with DFC during all phases of the ACFD Project from identifying activities to developing, designing and implementing such activities.

(e) USAID.

To the extent relevant, MCC expects to coordinate with USAID on potential investments relevant to its programming as ACFD Project activities are identified.

(f) Sustainability.

The Parties will agree in writing to the sustainability measures for each activity of the ACFD Project as activities are identified.

(g) Policy, Legal and Regulatory Reforms.

The Parties will agree in writing to any applicable policy, legal, and regulatory reforms for each activity of the ACFD Project as activities are identified.

C. IMPLEMENTATION FRAMEWORK

1. MCA-Lesotho II

(a) Independence and Autonomy.

MCA-Lesotho II shall have operational and legal independence and full decision-making autonomy, including, inter alia, the ability, without consultation with, or the consent or approval of, any other party, to: (i) enter into contracts in its own name, (ii) sue and be sued, (iii) establish bank accounts with financial institutions in its own name and hold MCC Funding and the Government Contribution in those accounts, (iv) expend MCC Funding and the Government Contribution, (v) engage contractors, consultants and/or grantees, including, without limitation, procurement and fiscal agents, and (vi) competitively engage one or more auditors to conduct audits of its accounts. MCA-Lesotho II shall be governed and managed by a board of directors (the “Board of Directors”) and an operations unit (the “Operations Unit”) in accordance with the terms of its constitutive documents and internal regulations (which must be in form and substance satisfactory to MCC) and any related MCC policies.

(b) Board of Directors.

The Board of Directors shall have ultimate responsibility for the oversight, direction, and decisions of MCA-Lesotho II, as well as the overall implementation of the Program. As of the date hereof, it is comprised of 11 voting members and 6 non-voting members as follows:

Voting Members:

- Ministry responsible for water (one representative)
- Ministry responsible for agriculture and food security (one representative)
- Ministry responsible for local government and chieftainship (one representative)
- Ministry responsible for health (one representative)
- Ministry responsible for finance (one representative)

- Ministry responsible for gender, youth, sports and recreation (one representative)
- Two civil society representatives (one representing youth organizations and one representing organizations serving people with disabilities)
- Three private sector representatives (one of which shall represent women's business organizations)

Non-voting Members:

- Ministry responsible for trade and industry (one representative)
- Ministry responsible for small business (one representative)
- Ministry responsible for labor and employment (one representative)
- Ministry responsible for law and justice (one representative)
- Ministry responsible for tourism and environment (one representative)
- Chief Executive Officer of MCA-Lesotho II

The number and composition of voting members may be changed through amendments to and in accordance with MCA-Lesotho II's constitutive documents and internal regulations with MCC's approval. The members of the Board of Directors may be represented by alternates appointed pursuant to the Governing Documents. The non-Government representatives shall be selected through an open and transparent process in form and substance satisfactory to MCC. Other nonvoting members may be included as named in the Governing Documents. In addition, MCC's resident country director in Lesotho shall serve as a non-voting observer of the Board.

(c) Operations Unit.

The Operations Unit consists of the employees and consultants of MCA-Lesotho II who have responsibility for the day-to-day activities and operation of the Program and for assisting the Board of Directors with implementation of the Program. The Operations Unit shall be led by a chief executive officer and shall be composed of the directors, officers and other staff as agreed between the Parties

and selected after an open, competitive, and non-discriminatory recruitment and selection process (or its equivalent).

2. Implementing Entities.

Subject to the terms and conditions of this Compact, the Program Implementation Agreement, and any other related agreement entered into in connection with this Compact, the Government intends to engage one or more entities of the Government to assist with implementing any Project or Activity (or a component thereof) (each, an ***“Implementing Entity”***). The appointment of any Implementing Entity shall be subject to review and approval by MCC. The Government shall ensure that the roles and responsibilities of each Implementing Entity and other appropriate terms are set forth in an agreement, in form and substance satisfactory to MCC (each an ***“Implementing Entity Agreement”***).

3. Fiscal Agent and Procurement Agent.

Unless MCC agrees otherwise in writing, the Government shall engage an individual or firm with expertise in financial management and reporting to serve as fiscal agent (the ***“Fiscal Agent”***), and an individual or firm with expertise in public procurement and contract management to serve as procurement agent (the ***“Procurement Agent”***). It is expected that the Fiscal Agent and Procurement Agent, respectively, shall help the Government ensure that all Program-related financial management activities and procurements are conducted in strict compliance with the principles, rules, and procedures set out in this Compact and related MCC policies, procedures, or guidance. The duties of the Fiscal Agent and Procurement Agent, respectively, shall include those set forth in the Program Implementation Agreement, as well as those set forth in the respective agreements, each in form and substance satisfactory to MCC, entered into between the Government and each agent.

ANNEX II

MULTI-YEAR FINANCIAL PLAN SUMMARY

A multi-year financial plan summary (***“Multi-Year Financial Plan Summary”***) for the Program is attached to this Annex as Exhibit A.

By such time as specified in the Program Implementation Agreement, the Government shall adopt, subject to MCC approval, a multi-year financial plan that

ANNEX III

COMPACT MONITORING & EVALUATION SUMMARY

This Annex III summarizes components of the monitoring and evaluation plan for this Compact (“*M&E Plan*”). The actual structure and content of the M&E Plan, which may differ from those specified in this Annex III, shall be agreed to by MCC and the Government in accordance with MCC’s Policy for Monitoring and Evaluation of Compacts and Threshold Programs (the “*M&E Policy*”). In addition, the M&E Plan may be modified from time to time as described in the M&E Policy without requiring an amendment to this Annex III. The M&E Plan shall be posted publicly on the MCC Website and updated as necessary.

1. Objective

MCC and the Government shall formulate and agree to, and the Government shall implement or cause to be implemented, an M&E Plan that explains in detail how and what MCC and MCA-Lesotho II shall (i) monitor to determine whether the Projects are on track to achieve their intended results (“Monitoring Component”), and (ii) evaluate to assess implementation strategies, provide lessons learned, compare costs to benefits, and estimate the impact of compact interventions (“Evaluation Component”). The M&E Plan shall summarize all indicators that must be reported to MCC on a regular basis, as well as a description of any complementary data to be collected for evaluation of the Program. The M&E Plan shall also include any monitoring and evaluation (“M&E”) requirements that MCA-Lesotho II must meet in order to receive Disbursements and shall serve as a communication tool so that MCA-Lesotho II staff and other stakeholders clearly understand the objectives and targets MCA-Lesotho II is responsible for achieving. The results of M&E activities, measured by monitoring data and evaluations, shall be made publicly available on the website of MCA-Lesotho II and on the MCC Website.

2. Program Logic

The program logic is an explanatory model that demonstrates how specific interventions lead to the expected outcomes, objectives, and goal of a compact program. This model reflects the design and implementation plans of a program, noting planned activities and outputs and the sequencing of results. Secondly, it reflects the economic logic, which forms the basis of the cost-benefit analysis that produces the Economic Rate of Return (**ERR**). Lastly, it notes critical risks

and assumptions related to achieving results. The program logic forms the basis of the M&E Plan.

It should be noted that because DFC will appraise, oversee and monitor the specific activities or interventions under the ACFD Project, the M&E Policy shall not be applied to those activities and interventions. MCC and the Government have agreed to the indicator set forth in this Annex III to measure progress toward and success of the ACFD Project Objective. In addition, MCC and the Government expect that DFC will monitor and evaluate the project activities in accordance with its Operating Principles for Impact Management and use its Impact Quotient (IQ) system, LabIQ, and such other measurement tools as DFC may determine. ANNEX III - 1

2.1 Logic Models

A description of the logic underlying each Project is included below:

Project 1: Health Systems Strengthening Project

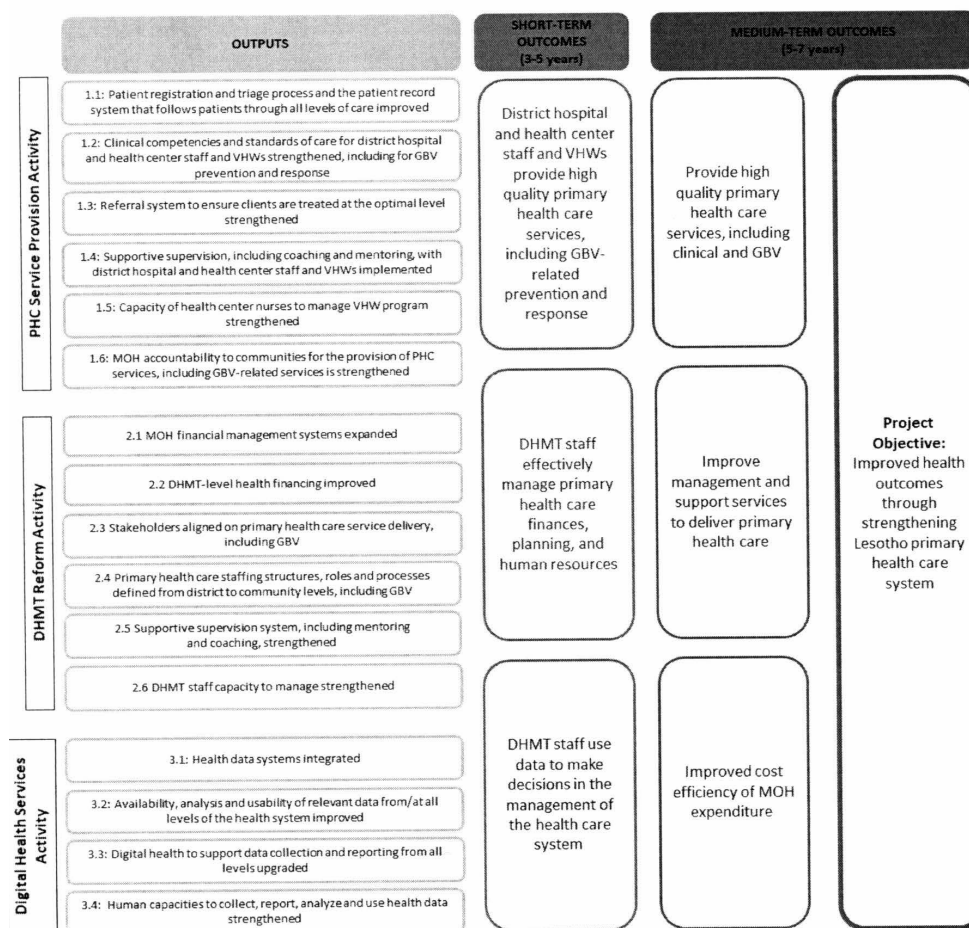
The objective of the Health Systems Strengthening Project is to improve the delivery of health services and management of the primary health care system in Lesotho resulting in improved health outcomes.

The project's theory of change, as shown below, starts with selecting interventions to change critical institutional behavioral factors of key people in the health system. The project aims to improve the patient registration and referral systems by improving staff competencies and supervision, integrating budgeting and financial systems, and improving coordination across all levels of health care staff in Lesotho. District level health staff will have the capacity and be empowered to make more effective use of health resources and use data for decision making. In addition, because of the improved referral system, those seeking health services will find care more easily and will not have to seek harder and more expensive to access care at central hospitals. Finally, the HSS Project will utilize Results Based Financing to promote accountability and incentivize improved quality of primary health care services. This will improve the ability of staff at all levels to deliver better primary care services.

Key assumptions have to do with the institutional change within the Ministry of Health (MOH). The theory of change assumes that the central MOH will disburse funds to the district levels in a timely and organized manner, and that they

will implement the supportive supervision components. We also assume that the performance incentives are structured correctly to catalyze change in the way the MOH implements primary health. We also assume that these improvements to the primary health care system will lead to observable improvements in health outcomes for people in Lesotho. In the long term, this is expected to lead to increased labor productivity, improved cost efficiency of MOH expenditure, and a reduction in household medical and associated expenses. These expected long term outcomes will not be measured as part of the evaluation.

HEALTH SYSTEM STRENGTHNING PROJECT LOGIC



Project 2: Market Driven Irrigated Horticulture Project

The objective of the MDIH Project is to increase rural incomes related to commercial horticulture, including for women and youth and establish a sustainable and inclusive model of irrigation, water resource, and land management.

The underlying logic of the irrigated horticulture project posits that by building the irrigation infrastructure and facilitating commercial investments on part of the irrigated land, the project will spur growth and investment in the horticulture sector. To further support the long-term objective of equitable growth in the horticulture sector, MCC will support reforms related to land registration and land rights, coordination in the water sector, including to Water Users Associations (WUAs), integrated catchment management (ICM), and capacity support for inclusive service delivery. It is expected that these reforms will not only make the project more viable during the life of this Compact, but also more sustainable in terms of economic growth and climate resilience.

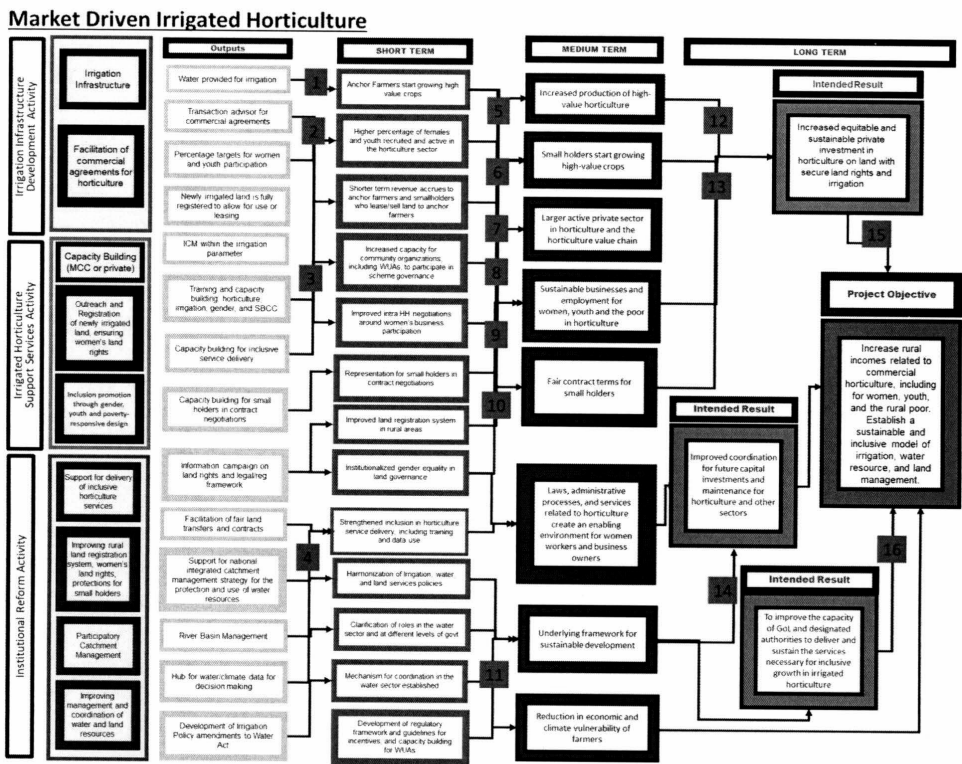
The key assumptions in the logic are that suitable anchor farmers will be identified to invest in the schemes and willing to accept contract terms that support inclusive growth, and that the small-holder farmers on the remaining hectares use the water to cultivate high-value crops, and that this change happens within the life of this Compact. In addition, we assume the completion of the irrigation infrastructure can be timed correctly with the roll out of the capacity building, gender and social interventions. and social and behavior change components. An additional assumption is that the necessary legal reforms will be passed early enough such that women can own land and participate in and benefit from the scheme. Finally, a major assumption in the economic model is that the new high-value crops replace South African imports and farmers receive an acceptable price for their crops.

Assumptions (numbered in red in the visual)

1. We will be able to bring in an anchor farmer who will organize the farmers to help the transition to high-value horticulture
2. Women will participate in horticulture in higher numbers when recruited
3. Farmers can acquire and use the necessary skills for horticulture, and we can time the capacity building correctly with infrastructure completion

4. There is enough water and other inputs to sustain commercial farming
5. Farmers will use the water for productive uses and sell their extra produce, and this change happens in five years
6. On average, there will only be 5% of revenue lost due to post-harvest lost
7. The irrigation systems will be maintained
8. Farmers have access to the markets for horticulture products and sufficient logistics networks to get products to consumers
9. The benefits of a strong horticulture sector will accrue to women
10. Improved land registration will lead to more productive use of land
11. Water resources will be well-managed
12. There will be a market for the horticulture products, new businesses in the horticulture value chain can make a profit
13. South African firms will sell Lesotho products at lower price
14. The MDIH Project will be successful as a demonstration and the Government will invest in further irrigation infrastructure and other capital investments to sustain economic growth
15. Growth in the horticulture sector will lead to better livelihoods
16. The reforms identified will lead to more economic activity in horticulture

MARKET DRIVEN IFFIGATED HORTICULTURE



Project 3: Business Environment and Technical Assistance Project

The objective of the Business Environment and Technical Assistance (BETA) Project is to stimulate an increase in firm-level profits and formal employment from a pipeline of firms supported by the Project, including for micro, small, and medium enterprises (MSMEs) and MSMEs owned by women and youth and in rural areas.

To achieve this result, there must be a pipeline of viable private sector businesses,

and these businesses must be organized to demand better services from the government. In turn, the government should respond to the needs of the private sector by providing goods and services that are critical for growth. The business pipeline must also be inclusive of women owned and youth owned businesses. The BETA Project will improve access to finance and improve the general business ecosystem to support pipeline development. Given the focus of this Compact, this pipeline should include a sizeable number of horticulture value chain (HVC) firms that cover a range of activities such as input provision, integrated cold chain, and post-harvest handling services. The BETA Project's three activities are designed to contribute to this result at the end of this Compact as well as sustain the gains after this Compact ends.

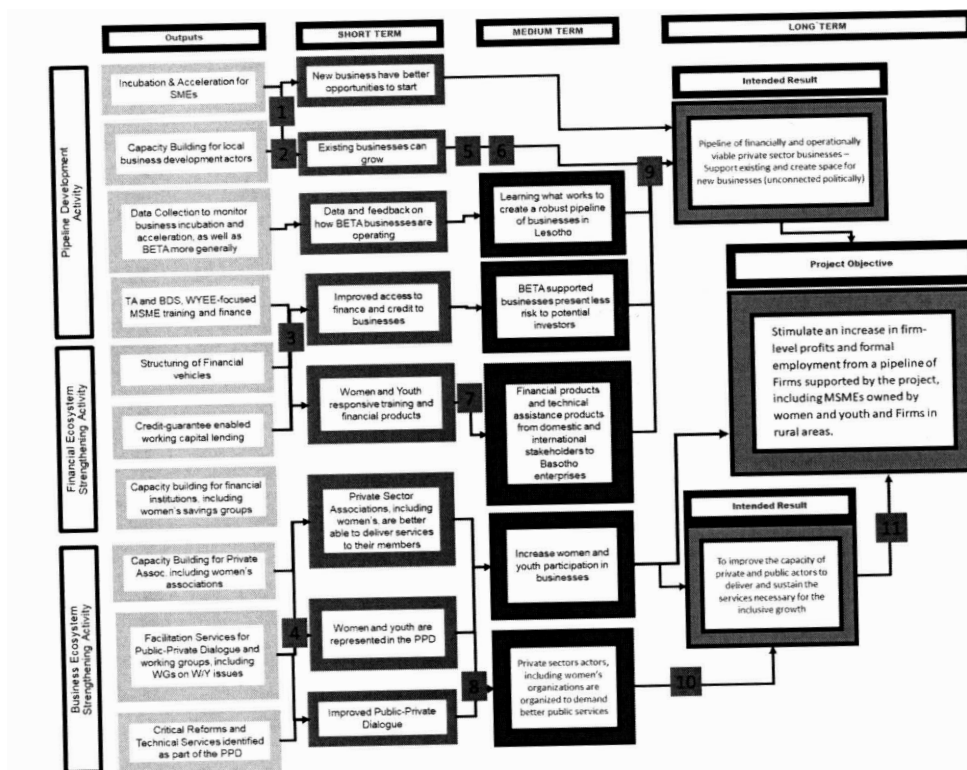
The key assumptions in the BETA Project logic are that BETA-supported businesses will be able to grow in a timely manner and that growth in the pipeline is robust. It is also assumed that the new firms will be able to start up and become revenue positive in a timely manner. It is assumed that growing the private sector in this manner will lead to firms organizing and demanding better services from the Government, and that the Government will respond. It is assumed that a strengthened private sector will have political leverage with respect to Government. It is assumed that there is sufficient appetite within the Government to implement meaningful reforms to enable private sector development. The goal is to reduce patronage and make the Government more effective, but this inherently takes power away from those in office and within the bureaucracy. It is assumed that the reforms can produce change within a 5–10 year timeline. Finally, it is assumed that if the Public-Private Dialogue (PPD) is successful, it will be sustained after this Compact ends. In other compacts that include similar mechanisms, political support and ongoing resources have been necessary for sustainability. After compact closure it will be hard to ensure these efforts continue with the same enthusiasm. Given Lesotho's high political turnover, this presents a large risk to the program logic.

