

PD-ARI-399 20

A.I.D. Agreement Nos. 632-T-601; 690-T-601
A.I.D. Project No. 632-0224
USAID/Lesotho Agreement 88-632-2

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SIGNED COPY

Lesotho

AGRICULTURE POLICY SUPPORT PROGRAM
AGREEMENT
(632-0224)
Between

THE KINGDOM OF LESOTHO ("GRANTEE")

And

THE UNITED STATES OF AMERICA

acting through the
Agency for International Development
("A.I.D.")

Date: June 14, 1988

ARTICLE 1. THE AGREEMENT

The purpose of this Agreement is to set out the understandings of the parties named above ("Parties") with respect to the undertaking by the Grantee of the Agriculture Policy Support Program described herein, and with respect to the financing of the Program by the Parties.

ARTICLE 2. THE PROGRAM

Section 2.1. Definition of Program. The Program, which is further described in Annex 1, will assist the Grantee to make more productive and efficient use of its domestic resources in crop agriculture and livestock through a process of policy reform and implementation. Annex 1, attached, amplifies the above definition of the Program. Within the limits of the above definition of the Program, elements of the amplified description stated in Annex 1 may be changed by written agreement of the authorized representatives of the parties named in Section 10.2., without formal amendment to this Agreement.

ARTICLE 3. FINANCING

Section 3.1. The Grant. To assist the Grantee to meet the costs of carrying out the Program, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Grantee under the terms of this Agreement not to exceed Fifteen Million United States ("U.S.") Dollars (\$15,000,000) ("Grant"). The Grant may be used to (1) finance foreign exchange costs, as defined in Section 8.1., (2) finance local currency costs, as defined in Section 8.2., and (3) dollar disbursements to the Grantee, as defined in Section 8.3. of this Agreement.

Section 3.2. Program Assistance Completion Date .

- A. The Program Assistance Completion Date ("PACD"), which is 14, May 1993 or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Grant will have been performed, all goods financed under the Grant will have been furnished, and all dollar disbursements to the Grantee completed for the Program as contemplated in this Agreement.
- B. Except as A.I.D. may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize disbursement of the Grant for services performed after the PACD or for goods furnished for the Program, as contemplated in this Agreement, subsequent to the PACD.

- C. Requests for disbursement, accompanied by necessary supporting documentation prescribed in Program Implementation Letters, are to be received by A.I.D. or any bank described in Section 8.1. no later than nine (9) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period, A.I.D., giving notice in writing to the Grantee, may at any time or times reduce the amount of the Grant by all or part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Program Implementation Letters, were not received before the expiration of said period.

ARTICLE 4. CONDITIONS PRECEDENT TO DISBURSEMENT

Section 4.1. Conditions Precedent to Initial Disbursement.

- A. Prior to the first disbursement under the Grant, or to the issuance of A.I.D. documentation pursuant to which such disbursements will be made, the Grantee shall, except as the Parties may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D.:
- (1) A statement representing and warranting that the named persons have the authority to act as the representative or representatives of the Grantee pursuant to the following Sections of this Agreement:
 - (a) disbursement of local currency - Article 4, Section 4.5.; and
 - (b) official correspondence regarding the Grant - Article 10, Sections 10.1., 10.2., and 10.3., together with a specimen signature of each person certified as to its authenticity.

Section 4.2. Additional Conditions Precedent to Initial Dollar Disbursement.

- A. In addition to the conditions precedent set forth in Section 4.1.(A) of this Agreement, prior to the disbursement of the first tranche of dollar disbursements to be provided to the Grantee under the Agricultural Input Reform Component and Livestock Management Reform Component, respectively, or to the issuance of A.I.D. documentation pursuant to which such disbursement will be made, the Grantee shall,

except as the Parties may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D.:

- (1) Evidence that the Ministry of Agriculture has created a Secretariat to assist in Program implementation;
- (2) Evidence that the Grantee has established in the Central Bank of Lesotho a Special Local Currency Account for the Agricultural Input Component and another for the Livestock Component for the deposit of local currency in an amount equivalent to the U.S. Dollar disbursements to be provided to the Grantee under the Grant; and
- (3) Evidence that the Program Coordination Committee and Component Task Forces for Agriculture Input Supply and Livestock (PCC/CTF) have been established and are operational.

Section 4.3. Additional Conditions Precedent to Disbursements Under the Agricultural Input Distribution Reform Component.

- A. Prior to the disbursement of funds for the first tranche of the dollar disbursements under the Agricultural Input Distribution Reform Component, the Grantee will furnish to USAID, in form and substance satisfactory to AID:
 - (1) Evidence that the Grantee has facilitated and supported the development of an open and competitive market for the supply of agricultural inputs; and
 - (2) Evidence that the Grantee has prepared and approved an implementation plan for and commenced implementation of its announced commitment to the progressive removal of all subsidies on fertilizers starting with the 1988-89 crop season.
- B. Prior to the disbursement of funds for the second tranche of the dollar disbursements under the Agricultural Input Distribution Reform Component, the Grantee will furnish to USAID, in form and substance satisfactory to AID:

- (1) Evidence of progressive divestiture by Coop Lesotho of its retail sales outlets and lock-up stores to private sector input suppliers, including primary and secondary cooperatives, private sector input suppliers and general traders, with the objective of reducing Coop Lesotho's role to that of a true cooperative input wholesaler in competition with other private sector suppliers;
 - (2) Evidence that the Grantee has established a program to be funded out of the Special Local Currency Accounts to ease the transition of redundant Coop Lesotho personnel into other employment; and
 - (3) Evidence of implementation of phase one of the plan to eliminate fertilizer subsidies.
- C. Prior to the disbursement of funds for the third tranche of the dollar disbursements under the Agricultural Input Distribution Reform Component, the Grantee will furnish to USAID, in form and substance satisfactory to AID:
- (1) Evidence that the Grantee has completed the divestiture of Coop Lesotho's retail outlets and lock-up stores;
 - (2) Evidence that the Grantee has fully divested itself as a shareholder in Coop Lesotho; and
 - (3) Evidence that the Grantee has implemented the final phase of the plan to eliminate fertilizer subsidies.

Section 4.4. Additional Conditions Precedent to Dollar Disbursements Under the Livestock Management Reform Component.

- A. Prior to the disbursement of funds for the first tranche of the dollar disbursements under the Livestock Management Reform Component, the Grantee will furnish to USAID, in form and substance satisfactory to AID:

Evidence that the Ministry of Agriculture has prepared and the Government of Lesotho Cabinet has approved a comprehensive implementation plan for the National Livestock Development and Resource Management Policy enunciated in September 1987. The policy

Evidence that the Grantee has implemented the second year of operations under the national grazing fee system.

Section 4.5. Conditions Precedent to Disbursement of Local Currency Deposited in Special Local Currency Accounts.

- A. No funds shall be released from the Special Local Currency Accounts until criteria and procedures for approving allocations to projects or activities determined to be eligible recipients of local currency financing have been mutually agreed to in writing by the Parties.

Section 4.6. Notification. When A.I.D. determines that the conditions specified in Sections 4.1., 4.2., 4.3., 4.4., and 4.5. above have been satisfied, it will promptly notify the Grantee.

Section 4.7. Terminal Date for Satisfaction of Conditions Precedent.

