

BOARD APPROVAL
Lapse-of-time Procedure

17 October 2019

FOR INFORMATION

MEMORANDUM

TO : THE BOARD OF DIRECTORS

FROM : Vincent O. NMEHIELLE
Secretary General

SUBJECT: LESOTHO: eGOVERNMENT INFRASTRUCTURE PHASE II*

ADF LOAN OF UA 10.11 MILLION
ADF GRANT OF UA 0.07 MILLION

The Loan and Grant Proposal and the draft Resolutions related to the above-mentioned subject were submitted for **your consideration on a Lapse-of-time basis** on 3 October 2019.

Since no objection was recorded by 5:00 pm, 17 October 2019, **the proposal is considered as approved and the Resolutions adopted.**

Attach.

Cc: The President

***Questions on this document should be referred to:**

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AFRICAN DEVELOPMENT FUND



PROJECT: eGovernment Infrastructure Phase II

COUNTRY: Kingdom of Lesotho

PROJECT APPRAISAL REPORT

Date: August 2019

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AFRICAN DEVELOPMENT FUND



KINGDOM OF LESOTHO

eGOVERNMENT INFRASTRUCTURE PHASE II

RDGW/PITD/PGCL

September 2019

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Currency Equivalents

As of April 2019

1 UA = USD 1.388

1 UA = LSL 20.267

Fiscal Year

1stApril – 31stMarch

Weights and Measures

1 metric tonne = 2204 pounds (lbs)

1 kilogramme (kg) = 2.200 lbs

1 metre (m) = 3.28 feet (ft)

1 millimetre (mm) = 0.03937 inch (“)

1 kilometre (km) = 0.62 mile

1 hectare (ha) = 2.471 acres

LIST OF ABBREVIATIONS AND ACRONYMS

ADSS	All Dielectric Self-Supporting (fibre optic cable)
AfDB	African Development Bank
BTS	Base Transceiver Station
CBL	Central Bank of Lesotho
CSP	Country Strategy Paper
DCEO	Directorate on Corruption and Economic Offences
eGovTCC	eGovernment Technical Committee
EIRR	Economic Internal Rate of Return
ENPV	Economic Net Present value
ESIA	Environmental and Social Impact Assessment
ESMP	Environmental and Social Management Plan
GoL	Government of Lesotho
ICT	Information and Communication Technology
LCA	Lesotho Communications Authority
LECC	Lesotho Electricity Company –Communications
LMDA	Lesotho Millennium Development Agency
LSL	Lesotho Maloti
LTE	Long Term Evolution - cellular technology
M&E	Monitoring and Evaluation
MNOs	Mobile Network Operators
MCST	Ministry of Communication, Science and Technology
MoDP	Ministry of Development Planning
MoF	Ministry of Finance
MSME	Micro, Small and Medium Enterprise
NPS	National Payment System
NSDP	National Strategic Development Plan
OAG	Office of the Auditor General
OPGW	Optical Ground Wire
PAR	Project Appraisal Report
PCR	Project Completion Report
PFM	Public Financial Management
PM	Project Management
PMU	Project Management Unit
PoP	Point of Presence
PRSP	Poverty Reduction Strategy Plan
PSC	Project Steering Committee
RWSSI	Rural Water Supply and Sanitation Initiative
SACU	Southern African Customs Union
UA	Units of Account
USD	United States Dollars
USF	Universal Service Fund
UNDP	United Nations Development Programme
xG	X=second (2), third (3), fourth (4) -generation cellular technology

Loan and Grant Information

Client's information

BORROWER/RECIPIENT: The Kingdom of Lesotho

EXECUTING AGENCY: Ministry of Communications, Science and Technology

Financing plan

Source	Amount (UA'million)	%age	Instrument
ADF	10.11	80.05	ADF Loan
ADF	0.07	0.56	ADF Grant
Lesotho Government	2.45	19.39	N/A
TOTAL COST	12.63		

ADF's key financing information

Loan currency	Units of Account (UA)
Loan	Units of Account (UA)
Interest Rate	1%
Commitment fee*	0.50% yearly on the undisbursed portion of the loan starting 120 days after the signing of the loan agreement
Other fees*	0.75% service charge yearly on the disbursed and outstanding portion
Tenor	30 years
Grace period	5 years
EIRR (base case)	45 % NPV USD 10.8 million at 10% discount rate

Timeframe - Main Milestones (expected)

Concept Note approval	March 2019
Appraisal	April 2019
Project approval	October 2019
Effectiveness	December 2019
Mid-term Review	October 2021
Completion	December 2023
Closing Date	June 2024

Project Summary

1. Project Overview

The objective of the project is to drive digital finance and financial inclusion by improving access to reliable digital Services, particularly among citizens living in rural and unserved areas. The aim is to provide access to a diverse range of financial products and services for individuals as well as small, medium and large businesses through the expansion of digital infrastructure and services, which will lead to creating jobs, and contributing to Lesotho's economic growth. Specifically, the project shall: increase data enabled coverage in rural and unserved areas; improve financial inclusion among unbanked citizens in Lesotho by developing digital payment infrastructure and strengthening digital services ecosystem and improve government skills to oversee and implement ICT initiatives. The total estimated cost of the project is **USD 17.53** (UA 12.63 million). It is proposed to meet the cost through an ADF loan (UA 10.11 million) and Grant (UA 0.07 million) to the Kingdom of Lesotho, and counterpart funding is LSL252.32 million (UA 2.45 million) which is 19.39 % of the total project cost from the Kingdom of Lesotho.

2. Needs assessment: The Lesotho eGovernment project is in line with pillar II (Infrastructure development) overall objective of the Bank's Group Country Strategy Paper (CSP-Lesotho) 2013-2017, extended up to 2019, which aims to achieve sustainable development through enabling state-of-the-art digital infrastructure. The project is also in line with the country's new five-year National Strategic Development Plan (NSDP) II being finalised, which identifies technology as one of the four pillars that will drive economic growth. Other pillars are manufacturing, tourism, and agriculture. The limited digital Infrastructure is considered as a key constraint inhibiting Lesotho's social development and economic growth.

3. Bank Group's value-added: The African Development Bank Group has already financed the Phase I eGovernment infrastructure project, which invested USD 12,825,000 in deploying fibre connectivity and extending mobile coverage to rural areas. As such, the Phase II project is considered a natural progression of the Phase I project to further extend mobile coverage and extend fibre connectivity supporting its digital transformation. Further, the presence of the component on development of digital services ecosystem in Phase II project will drive financial inclusion, especially in rural areas thereby supporting economic growth and development. As a significant potential co-financier of digital infrastructure in Lesotho, the Bank Group's involvement in this project will support Lesotho's economic and social transformation into a digital economy without which it would be difficult to achieve.

4. Knowledge management: The project design has innovative aspects such as the development of a Rural Community Payment Agent Network which is designed to reach the rural communities through the common digital centres and facilitated by the national-payment services gateway. The Bank Group intends to capture the knowledge of digital economy during the implementation of the project. The project design recognises the importance of knowledge transfer and includes a component of skills development.

Country and project name: Lesotho eGovernment Infrastructure Phase II: Purpose of the project: To support job creation and economic growth through investment in digital infrastructure and services							
RESULTS CHAIN		PERFORMANCE INDICATORS			MEANS OF VERIFICATION	RISKS/MITIGATION MEASURES	
		Indicator (including CSI)	Baseline (2019)	Target			
IMPACT	Contribute to Improved Economic Growth and reduced poverty	Growth Domestic Product	USD 2.639 million	USD 10 million increase (0.38%) by 2032.	Ministry of Finance	Risk: Macroeconomic Instability Mitigation Measures: Bank will engage the authorities in this area on account of the dire fiscal situation and its potential ripple effects. Risk: Political uncertainties and lack of consensus Mitigation Measures: Bank will ensure close monitoring of developments and provide early warning signals of possible shifting Government priorities Risk: Fast changing Technology in the ICT Sector Mitigation Measures: Proper choice of technology that is scalable and open source Risk: Prohibitive regulatory requirements for ePayments agents Mitigation Measures: Support to the government for policy reforms by donor agencies and the ePayment Association of Lesotho Risk: Potential cost overruns in establishing joint digital services in the rural areas at Post Office facilities. Mitigation Measures: Involvement of key stakeholders in project planning and implementation to ensure the offtake of common centre facilities. This is to be coupled with strong project management disciplines by the EA. Risk: Project start-up delays Mitigation Measures: The Bank through RDGS to follow up with the Government on meeting conditions precedence Risk: The pace and financial Capacity of USF rollout of BTS in a rural area. Mitigation Measures: Financial support from LCA to meet the 25% financial obligation within project execution time and Strong project management disciplines over operators. The target is to have all 48 BTSs installed within three years. Risk: Limited implementation capacity Mitigation Measures: The use of a lean PMU paid by the project and the use of USF for component -1	
	OUTCOMES	Outcome 1: Increase in broadband penetration	% of broadband penetration per population	56%	+ 1.54%		LCA Q- reports
		Outcome 2: Increased reach of government digital services offered to citizens	Number of eGovernment services available to citizens in rural areas	50	150		MCST
	Outcome 3: Increased financial inclusion	Proportion of transaction that are electronic in Lesotho	40%	90%	CBL q-reports		
OUTPUTS	Rural Broadband Connectivity Extended <ul style="list-style-type: none"> Rural Telecommunications Base Stations Installed Fibre cable extended 	Number of mobile towers constructed in unserved areas	420	468	LCA/USF Q-reports		
		Km of fibre deployed between Roma and Thaba-Tseka	0km	96km			
	Enhanced Government Digital Services <ul style="list-style-type: none"> Government Common digital Centres established National Payment infrastructure Strengthened e-Parliament System implemented 	Number of Post offices renovated and equipped	12	52	MCST		
		Number of e-payment agents recruited and operational (30% female)	300	400	Lesotho Post Bank CBL		
	National ePayment Switch & gateway installed	0	1 (NPS); 1ePGW				
	Improved skills in Digital eServices and Project Implementation capacity <ul style="list-style-type: none"> Improved Skills and awareness on digital infrastructure and services Improved project Implementation Capacity 	Number of persons trained (50% female)	500	1000	MCST Project reports		
		Number of policies / regulations developed	0	3			
		Timely Submission of Project Implementation Reports	0	20			
KEY ACTIVITIES	COMPONENTS						
	COMPONENT 1: Extension of Rural Broadband Connectivity					Component 1: UA 7.02 Million	
	COMPONENT 2: Enhancement of the Lesotho Government Digital Service					Component 2: UA 3.63 Million	
	COMPONENT 3: Capacity Building and Project Management					Component 3: UA 1.98 Million	
					Total UA 12.63 Million		

REPORT AND RECOMMENDATION OF THE MANAGEMENT OF THE AFRICAN DEVELOPMENT FUND TO THE BOARD OF DIRECTORS ON A PROPOSED LOAN AND GRANT TO THE KINGDOM OF LESOTHO FOR THE IMPLEMENTATION OF THE LESOTHO eGOVERNMENT INFRASTRUCTURE PHASE II

Management submits the following report and recommendation on a proposed ADF loan for UA 10.11 million and ADF grant of UA 0.07 million to the Kingdom of Lesotho to finance the Lesotho eGovernment Infrastructure Phase II project.

