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Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 31-Mar-2026 | Report No: PIDIA01640



BASIC INFORMATION

A. Basic Project Data

Project Beneficiary(ies)	Region	Operation ID	Operation Name
Lesotho	EASTERN AND SOUTHERN AFRICA	P513939	Accelerating Sustainable and Clean Energy Access Transformation in Lesotho
Financing Instrument	Estimated Appraisal Date	Estimated Approval Date	Practice Area (Lead)
Investment Project Financing (IPF)	30-Mar-2026	30-Apr-2026	Energy & Extractives
Borrower(s)	Implementing Agency		
Ministry of Finance and Development Planning	Ministry of Energy		

Proposed Development Objective(s)

The project development objective is to increase energy access in Lesotho.

- Components
- Component 1: Increasing access to on-grid electrification
 - Component 2: Off-grid energy access pilot
 - Component 3: Technical Assistance and Project Management

PROJECT FINANCING DATA (US\$, Millions)

Maximizing Finance for Development

Is this an MFD-Enabling Project (MFD-EP)? No

Is this project Private Capital Enabling (PCE)? No

SUMMARY

Total Operation Cost	50.00
Total Financing	50.00
of which IBRD/IDA	50.00
Financing Gap	0.00

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DETAILS

World Bank Group Financing

International Development Association (IDA)	50.00
IDA Credit	50.00

Environmental And Social Risk Classification

Moderate

Decision

The review did authorize the team to appraise and negotiate

B. Introduction and Context

Country Context

- The Kingdom of Lesotho is a landlocked, mountainous country in Southern Africa covering approximately 30,355 square kilometers, with over 80 percent of its terrain exceeding 1,800 meters in elevation.** Its population of about 2.3 million is predominantly rural (56 percent) and dispersed across rugged landscapes that pose significant challenges for infrastructure development and service delivery. As a member of the Southern African Customs Union (SACU), Lesotho relies heavily on SACU transfers, estimated at 42 percent of government revenues in FY2024/25, to finance public services.
- The economy is centered on agriculture and trade, with agriculture supporting over 80 percent of rural livelihoods despite contributing only 6.5 percent of GDP,** and a trade-to-GDP ratio of 142 percent driven largely by textile and diamond exports. Water royalties from the Lesotho Highlands Water Project (LHWP) represent another key fiscal revenue source at around 6.5 percent of GDP in FY2024, with the ongoing LHWP Phase II expected to raise this to approximately 10 percent of GDP. Despite these revenue streams, economic performance has been persistently weak, with GDP growth averaging around 2 percent over the past five years — well below Sub-Saharan African and lower-middle-income country peers — and projected to slow further to about 1 percent in 2026–2027 as SACU receipts decline and structural barriers constrain private sector growth.
- Poverty and inequality remain acute,** with an estimated 60 percent of the population living on less than US\$4.20 per day, unemployment above 30 percent, and a Gini index of 44.9 placing Lesotho among the world's most unequal countries. Compounding these challenges, Lesotho faces escalating climate risks, including high exposure to river floods, wildfires, and landslides, and ranks 139th on the ND-GAIN Vulnerability and Readiness Index,



underscoring the country's limited adaptive capacity and making expanded energy access a critical lever for building resilience among vulnerable populations.

