

EXECUTION COPY

GRANT AGREEMENT

FOR COMPACT DEVELOPMENT

BY AND BETWEEN

THE MILLENNIUM CHALLENGE CORPORATION

AND

THE GOVERNMENT OF THE KINGDOM OF LESOTHO

ACTING THROUGH THE

MINISTRY OF FINANCE AND DEVELOPMENT PLANNING



GRANT AGREEMENT

This GRANT AGREEMENT (the "*Grant Agreement*") is made by and between the Millennium Challenge Corporation, a United States Government corporation ("*MCC*"), and the Government of the Kingdom of Lesotho (the "*Government*"), acting through the Ministry of Finance and Development Planning (the "*Ministry*"), and shall become effective as provided herein. MCC and the Ministry are sometimes referred to herein individually as a "*Party*" and together as the "*Parties*."

RECITALS

WHEREAS, the Board of Directors of MCC has selected the Kingdom of Lesotho as eligible to present to MCC a proposal for the use of 2004 and 2005 Millennium Challenge Account ("*MCA*") assistance to advance economic growth and poverty reduction in Lesotho;

WHEREAS, the Parties wish to cooperate for the purpose of facilitating the development and implementation of a proposed Millennium Challenge Compact between them to help advance economic growth and poverty reduction in Lesotho (the "*Proposed Compact*");

WHEREAS, the Government submitted a revised proposal for MCA assistance (the "*Proposal*") on March 1, 2005, which Proposal focuses on (i) the construction of the Metolong Dam (the "*Dam Project*") to supply water for Maseru and surrounding communities and (ii) the development and implementation of activities to improve the investment climate and to support small, micro and medium sized enterprises;

WHEREAS, the Government has expressed a desire to make progress in business and investment climate policy reforms, which will allow Lesotho to obtain the maximum benefit from the increased supply of water from the proposed Dam Project, by developing action plans to implement reforms;

WHEREAS, on May 17, 2005 the Government approved an agenda of policy reforms related to improving the business and investment climate in Lesotho ("*Proposed Reforms*"), which Proposed Reforms are identified hereto at Exhibit A and were incorporated as an annex to the Proposal on May 17, 2005;

WHEREAS, MCC has determined to make a grant of USD \$600,000 to the Government under the authority of Section 609(g) of the Millennium Challenge Act of 2003 for the purpose of carrying out the activities described herein related to the business and investment climate policy reforms element of the Proposed Compact;

WHEREAS, concurrently with the activities undertaken pursuant to this Grant Agreement, MCC intends to provide approximately USD \$800,000 in assistance for additional preparatory activities related to the Dam Project, including (i) completion of a partial feasibility study of the Metolong Dam to address technical gaps, revise project costs and examine the feasibility of recycling industrial waste water to increase short-term water availability and (ii)

collection of baseline data for the Proposed Compact program's economic analysis and monitoring and evaluation (the "*Preparatory Activities*"); and

WHEREAS, the Parties anticipate that if a Millennium Challenge Compact is concluded with Lesotho (i) some or all of implementation of the action plans developed pursuant to this Grant Agreement will be an integral part of such Compact and (ii) the successful adoption and implementation of some or all of the Proposed Reforms may serve as conditions precedent to certain disbursements under such Compact;

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements set forth herein, the Parties agree as follows:

ARTICLE I. PURPOSE AND TERM

Section 1.1 Objectives and Activities.

(a) The objective of this Grant Agreement is to facilitate the development and implementation of the Proposed Compact through a grant of assistance from MCC to the Government.

(b) The assistance provided under this Grant Agreement shall be used to support the following activities (the "*Activities*") related to the business and investment climate policy reforms element of the Proposed Compact (the "*Policy Reform Project*"), such Activities to be implemented on behalf of the Ministry by one or more consultants:

(i) Review and evaluate the Proposed Reforms and any other policy reforms identified in the Implementation Agreement (defined below) in consultation with public and private sector experts and practitioners and the donor community, including in the following policy areas: judicial procedure and commercial reform; border and customs procedures; financial infrastructure and property rights, including gender equality related to finance and land ownership; and capacity building and skill development for entrepreneurs;

(ii) Develop detailed action plans to implement Proposed Reforms; and

(iii) Present recommendations to the Government, with a copy to MCC, on (A) the prioritization of Proposed Reforms, (B) the sequence for implementation of the recommended Proposed Reforms, (C) the estimated timeline for such implementation, (D) the resource specifications and cost estimates for such implementation, and (E) suggested performance milestones and indicators that could be included in a Compact, if one is concluded, or in other donor arrangements for measuring progress towards such milestones and the impact of such implementation.