I – STRATEGIC THRUST & RATIONALE

1.1. Project linkages with country strategy and objectives

1.1.1 The objective of the project is to drive digital finance and financial inclusion by improving access to reliable digital services particularly among citizens living in rural and unserved areas. Financial inclusion is a key driver of economic development and plays an important role in reducing poverty. Access to formal and semi-formal financial services in Lesotho is limited, especially for low-income and rural, population. With only 13 percent of urban adults, 7 percent of rural adults, and 2 percent of Micro, Small and Medium Enterprises (MSMEs) accessing credit from commercial banks, the great majority of Basotho are excluded from the formal credit system.

1.1.2 The Ministry of Finance (MoF), which is Lesotho’s highest contributor of social protection, faces considerable pressure to meet Government’s social protection obligations of mitigating the impact of poverty on the Basotho. The decreasing revenues from the Southern African Customs Union (SACU) are not helping the situation as it affects the capacity of the MoF to sustain the social protection agenda and hence make the Government of Lesotho (GoL) fail to meet its poverty reduction goals. Consequently, financial inclusion is gaining traction within the GoL as a strategic intervention to ameliorate poverty and induce unbanked low income, rural Basotho into the modern financial system where they can access and benefit from access to credit, savings mobilisation, access to employment and business development services promoting the growth of micro, small and medium enterprises.

1.1.3 Innovative technological advances in digital services are presenting opportunities for new business models that employ financial intermediaries that previously did not consider low-income rural poor populations as a potential market for investable funds. In light of the opportunities that digital financial products avail, the GoL has identified the increase of financial inclusion and access to credit as two of the top priorities, formulated in the National Strategic Development Plan (NSDP), the Vision 2020 and the Financial Sector Development Strategy (FSDS). The NSDP comprises six strategic pillars¹ and the development of key infrastructure is the most relevant to this project. The non-availability of digital infrastructure is considered as a key constraint inhibiting Lesotho’s social development and economic growth. The Phase II project is in line with the overall objective of the Bank’s Country Strategy Paper (CSP-Lesotho) 2013-2017 extended up to 2019, which aims to achieve sustainable development through enabling state-of-the-art digital infrastructure. The project is also in line with the following pillars of the Bank’s High 5s: Industrialisation - through the promotion of a digital industry and Improve quality of life - through the widespread access to broadband and use of digital financial services.

¹ The six pillars are: (i) pursue inclusive growth; (ii) develop key infrastructure; (iii) enhance skills base, technology adoption and foundation for innovation; (iv) improve health, combat HIV and AIDS and reduce vulnerability; (v) reverse environmental degradation and adapt to climate change; and (vi) promote peace and democratic governance and build effective institutions.

1.1.4 Digital financial services need a solid, state of the art undelaying digital infrastructure above which the digital services will be provided. However, in addition to the infrastructure, digital financial services require a supporting ecosystem to unfold their power. A thriving digital financial services sector is dependent on the performance of various stakeholders in the value chain, including mobile money agents with enough liquidity, merchants that accept digital payments and customers that have basic digital finance skills. Further, there is a need for a supportive legal and regulatory framework that keeps up to the new developments in digital financial services. Subsequent to the foregoing, this phase II of the eGovernment project will strengthen the digital infrastructure through the extension of broadband connectivity to the rural areas and provide the National Electronic Payment Switch and eGovernment ePayment gateway; strengthen the digital payment ecosystem which will include development and management of ePayments agents, enhancement of the Electronic Payment Policy and capacity building in digital financial services.

1.2. Rationale for Bank Group's involvement

1.2.1 As a significant potential co-financier of digital infrastructure in Lesotho, without AfDB's involvement, Lesotho's economic and social transformation into a digital economy will be difficult to achieve. AfDB has already financed the Phase I eGovernment infrastructure project which invested USD 12,825,000 in deploying fibre connectivity and extending mobile coverage to rural areas. As such, this Phase II project is considered a natural progression of the Phase I project to further extend mobile coverage and extend fibre connectivity supporting its digital transformation. Further, including the development of the ePayment ecosystem into the Phase II project will drive financial inclusion supporting economic growth and development.

1.2.2 This Phase II project is expected to boost jobs and economic productivity in Lesotho. According to the AfDB's Private Sector Development Strategy the poor state of Africa's electricity, water, road and information and communications technology (ICT) infrastructure imposes high costs on industries, reduces competitiveness, and restricts access to local and international markets. In doing so, it reduces national economic growth by two percentage points every year, and cuts business productivity by as much as 40 percent. This Phase II project is expected to support 232 new direct jobs and over 3000 indirect jobs because of additional investment in digital infrastructure. It is also expected to increase economic growth by USD 10 million (0.38%) by 2032 due to network expansion and social impact as a result of investment in digital infrastructure in unserved areas.

1.2.3 The Bank Group's experience in implementing e-Government initiatives in Africa puts it in a position to oversee effectively implementation of digital infrastructures and promotion of usage of digital services including e-payments. In addition, the Bank is implementing a UA 57.25 million project to support the implementation of the "Digital Tunisia 2020" National Strategic Plan. The project supports the establishment of the main ministerial information systems (IS) that covers e-finance, e-justice, e-local government and platforms that guarantee an e-government interoperability, public e-cloud and the Government intranet. The strengthening of digital infrastructure and ePayment services in Lesotho is, therefore, well within the expertise the Bank Group already has, and this will ensure that the project's development outputs are met.

1.3. Donors coordination

1.3.1 Donor development strategies in Lesotho are generally aligned with the Government's priorities. The Development Partners (DPs) hold quarterly aid coordination forums with the Government. Since 2014, the sector working teams have been made responsible for aid coordination through a memorandum of understanding between the Government of Lesotho and development partners (DPs). These teams are meant to improve efficiency towards a more

synchronized approach to delivering aid. Further, the introduction of a Public Sector Investment Database (PSID) at the Ministry of Development Planning has also enhanced monitoring and sharing of information related to progress on projects and programs and promoted transparency and accountability of project funds.

1.3.2 The World Bank (WB), African Development Bank, United Nations Development Program (UNDP), Millennium Challenge Corporation (MCC) and FinMark Trust (FMT) are the few Development Partners that are active in the development of ICT in Lesotho. In ICT infrastructure development, the International Telecommunications Union (ITU) has funded the deployment of broadband wireless networks to deliver free or low-cost digital access for schools and hospitals, and for underserved populations in rural and remote areas. The Lesotho Millennium Development Agency (LMDA), the local MCC wing in Lesotho is at the forefront in harnessing emerging digital technologies in the health sector, to deliver health-related information that is secure, user-friendly, innovative and effective means to the government's health sector spread throughout the country. LMDA implements a Local Area Network, which will link up the centre to the National Health Information System. The provision of internet access and payment of the bandwidth is the responsibility of the Ministry of Communication, Science and Technology. In cases where there is no mobile network and fibre network LMDA may provide a satellite link. During the protect appraisal mission, it was revealed that at Thaba Tseka district where the fibre link is planned to reach through phase II project, there are sixteen health centres which already have LAN installed but it is only four that are linked to the national broadband network and one of them is through a satellite link. LMDA indicated that they would be willing to purchase bandwidth for a long period of time (up to 5 years) when the fibre link reaches Thaba Tseka. Through discussion with the Government and the Regulator, there are no other Development Partners besides the AfDB, ITU and LMDA that is supporting the roll-out of high availability fibre and mobile tower infrastructure to rural areas in Lesotho.

1.3.3 In the digital services space, the key Development Partners supporting its development in Lesotho are WB, UNDP and FMT. FMT is an independent non-profit trust with its headquarters in South Africa, whose purpose is making financial markets work for the poor, by promoting financial inclusion and regional financial integration. The other important player in the field is the Lesotho Association of ePayment stakeholders (PAL), which is working closely with the Development Partners to complement the Central Bank of Lesotho and the Ministry of Finance's efforts to develop and promote the development of digital financial services in the country. The Development Partners have adopted a multi-sectoral approach that brings all stakeholders on board with a view to driving financial inclusion to the unbanked citizens of Lesotho. UNDP has particularly supported the government in its initial efforts to digitize cash payments and in the establishment of the Lesotho Financial Access point database. The Development Partners in collaboration with the GoL have undertaken a study on Cost-Benefit Analysis for Digitising Government Payments. The UNDP is cognisant of the Bank's efforts to harness synergies to drive financial and digital inclusion.

1.3.4 The World Bank is currently supporting the Ministry of Home Affairs through ID for Development project, which includes support for pricing models for identification services and digital payments. The IDs system being developed is not platform based but deals with individual agencies. WB is also moving forward with a digital economy diagnostic for Lesotho given that the country is a target country under the African Union/World Bank's digital economy moonshot initiative for Africa. The diagnostic will look at digital infrastructure, digital platforms, digital payments, skills and entrepreneurship. The diagnostic will be used to inform a potential program. The WB team in Lesotho held several discussions with the Bank's project team and other

Development Partners in order to have a coordinated effort in supporting the development of ICT in Lesotho.

