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DRAFT FINAL REPORT

MANUAL FOR ACTION IN THE PRIVATE SECTOR (MAPS)

LESOTHO

November 1, 1989

Submitted by

M. Peter Leifert
LABAT-ANDERSON Incorporated

and

Tessie San Martin
J. E. Austin Associates

for

The A.I.D. Africa Bureau
Office of Market Development
and Investment (AFR/MDI)

and

USAID/Lesotho

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LESOTHO MAPS REPORT

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Introduction

Donor assistance in Lesotho is significant. In 1987, according to the UNDP report on donor activity, total assistance amounted to US\$73,750,000, equal to approximately 20 percent of the country's gross domestic product (GDP) that year. Bilateral donors provided 49 percent of technical assistance, the United Nations (UN) system (including the UNDP) provided 28 percent, and other multilateral institutions, such as the European Economic Community (EEC), provided the remaining 23 percent. Most donor funds were spent in the areas of education, agriculture/forestry/fisheries, transport and communications, and health.

The United States Agency for International Development (USAID) accounted for 31 percent of total bilateral and 20 percent of total technical assistance to Lesotho in 1987. It has been a major player in those areas where donor activity is the heaviest. In 1987, the United States accounted for 51 percent of bilateral technical assistance in agriculture and education and 45 percent of total bilateral technical assistance in health.

According to UNDP figures, the pattern of donor assistance to Lesotho will remain fairly constant into the early 1990's. Though not all the figures are yet available, donors have estimated that under existing projects, the percentage of total assistance (technical and capital) over the short term will be as follows:

<i>Assistance Category</i>	<i>Percentage</i>
Education	34%
Agriculture	29%
Transport	10%
Health	9%
International Trade and Development	3%
Industry	2%
Natural Resources	2%
Population	0.4%
Other	11%

Total assistance to the private sector is difficult to estimate, but seems to be fairly small. While many projects may indirectly promote private sector efficiency or productivity, for the purposes of this analysis an activity is considered to be "private sector" only if the assistance is directed to persons outside the government as primary beneficiaries and implemented exclusively or primarily by private sector institutions. **Under this definition, less than 1 percent of total planned assistance to Lesotho can be considered private sector.**

The most active donors in the private sector are CIDA (Canada), the Scandinavian countries, the Republic of Ireland, and the United States. The UN system, through its International Trade Center in Geneva, has been supporting activities to increase exports, channeling financial assistance to handicraft cooperatives, sponsoring trade missions, and providing some marketing intelligence and support services for the Lesotho Association of Exporters.

USAID has been a leader in privatization activities in Lesotho, starting with designing and implementing a cost-recovery scheme for a rural water-supply pump project. The success of this initiative (now being adopted in half a dozen water pump projects) helped decrease the maintenance burden on the Government of Lesotho (GOI) and paved the way for additional activities in this area. U.S. private sector promotion activities are at the moment concentrated in the area of training (through a human resources development

project that is channeling more than 30 percent of total project funding for training and private sector development directly to and through the Lesotho Chamber of Commerce and Industry) and agriculture (where one project is facilitating the privatization of agricultural marketing and a second is working directly with small farmers and agroindustrial entrepreneurs).¹

This report, a summary of the private sector assessment undertaken by the USAID Mission in Lesotho, outlines the investigations that have taken place to increase understanding of private sector needs and constraints. The findings from these studies are intended to help identify activities that promote development through the private sector. Of particular interest are potential activities that rely on the private sector as implementing agents and thus minimize the burden of assistance on the Government of Lesotho.

Activities that fit within this category will create private sector linkages and mechanisms and a private sector enabling environment that will assist the Mission and the Government of Lesotho in reaching their overall development objectives. They will do this by promoting new and expanded business activity that can lead to substantially increased rural production and productivity, new employment, an increased number of entrepreneurial initiatives, and increased incomes.

The USAID Mission intends to build on its base of experience working in rural areas, in training and educational activities, and in investment promotion. Through the application of project resources in the strategic areas noted later in this report, the USAID Mission hopes to enable the private sector to increase its contribution to development and at the same time improve the effectiveness of the A.I.D. assistance program in Lesotho.

¹The USAID/Lesotho Manual for Action in the Private Sector (MAPS) Phase I Report of November 1988 provides greater details on these USAID private sector activities. More detail on the donor activity data given above can be found in Annex A to the present report.

I. Summary of MAPS Process and Phase I

The Manual for Action in the Private Sector (MAPS) is a framework adopted by the U.S. Agency for International Development for developing strategies to support and promote private sector development. The framework has been or is being implemented in more than 10 countries in Africa. MAPS is a process in which a number of activities, including primary and secondary data collection and discussion sessions with governments, other donors, and private entrepreneurs (See Exhibit B.1 in Annex B), are carried out to improve a USAID Mission's understanding of and contacts with the local private sector and to design a private sector development strategy based on this information.

Private sector development activities cannot exist independently of the Mission's overall development objectives for the country, but must instead help to strengthen and support the Mission's overall development strategy. Accordingly, the first step in the MAPS process is to analyze the current Mission strategy and the current role of private sector development activities and mechanisms within its portfolio of activities. In this way, subsequent activities related to research and strategy design are matched to meet overall Mission development objectives. This first phase began in November 1988.

The strategy articulation details contained in the MAPS Phase I report of November 1988 showed that private sector development already played a key role in the Mission's overall strategy for Lesotho's development. While a significant portion of the Mission's resources were being channeled through the public sector (particularly the Ministry of Agriculture and the Ministry of Education), a fair number of activities related directly to the private sector. Key activities in this regard were:

- The Lesotho Agricultural Policy Support Project (LAPSP), which is devoting US\$15 million to promote and support the privatization of agricultural input and marketing services.
- ~~A~~ The Human Resources Development Assistance Project (HRDA), which is devoting a total of US\$382,000 to the Lesotho Chamber of Commerce and Industry (LCCI). Through HRDA, the Chamber is receiving institutional strengthening assistance and several hundred Basotho are expected to participate in workshops, seminars, and conferences aimed at enhancing their business skills. It will also help strengthen investment promotion and export marketing capabilities and help develop rural-based productive activities.
- The development of teaching material through the Basic and Non-Formal Education Systems Project (BANFES), which uses simple case studies of the experiences of small-scale enterprises to introduce Basotho at the primary school level to basic business skills and entrepreneurial concepts. This material is also being tested for adult education in several vocational training centers.
- The implementation of the Student Enterprise Projects (SEP's) through the Lesotho Agricultural Production and Institutional Support Project (LAPIS). SEP's seek to involve third-year students at the Lesotho Agricultural College in the complete management of an enterprise of their choice. The program helps foster interest in enterprise development and improve basic management and business skills.

Exhibit B.2 provides a graphic representation of the current Mission's strategy as developed during the Phase I exercise in November 1988. Exhibit B.3 relates Mission objectives at that time to its portfolio of activities.

In addition to reviewing USAID/Lesotho strategy, the MAPS team interviewed a range of entrepreneurs and government officials. The information gathered from these interviews raised a number of questions:

- What other areas or opportunities exist in the country for A.I.D. assistance? What are private sector needs and constraints? What are the sources of growth and employment in the economy and in the private sector?
- Preliminary discussions with the business community in Lesotho suggested that there were a variety of constraints to entrepreneurial development. However, more information was needed to assess the relative gravity of these constraints and how they were distributed among firms of different sizes or operating in various sectors. How had private sector firms performed over time? How did the performance of firms in agriculture compare to those in manufacturing and in services? How had smaller firms performed relative to larger firms? How are the needs and constraints faced by the small entrepreneurs different from those faced by the larger firms? What type of linkages exist between large and small firms?
- Most of the Mission's assistance is currently channeled through the public sector. Are there implementing agents other than government that can be used to channel assistance? What other implementing agents beside the LCCI could serve as intermediaries for private sector assistance?

These questions helped guide the design of subsequent phases of MAPS. In particular, the team developed terms of reference for collecting and processing descriptive data on the private sector (Phase II) and for the survey (Phase III), conducted interviews with local consultants and firms who might be contracted to undertake the survey and description studies, and passed notes on proposals received to the Mission. The team also refined the private sector survey instrument and methodology planned for Phase III to address key issues in areas of interest to the USAID Mission. The key findings from these various data gathering activities, plus the extensive dialogue with individuals and organizations operating in the private sector, are presented in sections II through IV of this report.

II. Summary and Implications of Findings Lesotho Private Sector Description

The information contained below has been taken from research entitled "Descriptive Study of the Private Sector in Lesotho" produced for USAID by MB Consulting of Maseru in June 1989. The implications and conclusions drawn from the data are those of the authors of this report. A full report that analyzes the MB data in combination with data taken from other sources can be obtained from USAID/Lesotho. All exhibits referred to below can be found in Annex C.

1. *Economic growth rates have varied greatly over the last decade.*

- Lesotho's GDP and per capita GDP growth rates have generally shown positive growth in all but 3 of the last 7 years (Exhibit C.1). Negative growth rates in the early and mid-1980's were the result of poor weather conditions. Positive growth rates for 1988 mark the fourth straight year of economic recovery in Lesotho since 1984.

Implications:

Though weather has had often a large impact on economic performance, traditional farming practices exacerbate the effect of extreme weather conditions in Lesotho. Some of the risk factors in the weather can be reduced by introducing improved farming practices. The introduction of new technologies, such as the use of herbicides, can also have a positive effect. The technology is available to drastically increase the production of traditional and high-value crops in Lesotho (see point 2 below). Additionally, the seasons can be lengthened with proper management. This suggests the need to continue programs that introduce farmers to improved practices and increase their access and willingness to try new farming technologies. In addition, it suggests the need to develop schemes that reduce the variability in agriculture performance (such as sorghum livestock feeds and irrigated agriculture). It also suggests the need to create mechanisms that increase returns to agriculture sector activity and make taking risks worthwhile, such as the development of high value cash crops with previously established marketing linkages, which have potential for greater return on investment.

2. *In agriculture, most of the growth since 1985 has come from crop production (see Exhibit C.2). Most of the growth in livestock's contribution to the GDP since 1985 has come from wool and mohair production (Exhibit C.3).*

- Virtually all of the increase in crop production stemmed from higher yields, as opposed to increased area planted or harvested, further indicating the beneficial impact of weather, as well as the introduction of improved management techniques.
- The share of wool and mohair production in the livestock GDP has grown from less than 20 percent in 1980 to more than 30 percent in 1988 (Exhibit C.3). The decline in meat production is probably related to the decline in livestock population caused by severe snowstorms in 1987.

3. *However, agriculture's share of the GDP has declined; most of the growth in GDP has come from private enterprises in the manufacturing, and particularly from the agroindustrial sector (Exhibit C.4).*

- Though the services sector still accounted for more than two-thirds of GDP in 1988 (and 64 percent of all private sector activity in 1988, see Exhibit C.5), manufacturing's share of the GDP increased from 7 percent in 1980 to more than 13 percent in 1986 (Exhibit C.4). Agriculture's share of the GDP declined from 24 percent in 1980 to 20 percent in 1988.
 - Textile/footwear investments (cut/sew), mainly made by foreign firms, have contributed most to the growth in the manufacturing sector. Between 1980 and 1988, the manufacturing GDP grew at an average rate of 15 percent per year. In the same time period, the food and beverage sector grew at about 20 percent per year and the textile and leather subsector (made up of private enterprises only) grew at close to 100 percent per year (Exhibit C.6).
 - The manufacturing sector is still a relatively small part of the economy (13 percent of GDP in 1988, compared to 20 percent of GDP for agriculture and 67 percent for the services sector--Exhibits C.4 and C.5). Moreover, few linkages have been established between larger manufacturing firms (particularly those that produce textiles and leather) and the local economy. They continue to rely almost exclusively on imported inputs (recently, the IMF estimated that 70 to 80 percent of raw materials used in manufacturing were imported).
 - Small-scale manufacturing and agroindustrial firms, insofar as their activity is recorded in official statistics, have experienced no growth since the early 1980's (Exhibit C.7). While large-scale manufacturing grew at a rate close to 120 percent between 1980 and 1988, small-scale firms in the same sector of activity experienced zero or negative growth.
4. *The local private sector wage economy has not been able to absorb a rapidly increasing labor force.*
- Only 10 percent of the economically active population in 1985 was employed in the domestic formal sector (Exhibit C.8), and only 13 percent of that 10 percent was employed in manufacturing and agroindustry (Exhibit C.9).
 - Lesotho has a population growth rate of 2.6 percent per year, and approximately 20,000 enter the labor force each year. It is estimated that formal sector employment will grow at less than 2 percent per year. There are predictions that migrant employment will slow down and decrease over the next decade (Exhibit C.10).
 - Most of the labor employed by new firms investing in Lesotho has been unskilled or semi-skilled. Foreign companies continue to rely on expatriates for most of the skilled positions.
5. *As a result, new entrants will have to be absorbed by an increasingly active informal and rural-based productive sector* (Exhibit C.10).

Implications (of points 2, 3, 4, and 5):

Though the growth of manufacturing has been spectacular, the sector continues to be only a small part of the country's economy. Even if employment in manufacturing doubled over the next 5 years, at best less than 3 percent of the estimated available workforce in 1995 would be absorbed. Increased employment will therefore have to come from rural/agriculture-based activities, where over two-thirds of the economically active population is now located.

The performance of small-scale enterprises (SSE's), particularly in agroindustry and manufacturing, has been very poor, while large-scale firms have prospered. This suggests that SSE's face a number of special structural impediments that at the moment may be poorly understood. Assistance/promotion of rural/agriculture-based activities should therefore be founded on sound research into the obstacles faced by the small entrepreneur before major initiatives are undertaken.

Few linkages now exist between the larger firms and SSE's. Larger manufacturing establishments currently purchase most of their inputs from other large and foreign firms. As a result the small firms have benefited little from the growth experienced by the larger firms.

Though the agriculture GDP has declined, significant improvement in yields for certain crops suggests that there is great growth potential in agriculture-based activities. This improvement also suggests that extension and research activities that introduce improved management practices in the countryside have a potentially large payoff. But given GOL personnel and financial limitations (see point 11 below), alternative, non-GOL-based mechanisms must be found to motivate technology transfer and increase linkages between local agriculture producers and larger firms.

6. *Though exports have grown by more than 33 percent per year since 1983, Lesotho's balance of trade has continued to be negative (Exhibit C.12).*
 - In 1980, exports represented approximately 16 percent of GDP (Exhibit C.12--in contrast, exports represented approximately 50 percent of the GDP in Swaziland in 1980). In 1987, exports represented only 14 percent of the GDP (compared to 75 percent of the GDP in Swaziland that year).
 - Lesotho's imports have consistently been about 10 times greater than its exports (Exhibit C.12) and amount to almost 60 percent of the gross national product (GNP) and more than 100 percent of the GDP. Its trade deficits and dependence will be exacerbated by the Highlands Water Project, which will require an increasing amount of imported goods, particularly imported machinery.

Implications:

Most of the country's recent economic growth, particularly in manufacturing and services, has been very import intensive, exacerbating balance-of-payments gaps. The development of rural/agriculture-based activities should concentrate on areas that are not only labor intensive, but have a potential for foreign-exchange generation, import substitution, or increasing the domestic content of exports (such as the development of local seed production and other agriculture inputs).

7. *Dependency on the Republic of South Africa (RSA) has increased.*

- The RSA has provided about 95 percent of Lesotho's imports since independence.
- The proportion of exports going to the RSA has increased from 34.5 percent in 1979 to 88.2 percent in 1985. The next most important trading partner remains the EEC (Exhibit C.13). In 1987, the EEC accounted for 10 percent of agricultural exports (exclusively fruits and vegetables), 39 percent of agroindustrial exports (97 percent of which was composed of processed fruits and vegetables), and 11 percent

of manufactured exports (more than 95 percent of which consisted of clothing). Seventy-five percent of exports to countries other than the RSA consisted principally of clothing and textile goods.

Implications:

Lesotho's unique geographic position means that a significant reduction on dependency on the RSA is extremely difficult. Within this reality, however, it is possible that activities can be developed that require less imported inputs or substitute the imported contents of existing productive activities. In addition, there may be potential for Lesotho to supply certain high-value specialty crops not just domestically but also to peripheral areas that are located far from production areas in the RSA. For example, Lesotho might have a competitive advantage for some produce, based on lower transportation costs. However, Lesotho entrepreneurs will have to prove their ability to deliver a reliable supply of locally produced goods of comparable quality.

The country can also continue to use its preferential access into world markets and proximity to the large South African market as drawing points for foreign investment.

8. *Lesotho's exports have become increasingly diversified.*

- Until 1982, Lesotho's export trade was dominated by mineral products (mainly diamonds). With the closure of the main diamond mine in 1982, agriculture's share of export trade increased from 22 percent of total exports in 1980 to 38 percent in 1986 (though this percentage went down to 24 percent in 1987). Since 1985, manufacturing exports have grown the fastest. The main growth in exports has come from private firms in the agroindustrial and manufacturing sector (particularly textile/leather--Exhibit C.14).

Implications:

Lesotho has shown its ability to respond to the challenge of a declining natural resource base. Despite problems (see above), the country has been able to generate investment in nontraditional economic activities. The relative success of manufacturing and agricultural and agroindustrial export operations in filling the gap left by mining have shown that export activity in nontraditional economic activities can be lucrative.

On the other hand, few Basotho have been involved directly in the development and growth of nontraditional export and manufacturing activities. Most of the growth has been driven by foreigners and the larger, more capital-intensive, firms. The indigenous entrepreneurial base in the country continues to be small and concentrated in such traditional small-scale and domestic-market-oriented activities as butcheries and breweries. This implies that greater development of entrepreneurial skills among the Basotho and the development of better marketing and market information is necessary.

9. *Private sector participation in the economy has decreased in the last 5 years.* While the private sector contributed approximately 70 percent to the GDP in 1984, its contribution had declined to 65 percent in 1988 (Exhibit C.15). Most private-sector growth came from manufacturing.

- Though the largest area of private sector growth has been the textile/leather subsector (see point 2 above), this agroindustrial subsector still contributed less than 40 percent to the manufacturing GDP in 1988 (Exhibit C.16). More than 90 percent of the value added

from the food and beverage subsector, which represented approximately 50 percent of manufacturing GDP in 1988, came from parastatals, particularly Lesotho Flour Mills, the Lesotho Brewing Company, and the Lesotho Fruit and Vegetable Cannery. Hence private sector contribution to manufacturing, and particularly agroindustrial activity, continues to be relatively limited (Exhibits C.16 and C.17). Only an estimated 6 percent of the private sector GDP in 1988 came from agroindustries and manufacturing (Exhibit C.15).

- Private sector share of the services GDP has decreased from 69 percent in 1984 to 61 percent in 1988 (Exhibit C.18). Growth in public administration has been low (5 percent per year since 1984), while growth in the post and telecommunications sector (dominated by parastatals) has been over 40 percent per year. The finance and insurance sector (also dominated by parastatals) has also shown high growth since 1984 (15 percent per year).
- The private sector's share of the agriculture GDP has increased from approximately 91 percent in 1984 to 94 percent in 1988 (Exhibit C.19). GOL and parastatal participation in agricultural activity is limited to agricultural marketing services provided by Co-op Lesotho, which handles some 80 percent of all the marketed output of the five main crops. It is also responsible for selling agricultural inputs to farmers. The GOL closed 20 of its 58 stores between 1984 and 1987, which may account for increased private sector participation in this area. The GOL is currently considering closing 12 more stores to bring the total in operation to 26, as well as streamlining the product line. The government has also made significant contributions to the development of high-value cash crops through a number of development projects, but actual production is undertaken directly by small landholders on these lands.

10. *The private sector appears to be far more productive than the public sector.*

- In 1987, private firms in Lesotho accounted for 37 percent of formal sector employment and 65 percent of the GDP, while parastatals accounted for 15 percent of employment and only 11 percent of the GDP (Exhibits C.20 and C.14).
- GOL transfers (both current and capital) to parastatals also increased fivefold between 1983 and 1988 (Exhibit C.21).

Implications (of points 9 and 10):

The promotion of the private sector, in an era of fiscal austerity, is the most cost-effective way to promote employment and growth. Parastatals have become increasingly expensive to maintain, but they continue to dominate some areas of economic activity. While private sector contribution in some subsectors has shown rapid growth, overall private sector participation in the economy has not grown appreciably.

The GOL's budget deficit restricts its ability to expand or create employment programs. As a result, greater use of GOL independent private sector mechanisms to accomplish GOL and donor objectives is desirable.

Some actions have already been undertaken in the area of privatization. A financial, management, organizational, and operational review of agroindustries operated by the Ministry of Agriculture (MOA) was completed by the United Nations Food and Agriculture Organization (FAO) in 1989. The FAO Mission recommended that these enterprises be

established as separate legal entities with day-to-day control vested in experienced private sector management and the creation of an Enterprise Monitoring Unit (EMU) to implement these recommendations. In addition, USAID, under the LAPSP project, has committed considerable resources to the privatization of agricultural marketing activities currently in the hands of Co-op Lesotho. GOL resource constraints and the demonstrated productivity of the private sector suggest that continued and coordinated donor action in the area of privatization is desirable.

11. *Miner remittances could be a considerable resource for business investment.*

- It is estimated that 35 percent of households in Lesotho rely on miner cash remittances as their main source of income (Exhibits C.22 and C.23). In addition, an estimated 67 percent of rural households in Lesotho have direct access to miner remittances.
- Miner remittances have played a key role in financing the country's current account deficit. Nevertheless, a substantial portion of miner income is deposited in the RSA. Though part of miner's wages is administered through the Miner's Deferred Pay Fund scheme (where 60 percent of the cash earnings are deposited into special accounts in the Lesotho Bank), most miners prefer to maintain current accounts in South Africa. The Lesotho Bank reports that on average miners leave their funds for less than 2 months in the bank, and even miners who receive their payments from the bank upon returning home withdraw these funds as soon as they arrive and deposit them back in a higher yielding South African bank account.
- Though local bank liquidity has been rising, local banks have tended to deposit their surplus funds in RSA banks, to take advantage of the higher interest rates awarded across the border.
- Very little is known about where miner income is invested, but there are some data to suggest that most is being used on consumption. The Bureau of Statistics in Lesotho estimated, based on 1986 data, that miners import M100 million worth of goods every year, representing 14 percent of the total value of imports. Research into the uses of these remittances and the effect of this source of income on productive activity in the countryside is desirable.

12. *Though there has been a rise in bank liquidity, most of the domestic credit available in the country has been channeled into nonproductive activities, such as consumption and distributive services and to finance increasing GOL deficit.*

- Manufacturing activities have received on average less than 10 percent of credit, though its share has been rising (Exhibit C.24).
- These lending patterns exacerbate balance-of-payments problems since consumption and services rely heavily on imports.
- Recently, under the Structural Adjustment Facility agreement with Lesotho, the IMF imposed domestic credit ceilings.

Implications (of points 11 and 12):

IMF restrictions mean that credit resources will become even more scarce in the future. Though these measures were meant to fight inflation and were aimed at curbing the rise in lending to households for consumption and to the GOL to finance deficit spending, they may also restrict credit

to businesses. Dialogue with government and the finance sector could help increase awareness of the financial needs of private enterprises and ways to help meet these needs. During a credit squeeze, the smaller entrepreneurs are more likely to suffer than the larger businesspeople with established connections and credit histories. Thus, the need to create viable financial intermediaries and develop creative mechanisms that can channel credit effectively to the SSE and microenterprise sector becomes more acute.

At present, there seem to be few lucrative business opportunities in the countryside to attract miner remittances or induce Basotho and the larger financial institutions to make productive investments in rural areas. Though most of the population is based in the countryside, most of the income is spent in urban areas or in the RSA. Nevertheless, these funds represent a potential resource with which to develop and finance rural-based activities. The development of market towns and infrastructure in areas outside the major urban centers would help attract more of these resources into productive economic activities in the countryside.

III. Summary and Implications of Findings Lesotho Private Sector Survey

As with the description, data reported below were gathered by MB Consulting of Maseru. The comments are those of the authors of this report. A full report on the survey, including details of the study methodology, survey instrument design, sampling frame, and survey analysis, along with complete results, is available from USAID. The study annexes include a copy of the survey questionnaire. Exhibits mentioned below can be found in Annex D.

Business Performance and Prospects

1. *Larger firms were more likely than smaller firms to believe the business environment in Lesotho has improved over the last year (Exhibit D.1).*
 - Less than 30 percent of all firms interviewed reported growth in sales volume of more than 20 percent over the last year. But more than 50 percent of the large firms and of agriculture production enterprises reported growth exceeding 20 percent over this time period (Exhibit D.2).

Implications/Conclusions:

~~A~~ The MAPS results showed that SSE's had not participated in the prosperity and growth of larger firms. Survey results confirm that most if not all the growth in the private sector has been concentrated in the larger firms. Since the survey results suggest that SSE's face very different constraints than the larger firms, more in-depth research focused on how to improve negative structural factors affecting SSE performance in the country is necessary.