- A. If all the conditions specified in Section 4.1. of this Agreement have not been satisfied within ninety (90) days from the effective date of this Agreement, or such later date as A.I.D. may specify in writing, A.I.D. at its option may terminate this Agreement by written notice to the Grantee.
- B. If all the conditions specified in Section 4.2. of this Agreement have not been satisfied within one hundred eighty (180) days from the effective date of this Agreement, or such later date as A.I.D. may specify in writing, A.I.D. at its option may terminate this Agreement by written notice to the Grantee.

ARTICLE 5. SPECIAL COVENANTS

Section 5.1. The Grantee shall not in any way discontinue, reverse or otherwise impede any action it has taken in satisfaction of any condition precedent set forth in Article 4 above, except as mutually agreed to in writing by USAID and the Grantee.

Section 5.2. Pursuant to Section 4.2.A.(2) above, the Grantee will establish in the Central Bank of Lesotho a Special Local Currency Account for the Agricultural Input Distribution Reform Component and another for the Livestock Management Reform Component and deposit therein currency of the Government of Lesotho in a total amount equivalent to

the U.S. dollar disbursements to be provided to the Grantee under the Grant prior to the U.S. dollar disbursements. The Grantee and USAID shall agree in writing on the exact apportionment of the local currency deposits between the two Special Local Currency Accounts. Funds in the Special Local Currency Accounts may be used for such purposes as are mutually agreed upon in writing by the Grantee and USAID.

Section 5.3. The Grantee shall adhere to the following tenets with respect to the use of local currency deposited in the Special Local Currency Accounts:

- A. Except as agreed to in writing by USAID and the Grantee, the Special Local Currency Accounts shall be used only to finance the following in order of priority:
- (1) Activities or projects contributing to the implementation of the policy changes in the agricultural and livestock sub-sectors proposed under the Program and necessary to the accomplishment of Conditions Precedent for a subsequent Policy Reform Phase or as otherwise agreed to by USAID and the Grantee;
 - (2) Activities or projects contributing directly to the implementation of the policy changes in the agricultural and livestock sub-sectors proposed under the Program but not necessary to the accomplishment of Conditions Precedent for a subsequent Policy Reform Phase or as otherwise agreed to by USAID and the Grantee;
 - (3) Recurrent or local costs of USAID-financed agricultural and livestock projects;
 - (4) Recurrent or local costs of other donor-financed agricultural or livestock projects which complement or supplement USAID projects; or
 - (5) Extensions or continuation of activities or projects under implementation in the agricultural and livestock sub-sectors which will contribute to rapid increase in the productivity and income growth of the rural population.
- B. The local currency provided by the Grantee for the Program in accordance with Section 5.2. of this Agreement will be considered as additional resources

for the Agriculture and Livestock Sector, segregated in special accounts, and not be a substitute for the Grantee's own budgetary resources.

- C. The Grantee shall maintain and cause recipients of funds from the Special Local Currency Accounts to maintain, in accordance with generally accepted accounting principles and practices consistently applied, books and records relating to the Special Local Currency Accounts. The Grantee shall grant or cause such recipients to grant to A.I.D. or any of its authorized representatives the right to inspect such books and records at all times as A.I.D. may reasonably require. Such books and records shall be maintained for three years after the date of last disbursement by A.I.D. under the Grant.
- D. The Grantee shall refund to the Special Local Currency Accounts any local currency not used for purposes agreed upon by the Parties, except as the Parties may otherwise agree in writing.
- E. Local Currency deposited in the Special Local Currency Accounts shall not be used for police training or military or paramilitary purposes.

ARTICLE 6. GENERAL COVENANTS

Section 6.1. Program Evaluation. The Parties agree to cooperate on an A.I.D.-financed evaluation program as part of the Program. The program may include, during the implementation of the Program and at one or more points thereafter: (a) evaluation of progress toward attainment of the objectives of the Program; (b) identification and evaluation of problem areas or constraints which may inhibit such attainment; (c) assessment of how such information may be used to help overcome such problems; and (d) evaluation, to the degree feasible, of the overall development impact of the Program.

Section 6.2. Consultations. The Parties will cooperate to assure that the purpose of this Agreement will be accomplished. To this end, the Parties, at the request of either, will exchange views on the progress of the Program, the performance of obligations under this Agreement, the performance of any consultants, contractors or suppliers engaged on the Program, and other matters relating to the Program.

Section 6.3. Execution of Program. The Grantee will:

- A. Carry out the Program or cause it to be carried out with due diligence and efficiency, in conformity with sound technical, financial, and management practices, and in conformity with those documents, plans, specifications, contracts, schedules or other arrangements, and with modifications therein, approved by A.I.D. pursuant to this Agreement; and
- B. Provide qualified and experienced management for, and train such staff as may be appropriate for the maintenance and operation of the Program, and, as applicable for continuing activities, cause the Program to be operated and maintained in such manner as to assure the continuing and successful achievement of the purposes of the Program.

Section 6.4. Utilization of Goods and Services.

- A. Any resources financed under the technical assistance and support component of the Grant will, unless otherwise agreed in writing by A.I.D., be devoted to the Program until the completion of the Program, and thereafter will be used so as to further the objectives sought in carrying out the Program.
- B. Goods and services financed under the technical assistance and support component of the Grant or with local currency in the Special Local Currency Accounts, except as A.I.D. may otherwise agree in writing, will not be used to promote or assist a foreign aid project or activity associated with or financed by a country not included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of such use.

Section 6.5. Taxation.

- A. This Agreement and the Grant will be exempt from any taxation, duties or fees imposed under laws in effect in the territory of the Grantee.
- B. To the extent that (1) any contractor, including any consulting firm, any personnel of such contractor financed under the Grant, and any property or transaction relating to such contracts and (2) any public sector commodity procurement transaction financed under the Grant, are not exempt from

identifiable taxes, tariffs, duties of other levies imposed under laws in effect in the territory of the Grantee, the Grantee will pay or reimburse the same with funds other than those provided under the Grant.

Section 6.6. Reports, Records, Inspections, Audit. The Grantee will:

- A. furnish to A.I.D. such information and reports relating to the Program and to this Agreement as A.I.D. may reasonably request;
- B. maintain or cause to be maintained, in accordance with generally accepted accounting principles and practices consistently applied, books and records, relating to the Program and to this Agreement, adequate to show, without limitation, the receipt and use of goods and services acquired under the Grant. Such books and records will be audited regularly, in accordance with generally accepted auditing standards, and maintained for three years after the date of last disbursement by A.I.D.; such books and records will also be adequate to show the nature and extent of solicitations of prospective suppliers of goods and services acquired, the basis of award of contracts and orders, and the overall progress of the Program toward completion; and
- C. afford authorized representatives of A.I.D. the opportunity at all reasonable times to observe programs and activities, the utilization of goods and services financed by A.I.D. and books, records, and other documents relating to the Program and the Grant.

Section 6.7. Publicity. The Grantee will give appropriate publicity to this Grant and the Program and activities carried out hereunder as a program to which the United States has contributed. Representatives of the Grantee and A.I.D. will confer from time to time to make specific arrangements for such publicity.

Section 6.8. Completeness of Information. The Grantee confirms:

- A. that the facts and circumstances of which it has informed A.I.D., or caused A.I.D. to be informed, in the course of reaching agreement with A.I.D. on the Grant, are accurate and complete, and include all facts and circumstances that might materially affect the Grant and the discharge of responsibilities under this Grant; and

- B. that it will inform A.I.D. in timely fashion of any subsequent facts and circumstances that might materially affect, or that it is reasonable to believe might so affect, the Grant or the discharge of responsibilities under this Grant.

