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# UNITED STATES A.I.D. MISSION TO LESOTHO

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ACTION MEMORANDUM FOR THE MISSION DIRECTOR

TO: JESSE L. SNYDER  
FROM: BETSEY E. ROBINSON *B. E. Robinson*  
DATE: JULY 18, 1988  
SUBJECT: HUMAN RESOURCES DEVELOPMENT ASSISTANCE  
(698.0463.32)

PROBLEM:

Pursuant to Africa Bureau Delegation of Authority 551 Section 5B, you are requested to authorize the obligation of \$359,000 to finance two grants for the Human Resources Development Assistance Project: one to the Government of Lesotho (GOL) in the amount of \$273,000, and one to the Lesotho Chamber of Commerce and Industry (LCCI) in the amount of \$86,000. Subject to the availability of funds for this project and the agreement of the parties to continue, it is planned that AID will provide a total of \$1,200,000 to the grantees; a total of \$818,000 to the Government of Lesotho and \$382,000 to the Lesotho Chamber of Commerce and Industry over the life of project.

BACKGROUND:

As a small, landlocked country with limited natural resources and completely surrounded by the Republic of South Africa, Lesotho faces a number of unique development problems. Although the nation is basically agrarian (over 85 percent of all inhabitants live in rural areas), the rural sector is declining: agricultural yield per hectare has dropped during the last ten years and the amount of cultivated land has decreased. The population is growing at an annual rate of 2.6 percent, but the domestic economy is not creating more jobs. For the 20,000 new entrants in the job market every year, no more than 6000 jobs are created. Mine employment in the Republic of South Africa, which accounts for more than 50 percent of Lesotho's GNP and provides some 115,000 jobs, has reached a plateau. While the manufacturing sector has doubled its share of the GDP since 1980, it still represents only 15 percent of GDP; this is despite Lesotho's relatively well educated and competitively priced manpower base, adequate infrastructure, preferential access to foreign markets and tax incentives. Basotho-owned private firms are primarily small trading and service companies. Growing unemployment, heavy dependence on imports from the RSA, and the uncertainty of future economic and political relations with the RSA, make it essential for Lesotho to increase its ability to plan for economic growth and labor utilization.

DISCUSSION:

A. PROJECT DESCRIPTION

The purpose of the Human Resources Development Assistance Project is to strengthen the capacity of GOL and selected non-governmental organizations to increase the private sector employment capacity and ensure adequate labor analysis and planning. This will result in improved management of labor resources and a reduction of dependence on migrant labor remittances and imports from the RSA.

The HRDA Project will directly benefit GOL employees and business owners as well as local training institutions. Approximately 900 Basotho will participate in workshops, seminars, and conferences aimed at enhancing their business skills. Training efforts will be geared toward four subobjectives: (a) development of GOL's ability to plan with economic indicators and to analyze labor statistics; (b) development of investment promotion and export marketing to attract more productive investment in Lesotho and to increase the export potential of existing products; (c) expansion of existing Basotho-owned small to medium-scale enterprises to generate new jobs; (d) development of rural productive activities.

B. FINANCIAL SUMMARY

The anticipated total life of the HRDA Project (5 years) cost is \$1,200,000. Of this amount, AID will contribute \$273,000 to the Government of Lesotho and \$86,000 to the Lesotho Chamber of Commerce and Industry in FY 88. The host country contribution for the activities associated with the grant to the GOL has been waived as documented in Annex N of the Project Paper. The grant to LCCI totals \$86,000 of which \$15,000 and \$10,000 are subgranted to the Exporters' Association and Lesotho Institute of Accountancy Studies, respectively.

