

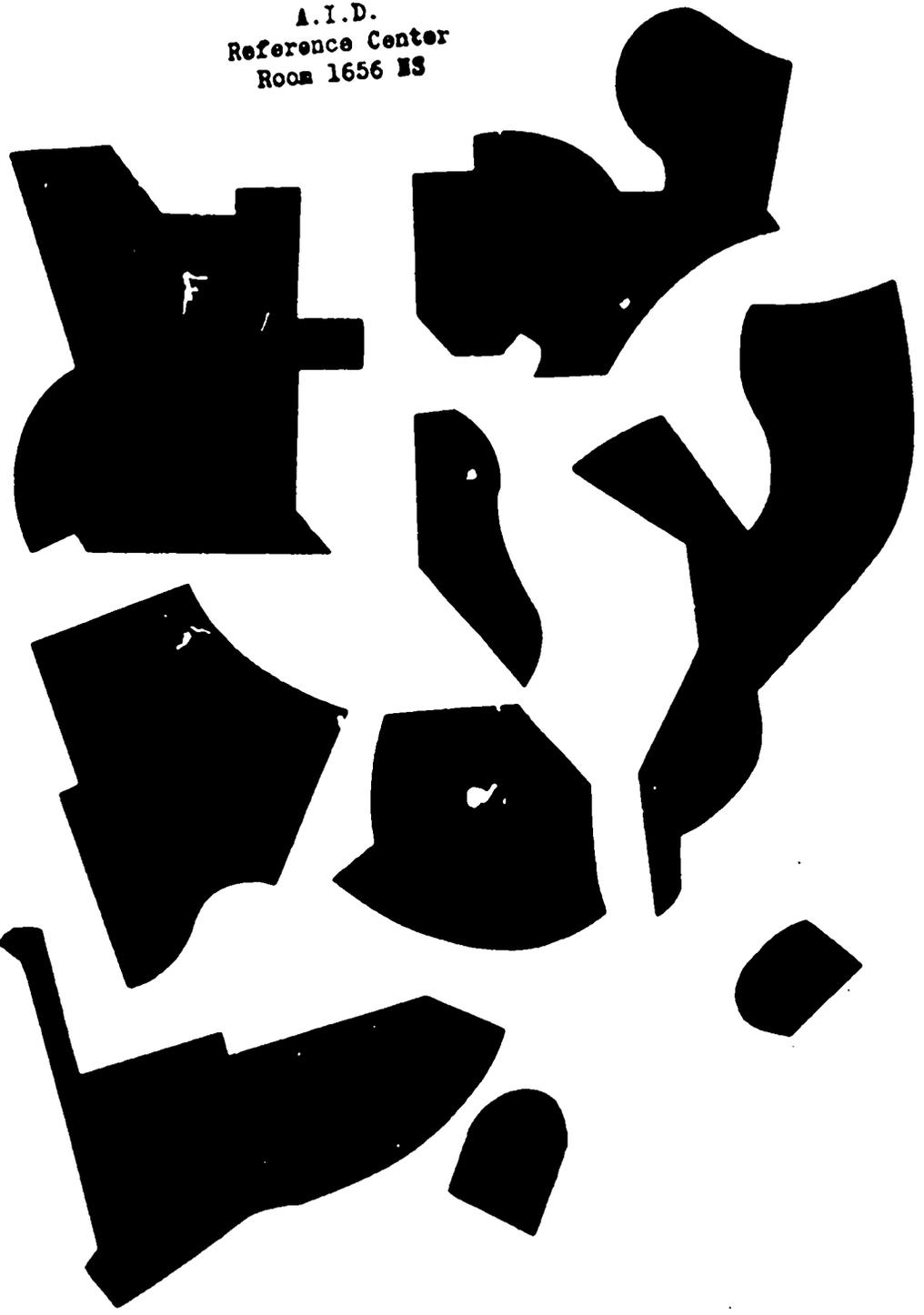
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9. ABSTRACT Sponsored by the Office of Eastern and Southern African Affairs, under contract with A.I.D., this paper includes social, geographic, economic, and political information to provide background on the issues and opportunities for economic assistance to the countries of Southern Africa through and following the periods of transition in Zimbabwe and Namibia. This report is a profile of Lesotho and includes a general background discussion of the physical features, culture, education, politics, and major issues confronting the government of Lesotho. The economic overview includes the gross domestic product, balance of payments, government economic plan, development problems, development prospects and alternatives. The sector analyses include agriculture, mining, transportation, water resources, health, education, population, manufacturing, and tourism. Lesotho is made up of people from one ethnic group, the Basotho people. It is an impoverished nation considered to be among the twenty-five poorest. The land is inhospitable and the majority of the population lives in the lowland areas in densely populated settlements. Many seek work in the South African mines; the remaining population subsists on agriculture and food relief. The income remittances from migrant labor equalled the value of the output of the domestic economy in 1975. The agricultural resource base is limited and deteriorating. Only thirteen percent of the land area is capable of supporting crop cultivation and it is racked by severe erosion. Lesotho does not have natural resources to provide the capital required to develop the other employment generating sectors of the economy. Lesotho is dependent on the South African economy for its survival.		
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This paper was prepared to provide background information on the issues and opportunities for economic assistance to the countries of Southern Africa thru and following the periods of transition in Zimbabwe and Namibia. It includes Social, Geographic, Economic, and Political information.

February 1977

Prepared by:

 Southern Africa Task Force

Office of Southern and East African Affairs
Africa Bureau, USAID

Transition in Southern Africa----- LESOTHO

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**A FRAMEWORK FOR U.S. ASSISTANCE
IN SOUTHERN AFRICA**

COUNTRY RESOURCE PAPER

LESOTHO

Submitted By

THE OFFICE OF EASTERN AND SOUTHERN AFRICA AFFAIRS

**BUREAU FOR AFRICA
AGENCY FOR INTERNATIONAL DEVELOPMENT**

February 1977

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McLean, Va.**

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INTRODUCTION

Lesotho is made up of a people from a single ethnic group; the Basotho people. From the 19th century until independence the Basotho monarchy maintained national integrity (which was threatened by Boer encroachment on the Basotho lands) under a British Protectorate status.

Lesotho is an impoverished nation considered to be among the "inner six" of the United Nations twenty-five poorest nations. Because of the mountainous terrain of Lesotho the majority of the population resides in the lowland areas in densely populated settlements. The inhospitable land, the overcrowding and the few other natural resources has so constricted the opportunity structure of Lesotho that many Basotho seek work outside the country in the mines of South Africa. The remaining population eeks out their existence in subsistence agriculture supplemented in many instances by PL-480 food relief. Lesotho most often is characterized as "among the poorest states of Africa and the world...(and a) drought-stricken, badly eroded, mountain, and highland plateau country." (Weisfelder, 1973.)



I

GENERAL BACKGROUND

- **Physical Features**
- **Demography**
- **Culture**
- **Education**
- **Politics**

I. GENERAL BACKGROUND

A. Physical Features

The landlocked Kingdom of Lesotho covers an area of 30,350 square kilometers. Surrounded by the Republic of South Africa and ringed with high mountains which form a natural border on the south and east, Lesotho is a mountainous country with 13 percent (393,000 hectares) of the total land area considered suitable for crops. The remaining 87 percent of the land is mainly suitable for livestock grazing except in the higher reaches during the winter months. With improved technology, irrigation and access roads, the amount of arable acreage could be increased. About half of the cultivated areas and mountain pastures are affected in varying degrees by erosion. An estimated 1 percent or more of the nation's topsoil is washed away each year. Most of the presently arable land is concentrated in the lowlands region. The other regions are the Senqu River Valley region, the foothills (region), and the mountains (region). The Senqu River Valley also supports some agricultural cultivation.

The lowlands region which contains the largest proportion of cropped land rings the northern section of the country. It lies in an altitude range of 5,000 to 7,000 feet and has a rainfall range of approximately 600 to 900 mm per annum. The lowlands experience occasional drought, with the last prolonged one recorded in 1972. The lowlands have warm summers and dry cold winters. The data on altitude and climate conditions for Lesotho is found on Figure I-1, Altitude; and Table I-1, Rainfall.

The population of the Kingdom of Lesotho is 1.2 million (de jure) with an estimated 175,000 absent residing in the Republic of South Africa (See Table I-2). The population is concentrated in the lowlands region as we can see from the Population Distribution Map (See Figure I-2). The population density for the arable lowland region averages 280 persons per square kilometer. Lesotho has an annual estimated population growth rate of 2.2 percent.

Slightly under 50 percent of Lesotho's population is nineteen years of age or under. The data on the age composition is found on Table I-3.

The composition of the population by sex according to the preliminary report from the 1976 Population Census is:

<u>MALES</u>	<u>FEMALES</u>	<u>TOTAL</u>
586,870	627,090	1,213,960
(48.34%)	(51.65%)	

The non-African population is reported to be a fraction of 1 percent. Though the number of expatriates residing in Lesotho is extremely small, their influence on commercial life (notably those from South Africa) appears to be significant according to a USAID report. The report noted that "South African organizations and individuals control the major portion of all business and commercial operations." Expatriate personnel also occupy many of the top management positions

TABLE I-1
RAINFALL OBSERVATIONS

Station	Years Prior to First Plan			No. of Years	1975
	Average	Maximum	Minimum		
Botšabelo	964.7	1,622.6	614.6	14	921.9
Butha-Butha	818.6	1,153.2	545.1	33	943.5
Lelingoana's	562.4	828.4	414.5	17	828.4
Leribe	845.0	1,343.2	563.1	53	955.7
Mafeteng	755.7	1,056.4	515.1	47	792.3
Maseru	637.5	1,119.4	428.5	49	860.7
Masbai	529.8	769.1	374.4	18	579.5
Mohale's Hoek	715.8	1,142.2	458.2	55	733.4*
Mokhotlong	560.3	729.4	406.7	21	729.4*
Qocha's Nek	927.9	1,426.7	574.0	55	681.9*
Quthing	791.7	1,197.6	443.0	45	698.7
Rapase	501.9	818.1	339.6	22	611.1*
Rona	809.8	1,201.9	561.3	13	909.6
Teyateyaneng	706.6	1,102.4	439.7	54	1,023.1
Tsoelike	571.8	952.2	356.9	18	555.1

*Incomplete data

Source: Bureau of Statistics

FIGURE I-1
 MAP OF LESOTHO

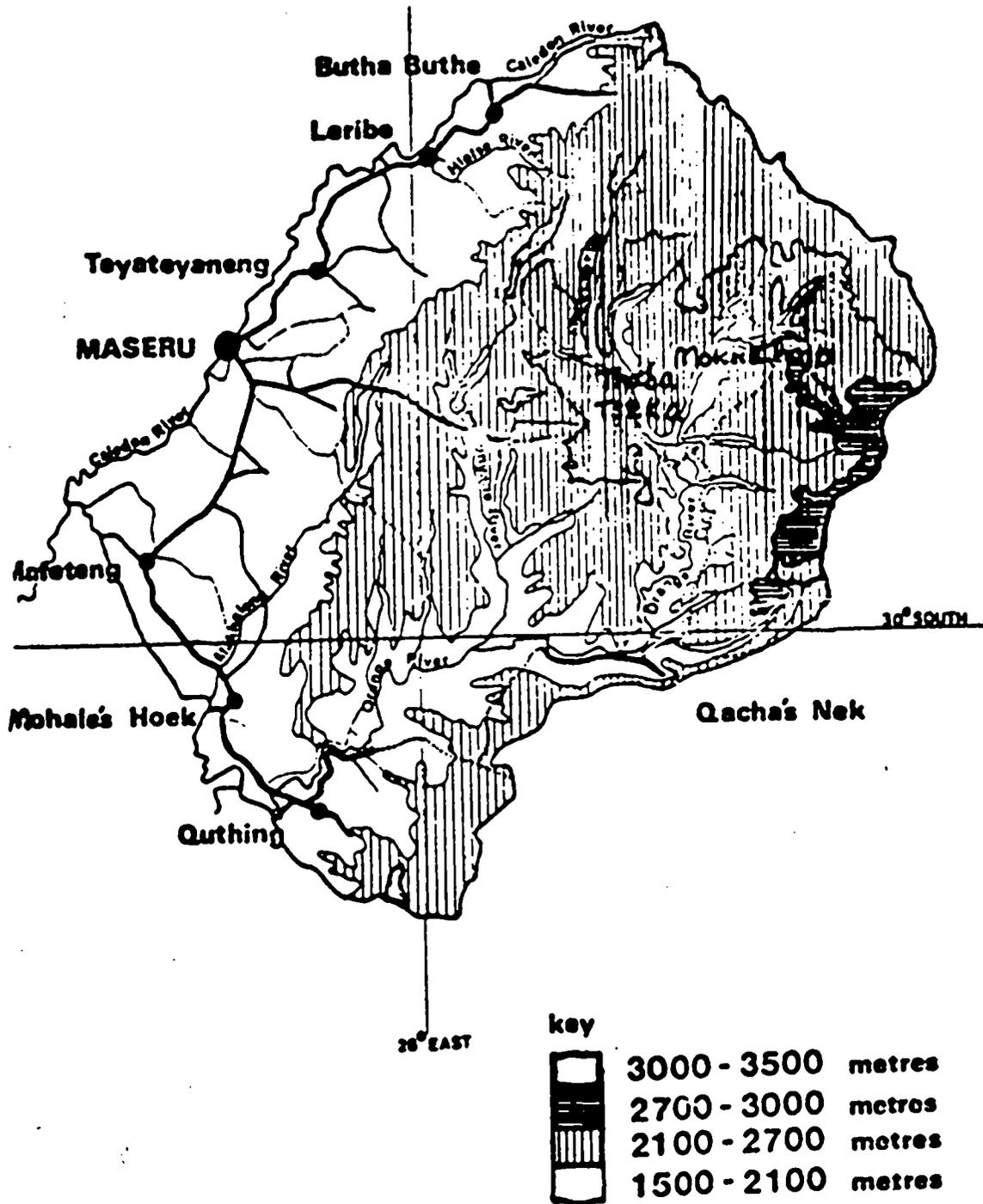


TABLE I-2

POPULATION TABLE
 DISTRIBUTION OF TOTAL PROJECTED LESOTHO POPULATION
 BY ADMINISTRATIVE DISTRICT

DISTRICT	1975	1976	1977	1978	1979	1980
BUTHA-BUTHA	77	79	80	82	84	86
LERIBE	196	200	205	209	214	219
DEFEA	142	145	148	151	154	158
MASERU	248	254	260	265	271	277
MAFETENG	141	144	147	150	154	157
MOIUALE'S HOEK	138	141	145	148	151	154
OUTHING	90	93	95	97	99	101
QACHA'S NEK	76	77	79	81	82	84
MOHOTLONG	73	75	76	78	80	82
LESOTHO	1181	1208	1235	1261	1289	1318

Source: Annual Statistical Bulletin, 1975.

FIGURE I-2

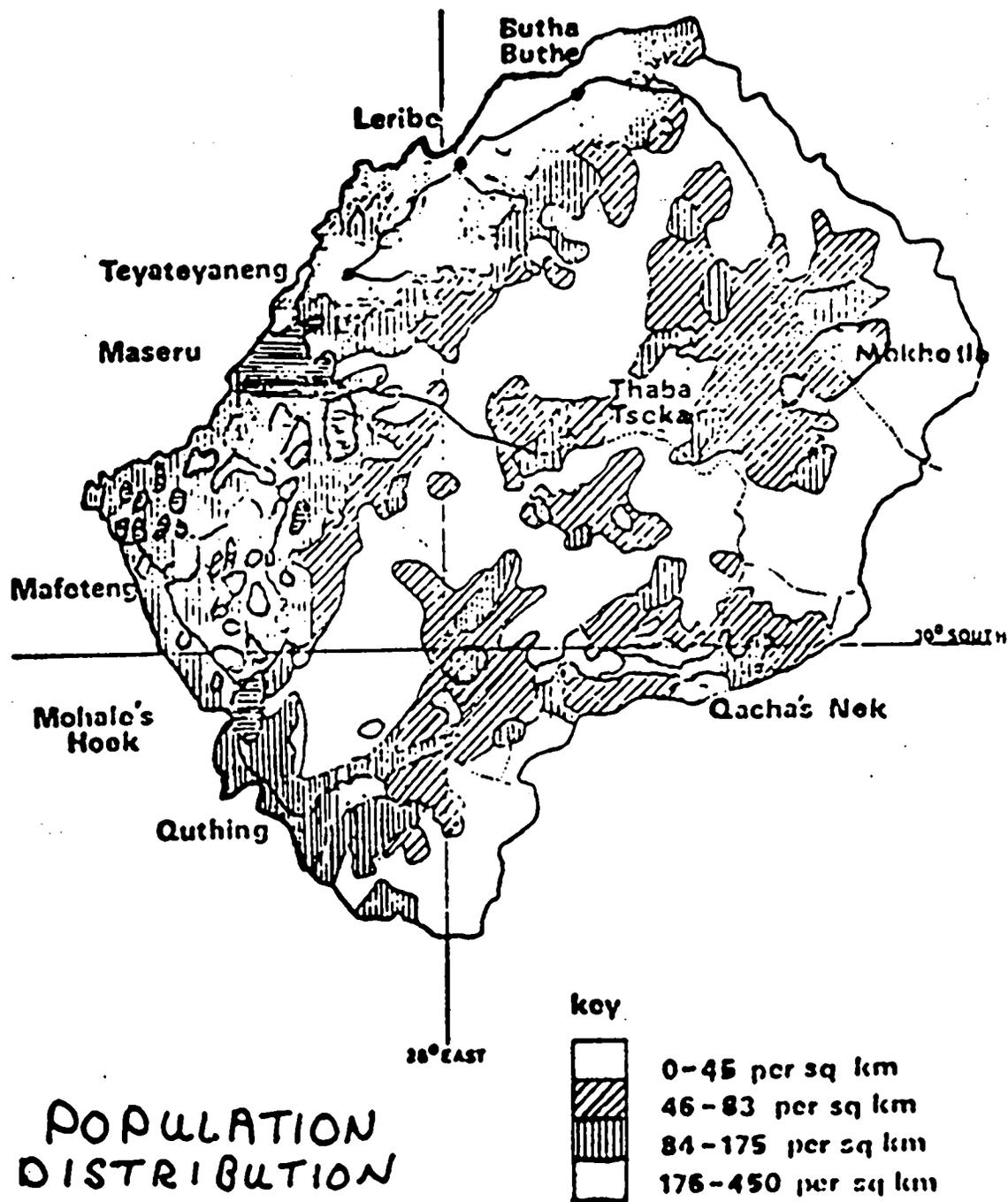


TABLE I-3

DISTRIBUTION OF THE PROJECTED POPULATION BY AGE GROUPS, 1975 - 1980
(in thousands)

AGE GROUPS	1975	1976	1977	1978	1979	1980
0-4	181	185	189	193	197	202
5-9	153	156	159	163	167	170
10-14	133	136	139	142	146	149
15-19	117	120	123	125	128	131
20-24	103	105	107	109	112	114
25-29	89	91	93	95	97	99
30-34	77	79	81	83	84	86
35-39	67	69	70	72	73	75
40-44	58	59	60	62	63	65
45-49	49	50	52	53	54	55
50-54	42	43	44	44	45	47
55-59	34	35	36	37	38	38
60-64	27	28	29	29	30	31
65-69	21	21	22	22	23	23
70-74	15	15	15	16	16	16
75+	15	16	16	16	16	17
TOTAL	1181	1208	1235	1261	1289	1318

Source: Annual Statistical Bulletin 1975

in government. An Afrikaaner tobacco magnate, for example, was Lesotho's leading industrial consultant. As of 1973 some 175-odd expatriate officials remained in the civil service. The Prime Minister, according to one source, is reluctant to Africanize the civil service and instead has "often placed increased responsibilities" on the expatriate civil service staff. (Weisfelder).

Bilateral donors supply management personnel to staff donor-funded projects. A number of African states have lent personnel to staff the educational system. Data is not available on the number of expatriates or expatriate-held positions by occupational category.

B. Culture

Unlike most of the culturally pluralistic African nations Lesotho has only one traditional culture and one traditional ethnic group living within its borders. Conflict is not, therefore, based on linguistic or cultural differences though the culture is monarchical and the role of the monarch is an area of conflict. The conflict has been temporarily resolved in favor of the civilian government. The king remains as a ceremonial head of state but he has chosen not to become involved again in the politics of the nation. The traditional values of the ethnic group persist and are embodied in the monarchical system and the living king. The values have been characterized as conservative.

The Basotho traditional, conservative value structure is further buoyed up by the considerable influence and following of the Catholic Church. The Basotho are less traditionalistic than the Swazi and do not defer to monarchical and aristocratic prerogative to the same degree. The massive out-migration of Basotho to seek work in South Africa has in effect de-tribalized many Basotho and in part explains the relatively weaker hold of tradition on the people.

The inability of the land to support the people and the need therefore of Basotho to seek work in South Africa further lessens the hold the traditional authorities might have if the land and the land tenure system were of greater importance to the wellbeing of the Basotho. Traditional Basotho society appears to be somewhat democratic as testified by the traditional adherence to free speech and compromise. One scholar wrote in an analysis of Lesotho politics (as an expression of these values) that, "Arbitrary or irrevocable actions against opposition leaders, in blatant contempt for Basotho traditions of free speech and judicious compromise between political opponents, would be offensive to (the Prime Minister's) supporters in the Catholic Church and chieftainship. (Weisfelder, 1973).

Inasmuch as the conflicts within Lesotho are not ethnic or linguistic they are defined along different lines. The primary conflicts are between civilian vs. monarchical rule which is resolved for the time being; between Catholics and Protestants; and between suburban elites vs. the rural lower echelon chiefs.

C. Education

Intense competition between Roman Catholic and Protestant mission educational systems has given Lesotho a comparatively high literacy rate of around 47.5 per-

cent. One-third of the male population and 58 percent of the female population are considered literate. The 1975 primary school enrollment stood at 22,400 and the secondary school enrollment stood at 15,823 up from 6,026 five years earlier. Data on primary and secondary school attendance from 1970 to 1975 is found on Table I-4. As of 1966 Lesotho had 180 persons holding a degree in higher education and 1,076 persons having matriculated from secondary education. The data available on the number of graduates by category dates back to 1966 (see Table I-5).

D. Politics

1. Political System- From 1966 to 1970 the political system of Lesotho was essentially democratic based on a Westminster parliamentary model. From 1970 to the present the Prime Minister has ruled with the advice of the General Assembly.

In 1970 the Prime Minister, Chief Leabua Jonathan, declared the election null and void, suspended the Constitution, arrested the opposition leadership, and in effect, seized power. His rule has been unchallenged since the initial resistance to his take-over ended. The 1970 coup ended four years of intense political competition between the two major political parties. It also resolved the persistent question of the role of the monarchy of King Moshoesho II in the political system. The Prime Minister briefly exiled the King and, subsequent to this, enforced his position that the role of the King should be as a ceremonial head of state. The King has acquiesced to this decision. Opposition parties were allowed to remain. A judiciary branch also remains but its authority is effectively limited to civil and criminal litigation.

Since the 1970 coup political activity is negligible. One scholar wrote, "The Lesotho political picture is clouded...by the fact that it is difficult to talk, at the moment, of political activity or even of a political direction in the country...Lesotho, like Swaziland, seems to be in a mire of political inactivity."

2. Political/Economic Philosophy- The government has not articulated an ideological direction for the country's political or economic development. From its actions the political system can be categorized as conservative and basically autocratic though some trappings of political freedoms persist, some as a result of traditional values like the value of free speech.

The country's economic philosophy supports a mixed capitalist system with a mildly positive role for the government. The government controls portions of the communications and transportation system. Private investment, including foreign capital, is encouraged.

2. Major Issues Confronting the Government of Lesotho

The major issue facing the Lesotho Government is how to cope with its desperate poverty, its extremely limited institutional capabilities, and its geographically dictated dependence on the Republic of South Africa. All other issues facing the

TABLE I-4
SCHOOL ENROLLMENT
PRIMARY SCHOOL PUPILS AND TEACHERS, 1970/75

Year	Total Enrolment	% Change from Previous Year	Total Teachers	Change in Total from Previous Year	Pupil/Teacher Ratio
1970	183,395	-	3,964	-	46.3
1971	171,454	-6.5	3,877	-87	44.2
1972	175,355	+2.3	4,006	+129	43.8
1973	187,459	+6.9	3,951	-55	47.4
1974	218,038	+16.3	4,139	+188	52.7
1975	222,400	+2.0	4,341	+202	51.2

Source: Ministry of Education (preliminary data 1975)

SECONDARY SCHOOL PUPILS AND TEACHERS, 1970/75

Year	Total Enrolment	% Change from Previous Year	Total Teachers	Change in Total Teachers from Previous Year	Pupil/Teacher Ratio
1970	6,028	-	256	-	23.5
1971	7,816	+29.7	306	+ 50	25.5
1972	11,936	+52.7	568	+262	21.0
1973	13,412	+12.4	551	- 17	24.3
1974	14,903	+11.2	567	+ 16	26.3
1975	15,823	+ 6.1	610	+ 43	25.9

Source: Ministry of Education (preliminary data 1975);

TABLE I-5

TOTAL NUMBER OF SCHOOL GRADUATES BY
DEGREE AND LEVEL (1966)

<u>EDUCATION</u>	<u>TOTAL</u>		<u>TOTAL</u>
	<u>MALE</u>	<u>FEMALE</u>	
Never Attended	214,687	178,069	392,755
Attended & Graduated A	50,470	59,229	109,699
Gr. B. Std. 1-2	56,638	125,146	181,784
Std. 3-5	28,670	102,166	130,836
Std. 6-8	10,510	13,747	24,257
B.P.T.C.	916	1,030	1,946
J.C.	2,434	1,340	3,774
P.H.	331	173	504
Matric.	847	229	1,076
Degree	154	26	180
Not stated	1,430	1,772	3,202
TOTAL	367,087	482,926	850,013

TABLE I-6
SCHOOL ENROLLMENT FOR 1973 BY GROUP

	<u>%</u>	<u>NUMBER</u>	<u>MALE/FEMALE % OF TOTAL</u>	
Primary School (ages 6-12)	65	190,700	40%	60%
Secondary School (ages 13-18)	8	12,500	48%	52%
Specialized Post-Secondary (18 to 22 years)	1.0	1,030	49%	51%
Higher Education (18 to 22 years)	0.1	200	55%	45%

Lesotho Government pale in comparison. More precisely, most issues are a reflection of Lesotho's intense poverty and limited capabilities. The political competition from 1966 to 1970 pitted the two political parties over this issue for a pan-African foreign policy and a radical economic model for development. The government has argued for accommodation with South Africa, and encouragement of foreign investment.

