

**Lesotho MCA Compact
Conditions Precedent and Milestones Schedule**

| EVENT | DESCRIPTION | TIMING | MILESTONE | CONSEQUENCE OF FAILURE TO SATISFY | STATUS | |
|-----------|--|---|---|--|---|-----------|
| I. | COMPACT IMPLEMENTATION FUNDING CONDITIONS PRECEDENT | | | | | |
| 1. | CIF Detailed Financial Plan | The Government and MCC have agreed upon a detailed budget ("CIF Detailed Financial Plan") for the use of Compact Implementation Funding ("CIF") by category and item of expense and allocated on a monthly basis, not to exceed \$15,669,000. | Prior to initial disbursement of any CIF. | Detailed budget approved by MCC. | No CIF will be disbursed until this condition has been satisfied. | |
| 2. | Interim CFO | The Government must put in place an interim chief financial officer to oversee CIF spending until Fiscal Agent is engaged. | Prior to initial disbursement of any CIF. | Individual approved by MCC. | No CIF will be disbursed until this condition has been satisfied. | Completed |
| 3. | CIF Procurement Plan | The Government and MCC have agreed upon a procurement plan in accordance with the MCC Program Procurement Guidelines setting forth those goods, works or services to be procured with CIF and indicating the method of procurement for all such goods, works or services. | Prior to initial disbursement of any CIF. | CIF Procurement Plan approved by MCC. | No CIF will be disbursed until this condition has been satisfied. | |
| 4. | Bank, Bank Agreement and Accounts | (1) The Government has engaged a commercial bank acceptable to MCC (the "Bank"); (2) an agreement between the Government and the Bank in form and substance satisfactory to MCC that provides the terms for the operation of the accounts into which MCC will deposit CIF (the "CIF Permitted Accounts") which will be opened in the name of MCA-Lesotho (or the core team entity) and controlled by the Interim CFO or Fiscal Agent (as the case may be) has been executed and delivered to MCC; (3) the CIF Permitted Accounts for the deposit of certain CIF disbursements have been established; and (4) the Interim CFO or Fiscal Agent (as the case may be) has established a petty cash account ("Petty Cash Account") for the deposit of petty cash amounts in accordance with the CIF Detailed Financial Plan. | Prior to initial disbursement of any CIF. | (1) Bank has been selected and Bank Agreement in form and substance acceptable to MCC has been executed and delivered to MCC; (2) evidence satisfactory to MCC that the CIF Permitted Accounts have been established; and (3) Petty Cash Account has been established. | No CIF will be disbursed until this condition has been satisfied. | |
| 5. | Evidence of Tax Exemption | Delivery by the Government of evidence confirming that all CIF, and all assets related to CIF, will be exempt from Taxes (as defined in the Compact) in Lesotho, together with any and all instruments necessary or appropriate to give effect to such exemption. | Prior to initial disbursement of any CIF. | Tax exemption mechanisms approved by MCC and all necessary certificates and documentation issued. | No CIF will be disbursed until this condition has been satisfied. | Completed |
| 6. | CIF Letter Agreement | Execution and delivery of CIF Letter agreement by MCC and the Government. | Prior to initial disbursement of any CIF. | CIF Letter Agreement has been fully executed and delivered. | No CIF will be disbursed until this condition has been satisfied. | |
| 7. | CIF Disbursement Request | Delivery by the Government of a complete, correct and fully executed CIF Disbursement Request for the relevant CIF Disbursement Period. | Not later than 20 days prior to (1) initial disbursement of any CIF and (2) each additional CIF disbursement. | CIF Disbursement Request, in form and substance satisfactory to MCC, has been received by MCC not later than 20 days prior to the relevant CIF Disbursement Period. | No CIF will be disbursed until this condition has been satisfied. | |

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| 8. | Disbursement is in Compliance with CIF Letter Agreement | MCC is satisfied, in its sole discretion, that (1) the activity being funded by the relevant CIF disbursement is necessary, advisable or is otherwise consistent with the goal of facilitating the implementation of the Compact; (2) there has been no violation of, and the use of requested funds for purposes requested will not violate, the limitations on use or treatment of CIF; and (3) the Government will have substantially complied with its obligations set forth in the CIF. | Prior to (1) initial disbursement of any CIF and (2) the disbursement each additional CIF disbursement. | MCC internally makes this determination just prior to the relevant disbursement. | No CIF will be disbursed until this condition has been satisfied. | CIF Letter Agreement Attachment I, clause (b). |
| 9. | Bid Challenge System | A bid challenge system acceptable to MCC has been established. | Must be in place prior to any disbursement of MCC funding after January 22, 2008. | Bid challenge system approved by MCC. | No CIF will be disbursed after January 22, 2008 until this condition has been satisfied. | CIF Letter Agreement Attachment I, clause (f). |

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| II. | COMPACT PROGRAM-WIDE FUNDING CONDITIONS PRECEDENT TO INITIAL DISBURSEMENT | | | | | |
| 1. | Domestic Legal Requirements | The Government has ensured that: (1) the Compact and the Program Implementation Agreement (the “PIA”) and all of the provisions of the Compact and the PIA are valid and binding and are in full force and effect under the laws of Lesotho; (2) the Compact, the PIA and any other agreement entered into in connection with the Compact to which the Government and MCC are parties will be given the status of an international agreement; and (3) no laws of Lesotho, other than the Constitution of Lesotho, whether now or hereafter in effect, will take precedence or prevail over the terms of the Compact or the PIA. | With respect to the Compact, prior to initial disbursement of any MCC funding (other than CIF) under the Compact. With respect to the PIA, as soon as practicable following execution of the PIA. | With respect to the Compact, (1) ratification of the Compact by the Cabinet, and (2) presentation of the ratified Compact to Parliament for the appropriate informational period. With respect to the PIA, (1) ratification of the PIA by the Cabinet as soon as practicable following its execution and (2) presentation of the ratified PIA to Parliament for the appropriate informational period. The Government will deliver to MCC complete, certified copies of all decrees, legislation, regulations or other governmental documents relating to these domestic legal requirements and the satisfaction of Section 7.1 of the Compact, which MCC may post on its website or otherwise make publicly available. | No MCC funding (other than CIF) under the Compact will be disbursed until this condition has been satisfied with respect to the Compact. With respect to the PIA, if MCC determines that it has not been ratified by the Cabinet and presented to Parliament for the appropriate informational period within a reasonably practicable period, future MCC funding may be stopped until the process is completed. | Compact, Sections 7.1 and 7.2(b). |
| 2. | Creation of MCA-Lesotho | (1) MCA-Lesotho is created by Act of Parliament; (2) stakeholders committee associated with MCA-Lesotho has been formed, approved by MCC, and has met; (3) board of directors for MCA-Lesotho has been formed, approved by MCC, and has met; and (4) [internal rules or bylaws relating to its governance have been adopted and approved by MCC]. | Prior to initial disbursement of any MCC funding (other than CIF) under the Compact. | MCC determines that the condition has been met. | No MCC funding (other than CIF) under the Compact will be disbursed until this condition has been satisfied. | Compact, Annex I, Sections A.2. and A.4. require these elements of MCA-Lesotho, and MCA-Lesotho must be in existence to execute the PIA. [PIA, Section 1.3(b)(v).] |
| 3. | Execution and Effectiveness of the PIA | The Government, MCA-Lesotho and MCC have executed the PIA and it has become effective in accordance with its terms. | Prior to initial disbursement of any MCC funding (other than CIF) under the Compact. | PIA has (1) been fully executed and delivered; and (2) become effective in accordance with its terms. | No MCC funding (other than CIF) under the Compact will be disbursed until this condition has been satisfied. | Compact, Section 7.2(a) and PIA, Sections 3.3 and 4.1. |
| 4. | Certificate from Principal Representative | The Government has delivered to MCC a certificate signed and dated by the Principal Representative of the Government (as identified in the Compact), or such other duly authorized representative of the Government acceptable to MCC, certifying that the Government has completed all of its domestic legal requirements set forth in Section 7.1 of the Compact (see condition II.1 above). | Prior to initial disbursement of any MCC funding (other than CIF) under the Compact. | Certificate from Principal Representative, in form and substance acceptable to MCC, has been received by MCC. | No MCC funding (other than CIF) under the Compact will be disbursed until this condition has been satisfied. | Compact, Section 7.2(b)(i). |