~~A~~ More than 60 percent of households are headed by women and much of the production in the private sector is in women's hands while husbands are away in the RSA. Women entrepreneurs, however, face additional constraints to conducting business because of their legal status. A number of studies have begun documenting the obstacles faced by businesswomen and several groups have been formed that seek to provide legal and financial assistance to women in business. Assistance programs for small entrepreneurs might address these issues as well.

2. *Most respondents believe that there are good prospects for returns on investments in agriculture, agroindustry, and manufacturing. There is also considerable interest in the area of construction and catering, perhaps reflecting recent increases in demand for these services related to the Highland Water Project (Exhibits D.3 and D.4).*
3. *Respondents believe that the most profitable areas within agriculture/agroindustry are brewing products, butchery, wool and mohair, and poultry production. While less than 8 percent of the sample operated brewing establishments, twice that many respondents perceive that this area offers the best return for investment (Exhibit D..).*
4. ~~A~~ *Few firms are knowledgeable or interested in exporting (Exhibit D.2). While 60 percent of respondents said they had adequate information about the local market for their product, only 21 percent felt they had adequate information on international markets. At the moment, there are few sources of information on markets and marketing aside from personal contacts.*

Implications/Conclusions (of points 2, 3 and 4):

Basotho entrepreneurs know and understand agriculture-based activities best and are thus more inclined to continue operating in traditional areas. Despite the mixed performance of agriculture over the last 5 years, entrepreneurs still feel that there are opportunities for making a profit from agriculture-based activities, particularly in those areas in which most local entrepreneurs already operate, brewing and butchery. There is a lack of interest in nontraditional areas, such as high value/nontraditional crops for export, based in part on lack of knowledge about prospects and requirements of international markets. Promotion of nontraditional agriculture and rural-based activities will require the provision of not just new technical skills, but marketing links with more and better information and/or partnerships to improve understanding and success in penetrating new domestic and international markets.

Beliefs regarding the income generation from traditional activities versus risks and uncertainties from new activities also suggest that, in the short term, it is unlikely that most Basotho producers will be prompted to drastically alter their productive focus. Hence there is also a need to continue working to increase the productivity of traditional agricultural and rural-based activities. For example, the large interest in wool and mohair activities reflects the fact that this has traditionally been the major source of income to Basotho farmers. Increased income can be obtained by improving the quality of the sheep and goat herds. Again, alternative, non-GOL-based mechanisms for disseminating and transferring technology and marketing information need to be explored in these areas (see also point 8 below).

The relatively low level of knowledge regarding markets, particularly export markets, means that the development of agriculture-based activities should be linked to existing marketing opportunities.

Business Resource Constraints

5. The key resource constraint faced by firms in all size categories is access to credit (Exhibit D.6). Small firms rely heavily on their personal funds for capital (Exhibit D.7).
 - Exhibit D.6 shows that smaller firms and firms operating in the services sector were more likely to believe that this was the most important constraint hindering business performance.
 - The smallest firms have virtually no access to formal sources of capital (Exhibit D.7). Medium-sized and large firms were most likely to receive more than 50 percent of their capital from commercial banks. Large firms were most likely to get more than 50 percent of their capital from the RSA (50 percent).
 - Miner remittances play only a very small part in business finance. Miner remittances are currently being used as a source of capital by less than 10 percent of the firms sampled. These firms are all small.

Implications/Conclusions

Description results suggested that relatively few formal financial resources are currently being channeled into productive enterprises. Survey results confirm this. Most firms rely heavily on personal funds for financing their start-up and operations needs. There seem to be few effective financial intermediary organizations that are effectively meeting the needs of the small, rural-based entrepreneurs. Even the

Lesotho Agricultural Bank did not have any branches outside Maseru until the mid 1980's. In many cases credit unions may be the only formal organization providing access to any type of credit. Past experience with these organizations suggest that they can be effective, but that they currently lack the management structures or skills necessary to expand their activities significantly beyond current activities.

The lack of strong financial intermediaries in the country suggests that any new initiative in the credit area must start slowly. Existing organizations in this area are small and their management structure inexperienced.

6. Land tenure structures constrain access of firms to commercial lending institutions (see point above), but most Basotho-owned firms do not believe that present tenure regulations inhibit access to lands or dampen their expansion activity (Exhibit D.8).
 - On the other hand, foreign-operated firms were most likely to report confusion regarding land tenure and rights and to feel that this confusion hampered their business and investment activity. Such lack of understanding and confusion regarding tenure rights may make it difficult to attract foreign capital and management talent into agriculture-based activities.

Implications/Conclusions:

Lack of credit may also reflect the fact that agriculture-based activities and generally involve high levels of risks and low profit margins (see points above). However, instability and lack of clarity regarding tenure rights make it difficult for entrepreneurs to provide the type of collateral required by formal financial institutions.

In the short term, mechanisms such as contract farming and the use of traders as conduits of credit and marketing services could help alleviate the credit constraint, without making major demands on changing the current land tenure structure and regulations. Contract farming may also be a mechanism for attracting foreign capital and management talent into agriculture as it does not require any large direct purchase of land and can work within the present tenure structure.

In the longer term, USAID dialogue activities with the GOL and financial institutions can focus on changes in the tenure system that will facilitate access to credit, especially in rural areas.

7. After credit, the key factors affecting business performance over the last year were (a) the high cost and inadequacy of transport, and (b) the lack of market infrastructure.
 - The high cost and inadequacy of transport most directly affect firms' abilities to procure inputs and compete effectively with foreign (RSA) firms.
 - Commercial agriculture producers were more likely to perceive that lack of adequate transport facilities and infrastructure was a constraint than firms in other categories. Firms operating in this sector were also most likely to experience difficulty accessing inputs (Exhibit D.6).

Implications/Conclusions:

Survey results confirm conclusions from a number of studies that have highlighted the inadequacy of available market infrastructure. Lack of adequate roads increases the costs of transport, which in turn increase the costs of inputs and marketing, reducing profit margins of agriculture-based activities. The GOL is already developing initiatives to create marketing points for agricultural goods. Careful attention, however, needs to be paid to details of this activity, particularly the management structure, local farmer involvement, and the role of the MOA in the establishment and operation of these marketing points.

8. Commercial agriculture producers were also more likely than other firms to cite lack of access to production technology as a constraint to business performance. Smaller entrepreneurs were more likely to cite lack of market information as a factor affecting business performance than the larger firms.

Implications/Conclusions:

Though much agricultural research has taken place in Lesotho, survey results indicate that the knowledge may not be reaching producers in ways which cause changes to be made. Research and extension may be more effective if linked with specific marketing opportunities.

9. Professional and technical skills are perceived to be scarce in Lesotho. Exhibit D.9 shows that almost three-quarters of respondents in most sectors and size categories believe that professional skills are the most difficult to find locally. Agriculture sector firms, however, believe that persons with good technical skills are the most difficult to find.
- Foreign-owned firms, which tend to be larger firms and operate in the service sector, were most likely to feel that they had to invest substantially in employee training. However, 59 percent of foreign-owned firms and 45 percent of Basotho-owned firms believed that this investment was necessary. Sixty-seven percent of service sector firms felt that they needed to invest substantially in training their employees, compared to 41 percent of agroindustrial firms and 33 percent of commercial agriculture producers.
 - Most of the larger firms are filling their skilled and management positions with expatriates. Hence, there is little skill and technology transfer from the larger firms to the Basotho.

Implications/Conclusions:

Survey results suggest that part of the reason why Basotho are not hired for the skilled positions may be that the present education system is not meeting the needs of private businesses in the country. While the number of academically trained personnel in agriculture and other areas has increased substantially through donor assistance, there are indications that few are entrepreneurially oriented. Discussions with various business groups in the country revealed dissatisfaction with the orientation of the formal education system. Businessmen complain that graduates lack basic management skills and experience.

At the moment donors are involved in various curriculum reform activities aimed at increasing the relevancy of both formal and vocational skills training. Most of these activities directly involve only GOL (Ministry of Education) personnel. More involvement of the local business

community in planning curriculum reform and training programs could be desirable.

Greater linkages between educational institutions and the business community may be promoted through a variety of mechanisms, such as internships and consultancies. Programs such as Lesotho's Agricultural College Student Enterprise Program (SEP), which seek to give agricultural students first hand experience in applying their knowledge of agriculture to running a business, are good mechanisms for providing this type of experience. The case study materials developed by the USAID BANFES Project to introduce basic business skills may be ideal to improve the relevancy of training programs now in operation as well as a means for increasing linkages between the business community and the education sector. Dialogue among educational institutions, government and businesses can explore these and other possibilities.

In addition, greater linkages could be promoted between the larger enterprises and the smaller firms, as a way of facilitating skill transfers. The Lesotho Chamber of Commerce and Industry (LCCI) has already enlisted the support and participation of a number of executives in the larger firms for the development of short courses in basic business skills.

Policy Environment

10. *Few foreign firms believe that the current GOL incentive policies have a large effect in their investment decisions regarding personnel training and physical capital improvements.*
 - While 59 percent of foreign firms reported investing substantially in employee training, none reported doing so due to special tax breaks for training. While 52 percent of these firms said they were "very interested" in investing in physical plant improvements, only 14 percent said it was because tax advantages made it attractive to do so.
11. *Generally, relatively few firms in the country felt that GOL policies had a negative effect on their businesses.*

Implications/Conclusions:

Description results suggest that current GOL policies to attract foreign investment into the country have been successful to a certain degree, particularly in the area of textiles manufacturing for export. On the other hand, Description results also suggest that these firms are forging few linkages with local firms and doing little to promote Basotho into management positions. Activities that increase the relevance of formal education and skills training could help promote greater Basotho participation in the larger enterprises (see implications of point 9 above).

Dialogue with the GOL and private entrepreneurs may seek to focus on the incentive scheme issues. These issues may merit further study. If tax advantages and incentives are regarded as largely irrelevant, the GOL may wish to consider restructuring or eliminating some of these incentives. Incentives are costly to the government in terms of administration and foregone revenue. They may also be diverting scarce investment resources away from efficient industries or industries which can use more intensively the labor and resource base in the country.

While survey findings suggest that the current policy environment does not have a significant negative effect on existing business operations, discussions with some entrepreneurs suggest that some policies may be hindering new business development. An example is the effect of current business licensing requirement on the establishment of new businesses, which hinders free market entry. An entrepreneur wishing to start a new business must wait until the Ministry of Industry advertises the opening of a site for the type of business activity in which he or she wishes to invest. Alternatively, he/she can make a special application to the Ministry of Industry for a site to establish a business activity not currently planned by the Ministry. This process is apparently time consuming and involves several layers of bureaucracy.

In addition, many of the local entrepreneurs are dissatisfied with GOL policies which provide so many advantages (such as tax holidays and credits) to foreigners and none to the Basotho who is just starting. In general, Basotho entrepreneurs do not feel that they have an effective voice and as a result are often left out of GOL policy design, planning, and implementation activities that directly affect their operations.

The above suggest the need to strengthen private sector associations and increase their capacity to have a say in the formulation of policies that affect their operations. In addition, these survey results indicate a need for in-depth research on the effect of the current policy environment on entrepreneurial development in the country, particularly on the development of SSE's.

Intermediary Organizations

12. Seventy percent of the sample reported membership in at least one association.
 - However, there are few linkages, between small and large firms. Most of the small firms (almost 80 percent) reported belonging to some association, but barely 50 percent of the medium-sized and approximately 60 percent of the larger firms did (Exhibit D.10).
 - Most of the firms that belong to an association belong to the Lesotho Chamber of Commerce and Industry.
 - Firms were most interested in having business associations provide marketing information. More than 77 percent of all firms interviewed expressed at least some interest in improving their marketing. At the moment less than 30 percent of respondents were deriving their information from any trade association.
13. Firms are most interested in the provision of personnel training programs and marketing skills and information.
 - Large firms are most interested in assistance with the provision of personnel training and feasibility studies (Exhibit D.11).
 - Small firms are most interested in getting associations to provide assistance in the area of access to credit and marketing information (Exhibit D.11).

Implications/Conclusions:

The fact that such a large proportion of indigenous businesses in the country already belong to the ICCI and find it to be an effective institution raises the possibility that it may be the proper institution

 for channeling assistance and support to enterprises in Lesotho. On the other hand, the LCCI is not the only organization, and it has at the moment a fairly narrow membership, primarily small traders, and other institutions may be strengthened. If the LCCI is to be an effective tool for promoting greater linkages between the small and larger firms its membership needs to be expanded to include a greater range of business establishments.

From survey results, there seem to be no effective intermediary organizations operating or providing services primarily to productive enterprises in the agricultural sector. However, if USAID assistance is to be focused on this sector, there is a need to identify and help strengthen intermediary institutions that can operate in and service these types of firms.

IV. Summary of Dialogue Government, Donor, and Private Sector Conversations

The MAPS team held dialogue sessions in two parts. The first round took place during the first visit of MAPS consultants in November 1988. These meetings served to orient the consultants and the Mission regarding current key constraints and opportunities to private sector promotion. The information gathered was used to design the two studies described above on the role of the private sector and constraints to private enterprise growth in the country.

The second round of dialogue sessions took place in September of 1989. The results from the MAPS studies were distributed and discussed with small groups of entrepreneurs, government officials, and donors. These subsequent discussions confirmed many of the findings from the studies, as well as clarifying a number of points regarding opportunities and constraints to private sector growth. The following is a summary of the findings from all the dialogue sessions conducted by the MAPS consultants with representatives from the GOL, donors and private sector entrepreneurs.²

1. Constraints

Finance

- A conservative financial system that offers only heavily collateralized credit.
- A lack of long-term capital, especially for agriculture, and an insufficient amount of rural banking facilities to extend available credit.
- Local credit and development institutions that do not respond to Basotho entrepreneurial initiatives.
- A lack of venture capital for local entrepreneurs.
- An evolving and confusing land tenure system that precludes the use of land as collateral.

Access to Information

- A lack of information and assistance to take advantage of Highland Water Scheme opportunities.
- A lack of knowledge about technologies available outside the area, and international market opportunities and financing for export orders.
- A lack of information regarding financial reporting requirements imposed by the Companies Act of 1964. The legal requirements of this act are too complicated for the ordinary businessperson.
- Lack of information and understanding regarding business registration alternatives available under the law. Local entrepreneurs prefer to register as traders (partnerships) rather than incorporating as

²Only the general nature of comments made to MAPS team members is noted. No attempt is made herein to supply details. For example, large, medium, and small manufacturers would have different opinions on various points noted in the lists in this section.

companies; however, financial institutions prefer to lend to limited liability companies.

Government and Donor Participation

- Inadequate assistance and investment from the government, which has resulted in a lack of rural marketing infrastructure, such as warehouses, collection points, transport, adequate roads and cold storage facilities, and poor production coordination for small-plot agriculturalists.
- A lack of efficient programs and policies for small-scale enterprise promotion, which reflects some preference by government for parastatals, cooperatives, and large industries over smaller-scale enterprises.
- A policy environment that does not clearly define the role and provide the enabling environment for private sector expansion.
- An agricultural production policy that has focused on staple crops, which are not competitive with those produced in the RSA.
- Participation in the Southern Africa Customs Union has created disincentives to expand Lesotho's private sector.
- Highly subsidized and protected BSA and RSA homeland enterprises which have undue competitive advantages, resulting in part from incentives not present in Lesotho.
- Competition from GOL subsidized parastatal industries, which receive additional assistance from aid donors.
- Lack of cooperation among government and businesspeople, including the lack of participation of businesspeople in project and policy design and the sharing of project information, which adds to the chance of continued ineffective donor projects.
- Over-reliance on GOL to carry out private sector promotion activities.

Basic Culture and Circumstance

- Poor management, professional, and technical skills in the available local workforce, in part due to skilled workers being drawn to higher wage jobs in the RSA.
- Lack of linkages between the small indigenous entrepreneurs and the larger foreign-owned companies.
- Difficult access to potential and actual indigenous raw materials, resulting in underutilized capacity in large industries and local entrepreneurs determining to forego opportunities to start new agroindustries.
- The lack of an entrepreneurial class, and a population that traditionally avoids risks and favors wage employment over ownership.
- General disorganization of the private sector with underdeveloped business associations and representation before the government.
- Legal status and traditional role of women decreases their participation in the productive economy.

- Traditional cropping and livestock systems, which are inefficient and result in reduced production.

2. Opportunities

Agriculture and AgroIndustries

- Lowland agriculture and highland livestock production, with proper management and market links.
- Herd improvements through cross-breeding and range management, and wool and mohair scouring.
- Garden crops for local sale and specialty cash crops (such as green asparagus, pinto beans, cherries, and livestock forage) and noncrop production, such as eggs, dairy, and small-scale poultry (broilers) operations.
- Use of "area farms" for group farming of export commodities, such as seed beans, and vertically integrated processing industries.
- Development efforts through the use of "lead farmers," and traders as extension agents, given the proper incentives for these traders and farmers.
- Soybean, sorghum, and alfalfa crops for animal feed.
- Introduction of various levels of appropriate technologies for various sized production units.

Entrepreneurial Development

- New financial intermediaries, such as a domestic venture-capital facility and joint-venture brokering service.
- For donors and the GOL, creating incentives for attracting miner (migrant worker) remittances into new agriculture and related industries.
- Skills development in such areas as feasibility study preparation.
- Creation of a development bank dedicated to the indigenous entrepreneur.

General Development, Services, and Support

- Spinoffs from the Highlands Water Development Project, such as fresh-water fish production, tourism, catering to project needs, transport of goods and people to project sites and camps, housing and road construction, and other services.
- Privatization and investments in privatized parastatal industries.
- Creating direct linkages between donor programs and the private sector, including private sector participation in project design to ensure commitment.
- Management consulting and the building of indigenous management capabilities, competitive bidding know-how, and the promotion of

linkages between new and experienced bidders and larger and smaller businesses.

- For donors, taking stronger, pro-private sector positions in policy discussions.
- Marketing of goods in SADCC and the Preferential Trade Area (PTA).
- Promoting and entering into licensing agreements with established foreign companies.
- Creating a capital market.
- Promoting of legal education and the rights of women to enable greater participation and productivity of women in higher education, as wage earners, and entrepreneurial endeavors.

V. Private Sector Strategy

Introduction

Background

Since the last CDSS, Lesotho's economy has enjoyed four consecutive years of steady growth, largely reflecting expanded private sector activities in textile manufacturing and light industry associated with the Highland Water Development Project. Lesotho's small market economy has attracted considerable foreign investment because of its favorable export trade positions with Europe, the United States, and regional Africa. The prospects for continued growth of the private sector are excellent.

While Lesotho's unique geographic position will make a significant reduction of its dependency on the RSA extremely difficult, MAPS and other private sector analyses evidence that expanding Lesotho's domestic economy will substantially increase Lesotho's self-reliance, local employment and production opportunities. Actions to expand Lesotho's domestic economy and independence should include reducing the government's role in the economy (policy reform and privatization), increasing agricultural production and productivity (rural development and agribusiness), developing internal and export markets, promoting foreign investments with linkages to local entrepreneurs, and supporting opportunities for increasing the domestic content of exports.

MAPS and other studies show that supporting expansion of the domestic private sector is the most cost-effective, and perhaps the only workable, way to generate the needed economic growth and employment, especially during the next 5 years, which is projected to be an era of increasing unemployment levels, a shrinking foreign jobs market and increased government fiscal austerity.

Lesotho's small market economy appears to be entering a period of structural transformation, with the initiation of the Highland Water Project, implementation of the IMF's Structural Adjustment Facility and the government's growing fiscal difficulties. Foreign investments are expected to continue to increase and the government's role in the formal economy to decrease. Planned privatization of parastatal operations and an even more pro-private sector policy framework than exists should continue to stimulate the growth of Lesotho's informal and formal private sectors.

The private sector strategy that follows organizes these findings into a private sector strategy statement and a list of components and activities. The last section of this report gives indications of how the strategy may be implemented.

It is important to note that the activities noted below are only suggested areas of effort. Most will not be implemented as discrete projects, but rather incorporated over time into existing and new projects when and where possible, or carried out in cooperation with other donors (such as UNDP, UNCTAD/GATT, and UNCDF). Not all will be undertaken, as USAID may have neither the financial nor the personnel resources available under its portfolio of projects to implement them all.

Strategy Statement

Create private sector linkages and mechanisms and a private sector environment that will assist the Mission in reaching its overall development objectives--by promoting new and expanded business activity that can lead to substantially increased rural production and productivity, and new employment, new entrepreneurial initiatives, and increased incomes.

Strategy Components and Activities

- A. Emphasize commercial and specialty agricultural production and marketing, and related agro and support industries.
- A.1. Strengthen intermediate organizations by building an improved internal administrative capacity through organizational development assistance and by creating production and marketing linkages, expanding and improving organization services to membership, and promoting specific business associations.
 - A.2. Increase commercial agricultural production and productivity and its vertical and horizontal linkages in the domestic and regional economy through market-oriented research and extension.
 - A.3. Increase foreign direct investment through the promotion of joint and coventures.
 - A.4. Assist domestic marketing efforts through market-point planning and implementation and the development of farm-to-market infrastructure.
- B. Conduct research and provide inputs to activities that will increase the number of Basotho entrepreneurs.
- B.1. Within the formal education system, continue business awareness curriculum development assistance, encourage private sector participation in course activities and classes, and continue entrepreneurial skills training.
 - B.2. Promote skills training through local entities by training trainers in feasibility study design and preparation, sponsoring entrepreneurial case study and other workshops, and helping to plan and establish short courses in local nongovernmental organizations.
 - B.3. Analyze GOL regulations that pertain to private sector activities and initiate a policy dialogue with the government and NGO's that represent entrepreneurs in Lesotho.
 - B.4. Facilitate the creation of domestic venture-capital programs through incentives to migrant workers to invest remittances and investigation of group investment funds.

B.5. Conduct small-scale and informal sector research and promotion, especially in the area of women's entrepreneurship and employment.

C. Help establish a better environment and the domestic resources for an increased private sector contribution to country development.

* C.1. Undertake continuous general enabling environment and specific dialogue on issues important to private sector development in a four-way forum that includes the other donors, the private sector, and the government.

C.2. Study and develop programs in the area of financial system development with the intention of initiating workable, collateral-independent loan programs.

C.3. Sponsor short-term extension training in important business skills through the entrepreneur's own enterprise.

C.4. Facilitate new investment initiatives in the larger industry sector when these are seen to have potential positive impact on development.

C.5. Encourage the introduction of various levels of appropriate technologies for various types and sizes of enterprises.

C.6. Contribute to efforts to privatize government parastatal industries.

VI. Strategy Implementation

The individual efforts of USAID personnel, especially the new USAID Private Sector Advisor and Women in Development (WID) Coordinator, will be employed in strategy implementation using resources in USAID's Lesotho Agriculture Policy Support Program (LAPSP), Lesotho Agricultural Production and Institutional Support (LAPIS) Project, the Basic and Non-Formal Education Systems (BANFES) Project, the Human Resources Development Assistance (HRDA) Project, the programmed Primary Education Project (fiscal year 1990) and the programmed Small Business Development Project (fiscal year 1991). Each Project Manager, in conjunction with USAID senior staff, can determine which elements of the strategy can be undertaken through his/her project.

In addition, cooperative efforts with AID/W and the A.I.D. Southern Africa Regional Program (SARP) may play significant roles. SARP, for example, may contribute up to \$1.5 million in the area of export enterprise support. SARP may provide assistance in such areas as export policy analysis, export information, and services through the Trade Promotion Unit, the creation of a small-business development center in the chamber, a loan portfolio guarantee assessment, and prefeasibility studies for large businesses.

Individual activity priorities may be established, but implementation will be as much a result of opportunities as the careful planning of the order and timing of elements in the strategy. Overall, USAID efforts may be prioritized as follows, though private sector interests may best be served by flexibility to respond to targets of opportunity as they arise.

- Priority 1: Implementation or continuation of various training, institutional strengthening, and privatization activities currently under way under existing projects (such as provision for continuation of the Student Enterprise Program and Co-op Lesotho privatization and work with the Chamber of Commerce and Industry, as well as business skills and case study educational material development, production, and distribution).
- Priority 2: Planning and initiation of a USAID private sector communication and dialogue plan that includes structured coordination with other donors, specifically on private enterprise and parastatal assistance and privatization activities, with content based in part on research on the current regulatory and enabling environment for business.
- Priority 3: Analysis, design and implementation of activities that address rural production and productivity constraints, especially in the area of marketing.
- Priority 4: Analysis, selection and strengthening of existing and potential private sector intermediary organization implementation partners, in coordination with other donors.
- Priority 5: Research on and design of interventions in the small enterprise and informal sectors, especially in the areas of credit and venture capital and government policy.

It is also expected that changes in conditions in Lesotho and its neighbors will occur which can not be anticipated at the present time. Thus, actions will most probably need to be taken that are not included in this strategy. Below are a number of actions that may be undertaken to implement the strategy suggested in Part V of this report.