South Africa's recent self-styled declaration of independence for the area known as the Transkei has presented a new problem for the Lesotho Government. The Lesotho Government refused to recognize the legitimacy or independence of this bordering area. The Government of Lesotho, along with every other government of the world, has claimed the Transkei was a facade and further institutionalization of the racist concept of apartheid. The crisis began in October of 1976 when the Government of Lesotho refused to recognize the Transkei passports or identification document of persons wishing to enter Lesotho. Lesotho stated it would recognize only passports or identification documents issued by the Government of South Africa. The Transkei authorities retaliated by refusing passage of foodstuffs and imports through the territory for onward shipment to Lesotho. The Transkei's decision effectively cut off southern Lesotho from the rest of the country. The dispute could develop into a crisis for the Government of Lesotho if alternative shipping routes for essential food items are not found. The Government of Lesotho has appealed to the United Nations and the United States to assist with the resolution of this problem.

II

ECONOMIC OVERVIEW

- **GDP**
- **Balance of Payments**
- **Other**

II. ECONOMIC OVERVIEW

The first salient characteristic of the economy of Lesotho, and probably its most striking feature, is the extreme economic dependence on the wider South African economy. South Africa provides the majority of the Lesotho national income from the income remittances generated by Basotho migrant laborers working in the South African mines. Income remittances from migrant labor equalled the value of the output of the domestic economy in 1975. This will be shown in the comparative difference between the Gross Domestic Product, the measure of internal economy activity, with the Gross National Product, the measure of the internal economic activity plus income earned by nationals outside the domestic economy. In addition to income, the South African economy provides employment for a majority of Lesotho's male labor force. Lesotho is also tied into the wider South African economy through customs and trade agreements, specifically the Customs Unions Agreement of 1970 and 1974 Rand Monetary Agreement. The former ties Lesotho and South Africa into a common market area. The later agreement makes Lesotho a member of a common monetary area with South Africa, sharing the same currency (the rand), and subject to the monetary policies of the South African Monetary Authority. In light of Lesotho's dependence on South Africa for most of its income, employment, trade and monetary policies, Lesotho could be considered a part of, or an extension of, the wider South African economy.

Geography is an important factor in Lesotho's dependence on South Africa. The nation is a virtual island surrounded by South Africa. Its island-like geography naturally dictates a dependence on South Africa for external communications, transportation beyond its borders, and access to the sea.

Geography explains only part of the severe dependence of Lesotho on the wider South African economy. Lesotho's dependence is also dictated by its limited and deteriorating agricultural resource base, the second characteristic of the economy. With only 13 percent of the total land area capable of supporting crop cultivation and racked by severe land erosion and growing population pressure, the agricultural sector does not provide adequate employment and only a very small income to the male labor force. Erosion is a particularly serious problem affecting the productive capacity of the land and reducing the amount of land available for crop cultivation and livestock grazing. Agricultural productivity is extremely low because of the poor quality and the debilitating land use and cultivation practices employed in traditional subsistence agriculture. One result of low productivity is that agricultural output cannot meet domestic demand. Food imports and food aid (particularly PL-480) make up the deficit.

Lesotho's dependence on the South African economy also grows out of the third characteristic of the domestic economy, namely, a very constrained internal economic base. With only two known minerals--diamonds and water--and the former in limited quantity, Lesotho does not have natural resources to provide the capital required to develop the other employment generating sectors of the economy. Agriculture is a residual sector, and the other employment generating sectors, including minerals and mining, are in their infancy. Foreign capital has not shown much interest in investing in Lesotho and the required skills and capital needed

to develop a manufacturing and industrial base are too scarce within the economy. Lesotho must therefore export its labor to provide employment and income to its people and to generate national income to support itself as a viable economic, social, and political unit. In most ways Lesotho is very much like a Bantustan, the South African homeland concept embodied in apartheid, in that Lesotho is dependent on the South African economy for its survival.

A. Gross Domestic Product

Lesotho's economic growth can be characterized by three trends: very slow growth in domestic output (GDP) due to a stagnant agriculture sector; over half of the male labor force working outside of the country, remitting earnings larger than GDP; and very recent growth in the tourism sector.

Gross Domestic Product at market prices grew at an annual rate of 8.7 percent from 1964/65 (see Table II-1). Excluding inflation of 5.6 percent a year, real growth was probably in the range of only 2.5-3.5 percent a year. With population growth at 2.2 percent a year there was little if any real per capita GDP growth (see Table II-2). Droughts and erratic climate conditions have caused fluctuating agricultural output and GDP.

While GDP may fluctuate widely from year to year it has not shown strong growth due to the subsistence nature of Lesotho's farming sector (see Figure II-1). However, from 1970/71 to 1973/74 GDP growth (at current market prices) of 17.1 percent per annum was much above the 1964/65 to 1968/69 rate of 4.3 percent. The problem for analysis of Lesotho's growth is that there is no GDP price deflator. Much of the increase was due to inflation, which probably ran at 10 percent a year during this period. A portion of the post 1970 growth in GDP was a result of the recovery by the agricultural sector from the droughts of 1969 and 1970. In addition, farmers who marketed livestock and livestock products benefited from sharply higher prices for exports to South Africa.

While there have been changes in agricultural output due to changes in weather and some recent inflationary pressure, it appears that GDP growth and agricultural output have barely kept pace with population growth.

With over half of the male labor force working in South Africa (and mainly in the South African mining sector), the difference between GDP and GNP shown in Table II-1 and Figure II-1 reflect the earnings of Basotho workers in South Africa. From 1964/65 to 1973/74 (at market prices) GNP grew at an annual rate of 13.7 percent compared to GDP growth of only 8.7 percent. GDP, the domestically produced portion of GNP declined from 89.8 percent of GNP in 19764/65 to only 39.0 percent in 1971/72.

In 1972/73 there was a cutback in the number of Basotho workers in South Africa and GNP growth stopped. However, while more recent data is not available a number of recent factors have probably tended to increase worker remittances: the stabilized world price of gold; the opening of new South African mines, the withdrawal of Malawian workers from South Africa and most important the increase in South Africa's minimum wage rates.

TABLE II-1

GROSS DOMESTIC PRODUCT/GROSS NATIONAL PRODUCT AT MARKET PRICES
(millions of Rand)

<u>YEAR</u>	<u>GDP(mkt)</u>	<u>% CHANGE</u>	<u>GNP(mkt)</u>	<u>% CHANGE</u>
64/65	37.1)		41.3)	
68/69	43.9)	4.3%	97.1)	24.0%
68/67	43.9)	12.4%	97.1)	6.1%
73/74	78.8)	(2.3% real growth)	130.8)	
70/71	49.1)		121.5)	
73/74	78.8)	17.1%	130.8)	2.5%

64/65	37.1)		41.3)	
73/74	78.8)	8.7%	130.8)	13.7%

GDP as % of GNP

64/65	8.9%
68/69	45.2%
70/71	40.4%
71/72	39.0%
73/74	60.2%

(2.2% annual population growth rate)

TABLE II-2

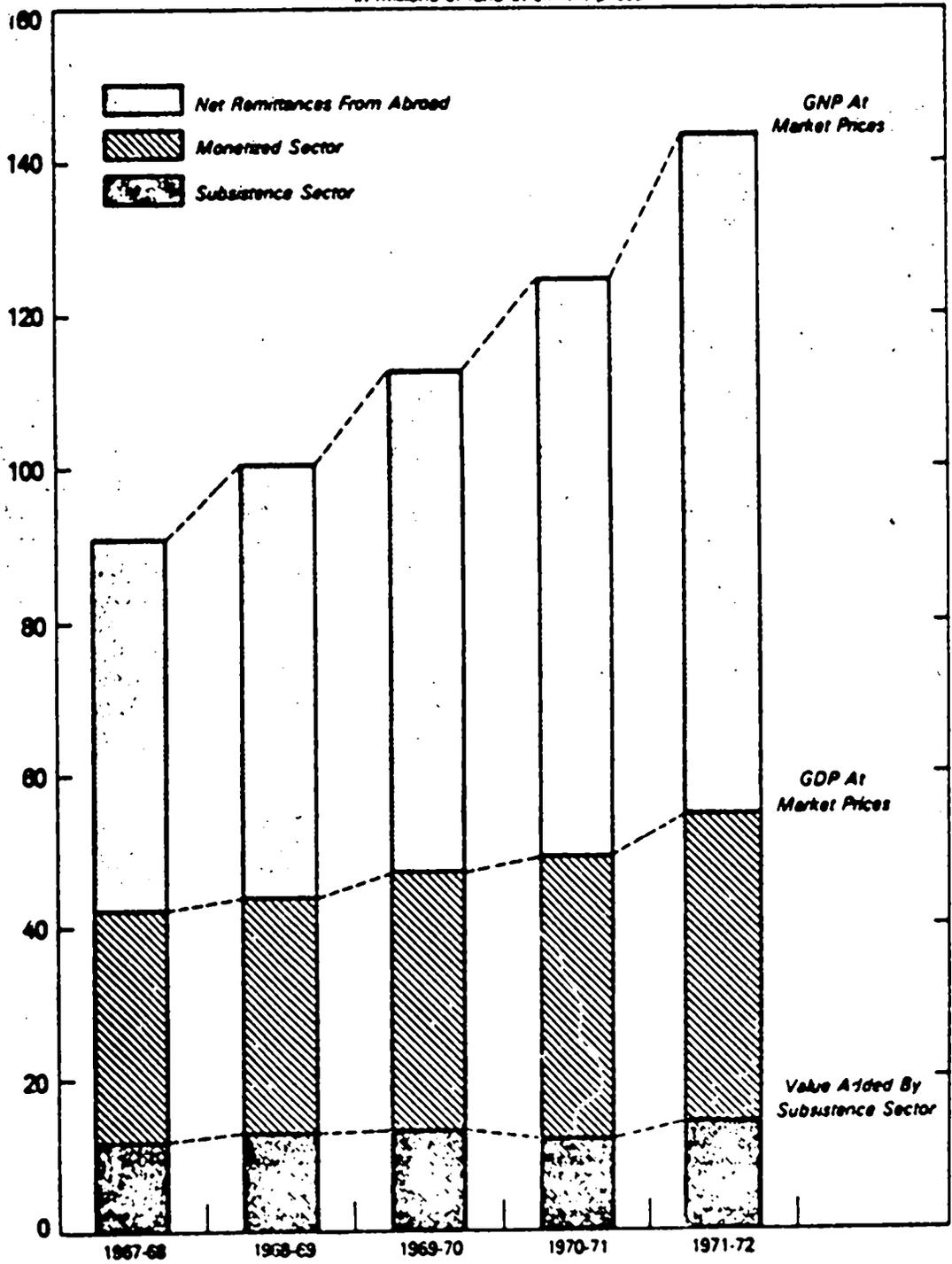
PER CAPITA GDP and GNP
IN RAND AND DOLLAR EQUIVALENT
(1 Rand = US\$1.49)

<u>YEAR</u>	<u>GDP PER CAPITA</u>		<u>GNP PER CAPITA</u>	
	<u>Rand</u>	<u>US\$</u>	<u>Rand</u>	<u>US\$</u>
1966/67	55.8	(83.14)	63.1	(99.02)
1967/68	46.4	(69.14)	100.6	(149.02)
1968/69	42.2	(62.88)	93.3	(139)
1969/70	44.3	(66.00)	103.0	(153.47)
1970/71	45.2	(67.34)	111.8	(166.58)
1971/72	49.2	(73.31)	126.2	(188.04)
1972/73	58.5	(84.19)	84.1	(125.31)
1973/74	74.34	(110.76)	131.1	(195.34)
1974/75	NA	NA	NA	NA

FIGURE II-1

LESOTHO
RELATIONSHIP BETWEEN GROSS NATIONAL
PRODUCT, GROSS DOMESTIC PRODUCT
AND VALUE ADDED BY SUBSISTENCE SECTOR

in millions of rand at current prices



One final area of strong growth has been the tourism sector (the heading of commerce and catering in GDP accounts). The sector increased from 12.0 percent of GDP in 1969/70 to 17.7 percent in 1973/74. The tourism sector is almost completely centered around the Holiday Inn Hotel and Gambling Casino in Maseru. The Holiday Inn complex caters primarily to South Africans who come to Maseru for short holidays.

While rural income distribution is fairly equitable (see Table II-3) there is urban/rural and intra-urban income inequality. The Government of Lesotho notes in the Second Five Year Development Plan, "Income inequality is most pronounced in the urban areas...where only one percent of the total income is received by the lowest 5 percent and 26 percent by the highest 5 percent reflecting the pay levels of the senior civil servants and expatriates." But the report notes, "as the urban population is about 5 percent of the total, the influence of urban inequality upon the overall distribution is not significant." The distribution of national income as shown on Table II-3 indicates that if expatriates are excluded, national income distribution is remarkably equitable.

1. Sector Contributions and Developments- The economy is not diversified, and what growth there is, is restricted to the agriculture and tourist sectors (see Tables II-4 and II-5). There are however some promising growth signs from the nascent manufacturing sector. Within the domestic economy, agriculture is the most important productive sector. It contributed 27 percent of the GNP, 48 percent of the GDP, and 77 percent of the exports in 1973/74 (mostly livestock and livestock by-products), if processed and semi-processed agricultural products are included. Agriculture's relative importance to the economy has declined over the past two decades as other sectors grew in importance and as output from agriculture actually declined. In the 1950s and 60s, agriculture contributed up to 66 percent of the GDP.

Despite its importance to the domestic economy, agriculture is plagued with problems and risks. Droughts averaging one in every five years, make agriculture a risky business. Soil erosion is evident throughout the country, creating a dramatic and devastated landscape. Erosion is caused by the combined impact of overgrazing, poor land preparation practices, and resource depleting cropping and rotation practices. Overstocking of livestock and Basotho reluctance to destock evidently has lowered the quality of the herd, this in turn has contributed to a decrease in the output of animal by-products (wool, mohair, meat).

Tourism is the most dynamic sector of the economy. Prior to 1968 it was not important with fewer than 4,000 tourists visiting the country each year. In 1970 the Amalgamated Hotels of South Africa with Government of Lesotho participation opened a 120-room Holiday Inn and casino at Maseru. An additional 122 rooms and conference facilities were added. Other small hotels have been built and the government is improving its tourist promotion and information facilities. Plans are underway for mountain resort developments and outdoor facilities. As a result of these efforts tourism grew at 13 percent per annum and there are no indications that the present growth trend is likely to slow down. 90 percent of the tourists are from South Africa. The trend seems to indicate that South African tourists

TABLE II-3
NATIONAL INCOME DISTRIBUTION

<u>POPULATION GROUP</u>	<u>% OF TOTAL INCOME RECEIVED</u>	<u>% TOTAL INCOME RECEIVED EXCLUDING EXPATRIATES</u>
Lowest 5%	3	4
Lowest 20%	15	16
Lowest 40%	30	32
Highest 40%	52	50
Highest 20%	33	30
Highest 5%	16	11

TABLE II-4

PERCENTAGE OF GROSS DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN

	<u>1967/68</u>	<u>1968/69</u>	<u>1969/70</u>	<u>1970/71</u>	<u>1971/72</u>	<u>1973/74</u>
Agriculture	41.9	44.4	43.5	40.7	41.5	48.4
Mining and Quarrying	2.5	0.7	2.3	1.6	0.4	1.4
Manufacturing	2.0	2.4	2.3	2.6	2.9	2.4
Electricity	0.2	0.2	0.2	0.5	0.4	0.3
Construction	2.2	2.4	2.5	2.6	2.7	2.4
Commerce and Catering	13.2	12.5	12.0	14.1	16.1	17.7
Transport and Telecommunications	1.5	1.2	1.4	1.4	1.9	1.9
Finance and Business Services	1.7	1.4	1.8	1.4	1.4	1.4
Ownership of Dwellings	15.2	15.1	14.7	15.5	14.3	10.2
Government	10.0	10.3	10.1	10.1	9.7	7.2
Community and Social Services	9.2	9.4	9.2	9.2	9.3	6.8
TOTAL	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

TABLE II-5

GROSS DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN

(Current prices 1967/68-1973/74) -1/

(million rand)

	<u>1967/68</u>	<u>1968/69</u>	<u>1969/70</u>	<u>1970/71</u>	<u>1971/72</u>	<u>1973/74</u> ^{3/}
Agriculture	16.8	18.5	18.9	17.3	20.1	35.6
Mining and quarrying	1.0	0.3	1.0	0.7	0.2	1.0
Manufacturing	0.8	1.0	1.0	1.1	1.4	1.8
Electricity	0.1	0.1	0.1	0.2	0.2	0.2
Construction	0.9	1.0	1.1	1.1	1.3	1.8
Commerce and catering	5.3	5.2	5.2	6.0	7.8	13.0
Transport and telecommunications	0.6	0.5	0.6	0.6	0.9	1.4
Finance and business services	0.7	0.6	0.8	0.6	0.7	1.0
Ownership of dwellings	6.1	6.3	6.4	6.6	6.9	7.5
Government	4.0	4.3	4.4	4.3	4.7	5.3
Community and social services	3.7	3.9	4.0	3.9	4.5	5.0
TOTAL	<u>40.1</u>	<u>41.7</u>	<u>43.4</u>	<u>42.5</u>	<u>48.4</u>	<u>71.6</u>

1/ Data prior to above data is not considered reliable or comparable with successive data.

2/ Mission estimates.

Source: Bureau of Statistics

who presently spend a 2.5 day weekend visit in Lesotho, are beginning to choose Lesotho for their longer holidays, and as a result are spending more money in the domestic economy. At present there are about 80,000 tourists who visit Lesotho each year. The sector employs from 3,000 to 3,500 employees.

Manufacturing is a small, and relatively unimportant sector of the economy contributing about 4.5 percent of the GDP and 20 percent of the exports. More importantly, the manufacturing sector developed very recently largely as a result of the government's industrial promotion efforts during the First Development Plan. About 2,000 new jobs were created in the nascent sector during the First Plan period. This represents about 10 percent of the wage employment. The enterprises include handicrafts, rugs and tapestry, furniture, pottery, lamps, candles, and clothing. Most of production from the manufacturing sector is exported to South Africa where there is a ready market and some exports (particularly rugs and tapestries) are beginning to reach the U.S. and European markets. So far none of the Lesotho manufacturing enterprises have had to take advantage of the internal tariff protection offered by the Infant Industries Clause of the Customs Union Agreement with South Africa. The other sectors of the economy are virtually stagnant in terms of real growth.

2. Migrant Labor- Migrant labor is the source of most of the national income as well as household income. It is also the source for employment for the male labor force. In 1975, the estimated 175,000 to 200,000 Basotho working in South Africa remitted back to Lesotho an estimated R78 million of their R200.4 million in total earnings. This averages out to R445 per capita in remittances if we use the 175,000 worker figure or R390 if we use the 200,000 figure. Income remittances alone equalled the value of the Gross Domestic Product in 1975. Total earnings (R200 million) were 2.6 times the estimated value of the GDP.

It is estimated that 175,000 Basotho males, or roughly 60 percent of the Basotho male work force of 290,000 are employed in South African mines on six to twelve month contracts. Another 40,000 to 90,000 men are employed in other occupations. Additionally, an estimated 25,000 females, or roughly 16 percent of the female work force of 160,000 are employed in South Africa primarily as domestics. The actual number of migrant Basotho workers can only be estimated as one might have guessed from the preceding statements.

It is not surprising that Basotho workers seek out employment in South Africa if one considers the comparative advantages of migrant employment to domestic employment. Within the domestic economy there are an estimated 21,000 wage employment opportunities. It is doubtful if agriculture could absorb the migrant labor force; and even if it could, the returns on agriculture are too low to compete with employment in the Republic of South Africa. Cash income from the agricultural sector is estimated at R20 per year, which even if doubled or tripled as a result of the additional male labor input, could nowhere match the R390 to R445 per capita net income from work in South Africa.

There is a demand for Basotho workers in the mining industry because they tend to specialize in shaft-sinking, a somewhat dangerous and demanding task. The Government of Lesotho is nonetheless concerned about South Africa's willingness

to maintain or increase its dependency on foreign labor. Increased wages may encourage mechanization; and political troubles with the Republic over diplomatic recognition of the Transkei may have an adverse effect on the migrant labor situation. Though none of these fears have yet to materialize the government is admittedly worried because of the importance migrant labor has on the economy.

3. Employment and Wages- With only a very small modern sector Lesotho's domestic economy employs only 21,000 persons, or roughly 4.6 percent of the total 460,000 person work force. Of the 21,000 persons employed in the modern wage sector, 16,000 are men and 5,000 are women. Government employs 36 percent of the modern wage sector (approximately 7,500 persons) and the other productive sectors (manufacturing, construction, public utilities and tourism) employ another 16 percent, or roughly 3,000 to 3,500 persons. The remaining 10,000 persons are employed in the services or as domestics.

Domestic wage employment opportunities grew very slowly over the past six years, reflecting the basic stagnation of the domestic economy. About 2,000 new jobs opened up, an average of 333 new jobs per year. Most of these positions were created in the manufacturing sector where the government's Lesotho National Development Corporation has been actively promoting private foreign investment and local handicraft enterprise development.

Despite its smallness, the modern sector must compete with the South African employment market for available labor. Because of competition from the South African job market, and the attractive wages offered there, Lesotho has had to raise its wages more in line with those offered in South Africa to attract quality labor and keep its civil servants. One result of their competition is a new minimum wage, set in 1975, which is applicable to both the private and the government sectors. The new minimum wages are however lower than the wages offered in the Republic. Nonetheless, the IMF and the IBRD consider the high prevailing domestic wages to be a hindrance to development.

The data on Table II-6 records annual cash earnings prior to the new minimum wages. Note that these wages are extremely high compared with cash earnings in the subsistence sector.

4. Prices- Lesotho has experienced moderately high inflation since 1972 compared to its earlier, low inflation rates. The rate of inflation was 9.4 percent for 1973, and 13.2 percent for 1974, the last year for which data is available (see Table II-7, II-8 and Figure II-2). By comparison, the annual compound rate of inflation from 1965-70 was .3 percent and from 1970-72 was 6.3 percent. When compared to the inflation rates in other less developed nations, however, Lesotho has experienced only moderate inflationary pressures.

Lesotho has escaped some of the worst effects of worldwide inflation mainly because most of its imports come from South Africa whose economy has coped well with inflation (See Table II-7). South Africa's lower rate of inflation has shielded Lesotho in the form of lower unit costs and lower transport costs for its (Lesotho's) imports than for imports originating outside the Customs Area.

TABLE II-6

**AVERAGE ANNUAL CASH EARNINGS IN SELECTED
OCCUPATIONAL GROUPS, 1970/71 - 1974/75
(In rand)**

	1970/71	1971/72	1972/73	1973/74	1974/75
A. Employment within Lesotho					
1. Government	564	656	684	...	...
Including:					
Minimum wage for unskilled	228	228	228	228	228
Minimum clerical salary	342	342	342	342	342
Maximum professional base salary	4,800	4,800	4,800	4,800	4,800
2. Catering	651	812	1,405	...	...
3. Commerce	386	395	525	...	...
Including, for banking:					
Minimum wage for unskilled	...	...	...	...	670
Minimum clerical salary	...	...	...	...	1,320
Minimum teller's salary	...	...	...	...	1,920
Maximum teller's salary	...	...	...	...	3,800
4. Manufacturing	402	473	768	...	...
5. Other identified services	703	890	899	...	...
B. Employment in R.S.A. mines ^{1/}	216	229	264	350	528
Including:					
Minimum unskilled above-ground wage	...	...	...	...	325
Minimum unskilled below-ground wage	...	...	...	...	576
Minimum clerical wage	...	...	...	...	720
Maximum skilled below-ground wage	...	...	...	...	1,500

Sources: Data on average cash earnings in Lesotho were provided on a preliminary basis by the Statistician's Office. Average cash wages of Bantu employed in South African mines were derived from Bulletin of Statistics, Department of Statistics, Pretoria, March 1974. Other data were provided by cabinet personnel and the Salaries Commission.

^{1/} These data relate to calendar years ending three months before the fiscal year shown. In addition to cash earnings, mine workers receive payments in kind (in the form of food, accommodation, medical attention, etc.), which were generally valued at R 360 per annum in 1974.

NOTE: Data is for wages prior to new minimum wage requirements.

TABLE II-7
ANNUAL RETAIL PRICE INDICES, 1965-1974

(Average of Monthly Data)

<u>YEAR</u>	<u>South African Consumer Price Index</u>		<u>Lesotho All Urban Retail Price Index</u>
	<u>October 1972=100</u>	<u>Percentage Change On Previous Year</u>	<u>October 1972 = 100</u>
1965	72.9	+3.7	
1966	75.6	+3.7	
1967	78.0	+3.2	
1968	79.4	+1.8	
1969	81.7	+2.9	
1970	86.0	+5.3	
1971	91.3	+6.2	
1972	97.2	+6.5	
1973	106.4	+9.5	111.5
1974	117.4 ^{1/}	+10.3	125.7

Sources: Bureau of Statistics, Retail Price Indices for Lesotho's Towns, various issues; and Department of Statistics, Pretoria, Bulletin of Statistics, December 1974 and earlier issues.

^{1/} Obtained as the average of the end of January, April, July and October levels.