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| 5. | Legal Opinion | The Government has delivered to MCC a legal opinion from the Attorney General of Lesotho (or other legal opinion acceptable to MCC) that each of the domestic legal requirements set forth in Section 7.1 of the Compact have been (or, in the case of the PIA, will be) satisfied, in form and substance satisfactory to MCC. The form of this legal opinion will be set forth in Schedule 3 of the PIA. | Prior to initial disbursement of any MCC funding (other than CIF) under the Compact. | Legal Opinion, in form and substance acceptable to MCC, has been received by MCC. | No MCC funding (other than CIF) under the Compact will be disbursed until this condition has been satisfied. | Compact, Section 7.2(b)(ii). PIA, Section 4.1(i). |
| 6. | Government Remains Eligible for MCC Funding | MCC determines that since the time the Compact was signed, the Government has not engaged in any action or omission that is inconsistent with the eligibility criteria for MCC funding. | Prior to initial disbursement of any MCC funding (other than CIF) under the Compact. | MCC internally makes this determination just prior to the Compact's entry into force and, if applicable, the initial disbursement. | No MCC funding (other than CIF) under the Compact will be disbursed until this condition has been satisfied. | Compact, Section 7.2(c). |
| 7. | Compact Entry Into Force | (1) Letters have been exchanged between the Government and MCC confirming that each party has completed all domestic requirements for entry into force and (2) all conditions precedent to the Compact's entry into force set forth in Section 7.2 of the Compact have been satisfied (see conditions II.3.-II.6 above) | Prior to initial disbursement of any MCC funding (other than CIF) under the Compact. | MCC determines that all conditions set forth in Section 7.2 of the Compact are satisfied. Letters are exchanged by the Government and MCC in accordance with Section 7.3 of the Compact. | No MCC funding (other than CIF) under the Compact will be disbursed until this condition has been satisfied. | Compact, Section 7.3 PIA, Section 4.1(c). |
| 8. | Evidence of Tax Exemption | Delivery by the Government to MCC of evidence confirming that MCA-Lesotho, all MCC funding, and all assets and interests related to the Program will be exempt from Taxes in Lesotho for the term of the Compact, together with any and all instruments necessary or appropriate to give effect to such exemption. | Prior to initial disbursement of any MCC funding (other than CIF) under the Compact. | Tax exemption mechanisms approved by MCC and all necessary certificates and documentation issued. | No MCC funding (other than CIF) under the Compact will be disbursed until this condition has been satisfied. | PIA, Section 4.1(b). |
| 9. | Appointment of Fiscal Agent and Execution of Fiscal Agent Agreement | The Fiscal Agent has been engaged to ensure and certify disbursement, banking and accounting activities, subject to the approval of MCC. MCA-Lesotho and the Fiscal Agent will enter into a Fiscal Agent Agreement that sets forth the roles and responsibilities of the Fiscal Agent. | Prior to initial disbursement of any MCC funding (other than CIF) under the Compact. | An executed Fiscal Agent Agreement, in form and substance acceptable to MCC, has been received by MCC. | No MCC funding (other than CIF) under the Compact will be disbursed until this condition has been satisfied. | Compact, Annex I, Section A.3(a). PIA, Section 2.10(b). |
| 10. | Appointment of Procurement Agent and Execution of Procurement Agent Agreement | The Procurement Agent has been engaged to carry out and/or certify specified procurement activities, subject to the approval of MCC. MCA-Lesotho and the Procurement Agent will enter into a Procurement Agent Agreement that sets forth the roles and responsibilities of the Procurement Agent. | Prior to initial disbursement of any MCC funding (other than CIF) under the Compact. | An executed Procurement Agent Agreement, in form and substance acceptable to MCC, has been received by MCC. | No MCC funding (other than CIF) under the Compact will be disbursed until this condition has been satisfied. | Compact, Annex I, Section A.3(c). PIA, Section 2.10(d). |
| 11. | Key Officers | Each of the key officers for MCA-Lesotho identified in Annex I, Section A.4(b) of the Compact has been selected and engaged by MCA-Lesotho and approved by MCC. | Prior to initial disbursement of any MCC funding (other than CIF) under the Compact. | MCC determines that the condition has been met. | No MCC funding (other than CIF) under the Compact will be disbursed until this condition has been satisfied. | PIA, Section 4.1(e). |

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| 12. | Execution of Bank Agreement and Opening of Permitted Accounts | MCA-Lesotho has entered into a Bank Agreement with a commercial bank acceptable to MCC and has established (1) a US Dollar interest-bearing account, and (2) if deemed necessary by MCC, an interest-bearing account in the local currency of Lesotho. These accounts will be duly established in accordance with the Bank Agreement, the Fiscal Agent Agreement and the Fiscal Accountability Plan. | Prior to initial disbursement of any MCC funding (other than CIF) under the Compact. | An executed Bank Agreement in form and substance acceptable to MCC has been received by MCC. MCC determines that the required account(s) have been opened. | No MCC funding (other than CIF) under the Compact will be disbursed until this condition has been satisfied. | Compact, Annex I, Section A.3(b). PIA, Sections 3.1(c) and 4.1(d). |
| 13. | Implementation Plan Document | MCA-Lesotho has delivered each of the following documents to MCC: (a) Work Plan , including M&E indicators and targets; (b) Detailed Financial Plan ; (c) Indicator Performance Plan ; (d) Audit Plan ; and (e) Procurement Plan . | Prior to initial disbursement of any MCC funding (other than CIF) under the Compact. | Each document in form and substance satisfactory to MCC. | No MCC funding (other than CIF) under the Compact will be disbursed until this condition has been satisfied. | PIA, Section 2.1. |
| 14. | Initial Disbursement Request | MCA-Lesotho has delivered to MCC a written request in the form of the "Form of Disbursement Request" posted on the MCC Website. | No later than 20 days prior to initial disbursement of any MCC funding (other than CIF) under the Compact. | The Disbursement Request, in form and substance acceptable to MCC, has been received by MCC. | No MCC funding (other than CIF) under the Compact will be disbursed until this condition has been satisfied. | PIA, Sections 3.1(a) and 3.4(a)(i). |
| 15. | Periodic Reports | MCA-Lesotho has delivered to MCC the Periodic Reports covering the initial Disbursement Period. | Prior to initial disbursement of any MCC funding (other than CIF) under the Compact. | Each document in form and substance satisfactory to MCC. | No MCC funding (other than CIF) under the Compact will be disbursed until this condition has been satisfied. | PIA, Section 3.4(a)(i). |
| 16. | Audit Reports | MCA-Lesotho has delivered to MCC any reports then due from any technical (including environmental) auditors engaged by MCA-Lesotho for any Project Activity. | Prior to initial disbursement of any MCC funding (other than CIF) under the Compact. | Each document in form and substance satisfactory to MCC. | No MCC funding (other than CIF) under the Compact will be disbursed until this condition has been satisfied. | PIA, Section 3.4(a)(iii). |
| 17. | MCA-Lesotho Initial Disbursement Certificate | Delivery of a certificate of MCA-Lesotho, substantially in the form of the "MCA Initial Disbursement Certificate" posted on the MCC Website, dated as of the date of Disbursement, together with the attachments thereto. This certificate will certify the following items: | Prior to initial disbursement of any MCC funding (other than CIF) under the Compact. | MCA Initial Disbursement Certificate, in form and substance satisfactory to MCC, has been received by MCC. | No MCC funding (other than CIF) under the Compact will be disbursed until this condition has been satisfied. | PIA, Sections 3.4(a)(iv) and 4.1(f). |
| | | (a) All applicable conditions precedent in the PIA have been duly satisfied, deferred or waived as provided in the PIA. | Prior to initial disbursement of any MCC funding (other than CIF) under the Compact. | MCC determines that the condition has been met. | No MCC funding (other than CIF) under the Compact will be disbursed until this condition has been satisfied. | PIA, Section 3.4(b)(i). |