Sectoral and Institutional Context

4. **The electricity sector in Lesotho is vertically unbundled.** The Ministry of Energy sets overall sector policy, while the Lesotho Electricity Company (LEC) is the state-owned utility responsible for electricity transmission, distribution, and bulk supply. The Department of Energy (DoE), through its Rural Electrification Unit (REU), oversees rural electrification outside LEC's service territory. The Lesotho Electricity and Water Authority (LEWA) serve as the independent sector regulator, responsible for licensing, tariff-setting, and quality-of-service oversight.
5. **On the supply side, Lesotho faces a significant gap between domestic generation capacity and peak demand.** With peak demand at 244 MW, domestic generation covers only approximately 42 percent, with the remainder supplied through imports from Eskom (South Africa) and Electricidade de Moçambique (EDM) at prices ranging from M 0.77 to M 1.50 per kWh — substantially higher than the cost of domestic generation. Lesotho nonetheless possesses significant untapped renewable energy potential in solar, wind, and hydropower, resources that could surpass the country's energy needs.
6. **Lesotho's Extended National Strategic Development Plan (NSDP) 2024–2028 prioritizes harnessing renewable energy resources as a potential catalyst for job creation and private sector growth.** Lesotho possesses abundant renewable energy resources such as solar, wind, and hydropower, which have the potential to surpass Lesotho's energy needs. Wind potential exceeds 1,000 W/m² in certain areas and solar irradiation exceeds 5.3 kWh/m² in most parts of the country. The Extended NSDP aims to boost clean energy production to attain self-sufficiency, expand electricity access, and use domestic energy resources more efficiently. Investing in renewable energy is seen as key to reducing reliance on electricity imports, cutting fuel imports and wood usage, as well as providing decentralized electricity for rural development and leverage private sector investment. Through the National Energy Compact 2025, the government targets 100 percent renewable energy in power generation by 2030, with decentralized technologies like solar, wind, and micro-hydro offering cost-effective energy access for Basotho still dependent on biomass and kerosene.
7. **Energy access is also at the center of Lesotho's development agenda, anchored in the Extended NSDP, the National Energy Policy, and the National Energy Compact.** The NSDP targets clean energy self-sufficiency, rural electrification, and reduced dependence on electricity and fuel imports, while the Energy Policy vision calls for energy that is universally accessible, affordable, and environmentally sustainable. These commitments are reinforced by the National Energy Compact (2025), the government's roadmap for fulfilling its obligations under Mission 300 — the joint World Bank Group and African Development Bank initiative to provide electricity access to 300 million people in Sub-Saharan Africa by 2030 — targeting 100 percent renewable energy in power generation by 2030 through a mix of grid expansion and decentralized technologies including solar, wind, and micro-hydro.
8. **Access to electricity in Lesotho has improved significantly over the past two decades, rising from 7 percent of households in 2004 to approximately 59 percent in 2024, driven by government budget allocations and the Universal Access Fund managed by LEWA.** However, the pace of electrification remains far short of what is needed: at the current rate of approximately 4,000 new connections per year, Lesotho will fall well short of its



universal access target by 2030, which would require more than 45,000 new connections annually. The access gap is especially pronounced in rural areas, where only 42.9 percent of households have electricity compared to 83.5 percent in urban areas. Many rural households without electricity continue to rely on kerosene, candles, wood, and biomass for lighting and heating. Despite the potential of distributed renewable energy, penetration remains limited, with only 5.8 percent of households using solar lanterns. Barriers to expanding energy access include the country's rugged mountainous terrain and low population densities, regulatory uncertainty, limited institutional capacity, constrained access to financing, underdeveloped delivery mechanisms, and low public awareness of the benefits of modern energy technologies.

9. **The consequences of this access deficit extend well beyond households.** Limited reliable energy perpetuates energy poverty, constrains micro, small, and medium enterprise growth, and undermines the delivery of essential social services including schools, health facilities, and water systems. Gender gaps further compound this human cost: in a context of low electricity access and heavy reliance on biomass fuels, women bear a disproportionate burden through time spent on fuel collection and cooking, limiting their participation in income-generating activities and exposing them to elevated health risks from indoor air pollution. Women also remain underrepresented in the formal energy sector, accounting for only 23 percent of STEM graduates, with female participation in private energy firms largely concentrated in non-technical and supportive roles.
10. **To address this, the National Energy Compact sets out ambitious annual electrification targets** — 26,400 grid connections and 18,900 off-grid connections through 2030 — and commits to strengthening the enabling environment through adoption of the pending Energy Bill, establishment of a Rural Electrification Agency and a National Energy Fund, development of a regulatory framework for mini-grids and off-grid solar, and mobilization of private sector participation through capital investment subsidies, Results-Based Financing, and connection fee subsidies. The Compact also explicitly targets increased women's employment in technical positions and leadership roles in the energy sector.
11. **The proposed project is critical to accelerating Lesotho's path to universal energy access**, building directly on the ongoing Lesotho Renewable Energy and Energy Access Project (LREEAP, P166936), approved in 2020 and restructured in 2024. LREEAP will provide electricity access to approximately 35,510 people through grid expansion to peri-urban villages and supporting private sector development of mini-grids in selected rural areas. It also supports improvements to LEC's technical and commercial performance, the development of a geospatial National Electrification Strategy and Plan, and a Least-Cost Power Development Plan. The proposed project builds on these foundations, scaling up efforts to close the remaining access gap in line with the government's National Energy Compact commitments.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

The project development objective is to increase access to electricity in Lesotho.