TABLE II-8

RETAIL PRICE INDICES (ALL URBAN HOUSEHOLDS)^{1/}
 (October 1972 = 100)

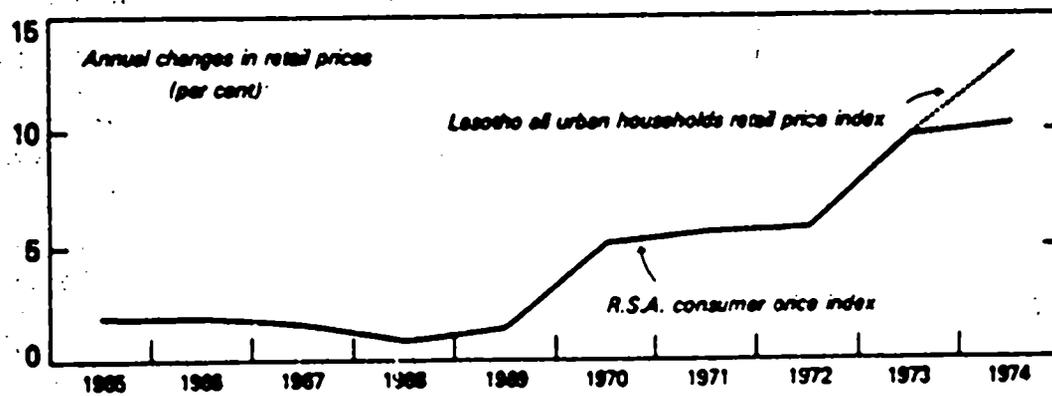
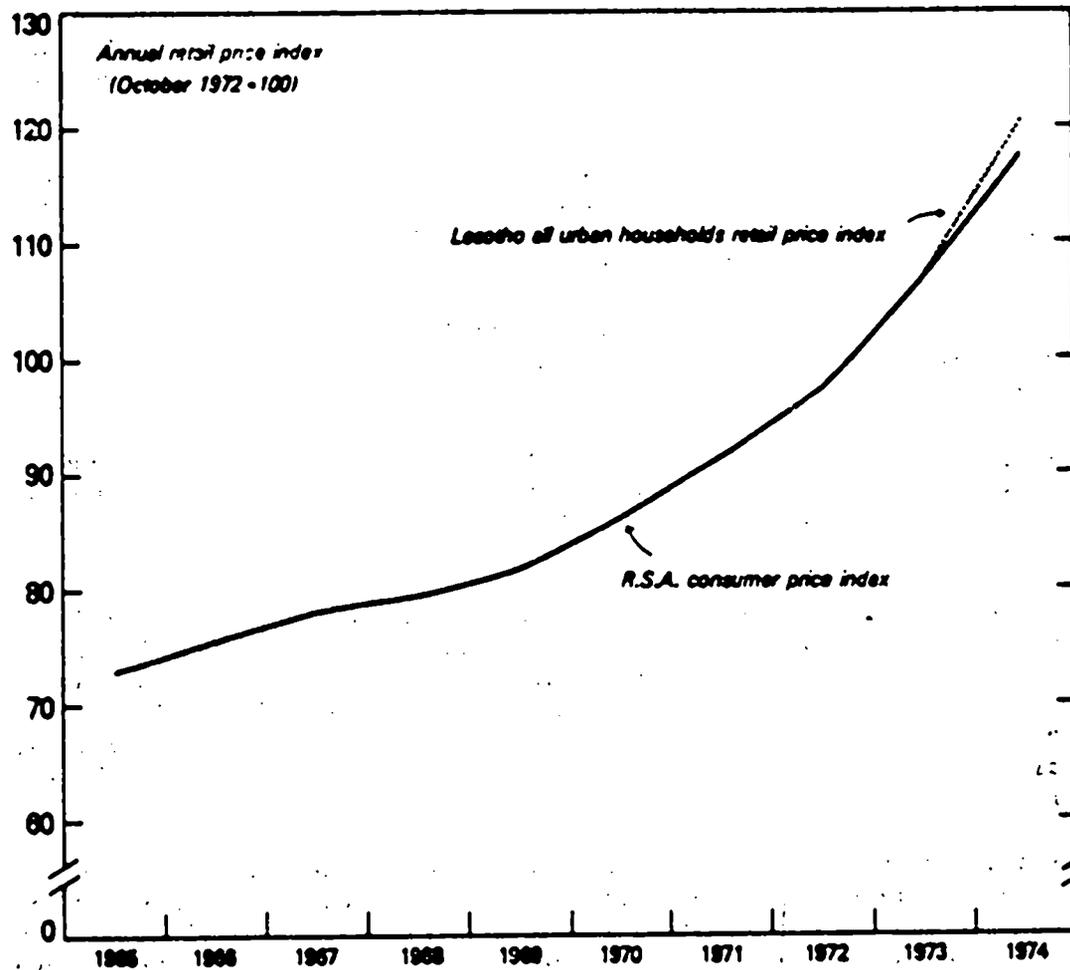
<u>COMMODITY GROUP</u>	<u>WEIGHTS</u>	<u>OCTOBER 1973</u>	<u>OCTOBER 1974</u>
Food and Drink	340	115.4	131.6
Rent and Homeowners' Costs	54	113.0	115.3
Fuel, Light, Heat	52	105.7	153.0
Furniture and Household Equip.	61	110.4	120.9
Clothing	157	105.9	115.9
Footwear	36	98.0	106.4
Medical and Personal Care	42	139.2	155.5
Transport	92	104.4	117.0
Other Goods and Services	166	110.5	121.1
ALL ITEMS	1,000	111.5	125.7

Sources: Bureau of Statistics, Retail Price Indices for Lesotho's Towns, Various Issues.

^{1/} This index is based on the average expenditure pattern of all urban households and on prices collected in Maseru and five other lowland district headquarters.

FIGURE 11-2

LESOTHO
ANNUAL RETAIL PRICES, 1965-74



Much of Lesotho's inflation came from price increases in domestically produced and supplied goods and services (See Table II-2). Food and beverage costs rose in 1973 and 1974 because of poor harvests, and following the lifting of price controls on most food items including mealie meal, the basic food staple in the Basotho diet. Food and beverage prices rose 15 percent in 1973 and another 14 percent in 1974.

Costs for petroleum produced fuel, light and heat, rose in Lesotho as they did throughout the world following the oil price hike in 1973. The 45 percent increase in the cost of petroleum products in 1974 alone was responsible for about 20 percent of the total inflation for that year.

Costs for medical care and personal services rose 39 percent in 1974 but its impact is not widely felt because of its relative unimportance in the Basotho consumption expenditures.

5. Imports/Exports- Lesotho's major exports in order of importance are wool, mohair, cattle, and diamonds. The value of these four items makes up 80 percent of the total value for exports. Manufactured goods make up the remaining 20 percent.

Receipts for these exports generally rose during the first half of the 1970s, mainly because of prevailing high prices (see Table II-9). One possibly disquieting trend is the actual decline in volume of these exports over the same period: wool, mohair, cattle and diamonds did not reach the 1970 level of volume. Wool, for example, declined from 4,744 kilograms in 1970 to 3,675 kgs for 1974. The price for wool however grew from 19.2 cents/kg to 95.5 cents/kg for the same period. The same trend was observed for mohair (see Table IV-1).

Lesotho's exports are mostly bound to South Africa where they are often re-exported to overseas markets by South African traders. Because of this arrangement, Lesotho does not earn income from re-exports. Lesotho would like to change its pattern of trade away from the present arrangement and sell directly to overseas markets, and cut out the middleman. Lesotho is currently trying to use this arrangement with some of her exports of wool and mohair outside the Rand Area.

Lesotho imports much more than it exports (see Figure II-3 and Table II-10). In 1973/74, Lesotho imported R60.6 million of goods (vs. R10 million exports). Lesotho's import bill grew at a faster rate than its export receipts over the past decade. As a result, its trade deficit increased. For example, the 1969/70 trade deficit was R18.3 million. The 1973/74 deficit was R50.6 million.

Manufactured goods brought back from South Africa by returning Basotho workers typically make up about 25 percent of the imports. Food and beverages make up another 25 percent, 10 percent is made up of machinery, 7 percent is petroleum and the remainder is other raw materials, intermediate products, and a residual. The small proportion of machinery and equipment in the import bill demonstrates the infancy of Lesotho's manufacturing. Nonetheless, the manufacturing sector's share of the total has increased substantially in recent years as new industries

TABLE II-9

RECORDED IMPORTS AND EXPORTS BY COMMODITY, 1970-74

(In millions of rand)

	1970	1971	1972	1973	1974 ^{1/}
Recorded exports					
Wool	0.9	0.7	2.0	3.2	3.5
Mineral	0.6	0.5	1.1	1.5	1.1
Diamonds	0.7	0.2	0.2	0.3	0.6
Cattle	0.7	0.6	0.7	1.6	2.0
Other live animals	0.1	0.1	0.3	0.4	0.6
Foodstuffs	1.1	0.3	0.7	0.3	0.5
Other (mainly miscellaneous manufactured goods)	<u>0.2</u>	<u>0.5</u>	<u>1.1</u>	<u>1.5</u>	<u>1.7</u>
Total recorded exports	4.2	3.0	6.1	8.8	10.0
Recorded imports					
Foodstuffs and livestock	6.0	5.6	10.1	16.0	21.4
Beverages and tobacco	1.2	1.3	1.6	2.2	3.1
Petroleum products	1.3	1.6	2.2	2.6	4.0
Other raw materials and intermediate products	1.9	2.8	3.3	3.9	6.8
Machinery and transport equipment	3.1	4.1	3.1	6.9	7.3
Manufactured goods (includes a small miscellaneous component)	<u>9.4</u>	<u>12.6</u>	<u>20.7</u>	<u>28.9</u>	<u>39.5</u>
Total recorded imports	22.9	28.0	43.0	60.5	82.0
Recorded trade balance	-18.7	-25.0	-36.9	-51.7	-72.0

Sources: Bureau of Statistics, Annual Statistical Bulletin, 1972 and 1973; data provided by the Lesotho authorities; and staff estimates.

^{1/} Staff estimates based on partial data; the export estimates are particularly tentative.

FIGURE II-3

LESOTHO
VALUE OF RECORDED MERCHANDISE TRADE, 1970-74
(Millions of rand)

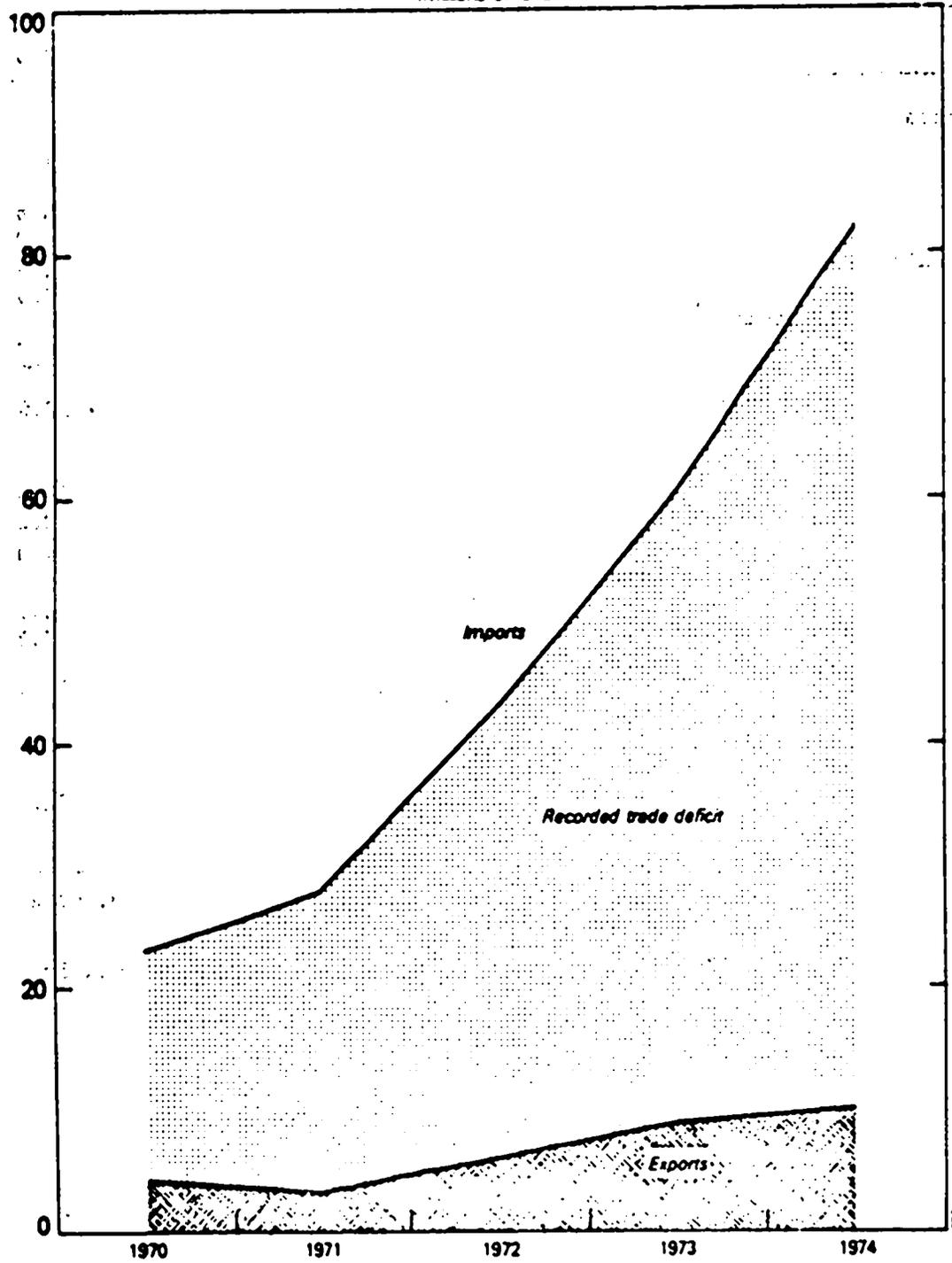


TABLE II-10

BALANCE OF PAYMENTS CURRENT ACCOUNT
(Expressed in Rand, and SDRs. 1 SDR = .98)

	<u>1964/65</u>	<u>1965/66</u> ^{1/}	<u>1966/67</u> ^{1/}	<u>1967/68</u>	<u>1968/69</u>	<u>1969/70</u>	<u>1970/71</u>	<u>1971/72</u>	<u>1972/73</u>	<u>1973/74</u>	<u>1974/75</u>
EXPORTS						4.2	3.0	6.1	8.8	10.0	11.0
IMPORTS						22.5	26.4	38.5	52.2	69.0	82.6
TRADE BALANCE		-9.3	-12.9			-18.3	-23.4	-32.4	-43.4	-59.0	-71.6
TRANSPORT (NET)											
TRAVEL (NET)		-2.1	-2.7			0.6	0.9	1.9	4.3	4.9	5.5
INCOME PAYMENTS (NET)		-0.2	-0.2			20.8	21.6	28.4	44.7	65.6	78.0
GOVERNMENT						-2.6	-2.9	-3.0	-2.8	-4.0	-4.8
OTHER SERVICES (NET)*		2.2	3.2			-0.4	-1.0	-1.7	-2.1	-0.8	-1.8
TRANSFER PAYMENTS		10.4	11.7			14.1	15.6	16.0	21.6	23.4	20.1
GOVERNMENT (NET)		6.9	8.4			9.3	10.8	11.0	16.5	17.7	14.9
PRIVATE (NET)		3.5	3.3			4.8	4.8	5.0	5.1	5.7	5.2
OVERALL BALANCE (current account)						14.2	10.0	9.2	22.3	30.1	25.4

*Residual

^{1/} UN Estimates

acquire machinery and construction material as part of the initial capital outlays. The small proportion of machinery and equipment in the import bill also highlights the labor intensity of the mining sector which is made up primarily of individual diggers using basic hand tools; and it highlights Lesotho's dependence on South African owned and operated transportation in the transport sector.

Lesotho's energy import bill contributed in a small way to the increase in the value of imports. Presently, Lesotho is totally dependent on imported energy. All petroleum and 80 percent of its other energy either come from or must pass through the Republic. Following the 1973 oil price hike the cost of Lesotho's energy rose 37 percent. Consumption also rose 15 percent. The combined increase in price and consumption raised Lesotho's oil bill by 57 percent according to IMF sources. Petroleum imports make up 7 percent of the total, up from 5 percent prior to the price hike.

Lesotho's long term prospects for her merchandise trade accounts are not expected to be different from the past. The trade imbalance is expected to continue and the large deficit is expected to remain.

B. Balance of Payments

By nature of the monetary arrangements in force with the Republic of South Africa, Lesotho which uses the Rand as its national currency, cannot have a surplus or a deficit on its overall balance of payments. Money in circulation is expanded or contracted by the central monetary authority of the RSA and foreign exchange is held by the same authority. Lesotho does not have a central bank or monetary authority, or a foreign reserve account. It is subject to the monetary policies of the Republic.

No official balance of payments accounts are kept by the Government of Lesotho because of these arrangements with the RSA. Nonetheless, the IMF reconstructed a rough balance of payments account in order to get a feel for the admittedly theoretical financial condition of the economy.

According to IMF estimates, Lesotho enjoyed a favorable balance of payments on its current account for the past eight years primarily because of the net income remittances from migrant workers (See Table II-10). Additional income from the growing tourist trade and increased receipts from customs duties also helped Lesotho maintain its favorable balance of payments. Lesotho's large trade deficit was more than offset by the combined migrant worker income remittances, which stood at R78 million in 1974/75, plus the other income contributions. Interestingly, donor assistance did not account for very much in the current account as one might expect for a country as poor as Lesotho. Donor assistance amounted to R7 million in 1974/75. All in all, Lesotho's admittedly theoretical financial condition is healthy.

The line items on the balance of payments table (Table II-10) show the net inflows and outlays of money in the national economy. The salient feature of the table is that it shows in monetary terms the importance of migrant labor, tourism, customs

receipts, and one other item not mentioned, namely, donor assistance. For example, taking 1974/75 as our point of reference, the transport (net) line item records receipts from freight of goods and persons, including tourists. The R5.5 million net balance shows that Lesotho earned more from people coming into Lesotho—mainly tourists—than it lost on its nationals travelling outside the country. The second line item, Income Payments (net) records the net income remittances from Basotho nationals working outside the country.

The government services line item records transactions between the government and foreigners which in this case is mostly salaries for expatriate technical assistance personnel. The cost of embassies and diplomatic personnel is also included in this line item. Donor assistance and private investment are included in the transfer payments line item. The data shows that the government had a net return of R14.9 million from donor aid and South African Government transfers. Half of the R14.9 million came from donor aid and half from Customs Union transfer payments (see Government 'net'). Net private investment stood at R5.2 million. The overall current account balance, which includes all annual current transactions including the merchandise trade balance and 11 positive and negative balances, shows an overall favorable balance of R25.4 million for 1974/75.

1. Customs Union Agreement— Lesotho, as a signator of the 1970 and the 1970 Customs Union Agreement with the Republic of South Africa, Botswana and Swaziland, is subject to the tariff and trade policies of the Republic. South Africa is responsible for collecting all revenues and is the initial depository for all customs duties and sales and excise taxes collected on goods in the rand area. Under the Agreement, each country in the Customs Union is reimbursed by the Republic two years after collection. Their revenue share is calculated on the value of their total imports. Additionally, Lesotho, along with Botswana and Swaziland, receive 1.42 times the value of their revenue share plus interest accrued on monies from South Africa. The multiplier, in effect, is a subsidy. It is not entirely clear why a multiplier is used. But considering that the pre-1970 Customs Union Agreement subsidized South Africa at the expense of the High Commission Territories, the multiplier returns part of the lost revenue from the 1910 Agreement. Lesotho, unlike the other signatories to the Agreement, receives another revenue transfer from the Republic because Lesotho's imports attract lower average rates of tax and duty than the effective average rate collected on all goods in the Union. (This occurs because of the high food and fuel content of Lesotho's import bill which carry low duties, or none at all, and the low content of high duty consumer goods.)

Revenues are disbursed to member countries two years after collection. This disbursement lag amounts to a long-term loan to the Government of South Africa. As a result, Lesotho is further reimbursed for the use of its monies by the Republic and so far, at a rate exceeding interest rates in commercial money markets.

2. Public Sector— The public sector's contribution to the GDP is quite small by comparison to other African nations. With expenditures of R15 million in 1973/74, the public sector contributed 19 percent to the GDP for that year (see Table II-11). This figure is expected to grow as the government pushes ahead with its plans to implement the last half of the Second Five Year Develop-

TABLE II-11

SUMMARY OF GOVERNMENT OPERATIONS^{1/}, 1970/71-1975/76
(In millions of Rand)

	Actual				Revised estimates 1974/75	Pre- liminary estimates 1975/76
	1970/71	1971/72	1972/73	1973/74		
Total revenue ^{2/}	10.26	10.51	11.27	20.34	26.30	23.83
of which: Customs Union	(6.32)	(5.93)	(6.72)	(14.63)	(17.33)	(15.26)
Current expenditure	11.52	11.65	13.03	14.98	16.65	20.54
Current account deficit (-) or surplus	-1.26	-1.14	-1.76	5.36	9.65	3.29
Grants	2.61	4.55	3.58	3.26	3.56	5.00
Capital expenditure	2.14	3.83	3.26	4.93	6.87	11.54
Overall deficit (-) or surplus	<u>-0.79</u>	<u>-0.42</u>	<u>-1.44</u>	<u>3.69</u>	<u>6.34</u>	<u>-3.25</u>
Financing:	0.79	0.42	1.44	-3.69	-6.34	3.25
External financing (net)	0.28	0.08	-0.04	0.40	1.04	1.54
U.K. Government loans	(0.17)	(—)	(—)	(—)	(—)	(—)
Republic of South Africa loans	(—)	(—)	(—)	(0.28)	(—)	(—)
IDA	(—)	(—)	(—)	(0.11)	(0.85)	(1.50)
UNDP	(—)	(—)	(—)	(0.05)	(0.25)	(0.12)
Barclays Overseas Development Corporation	(0.14)	(0.11)	(—)	(—)	(—)	(—)
Amortization of external debt	(-0.03)	(-0.03)	(-0.04)	(-0.04)	(-0.06)	(-0.08)
Domestic financing (net)	0.16	-0.02	0.28	0.22	0.01	0.04
Teachers' Provident Fund	(0.18)	(—)	(0.12)	(0.26)	(0.03)	(—)
Commercial banks	(—)	(—)	(0.18)	(—)	(0.05)	(0.10)
Amortization of domestic debt	(-0.02)	(-0.02)	(-0.02)	(-0.04)	(-0.06)	(-0.06)
Change in Treasury balances (- increase)	0.35	0.36	1.20	-4.31	-7.43	1.67
of which: change in holdings with Crown Agents	(0.35)	(0.36)	(0.18)	(-1.94)	(-1.65)	(...)

Sources: Treasury Department, Annual Report, 1970/71; The Appropriation Accounts Revenue Statements and other Public Accounts for the Year Ended March 31, 1972, and for the Year Ended March 31, 1973; and information provided by the Lesotho authorities.

^{1/} Data modified according to notes in Tables 14 and 15.

^{2/} Includes capital revenue.

ment plan. Beginning with FY-73 and continuing on to the present, the Government of Lesotho achieved a favorable balance in revenues and expenditures. In light of its earlier perennial deficits, this is probably the most important development for the government's fiscal performance. The FY-73 surplus stood at R4.31 million and the FY-74 surplus was R7.43.

Prior to 1970, the expenditures exceeded revenues by 30 percent and the deficit was made up by grants from the U.K. The deficit was reduced to 6 percent for FY-70 through FY-72 because of greater fiscal controls and restraint. With improved revenue sharing arrangements under the renegotiated 1970 Customs Union Agreement with the RSA, and following the enactment of new taxes, Lesotho ran a surplus on its current account beginning in FY-73. Revenues increased by 80 percent in 1973/74, and an additional 29 percent increase to R26,30 million for 1974/75. The preliminary estimates for 1975/76 show an overall decline in revenues to R23.83 million which is nonetheless above the 1973/74 benchmark. Revised estimates for FY-75 indicate the government ran another surplus on its current account. Earlier estimates which suggested a possible deficit because of anticipated cutbacks in customs duties did not materialize. Nonetheless, in anticipation of the possible revenue reductions the government apparently exercised considerable fiscal restraint and was also helped by additional donor assistance.

Lesotho's tax base includes customs duties, luxury taxes in the tourist sector, and an income tax (see Table II-12). Customs Union receipts provided around 66 percent of total revenues and they are expected to continue to generate this proportion of the total. A new enacted casino tax and a hotel accommodation levy have widened the tax base to take advantage of the growing tourist trade. These tourist sector taxes provide between 5 to 7 percent of the total revenues. Income taxes represent only about 7 percent of the total government revenues. It should be noted that Lesotho does not tax income from agriculture or from migrant labor in South Africa which explains its small proportion of the total. Its share of the total revenue however is expected rise to about 10 percent of the total revenues by 1980 as the number of domestic wage earners subject to income tax increases.

On the expenditure side, the government's current expenditures increased following salary increases for government workers and the rapid growth of the police forces (see Table II-13). Capital expenditures also rose following new disbursements for projects in road building, education and general services (see Table II-14). Actual capital expenditures were however only half of their original estimates. The government found it impossible to implement all of its scheduled projects because of staff shortage required to implement the proposed projects. Also, Lesotho cancelled a major water and hydroelectric project following the breakdown in discussions with the RSA for the purchase of water and energy from the proposed project. Total expenditures stood at R19.91 million in 1973/74, a 20 percent increase over the previous year, and R23.5 million for 1974/75, another 18 percent increase. Current expenditures account for 70 percent and capital expenditures account for 30 percent of the total.

1975/76 capital expenditures are expected to increase by 6 percent to R11.5 million. Most of the capital investment will go into agriculture, tourism, mining, and education. It is expected that only 70 percent of the budgeted capital investment, or R8 million, will be spent.