Section 6.9. Other Payments. The Grantee affirms that no payments have been or will be received by any official of the Grantee in connection with the procurement of goods or services financed under the Grant, except fees, taxes, or similar payments legally established in the country of the Grantee.

ARTICLE 7. PROCUREMENT SOURCE

Section 7.1. Foreign Exchange Costs. Disbursement pursuant to Section 8.1. will be used exclusively to finance the costs of goods and services required for the Program having, with respect to goods, their source and origin, and with respect to services, their nationality in the United States, other Code 935 countries or the Kingdom of Lesotho ("Foreign Exchange Costs"), except as A.I.D. may otherwise agree in writing, ocean transportation costs will be financed under the Grant only on vessels under flag registry of the United States, other Code 941 countries or the Kingdom of Lesotho, except as A.I.D. may otherwise agree in writing.

Section 7.2. Local Currency Costs. Disbursement pursuant to Section 8.2. will be used exclusively to finance the costs of goods and services required for the Program having their source and, except as A.I.D. may otherwise agree in writing, their origin in the Kingdom of Lesotho ("Local Currency Costs").

Section 7.3. Shipping.

- A. Goods which are to be transported to the territory of the Grantee may not be financed under the Grant if transported either: (1) on an ocean vessel or aircraft under the flag of a country which is not included in A.I.D. Geographic Code 935 as in effect at the time of shipment, or (2) on an ocean vessel which A.I.D., by written notice to the Grantee, has designated as ineligible, or (3) under an ocean or air charter which has not received prior A.I.D. approval.
- B. Costs of ocean or air transportation (of goods or persons) and related delivery service may not be financed under the Grant, if such goods or persons are carried: (1) on a ocean vessel or aircraft under

the flag of a country not, at the time of shipment, identified under the paragraph of the Agreement entitled "Procurement Source: Foreign Exchange Costs," without prior written A.I.D. approval; or (2) in the case of aircraft, the cost of which is financed under the Grant on a non-U.S. flag air carrier if a U.S. flag air carrier is available (in accordance with criteria which may be contained in Program Implementation Letters) without prior written A.I.D. approval; or (3) on an ocean vessel which A.I.D., by written notice to the Grantee, has designated as ineligible; or (4) under an ocean vessel or air charter which has not received prior A.I.D. approval.

- C. Unless A.I.D. determines that privately-owned United States flag commercial ocean vessels are not available at fair and reasonable rates for such vessels, (1) at least fifty percent (50%) of the gross tonnage of all goods (computed separately for dry bulk carriers, dry cargo liners and tankers) financed by A.I.D. which may be transported on ocean vessels will be transported on privately-owned United States-flag commercial vessels, and (2) at least fifty percent (50%) of the gross freight revenue generated by all shipments financed by A.I.D. and transported to the territory of the Grantee on dry cargo liners shall be paid to or for the benefit of privately-owned United States-flag commercial vessels. Compliance with the requirement of (1) and (2) of this subsection must be achieved with respect to both any cargo transported from U.S. ports and any cargo transported from non-U.S. ports, computed separately.

Section 7.4. Insurance.

- A. Marine insurance on goods financed by A.I.D. which are to be transported to the territory of the Grantee may be financed under the Grant as a Foreign Exchange Cost under this Agreement provided (1) such insurance is placed at the lowest available competitive rate, and (2) claims thereunder are payable in U.S. dollars or, as A.I.D. may agree in writing, in the currency in which such goods were financed or in any freely convertible currency. If the government of the Grantee, by statute, decree, rule, regulation, or practice discriminates with respect to A.I.D.-financed procurement against any marine insurance company authorized to do business in any State of the United States, then all goods shipped to the territory of the Grantee financed by A.I.D.

hereunder will be insured against marine risks and such insurance will be placed in the United States with a company or companies authorized to do a marine insurance business in a State of the United States.

- B. Except as A.I.D. may otherwise agree in writing, the Grantee will insure goods financed under the Grant imported for the Program against risks incident to their transit to the point of their use in the Program; such insurance will be issued on terms and conditions consistent with sound commercial practice and will insure the full value of the goods. Any indemnification received by the Grantee under such insurance will be used to replace or repair any material damage or any loss of the goods insured or will be used to reimburse the Grantee for the replacement or repair of such goods. Any such replacement will be of source and origin of countries listed in A.I.D. Geographic Code 935 as in effect at the time of replacement, and, except, as the Parties may agree in writing, will be otherwise subject to the provisions of the Agreement.

ARTICLE 8. DISBURSEMENT

Section 8.1. Disbursement for Foreign Exchange Costs.

- A. After satisfaction of conditions precedent under Section 4.1.(A) of this Agreement, the Grantee may obtain disbursement of funds under the Grant for the Foreign Exchange Costs of goods and services required for the technical assistance and support component of the Program in accordance with the terms of this Agreement by such of the following methods as may mutually agreed upon:
- C.
- (1) by submitting to A.I.D., with necessary supporting documentation as prescribed in Program Implementation Letters, (a) requests for reimbursement for such goods or services, or (b) requests for A.I.D. to procure commodities or services in the Grantee's behalf for the Program; or
 - (2) by requesting A.I.D. to issue Letters of Commitment for specified amounts (a) by one or more U.S. banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, committing A.I.D. to pay such contractors or suppliers, under Letters of

Section 8.3. Disbursement of Dollars to the Grantee.

After satisfaction of conditions precedent in accordance with Article 4, the Grantee may obtain disbursements of dollars under the Grant pursuant to the terms of this Agreement, by submitting to A.I.D., with necessary supporting documentation as described in Program Implementation Letters, requests for such disbursements.

Section 8.4. Other Forms of Disbursement.

Disbursements of the Grant may also be made through such other means as the Parties may agree to in writing.

Section 8.5. Rate of Exchange.

Except as may be more specifically provided under Section 7.2., if such funds provided under the Grant are introduced into the Kingdom of Lesotho by A.I.D. or any public or private agency for purposes of carrying out obligations of A.I.D. hereunder, the Grantee will make such arrangements as may be necessary so that such funds may be converted into currency of the Kingdom of Lesotho at the highest rate of exchange which, at the time the conversion is made, is not unlawful in the Kingdom of Lesotho.

ARTICLE 9. TERMINATION; REMEDIES

Section 9.1. Termination.

Either party may terminate this Agreement by giving the other party 30 days written notice. Termination of this Agreement will terminate any obligations of the Parties to provide financial or other resources to the Program pursuant to this Agreement, except for payment which they are committed to make pursuant to noncancellable commitments entered into with third parties prior to the termination of this Agreement. In addition, upon such termination A.I.D. may, at A.I.D.'s expense, direct that title to goods financed under the Grant be transferred to A.I.D. if the goods are from a source outside the Grantee's country, are in a deliverable state and have not been off-loaded in ports of entry of the Grantee's country.