(c) The goal of the Activities is to develop detailed implementation action plans for the successful achievement of the Proposed Reforms, which, after the Completion Date (defined

below), are expected to be funded by the Government and/or donors and be implemented by the Government and/or donors or others after the Grant Term.

(d) The Activities shall be implemented in accordance with Section 2.2 of this Grant Agreement and in accordance with the Implementation Agreement.

Section 1.2 Effective Date; Grant Term.

(a) This Grant Agreement shall be effective on the last date on which the Implementation Agreement is signed by the Principal Representative (defined below) of each Party (the "**Effective Date**").

(b) This Grant Agreement shall terminate upon the earlier of: (i) ten (10) months from the Effective Date, unless otherwise agreed in writing by the Parties (the "**Completion Date**"); (ii) 30 days following prior written notice by either Party of its intention to terminate this Grant Agreement, *provided, however*, that the Ministry may not terminate this Grant Agreement with respect to any activity for which a commitment letter or other disbursement has already been issued or approved by MCC in accordance with the Implementation Agreement; (iii) the date on which either Party terminates the Implementation Agreement in accordance with the terms thereof; or (iv) the date on which MCC determines that any use or proposed use of the Grant or continued implementation of the Grant would be in violation of applicable law or United States Government policy, whether now or hereafter in effect.

ARTICLE II.

FUNDING; IMPLEMENTATION

Section 2.1 MCC Grant.

(a) Subject to the terms of this Grant Agreement and the terms of the Implementation Agreement, MCC hereby grants to the Ministry an amount not to exceed six hundred thousand United States Dollars (USD \$600,000) to fund the Activities (the "**Grant**"). The Grant proceeds shall be disbursed from time to time in accordance with the Implementation Agreement and any conditions precedent to disbursement for each Activity contained therein.

(b) MCC may, in its sole discretion, reduce the total amount of the Grant by an amount equal to the amount attributable to any violation of or failure to satisfy a condition precedent to disbursement specified in the Implementation Agreement, and such amount shall be automatically released from any obligation in connection with this Grant Agreement. Upon expiration or termination of this Grant Agreement, any amount of the Grant not disbursed by MCC to the Government shall be automatically released from any obligation in connection with this Grant Agreement. Any amount of the Grant disbursed by MCC to the Government not re-disbursed or otherwise incurred as permitted pursuant to the Implementation Agreement shall be returned promptly to MCC to such accounts designated by MCC in accordance with the Implementation Agreement.

Section 2.2 Implementation Agreement. The Parties shall enter into an agreement (the "**Implementation Agreement**") setting forth the terms and conditions for the use of the Grant

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proceeds, including (i) terms of reference for the service providers that will carry out the Activities; (ii) procurement procedures and mandatory contract provisions; (iii) disbursement procedures and forms of letters of commitment, disbursement requests, invoices, and certifications; (iv) limitations on the use of Grant proceeds; (v) requirements for records, information and audits; (vi) MCC approval rights with respect to any of the foregoing; and (vii) such other terms and conditions as are customary for a transaction of this nature. Except as the Parties may otherwise agree in writing, MCC shall make disbursements of the Grant directly to service providers procured by the Ministry in accordance with the Implementation Agreement.

ARTICLE III.

GOVERNMENT REPRESENTATIONS AND OBLIGATIONS

Section 3.1 Authority; Nature of Obligation. This Grant Agreement is a legal, valid and binding obligation of the Government. The Ministry has the power and authority to execute, deliver and perform on behalf of the Government its obligations under this Grant Agreement and each certificate or instrument contemplated hereby. The execution, delivery and performance by the Ministry of this Grant Agreement and each other agreement, certificate or instrument contemplated hereby to which it is or will be a party have been duly authorized by all necessary action by the Government and the Ministry and no other approvals or consents are required.

Section 3.2 No Violation of Law. Neither this Grant Agreement nor any of the activities contemplated herein violates or will violate any applicable law or regulation in force in the Kingdom of Lesotho or any decree, order, agreement or obligation to which the Ministry is a party or by which it is bound.