II – PROJECT DESCRIPTION

The objective of the project is to drive digital finance and financial inclusion by improving access to reliable digital services particularly among citizens living in rural and unserved areas. The aim is to provide access to a diverse range of financial products and services for individuals as well as small, medium and large businesses through the expansion of digital infrastructure and services, which will lead to creating jobs, and contributing to Lesotho’s economic growth. Specifically, the project shall: increase data enabled coverage in rural and unserved areas; improve financial inclusion among unbanked citizens in Lesotho by developing digital payment infrastructure and strengthening digital services ecosystem and improve government skills to oversee and implement ICT initiatives.

2.1. Project components

Table 2.1: Project Components

Component	Component Description
<u>Component 1:</u> Increase broadband coverage in rural and unserved areas	The component will include (a) support the construction of 48 mobile sites with the support of USF (25%) and ADF (75%) to achieve 99.6% population coverage improving 4G coverage in rural and unserved areas of Lesotho (b) and support the completion of a 96km OPGW fibre network from Roma (Maseru) to Thaba-Tseka thus improving the quality of service experienced by end users in Thaba-Tseka when using mobile data services.
<u>Component 2:</u> Strengthening of Government Digital Services	This sub component will includes (a) support the overall design, renovation and equipment of 40 locations identified in collaboration with the Lesotho Post Office. The offices will be provided with Local Area Network (LAN) and internet connectivity. The common services centres will house Government ministries and agencies that provide eServices, Lesotho Post Bank, Lesotho Post’s call centre services; (b) development of a Rural Community Payment Agent Network (RCPAN) in the district of Leribe and Berea on a pilot basis. The implementation of RCPAN will be undertaken by Lesotho Post Bank’s (LPB) which is 100% government owned. It is a financial services provider founded to bring banking services to under-banked and unbanked citizen; (c) enhancement of the Electronic Payment Policy and Regulation that will be favorable policy and regulation for e-payments (d) implementation of a National electronic Payment Switch which will support financial interoperability (e) development of a Government Electronic Payment Gateway (GePG) for eServices (f) The e-Parliament solution in this project will include the digital transformation of the preparation and execution of the legislative procedure from paper to paperless, enabling access to rich, contextual information to everyone involved in parliamentary process.
<u>Component 3:</u> Capacity Building and Project Management	This component will provide staff development skills in areas relating to ICT infrastructure and eServices. The component will also support the operations of the project implementation units. The areas that will be considered for training and technical assistance include: USF models and IRU contract management, e-waste, ePayment agent management; eParliament models and technical skills; financing digital infrastructure, support of organization of annual national forum on eProcurement and the use of digital payment to fight corruption.

2.2. *Technical solution retained and other alternatives explored*

The rollout for Phase II project specifies a combination of 3G and 4G technology to allow for feature phones as well as smartphones to access the network capacity for voice and broadband data service. This ensures far greater inclusivity as well as access to high throughput technology where and when required over the life of the site. The Rural Star concept provides lower coverage and the mast may prove to be too lightweight for the challenging deployments in the mountains of Lesotho. At present VCL uses Huawei BTS and ETL uses ZTE. Most 4G suppliers do have a rural solution but it is unclear if ZTE have an effective one – as ETL is very cautious about its applicability in Lesotho. VCL are testing this solution (Huawei RuralStar). MTN Group recently deployed several such sites across Africa in a multinational trial and managed to keep capex costs below USD 100,000. For smaller coverage areas, especially if limited by terrain, then this may prove to be a very effective solution. Provision has been made in this USF rollout for use of this type of BTS site because it may allow more than one site to be deployed for less than the cost of a full high spec rural mast deployed before. However, the USF budget for site rollout was based primarily on a mix of full specification masts and some smaller masts, depending on location, access etc. The USF budget will require operators to consider appropriate solutions to reach smaller communities effectively.

Table 2.2: Project alternatives considered and reasons for rejection

Alternative name	Brief description	Reasons for rejection
2G-GSM Technology	2G-GSM is a second-generation wireless technology used for voice calls and low data rate services.	At the beginning of Phase I of the eGovernment project, USF only required MNOs to provide 2G-Global Mobile Technology service to rural sites built under its subsidy. 2G technology is limited in data usage. USF now requires 3G technology and above. Huawei have developed a RuralStar base station solution which provides 3G and 4G rural sites in an optimised configuration i.e. shorter mast which carries antennas as well as solar panels i.e. a self-contained site. Huawei claim a capex saving of up to 70% over macro site configurations. RuralStar also uses 4G as a backhaul technology.
Use of existing ETL fibre route to Thaba Tseka.	ETL already have a fibre route to Thaba Tseka and provide selected entities with service. It could be possible to purchase an existing pair or two for an open access network to be deployed.	ETL have struggled in the past with their own pole-mounted ADSS fibre solution deployed along the road. Their network has been subject to vandalism and is subject to poor weather maintenance issues. It is highly unlikely that ETL would be prepared to provide dark fibre connectivity to an independent third party, which would then compete for business where it already has fibre routes installed. This solution is impractical and offers much lower reliability than OPGW on the LEC network.
Construction of Rural service Centres	It is possible to construct new rural service centres from scratch.	This solution would require further investigation from the point of view of location and support. The Post Office deployment of rural digital service centres is far more cost effective as more can be rolled out (up to 40) within existing buildings, many of which have telecom access and have the required electric connection and security in place. Refurbishment of Post Office facilities will provide a secure digital access facility in a much shorter period than building a limited set of rural service centres independent of existing infrastructure.

2.3. *Project type*

This is a stand-alone operation, financed by ADF loan. There is no Government policy yet on ICT projects to be financed through sector budget support.

2.4. Project cost and financing arrangements

2.4.1 The total project cost net of taxes and customs duties is estimated at LSL 231.88 million (USD **17.53** million or UA 12.63 million), of which UA 10.18 million (i.e. 80.61%) is in foreign currency and UA 2.45 million (i.e. LSL 47.53 million – 19.39%) is in local currency. The foreign currency is from ADF Loan (UA 10.11 million) and ADF Grant (UA 0.07 Million). Component 1 on construction of 48 mobile sites will be financed by the Universal Service Fund (25%) and ADF (75%). The project costs have been estimated with the assistance of an independent technical expert and in consultation with the Ministry of Communications, Science & Technology, which is responsible for ICT development in the country. The budget includes physical contingency of 3% and price contingency of 2%. The project is expected to be implemented over a four-year period. Table 2.3 shows the summary of the project budget.

2.4.2 **Utilisation of cancelled resources for 2018 for Lesotho;** Part of the ADF resources for the Project i.e. Grant of UA 0.072 million; and Loan UA 0.011 million come from cancellations of the Country ADF 14 as of 31 December 2018. Lesotho according to the ADF 14 country classification and financing terms for 2019, is categorized as a gap country (green) and not eligible for ADF 14 grants. However, the Cancellations Policy and the ADF 14 Operational Guidelines provide that countries may reuse cancelled resources in their original form (loan or grant) and the Board waiver may be requested if a country with high risk debt distress wants to use cancelled loans. As of 2019, Lesotho is categorized as a low risk country and can therefore utilize the UA 0.072 million from the cancellation resources in its original form of a Grant.

Table 2.3: Summary of Estimated Project Costs (UA million)

Component	Bank Contribution	Govt Contribution	Total	Percentage
1- Extension of Rural Broadband Connectivity	5.12	1.55	6.67	52.8
2 - Enhancement of Government Digital Services	2.94	0.52	3.46	27.4
3 - Project Management and Capacity Building	1.62	0.26	1.88	14.8
Base Cost (USD)	9.68	2.34	12.01	
Physical Contingency (3%)	0.30	0.07	0.37	3%
Price Contingency (2%)	0.20	0.05	0.25	2%
Grand Total UA	10.18	2.45	12.63	
Percentage Contribution	80.61%	19.39%	100%	

Tables 2.4 and 2.5 below show the tentative projection of budget and funding by period of implementation of this 4-year project. The exact timing of each component spending is subject to subsequent review and detailed design of the project. Project costs by category for the ADF Loan and Grant are shown in tables 2.6.-2.7 below. Technical Annex B2 provides detailed cost estimates.

Table 2.4: Project Cost Estimates and Funding by Period (UA million)-ADF Loan

Component Description	2020	2021	2022	2023	Sub-total
ADB Contribution					
1 Extension of rural broadband connectivity	2.11	1.64	1.64	0	5.39
2 (Enhancement of government digital services)	1.10	0.85	0.85	0.28	3.09
3 (Project management and capacity building)	0.34	0.43	0.43	0.43	1.63
Total	3.55	2.92	2.92	0.72	10.11

Table 2.5. Project Cost Estimates and Funding by Period (UA million)-ADF Grant

Component Description	2020	2021	2022	2023	Sub-total
ADB Contribution					
(Project management and capacity building)	0.07	0	0	0	0.07
Total	0.07	0	0	0	0.07

Table 2.6. Summary of Project Costs by Category of Expenditure (UA million) ADF Loan

Category	Amount	% of Total Cost
Goods	6,38	63,11
Works	2,11	20,87
Services (Consulting and Non-Consulting)	1,19	11,77
Operating Costs	0,43	4,25
Total	10,11	100,00

Table 2.7. Summary of Project Cost by Category of Expenditure (UA Million) ADF Grant

Category	Amount	% of Total Cost
Goods	0.07	100
Total	0.07	100

2.5. Project's target area and population

2.5.1 The GoL established the Universal Service Fund to manage the expansion of service into rural communities across all 10 districts of Lesotho with the objective of providing access to voice and broadband service where this would otherwise not be commercially viable. The USF has been active in this expansion since the 2009/10 and appears to have been largely successful in deploying USF funds collected into the rural rollout programme. Up to March 2019, the USF has facilitated the establishment of 59 rural sites covering 7% of the population (almost 158,000 people in rural communities). A further 4 rural sites are under construction by VCL (as part of their licence obligations) which will take this to 7.4% and 168,000 rural people – with 1033 identified villages being provided with telecommunications service. This is a particularly impressive achievement, considering that the USF has managed to do this within the constraints of its limited budget – obtained from 1.5% of operator annual revenue. There remain some communities which are not yet covered – and these are very remote and expensive to cover. The GoL is determined to extend service (particularly broadband service) to these communities too. The population coverage is around 97% at present. The problem faced by the USF is that the cost to reach these sites in increasingly remote and smaller communities is significant and exceeds its means to cover in 4 years. Sixty-three (63) sites have built in 11 years and this new objective requires a further 48 sites to be built. The overall population penetration due to the USF rollout of 48 sites will increase by 2.7%, taking overall population penetration to around 99.7%.