Section 9.2. Suspension. If at any time:

- A. Any representation or warranty made by or on behalf of the Grantee with respect to obtaining this Grant or made or required to be made under this Agreement is incorrect in any material respect; or

- B. An event occurs that A.I.D. determines to be an extraordinary situation that makes it improbable either that the purposes of the Grant will be attained or that the Grantee will be able to perform its obligations under this Agreement; or
- C. An event of default has occurred; or
- D. Any disbursement by A.I.D. would be in violation of the legislation governing A.I.D;
Then, A.I.D. may:
 - (1) Suspend or cancel outstanding commitment documents to the extent that they have not been utilized through irrevocable commitments to the third parties or otherwise, or to the extent that A.I.D. has not made direct reimbursement to the Grantee thereunder, giving prompt notice to the Grantee thereafter;
 - (2) Decline to issue additional commitment documents to make disbursements other than under existing ones; and
 - (3) At A.I.D.'s expense, direct that title to goods financed under the Grant be vested in A.I.D. if the goods are in a deliverable state and have not been offloaded at points of entry in the Kingdom of Lesotho.

Section 9.3. Notices of Suspension. Thirty days written notice giving details of the reasons for the suspension shall be given before any suspension becomes operative.

Section 9.4. Cancellation by A.I.D. If, within sixty (60) days from the date of any suspension of disbursements pursuant to the Grant the cause or causes thereof have not been corrected, or are not reasonably being corrected, A.I.D. may cancel any part of the Grant that is not then disbursed or irrevocably committed to third parties.

Section 9.5. Refunds.

- A. In the case of any disbursement which is not supported by valid documentation in accordance with this Agreement, or which is not made or used in accordance with this Agreement, or which was for goods or services not used in accordance with this Agreement, A.I.D., notwithstanding the availability or exercise of any other remedies under this Agreement, may require the Grantee to refund the

amount of such disbursement in U.S. Dollars to A.I.D. within sixty (60) days after receipt of a request thereof.

- B. If the failure of Grantee to comply with any of its obligations under this Agreement has the result that goods or services financed under the Grant are not used effectively in accordance with this Agreement, A.I.D. may require the Grantee to refund all or any part of the amount of the disbursements under this Agreement for such goods or services in U.S. Dollars to A.I.D. within sixty (60) days after receipt of a request therefor.
- C. The right under subsection A. or B. to require a refund of a disbursement will continue, notwithstanding any other provision of this Agreement, for three years from the date of the last disbursement under this Agreement.
- D. (1) Any refund under subsection A or B; or (2) any refund to A.I.D. from a contractor, supplier, bank or other third party with respect to goods or services financed under the Grant, which refund relates to an unreasonable price for or erroneous invoicing of goods or services, or to goods that did not conform to specifications, or to services that were inadequate will (a) be made available first for the cost of goods and services required for the Program, to the extent justified, and (b) the remainder, if any, will be applied to reduce the amount of the Grant.

Section 9.6. Nonwaiver of Remedies. No delay in exercising any right or remedy accruing to a Party in connection with its financing under this Agreement will be construed as a waiver of such right or remedy.

Section 9.7. Assignment. The Grantee agrees, upon request, to execute an assignment to A.I.D. of any cause of action which may accrue to the Grantee in connection with or arising out of the contractual performance or breach of performance by a party to a direct U.S. Dollar contract financed in whole or in part out of funds granted by A.I.D. under this Agreement. Upon such assignment, A.I.D. shall be responsible for any additional expenses resulting therefrom.

ARTICLE 10. MISCELLANEOUS

Section 10.1. Communications. Any notice, request, document or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such Party at the following addresses:

To the Grantee:

MAIL ADDRESS: Ministry of Planning and Economic
Affairs, P.O. Box 630, Maseru 100,
Lesotho

Alternate Address for Cables:

To A.I.D.:

MAIL ADDRESS: USAID/Lesotho
c/o American Embassy
P.O. Box 333, Maseru 100,
Lesotho

Alternate Address for Cables: USAID, American Embassy
Maseru, Lesotho

All such communications will be in English unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of written notice.

Section 10.2. Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the Office of the Minister of Planning and Economic Affairs and A.I.D. will be represented by the individual holding or acting in the Office of Mission Director, each of whom, by written notice, may designate additional representatives for all purposes other than exercising the power under Section 2.1. to revise elements of the amplified description in Annex 1. The names of the representatives of the Grantee, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement until receipt of written notice of revocation of their authority.

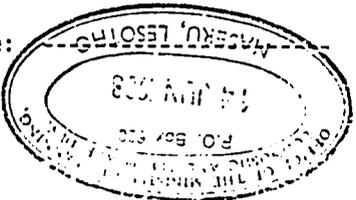
Section 10.3. Implementation Letters. To assist the Grantee in the implementation of the Program, A.I.D., from time to time, will issue Implementation Letters that will furnish additional information about matters stated in this Agreement. The Parties may also use jointly agreed-upon Implementation Letters to confirm and record their mutual understanding on aspects of the implementation of this Agreement. Program Implementation Letters will not be used to amend the text of the Agreement, but can be used to record revisions or exceptions which are permitted by the Agreement, including the revision of elements of the amplified description of the Program in Annex 1.

IN WITNESS WHEREOF, the Kingdom of Lesotho and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year last written below.

KINGDOM OF LESOTHO

By: *M. Sefali*
Michael M. Sefali

Title: Minister, Planning and Economic Affairs

Date: 

UNITED STATES OF AMERICA

By: *Robert M. Smalley*
Robert M. Smalley

Title: *Ambassador U.S.*

Date: *14 June* 

By: *Carole H. Tyson*

Title: Acting Director
USAID/Lesotho

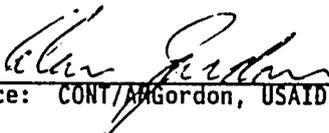
Date: June 14, 1988

FUNDS AVAILABLE:

Appropriation: 72-1181014
Budget Plan Code: GSSA-88-31632-KG39
Allowance: 814-61-632-00-53-81
Amount: Dols 7,750,000.00
Reference: 88 State 188366
Reservation Control No.: J880014
Grant Agreement No. 632-T-601

Appropriation: 72-1181014
Budget Plan Code: GSSA-88-31632-GG39
Allowance: 814-61-632-00-51-81
Amount: Dols 5,000,000.00
Reference: 88 State 188366
Reservation Control No.: J880015
Activity No. 690-T-601

Appropriation: 72-1181014
Budget Plan Code: GSSA-88-21632-KG13
Allowance: 814-50-632-00-69-81
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LESOTHO AGRICULTURAL POLICY SUPPORT PROGRAM
(LAPSP)

ANNEX I. AMPLIFIED PROGRAM DESCRIPTION

Except as specifically provided herein and within the limits of the definition of the Program set forth in Section 2.1 of the Agreement, elements of this Amplified Program Description may be changed by written agreement of the authorized representatives of the parties named in Section 10.2 of this Agreement without formal amendment of this Agreement.

ARTICLE I. - Summary Program Description

A. Goal and Purpose

The goal of the Lesotho Agricultural Policy Support Program (LAPSP) is to make more productive and efficient use of Lesotho's domestic resources in crop agriculture and in livestock through a process of policy reform and implementation.

The Purposes of the Program are:

1. To open up the agricultural input marketing system to facilitate more competition among suppliers and greater input availability to consumers. New policy measures will reduce the budgetary cost to the government of interventions in agriculture by removing subsidies and greatly reducing the roles of a parastatal organization.
2. To reduce the overstocking of cattle, sheep and goats on fragile rangelands and thereby bring into closer balance herd size and grazing potential. Livestock owners will be induced to take into account the costs and benefits of open grazing, and the livestock marketing system will become more efficient and competitive.