TABLE II-12
LESOTHO: REVENUES
(in millions of Rand)

	Actual				Revised	Estimates
	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76
Tax revenue	<u>8.81</u>	<u>8.79</u>	<u>9.85</u>	<u>18.59</u>	<u>22.31</u>	<u>21.18</u>
Taxes on net income and profits	<u>0.88</u>	<u>1.35</u>	<u>1.59</u>	<u>2.10</u>	<u>2.72</u>	<u>3.00</u>
Company, corporate, enterprises	(0.22)	(0.32)	(0.30)	(0.48)	(1.12)	(1.10)
Individuals	(0.66)	(1.03)	(1.29)	(1.62)	(1.60)	(1.90)
Taxes on property transfers	0.02	0.02	0.02	0.02	0.02	0.02
Taxes on goods and services	0.26	0.29	0.26	0.39	0.45	0.48
Taxes on international trade	6.62	6.12	6.93	14.86	17.63	15.51
Customs Union pool	(6.32)	(5.93)	(6.72)	(14.63)	(17.33)	(15.26)
Export duties	(0.30)	(0.19)	(0.21)	(0.23)	(0.30)	(0.25)
Other taxes	1.03	1.01	1.05	1.22	1.49	2.17
Poll taxes	(1.03)	(1.01)	(1.03)	(1.19)	(1.46)	(2.13)
Stamp duties	(--)	(--)	(0.02)	(0.03)	(0.03)	(0.04)
Non-tax revenue	<u>1.37</u>	<u>1.71</u>	<u>1.40</u>	<u>1.74</u>	<u>3.98</u>	<u>2.63</u>
Surpluses of departmental and nonfinancial public enterprises ^{1/}	0.25	0.39	0.28	0.44	0.45	0.42
Administrative fees and charges and nonindustrial sales	0.86	0.87	0.97	1.20	1.22	1.30
Band Monetary Area Agreement	--	--	--	--	2.21	0.80
Other	0.26	0.45	0.15	0.10	0.10	0.11
Capital revenue	<u>0.08^{2/}</u>	<u>0.01</u>	<u>0.02</u>	<u>0.01</u>	<u>0.01</u>	<u>0.02</u>
Total revenue^{3/}	<u>10.26</u>	<u>10.51</u>	<u>11.27</u>	<u>20.34</u>	<u>26.30</u>	<u>23.83</u>
Grants from abroad^{4/}	<u>2.61</u>	<u>4.55</u>	<u>7.58</u>	<u>3.26</u>	<u>3.56</u>	<u>4.00</u>
Budgetary grants	0.40	1.21	0.85	--	--	--
Capital aid	2.21	3.34	2.73	3.26	3.56	4.00
Total revenue and grants	<u>12.87</u>	<u>15.06</u>	<u>14.85</u>	<u>23.60</u>	<u>29.86</u>	<u>27.83</u>

Sources: Treasury Department, Annual Report, 1970/71; The Appropriation Accounts Revenue Statements and other Public Accounts for the Year Ended March 31, 1972, and for the Year Ended March 31, 1973; and information provided by the Lesotho authorities.

^{1/} The Prisons Service, the Government Printing Office, and the Department of Post and Telecommunications were included net of current expenditure, whenever revenues exceeded expenditures.

^{2/} Includes receipts from the liquidation of the local governments.

^{3/} Total revenue net of reimbursements.

^{4/} Includes OSAS revenues net of expenditures.

TABLE II-13

**FUNCTIONAL CLASSIFICATION OF GOVERNMENT EXPENDITURE
1970/71/1975/76**

(In millions of Rand)

	1970/71	Actual 1971/72	1972/73	Revised estimates 1973/74	Estimates 1974/75	Pro- jections 1975/76
General public services	4.92	5.70	6.01	6.88	8.04	10.91
General administration	(2.27)	(2.83)	(3.21)	(3.36)	(3.99)	(5.52)
Public order and safety	(2.65)	(2.87)	(2.80)	(3.52)	(4.05)	(5.39)
Education	2.34	2.79	3.18	4.31	5.62	7.30
Health	0.88	1.11	1.21	1.34	1.63	2.23
Social welfare	1.12	0.76	0.65	0.78	0.96	1.30
Community services	0.22	0.42	0.42	0.58	0.69	1.09
Economic services	3.98	4.54	4.61	5.81	6.32	8.97
General administration, regulation and research	(0.26)	(0.31)	(0.35)	(0.52)	(0.58)	(0.87)
Agriculture	(1.58)	(1.93)	(1.43)	(1.79)	(2.05)	(3.05)
Mining	(0.03)	(0.20)	(0.07)	(0.32)	(0.30)	(0.45)
Water supply	(0.35)	(0.38)	(0.58)	(0.55)	(0.52)	(0.61)
Roads	(1.47)	(1.36)	(1.85)	(2.02)	(2.24)	(3.11)
Other transportation and communication	(0.19)	(0.13)	(0.09)	(0.34)	(0.32)	(0.45)
Other services	(0.10)	(0.23)	(0.19)	(0.27)	(0.31)	(0.43)
Other	0.20	0.17	0.21	0.21	0.26	0.28
Interest on public debt	(0.16)	(0.16)	(0.17)	(0.18)	(0.20)	(0.22)
Other purposes	(0.04)	(0.01)	(0.04)	(0.03)	(0.06)	(0.06)
Total expenditure	13.66	15.49	16.29	19.91	23.52	32.08

Source: Treasury Department, Annual Report, 1970/71; The Appropriation Accounts Revenue Statements and other Public Accounts for the Year Ended March 31, 1972, and for the Year Ended March 31, 1973; and information provided by the Lesotho authorities.

TABLE II-14

ECONOMIC CLASSIFICATION OF GOVERNMENT EXPENDITURE
1970/71-1975/76

(In millions of Rand)

	Actual				Revised	Estimates
	1970/71	1971/72	1972/73	1973/74	estimates 1974/75	Estimates 1975/76
Current expenditure ^{1/}	<u>11.52</u>	<u>11.65</u>	<u>13.03</u>	<u>14.98</u>	<u>16.65</u>	<u>20.54</u>
Expenditure on goods and services	<u>8.65</u>	<u>9.09</u>	<u>10.19</u>	<u>12.02</u>	<u>13.31</u>	<u>16.82</u>
Wages and salaries	(4.15)	(4.90)	(5.47)	(6.55)	(7.55)	(10.43)
Employer's contribution to social security schemes	(0.07)	(0.07)	(0.07)	(0.07)	(0.08)	(0.08)
Other purchases of goods and services	(4.43)	(4.12)	(4.65)	(5.40)	(5.68)	(6.31)
Interest payments	0.16	0.16	0.17	0.18	0.20	0.22
Transfers:	2.71	2.40	2.67	2.78	3.14	3.50
To nonfinancial public enterprises	(0.06)	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)
To nonprofit institutions	(1.85)	(1.90)	(2.27)	(2.28)	(2.58)	(2.82)
To households	(0.80)	(0.49)	(0.39)	(0.49)	(0.55)	(0.66)
Capital expenditure ^{2/}	<u>2.14</u>	<u>3.83</u>	<u>3.26</u>	<u>4.93</u>	<u>6.87</u>	<u>11.54</u>
Total expenditure ^{3/}	<u>13.66</u>	<u>15.48</u>	<u>16.29</u>	<u>19.91</u>	<u>23.52</u>	<u>32.08</u>

Sources: Treasury Department, Annual Report, 1970/71; The Appropriation Accounts Revenue Statements and Other Public Accounts for the Year Ended March 31, 1972, and for the Year Ended March 31, 1973; and information provided by the Lesotho authorities.

1/ The Prisons Service, the Government Printing Office, and the Department of Post and Telecommunications, were included net of revenues, whenever current expenditures exceeded revenues; current expenditures are net of refunds, and local contribution for village water supply; OSAS expenditures were included net of OSAS grants receipts.

2/ Comprises all expenditures related to development projects.

3/ Does not include amortization payments which are classified as repayments of borrowing.

The government's largest expenditures are for general public services (34.2 percent for general administration and public order and safety in 1974/75.) Expenditure for economic services was (26.9 percent).

Expenditures on education rose because of increases in teachers' salaries and improvement of teaching facilities. In agriculture government spending concentrated on the implementing and developing of three large-scale donor-sponsored agricultural projects.

The percentage of the total expenditures by functional area for 1974/75 are:

Education	23.9 percent
Police	17.2 percent
General Administration	16.9 percent
Roads	9.5 percent
Agriculture	8.7 percent
Health	6.9 percent
All other	16.9 percent
TOTAL EXPENDITURES	100.0 percent

The percentage of total expenditure by economic categories for 1974/75 are:

Salaries	45.3 percent of total current expenditure
Commodities	34.1 percent
Interest	1.2 percent
All other	19.4 percent
TOTAL	100.0 percent

C. Government Economic Plan

The Government of Lesotho's national economic planning efforts are embodied in two national development plans: the National Development Plan for 1970/71-1974-75 and the Second Five Year Development Plan, 1975/76-1979/80. The target goals of the First Plan were:

- . A minimum 5 percent per annum increase of gross domestic product.
- . A marked increase in agricultural productivity.
- . Promotion of non-agricultural development with special emphasis on small industries.
- . Creation of 10,000 to 15,000 new jobs.
- . Preparation leading to the full exploitation of the nation's water and mineral resources.
- . A radical and government-directed development in education and training related to the needs of the nation.
- . Restructuring of public administration to make it more economical and development oriented.
- . Systematic localization (i.e. Africanization) through an effective policy, primarily in the public sector.

A substantial improvement in social services in general and health standards in particular.

Termination of dependence of the recurrent budget on external aid.
Strengthening of economic relations with other African countries.

The projected public capital expenditure was R28.8 million for the five-year period. The actual expenditure was 17 percent short of the projected if calculated at 1974 prices (R43.5 million projected vs R36.225 million actual). The planned and actual government expenditures by sector are found on Table II-15.

The plan was preparatory and exploratory. It intended to lay the foundation for future growth. Emphasis was placed on improving the information at hand and building the institutions and manpower needed for development planning. Feasibility studies, improved data collection efforts and pilot programs were all undertaken.

In the agriculture sector a pilot program (the Leribe Project) was started and aimed at introducing improved inputs and limited mechanization over a 2,000 hectare area. On the basis of the findings from the pilot program two larger small-farmer agricultural projects were started; the USAID-funded Thaba-Bosiu Project and the SENQU Project.

In the industry, commerce and tourism sector, small handicraft industries producing for the tourist sector, manufacturing industries and some processing industries were started. Technical assistance programs to encourage small local entrepreneurs were offered but credit facilities were available on a very limited scale.

In the mineral and water resources sector a small irrigation project was undertaken as well as exploration for additional diamond deposits. An oil exploration agreement was signed. The Malibamatso hydroelectric power and water supply project which was the largest project in the plan did not materialize following the failure to reach agreement with the Republic of South Africa on the terms and conditions for the sale of water.

In the economic infrastructure sector a number of road studies were completed in addition to a telecommunications and aviation study. The record of the successes of the First Plan is mixed. The GDP target of 27 percent growth at market prices over the plan period was reached, although inflation probably accounted for most of the increases. Real growth was probably around 2.5 to 3 percent. The 6,000 additional jobs generated during the plan period fell considerably short of the 10,000 to 15,000 target. The shortfalls in total expenditures and by sector were attributed to the underestimations of the time required to design, negotiate and implement projects due in large part to the lack of trained manpower and developmental institutions.

The aims of the Second Five Year Development Plan are economic growth, social justice, maximum domestic employment and economic independence. The economic growth goals are:

TABLE II-15
COMPARISON OF PLANNED AND ACTUAL GOVERNMENT DEVELOPMENT BY SECTOR

FIRST PLAN PERIOD

(In Thousands of Rand)

	<u>Planned Expenditure</u>	<u>%</u>	<u>Actual Expenditure</u>	<u>%</u>	<u>Planned Expenditure 1974/75 Prices</u>	<u>Actual Expenditure 1974/75 Prices</u>
Agriculture and Rural Development	6,540	23	9,111	31	9,880	10,890
Industry, Commerce and Tourism	1,713	6	4,009	14	2,600	5,257
Natural Resources	542	2	821	3	820	1,039
Economic Infrastructure	8,215	28	5,047	17	12,400	6,305
Education	4,314	15	3,779	13	6,500	4,699
Other Social Infrastructure	4,266	15	3,908	13	6,450	4,890
Government Services	3,212	11	2,548	9	4,850	3,145
TOTAL	<u>28,802</u>	<u>100</u>	<u>29,223</u>	<u>100</u>	<u>43,500</u>	<u>36,225</u>

- . Increase of 46 percent of gross domestic product at factor cost.
- . Increase of 38 percent in net agricultural output (value added).
- . Expansion of non-agricultural output as rapidly as possible with special emphasis on the development of indigenous industries and commerce.
- . Development of water and mineral resources.
- . Improvement of the quality of education throughout the system, particularly in secondary education with special attention to science, mathematics, and vocational subjects.
- . Improvement and expansion of transport and communications, concentrating on the facilities which most directly affect economic development and placing emphasis on improved facilities in the mountain areas.
- . Encouragement of private investment in industry. The plan will attempt to promote social welfare by: 1) A substantial improvement in the quality of health care and other social services, focusing on preventive medicine, nutrition, maternal and child welfare, and village services. 2) Rational use of resources to benefit the greatest number through concentration of improvement on growth centers.

The domestic employment objectives are:

- . Expansion of employment opportunities within Lesotho to absorb a minimum of 30,000 persons out of the anticipated increase of 60,000 in the labor force, through direct efforts at job creation and through the natural growth of the economy.
- . Localization of most of the posts now held by expatriates through training programs specifically geared to development needs.

To strengthen economic independence the plan proposes:

- . Further diversification of the sources of external assistance.
- . Active participation in international organizations.

The goal of increasing the GDP by 46 percent over the plan period requires an increase of R33 million in the GDP. This translates into an average annual growth rate of 8 percent. However, the World Bank estimates that a GDP growth rate of 6 percent is probably what will be achieved. The agricultural, mining and quarrying and the government services sectors are projected to provide the largest absolute increases in GDP as can be seen from Table II-16.

The Second Five Year Development Plan will require a public capital input of R111.6 million and an additional technical assistance input of R47 million. The actual public capital expenditures are estimated to be closer to around R80 million if slippage is taken into account. A private capital input of around R35 million is also expected. R23 million of the private investment will be for investment in diamond mining and R12 million for commercial enterprise development. With an anticipated total capital investment of R115 million the GDP is expected to reach R104 million. The additional R33 million added to the GDP generated by a R115 million investment gives a rough incremental capital output ratio of 3.5:1. The ratio is less favorable than the 2:1 capital/output ratio of the First Plan, but the Second Plan includes a number of projects with a "long gestation period."

TABLE II-16

**PROJECTED INCREASES IN SECTORAL CONTRIBUTIONS TO GDP
(AT FACTOR COST) BETWEEN 1974/75 AND 1979/80
(In constant 1974/75 prices)**

SECTOR	1974/75 (millions of Rand)	1979/80	Absolute Increase	% Increase Over 1974/75 Level
Agriculture	32.0	44.1	12.1	38
Mining and Quarrying	0.2	5.2	5.0)	368
Manufacturing and Crafts	1.7	3.7	2.0)	150
Electricity	0.2	0.5	0.3	125
Building and Construction	1.6	3.6	2.0	40
Commerce and Catering	9.7	13.6	3.9	45
Transport and Communications	1.1	1.6	0.5	33
Banking, Insurance, Etc.	0.9	1.2	0.3	6
Ownership of Dwellings	8.6	9.1	0.5	46
Government Services	13.6	19.9	6.3	-
Other Goods and Services	1.6	1.6	-	-
TOTAL GDP	71.2	104.1	32.9	46

One-third of the public investment is expected to be financed by public savings and some private savings. The remaining two-thirds of the R111.6 million investment (roughly R73.66 million) is expected to be financed by foreign donors.

D. Development Problems

The major development problems facing Lesotho are:

- . Soil erosion and decline in relative output in the agricultural sector.
- . A chronic imbalance of trade.
- . A constrained domestic resource base.
- . Limited infrastructure development in the rural and mountain areas.
- . A small but growing group of landless people who migrate to the cities and contribute to the growth of the urban poor.
- . An inadequate development project implementation capability.

At the very base of Lesotho's development problems lies the restricted domestic resource base capable of generating development capital. In addition to agricultural land, the only other natural resources the country has are water and diamonds. The latter is not yet fully tapped. With regard to the former, arrangements to sell Lesotho's water to its only export market for the commodity, the Republic of South Africa, have not been agreed to. It will be some time before this resource will contribute any appreciable surplus for reinvestment.

Agriculture in Lesotho has a very limited capacity to generate development capital, or even to provide consumption income. Agriculture faces the two-fold problem of erratic weather conditions and poor soil conservation practices that arise from over-grazing of livestock and overcropping. The Basothos unwillingness to destock frustrates soil conservation efforts and agricultural productivity has been affected by soil erosion.

The pilot programs in integrated agricultural development may be a viable approach to raising agricultural productivity but they are costly. If this option is excluded because of high cost, development opportunities in agriculture revolve around improved soil conservation techniques, irrigation and livestock/range management. Increasing the value added to wool, raw mohair and livestock presently exported from Lesotho is however another approach that combines partial livestock control, raises incomes and generates employment.

The limited export base and the growing requirements for imports suggests that the chronic imbalance of trade will continue unabated. However, the salary remittances from migrant workers more than offsets this imbalance. Lesotho's economy must continue to depend on the salary remittances from migrant laborers to survive. This factor plus Lesotho's dependence on the Republic for good imports and as a potential market for water and hydroelectric power brings out in bold relief the dependence of Lesotho's economy on the Republic.

Another somewhat ironic problem for a country that is 95 percent rural, is the growth of an urban poor class. The origins of this class are among the landless of Lesotho. Two problems emerge. First, what should be done, if anything, about

this "poorest group in society"? Second, should land alienation be arrested? If so, how? The first problem would suggest continuing with all due haste the search for income generating opportunities within the domestic urban economy. The second problem would suggest an evaluation of the causes of landlessness, and the solutions if needed.

The government has only a limited project implementation capability which has frustrated its development effort. Disbursement of development monies has been delayed and projects have not been implemented. The problem of limited project implementation capability has two causes: first, the lack of sufficiently trained Basotho manpower to take over technical and management positions; and second, the government's inability to recruit and hold technical assistance personnel because of the unattractive salary and living conditions offered. The former problem can be attacked through enhanced management and technically-oriented training programs. The latter problem can be approached through improving the salaries and living conditions of technical assistance personnel on contract or seconded by donor agencies.

E. Development Prospects and Alternatives

After analysis of the Lesotho economy one is struck by three overriding factors: 1) Lesotho is almost completely dependent on the economic policy actions taken by the Republic of South Africa (R.S.A.); 2) in many respects Lesotho is merely an extension of the R.S.A. economy; and 3) Lesotho has a very limited internal economy and limited domestic growth prospects.

1. Dependence on R.S.A. Policy Decision- Being a part of the rand currency system Lesotho has no monetary independence. It has no control over the rate of money supply expansion, no control over credit (both the amounts and who gets it) and no control over inflationary forces. All monetary policy is determined by the R.S.A. monetary authorities.

As part of the Southern African Customs Union Lesotho has little freedom to develop its own independent import/export policies or tax policies. In fact, for Lesotho balance of payments and policy issues are not really relevant. Its local currency is foreign exchange. For policies dealing with wages, prices, interest rates, etc Lesotho has very limited options: Its banks are foreign owned and controlled; it buys and sells almost all commodities to the Republic; and it has long, open borders with the R.S.A.

2. An Extension of the R.S.A. Economy- Almost all imports and exports are to South Africa. Lesotho has little direct trade with other countries. Lesotho buys manufactured goods from South Africa and sells all agricultural exports to South Africa. Almost all domestic trade, finance and commerce is controlled by R.S.A. firms. Over half of the male labor force works in South Africa and worker remittances are greater than domestically produced output (GDP). In many respects the Lesotho/South African economic relationship places Lesotho in the position of a homeland on Bantustan. The old, the young and women work low quality farmland while the young men work as migrant laborers in the South African mines.

3. Limited Internal Economy-- Lesotho has almost no mineral resources and limited prospects in industry. The South African economy is highly developed and sophisticated compared to Lesotho's. For anything but simple processing/manufacturing, investment will be drawn to the South African economy. It is easier, cheaper and safer to invest in the R.S.A. Lesotho's problem is the classic one of a backward region operating within a sophisticated larger region (i.e., Appalachia in the U.S., Southern Europe in the EEC). Private investment within an economic unit is drawn to the areas with skilled labor, developed infrastructure and developed markets. Public investment, of course, can be directed to backward regions.

Given Lesotho's overall limited resource base, comparative advantage lies in the agriculture sector. Even though agriculture is the most promising sector, harsh weather, periodic droughts, low and declining fertility and soil erosion limit the absolute levels of agricultural investment and development that are possible. It is doubtful whether public or foreign aid investments could create an agricultural take-off.

For the short to medium term, Lesotho must accept the above three rather grim economic conditions. While many LDCs have the opportunity to institute independent monetary, fiscal, and trade policies--Lesotho does not have that option. While many LDCs have the opportunity to practice varying degrees of economic autarky--Lesotho does not have that option. While many LDCs can choose investment priorities between sectors--Lesotho only has the agriculture sector.

Given Lesotho's dependence on South Africa, a major objective should be to maximize that relationship. Agriculture is a residual sector but investment in high return, specialized agriculture might halt the decline in agricultural productivity and increase output. Agricultural self-sufficiency, however, is a goal that cannot reasonably be achieved.

Education policy should be designed to meet three objectives; to improve skills and technical knowledge so that Basotho nationals can man the modern sector--government, trade and commerce; to improve agriculture skills and training to halt and possibly reverse the deteriorating ecological damage to the land; and, to provide the training required for the manpower which will continue to work in South Africa.



III

**FOREIGN DONOR
ASSISTANCE**

III. FOREIGN DONOR ASSISTANCE

The principal sources of aid to Lesotho are the United Kingdom, Canada, the United States, Sweden, Denmark, Germany, the IBRD, the European Development Fund, the African Development Bank and the United Nations Agencies. Official development assistance to Lesotho has shifted from 94 percent British to a much lower, but still predominant 47 percent British. Joining Britain in recent years (1971-75) have been the international donor agencies (22 percent), the United States (19 percent) and other DAC nations (12 percent). The communist nations have been a source of economic assistance to Lesotho. In the recent past, the United Kingdom's donor assistance took the form of annual budgetary grants in aid to cover Lesotho's budgetary deficit. Insofar as Lesotho has met its deficit through its internal resources in recent years, the British Government has drawn down its budgetary support contribution correspondingly, and channelled it to capital and technical assistance.

One-fifth of American aid to southern Africa since 1962 has gone to Lesotho. Lesotho's share has increased over that period, reaching 27 percent in recent years (1971-75), second only to Botswana. The total amount flowing from the U.S. to Lesotho in the fourteen years between 1962 and 1975 has been \$23.2 million, becoming significant only during the last ten years during which annual allocations tended to increase (\$1.9 million annual average 1966-70, \$2.7 million annual average 1971-75). 84 percent of this U.S. development assistance has been PL-480 food aid. Lesotho received one-third of all PL-480 assistance flowing to the region.

International agency assistance has grown steadily and has in recent years averaged almost \$15 million annually--totalling over \$150 million in the last fourteen years. The per capita receipts in recent (1971-75) years are only \$5, one of the lowest in the region. The sum of ODA from all sources has been \$14 per capita in recent years, relatively high compared to other recipients in the region, and a very high 17 percent of the country's GDP.

Lesotho received \$71 million in external assistance for the four year period from 1970-73. \$65 million was in the form of grants and the remaining \$6 million was in the form of soft loans. Data is presented on Table III-1. Lesotho did not disburse all external assistance monies made available to it because of insufficient implementing capabilities. Though complete data on the allocation disbursement gap is unavailable, the UNDP reported that of its approximately \$25 million, some \$1.2 million was unspent and will be carried forward into the Second Development Plan period.

Donor assistance goes primarily into rural development, human resource development and increasing the absorptive capacity for external resources. Some of the more notable assistance projects are the three large-scale rural development projects sponsored by UNDP, USAID, and the FAO, the IBRD's two highway projects and the IBRD's educational project. Numerous studies were financed by donor assistance as part of the First Development Plan's effort to collect necessary data and to assess the feasibility of projects for future investments. Canada and Sweden were active in this effort, particularly for the manufacturing, mining and water resources sectors. External assistance also entirely financed Lesotho's capital expenditures for the period covered.

Table III-2 presents UN-sponsored projects as of June 1976. Because the UN is involved in some way in most development assistance projects in Lesotho, the list of projects is nearly complete. There are some notable exceptions, namely two of the area-based rural development projects.

The projected assistance requirements for the five-year period from April 1975 to March 1980 total \$199 million (see Table III-3). Donors are expected to provide \$60.4 million of the \$92 million for new capital projects, and \$54.6 million for technical assistance and fellowships. The remainder is expected to cover recurrent costs, food aid, and residuals. The United Kingdom, the U.S. and Canada are the three largest bilateral donors. The European Development Fund is expected to provide around \$20 million, the largest contribution among the multilateral donors other than those of the UNO. The UNO's World Food Program is the largest UN donor input for the next five years, tentatively scheduled at \$22.5 million.

Rural development projects will receive considerable support. The area-based agricultural projects will get most of their support from the IBRD, Sweden, Canada and the UNDP. USAID is expected to support land-use planning and conservation projects; United Kingdom assistance is scheduled for training, irrigation and livestock. The African Development Bank tentatively is the chief supporter of a large irrigation project and Canada intends to be the chief supporter of the Thaba Tseke area-based rural development project. Sweden is expected to be the chief supporter of the Khomokhana area-based project which has now absorbed the UNDP-sponsored Leribe project.

In the industrial, commerce, and tourism sectors, the Government of Lesotho is seeking loans and grants to support the Lesotho National Development Corporation and the Basotho Enterprises Development Corporation. Assistance is expected from the World Bank, the European Development Fund and the Canadians.

In the water and mineral resources sector, Canada and the UNDP have been active in identifying investment possibilities and sector needs. The UNDP is expected to continue to support diamond exploration and Canada is expected to assist with small diamond diggers operations, specifically, training and equipment.

In the field of transport and communications, Lesotho is looking primarily to the multilateral donors, Sweden and the U.K. for support to develop roads, airports and air transport, and communications. With the recent Transkei problem coming to the attention of the world, Lesotho has appealed to a variety of donors, including the U.S. to help finance construction of a north-south road link.

In the educational sector, the Danes, the British, the U.S. and the UNDP are expected to assist the National Teacher Training College. Technical education, offered primarily through the Lerotholi Technical Institute, is scheduled to receive support from the IBRD, Sweden, and Germany. University and adult education currently receives support from a variety of sources and is expected to continue to do so. Several African countries have provided teachers and fellowships to support secondary and primary education.

In the health sector, USAID is expected to finance a program to improve the rural health delivery system and to increase the planning capacity of the Ministry of Health. UNEPA is expected to support a program of expanding and up-grading rural clinics. An American university, with USAID support, sponsors a MCH clinic and is expected to continue to support the clinic over the next five-year period, (e.g., '75-'80). UNDP is expected to support a variety of smaller projects as well as investigate the feasibility of low-cost housing.

