



CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

This notification serves to inform you of the Millennium Challenge Corporation's ("MCC") entry into a Millennium Challenge Compact with the Government of Lesotho as of May 12, 2022 (the "Compact"). We are providing you with a detailed summary of the Compact. The text of the Compact is available on MCC's [website](#).

The attached notification is being sent to Congress on May 13, 2022.

If you require a meeting to discuss the Compact with the Government of Lesotho, or MCC at large, please contact Brian Forni at (202) 521-2631 or ForniBJ@mcc.gov.

Sincerely,

/s/

Aysha House
Vice President
Congressional and Public Affairs

Enclosure: As stated

**MILLENNIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTIFICATION**

May 13, 2022

In accordance with section 610(b)(2) of the Millennium Challenge Act of 2003, as amended (the “Act”), this notification is to advise that the Millennium Challenge Corporation (“MCC”) entered into a Millennium Challenge Compact with the Government of Lesotho under section 605 of the Act on May 12, 2022 (the “Compact”).

A detailed summary of the Compact follows.

SUMMARY OF LESOTHO COMPACT

Overview of MCC Lesotho Compact

MCC's five-year Compact with the Government of Lesotho in the amount of \$300,000,000 aims to reduce poverty through economic growth, targeting key binding constraints in the health, finance and agriculture sectors. The Compact will address these constraints through four key projects that seek to grow, strengthen, and organize the private sector in Lesotho by improving health outcomes for a healthy workforce, investing in the horticulture sector, and supporting the creation and viability of private businesses unconnected to existing patronage systems. MCC expects that providing infrastructure and capacity building in a specific sector, promoting business development, and ensuring access to healthcare will contribute to broader, longer-term efforts to support private sector growth to create a constituency that demands more effective and efficient governance.

Project Summaries

The Compact is comprised of four projects:

The objective of the **Health Systems Strengthening (HSS) Project** is to improve the delivery of health services and management of the primary health care system in Lesotho resulting in improved health outcomes and reduced treatment costs. The project includes three activities:

- *Primary Health Care Service Provision Activity* – This activity will support the Ministry of Health (MOH) to improve primary healthcare services from ministry-level management to clinic-level standards of care.
- *District Health Management Team (DHMT) Reform Activity* – This activity will expand health financial systems and management capacity to the district level.
- *Digital Health Services Activity* – This activity will work with the MOH and other stakeholders to ensure that health data systems are interoperable and protect sensitive personal information.

The objectives of the **Market Driven Irrigated Horticulture (MDIH) Project** are to: increase rural incomes related to commercial horticulture, including for women, youth, and the rural poor, and establish a sustainable and inclusive model of irrigation, water resource, and land management. The project's implementation is contingent upon the identification of one or more commercial anchor farmers who will collaborate with local smallholder farmers to improve and sustain best practices in horticulture and to provide a financially viable path for all project stakeholders to remain active in horticulture production after the end of the Compact. The project is composed of three activities:

- *Institutional Reform Activity* – This activity will work directly with Government partners to ensure that irrigation has strong legal and policy frameworks to support the growth of irrigation throughout the country, which is equitable and sustainable.
- *Irrigated Horticulture Support Services Activity* – This activity will help participants overcome the obstacles to sustaining irrigation schemes by providing relevant technical assistance and attracting experienced commercial farmers in the form of an anchor farmer or joint venture partnership to help leverage smallholder efforts and sustain the infrastructure investment.

- *Irrigation Infrastructure Development Activity* – This activity includes the development of up to 2,000 hectares of irrigated land at several sites still under study. Further feasibility and design work to be conducted prior to entry into force of the Compact will refine the size and location of the irrigation perimeters and identify measures for environmental and social sustainability. Commercial farmer investments are necessary to ensure economic justification and sustainability of the investment.

The objective of the **Business Environment and Technical Assistance (BETA) Project** is to stimulate an increase in firm-level profits and formal employment from a pipeline of supported firms (BETA pipeline), including for micro, small, and medium enterprises owned by women and youth and in rural areas. These businesses will participate in the Public-Private Dialogue, which results in provision of critical services to improve the business enabling environment. This project is organized into three activities:

- *Pipeline Development Activity* – This activity will identify, build and connect existing and new high-growth potential firms to direct technical assistance and business development services to support increased firm level profits and business maturation. This activity will provide grants to select women- and youth-owned businesses to purchase equipment and goods to facilitate business plan implementation.
- *Business Ecosystem Strengthening Activity* – This activity strengthens the Public-Private Dialogue mechanism to increase private sector participation in policy decisions and improve delivery of critical services to improve the business environment.
- *Financial Ecosystem Strengthening Activity* – This activity will increase financing options for micro, small, and medium enterprises and large firms by structuring financing vehicles that address access to credit issues for firms and building the capacity of financial sector actors to develop and deliver innovative financial products.

The compact program also includes a \$3,000,000 allocation for the **American Catalyst Facility for Development (ACFD) Project**. The purpose of this funding is to support blended finance transactions that will catalyze private investment into Lesotho. MCC and the U.S. International Development Finance Corporation (DFC) have been in discussions for potential investments including a small and medium enterprise working and growth capital fund, agriculture sector investments and projects in the health sector.

Compact Overview and Budget

Below is a summary of and budget for the components of the Compact.

Lesotho Compact Total Budget	
Component	Total Funds
Health Systems Strengthening Project	75,405,000
Activity 1: PHC Service Provision	30,338,000
Activity 2: DHMT Reform	22,541,000
Activity 3: Digital Health	22,526,000
Market-Driven Irrigated Horticulture Project	118,622,000
Activity 1: Institutional Reform	22,200,000
Activity 2: Irrigated Horticulture Support Services	29,110,000
Activity 3: Irrigation Infrastructure Development	67,312,000
Business Environment and Technical Assistance Project	62,000,000
Activity 1: Pipeline Development	29,000,000
Activity 2: Strengthening the Business Ecosystem	20,000,000
Activity 3: Financial Ecosystem Strengthening	13,000,000
American Catalyst Facility for Development Project	3,000,000
Activity 1: American Catalyst Facility for Development	3,000,000
Monitoring and Evaluation	3,000,000
Activity 1: Monitoring and Evaluation	3,000,000
Program Administration	37,973,000
Activity 1: MCA-Lesotho II Administration	25,953,000
Activity 2: Fiscal Agent	5,700,000
Activity 3: Procurement Agent	5,700,000
Activity 4: Audits	620,000
Total Compact Investment	322,273,000
MCC Funding	300,000,000
Government of Lesotho Contribution	22,273,000