Assumptions (numbered in red in the visual)

1. Basotho businesses will apply for the grants and understand the process under BETA
2. Technical assistance is enough to get women owned businesses ready to take on financing, technical assistance is sufficient for these businesses
3. The de-risking components of BETA will lead to greater private investment

4. There are enough private sector (domestic and foreign) firms in horti culture to apply for technical assistance
5. Participants will use finance to invest in their business' growth (the finance is not diverted to non-productive uses such as consumption)
6. Given economic opportunities the private sector will organize and demand more of the Government
7. The Government will respond to the private sector and make its processes more efficient and responsive
8. Barriers to starting a new business do not prevent new businesses from forming

BUSINESS ENVIRONMENT & TECHNICAL ASSISTANCE PROJECT



2.2 Risks and Assumptions

The M&E Plan shall also outline key assumptions and risks that underlie the accomplishment of the theory of change summarized in the program logic. However, such assumptions and risks shall not excuse any Party's performance unless otherwise expressly agreed to in writing by the other Party. The known assumptions and risks are included above in Section 2.1 Logic Models.

2.3 Projected Economic Benefits and Beneficiaries

The economic analysis of compact programs consists of a cost-benefit analysis, which is summarized by an estimated ERR and a beneficiary analysis. This analysis for the Program is summarized below.

2.3.1 Projected Economic Benefits

Cost-Benefit Analysis (CBA) is completed to determine the cost effectiveness of MCC investments. A threshold of 10% is typically used to inform investment decisions.

The underlying economic logic of the CBA model(s) follow(s) the Project Logic depicted above.

Additionally, several of the variables included in the model become key indicators to monitor the Program and evaluate whether the Program reached the intended outcomes, as well as determining its cost effectiveness. Each model includes estimated benefits and the total estimated costs to reach those intended benefits, whether costs are incurred by MCC, another donor, the Government, or another entity. These are typically examined over a 20-year period, unless otherwise noted.

The table below provides a summary of the estimated ERRs across this Compact's projects. The text following the table describes the general methodology and logic of the CBA model(s), as well as the key benefit streams, costs, assumptions, risks, etc. for each of the calculated ERRs.

Project/Activity	Estimated Economic Rates of Return
Health Systems Strengthening	15%
Market Driven Irrigated	4% Horticulture
Business Environment and	12% Technical Assistance
Total	8.9%

Project 1: Health Systems Strengthening Project

The HSS Project will implement policy and institutional reforms that are expected to strengthen the health system in ways that indirectly improve the quality and efficiency of health service delivery, which in turn is expected to result in improved health outcomes (reduced mortality and morbidity) and cost savings. The cost benefit analysis (CBA) applies the Value of Statistical Life concept to value forecast mortalities averted and a cost-of-illness approach to value forecast morbidities averted (reduction in non-fatal illnesses) because of the investment. The CBA explicitly incorporates the benefits of GBV prevention and treatment expected to result from the investment.

Project 2: Market Driven Irrigated Horticulture Project

The MDIH Project addresses the root cause of the binding constraint by supporting medium-to-large-scale Basotho investors in irrigated horticulture, and targeting structurally excluded rural smallholders, including further disadvantaged groups among them, particularly women and youth, to join the pipeline supported by the BETA Project. The assumptions in the MDIH Project ERR pertain to how the three activities of the Project support a sustainable pipeline of the targeted investors:

- Based on lessons learned from past irrigation projects, irrigated horticulture farmers need access to:
 - Land
 - Water
 - Fewer institutional obstacles for women and youth

-
- Finance
 - Business environment services
 - Irrigation infrastructure
 - Hands-on training and other social and behavior change support
 - Product aggregation
 - Cold chain technology
 - Markets
- The Institutional Reform Activity will address land, water, and gender/youth sustainability issues that resolve the constraint.
 - In addition to providing irrigation infrastructure, the MDIH Project will have pilot and demo plots to provide hands on training and will attract anchor investors to help small scale farmers with product aggregation, access to cold chain technology, and access to markets. This investment is a result of lessons learned from past MCC and the Government irrigation projects.

The assumption that anchor investors will be attracted to the Project that can solve the problems of access to finance, access to markets, and logistics infrastructure, is critical to the success of the project.

In addition to supporting the pipeline of targeted investors, the land reforms, water reforms, and gender/youth interventions in the IRA will generate benefits outside of horticulture that are not included in the current ERR. The data needed to calculate benefits for the land reforms is being collected by IFPRI now.

The calculation of benefits from the targeted intervention in irrigated horticulture measures agricultural productivity to calculate gross margins from horticulture production of two categories of producers - the anchor investors and the small-scale farmers. Anchor investors are assumed to be successful commercial producers who will be able to maximize production of horticulture products

immediately after the land improvements made by this Compact become available. Eighty percent of small-scale investors are assumed to take 10 years to adopt the new irrigation technology, consistent with lessons learned from previous MCC irrigation projects. The default assumption in the ERR is that anchor farmers control production on 50 percent of the intervention area.

The benefit streams for the targeted intervention also include:

- Indirect (multiplier) benefits, calculated in collaboration with the International Food Policy Research Institute (IFPRI)
- Environmental benefits, calculated in collaboration with University of Massachusetts / PEGASYS

At present, the Lesotho II ERR calculation includes ecosystem service benefits related to seeding and revegetation of bare land in micro-catchments immediately adjacent to MCC's investments in irrigation infrastructure, covering 1,100 ha of land. MCC and UMASS believe that there are additional environmental and ecosystem service benefits that can be derived from investments in integrated catchment management (ICM), not only at the micro-catchment level but also at the sub-catchment level. It is likely that what has been identified and incorporated into the CBA is only a small representation of the total benefits that are likely to accrue to the project and its beneficiaries over the lifetime of its implementation. Other ecosystem service benefits that could accrue to the project that have not yet been valued include ground water recharge, pest control and ecotourism, amongst others.

There are two key parameters that drive the value of the ERR:

1. The share of land controlled by the anchor farmer. This parameter can range from 10 to 100 percent. For the reported ERR it is assumed a value of 50 percent. Higher values of this parameter result in a higher ERR.
2. The share of land sewn under apples, ranging from 0 to 30 percent. Higher values of this parameter result in a lower ERR.

The ERR for the Irrigation Infrastructure Development Activity is 5.9 percent. For the overall MDIH Project, the ERR is 4.1 percent.

Project 3: Business Environment and Technical Assistance Project

The objective of the BETA Project is to stimulate an increase in firm-level profits and formal employment from a pipeline of firms supported by the Project, including for micro, small, and medium enterprises (MSMEs) and MSMEs owned by women and youth and in rural areas. These businesses will participate in the Public-Private Dialogue, which results in provision of critical services. The project will intentionally target women and youth, who face relatively high barriers to investment. The ERR for the BETA Project has two main benefit streams: the increase in returns to factors of production (land, labor, capital) that can be attributed to the BETA Project, and the increase in GDP growth that results from major reforms because of the PPD component of the BETA Project.

The BETA Project will provide one-on-one assistance to approximately 50 companies in the pipeline, and one-to-many assistance to another estimated 500 companies over the course of this Compact. MCC used estimates of company turnover from consultant studies and parameter values for growth of profits and firm employment estimated in the economics literature to calculate the incremental profit and employment compensation attributable to the compact investment.

The PPD is expected to identify and raise important regulatory, coordination or other issues affecting the ability of the private sector to be productive and grow. Because the desire is to have the issues identified through a facilitated PPD, it is unknown at this stage exactly what reform activities will be carried out. There is evidence that such reforms should lead to economic benefit and provide parameters for estimating this benefit that can be adjusted to Lesotho's context.⁴ Thus, the key parameters for this activity are the number of consequential reforms accomplished by the PPD throughout the compact period and valuation of those benefits.

The key parameters for the BETA Project are the average number of employees in the baseline, the growth rate of profit and labor compensation over time, and

NOTE

4. Balázs Égert, Peter Gal (2016) The Quantification of Structural Reforms in OECD Countries: A New Framework OECD Journal: Economic Studies, issue 1, p. 91 – 108.

the number of significant regulatory reforms that will be accomplished by the PPD over the course of this Compact. The ERR assumes the BETA Project will result in a 7.1 percent increase in employment, a 5.1 percent increase in annual profits for firms in the pipeline, and 4 consequential reforms (one for each year after the BETA Project is up and running in year two). The ERR based on these assumptions is 11.6 percent.

2.3.2 Projected Program Beneficiaries

The M&E Plan shall also define the persons or entities expected to benefit from the Program. Beneficiary analysis is an extension of the CBA and seeks to disaggregate the total increase in income to determine specifically which segments of society will benefit from the Projects and Activities. MCC considers beneficiaries of Projects and Activities to be those people who experience better standards of living as a result of the Project or Activity (as the case may be) through higher real incomes⁵. For definitional purposes it is important to note that not all MCC project participants are necessarily project beneficiaries. The “Program Overview” section of Annex I presents the projected number of beneficiaries of this Compact.

3. Monitoring Component

As defined in the M&E Policy, monitoring is the continuous, systematic collection of data on specified indicators to provide indications of progress toward objectives and the achievement of intermediate results along the way. To monitor progress toward the achievement of results of this Compact, the Monitoring Component of the M&E Plan shall identify (i) the Indicators (as defined below), (ii) the definitions of the Indicators, (iii) the sources and methods for data collection, (iv) the frequency for data collection, (v) the party or parties responsible for collecting and analyzing relevant data, and (vi) the timeline for reporting on each Indicator to MCC. It should be noted that some indicators shall continue to be tracked after the Compact Term as necessary.

NOTE

5. As used in this Compact, the term “beneficiary” has the meaning described in the Guidelines for Economic and Beneficiary Analysis.

3.1 Goal, Outcome, Output, and Process Indicators

The full M&E Plan shall measure the results of the Program using quantitative, objective, and reliable data (*“Indicators”*).

3.1.1 Baselines

The full M&E Plan shall establish baselines for every Indicator (each a, “Baseline”). An Indicator’s Baseline should be established prior to the start of the corresponding Project, Activity and/or Sub-Activity. Baselines demonstrate that the problem can be specified in measurable terms and are thus a pre-requisite for adequate intervention design. The Government shall collect Baselines on the selected Indicators or verify already collected Baselines where applicable.

3.1.2 Benchmarks and Targets

The full M&E Plan shall establish a benchmark for each Indicator that specifies the expected value and the expected time by which the result shall be achieved (*“Target”*).

3.1.3 Disaggregation of Indicators

The full M&E Plan shall indicate which Indicators shall be disaggregated by gender, income level, and age, and beneficiary types to the extent practical and applicable.

3.1.4 Goal Indicators

According to the M&E Policy, a “Goal Indicator” measures the economic growth and poverty reduction that occurs during or after implementation of the program. This is typically a direct measure of local income.

3.1.5 Outcome, Output, and Process Indicators

Outcome, output and process Indicators are all defined in the M&E Policy.

3.1.6 Common Indicators

MCC’s Common Indicators (as described in the M&E Policy) shall also be included as relevant.

3.1.7 Revisions to Indicators and Targets

Subject to prior written approval from MCC and in accordance with the M&E Policy, the Government may add Indicators or refine the definitions and Targets of existing Indicators.

3.1.8 Indicator Tracking Table

MCA-Lesotho II must report to MCC on monitoring Indicators in the M&E Plan on a quarterly basis using an Indicator Tracking Table (ITT) in the form provided by MCC. No changes to Indicators, Baselines or Targets may be made in the ITT until the changes have been approved in the M&E Plan. Additional guidance on Indicator reporting is contained in the MCC Guidance to Accountable Entities on the Quarterly Disbursement Request Package. In the case that MCA-Lesotho II submits a six-month disbursement request, the ITT must still be submitted quarterly.

The M&E Plan shall contain the monitoring Indicators listed in Schedule A.

4. Evaluation Component

While good program monitoring is necessary for program management, it is not sufficient for assessing ultimate results. MCC therefore advocates the use of different types of evaluations as complementary tools to better understand the effectiveness of its programs. As defined in the M&E Policy, evaluation is the objective, systematic assessment of a program's design, implementation, and results. MCC is committed to making its evaluations as rigorous as warranted in order to understand the causal impacts of its programs on the expected outcomes and to assess cost effectiveness.

4.1 Independent Evaluations

Every Project must undergo a comprehensive, independent evaluation (impact and/or performance) in accordance with the M&E Policy. The Evaluation Component of the M&E Plan shall describe the purpose of the evaluation, methodology, timeline, required MCC approvals, and the process for collection and analysis of data for each evaluation. All independent evaluations must be designed and implemented by independent, third-party evaluators. If the Government wishes to engage an evaluator, the engagement shall be subject to the prior written approval of MCC. Contract terms must be acceptable to MCC and en-

sure non-biased results and the publication of results.

For each independent evaluation, MCA-Lesotho II is expected to review and provide feedback to independent evaluators on the evaluation design reports, evaluation materials (including questionnaires), baseline report (if applicable), and any interim/final reports in order to ensure proposed evaluation activities are feasible, and final evaluation products are technically and factually accurate.

Project 1: Health Systems Strengthening Project

MCC will implement a mixed-methods performance evaluation to learn if we can impact health outcomes using the systems strengthening approach and how we can best implement policy reform to improve the primary health care system.

The evaluation questions are as follows:

- Was the Health Systems Strengthening Project implemented according to plan (in terms of quantity and quality of outputs)?
- Did the Health Systems Strengthening Project achieve its targeted outcomes, particularly its stated objective, in the timeframe and magnitude expected? *Why or why not? This question links to the following outcome indicators: Improved health outcomes (i.e. maternal deaths averted, total under-five deaths averted, and reduction in deaths from cardiovascular disease).*
- Do the results of the Health Systems Strengthening Project justify the allocation of resources towards it?

Project 2: Market Driven Irrigated Horticulture Project

The evaluation will be a performance evaluation that looks at the changes in income of the targeted beneficiaries, investment in horticulture on the targeted hectares, and distribution of the expected benefits across our targeted sub-groups. We hope to learn if the anchor farmer model works to stimulate growth and help motivate farmers to cultivate higher value crops. We also hope to understand if the reforms in the water and land sectors help promote women and youth economic empowerment and environmentally sustainable livelihoods.

The evaluation questions are as follows:

- Was the Market Driven Irrigated Horticulture Project implemented according to plan (in terms of quantity and quality of outputs)?
- Did the Market Driven Irrigated Horticulture Project achieve its targeted outcomes, particularly its stated objective, in the timeframe and magnitude expected? *Why or why not? This question links to the following outcome indicators: Income from land agreements with the anchor farmers; and Income related to irrigated horticulture (Small-Holders).*
- Do the results of the Market Driven Irrigated Horticulture Project justify the allocation of resources towards it?

Project 3: Business Environment and Technical Assistance Project

The BETA Project will be evaluated through a performance evaluation. The evaluator will assess the establishment and strengthening of the PPD, the efficacy of the mechanism in incentivizing the Government to provide critical services to the private sector, and private sector representation within the PPD as it relates to women and youth owned MSMEs and businesses unconnected politically. In addition, the evaluation will assess the success of the BETA-supported businesses in terms of their profits, long-term viability, and representation of women and youth owned MSMEs. We hope to test the biggest assumption that creating a pipeline of businesses and facilitating a public-private dialogue will reduce patronage and make the Government more efficient in its provision of infrastructure and services.

The evaluation questions are as follows:

- Was the Business Environment and Technical Assistance Project implemented according to plan (in terms of quantity and quality of outputs)?
- Did the Business Environment and Technical Assistance Project achieve its targeted outcomes, particularly its stated objective, in the timeframe and magnitude expected? *Why or why not? This question links to the following outcome indicators: Increased*

profit of private businesses in the BETA pipeline; and business environment issues raised by the private sector that are resolved by working groups and/or the government.

Do the results of the Business Environment and Technical Assistance Project justify the allocation of resources towards it?

The M&E Plan shall contain the evaluation Indicators listed in Schedule A.

The results of all evaluations shall be made publicly available in accordance with the M&E Policy.

5. Data Quality Reviews.

Data Quality Reviews (DQR) are a mechanism to review and analyze the utility, objectivity, and integrity of performance information. DQRs are to cover: a) quality of data, b) data collection instruments, c) survey sampling methodology, d) data collection procedures, e) data entry, storage and retrieval processes, f) data manipulation and analyses and g) data dissemination. MCC requires that an independent entity conduct the DQR, such as a local or international specialized firm or research organization, or an individual consultant, depending on the size of the program or project in review. The frequency and timing of data quality reviews must be set forth in the M&E Plan; however, MCC may request a DQR at any time. DQRs should be timed to occur before or early enough in the Compact Term that meaningful remedial measures (if any) may be taken depending on the results of the review. The methodology for the review should include a mix of document and record reviews, site visits, key informant interviews, and focus groups.

6. Other Components of the M&E Plan.

In addition to the monitoring and evaluation components, the full M&E Plan shall include the components described in this Section 6.

6.1 Data Management System.

The M&E Plan shall describe the information system that shall be used to collect data, store, process and deliver information to relevant stakeholders in such a way that the Program information collected and verified pursuant to the M&E Plan is accessible and useful to those who wish to use it.

6.2 Budget.

A detailed cost estimate for all components of the M&E Plan.

7. Responsibility for Developing the M&E Plan.

MCC desires to “[refrain] from requesting the introduction of performance indicators that are not consistent with countries’ national development strategies.”⁶ For this reason, primary responsibility for developing the M&E Plan lies with the M&E directorate of MCA-Lesotho II with support and input from MCC’s M&E and economist staff. The M&E Plan must be

developed in conjunction with key stakeholders, including MCA-Lesotho II leadership and sector leads, the MCC Resident Country Mission, and other MCC staff (such as cross-cutting leads), as well as external stakeholders, as applicable. While the entire M&E Plan must be developed collaboratively, MCC and MCA-Lesotho II Project/Activity leads are expected to guide the selection of Indicators at the process and output levels that are particularly useful for management and oversight of Projects and Activities.

8. Approval and Implementation of the M&E Plan.

The approval and implementation of the M&E Plan, as amended from time to time, shall be in accordance with the Program Implementation Agreement, any other relevant Supplemental Agreement and the M&E Policy. All M&E Plan modifications proposed by MCA-Lesotho II must be submitted to MCC for prior written approval. The M&E Plan may undergo peer review within MCC before the beginning of the formal approval process. Evaluation activities under the M&E Plan are expected to continue beyond the end of the Compact Term and MCA-Lesotho II shall identify the individuals and organizations that shall support these activities through completion.

NOTE

6. Busan Partnership for Effective Development Cooperation, Busan Outcome Document, 1 December 2011, p. 5.

Table 1: Indicators

The table below lists the preliminary set of monitoring and evaluation indicators linked to each result in the Project Logic. Key Indicators that can be reported on at least an annual basis shall be included in quarterly monitoring indicator reports, while Indicators that require survey data or a longer time period to track shall be included in evaluation reports.