2.5.2 Phase 1 of the eGovernment project had a fibre infrastructure component which provided a high capacity fibre service (100Gbps) between GoL data centres in Maseru and Mohale's Hoek. This service was successfully delivered by Comnet Lesotho (Ltd) on the back of Lesotho Electricity Company (LEC)'s upgraded OPGW fibre network. Phase II of the project is costed on the basis of fibre expansion on LEC 33kV line which runs from Roma substation to Thaba Tseka substation via Molimo Nthuse and Mantsonyane substations. Roma substation is connected to the LCA Internet Exchange Point (IXP) in Maseru which is expected to be the best way of servicing the route. The addition of this component into rural broadband infrastructure expansion is to ensure that all operators (large and small) have opportunity to provide reliable connectivity for digital services meant for schools, teacher training college, agricultural training college, hospitals, and other institutions located in Thaba Tseka district.

2.6. Participatory process for project identification, design and implementation

2.6.1 In line with the Bank's practice of ensuring inclusiveness in project preparation, Phase II project scope was informed by a thorough engagement with key stakeholders. Most of the public consultations were undertaken during the three pre-investment studies, which covered rural broadband infrastructure, ePayment assessment, and ESIA studies carried out from September 2018 to April 2019. Additional public consultations were held during the project preparation and appraisal missions. The main objectives of these consultations were to: (i) solicit public views, concerns and potential benefits with respect to the proposed project components; (ii) identify and prioritize key activities of the project; (iii) collect relevant information for the project design. The consultations categories included local residents and businessmen in targeted villages; local authorities consisting of chiefs and councils in the areas that are responsible for the administration and development of the stipulated villages; telecommunications service and network providers, and government officials.

2.6.2 As part of the preparation of the ESIA, ESMP and RAP reports, the consultant held consultations with all key relevant stakeholders including government agencies, municipal assembly officials, and ten public gatherings (Lipitso) which involved more than 729 persons from rural areas. In addition, the two consultants on broadband infrastructure and ePayment engaged with government and private stakeholders as well as entities that have deep insight and experience in addressing digital infrastructure and digital financial services needs in the rural communities within Lesotho. More than 30 interviewees from 10 organizations, comprising regulators, ministries, government agencies, and private-sector stakeholders, were consulted during the period of the assignments. Discussions regarding appropriate levels of technology and service stability and sustainability were held. The USF was clearly well-organized and well managed and was able to provide details on previous experience with the rollout of 63 existing sites covering 1033 villages across Lesotho. Further to this, the market players were engaged regarding the contracting model and the targeted focus areas for this project – especially with regard to Component 1. The public consultation process revealed that communities are in great need for digital services and would highly appreciate the implementation of the project. The communities were even willing to give up part of their land for the project infrastructure where necessary and put in place measures for the protection of the infrastructure.

2.6.3 Much as stakeholders appreciate the project, they also had concerns which are inter alia listed below: (i) need to reinforce bandwidth transmission reliability at key central transmission hubs; (ii) cumulative impact in areas where there are other construction projects that will be implemented at the same time such as the Lesotho Highlands Water Project phase 2 in Thaba-Tseka and Mokhotlong (iii) Employment of unskilled and semi-skilled labour from neighboring

communities during implementation; and (iv) management of electronic waste. The project has incorporated specific design features to address all the above concerns raised by stakeholders. These include: (i) extending the fibre network (dark fibre) from Mantsonyane substation (on the Roma – Thaba Tseka route) to a key radio transmission site called Ha Nyane which will benefit both mobile networks in Lesotho; (ii) Contractors will develop waste management plan for management of waste including e-waste that may result from renovation works under component 2; (iii) The Executing Agency (MCST) will ensure that this participatory process and public consultation is maintained during implementation. The Bank also draw lessons from Development Partners through consultations with World Bank (WB), United Nations Development Program (UNDP), Millennium Challenge Corporation (MCC) and FinMark Trust (FMT), which are the few Development Partners that are active in the development of ICT in Lesotho.

2.7. Bank Group experience, lessons reflected in project design

2.7.1 The Bank Group support to Lesotho remain focused on two strategic pillars comprising Infrastructure Development (Pillar I) and Institutional Capacity Building (Pillar II). These are areas of Bank’s comparative advantage where it has developed experience and expertise to add value in terms of development impact on the African continent. The Bank Group’s ICT intervention in Lesotho dates back to year 2001 in a joint Public Utilities Sector Reform Programme which aimed at improving Lesotho's international competitiveness by restructuring the Lesotho Electricity Company, promoting private sector participation, reinforcing the reform of the telecommunications sector as well as the development of an effective regulatory framework to oversee activities in the public utilities sector. The programme cost was USD 39.4 million. Bank Group contributed USD 8.6 million while the GoL and World Bank Group contributed the rest. The early support resulted in building independent, innovative and dynamic utility agencies such as the Lesotho Communications Authority, Universal Service Fund and the Lesotho Electricity Company with outstanding records in the region.

2.7.2 In 2013, AfDB embarked on the USD 12,825,000 eGovernment Infrastructure project. A significant component of the project was on deploying the eGovernment broadband infrastructure in the rural areas jointly funded with the USF. The funding subsidised the capital cost of constructing the passive network elements including site acquisition, construction of the access road, site and ground works and the cost of building the tower structure. Other components were the deployment of eGovernment services through a national portal, construction of a data centre and skills development. The Project’s major deliverables have substantially been achieved and the project remains on course to achieve the Development Objective. The overall project implementation rate has reached 80% as at the end of first quarter 2019. The Project’s major deliverables have substantially been achieved, while some outstanding activities have reached advanced stage with a completion timeline of four months. Overall, the project’s outcome rating is good which has contributed to the improvement of the overall country portfolio performance from 2.7 in 2017 to 3.0 on as at 31st March 2019 (in a scale of 1-4, with 1 being highly unsatisfactory and 4 highly satisfactory). The project remains on course to achieve the Development Objective within its agreed timeframe and resources. The lessons learnt from the implementation of the eGovernment project and other operations in Lesotho as confirmed by the recent Country Portfolio Assessment Review include the need for more involvement of Government in project preparation and supervision as one of the most effective ways of enhancing Government’s ownership and improving the quality at entry of projects. Others include the establishment of effective Project Steering and Technical Committees oversight. Further, there is a need for adequate incentives to be provided to the project staff who at the same time perform key government functions. The incentives will help address the problem of staff mobility caused by frequent transfers and brain drain. These lessons have been considered in the design of the project.

2.7.3 Further, the Bank Group’s experience in implementing eGovernment initiatives in Africa puts it in a position to oversee effective implementation of digital infrastructures and promotion of usage of digital services including e-payments. In addition, the Bank is implementing a UA 58 million digital project in Tunisia. The strengthening of digital infrastructure and ePayment services in Lesotho is well within the expertise the Bank Group already has and this will ensure that the project’s development outputs are met.

2.7.4 Other lessons learnt from implementing these projects include the need to have partnership agreements with the private sector to increase opportunities for new businesses in the country. In addition, there is a need for a detailed schedule of requirements prior to project implementation. This has been considered in the design before the implementation of this project.

2.8. Key performance indicators

2.8.1 The indicators proposed to monitor the implementation of the eGovernment infrastructure Phase II are: National Economic growth indicators (GDP); Outcome indicators: (i) broadband penetration rates, (ii) number of digital services, (iii) % increase of eTransactions; Output indicators: (i) number of mobile towers constructed in rural areas, (ii) km of fibre cable constructed, (iii) network speed improved (Mbps) (iv) number of common service centres established (v) number of ePayment agents recruited and operational (vi) number of ePayment Switches; gateway and eParliament installed; (vii) number of training programmes held and individuals trained (viii) number of policies and regulations developed

2.8.2 The preliminary assessments undertaken on the status of the rural broadband connectivity, ePayment in Lesotho, the study on Cost-Benefit Analysis for Digitising Government Payments in Lesotho and the country’s Universal Access Programme provided acceptable baseline data. The data to access output and outcomes indicators will be collected and analysed by the Monitoring and Evaluation experts at the Ministry of Development Planning.

III – PROJECT FEASIBILITY

3.1. Economic and financial performance

Table 3.1: Key Economic and Financial Indicators

EIRR (base case) 45%	ENPV USD 10.8 million @ 10% discount rate
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NB: detailed calculations are available in Annex B7

Economic Benefits: Each of the project components are linked so as to ensure that economic effectiveness and efficiency can be achieved. The USF rollout has at its heart in the extension of voice and broadband services to isolated rural communities. Not only will the implementation of the project provide economic opportunities for local communities, but it will open up opportunities for economic development and growth in each community. Based on estimates for national economic growth (GDP) related to ICT (broadband) penetration, it can be expected that the 1.54% increase in national broadband penetration will result in a GDP increase of 0.35% by completion of the project (2024). This renders an increase of USD 10 million over 10 years based on a National GDP of USD 2.639 billion (World Bank, 2017 estimate). This estimate excludes the economic impact of the OPGW and ADSS installations which will enhance the economic growth in Thaba

Tseka area specifically as well as the knock-on effect of higher telecommunications availability (due to Ha 'Nyane backhaul over fibre).

3.1.2 Economic sustainability. The project activities will create jobs and economic impact as a result of the investment in digital infrastructure. Based on the investment in mobile and fibre infrastructure it is estimated that a total of 238 network construction direct jobs and 3000 indirect jobs will be supported throughout the duration of the project.