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| | (b) No material default or breach of any covenant, obligation or responsibility by the Government, MCA-Lesotho or any Government entity has occurred and is continuing under the PIA, the Compact or any Supplemental Agreement. | Prior to initial disbursement of any MCC funding (other than CIF) under the Compact. | MCC determines that the condition has been met. | No MCC funding (other than CIF) under the Compact will be disbursed until this condition has been satisfied. | PIA, Section 3.4(b)(ii). |
| | (c) Activities to be funded with MCC funding being requested by the initial Disbursement Request will not violate any applicable law or regulation. | Prior to initial disbursement of any MCC funding (other than CIF) under the Compact. | MCC determines that the condition has been met. | No MCC funding (other than CIF) under the Compact will be disbursed until this condition has been satisfied. | PIA, Section 3.4(b)(iii). |
| | (d) The Implementation Plan Documents submitted to MCC are current and updated and are in form and substance satisfactory to MCC, and there has been satisfactory progress on the components of the Implementation Plan for any relevant Projects or Project activities related to the initial Disbursement. | Prior to initial disbursement of any MCC funding (other than CIF) under the Compact. | MCC determines that the condition has been met. | No MCC funding (other than CIF) under the Compact will be disbursed until this condition has been satisfied. | PIA, Section 3.4(b)(iv). |
| | (e) There has been satisfactory progress on the M&E Plan for the Program, relevant Project or Project activity and substantial compliance with the requirements of such M&E Plan (including the targets set forth therein [(except for the targets specified in <u>Schedule 2</u> to the PIA, which will require compliance to the extent specified in <u>Schedule 2</u>)] and any applicable reporting requirements set forth therein for the initial Disbursement Period). | Prior to initial disbursement of any MCC funding (other than CIF) under the Compact. | MCC determines that the condition has been met. | No MCC funding (other than CIF) under the Compact will be disbursed until this condition has been satisfied. | PIA, Section 3.4(b)(v). |
| | (f) 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). | Prior to initial disbursement of any MCC funding (other than CIF) under the Compact. | MCC determines that the condition has been met. | No MCC funding (other than CIF) under the Compact will be disbursed until this condition has been satisfied. | PIA, Section 3.4(b)(vi). |
| | (g) Any Taxes paid with MCC funding through the date 90 days prior to the start of the initial Disbursement Period have been reimbursed by the Government in full in accordance with Section 1.2(b)(ix) of the PIA. | Prior to initial disbursement of any MCC funding (other than CIF) under the Compact. | MCC determines that the condition has been met. | No MCC funding (other than CIF) under the Compact will be disbursed until this condition has been satisfied. | PIA, Section 3.4(b)(vii). |
| | (h) 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 the Compact, the PIA and any Supplemental Agreement. | Prior to initial disbursement of any MCC funding (other than CIF) under the Compact. | MCC determines that the condition has been met. | No MCC funding (other than CIF) under the Compact will be disbursed until this condition has been satisfied. | PIA, Section 3.4(b)(viii). |

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| | | (i) MCC does not have grounds for concluding that any matter certified to it in the related MCA-Lesotho Initial Disbursement Certificate, the Fiscal Agent Disbursement Certificate, or the Procurement Agent Disbursement Certificate is not as certified. | Prior to initial disbursement of any MCC funding (other than CIF) under the Compact. | MCC determines that the condition has been met. | No MCC funding (other than CIF) under the Compact will be disbursed until this condition has been satisfied. | PIA, Section 3.4(b)(ix). |
| | | (j) MCC has not determined 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, MCC funding in accordance with Section 5.1 of the Compact | Prior to initial disbursement of any MCC funding (other than CIF) under the Compact. | MCC determines that the condition has been met. | No MCC funding (other than CIF) under the Compact will be disbursed until this condition has been satisfied. | PIA, Section 3.4(b)(x). |
| 18. | Fiscal Agent Certificate | Delivery of a certificate of the Fiscal Agent, substantially in the form of the “Fiscal Agent Initial Disbursement Certificate” posted on the MCC Website. | Prior to initial disbursement of any MCC funding (other than CIF) under the Compact. | Fiscal Agent Initial Disbursement Certificate, in form and substance satisfactory to MCC, has been received by MCC. | No MCC funding (other than CIF) under the Compact will be disbursed until this condition has been satisfied. | PIA, Sections 3.4(a)(v) and 4.1(g). |
| 19. | Procurement Agent Certificate | Delivery of a certificate of the Procurement Agent, substantially in the form of the “Procurement Agent Initial Disbursement Certificate” posted on the MCC Website. | Prior to initial disbursement of any MCC funding (other than CIF) under the Compact. | Procurement Agent Initial Disbursement Certificate, in form and substance satisfactory to MCC, has been received by MCC. | No MCC funding (other than CIF) under the Compact will be disbursed until this condition has been satisfied. | PIA, Sections 3.4(a)(vi) and 4.1(h). |
| 20. | PIA Schedule 2 Conditions | Each of the following conditions precedent, which are set forth on Schedule 2 to the PIA, have been met: | Prior to initial disbursement of any MCC funding (other than CIF) under the Compact. | As identified in connection with each of the conditions precedent set forth in items (a)-(c) below. | No MCC funding (other than CIF) under the Compact will be disbursed until this condition has been satisfied. | PIA, Section 4.1(j). |
| | | (a) Harmonize Laws with Legal Capacity of Married Persons Act The following steps to initiate the reform of laws that directly contradict the economic rights afforded to women in the Legal Capacity of Married Persons Act shall have been taken: (1) the Government will have delivered to MCC a written assessment of the laws that require reform and MCC will have approved such assessment; (2) based on such assessment, the Government will have drafted and delivered to MCC proposed legislation to amend such laws to remove such contradictions and MCC will have concurred with the Government of Lesotho’s proposed legislation; and (3) the Government will have provided evidence satisfactory to MCC that such draft legislation has been submitted to Parliament. | Prior to initial disbursement of any MCC funding (other than CIF) under the Compact. | With respect to (1), a written assessment in form and substance satisfactory to MCC. With respect to (2), proposed legislation written with MCC’s concurrence. With respect to (3), evidence satisfactory to MCC that proposed legislation has been submitted to Parliament | No MCC funding (other than CIF) under the Compact will be disbursed until this condition has been satisfied. | PIA, Schedule 2. |