Table 1.1: Health Systems Strengthening (HSS) Project Indicators

Result	Indicator	Definition	Unit	Baseline	Compact Target	ITT Indicator (Y/N)
Objective Indicators: Long-term outcomes						
Objective: Improved health outcomes through strengthening Lesotho primary health care system	Maternal deaths averted	The number of maternal deaths per year averted as estimated by a model. Maternal death is defined as woman's death during pregnancy, labor and delivery and for up to 1 year following delivery, although some countries measure up to 6 weeks	Number	Value: 0 Year: 2022	Value: 7 Year: CED	<i>N</i>
	Under-five deaths averted	The number of under-five deaths per year averted as estimated by a model. Under-five deaths are those occurring in children between the age of 0 and 59 months	Number	Value: 0 Year: 2022	Value: 85 Year: CED	<i>N</i>
	Age one-five deaths averted	The number of age one-five deaths per year averted as estimated by a model. Age one-five deaths are those occurring in children between the age of 12 and 59 months	Number	Value: 0 Year: 2022	Value: TBD Year: CED	<i>N</i>

	Infant deaths averted	The number of infant deaths averted per year as estimated by a model.	Number	Value: 0 Year: 2022	Value: TBD Year: CED	<i>N</i>
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Result	Indicator	Definition	Unit	Baseline	Compact Target (Y/N)	ITT Indicator
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		Infant deaths are those deaths occurring in children between the age of 0 and 11 months				
	Neonatal deaths averted	The number of age neonatal deaths averted per year as estimated by a model. Neonatal deaths are defined as deaths occurring during the first 28 completed days of life	Number	Value: 0 Year: 2022	Value: 48 Year: CED	<i>N</i>
	Reduction in number of deaths between ages 30 and 70 years due to cardiovascular disease	Number of deaths between the ages of 30 and 70 years from cardiovascular diseases reduced per year, as estimated by a model	Number	Value: 0 Year: 2022	Value: 321 Year: CED	<i>N</i>
	Reduction in number of deaths between ages 30 and 70 years due to diabetes	Number of deaths between the ages of 30 and 70 years from diabetes per year, as estimated by a model	Number	Value: 0 Year: 2022	Value: 1 Year: CED	<i>N</i>
	Still Birth Total: Reduction in number of fetuses and infants born per year with no sign of life and born after 28 weeks gestation or weighing \geq 1000g	The number of still births reduced per year, as estimated by a model. Number of stillbirths defined as third trimester fetal deaths (\geq 1000 g or \geq 28 weeks)	Number	Value: 0 Year: 2022	Value: 27 Year: CED	<i>N</i>

Result	Indicator	Definition	Unit	Baseline	Compact	ITT Indicator
					Target (Y/N)	
	Still Birth Fresh: Reduction in number of fetuses and infants born per year that are categorized as fresh still births	The number of fresh stillbirths reduced per year, as estimated by a model. Fresh stillbirths defined as third trimester fetal deaths where the fetus is alive (heartbeat detected) on admission to	Number	Value: 0 Year: 2022	Value: TBD Year: CED	N
		hospital but dead upon delivery				
	Still Birth Macerated: Reduction in number of fetuses and infants born per year that are categorized as macerated births	The number of macerated stillbirths reduced per year, as estimated by a model. Macerated stillbirths defined as third trimester fetal deaths where the fetus is dead (no heartbeat) on admission to hospital and therefore dead upon delivery	Number	Value: 0 Year: 2022	Value: 0 Year: CED	N
Medium-Term Outcome Indicators						
Outcome: Provide high quality primary health care services, including clinical and GBV	Facilities that meet standards of care for specific PHC services	Percentage of health facilities offering specific PHC services that meet minimum standards of care on the basis of a set of select criteria for specific services	Percentage	Value: TBD Year: TBD	Value: 7TBD Year: CED	N

Result	Indicator	Definition	Unit	Baseline	Compact	ITT Indicator
					Target (Y/N)	
Outcome: Improve management and support services to deliver primary health care	DHMTs with approved Annual Operating Plans (AOPs) corresponding to MOH guidelines	The percentage of DHMTs with AOPs which correspond to MOH updated guidelines divided by total number of DHMTs with completed AOPs. (AOPs are required in all 10 DHMTs)	Percentage	Value: 0% Year: 2022	Value: 90% Year: CED	N
	Total approved DHMT budget expended as per AOP	Percentage of budgeted expenditures (according to the DHMTs' AOPs) divided by actual expenditures, disaggregated by district	Percentage	Value: 0% Year: 2022	Value: 90% Year: CED	N
Outcome: Improved cost efficiency of MOH expenditure	Increase in services delivered at primary care level	The percent increase of people receiving services at primary health care providers (community, outreach, primary	Percentage	Value: 0% Year: 2022	Value: 10% Year: CED	N
		care facility, secondary hospital, and tertiary/specialty hospital*), disaggregated by service				
		*As available				
Short-Term Outcome Indicators						

Result	Indicator	Definition	Unit	Baseline	Compact	ITT Indicator
					Target (Y/N)	
Short-term Outcome: District hospital and health center staff and VHWS provide high quality primary health care services, including GBVrelated prevention and response	PHC services provided at the district and community level	Services provided at the district and community level (community, outreach, primary care facility, secondary hospital, and tertiary/specialty hospital*), disaggregated by service *As available	Percentage	Value: TBD Year: 2022	Value: 15% Year: CED	N
Short-term Outcome: DHMT staff effectively manage primary health care finances, planning, and human resources	Planning DHMT staff who demonstrate the ability to develop plans for their districts based on identified community needs	Percentage of DHMT staff who demonstrate the ability to develop plans, based on a standardized assessment tool	Percentage	Value: TBD Year: 2022	Value: 80% Year: CED	N
Short-term Outcome: DHMT staff use data to make decisions in the management of the health care system	DHMT staff who demonstrate the ability to analyze and use data for health care system management decisionmaking	Percentage of DHMT staff who demonstrate the ability to analyze and use data for health care system management decision-making, based on a standardized assessment tool	Percentage	Value: TBD Year: 2022	Value: TBD Year: CED	N

Output Indicators

HSS Compact Indicators: Outputs for Short-term Outcome 1.1: District hospital and health center staff and VHWs provide high quality primary health care services, including GBV-related prevention and response						
(Y/N)						
Patient registration, triage process, and patient record system that follows a patient through all levels of care improved	system operating as designed in health facilities	facilities with patient record systems operating as designed, based on a standardized assessment tool. Health facilities refer to health facilities receiving MOH funding.			Year: CED	
Output 1.2: Clinical competencies and standards of care for DH and HC staff and VHWs strengthened, including for GBV prevention and response	Staff trained in requisite clinical competencies and standards of care	Percentage of staff trained in requisite clinical competencies and standards of care, based on a standardized assessment tool.	Percentage	Value: 0%	Value: TBD Year: CED	Y
Output 1.3: Referral system to ensure clients are treated at the optimal level strengthened	Referral system operating as designed	Percentage of health facilities with referral system operating as designed, based on a standardized assessment tool	Percentage	Value: 0%	Value: 65% Year: CED	Y
	GBV referral system operating as designed	Percentage of health facilities with GBV referral system operating as designed, based on a standardized assessment tool	Percentage	Value: 0%	Value: 65% Year: CED	Y
Output 1.4: Supportive supervision, including coaching and mentoring, with district hospital and health center staff and VHWs implemented	Planned supportive supervision visits conducted	Percentage of onsite visits conducted using developed supervision tools with staff being supervised, disaggregated by district, type of facility and gender	Percentage	Value: 0%	Value: 75% Year: CED	Y

Result	Indicator	Definition	Unit	Baseline	Compact Target (Y/N)	ITT Indicator
Output 1.5: Capacity of health center nurses to manage VHW program strengthened	Operational guidelines for each level of the VHW program (hospital, health center, community) developed and disseminated	Number of operational guidelines for each level of the VHW program developed and disseminated. Guidelines detail how to function on a day-to-day basis, including data collection, reporting, organization of staffing, etc.	Number	Value: 0	Value: 1 Year: CED	N
Output 1.6: MOH accountability to communities for the provision of PHC services, including GBV-related services is strengthened	Small grants awarded that increase community engagement with health data generated by GOL systems.	Grants awarded, disaggregated by gender and age	Number	Value: 0	Value: 10 Year: CED	Y
HSS Compact Indicators: Outputs for Short-term Outcome 2.1: DHMT staff effectively manage primary health care finances, planning, and human resources						
Output 2.1: MOH financial management systems expanded	Districts where district-level integrated IFMIS operating as designed	Percentage of districts where district-level integrated IFMIS operating as designed, based on a standardized assessment tool	Percentage	Value: 0%	Value: 100% Year: CED	Y

Result	Indicator	Definition	Unit	Baseline	Compact	ITT Indicator
					Target (Y/N)	
Output 2.2: DHMT-level health financing improved	Results based financing (RBF) funds disbursed to districts	Percentage of RBF funds disbursed annually to districts based on GOL meeting minimum access conditions and district performance targets divided by the total amount of RBF funds possible for districts to receive, disaggregated by district.) RBF = program or intervention that provides rewards to individuals or institutions after	Percentage	Value: 0%	Value: 70% Year: CED	Y
		agreed-upon results are achieved and verified				

Result	Indicator	Definition	Unit	Baseline	Compact	ITT Indicator
					Target (Y/N)	
Output 2.3: Stakeholders aligned on PHC service delivery, including GBV	Stakeholders who have honored their Memos of Understanding	<p>Percentage of stakeholders who signed MOUs who have honored their MOUs, based on a standardized assessment tool</p> <ul style="list-style-type: none"> Stakeholders = any organization, implementing partners, etc. who is providing a PHC service in Lesotho and operating at the district level Memo of Understanding = statement that within a certain timeframe a stakeholder will eliminate duplicity of services and activities and work with DHMT to make a comprehensive PHC service delivery package available in Lesotho Honored = eliminated duplicity of services and activities and who have demonstrated integration of services 	Percentage	Value: 0%	Value: 80% Year: CED	Y

Result	Indicator	Definition	Unit	Baseline	Compact	ITT Indicator
					Target (Y/N)	
Output 2.4: PHC staffing structures, roles and processes defined from district to community levels, including GBV	Standardized staff job descriptions developed for the DHMT, district hospitals, health centers, and health posts	Percentage of job descriptions developed that delineate specific roles and responsibilities of each category of staff member as well as clear supervisory responsibilities when appropriate divided by the total number of job categories at the DHMT, district hospitals, health centers, and health posts.	Percentage	Value: 0%	Value: 90% Year: CED	Y
Output 2.5: DHMT staff capacity to manage strengthened	Percentage of relevant DHMT staff trained on PHC financial management	Percentage of relevant DHMT staff trained on PHC financial management, based on a standardized assessment tool. Training may consist of formal pre-service and inservice online and offline courses/workshops to augment skills and on-the-job activities designed to improve use of learned skills	Percentage	Value: 0%	Value: 85% Year: CED	Y
Output 2.6: Supportive supervision system, including mentoring and coaching, strengthened	Supportive supervision system operating as designed	Supportive supervision system operating as designed, based on a standardized assessment tool	Date	Value: N/A	Value: TBD Year: CED	Y
HSS Compact Indicators: Outputs for Short-term Outcome 2.2: DHMT staff use data to make decisions in the management of the health care system						

Result	Indicator	Definition	Unit	Baseline	Compact	ITT Indicator
					Target (Y/N)	
Output 3.1: Health data systems integrated	Health facility registry operating as designed	Health facility registry operating as designed, based on a standardized assessment tool.	Date	Value: N/A	Value: TBD Year: CED	Y
		Health facility registry: a complete listing of health facilities, including a set of administrative and identifying information for each facility and basic information on the service capacity of each facility.				
	Health facilities where an electronic health register is operating as designed	Percentage of health facilities where an electronic health register is operating as designed, based on a standardized assessment tool. Electronic health register =) an organized, electronic system that collects uniform data (clinical and other)	Percentage	Value 0%	Value: 75% Year: CED	Y
Output 3.2: Availability, quality and use of relevant data from/at all levels of the health system improved	Automated information system operating as designed	Automated information system operating as designed, based on a standardized assessment tool	Date	Value: N/A	Value: TBD Year: CED	Y
Output 3.3: eHealth to support data collection and reporting from all levels upgraded	Districts where IT/architecture maintenance (helpdesk) operating as designed	Percentage of districts where IT/architecture maintenance (helpdesk) operating as designed, based on a standardized	Percentage	Value: 0%	Value: TBD Year: CED	N

Result	Indicator	Definition	Unit	Baseline	Compact Target (Y/N)	ITT Indicator
		assessment tool				
Output 3.4: Capacities to collect, report, analyze and use HMIS data strengthened	Mechanism for building capacity operating as designed	Mechanism for building capacity operating as designed, based on a standardized assessment tool	Date	Value: N/A	Value: TBD Year: CED	N

Table 1.2: Market Driven Irrigated Horticulture (MDIH) Project Indicators

Result	Indicator	Definition	Unit	Baseline	Compact Target (Y/N)	ITT Indicator
Objective Indicators						
Project Objective: Increase rural incomes related to commercial horticulture, including for women, youth, and the rural poor. Establish sustainable and inclusive model of irrigation, water resource, and land management	Income from land leasing agreements	Income accrued to all Basotho landholders (disaggregated by women, youth, and the rural poor) in the irrigated perimeter from leasing land t	US Dollars	Value: \$0 Year: 2022 Value for Women, Youth, and the Rural Poor: TBD	Value: \$7,008,833 Year: Compact End Date (CED) Value for Women, Youth, and the Rural Poor: TBD	N
	Income related to horticulture and subsistence farming in the irrigated perimeter (Small-Holders)	Net income accrued to all small holder farmers from horticulture and subsistence farming from within the irrigated perimeter (disaggregated by women, youth, and the rural poor). Baseline income per hectare is based on the value of maize crop.	US Dollars	Value: \$266,000 Year: 2022 Value for Women, Youth, and the Rural Poor: TBD Baseline for Women, Youth, and the Rural Poor: TBD	Value: \$1,401,767 Year: 2 years post construction completion Value: \$7,008,833 Year: Ten years from completion of construction Value for Women, Youth, and the Rural Poor: TBD	N
Long-Term Outcome Indicators						

Result	Indicator	Definition	Unit	Baseline	Compact Target (Y/N)	ITT Indicator
Increased equitable and sustainable private investment in horticulture on land with secure land rights, irrigation	Dollars invested in inputs to horticulture on hectares supported by the Compact	Dollars invested in inputs and equipment by Anchor Farmers on our hectares	US Dollars	Value: \$0 Year: 2022	TBD	Y

	Women and youth owned horticulture plots	Proportion of women and youth owned plots engaged in commercial horticulture, with or without anchor farmer contracts	Percentage	Value: TBD Year: 2022	TBD	Y
Output Indicators						
Activity 1: Irrigation Infrastructure						
Output: Water Provided for Irrigation	(AI-8) Hectares under improved irrigation	The number of hectares served by existing or new irrigation infrastructure that are either rehabilitated or constructed with MCC funding.	Hectares	Value: 0 Year: 2022	Value: TBD Year: CED	Y
Output: Transaction Advisor for Commercial Agreements	TBD	TBD	TBD	TBD	TBD	TBD
Output: Percentage targets for women and youth participation	Women and youth on contracts with anchor farmers	Percentage of the commercial farming contracts signed with women and youth farmers and	Percentage	Value: 0%	Value: 50% Year: CED	Y

Result	Indicator	Definition	Unit	Baseline	Compact Target	ITT Indicator (Y/N)
farmers will invest and start cultivated highvalue crops immediately upon their investment	horticulture (Anchor Farmers)	Farmers from horticulture within the irrigation project perimeter			Year: CED	
Activity 2: Irrigated Horticulture Support Services						
Output: Newly Irrigated Land is Fully Registered to Allow for Use or Leasing	TBD	TBD	TBD	TBD	TBD	TBD
Output: Integrated Catchment Management (ICM) within the irrigation parameter	Hectares of land within a parameter where we are implementing integrated catchment management	Number of Hectares of land within a parameter where we are implementing integrated catchment management	Hectares	Value: 0	Value: TBD Year: CED	Y
Risk/Assumption: Post-harvest loss	Amount of revenue lost before selling crops at market	Percentage of revenue from highvalue crops lost before selling them at market	Percentage	Value: TBD	Value: 5% Year: CED	N
Risk/Assumption: Anchor	Income related to irrigated	Net income per hectare of Anchor	US Dollars	Value: \$0 Year: 2022	Value: \$5,750	N

Output: Training and capacity building		The number of primary sector producers (farmers, fishermen, and other primary sector producers)				
Result	Indicator	Definition	Unit	Baseline	Compact Target (Y/N)	IIT Indicator
SBCC	(AI-6) Farmers trained (disaggregated by gender and age group <35)	receiving technical assistance or participating in a training session (on improved production techniques and technologies, including postharvest interventions, developing business, financial, or marketing planning, accessing credit or finance, or accessing input and output markets).	Number	Value: 0	Value: TBD Year: CED	Y
Output: Training and capacity building: horticulture, irrigation, gender, and SBCC	(AI-7) Enterprises assisted	The number of enterprises; producer, processing, and marketing organizations; water users associations; trade and business associations; and community-based organizations receiving assistance.	Number	Value: 0	Value: TBD Year: CED	Y
Output: Training and capacity building: horticulture, irrigation, gender, and SBCC	(AI-11) Farmers who have applied improved practices as a result of training	The number of primary sector producers (farmers, ranchers, fishermen, and other primary sector producers) that are applying new production or	Number	Value: 0 Year: 2022	Value: TBD Year: CED	Y

Result	Indicator	Definition	Unit	Baseline	Compact Target (Y/N)	ITT Indicator
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		managerial techniques introduced or supported by MCC training or technical assistance, such as input use, production techniques, irrigation practices, post-harvest treatment, farm management techniques, or marketing strategies. (Disaggregated by women and youth)				
Output: Training and capacity building: horticulture, irrigation, gender, and SBCC	(AI-12) Hectares under improved practices as a result of training	The number of hectares on which farmers are applying new production or managerial techniques introduced or supported by MCC, such as input use, production techniques, irrigation practices, post-harvest treatment, farm management techniques, or marketing strategies.	Hectares	Value: 0	Value: TBD	Y

Output: Training and capacity building: horticulture, irrigation, gender, and SBCC	(AI-13) Enterprises that have applied improved techniques	The number of rural enterprises; producer, processing, and marketing organizations; water users associations; trade and business associations; and community-based organizations that are applying managerial or processing techniques introduced or supported by MCC.	Number	Value: 0	Value: TBD Year: CED	Y
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Activity 3: Institutional Reform

Result	Indicator	Definition	Unit	Baseline	Compact Target (Y/N)	ITT Indicator
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Output: Information campaign on land rights and legal/reg framework	(L-6) Land rights formalized	The number of household, commercial and other legal entities (e.g., NGOs, churches, hospitals) receiving formal recognition of ownership and/or use rights through certificates, titles, leases, or other recorded documentation by government institutions or traditional authorities at national or local levels.	Number	Value: 0	Value: TBD Year: CED	Y
Output: Facilitation of fair land transfers	(L-3) Stakeholders trained	The number of public officials, traditional authorities, project beneficiaries and representatives of the private sector, receiving formal on-the-job land training or technical assistance regarding registration, surveying, conflict resolution, land allocation, land use planning, land legislation, land management or new technologies.	Number	Value: 0	Value: TBD Year: CED	Y

Result	Indicator	Definition	Unit	Baseline	Compact Target (Y/N)	ITT Indicator
Output: Facilitation of fair land transfers	(L-5) Parcels corrected or incorporated in land system	The number of parcels with relevant parcel information corrected or newly incorporated into an official land information system (whether a system for the property registry, cadastre or an integrated system).	Parcels	Value: 0	Value: TBD Year: CED	Y
Output: Facilitation of	Local councils with enhanced	The number of local councils whose	Number	Value: 0	Value: 8	N

fair land transfers	land registration capacity	capacity to process requests for Certificates of Land Allocation (Form Cs) and Registered Land Leases is upgraded through improved business processes, equipment, training, and sustainability plans.				
Output: Facilitation of fair land transfers	Local council land-use plans adopted or revised	The number of local councils who receive support to improve their ability to produce quality land-use plans, who prepare or revise those plans, and who have those plans approved for implementation in accordance with the law.	Number	Value: 0	Value: 8 Year: CED	Y

Result	Indicator	Definition	Unit	Baseline	Compact Target (Y/N)	ITT Indicator
Output: Improved River Basin Management	Adoption of River Basin Management Plans	The number of river basin management plans developed and adopted by relevant stakeholders within Government	Number	Value: 0	Value: 2 Year: CED	Y
Output: Improved Collection and Management of Water/Climate Data for Decision Making	Operationalizin g and institutionalizin g water and climate data management system	A defined process for collecting, managing, and reporting on water and climate data including equipment, software, training and technical support developed and adopted by relevant stakeholders within GOL	TBD	TBD	TBD	TBD
Output: Development and adoption of water and irrigation reforms	Adoption of an Irrigation Policy, enactment of an Irrigation Act, and amendments to the Water Act	The number of specific pieces of legislation or implementing regulations adopted by the Compact country and	Number	Value: 0	3	Y
		attributable to Compact support.				