B. Outputs

The outputs of the LAPSP are, first, the adoption of policy reforms in the fields of marketing agricultural inputs and management of livestock resources and second, the steps taken to implement the specific reforms. For purposes of monitoring program progress, the expected outputs are divided up by program component (Agricultural Inputs Component and Livestock Component) and broken down

into phases of accomplishment. As envisaged, successful completion of each phase will require about one year.

1. Agricultural Input Component

a. Phase One

- i. Development has begun of an open and competitive market for the supply of agricultural inputs.
- ii. A plan has been established for implementation of the Government of Lesotho's announced commitment to the progressive removal of all subsidies on fertilizers, to start with the 1988-89 crop season.

b. Phase Two

- i. Coop Lesotho has begun progressive divestiture of its retail sales outlets and lock-up stores to private sector input suppliers, including primary and secondary cooperatives, private sector input suppliers and general traders, with the objective of reducing Coop Lesotho's role to that of a true cooperative input wholesaler in competition with other private sector suppliers.
- ii. A program to be funded out of the Special Local Currency Accounts has been established to ease the transition of redundant Coop Lesotho personnel into other employment.
- iii. Phase one of the plan to eliminate fertilizer subsidies has been implemented.

c. Phase Three

- i. Coop Lesotho's divestiture of its retail outlets and lock-up stores has been completed.
- ii. The Government of Lesotho (GOL) has withdrawn as a shareholder in Coop Lesotho.
- iii. The GOL has implemented the final phase of the plan to eliminate fertilizer subsidies.

2. Livestock Component

a. Phase One

A comprehensive implementation plan has been established by the GOL for the National Livestock Development and Resource Management Policy, enunciated in September 1987. The plan covers the areas of resource management, livestock marketing and livestock production and animal health.

b. Phase Two

- i. An implementation plan has been established and all preparatory steps taken toward incorporation of a national grazing fee system.
- ii. An implementation plan has been established to restructure and broaden the system of livestock marketing in Lesotho to allow for:
 - a. Greater private sector participation in all phases of livestock marketing.
 - b. A larger volume of exports of live animals and livestock

products to the RSA.

- c. A greater degree of National Abattoir and Feedlot Complex (NAFC) plant utilization as demonstrated by increased numbers of local livestock products handled.

- c. Phase Three

The first year of operations under the national grazing fee system has been carried out. Grazing fees have been collected and grazing fee revenues allocated.

- d. Phase Four

The second year of operations under the national grazing system has been carried out.

C. Inputs

It is planned that A.I.D. will provide a total of Fifteen Million Dollars (\$15,000,000) for the Program in the form of conditional dollar disbursements (\$12,750,000) and program support disbursements, (\$2,250,000). The GOL will provide \$12,750,000 in Lesotho Maloti funds, equivalent to the A.I.D conditional dollar disbursement amount.

- 1. Conditional Dollar Disbursements

The amount of \$12,750,000 will be disbursed in increments ("tranches") to the GOL over a four-year period. The dollar disbursements will be effected after policy actions have been taken by the GOL to achieve the outputs planned for each phase of the Agricultural Input and Livestock Components, as listed in I.B. above.

2. Technical Assistance and Other Program Support Dollar Disbursements

Under the Agreement, a total of Two Million Two Hundred and Fifty Thousand United States Dollars (\$2,250,000) will be made available for direct payments by A.I.D. of foreign exchange and local currency costs of project support as follows :

- a. \$1,100,000 for a resident technical assistance team in the Ministry of Agriculture (MOA) as part of a Program Secretariat staff to assist the MOA in carrying out the objectives of the LAPSP. The TA team will have a specialist to support implementation of the agricultural input policy package and another specialist to support implementation of the livestock policy package. The Dollar funding will provide eight person-years of effort, including \$100,000 for logistical support and contingencies.
- b. \$200,000 for a USAID management assistance team, composed of a program economist, program assistant and secretary and logistic support for the life of the program.
- c. \$300,000 for evaluations, audits and program impact studies.
- d. \$650,000 for a series of studies and other short-term activities; two national agricultural input supply surveys at the beginning and end of the program (\$200,000); a national livestock inventory prior to implementation of the

national grazing fee program, and a series of ongoing impact studies during implementation of the grazing fee program (\$200,000); funding for legal services in conjunction with Coop Lesotho divestiture (\$75,000); an independent appraisal of Coop Lesotho assets (\$75,000); and installation of a computerized accounting system for the grazing fee program (\$100,000).

3. Local Currency Disbursements of the GOL

The GOL will provide local currency equivalent to the \$12,750,000 dollar disbursement segment of the Grant in two Special Local Currency Accounts, as set forth in Section 4.2.A. (2) of the Agreement. The Local Currency will be used for LAPSP Program activities or other agricultural or livestock purposes as set forth in Section 5.3. of the Agreement.

D. Program Benefits

It is anticipated that implementation of the Program will result in at least the following benefits:

1. The policy changes which will be adopted under the LAPSP Agricultural Input Component will bring about economies in the use of public resources. Savings from the reduction in losses in the operation of the input supply system can be otherwise used for activities which will contribute to increased agricultural production. More efficient marketing of inputs through private sector dealers will increase farmers' access to fertilizer and other inputs which they need to maximize their production.
2. The policy changes under the LAPSP Livestock Component will help to preserve the livestock grazing potential of the country and improve the quality and quantity of marketed livestock.

ARTICLE II. - Program Implementation

A. Organizational Mechanisms for Program Implementation

The Ministry of Planning and Economic Affairs (MOP) will be responsible for monitoring overall GOL performance in implementing the LAPSP and expending funds from the Special Local Currency Accounts. MOP will carry the overall management responsibility for the Program and coordinate all GOL policy initiatives. Day-to-day management of the program will be the responsibility of the Ministry of Agriculture (MOA) operating through two Component Task Forces (CTFs), one for Coop Lesotho and the Agricultural Inputs element of the LAPSP, the other for the Livestock Component. Assisting the CTF's and other organizations participating in program management will be a specially-formed Program Secretariat, set up within the MOA and composed of a resident technical assistance team and supporting staff. Other GOL ministries will undertake specific actions in support of the LAPSP and participate with the MOP and MOA in a Program Coordination Committee (PCC) to monitor the Program. USAID will participate in Program monitoring through membership in the PCC and will review and approve work plans, program status reports and program actions proposed by the GOL. Details of program management responsibility are provided below.

1. Program Chairman. The Minister, MOP, will be the Program Chairman and the authorized representative of the GOL to implement the Program. The Program Chairman (PC) will periodically:
 - a. Jointly consider with USAID the state of advancement of the LAPSP and approve the documentation required to pass from one phase of implementation of a component to the next.
 - b. Jointly consider with USAID proposals for the use of funds in the Special Local Currency Accounts. These proposals will have been approved and transmitted to the PC by the Program Coordination Committee.

- c. Jointly resolve with USAID any problems of program implementation which have not been resolved at the level of the Program Coordination Committee.
- d. Make recommendations to the GOL and the Director, USAID, on future actions.

