

LESOTHO

**COUNTRY DEVELOPMENT
STRATEGY STATEMENT**

FY 82

January 1980

BEST AVAILABLE

This strategy statement has been prepared by the AID field mission. It is prepared annually and used for planning purposes in the field and in Washington but is neither officially approved nor disapproved by AID/Washington. It does not represent official Agency policy.

**COUNTRY DEVELOPMENT
STRATEGY STATEMENT**

1982-1986

LESOTHO

USAID/Maseru

January 31, 1980

THIS STRATEGY STATEMENT HAS BEEN PREPARED BY THE
A.I.D. FIELD MISSION. IT IS PREPARED ANNUALLY AND
USED FOR PLANNING PURPOSES IN THE FIELD AND IN
WASHINGTON. IT DOES NOT REPRESENT OFFICIAL AGENCY
POLICY!

**

*

TABLE OF CONTENTS

I. ANALYSIS

A. ANALYTICAL DESCRIPTION OF RURAL POOR	1
1. Economic and Social Characteristics	1
2. Productive Activities and Characteristics	2
3. Education	4
4. Nutrition	4
5. Health	5
6. Transport and Markets	5
B. CAUSES OF POVERTY AND CONSTRAINTS TO IMPROVEMENT ..	6
1. Elements Causing Poverty	6
2. Macro-Economic and Financial Constraints	6
a. Public Finance	6
b. The South African Relationship	7
3. Constraints in the Agriculture Sector	8
4. Human Resource Development Constraints	11
5. Health and Population Constraints	13
6. Transport and Communications Constraints	14
7. Social Roles and Ownership Patterns	15
a. Role of Women	15
b. Land Tenure System	15
8. Political, Administrative, and Institutional Structure	16
C. HOST COUNTRY PROGRESS AND COMMITMENT	18
1. Implementation of the Second Plan 1975/76 – 1979/80	18
2. Agriculture	18
3. Human Resources Development	22
4. Health and Population	23
5. Transportation and Communications	24
D. HOST COUNTRY DEVELOPMENT PLAN AND BUDGET	26
E. OVERVIEW OF ABSORPTIVE CAPACITY	28
F. OTHER DONORS	29
1. Donor Role	29
2. Donor Coordination	29
3. AID Experience With Other Donors	30
4. Conclusion	30

II. STRATEGY

A. ANALYTICAL CONCLUSIONS	33
B. OBJECTIVE	34
C. USAID STRATEGY STATEMENT	34
D. IMPLICATIONS FOR FORMS AND BLENDS OF ASSISTANCE, MANAGEMENT UNITS, AND USE OF MISSION STAFF	37

III. ASSISTANCE PLANNING LEVEL

39

A. ANALYTICAL DESCRIPTION OF THE POOR

1. Economic and Social Characteristics

Lesotho's 1980 de jure population is officially estimated at 1,300,000. Over ninety percent of the population is rural and less than ten percent is urban, a percentage of rural inhabitants at least equal to that of Bangladesh. Over ninety percent of the population resides in the lowlands, giving that area one of the highest densities in Africa. While the overall population density of 104 persons per square mile is not great, the 770 person density per square mile of arable land exceeds that of India.

The Government of Lesotho uses a poverty datum line of Rand 1200 (\$1,450) for an average household of 5.2 members and lists 75 percent of its population as living in poverty. More recent analysis indicates, however, a basic human needs poverty level income for basic consumption goods and services (including health and education) at R818 (\$990), with about sixty percent of the population below the poverty line. This recent analysis was performed just before the doubling of fuel prices in early CY 1979, which immediately added about R36 (\$44) per year to the poverty level income. This poverty level income works out to \$192 per capita, compared to the \$200 per capita used as one of the criteria for RLDC status. The overwhelming majority of Lesotho's poor are in the rural areas.

The rural poor do not appear to be set apart by religion or ethnic grouping. Sixty percent of the population is Christian while forty percent is animist. Sixty percent of the Christians are Catholic while forty percent are Protestant. None of these groupings appear to control land, livestock, industrial, or commercial holdings at the expense of the others.

Over 98 percent of the population are ethnic Basotho, engaged in all aspects of economic life, but predominantly employed in agriculture and in government service. Small groups of Xhosa who make up less than one percent of the total population live primarily in the southern parts of the country. The non-African population of under one percent is primarily of European or Indian ancestry, and bears an influence on national life disproportionate to its numbers, especially in the commercial and industrial sectors. The Indians are active in small trade while the Europeans are active in trade, construction, and industry at all levels.

The approximately seventy five percent of the population classified by the government as rural poor are further categorized according to the following income levels:

Household Income Category	Proportion of Households	Average Annual Household Income	Average Household Size	Average Annual Per Capita Income	Proportion of Income from Migrant Labor Employment
Rand	Percent	Rand	No.	Rand	Percent
under 200	27	59	3.0	20	6
200-600	19	456	4.8	95	47
600-1000	28	884	4.8	184	81
over 1000	26	1774	7.0	149	71

The above table shows clearly the destitute status of those dependent primarily on agriculture for their livelihood. While the lowest income group draws 75 percent of its income from agriculture, the median level household draws only 17 percent from agriculture. The absolute level of on-farm income remains relatively consistent through all groups. Escape from desperate economic straits thus depends upon the household's having a healthy working age male employed in South African mines. Likely declines in migrant labor opportunities and other threatening factors make it difficult for Lesotho's rural poor to maintain their present disadvantageous position, let alone improve it. These factors will be discussed in more detail in subsequent sections.

Cash incomes for rural households are derived from wages earned in the mines (50 percent), other (predominantly domestic) off-farm activities (21 percent), and sales of agricultural commodities (20 percent). For subsistence purposes, farmers produce about two thirds of their starch requirements and about one half of their total food requirements. The following table shows income distribution and sources of income in a key rural area:

Income in a Key Rural Area
Thaba Tseka / Phuthiatsana, 1975-76 Rand and Percent

	0-200		200-600		600-1000		over 1000		Total	
	R	pc	R	pc	R	pc	R	pc	R	pc
Crops	26	39	66	16	30	3	75	4	47	6
Livestock	20	30	85	21	51	6	204	12	90	11
Lesotho off-farm	15	23	42	10	80	9	222	13	92	12
Migrant income	5	8	215	53	698	81	1238	71	554	71
Total	66	100	408	100	859	100	1739	100	783	100

2. Productive Activities and Characteristics

The rural poor Mosotho household traditionally farms subsistence crops of maize, sorghum, and wheat on three separated fields of just over one hectare each assigned for its use by the local chief. Simultaneously, the family grazes stock on the village's common grazing lands consisting of harvested fields and village commons for winter grazing and distant mountain meadows for summer grazing. Summer grazing is the responsibility of herdboys and young men.

Traditionally, farming tasks are shared by the men and the women with the men responsible for tilling and harvesting and the women for weeding. With the absence of men in the mines, the women are taking over more of the tasks. Little evidence exists to indicate that women's decision making powers are growing proportionately to their increased contributions.

While no Mosotho can own the fields he farms outright, he does have permanent access to a garden area around his house. As land availability has declined and increasing numbers of rural families become landless, these household garden plots have taken on increased economic importance, now supplying much of the average rural family's production.

With a population growth of 2.3 percent and a depletion rate of arable land of one percent annually, land shortages have inevitably developed. Rather than decreasing the size of the fields, the chiefs have chosen to delay assignment of fields. Thus, rather than providing three fields as formerly, the new family is initially assigned one field, with the other fields assigned after intervals of a few years.

At present, the median rural family of 5.2 members has access to some 1.9 hectares. It typically owns 10 animals (cattle, sheep, goats, horses, donkeys, or mules). The number of rural landless is estimated to be growing at the rate of 4 percent annually and reached a total of 16 percent of all rural families in 1978. Fifteen percent of rural households possess neither land nor livestock.

The Government of Lesotho has made, with donor assistance, a number of efforts to increase the production of staples and develop cultivation of cash crops. Because of rapid erosion, rapid decline in natural soil fertility, and wide fluctuations in production due to climatic factors, it is impossible to say with certainty what the net effect of these efforts has been. Although recent reports discern a mildly upward trend in maize production, sorghum and wheat production have declined. In any case Lesotho's agricultural productivity - and thus the returns to its rural poor - ranks among the lowest in the world.

Partly because of agronomic and ecological factors and partly because of other constraints faced by farmers, the farming practices of most farmers are far removed from those designed to achieve good crop yields and increase long-run productivity of the soil. The modal farmer plows ineffectually and does no further seedbed preparation; he then plants homegrown seed by broadcast without fertilizer and frequently without concern for timely planting or appropriate spacing and plant population. Weeding, when undertaken, is little more than token; insecticides are not used and harvesting is late. Over half of the rural households possess no major tools, and lack of access to oxen for ploughing has been listed by farmers in several surveys as the chief constraint to improved practices.

Some fifty percent of all farm households in Lesotho own some grazing stock, but less than 10 percent of the population owns nearly half the national herd. The mountain zone has the largest proportion of the nation's livestock and the major economic activity there is livestock raising. Ownership of cattle and sheep is relatively higher in the arable areas, primarily in the lowlands, whereas ownership of goats is relatively higher in the non-arable areas, primarily in the mountains. Although there are five times as many sheep and goats as cattle, a greater percentage of households own cattle than any other type of animal. The number of cattle owned by most households is small (60 percent own four head or less).

Livestock outputs in relative order of importance are animal products (56 percent), fresh meat (24 percent), draft power (12 percent), and live exports (8 percent). Of all the livestock subsectors, milk is the single most important in terms of equivalent gross revenue (19 percent of the livestock total and 34 percent of the animal products total).

Livestock producer prices have risen sharply in recent years and have more or less offset the decline in purchasing power from general inflation. Income levels from livestock are far from optimum. The amount of meat per animal slaughtered is

low, which suggests that livestock is underfed and slaughtered or exported in lean condition. The potential exists for at least doubling meat yields through proper feeding and fattening of animals. Similarly, production statistics indicate low comparative yields in wool and mohair production.

Most rural poor have access to a variety of economic and social organizations, are reasonably quick to join, and attend fairly regularly. The Farmers Associations cover the rural areas of Lesotho and exist primarily as a means of permitting Agriculture Ministry officials to consult farmers. They also teach people to grow vegetables on communal gardens. Credit Unions exist to take in savings (derived from miners' remittances and other sources of cash income) and extend loans for small projects. The Village Development Committees are officially designated to encourage farming and other development activities.

3. Education

The median head of a rural household is well into his fifties. Over one half of all heads of rural household are illiterate. Surveys indicate that between twenty and forty percent of the adult rural population can read and understand printed texts and that another forty percent are read to by others. Surveys also indicate that for those male heads of rural households who are literate, the median education level is two years of primary school.

Regarding the future, estimates of primary school children in school range from sixty to eighty percent for boys and ninety to one hundred percent for girls. This is significant with respect to hopes for eventual improvement in agricultural practices. That is, even though the primary school curriculum is now academically oriented, aimed at preparing the pupil for the next level of education rather than for employment, and contains almost no vocational agriculture content, there is statistical evidence to indicate positive correlation between primary education and use of improved agriculture practices. The problem is that practices under the current land tenure system prevent quick or easy access to land by the young, educated farmers.

There is no precise data with respect to equity of access to the primary education system, except that the more rural districts have perhaps twenty percent fewer schools spaces per capita than do the more urban districts. Further, the ILO notes that while basic fees have been abolished, various special charges (uniforms, textbooks, entrance fees) weigh against the poor sending their children to school.

Four rural farmer's training centers exist to provide short courses of various lengths for farmers and are well attended. Land tenure and other social practices work against the success of these, too, as those who attend are young and without access to productive assets and without decision making power.

4. Nutrition

While the more dramatic presentations of malnutrition (e.g., the pot-belly, skin and hair changes of "florid kwashiorkor") have low incidence, there exist various degrees of nutritional disorder in approximately one-third of Lesotho's families and proportionately more among the rural poor. The disorders are most prevalent among children under five years of age, expectant mothers, families of

crippled miners, and old people. Available information indicates that 20 percent of children under five are chronically malnourished and that 33 percent of all families probably experience a significant shortfall in their basic energy requirements.