Result	Indicator	Definition	Unit	Baseline	Compact Target (Y/N)	ITT Indicator
Output: Training and capacity building: horticulture, irrigation, integrated catchment management, gender, and SBCC	Government staff trained	<u>The number of public officials having completed formal on-the-job agriculture-related training or technical assistance regarding crop selection, planting, crop irrigation, fertilizer usage, harvesting, crop storage and sales, new farming technologies, integrated catchment management, and other training directly related to compact implementation.</u>	Number	Value: 0	TBD	Y
Outcome Indicators: Short Term						
Activity 1: Irrigation Infrastructure						
Outcome: Anchor Farmers Start Growing High Value Crops	TBD	TBD	TBD	TBD	TBD	TBD
Outcome: Higher Percentage of Females and Youth Recruited and Active in the Horticulture Sector	TBD	TBD	TBD	TBD	TBD	TBD
Outcome: Shorter Term Revenue Accrues to Anchor Farmers and to Landholders Who Lease/Sell Land to Anchor	TBD	TBD	TBD	TBD	TBD	TBD

Result	Indicator	Definition	Unit	Baseline	Compact Target (Y/N)	ITT Indicator
Farmers						
Activity 2: Irrigated Horticulture Support Services						

Result	Indicator	Definition	Unit	Baseline	Compact Target (Y/N)	ITT Indicator
Outcome: Increased Capacity for Community Organizations, including WUAs, to Participate in Scheme Governance	TBD	TBD	TBD	TBD	TBD	TBD
Outcome: Improved Intra HH Negotiations around Women's Business Participation	TBD	TBD	TBD	TBD	TBD	TBD
Outcome: Representation for Smallholders in Contract Negotiations	TBD	TBD	TBD	TBD	TBD	TBD
Outcome: Improved Land Registration System in Rural Areas	TBD	TBD	TBD	TBD	TBD	TBD
Activity 3: Institutional Reform						

Result	Indicator	Definition	Unit	Baseline	Compact Target (Y/N)	ITT Indicator
Outcome: Strengthened inclusion in horticulture service delivery, including training and data use	New gender/inclusion initiatives adopted by the MAFS	Examples of initiatives are: GSI strategy, workplans and M&E plans; Gender and youthresponsive trainingincluding GALS/ Aggregators/organiz ations engaged; Inclusion and gender budget; Organizational assessment and audits Changed functional organization; Disaggregated data for planning; Information dissemination and IT.	Number	Value: 0	Value: 8 Year: CED	Y

Outcome: Harmonization of Irrigation, Water, and Land Services Policies	TBD	TBD	TBD	TBD	TBD	TBD
Outcome: Clarification of Roles in the Water Sector and at Different Levels of Government	TBD	TBD	TBD	TBD	TBD	TBD
Outcome: Strengthened Mechanisms for Coordination in the Water and Irrigation Sectors Established	TBD	TBD	TBD	TBD	TBD	TBD

Result	Indicator	Definition	Unit	Baseline	Compact	ITT Indicator
					Target (Y/N)	
Outcome: Development of regulatory framework and guidelines for incentives, and capacity building for Water Users Associations (WUAs)	Establishment and operationalization of WUAs	Number of WUAs established (i.e. legally established, elected a board, opened a bank account) and operational under the Compact	Number	Value: 0	TBD	Y
Outcome Indicators: Medium Term						
Activity 1: Irrigation Infrastructure						
Outcome: Increased Production of High-Value Horticulture	TBD	TBD	TBD	TBD	TBD	TBD
Outcome: Smallholders Start Growing High-Value Crops	TBD	TBD	TBD	TBD	TBD	TBD
Outcome: Larger Active Private Sector in Horticulture and the Horticulture Value Chain	TBD	TBD	TBD	TBD	TBD	TBD
Activity 2: Irrigated Horticulture Support Services						
Sustainable businesses and employment for women and youth in horticulture	People employed on farms within the Irrigated Perimeter	People employed by Anchor and smallholder farmers (nonfamily labor) (disaggregated by women and youth)	Number	Value: 0 Year: 2022	TBD	N
Outcome: Fair Contract Terms for Smallholders	TBD	TBD	TBD	TBD	TBD	TBD
Activity 3: Institutional Reform						

Result	Indicator	Definition	Unit	Baseline	Compact Target (Y/N)	ITT Indicator
Outcome: Laws, Administrative Processes, and Services Related to Horticulture Create an Enabling Environment for Women Workers and Business Owners	TBD	TBD	TBD	TBD	TBD	TBD
Outcome: Underlying Framework for Sustainable Development	TBD	TBD	TBD	TBD	TBD	TBD
Outcome: Reduction in Economic and Climate Vulnerability of Farmers	TBD	TBD	TBD	TBD	TBD	TBD

Table 1.3: Business Environment and Technical Assistance (BETA) Project Indicators

Result	Indicator	Definition	Unit	Baseline	Compact Target	ITT Indicator (Y/N)
Outcome Indicators						
BETA Project						
Project Objective: Stimulate an increase in firmlevel profits and formal	Profit per private business in the BETA pipeline	Total profit per private firm (per year) supported by the BETA. A private business is defined as anything that is	US Dollars	Value: Small business*: \$ 1,729	Value: Small business: •Men-owned: \$1,816.10	N

Compact						ITT
Result Indicator	Definition Unit	Baseline	Indicator	Target (Y/N)		
employment from a pipeline of Firms supported by the project, including MSMEs owned by women and youth and Firms in rural areas.		not government owned and does not have majority government ownership. Disaggregated by firm size, and women and youth ownership, and rural.		Medium business*: \$ 4,378 *Baseline applies to all firms, including women- and youth-owned firms Year: 2022	•Women-owned: \$1,925.07 Medium business: •Men-owned: \$4,599.51 •Women-owned: \$4,875.48 Target for youth: TBD Year: CED	
	Growth in employment from the BETA Pipeline	Percentage growth per year in people employed by BETA-supported firms. These include only newly generated jobs, and the person must be employed full-time for six months.	Percentage	Value: 0%	Value: 7% ⁷ Year: CED	N
Activity 1: Pipeline Development						
Outcome: New business have better opportunities to start	New firms created by the BETA project	TBD	TBD	TBD	TBD	TBD
Outcome: Existing businesses can grow	Firms supported by BETA	Number of businesses supported by BETA (disaggregated by women-owned, youth-owned, size of business, and rural)	Number	Value: 0 Year: 2022	Value: Small businesses: 500 Medium businesses: 50 Year: CED	Y
Outcome: Data and feedback on how BETA businesses are operating	TBD	TBD	TBD	TBD	TBD	TBD

Compact						ITT
Result Indicator	Definition Unit	Baseline Indicator	Target (Y/N)			
Outcome: Improved access to finance and credit to businesses	Funding raised by (1) BETA firms, and (2) firms using BETA financial products	Total cumulative funding from formal financial institutions/financial products raised by BETA firms, and other firms that availed themselves of the financial	US Dollars	\$0 Year: 2022	TBD	TBD
		products designed and rolled out with the support of BETA.				
Outcome: Learning what works to create a robust pipeline of businesses in Lesotho	TBD	TBD	TBD	TBD	TBD	TBD
Outcome: BETA supported businesses present less risk to potential investors	TBD	TBD	TBD	TBD	TBD	TBD
Activity 2: Financial Ecosystem Strengthening, Especially for Women and Youth						
Outcome: Women and youth responsive training and financial products	TBD	TBD	TBD	TBD	TBD	TBD

Compact						ITT
Result Indicator	Definition	Unit	Baseline	Indicator	Target	(Y/N)
Outcome: Financial products and technical assistance products from domestic and international stakeholders to Basotho enterprises	TBD	TBD	TBD	TBD	TBD	TBD
Activity 3: Business Ecosystem Strengthening, Especially for Women and Youth						
Outcome: Private Sector Associations, including women's, are better able to deliver services to their members	TBD	TBD	TBD	TBD	TBD	TBD
Outcome: Women and Youth are	Reforms that support SMEs and women	Number of reforms that support SMEs and women and	Number	Value: 0 Year: 2022	Value: 5 Year: CED	N
represented in the PublicPrivate Dialogue	and youth owned businesses	youth owned businesses that are identified through the PPD. Examples of this could be a gender certification for businesses akin to a star rating for tourism lodges.				
Outcome: Improved Public Private Dialogue	Business environment issues raised by the private sector that are resolved by TWGs and/or govt.	Number of business environment issues raised by the private sector that are resolved by TWGs and/or govt.	Number	Value: 0 Year: 2022	Value: 1 per year Year: CED	N

Compact						ITT
Result Indicator	Definition	Unit	Baseline	Indicator	Target	(Y/N)
Outcome: Private sector actors, including women's organizations, are organized to demand better public services	TBD	TBD	TBD	TBD	TBD	TBD
Output Indicators						
Activity 1: Pipeline Development for Businesses						
Output: Incubation and acceleration for SMEs	TBD	TBD	TBD	TBD	TBD	TBD
Output: Increase women and youth participation in businesses	Percentage of BETA-supported businesses that are women and/or youth owned	Percentage of BETA-supported businesses where women and/or youth have a 50% ownership stake in the business.	Percentage	Value: 0% Year: 2022	Value: 60% Year: CED	N
Output: Capacity building for local business development actors	TBD	TBD	TBD	TBD	TBD	TBD
Output: Data collection to monitor business incubation and acceleration, as	TBD	TBD	TBD	TBD	TBD	TBD
well as BETA more generally						

Compact						ITT
Result Indicator	Definition	Unit	Baseline	Indicator	Target	(Y/N)
Output: Technical Assistance and Business Development Services (BDS), Women- and Youth-focused MSME training and finance	TBD	TBD	TBD	TBD	TBD	TBD
Activity 2: Financial Ecosystem Strengthening, Especially for Women and Youth						
Output: Structuring of Financial Vehicles	Total amount of capital lent from BETA lending instruments	Total amount of capital lent to new and existing businesses from BETA lending instruments using a competitive process	US Dollars	\$0	Value: TBD	N
Output: Creditguarantee enabled working capital lending	TBD	TBD	TBD	TBD	TBD	TBD
Output: Capacity building for financial institutions, including women's savings groups	TBD	TBD	TBD	TBD	TBD	TBD
Activity 3: Business Ecosystem Strengthening, Especially for Women and Youth						
Output: Private business engage with the government and the government responds	PPD meetings	Number of PPD plenary level council meetings	Number	Value: 0	Value: 2-4 per year Year: CED	Y
	Technical Working Group meetings	Number of Technical Working Group meetings per working group	Number	Value: 0	Value: 12-24 per year Year: CED	Y

Compact						ITT
Result	Indicator	Definition	Unit	Baseline	Indicator Target (Y/N)	
Output: Facilitation services for Public Private Dialogue and working groups, including working groups on women and youth issues	TBD	TBD	TBD	TBD	TBD	TBD
Output: Critical reforms and technical services identified as part of the Public Private Dialogue (PPD)	TBD	TBD	TBD	TBD	TBD	TBD
Output: Capacity building for private associations including women's associations	TBD	TBD	TBD	TBD	TBD	TBD

Table 1.4: American Catalyst Facility for Development (ACFD) Project Indicators

Result	Indicator	Definition	Unit	Baseline	Compact Target	ITT Indicator (Y/N)
Objective Indicators						
Project Objective: Facilitate DFC investments in Lesotho.	ACFD-supported DFC investments that reach financial close	Number of signed legal agreement(s) recording DFC's financial commitment to an ACFD-supported project	Number	Value: 0 Year: 2022	Value: 1 Year: CED	Y

ANNEX IV

CONDITIONS PRECEDENT TO DISBURSEMENT OF COMPACT FACILITATION FUNDING

This Annex IV sets forth the conditions precedent applicable to Disbursements of Compact Facilitation Funding (other than any Disbursement for the MCC Contracted CFF Activities) (each a “*CFF Disbursement*”).

Capitalized terms used in this Annex IV and not defined in this Compact shall have the respective meanings assigned thereto in the Program Implementation Agreement. Once the Program Implementation Agreement is signed, each CFF Disbursement shall be subject to all of the terms of the Program Implementation Agreement except that the only conditions to disbursements of CFF shall be those set forth in this Annex IV.

1. Conditions Precedent to Initial CFF Disbursement.

Unless waived or deferred in writing by MCC, each of the following conditions must be met to MCC’s satisfaction before the initial CFF Disbursement:

- (a) The Government (or MCA-Lesotho II) has delivered to MCC:
 - (i) an interim fiscal accountability plan acceptable to MCC
 - (ii) an CFF procurement plan acceptable to MCC
 - (iii) an Interim Bid Challenge System (IBCS); and
 - (iv) Interim Procurement Operations Manual (IPOM).

- (b) Designation of an entity or individual to provide procurement agent services, as approved by MCC, until such time as the Government provides to MCC a true and complete copy of the Procurement Agent Agreement, duly executed and in full force and effect, and the Procurement Agent engaged thereby is mobilized.

2. Conditions Precedent to all CFF Disbursements (Including the Initial CFF Disbursement).

Unless waived or deferred in writing by MCC, each of the following conditions must be met to MCC's satisfaction before each CFF Disbursement:

(a) The Government (or MCA-Lesotho II) has delivered to MCC the following documents, in form and substance satisfactory to MCC:

(i) a completed Disbursement Request, together with the applicable Periodic Reports, for the applicable Disbursement Period, all in accordance with the Reporting Guidelines;

(ii) a certificate of the Government (or MCA-Lesotho II), dated as of the date of the Disbursement Request, in such form as provided by MCC;

(iii) if a Fiscal Agent has been engaged, a Fiscal Agent Disbursement Certificate; and

(iv) if a Procurement Agent has been engaged, a Procurement Agent Disbursement Certificate.

(b) If any proceeds of the CFF Disbursement are to be deposited in a bank account, MCC has received satisfactory evidence that (i) the Bank Agreement has been executed and (ii) the Permitted Accounts have been established.

(c) Appointment of an entity or individual to provide fiscal agent services, as approved by MCC, until such time as the Government provides to MCC a true and complete copy of a Fiscal Agent Agreement, duly executed and in full force and effect, and the fiscal agent engaged thereby is mobilized.

(d) Appointment of an entity or individual to provide procurement agent services, as approved by MCC, until such time as the Government provides to MCC a true and complete copy of the Procurement Agent Agreement, duly executed and in full force and effect, and the procurement agent engaged thereby is mobilized.

(e) MCC is satisfied, in its sole discretion, that

(i) the activities being funded with such CFF Disbursement are necessary, advisable or otherwise consistent with the goal of facilitating the implementation of this Compact and shall not violate any applicable law or regulation;

(ii) no material default or breach of any covenant, obligation or responsibility by the Government, MCA-Lesotho II or any Government entity has occurred and is continuing under this Compact or any Supplemental Agreement;

(iii) there has been no violation of, and the use of requested funds for the purposes requested shall not violate, the limitations on use or treatment of MCC Funding set forth in Section 2.7 of this Compact or in any applicable law or regulation;

(iv) any Taxes paid with MCC Funding through the date 90 days prior to the start of the applicable Disbursement Period have been reimbursed by the Government in full in accordance with Section 2.8(c) of this Compact; and

(v) the Government has satisfied all of its payment obligations, including any insurance, indemnification, tax payments or other obligations, and contributed all resources required from it, under this Compact and any Supplemental Agreement.

(f) For any CFF Disbursement occurring after this Compact has entered into force in accordance with Article 7: MCC is satisfied, in its sole discretion, that

(i) MCC has received copies of any reports due from any technical consultants (including environmental auditors engaged by MCA-Lesotho II) for any Activity since the previous Disbursement Request, and all such reports are in form and substance satisfactory to MCC;

(ii) the Implementation Plan Documents and Fiscal Accountability Plan are current and updated and are in form and substance satisfactory to MCC, and there has been progress satisfactory to MCC on the components of the Implementation Plan for any relevant Projects or Activities related to such CFF Disbursement;

(iii) there has been progress satisfactory to MCC on the M&E Plan and Social and Gender Integration Plan for the Program or relevant Project or Activity and substantial compliance with the requirements of the M&E Plan and Social and Gender Integration Plan as defined in the PIA (including the targets set forth therein and any applicable reporting requirements set forth therein for the relevant Disbursement Period);

(iv) there has been no material negative finding in any financial audit report delivered in accordance with this Compact and the Audit Plan, for the prior two quarters (or such other period as the Audit Plan may require);

(v) MCC does not have grounds for concluding that any matter certified to it in the related MCA Disbursement Certificate, the Fiscal Agent Disbursement Certificate or the Procurement Agent Disbursement Certificate is not as certified; and

(vi) if any of the officers or key staff of MCA-Lesotho II have been removed or resigned and the position remains vacant, MCA-Lesotho II is actively engaged in recruiting a replacement.

(g) MCC has not determined, in its sole discretion, that an act, omission, condition, or event has occurred that would be the basis for MCC to suspend or terminate, in whole or in part, this Compact or MCC Funding in accordance with Section 5.1 of this Compact.

ANNEX V

ACRONYMS & DEFINITIONS

ACRONYMS

ACRONYM DEFINITION

ACFD	American Catalyst Facility for Development
AfDB	African Development Bank
AOP	Annual Operating Plan
BETA	Business Environment and Technical Assistance
BDS	Business Development Services

CDC	Centers for Disease Control and Prevention
CFE	Compact Facilitation Funds
DFC	United States International Development Finance Corporation
DHMT	District Health Management Team
EIF	Entry into Force
ESOC	Environmental and Social Oversight Consultant
ESIA	Environmental and Social Impact Assessment
ESMS	Environmental and Social Management System
ESMP	Environmental and Social Management Plan
EU	European Union
FAO	Food and Agriculture Organization
GALS	Gender Action Learning System
GBV	Gender-Based Violence
GBVCF	Gender-Based Violence Coordination Forum
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
GSI	Gender and Social Inclusion
HSMP	Health and Safety Management Plan
HSS	Health Systems Strengthening
HVC	Horticulture Value Chain
ICM	Integrated Catchment Management
IFAD	International Fund for Agricultural Development
LAA	Land Administration Authority
LCCI	Lesotho Chamber of Commerce and Industry
LCMPA	Lesotho Capacity of Married Persons Act
LMDA	Lesotho Millennium Development Agency
LRDP	Livelihood Restoration and Diversification Plan
MAFS	Ministry of Agriculture and Food Security
MDIH	Market Driven Irrigated Horticulture
MOCST	Ministry of Communications, Science and Technology
MOF	Ministry of Finance
MOGYSR	Ministry of Gender, Youth, Sports and Recreation
MOH	Ministry of Health
MOW	Ministry of Water
MSME	Micro, Small, and Medium-sized Enterprises
NGO	Non-Governmental Organization
ORASECOM	Orange-Senqu River Basin Commission
PAP	Project Affected Person
PEPFAR	President's Emergency Plans for AIDS Response
PHC	Primary Health Care

PPD	Public Private Dialogue
RAP	Resettlement Action Plan
RPF	Resettlement Policy Framework
SBC	Social and Behavior Change
TIP	Trafficking in Persons
TWG	Technical Working Group
USAID	United States Agency for International Development
USG	United States Government
VHW	Village Health Worker
WRM	Water Resource Management
WUA	Water User Association

DEFINITIONS

ACFD Project has the meaning provided in Part B of Annex I.

ACFD Project Objective has the meaning provided in Section 1.2.

Activity has the meaning provided in Part B of Annex I.

Additional Representative has the meaning provided in Section 4.2.

Audit Guidelines has the meaning provided in Section 3.8(a).

Audit Plan has the meaning provided in Section 3.8(a).

Baseline has the meaning provided in paragraph 3 of Annex III.

BETA Project has the meaning provided in Part B of Annex I.

BETA Project Objective has the meaning provided in Section 1.2.

Board of Directors has the meaning provided in Part C of Annex I.

CDF Agreement has the meaning provided in Section 3.2(b).

CFF has the meaning provided in Section 2.2(a).

CFF Disbursement has the meaning provided in Annex IV.

Compact has the meaning provided in the Preamble.

Compact Facilitation Funding has the meaning provided in Section 2.2(a).

Compact Goal has the meaning provided in Section 1.1.

Compact Records has the meaning provided in Section 3.7(a).

Compact Term has the meaning provided in Section 7.4.

Counter Domestic Violence Law means the legislation enacted by the Government that substantially includes the protections and provisions of the draft Counter Domestic Violence Bill presented to the Lesotho Parliament on April 6, 2021.

Covered Provider has the meaning provided in the Audit Guidelines.

Disbursement has the meaning provided in Section 2.4.

Environmental Guidelines has the meaning provided in Section 2.7(c).

Environmental and Social Impact Assessment or ESIA means a process for predicting, identifying, and assessing the potential environmental and social impacts of a proposed business activity or project, evaluating alternatives and designing appropriate mitigation, management and monitoring measures.

Environmental and Social Management Plan or ESMP means a documented plan or strategy specifying the measures that shall be taken to ensure that social and environmental impacts, risks and liabilities identified during the ESIA process are effectively managed during the construction, operation and closure of the proposed project.

Environmental and Social Management System or ESMS means a set of policies, procedures, tools and internal capacity to identify and manage an institution's exposure to the environmental and social risks of its clients, investees or stakeholders.

Evaluation Component has the meaning provided in paragraph 1 of Annex III.

Excess CFF Amount has the meaning provided in Section 2.2(d).

Final Evaluations has the meaning provided in paragraph 4(b) of Annex III.

Firm means a for-profit business organization of any size, including micro, small, and medium enterprises.

Fiscal Agent has the meaning provided in Part C of Annex I.

Gender Policy means the MCC Gender Policy (including any guidance documents issued in connection with such policy).

Government has the meaning provided in the Preamble.

Government Contribution has the meaning provided in Section 2.6(a).

Grant has the meaning provided in Section 3.6(b).

Health and Safety Management Plan means a documented plan or strategy specifying identified hazards and safe work procedures to mitigate, reduce or control the hazards identified.

HHS Project has the meaning provided in Part B of Annex I.

HHS Project Objective has the meaning provided in Section 1.2.

IFC Performance Standards means the Performance Standards on Environmental and Social Sustainability of the International Finance Corporation, as in effect from time to time.

Implementation Letters has the meaning provided in Section 3.5.

Implementing Entity has the meaning provided in Part C of Annex I.

Implementing Entity Agreement has the meaning provided in Part C of Annex I.

Income Tax Exempt Person has the meaning provided in Annex VI.

Indicators has the meaning provided in paragraph 3 of Annex III.

Inspector General has the meaning provided in Section 3.7(c).

Intellectual Property means all registered and unregistered trademarks, service marks, logos, names, trade names and all other trademark rights; all registered and unregistered copyrights; all patents, inventions, shop rights, know how, trade secrets, designs, drawings, art work, plans, prints, manuals, computer files, computer software, hard copy files, catalogues, specifications, and other proprietary technology and similar information; and all registrations for, and applications for registration of, any of the foregoing, that are financed, in whole or in part, using MCC Funding.

Irrigated Perimeters has the meaning provided in Part B of Annex I.

Irrigation Scheme means, with respect to any Irrigated Perimeter, the irrigated land area together with the associated infrastructure (including, for example, intakes, transmission mains, reservoirs and training centers) some of which infrastructure may be located outside of the irrigated area.

Land Act means the Lesotho Land Act, 2010 (Act No. 8 of 2010), as the same may be amended or otherwise modified.