2. Program Coordination Committee (PCC).

The Principal Secretary of the MOP will chair the committee, which is composed of the Principal Secretaries of the Ministries of Agriculture, Finance, and other specifically identified GOL officials who are concerned with the policy action under review, and the USAID Program Officer. The PCC, which will meet periodically, will:

- a. Review progress in implementing the Program, including any problems affecting program implementation requiring resolution by the Program Chairman or USAID.
- b. Consider the state of advancement of the Program and approve documentation required to pass from one phase of implementation to the next.
- c. Consider proposals for using funds from the Special Local Currency Accounts, including suggestions from the Component Task Force committees. It will also recommend proposals to the Program Chairman and the Director of USAID.

3. Component Task Forces (CTFs). The Principal Secretary of the MOA will chair the task force committees concerned with Coop Lesotho, Agricultural Inputs Component and the Livestock Component. The two committees are responsible for the day-to-day implementation of the Program.

The CTFs will be standing committees constituted for the life of the LAPSP. The PCC and CTFs will also bear responsibility for the design and execution of all short-term studies and other support activities directly funded by the LAPSP.

In their respective domains, the CTFs will consider and prepare proposals for the use of funds from the Special Local Currency Accounts.

4. The USAID Mission (USAID). The USAID Program Officer and the LAPSP Program Manager in USAID's Agricultural Development Office, will serve on the PCC and on both of its Component Task Forces. The Program Economist will monitor the overall impact of the policy reform actions on the agricultural and livestock sector and the Lesotho economy by reviewing reports from the Secretariat, data from the LAPIS Benchmark surveys and from the Central Bank. Other USAID Mission staff will provide support services during implementation of the LAPSP. Such support will include, as needed, advice of the USAID Controller on funding availabilities; and technical advice from the USAID Agricultural Development Office staff on implementation of specific studies.
5. Program Secretariat: Technical Assistance (TA) Team. The Program Secretariat, composed of the resident technical assistance team and supporting staff, will be attached to the office of the Principal Secretary, MOA. The Secretariat will:
 - a. Advise the GOL on implementation of the LAPSP, in monitoring its progress and assist the GOL in preparing documentation for submission to USAID, evidencing conformance with the various conditions for the disbursement of funds.
 - b. Help to work out the uses to which the funds in the Special Local Currency Accounts will be put so that proposals may be submitted to and approved by the PCC.
 - c. Share, with ministerial colleagues, the responsibility for monitoring the uses of the Special Local Currency Account funds and for preparing periodic reports on expenditures for GOL approval and submission to USAID as required by the Program Agreement.

The evaluations will be additional to the annual reviews and assessments of the senior GOL officials and USAID management. A total of up to \$150,000 is budgeted for the two evaluations.

In addition, a baseline/benchmark survey will be carried out at the beginning of the LAPSP to identify more precisely the indicators of performance to be measured and evaluated during the program. The benchmark survey will include impact indicators, on both the micro- and macro-economic levels.

With respect to the initial evaluation, the focus of the study will be on the implementation of policy reforms, the use of local currency, and other appropriate administrative and management matters. The evaluation will assess the achievement, or lack of achievement, in carrying out the planned policy reforms, and the management and use of local currency. It will identify the reasons for the program's achievement, or lack of achievement, and propose appropriate means for continuing the successful activity(ies). It will also identify problems and propose measures to correct them. Recommendations from the initial evaluation will be critical to improving program implementation or revising the program implementation plan.

The end-of-program impact evaluation will assess the contribution of the program to the Government of Lesotho's goal of increasing productivity, and thereby production, in agriculture and livestock. It will also assess the strengthening of infrastructure and institutional bases in promoting the adoption of agricultural innovations as well as its impact on government finance, balance of payments, and other macroeconomic aspects. Because changing the policy environment is only one of the factors contributing to productivity increase and growth in the sector, the direct impact of the program will need to be viewed from the standpoint of how the program contributes to improved resource allocation and the ability of the government to sustain and continue development activities in the sector avoiding program interruptions when the availability of public sector resources is declining. The impact evaluation will also assess the ability of the Lesotho Government to implement difficult policy changes, its policy/analytical capability in the sector, and its administrative,

political, and organizational constraints and strengths in carrying out a program of policy reforms.

ARTICLE V - Financial Plan

Funds from the A.I.D. grant for LAPSP will be disbursed for discrete phases of Program implementation and for technical assistance and administrative and financial management in support of the Program. As conditions precedent are met for specific phases of the Agricultural Input and Livestock Components of the Program, the GOL will request A.I.D. to release tranches of Grant funds. The schedule of Projected LAPSP Dollar Disbursements to the GOL is Attachment C hereto. Funds for technical assistance and administrative and financial support of the Program will be disbursed by A.I.D. directly to the contracted parties or to suppliers of goods and services required for such support in accordance with standard A.I.D. program procedures and documentation.

The local currency contribution of the GOL for the program will be equivalent to the dollar disbursement portion (\$12,750,000) of the Grant. The GOL will deposit its contributions to the program in two separate Special Local Currency Accounts established in the Central Bank of Lesotho for the Agricultural Inputs and Livestock Components. Deposits will be made in amounts equivalent to the planned tranche releases from the A.I.D. Grant. Planned use of the funds in the Special Local Currency Accounts will be agreed upon by the GOL and A.I.D. Finally, the GOL will submit to USAID on a quarterly basis, reports, including bank statements, which evidence deposits in and disbursements from the Special Accounts.

ARTICLE VI. Audit Plan

The Central Bank will assure that the Maloti funds deposited by the GOL into the Special Local Currency Accounts for the LAPSP program will be disbursed only upon mutual agreement between A.I.D. and the GOL and only for mutually approved uses. Following a release of funds from a Special Account, USAID will receive a copy of the transfer order showing to whom the transfers were made.

Books and records related to the LAPSP activities will be audited regularly by an independent accounting firm under contract with the GOL, in accordance with generally accepted auditing standards, and will be maintained for at least three years.

ARTICLE VII. Procurement Procedures

It is the understanding of the GOL and A.I.D. that the A.I.D. direct contract mechanism will be used to procure services for technical and management assistance, studies and other short-term activities provided for under the Agreement. The exact procedures to be utilized and the method of provision of foreign exchange and/or local currency for such procurement shall be as agreed upon by A.I.D. and the GOL and confirmed in Program Implementation Letters.

ARTICLE VIII. Disbursement Mechanism

A. Mechanism for U.S. Dollar Disbursement

1. A.I.D. and the GOL execute the Grant Agreement with certain policy performance indicators used as conditions precedent for the Dollar disbursements to be provided to the GOL under the Agreement. The technical assistance and program support segment of the Grant will be obligated after the initial conditions precedent set forth in Section 4.1. (A) of the Agreement have been satisfied. Disbursement of funds for technical assistance and program support will be under direct disbursement/reimbursement methods by USAID/Lesotho.
2. U.S. Dollar disbursements will be made to the GOL in tranches as indicated in Attachment C to this Annex.
3. After USAID determines that the GOL has satisfied the conditions precedent set forth in Article 4 of the Agreement, USAID will notify the GOL by Implementation Letter.
4. The GOL then submits to USAID a written request for U.S. Dollar disbursements under the resource transfer segment of the Grant.

5. USAID, through the U.S. Government's Regional Administrative Management Center in Paris, France, obtains a U.S. Dollar check, payable to the GOL for the amount of the planned U.S. Dollar tranche disbursement. USAID informs the GOL when the U.S. Dollar check has been received.
6. The GOL then deposits the Maloti equivalent of the planned U.S. Dollar tranche disbursement into the appropriate Special Local Currency Account established pursuant to Section 4.2.A. (2) of the Grant Agreement and informs the USAID in writing of the deposit.
7. USAID transmits the U.S. Dollar check to GOL.