Section 3.3 No Other Funding Source. The Ministry affirms that no payments have been or will be received by any official of the Ministry or any other Government official in connection with the procurement of goods or services financed under this Grant Agreement.

Section 3.4 Proposed Reforms. The Ministry affirms that the list of Proposed Reforms attached at Exhibit A is a true, accurate and complete list and description of the policy reforms duly approved and adopted by the Government on May 17, 2005, and that there has been no material rescission, modification, or alteration of such approval or to the list of Proposed Reforms.

Section 3.5 Cooperation. The Ministry shall cooperate, and shall ensure the cooperation of other ministries and government bodies or authorities, in the undertaking and implementation of the Activities, including providing access to relevant officials and representatives of the Government and records or other documents.

ARTICLE IV.

GENERAL

Section 4.1 Governing Law; Consultations.

(a) This Grant Agreement shall be governed by and construed in accordance with the laws of the State of New York.

(b) Either Party may at any time request consultations relating to the interpretation or implementation of this Grant Agreement between the Parties. Such consultations shall begin at the earliest possible date. The request for consultations shall designate a representative for the requesting Party with the authority to enter into consultations and the other Party shall endeavor to designate a representative of equal or comparable rank. If such representatives are unable to resolve the matter within 20 days from the commencement of the consultations then each Party shall forward the consultation to the Principal Representative or such other representative of comparable or higher rank. The consultations shall last no longer than 45 days from date of commencement. If the matter is not resolved within such time period, either Party may terminate this Grant Agreement pursuant to Section 1.2(b). The Parties shall enter any such consultations guided by the principle of achieving the Grant objective in a timely and cost-effective manner.

(c) In matters arising under or relating to this Grant Agreement, neither Party shall be deemed to have submitted to the jurisdiction of the courts of the State of New York or any other court or judicial body.

Section 4.2 No Assurance of Future Assistance. Nothing contained in this Grant Agreement shall be construed as creating an obligation on the part of MCC to provide any further funding or assistance, other than the Grant, in relation to the Proposed Compact or any other project or program in the Kingdom of Lesotho.

Section 4.3 Foreign Government Information. The Parties agree to the removal of the Foreign Government Information ("FGI") classification for the text of this Grant Agreement and the terms of the Grant described herein. Notwithstanding the foregoing, except as shall otherwise be agreed by the Parties in writing, all prior drafts of this Grant Agreement, any other agreement between MCC and the Government yet to be negotiated and documented, and all other documents, information and other communications between MCC and the Government or their respective representatives either prior to, on or after the date of this Grant Agreement, whether related to the subject matter of this Grant Agreement or otherwise, will remain subject to FGI classification and, as such, protected from disclosure to the public in accordance with the letter dated November 16, 2004 from MCC to the Government attached at Exhibit B.

Section 4.4 Headings. The Section and Subsection headings used in this Grant Agreement are included for convenience only and are not to be considered in construing or interpreting this Grant Agreement.

Section 4.5 Severability. If one or more provisions of this Grant Agreement is held to be unenforceable under any applicable law, such provision(s) shall be excluded from this Grant

Agreement and the balance of this Grant Agreement shall be interpreted as if such provision(s) were so excluded and shall be enforceable in accordance with its terms.

Section 4.6 Communications. Unless otherwise agreed by the Parties in writing, any notice, request, report, document or other communication required, permitted, or submitted by either Party to the other under this Grant Agreement shall be (i) in writing, (ii) in English, and (iii) deemed duly given: (a) upon personal delivery to the Party to be notified; (b) when sent by confirmed facsimile or electronic mail, if sent during normal business hours of the recipient Party, if not, then on the next business day; or (c) two (2) business day after deposit with an internationally recognized overnight courier, specifying next day delivery, with written verification of receipt to the Party to be notified at the address indicated below, or at such other address as such Party may designate:

To MCC:
Millennium Challenge Corporation
Attention: Vice President for Country Relations,
with a copy to the General Counsel
875 15th Street, N.W.
Washington, DC 20005
United States of America
Tel: 1-202-521-3600
Fax: 1-202-521-3700
Email: VPCountryRelations@mcc.gov (Vice President for Country Relations),
VPGeneralCounsel@mcc.gov (Vice President and General Counsel)