Table 3.2: Stakeholder Impact Assessment (Present Value, USD)

Component 1 Benefits	NPV	Component 2 benefits	NPV
USF Site rollout		Rural payment agency network	\$ 1,129,635
Operator benefits - Accelerated rural rollout		National Payment switch	\$ 1,806,993
Accelerated USF rollout	\$ 1,203,631	GoL electronic payment gateway	\$ 1,806,993
LEC Benefit	\$ 689,685	Digital service centre - Post office x 40	\$ 2,317,647
Operator benefits (OPGW-ADSS-BW)		eParliament system for Lesotho	\$ 266,319
Cost reduction for OPGW-ADSS-BW	\$ 1,589,913		NPV
Availability improvement	\$ 3,777,778	GoL Financial contribution Component 2	\$ -622,730
National BW	\$ 58,593	ADB financial contribution Component 2	\$ -3,514,636
		Net for Component 2	\$ 3,190,221
Direct Community earnings benefit		IRR for Component 2	28%
USF Rollout support	\$ 460,299		
Ongoing support to operators	\$ 746,323	Component 3 benefits	NPV
		Capacity building is essentially in support of components	
		However some benefits continue as a legacy in terms of entrepreneurship	
Economic contribution of USF rollout via Broadband penetration increase		Conservative estimate of value	\$ 2,326,923
Lesotho GDP (USD 2.639 Bn)			NPV
Increase in BB penetration 1.52%		GoL Financial contribution Component 3	\$ -307,962
WB estimate of 2.29% per 10% increase in BB penetration	\$ 7,481,907	ADB financial contribution Component 3	\$ -1,866,532
		Net for Component 3	\$ 152,429
	NPV	IRR for Component 3	12%
GoL Financial contribution Component 1	\$ -1,883,832	AfDB Loan Cost to GoL	\$ -411,279
ADB financial contribution Component 1	\$ -6,253,475		NPV
NPV for Component 1	\$ 7,870,823	Total AfDB Phase II ENPV benefit: Components 1, 2 and 3	\$ 10,802,193
IRR for Component 1	102%	IRR for Component 1, 2 and 3	45%

3.1.3 A number of sensitivity tests were undertaken. The estimated economic viability has several dependencies – such as the rate of 3G and 4G adoption, the ability of operators to roll out the USF sites within the 3 year period, the ability of operators to provide access to suitable mobile broadband content and pricing models, and also the ability of GoL to develop suitable eGovernment and other applications to stimulate economic activity and ease administrative burdens. The slower rollout of 3G/4G, and delays in the implementation of eGovernment and ePayment services will likely have an impact of up to 20% of the NPV.

3.2. Environmental and Social impacts

Environment

3.2.1 The environmental category of the project is rated 2 since the project has only minimal site-specific impacts expected from the expansion of mobile coverage to rural areas, localised at only the sites where the construction of 48 mobile sites/masts will be installed and the rehabilitation of service centres. It is not expected that other components of the project will generate any negative impacts, and these include; the establishment of a national electronic Payment System the extension of fiber networks from Roma (Maseru) to Thaba-Tseka, the rollout of eService centres and the capacity building and skills development. This assessment was confirmed on the appraisal mission in consultation with the Lesotho Department of Environment.

The assessment is also in compliance to Lesotho Environmental regulatory framework specifically the Environment Act of 2008.

3.2.2 The site-specific environmental and or social impacts likely to occur as a result of installation of telephone masts and refurbishment of the service may include impacts on the air ambience, aesthetics, flora, fauna and may require land to be taken. In addition, promoting technology through increased access may result into additional impacts from e-Waste which may not be directly part of the project's area of influence but is equally important. e-Waste is likely to result from increased usage of various IT equipment such as computers, laptops, networking devices, cables, power adapters; household appliances like televisions, telephones, mobile phones etc. due to improved connectivity and access. In addition, with increased focus on access to ICT in Lesotho, the country does not have a policy or guidelines to manage e-Waste in the country. Therefore, the project's capacity building component includes a provision to support the management of e-Waste. The proposed activities include; (i) Development of an e-Waste Policy and guidelines (ii) support the Ministry of Tourism Environment and Culture with knowledge and skills to manage e-Waste through training (iii) National e-Waste Awareness Campaign (iv) the rehabilitation of the identified service centres to include e-Waste collection facilities to compliment the facilities already on a pilot basis in Maseru.

3.2.3 As required by the African Development Bank, for category 2 projects, an ESMP has been prepared that specifies a series of appropriate mitigation and enhancement measures to be implemented during the various phases of the project. The ESMP was published on the Bank website for a period of 30 days from 27 May 2019 before the project is presented to the Board for approval.

Climate change

3.2.4 The preliminary climate change risk of the project, as per the Bank's safeguard tools, was categorized as **Category 3 project**. This categorization was confirmed on the appraisal mission, meaning the project poses no adverse climate impact but recommends consideration of adaptation measures to enhance climate resilience. The country experiences distinct climate variations with high to moderate summer and below freezing winter periods with temperatures varying from -10 degrees in winter to +30 degrees in summer. Rainfall periods are predominantly from October and April, which include severe lightning and periodic flooding in built up areas such as Maseru and Roma. These climate considerations are necessary to acknowledge with regards to impact on project equipment which can cause potential down-time in services. Maintenance resources will be an important mitigation measure to ensure services are restored and equipment down-time is reduced.

3.2.5 The project services will also impact on the sustainable livelihoods of communities through the access to efficient technology services, which is a clear adaptation benefit identified. An associated climate risk is access to electricity for efficient use of the eGovernment services, where Lesotho is considered to have one of the lowest energy access rates in Africa, despite its abundance of water resources to produce hydropower. Site specific adaptation measures will include: capacity building of communities that will benefit from the project to make use of the e-Government services to better respond to climate risks; in terms of early warning systems to communicate potential climate disasters to communities. In terms of institutional capacity, institutional policy support for the development of an e-Waste strategy and regulations is recommended, since government does not yet have such measures in place and the project will directly impact on e-Waste over its lifespan. There is an Integrated Waste Management Program already supported by UNEP, which can be used as a basis for the e-Waste policy development.

Gender

3.2.6 Lesotho is one of the few countries with a reverse gender gap in favour of women. However, emphasis will be given to women in the operation and service provision of the rural eService centres as they are less mobile and need to be empowered - 70% of those attending the eService centres in rural areas are expected to be women. Women will also benefit from component 1 - using mobile phones in rural areas will allow them to access information and government services. The rural areas proposed by component 1 comprise a population of 52,000 people benefiting both men, women and children. Based on the Gender Marker System, this project has been rated as a category IV. Category IV projects; assumes that the project has no gender elements of any kind, this Category allows minimal attention to gender, is predicated on the assumption that there are very few, if any, operations that provide no opportunity whatever to address gender concerns. Under this category, one or more of the project's activities may be gender-focused, but these are not central to the achievement of project objectives. Targets related to these activities are sex-disaggregated or, where sex-disaggregation of data is not possible, are considered to be gender-relevant, depending on the specific sector and the nature of the project. There will be no anticipated negative gender impacts or gender-based risks to the project implementation. During project implementation, the implementing agency will ensure more women are participating and benefiting from the project despite the project being a category IV.

Social

3.2.7 The eGovernment project is expected to increase access to the Internet at reduced costs therefore improve communication for the people living and working in rural areas in Lesotho. This will no doubt have a multitude of positive and significant impact on the economic development of rural Lesotho by improving the business environment in rural areas. Improved access to ICT is expected to facilitate access to market and business information, bring financial services literally to the hands of rural consumers, helps local communities organise and link themselves, and, through the connection with others, exchange know-how and ideas. It is also anticipated that better communication will also play a significant role in promoting entrepreneurship and economic progress in rural areas, contributing to improve the competitiveness of agriculture and the quality of life.

3.2.8 The design of the project and planned activities will not create an environment that will trigger increased risks to any specific communicable diseases, such as HIV/AIDS. However, the increased access to the internet is expected to boost the capability of health service providers to access information and manage health data more efficiently across the different health spectrums in the country.

Involuntary resettlement

3.2.9 There are no assets, social infrastructure and livelihoods affected or displaced by the project activities. The project will develop radio sites which occupy small parcels of grassland measuring a maximum of 15m x 12 m that will be released by the eGovernment Infrastructure Phase II Project beneficiary local councils. If this shall require occupying private land, the project shall purchase this on a willing-buyer-willing seller basis.

IV – IMPLEMENTATION

4.1. Implementation arrangements

4.1.1 The project will be implemented for four years (2019-2023). The implementation of the project will use existing government structures currently implementing ICT projects. The MCST will be the Executing Agency (EA) owning the responsibility for the overall delivery of the project and will host the Project Management Unit (PMU). The Executing Agency will delegate the day-to-day management and implementation relating to component-1 of the project on the Extension of rural broadband connectivity to the Universal Service Fund (USF). The USF has the mandate of managing the accounts of the Fund, provide technical and logistical support of providing access to broadband service in rural areas. The USF has been active in this expansion since the 2009. Under this project USF will manage the procurement and contract of the rollout of mobile base stations to 48 sites and extension of fibre over power line to Thaba-Tseka. The activities for the rest of the components including the related procurements will be undertaken by Executing Agency –MCST through the PMU.

4.1.2 The project’s overall Financial Management (FM) responsibility will however, be handled within the FM structures of the Executing Agency, the MCST through the PMU. The PMU will comprise three core project staff (Project Coordinator, Accountant and Procurement Expert) who will be engaged by the project based on performance contract by the project. The project’s core staff will be supported by a Team Assistant and a Driver. The PMU skills will be complemented through technical assistance for special areas such as specifications of National Payment Switch and National ePayment gateways.

4.1.3 **Monitoring:** The project will receive technical guidance from the Technical Committee (TC) and policy and strategic guidance from the Project Steering Committee (PSC) comprising Principal Secretaries of participating Ministries. The Project Steering Committee (PSC) comprising Principal Secretaries (PSs) of MCST, MoDP, MoF and Governor CBL which will be chaired by the PS (MCST) will be responsible for the overall project oversight, policy guidance, and aligning the project with other donor funded projects. The Technical Committee (TC) comprising Director General-ICT, MCST (Chair); Post Master General; Director(s) MoDP; USF Executive Secretary; Deputy Accountant General, Director(s) MoF, Director of Operations CBL, Chairperson of the Payment Association of Lesotho (PAL) and Project Coordinator (Secretary) will provide technical inputs; review work plans, budgets and project’s progress reports. The EA will develop communications and knowledge management strategy; undertake awareness activities including capacity building for stakeholders and other targeted users; undertake monitoring and evaluation activities. Details of implementation arrangements are presented in Technical Annex B3.

