



Climate Finance Readiness

Lesotho



Climate Finance Readiness

FACT SHEET 3.

LESOTHO

Slow progress in developing institutional frameworks have resulted in climate finance access challenges; a national climate change policy is urgently required for Lesotho.

Classified as a Least Developed Country (LDC), Lesotho has low levels of capacity to adapt to climate change impacts and the country faces serious economic and social challenges related to climate change. The majority of rural households are reliant on smallholder agriculture, with 60-70% of the total population reliant on rain-fed agriculture. Precipitation has become increasingly erratic, resulting in periodic droughts and hazardous farming conditions. The frequency of extreme events such as floods, droughts and storms has also increased, which has dire repercussions for agricultural production.

UNDP CFR PILLAR	CLIMATE FINANCE READINESS COUNTRY ASSESSMENT
Financial Planning	<ul style="list-style-type: none"> • Lesotho has yet to formally embark on designing and formalising a climate change strategic response. The EU has, however, committed to funding the development of a National Climate Policy. Previous opportunities for policy and strategy development have not been taken advantage of. • Lesotho has yet to develop an investment plan or resource mobilisation plan • Lesotho's National Climate Change Committee (NCCC) is a multi-stakeholder driven platform but has proven relatively ineffective at coordinating activities due to its limited legal mandate and the voluntary attendance of ministries. In the last year it has started meeting more regularly and formed a sub-committee on climate finance readiness (CFR).
Accessing Finance	<ul style="list-style-type: none"> • Lesotho has not been able to accredit a National Implementing Entity (NIE), nor access funds directly. • Lesotho does not have a national climate fund and has experienced issues in disbursing funds through the Central Bank of Lesotho and the Ministry of Finance. This has frustrated project delivery. • Lesotho has managed to access funds from the Global Environment Facility (GEF), Least Developed Countries Fund (LDCF) and bilateral sources. Comparatively speaking, Lesotho has not been nearly as successful as the other countries in the case study group in accessing funds.
Delivering Finance	<ul style="list-style-type: none"> • Currently, the role of development banks in planning and accessing climate finance has not been explored fully. • There is little interest expressed by the private sector, except in a wind farm development, which has stalled. A single Clean Development Mechanism (CDM) project has also been registered. The NCCC has included a representative from the Private Sector Foundation of Lesotho to ensure private sector participation in climate finance initiatives. However, currently no private sector incentives exist for investment in climate change activities.
Monitor, Report & Verify (MRV)	<ul style="list-style-type: none"> • There are no systems in place to track climate finance flows, and no performance-based payment systems.



Conclusions and Recommendations

Lesotho has made relatively slow progress in terms of developing the legal-institutional frameworks necessary to support climate finance readiness (CFR). The country analysis has illustrated that Lesotho is currently facing significant challenges in terms of accessing the climate finance needed to address the impacts of climate change. The following key recommendations deserve urgent attention:

- Establish a national climate change policy to provide a cross-sectoral programmatic approach in addressing the impacts of climate change.
- Provide the NCCC with the necessary legal authority to operate effectively and support coordination between ministries. Establish the National Environment Council and clarify its role with regard to the NCCC in order to coordinate climate change activities more effectively.
- Develop local skills and technical capacity in developing project proposals.
- Improve local awareness of climate change concepts and equip government ministries with knowledge and technical capacity to meet the requirements of the various funding mechanisms. This can be done through the development of a fund database.
- Address existing structural issues that currently delay disbursement of funds from the Ministry of Finance to the Ministry of Environment and other implementing entities.
- Develop private sector incentives for investment in climate change activities and improve the transparency and clarity of the processes for renewable energy developers.
- Establish a monitoring and evaluation (M&E) framework in order to effectively assess the programmes and projects that are running or are due to start.

This supplementary report forms part of research undertaken for UNDP's Regional Bureau of Africa Regional Environment Project on the Management of Environmental Service and Financing for Sustainable Development. The study and project provided support targeted at building the capacity of regional economic communities (RECs), governments, UNDP country offices and other stakeholders on sustainable ways to restore and manage natural ecosystems, while establishing enabling conditions for countries to access environmental finance from emerging carbon/environmental finance markets and mechanisms at the same time. This study was conducted between October 2013 and November 2014. The fieldwork behind the study was concluded in July 2014, and thus every attempt has been made to ensure the data referenced is factual up until this date.