To Lesotho:
Ministry of Finance and Development Planning
Attention: Minister of Finance and Development Planning
with a copy to the Principal Secretary
P.O. Box 395
Maseru – 100
Lesotho
Tel: 266-22323703 / 22316304 / 22311101
Fax: 266-22310622 / 22310157
Email: ps@finance.gov.ls

Section 4.7 Counterparts; Signatures. Except as the Parties may otherwise agree in writing from time to time, this Grant Agreement may be executed in one or more counterpart signatures and each when so executed and delivered shall be an original instrument, and such counterparts together shall constitute a single agreement. A signature delivered by facsimile or electronic mail in accordance with Section 4.6 shall be deemed an original signature, and the Parties hereby waive any objection to such signature or to the validity of the underlying document, certificate, notice, instrument or agreement on the basis of the signature's legal effect, validity or enforceability solely because it is in facsimile or electronic form. Such signature shall be accepted by the receiving Party as an original signature and shall be binding on the Party delivering such signature.

Section 4.8 Relationship Between the Parties. Nothing in this Grant Agreement shall be construed to constitute or create a partnership, agency relationship, joint venture, or equity or similar interest between the Parties. Neither Party has the power or authority to act on behalf of the other Party, except as expressly authorized by the other Party in writing.

Section 4.9 MCC Status. MCC is a United States government corporation acting on behalf of the United States Government in the implementation of this Grant Agreement. As such, MCC has no liability under this Grant Agreement, is immune from any action or proceeding arising under or relating to this Grant Agreement and the Ministry hereby waives and releases all claims related to any such liability. In matters arising under or relating to this Grant Agreement, MCC shall not be subject to the jurisdiction of the courts or other body of Lesotho.

Section 4.10 Language. This Grant Agreement is prepared in English and in the event of any ambiguity or conflict between this official English version and any other version translated into any language for the convenience of the Parties, this official English version shall prevail.

Section 4.11 Amendment. This Grant Agreement may be amended or modified by written agreement of the Parties.

Section 4.12 Definitions. Any reference to the term “including” in this Grant Agreement shall be deemed to mean “including without limitation” except as expressly provided otherwise.

[Signature Page Follows on Next Page]



IN WITNESS WHEREOF, MCC and the Ministry, each acting through its duly authorized representative, have caused this Grant Agreement to be executed in their names and delivered as of this 4th day of June 2005.

MILLENNIUM CHALLENGE
CORPORATION

THE MINISTRY OF FINANCE AND
DEVELOPMENT PLANNING ON
BEHALF OF THE GOVERNMENT OF
THE KINGDOM OF LESOTHO

By: _____ / s / _____

By: _____ / s / _____

Name: Paul V. Applegarth

Name: Timothy T. Thahane

Title: Chief Executive Officer

Title: Minister of Finance and
Development Planning

**EXHIBIT A
PROPOSED POLICY REFORMS**

Item no	Investment and trade reforms and policies	Details of the reforms	How are they useful to the investment?	Completion date
1.	<p>Restructure the financial sector to allow for more competition in the banking system:-</p> <ul style="list-style-type: none"> • Minimum Capital requirements for new financial institutions and provision for segregation of financial institutions in the legislation • Insolvency regime. • Credit restrictions • Review and enact matrimonial Act 	<ul style="list-style-type: none"> • Develop an appropriate legal and regulatory framework for Rural and Micro Finance Institutions; • Lower minimum capital requirements • Introduce insolvency provisions in the Financial Sector Legislation • Review and overhaul the Insolvency Proclamation • Review, amend and tier Financial Institutions Act 	<p>Will enable different institutions to participate in the banking sector. Different types of capital requirements will apply to different institutions. This will promote bank lending to the agriculture, tourism and industrial sectors and SMMEs</p> <p>An efficient insolvency regime will attract foreign investment</p> <p>It will create a balanced access to credit across both sexes and increase women participation in the economy and SMME sector in particular</p>	March 2006
2.	Promulgate a leasing	<ul style="list-style-type: none"> • Establish a leasing industry 	Reduced financial	June 2006