5. Health

Lesotho's mountain geography and temperate climate mean that health problems are significantly different from most African countries. In addition to nutrition problems listed above, there are relatively high incidences of measles, polio, venereal diseases, gastro-intestinal afflictions, mental illness, high blood pressure and tuberculosis.

Nationwide population growth is given as 2.3 percent, the birth rate at 39 per 1000, and infant mortality (first year) at 114. About 17 percent of the total population and about 10 percent of the rural population have access to clean water. The difficulties of walking great distances over rough terrain for water is consistently mentioned by the rural poor as a major problem.

6. Transport and Markets

While primary and secondary roads are being widely extended throughout the lowlands, fifty percent of the settlements do not have direct access. Villagers must ride animals or walk to the nearest road. The mountain areas are short of roads and tracks of any kind, and the government is stepping up its efforts there.

A recent health study has indicated that fifty percent of the rural population does not have access to a health clinic via a road or track, and that rural people walk an average of seven hours to reach a health facility.

Prior to the monopolization of produce and livestock marketing activities by government agencies, farmers sold their production through marketing facilities run by private traders. With the uneven performance of the government system, which has retained monopoly rights, the rural poor often turn to subsistence farming, smuggling, and unofficial arrangements with the private traders.

B. CAUSES OF POVERTY AND CONSTRAINTS TO IMPROVEMENT

1. Elements Causing Poverty

Lesotho is impoverished, first, because its population has grown too large for its declining land resources to support the traditional, extensive grazing and cropping system now in use. Second, alternative resources do not exist in amounts large enough to support sustained economic development. Third, social and economic circumstances have combined to delay full implementation of a program of domestic development based on resource conservation, intensive primary agricultural production, and processing of agricultural products. These circumstances, discussed throughout the paper, include (1) underdeveloped physical and institutional infrastructure and lack of skilled manpower, (2) disincentives inherent in current methods of operation of the land tenure system, and (3) disincentives arising from the economic and financial relationship with South Africa.

2. Macro - Economic and Financial Constraints

a. Public Finance

Prior to the 1977/78 fiscal year, central government expenditures accounted for about 10 percent of GDP and were growing slowly. In 1976/77 domestic revenue reached \$35 million (46 percent of which came from South Africa Custom Union (SACU) receipts) and expenditures reached \$50 million (35 percent of which was capital expenditure).

The deficit was financed by donor grants (18 percent), external loans (22 percent), domestic borrowing (32 percent) and a reduction in government liquid balances (28 percent). Overall, the government financial situation was satisfactory, witnessed by a public debt outstanding of only \$64 million (of which \$47 million is external). The current external debt service ratio is less than one percent.

Beginning in 1977/78, a rapid increase in SACU receipts and a rush of donor aid following the closure of the Transkei border have led to a large increase in government spending, now about 15 percent of GDP. Estimates for 1978/79 indicate that domestic revenue reached \$96 million (70 percent from SACU) and total expenditures reached \$121 million (45 percent of which was capital expenditure). Deficit financing was totally accomplished through donor grants with external and domestic loans leading to an increase in government held liquid balances of \$13 million.

This increased spending in the late 1970's has serious implications for government finance in the early 1980's. The trebling of capital expenditures from 1976/77 to 1978/79 has and will continue to require increased levels of recurrent expenditure. However, government domestic revenues are expected to fall slightly between 1978/79 and 1985. The recent increase in SACU receipts was largely of a windfall nature and they are expected to decline significantly by 1985. The planned imposition of a sales tax in 1981 will only partially make up the loss.

Because of this stagnation in revenue the Third Five Year Plan anticipates only a 10 percent real increase in recurrent budget requirements from 1979 through 1985. This will be extremely difficult to achieve given the continuing repercussions of the capital expansion of the late 1970's. Moreover, the GOL anticipates yearly capital expenditures during the third plan which are double the 1978/79 level in real terms. The efficacy of such investments, given recurrent budget strictures, is obviously questionable.

Even with the restraint on the recurrent budget, the FY 81-85 surplus of domestic revenue over recurrent expenditures is expected to be only \$25 million compared with a total anticipated capital budget of \$614 million. To finance such a program will require yearly donor disbursement and domestic borrowing levels which are more than double the 1978/79 levels in real terms. While the GOL is cognizant of the coming financial squeeze, it is also incumbent on donors to be sensitive to the problem. In a financial environment such as Lesotho is likely to face in the early 1980's, a donor program premised on "pushing money" can be very counterproductive.

b. The South African Relationship

The GOL's macro-economic policies are almost wholly defined by Lesotho's close economic ties to South Africa and its participation in the Rand Monetary Area and SACU. While these relationships highly restrict the GOL's fiscal and monetary policy options, the most important effect is on the employment of the Basotho labor force.

In the past the South African relationship provided an outlet for Lesotho's expanding labor force. A rough estimate of the 1978 employment situation in Lesotho indicates that the total labor force was perhaps 575,000, and growing at 12,-15,000 per year. Of the total, 125,000 were employed in South African mines, perhaps another 25,000 elsewhere in South Africa, 35,000 in the formal sector in Lesotho and 25,000 in the informal sector. Very rough indicators of unemployment put that rate in the range of 5 to 8 percent with the remainder of the labor force engaged in small scale farming activities.

While the unemployment rate is currently small, there is cause for serious concern for several reasons. First, 40 percent of the 125,000 increase in the total labor force in Lesotho from 1967 to 1978 was absorbed in the South African mines. This source of employment is not expected to increase and may even decline absolutely. Second, there is little unused arable land remaining in Lesotho which could absorb additional labor. Third, recent efforts to generate formal sector employment within Lesotho have been largely unsuccessful with the exception of government employment, but as pointed out in the public finance discussion, the ability of government to continue absorbing labor is extremely limited.

During the first three years of the current plan period (1975/76 - 1977/78) formal sector employment grew by perhaps 2,300 per year of which half was generated by government. When compared to the increase in the labor force of about 12,000-14,000 per year, the cause for concern is obvious. Moreover, this slow growth in employment occurred at a time of rapid increase in GDP, not during a period of economic stagnation.

With the likely restriction on further Basotho employment in South Africa, the effect of the South African relationship on domestic employment generation in Lesotho becomes more important. The principal effect arises from the negative impact of the economic ties on the volume and type of investment in Lesotho.

The volume of investment is restricted first because the easy availability of South African goods and the quick supply response capability of the South African marketing system discourage local production for the local market. Thus, even though there has been a fourfold real increase in the demand for manufactured goods in

Lesotho over the past ten years because of sizeable mineworker remittances, the supply response in Lesotho has been minimal. Migrant labor incomes have leaked directly out of the economy with little secondary income or employment benefits for Lesotho.

Second, the potential investor in Lesotho must compete on an equal basis with large scale South African firms which have the advantages of the external benefits associated with being located in very large industrial complexes. The investor in Lesotho should have a competitive advantage because Basotho labor should be low priced. However, it appears that local wages are tied to South African wages and are higher than in many developing countries. The minimum wage approaches \$3.00 per day. Yet, the average skill level of the Lesotho work force is not high. Workers with some skills tend to migrate to South Africa where wages are even more attractive. This combination of high Lesotho wages and relatively low skill level erases any potential advantage Lesotho might offer the potential investor. The availability of South African goods and the competitive disadvantages of locating in Lesotho ensure that investment rates in directly productive activities are not high.

Moreover, because of the high wage/low skill phenomenon, what investment does occur tends to be capital intensive and therefore not appropriate given Lesotho's surplus labor situation. Thus, during the first three years (1975-78) of the Second Development Plan, private investment costs per job created were over \$37,000. At this level, even the relatively high rates (for Lesotho) of private capital formation occurring during the period could absorb only about 5 percent of the yearly increment to the labor force.

The negative effect on domestic employment generation is becoming a more important aspect of Lesotho's open economic relationship to South Africa. As long as the South African mines were absorbing Lesotho's growing labor force this effect could be overlooked. With poor prospects for expanding mine employment, this cost of the relationship will become much more obvious.

3. *Constraints in the Agriculture Sector*

a. Introduction.

Analysis of the amount, type and composition of basic resources in Lesotho quickly leads to the conclusion that sustainable economic development must be generated from the agricultural sector. There are several factors that restrict opportunities to increase agricultural production and income of rural inhabitants such as the limited area suitable for cultivation, widely fluctuating micro-climatic conditions, certain socio-cultural values and traditions that are impediments to change, and disincentives to investment in agriculture created by the migrant labor system.

Within the sector, livestock is the most important subsector with about 50 percent of all farm households owning stock. Principal objectives of the livestock subsector are to decrease cattle numbers and emphasize quality, and to increase production of sheep and goats that produce high quality wool and mohair. The crop subsector will require a stronger thrust toward more intensive production (increased yield per unit of land) and expansion of cash income crops, rather than traditional field crops. In addition, there is a need to encourage production of specialty items that have high returns and the processing of agricultural products.

b. Constraints

The major constraints to achieving these principal objectives in the agricultural sector center around the (1) limited and declining land resource base, (2) relatively underdeveloped state of agricultural institutions, (3) low level of agricultural technology, and (4) unfavorable economic conditions resulting from inadequately developed domestic agricultural policies and the relationship with the Republic of South Africa. These major developmental constraints are closely linked and interdependent. Each is discussed below.

(1) Limited and Declining Land Resource Base

Soil erosion is one of the most significant agricultural problems in Lesotho. It severely affects both the mountain grazing land (75 percent of total land area) and the limited arable lands (13 percent of total land area) which are located primarily in the lowlands. Annual soil loss due to sheet erosion on the arable land is more than 70 metric tons per hectare. In addition, it is estimated that 4 percent of the arable land has been lost to gullies, and that another 0.25 percent (1,000 hectares) is lost annually to new gullies or extending and widening old ones. Serious and extensive erosion is also apparent on much of the mountain grazing lands. Due to pressures created by the shortage of arable land, there has been increased cultivation of marginal land on steep slopes highly susceptible to erosion. Rangelands have been severely overgrazed due to excessive overstocking, which has resulted in a depletion of vegetative cover with consequential widespread erosion. It is estimated that there are one million large-stock grazing units of livestock in Lesotho which would, based on normal carrying capacity, require four million hectares of rangeland; however, there are only one million hectares of rangeland available. In addition to the serious negative impact on the land base from overstocking and overgrazing, there has been a continuing decline in quality of the national herd as illustrated by high natural mortality, low fertility rates, slow weight gain, and lack of strength for draft power purposes. This constraint must be addressed jointly by conservation measures and controlled grazing programs that would stabilize the land base and improve livestock quality.

(2) Underdeveloped Agricultural Institutions

The lack of effective basic institutions to plan and implement agricultural programs is a serious problem for carrying out successful development activities. Organizations are often not structured in a manner to most effectively achieve their tasks and essential coordinating linkages with other organizations or offices within the sector are frequently weak or nonexistent. One of the most serious institutional deficiencies is the shortage of skilled personnel. Not only are there limited numbers of people, but the level of skills are inadequate and the type of skills inappropriate. This problem is pervasive in planning, technical and managerial areas. Although the central Ministry of Agriculture is weak in planning, analysis and administrative capacity, the divisions and agencies that implement programs and have farm outreach responsibilities face the most intractable institutional problems. These are entities that directly serve farmers such as research, extension, input supply, marketing, credit, and cooperatives. Providing institutional linkages to farmers is also severely hindered by lack of physical access through roads and transport services to market outlets. Inaccessibility and lack of vertical institutions that connect village organizations to

the national government limit opportunities for farmer participation and involvement in agricultural development activities. Land tenure patterns and methods of land allocation are not conducive to effective land utilization and high productivity. The institutional arrangements necessary to provide incentives for investment for land improvement in order to achieve increased agricultural production have not yet been established.