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| | <p>(b) Metolong Program Management Unit (1) Establishment of the Metolong Program Management Unit (“MPMU”); (2) procure the MPMU according to terms of reference that are satisfactory to MCC; (3) recruitment, selection and engagement of the chief executive officer and other key officers; and (4) establishment of MPMU Board of Directors. Among its roles and responsibilities, the MPMU will ensure that common environmental and social standards which meet MCC Environmental Guidelines, MCC Gender Policy and World Bank Operational policy 4.12 are developed and applied to the entire Metolong Dam Project, including all advanced infrastructure, the dam and reservoir, and downstream conveyance system.</p> | <p>Prior to initial disbursement of any MCC funding (other than CIF) under the Compact.</p> | <p>[Further input to come]</p> | <p>No MCC funding (other than CIF) under the Compact will be disbursed until this condition has been satisfied.</p> | <p>PIA, Schedule 2.</p> |
| | <p>(c) Health Sector Project Implementation Unit: (1) Establishment of a project implementation unit (“Health Sector PIU”) within the Ministry of Health and Social Welfare (“MoHSW”) and (2) recruitment, selection and engagement of the chief executive officer and other key officers of the Health Sector PIU.</p> | <p>Prior to initial disbursement of any MCC funding (other than CIF) under the Compact.</p> | <p>[Further input to come]</p> | <p>No MCC funding (other than CIF) under the Compact will be disbursed until this condition has been satisfied.</p> | <p>PIA, Schedule 2.</p> |

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| III. | COMPACT PROGRAM-WIDE FUNDING CONDITIONS PRECEDENT TO EACH SUBSEQUENT DISBURSEMENT | | | | | |
| 1. | Disbursement Request | MCA-Lesotho has delivered to MCC a written request in the form of the “Form of Disbursement Request” posted on the MCC Website. | No later than 20 days prior to each disbursement of any MCC funding (other than CIF) under the Compact. | The Disbursement Request, in form and substance acceptable to MCC, has been received by MCC. | No MCC funding (other than CIF) under the Compact will be disbursed until this condition has been satisfied. | PIA, Sections 3.1(a) and 3.4(a)(i). |
| 2. | Periodic Reports | MCA-Lesotho has delivered to MCC the Periodic Reports in connection with the related Disbursement Period. | Prior to each disbursement of MCC funding (other than CIF) under the Compact. | Each document in form and substance satisfactory to MCC. | No MCC funding (other than CIF) for the relevant period will be disbursed until the condition has been satisfied. | PIA, Section 3.4(a)(i). |
| 3. | Audit Reports | MCA-Lesotho has delivered to MCC any reports then due from any technical (including environmental) auditors engaged by MCA-Lesotho for any Project activity. | Prior to each disbursement of MCC funding (other than CIF) under the Compact. | Each document in form and substance satisfactory to MCC. | No MCC funding (other than CIF) for the relevant period will be disbursed until the condition has been satisfied. | PIA, Section 3.4(a)(iii). |
| 4. | MCA-Lesotho Disbursement Certificate | Delivery of a certificate of MCA-Lesotho, dated as of the date of such Disbursement Request, substantially in the form of the “MCA Disbursement Certificate” posted on the MCC Website dated as of the date of Disbursement, together with the attachments thereto. This certificate will certify the following items: | Prior to each disbursement of MCC funding (other than CIF) under the Compact. | Each document in form and substance satisfactory to MCC. | No MCC funding (other than CIF) for the relevant period will be disbursed until the condition has been satisfied. | PIA, Section 3.4(a)(iv). |
| | | (a) All applicable conditions precedent in the PIA have been duly satisfied, deferred or waived as provided in the PIA. | Prior to each disbursement of MCC funding (other than CIF) under the Compact. | MCC determines that the condition has been met. | No MCC funding (other than CIF) for the relevant period will be disbursed until the condition has been satisfied. | PIA, Section 3.4(b)(i). |
| | | (b) No material default or breach of any covenant, obligation or responsibility by the Government, MCA-Lesotho or any Government entity has occurred and is continuing under the PIA, the Compact or any Supplemental Agreement. | Prior to each disbursement of MCC funding (other than CIF) under the Compact. | MCC determines that the condition has been met. | No MCC funding (other than CIF) for the relevant period will be disbursed until the condition has been satisfied. | PIA, Section 3.4(b)(ii). |
| | | (c) Activities to be funded with MCC funding being requested by such Disbursement Request will not violate any applicable law or regulation. | Prior to each disbursement of MCC funding (other than CIF) under the Compact. | MCC determines that the condition has been met. | No MCC funding (other than CIF) for the relevant period will be disbursed until the condition has been satisfied. | PIA, Section 3.4(b)(iii). |
| | | (d) The Implementation Plan Documents submitted to MCC are current and updated and are in form and substance satisfactory to MCC, and there has been satisfactory progress on the components of the Implementation Plan for any relevant Projects or Project activities related to such Disbursement. | Prior to each disbursement of MCC funding (other than CIF) under the Compact. | MCC determines that the condition has been met. | No MCC funding (other than CIF) for the relevant period will be disbursed until the condition has been satisfied. | PIA, Section 3.4(b)(iv). |

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| | (e) There has been satisfactory progress on the M&E Plan for the Program, relevant Project or Project activity and substantial compliance with the requirements of such M&E Plan (including the targets set forth therein [(except for the targets specified in <u>Schedule 2</u> to the PIA, which shall require compliance to the extent specified in <u>Schedule 2</u>)] and any applicable reporting requirements set forth therein for the relevant Disbursement Period). | Prior to each disbursement of MCC funding (other than CIF) under the Compact. | MCC determines that the condition has been met. | No MCC funding (other than CIF) for the relevant period will be disbursed until the condition has been satisfied. | PIA, Section 3.4(b)(v). |
| | (f) 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). | Prior to each disbursement of MCC funding (other than CIF) under the Compact. | MCC determines that the condition has been met. | No MCC funding (other than CIF) for the relevant period will be disbursed until the condition has been satisfied. | PIA, Section 3.4(b)(vi). |
| | (g) 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 1.2(b)(ix) of the PIA. | Prior to each disbursement of MCC funding (other than CIF) under the Compact. | MCC determines that the condition has been met. | No MCC funding (other than CIF) for the relevant period will be disbursed until the condition has been satisfied. | PIA, Section 3.4(b)(vii). |
| | (h) 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 the Compact, the PIA and any Supplemental Agreement. | Prior to each disbursement of MCC funding (other than CIF) under the Compact. | MCC determines that the condition has been met. | No MCC funding (other than CIF) for the relevant period will be disbursed until the condition has been satisfied. | PIA, Section 3.4(b)(viii). |
| | (i) MCC does not have grounds for concluding that any matter certified to it in the related MCA-Lesotho Disbursement Certificate, the Fiscal Agent Disbursement Certificate, or the Procurement Agent Disbursement Certificate is not as certified. | Prior to each disbursement of MCC funding (other than CIF) under the Compact. | MCC determines that the condition has been met. | No MCC funding (other than CIF) for the relevant period will be disbursed until the condition has been satisfied. | PIA, Section 3.4(b)(ix). |
| | (j) MCC has not determined 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, MCC funding in accordance with Section 5.1 of the Compact | Prior to each disbursement of MCC funding (other than CIF) under the Compact. | MCC determines that the condition has been met. | No MCC funding (other than CIF) for the relevant period will be disbursed until the condition has been satisfied. | PIA, Section 3.4(b)(x). |
| 5. | Fiscal Agent Certificate Delivery of a certificate of the Fiscal Agent, substantially in the form of the “Fiscal Agent Disbursement Certificate” posted on the MCC Website. | Prior to each disbursement of MCC funding (other than CIF) under the Compact. | Each document in form and substance satisfactory to MCC. | No MCC funding (other than CIF) for the relevant period will be disbursed until the condition has been satisfied. | PIA, Section 3.4(a)(v). |