A number of donors, including the United Kingdom and the United States, Canada, Sweden, and the United Nations are expected to assist with improving the administrative and planning machinery of the government. Data is not yet available on the specific projects involved in this effort.

Attached to the section is a table listing the UNDP's sectoral and non-sectoral program summary. The table essentially embodies most, if not all, planned development assistance projects. Note however that the inputs refer only to UNDP contributions in addition to the government contributions (see Table III-4).

TABLE III-1
OFFICIAL DEVELOPMENT ASSISTANCE

	1962-65 (4 years)		1966-70 (5 years)		1971-75 (5 years)	1971-75 % Distri- bution	1962-75 (14 years)
UNITED STATES - TOTAL	.3		9.5		13.4	19%	23.2
-Dollar Economic Assistance	(0)		(1.7)		(2.0)	(3%)	(3.7)
-Food Assistance (PL-480)	(.3)		(7.8)		(11.4)	(16%)	(19.5)
			1966-68		1969/70		
	<u>GROSS OFFICIAL FLOWS</u>	<u>PERCENT LOANS</u>	<u>GROSS OFFICIAL FLOWS</u>	<u>PERCENT LOANS</u>	<u>ODA</u>		
OTHER DAC DONORS	26.1	8%	33.4	4%	11.6	42.7*	113.8*
-Former Colonial Power (CB)	(25.4)	8%	(32.2)	4%	(10.5)	(33.6)*	(101.7)*
-Other (Non US, Non UK)	(.7)	0%	(1.2)	0%	(1.1)	(9.1)*	(12.1)*
COMMUNIST DONORS - TOTAL	0		0		0		0
-USSR	0		0		0		0
-China	0		0		0		0
-Eastern Europe	0		0		0		0
INTERNATIONAL AGENCIES	.6		8.3		15.7	22%	24.6
TOTAL	27.0		62.8		71.8	100%	161.6

\$ PER PERSON (1973 Pop)
\$ AS % OF GNP (1973)

\$14
17%

* Derived by estimated proration of total 1975 DAC-ODA based on 1971-74 experience

TABLE III-2
UN ASSISTED COUNTRY PROJECTS
(as of 30 June 1976)

Project number and title	Code	Executing agency	Date approved	Estimated completion date	Estimated project cost (US\$ million)	
					UNDP	Government counterpart contribution
AGRICULTURE, FORESTRY AND FISHERIES (1000)					4,000,000	113,000
LES-70-002 DEVELOPMENT OF A PILOT AGRICULTURAL SCHEME IN THE LESIBO AREA	30	FAO	01/70	01/77	1,500,000	
LES-71-006 AGRICULTURAL ECONOMICS	00	FAO	04/71	01/76	97,212	
LES-71-008 LAND USE PLANNING	30	FAO	10/71	01/75	47,000	
LES-71-011 SOCIOLOGY	00	FAO	06/71	01/77	137,300	
LES-71-021 PLANT PATHOLOGY	10	FAO	09/71	06/76	17,550	
LFS-71-027 AGRICULTURAL STATISTICS	00	FAO	11/72	05/77	96,500	
LFS-71-739 RURAL SOCIOLOGY	00	FAO	12/71	01/77	136,750	
LES-72-003 THE LESIGU RIVER AGRICULTURAL EXTENSION PROJECT	30	FAO	09/72	01/77	1,173,000	265,000
LFS-72-010 HORTICULTURAL DEVELOPMENT	10	FAO	01/73	01/77	73,100	11,700
LES-72-006 ANIMAL PRODUCTION	20	FAO	10/72	02/76	09,000	10,420
LES-72-007 ASSISTANCE TO THE MANAGER OF THE LESOTHO PRODUCE MARKETING CORPORATION	00	FAO	11/72	01/77	96,000	19,000
LES-72-008 ADVISER TO THE LESOTHO LIVESTOCK MARKETING CORPORATION	00	FAO	12/72	06/75	00,000	19,000
LES-73-007 NJPE ECONOMICS	00	FAO	01/74	07/76	30,000	3,500
LES-74-001 ANIMAL HUSBANDRY	20	FAO	12/74	01/78	115,200	9,500
LES-74-017 AGRICULTURAL PLANNING ECONOMIST	00	FAO	06/74	01/78	72,000	7,400
LES-74-022 FELLOWSHIP IN AGRICULTURAL ECONOMICS	70	FAO	11/75	10/77	16,400	2,100
LES-74-030 TECHNICAL ASSISTANCE TO THE LIVESTOCK DIVISION	20	FAO	09/74	09/76	21,910	20,000
LES-74-353 ANIMAL HUSBANDRY	20	FAO	10/74	02/77	27,000	2,700
LES-74-050 FELLOWSHIPS IN FISHERIES	30	FAO	11/75	09/79	50,400	1,500
LES-74-072 CROP PRODUCTION ADVISER	10	FAO	12/75	01/78	72,720	9,500
LES-75-009 SEVENTH AGRICULTURAL STATISTICS CONFERENCE	00	UNEP	02/75	02/75	1,200	150
LES-75-010 INTERIM FERTILIZER DEMONSTRATION AND PILOT CREDIT SCHEME	70	FAO	04/75	01/77	34,200	7,720
LES-75-027 DIPLOMA COURSE IN HOME ECONOMICS	00	UNEP	11/75	08/77	17,000	
LES-75-028 DIPLOMA COURSE IN ANIMAL HEALTH AND MANAGEMENT	20	UNEP	11/75	08/77	17,000	
LES-75-036 REFRESHER TRAINING COURSE IN ANIMAL PRODUCTION	20	FAO	11/75	09/75	1,000	500
CULTURE AND SOCIAL AND HUMAN SCIENCES (1000)					50,720	8,750
LES-72-037 INTERNATIONAL LAW	10	UN	11/72	03/75	20,000	1,500
LES-72-040 PRINTING	30	UN	10/72	06/74	30,000	3,700
LES-74-051 PROGRAMME IN SOCIOLOGY AND DEMOGRAPHY	00	UN	11/74	10/74	000	3,400
EDUCATION (1000)					1,950,000	1,010,100
LES-68-011 SCIENCE TEACHING (MATHEMATICS)	30	UNESCO	12/68	01/76	132,000	
LES-70-005 SOCIAL TRAINING	40	UNESCO	11/70	01/76	72,000	
LES-72-010 TEACHING OF STATISTICS, UNIVERSITY OF BOTSWANA, LESOTHO AND SWAZILAND	23	UNESCO	10/72	08/74	10,000	1,200
LES-72-060 EDUCATION POLICY MISSION	10	UNESCO	12/73	09/74	26,700	3,200
LES-72-062 ESTABLISHMENT OF A NATIONAL TEACHER TRAINING COLLEGE	20	UNESCO	05/73	01/80	1,100,000	1,071,300
LES-73-037 SCIENCE TECHNICIAN COURSE	30	UNESCO	01/74	05/74	1,000	300

★★ Special Measures for LDC Project .

TABLE III-2 (Continued)
UN ASSISTED COUNTRY PROJECTS
(as of 30 June 1976)

Project number and title	Code	Executing agency	Date approved	Estimated completion date	Estimated project cost (US dollar equivalents)	
					UNDP	Lipogramed Counterpart Contribution
LES-74-017 EDUCATIONAL PLANNING AND MANAGEMENT	10	UNESCO	06/74	07/74	2,100	659
LES-74-041 PSYCHOLOGY IN EDUCATION	23	UNESCO	12/74	01/77	17,301	
LES-75-013 FELLOWSHIP IN GUIDANCE AND COUNSELLING	23	UNESCO	07/75	06/79	50,400	6,477
LES-75-023 ASSISTANCE IN THE COORDINATION OF PLANNING, FINANCING AND ADMINISTRATION IN THE MINISTRY OF EDUCATION	10	UNESCO	09/75	07/77	74,200	24,682
LES-75-026 DIPLOMA COURSE IN AGRICULTURAL EDUCATION	23	UNDP	11/75	08/77	33,991	
LES-75-043 EDUCATIONAL ADMINISTRATION FELLOWSHIP	23	UNESCO	01/76	09/77	29,202	
GENERAL ECONOMIC AND SOCIAL POLICY AND PLANNING (2000)					2,026,211	158,031
LES-68-008 COMMERCIAL LEGAL ADVISER	20	UN	11/68	01/77	29,391	
LES-69-002 AGRICULTURAL ADVISORY TEAM	12	FAO	25/70	31/76	130,104	
LES-71-010 ASSISTANCE TO THE LESOTHO NATIONAL DEVELOPMENT BANK	20	FAO	01/72	01/76	58,414	
LES-71-020 DEVELOPMENT ADMINISTRATION AND PLANNING	11	UN	10/71	07/76	94,200	
LES-72-002 SUPPORTING ADMINISTRATIVE SERVICES	11	UNDP	05/72	01/77	642,640	5,190
LES-72-013 DELIMITATION OF INTERNATIONAL BOUNDARIES	20	UN	10/72	01/77	90,827	31,499
PLES-72-017 UN VOLUNTEERS SUPPORT PROJECT	11	UNDP	12/72	01/77	376,131	
LES-72-046 PHOTOGEOLOGY	11	UN	04/72	01/77	100,250	15,224
PLES-72-059 SUPPORTING STATISTICAL SERVICES TRAINING	11	UNDP	02/73	01/78	290,530	
LES-72-069 STATISTICAL EQUIPMENT	11	UN	12/72	10/74	9,100	1,730
LES-73-020 ASSISTANCE TO PLANNING AND EVALUATION UNIT, TNABA BOSIU	12	FAO	07/73	01/78	127,200	35,139
PLES-73-001 PROGRAMME REVIEW MISSION	11	UNDP	07/72	08/74	5,813	
LES-74-003 ECONOMIC PLANNING	11	UN	05/74	04/76	60,600	14,519
LES-74-004 ECONOMICS	11	UN	05/74	10/76	11,800	2,004
LES-74-019 STUDY SEMINAR IN PROJECT EVALUATION	11	UNESCO	07/74	11/74	2,082	1,232
LES-74-021 CERTIFICATE COURSE IN STATISTICS	11	UNESCO	09/74	01/76	7,100	
LES-74-039 ASSISTANCE TO THE MINISTRY OF PUBLIC WORKS-CONST. N.T.T.C.	20	UNESCO	07/74	09/76	121,640	
LES-74-052 STUDY TOUR SECRETARY FOR TRAINING	20	UNESCO	12/75	10/74	1,927	230
PLES-74-003 PLANNING OFFICE VISIT TO EXTERNAL ASSISTANCE AGENCIES	11	UNDP	09/75	12/75	11,500	2,422
LES-74-004 ECONOMIC PLANNER (PROJECTS)	11	IBRD	01/75	01/78	72,000	9,190
LES-75-008 TEMPORARY MANAGING DIRECTOR - LESOTHO NATIONAL DEVELOPMENT CORPORATION	20	IBRD	04/75	01/77	29,195	3,951
LES-75-013 FELLOWSHIP IN STATISTICS AND NATIONAL ACCOUNTING	11	UN	09/75	08/76	6,000	5,442
HEALTH (2200)					676,000	121,717
LES-72-009 BASIC HEALTH SERVICES	10	WHO	04/72	01/76	97,715	230,600
LES-72-021 BASIC HEALTH SERVICES	10	WHO	05/72	01/77	60,200	10,040
LES-72-020 SEWERAGE DESIGN	70	UN	37/72	10/77	69,500	57,769
LES-72-044 WATER AND SEWAGE ENGINEERING	70	UN	09/72	01/77	130,903	10,454
LES-74-057 FELLOWSHIP IN NURSING	30	WHO	01/76	08/79	50,400	6,832
LES-74-067 FELLOWSHIP IN MEDICINE	30	WHO	01/76	09/80	10,000	

* Programme Reserve Project
** Special Measures for LDC Project

TABLE III-2 (Continued)
UN ASSISTED COUNTRY PROJECTS
(as of 30 June 1976)

Project number and title	Code	Executing agency	Date approved	Estimated completion date	Estimated project cost (US dollar equivalent)	
					UNDP	Government counterpart contribution
INDUSTRY (13001)					3,000,000	1,117,300
LES-60-336 NATURAL RESOURCES DEVELOPMENT AND POWER	22	UN	11/60	01/76	129,425	
LES-71-037 BOICHAIRING AND BUILDING MATERIALS	21	UNIDO	01/72	08/74	60,000	
LES-71-503 EXPLORATION FOR DIAMONDS	21	UN	01/71	02/75	470,201	
LES-72-000 COOPERATIVES	23	ILC	02/72	10/74	100,000	
LES-72-016 MATERIAL TESTING	30	UN	10/72	01/77	104,350	63,200
LES-72-267 EQUIPMENT FOR SMALL INDUSTRIES DEVELOPMENT	23	UNIDO	12/72	01/76	41,270	
LES-72-293 INDUSTRIAL PLANNING	10	UNIDO	11/72	01/76	137,400	7,307
LES-72-054 COOPERATIVES	20	ILC	10/72	01/76	111,900	15,000
LES-73-321 EXPLORATION FOR DIAMONDS, PHASE II	22	UN	05/74	01/80	1,209,400	659,700
LES-73-313 FEASIBILITY STUDY FOR THE MANUFACTURE OF BLANKETS	21	UNIDO	02/74	03/76	4,000	1,000
LES-74-023 DEVELOPMENT OF HEAVY CLAY INDUSTRY	24	UNIDO	07/75	01/77	49,500	
LES-74-329 HANDICRAFT DEVELOPMENT CONSULTANT	10	UNDP	10/75	03/75	8,000	1,222
LES-75-025 ESTABLISHMENT OF SANDSTONE SLABS AND BRICKS MAKING INDUSTRY	24	UN	07/75	02/76	5,000	1,337
LES-75-030 ADVISER (MINING AND GEOLOGY, AND MINERAL RESOURCES DEVELOPMENT)	22	UN	10/75	07/77	72,000	4,152
LES-75-038 PILOT EXPLOITATION OF RAC DIAMOND DEPOSITS	22	UN	09/75	11/77	255,500	117,007
LES-75-239 EQUIPMENT SUPPORT FOR RAC DIAMOND EXPLOITATION	22	UNDP	09/75	11/77	450,250	424,452
LES-75-040 ADVISER TO MANAGER, MINI-INDUSTRIAL ESTATE	23	UNIDO	12/75	07/77	72,000	17,070
LES-75-042 PROGRAMME FOR THE DEVELOPMENT OF RURAL FARMERIES	24	ILC	11/75	11/75	4,500	809
LES-75-050 ESTABLISHMENT OF A PILOT ASPARAGUS INDUSTRY	24	FAO	10/75	05/76	61,000	27,529
INTERNATIONAL TRADE (10001)					700,317	21,570
LES-71-040 ECONOMIC STATISTICS (TRADE)	10	UN	11/72	11/75	90,000	0,027
LES-73-002 TOURISM MARKETING	32	UN	07/73	06/74	2,200	
LES-74-013 TRAINING COURSE FOR CUSTOMS OFFICERS	10	UN	09/74	11/74	1,201	1,002
LES-74-014 TRADE PLANNING AND EXPORT PROMOTION	10	UNCTAD	02/74	01/77	87,900	0,112
LES-75-006 LESSTIND NATIONAL INSURANCE COMPANY	32	UNCTAD	02/75	01/76	6,500	1,222
LES-75-317 ADVISER CONCERNING CUSTOMS UNION AGREEMENT	10	UNCTAD	10/75	01/76	10,000	4,012
LABOUR, MANAGEMENT AND EMPLOYMENT (10001)					170,550	70,315
LES-72-052 VOCATIONAL EDUCATION	50	ILC	11/72	01/76	71,400	19,037
LES-74-310 HANPOWER (HUMAN RESOURCES) PLANNER	20	ILC	07/74	01/76	74,000	7,400
LES-74-245 MIGRANT WORKERS RE-EMPLOYMENT (MISSIA)	60	IBRD	06/74	01/76	20,300	
LES-74-346 MANAGEMENT ANALYSIS AND TRAINING ADMINISTRATION	40	UN	10/74	12/74	10,790	2,011

**Special Measures for LDC Project

TABLE III-2 (Continued)
UN ASSISTED COUNTRY PROJECTS
(as of 30 June 1976)

Project number and title	Code	Executing agency	Date approved	Estimated completion date	Estimated project cost (US dollar equivalent)	
					UNDP	Government contribution
NATURAL RESOURCES (3000)					1,721,188	303
LES-69-901 FEASIBILITY STUDY OF THE NABO COMPLEX	20	IBRD	01/69	01/76	1,700,000	
LES-72-056 HYDROGEOLOGY	30	UNESCO	30/72	06/74	3,522	
LES-74-044 CONFERENCE INTERNATIONAL HYDROLOGICAL CYCLES	30	UNESCO	11/74	01/76	3,727	303
SCIENCE AND TECHNOLOGY (3000)					285,561	223,508
LES-72-041 NATIONAL CHEMICAL LABORATORIES	10	UN	30/72	03/74	2,300	300
LES-72-043 CIVIL ENGINEERING	70	UN	30/72	10/76	22,000	
LES-72-051 HYDROMETEOROLOGICAL EQUIPMENT	50	UN	13/72	01/73	9,870	1,730
LES-73-016 EDUCATIONAL ARCHITECTURE	70	UNESCO	08/73	11/74	5,154	421,222
LES-73-025 PROJECT ARCHITECT/SITE SUPERVISOR-TEACHER TRAINING COLLEGE	70	UNESCO	12/73	01/76	104,000	3,103
LES-74-015 METEOROLOGIST (CPAS)	30	WHO	08/74	01/78	101,204	60,457
LES-74-324 4 SC COURSE IN METEOROLOGY	30	WHO	07/74	07/79	40,704	
LES-74-043 SENIOR APPLICATION PROGRAMMER'S COURSE	10	UN	10/74	12/74	1,019	402
LES-75-004 TECHNICAL METEOROLOGICAL TRAINING	50	WHO	03/75	06/75	1,500	384
SOCIAL SECURITY AND OTHER SOCIAL SERVICES (2000)					281,027	278,002
LES-71-036 ARCHITECTURE	30	UN	11/71	01/80	44,077	
LES-72-030 ARCHITECTURE (ADMINISTRATION)	30	UN	30/72	31/75	29,530	190,307
LES-74-026 SUPPORT TO LOW COST SELF-HELP CO-OPERATIVE HOUSING PROGRAMS	30	UNDP	07/75	03/77	100,000	72,202
LES-74-066 TOWN AND COUNTRY PLANNING FELLOWSHIP	30	UN	28/75	08/79	14,400	3,133
LES-74-070 ARCHITECTURAL FELLOWSHIP	30	UN	04/75	01/77	25,200	
LES-75-002 COUNTERPART HOUSING FOR THE SONGU RIVER PROJECT	30	UNDP	02/75	01/76	40,000	2,500
TRANSPORT AND COMMUNICATIONS (2000)					582,688	383,611
LES-72-026 POST AND TELECOMMUNICATIONS	50	ITU	02/72	04/76	103,300	
LES-72-046 CHIEF ENGINEER (TELECOMMUNICATIONS)	30	ITU	13/72	02/78	133,034	343,251
LES-73-000 AIR TRANSPORT ADVISER	40	ICAO	06/73	01/75	30,300	9,740
LES-73-022 AIRPORT FEASIBILITY STUDY	40	ICAO	08/73	01/77	59,710	2,300
LES-73-031 STANDARD PILOT COURSE	40	ICAO	12/73	01/76	13,400	
LES-73-036 CIVIL AVIATION MANAGEMENT	40	ICAO	03/74	01/76	6,400	2,07
LES-74-000 AIRPORT FIREMEN COURSE	40	ICAO	30/75	06/75	1,100	12
LES-74-013 LANGUAGE INTENSIVE ROAD CONSTRUCTION	20	ILU	05/74	04/76	1,250	
LES-74-024 FELLOWSHIP IN ROAD MAINTENANCE	40	ICAO	37/75	31/78	11,050	
LES-74-044 AIRWORTHINESS OF AIRCRAFT FELLOWSHIP	40	ICAO	02/75	01/79	32,450	
LES-74-061 AIR LAW CONSULTANT	40	ICAO	03/75	06/75	12,000	30
LES-74-071 ADVISORY SERVICES FOR BROADCASTING	30	ITU	07/75	04/76	64,000	6,57
LES-75-020 SENIOR ROAD ENGINEER	20	UN	10/75	06/77	30,132	10,70
LES-75-024 TELECOMMUNICATION ENGINEER	30	ITU	30/75	08/77	30,604	10,00

**Special Measures for LDC Projects

TABLE III-2 (Continued)
 UN ASSISTED COUNTRY PROJECTS
 (as of 30 June 1976)

Project number and title	Code	Executing agency	Date approved	Estimated completion date	Estimated project cost (US dollar equivalent)	
					UNDP	Government counterpart contribution
LES-75-041 FELLOWSHIP-COUNTERPART TO DIRECTOR OF POSTS AND TELECOMMUNICATIONS	90	ITU	02/76	02/76	3,700	1,816
TOTAL					14,993,990	9,219,539
OF WHICH						
IPP PROJECTS					13,697,637	8,672,349
PROGRAMME RESERVE PROJECTS					376,151	
SPECIAL MEASURES FOR LDC PROJECTS					1,120,182	546,980

TABLE III -3

ESTIMATED AMOUNTS OF FOREIGN RESOURCES
FOR THE COUNTRY PROGRAMMING PERIOD

(in thousands of US dollars)

	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>Total</u>
<u>Bilateral Programmes</u>	<u>23,500</u>	<u>26,000</u>	<u>27,500</u>	<u>30,000</u>	<u>107,000</u>
Canada	3,500	4,000	4,500	5,000	17,000
Denmark	1,800	1,800	1,200	1,200	6,000
Germany	1,700	2,300	2,500	2,500	9,000
Great Britain	8,000	8,000	8,000	9,000	33,000
Sweden	1,800	2,000	2,000	2,200	8,000*
United States	4,500	5,500	7,000	8,000	25,000
Other	2,200	2,400	2,300	2,100	9,000
<u>Multilateral Programmes</u>					
<u>Other than those of UN</u>	<u>4,000</u>	<u>7,500</u>	<u>14,500</u>	<u>16,000</u>	<u>42,000</u>
ABEDEA	3000	1,600	2,100	3,000	7,000
ADB	1,400	2,000	3,200	3,400	10,000
EDP	1,700	2,500	7,500	8,300	20,000
Other	600	1,400	1,700	1,300	5,000
<u>Regular Programmes of the UN</u>	<u>12,923</u>	<u>12,983</u>	<u>12,916</u>	<u>11,750</u>	<u>50,572</u>
WFP	5,100	5,800	5,800	5,800	22,500
WHO	273	233	266	300	1,072
UNICEF	150	150	150	150	600
IBRD (Loans)	4,000	3,500	3,500	3,500	14,500
Other (UNEP, UNPPA, ILO, FAO, UNESCO)	400	450	500	550	1,900
UNCDF	400	200	-	-	600
UNDP/IPF	2,600	2,650	2,700	1,450	9,400
<u>Total</u>	<u>40,423</u>	<u>46,483</u>	<u>54,916</u>	<u>57,750</u>	<u>199,572</u>

The total includes both loans and grants and both capital and technical assistance.

*Approximately half of this total are Funds-In-Trust with UNDP, FAO, ILO and ITU.