(3) Low Level of Agricultural Technology

In addition to deterioration of the agricultural land base, other production resources are not being effectively utilized, as evidenced by excessive fallowing of land, low productivity per hectare, and relatively large post-harvest losses. Stagnation of production at low levels is largely a direct result of inadequate and inappropriate farm technology. Simple farm practices that do not require capital outlay by farmers — such as appropriate planting dates, plant population, planting depth, spacing, and weeding — are not extensively employed. This is partly due to the dearth of agricultural research and the lack of effective institutions to disseminate knowledge and provide supporting services to farmers. It is partly due to the lack of production incentives caused by migrant labor earnings and government policies. For example, poor tillage methods and planting techniques can be attributed to insufficient and, in some cases, poorly designed crude farming tools. Because of limited incentives to invest in the means of production, such as modern farm tools, the low level of technology results in reduced production. Post harvest losses are high because there is little interest in investing in storage. The traditional land allocation system (which allows land to be fallowed two years out of three) combined with large numbers of migrant workers encourages minimal investment in farm implements.

(4) Unfavorable Economic Conditions

One of the reasons farmers are unwilling to invest heavily in agricultural production is that government has not developed consistent policy incentives to do so. For example, pricing is such that the farm gate prices do not encourage production of a substantial marketable surplus. Inadequate domestic agricultural policies are the result of a limited institutional capability to formulate and analyze policies, and to prepare and evaluate program implications of development activities. The five year plans have highlighted the inability to plan and prioritize programs in the agricultural sector. Extensive earnings by migrant workers who are employed most of the year in the Republic of South Africa and who are secondarily farmers in rural Lesotho also result in unfavorable economic conditions for investment and improvement of agriculture. Since nearly 80 percent of rural household income is from off-farm sources, and farmers are absent from their land for extended periods, there is limited concern for investment capital, labor, or other input supplies into small farms. The result is low yields and low overall production.

A prime example of the need to develop policy and its underlying analysis is the question of agricultural self sufficiency and improved cereal production in general. A large proportion of agricultural investment in Lesotho goes toward increased cereals production. Our working hypothesis, supported by key members of the donor community, is that cereal production on the small fields will never be competitive with other employment opportunities. It is true that cereals prices are somewhat lower than world levels because of South African competition and that current production

levels are woefully low but even, say, a trebling or quadrupling of output at world level prices would not make cereal production on Lesotho - size farms competitive with mine employment. Moreover, such an increase would swamp the local market. In this setting, the farmer is unlikely to make the capital and labor investments necessary to increase production more than marginally. Significant gains in agricultural incomes will only come from producing high value cash crops that can take advantage of seasonal differences between Lesotho and major markets and from livestock.

To increase Lesotho's cereal production significantly would probably require a ban on the import of grains and a restriction on labor migration or, for increased production in the short run, would require a consolidation of land into units sufficiently large to allow efficient mechanized production. This would probably require considerable expatriate involvement. Of course, both of these options would lead to the further impoverishment of the nation. If this working hypothesis approximates reality, then major Lesotho and donor investments in cereals production are probably unwarranted. The constraints to agricultural development discussed above remain and need to be tackled in any case, but the emphasis on cereals production and food self sufficiency should be reduced or at least a more realistic assessment made of the costs involved to achieve a particular cereals production target.

4. Human Resource Development Constraints

The shortage of adequately-trained personnel is all-pervasive in Lesotho at all levels of skill and responsibility. To further its economic development, Lesotho needs to develop three basic types of skills. First, it needs to bring basic literacy and numeracy skills to the rural households, especially to the heads of households, to permit rural families to further their basic understanding of development problems and undertake basic individual and group activities necessary for their economic and social well being. Second is a need for vocational and professional skills so the country will have the necessary supply of skilled labor and individual Basotho will be able to take advantage of new employment opportunities. Third are the managerial skills necessary for implementation and management of development activities. The absence of these skills play a key role in inhibiting development.

Constraints to overcoming shortages of skills are embodied, on the one hand, in an education system in which educational achievement is low and often wrongly oriented, and, on the other hand, in a loss of skilled people to higher paying positions in South Africa.

When formal school fees were dropped in 1974 the primary education system expanded by 20 percent and has continued to expand steadily since then. Because of this rapid expansion the system is faced with unqualified or poorly qualified teachers, inadequate classrooms, and lack of books and basic supplies.

The problem caused by poor instruction and inadequate classrooms is exacerbated by the large drop out and repeater rates, which vary from nine to twenty percent from one grade to the next. This high rate is variously attributed to the departure of herdboys to look after their herds and flocks (there are approximately 66,000 herdboys in Lesotho) and to the lack of stimulation and incentive resulting from poorly prepared teachers and inadequate classrooms. Teaching methods are all too often adopted entirely from abroad. As a result they sometimes call for the application of examples or techniques, which are not mirrored in the local culture and which local teachers are unequipped to handle.

Through the first four primary grades classes are taught in Sesótho; instruction is in English beginning in fifth grade. Unfortunately, the teachers are not well versed in English. Neither are the pupils, and teaching subjects like mathematics becomes very difficult. Some teachers try to resolve the problem by teaching mathematics in Sesotho, but there are no texts or other basic materials. In addition, many of the concepts needed lack an equivalent translation in Sesotho or have a different conceptual translation.

As a result of the above problems the student pass rate of the Cambridge Overseas Certificate Exams (secondary level) dropped from a seventy percent pass rate in 1969 to 29 percent in 1978. This, in turn, means that a very limited number of students are qualified for entrance into the National University of Lesotho (.2 percent of the students who entered Standard One in 1965 entered the first year of the University in 1977), to overseas educational programs, or to technical education programs. The few who do qualify are handicapped by traditional liberal arts emphases. The lack of students qualified for post secondary education, in turn, contributes to the continuing severe shortage of operational and managerial personnel both in private and public enterprises.

With regard to orientation, the content of the primary school curriculum as it now stands is heavily academic with the sole stated purpose of preparing the pupil for the next level of education. As only 14 percent of the pupils who enter primary school will enter secondary school, the current curriculum is largely irrelevant to the needs of the great bulk of pupils. The primary curriculum includes little, if any, agricultural training, even though preliminary surveys show a positive correlation between even the present academic primary education and the employment of improved agricultural practices. Nor does the curriculum teach rudimentary book-keeping skills and technical skills although the country is trying to establish a series of organizations such as credit unions and farmers production associations which call for skills in management of both group and individual funds.

The immediate need in overcoming the above constraints is to develop a sufficient cadre of high level manpower who can plan, execute, and implement decisions to develop and execute policies leading to a development-oriented educational system. Augmenting the Ministry of Education (MOE) is more likely to have greater benefits than attempting to devise immediate solutions to other educational problems, because Ministry leadership and the Planning Unit constitute the keystone of the education system. Augmentation of management skills must, of course, be accompanied by a political consensus and the determination to make and enforce decisions.

The overall task of the new cadre would be to develop the policy guidelines for and administrate the devolution of the majority of schools from de facto day to day administration by missionary staff to administration by government. For example, current MOE policies on age limitations for primary school attendance and the prohibition of automatic promotions are circumvented by mission administrations. Organizational inflexibility is fostered and allocation of teachers according to area priorities is stymied by mission rules prohibiting transfer of teachers from one mission school to another unless the teacher first resigns from one school and then applies for employment at the other. Financial administration of government paid teachers' salaries by the missions is at times highly questionable. Finally, the missions have

traditionally favored the arts as a basis for education with a detrimental effect on education for life and development skills. The new policy guidelines for National Curriculum Development address this imbalance, but it will be a slow gradual transition.

While the suitability of the type of education received forms one major constraint, the seepage to South Africa of Basotho who have received essential training forms the second major manpower constraint. There is considerable demand for middle and lower level skilled manpower in South Africa and money wages are two to three times those in Lesotho. Unless this seepage is controlled the country will be in a perpetual stage of shortage of skilled manpower and its economic development will suffer. Evidence exists that a large proportion of craftsmen and other trained skilled workers developed over the past three decades are not working in Lesotho, and that there is a high incidence of people currently being trained who hope to find employment elsewhere, primarily in South Africa.

5. *Health and Population Constraints*

Lesotho's goals in the health sector center on improving the health status of its citizens through extending and upgrading preventive, promotive and curative services. An associated goal for the Third Plan is to reduce population growth from 2.3 to 2.1 percent.

Provision of health services to citizens of Lesotho is constrained by Lesotho's population growth, budgetary and personnel limitations, geography, endemic diseases, and the special problems of migratory labor.

Population is increasing by 2.3 percent per year. Expansion of family planning programs has been inhibited by the dominant position of certain missionary groups within the ruling political party in Lesotho and the nexus of social and economic factors which place a positive value on large families.

The money constraint is manifest in several ways:

- a) While total government expenditures have grown, the portion spent in the health sectors has not increased, due to the increased recurrent costs of development projects in the infrastructure sector.
- b) User fees account for less than 15 percent of revenues in Lesotho's health sector.
- c) Due to low salaries, Basotho doctors and nurses have tended to either leave Lesotho or move to more remunerative positions outside the medical profession.
- d) With the limited budget available, it has been the GOL's strategy to rely on privately financed health facilities, primarily foreign, missionary groups, who are also experiencing cutbacks in funding. Moreover, the relations between private and public health authorities and facilities at times lead to duplication and organizational rivalries.

Lesotho has only about 70 physicians (of which 28 are Basotho), 290 nurses, 350 nurse clinicians and 1,000 traditional medicine practitioners for its 1.2 million people. High level training of doctors, technicians and nurses to meet Lesotho's needs

is costly and requires much time, both when training takes place overseas and through strengthening in-country institutions.

Accessibility to health services by Lesotho's rural population is severely constrained by the lack of roads and transportation in mountainous terrain.

Over 90 percent of Lesotho's health care expenditures are for episodic curative care. While tuberculosis, polio, gastro-enteritis, typhoid, goiter, pellagra, kwashiorkor, marasmus, and venereal diseases can all be dealt with more cost effectively by preventive measures, their endemic nature in Lesotho coupled with the other constraints precludes such measures during the next five years.

It is estimated that Lesotho's migratory workers have at least a 10 percent incidence of TB and 25 percent incidence of VD. Workers and their families are also subject to the stress of changing roles and family breakdown with resultant problems in mental and cardio-vascular health.

6. *Transport and Communications Constraints*

Other sections of this statement have highlighted the paucity of available transport routes to the rural population, even in the lowlands. Besides extending the national network of primary and secondary roads, the system of tertiary rural access roads and tracks is nowhere near sufficient to meet the needs of the populace for economic and urgent social purposes — provision of agricultural inputs, education, health and family planning services, as well as more adequate access to markets for locally produced livestock and agricultural and other products.

The major constraints to developing a more adequate road network are (1) the limited GOL capability to perform adequate maintenance, (2) the difficulty of terrain which results in extraordinarily high costs for construction as well as severe physical problems to undertake construction and (3) the rapid rate of inflation in the construction sector in South Africa which has been fuelled by the ever-increasing cost of petroleum.

With Lesotho completely surrounded by South Africa, there are regional implications to what appears to be a purely bilateral question of an improved road system for Lesotho. In recognition of this fact, Southern African Regional Supporting Assistance funds were used to authorize the Southern Perimeter Road to counteract the effects of the closure of the Transkei road. Coming some four years after an initial feasibility study, final design of that road and its construction will be subject to the above constraints with respect to costs and physical difficulties.

Adequate provision needs to be made by the GOL to improve its maintenance capabilities, both within the Ministry of Works and the Ministry of Rural Development. In its long-term highway program, the World Bank has adopted improved maintenance as its top priority while plans for further construction have been cut back very sharply. The extension of the so far highly effective Labor Intensive Construction Unit will be a critical element in helping overcome the severe maintenance constraint. Similarly, attention needs to be directed to improving the capability of the Ministry of Rural Development's maintenance program through the funding and training of greater numbers of more effective supervisors.