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| 6. | Procurement Agent Certificate | Delivery of a certificate of the Procurement Agent, substantially in the form of the “Procurement Agent Disbursement Certificate” [posted on the MCC Website]. | Prior to each disbursement of MCC funding (other than CIF) under the Compact. | Procurement Agent Disbursement Certificate, in form and substance satisfactory to MCC, has been received by MCC. | No MCC funding (other than CIF) for the relevant period will be disbursed until the condition has been satisfied. | PIA, Section 3.4(a)(vi). |
| 7. | Key Officers | Each of the key officers for MCA-Lesotho identified in Annex I Section A.4. of the Compact [and the social/gender specialist] has been selected and engaged by MCA-Lesotho and approved by MCC and remains engaged by MCA-Lesotho or, in the case of a vacant position in connection with any of the key officers [or the social/gender specialist] MCA-Lesotho is actively engaged in the recruitment and selection of an individual to fill such vacancy. | Prior to each disbursement of MCC funding (other than CIF) under the Compact. | MCC determines that the condition has been met. | No MCC funding (other than CIF) for the relevant period will be disbursed until the condition has been satisfied. | PIA, Section 3.4(b)(xi). |

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| IV | CONDITIONS AND MILESTONES TO SPECIFIC ISSUES OF PROGRAM ADMINISTRATION | | | | | |
| A. | Program Administration | | | | | |
| 1. | Social/Gender Specialist | MCA-Lesotho will ensure that a Social/Gender Specialist is hired and remains engaged throughout the length of the Compact, or in the event the position is vacant, MCA-Lesotho is actively recruiting. | [Prior to initial disbursement of any MCC funding (other than CIF) under the Compact.] | MCC determines that the condition has been met. | [No MCC funding (other than CIF) under the Compact will be disbursed until this condition has been satisfied.] | Compact, Annex I, Section A.5. |
| 2. | Gender Integration Plan | The social/gender specialist will (1) develop a gender integration plan that includes (a) approaches for meaningful and inclusive consultations with women and other vulnerable/underrepresented groups through the life of the Compact; (b) Project-specific gender analyses, as appropriate; and (c) strategies for incorporating findings of the gender analyses into final Project activity designs; and (2) ensure that final Project activity designs are consistent with and incorporate the outcomes of the gender integration plan. | The gender integration plan will be completed and approved by MCC prior to the end of the second quarter following the Compact's entry into force. | For (1), a gender integration plan in form and substance satisfactory to MCC. For (2), [Further input to come] | [Further input to come] | [Further input to come.] |
| 3. | Environmental and Any Other Required Licenses and Permits | If required by any activity, MCA-Lesotho will obtain and have on file all required environmental and other licenses and permits as required by the National Environment Act of 2001 and any future amendments, validly issued and in full effect, necessary to perform each Project or Project Activity. | Prior to commencement of the activity for which the licenses and permits are required. | Licenses and permits in form and substance satisfactory to MCC. | No MCC funding (other than CIF) for the relevant activity will be disbursed until the condition has been satisfied. | [Further input to come] |
| 4. | Monitoring and Evaluation | Certain, identified quantitative targets of key monitoring and evaluation indicators measuring and evaluating progress toward achievement of the Compact Goal and Objectives must be met. | Prior to identified disbursement periods. | Indicator tracking table in quarterly progress reports (which present actual and targeted results) with data acceptable to MCC. | No further MCC funding unless MCC accepts in writing that MCA-Lesotho has missed a target. | [Further input to come] |
| 5. | Environmental Audit | MCA-Lesotho will complete an environmental audit of all Project Activities in each of years 3 and 5 of the Compact. | Environmental audit required in year 3 to be completed and approved by MCC prior to second anniversary of entry into force. Environmental audit required in year 5 to be completed and approved by MCC prior to [Further input to come]. | Environmental audit in form and substance satisfactory to MCC. | [Further input to come] [No further funding until applicable independent audit is completed and approved by MCC] | [Further input to come] |

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| V. | WATER SECTOR PROJECT CONDITIONS AND MILESTONES | | | | | |
| 1. | Infrastructure Coordinator | MCA-Lesotho has selected and engaged the Infrastructure Coordinator, approved by MCC, or in the event the position is vacant, MCA-Lesotho is actively recruiting for the position. | Prior to initial disbursement of MCC funding (other than CIF) for any activity under the water sector project. | Coordinator has been approved by MCC and retained or MCC has approved recruiting efforts. | No MCC funding (other than CIF) for the water sector project until the condition has been satisfied. | [Further input to come] |
| 2. | Project Implementation Units | | | | | |
| 2.a. | WASA PIU | Establishment of a Project Implementation Unit within WASA (the "WASA PIU"); recruitment of key officers of the WASA PIU. | Prior to initial disbursement of MCC funding (other than CIF) for any activity under the water sector project. | [Further input to come] | [Further input to come] | [Further input to come] |
| 2.b. | DWA PIU | Establishment of a Project Implementation Unit within DWA (the "DWA PIU"); recruitment of the chief executive officer and other key officers of the DWA PIU. | Prior to initial disbursement of MCC funding (other than CIF) for any activity under the water sector project. | [Further input to come] | [Further input to come] | [Further input to come] |
| 3. | Implementing Entity Agreements | | | | | |
| 3.a. | MPMU | Implementing Entity Agreement between MCA-Lesotho and the MPMU signed and effective. | Prior to initial disbursement of MCC funding (other than CIF) for any activity under the water sector project. | Implementing Entity Agreement, in form and substance satisfactory to MCC, executed and effective. | No MCC funding (other than CIF) for the water sector project until the condition has been satisfied. | [Further input to come] |
| 3.b. | WASA PIU | Implementing Entity Agreement between MCA-Lesotho and the WASA PIU signed and effective. | Prior to initial disbursement of MCC funding (other than CIF) for any activity under the water sector project. | Implementing Entity Agreement, in form and substance satisfactory to MCC, executed and effective. | No MCC funding (other than CIF) for the water sector project until the condition has been satisfied. | [Further input to come] |
| 3.c. | DRWS PIU | Implementing Entity Agreement between MCA-Lesotho and the DRWS PIU signed and effective. | Prior to initial disbursement of MCC funding (other than CIF) for any activity under the water sector project. | Implementing Entity Agreement, in form and substance satisfactory to MCC, executed and effective. | No MCC funding (other than CIF) for the water sector project until the condition has been satisfied. | [Further input to come] |

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| 3.d. | DWA PIU | Implementing Entity Agreement between MCA-Lesotho and the DWA PIU signed and effective. | Prior to initial disbursement of MCC funding (other than CIF) for any activity under the water sector project. | Implementing Entity Agreement, in form and substance satisfactory to MCC, executed and effective. | No MCC funding (other than CIF) for the water sector project until the condition has been satisfied. | [Further input to come] |
| 4. | Metolong Dam Bulk Water Conveyance System Project Activity | | | | | |
| 4.a. | ESIA, EMP and RAP | MCA-Lesotho will ensure that a supplemental ESIA, EMP and RAP, including public consultation and review, are prepared for all MCC-funded downstream works (i.e., the downstream conveyance system) in accordance with MCC Environmental Guidelines, MCC Gender Policy, and World Bank Operational Policy on Involuntary Resettlement OP 4.12. | Prior to issuance of RFPs for construction. | Supplemental studies approved by MCC and, if necessary, Government. | No further MCC funding (other than CIF) for the Metolong Dam project activity until the condition has been satisfied. | [Further input to come] |
| 4.b. | HIV/AIDS Awareness Program | MCA-Lesotho will have (1) developed an HIV/AIDS awareness program according to international best practice and to the satisfaction of MCC, (2) integrated the program into all construction contracts, and (3) established a mechanism acceptable to MCC for independent monitoring of the program for the life of the activity. | Prior to issuance of RFPs for construction. | Plan, acceptable to MCC, must be in place. | No further MCC funding (other than CIF) for the Metolong Dam project activity until the condition has been satisfied. | [Further input to come] |
| 4.c. | Metolong Dam Funding | Full funding for Metolong Dam Project. | Prior to initial disbursement of MCC funding (other than CIF) for the construction of Metolong bulk water conveyance system. | Signed loan/credit/grant agreements from financiers and comfort letter from the Government. | No further MCC Funding (other than CIF) for the Metolong Dam project activity until the condition has been satisfied. | [Further input to come] |
| 4.d. | Metolong Dam Selected Development Area Master Plan | The Government will have completed the Metolong Dam Selected Development Area Master Plan and will have confirmed that the master plan helps to inform the most appropriate location and alignment of project infrastructure, in accordance with the recommendations in the Metolong Dam ESIA. | [Further input to come] | Delivery of SDA Master Plan to MCC. | [Further input to come] | [Further input to come] |
| 4.e. | Environmental and Other Licenses and Permits | The Government or MCA-Lesotho will have obtained and have on file all required environmental and other licenses and permits as required by the National Environment Act of 2001 and any future amendments, validly issued and in full effect, necessary to perform each project or project activity, including advanced infrastructure, the dam and reservoir, and downstream conveyance system. | Prior to initial disbursement of MCC funding (other than CIF) for the construction of Metolong bulk water conveyance system. | Copies of all environmental license(s) for all Metolong Dam project activities delivered to MCC. | No further MCC funding (other than CIF) for the Metolong Dam project activity until the condition has been satisfied. | [Further input to come] |