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Item no	Investment and trade reforms and policies	Details of the reforms	How are they useful to the investment?	Completion date
3.	<p>regime and diversify sources of leasing finance by attracting experienced leasing investors and tapping insurance firms and pension funds.</p> <p>Review the Cooperatives Act to ensure that it isw not in conflict with Financial Institutions Act</p>	<p>Develop a rural and micro finance policy</p> <ul style="list-style-type: none"> • Promulgate the leasing Act <p>Review and amendment of the Cooperatives Act.</p>	<p>risk of investing in activities linked to the project</p> <p>Provide a conducive environment and guidance to cooperatives and encourage nationals to establish business enterprises</p>	February 2006
4.	<p>Modernize the payment system in Lesotho</p> <p>(a) Introduce a robust Legal and Regulatory framework that supports a modern payment system</p> <p>(b) Introduce new electronic payment instruments and</p>	<p>1. Legislation:</p> <p>(a) Review the existing legislation and assess areas of amendment to align with a modern payment system</p> <ul style="list-style-type: none"> - Amend Evidence Law to allow for legal recognition of output from electronic media as documentary evidence - Amend Bills of Exchange in terms of presentment for payment of bills of exchange to include electronic payment instruction <p>(b) Promulgate new legislation specific to modern payment system</p> <ul style="list-style-type: none"> o National Payment System Act that supports modern payment system developments and to include clear rights and obligations of participants under insolvency; o that defines exact timing of final settlement of clearing obligations; o that defines finality and irrevocability of settlement and 	<ul style="list-style-type: none"> • Allow for speedy, secure and reliable transfer of funds between transaction agents, thus attracting investors since they will be assured that their economic transactions will be settled on time • Payment system is a backbone of 	September 2006 March 2006

Item no	Investment and trade reforms and policies	Details of the reforms	How are they useful to the investment?	Completion date
	<p>reduce cash usage and paper-based instruments</p> <p>c) Automate the Clearing House</p> <p>(d) Implement a Real Time Gross Settlement System</p>	<p>payment in the real time gross settlement system that ensure that all netting arrangements and clearing house rules and procedures are legally binding;</p> <ul style="list-style-type: none"> o that supports development of new payment instruments; o that does not permit unwinding of the netting process in the clearing operations; o that stipulates failure to settle rules (i.e. if one bank does not have enough funds to settle its clearing obligations in the clearing house); <p>Electronic Communication Transactions Act that provide and regulate essential procedures and principles for facilitating the use of modern electronic techniques for recording and communicating information. This will include:-</p> <ul style="list-style-type: none"> • legal recognition of data messages, • writing- where the law requires that information be in writing, data message has to be acceptable • signature- allow for encrypted electronic signature • truncation of imaging of original hardcopy information such as cheques • Admissibility and evidential weight of data messages • data protection including formatting of standards, privacy and secrecy of data • Consumer Protection Act to protect the rights of the man in the street in cases of electronic payment fraud, as well as protection of businesses against fraudsters • Cheques Act could improve the Bills of Exchange Act by specifying penalties for dishonored cheques, blacklisting of customers who misuse their cheque accounts, 	<p>the financial infrastructure; therefore an efficient payment system will ensure that economic activity is increased since funds will be quickly released for other economic activities.</p> <ul style="list-style-type: none"> • To allow for automation of the clearing and settlement process, this will increase the speed of turnover of funds. • To satisfy payment requirements of all sectors (public, government, companies, small businesses, rural 	<p>December 2006 (continuous process)</p> <p>December 2007</p>

Item no	Investment and trade reforms and policies	Details of the reforms	How are they useful to the investment?	Completion date
		<ul style="list-style-type: none"> • Introduce debit card payment stream, • Introduce Electronic Funds Transfer system • Introduce credit card payment stream • Introduce Code Line clearing for MICR encoded cheques • Set up clearing house jointly-owned by all participants in the clearing system • Improve the Clearing House Rules to support electronic payment instruments • Set up viable Clearing House Committees • Procure the RTGS system solution • Formulate operating rules and procedures • Formulate strategies to manage and access liquidity requirements of participants 	<p>areas)</p> <ul style="list-style-type: none"> • Reduce clearing cycle and reduce payment systems risks. To cater for electronic payment instruments clearing • Improve the efficiency of transfer of funds between banks and between buyers and sellers. • To facilitate the development of financial markets such as securities market and foreign exchange markets by speedy settlement of economic transactions 	