Table 4.1: Key Project Milestones

Activity	Responsibility	Target Date
Environmental and Social Management Plan	GoL	27 May 2019
Loan and Grant Approval	GoL/AFDB	17 October 2019
Signing and effectiveness of Loan and Grant Agreement	GoL/AFDB	December 2019
Conditions precedent for entry into force and first disbursement met	GoL	January 2020
Launching mission	GoL/AFDB	February 2020
First Supervision Mission	AFDB	August 2020
Mid-Term Review	AFDB/ GoL	October 2021
Project Completion date	AFDB/GoL	31 December 2023
Closing Date	AFDB	30 June 2024

4.2. Financial Management and Disbursement Arrangements

4.2.1 Financial Reporting: The overall conclusion of the FM assessment is that MCST's capacity to handle the FM aspects of the project satisfies minimum requirements as per the Bank FM guidelines. The overall Financial Management (FM) responsibility for the project shall be handled within the FM structures of MCST, the Executing Agency (EA). The day to day activities of FM shall be managed by an experienced project accountant who shall be a member of the Project Management unit within MCST. The head of Finance in MCST shall provide guidance to the project accountant in all aspects of FM for the project including accounting, financial reporting, and disbursements. The overall responsibility for financial management (including budgeting, accounting, payments, internal controls, transactions processing, interim and annual financial reporting) will rest with the project accountant under the technical supervision of the Financial Controller, MCST (the head of the Finance Department). The project accountant will in addition report administratively to the project coordinator. The finance expert who will be the project accountant together with the procurement expert and project coordinator will form the Project Management Unit (PMU) based at MCST. The budget system (from formulation, execution, monitoring, and reporting) was found to be satisfactory therefore the proposed project will make use of the current budget system. The MCST through the PMU will coordinate with the Universal Service Fund (USF) who will take lead in day to day implementation of Component 1. The PMU will be receiving all invoices and process approval from a central position upon endorsement by USF for the specific activities under Component 1. The PMU shall be required to prepare Annual Work Plan and Budget for approval internally before submission to the Bank for no objection. The current internal control environment has been assessed and found to be strong and reliable to support the implementation of the proposed project.

4.2.2 Audit Arrangements: MCST has experience in managing Bank-funded projects including the ongoing eGovernment Infrastructure project phase one. Lessons learned from the ongoing project have been incorporated into the design of the proposed project. Challenges experienced during phase one included delays in submission of audit report, lack of computerized accounting system and delays in renewal of contracts of key PMU staff. These challenges are being addressed and mitigation measures designed to ensure that similar challenges are not encountered. Some of the mitigation measures being undertaken include timely preparation of the financial statements and early engagement of the Office of Auditor General to ensure timely submission of audit report, timely staffing of the PMU whose contracts shall cover the project duration (performance based), fast-tracking the process of acquiring a computerized accounting system to process and maintain the project transactions. There has been a significant delay in the submission of the audit report of the last financial year for the ongoing project. The Executing Agency has committed to having the report submitted by 30 June 2019 and any issues identified in the report will be fully implemented. Except for the mentioned challenges, the MCST performance in phase one of the Bank funded project has been found to be generally satisfactory. The MCST will coordinate and be responsible for the entire project's financial reporting and auditing including activities under component 1, whose implementation will be delegated to USF. In accordance with the Bank's financial reporting and audit requirements, the project will be required to prepare and submit to the Bank Interim Quarterly Financial Report (IFR) not later than 30 days after the end of each calendar quarter. The annual financial statement prepared and audited by the Office of the Auditor General (OAG), including the auditor's opinion and management letter will be submitted to the Bank not later than six (6) months after the end of each fiscal year. A separate audit opinion will be issued with respect to project Financial Statements, Statement of Expenditures (expenditure eligibility testing), utilization of the special account and internal controls environment. The Office of Auditor General shall have overall responsibility for the audit of the project. However, the audit of the Project can be subcontracted as necessary to a private audit firm to be procured through shortlist (with the involvement of OAG) using the Bank rules and procedures. In case the OAG subcontracts the audit

services, the cost of the audit will be financed from the loan. The overall FM residual risk for the project is assessed as Moderate. The Bank's Guidelines for Financial Reporting and Auditing of Projects, as well as the Disbursement Handbook (2012), would provide further fiduciary and eligibility guidance to the team during project implementation. The detailed FM assessment is attached as Annex B4 in the Technical Annexes.

4.2.3 Disbursement Arrangement: MCST has experience in handling donor-funded project including the ongoing Bank funded eGovernment phase one project. Generally, the performance of the institution in managing the bank's funds flow was found to be satisfactory. The Project will make use of the Bank Group's various disbursement methods as appropriate including (i) Direct Payment, (ii) Special Account (SA) and (iii) Reimbursement methods in accordance with rules and procedures as set out in the disbursement handbook. The Special Account method will be used for smaller local eligible payments whereas the direct payment method will be used for larger (civil works, goods, and services) contracts to be agreed under the Loan Financing Agreement. One foreign currency denominated in USD Special Accounts for the AfDB Loan will be opened in the Central Bank of Lesotho (CBL) and its respective sub-local currency account in Maloti will be opened in a local commercial Bank in Maseru, and acceptable to the Bank Group to be operated by MCST. Preparation of withdrawal applications and justification of funds into the SA, and documentation for all direct payments would be prepared by the dedicated project accountant following Bank Group requirements, and under the overall supervision responsibility of the Financial Controller of MCST. The special account will mainly be utilised for project management and capacity building expenses. The Bank shall transfer funds into the SA based on approved annual work plan. Replenishment of the SA shall be done based on satisfactory and regular justification of the funds disbursed into the SA. The Project accountant shall ensure that the SA is justified semi-annually or when at least 50% of the funds disbursed into the SA are utilised. The project management shall ensure that there is a monthly bank reconciliation for the SA. The Bank Group will issue a Disbursement Letter of which the content will be discussed and agreed during negotiations.

4.2.4 GoL Counterpart contribution: The contribution of GoL under the project is estimated around 20%. This will comprise 13% counterpart fund drawn from the Universal Service Fund, which is mandatory contribution for building telecom towers in the rural areas (25% of the cost) and the remaining 7% of the project cost will be in-kind contribution covering office space, project and other counterpart staff salaries, utilities, and vehicle running costs. No separate Bank Group account will therefore be opened for GoL's counterpart contributions.

4.3. Procurement Arrangements

4.3.1 The procurement of goods (including non-consultancy services), works and the acquisition of consulting services, financed by the Bank for the Project shall be carried out in accordance with the "*Procurement Policy and Methodology for Bank Group Funded Operations (BPM)*", dated October 2015 and following the provisions stated in the Financing Agreement. Specifically, procurement would be carried out following:

- i. **Borrower Procurement System (BPS):** Specific Procurement Methods and Procedures (PMPs) under BPS comprising its Laws and Regulations (*Procurement Regulations 2007 and its accompanying Procurement Manual 2007 and Procurement (Amendment) Regulations 2018*). The BPS shall not be used for any goods, works or consulting services contracts financed by the Bank except for miscellaneous operational costs.

- ii. **Bank Procurement Policy and Methodology (BPM):** Bank Standard Procurement Methods and Procedures (PMPs), using the relevant Bank Standard Solicitation Documents (SSDs) for contracts that are either: (i) above the thresholds indicated in Annex B5; or (ii) in case BPS is not relied upon for a specific transaction or group of transactions; and (iii) in case BPM have been found to be the best fit for purpose for a specific transaction or group of transactions.
- iii. **Third Party Procurement Methods & Procedures (PMPs):** Third Party PMPs, using the relevant Third-Party Standard or Model Solicitation Documents are not envisaged under this Project.

4.3.2 **Advance Contracting.** The Borrower has expressed an interest to carry out certain procurement activities using advance-contracting procedures in order to accelerate project implementation. In this regard, a request will be submitted to the Bank for the following activities:

- *Component 1.* All activities which consist of the construction of 48 mobile sites;
- *Component 2.* Under this component, the purchase of the National Payment Switch; and
- *Component 3.* The hire of the Project Coordinator, Project Accountant and Procurement Expert to follow up on the advance procurement activities under Components 1 and 2 of the Project.

4.3.3 **Procurement Risks and Capacity Assessment (PRCA):** the assessment of procurement risks at the Country, Sector, and Project levels and of procurement capacity at the Executing Agency, were undertaken for the Project and the findings have informed the decisions on the procurement arrangements being used for specific transactions or groups of similar transactions under the project. The appropriate risk mitigation measures and details of the procurement management arrangement are presented in Technical Annex B5.

4.4. Governance

4.4.1 The overall governance rating of the country is above the African average in many fronts and measures. The 2018 Legatum Prosperity Index² Lesotho ranks the 65th country out of 149 in the governance pillar. The Governance pillar measures a country's performance in three areas: effective governance, democracy, and political participation, and rule of law. In the overall Prosperity Pillar rankings, Lesotho is ranked 114th and it performs best on Governance and Personal Freedom and scores lowest on the Economic Quality pillar (ranked 140th). The country's Second National Strategic Development Plan (NSDP) 2018/2019 -2022/2023 intends to improve its governance ranking as outline clearly in one of its four pillars on "Strengthening the National Governance and Accountability Systems". The new CSP 2020-204 will be anchored on NSDP II 2018/2019-2022/2023.

4.4.2 On the ICT Sector governance, the country's reforms build on the foundation established by the Lesotho Telecommunications Policy of 1999 which gave way to the establishment of the Lesotho Communications Authority for the sector regulation. In 2005, the National ICT Policy for Lesotho was adopted. The Ministry of Communications, Science, and Technology has the mandate of steering the ICT development, monitoring and evaluation in the country. The Lesotho

²Legatum Prosperity Index 2018, <https://www.prosperity.com/globe/lesotho> [2019]

Communications Authority (LCA) is an independent communications regulator and is responsible for the administration of the Universal Service Fund (USF). The USF is designed to promote the rollout of mobile connectivity to rural areas of Lesotho and is established by the Communications Act 2012, sets the direction for universal service and universal access.

