



**MILLENNIUM**  
CHALLENGE CORPORATION  
UNITED STATES OF AMERICA

QUARTERLY STATUS REPORT



# Lesotho II Compact

AS OF DECEMBER 2015

## COMPACT GOAL

Lesotho has been selected to develop a second five-year Compact program with funding from the MCC. The objective of the Compact is to unlock private sector-driven, equitable and sustainable economic growth by loosening key constraints in the economy. Initial analyses identified four areas of potential investment: health, skills, land, and regulatory frameworks. Underlying these constraint areas is a fundamental weakness in the government's capacity to efficiently use its resources to coordinate and deliver high-quality services and results that align with national strategic goals.



## COMPACT AT A GLANCE

Eligibility Notification.....	12-10-2013
Eligibility Notification.....	12-11-2014
Constraints Analysis.....	01-27-2015
Concept Note Received.....	06-03-2015

Eligibility Notification	
12-10-2013	MCC Board of Directors selected Lesotho as eligible to develop a second compact.
Eligibility Notification	
12-11-2014	MCC Board of Directors reselected Lesotho as eligible to continue developing a second compact.
Constraints Analysis	
01-27-2015	The Lesotho Millennium Development Agency (LMDA) completed analyses of constraints to growth, investment opportunities, and social and gender inclusion in Lesotho. The findings were validated through nationwide consultations with over 200 civil society, private sector, donors, and government stakeholders. Health, skills, land, and regulatory frameworks were identified as binding constraints to growth, caused by inefficiency in service provision and poor accountability mechanisms.
Concept Note Received	
06-03-2015	The LMDA led a comprehensive and inclusive stakeholder engagement process with over 140 organizations to facilitate root causes analysis and completion of problem trees to develop two project concepts for MCC consideration that address the binding constraints to growth: 1) a health sector strengthening project and 2) a multi-sector project focused on building Lesotho's strategic investment environment and competitiveness in key sectors of potential growth.

At the December 2015 MCC Board Meeting, the Board deferred a vote on the reselection of Lesotho for continued compact eligibility until relevant governance concerns have been addressed. Due to the deferred vote, Lesotho is not yet eligible for FY2016 MCC funds.