Key Results



12. The PDO level results indicator is *number of people provided with access to electricity (number)*.
13. The PDO indicator will directly contribute to ASCENT MPA's PrDO Indicator.

D. Project Description

14. The project complements and builds on the ongoing LREEAP, following an integrated approach to electrification in line with the National Energy Compact (2025). Totalling IDA US\$50 million across three components, the project will focus on expanding the grid network in peri-urban, rural, and highland areas, a pilot program to increase off-grid solar access for those beyond the reach of the grid, and the implementation of technical assistance and capacity building activities, in support of the Government of Lesotho's goal of reaching universal access to electricity by 2030.

Component 1: Increasing Access to On-Grid Electrification (IDA US\$40 million).

15. **This component will finance grid densification and expansion of the distribution network in peri-urban, rural, and highland areas, scaling up the ongoing program under LREEAP.** It will cover selected unelectrified villages across lowland and highland districts, targeting areas with some of the lowest electrification rates in the country. Specific activities include construction of medium and low voltage distribution lines, installation and upgrading of transformers, service drops, and prepaid meters, as well as provision of ready boards to address household wiring affordability barriers. The component aims to connect approximately 24,840 households, small- and medium-sized businesses (SMEs), and community facilities. To ensure supply reliability and climate resilience, the component will also reinforce and upgrade transformers in targeted areas.

Component 2: Off-Grid Energy Access Pilot (IDA US\$5 million).

16. **This component will finance a pilot program to expand off-grid energy access,** targeting approximately 14,504 customers in rural areas identified by the National Electrification Strategy as best served by solar home systems. The pilot will provide performance-based and catalytic grants to qualified off-grid solar service providers, incentivizing pay-as-you-go and energy-as-a-service models for households, SMEs, public facilities, and climate-impacted farmers beyond the reach of the grid. A gender-responsive mechanism will be incorporated to address affordability gaps, with particular attention to lower-income female-headed households. A digital Monitoring, Reporting and Verification (dMRV) platform will be established to track and verify results, integrated with the regional ASCENT dMRV architecture.

Component 3: Technical Assistance and Project Management (IDA US\$5 million).

17. **This component will support sector sustainability, institutional capacity building, and project management.** Activities include technical assistance to the DoE on sector governance and planning, support for the formulation of a National Clean Cooking and Space Heating Strategy, and capacity building for LEC to manage the operational and revenue pressures of expanded last-mile electrification. The component will also finance a communication strategy and campaign to facilitate on-grid and off-grid electrification, technical assistance on the handling and disposal of end-of-life solar products, and activities to scale up gender, consumer education, and citizen



engagement efforts commenced under LREEAP. It will additionally strengthen the Project Implementation Unit's coordination, fiduciary oversight, and project management capabilities.

Legal Operational Policies

Triggered?

Projects on International Waterways OP 7.50

No

Projects in Disputed Area OP 7.60

No

Summary of Screening of Environmental and Social Risks and Impacts

18. **The environmental risk rating is classified as Moderate.** The risks and impacts associated with the activities under the Project are considered site specific, predictable and can be managed through known mitigation measures and systems already in place. The specific activities which will be financed under component 1 include the construction of new Medium Voltage (MV) and Low Voltage (LV) distribution lines, the installation of transformers, and service drops to customers and prepaid meters. These construction activities will largely take place in undeveloped greenfield. Anticipated impacts associated with the project activities and based on the LREEAP experience include; i) health and safety risks such as working at heights, electrocution, slips trips and falls, hand injuries, ii) community health and safety risks such as traffic related incidences, iii) soil and water pollution associated with construction vehicles and use of potential polluting substances, iii) soil pollution related to generation of hazardous and non-hazardous waste, iv) dust and noise pollution and v) vegetation loss. These impacts can be mitigated through the implementation of mitigation measures to be provided in the site specific Environmental and Social Management Plans (ESMPs). Component 2 focuses on off-grid energy access pilot, targeting remote households and communities beyond the reach of the current national grid of which the exact locations have not yet been defined. The risks and impacts will therefore only be fully known after project approval. Potential impacts are anticipated to be similar than those associated with Component 1 in addition to soil and water pollution associated with improper disposal of end-of-life solar panels and batteries. Component 3 will support Type 2 and type 3 Technical Assistance (TA). The TA activities are not likely to have any downstream adverse environmental impacts and risk but can rather be used to strengthen environmental and occupational health and safety aspects related to ASCENT activities in Lesotho.