4.5. Sustainability

4.5.1 The cost of the sites has varied over the previous USF rollout periods, depending on several factors such as remoteness, road access, height of tower required to link back to the operator network, amongst others. In general, operators have built reinforced, high specification towers at these rural sites to withstand the harsh mountainous environments (high winds, snow etc.) where these sites are located. In the rollout of the new 48-site rollout, a different approach will be adopted with smaller non-shareable sites being specified for areas with a population of less than 1500 in an attempt to reduce the overall cost and improve viability. It is proposed that sites are gathered together into packages so that clusters of sites can be built within the set budget and planned around accessible backhaul transmission resources. The impact of this approach is that average cost per site in the proposed rollout is estimated to be LSL 2.288 million³, which will be 2% lower than the average of over the last 11 years of USF rollout which was LSL 2.336 million.

4.5.2 Further, the project activities will create jobs and economic impact as a result of the investment in digital infrastructure. Digital services such as mobile payments and financial inclusion will have several benefits to digital finance providers, individual citizens, the Government by reducing the cost of financial intermediation for banks and Fintech providers, and increasing aggregate expenditure for government. Based on the investment in mobile and fibre infrastructure it is estimated that a total of 238 network construction direct jobs and 3000 indirect jobs will be supported throughout the duration of the project. A further USD 55 million is expected to be created in economic lift as a result of Gross Value Added (GVA) uplift, network effects and social benefits (incomes) to 2032.

4.5.3 The current government budget (through MCST) for bandwidth per year is LSL 25million. The gradual increase in government budget allocation and support of development partners in the provision of digital services in the country is expected to cover recurrent costs such as bandwidth costs for government ministries, schools and colleges, health centres and maintenance of equipment and rehabilitated infrastructures for the Post Offices. This will ensure the sustainability of the activities established through the implementation of the Phase II project.

4.6. Risk management

The project has identified key risks that may negatively affect project outputs and outcomes. The table below presents the main risks, which is elaborated in the results-based logical framework.

³ Note that this is mitigated by the fact that the proposed 48 sites are typically more remote and costly to access – meaning that road access costs in a large part offset savings in site design. If the conventional approach had been retained, the average cost would have been LSL 3.051 million per site i.e. a 30% increase over historical average – and this would have meant that the number of sites in the USF rollout would have to be reduced to 37 from the planned 48.

Table 4.5: Risks

Risk	Rating	Risk Mitigation Factors
Project start-up delays	M	Bank through RDGS to follow up with the Government on meeting conditions precedence
The pace and financial Capacity of USF rollout of BTS in a rural area	L	Financial support from LCA to meet the 25% financial obligation within project execution time and Strong project management disciplines over operators
Potential cost overruns in establishing joint digital services in the rural areas at Post Office facilities	M	Involvement of key stakeholders in project planning and implementation to ensure the offtake of common centre facilities. This is to be coupled with strong project management disciplines by the EA.
Prohibitive regulatory requirements for ePayments agents (banking and non-banking)	M	Support to the government for policy reforms by donor agencies and the ePayment Association of Lesotho
Fast changing Technology in the ICT Sector	L	Proper choice of technology that is scalable and open source (minimal use of proprietary technology/software)
Limited implementation capacity including procurement, financial management and quality control for the outputs.	L	The use of a lean PMU paid by the project with satisfactory procurement and financial management skills and the use of proven implementing entity (USF) to handle the component 1 which carries 56% of the total project costs; will increase the chances of timely completion of the project and meeting its development objectives.
Political uncertainties and lack of consensus	M	Bank (RDGS) will ensure close monitoring of developments and provide early warning signals of possible shifting Government priorities
Macroeconomic Instability	L	In order to restore fiscal sustainability, the Bank will engage the authorities in this area on account of the dire fiscal situation and its potential ripple effects.

4.7. Knowledge building

4.7.1 The project design has innovative aspects such as development of a Rural Community Payment Agent Network linked which is designed to reach the rural communities through the common digital centres and facilitated by the national e-payment services gateway. The Bank Group intends to capture the digital economy knowledge during implementation of the project. The project design recognises the importance of knowledge transfer and includes a component of skills development.

4.7.2 The Bank Group will use and disseminate the knowledge generated from the project preparation and implementation activities as well as exchange of experience between the project staff and experts in the Kingdom of Lesotho.

V – LEGAL INSTRUMENTS AND COMPLIANCE SECTION

5.1. Financing instrument

The legal instrument for the project is a Loan Agreement for an ADF 14 Loan amount equivalent to UA 10.1 million and the Protocol of Agreement for an ADF 14 Grant of an amount equivalent to UA 0.07 million between the Kingdom of Lesotho and the African Development Fund.

5.2. Conditions associated with Bank's intervention

A. Condition Precedent to Entry into Force of the Loan Agreement

The entry into force of the Loan Agreement shall be subject to the fulfilment by the Borrower of the provisions of section 12.01 of the General Conditions Applicable to African Development Fund Loan Agreements and Guarantee Agreements (Sovereign Entities).

B. Conditions Precedent to Entry into Force of the Protocol of Agreement:

The Protocol of Agreement shall enter into force upon its signature by the Kingdom of Lesotho and the African Development Fund.

C. Conditions Precedent to First Disbursement of the Loan and the Grant:

The obligations of the Fund to make the first disbursement of the Loan and the Grant shall be conditional upon the entry into force of the Loan Agreement and the Protocol of Agreement and the submission by the Borrower/ Recipient of evidence, in form and substance satisfactory to the Fund, of the fulfillment of the following conditions:

- (i) Submission of evidence of the recruitment or designation or appointment of staff including a Project Coordinator, Procurement Specialist and project Accountant for the Project Management Unit (PMU) with qualifications and terms of reference acceptable to the Fund;

D. Other Conditions

- (i) Not later than three (3) months of entry into force of the Loan Agreement and Protocol of Agreement, the Recipient / Borrower shall establish the Project Project Steering Committee (PSC) with terms of reference and composition acceptable to the Fund; and
- (ii) Not later than three (3) months of entry into force of the Loan Agreement and Protocol of Agreement, the Recipient / Borrower shall establish the National Technical Committee with terms of reference and composition acceptable to the Fund.

E. Undertaking

- (i) Not later than thirty (30) days after the end of each calendar quarter during the project implementation period, the Recipient/ Borrower shall submit the sector monitoring report together with project quarterly progress report.

5.3. Compliance with Bank Policies

This project complies with all applicable Bank policies.

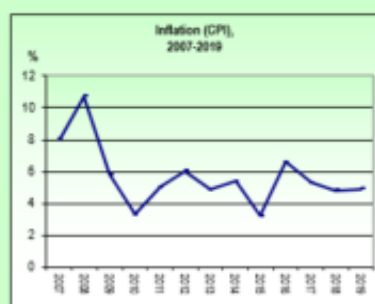
VI – RECOMMENDATION

Management recommends that the Board of Directors approve the proposed ADF 14 loan of an amount not exceeding the equivalent of UA 10.11 million and an ADF 14 grant of an amount not exceeding the equivalent of UA 0.07 million to the Kingdom of Lesotho for the financing of the eGovernment Infrastructure Project, for the purposes and subject to the conditions stipulated in this report.

APPENDIX I

Lesotho Selected Macroeconomic Indicators

Indicators	Unit	2010	2014	2015	2016	2017	2018 (e)	2019 (p)
National Accounts								
GNI at Current Prices	Million US \$	2,674	2,911	2,818	2,765	2,644	...	...
GNI per Capita	US\$	1,310	1,356	1,296	1,255	1,184	...	...
GDP at Current Prices	Million US \$	2,386	2,615	2,510	2,323	2,563	1,958	2,015
GDP at 2000 Constant prices	Million US \$	1,156	1,375	1,413	1,458	1,425	1,438	1,455
Real GDP Growth Rate	%	6.1	3.1	2.8	3.2	-2.3	0.9	1.2
Real per Capita GDP Growth Rate	%	5.0	1.8	1.4	1.8	-3.6	-0.4	-0.1
Gross Domestic Investment	% GDP	28.4	31.4	28.7	27.9	28.6	28.0	27.4
Public Investment	% GDP	13.9	20.2	14.5	13.3	14.8	13.9	13.2
Private Investment	% GDP	14.5	11.3	14.2	14.6	13.8	14.1	14.3
Gross National Savings	% GDP	17.9	25.8	24.2	20.5	25.6	24.5	24.1
Prices and Money								
Inflation (CPI)	%	3.3	5.4	3.2	6.6	5.3	4.8	4.9
Exchange Rate (Annual Average)	local currency/US\$	7.3	10.9	12.8	14.7	13.3	13.7	14.2
Monetary Growth (M2)	%	11.7	2.7	3.7	4.5	16.9	...	...
Money and Quasi Money as % of GDP	%	46.8	49.9	45.8	44.9	52.4	...	...
Government Finance								
Total Revenue and Grants	% GDP	52.2	49.8	47.0	40.9	39.8	42.4	42.3
Total Expenditure and Net Lending	% GDP	55.5	51.5	51.3	47.3	43.9	46.1	45.7
Overall Deficit (-) / Surplus (+)	% GDP	-3.3	-1.8	-4.4	-6.3	-4.0	-3.7	-3.4
External Sector								
Exports Volume Growth (Goods)	%	6.0	13.0	6.2	6.2	5.7	5.6	5.7
Imports Volume Growth (Goods)	%	2.7	5.3	0.4	8.8	5.5	6.9	5.1
Terms of Trade Growth	%	0.4	-2.2	9.4	2.2	6.3	3.5	-2.0
Current Account Balance	Million US \$	-159	-123	-78	-198	-166	-55	-49
Current Account Balance	% GDP	-6.7	-4.7	-3.1	-8.5	-6.5	-2.8	-2.4
External Reserves	months of imports	5.2	5.9	5.5	5.2	4.3	4.4	...
Debt and Financial Flows								
Debt Service	% exports	3.5	4.4	4.7	4.7	4.8	5.3	5.6
External Debt	% GDP	29.0	31.2	35.8	34.8	33.4	34.0	37.0
Net Total Financial Flows	Million US \$	240	117	80	121	133	...	...
Net Official Development Assistance	Million US \$	256	107	83	112	147	...	...
Net Foreign Direct Investment	Million US \$	51	162	169	132	...	...	...



Source : AfDB Statistics Department: Africa; IMF: World Economic Outlook, October 2018 and International Financial Statistics, October 2018; AfDB Statistics Department: Development Data Portal Database, October 2018. United Nations: OECD, Reporting System Division.