ESTIMATED GOVERNMENT AND UNDP INPUTS IN FINANCIAL TERMS FOR THE PERIOD 1977 - 1980

Estimated Government Inputs (R000)					Estimated UNDP Inputs (R000)					
1977	1978	1979	1980	Total	Activities by Sector	Total	1977	1978	1979	1980
<u>517.1</u>	<u>742.6</u>	<u>546.3</u>	<u>182.0</u>	<u>1,988.0</u>	<u>Agriculture/Rural Development</u>	<u>3,342.5</u>	<u>620.9</u>	<u>1,153.2</u>	<u>1,104.5</u>	<u>463.9</u>
<u>365.9</u>	<u>435.2</u>	<u>296.5</u>	<u>22.9</u>	<u>1,120.5</u>	<u>Ongoing Projects</u>	<u>1,824.1</u>	<u>574.9</u>	<u>712.7</u>	<u>502.3</u>	<u>34.2</u>
64.0	99.0	52.5	-	215.5	Assistance to Agricultural Planning	393.5	125.5	184.0	84.0	-
191.9	240.2	215.0	22.9	670.0	Genqu Rural Development Phase II	1,002.8	265.6	370.7	332.3	34.2
1.0	-	-	-	17.0	Thaba-Bosiu Senior Economist	39.0	39.0	-	-	-
31.0	30.0	-	-	61.0	Thaba-Bosiu Asparagus Project	85.6	43.6	42.0	-	-
22.0	23.5	11.5	-	57.0	Livestock and Produce Marketing Corporations	162.2	46.2	58.0	58.0	-
10.0	10.0	-	-	20.0	Senior Co-operatives Adviser	93.0	45.0	48.0	-	-
30.0	32.5	17.5	-	80.0	Livestock and Veterinary Assistants	48.0	10.0	10.0	28.0	-
<u>151.2</u>	<u>307.4</u>	<u>249.8</u>	<u>159.1</u>	<u>867.5</u>	<u>new projects</u>	<u>1,518.4</u>	<u>46.0</u>	<u>440.5</u>	<u>602.2</u>	<u>429.7</u>
62.5	126.3	62.8	40.3	291.9	Assistance to Rural Development	332.5	10.0	139.5	125.5	57.5
31.2	31.3	31.2	31.3	125.0	Range Management Unit	92.0	5.0	5.0	41.0	41.0
16.5	30.0	30.0	18.0	94.5	Farm Mechanization Training Programme	158.4	16.0	42.0	56.4	42.0
11.0	27.0	17.0	5.0	60.0	Research on Dryland Crops	345.0	13.0	130.0	130.0	72.0
-	9.0	16.0	10.0	35.0	Horticultural Development Research	120.4	-	10.0	55.2	55.2
-	27.1	28.8	6.0	62.1	Livestock Assistants Training	199.7	-	62.0	68.9	68.8
-	26.5	34.0	18.5	79.0	Feedlot Management	198.4	-	52.0	89.2	57.2
30.0	30.0	30.0	30.0	120.0	Volunteers for Khomokhoana Project	72.0	-	-	36.0	36.0
<u>20.0</u>	<u>33.0</u>	<u>60.5</u>	<u>21.0</u>	<u>134.5</u>	<u>Industry, Commerce, and Tourism</u>	<u>385.4</u>	<u>53.0</u>	<u>87.0</u>	<u>173.2</u>	<u>72.2</u>
<u>20.0</u>	<u>6.0</u>	<u>10.0</u>	<u>0</u>	<u>36.0</u>	<u>Ongoing Projects</u>	<u>113.0</u>	<u>53.0</u>	<u>12.0</u>	<u>48.0</u>	<u>0</u>
20.0	6.0	-	-	26.0	Export Promotion Adviser	65.0	53.0	12.0	-	-
-	-	10.0	-	10.0	Industrial Planner	48.0	-	-	48.0	-
-	<u>27.0</u>	<u>50.5</u>	<u>6.0</u>	<u>98.5</u>	<u>New Projects</u>	<u>272.4</u>	<u>-</u>	<u>75.0</u>	<u>125.2</u>	<u>72.2</u>
-	-	16.0	6.0	22.0	Paint Production	62.4	-	-	55.2	7.2
-	12.0	14.5	-	26.5	Agricultural Machinery and Small Estates	10.0	-	10.0	-	-
-	15.0	20.0	15.0	50.0	Strengthening Labour Commissioner's Office	200.0	-	65.0	70.0	65.0

TABLE III-4

ESTIMATED GOVERNMENT AND UNDP INPUTS IN FINANCIAL TERMS FOR THE PERIOD 1977 - 1980

Estimated Government Inputs (0000)					Estimated UNDP Inputs (0000)					
1977	1978	1979	1980	Total	Activities by Sector	Total	1977	1978	1979	1980
<u>117.9</u>	<u>70.5</u>	<u>24.3</u>	<u>12.5</u>	<u>225.2</u>	<u>Water and Mineral Resources</u>	<u>916.8</u>	<u>417.2</u>	<u>346.8</u>	<u>102.8</u>	<u>50.0</u>
<u>117.9</u>	<u>70.5</u>	<u>24.3</u>	<u>12.5</u>	<u>225.2</u>	<u>Ongoing/New Projects</u>	<u>916.8</u>	<u>417.2</u>	<u>346.8</u>	<u>102.8</u>	<u>50.0</u>
<u>98.7</u>	<u>64.4</u>	<u>24.3</u>	<u>12.5</u>	<u>199.9</u>	Exploitation of Mineral Resources	<u>838.3</u>	<u>358.0</u>	<u>327.5</u>	<u>102.8</u>	<u>50.0</u>
<u>19.2</u>	<u>8.1</u>	-	-	<u>25.3</u>	Clay Survey	<u>78.5</u>	<u>59.2</u>	<u>19.3</u>	-	-
<u>109.2</u>	<u>103.2</u>	<u>90.8</u>	<u>36.3</u>	<u>339.5</u>	<u>Economic Infrastructure</u>	<u>718.9</u>	<u>135.1</u>	<u>173.0</u>	<u>265.8</u>	<u>145.0</u>
<u>91.2</u>	<u>79.2</u>	<u>66.8</u>	<u>36.3</u>	<u>273.5</u>	<u>Ongoing/New Projects</u>	<u>588.7</u>	<u>96.1</u>	<u>131.0</u>	<u>216.6</u>	<u>145.0</u>
<u>91.2</u>	<u>79.2</u>	<u>66.8</u>	<u>36.3</u>	<u>273.5</u>	Assistance to Public Works	<u>588.7</u>	<u>96.1</u>	<u>131.0</u>	<u>216.6</u>	<u>145.0</u>
<u>18.0</u>	<u>24.0</u>	<u>24.0</u>	<u>0</u>	<u>66.0</u>	New Project	<u>130.2</u>	<u>39.0</u>	<u>42.0</u>	<u>49.2</u>	<u>0</u>
<u>18.0</u>	<u>24.0</u>	<u>24.0</u>	<u>-</u>	<u>66.0</u>	Assistance to Transport and Communications	<u>130.2</u>	<u>39.0</u>	<u>42.0</u>	<u>49.2</u>	<u>-</u>
<u>128.1</u>	<u>111.9</u>	<u>93.5</u>	<u>31.4</u>	<u>364.9</u>	<u>Education and Training</u>	<u>1,268.8</u>	<u>480.8</u>	<u>399.5</u>	<u>299.5</u>	<u>89.0</u>
<u>128.1</u>	<u>111.9</u>	<u>93.5</u>	<u>31.4</u>	<u>364.9</u>	<u>Ongoing/New Projects</u>	<u>1,268.8</u>	<u>480.8</u>	<u>399.5</u>	<u>299.5</u>	<u>89.0</u>
<u>128.1</u>	<u>111.9</u>	<u>93.5</u>	<u>31.4</u>	<u>354.9</u>	Teacher Training	<u>1,268.8</u>	<u>480.8</u>	<u>399.5</u>	<u>299.5</u>	<u>89.0</u>
<u>52.0</u>	<u>74.0</u>	<u>75.5</u>	<u>59.5</u>	<u>261.0</u>	<u>Social Infrastructure</u>	<u>628.0</u>	<u>52.0</u>	<u>96.0</u>	<u>267.6</u>	<u>212.4</u>
<u>52.0</u>	<u>74.0</u>	<u>75.5</u>	<u>59.5</u>	<u>261.0</u>	<u>Ongoing/New Projects</u>	<u>628.0</u>	<u>52.0</u>	<u>96.0</u>	<u>267.6</u>	<u>212.4</u>
<u>42.0</u>	<u>74.0</u>	<u>75.5</u>	<u>59.5</u>	<u>251.0</u>	Assistance to Health Services	<u>576.0</u>	-	<u>96.0</u>	<u>267.6</u>	<u>212.4</u>
<u>10.0</u>	-	-	-	<u>10.0</u>	Low-Cost Housing	<u>52.0</u>	<u>52.0</u>	-	-	-
<u>57.8</u>	<u>106.8</u>	<u>106.8</u>	<u>88.7</u>	<u>360.1</u>	<u>Government Services</u>	<u>747.2</u>	<u>93.2</u>	<u>200.0</u>	<u>248.0</u>	<u>206.0</u>
<u>57.8</u>	<u>62.5</u>	<u>62.5</u>	<u>62.5</u>	<u>245.3</u>	<u>Ongoing Projects</u>	<u>593.2</u>	<u>93.2</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
<u>1.5</u>	-	-	-	<u>1.5</u>	Boundary Judge	<u>3.2</u>	<u>3.2</u>	-	-	-
<u>56.3</u>	<u>62.5</u>	<u>62.5</u>	<u>62.5</u>	<u>243.8</u>	Supporting Administrative Services	<u>390.0</u>	<u>90.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
<u>0</u>	<u>44.3</u>	<u>44.3</u>	<u>26.2</u>	<u>114.8</u>	<u>New Projects</u>	<u>354.0</u>	<u>0</u>	<u>100.0</u>	<u>148.0</u>	<u>106.0</u>
<u>-</u>	<u>26.3</u>	<u>26.3</u>	<u>26.2</u>	<u>78.8</u>	Civil Service Development	<u>270.0</u>	-	<u>58.0</u>	<u>106.0</u>	<u>106.0</u>
<u>-</u>	<u>18.0</u>	<u>18.0</u>	-	<u>36.0</u>	General Insurance & Life Insurance Manager	<u>84.0</u>	-	<u>42.0</u>	<u>42.0</u>	-
<u>1,002.1</u>	<u>1,242.0</u>	<u>997.7</u>	<u>431.4</u>	<u>3,673.2</u>	<u>Sectoral Programme Totals</u>	<u>8,007.6</u>	<u>1,852.2</u>	<u>2,455.5</u>	<u>2,461.4</u>	<u>1,238.5</u>

IV

SECTOR ANALYSES

- **Agriculture**
- **Mining and Minerals**
- **Transportation**
- **Energy**
- **Health**
- **Education**
- **Population**
- **Industry**
- **Other**

IV. SECTOR ANALYSES--AGRICULTURE

A. Setting

Agriculture is the largest productive sector of the economy. Agriculture generates 45 percent of GDP (the rural sector contributes 60 percent of GDP) and is an important source of income for 85 percent of the population. Agricultural production is organized around 187,000 farm households with each having an average of two hectares. 51 percent of these households do not have the male head of household present for most of the year. The average net return to the farm household from agriculture is approximately R130 per annum.

Production is primarily for on-farm consumption (66 to 70 percent) with the balance reaching the market. Marketed output is mostly livestock and animal products, and some wheat, the latter being one of the three principal crops of Lesotho. Most of the marketed production is exported to South Africa where it is sold to South African enterprises for local consumption or in the case of wool and mohair auctioned off for onward processing and/or export.

Live animals and animal products (wool and mohair) make up about 70 percent of Lesotho's exports. Foodstuffs (mostly wheat) make up around 6 percent of total exports. Over the past five year period live animals and animal products, particularly wool and mohair (see tables II-9 and IV-1) have continued to be important export commodities due largely to very favorable export prices. Though output of wool and mohair has acutely declined since 1970 the value has risen dramatically from 19.2 cents/kg. for wool in 1970 to 95.5 cents/kg in 1974. The value of wool and mohair in proportion to GDP has increased while the foodstuffs component has declined. Surprisingly, even with these higher prices production has declined. The importance of foodstuffs in the overall make-up of Lesotho's exports has declined in output following severe droughts in 1971/72 and 1972/73.

The value of cattle and sheep exports has grown over the five year period from 1970 to 1974 though the actual number of cattle and sheep exported has remained by and large below the number exported in 1969/70 .

For Lesotho's principal exports the world market prices have been extremely favorable. Production of foodstuffs for domestic consumption has not kept pace with demand. The production of foodstuffs is about one-half of domestic consumption. The remaining 50 percent of Lesotho's food requirements is made up by purchased imports and donations. The problem has become more dramatic in the past fifteen years. For example, in 1960 Lesotho imported 14,000 tons of maize, but by 1970 it had increased to 45,000 tons.

Though in value terms livestock and animal products are the most important export commodities, crop production is the most important farm household production undertaking. Livestock is a secondary undertaking. Horticulture for which Lesotho is ideally suited, is limited by the traditional land tenure system to the designation of a small plot for horticulture for each household unit and the indirect restriction against permanent crop production like fruit trees.

TABLE IV-1
EXPORTS^{1/} OF WOOL AND MOHAIR, 1970-74

	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
WOOL					
Volume (thousands) kgs)	4,744	3,182	3,682	3,418	3,675
Value (thousands rand)	912	774	2,040	3,181	3,510
Unit value (cents/kg)	19.2	24.3	55.4	93.4	95.5
MOHAIR					
Volume (thousands kgs)	983	868	767	567	764
Value (thousands rand)	572	504	1,122	1,526	1,055
Unit value (cents/kg)	58.2	58.1	146.3	269.1	138.1

Sources: Bureau of Statistics, Annual Statistical Bulletin, 1970-73; and data provided by the Lesotho authorities.

^{1/} Virtually all production is exported; hence this table reflects approximate value and volume produced.

TABLE IV-2
LIVESTOCK POPULATION AND CHANGES IN STOCK
1969/70-1973/74
(In thousands of head)

Year	Population at the beginning of the year ^{1/}	Young born	Live imports	Live exports	Slaughter- ing ^{2/}	Death and other losses	Net change during the year	
							Number	Percentage
<u>1969/70</u>								
Cattle	539	78	4	15	23	39	5	0.9
Sheep	1,547	276	8	26	70	143	45	2.9
Goats	892	154	--	--	35	77	22	2.6
<u>1970/71</u>								
Cattle	544	70	4	11	22	31	10	1.8
Sheep	1,592	278	12	16	74	137	63	4.0
Goats	914	169	--	--	47	63	59	6.5
<u>1971/72</u>								
Cattle	554	75	7	9	24	83	-34	-6.1
Sheep	1,655	265	16	11	66	354	-150	-9.1
Goats	973	174	--	--	45	235	-108	-15.2
<u>1972/73</u>								
Cattle	520	63	5	13	35	75	-55	-3.9
Sheep	1,505	236	6	23	71	116	32	7.4
Goats	867	198	--	--	37	66	95	3.0
<u>1973/74</u>								
Cattle	465	69	4	13	21	33	6	1.3
Sheep	1,557	266	3	31	71	130	37	2.4
Goats	962	172	--	--	49	63	38	5.0

Sources: Bureau of Statistics, Livestock Numbers and Livestock Production, 1960-70; and data provided by the Lesotho authorities.

1/ August 1.

2/ In local abattoirs and villages.

Most, if not all, farm units have a small number of animals. The problem of overgrazing and the resistance to destocking, which is a major problem contributing to the severe erosion problem facing Lesotho, reflects the small land holdings of the individual farm units that are incapable of supporting the livestock population. Mountain pastures provide grazing areas but the problem of overgrazing and erosion have affected these areas also.

Government programs in the agricultural sector have been limited largely to participation with foreign donors in a number of large-scale integrated rural development schemes. The government intends to use these schemes to provide incentives for production of cash crops, increase productivity per acre, increase livestock output and off-take, control overstocking, diversify production and arrest soil erosion. To achieve these ends the government is introducing better animal husbandry practices and trying to improve stock quality. It is anticipated that better livestock husbandry practices will encourage better land use practices.

Irrigation is another important component of the government's agricultural policy as is the introduction of better inputs, credit facilities and the provision for improved marketing. In an effort to expand and improve marketing, the government established the Produce Marketing Board in 1973 to organize and regulate the marketing of agriculture, set prices, and assume responsibility for importation of grain and grain products. Pricing policies have changed somewhat with the introduction of the Produce Marketing Board. Formerly the prices for produce were determined by the market. The market was run by private traders and government-sponsored cooperatives in competition with each other. The new government minimum price policy is a deviation from this free market policy. The government also has tried to improve livestock animal product marketing with a series of policy changes including taking over livestock auctions, and the organization of wool and mohair into lots for auction in South Africa. The former system relied on numerous small private traders purchasing and reselling in small lots to South African traders and auctioneers. The changes are significant but not radical departures from the free market that prevailed before.

The government is hampered in its efforts to intervene constructively in the agriculture sector by the absence of trained manpower and the dependency on donor-provided technical experts and managers. The government is also unwilling to tackle the problem of the restrictive land tenure system, which may be a constraint to agricultural development.

B. Agricultural Production

Lesotho agriculture is typified by a subsistence farming system based on food grains and livestock. Approximately 90 percent of the cultivated area is dedicated to maize, sorghum and wheat. The remainder of the cultivated area is planted primarily to peas and beans. Cattle, sheep and goats are grazed extensively and form an integral part of the social and economic structure of subsistence society typical of many parts of southern Africa.

Table IV-3 shows production data for the five major crops. This data apparently includes production for subsistence consumption as well as production going into commercial channels. It is difficult to determine any clear trends in production. Sorghum yields appear to be improving, while yields of other crops vary erratically from year-to-year, probably in response to rainfall variation. The same can be said for areas planted by crop. Although there is considerable variation in areas planted from year-to-year, no particular pattern emerges. Similar variations exist for total area planted to the five major crops.

For some years, it appears areas planted may have responded to changes in price levels. It is likely that areas planted respond primarily to rainfall patterns, which affect length of planting season, and farmers decisions as to which crop and how much to plant.

C. Structure

All farming in Lesotho is conducted by Basotho small farmers on small farms. The land tenure system and national law forbid foreign ownership of land. As a result one does not find large or medium-sized foreign-owned farms in Lesotho as one finds in Swaziland. As noted in Section I, 187,000 farm households farm 13 percent (393,000 ha.) of the available cropped land. The available cropped land can be cultivated on a fairly continuous basis (with fallow periods) and has good access.

From 1969 to 1973 the average area planted was 337,380 ha. or 86 percent of the available crop-land. The remaining land was in other miscellaneous crops, fallow, or non-agricultural uses. As Table IV-4 indicates, additional acreage could be cultivated if road access was improved. There is also 1,826,600 ha. of good access communal land available for grazing. Land that is only suitable for grazing has and is being used for crops, which contributes to the soil erosion problem.

85 percent of all rural households have rights to some arable land. By the same token, some 15 percent of the rural households are landless. Most rural households have livestock which can be grazed on the communal rangeland. Land is divided somewhat evenly among the 85 percent landed rural households as required by the land tenure system (described later in the constraint section). The average farm size is two hectares of cropland. However, the lowest 25 percent of the farms have one hectare or less. Less than 10 percent of the households have four hectares or more. The largest 10 percent occupy about 25 percent of the arable land. Reports indicate that size of land holding and family size do correlate. On balance, the land distribution pattern appears to be fairly equitable when compared to most other LDCs.

The government has noted that the farm holdings are too small to support the combined crop cultivation and livestock that characterizes the typical Sotho small farm. With increasing population growth, land pressure will increase. It is likely that farm units will become even smaller if the present system of production continues. As pressure increases it is likely that the numbers of landless persons will also increase.

One outgrowth of the growing land pressure has been the growth of share-cropping as a unit of production. It is thought that 25 percent of the total cultivation

TABLE IV-3

**AREA PLANTED, PRODUCERS' PRICE, PRODUCTION,
VALUE, AND YIELD OF MAJOR CROPS 1969-73**

	<u>MAIZE</u>	<u>SORGHUM</u>	<u>WHEAT</u>	<u>PEAS</u>	<u>BEANS</u>	<u>TOTALS</u>
AREA PLANTED						
<u>(in thousands of hectares)</u>						
1969	142.0	71.8	95.1	10.5	12.2	331.6
1970	129.3	82.6	106.4	12.2	16.3	346.8
1971	150.0	85.0	110.0	14.0	18.0	377.0
1972	120.0	70.0	95.0	12.0	15.0	312.0
1973	129.7	83.3	76.6	10.2	19.7	319.5
PRODUCTION						
<u>(in thousands of metric tons)</u>						
1969	101.9	48.3	59.7	4.7	3.1	217.7
1970	66.5	56.9	57.9	4.5	3.7	189.5
1971	121.0	78.0	76.0	5.1	4.5	284.6
1972	64.0	59.0	57.0	3.8	3.4	187.2
1973	122.5	84.0	57.1	7.2	7.5	278.3
PRODUCERS' PRICE						
<u>(in rand per quintal)</u>						
1969	4.70	5.60	4.81	9.00	13.46	
1970	4.80	4.84	5.19	8.50	12.99	
1971	4.61	4.32	4.95	8.50	14.57	
1972	4.43	4.71	4.20	8.36	14.65	
1973	4.85	6.66	5.75	11.54	21.37	
GROSS VALUE						
<u>(in millions of rand)^{1/}</u>						
1969	4.78	2.70	2.87	0.43	0.42	11.20
1970	3.19	2.75	3.01	0.38	0.48	9.81
1971	5.58	3.37	3.76	0.43	0.66	13.80
1972	2.83	2.78	2.39	0.32	0.50	8.82
1973	5.94	5.59	3.28	0.83	1.60	17.24
AVERAGE YIELD						
<u>(in kg per hectare)</u>						
1969	724	673	628	453	257	
1970	515	689	544	366	226	
1971	807	918	691	364	250	
1972	533	843	600	317	227	
1973	945	1,009	745	702	379	

Sources: Bureau of Statistics, Agricultural Statistics, 1950, 1960, and 1965-70; and Annual Statistical Bulletin, 1973.

^{1/} Gross value of production is derived by multiplying the volume of production by the producers' unit price.

is under some form of share-cropping arrangement. It is further estimated that 60 percent of the share-croppers are women. Women are not allowed land rights under customary Basotho land tenure system. They must share-crop if they are without a husband. The absence of men from the household in 51 percent of all rural farm households adds to the growth of share-cropping. In these cases women find it difficult under the existing system of production and value system to prepare land, purchase inputs and make production decisions. It is simpler from the standpoint of traditional values to negotiate a share-cropping arrangement with a male farmer, with the consent of the absent male head of household, than for the female to undertake all facets of production.

Nonetheless, women play an important role in the agricultural production systems. They provide an important, if not the most important, source of labor.

One assessment of Lesotho's land capabilities divided the country into seven categories of potential land use. The categories of land types are found on the attached table (see Table IV-4). Under this classification only 13 percent of Lesotho's land is presently suitable for continuous cropping and all but 12 percent is committed for agriculture use. An additional 15 percent can be cropped periodically in rotation with grazing and 60 percent is suitable only for grazing.

D. Major Constraints

The major problems facing Lesotho's agriculture are low productivity of Lesotho's small farms and soil erosion. Low rainfall, high rainfall variability and land pressure are also pressing problems. The basic problems of low productivity and soil erosion can be tackled within the existing framework of production, but the task is difficult. Numerous constraints hamper the efforts to raise productivity and abate the erosion of the soil.

The major constraints to agricultural development include:

- . The land tenure system
- . The weather
- . Agricultural and livestock practices of Basotho small farmers

Other important though less dramatic constraints include:

- . Limited arable land
- . A shortage of draft power
- . The absence of male heads of household
- . A limited credit and marketing system
- . The government's unwillingness to tamper with the land tenure system
- . Poor maintenance of soil conservation improvements

These constraints will be treated individually.

1. Land Tenure— Land tenure in Lesotho follows a tribal communal system traditional to much of southern Africa. Individual households are granted occupancy and use rights by the chief of the area in conjunction with a tribal

TABLE IV-4
LAND-USE CATEGORIES

	<u>HECTARES</u>	<u>% TOTAL AREA</u>
LAND SUITABLE FOR CONTINUOUS CULTIVATION		
Land primarily suitable for semi-intensive cultivation	263,100	8.6
Land suitable for extensive cultivation	130,000	4.2
LAND SUITABLE FOR GRAZING		
Grazing land primarily suitable for smallstock	769,700	25.3
Grazing land primarily suitable for largestock	1,056,900	34.4
LAND SUITABLE FOR BOTH CULTIVATION AND GRAZING		
Land suitable for cultivation and grazing; poor access	220,100	7.2
Land suitable for cultivation and grazing; good access	246,700	8.1
Land unsuitable for agriculture	372,300	12.2
TOTAL	<u>3,058,800</u>	<u>100.0</u>

council. In theory, all households are entitled to sufficient land to produce subsistence requirements and, theoretically, each year all land reverts to communal status for re-allocation the next year. In practice, however, land use rights stay in the same family from generation to generation. Because all households of the tribe are entitled to a share of the land for subsistence, land distribution tends to be egalitarian. In Lesotho, traditional allocation practices apparently entitle each household to various parcels of land within a communal area to ensure that everyone shares in the more and less productive land available.

The tribal communal land tenure system often is criticized as inhibiting improved production and productivity in agriculture. The criticism is that the farm family has insufficient security in the land to induce capital improvements or improved production practices. It is further suggested that traditional chiefs discourage innovative practices and may in fact penalize an innovative farmer by reducing the size of his allocation of land as he increases his production, on the grounds that a lesser area is required for his family's subsistence. The system also is said to create excessive fragmentation of holdings and discourages intercropping which leads to lower productivity and high erosion.

Critics of the traditional tenure system advocate its extensive modification as the only way to create conditions for improved agricultural production and rural incomes. Some more recent findings, however, suggest that the traditional tenure system may not be as much of a constraint as generally supposed.

A recent FAO study found that land tenure security and the need for land as security for credit are less of an obstacle than it was thought. It suggests that farmers are willing to improve land and undertake new agricultural practices if they can be shown a benefit for their efforts. If the improvement program involves chiefs and the people from the very outset demonstrate to them significant increases in incomes and other benefits that can be achieved, then the people and their traditional leaders are prepared to adopt the necessary actions to undertake a development project.

2. The Weather- Agricultural output is constrained by Lesotho's variable weather conditions. Severe drought affects Lesotho on the average of once every five years. Unfortunately, Lesotho has experienced a succession of droughts in 1969, 1970 and 1972/73. The climate makes agriculture a somewhat risky undertaking. Rainfall, when stable, averages only twenty-nine inches a year. But even more important, in years of good rain it is necessary that sufficient rain falls during the three-week land preparation stage. Hail storms are common and have been known to severely damage the crop.

The winters in the mountains can be too severe for mountain grazing. Livestock, when this happens, must be moved to the lowlands for grazing. This in turn exacerbates overgrazing. Irrigation can dampen the impact of the meager to drought-like rainfall conditions. Lesotho has sufficient surface water for large-scale irrigation. The government has estimated that at least 17,000 hectares of the lowland area are suitable for irrigation in blocks of 200 hectares or more. Irrigation of

smaller plots including garden plots of one hectare and less is being carried out on an experimental basis. It appears that there may be much potential for such small-scale irrigation. It is a subject which will require more investigation.

3. Agricultural and Livestock Practices- A number of traditional agricultural and livestock practices severely constrain the potential for agricultural development. Foremost among them is the practice of monocropping. Monocropping is inherent in the land tenure system. Under this system a farmer is given from one to three parcels of land. Each parcel is designated for either the cultivation of maize, sorghum or wheat. Theoretically, each parcel is ideally suited for the cultivation of the particular crop designated to it. In those instances where a farmer has only one parcel each crop is cultivated separately. Intercropping and crop rotation could prevent depletion of soil fertility caused by monocropping but it appears that intercropping is precluded by present practices.

Excessive and extreme fragmentation of individual holdings is another practice that constrains agricultural development. Fragmentation stems largely from the land tenure system and the practice of monocropping. Fragmentation constrains development by preventing the most efficient use of the farmers scarce resources. It retards the introduction of innovative preparation, weeding and rotational practices.

Another constraint is the negligible use of fertilizers. The 1970 agricultural census revealed that 84 percent of the farmers never used natural or chemical fertilizers. The cause for low fertilizer use has not been ascertained. It may be a question of suitable technology and profit, unavailability of fertilizer when it is needed, a socio-cultural bias against use of manure, or a lack of information. It is most likely that with present technology and prices fertilizer use is not profitable.

Data is not available on the use of hybrid maize or sowing practices.

Poor land conservation tillage practices has contributed to soil erosion. It is estimated that 12 percent of the cultivated land is plowed in a slope of more than nine degree-plus slope plowing, but terracing reduces the amount of land that can be cropped. Terracing is not commonly used.

Overgrazing and low rates of livestock off-take accelerate soil erosion. Overgrazing could be countered through destocking and land use planning. The resistance to destocking appears to be a social constraint and not an economic one.

Rotational grazing is an essential component of proper grazing land planning. Fencing is the most common way to control grazing. Fencing however is discouraged by social custom as well as by the pressing need for grazing land. Land fragmentation also discourages fencing.