A. Mission Staffing

The USAID Private Sector Advisor

This new member of USAID's development team will help ensure that the implementation of private sector strategy activities complements and advances Mission development objectives. He will maintain and increase USAID's direct contact with members of the private sector, gaining and transmitting knowledge of private sector operations, constraints, and opportunities. Based on this knowledge, he can assist the Mission Director in analyzing and prioritizing interventions and design practical terms of reference for activities. He can also take a lead role in managing communications and dialogue efforts under the Mission Director's guidance, preparing agendas and forums for interchange of ideas and coordination of efforts among USAID, other donors, the government, and affected members of the private sector. The Private Sector Advisor can also be the point of contact in USAID for U.S. investors and assist USAID Project Managers in implementing their projects through private sector linkages and mechanisms.

The USAID Women In Development (WID) Coordinator

The WID Coordinator will work closely with the Private Sector Advisor in the design and implementation of activities that address problems confronting businesswomen in Lesotho. She has already established contact with several women's organizations that appear to hold potential as counterparts for USAID: Basali Boitlarong, which is aiming at affiliation with Women's World Banking; Women in Business, which is a new organization whose aim is to promote women's entrepreneurship; and the Federation of Women Lawyers, which is concerned with educating women as to their rights and potential in such areas as business. The need to enable women to become more economically productive is obvious given that 64 percent of the heads of Basotho households are women.

B. Communications and Dialogue

Some of the items in the strategy suggested in the preceding section will only be able to be implemented after additional research is conducted and designs have been discussed and agreed to with the private sector and the government. Therefore, it is perhaps important to establish an operating communications and dialogue system early. Materials communicating the intentions of USAID's private sector activities may be prepared (this report is one of these materials) and workshops/miniconferences held to discuss implementation before activities reach the status of final design and implementation. This need was expressed by both government officials and private sector leaders during the MAPS exercise and is consistent with USAID's development philosophy. Such dialogue and communications activities can also lead to better coordination among donors, an important point given increased donor interest in the area of private sector development. A communications and dialogue enhancement program that is being successfully employed in Bolivia and is programmed for use in Swaziland may be used as a model.

The dialogue process may also include discussion of Lesotho's investment climate, the government's incentive package for new industries, and GOL policies that may inhibit the growth of the indigenous private sector. The MAPS Private Sector Survey and interviews with individuals active or considering investments in Lesotho indicated that the investment climate was not optimum and the incentive package may not be appropriate or

complete in all of its aspects. This was corroborated in a report³ prepared for A.I.D. that ranked Lesotho well below Swaziland and Botswana in regard to investment climate. In individual areas of criteria, Lesotho was ranked below both of these neighboring countries in dispute settlement, below Botswana in investment incentives, below both in tax rates (disregarding the potential tax holiday incentives available in all three countries), below Botswana in both domestic and international economic performance, below both Botswana and Swaziland in labor conditions, below Swaziland in security of operations, and below both in regime stability.

In regard to policies that may be inhibiting the growth of the indigenous private sector, foremost among these may be new business licensing. At the same time that USAID and other donors are spending scarce resources in creating a greater Basotho entrepreneurial class, the government is maintaining strict control on the number and location of new business start-ups. More systematic research on regulatory policy and the general enabling environment may be desirable, including research into other areas besides licensing, such as financial reporting and incorporation requirements, and women's job security and legal rights to enter into business contracts.

C. Data Gaps

USAID may consider working cooperatively with the government, other donors, and the private sector to fill the gaps in planning data that have been identified during the conduct of the MAPS exercise. Most important of these gaps is the lack of information on informal sector activities in Lesotho. A complete assessment of the informal sector and its operations will help donors and the government design programs and policies that can increase the prosperity of the great number of Basotho operating in the informal sector and the contribution to country development of these people who are economically active, but outside the formal economic system.

Three other gaps in the data base may also be addressed. These include identification and development of better data on the uses of miner (migrant worker) remittances, the extent and impact of donor support to parastatals, and the performance of parastatal enterprises. Work has already begun on filling data gaps regarding parastatal performance over time as part of the MAPS description exercise. In addition, the Enterprise Monitoring Unit being proposed may continue to gather and disseminate this information plus data on donor support. This last may be useful in analyzing private sector objections of unfair competition from subsidized parastatals. Related to the area of parastatals, there is also a need to increase information exchange and coordination on donor assistance activities related to parastatals.

D. Implementing Agents In the Private Sector

Established intermediary organizations that can potentially act as implementing agents for USAID efforts to stimulate rural production and productivity include the Chamber of Commerce and Industry, the Lesotho Exporters and Lesotho Manufacturers Associations, and the businesswomen's associations mentioned above. However, none of these organizations presently has the capacity to undertake management of a major development

³"Measurement of the Investment Climate for International Business," Frost and Sullivan, 9/6/88.

★ / program. Therefore, USAID may take a longer term view of providing assistance through them, as it is presently doing with the chamber, building their capacities slowly in coordination with other donors who may also be working with them. At the same time, the establishment of a National Business Council, which could act as spokesperson with government, because it would have all Lesotho business associations as its members, and assistance in the creation and structuring of the proposed Marketing (Advisory) Boards are activities that USAID may support.

The lack of a formal, established intermediary organization means that more creativity, and perhaps more effort, must be employed in reaching rural producers. Methods that have been suggested are contract farming, the use of traders as extension and marketing agents, and using lead farmers to introduce new technologies and farming practices. The example of the planned investment in Lesotho by Pioneer Seed Corporation is a good model in the area of contract farming using an international firm while the activities of Upper Qeme Fruit and Vegetables is an excellent model for action independent of foreign participation. The Lesotho Chamber of Commerce and Industry can be contacted to develop the traders as extension and marketing agents concept, as it and its trader members have proposed such an arrangement. The A.I.D. LAPIS Project team has given considerable thought to the use of lead farmers.

E. Foreign Direct Investment

No separate program to attract foreign investment to Lesotho is suggested. Rather, the Mission can help put the proper attractive climate in place as indicated above and act as a facilitator, especially through its new Private Sector Advisor, when the U.S. Overseas Private Investment Corporation (OPIC), AID/W through the Africa Bureau of Market Development and Implementation (AFR/MDI), or the Lesotho National Development Corporation (LNDC) introduce potential investment opportunities. USAID facilitation efforts can be accomplished in coordination with the U.S. Embassy Commercial Attache. Tie-ins with SADCC and the USAID Southern Africa Regional Program (SARP) may also be utilized.

F. Marketing

Meeting USAID's agricultural development objectives may be facilitated by promoting linkages between research, extension, and marketing. Thus research and trials on products that have previously been identified as having market potential, and preferably for which marketing agents have already been identified, should have priority.

Along with research and extension, the development of sound project feasibility studies that determine the presence of adequate marketing infrastructure is important. There is already substantial donor activity in the area of infrastructure development, improvement, and maintenance, particularly related to roads. However, there is a need to develop better coordination among donors related to this sort of activity. An inventory of key infrastructure requirements related to rural marketing and enterprise development is particularly important. What infrastructure is lacking? Which needs are priorities? What is the present and planned Government and other donor involvement?

USAID activities in the privatization of marketing channels through LAPSP and in the development and structuring of the proposed rural Marketing (Advisory) Boards can help increase the efficiency of marketing structures. USAID efforts may help ensure that these Marketing Boards become true private sector entities and accomplish their purpose of creating effective market points needed in rural areas. Additional

efforts in farm-to-market infrastructure may also produce significant returns.

G. Other Strategy Elements

USAID may also apply the following approaches to implementation of other portions of the private sector strategy:

- G.1. A local private sector management consulting business may be contracted to provide **feasibility study preparation courses to prospective entrepreneurs**. A consultant may train the Basotho trainers from this business, which would then give courses throughout Lesotho and provide implementation assistance with local financial institutions, receiving a portion of its fee from successful proposer's loans and a portion from the USAID contract. In addition, USAID may have funds available under the A.I.D. Southern Africa Regional Program (SARP) for the development of feasibility and prefeasibility studies.
- G.2. The **Student Enterprise Program of the Lesotho Agricultural College** may receive additional USAID support. However, in addition, it would be interesting to monitor the activities and accomplishments of graduating students to determine how the program may be improved and to learn more about starting new enterprises in Lesotho. A provision for this monitoring can be included in the trust agreement for future funding of the program, with the cost to be covered by interest earned on the trust fund.
- G.3. A lack of **venture capital for Basotho entrepreneurs** has been stated to be a major constraint. Investigations into the mechanisms for, and possibilities of accessing a small portion of miner remittances for a venture capital fund, and/or the design and implementation of programs based on U.S. community development corporations or West African "financiers," may be undertaken. AFR/MDI is entering into a venture capital contract with a firm that will have the mandate to undertake this type of investigation. A buy-in to this contract is a possibility.
- G.4. The **small-scale and informal sectors** of the Lesotho private sector merit study, as outlined above. USAID may sponsor this system and promotion research through a buy-in to the AID/W Science and Technology (S&T) Bureau Gemini Project, which has been established to undertake just such research. It may also consider sponsoring nongovernmental organization (NGO) efforts, expanded cooperation with the U.S. Peace Corps, and the cooperative design of special WID initiatives with the AID/W Program and Policy Coordination (PPC) WID office.
- G.5. The MAPS Private Sector Survey corroborated the generally held belief that the lack of credit was the constraint that businesspeople most felt was constricting their operations. Unfortunately, no ready solution is available. The United Nations Capital Development Fund (UNCDF) loan guarantee program with the Lesotho Bank is interesting and merits monitoring, but there is no chance at this early stage of increasing its size and scope of operations. The efforts of Basali Boitlarong to establish a loan guarantee scheme for women entrepreneurs in affiliation with Women's World Banking also merits monitoring, and perhaps some assistance. HRDA resources available for private sector training could perhaps help fund technical assistance and training for its members. Setting up a separate department in BEDCO, staffed by expatriates

who would review and approve loan applications, has been suggested, but this is costly and has implications which may be difficult to confront.

At this time the best approach may be for USAID just to support study and symposia on potential financial system reform and new financial intermediaries. One investigation already identified concerns the effect of the IMF Structural Adjustment Facility credit limit restrictions on new loans to productive enterprises. Experience has shown (for instance, in Kenya) that such imposed credit ceilings affect new customers' abilities to obtain loans, while old customers receive loans as they have in the past. Will this be the case with the IMF program in Lesotho? Will consumer lending and government borrowing remain high while new business loans are refused?

Finally, the possibility of an AID Private Enterprise Bureau loan-guarantee scheme for small-scale industries exists, but if the government is not willing to take the foreign exchange risk, such a loan guarantee program may not be possible.

- G.6. Short-term **business skill training**, according to needs expressed during the MAPS assessment, were most needed in financial management and accounting, export marketing (getting information and establishing linkages), business plan preparation, proposal and bid preparation and marketing skills. The USAID HRDA Project is the vehicle for work in this area. Local trainers and institutions, for longer term impact through continuation without donor funding, may be made capable of imparting this training.
- G.7. USAID efforts in the area of **privatization** are important and continued efforts in this area may help significantly expand private sector activity in Lesotho. USAID has been a pioneer in privatization-related activities, developing the cost-recovery scheme privatized maintenance program for water pumps and privatizing Co-op Lesotho under LAPSP. USAID can build on its LAPSP project activities with the privatization of Co-op Lesotho. The plan to establish a Lesotho Agroindustry Development Corporation as proposed by the FAO is not, however, a plan that seems to merit support without further careful analysis. Under this plan, it appears that present parastatals will not be privatized, nor will the addition of a new government structure active in areas that should be the concern of the private sector and the LNDC help either donors or the government reach their development objectives. USAID may consider offering the resources of the A.I.D. Private Sector Bureau Privatization Project to the government to enable the government to have an option to compare with the FAO plan of action.

ANNEXES

ANNEX A

Summary of Donor Activity in Private Sector Promotion

Donor assistance in Lesotho is significant. In 1987, according to the UNDP report on donor activity, total (technical and capital⁴) assistance amounted to US\$73,750,000, approximately equal to 20 percent of the country's GDP that year. Bilateral donors provided 49 percent of technical assistance that year, the UN system (including the UNDP), provided 28 percent, and other multilateral institutions (such as the EEC) provided the remaining 23 percent. Most donor funds were spent in the areas of education (28 percent of all technical assistance, 27 percent of total assistance), agriculture/forestry/fisheries (26 percent of both technical and total assistance), and transport and communications (15 percent of technical assistance and 16 percent of technical and capital assistance). Health accounted for 7 percent of total assistance to Lesotho.

The United States, through USAID, accounted for 31 percent of total bilateral and 20 percent of total technical assistance to Lesotho in 1987. It has been a major player in those areas where donor activity is the heaviest. In 1987, the United States accounted for 51 percent of bilateral technical assistance in agriculture (30 percent of total technical assistance, if one counts the multilaterals), 51 percent of bilateral technical assistance in education (with the bilaterals, 20 percent of total technical assistance in education), and 45 percent of total bilateral technical assistance in health.

According to UNDP figures, the pattern of donor assistance to Lesotho will remain fairly constant into the early 1990's. Though not all the figures are yet available, donors have estimated that under existing and planned projects, the percentage of total (technical and capital) assistance over the short term will be as follows:

Education	34%
Agriculture	29%
Transport	10%
Health	9%
International Trade and Development	3%
Industry	2%
Natural Resources	2%
Population	0.4%
Other ⁵	11%

Total assistance to the private sector is difficult to estimate, but seems to be fairly small. While many projects may indirectly promote private sector efficiency or productivity, for the purposes of this analysis an activity is considered to be "private sector" only if the assistance is directed to and implemented exclusively or primarily by private sector institutions. Of particular interest are those projects that rely on the private sector as implementing agents and thus minimize the burden of assistance on the GOL. **Under this definition, less than 1 percent of total planned assistance to Lesotho can be considered private sector.** Using this definition, most of the private sector activities currently planned for Lesotho fall under the donors' industry portfolio (85 percent), while 14 percent fall under the agriculture

⁴Technical assistance made up 85 percent of total donor assistance in 1987. These figures understate total donor assistance because they do not include food aid and are also subject to nonreporting and definitional problems.

⁵Includes general development issues, policy and planning, humanitarian aid, science and technology, culture, and settlements.

portfolio, and the remaining 1 percent is located in the international trade and development area.

The most active donors in the private sector are CIDA (Canada), the Scandinavian countries, and the Republic of Ireland. CIDA has a number of activities related to the promotion of textile and leather manufacturing, poultry, and dairy industries. The government of Norway has a number of projects, the most important of which is one related to trade development, which provides assistance to entrepreneurs in the export area. The government of Ireland also is funding a number of projects related to the promotion of cooperatives. The UN system, through its International Trade Center in Geneva, has been supporting activities to increase exports, channeling financial assistance to handicraft cooperatives, sponsoring trade missions and providing some marketing intelligence and support services for the Lesotho Exporters Association. In addition, the UNCDF has been exploring the possibility of establishing a loan guarantee program with the Lesotho Bank, but such work is in its early stages.

USAID has been a leader in privatization activities in Lesotho, starting with the design and implementation of a cost recovery scheme for a rural water-supply pump project. The success of this initiative (now being adopted in more than half a dozen similar projects throughout the country) helped decrease the maintenance burden on the GOL and paved the way for additional activities in this area. U.S. private sector promotion activities are at the moment concentrated in the area of training (through the HRDA Project which has set aside 32 percent of the training funds for private sector development with the Lesotho Chamber of Commerce and Industry) and agriculture (which through one project is assisting/promoting activities related to the privatization of agricultural marketing, and through a second is directly assisting small farmers and agroindustry-based entrepreneurs). The USAID/Lesotho Manual for Action in the Private Sector (MAPS) Phase I Report of November 1988 provides greater details on these USAID private sector activities.

ANNEX B

MAPS: A SEVEN PHASE PROCESS

1. DEFINE CURRENT AID MISSION STRATEGY.
2. DESCRIBE THE LOCAL PRIVATE SECTOR.
3. DIAGNOSE OPPORTUNITIES AND CONSTRAINTS TO PRIVATE SECTOR GROWTH.
4. DIALOGUE WITH THE PRIVATE SECTOR.
5. DESIGN AID PRIVATE SECTOR STRATEGY.
6. DEVELOP NEW PROGRAMS AND PROJECTS.
7. DEBRIEF AND EVALUATE.

Mission Statement

To improve well-being and help Lesotho become less dependent on the RSA by: (1) increasing agricultural production, diversification and marketing through the private sector, and (2) education and human resources development.

Goals

To enhance institutional planning and management capacity

To help the indigenous private-sector grow and diversify

To improve the well-being of the population

Objectives

Increase capability to deliver technical services and inputs

Develop and/or improve sector policies

Increase and diversify agricultural production

Promote import substitution and exports for increased self-reliance

Provide relevant skills education

Promote microenterprises

Enhance access to basic health, education and family planning services

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of

STRATEGY ARTICULATION DETAILS

OBJECTIVE 1: Increase Capability to Deliver Technical Services and Inputs

STRATEGIES:

- Undertake agriculture and health research (LAPIS, CCCD)
- Provide training and technical assistance to:
 - MOA (LAP, LCRD)
 - MOE (BANFES)
 - MOI/VWSS (RW&S)
 - NUL (NUL)
 - MOH (CCCD, FHI, DLMD)
 - NGOs (FHI)
- Provide extension education in health and agriculture (CCCD, LAPIS)
- Create coordinating mechanisms (BANFES, LAPIS, LAPSP)
- Enhance data development, collection, and analysis in MOA and MOH (LAPIS, CCCD)
- Increase ability to plan for economic growth and labor utilization (HRDA)

OBJECTIVE 2: Develop and/or Improve Sector Policies

STRATEGIES:

- Promote privatization (LASPS, RW&S)
- Promote divestiture (LASPS)
- Eliminate subsidies for agricultural inputs (LASPS)
- Establish grazing fees (LASPS)
- Establish land leasing and pricing (LAPIS)
- Rationalize livestock, crop, conservation, and other policies (LAP)
- Fiscal and administrative reforms in educational system (BANFES)
- Land-grazing fees, areas, and associations (LCRD)

OBJECTIVE 3: Increase and Diversify Agricultural Production

STRATEGIES:

- Promote production of high-value cash crops (LAPIS)
- Land conservation and establishment of RMA/As (LCRD)
- Provide small agricultural project assistance (SPA, SSHF)
- Promote tree production and biodiversity (LAPIS)
- Conservation, agriculture, and other construction (FFW)

OBJECTIVE 4: Promote Import Substitution and Exports for Increased Self-Reliance

STRATEGIES:

- Enhance marketing capabilities (LAPIS)
- Training in export marketing (HRDA)

Exhibit B.3

OBJECTIVE 5: Provide Relevant Skills Education

STRATEGIES:

- Provide teacher training (BANFES)
- Provide training in basic skills (BANFES)
- Provide adult education in marketing and business finance (NUL)
- Skills training (HRDA)

OBJECTIVE 6: Promote Microenterprises

STRATEGIES:

- Provide credit, funding, and training to small projects (SSHF)
- Individual training (HRDA)

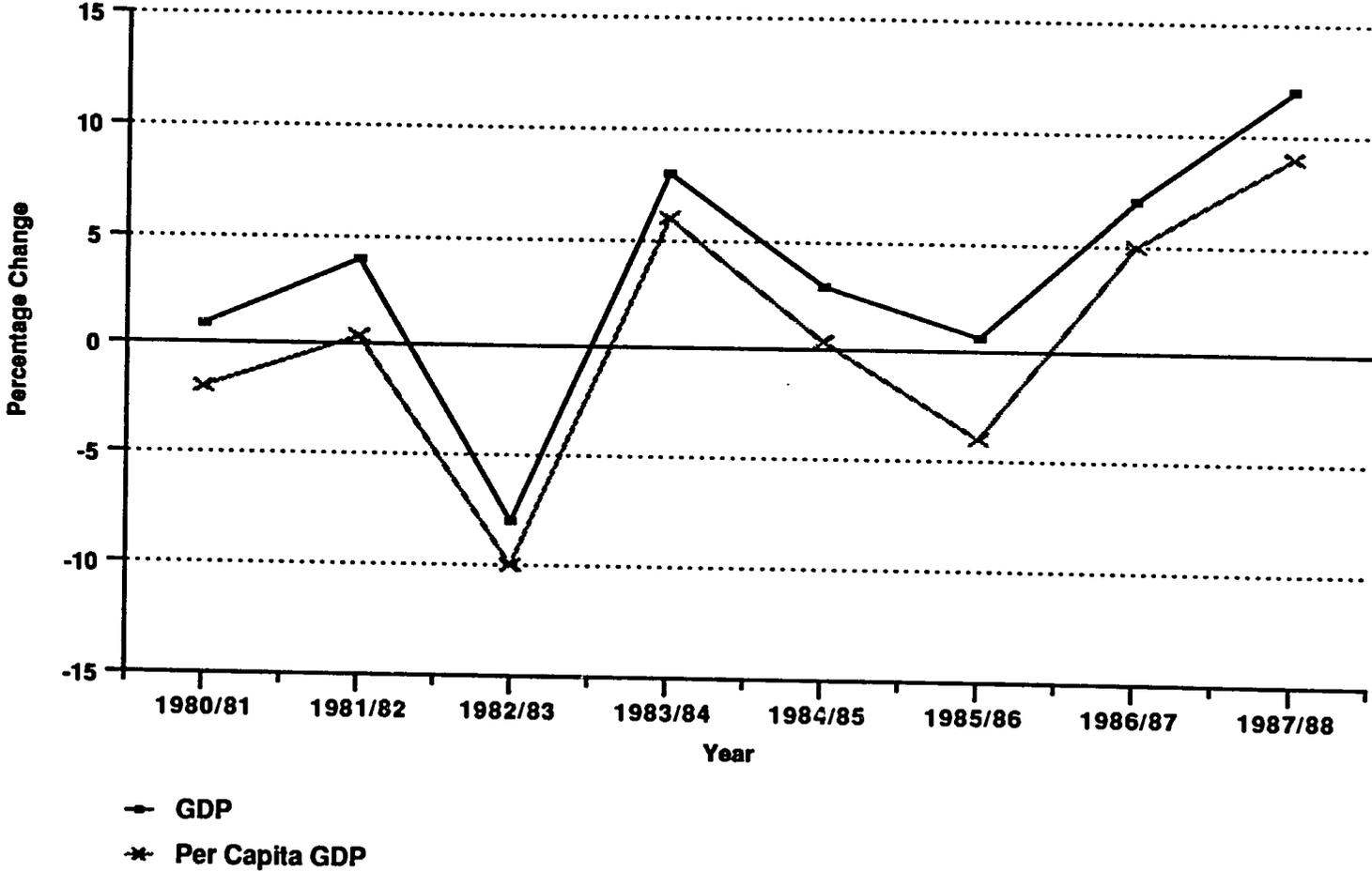
OBJECTIVE 7: Enhance Access to Basic Health, Education, and Family-Planning Services

STRATEGIES:

- Provide primary education inputs, teacher training, curriculum development, and instructional materials (BANFES)
- Provide immunization and diarrheal disease control, and routine health services (CCCD, DLMD)
- Provide health education (CCCD)
- Provide family-planning education and information (FHI)
- Design, construct, and maintain rural water-supply systems (RW&S)
- Provide legal education (MDTF)
- Provide basic education (SPA, SSHF)