Land Administration Authority Act means the Land Administration Authority Act, 2010 (Act No. 9 of 2010) providing for the establishment of the Land Administration Authority as the main body responsible for land administration, land registration, cadastre, mapping and surveying and matters incidental thereto, as the same may be amended or otherwise modified.

Legal Capacity of Married Person Act means the Lesotho Legal Capacity of Married Persons Act, 2006 (Act No. 9 of 2006), as amended or otherwise modified.

Livelihood Restoration and Diversification Plan or LRDP means a plan that establishes the entitlements (e.g., compensation, other assistance) of affected persons and/or communities who are economically displaced by a project, in order to provide them with adequate opportunity to reestablish their livelihoods.

M&E has the meaning provided in the first paragraph of Annex III.

M&E Plan has the meaning provided in the preamble to Annex III.

M&E Policy has the meaning provided in the preamble to Annex III.

***MCA Act** has the meaning provided in Section 2.2(a).*

***MCA-Lesotho II** has the meaning provided in Section 3.2(b).*

***MCC** has the meaning provided in the Preamble.*

***MCC Contracted CFF Activities** has the meaning provided in Section 2.2(f)Section 2.2(f).*

***MCC Funded Agreement** has the meaning provided in Annex VI.*

***MCC Funding** has the meaning provided in Section 2.3.*

***MCC Website** means the MCC website at WWW.MCC.GOV.*

***MDIH Project** has the meaning provided in Part B of Annex I.*

***MDIH Project Objective** has the meaning provided in Section 1.2.*

***Monitoring Component** has the meaning provided in paragraph 1 of Annex III.*

***Multi-Year Financial Plan Summary** has the meaning provided in Annex II.*

***Operations Unit** has the meaning provided in Part C of Annex I.*

Party and Parties have the respective meanings provided in the Preamble.

***Permitted Account** has the meaning provided in Section 2.4.*

***Principal Representative** has the meaning provided in Section 4.2.*

***Procurement Agent** has the meaning provided in Part C of Annex I.*

***Program** has the meaning provided in the Preamble to this Compact.*

***Program Assets** means any assets, goods or property (real, tangible or intangible) purchased or financed in whole or in part (directly or indirectly) by MCC Funding.*

***Program Closure Guidelines** means the MCC Program Closure Guidelines (including any guidance documents issued in connection with such guidelines).*

Program Funding has the meaning provided in Section 2.1.

Program Grant Guidelines has the meaning provided in Section 3.6(b).

Program Guidelines means collectively the Audit Guidelines, the Environmental Guidelines, the Policy on Accountable Entities and Implementation Structures, the Program Grant Guidelines, the Program Procurement Guidelines, the Reporting Guidelines, the M&E Policy, the Cost Principles for Government Affiliates Involved in Compact Implementation, the Program Closure Guidelines, the Gender Policy, the MCC Gender and Social Inclusion Milestones and Operational Procedures, the Guidelines for Economic and Beneficiary Analysis, the Standards for Global Marking, the Guidelines for Country Contributions, Counter-Trafficking in Persons Policy, and any other guidelines, policies or guidance papers relating to the administration of MCC-funded assistance programs, in each case, as such may be posted from time to time on the MCC Website.

Program Implementation Agreement and PIA have the meaning provided in Section 3.1.

Program Procurement Guidelines has the meaning provided in Section 3.6(a).

Project(s) has the meaning provided in Section 1.2.

Project Objective(s) has the meaning provided in Section 1.2.

Provider means any natural or legal person who provides any goods, works, or services in connection with the Program.

Reporting Guidelines means the MCC Guidance to Accountable Entities on the Quarterly Disbursement Request Package.

Resettlement Action Plan or RAP means a plan designed to mitigate the negative impacts of the physical displacement of persons caused by project implementation.

Resettlement Policy Framework or RPF means a broad plan or scheme prepared for a project, based on the principles of IFC Performance Standard No.5, that sets forth and defines the principles, organizational arrangements, and design criteria to be applied to regulate all circumstances regarding resettlement

that may occur in implementation of the project.

Social and Gender Integration Plan has the meaning provided in Part A of Annex I.

Stakeholder Engagement Plan means a plan designed to guide consultations and communications with stakeholders of a project throughout the life of the project for the purpose of engaging with stakeholders in a culturally appropriate manner, all as more particularly described in IFC Performance Standard No. 1.

Supplemental Agreement means any agreement between (a) the Government (or any Government affiliate, including MCA-Lesotho II) and MCC (including, but not limited to, the PIA), or (b) MCC and/or the Government (or any Government affiliate, including MCA-Lesotho II), on the one hand, and any third party, on the other hand, in each case, setting forth the details of any funding, implementing or other arrangements in furtherance of, and in compliance with, this Compact.

Target has the meaning provided in paragraph 3 of Annex III.

Taxes has the meaning provided in Section 2.8(a).

United States Dollars or USD or US\$ means the lawful currency of the United States of America.

Water Act means the Lesotho Water Act, 2008 (Act No. 15 of 2008), as the same may be amended or otherwise modified.

youth means, as used with respect to the BETA Project or the MDIH Project, an individual between the ages of 18 and 35.

Zero-rated VAT Invoice has the meaning provided in Annex VI.

ANNEX VI

TAX EXEMPTION MECHANISMS

This Annex and its schedules set forth the mechanisms or procedures that the Government shall implement to comply with the tax exemption required by Section 2.8 of this Compact.

MCA-Lesotho II and all persons (natural and legal) entitled to the tax exemption shall be required to follow the procedures set forth herein to claim the exemption. No additional procedures or requirements shall apply, unless agreed by the Parties in writing. The Lesotho Tax and Revenue Authority (LRA) within the Government is the point of contact for implementing the tax exemption.

SCHEDULE A

VALUE ADDED TAXES

Legal Basis for Exemption

Section 2.8 of this Compact

Beneficiaries of Exemption

MCC, MCA-Lesotho II, Providers

Procedure to Claim Exemption

1. Purchases by MCA-Lesotho II

MCA-Lesotho II shall not be required to pay or collect value added taxes (VAT) on any goods, works, or services purchased by MCA-Lesotho II in connection with the Program. To claim the exemption, the Ministry of Finance shall ensure that MCC and MCA-Lesotho II are included in Schedule I of the Value Added Tax Act, 2001 (Act No. 9 of 2001), as amended or replaced, for exempt Public International Organizations.

2. Purchases by Providers

Providers that purchase goods, works, or services in connection with the Program

shall pay all applicable VAT and when invoicing MCA-Lesotho II shall issue an invoice with VAT at zero percent (“Zero-rated VAT Invoice”) to MCA-Lesotho II. To claim a refund of the VAT paid, the Provider shall submit to LRA (i) evidence of the VAT paid, (ii) evidence of the Zero-rated VAT Invoice issued to MCA-Lesotho II, and (iii) banking details of the Provider for purposes of receiving the refund. Within 30 days of receiving the complete application LRA shall refund the VAT.

3. Indirect imports by MCA-Lesotho II and Providers

For goods indirectly imported into Lesotho in connection with the Program by MCA-Lesotho II or any Provider, the beneficiary shall pay the applicable VAT in the jurisdiction where the goods were purchased (as applicable). Upon entry into Lesotho, the beneficiary shall provide to LRA customs officials at the border a copy of the invoice showing the VAT paid and LRA will refund the VAT to the beneficiary within 30 days.

4. Direct imports

For goods directly imported into Lesotho in connection with the Program, the beneficiary shall issue a Zero-rated VAT invoice showing MCA-Lesotho II as the recipient of the goods and provide a copy of such invoice to LRA customs officials at the border.

5. Temporary imports

Goods imported into Lesotho in connection with the Program on a temporary basis shall not accrue or be liable for any VAT.

SCHEDULE B**CUSTOMS DUTIES AND EXCISE TAXES****Legal Basis for Exemption**

Section 2.8 of this Compact

Beneficiaries of Exemption

MCC, MCA-Lesotho II, Provider

Procedure to Claim Exemption*Goods Imported by MCA-Lesotho II and Providers*

MCA-Lesotho II and Providers shall not be required to pay any customs duties on any goods imported by MCA-Lesotho II or Providers in connection with the Program. The LRA shall register MCA-Lesotho II as an exempt entity within the terms of Schedule IV of the Customs & Excise Act, 1982 (Act No. 10 of 1982), as amended or replaced, for purposes of exemption from customs duties. To claim the exemption, the beneficiary shall declare the imported goods with the customs officials of LRA using MCA-Lesotho II's allocated code as a Schedule IV exempt entity.

Within 5 days of receiving the declaration form setting forth the MCA-Lesotho II allocated code, LRA shall ensure that the goods are cleared through customs.

SCHEDULE C**INCOME AND WITHHOLDING TAX****Legal Basis for Exemption**

Section 2.8 of this Compact

Beneficiaries of Exemption

Subject to Section 2.8 of this Compact, MCA-Lesotho II and any natural or other legal person who provides any goods, works, or services in connection with the

Program (collectively, “*Income Tax Exempt Persons*”)

Procedure to Claim Exemption

1. MCA-Lesotho II

The Ministry of Finance shall ensure that MCA-Lesotho II is included as an exempt entity in Schedule I of the Income Tax Act for Public International Organizations, 1993 (Act No. 9 of 1993), as amended or replaced.

2. Income Tax Exempt Persons

a. Compact-Related Income Only

- i. Any Income Tax Exempt Person whose income or earnings in Lesotho in any given fiscal year is derived solely in connection with the Program shall not pay any Taxes on such income or earnings and need declare such income or earnings in its year-end filing with LRA solely for informational purposes.
- ii. Any entity or person who employs an Income Tax Exempt Person described in clause (a) above shall not be required to withhold any Taxes on the income or earnings of such Income Tax Exempt Person earned in connection with the Program nor be required to submit any filings, registrations, or reports in relation to such income or earnings.

b. Compact-Related and Other Income

Any Income Tax Exempt Person whose income or earnings in Lesotho in any given fiscal year is derived in connection with the Program and from other activities in Lesotho must submit and register with LRA each agreement between such Income Tax Exempt Person and the Government that is funded by MCC Funding (each, an “MCC Funded Agreement”), together with a certification from MCA-Lesotho II confirming that the goods, services or works to be provided under such agreement form a part of the Program. At the end of any such fiscal year, the Income Tax Exempt Person may exclude the gross income derived from any MCC Funded Agreement(s) (as verified by the registered MCC Funded

Agreement(s)) for the purposes of determining its income tax liability in Lesotho for such fiscal year. The Income Tax Exempt Person need only declare such gross income in its year-end tax filing with LRA solely for informational purposes.

SCHEDULE D

PROPERTY TAXES

Legal Basis for Exemption

Section 2.8 of this Compact

Beneficiaries of Exemption

MCA-Lesotho II and Providers

Procedure to Claim Exemption

MCA-Lesotho II and Providers shall not be required to pay or collect any Taxes applicable to ownership, transfer of ownership, mortgage of land, houses or properties, or registration of legal documents relating to property (collectively, "Property Taxes"). To claim the exemption, MCA-Lesotho II shall apply to the relevant Government department (e.g. Urban Councils and Land Administration Authority) in charge of collecting the Property Taxes for an exemption letter on behalf of the applicable beneficiary by submitting the following documents to such Government department:

- Application for exemption by beneficiary, which references this Compact as the basis for the exemption;
- a letter from MCA-Lesotho II confirming that the transaction is undertaken in connection with the Program and the name of the beneficiary of the exemption; and
- Other documents setting out the nature of the transaction for which Property Taxes apply (if applicable).

Within 10 days of receiving the complete application, the relevant Government department shall issue a letter confirming the exemption. The tax departments

in charge of collecting such taxes shall exempt the beneficiaries from paying any Property Taxes after receiving the documents.

SCHEDULE E

OTHER NATIONAL TAXES

Legal Basis for Exemption

Section 2.8 of this Compact

Beneficiaries of Exemption

MCA-Lesotho II and Providers

Procedure to Claim Exemption

In the case of any national tax not described in the Schedules to this Annex, whether administered by LRA or another Government authority, MCA-Lesotho II shall apply for an exemption on behalf of the beneficiary by submitting to the relevant tax collecting authority, a letter referencing this Compact as the basis for the exemption and an official letter from the MOF confirming the exemption. Upon receipt of such documentation, the tax collecting authority shall issue a letter confirming its exemption of the Taxes.

ANNEX VII

ADDITIONAL CONDITIONS PRECEDENT TO ENTRY INTO FORCE

In addition to the conditions precedent set forth in Section 7.2 of this Compact, unless waived or deferred in writing by MCC, each of the following conditions must be met to MCC's satisfaction before this Compact enters into force:

(a) The Government must have enacted legislation that substantially includes the protections and provisions of the Harmonization Bill, which is intended to align provisions of the Laws of Lerotholi 1903 with the Legal Capacity of Married Persons Act, 2006 (Act No. 9 of 2006) (LCMPA), thus removing the minority status of women married under custom and providing them full protection of the economic rights conferred by the LCMPA.

(b) The Government must have enacted inheritance reforms that (1) repeal section 14(1) of the Laws of Lerotholi 1903, which excludes women and girls from inheritance, (2) amend property and inheritance laws to remove gender discriminatory provisions and enhance the rights of women making them certain, clear and enforceable, and (3) repeal section 3(b) of the Administration of Estate Proclamation to eliminate the “mode of life” test and give full freedom of testation to Basotho.

(c) The Government must have enacted legislation that substantially includes the protections and provisions of the draft Counter Domestic Violence Bill presented to the Lesotho Parliament on April 6, 2021.

(d) The Government must have enacted (1) legislation that substantially includes the protections and provisions of the draft 2021 Labor Bill prepared by the Ministry of Labor and Employment; and (2) a health and safety law to protect workers and improve working conditions, especially in informal sectors, and including agriculture, in compliance with ILO labor conventions.

(e) MCC and the Government must have reached an agreement in writing establishing baselines and targets for the indicators that will measure progress toward the objective of increasing income for women, youth, and the rural poor under the MDIH Project.

(f) The Government must have developed and adopted an Environmental and Social Management System, including a Stakeholder Engagement Plan, each in accordance with the Environmental Guidelines.

SCHEDULE II

PROGRAM IMPLEMENTATION AGREEMENT BETWEEN

THE UNITED STATES OF AMERICA,

ACTING THROUGH

THE MILLENNIUM CHALLENGE CORPORATION

AND

THE KINGDOM OF LESOTHO,

ACTING THROUGH

THE MINISTRY OF FOREIGN AFFAIRS AND INTERNATIONAL
RELATIONS

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PROGRAM IMPLEMENTATION AGREEMENT
PREAMBLE

This PROGRAM IMPLEMENTATION AGREEMENT (this “*Agreement*”) is between the United States of America, acting through the Millennium Challenge Corporation, a United States government corporation (“*MCC*”), and the Kingdom of Lesotho, acting through the Ministry of Foreign Affairs and International Relations (the “*Government*”) (individually, a “*Party*” and collectively, the “*Parties*”).

Recalling that the Millennium Challenge Compact between the United States of America, acting through MCC, and the Government signed on May 12, 2022 (the “*Compact*”), sets forth the general terms on which MCC shall provide assistance of up to US\$300,000,000 to the Government for a program to reduce poverty through economic growth in Lesotho;

Recalling that the Government has designated MCA-Lesotho II to carry out certain rights and obligations of the Government under the Compact and related agreements; and

Recognizing that the Parties wish to specify further the terms for implementing the Compact and the Program.

The Parties hereby agree as follows:

ARTICLE 1.

GENERAL RESPONSIBILITIES OF THE GOVERNMENT

Section 1.1 Definitions.

Capitalized terms and acronyms used in this Agreement and not defined in this Agreement have the meanings provided in the Compact. All other capitalized terms and acronyms have the meanings provided in Annex I.

Section 1.2 Role of the Government.

(a) Government Responsibilities. The Government shall promptly take all necessary or appropriate actions to carry out all of its obligations under the Compact, this Agreement, and any other Supplemental Agreement (including

any post-Compact Term activities, audits or other responsibilities), and to delegate its rights and responsibilities to entities, including MCA-Lesotho II, adequate to enable them (each a “Permitted Designee”) to oversee and manage the implementation of the Program on behalf of the Government.

(b) Government Undertakings. The Government hereby affirms as follows:

(i) Impoundment; Liens or Encumbrances. The Government shall ensure that (A) no Program Assets are subject to any impoundment, rescission, sequestration, liquidation or to any provision of law now or hereafter in effect in Lesotho that would have the effect of allowing any such impoundment, rescission, sequestration, or liquidation and (B) no Program Asset is subject to any lien, attachment, enforcement of judgment, pledge, or encumbrance of any kind (each, a “**Lien**”), except with MCC’s prior written approval. In the event any Lien not so approved is imposed, the Government shall promptly seek the release of such Lien and, if such Lien is required by a final and non-appealable court order, shall pay any amounts due in order to obtain such release; *provided, however*, that the Government shall not use MCC Funding, the Government Contribution, or any Program Assets to satisfy any such obligation.

(ii) Disposal of Program Assets Consisting of Real Property. The Government shall ensure that no Program Asset consisting of real property is (A) subject to any lease or sub-lease arrangement, in whole or in part or (B) sold, donated or otherwise disposed of, in whole or in part; except, in each of the foregoing cases, with MCC’s prior written approval. In addition, any Program Asset consisting of real property that is retained by MCA-Lesotho II after the expiration or termination of the Compact shall, in accordance with the terms of the *Program Closure Guidelines*, be subject to a reversionary interest of MCC for a period of five (5) years commencing on the last day of the closure period; and if at any time during that five-year period, the Government wishes to sell the real property or use it for a purpose that is not related to the Program or does not continue to further the Program objectives, the Government shall compensate MCC for its interest in the real property by paying to MCC an amount equal to the fair market value of MCC’s reversionary interest in the real property determined at such time.

(iii) Environmental and Social Performance. Unless MCC and the Government agree otherwise in writing, the Government shall ensure that all Projects and Activities undertaken, funded, or otherwise supported in

whole or in part (directly or indirectly) by MCC Funding under the Compact comply with the Environmental Guidelines, including the environmental and social performance standards set forth in the IFC Performance Standards that have been incorporated by reference into the Environmental Guidelines. The Government also shall ensure that the Projects and Activities comply with all national environmental laws and regulations, licenses and permits, except to the extent such compliance would be inconsistent with the Compact. Where there is a difference between national environmental laws and regulations and the standards required by the Compact, the Government shall ensure that the stricter standard is followed. Unless MCC agrees otherwise in writing, the Government shall fund all costs of environmental and social mitigation measures necessary for the Program (including, without limitation, costs of resettlement) that are not specifically provided for in the Compact, or that exceed the amount of MCC Funding and/or Government Contribution specifically allocated for such costs in, the Detailed Financial Plan for any Project or Activity.

(iv) Gender and Social Inclusion. Unless MCC and the Government agree otherwise in writing, the Government shall ensure that all Projects and Activities undertaken, funded, or otherwise supported in whole or in part (directly or indirectly) by MCC Funding comply with the *Gender Policy*, *Counter-Trafficking in Persons Policy*, and the *Operational Requirements and Milestones for Social Inclusion and Gender Integration*.

(v) Project-Specific Undertakings. The Government shall fulfill each of the Project-related commitments described in Annex IV.

Section 1.3 Role of MCA-Lesotho II.

(a) Designation of MCA-Lesotho II.

(i) Pursuant to Section 3.2(b) of the Compact, the Government has designated MCA-Lesotho II as the primary agent of the Government to implement the Program and to exercise and perform the Government's right and responsibility to oversee, manage and implement the Program, including without limitation, managing the implementation of Projects and Activities, allocating resources and managing procurements (the ***“Designated Rights and Responsibilities”***). The Parties note that the Government remains ultimately responsible for the performance of the Government's obligations under or in relation to the Compact and this Agreement.

(ii) The Government shall ensure that MCA-Lesotho II is and remains throughout the Compact Term (and during the Closure Period as provided in the Closure Plan), duly organized, sufficiently staffed and empowered to exercise the Designated Rights and Responsibilities.

(iii) The “Accountable Entity” referenced in the Program Guidelines shall be deemed to refer to MCA-Lesotho II, and all obligations assigned to the “Accountable Entity” in the Program Guidelines shall be obligations of MCA-Lesotho II.

(b) Additional Government Undertakings with Respect to MCA-Lesotho II. The Government hereby affirms to MCC as follows:

(i) Power and Authorization. MCA-Lesotho II has the power and authority to bind the Government to the full extent of the Designated Rights and Responsibilities, execute and deliver each agreement, certificate, or instrument contemplated by this Agreement, the Compact, any other Supplemental Agreement or the Program Guidelines, and (C) perform its obligations under this and each such other agreement, certificate, or instrument contemplated by this Agreement, the Compact, any other Supplemental Agreement, any Implementation Letter or the Program Guidelines.