7. Social Roles and Ownership Patterns

a. Role of Women

The most notable aspect of the social roles that exist for males and females in the Basotho culture is the contradistinction between the traditional pattern and present reality. A woman under the traditional conception was always considered to be inferior to a man and was always under his control or guidance. It could be her father, husband or other senior male relative. A woman was therefore not a decision maker. She could not own or inherit property except for personal effects. She could not become head of the family. The eldest son or most senior male relative succeeded the husband. Women also had no access to the courts for the hearing of their cases nor could they be sued. This could only be done through their male guardians. As a result they could not enter into any contracts.

Work roles in traditional Basotho culture were also well defined between sexes. Women were responsible for raising the yard animals such as pigs and fowl. While taboos existed against women handling cattle, horses and most other livestock, except for plowing and planting, women performed most cropping tasks.

While this perception of women is retained as the social ideal and often still has legal basis, the responsibilities of women have in fact increased dramatically. Basuto women are, on the whole, better educated than men, they have succeeded in appropriating a sizeable share of the high, though not highest, level jobs within government, and fully 70 percent of rural households are, *de facto*, headed by women.

The imbalance between social and legal perception and actual responsibilities can be a constraining influence, particularly in agriculture. While women are the primary agricultural laborers and daily decision makers on the majority of farms, their underprivileged status leads to difficulties in obtaining needed extension services, agricultural training, credit, etc. When combined with the other roles rural women must play, the obstacles associated with their status ensures that female-headed farm households are not likely to achieve high productivity levels. Agricultural development programs must necessarily account for this situation if they are to have any chance of success.

b. Land Tenure System

The land tenure system can be simply characterized as one in which a Mosotho man cannot own land outright but does have rights to use the land. Every adult male may expect to be allocated rights to land. One qualifies for land when he acquires dependents. Rarely does a man receive his full entitlement immediately since few villages have surplus arable land available. Traditionally, all private rights to the output of arable land lapse at the end of the growing season. Communal grazing rights prevail in winter for crop residues and at all times on primary grazing land.

The land tenure system acts as a constraint to agricultural development in two related ways. First is the problem of inheritance. Land, upon the death of the farm head reverts, with allowance made for widows during their lifetime, to the nation to be reallocated. The average age of farm heads in Lesotho is 55 years, reflecting the fact that younger adult males must wait for land to become available. In this situation, when a middle-aged man does get a piece of land, his expected tenure is not very long and major investments in the land are discouraged.

The second aspect of the land tenure constraint involves the distribution of arable land. While the system has ensured remarkably equitable distribution of land, this distribution hinders total agricultural production. The argument here is not one of economies of scale. The situation in Lesotho is one whereby much arable land is controlled by migrant workers who because of their non-farm income do not make optimal use of their land allocation, but others who would have the incentive to make better use of land do not have access to it. Thus Lesotho faces a situation of under-utilized arable land in a very land-short country. Ironically, the egalitarian land distribution pattern may actually hurt the poorest income groups, who are those rural homesteads with no migrant workers in the family.

While the land tenure system does have a constraining effect on agricultural development, the system is dynamic and innovations have been and are being made. There is a tradition in Lesotho that small garden plots around a family house are not regarded as communal property. Such house and garden plots can be fenced off and are inheritable in perpetuity. In areas where fields are unavailable for new families, they are sometimes being compensated by larger garden plots around the homesite. There is evidence in Lesotho, as in other parts of the world where there are officially communalized agriculture sectors, that farm plots receive far more attention than do the non-inheritable fields.

There is also a new land bill awaiting ratification which would make crop residues from arable lands the property of the user and which would allow for the inheritance of the land by the eldest son or person otherwise designated by the user.

In conclusion, it should be understood that this discussion was only concerned with the constraints associated with the land tenure system. There are undoubtedly positive aspects of the system as well, and with the innovations being currently considered the constraining influence of the land tenure system could be much diminished.

8. Political, Administrative and Institutional Structure

The governmental and administrative framework of Lesotho represents several diverse traditions and interest groups, which sometimes work at cross purposes. Moreover, this diversity militates against speedy adoption of measures that may eventually be decided by the authorities titularly responsible for such measures due to problems of coordination and effective communications among the various elements of authority.

The central government is constitutionally parliament-based. The appointed Parliament has seats apportioned to the ruling Basotho National Party, the opposition Basotho Congress Party, plus seats reserved for principal chiefs and various organizations, such as women's groups, traders organizations and others. Laws, policies, programs, and budgets are developed by the Council of Ministers, taking into account technical and political considerations, and then presented to Parliament for approval. While Parliament does not in actuality have the same real legislative power as a western parliament, it does have a legitimizing power, and programs are shaped to take account of the various interests represented in Parliament. Decision making is highly centralized and there is little or no effective delegation to district or local officials. Strong concern has been expressed by high government officials about the need for government programs to take into account the needs and wishes of target populations, and increasingly efforts are made to increase the quality and extent of established mechanisms for popular consultation.

Local government is still largely in the hands of chiefs, assisted by groups and committees to help manage development activities and land distribution. These groups may be elected but often may be appointed by the chiefs themselves. The committees are not known universally throughout Lesotho but generally function in areas where foreign aid projects operate. Quality of the committees varies and central technical ministries are relied on in most cases for actual implementation of development projects. Land distribution, a highly sensitive issue in the face of increasing population pressure, is also often effectively left to the chiefs, although in some communities committees with genuine popular participation and influence circumscribe the powers of the chiefs. In practice, and particularly with regard to foreign aid projects, village committees, ministries, foreign aid experts and parastatal bodies now intervene frequently and have the final say. Today a foreign aid expert or a state employee may have a greater influence on how land is used than a chief ever had, although chiefs should still be formally informed before decisions are made.

The significance of the chiefs should not be discounted. Their new role as linkages in the flow of development aid resources in the countryside and as the only *universally* functioning government representation beside the police has given the chiefs a potentially important position.

To take account of popular feeling in developing programs, traditional national Pitsos are called, often in conjunction with development of five year plans, to ascertain public opinion. Here the common citizens can speak up and the preponderant opinions are formally noted and taken into account.

The ministries, through which the development programs must work, must deal with the above organizational structure. They draw up the programs, get them approved, and implement the programs themselves as well as individual projects in support of the programs.

The technical ministries responsible for development programs face two major problems in carrying out their functions. The first is that the various special interests express their concerns both in the Council of Ministers and in Parliament. While the concerns must be accepted as legitimate, they often may not reflect national majority opinion and sometimes block or delay economic development concerns. Moreover, these interests sometimes intervene in the daily operations of the ministries themselves. For example, with respect to education, the results of the great Pitso of 1978 have not yet been published because, it is held by some observers that it appears that national opinion is in conflict with the interests of the missions who at present are in charge of the daily operations of the primary education system.

The second major problem of the technical ministries involves the sheer lack of technically and professionally qualified personnel. On the macro-level, studies indicate that the national government has a 26 percent vacancy rate with most of these occurring at the mid and upper technical levels. Combined with perennial budget stringency, the effect of these personnel shortages on development efforts can be stifling. Even minor decisions require routing to the highest levels of ministries, and as too few counterparts for expatriate staff or for training abroad are identified, it is difficult to spare working officials from their jobs for skill improvement training, and attention is diverted from national priorities to meet day-to-day concerns.

C. HOST COUNTRY PROGRESS AND COMMITMENT

1. Implementation of the Second Plan 1975/76 – 1979/80

During the course of the original Second Plan (1975/76 – 1979/80) planned public investment was to reach \$34 million (in 1975/76 prices). Actual expenditures amounted to \$152 million or 113 percent of target. Implementation rates varied by sector but with the exception of the social infrastructure and agriculture sectors which reached 90 percent of target, all sectors exceeded planned public investment. During the third year of the plan it was revised, raising targeted public investment to \$229 million. While only 66 percent of this target was achieved, the target was unrealistic given that only two years remained in the plan period.

Different sectoral investment achievement rates led to differing rates of achievement in actual production by sectors. Thus the construction boom associated with the expansion of government services infrastructure enabled the building and construction sector to expand almost four times as rapidly as anticipated during the first three years of the plan. In the more directly productive sectors of agriculture, mining and manufacturing, production performance was below anticipated levels with manufacturing production actually declining. Total production increase reached 75 percent of the target for the first three years of the Second plan.

The overall growth rate of the domestic economy of Lesotho was 9 percent in real terms from 1973/74 through 1977/78. The rate accelerated in the last years of this period, reaching 15 percent in 1977/78, the last year for which figures are available. During this period most of the growth was generated in the construction sector, where nominal value-added rose by an average of 27 percent a year. The second largest contributor to growth was government services, which expanded at an average rate of 30 percent annually. These developments were largely due to increased aid flows from 1975/76 and to increased customs union receipts throughout the period. The agriculture sector, where sustained growth must be based given Lesotho's resource base, remained relatively stagnant. By 1977/78 its share of GDP had fallen from 51 percent to 36 percent. With a population growth rate of about 2.3 percent annually, per capita domestic income rose 6.5 percent annually.

Growth rates in GDP achieved during the Second Plan indicate quite satisfactory progress overall. However, progress in the directly productive sectors has been much less satisfactory and if Lesotho is to build a viable economic base, far more emphasis will have to be given to these sectors.

2. Agriculture

The thrust of development efforts in agriculture over the past decade has been to make Lesotho more self-sufficient in food staples while introducing such cash crops as beans and asparagus for export. Subsidiary efforts have been undertaken to process foods, including canning of asparagus for export and milling local and foreign wheat for domestic consumption. In livestock, efforts have been undertaken to convert cattle from wealth to meat production and to expand the cash incomes from sheep and goats, both through increased wool and mohair production and through spinning and weaving for markets at home and abroad. Major efforts have been undertaken with respect to arable land conservation and initial pilot and institutional development efforts have commenced in range management.

While annual production and acreage planted fluctuate widely due to erratic climatic conditions, the consensus is that overall agricultural production has increased at a slow rate and remains among the lowest in the world.

These results tend to reflect government and donor inclination to enter into production projects with activities that are not fully integrated into existing institutions and production systems. Organization and management systems too complex and too expensive to be maintained by the government have thus been established. Further, these systems are focused on geographic areas that absorb a disproportionate amount of resources relative to their impact on production and income. Consequently, production or operational improvements have been brought about for short periods only to face later declines as special donor inputs have been withdrawn, as in the case of the World Bank's Thaba Bosiu Area Production Project, or with the advent of institutional decline, as in the cases of the Livestock Marketing and Produce Marketing Corporation. On balance, some of the most basic services and institutions required for agricultural production, such as marketing and extension, are in a state of disarray and pose severe constraints to farm productivity and employment.

A further important disincentive to farming is obviously in the pecuniary attraction of high (relatively-speaking) cash wages in South African mines and other off-farm activities. Monetary and real wages have increased sharply in the past five years, and it has been estimated that a reasonable expectation of annual income from a family farm is easily matched by wages earned in three or four weeks in the mines.

The situation has been compounded further by an unfortunate interaction of the land tenure and the migrant labor systems. Farmers who migrate to the mines do not lose claim to their fields, while those farmers who remain in Lesotho, and employ improved production practices, are unable to expand their land holdings so as to increase productivity. These three combined factors of institutional disarray, high wages for migrant labor, and land allocation based on age and family, incline the farmer towards the minimum effort required to hold the land and discourage production incentives and investments.

Nevertheless, there have been many areas of progress in institutional development, in pilot production schemes, and in introduction of improved techniques on a limited basis. The Thaba Bosiu, Land and Water Resources, and Land Conservation and Range Development complex of conservation projects, assisted by A.I.D., set the institutional and operational basis for undertaking nationwide conservation programs. Surveys of the area development projects consistently reveal farmers employing improved practices, with resulting increased yields, long after the project activities have ceased.