ANNEX C

Exhibit C.1
GDP and Per Capita GDP

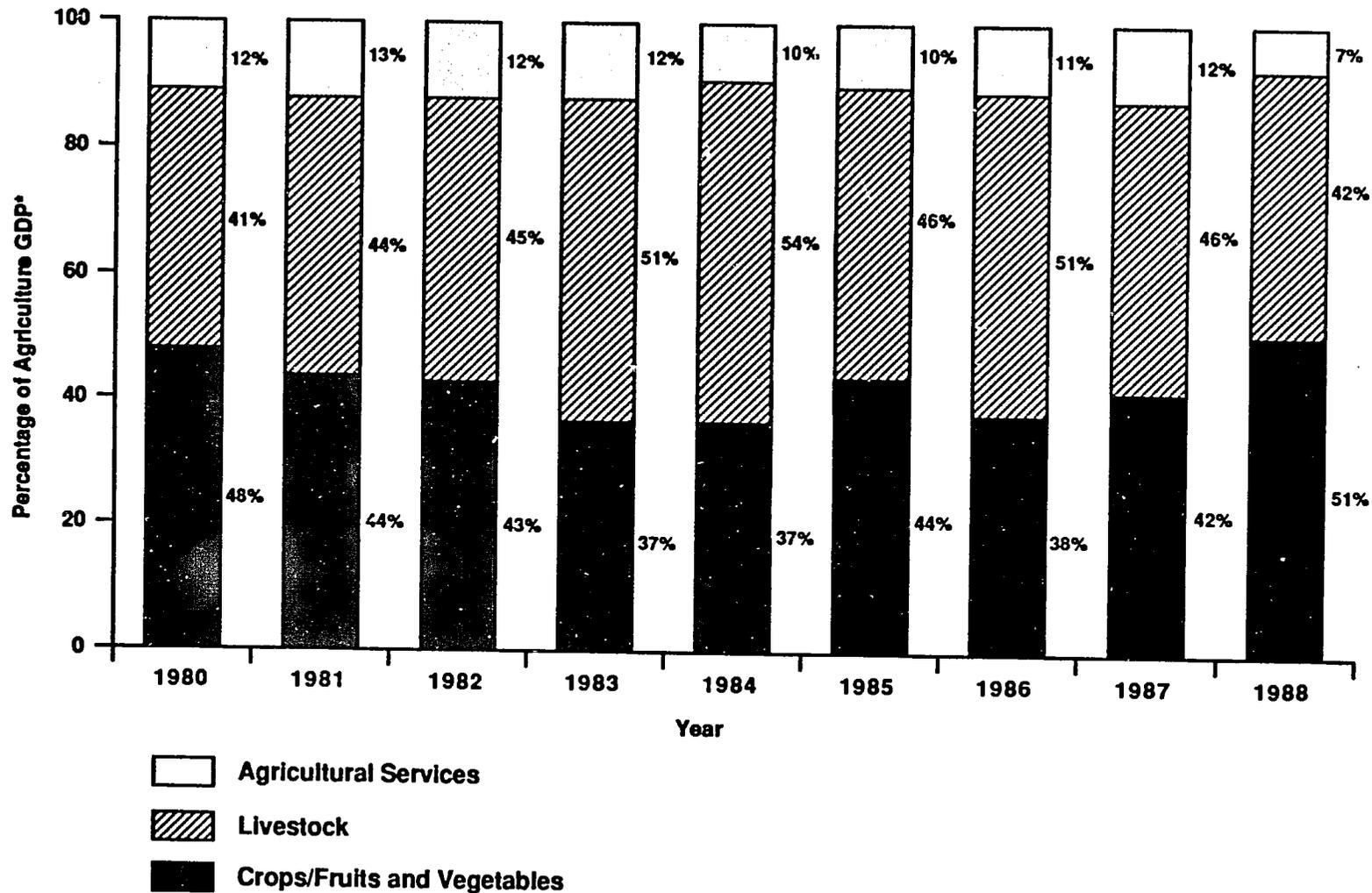


Source: Bureau of Statistics

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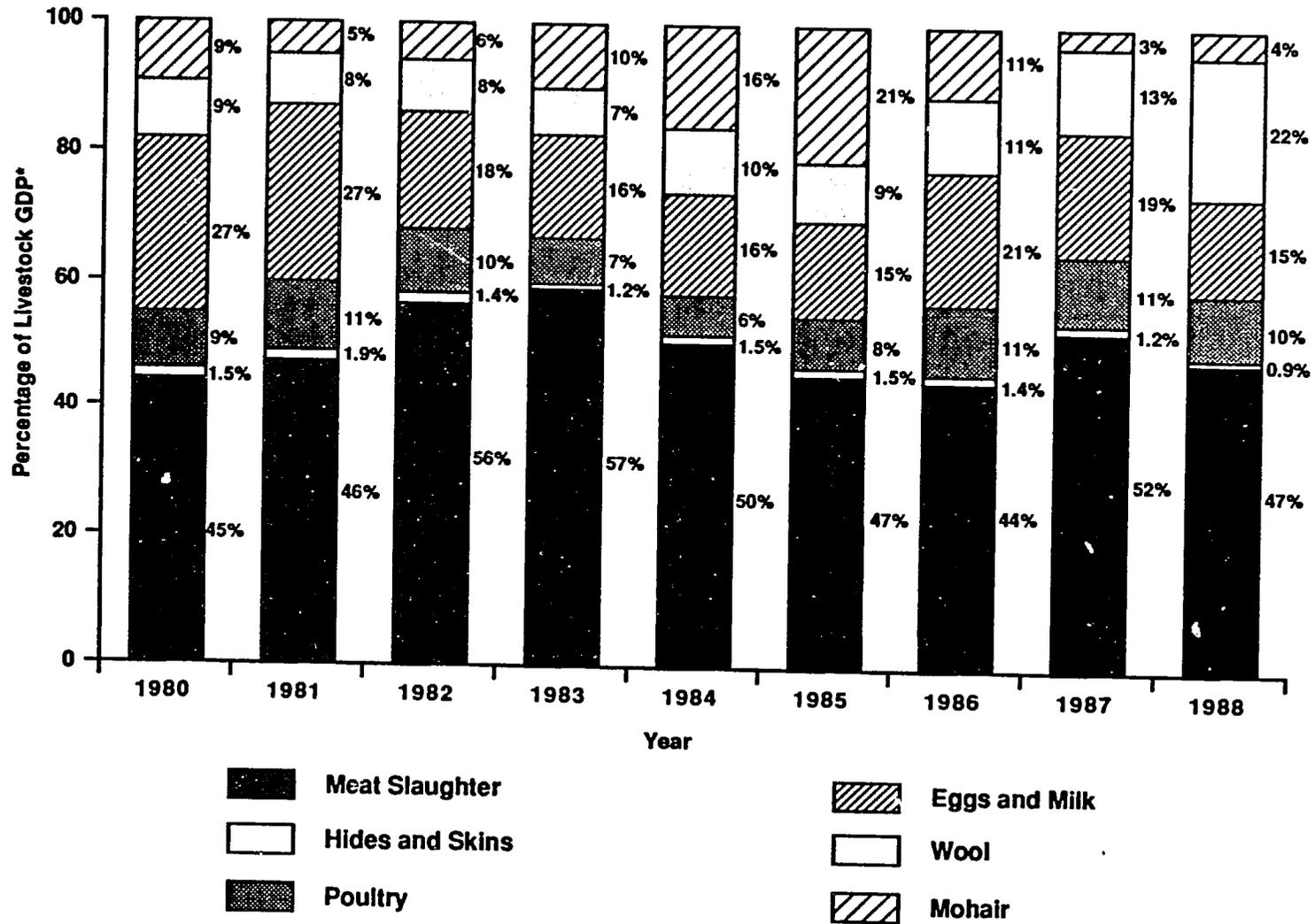
**Exhibit C.2
Components of Agriculture GDP**



Source: Bureau of Statistics

*Numbers may not add up to 100% because of rounding

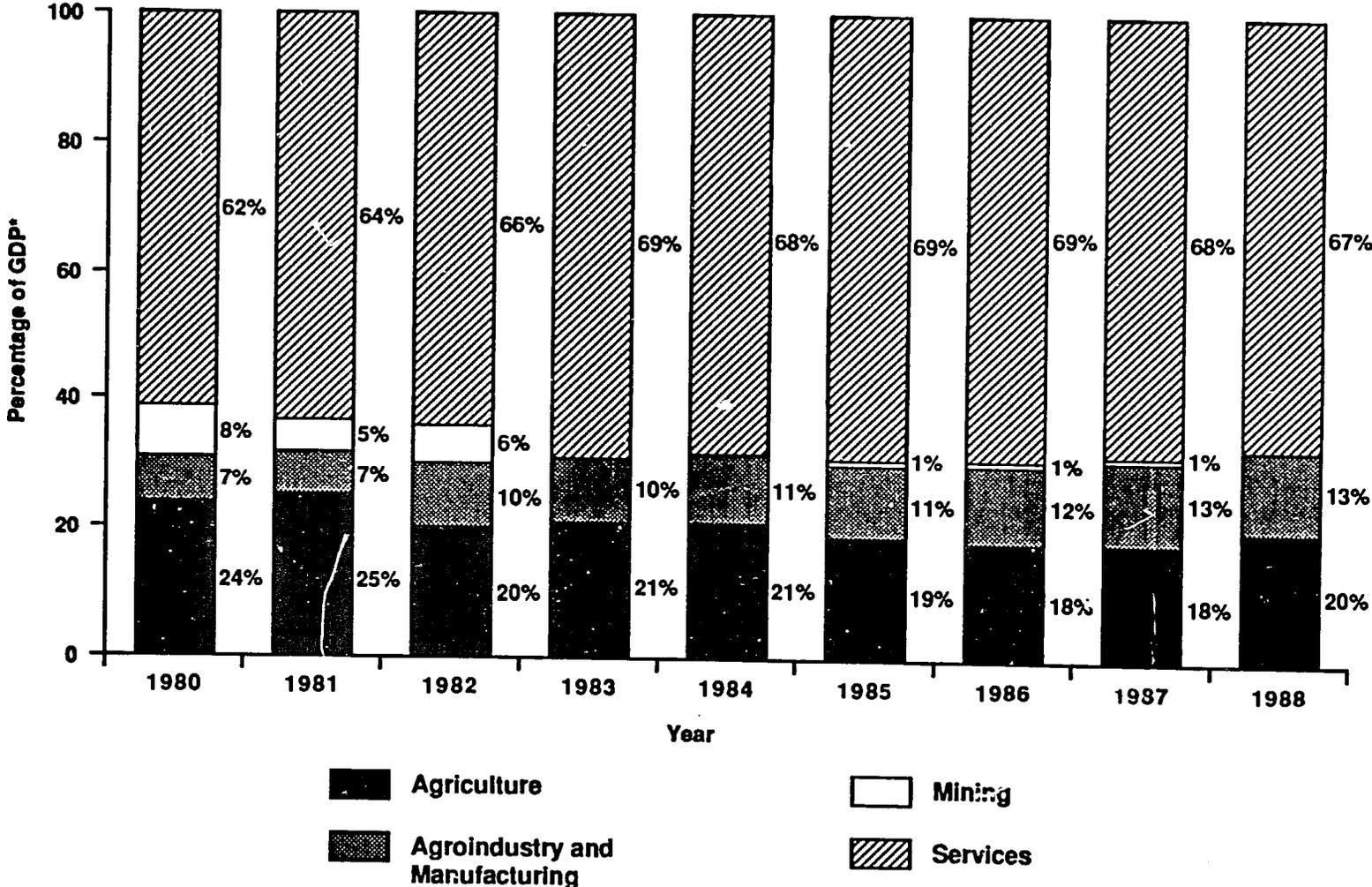
**Exhibit C.3
Components of Livestock Value Added**



Source: Bureau of Statistics

*Numbers may not add up to 100% because of rounding

**Exhibit C.4
Sectoral Contribution to GDP**



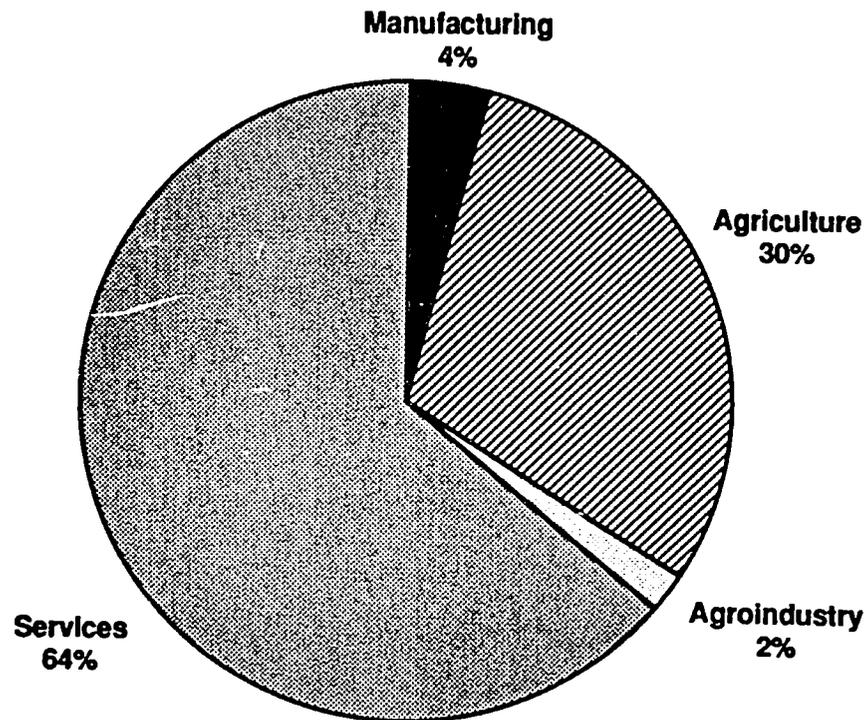
Source: Bureau of Statistics

*Numbers may not add up because of rounding

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2

**Exhibit C.5
Distribution of Private Sector Activity**

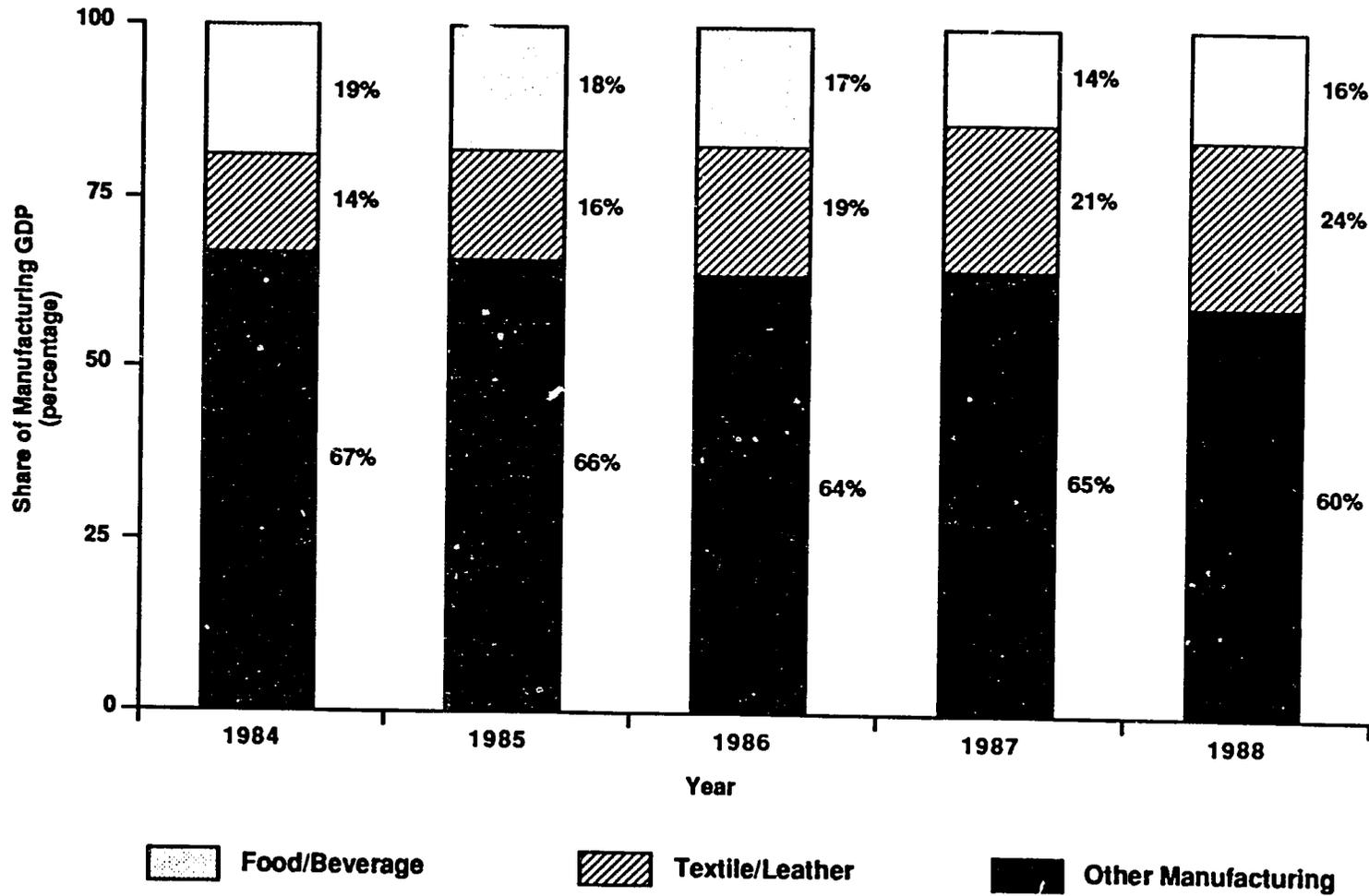


Private Sector GDP 1988: M194 mn (1980 Maloti)

Source: Estimates by consultant

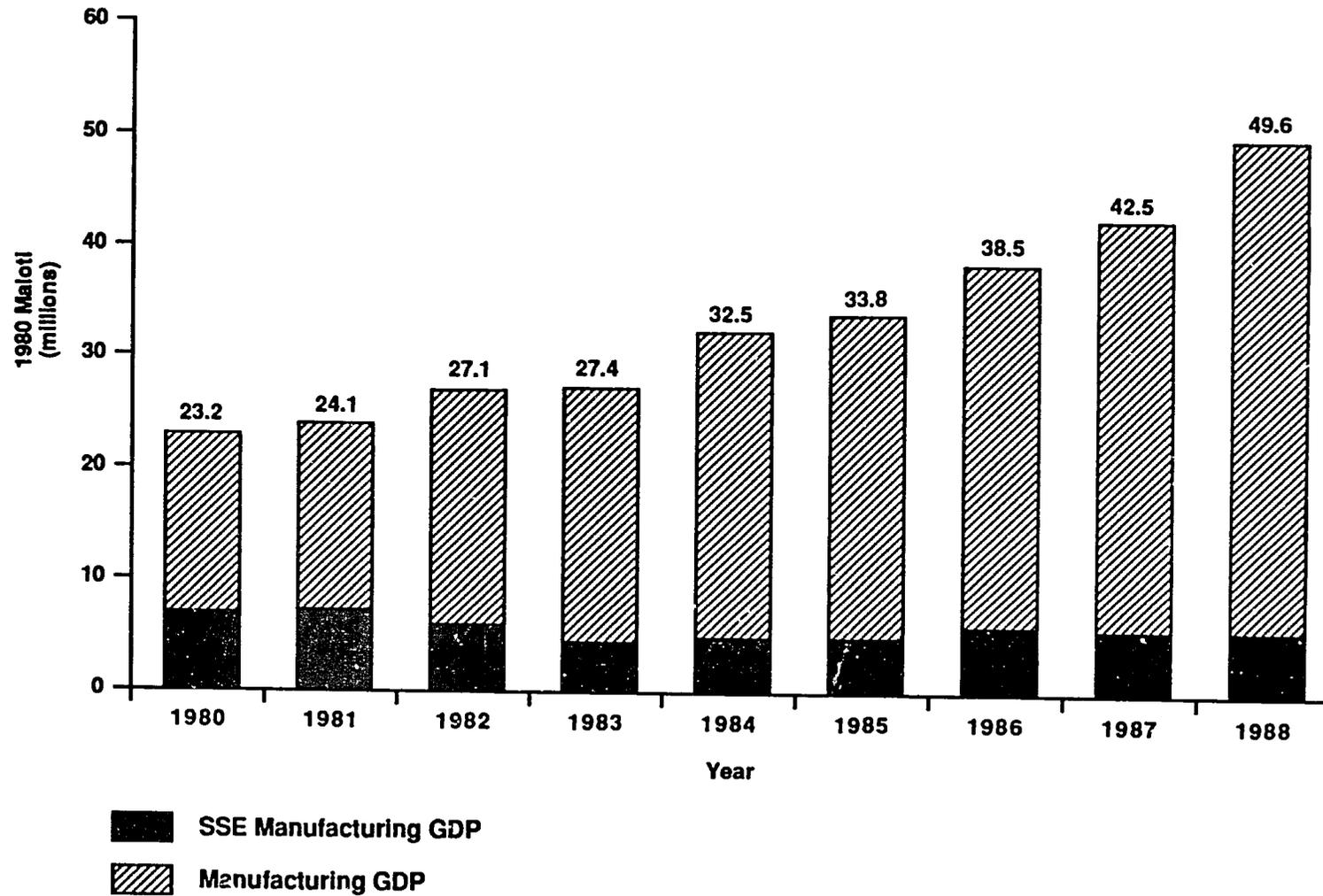
4/2

**Exhibit C.6
Textile/Leather and Food/Beverage Growth**



Estimates based on Central Bank of Lesotho

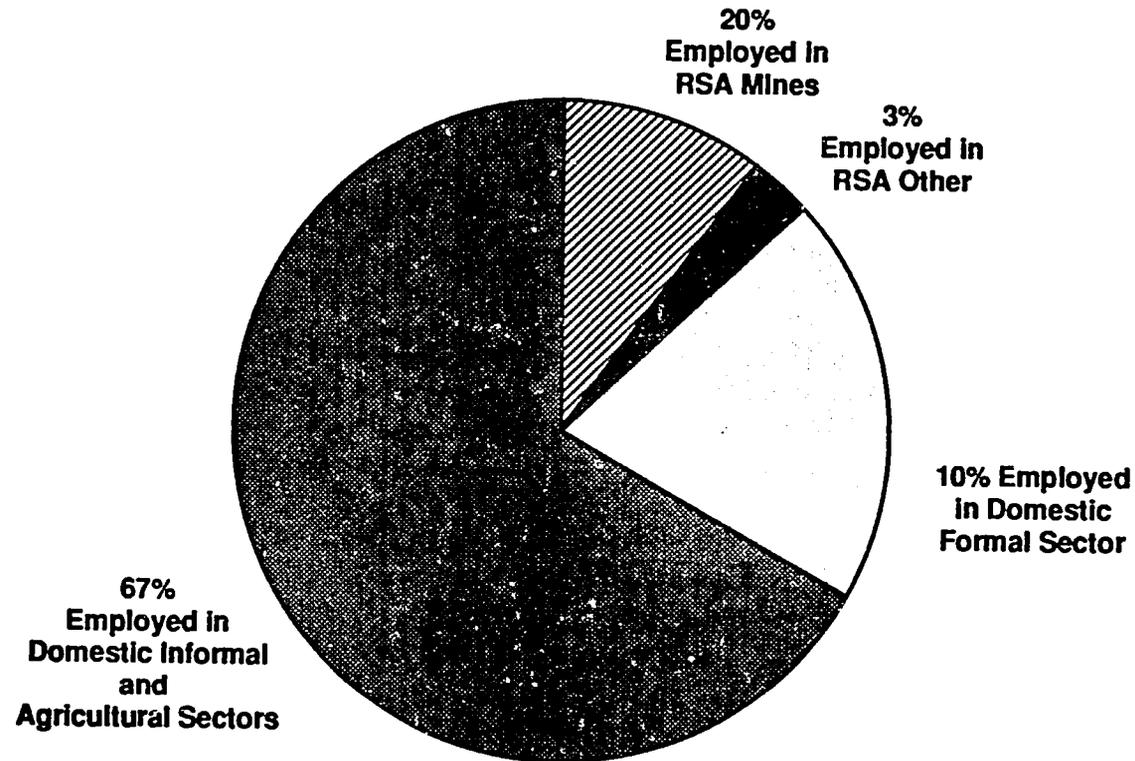
Exhibit C.7
Value of Small Scale Manufacturing
Compared to Total Manufacturing GDP