B. Mechanism for Local Currency Disbursement

1. The purposes for which Maloti funds deposited into the Agricultural Inputs and Livestock Special Local Currency Accounts may be used shall be jointly agreed to by the GOL and USAID prior to disbursement.
2. The general uses for which funds in the Special Local Currency Accounts may be used are set forth in Section 5.3.A. of the Agreement.
3. Proposals for specific use of funds in the Special Local Currency Accounts will originate with, or be considered by the Component Task Forces and will be recommended by the CTF's to the Program Coordination Committee for approval. The PCC will refer proposals it has approved to the Program Chairman who will consider them in association with the USAID Director. Agreement of the Program Chairman and the USAID Director on proposals to use the funds in the Special Local Currency Accounts will be confirmed in writing.

Attachment A - Illustrative Implementation Schedule

1. A.I.D. authorizes Grant for LAPSP June 1988
2. Grant Program Assistance Agreement signed by A.I.D. and GOL June 1988
3. Conditions Precedent for first disbursement are met June 1988
4. USAID contracts for technical assistance personnel August 1988
5. Baseline/Benchmark survey carried out to identify LAPSP performance indicators July - Oct. 1988
6. Conditions Precedent met for first phased tranche for Agricultural Inputs and/or Livestock Components Sept. 1988
7. GOL deposits Local Currency equivalent to first phased tranche in Special Local Currency Account; USAID transmits to GOL U.S. Dollar check for first phased tranche. October 1988
8. USAID/GOL agreement on use of first GOL contribution to LAPSP in Special Local Currency Account. November 1988

Steps 6 through 8 are repeated for all remaining tranches. It is anticipated that the three phases of the Agricultural Inputs Component will be accomplished within three years, i.e. by the end of 1990; the four phases of the Livestock Component within four years, i.e. by the end of 1991.

LAPSP - OUTPUT VERIFICATION

POLICY REFORM	MEANS OF VERIFICATION	VERIFIABLE INDICATOR
Agricultural Input Component		
PHASE ONE		
Government support for and facilitation of the development of an open and competitive market for the supply of agricultural inputs.	<p>(1) Appropriate modification or revocation of legislation limiting private sector ability to freely market and distribute agricultural inputs on a competitive basis.</p> <p>(2) Government publication of a policy statement which will clearly allow private sector entities to freely market and distribute agricultural inputs in Lesotho on a competitive basis.</p>	<p>(1) Review of legislation and gazette.</p> <p>(2(a) Review of GOL policy and copy of publication.</p> <p>(2(b) Survey indicating increased availability of ag. Inputs in private sector, including fertilizer.</p>
Government development and approval of an implementation plan for and commencement of implementation of its announced commitment to the progressive removal of all subsidies on fertilizers starting with the 1988-89 crop season.	<p>(1) Acceptance by the Program Coordinating Committee (PCC) and the Program Chairman (PC) of an implementation plan and schedule for the phased elimination of fertilizer subsidies, including provision for semi-annual progress reports.</p> <p>(2) GOL commences implementation of a plan to eliminate fertilizer subsidies.</p>	<p>(1) Review of implementation plan and PC acceptance of document.</p> <p>(2) Review MOA instructions/guidance to initiate fertilizer subsidy removal.</p>
PHASE TWO		
Progressive divestiture by Coop Lesotho of its retail sales outlets and lock-up stores to private sector input suppliers, including primary and secondary cooperatives, private sector input suppliers and general traders, with the objective of reducing Coop Lesotho's role to that of a true cooperative wholesaler in competition with other private sector suppliers.	<p>(1) Completion and publication of a GOL-approved study covering flows, sources of supply and major input purchasers.</p> <p>(2) Submission and acceptance by the PCC of an appraisal of Coop Lesotho assets by an independent accounting firm.</p> <p>(3) Acceptance by the PCC of an audit by an independent accounting firm and issuance of a report thereunder reconciling government accounts with Coop Lesotho and Coop</p>	<p>(1) Review published study.</p> <p>(2) Review appraisal study and a PCC recommendation to accept appraisal.</p> <p>(3) Review audit report and a PCC recommendation to accept.</p>

BEST AVAILABLE DOCUMENT

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LAPSP - OUTPUT VERIFICATION

POLICY REFORM

MEANS OF VERIFICATION

VERIFIABLE INDICATOR

Lesotho's outstanding debts, the audit to be completed no later than 31 March 1989.

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| <p>(4) Submission to and acceptance by the PCC by the Ministry of Agriculture implementation plan and schedule for the disposal of Coop Lesotho assets. This plan must include a listing of planned divestiture actions under three categories:</p> <ul style="list-style-type: none"> -- Those assets to be sold outright to private sector agents. -- Those assets to be sold under lease/purchase arrangements to local cooperatives. -- Those assets which the GOL will withdraw from Coop Lesotho and retain for its own use. | <p>(4) Review published plan for divestiture of Coop assets and PCC recommendation to accept.</p> |
| <p>(5) Acceptance by the PCC and PC of copies of bills of sale for those assets sold outright during Phase Two and documentation establishing proof of irrevocable lease/purchase arrangements with cooperative organizations. A minimum of 14 retail sales outlets identified by the IFAD study as "non-viable" and 20 unused lock-up stores must be disposed of in Phase Two.</p> | <p>(5) Review copies of bills of sale for Coop assets.</p> |
| <p>(6) Issuance by the Ministry of Agriculture of a statement certifying (i) the amount of the net proceeds realized from the outright sale and lease/purchase of Coop Lesotho assets and (ii) the fair market assessed value of assets retained by the government.</p> | <p>(6) Review MOA certification letter.</p> |

BEST AVAILABLE DOCUMENT

LAPSP - OUTPUT VERIFICATION

POLICY REFORM

MEANS OF VERIFICATION

VERIFIABLE INDICATOR

Establishment by the GOL of a program, to be funded out of the Special Local Currency Account, to ease the transition of redundant Coop Lesotho personnel into other employment.

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| (1) Acceptance by the PC of a GOL plan for severance pay for Coop Lesotho staff whose posts have been abolished, with proposed levels of compensation by grade. The plan must include payment transfer procedures and total local currency requirements for the compensation program. | (1) Review compensation program for Coop Lesotho personnel and PCC acceptance. |
| (2) Release of redundant Coop Lesotho personnel for retail outlets/lock-up stores sold and for central operations supporting those operations. | (2) Review employment/payroll records of Coop Lesotho. |

Implementation of the first phase of the plan to eliminate fertilizer subsidies.

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| (1) Publication of GOL policy establishing first phase of plan to eliminate fertilizer subsidies. | (1) Review GOL policy document published in Gazette. |
| (2) Guidance issued by MOA on new fertilizer subsidy rates. | (2) Instructions by MOA to Coop Lesotho/DAO's. |
| (3) Actual reduction of GOL fertilizer subsidies in accordance with the phased plan. | (3) Records/surveys of Coop Lesotho fertilizer prices. |
| (4) Availability of fertilizer to private retailers for sale. | (4) Survey of private sector ag. input suppliers. |

PHASE THREE

Completion of the divestiture of Coop Lesotho's retail outlets and lock-up stores.