The land features of Lesotho are natural constraints that inhibit the expansion of land under cultivation. The mountainous terrain that covers much of the

country precludes cultivation. However, as noted in the section on structure of the farming system, there is some 8 percent of the total land area that is suitable for cultivation and grazing but is difficult to reach (poor access). This land could possibly be opened up with better road access.

The hilly areas with nine degrees-plus slopes is another land-use constraint. As noted, proper land preparation techniques like terracing would permit more productive agriculture and minimize soil erosion. Ironically, in a land with so many animals, animal traction at land preparation time is in short supply. It is estimated that less than 35 percent of the farm households own draft animals or tractors. This means that 65 percent plus of the population must either hire plow animals or prepare the land by hand. The need to hire plow animals has encouraged the development of share-cropping.

Manpower is also a constraint on productivity. With 51 percent of the male heads of household away working in South Africa, as well as many other able-bodied male family members, farming is left to the females, children and the elderly. Though there is no reason to suspect that women are any less capable than men in engaging in agriculture, the fact remains that a sizeable portion of the manpower is absent. It further means that decisions on innovations must be deferred until the male head of household approves/consents to the innovation. It means that farms are even more dependent on hired animal traction to make up for the manpower deficit.

4. Credit- The limited availability to credit is considered a constraint on agricultural development according to conventional wisdom. The cause and effect linkages of credit to low productivity have not been demonstrated however. It is not clear if credit is needed to overcome problems in cash flow or undercapitalization.

In the absence of a clear linkage between credit needs and productivity, one could safely argue that the credit constraint ranks far below that of the other constraints emanating from agricultural practices or limited institutional support systems. The credit constraint therefore needs considerable thought before credit programs are made available.

5. Marketing- Marketing of produce is carried out by government-sponsored cooperatives and some 200 private traders. The private traders have exercised a quasi-monopoly on marketing. The government has questioned whether farmers are receiving a fair return on their produce from the private traders. In an effort to expand the market and ensure a better return on produce the government has undertaken a policy of expanding the cooperatives and setting minimum floor prices for maize.

The marketing of livestock is channelled through South African auctioneers at auction stations ringing Lesotho to which the farmers bring their cattle. The government intends to take over the auctioneering of cattle. Auction stations will be located inside Lesotho.

The wool and mohair marketing system needs considerable improvement. As presently arranged, the cooperatives and private traders shear, sort, class and dispatch wool and mohair. There is a pressing need for more purchasing stations, and shearing sheds. There are inadequate numbers of qualified shearers and classers to handle the wool and mohair. As a result, both the quantity and the quality of wool and mohair have declined during a period of increasing prices.

There is also a pressing need to build stores where wool and mohair can be sorted, classed, and baled into larger and more economical lots for onward shipment to auction stations. This would permit a greater portion of the value added to remain in the country. An improved marketing system would raise and ensure quality control. In so doing, Lesotho could receive a higher return on these two major exports.

6. Government Policies- The government's unwillingness to tamper with the land tenure system restricts the potential for reform. The government's poorly maintained and poorly managed soil conservation projects have not had much impact on reducing soil erosion. Attempts at government-sponsored soil conservation date back to 1935. Tree planting, terraces, buffer strips, diversion furrows and dams have been constructed. These constructions have been poorly maintained. Tree planting has not fared well. Only 10 percent of the 50 million trees planted have survived.

6. Development Problems in Agriculture

The farmer's capacity and willingness to adopt innovations are major problems facing agricultural development. This includes the capacity of the government to introduce change and the willingness of the chiefs and the people to adopt change. The other major development problems were essentially embodied and summarized in the section on constraints. Of these, a major problem in carrying out development in agriculture is the lack of trained manpower to staff, and manage the various projects. The implementation capability at the center needs strengthening if the government's ambitious agricultural sector program is expected to be implemented on schedule.

A closely related problem to this is the feasibility of carrying out large-scale integrated agricultural development schemes which require considerable maintenance of facilities by the government and by the participants in a country so terribly short of trained personnel to supervise the efforts and by farmers whose past agricultural practices give no indication of their willingness to adopt innovations on a permanent versus a temporary basis. Participant adoption of land improvement and land-use requirements as well as proper use of input and technology packages is absolutely essential for the success of the program. If participant adoption is not wholly forthcoming the government's supervisory duties will be many, including supervision of the farmers to ensure proper input use, maintenance of fencing and land improvement, and enforcement of land-use reforms. Unfortunately there are few indications from past agricultural practices that participant farmers will adopt innovations over the long run. The failure of soil conservation efforts dating back to 1935 is just one example of the failure

to adopt innovations and internalize them into everyday farming and land-use practices. The farmers have not shown a great deal of entrepreneurialism which would otherwise serve as an indication of their willingness and receptivity to new innovation. To the contrary, the actual decline in small farmer production of wool and mohair in a period of rising prices and stable herd size does not augur well for their entrepreneurial responsiveness to price changes.

A major problem in developing agriculture therefore may lie in the value structure of the people. The importance of livestock as a store of wealth, and social or community welfare concerns, may overshadow risk taking and innovation for the individual farmer. Risk aversion and loss minimization are probably more important than profit maximizing.

The initial IBRD and AID evaluations suggested that innovation is forthcoming. One could question their early conclusions because they do not address the problem of permanency of these newly introduced innovations in the farm production systems. Other evidence would suggest that innovations are just a passing fancy for the Basotho farmers.

The traditional value placed on livestock is another problem that makes new crop innovations difficult. Because livestock holds a very important place in the traditional value system one might suspect that with the first inkling of failure in crop innovations farmers will return to livestock and traditional livestock practices which they know so well, trust, and can use for so many purposes. In effect, we are saying that crop production, and land-use practices must compete with traditional livestock practices at the farm level. Since crop production could never carry the status of livestock production, it will be necessary to show tremendous benefits from improved crop production and livestock management if the farmers are to give up their traditional husbandry practices in favor of a set of innovations in crop production, livestock management and land-use. Unless and until those benefits can be shown it is unlikely that the importance of livestock will diminish.

The power and authority of the traditional chiefs could also be a problem to the success of the large-scale, area-based agricultural projects. Their authority over all matters related to land-use makes them a formidable force to contend with. So far the chiefs have agreed to the changes introduced by the various area-based projects and in so doing they have exercised some of their authority. However, we should keep in mind that the changes in land-use and production practices introduced by the large-scale projects did not bring about a change in the institution and authority of the chieftaincy. In a sense, the projects are operating with the blessing of the chief, and likewise, the chief(s) can withdraw their blessing and forbid support for the projects unless the government steps in, or unless the institution of the chieftaincy is changed so as to guarantee the impossibility of this likelihood from ever arising. One example of chieftaincy obstinacy to innovative changes is from reports that some chiefs have forbidden the cultivation of winter wheat in favor of returning the land to pasture for livestock grazing. Arbitrary decision-making power over production questions of this sort make the chief a potential foe as well as a potential ally. The friend-foe relationship

between the chief and the project is a fickle one because, again, the institution of chiefly authority has been unaffected by Lesotho's agricultural development projects. To complicate the matters more, the government draws support from the traditional chiefs and uses them to gain compliance. It is unlikely that the government is willing to upset this relationship with some move to lessen the importance of the chiefs.

F. Rationale

The most cost-effective opportunities with the greatest potential for future success are: irrigation, research, livestock production, livestock marketing, conservation, agricultural training and self-help community projects. The less cost-effective opportunities having a higher failure potential are: area-based large-scale projects, and mechanization.

Some of the opportunities identified by the government in my estimation do not reflect a pressing need and show neither a strong nor weak potential for failure but instead are an uncertainty. These opportunities are: fodder and forage crop production; production of high value crops; crops marketing; agricultural credit; cooperative growth.

The rationale in categorizing development opportunities into high, low or neutral success potential is based on cost-effective considerations and constraint configurations for which each of the development opportunities must confront. The argument for the rationale is that there is greater probability for enhancing small farmer production and income by stressing livestock production and markets and infrastructure project development than with large-scale area-based projects or crop production approaches because the former does not have to overcome the constraints of the land tenure systems and agricultural practices to the extent that the latter must; or the constraints of the traditional chiefs' arbitrary decision-making power on the make-up of crop production and land use.

The livestock sub-sector may prove to be the more cost-effective and beneficial area to undertake project support. The potential for success is greater in the livestock arena where there are less traditional institutional barriers that would impede innovations.

The pressing need to improve the wool and mohair marketing system could improve small farmer income; could impact on soil conservation through the promotion of off-take of unproductive sheep and goats; and on national income by raising the quality of Lesotho's two major exports. It would seem wise from a developmental standpoint to enhance the development of the underdeveloped small farmer-based wool and mohair industry because of its potentially immediate and long-term impact. Additionally, a project aimed at enhancing the wool and mohair industry and marketing system would impact on the cooperatives by enhancing their capabilities insofar as the cooperatives are an important marketing channel for wool and mohair.

Irrigation is valued as a high priority item because of the pressing need to find ways to lessen the impact of periodic drought on crop production and livestock grazing.

The category of projects marked as having neither strong nor weak potential for success are largely in the area of improved crop production. The underlying rationale for ranking the projects in this way is based on the farmers' past unwillingness to adopt crop innovations and their unwillingness to diversify or change crop production in response to price movement or as a reflection of their entrepreneurship.

The need for agricultural credit has not been adequately demonstrated and until such time that it has it should not be undertaken.

Improving agricultural cooperatives should not be ignored but it is an opportunity that should be incorporated into the livestock production and marketing undertaking.

IV. SECTOR ANALYSES--MINING

A. Setting

Diamonds are the only commercially mined minerals in Lesotho. Diamonds are Lesotho's fourth most important export commodity making up about 9 percent of the total. Yet, diamonds contribute less than 1 percent of the GDP. The volume, value and average price of diamond exports for 1969-74 are found in the table below:

TABLE IV-5

<u>YEAR</u>	<u>QUANTITY (carats)</u>	<u>VALUE (R thousand)</u>	<u>AVERAGE PRICE (R per carat)</u>
1969	29,787	1,174	39.4
1970	16,539	652	40.0
1971	6,815	241	31.1
1972	9,019	196	21.7
1973	8,587	255	29.7
1974	11,305	742	47.4

The diamond output has fallen over the last five years mainly as a result of the totally unexpected outcome of the government's policy to encourage large-scale capital intensive mining at the expense of the individual diamond diggers (using hand tools) who had dominated the mining industry. In 1970, the government ordered individual diamond diggers to leave the more promising diamond deposit areas of the country. The government's parastatal, the Lesotho National Development Corporation, then granted concessions to three companies to take over the areas abandoned by the individual diggers. After three years, all three concessions were abandoned by the companies once it was found that they could not profitably exploit the area. Output dropped during that period as a result. The government then approached DeBeers of South Africa. DeBeers agreed to undertake mining at the Lesent-la-Teraf concession and to pick up the diamond operation. Its fully-automated operation is almost ready to begin full production this year.

The government has 25 percent equity in the operation and has granted DeBeers an attractive tax incentive. Double depreciation of capital equipment and a tax holiday, through the amortization of the capital were granted. A 15 percent export tax is imposed on all diamond exports. A 50 percent taxation on corporate profits will go into effect at the end of the tax holiday.

The government with assistance from the UNDP undertook diamond exploration in the Koa area where individual diggers are successfully mining. The GOL/UNDP exploration began in 1971.

The government has granted oil exploration rights to a New York based company, but prospects for finding oil are not promising. Lesotho also has deposits of coals, sandstone and clay (used in brickmaking) that have some commercial potential.

B. Development Plans

In addition to the UNDP and the DeBeers concessions the government plans to provide assistance to individual diggers. Other development projects include the continuation of a national geological survey, a coal and peat exploration, an oil exploration, a clay survey, facilities for the Department of Mines and Geology training fellowships and technical assistance monies. The government is also considering legislation on mine safety.

IV. SECTOR ANALYSES--TRANSPORTATION

A. Setting

Lesotho's transportation system consists of some 2,725 km of primary, secondary and tertiary roads, some 80 percent of the roads are tracks. Lesotho has thirty-one airfields, of which two are paved and one has a terminal and navigation and communication facilities. Internal air service is provided by the government-owned Lesotho Airways and by private, mostly South African-owned air charters. Lesotho has one kilometer of a single rail track connecting the capital city, Maseru, with South Africa's Railways. Lesotho depends on South Africa's transportation system for external transport.

1. Road System- Most of the Lesotho road system is located in the populated areas of the western lowlands. Apart from a primary road in the middle of the country, a north-south link in the east and a peripheral road in the west and south, the country is served by a system of tracks constructed using Food Aid Labor. These roads are negotiable only by animals and four-wheel drive vehicles. The mountain areas are served only by tracks.

A breakdown of the Lesotho Road Network by type and construction of road is found below:

TABLE IV-6

Existing Road Network, 1975
(Kilometers)

<u>TYPE</u>	<u>PRIMARY</u>	<u>SECONDARY</u>	<u>TERTIARY</u>	<u>TOTAL</u>
Bitumen	194.0	7.3	-	201.3
Gravel-2 lanes	280.5	64.3	22.7	367.5
Gravel-1 lane	234.1	252.5	13.1	499.7
Tracks	530.5	410.8	164.7	1,126.0
TOTAL	1,239.1	734.9	220.5	2,194.5

There are an additional 530 kms. of tracks maintained by traders and missions which receive a yearly grant of R6 per km from the government for road maintenance.

The vehicle fleet totals 5,700 vehicles (as of 1973). The fleet includes 1,790 passenger cars, 2,620 light commercial vehicles and trucks, 170 buses and 1,120 "other" vehicles. Most trucks are owned by the government or private traders. The latter cart mostly their own goods. The movement of freight is handled primarily by buses as private traders find the returns on cargo haulage too low to be attractive. The government-owned Co-op Lesotho, a cooperative transport organization is steadily expanding its operations in the transport carrier sub-sector.

The government's road policy has been to improve the roadways serving the lowlands areas. The first IBRD road project improved the 123 km road section from Libribe through Maseru to the Matsieng turnoff. The project was a source of controversy as the opposition favored construction of roads into the interior to open the mountain areas to further development. The Second IBRD Highway Project which was appraised in February of 1976 intends to do just that. The Second Highway Project will improve the road from St. Michaels to Thaba Tseka in the interior.

The poor road access from northern Lesotho to the southern-most parts of the country effectively cuts off transportation links between the two sections. The southern-most parts of the country depend on roads leading from the Transkei for food and import shipments and pedestrian traffic. With the independence of the Transkei, southern Lesotho's road access is in jeopardy and this part of the country may be totally isolated.

Problems arose because of political differences between Lesotho and the Transkei. The Transkei Government, in an effort to win if not de jure recognition at least de facto recognition, has required Lesotho residents in southern Lesotho to obtain Transkei visas to travel through the Transkei on the way to South Africa. South Africa has supported the Transkei in this effort and has put pressure on Lesotho to accede to the Transkei demands. Lesotho has so far refused to acknowledge the legitimacy of the Transkei Government in keeping with UN and OAU policy. It therefore neither recognizes Transkei travel documents nor permits its citizens to obtain Transkei visas.

2. Air Transport- Air transport plays a vital role in the transport system by providing access to the remote and mountainous areas of Lesotho. Thirty-one airfields make up the air transport network. They handle light or light-to-medium-size aircraft. Maseru Airport can handle aircraft only up to the Hawker Siddley 748 class (thirty-two to thirty-six passengers). Maseru Airport, even with considerable expenditure, cannot be improved to handle larger aircraft because of altitude and access problems. It would be necessary to construct a new international airport to accommodate larger aircraft. The government contracted for a feasibility study for the new airport. The study is nearing completion.

The government-owned Lesotho Airways provides most internal services and charter service into South Africa. Two South African-owned companies provide services to the southeast and northeast, chiefly for transport of migrant workers. International connections consist of three flights a week between Maseru and Johannesburg by South African Airlines on behalf of Lesotho Airways.

With the growing tourist trade, and greater use of air freight facilities, air traffic is expected to increase at a rate of 15 percent per annum.

3. Railways- Railways play no part in the internal transport system of Lesotho. There is 1 km of single-track connecting Maseru with the South African Railways. Most external freight traffic is carried by South African Railways to and from Maseru. There are six railheads at border posts on the South African side.

B. Policy Coordination and Functional Responsibility

Responsibility for administration, planning, financing, construction and maintenance of the transportation system is divided between the following offices:

. Central Planning and Development Office of the Ministry of Planning and Statistics- This office is responsible for the overall policy and plan formulation. It is also responsible for the overall coordination of the sector.

. Ministry of Works- The Ministry of Works is responsible for all classified roads. Responsibility includes construction (through contract to outside contractors), administration, financing coordination with the Ministry of Finance, maintenance and training. Responsibility for the road system is delegated to the Roads Branch of the Ministry.

. Roads Branch of the Ministry of Works- The Roads Branch is responsible for the planning, design and construction of about 1,070 km of roads. It is also responsible for maintenance of the roads and the thirty-one airstrips on behalf of the Civil Aviation Department.

. Community and Rural Development Office- The office is responsible to develop and maintain the network of earth tracks over the mountainous area built by Food Aid financing.

. Central Mechanical Workshop and Plant Pool- The Ministry of Works is responsible for providing and maintaining road building and maintenance equipment.

. Technicians Training School/Ministry of Works- The school provides training facilities for technicians including road maintenance personnel.

Road construction is primarily contracted out to expatriate road-building and construction firms. The Roads Branch undertakes only minor works using equipment intensive units of about 100 unskilled workers each. There are two such units with a third in the planning stages. Local contractors are not equipped for road works. In an effort to improve the local buildings trade the government and the United Kingdom are setting up a "Building Contractors' Advisory Panel" within the Ministry of Commerce and Industry and will also appoint two Clerks of Works (Buildings) advisors in the Ministry of Works.

C. Constraints

The lack of trained personnel to staff the technical and managerial positions in the Ministry of Works and the lack of local, skilled workers is a pressing constraint on the transportation sector. All units mentioned in the preceding paragraphs required additional staffing and staff training to lessen Lesotho's dependence on donor-supplied managerial, technical, and skilled workforce.

A shortage of funds and the high cost of maintaining roads of low construction standards is another constraint on the transportation sector. The government is

taking some steps to improve maintenance. The government also intends to decentralize the Roads Branch of the Ministry of Works in an effort to improve the maintenance of the regional road system.

Unavailability of equipment has limited road construction and maintenance. To overcome this the government opened the Central Mechanical Workshop and Plant Pool. The Plant Pool has not operated effectively because of the lack of workshops and equipment, and the shortage of mechanics.

Lesotho's geography is also a constraint on the transport system. The high cost of road construction in the interior combined with the possibility of low road use has discouraged the government from undertaking the opening up of the interior with an enhanced road network.

D. Government Development Policy

The government's stated development policy for the transport sector emphasizes carrying out feasibility studies on an enhanced road network; investigating the possibility of establishing a labor-intensive construction capability, and investigating the possibility of the construction of a new international airport. Under the Second Plan the government-stated intentions are to carry out a number of specific projects designed to enhance the road and air transport capabilities. A summary of the projects and the anticipated expenditures is presented below:

Airfield Improvements (Maseru)	R 122,300
Airfield Improvements (other)	433,900
Civil Aviation Training Unit	22,000
Lesotho Airways Corporation	1,000,000
Technical Assistance	234,000
Fellowships	107,000
TOTAL	<u>R 1,919,200</u>
MoW Roads Construction and Betterment	R12,855,000
Mountain Tracks Upgrading	5,110,000
Crown Agents Team	455,000
Plant Pool	691,000
Vehicle Pool	825,000
National Bus Service	840,000
Labour-Intensive Construction Unit	600,000
Technical Assistance	1,823,000
Fellowships	216,000
TOTAL	<u>R23,415,000</u>

IV. SECTOR ANALYSES--WATER RESOURCES

A. Setting

Lesotho's abundant mountain water could be used as an export commodity to the water-short industrial areas of South Africa. It also could be used for irrigation, hydroelectric power and domestic consumption. At present, Lesotho uses its water for domestic consumption and only very limited irrigation. More extensive use is restricted by the broken terrain of Lesotho's foothills and lowland areas.

Plans to establish a hydroelectric plant and to sell water to South Africa date back to the early 1950s. The location of the hydroelectric and water diversion project changed from time-to-time, but agreement was finally reached on the development of the headwaters of the Malibamatsu River. The UNDP agreed to finance the feasibility study in 1969, and a R85 million project was drawn up. The plan called for the construction of a dam and a sixty kilometer tunnel to carry water to the Voal catchment area in South Africa. Although the project's plan did not include a hydroelectric power generating capacity, this component could be added at a later date. The project would generate revenue from the sale of the water, provide employment for 1,900 laborers during the construction period, raise Lesotho's customs receipts by R10 million from the imported commodities required for the project, and open up the area for tourism with access roads to the project area.

The IBRD agreed to finance the final engineering study and part of the construction costs if South Africa agreed to a water sales contract. Negotiations between Lesotho and South Africa broke down for reasons totally unrelated to the project. (Recognition of the Transkei?) Following the breakdown of the negotiations the government and the Swedish International Development Agency undertook a study of alternative uses of Lesotho's water. The Swedish report recommended the Phuthiatsone River irrigation scheme. The government intends to investigate undertaking the project during the Second Plan period.

The Hydrology branch within the Ministry of Works is responsible for domestic water supply. The Hydrology unit has established a network of thirty-five boreholes and springs to assess the availability of groundwater resources for community water supply and irrigation. The Hydrology unit has forty-five stations to monitor hydrological and climatological information.

B. Constraints

The major constraint on the development of Lesotho's water resources is the inability of Lesotho and South Africa to come to terms on an agreement to sell water.

Trained local manpower is in short supply. The government depends on expatriates to staff the technical and managerial positions in the sector.

IV. SECTOR ANALYSES--HEALTH

A. Setting

Lesotho's major health problems are malnutrition, tuberculosis, typhoid and gastroenteritis. The high incidence of the latter three comes from poor sanitation. Most homes do not have latrine facilities and the rural water supply is often contaminated by grazing livestock. Nutritional diseases include protein caloric malnutrition (a result of the high starch low protein diet). Pellagra (caused most often by high intake of local beer which provides nutritionally empty calories and depresses appetite), and goitre (caused by lack of iodine intake). The other prevalent diseases are leprosy, venereal disease, measles and whooping cough.

There is a high incidence of mental illness. Blame is laid on the strain and dislocation in the household brought about by the absence of the head of household; and for the men, by the stressful living conditions they endure while working in the South African mines.

B. Structure of Health System

Lesotho's health services delivery system is comparatively well developed. If there is a major and glaring weakness in the system it is the few numbers of doctors to serve the population.

The table below gives an overview of the make-up of the health services delivery system:

TABLE IV-7

	<u>1969</u>	<u>1974</u>
Hospitals	19	19
Hospital beds	1,700	2,106
Doctors	35	50
Nurses employed	233	333
Public Health Nurses	-	-
Health Inspectors	-	-
Hospital patients	16,037	20,101
Clinics	-	68
Dispensaries	-	25
Doctor/population ratio	1:22,000	1:20,000
Pharmacists	-	3
Dentists	-	3

The nineteen hospitals include nine government-run and eight mission-run general hospitals, a mental hospital and a leprosarium. The Queen Elizabeth III Hospital in Maseru is the national referral hospital. Specialized treatment is only available in South Africa.

TABLE IV-8

Hospitalization

a) Government District Hospitals

<u>Year</u>	<u>Admissions</u>	<u>Patient Days</u>	<u>Stay</u>	<u>Occupancy</u>
1971	15,286	154,330	10.1 days	76%
1972	15,638	179,936	11.5 days	77%
1973	15,686	183,259	11.6 days	77%

Detail in 1973

<u>Hospital</u>	<u>Admissions</u>	<u>Patient Days</u>	<u>Stay</u>	<u>Occupancy</u>
Butcha-Buthe	2,280	27,152	12	92%
Leribe	2,215	31,033	13	83%
Teyateyaneng	2,175	25,578	12	95%
Mafeteng	3,025	27,812	9	61%
Mohlale's Hoek	2,111	15,818	7-1/2	66%
Quthing	1,664	24,855	15	76%
Qacha's Nek	977	16,182	16	69%
Mokhotlong	1,239	14,829	12	104%

A flying doctor service is also available to serve the eleven mountain clinics. The service was organized in 1968, was staffed by the International Voluntary Service and sponsored by OXFAM.

Teams of South African specialists organized into a specialist service by Dr. Anton Rupert, makes periodic visits to Lesotho to provide specialized services.

The government began a drug stockpile in 1973. Some R100,000 of the allocated R265,000 was spent.

Recurrent budget funds for the purchase of drugs and dressings rose from R50,000 in 1969/70 to R122,000 in 1974/75.

The rural health delivery system is built around sixty-eight clinics and twenty-five dispensaries. The clinics and dispensaries are physically inadequate to accommodate those attending, are understaffed, but do provide some basic curative services and some preventive services. The government does not have data on the uses of the clinics or their needs, and plans to rectify this with a data collection program over the next five-year development plan period.

The emphasis of the health services delivery system is on curative medicine. Preventive medical services are not well developed, and have a limited effectiveness owing to the shortage of staff and budgetary support.

Basotho use the facilities provided as evident from the occupancy rates and length of stay. The average length of stay per patient is 11.6 days per patient and the occupancy rate is 77 percent. The high occupancy rate and length of stay suggests there is little pressure to hurry patients out and empty the beds. This also suggests a lower reliance on out-patient services versus the more expensive and less efficient in-hospital, in-patient care. Improving out-patient services or shifting curative services to out-patient treatment might increase the overall efficiency of the delivery system.

With regard to the question of medical personnel, there are fifty doctors of whom seventeen are Basotho and the remainder are expatriates. The 346 person nursing staff (1975) run the rural clinics and dispensaries, providing nursing and mid-wife services as well as providing nursing assistance to nineteen hospitals. Most of the rural clinics and dispensaries have only one nurse per unit.

Traditional medicine and medical healers (herbalists) are now being licensed by the government. The traditional healers are used primarily for mental health disorders and minor curative treatment. It seems that people put a great deal of stock in the traditional healers and tend to spend a good portion of their disposable income on curative medicines for disease, minor physical disorders and mental disorders. Nonetheless, the government made no mention of the role of traditional healers in the Second National Development Plan. This leads one to suspect that the government does not have much faith in the traditional healers.