Source: Bureau of Statistics

16

**Exhibit C.8
Distribution of Total Population Employed
1986**

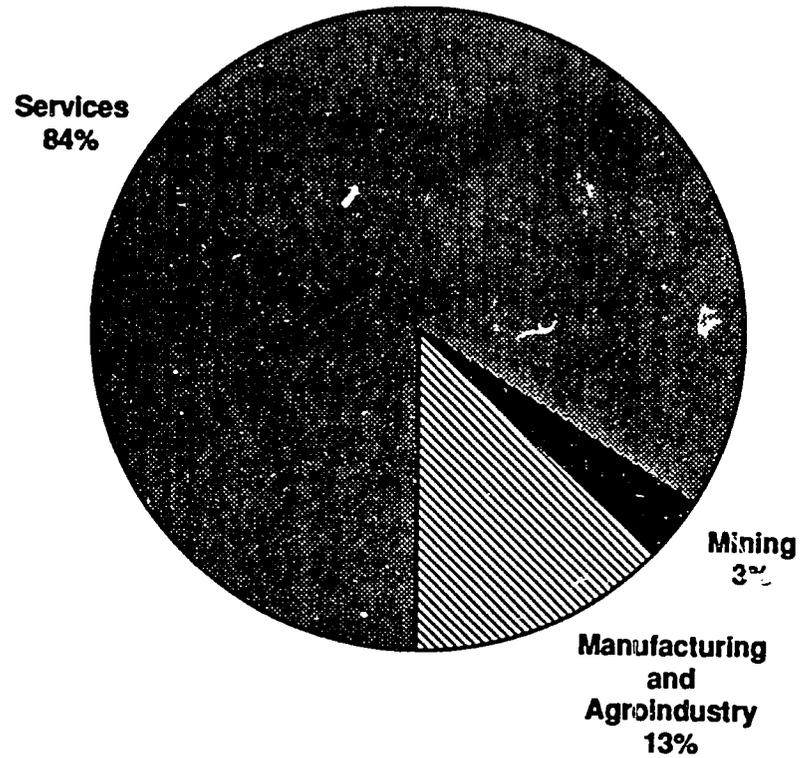


Total Available Labor Force: 672,000

Source: Bureau of Statistics, 1986 Census

11

**Exhibit C.9
Composition of Employment in Formal Sector**

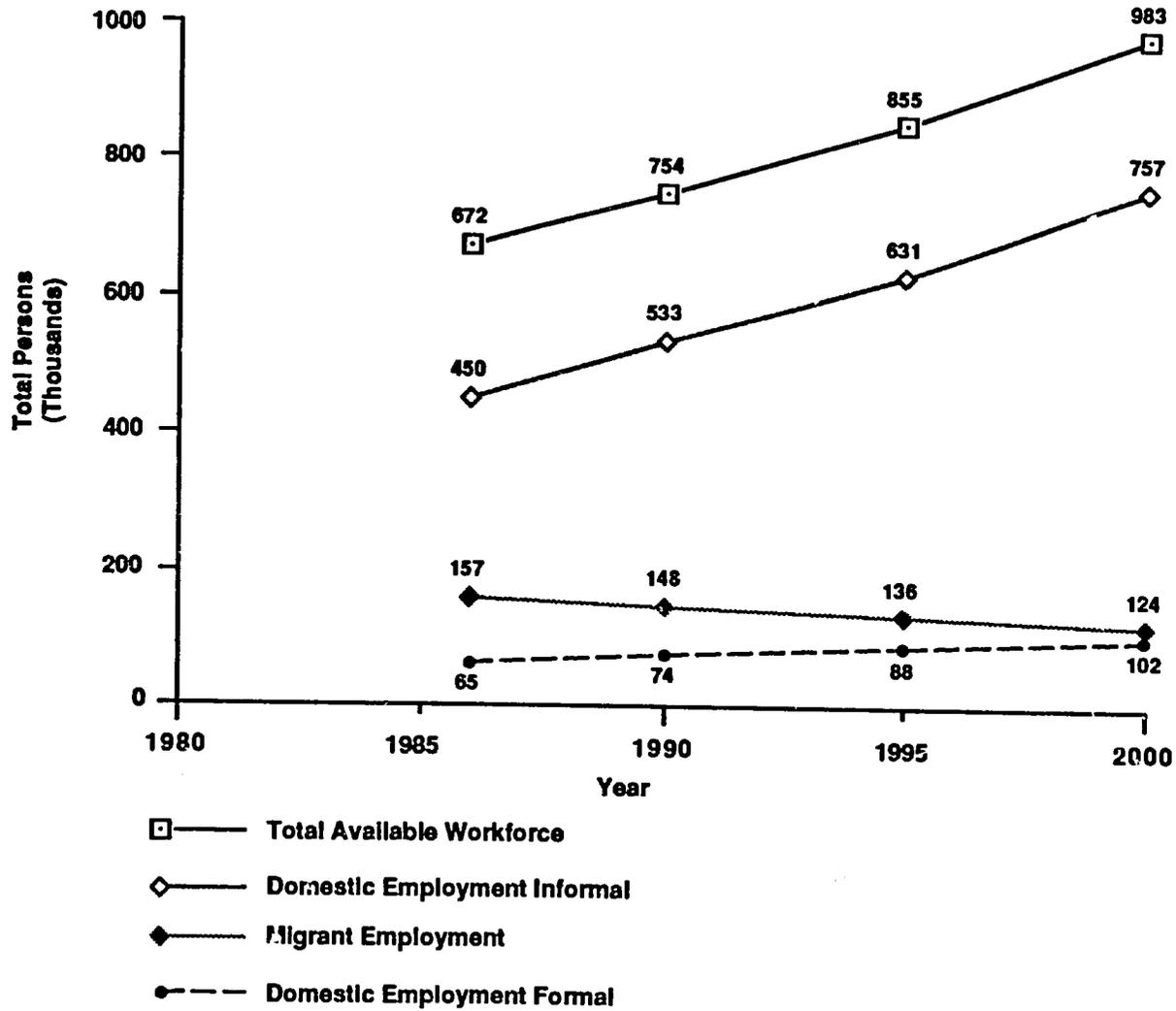


Total Employed in 1985: 62,870

Source: National Manpower Development Survey Projections for 1985 on the basis of 1980 dates; World Bank Estimates

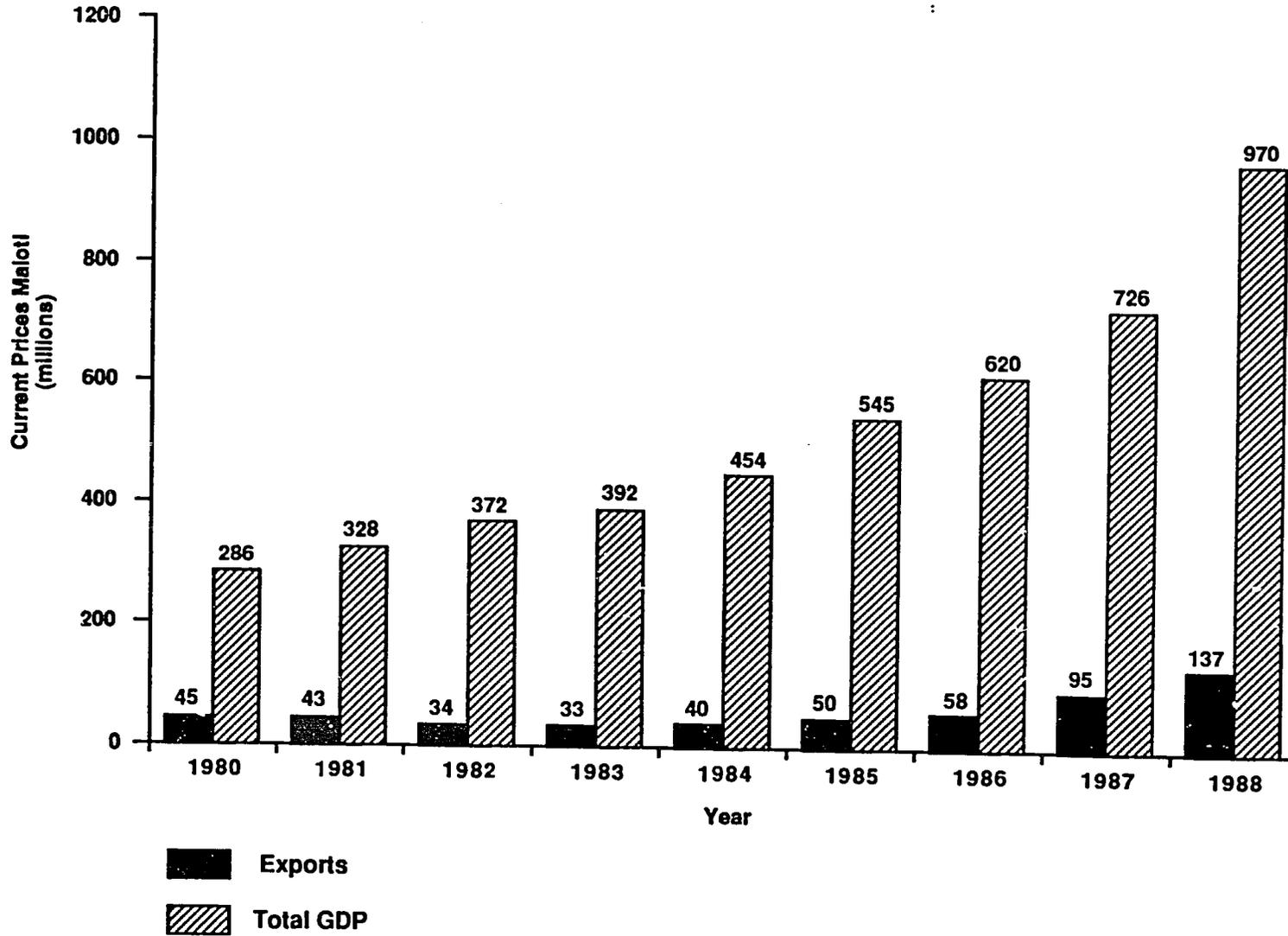
22

Exhibit C.10 Migrant Labor and Total Employment in Lesotho



Source: Labor Force Survey, Bureau of Statistics

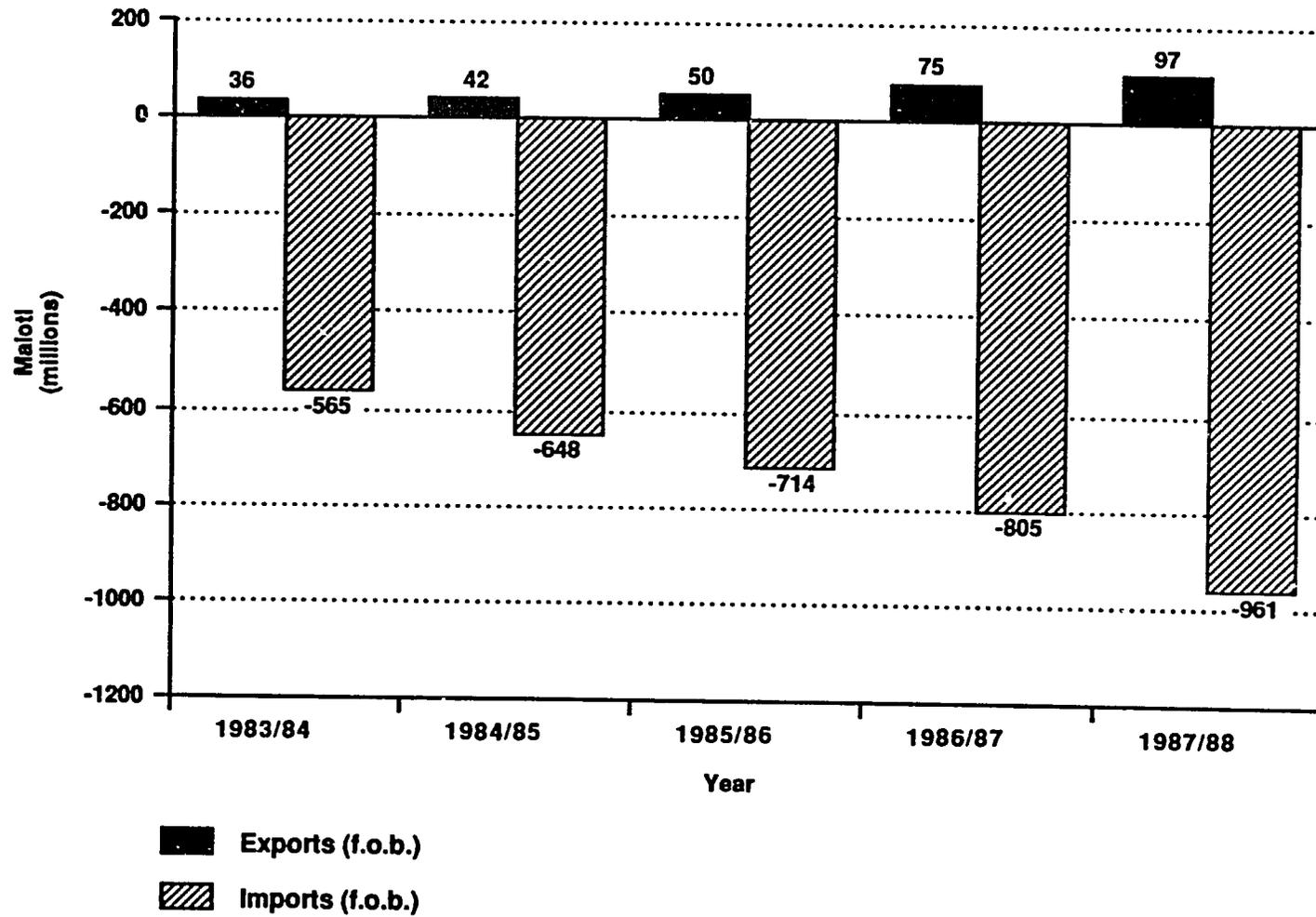
Exhibit C.11
Value of Exports Relative to GDP



Source: Bureau of Statistics

49

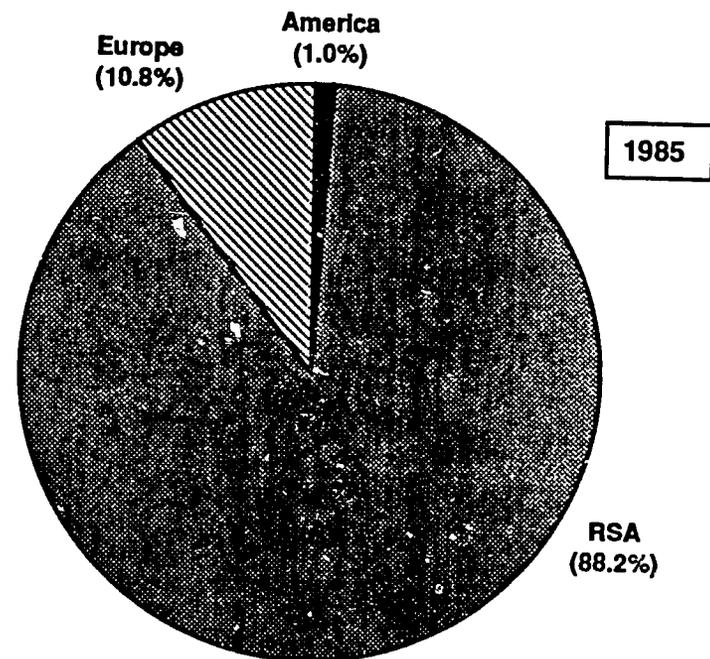
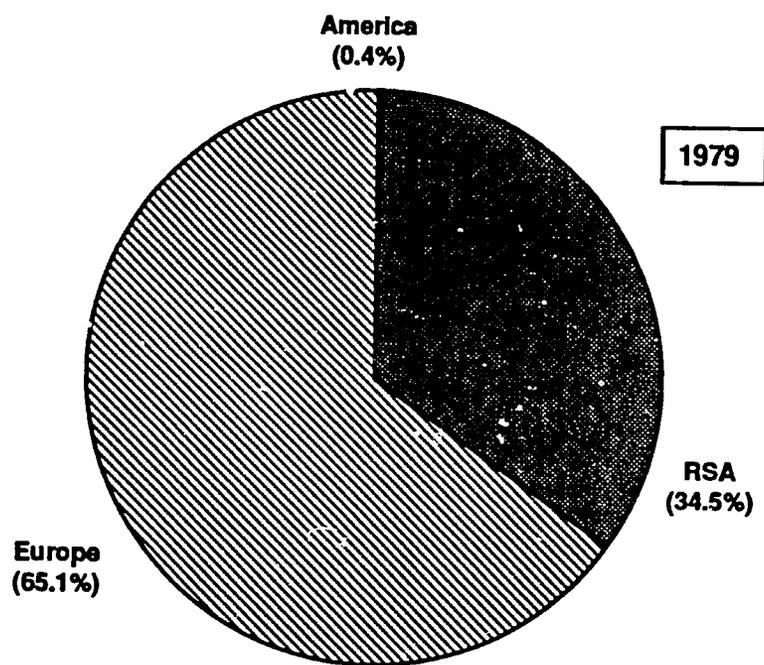
Exhibit C.12 Trade Deficit



Source: Central Bank of Lesotho

15

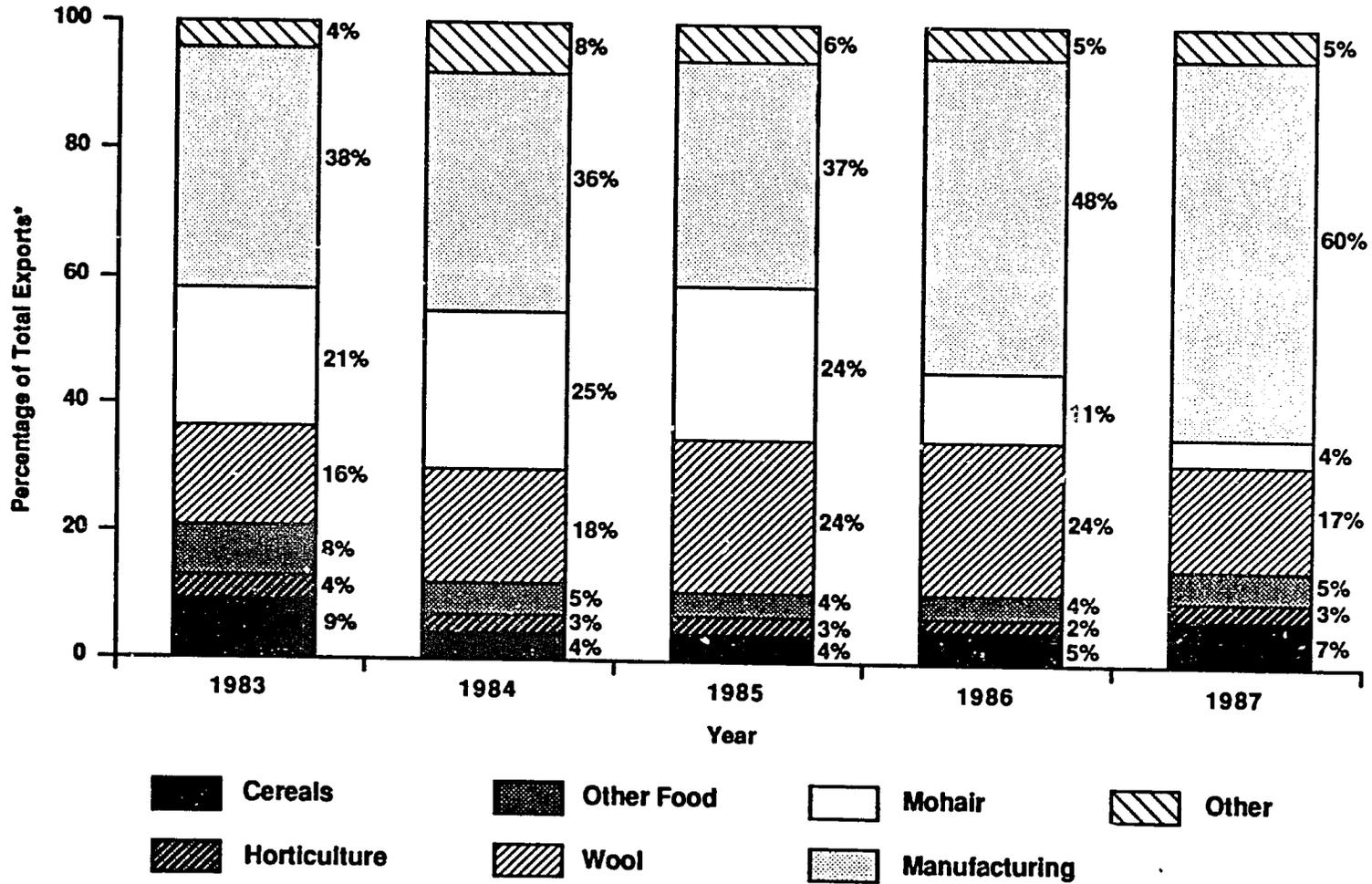
Exhibit C.13 Direction of Exports



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2
16

Exhibit C.14 Composition of Exports

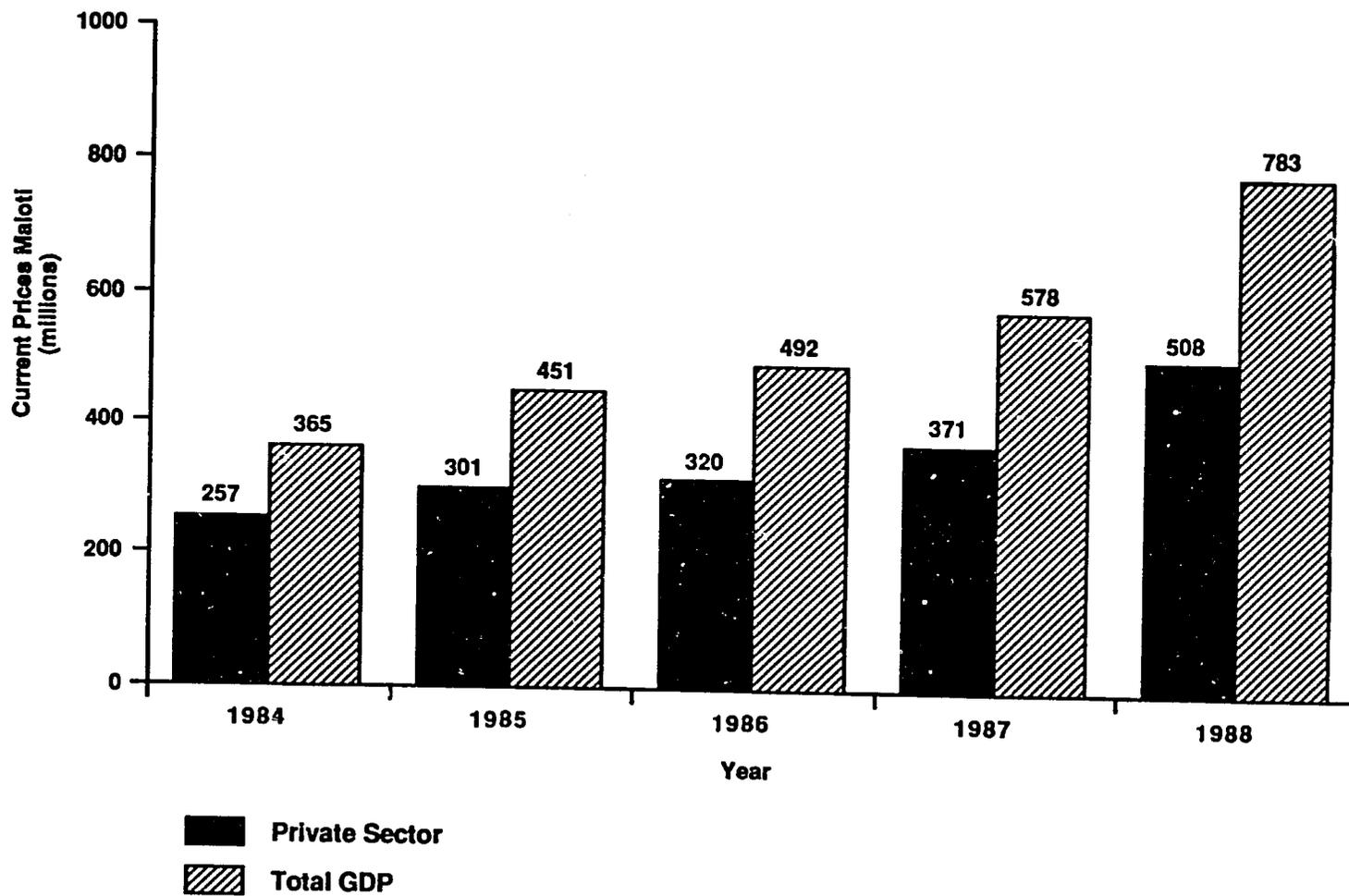


Source: Bureau of Statistics

*Numbers may not add up to 100% because of rounding.