(ii) Government Responsibilities. MCA-Lesotho II (A) shall carry out the Designated Rights and Responsibilities (including all obligations specified as MCA-Lesotho II obligations in the Compact, this Agreement, the CDF Agreement, or any other Supplemental Agreement) with due care, efficiency and diligence in conformity with sound technical, financial and management practices, and in conformity with the Compact, this Agreement, the CDF Agreement, any other Supplemental Agreement and the Program Guidelines, (B) except as provided in Section 2.6 or with respect to an Implementing Entity, shall not assign, delegate or otherwise transfer any of the Designated Rights and Responsibilities without the prior written consent of MCC, and (C) shall not undertake any activities, duties or responsibilities other than the Designated Rights and Responsibilities without the prior written consent of MCC.

(iii) Government Representations. MCA-Lesotho II shall confirm each representation that it makes on behalf of the Government in any agreement, certificate or instrument delivered by MCA-Lesotho II with all necessary Permitted Designees prior to providing such representation to MCC.

(iv) Autonomy. The Government shall ensure that (A) no decision of MCA-Lesotho II is modified, supplemented, unduly influenced or rescinded by any governmental authority, except by a final and non-appealable judicial decision and (B) the authority of MCA-Lesotho II shall not be expanded, restricted or otherwise modified, except in accordance with this Agreement and the Compact.

(v) Governance of MCA-Lesotho II. MCA-Lesotho II shall adopt internal rules and regulations or bylaws (“Bylaws”) and a human resource manual (“HR Manual”), each in form and substance satisfactory to MCC, that will provide the framework for MCA-Lesotho II’s operations and administration and the general terms and conditions for employment of its staff. MCA-Lesotho II shall conduct its operations and management in accordance with the Governing Documents (including the Bylaws) and the Governance Guidelines.

(vi) Funded Agreements; General Provisions Annex. MCA-Lesotho II shall provide the Fiscal Agent (and MCC if it so requests) a copy of each agreement that is funded (directly or indirectly) with MCC Funding or the Government Contribution (each a, “Funded Agreement”), regardless of whether MCC has approval rights with respect to such agreement.

Unless otherwise instructed by MCC, MCA-Lesotho II shall include in each Funded Agreement (A) a covenant that the counterparty to such agreement (each a, “Counterparty”) shall comply with (i) the General Provisions Annex and (ii) any instruction received by such Counterparty from MCC regarding the performance by such Counterparty of the terms of the General Provisions Annex notwithstanding any other instruction given by MCA-Lesotho II; and (B) a right for MCA-Lesotho II to terminate such Funded Agreement if such Counterparty fails to comply with the General Provisions Annex or any such instruction of MCC.

(vii) Insurance; Performance Guaranties. MCA-Lesotho II shall, to MCC’s satisfaction, cause all Program Assets to be insured (including, without limitation, through selfinsurance) and shall arrange such other appropriate insurance to cover against risks or liabilities associated with the operations of the Program, including by requiring Providers to obtain adequate insurance and to post adequate performance bonds or other guaranties. With MCC’s prior consent, MCC Funding may be used to pay the costs of obtaining such insurance. MCA-Lesotho II (or, as appropriate and with MCC’s prior approval, another entity) shall be named as the payee on any such insurance and the beneficiary of

any such guaranty or bonds. If not already named as the insured party, MCA-Lesotho II (and MCC, if it so requests) shall be named as additional insureds on any such insurance. The Government shall promptly notify MCC of the payment of any proceeds from claims paid under such insurance or guaranty and shall ensure that such proceeds shall be used to replace or repair any lost or damaged Program Assets; provided, however, that, at MCC's election, such proceeds shall be deposited in a Permitted Account as designated by MCA-Lesotho II or as otherwise directed by MCC.

(viii) **MCA-Lesotho II Indemnity.** If MCA-Lesotho II is held liable under any indemnification or other similar provision of any agreement, then the Government shall pay such indemnity in full on behalf of MCA-Lesotho II and shall not use MCC Funding, the Government Contribution, or any Program Assets to satisfy such obligation. In addition, the Government shall indemnify and hold harmless each member of MCA-Lesotho II's Board (including each observer), each member of any Stakeholder Committee and each of MCA-Lesotho II's Key Staff and employees from any claim, loss, action, liability, cost, damage or expenses incurred by such person in the performance of its duties on behalf of MCA-Lesotho II, provided, however, that the Government shall have no obligation to indemnify any such person if and to the extent that any such claims, losses, actions, liabilities, costs, damages or expenses are attributable to the fraud, gross negligence or willful misconduct of such person; and provided, further, that the Government shall not use MCC Funding, the Government Contribution, or any Program Assets to satisfy its obligations under this Section 1.3(b)(viii).

ARTICLE 2.

IMPLEMENTATION FRAMEWORK

Section 2.1 Implementation Plan. The framework for the Program's implementation shall be further elaborated in a set of documents, in form and substance approved by MCC, consisting of

- (i) Work Plans,
- (ii) a Detailed Financial Plan,
- (iii) an Audit Plan,
- (iv) a Procurement Plan,

- (v) a Fiscal Accountability Plan,
- (vi) an M&E Plan,
- (vii) an Environmental and Social Performance Plan,
- (viii) a Social and Gender Integration Plan, and
- (ix) an AFC Action Plan (each, an ***“Implementation Plan Document”*** and collectively the ***“Implementation Plan”***).

MCA-Lesotho II shall submit its proposed Implementation Plan for review and approval by MCC before the initial Disbursement of Program Funding and at least on an annual basis thereafter (or in such other interval as may be required by the Program Guidelines). MCC shall review the proposed Implementation Plan and as necessary may request MCA-Lesotho II to submit clarifications or adjustments. MCA-Lesotho II shall submit an updated Implementation Plan or updated Implementation Plan Document during any quarter in which significant changes or modifications are made to a Project or to the Program, or when MCA-Lesotho II determines that the expected results, targets and milestones for the specified year are not likely to be achieved; ***provided, however***, that an updated Detailed Financial Plan shall be submitted each quarter. In such instances, MCA-Lesotho II shall submit to MCC for approval a proposed revised Implementation Plan or an updated Implementation Plan Document (as applicable) on the same date as the next Periodic Report is due. MCA-Lesotho II shall ensure that the implementation of the Program is conducted in accordance with the Implementation Plan.

(a) **Work Plan.** MCA-Lesotho II shall develop and implement a work plan, in form and substance satisfactory to MCC, for the overall administration of the Program and such other work plans relating to the Projects and/or Activities as MCC may request from time to time (collectively, the ***“Work Plans”***).

(b) **Detailed Financial Plan.** The Multi-Year Financial Plan Summary for the Program, which is set forth in Annex II to the Compact, shows the estimated annual contribution of MCC Funding and the overall allocation of the Government Contribution to administer, monitor and evaluate the Program and to implement each Project (the ***“Multi-Year Financial Plan”***). Except as MCC agrees otherwise in writing, MCA-Lesotho II shall develop and implement for each quarter for the upcoming year and on an annual basis for each year of the remaining years of the Compact and the Closure Period, a detailed financial plan

in accordance with the Reporting Guidelines, setting forth funding requirements for the Program (including administrative costs) and for each Project, broken down to the sub-activity level (or lower, where appropriate), and projected both on a commitment and cash requirement basis (each a “***Detailed Financial Plan***”).

(c) Audit Plan. MCA-Lesotho II shall develop and implement the Audit Plan for the audit of the expenditures of the entities that are subject to audit pursuant to the Audit Guidelines. The Audit Plan shall be in form and substance satisfactory to MCC and shall be developed no later than sixty (60) days before the end of the first period to be audited.

(d) Procurement Plan. MCA-Lesotho II shall prepare periodic procurement plans for acquiring the goods, works, and consultant and non-consultant services needed to implement the Compact (each a “Procurement Plan”). Each Procurement Plan shall be prepared and updated in accordance with the Program Procurement Guidelines. In addition, no later than six months after the Compact is signed, MCA-Lesotho II shall develop and implement a bid challenge system (“BCS”) that provides suppliers, contractors and consultants that are interested parties the ability to seek review of procurement actions and decisions. The organization, rules and procedures of such BCS shall be subject to MCC approval. Upon MCC’s approval of the BCS, MCA-Lesotho II shall publish the BCS on the MCA-Lesotho II website.

(e) Fiscal Accountability Plan. MCA-Lesotho II shall develop and implement a manual (as approved by MCC) setting forth the principles, mechanisms and procedures (the “***Fiscal Accountability Plan***”) that MCA-Lesotho II shall use to ensure appropriate fiscal accountability for the use of MCC Funding or Government Contribution. The Fiscal Accountability Plan shall also include, among other things, requirements with respect to (i) budgeting, (ii) accounting, (iii) cash management, (iv) financial transactions (receipts and payments), (v) opening and managing Permitted Accounts, (vi) personnel and payroll management, (vii) travel and vehicle use, (viii) asset and inventory control, (ix) audits and (x) reporting. The Fiscal Accountability Plan shall be revised periodically, subject to review and approval by MCC.

(f) M&E Plan. By the time specified in Annex II to this Agreement, MCA-Lesotho II shall develop and implement an M&E Plan to serve as the primary governing document for monitoring and evaluation activities for the Program over the Compact Term. The M&E Plan shall be developed, implemented

and updated in accordance with the M&E Policy.

(g) Environmental and Social Performance Plans. In accordance with Section 1.2(b)(iii), MCA-Lesotho II shall ensure that activities undertaken, funded or otherwise supported in whole or in part (directly or indirectly) by MCC Funding or the Government Contribution comply with the Environmental Guidelines, including the IFC Performance Standards that are incorporated by reference therein. Specifically, MCA-Lesotho II shall: (i) cooperate with or complete, as the case may be, any ongoing environmental and social impact assessments, and if necessary, undertake and complete any additional environmental and social assessments and analyses, such as environmental and social management plans, environmental and social audits, resettlement policy frameworks, stakeholder engagement plans, and resettlement action plans required under the laws of Lesotho, the Environmental Guidelines, this Agreement, the Compact, any other Supplemental Agreement or the Program Guidelines, or as otherwise required by MCC, each in form and substance satisfactory to MCC; (ii) ensure that Project or Activity-specific environmental and social management plans are developed, maintained, and updated and all relevant measures contained in such plans are integrated into project design and construction, the applicable procurement documents and associated finalized contracts, in each case, in form and substance satisfactory to MCC; and (iii) implement to MCC's satisfaction appropriate environmental and social mitigation measures identified in such assessments or plans or developed to address environmental and social risks and impacts identified during Compact implementation.

In addition, MCA-Lesotho II may engage the services of an Environmental and Social Oversight Consultant or ESOC to enhance MCA-Lesotho II's environmental and social performance and gender and social inclusion capacity. The ESOC shall (i) support MCA-Lesotho II in complying with the Environmental Guidelines, Gender Policy, Counter-Trafficking in Persons Policy, MCA-Lesotho II's Social and Gender Integration Plan, and Lesotho environmental and social regulations and requirements through all phases of the Projects; (ii) provide training and oversee effective implementation of the ESMS and complementary stakeholder engagement plan developed by MCA-Lesotho II; and (iii) maintain sufficient technically qualified staff throughout the period of performance to ensure MCA-Lesotho II's compliance with the policies, plans, and regulations and requirements described in clause (i) above and to MCC's satisfaction.

(h) Social and Gender Integration Plan. To ensure social inclusion

and gender integration across the Projects and Activities, address human trafficking, and ensure compliance with the Gender Policy and the Operational Requirements and Milestones for Social Inclusion and Gender Integration, MCA-Lesotho II shall develop a comprehensive social and gender integration plan (the “***Social and Gender Integration Plan***”) that, at a minimum, (i) identifies approaches for regular, meaningful and inclusive consultations with women and other vulnerable and/or underrepresented groups; (ii) sets forth strategies for consolidating the findings and recommendations of Project-specific social and gender analyses into final Project designs; and specifies actions to be taken during the Compact Term to meet the social inclusion and gender equality objectives for the Projects; and (iii) ensures, through monitoring and coordination during Compact implementation, that final Activity designs, construction, and consultant tender documents and implementation plans are consistent with and incorporate the outcomes of the social and gender analyses and recommendations. MCA-Lesotho II shall, on an annual basis, review and update the Social and Gender Integration Plan as needed to reflect lessons learned and Project-specific analysis.

(i) **Anti-Fraud and Corruption Action Plan.** MCA-Lesotho II shall develop and adopt an anti-fraud and corruption action plan to articulate how MCA-Lesotho II will supplement MCC-mandated controls to prevent fraud and corruption specific to its operating environment (the “***AFC Action Plan***”). The AFC Action Plan shall be created after completion of, and based on the findings of, an anti-fraud and corruption risk assessment carried out in compliance with the Policy on Preventing, Detecting and Remediating Fraud and Corruption in MCC Operations. Such anti-fraud and corruption risk assessment shall occur at a time agreed upon between MCA-Lesotho II and MCC. MCC will approve the AFC Action Plan, monitor its implementation, and refine MCC’s oversight strategy in relation to the AFC Action Plan, when necessary.

Section 2.2 Program Procurement Guidelines and Program Grant Guidelines. In accordance with Section 3.6 of the Compact:

(a) MCA-Lesotho II shall comply with the Program Procurement Guidelines in the procurement (including solicitation) of all goods, works and services and the award and administration of contracts in furtherance of the Compact. In addition, the Government shall ensure that any bid challenges are conducted in accordance with the Program Procurement Guidelines and the BCS; and

(b) MCA-Lesotho II shall comply with the Program Grant Guidelines in the solicitation, award, and administration of grants awarded to any non-Government entity in furtherance of the Program.

Section 2.3 Notice to Providers; Incorporation.

MCA-Lesotho II shall notify all Providers (and all other entities or individuals receiving MCC Funding in connection with the Program) of the requirements of Sections 2.7 and 3.7, and paragraphs (b), (c), and (d) of Section 3.8 of the Compact and shall include, or ensure the inclusion of, the requirements of such provisions in all agreements with a Provider.

Section 2.4 Reports; Notices.

(a) Unless MCC agrees otherwise in writing, MCA-Lesotho II shall periodically provide to MCC, in form and substance satisfactory to MCC, the reports and information required by the Reporting Guidelines (each, a ***“Periodic Report”***). MCA-Lesotho II shall provide the Periodic Reports to MCC on the schedule and in the manner specified in the Reporting Guidelines.

(b) If at any time during the Compact Term, the Government materially reallocates or reduces the allocation in its national budget of the normal and expected resources that the Government would have otherwise received or budgeted, from external or domestic sources, or fails to timely distribute an allocation budgeted for the activities contemplated under the Compact or the Program, the Government, acting through MCA-Lesotho II, must notify MCC in writing within thirty (30) days of such reallocation, reduction, or failure to distribute, such notification to contain information regarding the amount of the reallocation, reduction, or failure to distribute, the affected activities, and an explanation for the reallocation or reduction.

(c) In addition to the Periodic Reports, MCA-Lesotho II shall provide to MCC within thirty (30) days of a written request by MCC, or as otherwise agreed by MCC and MCA-Lesotho II in writing, such other reports, documents, or information as MCC may request from time to time related to the Program.

(d) MCA-Lesotho II shall submit the Periodic Reports and any other reports required hereunder electronically if requested by MCC or otherwise required by the Reporting Guidelines.

(e) MCA-Lesotho II shall periodically provide to MCC, in form and substance satisfactory to MCC, the reports and information regarding the Government Contribution towards the objectives of the Program described in Section 2.6(a) of the Compact as required by the Guidelines for Country Contributions (each, a ***“Country Contribution Report”***). MCA-Lesotho II shall provide the Country Contribution Reports to MCC on the schedule and in the manner specified in the *Guidelines for Country Contributions*.

Section 2.5 Transactions Subject to MCC Approval.

Each of the following transactions, activities, agreements, and documents requires MCC’s prior written approval:

- (a) Disbursements;
- (b) the Implementation Plan (including each element or component thereof) and any modification of any of the foregoing;
- (c) agreements between the Government and MCA-Lesotho II, and agreements in which any of the following are appointed, hired or otherwise engaged (each, a ***“Material Agreement”***):
 - (i) Auditor or Reviewer;
 - (ii) Fiscal Agent;
 - (iii) Procurement Agent;
 - (iv) Bank;
 - (v) Implementing Entity;
 - (vi) Outside Project Manager; and
 - (vii) a member of the Board (including any observer) or any Key Staff of MCA-Lesotho II (including agreements regarding compensation for any such person);
- (d) any modification, termination or suspension of a Material Agreement, or any action that would have equivalent effect;

- (e) any agreement or transaction of MCA-Lesotho II that is not arm's-length;
- (f) any pledge of any MCC Funding, the Government Contribution, or any Program Assets, or any incurrence of material indebtedness, or any guarantee, directly or indirectly of any indebtedness;
- (g) any decree, legislation, regulation, charter, contractual arrangement or other document establishing or governing (other than public laws of general application to all public institutions), or relating to the formation, organization or governance of, MCA-Lesotho II (including the Bylaws, HR Manual, and any staffing plan) (each, a ***"Governing Document"***);
- (h) any disposition, in whole or in part, liquidation, dissolution, winding up, reorganization or other change of MCA-Lesotho II;
- (i) any change in character or location of any Permitted Account;
- (j) (A) any change of any member of the Board (including any observer), of the member serving as the chairperson or in the composition or size of the Board, and the filling of any vacant seat of any member of the Board (including any observer) and (B) any change of any Key Staff of MCA-Lesotho II or in the composition or size of its management unit, and the filling of any vacant position of any Key Staff of MCA-Lesotho II (including any process related to the recruitment and selection of any such Key Staff);
- (k) any decision by MCA-Lesotho II to engage, accept or manage any funds in addition to MCC Funding and the Government Contribution (including from the Government or any donor agencies or organizations) during the Compact Term, or to engage in any activities or undertake any duties or responsibilities other than the Designated Rights and Responsibilities;
- (l) any formation or acquisition of a subsidiary or other related entity of MCA-Lesotho II;
- (m) any agreement, transaction, decision or other action or document for which MCC approval is required under any of the Program Guidelines; and
- (n) any amendment, supplement, replacement, termination, revocation or other change to any of the foregoing documents or arrangements.

Section 2.6 Role of Certain Entities in Implementation.

(a) Outside Project Manager. MCA-Lesotho II may engage qualified persons or entities to serve as outside project managers (each, an ***“Outside Project Manager”***) in the event that it is advisable to do so for the proper and efficient day-to-day management of a Project or Activity; ***provided, however***, that, if so required by the Program Procurement Guidelines, the appointment or engagement of any Outside Project Manager shall be made using a competitive selection process and, if required by the Program Procurement Guidelines, shall be subject to approval by the Board and by MCC prior to such appointment or engagement. Upon such approval, MCA-Lesotho II may delegate, assign, or contract to the Outside Project Managers such duties and responsibilities as it deems appropriate with respect to the management of the Implementing Entities and the implementation of the specific Projects or Activities; and ***provided, further***, that MCA-Lesotho II shall remain accountable for those duties and responsibilities and all reports delivered by the Outside Project Manager notwithstanding any such delegation, assignment or contract and the Outside Project Manager shall be subject to the oversight of the Fiscal Agent and Procurement Agent. The Board may determine that it is advisable to engage one or more Outside Project Managers and instruct MCA-Lesotho II and, where appropriate, the Procurement Agent to commence and conduct the competitive selection process for such Outside Project Manager.

(b) Fiscal Agent. MCA-Lesotho II shall engage a Fiscal Agent, who shall be responsible for, among other things, (i) ensuring and certifying that Disbursements are properly authorized and documented in accordance with established control procedures set forth in the Fiscal Agent Agreement and the Bank Agreement, (ii) instructing the Bank to make Disbursements from a Permitted Account or requesting Disbursement be made directly to a provider as payment for goods, works or services in accordance with the Common Payment System or any alternate payment system approved by MCC, as the case may be, and in each case following applicable certification by the Fiscal Agent, (iii) providing applicable certifications for Disbursement Requests, (iv) maintaining proper accounting of all MCC Funding or Government Contribution financial transactions, and (v) producing reports on Disbursements in accordance with established procedures set forth in the Fiscal Agent Agreement or the Bank Agreement.

MCA-Lesotho II shall enter into an agreement with the Fiscal Agent, in form and substance satisfactory to MCC, which sets forth the roles and responsibilities of the Fiscal Agent and other appropriate terms and conditions (the ***“Fiscal***

Agent Agreement”). Unless MCC agrees otherwise in writing, the Fiscal Agent shall be a third party, independent of the Government.

(c) **Auditors and Reviewers.** MCA-Lesotho II shall engage one or more auditors as contemplated in the Audit Guidelines (each, an **“Auditor”**). As requested by MCC in writing from time to time, MCA-Lesotho II shall also engage one or more independent (i) reviewers to conduct reviews of performance and compliance under the Compact, which reviewer shall have the capacity to (A) conduct general reviews of performance or compliance, (B) conduct audits of environmental and social performance, and (C) conduct data quality assessments in accordance with the M&E Plan, as described more fully in Annex III to the Compact, and/or (ii) evaluators to assess performance as required under the M&E Plan (each, a **“Reviewer”**). MCA-Lesotho II shall select the Auditor(s) and/or Reviewer(s) in accordance with the Audit Guidelines and the M&E Plan, as applicable. MCA-Lesotho II shall enter into an agreement with each Auditor or Reviewer, in form and substance acceptable to MCC, that sets forth the roles and responsibilities of the Auditor or Reviewer with respect to the audit, review or evaluation, including access rights, required form and content of the applicable audit, review or evaluation and other appropriate terms and conditions (the **“Auditor / Reviewer Agreement”**).