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| 4.f. | Compliance with EMPs, RAPs and HIV/AIDS Awareness Program and other ESIA Requirements | MCA Lesotho will demonstrate, on a quarterly basis, continued compliance with the EMPs, RAPs, HIV/AIDS awareness program, and other relevant requirements of the ESIA for the entirety of the Metolong Dam project activity including both upstream and downstream works, including but not limited to construction of advance infrastructure, the dam, and the downstream conveyance system. | Quarterly, following the initial disbursement for construction of the Metolong bulk water conveyance system. | Written documentation, acceptable to MCC, in quarterly progress report. | No further MCC funding (other than CIF) for the Metolong Dam project activity until the condition has been satisfied. | [Further input to come] |
| 4.g. | Panel of Experts | The Government of Lesotho will have established an outside panel of experts to review and advise on critical aspects of the entire Metolong Dam Project, including but not limited to engineering design, construction, dam safety, environmental management and mitigation, and resettlement. | [Further input to come] | Panel of experts, acceptable to MCC, must be in place. | No further MCC funding (other than CIF) for the Metolong Dam project activity until the condition has been satisfied. | [Further input to come] |
| 4.h. | Disaster Management Plan | MCA-Lesotho will have prepared and publicized a Metolong Dam Disaster Management Plan according to international best practice and to the satisfaction of MCC, which addresses issues pertaining to flood management and dam failure. | [Further input to come] | Disaster Management Plan approved by MCC. | No further MCC funding (other than CIF) for the Metolong Dam project activity until the condition has been satisfied. | [Further input to come] |
| 4.i. | Catchment Management Plan | MCA-Lesotho will have prepared, to the satisfaction of MCC, a Catchment Management Plan for the Metolong Dam Project similar to that piloted by the Lesotho Highlands project, and will have established a Catchment Management Authority responsible for implementing and monitoring the plan. | [Further input to come] | Catchment Management Plan approved by MCC and establishment of Catchment Management Authority. | No further MCC funding (other than CIF) for the Metolong Dam project activity until the condition has been satisfied. | [Further input to come] |
| 4.j. | Designs of Dam and Raw Water Pump Station | Designs for the dam and raw water pump station are reviewed and approved by the MPMU. | Prior to commencing construction on treatment plant scheduled for the third quarter of year 2 following EIF. | Certification of designs of the dam and raw water pump station by the MPMU. | No further MCC funding (other than CIF) for the Metolong Dam project activity until the condition has been satisfied. | [Further input to come] |
| 4.k. | Tariff Regulatory Body | An independent regulatory body is fully established and regulating tariffs. Until the responsibility of tariff setting is transferred to the independent regulatory body, an overall effective increase in tariffs of a minimum of 5% per annum. | Prior to end of the third quarter in year 3 after EIF and subsequently April of every year after EIF until tariff setting responsibility is passed on to the independent regulatory body. | [Executed decision by Government – Further input to come] | No further MCC funding (other than CIF) for the Metolong Dam project activity until the condition has been satisfied. | [Further input to come] |
| 4.l. | WASA Maintenance Spending | WASA increases maintenance spending from 14 to 20 percent of total expenditures. | Prior to end of [first, fourth and fifth quarters after EIF respectively in each of year 3, year 4 and year 5 after EIF – further input to come]. | WASA Accounts submitted to Government or auditor. | No further MCC funding (other than CIF) for the Metolong Dam project activity until the condition has been satisfied. | [Further input to come] |

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| 5. | Urban and Peri-Urban Water Network Project Activity | | | | | |
| 5.a. | HIV/AIDS Awareness Program | MCA-Lesotho will have (1) developed an HIV/AIDS awareness program according to international best practice and to the satisfaction of MCC, (2) integrated the program into all construction contracts, and (3) established a mechanism acceptable to MCC for independent monitoring of the program for the life of the activity. | Prior to issuance of RFPs for construction. | Plan, acceptable to MCC, must be in place. | No MCC funding (other than CIF) for the urban and peri-urban water network project activity will be disbursed until this condition is satisfied. | [Further input to come] |
| 5.b. | EIA/EA and/or RAP/RPF | MCA-Lesotho will have confirmed that any project-specific Environmental Impact Assessment (EIA or EA), Environmental Management Plan (EMP) and/or Resettlement Action Plan or Framework (RAP or RPF) that is required to comply with MCC Environmental Guidelines, MCC Gender Policy, and World Bank Operational Policy on Involuntary Resettlement, OP 4.12, has been prepared for each facility, or group of facilities, to the satisfaction of MCC. | Prior to issuance of RFPs for construction. | [Further input to come.] | No MCC funding (other than CIF) for the relevant project activity until this condition is satisfied. | [Further input to come] |
| 5.c. | Environmental and Other Licenses and Permits | MCA-Lesotho will have obtained and have on file all environmental and other licenses and permits as required by the National Environment Act of 2001 and any future amendments, validly issued and in full effect, necessary to perform each project activity. | Prior to initial disbursement for construction. | [Further input to come.] | No MCC funding (other than CIF) for the relevant project activity until this condition is satisfied. | [Further input to come] |
| 5.d. | WASA Maintenance Spending | WASA increases maintenance spending from 14 to 20 percent of total expenditures. | Prior to end of [first, fourth and fifth quarters after EIF respectively in each of year 3, year 4 and year 5 after EIF – further input to come]. | WASA Accounts submitted to Government or auditor. | No MCC funding (other than CIF) for the urban and peri-urban water network project activity will be disbursed until this condition is satisfied. | [Further input to come] |
| 6. | Rural Water Supply and Sanitation Project Activity | | | | | |
| 6.a. | HIV/AIDS Awareness Program | MCA-Lesotho will have (1) developed an HIV/AIDS awareness program according to international best practice and to the satisfaction of MCC, (2) integrated the program into all construction contracts, and (3) established a mechanism acceptable to MCC for independent monitoring of the program for the life of the activity. | Prior to issuance of RFPs for construction. | Plan, acceptable to MCC, must be in place. | No MCC funding (other than CIF) for the rural water supply and sanitation project activity will be disbursed until this condition is satisfied. | [Further input to come] |