599

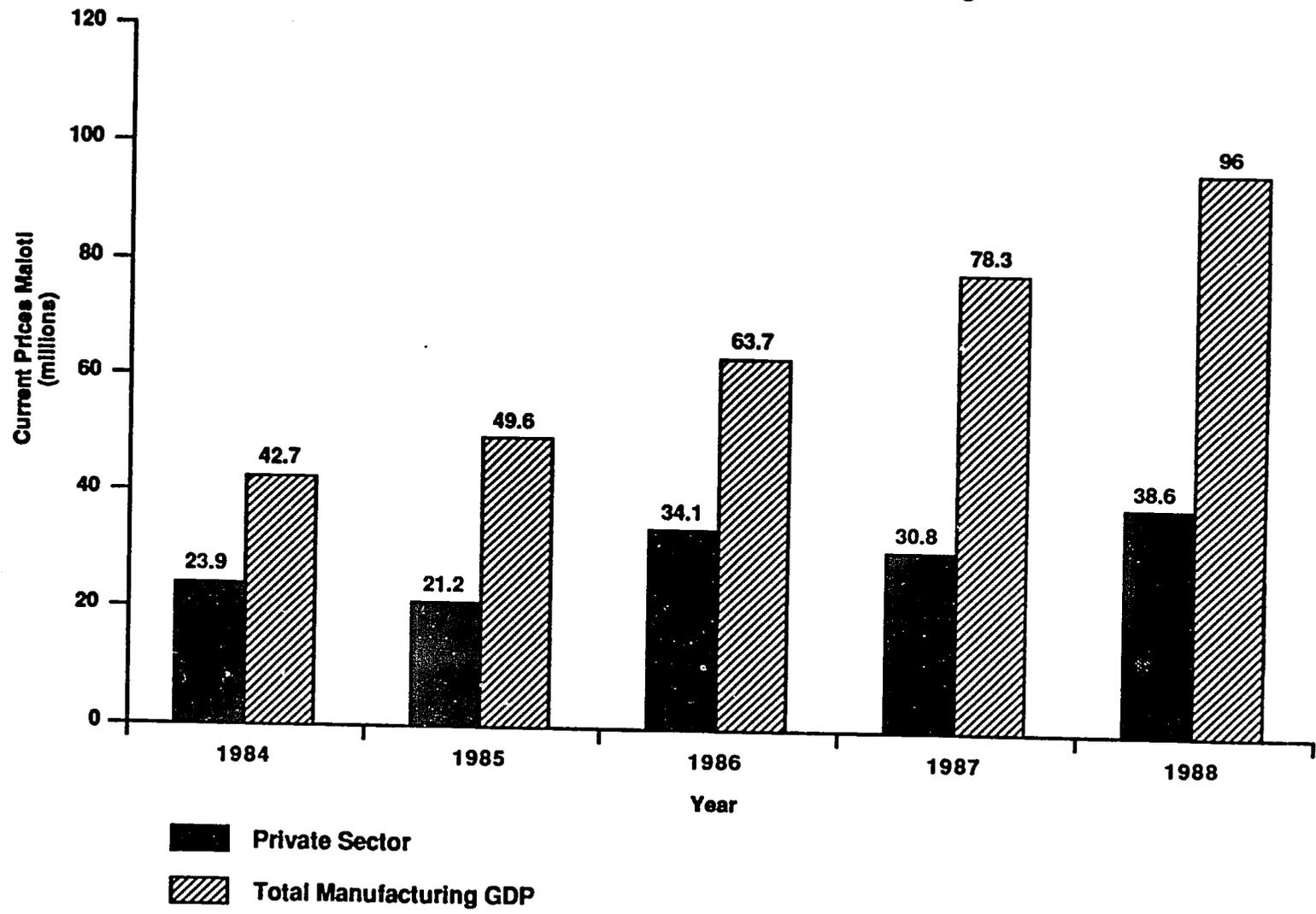
**Exhibit C.15
Private Sector Relative to Total GDP**



Estimates based on Central Bank of Lesotho data

54

Exhibit C.16
Private Sector Share of Manufacturing GDP

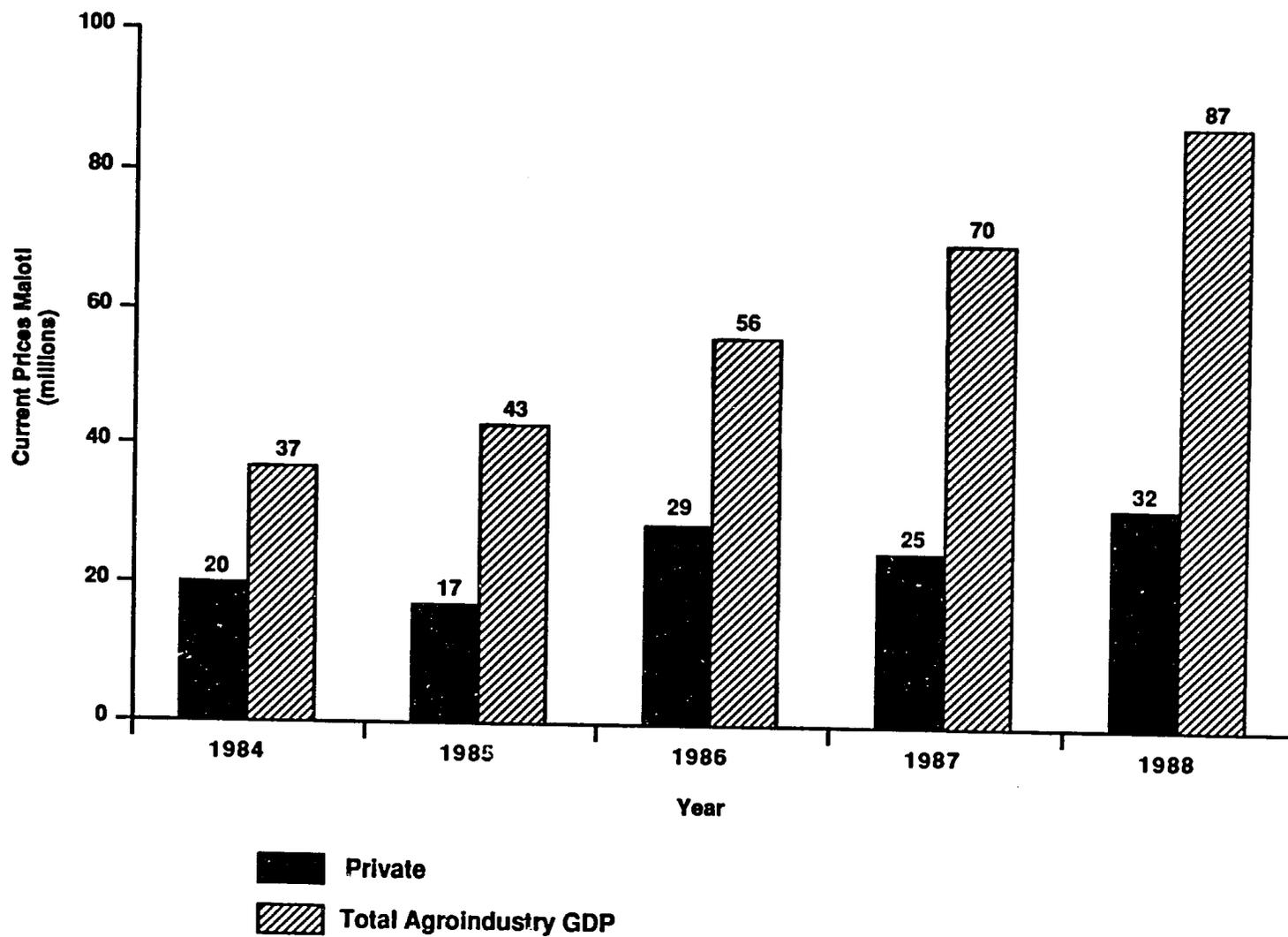


Estimates based on Central Bank of Lesotho data

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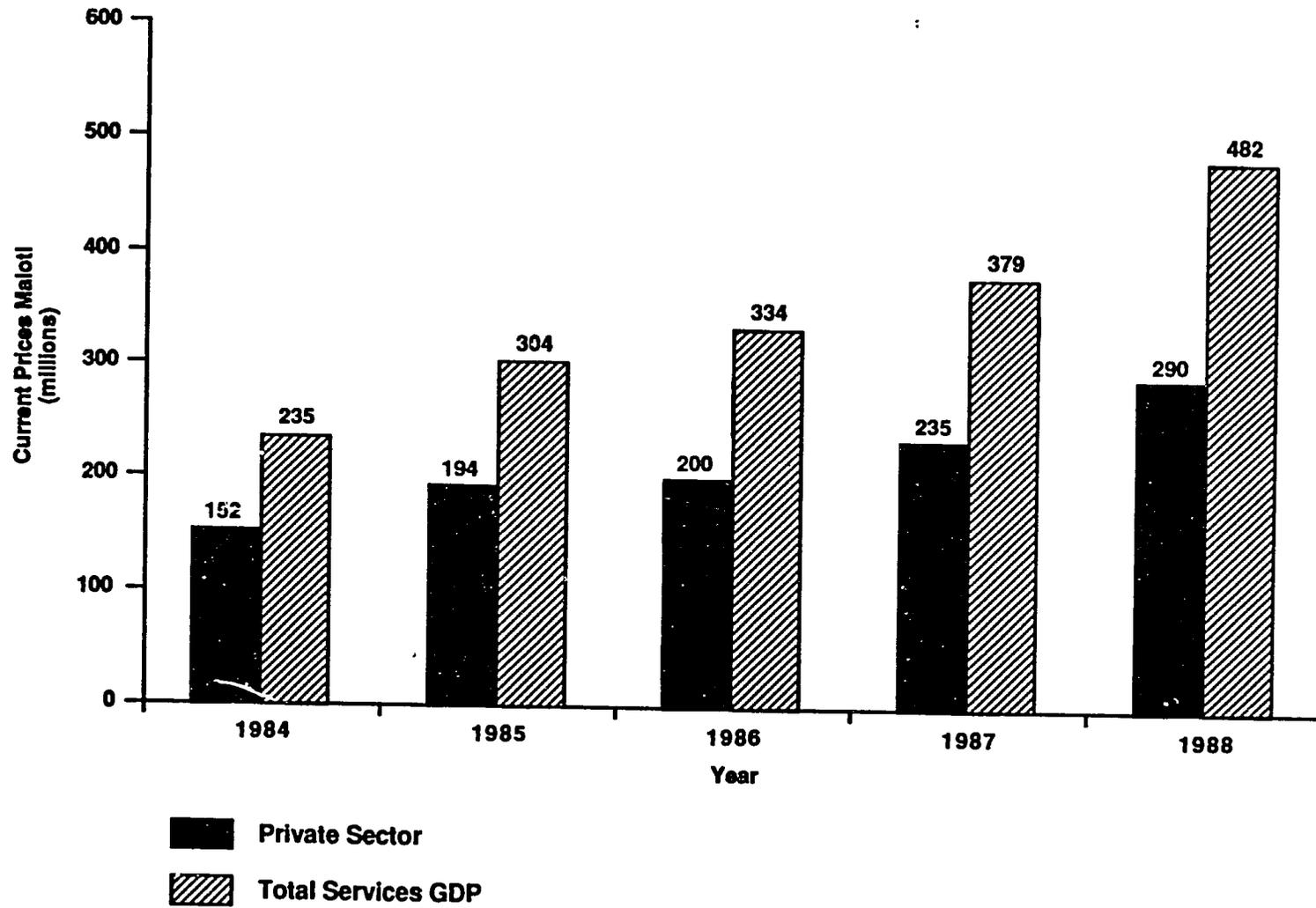
45

Exhibit C.17
Private Sector Share of Agroindustry



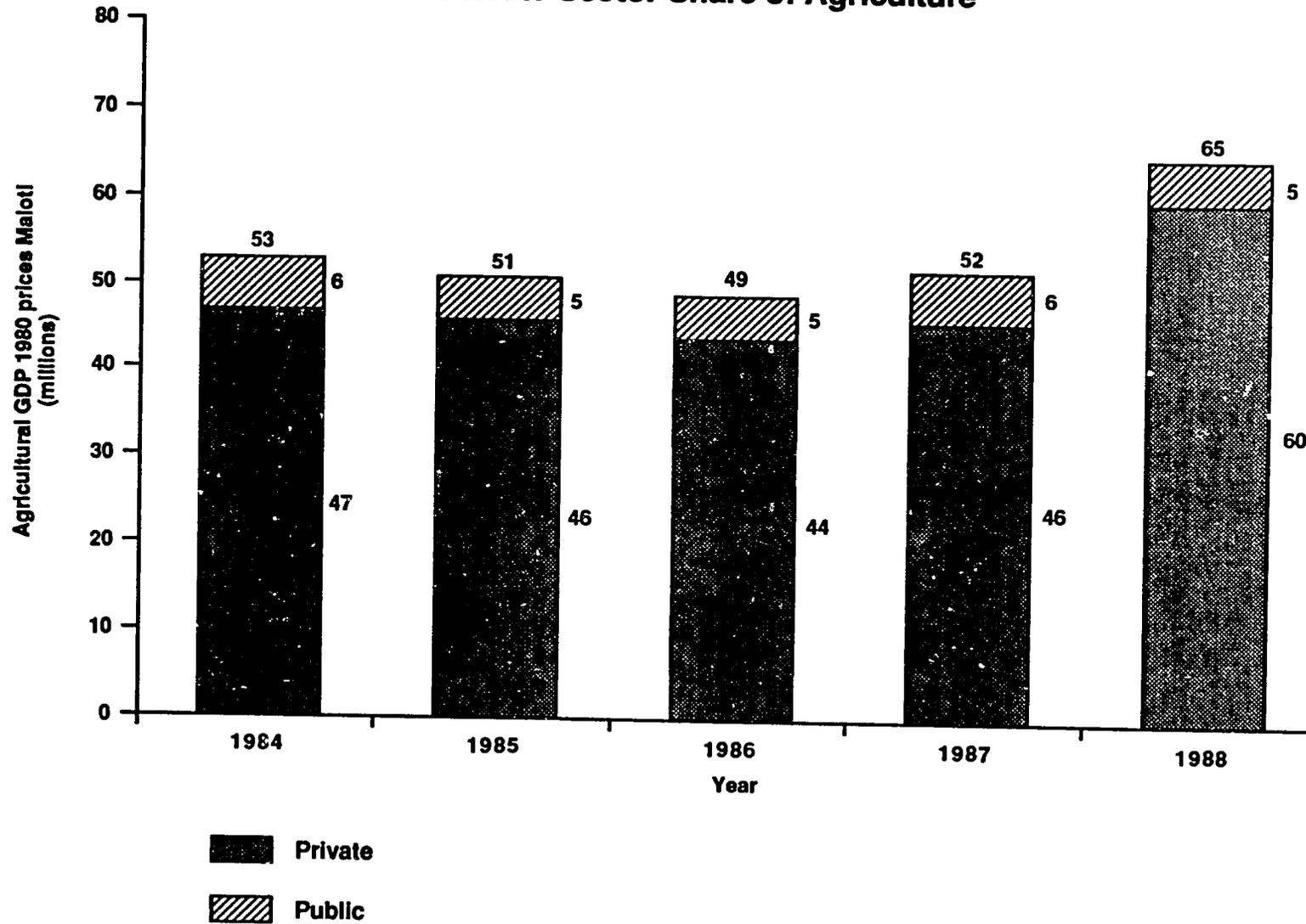
Estimates based on Central Bank of Lesotho data

Exhibit C.18 Private Sector Share of Services



Estimates based on Central Bank of Lesotho data

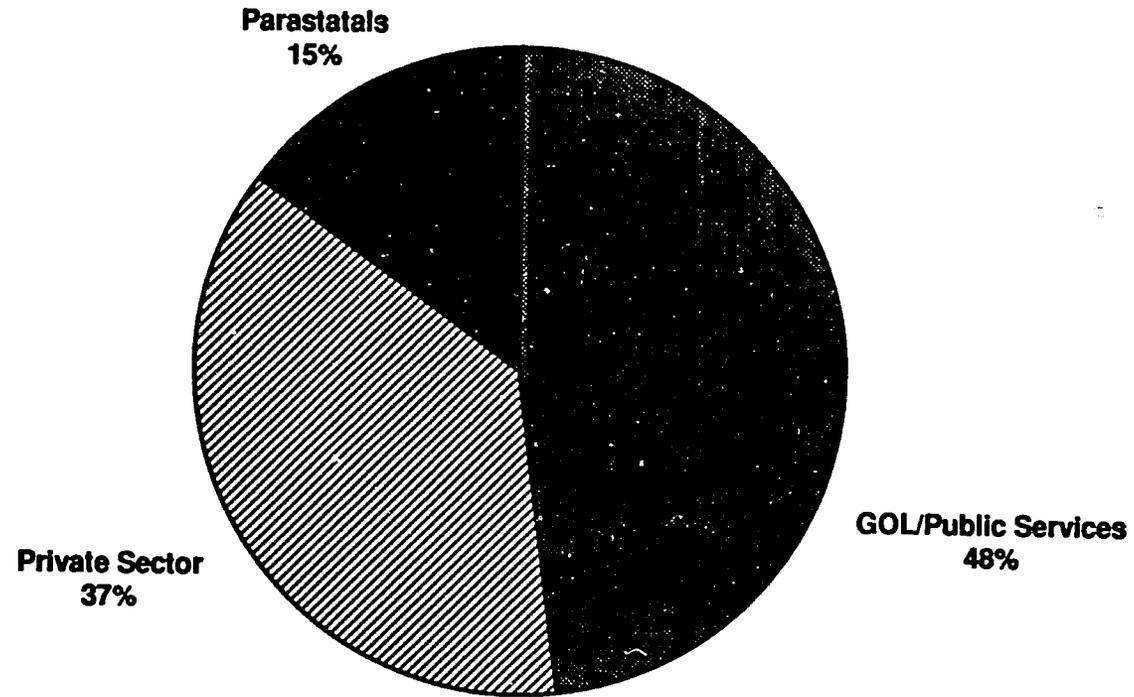
**Exhibit C.19
Private Sector Share of Agriculture**



Estimates based on Central Bank of Lesotho data

4

Exhibit C.20
Share of Private Sector in Employment

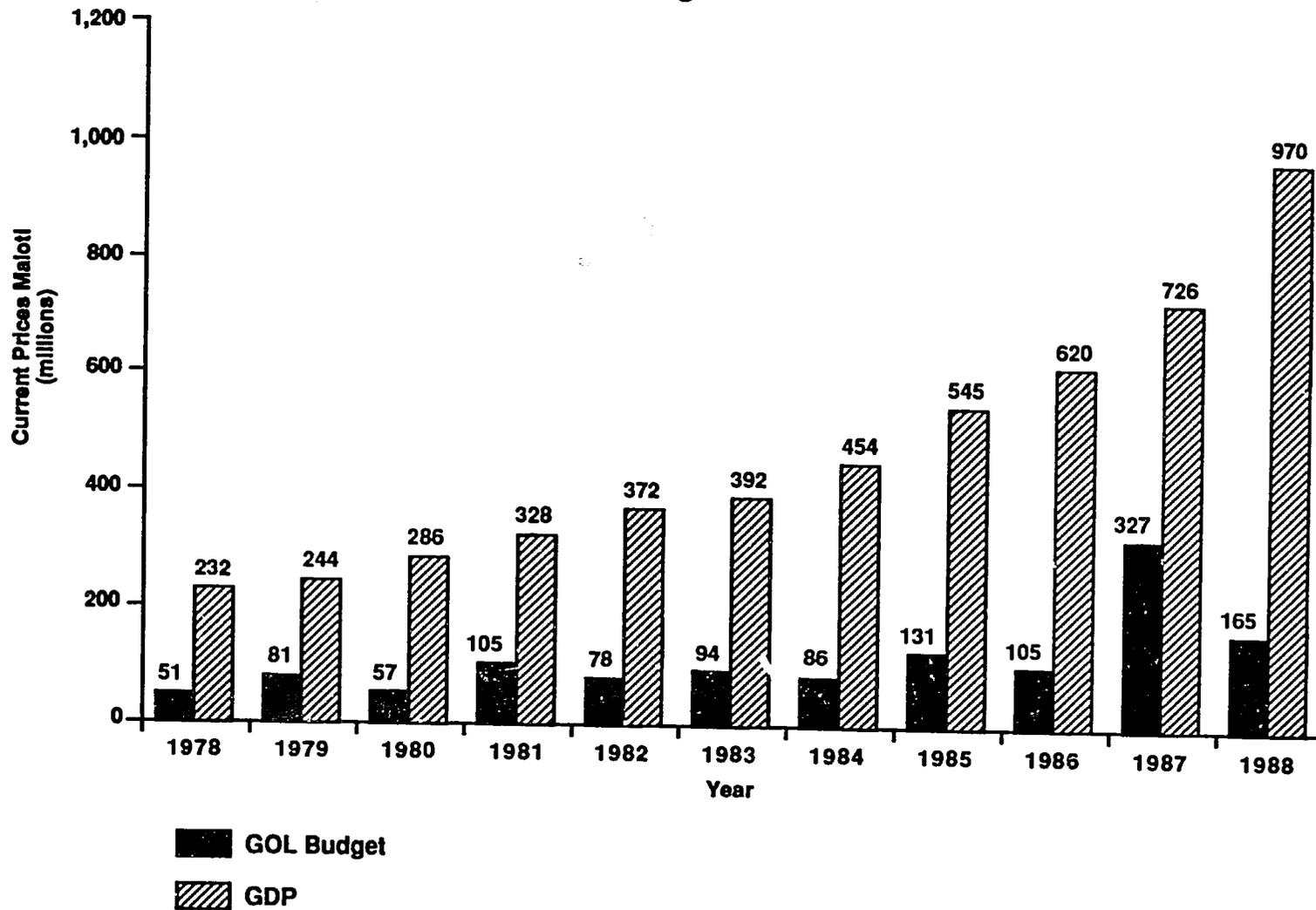


Formal Sector Employment (1985): 62,870

Source: Estimates by consultant, based on Bureau of Statistics data

59

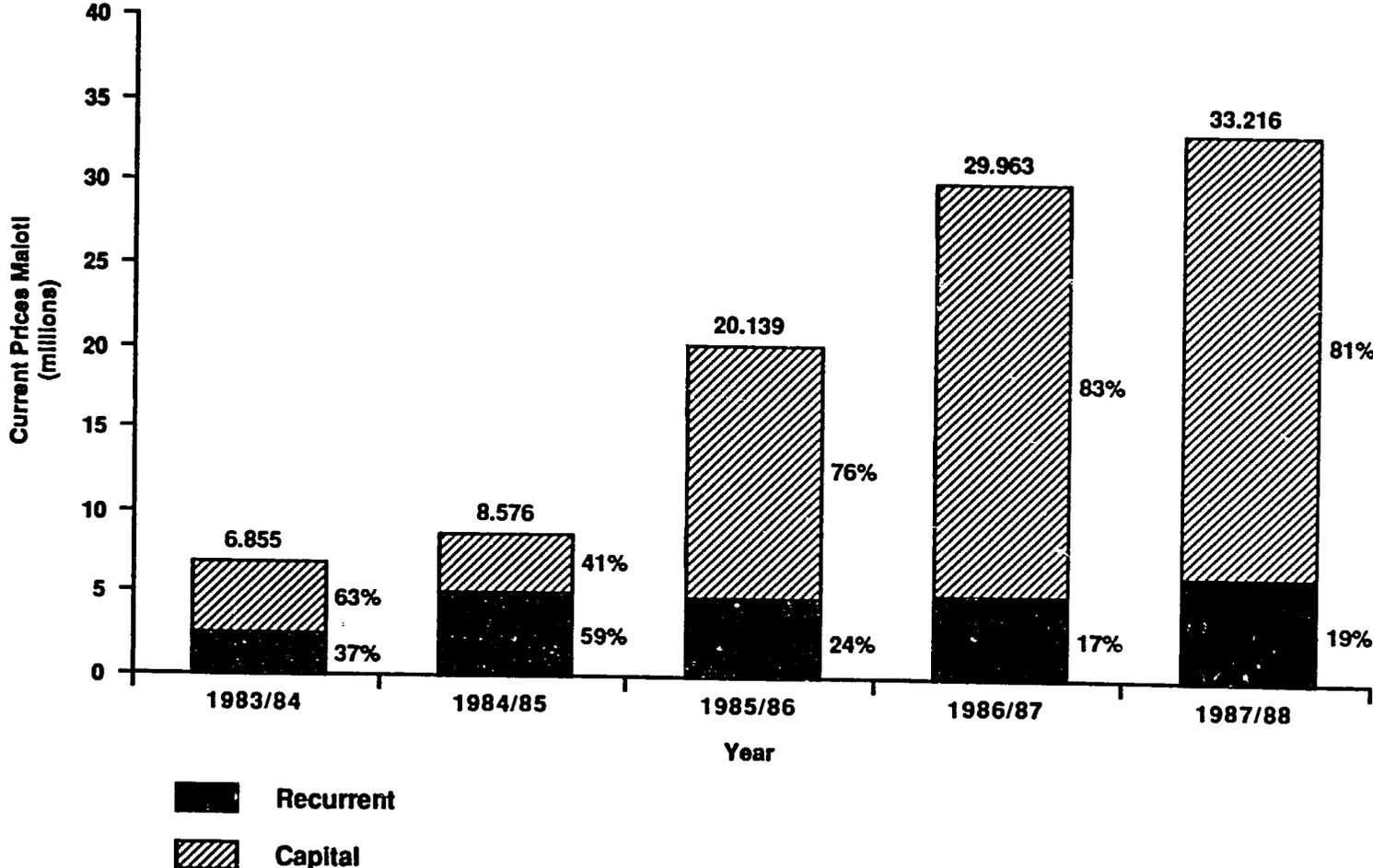
Exhibit C.21
GOL Budget Relative to GDP



Source: Central Bank of Lesotho

60

**Exhibit C.22
GOL Transfers to Parastatals**

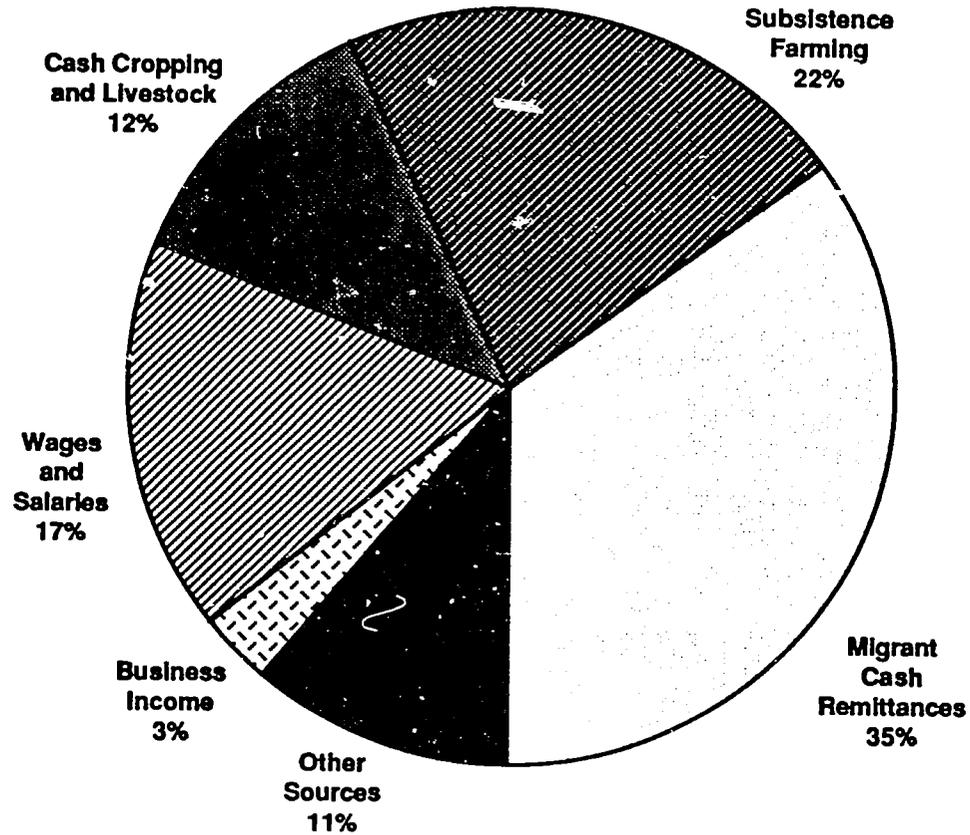


Source: Central Bank of Lesotho

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**Exhibit C.23
Main Sources of Household Income in Lesotho
(1985/86)**