(d) **Procurement Agent.** MCA-Lesotho II shall engage a Procurement Agent to carry out and/or certify specified procurement activities in furtherance of the Compact and this Agreement. MCA-Lesotho II shall enter into an agreement with the Procurement Agent, in form and substance satisfactory to MCC, that sets forth the roles and responsibilities of the Procurement Agent with respect to the conduct, monitoring and review of procurements and other appropriate terms and conditions (the **“Procurement Agent Agreement”**). Unless MCC agrees otherwise in writing, the Procurement Agent shall be a third party, independent of the Government.

Section 2.7 Publicity and Transparency.

(a) Subject to Section 2.8, MCA-Lesotho II shall give appropriate publicity to the Compact as a program to which the United States, through MCC, has contributed, including by identifying Program Activity sites, and marking Program Assets, all in accordance with the Standards for Global Marking. Upon the termination or expiration of the Compact, the Government, upon MCC’s request, shall cause the removal of any such references and markings on the website operated by MCA-Lesotho II (the **“MCA-Lesotho II Website”**) or in any

Government or MCA-Lesotho II publicity materials.

(b) MCA-Lesotho II shall make information concerning implementation of the Compact publicly available, by posting the following documents in English, on the MCA-Lesotho II Website, all to the extent contemplated by and in accordance with the Governance Guidelines: (i) Compact, this Agreement, and the CDF Agreement (including amendments thereto); (ii) minutes of the meetings of the Board and minutes of the meetings of any Stakeholders Committees; (iii) the M&E Plan, along with periodic reports and final evaluations on Program performance; (iv) all environmental and social impact assessments and supporting documents for the Projects; (v) all audit reports by an Auditor and any periodic reports or evaluations by a Reviewer; (vi) a summary of all Disbursement Requests; (vii) all procurement policies and procedures (including the BCS and all documents required to be made public by the Program Procurement Guidelines or Program Grant Guidelines); (viii) the AFC Action Plan and related implementation reports; (ix) the Governing Documents and any amendments thereto; and (x) such other materials as MCC may request; ***provided, however***, that any press release or announcement regarding MCC or the fact that MCC is funding the Program or any other publicity materials referencing MCC shall be subject to MCC's prior approval and must be consistent with any instructions provided by MCC in relevant Implementation Letters.

(c) Notwithstanding Section 2.7(b), information relating to procurements prior to the award of a contract and confidential information relating to MCA-Lesotho II's agreements with employees, contractors and consultants shall be excluded from the information and documents made publicly available; ***provided, however***, that MCC and MCA-Lesotho II shall mutually determine whether any information to be excluded is confidential.

Section 2.8 Branding and Enforcement.

(a) Subject to Section 4.2(g), MCC hereby grants MCA-Lesotho II a revocable, royalty-free, fully paid, and non-exclusive right and license to use MCC's logo and the names "Millennium Challenge Corporation," "Millennium Challenge Account" and "MCC," in each case, solely in accordance with the *Standards for Global Marking*. Any such use of the logo and names shall be solely for the benefit of MCC, and not inure to the benefit of MCA-Lesotho II.

The use of MCC's logo and names shall not create any agency or legal representation, and MCA-Lesotho II has no authority to bind MCC in any way.

(b) MCA-Lesotho II shall create its own logo and use such logo as well as the names “Millennium Challenge Account-Lesotho” and “MCA-Lesotho II,” in each case, solely in accordance with the *Standards for Global Marking*. Subject to Section 4.2(g), MCA-Lesotho II hereby grants MCC an irrevocable, royalty-free, fully paid, and non-exclusive right and license to use the names “Millennium Challenge Account-Lesotho” and “MCA-Lesotho II,” and MCA-Lesotho II’s logo.

(c) MCA-Lesotho II shall take all reasonable steps to ensure that the names “Millennium Challenge Account-Lesotho” and “MCA-Lesotho II,” as well as its own logo, shall enjoy maximum protection under the laws now or hereafter in effect in Lesotho throughout the term of this Agreement. This includes the registration of the names and the logo as a trademark, if appropriate, the monitoring of unauthorized use by third parties, and, in case of detection of unauthorized use, the enforcement of such rights. MCA-Lesotho II shall inform MCC as soon as practicable if it becomes aware of any infringement, threat of infringement, or any other use by a third party that has not been authorized by MCC of any of (i) the names “Millennium Challenge Account-Lesotho,” “MCA-Lesotho II” and/or MCA-Lesotho II’s logo; or (ii) the names “Millennium Challenge Corporation,” “MCC” and/or MCC’s logo. MCA-Lesotho II shall provide MCC assistance to enforce MCC’s rights to the names “Millennium Challenge Corporation” and “MCC,” as well as to MCC’s logo.

Section 2.9 Government Contribution.

(a) In accordance with Section 2.6(a) of the Compact, the Government shall make a Government Contribution toward meeting the objectives of the Compact. Such contribution shall be in addition to the Government’s spending allocated toward such objectives in its budget for the year immediately preceding the year that the Compact is signed and shall comply with the provisions of the *Guidelines for Country Contributions*. Annex III to this Agreement sets forth the budget allocation of the Government Contribution to the Projects and Program Administration over the Compact Term.

(b) Unless otherwise agreed by the Parties in writing, contributions denominated in the local currency of Lesotho or other foreign currency shall be recorded and converted to U.S. dollars at the exchange rate on the date the contribution payment is made or using an average rate over the period of contribution, in each case, using the exchange rates published by the central bank of Lesotho or such

other source acceptable to MCC.

ARTICLE 3.

DISBURSEMENT OF MCC FUNDING

Section 3.1 Disbursement Process.

(a) Disbursement Requests. MCA-Lesotho II may request Disbursements to be made under the Compact by submitting a request in accordance with the Reporting Guidelines (each a ***“Disbursement Request”***), duly completed, to MCC not later than twenty (20) days (or such other period of time as may be agreed by MCC) prior to the commencement of each Disbursement Period. Requests for Disbursement of Program Funding and Compact Facilitation Funding for any Disbursement Period shall be made by separate Disbursement Requests using the applicable form. Except as otherwise permitted by the Reporting Guidelines, MCA-Lesotho II may submit only one Disbursement Request for Program Funding, and one Disbursement Request for Compact Facilitation Funding, for each quarter (such quarter, or any other period of time as agreed by MCC, the ***“Disbursement Period”***). Each Disbursement Request submitted must be accompanied by the Periodic Reports covering the corresponding Disbursement Period.

(b) Approval of Disbursement Requests; Release of Proceeds.

(i) Upon receipt of a Disbursement Request, MCC shall determine the appropriate amount of the Disbursement to be authorized based on, among other things, (A) the progress achieved under the Implementation Plan, (B) the amount of funds required to complete the activities described in the Disbursement Request during the corresponding Disbursement Period and (C) the satisfaction, waiver or deferral of applicable conditions to such Disbursement.

MCC may, in its discretion, disapprove any Disbursement completely or reduce the amount of any Disbursement below that proposed in a Disbursement Request based on its determination of any of the factors set forth in this Section 3.1(b)(i).

(ii) Upon MCC’s approval of a Disbursement Request, the proceeds of the Disbursement may be transferred, at MCC’s election, (A) to a Permitted Account, (B) directly to a third party as payment for goods, works or services received by MCA-Lesotho II in accordance with the Common Payment System

or any alternate payment system approved by MCC, or (C) directly to an employee of MCA-Lesotho II (or to the Government, as reimbursement for authorized expenses of MCA-Lesotho II); *provided, however*, that expenditures of such proceeds (including amounts transferred directly to a provider) are authorized by MCA-Lesotho II, and the related payment complies, as certified by the Fiscal Agent, with the most recently approved Detailed Financial Plan and the standards and procedures set forth in the Fiscal Agent Agreement and the Fiscal Accountability Plan.

(c) Permitted Accounts.

(i) Any MCC Funding to be disbursed to a bank account must be deposited in one or more Permitted Accounts, which shall be established by MCA-Lesotho II and must be held at a financial institution acceptable to MCC and interest-bearing to the extent practicable. MCA-Lesotho II may designate one of the Permitted Accounts to hold funds denominated in the local currency of Lesotho (the “**Local Account**”) and shall designate one of the Permitted Accounts solely for the deposit of the Government Contribution (“**Government Account**”). MCA-Lesotho II shall notify MCC promptly if any account information for a Permitted Account changes during the Compact Term and provide MCC with the updated information.

(ii) Unless otherwise authorized by MCC in writing, no funds shall be commingled in any Permitted Account set up to receive MCC Funding other than MCC Funding and accrued interest and earnings thereon. Likewise, no funds other than the Government Contribution and accrued interest and earnings thereon shall be commingled in the Government Account. MCC shall have the right, among other things, to view any Permitted Account statements and activity directly on-line, and where such viewing is not feasible, MCA-Lesotho II shall provide copies of such statements to MCC upon its request. Before any MCC Funding or Government Contribution is deposited into a Permitted Account, MCA-Lesotho II shall enter into an agreement, in form and substance satisfactory to MCC, with the financial institution approved by MCC to hold such Permitted Account (the “**Bank**”) that sets forth the signatory authority, access rights, anti-money laundering and anti-terrorist financing provisions, and other terms related to such Permitted Account (the “**Bank Agreement**”). The Fiscal Agent, and in certain specified cases in the Bank Agreement, designated representatives of MCC, shall be the sole signatories on each Permitted Account.

(iii) MCC Funding or Government Contribution proceeds held in the Permitted Accounts may accrue interest or other earnings in accordance with the applicable Bank Agreement. On a quarterly basis and upon the termination or expiration of the Compact or the applicable Bank Agreement, MCA-Lesotho II shall ensure the transfer of all accrued interest on MCC Funding to MCC. Accrued interest on the Government Contribution held in a Permitted Account shall be retained in such account until the funds may be transferred to the Government according to instructions agreed upon between the Bank and the Government.

(iv) Unless MCC agrees otherwise in writing, if MCC Funding is held in any Permitted Account other than the Local Account, MCA-Lesotho II shall ensure that such MCC Funding shall be denominated in the currency of the United States of America prior to its expenditure or transfer to the Local Account. To the extent that any amount of MCC Funding held in U.S. Dollars must be converted into the currency of Lesotho for any purpose, MCA-Lesotho II shall ensure that such amount is converted consistent with the requirements of the Bank Agreement or any other applicable Supplemental Agreement.

Section 3.2 Conditions Precedent to Disbursement of Compact Facilitation Funding.

The applicable conditions set forth in Annex IV to the Compact must be met to MCC's satisfaction before the initial and each subsequent Disbursement of Compact Facilitation Funding.

Section 3.3 Conditions Precedent to the Initial Disbursement of Program Funding.

Unless waived or deferred by MCC, the conditions of this Section 3.3 and the conditions set forth in Section 3.4 must be met to MCC's satisfaction before the initial Disbursement of Program Funding:

(a) Entry into Force. The Compact has entered into force as provided in Article 7 of the Compact.

(b) Key Staff. Each of the Key Staff has been selected and engaged by MCA-Lesotho II and approved by MCC.

(c) Fiscal Accountability Plan. MCA-Lesotho II has developed the Fiscal Accountability Plan (or an interim version), and the plan has been approved by MCC.

(d) Implementation Plan. MCA-Lesotho II has developed a complete Implementation Plan.

(e) Governing Documents. MCA-Lesotho II has been legally established and the Government has provided MCC with copies of all decrees, legislations, or other documents relating to the establishment of MCA-Lesotho II and its operations (including the Bylaws and HR Manual). MCA-Lesotho II has developed and adopted the HR Manual, and the manual has been approved by MCC.

Section 3.4 Conditions Precedent to Each Disbursement of Program Funding.

Unless waived or deferred by MCC, the following conditions must be met to MCC's satisfaction before each Disbursement of Program Funding (including the initial Disbursement of Program Funding):

(a) Deliveries. MCA-Lesotho II has delivered to MCC the following documents, reports and information in form and substance satisfactory to MCC:

(i) a completed Disbursement Request, together with the Periodic Reports covering the related Disbursement Period;

(ii) copies of any reports from any technical (including environmental) auditors engaged by MCA-Lesotho II for any Activity delivered since the previous Disbursement Request;

(iii) a certificate of MCA-Lesotho II, dated as of the date of such Disbursement Request, substantially in the form provided by MCC (the "***MCA Disbursement Certificate***");

(iv) a certificate of the Procurement Agent, substantially in the form provided by MCC (the "***Procurement Agent Disbursement Certificate***"); and

(v) a certificate of the Fiscal Agent, substantially in the form provided by MCC (the “*Fiscal Agent Disbursement Certificate*”).

(b) Other Conditions Precedent. MCC has determined in its discretion that:

(i) all applicable conditions precedent in Annex II have been duly satisfied, deferred or waived as provided in this Agreement;

(ii) no material default or breach of any covenant, obligation or responsibility by the Government, MCA-Lesotho II or any Government entity has occurred and is continuing under the Compact, this Agreement or any other Supplemental Agreement;

(iii) the activities to be funded with such Disbursement shall not violate any applicable law or regulation;

(iv) the Implementation Plan Documents are current and updated and are in form and substance satisfactory to MCC, and there has been both progress on, and compliance with, the components of the Implementation Plan for any relevant Projects or Activities related to such Disbursement (including the targets set forth therein and any applicable reporting requirements set forth therein for the relevant Disbursement Period), in each case, satisfactory to MCC;

(v) all Government entities involved in the implementation of the Program, including the Implementing Entities, are coordinating successfully with MCA-Lesotho II and dedicating the necessary staff and other resources to ensure successful implementation of the Program;

(vi) there has been no material negative finding in any financial audit report delivered in accordance with the Compact and Audit Plan, for the prior two quarters (or such other period as the Audit Plan may require);

(vii) any Taxes paid with MCC Funding through the date ninety (90) days prior to the start of the applicable Disbursement Period have been reimbursed by the Government in full in accordance with Section 2.8(c) of the Compact;

(viii) the Government has satisfied all of its payment obliga-

tions, including any insurance, indemnification, tax payments or other obligations, and contributed all resources required from it, under the Compact, this Agreement and any other Supplemental Agreement;

(ix) MCC does not have grounds for concluding that any matter certified to it in the related MCA Disbursement Certificate, Procurement Agent Disbursement Certificate or Fiscal Agent Disbursement Certificate is not as certified;

(x) no act, omission, condition, or event has occurred that would be the basis for MCC to suspend or terminate, in whole or in part, the Compact or MCC Funding in accordance with Section 5.1 of the Compact;

(xi) each of the Key Staff remains engaged, or if a position is vacant, MCA-Lesotho II is actively engaged, to MCC's satisfaction, in recruiting a replacement;

(xii) MCA-Lesotho II has complied in all material respects with its obligations set forth in Section 2.1(d) with respect to the establishment of a BCS and its obligations set forth in Section 2.1(f) with respect to the establishment of an M&E Plan; and

(xiii) The Government has complied in all material respects with its obligations set forth in Section 2.9 with respect to the making of its contributions in accordance with the projected timeline set forth in Annex III.

Section 3.5 Authorized Expenditures.

Except as MCC agrees otherwise in writing, a Disbursement, or financial commitment involving MCC Funding or the Government Contribution may be made, and a Disbursement Request may be submitted, only if the related expense is provided for in the Detailed Financial Plan and sufficient uncommitted funds exist in the Detailed Financial Plan for the relevant period.

ARTICLE 4.

ENTRY INTO FORCE OF THIS AGREEMENT; CONSEQUENCES OF COMPACT TERMINATION, SUSPENSION AND EXPIRATION

Section 4.1 Entry into Force of this Agreement.

This Agreement shall enter into force upon the later of (a) the signing of this Agreement by each of the Parties to this Agreement and (b) the date that the Compact enters into force as provided in Article 7 of the Compact; ***provided, however,*** that the Parties agree that upon signature of this Agreement, and until this Agreement enters into force, the Parties shall provisionally apply the terms of this Agreement.

Section 4.2 Consequences of Compact Termination, Suspension or Expiration.

(a) Upon the suspension, in whole or in part, of the Compact or any MCC Funding, all applicable Disbursements shall be suspended, and MCC may request the Government to return any MCC Funding (or portion thereof) on deposit in any Permitted Account; ***provided, however,*** MCC Funding may be used, in compliance with the Compact and this Agreement and with written consent of MCC, to pay for (i) reasonable expenditures for goods, works or services that were properly incurred under or in furtherance of the Program before the suspension of the Compact or any MCC Funding; and (ii) reasonable costs incurred in connection with the suspension of the Compact or any MCC Funding.

(b) Upon the termination, in whole or in part, of the Compact or any MCC Funding, all applicable Disbursements shall cease; ***provided, however,*** MCC Funding may be used, in compliance with the Compact and this Agreement and with written consent of MCC, to pay for (i) reasonable expenditures for goods, works or services that were properly incurred under or in furtherance of the Program before termination of the Compact or any MCC Funding, and (ii) reasonable expenditures (including administrative expenses) properly incurred in connection with the winding up of the Program (or any part thereof) within 120 days after the termination of the Compact or any MCC Funding.

(c) Upon expiration of the Compact, all Disbursements shall cease; ***provided, however,*** MCC Funding may be used, in compliance with the Compact, this Agreement, and the Program Guidelines, to pay for (i) reasonable ex-

penditures for goods, works or services that were properly incurred under or in furtherance of the Program before expiration of the Compact, and (ii) reasonable expenditures (including administrative expenses) properly incurred in connection with the winding up of the Program during the Closure Period.

(d) Subject to Sections 4.2(b) and (c), upon the expiration or termination of the Compact or MCC Funding, the Government shall return to MCC any amounts of MCC Funding on deposit in any Permitted Account but not expended before the expiration or termination, plus accrued interest thereon within thirty (30) days after the Government receives MCC's request for such return; ***provided, however***, that if the Compact is terminated in part, only the amount of MCC Funding allocated to the terminated portion shall be subject to return.

(e) Upon the full or partial termination of the Compact or any MCC Funding, MCC may, at its expense, direct that title to any Program Assets be transferred to MCC if such Program Assets are in a deliverable state, and the Government shall promptly effect such transfer upon such direction; ***provided, however***, that, for any Program Asset not in a deliverable state and any Program Asset partially purchased or funded with MCC Funding, the Government, upon MCC's request, shall reimburse MCC in United States Dollars the cash equivalent of the fair market value of such Program Asset or portion thereof, as such is determined by MCC.

(f) Prior to expiration, or upon termination, of the Compact, MCA-Lesotho II shall prepare a plan for administrative closure and sustainability of the Program in accordance with the Program Closure Guidelines (the "***Closure Plan***"). During the Closure Period, MCA-Lesotho II shall take all steps necessary to close the Program in an orderly manner in accordance with the Closure Plan and the *Program Closure Guidelines*.

(g) No later than 120 days after the expiration or termination of the Compact, unless the *Standards for Global Marking* permits otherwise, (i) the licenses granted to MCA-Lesotho II in Section 2.8(a) shall terminate with immediate effect; (ii) the Government shall ensure that MCA-Lesotho II ceases to be named "Millennium Challenge Account-Lesotho" and/or "MCA-Lesotho II," and (iii) the Government shall take reasonable steps to ensure that such names and any associated logo, as well as the names "Millennium Challenge Corporation" and "MCC," as well as any logo associated therewith, are no longer used by MCA-Lesotho II or any other entity for any purpose not authorized by MCC. Furthermore, upon expiration or termination of the Compact, MCA-Lesotho II

shall assign and hereby assigns and transfers to MCC all rights, title, and interest to the names “Millennium Challenge Account-Lesotho,” “MCA-Lesotho II,” “Millennium Challenge Corporation,” “MCC,” as well as MCA-Lesotho II’s logo and MCC’s logo that it might have acquired during the term of this Agreement.

(h) MCC and the Government recognize that the effects of the Compact are longranging and its impact on reducing poverty may not be measurable for several years after the Compact ceases to be in force. Accordingly, MCC and the Government agree to cooperatively monitor the results and evaluate the impacts of the Compact on reducing poverty through economic growth in Lesotho after the Compact ceases to be in force. To that end and as part of the orderly closure of the Program, the Parties shall develop a post-Compact monitoring and evaluation plan that describes the future monitoring and evaluation activities, the individuals and organizations that shall undertake these activities, and a budget framework for future monitoring and evaluation, provided, however, that nothing in this Section 4.2(h) shall be construed as committing MCC to provide any assistance to the Government after the Compact ceases to be in force. The Government shall provide all resources necessary (including both financial and personnel) to fulfill the tasks undertaken by the Government under the post-Compact monitoring and evaluation plan.

ARTICLE 5.

GENERAL PROVISIONS

Section 5.1 Representatives.

The provisions of Section 4.2 of the Compact are incorporated herein by reference as if fully set forth herein.

Section 5.2 Communications.

The provisions of Section 4.1 of the Compact are incorporated herein by reference as if fully set forth herein.

