

69478

ECA SURVEY FOR THE FINAL REVIEW OF THE
IMPLEMENTATION OF THE UNITED NATIONS PROGRAMME OF
ACTION FOR AFRICAN ECONOMIC RECOVERY AND
DEVELOPMENT, 1986-1990(UNPAAERD) : MISSION

COUNTRY REPORT ON LESOTHO

Prepared By:

Dr. C.T. Mwalwanda (Mission Leader)

Professor C. Chipeta (Consultant)

A. BACKGROUND

1. Lesotho is a mountainous country completely surrounded by the Republic of South Africa. The country has an abundant source of water resources which it is currently developing for domestic consumption and for export to South Africa. Crop production is a low-yield high-risk occupation due to poor land quality and a harsh climate. The country has an abundance of livestock.

2. Lesotho's economy is currently heavily depended on South Africa, where more than 95 percent of its imports originate, 38 percent of Lesotho's male labour force is employed, and most of the country's foreign investment originates. Remittances of migrant workers constitute about 46 percent of the country's Gross National Product (GNP) and 60 percent of the country's government's revenues are derived from receipts of duties and taxes collected by the South African Customs Union (SACU) on behalf of the member countries. Members of SACU include, Botswana, Lesotho, South Africa and Swaziland. Furthermore, Lesotho is a member of the Common Monetary Area (formerly Rand monetary Area). Lesotho's membership of the Common Monetary Area guarantees payment on the country's foreign financial commitments but limits it's use of monetary policy instruments.

3. Lesotho, like most African countries, experienced rapid economic growth during the 1970's which slowed down during the first half of the 1980's. The primary diamond mine closed down and

the country experienced harsh weather conditions, including drought. The performance of the economy during the second half of the last decade was much more encouraging, as real Gross Domestic Product (GDP) increased at an annual average rate of 8.3 percent per annum, while real Gross National Product (GNP) grew at the rate of 5.5 percent per annum due to stagnation in the real value of mine workers remittances. The stimulus for rapid economic growth emanated from rapid growth in manufacturing and the implementation of the Lesotho Highlands Water Project. Real Gross Domestic Product grew at the rate of 7.6 percent in 1989 and GNP at 5.6 percent.

4. The country's value of exports which stagnated during the period 1980-1985, rose rapidly during 1986-1990. Exports recorded an average rate of growth of nearly 20 percent per annum in real terms during the second half of the 1980's. The sharp increase in exports emanated from manufactured exports and wool and mohair exports. Manufactured exports accounted for about 20 percent of total exports in 1981, rose to 35 percent by 1986 and are expected to reach 50 percent by 1990.

5. The Government's budgetary situation deteriorated as the fiscal deficit (including grants) rose from 1.9 of Gross National Product (GNP) in 1984 to 9.6 percent of GNP in 1988. This was mainly due to a deterioration in the country's external account which declined from a surplus of 1.1 percent of GNP (including grants) in 1984 to a deficit of 6.6 percent in 1988. However, in

1989, the external current account improved to an estimated surplus of 3.9 percent of GNP.

6. Lesotho, unlike most African countries, has not had serious external debt problems. Debt service as a proportion of export of goods and services rose marginally from 4.6 percent in 1978 to 5.9 percent at the end of 1989.

7. The economy faces several structural weaknesses, constraints and challenges which include: environmental degradation; rapid population growth, in the face of limited capacity of the land to absorb the additional population; overgrazing; declining educational standards; and laws which discriminate against women, notwithstanding the fact a large proportion of the population is women.

8. Environmental degradation is a serious problem in Lesotho as the country loses extensive topsoil every year which is washed into the gullies and the river systems. Lesotho has become more dependent on food imports in recent years. Government proposals for land reform and improved agricultural techniques are being consolidated in a National Environmental Action Plan which has evolved from a National Conference which was sponsored by the King. Government efforts at reducing environmental degradation are being re-enforced by the activities of IFAD financed Soil and Water Conservation and Agro-forestry Programme (SWACAP). To implement the

plan, the Government intends to establish a supervisory body to co-ordinate the environmental initiatives for sectoral ministries.