19. **The Social risk rating is classified as Moderate.** Financing under Component 1 will support construction of new MV and LV distribution lines, installation of transformers, and deployment of service drops and prepaid meters. To mitigate affordability barriers to household connections, the project will additionally provide ready boards for customers lacking the resources to undertake internal wiring. Anticipated risks and impacts associated with these activities include: (i) community health and safety risks, particularly those arising from small-scale construction works, including potential accidents involving nearby residents, increased traffic-related hazards, and the spread of communicable diseases; ii) temporary land-related impacts associated with short-term land acquisition and restrictions on land use, which may result in temporary loss of access to land, disruption of livelihoods, or localized impacts on crops and other assets during construction of new MV and LV distribution lines, installation of transformers; iii) moderate SEA/SH risks, particularly related to interactions between project workers and local



communities, as well as the potential for sexual harassment within the working environment; iv) Stakeholder engagement risks are stakeholder resulting from the project area that spans multiple districts characterized by rural settlements that are predominantly scattered across rugged mountainous terrain, especially in Thaba Tseka, Mokhotlong, and Qacha's Nek, resulting in difficult access to services, markets, and modern energy infrastructure. These geographic constraints may contribute challenges for consistent and inclusive stakeholder engagement and pose the risk of uneven access to project information, delays in consultation processes, and reduced ability to promptly address community concerns or grievances. These risks are considered manageable, given that physical displacement is not anticipated, and any economic displacement is expected to be localized, temporary, and reversible. Consistent with ESS5, the project will prioritize avoidance and minimization of land impacts, and where unavoidable, site-specific Resettlement Action Plans (RAPs) will be prepared and implemented prior to commencement of civil works. Community Liaison Officers will support engagement with project-affected persons, and livelihood impacts will be addressed in line with ESS requirements. Risk mitigation will be supported through implementation of site-specific ESMPs, a Stakeholder Engagement Plan (SEP), Labor Management Procedures (LMP), a functional project-level Grievance Redress Mechanism (GRM), and a SEA/SH Prevention and Response Action Plan, all reflected in the Environmental and Social Commitment Plan (ESCP). The recruitment of dedicated Environmental and Social Specialists within the PIU, combined with lessons learned from LREEAP implementation, strengthens the Borrower's capacity to manage social risks in accordance with the ESF.

20. A Stakeholder Engagement Plan (SEP) has been prepared and disclosed prior to appraisal in line with ESS10. Please refer to the Appraisal ESRS for a detailed summary of the E&S risks and impacts of the project and how they are anticipated to be managed in accordance with the ESF.

E. Implementation

Institutional and Implementation Arrangements

21. **The project will be implemented by the Ministry of Energy and will be informed by the existing structures in place to meet the project's objectives.** The ASCENT Lesotho project will build on the LREEAP in terms of implementation arrangements. The existing Project Implementation Unit (PIU) under the DoE will be the Project Implementing Agency and will manage the project on behalf of the Government of Lesotho and, in this regard will be responsible for project fiduciary and environmental and social aspects.
22. **The Project Steering Committee (PSC), established to ensure adequate coordination and provide overall policy guidance of LREEAP, will also oversee this Project.** The PSC currently comprises representatives from the Ministry of Finance and Development Planning, Ministry of Energy, DoE, LEC, LEWA, and Lesotho National Development Corporation. Additional stakeholders may be included to support the achievement of the objectives of the project, such as the Ministry of Small Business Development, Cooperatives and Marketing and the Ministry of Local Government and Chieftainship Affairs.

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