



EUROPEAN UNION

DELEGATION TO THE KINGDOM OF LESOTHO

PRESS RELEASE

LESOTHO TO BENEFIT FROM AN ADDITIONAL M563 MILLION IN EU SUPPORT; FINANCING AGREEMENTS SIGNED TODAY

Today the European Union announced its decision to provide M560 million (EUR 55.6 million) in new support to the Government of Lesotho.

At a signing ceremony held at the Ministry of Finance today, two financing agreements were signed by the Minister of Finance and Development Planning, Mr Timothy Thahane and the Ambassador of the European Union to the Kingdom of Lesotho, Mr Hans Duynhouwer.

The two programmes signed are the *Second Poverty Reduction Budget Support programme* (EUR 45.6 million or E 460 million) and the second phase of the programme *Social Protection for Orphans and Vulnerable children* (EUR 10.0 million or M100 million). Both programmes will assist the Government in addressing key development needs; the assistance is conditional on maintaining sound economic policies and progress in public finance management reforms.

Hans DUYNHOUWER, EU ambassador to Lesotho, commented:

"Based on the good performance under the previous budget support programme and the orphans and vulnerable children programme I am happy to announce the signature of two major programmes under the EU co-operation programme with Lesotho. As one of Lesotho's leading donors, the EU is committed to using Government systems for delivering its support. Only transparent and accountable government systems can ensure that that our support is to the benefit of the most vulnerable."

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Background on the programmes signed today

Second Poverty Reduction Budget Support programme (EUR 55.6 million – M 560 million)

The Second Poverty Reduction Budget Support programme signed today is a successor to the First Poverty reduction Budget Support Programme; the latter programme was completed last year. Funds under the budget support programme are only made available once the conditions of the programme have been met. This concerns conditions regarding the maintenance of a satisfactory macro-economic policy and tangible progress in public finance management reform, as well sector specific conditions in the areas of transport, social services and social protection. The EU co-operates closely, but not exclusively, with other donors that provide budget support to the Government, in particular the World Bank and the African Development Bank.

Contributions under the programme are provided by means of direct payments to the country's treasurer, the Ministry of Finance. This follows an international trend that favours ownership by the beneficiary government and accountability. Budget support is conditioned on a clear commitment to public finance management reform: public funds must be raised and spent in a transparent and accountable way.

It is foreseen that payments under the new programme will be made in three annual instalments of about EUR 14.0 million each (M 140 million per annum).

Under the new programme the Government of Lesotho commits itself to reaching development benchmarks in such diverse areas as infrastructure, education, health and public finance management reform. Reaching these benchmarks is a condition for financial support from the EU but also for the World Bank and the African Development Bank who provide budget support to Lesotho under the same programme.

Social Protection for Orphans and Vulnerable children (EUR 10 million – M100 million)

Under the second phase of this programme, the EU continues its support to the country's Orphans and Vulnerable Children affected by the HIV crisis aided by the Department of Social Welfare. The programme is implemented with the technical support of UNICEF.

Under the first phase of the programme, almost 28,000 Orphans and Vulnerable Children (OVCs) from 10,000 households benefited from a cash grant programme; nearly 24,000 young people benefited from HIV prevention messages, psychosocial support and non formal education.

A key objective of the second phase of this programme is that the Government will assume full responsibility, institutionally and financially, for the provision of cash grants to vulnerable children affected by HIV/AIDS.

The EU as a donor in Lesotho

The EU is one of the leading donors in Lesotho. During the last two years the European Union has contributed over EUR100 million or over LSL 1 billion in support to the country. The completion of major roads and water projects was one of the highlights of 2011.

The EU's co-operation with Lesotho is moving from traditional project support to budget support. Co-operation with civil society is also gaining in importance. This underlines the need for a political dialogue. Since the entry into force of the Lisbon Treaty in December 2009, a first political dialogue between the Government of Lesotho and the EU was held 16 November 2011.