9. The population of Lesotho is only 1.7 million and its growth rate is 2.6 percent per annum. Nevertheless, because of the size of the country, few African countries are experiencing such strains on the carrying capacity of the land as is the case in Lesotho. The pressures are particularly acute in the urban sector. The country's leaders, however, have declared their support for population control; and the government has begun a consultative process with non-governmental organisations (NGOs) and rural communities to formulate a population policy.

10. Lesotho embarked on a World Bank/IMF Structural Adjustment Programme (SAP) in 1987 whose main goal was to address the external and internal imbalances which had emerged in the economy.

B. AGRICULTURAL DEVELOPMENT

11. The socio-setting of agricultural production in Lesotho has over the years been heavily influenced by, increased pressures on the country's limited area of arable land; traditional propensity to invest in cattle and its associated problems of overgrazing of rangelands; and the importance and significance of the contribution of women to agricultural production, in the face of a large proportion of the male population migrating to work in South

Africa.

12. Agricultural production contributed to 32 percent of Lesotho's Gross Domestic Product (GDP) at current prices in 1974/75, but this declined to 21 percent in 1983/84; due partly to drought. During the years, 1988 to 1990, the contribution of agriculture to GDP declined further as the contribution of manufacturing rose. In Lesotho, there is significant divergence between Gross Domestic Product (GDP) and Gross National Product (GNP) because of the importance of migrant remittances in the country's Gross National Product. Nearly 60 percent of the country's male population aged 30 to 44 years are absent at any given time and migrate to work in South Africa.

13. Lesotho has four major ecological regions, the Lowlands which lie along the Northern and Western edges of the country, bordering the Orange Free State; the foothills, which is land at altitudes of 1,800 to 2,100 metres and runs parallel to the lowlands; the mountains, which occupy most of the eastern and central areas of the country; and the Senqulu Valley, situated in the South. Only an estimated 9 percent of the country's land area is considered arable. Most of the remaining land is rangelands or marginally arable. Soils throughout Lesotho are highly erodible, with the exception of the most gentle slopes.

14. Unfavourable climatic conditions present considerable risks to

farming throughout the country. Drought, with three to four consecutive dry years occurring in a decade, hailstorms, and late and early frosts, are climatic constraints to agriculture. Rights to fields for cultivation are allocated to households by "Land Allocation Committees" chaired by the local chief. Land tenure in rural areas remains in practice largely based on customary law, although a Land Act was enacted in 1979 to allow for free hold and Lease-hold. While ready access to land and security for subsistence are declared aims of the traditional system, this is no longer feasible with an increasing population and limited area of arable land.

15. Small farmers dominate the agricultural sector of Lesotho, although some commercial farming takes place. The average holding site for small farmers in 1986 was estimated at 1.3 hectares. For the majority of small farmers, the objective is to provide some subsistence livelihood, while minimizing labour and risk. Monocropping of cereals is generally practised throughout the country.

16. The most important crops produced in Lesotho are maize, sorghum, wheat, beans and peas. Maize is the preferred staple food. Crop yields have declined since the mid 1970's. The average yield of maize was over 1,200 kilograms per hectare in 1976/79, significantly higher than the yield of 611 kilograms per hectare recorded in 1985/86 and a ten-year average of 805 kilograms per

hectare. While drought has been a major influence in the decline of crop yields, there is evidence that the growing biomass disequilibrium and soil erosion have also been major factors. More biomass is removed from the soil than is returned to it because of widespread monocropping of cereals and the use of crop residues and animal manure for fuel, and run off from severely overstocked and hence eroded rangelands is a serious threat to the arable land at lower elevations. The combination of intense rain storms and erodible soils is an important factor contributing to the need for soil and water conservation.

17. Livestock production contributes for nearly 70 percent of the agricultural Gross Domestic Product (GDP) of Lesotho and crop production for 25 percent. Livestock has traditionally been an efficient way to accumulate wealth and income in Lesotho. Ownership of livestock reinforces social relationships and cattle are also used as draught power for cultivation. The traditional emphasis on ownership and the propensity to invest any surplus income in livestock, has led to severe overstocking, deterioration of the rangelands and erosion of crop land through run off. Despite administrative and legal measures, grazing of communal lands remains largely uncontrolled. The Government of Lesotho has in recent years been preparing, adopting and implementing various strategies relating to crop production, livestock management, water resource management as well as environmental programmes.