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| (1) Acceptance by the PCC and PC of copies of bills of sale and/or documentation of lease/purchase arrangements for the remaining Coop Lesotho retail sales outlets and lock-up stores. | (1) Review of Bills of Sale and PC acceptance. |
| (2) Issuance by the Ministry of Agriculture of a statement certifying (i) the amount of the net proceeds realized from the outright sale and lease/purchase of Coop Lesotho assets (ii) the fair market assessed value of assets retained by the government. | (2) Review MOA statement. |

BEST AVAILABLE DOCUMENT

LAPSP - OUTPUT VERIFICATION

POLICY REFORM	MEANS OF VERIFICATION	VERIFIABLE INDICATOR
Complete withdrawal of the GOL as a shareholder in Coop Lesotho.	Issuance of a statement by the GOL officially announcing its surrender of all shares in Coop Lesotho following a buy-out of its share-holdings through (i) the sale of retail and lock-up stores and (ii) receipt of compensatory funding from USAID.	Review of GOL statement.
Implementation of the final phase of the plan to eliminate fertilizer subsidies.	(1) Publication of GOL policy establishing the final phase of the plan to eliminate fertilizer subsidies.	(1) Review of GOL policy statement.
	(2) Guidance by MOA to Coop Lesotho on eliminating fertilizer subsidies.	(2) Review of MOA guidance.
	(3) Implementation of the final phase of plan to end fertilizer subsidy with evidence that there are no government outlays for fertilizer subsidy.	(3) Review of Coop Lesotho records.
	(4) Full availability of fertilizer to private retailers for sale.	(4) Survey to private sector ag. input suppliers.
Livestock Component		
PHASE ONE		
The preparation by the MOA and approval by the GOL Cabinet of a comprehensive implementation plan for the National Livestock Development and Resource Management Policy enunciated in September 1987. The policy implementation plan must cover the areas of resource management, livestock marketing, and livestock production and animal health.	(1) A written plan by the MOA for implementation of the National Livestock Development and Resource Management Policy.	(1) Review of implementation plan.
	(2) Ministry of Agriculture approval of livestock policy implementation plan; and the date upon which approval is granted.	(2) Review of MOA approval of implementation plan.
	(3) A Cabinet decision number and date for acceptance of the National Livestock Policy and the implementation plan, and corresponding Military Council record.	(3) Copy of Cabinet approval document; review of gazette.

BEST AVAILABLE DOCUMENT

LAPSP - OUTPUT VERIFICATION

POLICY REFORM	MEANS OF VERIFICATION	VERIFIABLE INDICATOR
Restructure and broaden the system of livestock marketing in Lesotho to allow for:	(1) Repeal of all existing legislation which hinders the full participation of private sector agents in all stages of livestock marketing.	(1) Review gazette and legislation.
- Greater private sector participation in all phases of livestock marketing;	(2) The gazettement of meat hygiene regulations for the National Abattoir.	(2) Review gazette.
- A larger volume of exports of live animals and livestock products to the RSA;	(3) The institution of a weekly radio marketing news service to provide information on prevailing livestock prices, livestock sale dates and sites.	(3) Review radio logs and radio programs.
- A greater degree of NAFC plant utilization, as demonstrated by increased numbers of local livestock products handled.	(4) The presentation of documents to the PCC demonstrating successful certification of National Abattoir for export of meat products to the RSA (or submission of a GOL statement documenting RSA refusal to grant certification for other than technical reasons).	(4) Review certification.
	(5) The presentation of documents to the PCC which establish that the GOL has separated the business accounts of the Feedlot Complex from the National Abattoir and reoriented the operations of the operations of the Feedlot Complex from a commercial feedlot to primarily that of a holding ground for cull animals from the national range destocking program and fattening only when financial feasibility can be demonstrated.	(5) Review Feedlot and abattoir financial records.
	(6) Increased volume of local livestock products will be procured by NAFC.	(6) Review abattoir record.

LAPSP - OUTPUT VERIFICATION

POLICY REFORM

MEANS OF VERIFICATION

VERIFIABLE INDICATOR

PHASE TWO

The design and approval by government of an implementation plan for and completion of all preparatory steps toward installation of a national grazing fee system.

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| (1) Gazetting of National Grazing Fee Regulations. | (1) Review of gazette. |
| (2) Submission by the Ministry of Agriculture and approval by the PCC and PC of a comprehensive implementation plan for installation of a national grazing fee system. | (2) Review of implementation plan and PC approval. |
| (3) The completion of a national livestock inventory as a preparatory step in assessment of grazing fees and the installation of relevant data on grazing fee computer programs. | (3) Review of inventory. |
| (4) Completion in all districts of the initial extension information campaign for the national grazing fee system. | (4) Review of MOA records. |
| (5) Written protocol in place between MOA and MOI regarding grazing fee collection and procedures. | (5) Review of protocol. |
| (6) Establishment, definition of duties, staffing of and personnel training for MOA national grazing fee administrative unit completed. | (6) Review of MOA records and instructions. |
| (7) Approval by Cabinet and Military Council of creation or identification of appropriate institutional structures to assure proper disbursement and utilization of grazing fee revenues of criteria for local community use of grazing fee revenues. | (7) Review of Cabinet/Military Council decision. |
| (8) Completion and acceptance by Principal Secretary and Ministers of Agriculture and Ministry of Interior's Chieftainship of final design of grazing fee collection processes. | (8) Review of final design and GOL acceptance. |

BEST AVAILABLE DOCUMENT

LAPSP - OUTPUT VERIFICATION

POLICY REFORM

MEANS OF VERIFICATION

VERIFIABLE INDICATOR

PHASE THREE

Implementation of the first year of operations, including the collection of grazing fees and allocation of grazing fee revenues, under the national grazing fee system.

GOL presentation of detailed records and accounts of: the total grazing fee receipts in the first year of system operations; the administrative costs incurred in implementing the system; and the disposition of all receipts disbursed by the GOL, including those to local communities for development activities. This presentation to be accompanied by a detailed report of the problems encountered, the estimated impacts of the grazing fee system on livestock offtake and animal owners incomes, and development activities implemented by local communities using grazing fee Matrix with the addition of frequency of inspections).

Review of MOA and RMA records and MOA reports from DAO's.

PHASE FOUR

Implementation of the second year of the national grazing fee system.

GOL presentation of detailed records and accounts of: the total grazing fee receipts in the second year of system operations; the administrative costs incurred in implementing the system; and the disposition of all receipts disbursed by the GOL, including those to local communities for development activities. This presentation to be accompanied by a detailed report of the problems encountered, the estimated impacts of the grazing fee system on livestock offtake and animal owners incomes, and development activities implemented by local communities using grazing fee receipts.

Review of MOA and RMA records, and MOA reports from DAO's.

BEST AVAILABLE DOCUMENT

Attachment C. - Projected LAPSP Dollar Disbursements
to the GOL - Thousands U.S. Dollars

	1988	1989	1990	1991
<u>Agriculture Inputs Component</u>				
Phase One Tranche	500			
Phase Two Tranche		1,000		
Phase Three Tranche			2,750	
<u>Livestock Component</u>				
Phase One Tranche	1,200			
Phase Two Tranche		2,300		
Phase Three Tranche			2,500	
Phase Four Tranche				2,500
Yearly Totals	<u>1,700</u>	<u>3,300</u>	<u>5,250</u>	<u>2,500</u>
Total				<u>12,750</u>