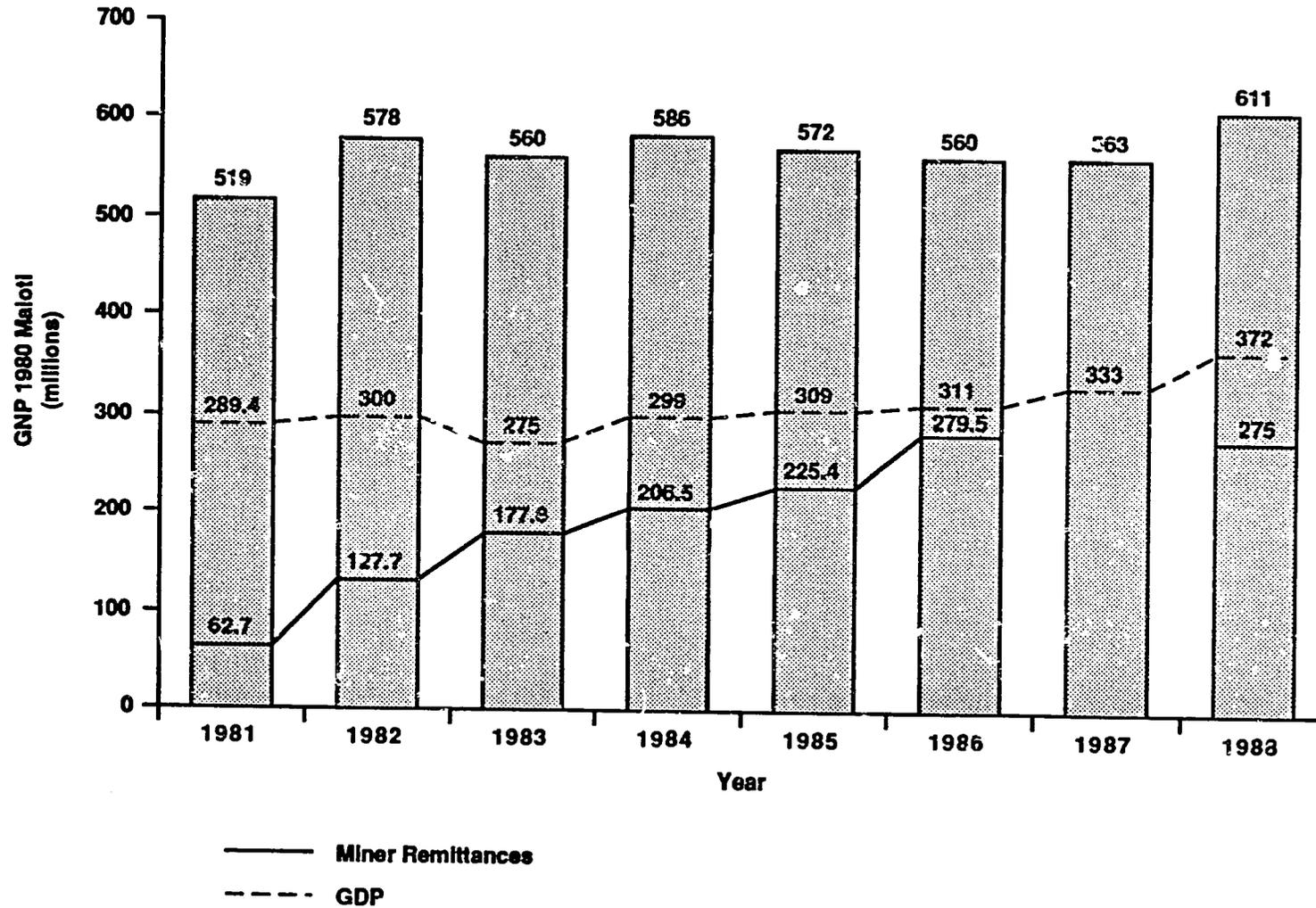


**Percentage of Households Surveyed for Which
Each Activity is the Main Source of Income**

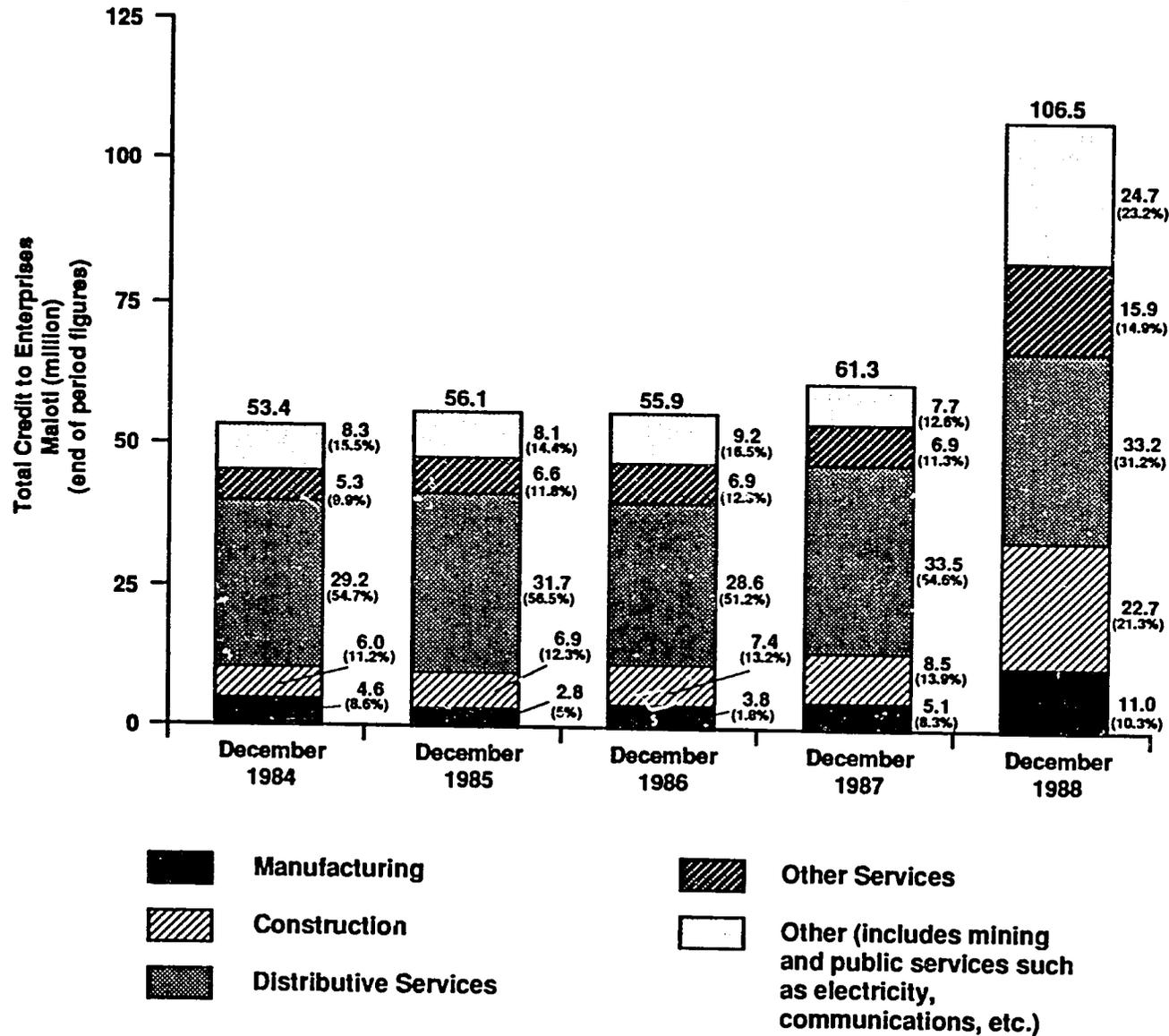
Source: Bureau of Statistics, Labor Force Survey 1985/86

92

**Exhibit C.24
Miner Remittances in Relation to GNP and GDP**



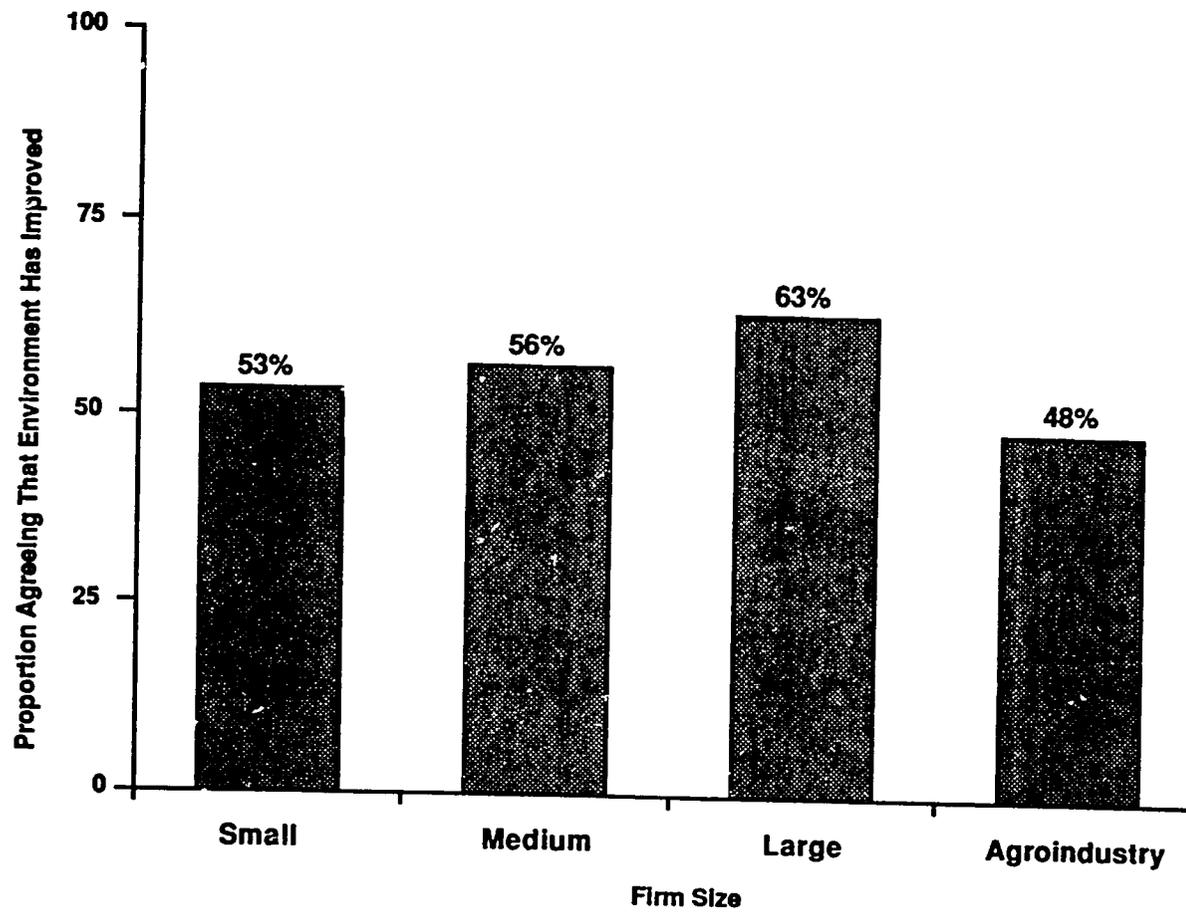
**Exhibit C.25
Sectoral Distribution of Credit to Enterprises**



Source: Central Bank of Lesotho, Quarterly Review, December 1988

ANNEX D

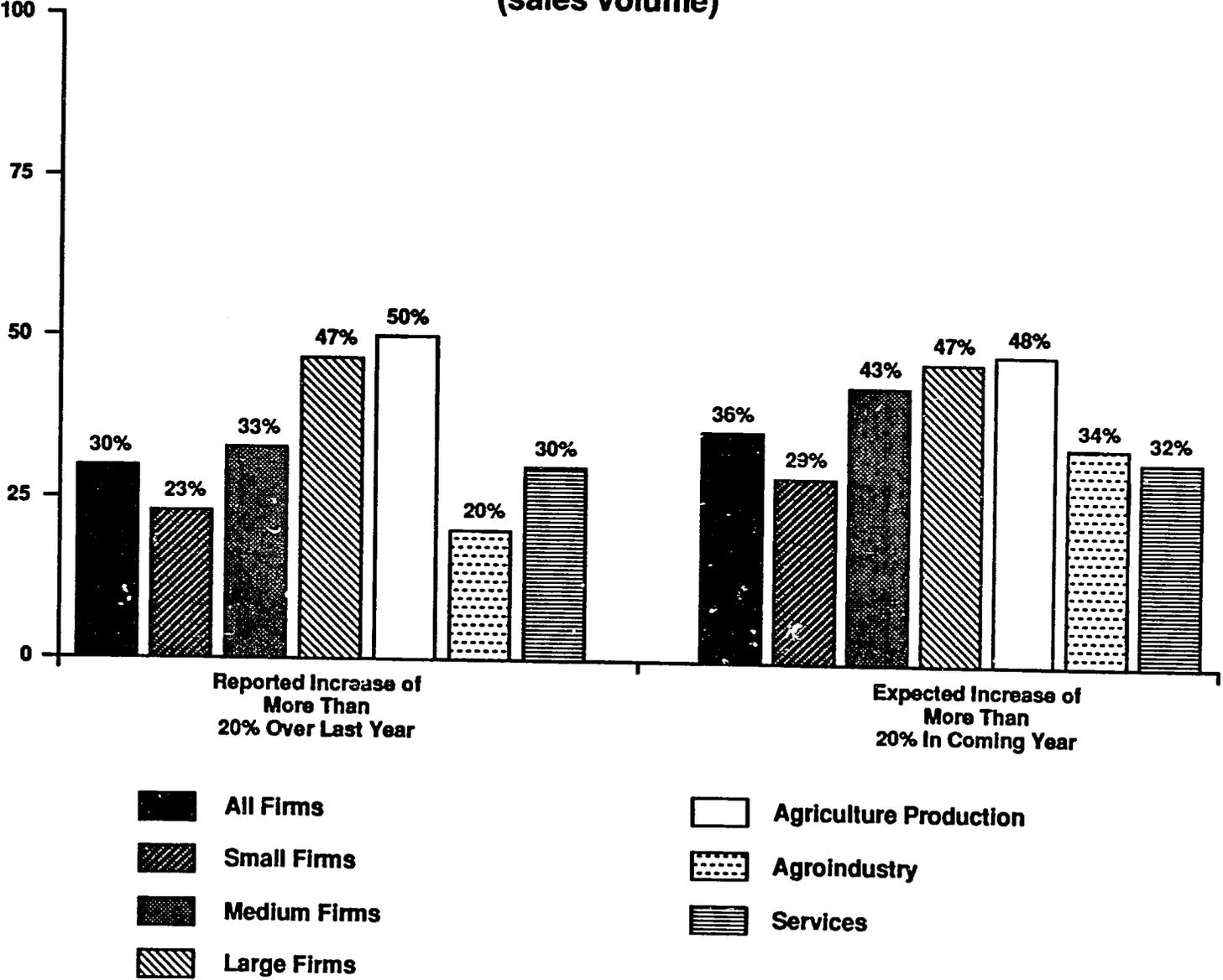
Exhibit D.1 Perceptions Regarding Business Environment



D-1

66

**Exhibit D.2
Perceptions Regarding Sales Performance
(sales volume)**

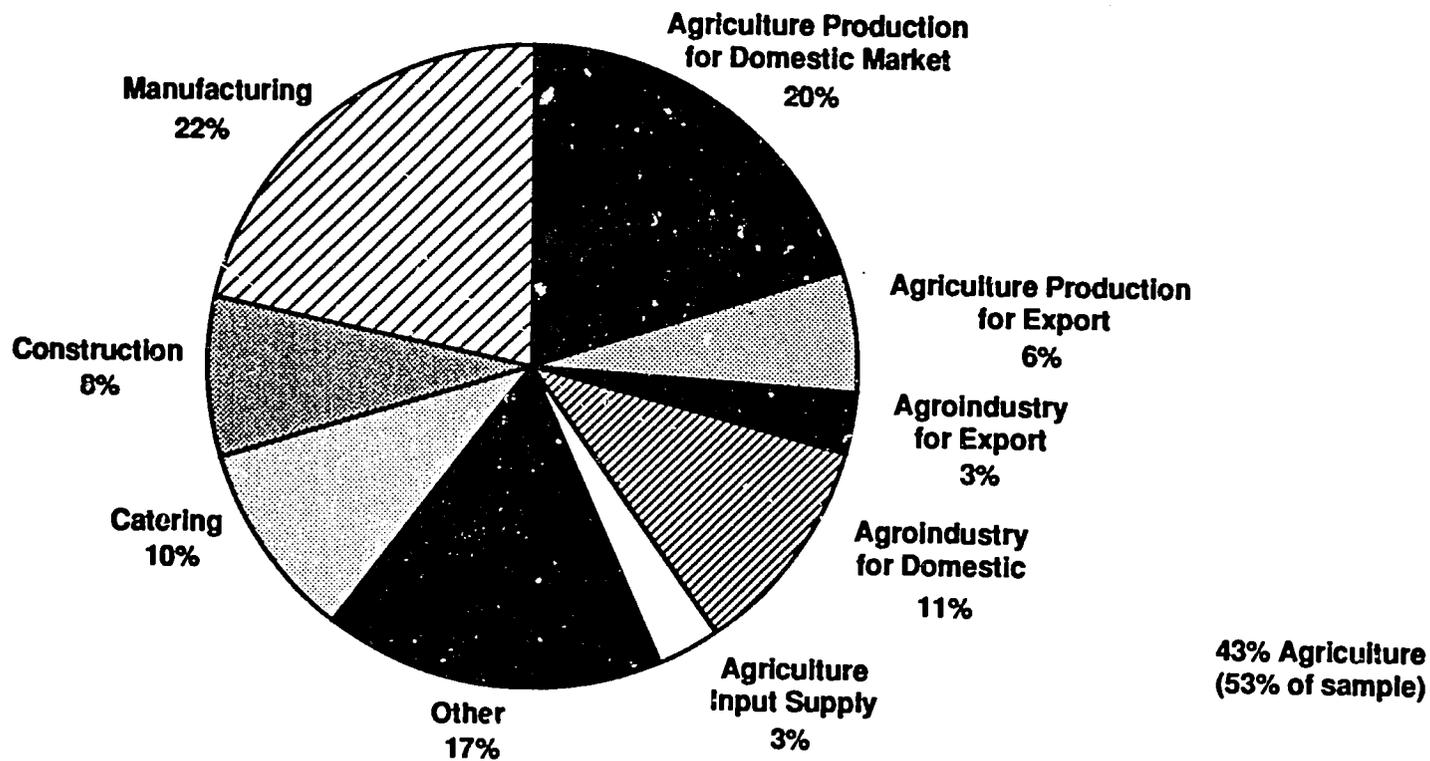


D-2

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Exhibit D.3
Which Area Offers Best Return On Investment?

Question 45



N = 136

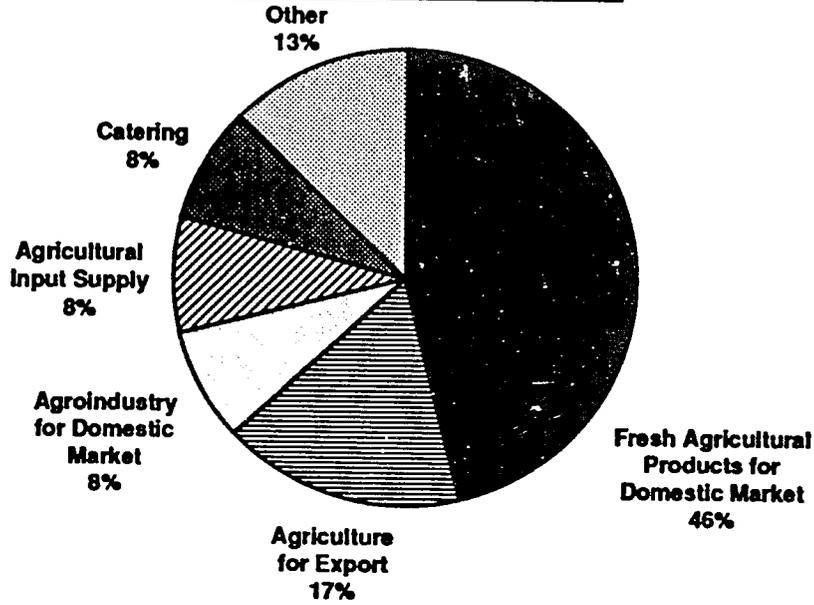
D-3

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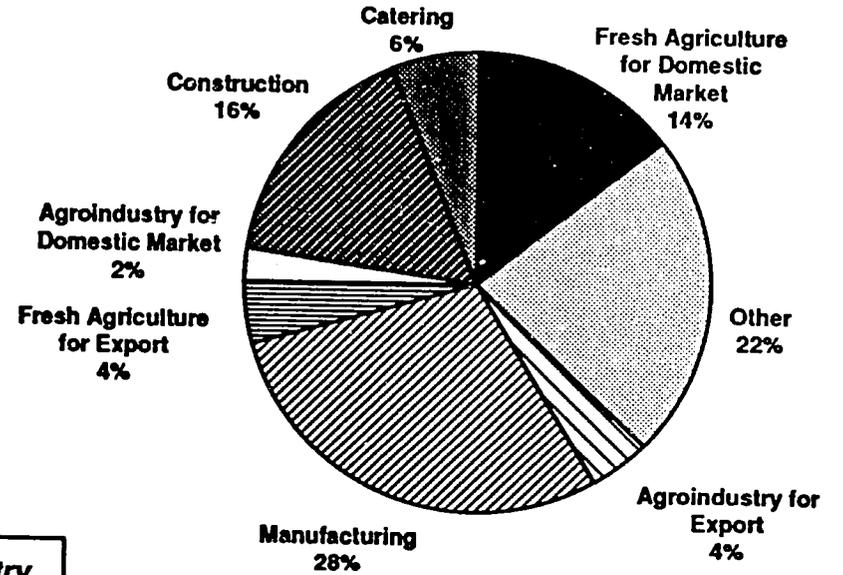
Exhibit D.4 Areas Offering Best Return on Investment

Question 46 (T.1)

Commercial Agricultural Producers



Services



Agroindustry

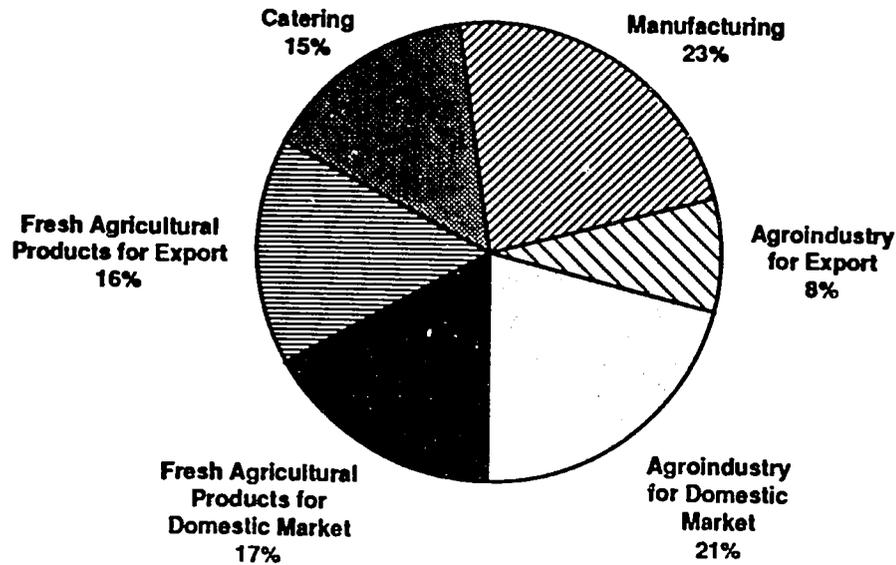
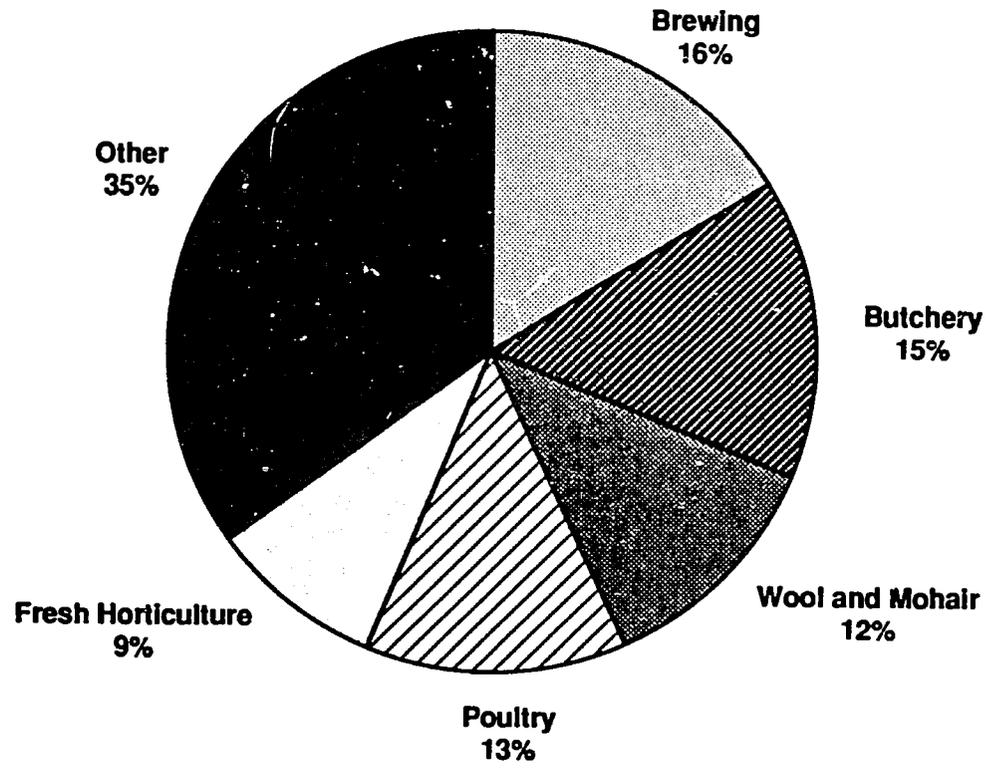


Exhibit D.5
Which Activity in Agriculture Offers Best Return on Investment?