18. The Lesotho Government's Strategy for Rural Development which will be incorporated in the Fifth Five-Year National Development Plan has the following basic fundamental objectives:

- (a) to increase the commercial production of agricultural crops and livestock products.
- (b) to increase the capacity of households to produce for commercial markets;
- (c) to introduce measures which will maximise the efficient use of available resources while preserving the fragile land base of the country.
- (d) to improve the use of available cropping land, including promotion of contract sub-lease arrangements in crop production.
- (e) to promote effective participation of people in planning and implementation of rural projects;
- (f) development of programmes of applied research;
- (g) to provide extension education and demonstration programmes which are targeted to specific groups;

- (h) to support the development of commercially viable agro-industries.

19. The Government views the constraints it will face in trying to implement these strategies as: the ceilings for recurrent and development expenditure imposed by the IMF Structural Adjustment Facility; ineffective legislation; and administrative inefficiency.

20. The Lesotho Government has recently prepared a "National Livestock Policy Paper" whose main objectives are to try and reduce through appropriate policies, the Livestock numbers and improve livestock productivity in a manner consistent with preserving the natural resource base of the country. The Policy Paper has identified the weaknesses of the Grazing Livestock Policy as being: allowing overgrazing of livestock on a degrading land base which results in poor nutrition and declining yields; and poor genetic quality of livestock, combined with a low level of culling which has re-enforced falling trends in production and quality. The National Livestock Policy Implementation Plan has specific strategies to be adopted in natural resources management, livestock production; animal health; and livestock marketing. The National Livestock Policy was approved in principle by the Military Council and the Council of Ministers in September, 1987 and approved in full in April/1989. The Plan contains far-reaching proposals to tackle the problem of the sub-sector. These include charging livestock owners a grazing fee to encourage marketing of animals,

on a regular basis; and regulating cattle post allocations so that livestock originating from a given village will graze in the same area. The measures have yet to be implemented and past experience in Lesotho with grazing regulations and control suggests that reorganizing cattle posts will be a long and difficult task.

21. The Mission was informed that Lesotho has established one of the best "Early Warning Systems" in the region and contributes to the Regional Early Warning system on climatic conditions and food supplies co-ordinated by the Food and Agriculture Organization (FAO). The country also has an institutional framework for Emergency Preparedness but the country's ability to effectively respond to emergencies is hampered by the harsh weather conditions which may range from torrential rains to snowfall in the month of October when least expected. Lesotho has had a policy of food self-sufficiency for a long time, particularly in staple cereals. However, this objective has been rendered difficult by the decline in production of cereals, especially maize. Production of maize which was at 143,163 tonnes in 1977/88 progressively fell to 76,200 tonnes in 1982/83 and then began to gradually recover. Maize production in 1987/88 was at 15,726 tonnes, nonetheless, the country needed to import maize to supplement domestic production. In 1989, production of maize fell to 137,227 tonnes because of bad weather and in 1990 production is projected to have fallen further due to poor rainfall.

C. OTHER SECTORS IN SUPPORT OF AGRICULTURE.

22. The main sectors which were stipulated in UNPAAERD as supporting agricultural development included: development and rehabilitation of agro-related industries, development of the transport and communications sector, and trade and finance.

(a) Development and Rehabilitation of Agro-Related Industries.

23. In order to promote Africa's capacity to increase food production, African governments agreed to develop industries for the production of agricultural goods and equipment, small-scale irrigation equipment and agricultural inputs; and for the processing of raw materials and intermediate inputs. They also agreed to rehabilitate and upgrade existing equipment; develop capacity for the utilization of renewable sources of energy; establish engineering capacity for the production of spare parts and components; and to provide training in the above areas and the development of local capacity for project design and preparation. Owing to the limited size of the market, Lesotho has not developed a capacity for the production of agricultural tools, equipment and inputs or for the production of spare parts and components. As a member of the South African Customs Union (SACU), Lesotho obtains these products duty-free from South Africa where production is

protected by heavy government subsidies.