Notes: ... Data Not Available (e) Estimations (p) Projections

Last Update: March 2019

APPENDIX II

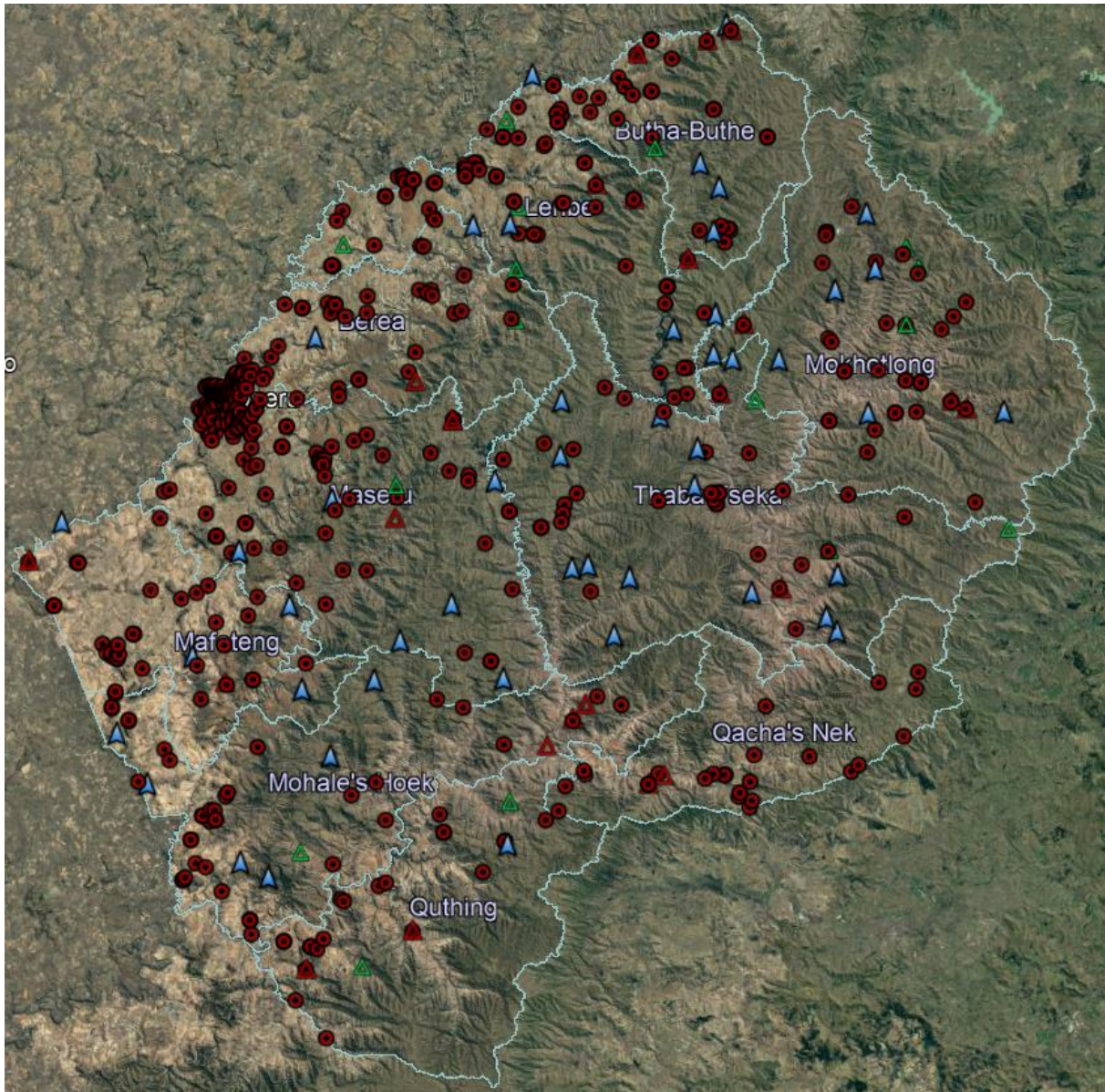
AfDB Ongoing Portfolio in Lesotho (as of March 2019)

No.	Project Name	Window	Approval Date	Closing Date	Window Amount (UA)	Disbursement Ratio	Disbursed Amount (UA)	Age (yrs)
1	LESOTHO LOWLANDS RURAL WATER SUPPLY & SAN	ADF	03/10/2013	30/06/2020	6,520,000	57.5%	3,749,000	5.6
		RWSSI	03/10/2013	30/06/2020	2,612,117	37.6%	982,156	5.6
<i>Sub-total Water & Sanitation</i>					<i>9,132,117</i>	<i>51.8%</i>	<i>4,731,156</i>	<i>5.6</i>
2	EGOVERNMENT INFRASTRUCTURE	ADF	21/10/2013	31/08/2019	2,700,000	47.2%	1,274,400	5.5
		ADF-G	21/10/2013	31/03/2021	4,800,000	75.1%	3,604,800	5.5
<i>Sub-total Communication</i>					<i>7,500,000</i>	<i>65.1%</i>	<i>4,879,200</i>	<i>5.5</i>
3	URBAN DISTRIBUTION REHAB & TRANSMISSION EXP	ADF	14/12/2016	30/06/2020	7,780,000	29.9%	2,326,220	2.3
4	RENEWABLE ENERGY INTEGRATION STUDY	SCF	14/03/2018	31/12/2020	430,268	0%	0	1.1
<i>Sub-Total Energy</i>					<i>8,210,268</i>	<i>28.3%</i>	<i>2,326,220</i>	<i>1.7</i>
5	LESOTHO TAX MODERNISATION PROJECT	ADF	22/11/2017	31/12/2020	5,000,000	2.4%	120,000	1.4
6	INST. SUPPORT FOR ENHANCEMENT OF THE PFM SYSTEM	ADF-G	14/10/2013	20/06/2019	2,600,000	71.8%	1,866,280	5.5
7	ECONOMIC DIVERSIFICATION SUPPORT PROJECT	ADF	16/12/2016	31/12/2020	5,000,000	13.3%	665,000	2.3
		ADF-G	16/12/2016	31/12/2020	2,220,000	22.7%	503,274	2.3
8	ECON DIVERSIFICATION SUPPORT TECH. ASSISTANCE	FAPA	20/12/2017	06/06/2022	656,159	12.6%	82,873	1.3
<i>Sub-Total Multisector/Governance</i>					<i>15,476,159</i>	<i>20.9%</i>	<i>3,237,427</i>	<i>2.6</i>
GRAND TOTAL					40,318,543	37.6%	15,174,003	3.8

MAP OF LESOTHO AND PROJECT LOCATION



EXISTING AND PLANNED RURAL BASE STATIONS



Mobile operator sites to 2019 (Red dots) with proposed USF rollout 2019-2023 as light blue beacons (with red and green triangles showing previous USF rollouts)

AFRICAN DEVELOPMENT FUND

BOARD OF DIRECTORS

Resolution N° F/LS/2019/83

Adopted by the Board of Directors, on a lapse-of-time basis, on 17 October 2019

**Loan to the Kingdom of Lesotho to finance part of the costs of the
eGovernment Infrastructure - Phase II**

THE BOARD OF DIRECTORS,

HAVING REGARD TO: (i) Articles 1, 2, 11, 12, 14, 15, 16, 26 and 30 of the Agreement Establishing the African Development Fund (the “Fund” or “ADF”); (ii) the Report on the Fourteenth General Replenishment of the Resources of the Fund (“ADF-14”); (iii) the applicable ADF-14 Country Resource Allocation; and (iv) the appraisal report contained in Document ADF/BD/WP/2019/151/Approval (the “Appraisal Report”);

NOTING the availability of sufficient resources to enable the Fund to commit the amount of the Loan;

DECIDES as follows:

1. To award to the Kingdom of Lesotho (the “Borrower”), from the resources of the Fund, a loan of an amount not exceeding the equivalent of Ten Million, One Hundred and Ten Thousand Units of Account (UA 10,110,000) (the “Loan”) to finance part of the costs of the eGovernment Infrastructure - Phase II;
2. To authorize the President to conclude a loan agreement between the Fund and the Borrower (the “Loan Agreement”) on the terms and conditions specified in the General Conditions Applicable to the African Development Fund Loan Agreements and Guarantee Agreements (Sovereign Entities), the Appraisal Report and, in particular:
 - (i) The ADF-14 Loan Financing Terms applicable to Blend, Gap and Graduating Countries; and
 - (ii) The Loan will be amortized in equal and consecutive semi-annual instalments payable on 1 May and 1 November of each year;
3. The President may cancel the Loan if the Loan Agreement is not signed within ninety (90) days from the date of approval of the Loan by this Board; and
4. This Resolution shall become effective on the date above-mentioned.

AFRICAN DEVELOPMENT FUND

BOARD OF DIRECTORS

Resolution N° F/LS/2019/84

Adopted by the Board of Directors, on a lapse-of-time basis, on 17 October 2019

**Grant to the Kingdom of Lesotho to finance part of the costs of the
eGovernment Infrastructure - Phase II**

THE BOARD OF DIRECTORS,

HAVING REGARD to: (i) Articles 1, 2, 11, 12, 14, 15, 16, 26 and 30 of the Agreement Establishing the African Development Fund (the “Fund” or “ADF”); (ii) the Report on the Fourteenth General Replenishment of the Resources of the Fund (“ADF-14”); (iii) the applicable ADF-14 Country Resource Allocation; and (iv) the appraisal report contained in Document ADF/BD/WP/2019/151/Approval. (the “Appraisal Report”);

NOTING the availability of sufficient resources to enable the Fund to commit the amount of the Grant;

DECIDES as follows:

1. To award to the Kingdom of Lesotho (the “Recipient”), from the resources of the Fund, a grant of an amount not exceeding the equivalent of Seventy Thousand Units of Account (UA 70,000) (the “Grant”) to finance part of the costs of the eGovernment Infrastructure - Phase II;
2. To authorize the President to conclude a protocol of agreement between the Fund and the Recipient (the “Protocol of Agreement”) on the terms and conditions specified in the General Conditions Applicable to Protocols of Agreement for Grants of the African Development Fund and the Appraisal Report;
3. The President may cancel the Grant if the Protocol of Agreement is not signed within ninety (90) days from the date of approval of the Grant by this Board; and

This Resolution shall become effective on the date above-mentioned.