2

TABLE 1

Summary of USAID LOP Contribution to HRDA  
(\$000) FY 88-92

Grant to GOL	818.00
Grant to LCCI	382.00
TOTAL	1200.00

TABLE 2

Summary of USAID Contribution to HRDA  
(\$000) FY 88

Grant to GOL	273.00
Grant to LCCI	86.00
TOTAL	359.00

TABLE 3

Summary Budget of Grant to the GOL  
(\$000) FY 88

Short-term Training	258.00
USAID/L HRDA Coordinator	10.00
Regional Conferences	5.00
Contingency/Inflation	0.00
TOTAL	273.00

TABLE 4

Summary Budget of Grant to LCCI  
(\$000) FY 88

LCCI	61.00
Exporters' Assn.	15.00
Lesotho Institute of Accountancy Studies	10.00
Labor Union and other Labor	0.00
Contingency/Inflation	0.00
TOTAL	86.00

C. NON-COMPETITIVE GRANTEE SELECTION

Handbook 13, Chapter 2B1 gives you the authority to approve the selection of assistance recipients on the basis of no competition. Chapter 2B.3 states that that competition is not required for "assistance awards for which one recipient is considered to have exclusive or predominant capability, based on experience, specialized facilities or technical competence, or based on an existing relationship with the cooperating country or beneficiaries".

In this case, the Chamber of Commerce and Industry (LCCI) is the only private sector organization with an existing membership that provides any support to the small and medium scale businesses in Lesotho. The Lesotho Chamber of Commerce and Industry has a broad base of representation. Established in 1976, the LCCI has a membership of 1800 small-scale Basotho-owned firms located throughout the ten districts of Lesotho. It is estimated that this is 15 percent of potential membership. The member businesses are mainly trading companies including twelve larger firms. The LCCI suffers from lack of funds and limited staff training. USAID/Lesotho believes the Chamber of Commerce and Industry is the only appropriate private sector entity to undertake the effort which the Human Resources Development Assistance project supports.

D. CONDITIONS PRECEDENT

The attached Grant Agreement with the Lesotho Chamber of Commerce and Industry contains one CP to assure that LCCI has adequate financial management capability prior to the disbursement of any funds.

E. WAIVERS

The authorized source/origin for commodities and commodity related services under this Grant is the U.S., other Code 935 countries, and the Kingdom of Lesotho, except as AID may otherwise agree in writing, and as is otherwise stipulated in AID Special Procurement Policy document governing the Development Fund for Africa, dated April 4, 1988, as may be from time to time amended.

It is not anticipated that waivers will be required for the procurement of commodities/services under this project.

F. GRANTEE CONTRIBUTION

Based on the justification and authority contained in Annex N to the Project Paper, the requirement that cooperating countries contribute at least 25 percent of the total cost of the Project for those countries determined to be "relatively least developed" has been waived as cited in the Project Authorization, dated July 24, 1987.

AUTHORITY:

Pursuant to the Delegation of Authority Number 551, Section 5B, entitled "Project Implementation Authorities" you, as Mission Director, have the authority to approve and execute grant agreements and Handbook 13, Chapter 2B gives you, as Mission Director, the authority to approve Lesotho Chamber of Commerce and Industry as an assistance recipient on the basis of no competition.

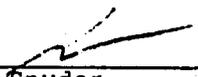
RECOMMENDATION:

It is recommended that you: (a) authorize the obligation of \$359,000 to provide FY 88 funds for the Human Resources Development Assistance Project; and (b) approve Lesotho Chamber of Commerce and Industry as a grant recipient on the basis of no competition.

ATTACHMENTS:

1. Grant Agreement - GOL
2. Grant Agreement - LCCI

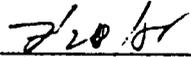
APPROVED:

  
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Jesse L. Snyder  
Mission Director

DISAPPROVED:

\_\_\_\_\_  
Jesse L. Snyder  
Mission Director

DATE:

  
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CLEARANCES:

RLA/SA:DKeene:	(with comments)	date: 7/14/88
CONT/USAID/L:AMGordon:	(draft)	date: 7/7/88
EXO/USAID/L:CABryant:	(draft)	date: 7/18/88
A/DIR/L:CHTyson:	(draft)	date: 7/18/88

3