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Item no	Investment and trade reforms and policies	Details of the reforms	How are they useful to the investment?	Completion date
5.	<p>Establish and maintain a system of land relations in Lesotho which will contribute to the alleviation of poverty and economic growth</p>	<ul style="list-style-type: none"> • Enact Land Bill and complementary legislation (e.g. land Acquisition and Compensation Act, Land Transaction Act and Land Use Planning Act) • Develop relevant regulations and procedural forms • Develop land reform implementation strategy • Develop and implement a digitized land information system 	<p>The reforms will increase potential for food security through investment in irrigation and agribusiness by promoting better land use management and creating efficient land markets.</p> <p>The Land Bill will: -</p> <ul style="list-style-type: none"> • eliminate gender inequality in relation to access and land use rights • provide for Land holding by investors through leasehold • provide for disputes resolution through formal land courts and alternative dispute resolutions. • establish and facilitate operation of land 	<p>March 2006</p> <p>December 2006</p> <p>July 2006</p> <p>March 2009</p>

Item no	Investment and trade reforms and policies	Details of the reforms	How are they useful to the investment?	Completion date
6.	Establish an efficient mortgage regime. <ul style="list-style-type: none"> • Enact Mortgage Legislation • Review Deeds Registrar Act and Stamp Duties Act 	<ul style="list-style-type: none"> • To establish a vibrant and up-to-date mortgage regime • Promulgate mortgage act • Need to reduce transfer costs • Need to reduce stamp duty on public documents • To enable women married in community of property to own land and be able to borrow against the property as collateral 	market. <ul style="list-style-type: none"> • Introduce three tiers of landholding (registrable lease, demarcated lease and primary lease) and thereby facilitate credit extension • Provide for decentralized land administration 	June 2006
7.	Improve the efficiency of the	<ul style="list-style-type: none"> • Trace the movement of case docket at all times during 	It will enable property owners to have access to capital and funding by using their property as collateral To provide affordable housing to the nation The review will facilitate perfection (lease document, ministerial consent and be registrable) of the collateral Improved justice system will	Different milestone to

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Item no	Investment and trade reforms and policies	Details of the reforms	How are they useful to the investment?	Completion date
	<p>justice system:-</p> <ul style="list-style-type: none"> • Improve case management system by identifying weaknesses within the following institutions: - Prosecution - Police - Service of process (subpoena, summons) - Prisons - Justice (interpreters, recording devices) - Judiciary (local & central courts, Magistrate courts, High court) - Court of Appeal (transcription of court records) - Law Society 	<p>investigations up to its conclusion.</p> <ul style="list-style-type: none"> • Implement Speedy Court Trials Act – suspects are indicted in the High Court within 60 days or the charge is withdrawn, matters must be set down for hearing in the subordinate court within 60 days • Develop an effective case tracking system that is transparent • Implement Criminal Investigation Manual -Train police on proper compilation of dockets and effective transfer of dockets to the prosecution office • Undertake skills needs assessment for all institutions except prosecution department. 	<p>accelerate speedy settlement of trade and commercial disputes; increase confidence in the justice systems.</p> <p>Sustainability and long-term safety and security of the dam project.</p>	<p>be achieved over a 5 year period</p>
	<ul style="list-style-type: none"> • Improve access and protection 	<ul style="list-style-type: none"> • Revise the current Legal Aid Act; • Increase trained personnel within the Legal Aid Office and undertake a study of the feasibility of opening offices in the 		

Item no	Investment and trade reforms and policies	Details of the reforms	How are they useful to the investment?	Completion date
8.	<p>to the legal system</p> <p>Design and implement the legal and judiciary sector reforms to improve credit discipline: -</p> <ul style="list-style-type: none"> • Improve functioning of the Commercial courts • Establish a Small Claims Court 	<p>districts;</p> <ul style="list-style-type: none"> • Draft legislation to provide legal protection to persons with disabilities, children and people living with HIV and AIDS • Establish child, juvenile and family courts with child-friendly environments • Sensitize the public on the rights of vulnerable groups <ul style="list-style-type: none"> • Capacitate lawyers and Judges on handling commercial cases. • Separate the administrative function of the Commercial Court from the High Court. • Promote the establishment of a Credit Bureau Government • Implement the National ID system. 	<p>It will create improved access to credit by removing impediments</p> <p>The Small Claims Court will facilitate speedy resolution of cases because there is no appeal.</p> <p>Consumers with limited funds can access the justice system with cases against commercial institutions where the amounts in disputes are small.</p> <p>It will remove backlog of cases from Subordinate Courts and the High Court</p>	<p>By September 2006</p>
9.	<p>Improve the efficiency of immigration services by: - computerizing</p>		<p>Will promote tourism, investment and commerce by reducing the</p>	<p>By June 2006</p>