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| 6.b. | EIA/EA and/or RAP/RPF | MCA-Lesotho will have confirmed that any project-specific Environmental Impact Assessment (EIA or EA), Environmental Management Plan (EMP) and/or Resettlement Action Plan or Framework (RAP or RPF) that is required to comply with MCC Environmental Guidelines, MCC Gender Policy, and World Bank Operational Policy on Involuntary Resettlement, OP 4.12, has been prepared for each facility, or group of facilities, to the satisfaction of MCC. | Prior to issuance of RFPs for construction. | [Further input to come.] | No MCC funding (other than CIF) for the relevant project activity until this condition is satisfied. | [Further input to come] |
| 6.c. | Environmental and Other Licenses and Permits | MCA-Lesotho will have obtained and have on file all environmental and other licenses and permits as required by the National Environment Act of 2001 and any future amendments, validly issued and in full effect, necessary to perform each project activity. | Prior to initial disbursement for construction. | [Further input to come.] | No MCC funding (other than CIF) for the relevant project activity until this condition is satisfied. | [Further input to come] |
| 7. | Wetlands Rehabilitation and Conservation Project Activity | | | | | |
| 7.a. | EMPs | Project-specific environmental management plans (EMPs) will have been developed, satisfactory to the MCC, and there will be in continued compliance with the EMPs during project implementation. | Prior to issuance of RFPs for restoration work. | EMP developed and incorporated into tender documents and contract. | No MCC funding (other than CIF) for the project activity until this condition is satisfied. | [Further input to come] |

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| VI. | HEALTH SECTOR PROJECT CONDITIONS AND MILESTONES | | | | | |
| 1. | Infrastructure Coordinator | MCA-Lesotho has selected and engaged the Infrastructure Coordinator, approved by MCC, or in the event the position is vacant, MCA-Lesotho is actively recruiting for the position. | Prior to initial disbursement of MCC funding (other than CIF) for any activity under the health sector project. | Coordinator has been approved by MCC and retained or MCC has approved recruiting efforts. | No MCC funding (other than CIF) for the water sector project until the condition has been satisfied. | [Further input to come] |
| 2. | Implementing Entity Agreement | Implementing Entity Agreement between MCA-Lesotho and MoHSW signed and effective. | Prior to initial disbursement of MCC funding (other than CIF) for any activity under the health sector project. | Implementing Entity Agreement, in form and substance satisfactory to MCC, executed and effective. | No MCC funding (other than CIF) for the health sector project will be disbursed until this condition has been satisfied. | [Further input to come] |
| 3. | Health Sector Decentralization | Government will provide (1) evidence that a broad-based, inter-ministerial working group is undertaking actions to further effective management of health services at the decentralized level, including roles and responsibilities of the working group and minutes of monthly meetings for at least three months; and (2) a plan, agreed cross-ministerially as appropriate, detailing the role and functions of the central ministries and the local government structures, with clear lines of authority, fiscal responsibility, logistical management and accountability for outcomes with regard to health services. | Prior to initial disbursement of MCC funding (other than CIF) for any activity under the health sector project. | Documents as described, in form and substance satisfactory to MCC, received by MCC. | No MCC funding (other than CIF) for the health sector project will be disbursed until this condition has been satisfied. | [Further input to come] |
| 4. | Environmental and Other Licenses and Permits | MCA-Lesotho will have obtained and have on file all environmental and other licenses and permits as required by the National Environment Act of 2001 and any future amendments, validly issued and in full effect, necessary to perform each project activity. | Prior to initial disbursement for construction. | [Further input to come] | No MCC funding (other than CIF) for the relevant project activity until this condition is satisfied. | [Further input to come] |
| 5. | CHAL Agreement | Updated agreement between MoHSW and CHAL regarding infrastructure improvements in CHAL facilities. Such agreement will require CHAL facilities to maintain minimum service levels for a specified period or return equipment or refund MCA-Lesotho, unless otherwise agreed by MCC. | Prior to initial disbursement for construction or rehabilitation for each project activity. | Legally binding extension of current MOU between MoHSW and CHAL, in form and substance satisfactory to MCC. | No MCC funding for CHAL facilities until condition has been satisfied. | [Further input to come] |
| 6. | Rights to CHAL Property | MCA-Lesotho will have all legal rights necessary for its contractors to perform the rehabilitation and related activities with respect to each health center that is part of the health centers activity. | Prior to initial disbursement for construction or rehabilitation for the relevant health center. | Evidence satisfactory to MCC. | No MCC funding for the particular health center until the condition is satisfied. | [Further input to come] |
| 7. | Central Laboratory Personnel | Adequate number and levels of Central Laboratory personnel included in MoHSW personnel -- positions established and fully funded. | Prior to initial disbursement for central laboratory activity. | [MCC will have notified Health PIU of its approval.] | No MCC funding for the construction of the Central Laboratory until the condition is satisfied. | [Further input to come] |

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| 8. | MoHSW Personnel for Waste Management | The MoHSW will have hired, to the satisfaction of MCC, a senior official with the relevant technical and managerial background to work within the Health Sector PIU, to manage all aspects of the medical waste management activity. Should the position become vacant, MCA-Lesotho will actively engage in the recruitment and selection of an individual to fill such vacancy. | Prior to initial disbursement of MCC funding (other than CIF) for any activity under the health sector project. | Individual will have been hired. In the event this position becomes vacant, the MoHSW must fill the position as soon as possible. | No MCC funding (other than CIF) for the health sector project will be disbursed until this condition has been satisfied. | [Further input to come] |
| 9. | Vehicle Management System | Vehicle management systems in place for each entity for which vehicles are to be procured. | [Further input to come] | [Further input to come] | [Further input to come] | [Further input to come] |
| 10. | EIA/EA and/or RAP/RPF | MCA-Lesotho will ensure that any project-specific Environmental Impact Assessment (EIA or EA), Environmental Management Plan (EMP) and/or Resettlement Action Plan or Framework (RAP or RPF) that is required to comply with MCC Environmental Guidelines, MCC Gender Policy, and World Bank Operational Policy on Involuntary Resettlement, OP 4.12, is prepared for each facility, or group of facilities, to the satisfaction of MCC. | Prior to the issuance of RFPs for each package of construction activities. | MCC-approved EIA/EA, EMP, and RAP/RPF, per MCC and Government requirements | No MCC funding (other than CIF) for the relevant project activity until this condition is satisfied. | [Further input to come] |
| 11. | HIV/AIDS Awareness Program | MCA-Lesotho will have (1) developed an HIV/AIDS awareness program according to international best practice and to the satisfaction of MCC, (2) integrated the program into all construction contracts, and (3) established a mechanism acceptable to MCC for independent monitoring of the program for the life of the activity. | Prior to issuance of RFPs for any construction or rehabilitation activity, and sustained throughout the construction period. | [MCC has notified Health Sector PIU of its approval of program] | No MCC funding (other than CIF) for the relevant activity will be disbursed until this condition is satisfied. | [Further input to come] |
| 12. | Compliance with EMPs and RAPs or RPF | Full compliance with the EMP and RAP or RPF (if necessary), and any requirements stipulated in the environmental license, for each MCC-funded facility. | Quarterly, following the initiation of construction for each facility | Compliance demonstrated in quarterly progress reports and any applicable supporting documentation | No further MCC funding (other than CIF) for the relevant activity will be disbursed until this condition is satisfied. | [Further input to come] |
| 13. | Funding for Incremental Recurrent Costs | Government to provide adequate funding for incremental recurrent costs for Compact activities. | Annual requirement. | Government adequately covers incremental costs as demonstrated in MCC-Government joint review of medium-term expenditure framework and annual budget. | No further MCC funding (other than CIF) for the health sector project will be disbursed until this condition has been satisfied. | [Further input to come] |