To a large extent, the conflicting forces pulling the Government of Lesotho in many directions with respect to agricultural development efforts reflect basic conflicts and controversies worldwide. That is, the kinds of agriculture projects which have tended to be controversial have been those to strengthen nationwide agricultural institutions of research, education, or extension. They are criticized for not directly benefiting the poor. Further, these projects are criticized for their high recurrent costs. On the other hand, "package" assistance efforts toward immediate increases in production and income quite often strip other programs of scarce resources only to achieve unsustainable short term increases whose costs far outweigh the benefits. The Thaba Bosiu production project (distinct from A.I.D. conservation project) for instance, incurred a loss of \$188.90 per hectare. This dilemma makes it imperative

that Lesotho secure sophisticated manpower and strength of political will required to settle on a course and hold to it long enough to see results.

Short reviews of recent progress in the five functional areas of agricultural development follow.

Asset Distribution – The three basic assets to be distributed are land, livestock, and major tools. Arable land is distributed equitably, but shortages are delaying full allocation and are leading to a growing rural landless class. Even the largest landholders in Lesotho would be considered relatively small holders in other countries. Pressure created by shortages of arable land has caused an increasingly fragmented distribution pattern of holdings resulting in diminishing incentives for production.

The growth of inequality of livestock distribution is greater than that of land distribution. Livestock distribution is more sharply skewed. Fifty percent of farmers do not own livestock, while 10 percent own half the national herd. This unequal ownership and the large size of the national herd result from the availability of cash income from off-farm employment, which provides the means to purchase livestock. The problem is exacerbated by socio-cultural factors that encourage livestock holdings and a communal grazing system which allows large numbers of stock to be held at minimum expense and also permits absentee ownership.

Statistics are not readily available on trends in acquisition of major farm tools, except to note that only five percent of migrant labor remittances is used for crop production (as opposed to 15 percent for livestock). Further, surveys indicate that the single most common difference between the more productive farmers and the others is the employment by the former of practices involving the use of the major tools. These practices include ploughing and harrowing. It is concluded by many qualified observers, including a recent ILO mission, that farmers do not acquire productive assets because they have concluded that returns are uneconomic given the alternatives for investment available to them, and the lack of services and incentives required, in addition to tools, to make agriculture worthwhile.

Planning and Policy Analysis – Both technical and economic research capacities are being developed at all levels, but efforts are as yet incomplete and have not been systematically linked to each other and to agricultural production. A research station has been created and staffed to the extent that additional, major separate development projects are not now called for. Systematic applied farm research is just underway through the Farming Systems Research Project funded by A.I.D. Efforts toward institutionalizing systematic micro-policy analysis are also comparatively recent, commencing primarily with the arrival of the A.I.D.-funded Lesotho Agriculture Sector Analysis Project team in August of 1977. It is projected that ongoing technical assistance and training efforts will result in substantially improved institutional capacity by the early 1980's.

Development and Diffusion of New Technologies – To date, new technologies have been introduced entirely from the outside, tested at the research station, and introduced into area based projects. Also until the present there has not been a general

extension service. Individual divisions, such as the Conservation Division, have had their own field agents. An extension service is now being developed in conjunction with the Basic Agricultural Services project. The bulk of the field agents will be two year certificate holders from the Lesotho Agricultural College, with applicants drawn from among those with four years of secondary education. The government's aim is to have one agent per 600 farm families or a total of 300 agents. This target should be achieved by the mid-1980's.

Five farmers training centers, providing a variety of short courses to farmers are now in operation. While the courses are generally good, they have not yet succeeded in reaching decision making farmers on the scale needed to widely affect agricultural production.

The government plans to include agricultural subject in the primary education curriculum soon.

Rural Physical Infrastructure – This has been the area of most consistent governmental effort as it is not beset with the various controversies and management problems plaguing efforts in the other functional areas. A largely localized Conservation Division has been established, and is protecting 12,500 ha. of additional land annually with water ways, terraces and other major conservation structures in cooperation with local villages. It is projected that the government will have carried out primary conservation practices on nearly all at-risk cultivatable land by 1990.

Range Management lags behind arable land conservation institutional and programmatic development. Some pilot measures have been taken and a Division has been recently established. Further, area specific field activities and institutional development is to take place during the early 1980's, primarily under the A.I.D. funded Land Conservation and Range Development project.

Afforestation for both fuel and conservation has also been a major effort of the 1970's. It is currently estimated that 200-300 ha. per year are being planted. While the government has the institutional capacity to move much faster in afforestation, there is a problem of working out the necessary activities with village chiefs and land committees, and adopting legislation permitting orderly harvesting of trees.

Farm to market access road construction has been a major activity located in the Ministry of Rural Development. Approximately 1700 kilometers have been constructed to date, the great majority since independence. Lack of farm to market roads has been a special problem with respect both to marketing of produce and delivery of services and inputs, especially in the mountain areas where activities lag behind the lowlands. The Basic Agricultural Services project has, for example provided funds for the construction of over 900 kilometers of rural access roads, as part of an integrated effort for development of its project area.

Marketing and Storage – The official marketing organizations have added outlets and built up their organizational structures. However, inconsistent and uneven operational performance has prevented them from assuming their full role in encouraging production. Ten years ago, both livestock and agricultural marketing were in the hands of private traders, both small traders and large firms. The system was largely in the hands of non-Basotho and, in the view of the government, it was not always managed in the interests of the rural Basotho. The government then established the Livestock

Marketing Corporation and the Produce Marketing Corporation to monopolize livestock and crop marketing. The former has since become defunct and the latter has been seriously damaged by improbity, mismanagement, inappropriate pricing and the overwhelming influence of the South African marketing system where the developed economy is strong enough to subsidize farmers on the one hand and certain groups of consumers on the other.

While the Agriculture Credit Bank is in a nascent stage of development, credit is not considered a major constraint to production in view of the extensive credit union system and the access of over one half of the rural farm families to outside cash incomes, which are primarily utilized for consumer goods, cattle, and savings accounts rather than productive farm investment.

3. Human Resources Development

Progress over the last ten to fifteen years has focused on (1) increasing primary education opportunities for all, (2) increasing the number of secondary and college graduates to meet manpower needs, (3) improving student teacher ratios, (4) improving teacher quality, (5) setting up specific training programs and technical institutions to meet specific skills needs, (6) improving facilities, (7) developing appropriate primary and secondary curricula and teaching methods, (8) setting up special programs and facilities to cover current weaknesses, and (9) training specialized students abroad to replace expatriates.

Primary enrollment increased at an approximate rate of 1.6 percent per annum for the ten years through 1976 with over 70 percent of primary school age boys and over 90 percent of primary school age girls now in school.

The number of formally unqualified primary teachers decreased from a high of 36 percent in 1971 to just under 30 percent in 1976. The student teacher ratio improved slightly during the Second Plan. Efforts during the Second Plan to better equip the primary schools were generally unsuccessful.

In secondary schools enrollments have increased markedly in the past decade, the total numbers of teachers have increased, the percentage of formally trained teachers has increased, and the student teacher ratio has improved. These efforts did not result in improved student performance, as Junior Certificate pass rates declined from 69.7 percent in 1974 to 55.1 percent in 1978 and Cambridge Overseas Schools Certificate (COSC) pass rate declined from 33.2 percent in 1974 to 29.2 percent in 1978. Most ominously, the absolute number of COSC passes declined from 418 in 1975 to 354 in 1977, resulting in a shortage of students eligible for higher education. Upgrading courses have now been started at the Maths/Science Centre of the National Teacher Training Centre and at the National University of Lesotho.

As most of the primary and secondary schools were started independently by missions, the Ministry does not have a firm description of the educational services of each one. In turn, it does not have a firm understanding of the relative distribution of education services to meet education needs. Consequently, a facilities mapping exercise is underway to ascertain the specific educational services offered in each district in relation to its educational needs.

To meet the overall problem of poor educational performance and inappropriate focus at the primary and secondary level, the Ministry of Education established in

1975 the National Teachers Training College (NTTC), of which the AID assisted Instructional Materials Resource Center (IMRC) is a part. Simultaneously, it moved to advance curriculum development efforts through an expanded National Curriculum Development Center. The IMRC will develop and test materials for use in training primary and secondary school teachers. The NTTC has also established extensive donor supported in-service programs for supporting and upgrading the skills of existing teachers. The materials development capacity and the in-service courses have advanced far more rapidly than the basic curriculum development due to administrative problems in the latter area.

Practical subjects in both primary and secondary education have been introduced on a pilot basis, but have not yet been fully incorporated into the system. To date only a small percentage of students can take advantage of such courses.

During the Second Plan the government established and is now rapidly expanding the Lesotho Distance Teaching Center (LDTC) which provides correspondence courses at the secondary level, as well as backstopping a variety of non-formal education activities. Its two main target audiences for formal instruction are those of school age who do not have regular access to schools and adults who wish to complete their secondary education. The LDTC also is developing specialized instruction materials such as extension pamphlets for area rural development projects and in practical subjects such as weaving, health care and nutrition.

Several vocational and technical education schools have been either established or expanded during the Second Plan, one of the most recent being the AID supported Opportunities Industrialization Center, which is training and providing job placement for school leavers in carpentry, bricklaying, plumbing, and basic business skills. It is AID's perception that with the recent establishment of an accountancy training program by the Irish and the ongoing development of the Institute for Extra Mural Studies, all necessary key institutions are in place. The problem is to upgrade and, on a limited basis, establish new programs in existing institutions.

While efforts are underway to tackle almost every existing educational problem, the establishment of policy focus and development of a coordinated strategy in support of policy has remained a problem throughout the Second Plan. This constraint became the most apparent during the development and review of the Third Plan. The Ministry of Education is just now renewing its efforts to resolve the problem.

4. *Health and Population*

a. *Population Growth*

In 1979, the GOL established that family planning information and materials should be available to interested people. The Prime Minister announced the objective of reducing population growth from 2.3 to 2.1 percent. The Lesotho Family Planning Association (LFPA) is responsible for this activity, and is training nurses in family planning methods. With the extreme scarcity of doctors, it has been an important breakthrough that nurse clinicians are available in increasing numbers to counsel citizens and dispense materials in rural clinics. Training of nurses and nurse-clinicians in preventive as well as curative services and in family planning techniques is being done under A.I.D.'s sponsorship. These promising policy shifts lead us to believe that

there is an increasing effective role LFPA and similar intermediaries can play in Lesotho without direct USAID intervention.

b. Money

The GOL is hard pressed to direct greatly increased budget resources to the health sector. However, some significant measures have been taken:

- a) In an effort to retain medical personnel, the GOL is now increasing doctors' salaries by 100 percent (top pay goes from 9,800 Rand to 18,000 Rand) per year and nurses pay scales by 50 percent (past average has been about R3,600).
- b) The GOL is weighing the impact of increased collection of user fees for medical services for people who can pay. Patient fees average about R1.50 per visit now.
- c) GOL resources and donor assistance are being effectively used in training of primary health workers, upgrading of hospital laboratories, initiation of family planning services, expansion and improvement of village water supplies and sanitary waste disposal, expansion of MCH services, construction and rehabilitation of health facilities, and purchase, fabrication and distribution of medicines.

c. Trained Human Resources

Numbers of doctors, nurses, technicians, and nursing assistants have not markedly increased since 1975. 350 village health workers have been trained in the past two years, but middle-level supervision is still weak and ill-defined. The dozen on-going training programs are being consolidated and standardized. Lesotho's 1,000 or more registered traditional medicine practitioners have recently become eligible to serve as health workers if so designated by villagers, and thereby able to participate in Health Ministry training programs.

While numbers of high-level medical personnel have remained nearly constant in the past five years, substantial progress has been made at the middle and lower levels, both in terms of actual trainees and in formation of institutions for future training programs.

Accessibility to Health Services has not changed markedly in the past five years. Although clinic and hospital construction or rehabilitation has begun to occur, improvements in transportation are not widely available. Hospital laboratories have been established or improved in the past five years, though rising recurrent costs may result in a stalemate.

