

MILLENNIUM CHALLENGE ACCOUNT PROGRAM IN LESOTHO



In July 2007, the Government of Lesotho and the U.S. Government's Millennium Challenge Corporation (MCC) signed a \$362.5 million grant agreement to improve healthcare systems, water resources, and private sector development in Lesotho.



Prime Minister Pakalitha Mosisili with US Secretary of State Condoleezza Rice and MCC CEO Ambassador John Danilovich.

The "Compact," as the grant agreement is called, will be managed and implemented over five years by a newly established entity called the Millennium Challenge Account (MCA) – Lesotho. It builds upon Lesotho's Poverty Reduction Strategy Paper and the Lesotho Vision 2020, and is the product of a broad-based consultative process with the private sector, non-governmental organizations, and civil society organizations.

Lesotho qualified for assistance from the MCC by performing well on indicators in three broad policy areas: ruling justly, economic freedom, and investing in people.

COMPACT PROJECTS

WATER SECTOR PROJECT (US \$164.03 MILLION)

Metolong Dam Bulk Water Conveyance System: Construction of a bulk water conveyance system and establishment of a program management unit.

Urban and Peri-Urban Water Network Activity: Extension and rehabilitation of the urban and peri-urban water network.

Rural Water Supply and Sanitation Activity: Provision of improved sanitation services for an estimated 25,000 households through construction of ventilated pit latrines and water systems.

Wetlands Restoration and Conservation Activity: Restoration of degraded wetlands at three areas in the highland pastures and preparation of an environment assessment to support development of a national watershed management and wetlands conservation plan.

WHY DOES THE WATER SECTOR PROJECT MATTER? It will improve water supply and sanitation for industrial and domestic uses, as well as improve watershed management and rangeland productivity to benefit rural livelihoods.

WHO WILL BENEFIT? An estimated 12,000 jobs will be created as a result of

improved industrial water supply. Improved water supply and sanitation has the potential to benefit an estimated 304,000 people in urban areas and 150,000 in rural areas.

HEALTH SECTOR PROJECT (US \$122.4 MILLION)

Renovation of Health Centers: Renovation and rehabilitation of up to 150 Health Centers to improve service quality and access for all clients.

Antiretroviral Therapy (ART) Clinics: Establishment of ART Clinics in 14 hospital out-patient departments.

Central Laboratory: Construction and equipping of a new central laboratory and training of laboratory staff.

Blood Transfusion Center: Construction of a central facility for collecting and processing blood and provision of mobile blood collection and storage equipment.

National Health Training College: Construction of dormitories and staff residences to expand the number of graduates in the health field.

Health Systems Strengthening: Training of healthcare workers; medical waste management; strengthening decentralized management and establishing an integrated health management information system.

WHY DOES THE HEALTH SECTOR PROJECT MATTER? It is designed to mitigate the negative economic impacts of poor maternal health, HIV/AIDS, TB, and

other diseases by substantially strengthening health care infrastructure.

WHO WILL BENEFIT? The Project has the potential to directly benefit the entire population through the improvement of health care delivery.

PRIVATE SECTOR DEVELOPMENT (PSD) (US \$36.11 MILLION)

National ID Card and Credit Bureau: Production and issuance of National ID Cards, establishment of the legal and regulatory reforms for data privacy, and establishment and operations of a cross-border credit bureau.

Payments and Settlements System: Support for the establishment of a legal and regulatory structure governing domestic and cross-border payments.

Land Administration Reform: Development of land policy in Lesotho, implementation of a systematic land regularization program for urban and peri-urban areas, and development of a new land administration authority.

Civil Legal Reform: Reform of the civil legal system through the development of the Commercial Court, including creation of case management systems for courts, and promotion of alternative dispute resolution.

Gender Equality and Economic Rights: Training and public awareness program dedicated to implementing gender equality in economic rights and building of local capacity to continue advocacy.

WHY DOES THE PSD PROJECT MATTER?

It is designed to increase private sector economic activity in Lesotho by improving access to credit, reducing transaction costs and increasing the participation of women in the economy. The PSD Project will contribute to the broader efforts to attract foreign investment and stimulate growth of Basotho-owned companies.

WHO WILL BENEFIT? The payments and settlement systems activity should quickly benefit over 86,000 pensioners and 98,000 people currently remitting earnings to Lesotho via checks and/or cash. The land administration reform activity should directly benefit up to 55,000 urban households by delivering formally recognized titles to land assets. The civil legal reform activity has the potential to directly benefit approximately 2,000 people and companies in commercial court litigation over the Compact period. Training and public awareness to promote gender equality in economic rights will have a positive impact across the entire economy due to increased awareness of economic rights and practices.

MONITORING AND EVALUATION (\$US 7.808 MILLION); PROGRAM MANAGEMENT & OVERSIGHT (\$US 32.21 MILLION)

IMPLEMENTATION AND OVERSIGHT

MCA Lesotho: Through an act of Parliament, the Government will establish an accountable entity called MCA Lesotho to implement the program.

Board of Directors: MCA Lesotho will be governed by a Board of Directors with

independent decision-making authority to manage the program. It will be comprised of 11 voting members, including two members from the Lesotho Council of Non-Governmental Organizations and three members from the private sector selected by a Stakeholders' Committee.

Stakeholder's Committee: The Stakeholder's Committee will represent the constituencies of the various projects.

Fiscal and Procurement Agents: External fiscal and procurement agents will be engaged to administer all Program procurements and fiscal agent services to MCA-Lesotho, including funds control, disbursement documentation and management, cash management, and accounting.

MCA-Lesotho will undergo a financial audit undertaken by an external auditor every six months throughout the life of the Compact.

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