3. Effectiveness of Health Care

Time series data for life expectancy, and infant mortality rates is unavailable. The last reliable data is taken from the 1966 census from which the following statistics were drawn:

Crude Death Rate (per 1,000)	14.52
Life Expectancy (years)	51.6
Infant Mortality (per 1,000)	106.0
Early Childhood Mortality (per 1,000)	75.7
Survivors to Age Two (per 10,000)	8,600
Survivors to Age Forty-Five (per 10,000)	6,587
Survivors to Age Sixty-Five (per 10,000)	4,654

The data suggests that health conditions in Lesotho are considerably better than those found in tropical climates, and are on par with those found in South Africa and Rhodesia.

There are few incidences of epidemics though there have been outbreaks of typhoid that have taken a high death toll. Diphtheria is under control in the lowlands and tetanus is unknown. Malaria, bilharzia, trypanosomiasis and onchocerciasis do not occur in Lesotho.

D. Development Problems

The major development problems in the health sector are:

- . Need for more doctors and trained nurses.
- . Improved preventive medicine.
- . Improved sanitation including provision of clean water and latrines.
- . More efficient utilization of in-patient services and more effective use of out-patient services.
- . Improved health planning.

The government plans to train at least sixteen Basotho medical students over the next five years and recruit more doctors from abroad in order to increase the total number of doctors to sixty-four by the end of the plan period.

One of the major failings of the government's effort to recruit and hold doctors is the relatively poor conditions of service offered to local doctors, particularly with regard to salary. Apparently the government has lost several Basotho doctors for lack of adequate salary, who chose to leave Lesotho for elsewhere. The conditions of the expatriate doctors are somewhat better because their salaries are topped up by the donor sponsors.

With regard to the problem of too few nurses, the government plans to train sixty midwives and eighty nurses over the next five years. Nurses will continue to staff the rural clinics and outpatient departments of hospitals.

Paramedics will be trained to assist with education campaigns for preventive medicine and to assist the nurses in the rural clinics. Nurses and paramedic training programs like the one the government is planning are all too often limited or set back by the lack of people who have the educational skills to enter the program. Too often the government has to lower the qualification requirements in order to fill the available training slots.

Another perennial problem with many nurse and paramedic training programs is the difficulty in keeping nurses in the rural countryside because often they live under very difficult conditions and in substandard accommodations.

The government recognizes this problem and has drawn up plans to reconstruct and expand the nurses quarters. Competition for nursing skills from urban-based hospitals can draw away nurses from the rural clinics. The government should make some provision for requiring each trained nurse to serve a minimum stated length of time in the rural clinics.

The Government of Tanzania in trying to combat the flight of nurses from the rural areas, has placed the newly trained nurses in their home areas in the belief that this will give them a close bond to the rural community and encourage them to stay. Lesotho should also consider incorporating this strategy.

Pregnancy among women nurses, it has been found, has drawn them away from the profession well beyond the pregnancy and postnatal period, often permanently. Provision for pregnancy and postnatal leave of absence with a requirement to return built into the training contract could combat the permanent or long-term loss of trained nurses.

Another closely related problem to this is the observation that women return to their nursing profession after their children have grown but that they require a refresher course to reacquire and update their nursing skills and knowledge. A refresher course in nursing should be designed and made available for this reason.

Rural clinics are found all too often in short supply of medicine and medical supplies as a result of poor inventory control, inadequate reordering procedures and poor distribution networks. Though this may not be the case in Lesotho it may nonetheless be wise for the government to investigate the rural clinics' inventory supply and distribution system.

Government loses resources through uncoordinated planning. An improved planning capacity could, as one of its tasks, address the question of high in-patient usage, a large part of which could be shifted to out-patient care.

The problem of poor nutrition will continue to exacerbate the health problem. A program of mass media and village level nutrition campaigns could help in some small way in overcoming nutrition problems. In Kenya a humorous radio program sponsored by UNICEF has made a significant impact in bringing the message of the importance of nutrition to the rural people. But ultimately, nutrition and dietary habits are closely tied to agricultural production and diversification of

crops. It is possible that the likelihood for improving nutrition lies in the efforts to diversify production in the agricultural sector and by consuming more meat products.

IV. SECTOR ANALYSES--EDUCATION

A. Setting

Formal education has a long and well established role in the history of Lesotho. French missionaries opened the first school in 1833. The number of schools and students progressively grew over the next century as other missionaries came to Basotholand and competed for converts. By Independence in 1966, Lesotho had close to 1,000 operating primary schools, an adult literacy rate of over 40 percent. At present, the country has 1,087 primary schools with 180,404 pupils, or 65 percent of the relevant primary school age group. Primary enrollment grows 2.5 percent per annum. There are fifty-six secondary schools with a total enrollment of 12,575 students making up about 8 percent of the secondary school age group in attendance. A branch of the University of Botswana, Lesotho, and Swaziland is located in Roma and there are other teacher training and vocational school institutions.

At independence and well on into the 1960s the missions (Anglican, Roman Catholic, and Evangelical) controlled the primary and secondary school system. The Catholic Church sponsored Pius XII Catholic University, established in 1946, until the government-takeover in 1964. It became part of the University of Botswana, Lesotho and Swaziland. Vocational and other post-secondary educational opportunities were largely unavailable until after independence. Non-formal and adult education were non-existent.

Despite the long traditional primary and limited secondary education in Lesotho, the government believes the missionary-sponsored formal education did not prepare Lesotho for the development tasks it faces. Missionary-sponsored education emphasized the basic skill training and included only limited science training and skill development in the crafts, trades and agriculture. The government, and other donors as well, are of the opinion that the non-availability of skilled and semi-skilled Basotho manpower is an outgrowth of the educational system. Government agreed it needs to modify its large educational system to fit the manpower and development needs of the country.

Until well after independence, authority over Lesotho's educational system was not centralized, nor under the government direction or supervision. The system developed without guidance and really grew because of the intense competition between the missions for converts. Because the system was so large, and with so much autonomy between the different missionary sponsors, the government has faced a dual burden. They have had to redirect the emphasis of education and impose control over the autonomous and decentralized educational system.

The government has taken over a much larger share of the responsibility for the educational system. Unlike the past when the missions were able and willing to wholly finance the operations, the government must now give grants in aid to mission schools and pay the salaries of all qualified teachers to meet rising costs of education. Government expenditure on education absorbed 6 percent of the GNP and 22 percent of the recurrent expenditure (1972/1973). 40 percent of

expenditure went to formal education and training and 3.5 percent went to the formation of middle level manpower in technical fields. The government has reduced the number of school enrollment years to control expansion of facilities in order to keep down costs which threaten to undermine other education programs. The primary school years have been reduced from eight to seven in an effort to curb what it considers as unnecessary expenditures. The government is considering reducing the secondary education from six to five years. The government also seeks to curtail expansion of the secondary school system which threatens to consume \$25 million in classroom expansion alone as well as other educational priorities, specifically, vocational, technical and commercial education, and non-formal rural education.

The government is supporting educational research as part of the educational reform effort. Government educational planners use these studies to develop an overall educational plan.

The government's education investment program includes support for university education, improvement and expansion of agricultural, technical, vocational and teacher training. The plan also calls for expansion of existing primary and secondary educational facilities to achieve better economies of scale and establishment of a nationwide rural and adult educational scheme.

B. Formal Education System

1. Primary System (Grades 1 - 7)- 197,700 pupils were enrolled in the 1,087 primary schools in 1973. A majority of the students are girls because the boys are required to tend the family's livestock when the men are away working. 60 percent of the students were girls and 40 percent were boys. The government directly controls only one of the primary schools. Fifteen others are directed by committees with government representation. 2,619 qualified and 1,317 under-qualified teachers make up the teaching force. The student-teacher ratio is approximately 45:1. The school curriculum includes Sesotho (the language of instruction for Grades 1 through 4), social studies, mathematics, general knowledge, science and English. Earlier evaluations of the education system found the teaching facilities to be inadequate, the curriculum not well developed and teaching/learning materials often scarce. The large number of untrained primary teachers lessens the effectiveness of the primary education insofar as they are not trained in teaching methods, or as in some cases, adequately familiar with the curriculum material.

2. Secondary Education (Grades 8 - 12)- 12,560 students (8 percent of the 13-18 age group) are enrolled in fifty-six secondary schools. 80 percent of the students were in lower secondary and 20 percent were in upper secondary. The female/male student percentiles were 52-48 percent respectively. 89 percent of the students drop out before completion and 11 percent of the entering secondary students successfully complete secondary school. In 1973 there were 549 teachers of whom 144 were under-qualified. 112 teachers were expatriated.

According to the IBRD sector appraisal report the curriculum is literary, and as with the primary curriculum, is not designed to meet the manpower needs of the

country. With donor assistance the government introduced a program of curriculum reform to enhance instruction in agriculture, industrial arts, handicrafts and domestic sciences.

C. Vocational Secondary and Post Secondary

Sixty boys and 220 girls were enrolled in industrial arts and domestic sciences programs offered by eight of the secondary schools and in the Lesotho Technical Institute. The Lesotho Technical Institute offers three-year courses to post lower secondary school leavers in carpentry, electricity, construction, engineering and motor mechanics. There are sixteen instructors in five subject areas. Approximately thirty students a year complete the course offering. Business and administration training is offered by the Civil Service Training Center for government employees. Most of the course offerings are short-term in clerical skills. A few management courses are offered. A four-year nursing training program is administered by the Ministry of Health as part of the university.

An in-service training program in construction and communications is offered by the Ministry of Works and Communication. The Government Printer operates a training course in printing.

D. Agricultural Secondary Education

The Lesotho Agricultural College offers a two-year course in Agriculture to post-lower secondary school leavers. In 1972 the total enrollment was eighty-five which is expected to be expanded to 250 with donor assistance.

The Swaziland Agricultural College Center of the University annually offers a third year in agricultural training to ten graduates of the Lesotho Agricultural College. Teacher training for the agricultural and domestic science is expected to be shifted to the Lesotho Agricultural College.

E. Teacher Training

Seven mission colleges and the University of Botswana, Lesotho and Swaziland turn out about 300 trained primary and secondary school teachers each year. The recently opened donor-supported National Teacher Training College will take over much of the teacher training from the seven mission colleges as quickly as the college can be expanded to meet the student load. When completed the National Teacher Training College will have a 550 student capacity, but will still leave an annual deficit in teacher output. It is expected that some of the mission-sponsored colleges will continue to operate to make up the deficit in teacher output. The Teacher College, the Technical Institute and the IBRD-sponsored Lesotho Institute for Business Administration will be responsible for technical teacher training. In the past technical teachers were trained overseas or were expatriates.

F. University Education

Thirty Lesotho students graduate each year from the National University of Lesotho, the former Lesotho branch of the University of Botswana, Lesotho and

Swaziland. Of the total 375 students enrolled at UBLS in 1972, 150 were from Lesotho. It is anticipated that the total Lesotho student enrollment will reach 400 out of a total enrollment of 800 by 1979/80. It is also expected that by 1980 the annual output of graduates will reach 125.

The former University of Botswana, Lesotho and Swaziland was founded in 1964 on the campus of the former Roman Catholic University. From 1966 to 1974 the university devolved the various degree programs to the three branches of the university located in the three respective countries. However, as programs began to be duplicated on each of the campuses the Lesotho National Assembly established the Lesotho branch as an autonomous university with the 20 October 1975 National University Act. The university has four faculties: Economics and Social Studies, Education, Humanities, and Science; professional training is not available. Though data is not available, government documents indicate that the present output of college graduates is below the annual manpower needs of the country. Expatriate staff are used instead to make up the deficit. As a corrective, the government set higher education as a top policy priority.

G. Non-Formal Education

1. Adult Education- Adult education offerings include evening courses offered by some secondary schools and the Department of Extra-mural Studies at the university. The total enrollment is estimated at 500.

Non-formal education for rural development is provided by a number of ministries for a different area. The course, institutions, responsible agencies and the target population are summarized in Table IV-9.

The courses offered by the farmer training centers were attended by 1,300 adults and 120 youths in 1972. A fifth center was recently added to the four in operation. The FTCs offer one-week courses and some long-term (nine-month) courses for young farmers. Women make up 75 percent of the attendance as one might expect with so many male household members away working in South Africa. (See Table IV-10).

2. Extension Services, Cooperatives, Health and Nutrition- There are fifty-one extension offices. The government expects to increase this number to 150 by 1980. There are forty-eight health centers, eighteen cooperative centers and twenty nutrition centers, as of 1974). The centers are scattered and do not share common facilities. This presents difficulties in trying to coordinate an integrated and cost-effective educational effort.

3. Rural Youth Training- The Ministry of Agriculture and the Cabinet Office conduct rural youth training courses. The FTCs train about 120 youths each year in a nine-month agricultural course. About ninety youths are given leadership training in a ten-month course offered at the Cabinet-sponsored Lesotho Youth Training Center. A program in cooperative education for youths taught by some twenty cooperative education officers is in the planning stages.

TABLE IV-9

Lesotho: Non-Formal Education For Rural Development

<u>TYPE OF COURSE</u>	<u>INSTITUTION</u>	<u>AGENCY</u>	<u>TARGET POPULATION</u>
Agricultural Training	Farmer Training Centers	Ministry of Agriculture	Farmers and Wives
Extension Service	Field Staff	Ministry of Agriculture	Farmers
Development of Cooperatives	Cooperative Centers	Ministry of Agriculture	Farmers
Health Education	Health Clinics	Ministry of Health	Total Population
Nutrition Training	Nutrition Centers	Ministry of Agriculture	Rural Population
Community Development	Centers	Secretary to Cabinet	Rural Population
Youth Training	Youth Centers	Secretary to Cabinet	Youths

TABLE IV-10

Lesotho: Summary of Courses at the Four FTCs

<u>SUBJECT</u>	<u>NO. OF COURSES</u>	<u>ATTENDANCE</u>		<u>TOTAL</u>
		<u>MEN</u>	<u>WOMEN</u>	
Home Economics	11	4	367	371
Cooperatives	6	52	106	158
Summer Crops	4	55	39	94
Poultry	4	16	124	140
Vegetable Production	3	20	114	134
Farmers Associations	3	20	44	64
Credit Unions	3	23	59	82
Winter Crops	2	10	34	44
Youth Leaders	2	21	79	100
Farm Machinery	1	6	-	6
Women Association	1	-	38	38
Teachers Seminar	1	24	16	40
TOTAL	41	251	1,020	1,271

B. Administration

One criticism levelled at the educational system is the lack of coordination in the administration of the different formal and non-formal educational programs. As it stands, five different ministries are responsible for planning, development and administration of different educational programs with no apparent attempt at coordination between them.

I. The Ministry of Education

The Ministry of Education is responsible for administering the government's policies in the formal education arena. The Ministry which is under the direction of the Minister for Education, has four divisions. They are:

- . The Inspectorate Division
- . Planning and Statistics Division
- . Research and Curriculum Development Division
- . Administrative Division

All of the divisions suffer from a lack of qualified manpower. The Inspectorate Division for example has one inspector for every 250 teachers. This ratio is considered to be too excessive (e.g., too many teachers per inspector) to ensure proper inspection and guidance.

The Planning and Statistics Division has three professional staff members which is two short of the number required to be effective.

The Research and Curriculum Development Division is operating satisfactorily in most areas of curriculum reform but needs assistance in commercial training, rural education and pre-vocational training.

The Ministry is also responsible for the budget of the university but it exercises no control over the university operations.

The Ministry of Agriculture is responsible for:

- . Lesotho Agricultural College
- . Farmer Training Centers
- . Agricultural Extension Services
- . Nutritional Training Programs

The Prime Minister's Office is responsible for:

- . Civil Service Training Center
- . Ministry of Works and Communications Training Programs

The Ministry of Cooperative Development is responsible for the Cooperative Educational Program.

The Secretariat to the Cabinet is responsible for the Youth Training Center and its leadership training programs.

J. Constraints to Educational Development

1. Outdated Curriculum- The government argues that the curriculum does not provide adequate training in the sciences, mathematics, agriculture or skills at either the primary or secondary school level.

2. Inadequate Training of Teachers- With one-third of all primary and one-fifth of all secondary school teachers rated as under-qualified, the government feels it is imperative to improve and expand teacher training.

3. Too Many Schools- One appraisal of the Lesotho educational system concluded that there are twice as many schools as necessary. Half of the schools, the study found, are too small for all intents and purposes and could be eliminated and the students shifted to other larger schools.

4. Insufficient Effort at Adult Education- There is adult education in agriculture, rural development, health and nutrition but these programs are in their infancy. The government recognizes this constraint and is undertaking programs to improve adult education.

5. Inadequate Cooperation and Lack of Coordination- The various ministerial-sponsored programs are not brought together in a high level coordinating committee to organize the educational programs. An outgrowth of this lack of coordination has been to duplicate in construction of facilities that could be shared by the various programs; and to scatter the centers away from central locations.

6. Recurrent Financing- 40 percent of recurrent government expenditure supports the educational system. There is every likelihood that its proportion of the recurrent budget will grow in light of the government's heavy commitment to the expansion and reform of the education system. The government recognizes the recurrent budget dilemma and argues in favor of achieving greater economies of scale by consolidating the school units into larger, and hopefully, more efficient operating units.

K. Development Problems

The first problem the Government of Lesotho faces in changing the educational system is to recruit technicians and managers to implement the policies. This includes personnel to train teachers, revise curriculum and so forth. Lesotho has had a problem in recruiting qualified expatriate staff to fill positions in other sectors because of the conditions of employment and the living conditions. There is no reason to expect the education sector to have any much greater luck in recruiting qualified staff.

A second problem is financing. The government will incur a large capital outlay to implement the proposed changes in the educational system. Donor assistance can meet much of the cost but the Government of Lesotho is expected to meet some of the local financing. The government also will have to incur other costs like construction of housing and social facilities for expatriate staff.

A third problem is the government's capacity to enforce curriculum changes and control expansion of the number of schools. Because the missions still sponsor most of the primary and secondary schools, they may reject some of the proposed reforms and ignore the proposed changes. If the reform of the educational sector is to be successful the mission sponsors will have to agree to any curriculum changes and consolidation reforms. As it stands the government has only a limited control over the sector via its financial support for teacher salaries. This is a powerful weapon if the government decides to threaten to cut off financial support. A threat of this sort could lead to conflict with the missions and a possible collapse of the educational system. Though this may be unlikely, the government still may have to make policy decisions on the make-up of the educational system that may not command full compliance.

Some of the decisions will be very hard to make. For example, what criteria does the government use to close some schools as a matter of efficiency and to achieve economies of scale, and leave others open? The government may find itself facing an outcry from local residents who object to the closure of their school. Not the least will be the outcry of the religious groups whose schools are to be closed claiming discrimination and unfair treatment at the hands of the government and favoritism for other groups.

A fourth problem is gaining acceptance for any proposed changes from the public. Evidence from other countries where curriculum reform, consolidation and the like has been implemented shows that the public often objects to the changes, claiming that substituting technical and agricultural education for the traditional academic educations is down-grading of the educational system. As some studies have noted, the public feels that changes of these sorts will lock their offspring into a lower skill level from which they cannot escape.

IV. SECTOR ANALYSES--POPULATION

Lesotho's 2.2 percent annual population growth rate is somewhat lower than many, if not most, African countries and its nineteen year old median age is slightly higher than most. Against these figures (which one might consider as somewhat promising by comparison) is a GDP growth rate in real terms of 2.3 percent per annum indicating a stagnant domestic economy. The population problem is compounded by the lack of domestic employment opportunities (20,000 total wage employment positions), the dim prospects for any significant growth in domestic employment opportunities outside of traditional agriculture, and the problem of increasing land pressure. (Persons per acre has increased from 0.7 in 1950 to 1.2 in 1970; average land holding has decreased from 6.2 acres to 4.7 acres over the same period.)

The population problem could be much worse if the 178,000 to 200,000 or so Basotho males were actually repatriated from South Africa back to Lesotho. As it is, the Basotho workers' extended absence from Lesotho is a form of population control that surely would be upset if they were repatriated.

The Government of Lesotho recognizes the present and potential population problem and has undertaken a small population program which emphasizes child spacing and Maternal and Child Health Care. Under the First Development Program the government established a rural health training center which emphasized MCH and child spacing. The effectiveness of the program is not verified by empirical studies.

Under the Second Development Plan the government hopes to expand the MCH program through the network of rural clinics.

The government's population policy strategy is to emphasize proper nutrition for infants. The government's nutrition campaign encourages mothers to nurse their children for an extended period so that they (the mothers) can recover their strength and reduce child mortality. The emphasis on extended nursing, the government hopes, will lower the number of pregnancies and through this circuitous route encourage child spacing.

The Second Development Plan makes provision for dissemination of information on contraception and for the provision of contraceptive supplies. Details of the contraceptive program are not available. The government's population policy goal is to reduce the population growth rate from 2.2 percent to 2.0 percent over the Plan period.

A. Constraints

1. Official Attitudes- The government's attitude toward population control has not always been favorable and has only been changed as a result of donor pressure and the success of the USAID-funded University of California/Santa Cruz Maternal and Child Health/Child Spacing Project (1972-74). Planned primarily as a data collection effort the project's demonstration service has become a training center in MCH/CS for the country.

A further example of the government's change in attitude was its request to the United Nations Family Planning Association for assistance to upgrade and expand the rural clinics network. By contrast to this, from 1966 to 1971 the Lesotho Family Planning Association was forcibly closed six times by the Ministry of Health. The LFPA now runs family planning clinics in each district.

The government's sincerity in its support for family planning and population control is still open to question. Though persons returning from Lesotho have indicated that the government plans to move ahead in the population area, the government documents (like the Development Plan) are conspicuously silent on the exact details of the program. The government obviously places more importance on its MCH programs than it does on its birth control programs, which also leads one to question the government's commitment.

No mention is made of distribution networks for contraceptives, annual distribution goals, or birth rate goals. In other words, the operations plan is missing as is any mention of a comprehensive planning effort.

2. Social Attitudes- There is social resistance to contraception. But in order to make contraception truly acceptable to the vast majority of people a great deal more education is required. An AID health sector assessment paper notes,

"...in order to change individual attitudes and to provide services to the population, additional effort will be necessary to expand capacity of clinics, outreach services, and clinic personnel."

IV. SECTOR ANALYSES—MANUFACTURING

Manufacturing is a new, small, and relatively unimportant sector of the economy contributing about 4.5 percent of the GDP and 20 percent of the exports, but this sector has considerable potential because of its access to the South African market. A decade ago, the manufacturing sector contributed 0.8 percent of the GDP, with a turnover of less than R1 million and employing around 500 people. There were twelve manufacturing establishments, three in the public sector and most of the others made up missionary printing shops.

The government saw the manufacturing sector as having considerable potential because of the large available South African market as well as the local market for manufactured goods. The government also saw manufacturing as a potential source for employment. Accordingly, the First Development Plan set out the government's industrial promotion program. The government established the Lesotho National Development Corporation to promote investment, to participate with foreign investors in joint ventures, and to supply capital to potential investors. LNDC attracted about R15 million in new investments, a third of which was accounted for by the Holiday Inn tourist complex. Twenty-one new enterprises were established manufacturing a variety of consumer goods. Manufactured items produced in Lesotho include handicrafts, rugs and tapestry, furniture, pottery, lamps, candles, and clothing. About 2,000 new jobs were created.

The government's "Pioneer Industries Encouragement Act 1963" offered generous tax incentives to foreign investors. The incentives include a choice of a six year tax holiday or depreciation allowance of up to 150 percent of the initial investment during the first year of operation. A citizen training allowance equal to 110 percent of cost, and a citizen wage allowance equal to 10 percent of wages paid to citizens is offered. Most manufactured goods are exported to South Africa and some exports, particularly rugs and tapestry are beginning to reach the U.S. and European markets.

IV. SECTOR ANALYSES--TOURISM

A. Setting

The tourist sector (referred to as the commerce and catering section in IMF/IBRD documents) is one of the most dynamic sectors of the economy. The tourist sector has grown from a R5.3 million gross in 1967 (at market prices) to R13 million in 1974. Its contribution to the GDP has grown from 13.2 percent in 1967 to 17.7 percent in 1974. In 1969 there were less than 5,000 tourists per annum. In 1974 the number of tourists increased to 80,000 (90 percent from the Republic of South Africa).

Investment in the tourist sector has been largely restricted to foreign capital with limited government participation. A Holiday Inn complete with casino is the major hotel in the country. Other hotels are located at Quthing, Qacha's Nek, Mafteng Maputsoe and a new hotel on the Mountain Road.

The government through its subsidiaries, the Lesotho National Development Corporation, the Lesotho Tourist Corporation and Lesotho Hotels Group, plans to increase its participation in the sector. The government's program, spelled out in the Second Development Plan, includes:

- . Constructing and managing LNDC-financed hotels.
- . Provide promotional capital for private investment.
- . Establish a school for hotel staff.
- . Tourism promotion through the National Tourist Office.

The government also plans to establish two recreational areas during the Plan period. Government tourist policy and administration is the responsibility of the Department of Tourism in the Ministry of Commerce and Industry.

Two major proposals for long-term development for which funding is not included in the Plan are: (1) development of a major mountain resort at Oxbow; and (2) establishment of a national park or wilderness area along the Drakensberg escarpment.

B. Constraints

The major constraints to the development of the Lesotho tourist sector are:

- . The high capital outlays required to build facilities in the areas of high market potential; namely the mountains and wilderness areas that are suitable for skiing and outdoor recreation.
- . The lack of trained manpower to fill positions held by expatriates.

A concerted government and private industry effort with the possible assistance of the IBRD could be the solution to the first constraint. With regard to the second constraint the government has made provision to establish a catering

training school and to train Basotho in the catering trades. The government has not indicated if it plans to include hotel management as part of its training effort.

The major development problem in the tourist industry of Lesotho has been the adverse impact this has had on Lesotho society. Adverse social effects include the growth of prostitution; hostility toward white South Africans who descend on the country for their holidays demanding service and special treatment; the sense of relative deprivation created by the presence of wealthy white tourists in a poverty stricken country among the population as a whole and particularly among the Basotho working in the industry.

Other countries have had similar problems. Kenya and Tanzania's approach to minimizing these effects has been to encourage development of tourist resort enclaves set away from population centers. These enclaves include beach resorts and game park facilities.

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