More progress is needed in shifting from curative to preventive medicine. As an example, the Second Plan has called for an expanded program of immunization to be carried out for children under five. This has now been revised to be accomplished in the Third Plan.

5. Transportation and Communications

Lesotho's transportation system is unique in that it is entirely dependent on the Republic of South Africa's rail, air, and road systems for deliveries of goods and services. The only exception is a few flights per week by Lesotho Airways. Dependency on this

highly technological neighboring country has resulted in a transportation system in Lesotho which radiates from border towns into the Republic's transport system and which heretofore also utilized the Republic's peripheral roads around Lesotho as connections between Lesotho's major border towns. This situation and severely limited capital resources have served as a deterrent to Lesotho's development of a viable internal transport system. The mountainous terrain in Lesotho further has discouraged development of good all-weather connecting roads between its major towns and penetration roads into its interior. Recent political events, however, such as the closing of the Transkei border, have emphasized the need for the building of a viable internal transport system which can effectively link the various parts of the country, serve to promote economic development, and facilitate the conveyance of social services by the Government.

Due to its topography, Lesotho must depend primarily on its road system for its economic development and the provision of social services. To some degree, the road system is complemented by modest air services, and by a 2-km spur of South Africa Railways into Maseru. At independence, the country's road system was very primitive with few if any all-weather roads and heavy reliance on animal or wagon trails. With the undertaking in the 1970's of extensive road building programs, largely with foreign aid, the nation's primary and secondary road transport system currently comprises 278 kilometers of asphalted paved road, 1138 km of gravelled surface roads, and 385 km of earth roads. This system, which is maintained by the Ministry of Works, is complemented by approximately 1000 km of improved roads and rough earth tracks, most of which were constructed under Food Aid Programs administered by the Ministry of Rural Development. These latter roads and tracks receive spot maintenance only by the Ministry of Rural Development through self-help project assistance.

The populous lowland region is served by a main north to south road between Butha-Buthe, Leribe, Teyateyaneng, Maseru, Mafeteng, Mochale's Hoek and Quthing. This road is asphalt paved between Leribe and Mafeteng. Secondary roads lead off from this primary route but most of them terminate at the foothills to the east. At this time twelve additional donor assisted projects are underway for the development of approximately 1160 km of primary routes. Most of these consist of upgrading what are considered to be extremely poor national routes at present. Six of these projects are in the feasibility and engineering stages rather than under construction.

D. HOST COUNTRY DEVELOPMENT PLAN AND BUDGET

The penultimate draft of the Third Development Plan, to commence on April 1, 1980, was issued in October 1979 and reviewed with donors in November 1979. The Plan continues the GOL's long term policy theme of countering the inherited polarization of development. The Plan recognizes, however, that given Lesotho's comparatively weak position relative to South Africa, a large degree of polarization will remain for many years irrespective of developments. Lesotho will thus continue efforts at sustainable domestic development, but will also continue cooperation with South Africa, strictly on the basis of economic and social benefit to Lesotho. The Highland Water Scheme is a primary example of such cooperation.

The Third Plan lists six broad development objectives to support its policy theme: reduced economic vulnerability through sustainable economic growth and diversification, increased domestic employment, increased social welfare, promotion of social justice, protection of the land and water resource base, and increased popular participation in national development. Each of these is in turn supported by a number of sub-sector objectives. As seen in the strategy section, all U.S. assistance activities contribute directly to one or more of these objectives. The objectives themselves are mutually reinforcing; for instance, sustainable economic growth, increased domestic employment, and a protected yet increasingly productive resource base all go hand in hand.

The Plan aims to tackle the major strategic issues associated with these broad objectives in a more systematic way than has been attempted before. In support of this aim, the government is undertaking major efforts to strengthen its capacity for analysis and planning, both in the Central Planning Office and in the various ministries.

The government will try to increase real capital expenditure by fifteen percent annually during the Plan while holding real recurrent expenditure relatively constant. The government's strategy for doing this is to focus by far the largest increase in capital expenditure on roads. In order to meet the medium and long term recurrent costs inherent in this approach, the government inevitably will seek to reduce these costs through donor and popular contributions to maintenance. While those sectors – such as agriculture, education, and health – with high ratios of capital to recurrent costs are apportioned a slightly smaller share of capital expenditure in the Third Plan than they were in the Second, they all have received real increases in absolute terms. The modest increase allotted to the agriculture sector is a hopeful sign as long as it means abandonment of some recent capital intensive, direct production interventions by the government. These failed to increase production, lost money, and often accumulated stocks of capital equipment left unserviceable through lack of maintenance capability.

The Third Plan does explicitly shift emphasis of the government's food production programs from direct government participation toward support of farmer efforts at the village level. While USAID most heartily concurs in the shift, development of a specific program approach in the face of the constraints listed in Section B will take a long while. Farmers will not see the consequences of the revised approach until late in the Plan.

The government intends to make other contributions to increased domestic income and employment through attracting foreign investment in comparatively more sophisticated enterprises and through local development of crafts and other basic agricultural and construction related activities.

These efforts at immediate, sustainable increases in production and income notwithstanding, major domestic economic growth during the Third Plan will continue to occur from increased construction and possibly government services and tourism. The economic and institutional basis does not yet exist for achieving sustainable increases in employment and income, and the effects of current investments in basic economic and institutional infrastructure will not be felt for a decade or two.

Thus, for the poor majority prospects for private goods are likely to deteriorate through the Plan period, given that population will expand more rapidly than jobs and income. Such government activities as labor intensive road development are needed not only to provide better links with the rural areas but also to provide short term jobs. Other projects, such as the A.I.D. assisted Renewable Energy Technology project, the U.K. assisted afforestation activities and the communal gardening activities will also help cushion the effect of shrinking income by providing alternative, low cost sources of necessary consumption goods.

Prospects are much brighter in the service area as major efforts are underway with respect to education, medical care, transportation, sanitation, and rural water supplies, all aimed at providing immediate benefits and opportunities to the rural poor majority.

Government funding projections for the Plan concern public expenditures only; USAID is not in a position to make detailed estimates for the private sector except to say that improvements will only be marginal during the Plan.

E. OVERVIEW OF ABSORPTIVE CAPACITY

The organizational, management and financial constraints typically considered in an absorptive capacity discussion have been dealt with elsewhere in this CDSS. Here, we want to distinguish between absorptive capacity to do individual projects which may have merit and absorptive capacity to determine, plan and then undertake a program consisting of carefully considered priority activities that reinforce and extend Lesotho's growth and development as a viable sovereign state.

Lesotho's capacity to undertake aid projects is quite elastic. For example, between 1976/77 and 1978/79 real capital expenditures grew by 135 percent. This occurred with the same real resources as existed in 1976/77 even though these resources were not at that time considered underemployed; i.e., the same manpower constraints existed in 1976/77. Lesotho provides a poignant example of being overwhelmed by the demands of individual activities, mostly of some merit, which threaten to have centrifugal effect on overall GOL capabilities. In the absence of the establishment of rigorous national operational development priorities, donors offer activities that meet apparent needs without, however, assessing the impact on GOL resources, human as well as financial. A project is planned with apparently minimal GOL support; technical assistance is provided to carry it out and as much of the project is financed as necessary. Yet even minimal GOL support may detract significantly from Lesotho's ability to build its capacity for sustained economic and social development. Over time, as the process expands, the real resources Lesotho can contribute to an activity may decline as they get spread over more and more activities, but donors then compensate by providing a greater percentage of the real resources. The problem with these activities is that they are scattered, uncoordinated and are not designed and fitted into a larger comprehensive framework for developing national viability. When donor support ends, the activity collapses, Lesotho's resources are shifted to a new proposed activity, and the sterile cycle recurs. Funds are spent and temporary gains may be made but they cannot be sustained independently and the objective of expanded development and strengthened viability is not brought nearer.

It is the judgment of USAID/Lesotho that far greater emphasis must be placed by the donor community and the GOL itself on a systematic approach to overcome the critical constraints to long run viability and coordinate all available resources, local and foreign, to accomplish the task. At present, Lesotho's capacity to do this is overwhelmed by the proliferation of well - intentioned but uncoordinated and sometimes misguided projects which command high level attention for even trivial matters. In a country where even the most trivial decisions require resolution at the highest levels within ministries, the lack of operational and planning priority in national terms – rather than in terms of simple acceptance of proffered assistance – is a key constraint to development. Expressed with some force at the recent GOL-sponsored donors' conference, the resolution or at least mitigation of this dilemma is a key operational priority of the U.S. aid program in Lesotho.

F. OTHER DONORS

1. Donor Role

The donor community is the primary source of investment funds for economic development, providing over seventy percent of capital expenditure in each of the last two years of the Second Plan. To fully implement the Third Plan, beginning April 1980, donors will have to provide over ninety percent of the capital budget. The donors are also a leading, if not the primary, source of technical and professional manpower at the mid to upper technical levels of government. Finally, with the vast increases in expenditures for economic development, the donor community contributes an increased share of planning and policy analysis, especially the technical as opposed to the political aspects. This has been done through increased technical and training assistance to the various governmental planning offices and through a steady stream of government requested, development related, special studies.

The relative importance and principal activities of donors are depicted in the following tables. Road transportation, civil aviation, and agriculture retain their major share of donor funding in the Third Plan, with urban development receiving increased funding over the Second Plan.

As donor activities extend throughout the government's development efforts, the relative success or failure of their efforts cannot be separated from that of the government as discussed in other sections. Table 2 indicates that total projected Third Plan capital expenditure is \$614 million. Adding existing donor commitments to projected government and commercial financing gives a funding shortfall of \$347 million. In order to meet the shortfall, donor expenditures would have to more than double the 1978/79 assistance levels in real terms. Clearly the government is counting on large increases in donor funding levels throughout the Third Plan to meet its targets.

2. Donor Coordination

The increasingly expanded and comprehensive nature of development activity and donor effort has brought about increased need for donor coordination. The government has recognized this need and has taken a leading role in donor coordination through the hosting of donor conferences, especially the major conferences at the beginning and the mid-points of the Development Plans. At a more operational level, the Central Planning and Development Office is charged with coordinating donor assistance within the context of Lesotho's Development Plans.

Donors also conduct informal monthly meetings in Maseru. These serve to keep each other informed on the status of various donor efforts and, from time to time, focus attention on a given development issue. This informal process serves as an operational backup to the thinly staffed and overburdened CPDO.

Apart from keeping each other informed on individual activities, various donors combine to participate in activities too big for any one to undertake individually. The most notable example is the Basic Agriculture Services Project (BASP) involving major assistance from the World Bank, the United Kingdom, the Federal Republic of Germany, the European Development Fund, and the UNDP.

3. *A.I.D. Experience With Other Donors*

A.I.D. experience with other donors centers, first, on the informal coordination described above, which has generally proceeded satisfactorily. The second aspect of experience centers on a series of efforts to engage in joint activities with other donors, primarily the World Bank, none of which met with success. The Thaba Bosiu project commenced as a joint project with the World Bank Chief of Party serving as director of the joint donor effort. Disputes among the technicians, and what an A.I.D. evaluation perceived as shortcomings in the management of the overall activity led to a decision to place the respective donor activities under separate management.

Further, a mixture of expatriate technicians and backgrounds may lead to disputes and conflicting advice being given to the host country's officials. This has occurred in a number of cases in Southern Africa. In general, the A.I.D. experience in Lesotho weighs in favor of parallel and coordinated, but not joint, efforts. In addition to the operational problems just noted, differences in analytical requirements and procedural methods mean more managerial attention to meeting the requirements of the various donors than the results of such a joint effort would warrant.

4. *Conclusion*

Donor roles will be strengthened and made more effective in the direction of parallel, coordinated efforts as the GOL and the donors achieve greater consensus on critical development problems and constraints, and on strategies to counteract these constraints. The donors have generally shown themselves willing to undertake individual steps involved in coordination. It now remains to combine these steps in greater harmony toward a more clearly defined common purpose. This is widely recognized and a major effort in this direction is underway through broad efforts at improved government planning capability.