Section 5.3 Assignments by the Government.

The Government may not assign, delegate, or contract implementation of its rights or obligations under this Agreement without MCC’s prior written consent.

The Government agrees, upon request by MCC, to execute an assignment to MCC of any contractual right or cause of action which may accrue to the Government or MCA Lesotho II in connection with or arising out of the contractual performance or breach of performance by a party to a contract financed in whole or in part by MCC Funding.

Section 5.4 Amendment; Waivers.

The Parties may amend this Agreement only by a written agreement signed by the Parties. Such agreement shall provide how it enters into force; ***provided, however,*** that the Government and MCC may by written agreement, signed by the Principal Representative or any Additional Representative of each Party and which shall enter into force upon signature, modify any annex hereto. The Parties understand that any modification of this Agreement may be entered into by the Government without the need for further action by the Government (including any parliamentary action), or satisfaction of any additional domestic requirements of Lesotho. Any waiver of a right or obligation arising under this Agreement shall be effective only if provided in writing.

Section 5.5 Attachments.

Each exhibit, schedule and annex attached to this Agreement constitutes an integral part of this Agreement.

Section 5.6 Inconsistencies.

In the event of any conflict or inconsistency between this Agreement and the Compact, the terms of the Compact shall prevail. In the event of any conflict or inconsistency between this Agreement and any other Supplemental Agreement or any Implementation Plan Document the terms of this Agreement shall prevail.

Section 5.7 Termination of this Agreement.

(a) MCC may terminate this Agreement in whole or in part, by giving the Government thirty (30) days' written notice. This Agreement shall terminate simultaneously with the termination of the Compact by the Government in accordance with Section 5.1(a) of the Compact.

(b) MCC may immediately terminate this Agreement, in whole or in part, by written notice to MCA-Lesotho II and the Government, if MCC de-

termines that any event that would be a basis for termination or suspension of the Compact or MCC Funding under Section 5.1(b) of the Compact has occurred.

(c) Unless terminated earlier in accordance with the terms hereof, this Agreement shall cease to be in force simultaneously with the expiration or termination of the Compact; ***provided, however***, that, if MCC determines, consistent with Section 4.2(b) or (c), that obligations incurred (and previously approved by MCC in a Disbursement Request) prior to the expiration or termination of the Compact remain to be paid, then the provisions of this Agreement shall apply until such date as such obligations are satisfied.

Section 5.8 Survival.

Notwithstanding any expiration, suspension or termination of this Agreement, the following provisions of this Agreement shall survive: Sections 1.2(b)(i), 1.2(b)(ii), 2.7, 4.2, 5.1, 5.2, 5.3, 5.7(c), 5.8, 5.9 and 5.10.

Section 5.9 Information Provided to MCC.

MCC may use or disclose any information in any Disbursement Request, report or document developed or delivered in connection with the Program: (a) to its employees, contractors, agents and representatives, (b) to any United States inspector general or the United States Government Accountability Office or otherwise for the purpose of satisfying MCC's own reporting requirements, (c) to post on the MCC Website for the purpose of making certain information publicly available and transparent, (d) in connection with publicizing MCC and its programs, or (e) in any other manner.

Section 5.10 Governing Law.

The Parties acknowledge and agree that this Agreement is an international agreement entered into for the purpose of implementing the Compact and as such shall be interpreted in a manner consistent with the Compact and shall be governed by the principles of international law.

Section 5.11 Signatures.

Signatures to this Agreement and to any amendment to this Agreement shall be original signatures appearing on the same page or in an exchange of letters or

diplomatic notes.

IN WITNESS WHEREOF, each Party, by its duly authorized representative, has signed this Program Implementation Agreement.

Done at Maseru, Lesotho, this 12th day of May 2022.

FOR THE UNITED STATES
OF AMERICA,
acting through
THE MILLENNIUM CHALLENGE
CORPORATION

FOR THE KINGDOM OF
LESOTHO,
acting through
THE MINISTRY OF
FOREIGN AFFAIRS AND
INTERNATIONAL
RELATIONS

/s/

/s/

Name: Alice P. Albright
Title: Chief Executive Officer

Name: Honorable 'Mats'epo
Molise-Ramakoae
Title: Minister of Foreign Affairs and
International Relations

SIGNATURE PAGE TO PROGRAM IMPLEMENTATION AGREEMENT
BETWEEN THE UNITED STATES OF AMERICA ACTING THROUGH
THE MILLENNIUM CHALLENGE CORPORATION AND THE
KINGDOM OF LESOTHO ACTING THROUGH THE MINISTRY OF
FOREIGN AFFAIRS AND INTERNATIONAL RELATIONS

Annex I

DEFINITIONS

AFC Action Plan has the meaning provided in Section 2.1(i).

Agreement has the meaning provided in the preamble to this Agreement.

Auditor has the meaning provided in Section 2.6(c).

Auditor / Reviewer Agreement has the meaning provided in Section 2.6(c).

Bank has the meaning provided in Section 3.1(c)(ii).

Bank Agreement has the meaning provided in Section 3.1(c)(ii).

BCS has the meaning provided in Section 2.1(d).

Board means the board of directors of MCA-Lesotho II.

Bylaws has the meaning provided in Section 1.3(b)(v).

Closure Period means the 120-day period beginning on the first day after the last day of the Compact Term (or, if the Compact is terminated earlier in accordance with its terms, the last day that the Compact was in effect) and ending 120 calendar days thereafter.

Closure Plan has the meaning set forth in Section 4.2(f).

Common Payment System means the system pursuant to which payments of MCC Funding are made directly to vendors as further described in the Fiscal Accountability Plan.

Compact has the meaning provided in the preamble to this Agreement.

Counterparty has the meaning provided in Section 1.3(b)(vi).

Country Contribution Report has the meaning provided in Section 2.4(e).

Designated Rights and Responsibilities has the meaning provided in Section 1.3(a)(i).

Detailed Financial Plan has the meaning provided in Section 2.1(b).

Disbursement Period has the meaning provided in Section 3.1(a).

Disbursement Request has the meaning provided in Section 3.1(a).

Fiscal Accountability Plan has the meaning provided in Section 2.1(e).

Fiscal Agent Agreement has the meaning provided in Section 2.6(b).

Fiscal Agent Disbursement Certificate has the meaning provided in Section 3.4(a)(v).

Funded Agreement has the meaning provided in Section 1.3(b)(vi).

General Provisions Annex means the annex titled General Provisions posted from time to time on the MCC Website or otherwise made available to the Government.

Governance Guidelines means MCC's Policy on Accountable Entities and Implementation Structures.

Governing Document has the meaning provided in Section 2.5(g).

Government has the meaning provided in the preamble to this Agreement.

Government Account has the meaning provided in Section 3.1(c)(i).

HR Manual has the meaning provided in Section 1.3(b)(v).

Implementation Plan has the meaning provided in Section 2.1.

Implementation Plan Document has the meaning provided in Section 2.1.

Irrigation Act has the meaning provided in Annex IV.

Irrigation Policy has the meaning provided in PART B of Annex II.

Key Staff means the following positions in the Operations Unit: (1) chief executive officer (also referred to as the director general, national coordinator, or managing director), (2) each deputy chief executive officer (sometimes referred to as the chief operating officer), (3) chief financial officer, (4) legal advisor, (5) director of procurement, (6) manager of environmental and social performance, (7) manager of gender and social inclusion, (8) manager of monitoring and evaluation, and (9) each project director of a Project.

Lien has the meaning provided in Section 1.2(b)(i).

Local Account has the meaning provided in Section 3.1(c)(i).

Material Agreement has the meaning provided in Section 2.5(c).

MCA Disbursement Certificate has the meaning provided in Section 3.4(a)(iii).

MCA-Lesotho II Website has the meaning provided in Section 2.7(a).

MCC has the meaning provided in the preamble to this Agreement.

Multi-Year Financial Plan has the meaning provided in Section 2.1(b).

Outside Project Manager has the meaning provided in Section 2.6(a).

Party and Parties have the meaning provided in the preamble to this Agreement.

Periodic Report has the meaning provided in Section 2.4(a).

Permitted Designee has the meaning provided in Section 1.2(a).

Procurement Agent Agreement has the meaning provided in Section 2.6(d).

Procurement Agent Disbursement Certificate has the meaning provided in Section 3.4(a)(iv).

Procurement Plan has the meaning provided in Section 2.1(d).

Reviewer has the meaning provided in Section 2.6(c).

Social and Gender Integration Plan has the meaning provided in Section 2.1(h).

Stakeholder Committee means one or more bodies of representatives from the private sector, beneficiaries, civil society and local and regional governments established by MCA-Lesotho II as part of fulfilling the requirements of any stakeholder engagement plan, and to provide advice and input to MCA-Lesotho II regarding the implementation of the Program.

Work Plan has the meaning provided in Section 2.1(a).

Annex II

CONDITIONS PRECEDENT TO PROGRAM FUNDING¹

PART A. Conditions Precedent for Entire Disbursement Request (Applicable to All Projects)

(i) Before the second Disbursement of Program Funding, MCA-Lesotho II must develop and adopt a comprehensive Social and Gender Integration Plan, in form and substance satisfactory to MCC.

(ii) Before the second Disbursement of Program Funding, MCA-Lesotho II must develop and adopt a comprehensive M&E Plan, in form and substance satisfactory to MCC.

(iii) Before the first Disbursement of Program Funding for payment under a particular works or construction contract for a given Project or Activity, MCA-Lesotho II must submit evidence, in form and substance satisfactory to MCC, that MCA-Lesotho II or the appropriate Government entity has developed and adopted an Environmental and Social Impact Assessment or ESIA, an Environmental and Social Management Plan or ESMP, a Health and Safety Management Plan or HSMP, and/or a Resettlement Action Plan or RAP (as appropriate) with respect to such Project or Activity, each of which must be in form and substance satisfactory to MCC.

(iv) Before each Disbursement of Program Funding for payment under a particular works or construction contract for a given Project or Activity, MCA-Lesotho II must submit evidence, in form and substance satisfactory to MCC, that MCA-Lesotho II or the appropriate Government entity is implementing the requirements of each ESIA, ESMP, HSMP or RAP, as appropriate,

NOTE

1. In the case of the enactment of any law, regulation, policy, or amendments or modifications to any of the foregoing that the Government commits to in this Annex II, the Government shall share a draft of the applicable document with MCC for its review before it is submitted to the final approving authority within the Government.

in all material respects and consistent with the Environmental Guidelines (including the IFC Performance Standards that are incorporated by reference therein).

(v) Before any Disbursement of Program Funding on or after the commencement of year five (5) of the Compact Term, MCA-Lesotho II must submit to MCC an initial draft Closure Plan in accordance with the Program Closure Guidelines.

(vi) Before the first Disbursement of Program Funding for any activity to be carried out under an implementing entity arrangement, MCA-Lesotho II must deliver to MCC a copy of a signed agreement between MCA-Lesotho II and the relevant Implementing Entity that sets forth the roles and responsibilities of each party with respect to the Project or Activity, which agreement must be in form and substance satisfactory to MCC.

PART B. Conditions Precedent for Disbursement of Funds for the Market Driven Irrigated Horticulture (or MDIH) Project

(i) Before the second Disbursement of Program Funding for the Institutional Reform Activity, MCA-Lesotho II must provide evidence, in form and substance satisfactory to MCC, that the Government has established and funded staff positions with gender expertise within the Ministries of Local Government and Chieftainship, Agriculture and Food Security, and Water, sufficient to enable timely implementation of the legal, administrative, and institutional reforms proposed by the Project.

(ii) Before the first Disbursement of Program Funding for the Rural Land Registration Reform Sub-Activity under the Institutional Reform Activity, MCA-Lesotho II must provide evidence, in form and substance satisfactory to MCC, that the Government has adopted amendments to (a) the regulations associated with the Land Act and/or the Land Administration Authority Act to allow the addition of the name of a spouse “married in community of property” to a land title that was issued during the marriage, prior to the marriage, or prior to the coming of operation of the Legal Capacity of Married Persons Act of 2006; and (b) the Land Act (or other relevant laws) to affirmatively permit co-ownership of land by people who are not in a marriage relationship, and to allow the addition of names to land titles to reflect co-ownership.

(iii) Before the first Disbursement of Program Funding for

the Irrigation and Water Reform Sub-Activity under the Institutional Reform Activity, MCA-Lesotho II must provide evidence, in form and substance satisfactory to MCC, that the Government has enacted revisions to the Water Act to: (a) improve inter-sectoral coordination and collaboration at the inter-ministerial and river basin levels; (b) strengthen provisions on data collection and management as well as river basin management planning, and strengthen the legal basis for integrated catchment management; (c) create a more effective water use permitting regime that provides for the issuance of secure longer term permits for major investments while reducing the administrative burden for small commercial users and non-commercial users; and (d) strengthen provisions on protected areas/protection zones, charging for the use of water resources, dam safety and inspection and enforcement particularly as regards applicable sanctions.

(iv) Before the first Disbursement of Program Funding for payment under a particular works or construction contract for a given Irrigation Scheme under the Irrigation Infrastructure Development Activity, MCA-Lesotho II must submit evidence, in form and substance satisfactory to MCC, of a written commitment from one or more commercial investors that expresses their intent to invest in the applicable Irrigation Scheme on terms that support the economic feasibility of the scheme's overall investment.

(v) Before the first Disbursement of Program Funding for the Irrigation Infrastructure Development Activity, MCA-Lesotho II must provide evidence, in form and substance satisfactory to MCC, that the Government has developed and adopted a national irrigation policy (the "Irrigation Policy"), to be implemented by the MAFS that: (a) provides for the establishment of non-profit, self-governing, WUAs managed by their beneficiaries as a special type of legal entity to be responsible for the management, operation and maintenance of irrigation schemes, which have the necessary legal powers to adopt and impose irrigation rules within such schemes; (b) indicates that publicly funded irrigation infrastructure may be transferred in use to a WUA on the basis of a long term (20 years or more) agreement; (c) foresees the development and approval of a specific type of standard land lease for use in irrigation schemes to ensure leaseholder compliance with irrigation rules and the duty to pay irrigation fees; and (d) provides support for the role of women and youth in irrigation and sustainable natural resource management.

Annex III

GOVERNMENT CONTRIBUTION ALLOCATION

Project/Activity	Type	Pre-EIF	Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL
1. Health Systems Strengthening Project								
PHC Service Provision Activity								
Government takeover of HSS communications support contract	In-Kind					\$ 350,000	\$ 350,000	\$ 700,000
Digital Health Activity								
Government takeover of HSS digital health district support contract	In-Kind					\$ 500,000	\$ 500,000	\$ 1,000,000
2. Market Driven Irrigated Horticulture Project								
Institutional Reform Activity								
Gender counterpart positions	In-Kind		\$ 54,000	\$ 59,400	\$ 65,340	\$ 71,874	\$ 79,061	\$ 329,675
Develop and implement national ICM programming in catchments aligned with compact irrigation sites	In-Kind			\$3,200,000	\$3,200,000			\$ 6,400,000
Development of the system to implement inheritance reforms	In-Kind			\$ 455,383	\$ 550,199	\$ 288,454		\$ 1,294,036
Irrigated Horticulture Support Services Activity								
Electricity infrastructure for villages around MCC irrigation perimeters	In-Kind		\$1,619,940	\$1,619,940	\$1,619,940			\$ 4,859,820
Irrigation Infrastructure Development Activity								
Construction of water supply systems and sanitation facilities (Ventilated Improved Pit latrines)	In-Kind		\$ 596,139	\$ 596,139	\$ 596,139	\$ 596,139	\$ 596,139	\$ 2,980,696
3. Business Environment and Technical Assistance Project								
Strengthening the Business Ecosystem Activity								
Gender counterpart positions	In-Kind		\$ 54,000	\$ 59,400	\$ 65,340	\$ 71,874	\$ 79,061	\$ 329,675
Program Administration and Control								
MCA-Lesotho II Administration								
MCA-Lesotho II office space	In-Kind	\$ 702,674	\$ 650,475	\$ 702,513	\$ 758,714	\$ 819,411	\$ 884,964	\$ 4,518,750
Placeholder to meet 7.5% contribution requirement, if needed	Financial							\$ -
Grand Total		\$ 702,674	\$2,974,554	\$ 6,692,775	\$ 6,855,672	\$ 2,697,752	\$2,489,226	\$22,412,653

Annex IV

PROJECT-SPECIFIC UNDERTAKINGS

In addition to the undertakings of the Government set forth in this Agreement, the Government commits to the following:

(1) The Government shall, before the last day of the third year of the Compact Term, begin managing, fully funding, and paying all amounts that become due under each of the following contracts entered into by MCA-Lesotho II with respect to the HSS Project; provided, however, if MCA-Lesotho II has not entered into such contracts by the start of the third year of the Compact Term, the Government shall promptly (and no later than the last day of the third year of the Compact Term), procure the described services through another Government entity and manage and fully fund the resulting contracts:

- (a) Contract with a third-party service provider for the provision of health-focused, district-level ICT support and maintenance; and
- (b) Contract with a third-party service provider for the provision of communication services for the MOH.

(2) The Government shall, prior to the full commissioning of the Irrigation Schemes anticipated in the third year of the Compact Term, enact legislation (an “Irrigation Act”) that reflects the principles of the Irrigation Policy and includes provisions that support:

- (a) the establishment of non-profit, self-governing, WUAs managed by their beneficiaries as a special type of legal entity to be responsible for the management, operation and maintenance of irrigation and drainage schemes and which have the necessary legal powers to adopt and impose irrigation rules within such schemes;
- (b) the transfer of publicly funded irrigation schemes in use to a WUA on the basis of a long term (20 years or more) agreement. The abstraction and use of water for irrigation will take place on the basis of a permit issued pursuant to the Water Act;
- (c) the development and use in irrigation schemes of

specific irrigation land leases to ensure leaseholder compliance with irrigation rules and the duty to pay irrigation fees; and

- (d) the establishment of a specific public entity, in the form of a department, agency or unit to undertake sector planning and to provide technical and other support to farmers engaging in irrigated agriculture as well as general sector oversight.

GOVERNMENT NOTICE NO. 66 OF 2022

The Parliament of Lesotho**Statement of Objects and Reasons of the Millennium Challenge
Account - Lesotho II Act, 2022**

**(Circulated by the authority of the Minister responsible for finance, the
Honourable Thabo Sophonea)**

The main purpose of the Millennium Challenge Account - Lesotho Authority II Bill, 2022 is to provide for domestication of the Compact and Programme Implementation Agreement (PIA) and the establishment of an accountable entity, a body corporate with responsibility delegated by the Government of Lesotho (GoL) to implement Compact Projects under the Compact. The accountable entity will have the authority to oversee the MCC funded projects, their components and activities ("**Programme**"), allocate resources, oversee and implement a financial plan, approve expenditures and procurements, continue the consultative process, and be accountable to the Government and the Basotho nation for the Program's results, in accordance with the Millennium Challenge Corporation's (MCC) requirements and policies.

In recognizing that MCC wishes to help Lesotho implement the programme described in the Compact and PIA in order to achieve the goal and objectives described therein (such as programme description and objectives as may be amended from time to time in accordance with the terms of the Compact). As a consequence, the Bill seeks to validate enforcement of the signed Compact and PIA dated 12 May, 2022 between the Government of the Kingdom of Lesotho and the United States of America. It proposes annexing of both agreements to the Bill.

The Act prescribes the Millennium Challenge Account - Lesotho Authority II (MCA-L) as a body corporate with powers to hold, purchase, acquire and dispose of any property, movable and immovable, to enter into such contracts including international agreements as may be necessary, to insure against all normal commercial risks associated with the operations of the Authority, from time to time, to employ such technical or other advisers as it considers fit to advise it, to open and maintain bank accounts in its own name and generally, to perform such duties and exercise such powers of the Accountable Entity as contemplated in the Compact and the PIA for purposes of carrying out the Compact

mandate effectively.

The Act provides that the MCA-Lesotho Authority will be governed and managed by the board of directors (the “**Board of Directors**”) and an operations unit (the “**Operations Unit**”) in accordance with the Bill, the terms of its constitutive documents and internal regulations. The Board will be constituted by GoL Compact relevant Ministries and the private sector representatives selected from women, youth, and disability groups to ensure inclusivity envisaged by the Compact. To engage more with relevant Stakeholders, a Stakeholders Committee is proposed to provide an opportunity for civil society and the private sector to receive regular updates on the Programme from the accountable entity and to provide feedback and oversight for the implementation process. While Stakeholders Committee does not have formal decision-making authority, such committee serve as a mechanism for ongoing consultations between the Government and the public throughout implementation of the Program.

The Act introduces the Fiscal and Procurement Agents to be engaged by the MCA-Lesotho Authority on behalf of the Government. Both are expected to be an individual or firm with expertise in financial management and reporting to serve as fiscal agent (the “**Fiscal Agent**”), and an individual or firm with expertise in public procurement and contract management to serve as a procurement agent (the “**Procurement Agent**”). It is expected that the Fiscal Agent and Procurement Agent, respectively, will help the Government ensure that all Program-related financial management activities and procurements are conducted in strict compliance with the principles, rules, and procedures set out in this Compact and related MCC policies, procedures, or guidance.