| SECTOR/PROJECT/ ACTIVITY | | EVENT | TIMING | EVIDENCE REQUIRED | CONSEQUENCE OF FAILURE TO SATISFY | REFERENCE IN COMPACT DOCUMENTS |
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| 14. | Roles and Responsibilities in Decentralization | The Government will have provided (1) the name and contact of the senior MoHSW official responsible for decentralization of health services to the district level, including liaison with MoLG and MOF; (2) the roles of MOHSW, the DHMT and hospitals and health centers (including CHAL) in providing each of the 11 essential health services, and (3) a proposal for developing a professional DHMT/community health staff, including a proposed outline for career progressions for decentralized district staff, with a plan for consultations with and buy-in from nurses, health center and DHMT staff, and health sector management to be undertaken. | Prior to start of year 2 after EIF. | With respect to (1) appointment of liaison acceptable to MCC. With respect to (2) and (3), documents detailing all necessary information, in form and substance satisfactory to MCC, delivered to MCC. | No further MCC funding (other than CIF) for the health sector project will be disbursed until this condition has been satisfied. | [Further input to come] |
| 15. | Technical Review of National Healthcare Waste Management Plan | The Government will, to the satisfaction of MCC, undertake a comprehensive technical review and update of the 2005 National Healthcare Waste Management Plan, including but not limited to preparation of updated capital and recurrent costs associated with the plan and a long-term finance strategy for funding these costs. | Prior to initial disbursement of MCC funding for construction of the Central Laboratory and/or the Blood Transfusion Center. | Updated National Health Care Waste Management Plan, in form and substance acceptable to MCC, adopted. | No further MCC funding for these activities (other than CIF) will be disbursed until this condition is satisfied. | [Further input to come] |
| 16. | Legislation Concerning Waste Management | The Government will have enacted any new medical waste management legislation, and/or reform any existing legislation, that has been prescribed in the updated National Health Care Waste Management Plan, to include but not be limited to, new or reformed policies, regulations, and standards pertaining hazardous waste management, occupational health and safety, infectious disease control, pollution prevention, and/or related subjects, per the recommendations of the updated plan. | Prior to disbursement for any health center project activity beginning in the third quarter of year 3 following EIF. | Standards and regulations, in form and substance satisfactory to MCC, developed and formally adopted by the Government | No MCC funding (other than CIF) for the health sector project will be disbursed until this condition has been satisfied. | [Further input to come] |
| 17. | Waste Management Plan Capital and Recurrent Costs | The Government will incorporate estimated capital and recurrent costs for implementation of a national medical waste management plan into the national budget, beginning with the 2008/2009 budget cycle based on cost estimates and finance plans available at that time, and accommodate updated costs annually thereafter. | 2008/2009 Budget, and annually thereafter. | Budget draft in form and substance acceptable to MCC. | [To be made a goal of the work plan but not a block to funding.] | [Further input to come] |

| SECTOR/PROJECT/ ACTIVITY | EVENT | SEQUENCING/TIMING | EVIDENCE/RELEVANT DOCUMENTATION REQUIRED | CONSEQUENCE OF FAILURE TO SATISFY/ACHIEVE REQUIREMENT | PLACEMENT OF CONDITION/ MILESTONE IN COMPACT DOCUMENTS | |
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| VII. | PRIVATE SECTOR DEVELOPMENT PROJECT CONDITIONS AND MILESTONES | | | | | |
| A. | PSD PROJECT-WIDE CONDITIONS AND MILESTONES | | | | | |
| 1. | Gender Specialist | The Ministry of Gender will have designated a full-time, qualified expert to act as the focal point for the implementation of the training and public awareness campaign for women's economic rights. | Prior to initial disbursement of MCC funding (other than CIF) for any activity under the PSD project. | Evidence of appointment of individual satisfactory to MCC. | No MCC funding (other than CIF) for the PSD project will be disbursed until this condition has been satisfied. | [Further input to come] |
| 2. | Review of TORs to Ensure Compliance with MCC Gender Policy | The head of environmental and social assessment for MCA-Lesotho and the social/gender specialist will review TORs for feasibility and design work for private sector development activities, including the National ID Card, Credit Bureau, and Land Policy Reform activities, to ensure compliance with MCC Gender Policy and to mitigate against any potential adverse social or environmental impacts that may occur as a result of intervention. | [Further input required] | [Further input to come] | [Further input required] | [Further input to come] |
| 3. | Land Act | Passage of a new Land Act and implementing regulations that: (1) establish greater land tenure security for all land occupants; (2) include provisions for compulsory acquisitions of land by the State that ensure prompt payment of compensation and protection from arbitrary takings; (3) ensure gender equity in land ownership and land transactions and is congruent with the Legal Capacity of Married Persons Act; and (4) establish a simplified framework for systematic regularization and registration of land and mechanisms that increase access to land and encourages formalization of land rights. | Prior to the end of the third quarter after EIF. | Gazetted Land Act and Regulations on Systematic Regularization and Registration. | If the CP is not met within the time frame provided, MCC funding for land administration reform activities will cease until the condition has been satisfied. | [Further input to come] |
| 4. | Land Administration Authority | Passage of legislation that enables the establishment of a new land administration authority ("LAA") that is professionally managed, autonomous in operations, self-sustaining, and provides efficient and cost-effective land administration services to public and private users. | Prior to end of year 1 after EIF. | Gazetted enabling legislation satisfactory to MCC. | MCC will not fund any activities related to establishment of the LAA after the end of year 1 following EIF unless and until the condition is met. | [Further input to come] |
| 5. | Legislation and Regulations Concerning Domestic and Cross-Border Payment Options | Passage of legislation and promulgation of regulations required to govern new domestic and cross-border payment options. | The new law and regulations are to be in place by end of the first year after the activity begins. | With respect to (1), evidence satisfactory to MCC. | No further MCC funding (other than CIF) for the payment and settlement system activity unless this condition is satisfied. | [Further input to come] |

| SECTOR/PROJECT/ ACTIVITY | | EVENT | SEQUENCING/TIMING | EVIDENCE/RELEVANT DOCUMENTATION REQUIRED | CONSEQUENCE OF FAILURE TO SATISFY/ACHIEVE REQUIREMENT | PLACEMENT OF CONDITION/ MILESTONE IN COMPACT DOCUMENTS |
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| 6. | CMA Cross Border Payment Oversight Committee Agreement | Lesotho-based banks must sign on to the CMA Cross Border Payment Oversight Committee agreement (establishes rules for cross-border payments' settlement and clearance between banks in Lesotho and those in SA). | Prior to initial disbursement of MCC funding (other than CIF) for the payment and settlement system activity. | Fully executed and effective CMA Cross-Border Payment Oversight Committee agreement by Lesotho-based banks specified by MCC, in form and substance satisfactory to MCC. | No MCC funding (other than CIF) for the payment and settlement system activity until this condition is satisfied. | [Further input to come] |
| 7. | National Identification Card System | MCC will have approved all aspects of the implementation design that results from World Bank funded feasibility study, including but not limited to, ESA review to assure that the NIDC program is safeguarded against human rights abuses and is compliant with the MCC Gender Policy. | Prior to initial disbursement of MCC funding (other than CIF) for the payment and settlement system activity. | MCC has notified MCA-Lesotho of its approval. | No MCC funding (other than CIF) for the credit bureau and national identification card system activity until this condition is satisfied. | [Further input to come] |
| 8. | Credit Bureau and National Identification Card System | Promulgation and presenting to parliament legislation and regulations (including data privacy) required to harmonize Lesotho's laws with the laws of other countries in the region. | [Prior to year 2 after EIF.] | Evidence satisfactory to MCC that draft legislation has been submitted to Parliament. | [Further input to come] | [Further input to come] |
| 9. | Civil Legal Reform Commercial Court Construction | (1) Successful implementation of reforms in case management in High Court and Commercial Court. (2) Successful operation of Commercial Court - with appropriate jurisdiction, new procedural rules including mediation procedures, and sufficient dedicated staffing. | Prior to year 2 after EIF. | MCC will have notified MCA-Lesotho of its approval. | No MCC funding for reconstruction of the premises for the Commercial Court will be disbursed unless this condition is satisfied. | [Further input to come] |