TABLE 1
FOREIGN ASSISTANCE TO LESOTHO ^{1/}
(In million U.S.\$)

	1976	1977	1978	1979
<u>Bilateral</u>	<u>32.7</u>	<u>32.0</u>	<u>52.0</u>	<u>30.5</u>
United Kingdom	21.6	10.1	8.0	8.0
United States	6.2	7.7	31.5	10.0
Canada	1.2	3.3	4.0	4.5
Germany	1.9	1.9	2.3	2.5
Sweden		2.5	2.0	2.0
Denmark		1.0	1.8	1.2
Other	1.8	5.5	2.4	2.3
<u>Multilateral</u>	<u>11.2</u>	<u>16.5</u>	<u>21.4</u>	<u>25.3</u>
IBRD/IDA	5.5	2.3	6.0	3.5
UNDP	1.7	9.6	9.5	9.4
ADB	2.5	1.2	2.0	3.2
EDF	1.5	1.2	2.5	7.5
OPEC		1.8	1.4	1.7
Total	43.9	48.5	73.4	55.8

^{1/} The data in this Table are highly tentative and are intended to indicate rough orders of magnitude only.

TABLE 2

TOTAL DONOR COMMITMENT
TO GOL THIRD PLAN, CAPITAL ASSISTANCE
(\$ 000)

<u>SECTOR</u>	<u>DONORS</u>	<u>GOL</u>	<u>Internal COMMERCIAL</u>	<u>SHORTFALL</u>
Rural Develop	26,558	2,777	-	22,602
Food & Agr.	44,257	8,305	-	40,589
Ind., Comm., Labor	9,488	2,887	6,205	28,853
Water & Mineral	962	959	-	25,876
Trans & Commun.	105,752	11,114	-	77,648
Edu & Trng	9,734	2,878	-	27,872
Health	4,174	360	-	20,990
Urban Dev.	20,728	5,935	1,294	23,230
Gov't Serv.	1,109	7,985	3,511	74,996
TOTAL	<u>222,762</u>	<u>43,200</u>	<u>11,010</u>	<u>342,656</u>

II. STRATEGY

A. ANALYTICAL CONCLUSIONS

The discussions contained in the analysis point to a number of general conclusions which must be taken into account in further defining and refining an AID development strategy for Lesotho. They are as follows:

1. A.I.D.'s primary target group is the poor majority in Lesotho who are rural holders on small, allocated plots of farm land and with access to grazing on communal land. Many, if not most, do not perceive production as low, do not see resource depletion as a major problem, and do not see agriculture as a way to make a living. Those who do see the possibilities for increased production and have the knowledge and ambition to undertake the effort are handicapped by lack of comprehensive, reliable production incentives and the ability to claim more land.
2. In the absence of alternative resources in amounts to sustain economic growth, the existing stock of arable and range land, if utilized to the utmost, could do so. However, both farm and range lands are deteriorating rapidly.
3. While many of the rural poor are benefitting from incomes from migrant labor which allow for significant savings, these savings are not being widely invested in productive activities for lack of incentives and opportunities. Similarly, the government is not fully investing the money available to it from the customs union relationship and from migrant taxes and savings.
4. Even though customs union arrangements and other aspects of the economic relationship with South Africa skew prices and other factors against improved agricultural production in Lesotho, the combination of off-farm employment opportunities, the workings of the land tenure system, and the lack of agriculture support services indicate that neither changes in the customs union arrangements nor withdrawal from the customs union itself would result in markedly increased agriculture production.
5. Approaching any one factor in isolation won't work either. For example, imposing a freehold land tenure system would, in the absence of a rapidly expanding job market, merely add to the concentration of resources and increase unemployment. Quick input packages are often wasteful because farmers are forced to take risks without being convinced of commensurate benefits, the changes are too comprehensive for the farmers to accept at once, farmers are likely to hold a residual skepticism from previous projects, and the packages are often too management intensive for the government to execute in the allotted time because of general shortages of skilled manpower and institutional weaknesses.
6. Prices and other relationships embodied in the customs union arrangements do affect industrial and commercial developments in Lesotho. The net effect is likely to lead to capital intensive investment inappropriate to Lesotho's labor surplus factor endowment.

7. All of the above cannot be ignored in view of the slow down in migrant mine employment, as South Africa turns to more capital intensive production methods and, more significantly, to increased internal and homelands employment. It is not reasonable to expect profound improvements in the short term. While certain specific improvements, especially with respect to human needs related services, can be made in the short term, general sustained economic growth in Lesotho is a very long term proposition replete with serious difficulties.

B. OBJECTIVE

In line with U.S. developmental, humanitarian, and political interests, the primary objective of the AID program is to contribute in a systematic and coordinated fashion to the accelerated development of Lesotho as an independent state able to serve more effectively essential social and economic interests of its citizens. In view of the many constraints as well as the stresses and dislocations caused by regional political and economic factors, in particular the close and complicated dependency relationship with the Republic of South Africa, this objective is not an easy one to attain.

C. USAID STRATEGY STATEMENT

The Mission believes that the government's development policy, objectives, funding allocations, and flexible search for correct methods of approach give sufficient encouragement to warrant continued assistance in support of our primary objectives consistent with absorptive capacity.

The AID strategy is to build toward sustained development in the long run (25-30 years) while cushioning some of the harsher effects of poverty in the short term. As the preceding analysis has shown, Lesotho will have to rely on, and therefore must develop, its agricultural system as the only viable cornerstone of the economy, if it is to attain greater economic and social viability. The analysis also shows that the essential elements to attaining a prosperous, agricultural-led economy are: (1) physical infrastructure for rural production and conservation of land based natural resources aligned with associated institutional and programmatic development; (2) economic planning and research centered primarily on agricultural production; and (3) overcoming manpower shortages to reaching the above objectives. Complementing these three elements, our recommended strategy includes selected but limited association with the GOL's efforts to take immediate steps to increase rural incomes, employment and availability of needed services. These are the major programmatic elements to the strategy. To implement this strategy over the 1982-86 period, we see two distinct phases to USAID assistance, a consolidation phase lasting through 1983, and a sub-sectoral support phase in 1984-86 and beyond.

In Phase I, the Mission proposes no new activities but rather a period of solidification and sharpening of focus, following an earlier build up of activities which are just now being implemented. The funding requirements of these existing activities over the next few years will strain reasonably available allocations and will fully occupy the very limited Mission staff. The GOL will also be hardpressed to meet its funding and manpower requirements (please note counterpart discussion under absorptive capacity) while a number of activities are developing problems with respect to management, operations, and direction which require extensive management time on the part of both the GOL and AID.

Examples of the latter include refining the focus and direction of the Lesotho Agriculture Sector Analysis project, finding counterparts and trainees for both the Farming Systems and the Rural Health projects, developing suitable working arrangements between the Instructional Materials Resource Center and related, other donor supported projects engaged in other aspects of curriculum development, and helping to establish a prioritized policy framework for the Ministry of Education.

The need for general rationalization and tightening up stems from the rather rapid build up from 1976. A number of worthwhile, but essentially peripheral projects identified during the build up period have since been dropped (e.g., Southern District Rural Infrastructure and Shelter Development and Community Planning). Moreover, it has been a primary Mission concern to ensure appropriate linkages among projects now ongoing or under active consideration. Relevant examples include the need to tie manpower development and training activities to specific institutional development activities, and to ensure that AID's IMRC project contributes to productive knowledge for both the rural poor and a more qualified pool of manpower for the technical ministries, commerce, and industry, where effective programs for expanded economic activity and rural services, directly benefitting the rural poor, must be developed and carried out.

The Mission believes that existing activities provide a useful nucleus in a limited number of key areas to be the appropriate spring-board for Phase II, a less project-oriented assistance program that can be used flexibly and with maximum responsiveness in support of effective GOL policies and priorities. This second phase of the AID strategy involves further concentration, which is mandated by the need for deploying sufficient resources to ensure optimum effectiveness, a sober view of budget practicalities, and likely AID staffing constraints. With sustained interest by other donors and increased articulation of the GOL's development priorities, USAID/Lesotho suggests that there be no follow on activities in health and sanitation undertaken directly with AID funds.

The first step beyond existing activities in agriculture and education is for the U.S. assistance program to support augmented institutional capabilities of the GOL, and as necessary and requested, provide the means, through long and short term expertise and training, for reinforcing strengthened development policies and requisite supporting prioritized strategies.

The need for fleshed out policies and prioritized strategies was a common concern of donors at the November review of the Third Plan. GOL reaction was very favorable. Interestingly enough, the Minister of Education has just issued a policy statement concerning systematized curriculum development, which covers many of the concerns previously held by both government and donors and which reflects an approach strongly favored by this Mission. As an indispensable first step to determining a priority approach for the critical education sector, the Permanent Secretary and the Mission human resources development officer are about to undertake a joint review of the Kenya education sector study to develop and refine ideas concerning effective programming of resources. This will be an exceptionally promising area for U.S. assistance on a program rather than project basis as priorities are established and implemented. The opportunity also exists for the U.S. to make useful contributions to the planning process itself in the education sector.

Similarly, in the key areas of agricultural planning, research and management, USAID proposes that in the second phase of the five year period, assistance be furnished on a program rather than project basis. Roundly criticized for lack of an operationally

useful agricultural development strategy, the GOL is looking toward an international mission, followed by a conference of donors, to assist it in developing and refining such a strategy. Inevitably, given the state of the agricultural sector and the extent to which the Ministry of Agriculture is badly understaffed, there will be a premium placed on planning capability that can handle effectively the long and medium term and also deal with immediate, continuing needs. Final consideration and adoption of a strategy emphasizing livestock and greater labor intensive activity in cash crops — particularly high income, highly perishable crops — in which Lesotho theoretically has a distinct comparative advantage, make it imperative that effective research, extension and marketing institutions are functioning. With agricultural income likely to become increasingly important to survival of Lesotho's economy, the entire staff of the ministry, as well as ancillary and complementing institutions require substantial upgrading and augmentation. Donor interest in these areas is strong if not especially well-orchestrated. Assistance, with its heavy emphasis of improving national capability rather than a fragmented project approach, can play an exceptionally critical and effective role.

In the operational program area of protection and conservation of land-based resources, an ambitious project scheduled to begin in FY 80-81 serves as a useful transition to a more extensive national approach, while the basically research-oriented renewable energy technology project is expected to help provide a useful inventory of appropriate resource-saving energy sources.

Given the extremes of environmental degradation and dearth of wood and other natural resources, U.S. association with Lesotho's need to overcome its desperate resource situation makes sense in the light of our recognized, almost unique expertise in the area and the qualified success of our efforts since inception of U.S. programs in Lesotho. USAID believes that by FY 84, it will prove far more practical and cost effective to support GOL efforts in these and related areas through a subsectoral or program approach.

In order to proceed with such an approach to the protection, conservation and development of land, the GOL will need to have in place at least a tentative long range master plan with intermediate targets and resource requirements to achieve the objectives of the plan, an organizational structure that is capable of developing and carrying out yearly work plans within the master plan and has the flexibility to adapt its plan to meet changing circumstances. The Mission would provide the financing for specifically defined components of the overall program.

The fourth component of the strategy concerns the need for palpable direct support to rural based income and employment and service activities. AID-supported activities generally will flow from the development framework established by the policies, strategies and plans worked out over the next few years. USAID foresees some scope for further assistance in small scale enterprise development, vocational training and other aspects of achieving greater self-reliance for Lesotho. The individual activities may be small and require extensive direct interaction with the intended beneficiaries. USAID intends to rely primarily on private voluntary organizations, Peace Corps, and other appropriate intermediaries in this area. However, in the interest of avoiding dissipation of critical attention by both GOL and USAID, we wish to emphasize that activities to be considered should fall within the framework of a systematic approach to the area or sector to be assisted. Such area must represent a genuine priority to

Lesotho's development. Thus, USAID expects to avoid pressure to fund a number of well intentioned *ad hoc* activities which can, and unfortunately often do, provide a case of *seductio ad absurdum* while fundamental issues are slurred over.