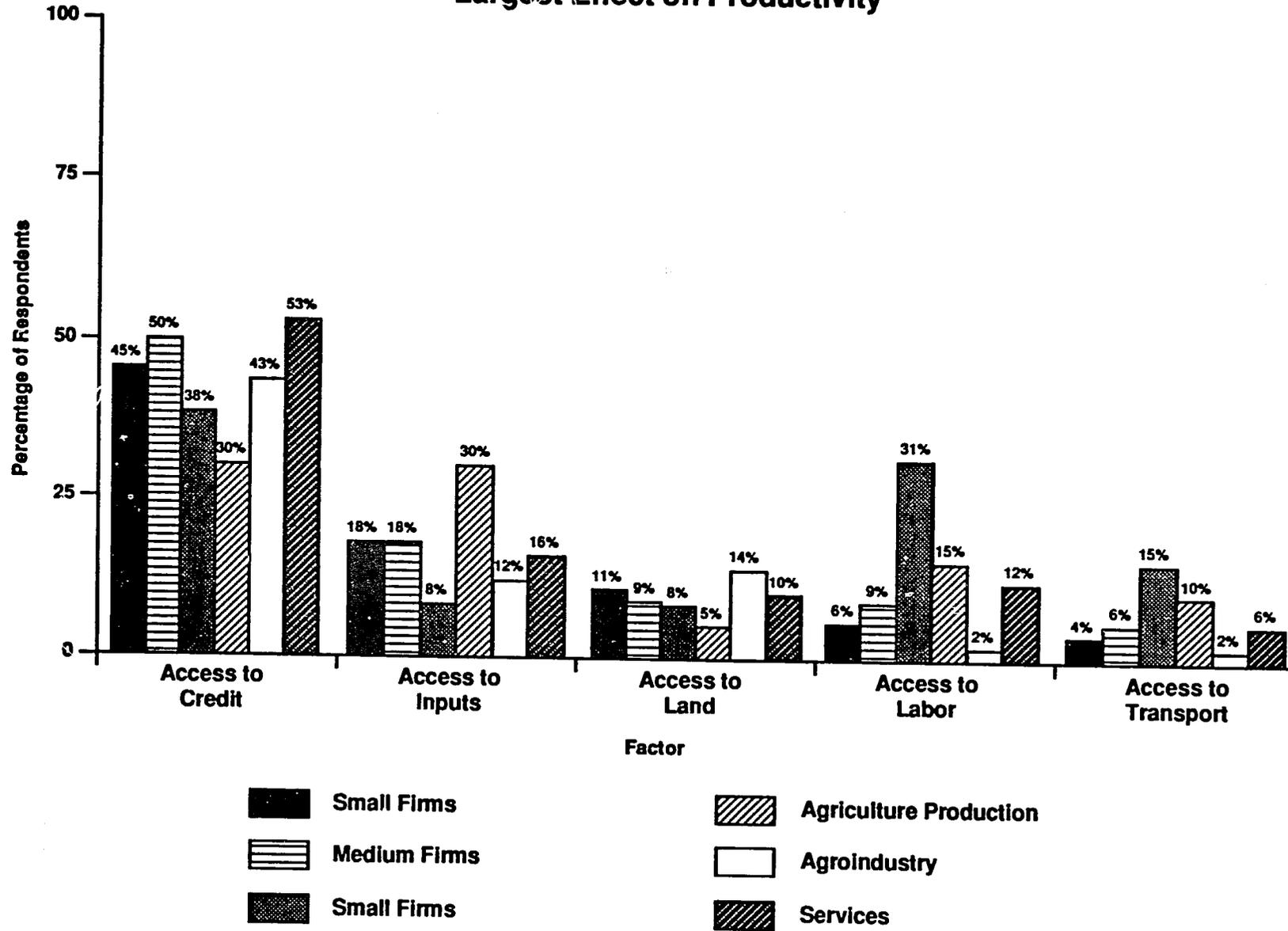


D-5

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**Exhibit D.6
Resource Constraints Believed To Have
Largest Effect on Productivity**

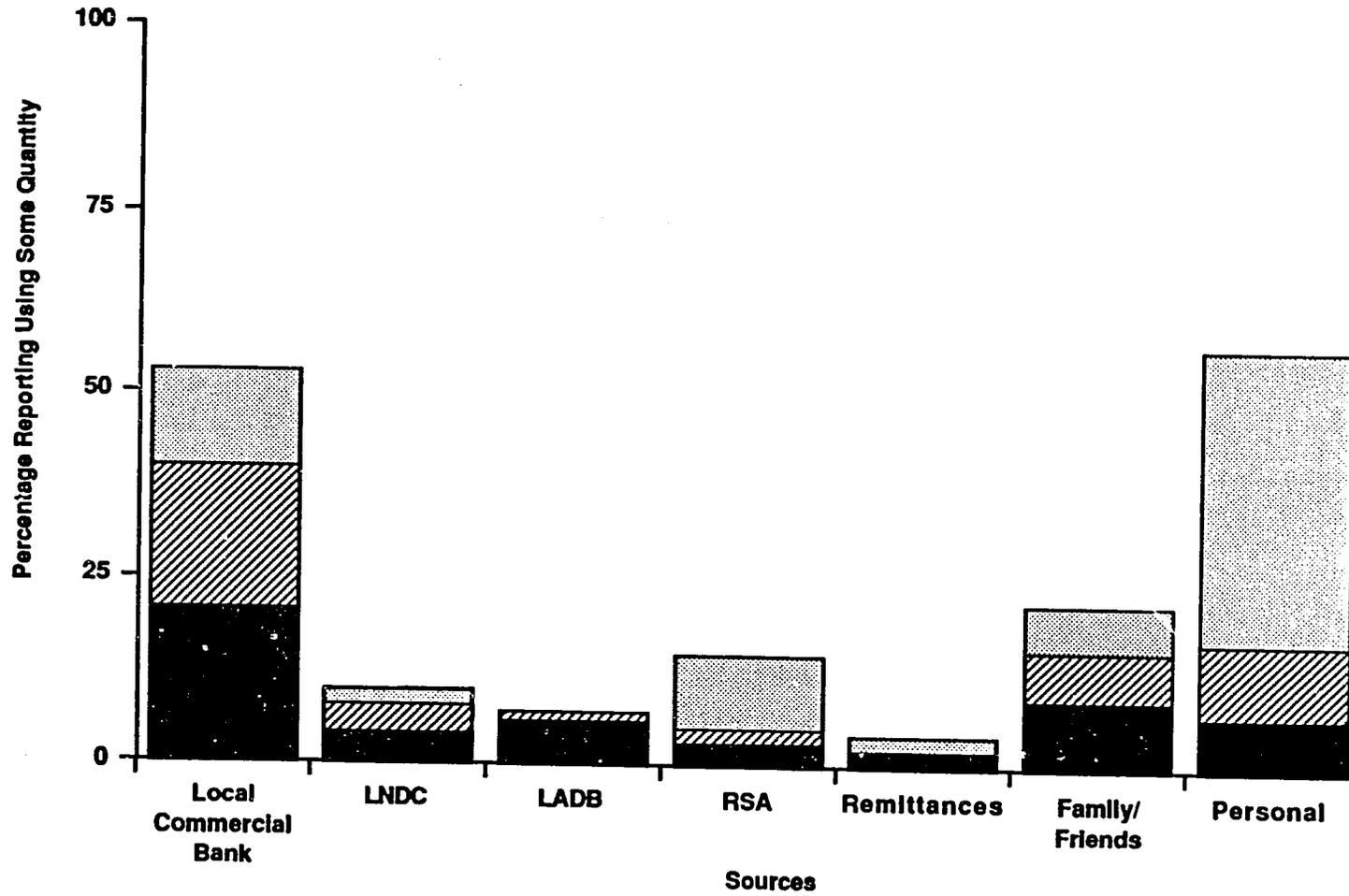
Question 22



11

**Exhibit D.7
Sources of Capital: All Firms**

Question 33

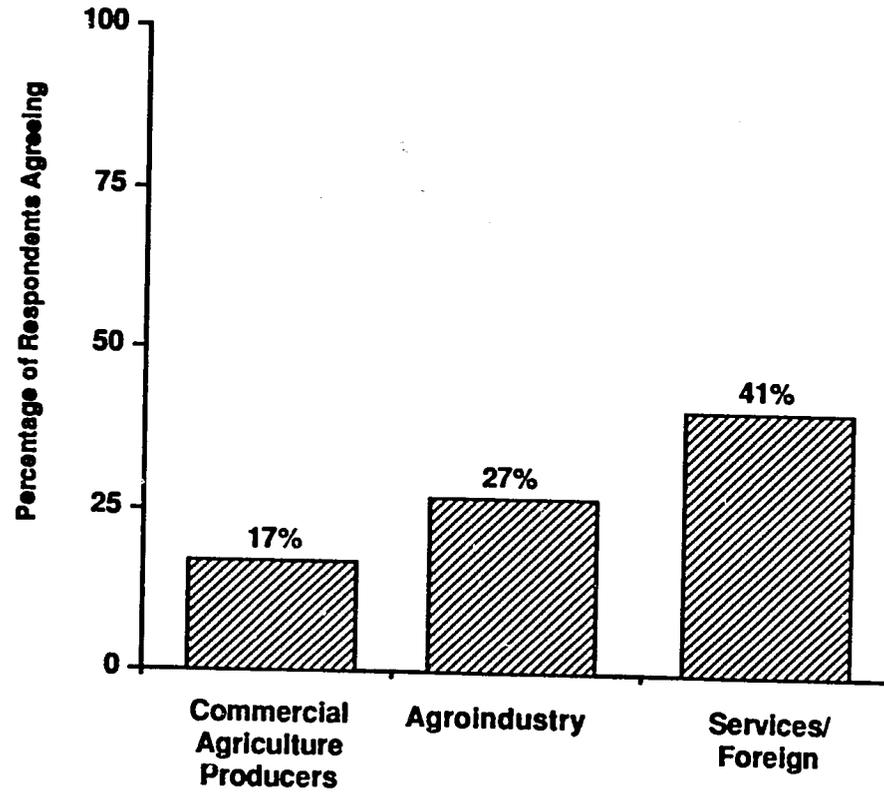


- Less than 20%
- Between 21% and 50%
- More than 50%

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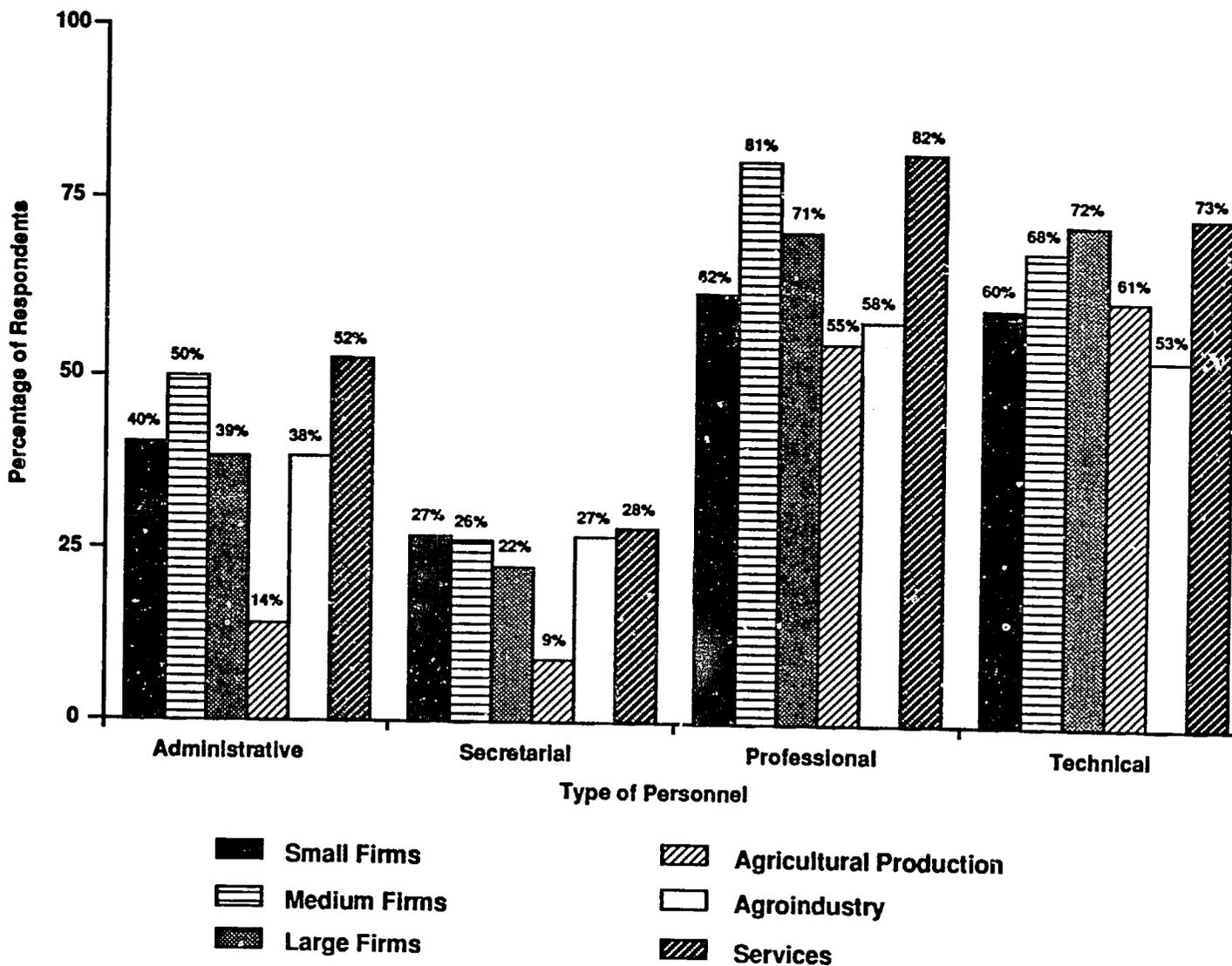
**Exhibit D.8
Confusion Over Land Titling and Tenure
Hinders Business Performance**



13

Exhibit D.9
Perceptions Regarding Availability of Quality Skilled Labor:
Proportion Reporting Difficulty Finding Personnel
in the Following Categories

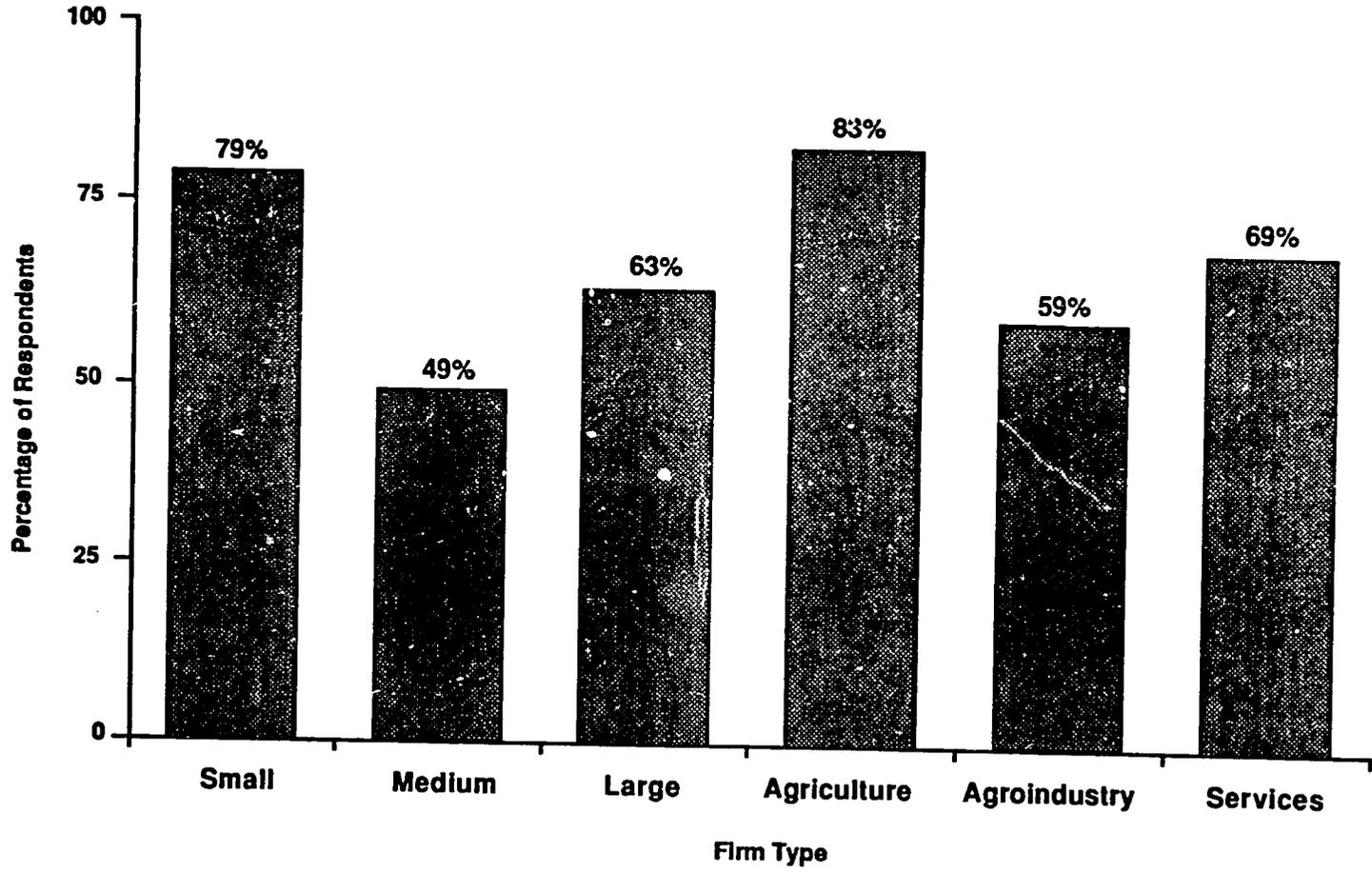
Question 32



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NY

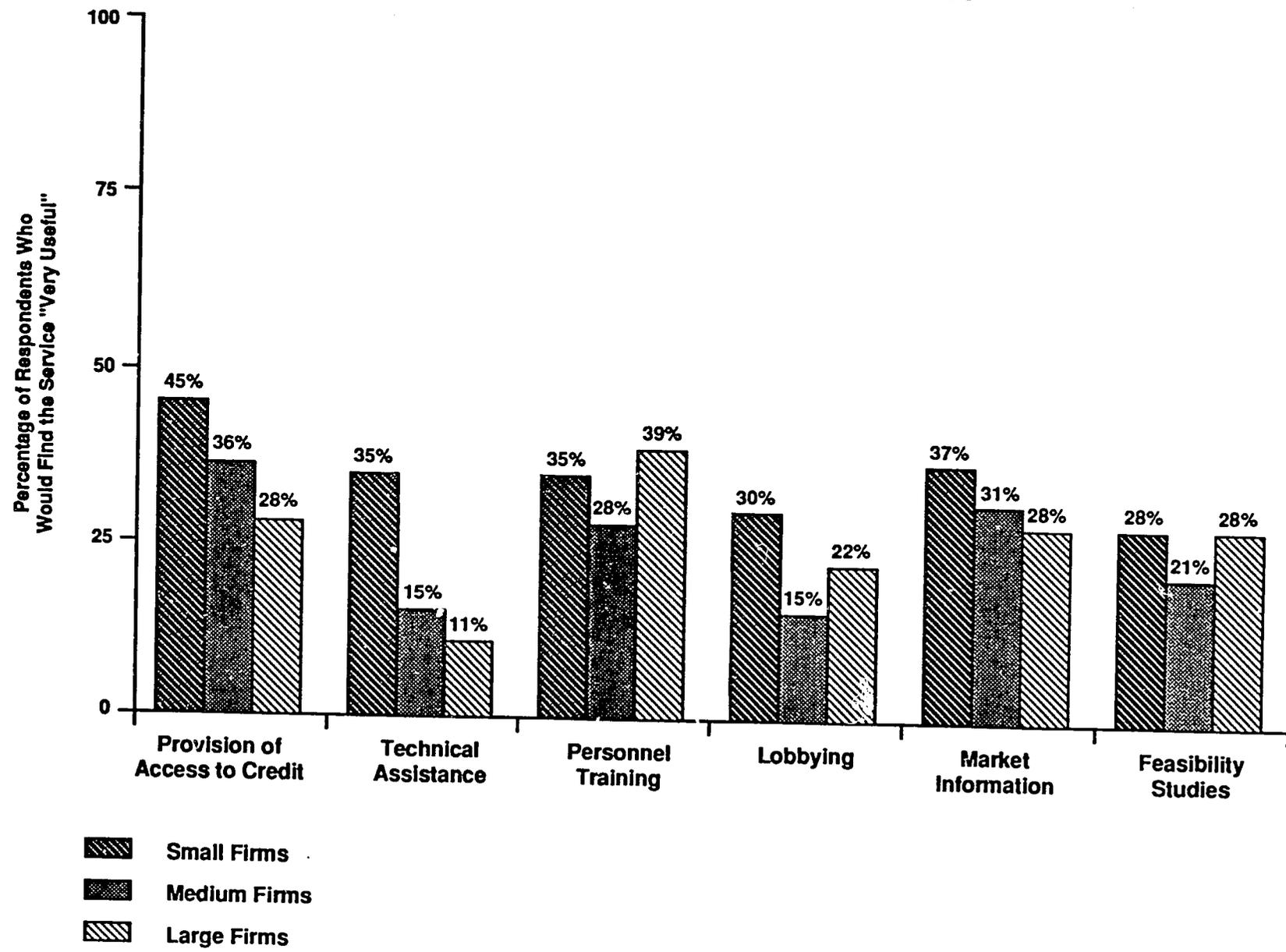
Exhibit D.10
Percentage of Firms Reporting Membership in a
Trade/Business Association



D-10

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**Exhibit D.11
Demand for Association Services**



D-11

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