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Item no	Investment and trade reforms and policies	Details of the reforms	How are they useful to the investment?	Completion date
	IPS procedures; streamlining procedural requirements; providing full IPS inspections and a 1 st point of call		administrative burden associated with IPS.	
10.	Streamlining border procedures and handling of containers	<ul style="list-style-type: none"> • Establish one stop shop for clearance of exports and imports to be piloted at Maputsoe Border-post on 1 July 2005. • Harmonization of border processes and procedures between RSA and Lesotho • Rehabilitate Maseru Container Terminal (MASCON) 	This will reduce operational costs associated with movement of both intermediate and finished goods	June 2006
11.	Capacity building of Business Development Services providers such as BEDCO, LNDC, LCCI and others	Provide Technical Assistance to capacitate Business Development Services providers	Improved business advisory services by these institutions. Increase capacity to deliver value added and coordinated services to SMEs	September 2006
12.	Develop business information institutions to increase access of SMEs to business information and technologies	Technical assistance and establishment and management of business information centre	Improved business information associated with the project and other business opportunities	By December 2005
13.	Business Associations capacity	Technical Assistance in strengthening existing networks, development and implementation of sustainable programmes for	Facilitate policy reform advocacy,	June 2006

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Item no	Investment and trade reforms and policies	Details of the reforms	How are they useful to the investment?	Completion date
	building and networking. It involves: - <ul style="list-style-type: none">• study on assessment of present capacity• Assisting in mobilization of membership• Assisting in dissemination of information to members	SMME development and promotion, by assessing the present capacity, assisting in mobilization of membership and dissemination of information.	Market information and access	

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LIST OF ACRONYMS:

MICR – Magnetic Ink Character Recognition

RTGS - Real Time Gross Settlement

BEDCO – Basotho Enterprise Development Fund

LCCI – Lesotho Chamber of Commerce

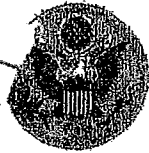
LNDC – Lesotho National Development Corporation

SMME – Small Medium and Micro Enterprises

MTICM – Ministry of Trade, Industry Cooperatives and Marketing

IPS – Immigration and Passports System

RSA – Republic of South Africa



Millennium Challenge Corporation

Reducing Poverty Through Growth

16 November 2004

Ministry of Finance
Maseru, Lesotho

Dear Dr. Majoro:


The Millennium Challenge Corporation (MCC) believes that effective development assistance requires a broad base of support in a country. Accordingly, it is important that each proposal reflects the results of an open consultative process, integrating government interests with those of the private sector and civil society. An important objective of this exercise is transparency and easy access by your citizens and related stakeholders to information relating to your proposal and the processes employed to develop the proposal for MCC assistance.

Without compromising the fundamental principles of consultation and transparency in proposal development, after a proposal is developed and submitted to MCC, we believe it is important that you know that you and your colleagues can engage with MCC in frank and open discussions regarding potential MCC assistance and can exchange related information without jeopardizing these communications. Therefore, this letter confirms our mutual understanding that both of us will consider information exchanged during the discussion process as Foreign Government Information (FGI). FGI is simply a designation that allows us to protect our open and frank discussions. The FGI designation means that all information between us can still be transmitted by regular mail, facsimile, or electronic mail and may be discussed or transmitted over non-secure telephone lines.

As our partner, it is important for you to understand this arrangement, the underlying purpose of this designation, and when you receive information from us with the FGI designation – you would understand what it meant.

I recognize that this practice of FGI designation may be new to you and, hence, may raise some questions on your part. Please feel free to contact me at +01-202-521-3654 if you have any questions.

Sincerely,



Wesley Wilson
Program Officer

(202) 521-3600 | (202) 521-3700 [Fax]
1000 Wilson Boulevard
P.O. Box 12825
Arlington, VA 22219-2825
www.mcc.gov