Subsector assistance will constitute an important advance in the impact of the AID program. It will elevate the AID/GOL dialogue from one which currently must often focus on more narrow and mundane matters associated with project implementation to one in which the overall direction and impact of key subsectoral programs can be discussed and shaped. USAID's GOL contacts – and thus the participants in any dialogue – are the same regardless of level of substance discussed. A relationship built upon subsectoral rather than project considerations will help orient the Lesotho decision makers to focus on broader development issues and through this process to improve the efficiency and impact of resources at their disposal. It must be recognized that these subsectoral systems may not be fully in place by 1984; the Mission is confident that, with the donor community's assistance, they will be sufficiently well developed to allow us to move the programs in that direction.

Achievement of these objectives and implementation of subsidiary activities are expected to have the following impact upon the poor majority by 1986:

1. Lesotho's poor majority will have far greater access than at present to key services and will be engaged in a series of productive activities providing substantial additional benefits. These include widespread use of alternative technologies, increased access to clean water and appropriate health services with more widespread use of better health practices, and greater involvement in small scale cash income activities.
2. Programs approaching nationwide scale extending physical infrastructure to protect, conserve, and develop land based natural resources. These involve arable and range land development activities and rural access roads. (Associated activities, such as extension programs, will foster the improved agronomic practices necessary to make the infrastructure fully effective.)
3. Greater access to markets and services and greater knowledge and skill to make good use of them.

D. IMPLICATIONS FOR FORMS AND BLENDS OF ASSISTANCE, MANAGEMENT UNITS, AND USE OF MISSION STAFF.

USAID will continue existing blends and forms of assistance for the planning period. Except for modest PL 480 Title II inputs, reliance will continue on AID project grants for the period through FY 83 and increasing shifts wherever feasible and appropriate to sector or subsector grants thereafter. Activities beyond projects specifically approved or planned at the present time, will consist of highly concentrated programs restricted to the four areas of strategy identified above.

The variety of mechanisms – OPEX technicians, institutional contracts, cooperative agreements, and PVO's – provides a welcome flexibility with regard to selecting the most effective mechanism to achieve a given objective. On balance, however, the USAID has not found any one of these mechanisms to be significantly less management intensive than any of the others. Technicians in the field have required about the same amount of USAID backstopping regardless of implementing mechanism used. The major variable in determining management requirements for technicians concerns the nature of the technician, the circumstances of his work, and the degree of effective GOL support to the basic activity being supported.

The major PVO's such as CARE and CRS require perhaps the least USAID attention of any assistance mechanism. This is perhaps because they have a fairly set program with a sophisticated planning and management support structure. Some smaller PVO's or those without the planning capability involve an inordinate amount of USAID time in design work as well as extensive monitoring and evaluation and occasional involvement in project negotiations.

The number of management units will gradually decrease as projects phase out and the subsector approach is adopted. This is important in terms of substantive quality of work performed by USAID staff while it has little or no effect on quantity of work. The current USAID staff is spread thin over a plethora of individual activities with a host of problems ranging from substance and emphasis to the most stultifyingly picayune. In sum, it is hard to see that USAID management time and personnel would decrease. Potentially, the major reduction in management effort might well be in AID/W where less time will be required for project review, contracting, and related tasks.

III. ASSISTANCE PLANNING LEVEL

The assistance planning levels proposed in this submission are based on the following factors:

(1) Experience shows that while LOP funding is a desirable goal and has received wide endorsement throughout AID, budgetary realities in FY's 79 and 80 have dictated opposite trends. An ever-increasing proportion of total planning availabilities has had to be set aside to meet outstanding approved projects and, very importantly, projects currently in the design and approval stage. Both FY's 82 and 83 require amounts substantially above the current FY 80 OYB (which in turn represents less than 50 percent of our CP request, an earlier version of a PAPL). While this Mission is keenly aware that this presentation is not a budget document, it would be taking an ostrich-like approach to ignore the uncomfortable realities of the AID budget process.

(2) With the exception of (1) projects contemplated for FY 80 or 81 approval and (2) continued manpower development activities which are expected to be spread throughout several sectors and public departments, USAID/Lesotho proposes the abandonment of the traditional project approach. We favor instead (1) sectoral and sub-sectoral grants in the four key areas identified as key assistance areas and (2) limited reliance on various intermediaries, in particular PVO's or similar organizations, in areas where the sector or subsector approach is not warranted due to the need for planning and undertaking relatively small scale activities in order to accomplish a broader range of objectives. USAID/Lesotho perceives this situation to exist to a considerable degree in Emphasis Area II, Rural Income, Employment and Services.

(3) In the interest of reducing administrative and negotiating requirements in favor of sharpened attention to policy, strategic and substantive priority issues, USAID/Lesotho would like to opt where feasible for a multi-year commitment to a subsector or ministry with funding releases made on an annual basis virtually automatically as USAID is satisfied that the terms and conditions of assistance are being complied with. At this early stage, USAID considers it somewhat premature to adopt this approach except in two clearly defined areas; specifically, (1) a regionally funded maintenance program supporting the Southern Perimeter Road beginning in FY 82, to be replenished once three years later; and (2) planning, research and management assistance in the Ministry of Agriculture where with likely heavy emphasis on technical assistance, OPEX and training, multi-year funding is appropriate.

The proposed levels are somewhat in excess of Lesotho's Indicative Planning Allocation of \$14.0 million. While our request exceeds the IPA level, it is quite modest in proportion to Lesotho's development needs and plans. The Third Plan lists capital funding shortfalls of \$343 million in 1980 dollars beyond all identified contributions, including A.I.D.'s. More than \$91 million of this shortfall is in rural development, agriculture, and education. These shortfalls do not include technical assistance and training needs which, when included, add greatly to Lesotho's as yet unmet assistance requirements.

U.S. interest in Lesotho, as reflected by annual funding allocations and discussions of possible activities with GOL, has fluctuated substantially. USAID/Lesotho considers it imperative to maintain and extend U.S. credibility and proposes to do that in two ways: (1) completing project commitments and undertaking that limited number of new projects previously identified as GOL priorities that have been proposed in prior

year's submissions for FY 80 and 81 initiation; (2) abandoning by and large the project approach in favor of sector or subsector undertakings which can be adjusted, as need be, by budgetary realities. To complete currently on-going projects requires in excess of \$20 million alone in the first two years of the planning period. A further \$17 million is required for funding projects currently in the planning process where GOL expectations have been encouraged by the U.S. Across the board, amounts proposed represent a reasonable costing out of the major inputs – training funds and programs, advisers and technical experts, specialized equipment and materials, and local cost contributions. The precise kind of inputs would be determined largely by the Basotho themselves as nation-wide priorities are identified that are consistent with AID emphasis. Ideally, they should be higher, given the multiplicity of challenges and the universality of the need. USAID/Lesotho, however, believes that budget realities, the extent of U.S. interests in Lesotho, and the expected efficiencies to be encountered as a result of pioneering work to wean GOL from a heavily predominant project focus will permit the U.S. aid program to be increasingly effective – and influential. USAID is reasonably confident that the approach will also encourage more efficient planning by GOL and other donors of the total assistance resources available to Lesotho.

In the face of the continuing shortages of nutritious food supply in the rural areas, particularly in the mountains, and high incidence of nutritional disorders among large elements of the poor majority who cannot afford to buy adequate food, as well as limited prospects for rapid crop increases, USAID believes it appropriate to program PL 480 Title II commodities for continuing support of maternal child health and food-for-work. Project inputs for two program areas of emphasis are consistent with earlier requests and are limited so as to avoid the possibility of serving as a practical disincentive to increased local production. In the case of PL 480 Title II resources proposed for Program Area I, Protection and Conservation of Land-Based Resources, USAID foresees the possibility of a Title II Section 206 program in FY 82 and beyond, rather than traditional food-for-work. Thus development and humanitarian concerns of the U.S. would mesh effectively in a program of high visibility and appreciation among Lesotho's poor majority and the GOL.

Staffing Implications of the Proposed Strategy.

Current Mission staffing is limited to 10 direct hire Americans and 9 Basotho. This is considered to be the minimum needed to perform the wide variety of tasks demanded by the U.S. assistance program in Lesotho and the exigencies of work generated by the AID system elsewhere.

In the interlocking areas of program emphasis, a committee approach by highly qualified U.S. staff, aided by some professional-level Basotho, is designed to bring key elements to bear on individual issues and topics. Basic capability must exist within the Mission to engage in useful dialogue with Basotho within and outside the GOL. Such capability establishes our *bona fides* as being genuinely concerned about Lesotho's development and credible and worthwhile partners in Lesotho's development process. With the transformation of the U.S. program from project to sector orientation, it will be particularly important to provide professionally qualified staff able to think and act in terms of the development issues as well as providing needed coordination, monitoring and evaluation capability. While numbers of staff will not decrease, substantially larger issues will become the responsibility of Mission staff. Moreover, the staff will have the ability to manage and monitor effectively far larger and more comprehensive resources for the program areas of emphasis if budget availabilities so

permit. Invariably, Mission staff will need selective augmentation in specialized areas, particularly sector assessment, organization and methods, and other analytical skills as well during the planning period. However, much of this needed expertise will be called for under the contemplated program activities, since Lesotho's need will parallel substantially that of USAID. Insofar as project or sector funds are inappropriate for such work, Program Development and Support funds will be required.

Proposed Assistance Planning Level
By Development Objective and Source/Type of Funding
(in millions of constant dollars - 1980)

	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>Total</u>
I. <u>Protection and Conservation of Land-Based Resources</u>	<u>2.2</u>	<u>2.2</u>	<u>1.8</u>	<u>6.0</u>	<u>4.0</u>	<u>16.2</u>
Project Grants	2.2	2.2	1.8	-	-	6.2
Sector Grants	-	-	-	6.0	4.0	10.0
PL 480 Title II Food-For-Work	(1.0)	(1.5)	(2.0)	(2.0)	(2.5)	(9.0)
II. <u>Rural Income Employment and Services</u>	<u>13.5</u>	<u>7.5</u>	<u>3.7</u>	<u>7.5</u>	<u>3.5</u>	<u>35.7</u>
Project Grants (Bilateral)	8.0	6.0	2.2	-	-	16.2
Project Grants (S.A. Regional)	4.0	-	-	4.0	-	8.0
OPG's, Block Grants, etc.	1.5	1.5	1.5	1.5	1.5	7.5
Sector Grants	-	-	-	2.0	2.0	4.0
PL 480 Title II Food-For-Work	(3.0)	(2.8)	(2.3)	(2.3)	(2.0)	(12.4)
PL 480 Title II Maternal/Child Health	(3.6)	(4.0)	(4.3)	(4.3)	(4.5)	(20.7)
III. <u>Agriculture Planning, Research and Management Infrastructure</u>	<u>3.5</u>	<u>2.8</u>	<u>3.8</u>	<u>-</u>	<u>3.0</u>	<u>13.1</u>
Project Grants	3.5	2.8	0.8	-	-	7.1
Sector Grants	-	-	3.0	-	3.0	6.0
IV. <u>Human Resources Utilization and Development</u>	<u>5.1</u>	<u>3.6</u>	<u>8.0</u>	<u>7.0</u>	<u>7.6</u>	<u>31.3</u>
Project Grants	5.1	3.6	3.0	3.0	3.6	18.3
(of which centrally funded - non-add)	(1.0)	-	-	-	-	(1.0)
Sector Grants	-	-	5.0	4.0	4.0	13.0
(of which centrally funded - non-add)	-	-	(2.5)	(1.0)	(1.0)	(4.5)
AID Resources	24.3	16.1	17.3	20.5	18.1	96.3
(On-going Projects)	(11.7)	(9.1)	(0.5)	-	-	-
(Planned and Previously Presented Projects)	(6.6)	(6.0)	(4.8)	-	-	-
PL 480 Title II	7.6	8.3	8.6	8.6	9.0	40.1