24. A major institutional development during the last four years was the strengthening of the Industry Department of the Ministry of Trade and Industry. The department was increased in size and international experts advised it on systems of planning and monitoring. A start was also made on the building up of a reliable data base.

25. There was little need to rehabilitate and upgrade existing plants. Industrial plants had been used to nearly full capacity and were replaced when they had reached the end of their useful capacity. Lack of foreign exchange for importing inputs, which had led to capacity under-utilization elsewhere, had not been a problem in Lesotho.

26. As regards the processing of raw materials and intermediate inputs, three new projects associated with the National Abattoir and Feedlot Complex were implemented: a meat deboning factory, a meat packing and processing plant and a pig slaughter facility. The Abattoir encouraged the rural population to develop a more commercial attitude towards their livestock. Other projects related to the livestock sector were a Feed Mill and a Wool and Mohair Scouring Plant.

27. In the field of vegetable canning, it was planned to extend

the catchment area for the cannery to include most of the lowlands. Efforts also are continuing to develop non asparagus products.

(b) Development of the Transport and Communications Sector

28. Lesotho being largely a mountainous country, construction of roads is extremely difficult and expensive. Nonetheless, the country has made significant efforts to link various parts of the country with all-weather road networks. The aim of the Lesotho Government is to build a circular all-weather network in the country. At the moment the link between Maseru and the Northern part of the country has been completed and that from Maseru to the Southern part of the country has also been completed. The Government is at the moment negotiating with the African Development Bank (ADB) for construction of the section of the network from the North to Mokhotlong. The Lesotho Government also wishes to construct a road running diagonal through the country from the east to the west. Meanwhile, an all-weather road is being constructed from North linking with the Southern part of the country which is part and parcel of the Highlands Water Project being financed by South Africa.

29. The country has also been trying to improve accessibility of rural centres and villages through the construction of access and feeder roads. However, the terrain of the country makes progress in

this direction extremely difficult. Due to erratic weather conditions, the Government each year goes through an expensive maintenance programme to repair washed away roads, bridges and to carry out general maintenance. The Mission was informed that recent rains had resulted in eleven bridges, some of them key bridges, being washed away; and numerous roads also washed away. These expensive annual maintenance programmes divert government resources from construction of new feeder and access roads. Nonetheless, government efforts continue in this direction, within the context of available financial resources.

30. The Mission was informed that Lesotho uses labour-intensive techniques in the maintenance of some feeder and access roads. However, construction of roads in Lesotho is capital-intensive because of the difficult terrain of the country and the need to blast mountains and hills in order to construct a road. The Mission was also informed that the country has no facilities to produce motor vehicle spare parts, most of which are imported from South Africa.

(c) Trade and Finance

31. As suggested in UNPAAERD, in the field of trade, African governments were to adopt price incentives for agricultural products, improve internal distribution channels and identify and eliminate obstacles hindering trade expansion. In the area of

financial co-operation, they were to increase utilization of existing clearing arrangements; adopt co-ordinated measures to establish financial markets at the national, sub-regional and regional levels; and to intensify efforts for the establishment of an African Monetary Fund.

32. During the period under review, Lesotho continued to review producer prices constantly, and whenever necessary, adjusted those prices upwards to avoid an erosion in incentives. Producer prices are related to export and import parities. Membership of SACU means that price changes are often related to price movements in South Africa. This limits independent pricing policy. Formal marketing of agricultural products is done by co-operative societies. Informally, many individuals buy agricultural produce and sell it to consumers. Licensed traders buy produce from middlemen and sell it to ultimate consumers. The trade licensing system had been designed as a means for generating revenue and for restricting trading in Lesotho. Thus, during the period under review, a new trading system was adopted and implemented to encourage trading. On the international front, nothing happened to identify and eliminate obstacles hindering expansion of trade.

34. Lesotho is a member of the Preferential Trade Area of Eastern and Southern African States (PTA). Lesotho is also among the members of the PTA that allow transactions with other member countries to be settled through the Clearing House mechanism. The

actual use of the Clearing House is limited by the small level of trade between Lesotho and other members as a group.

35. With respect to the development of financial markets, Lesotho took no steps to establish a private securities market because potential demand for securities is limited. At present trading is limited to government securities in what is essentially an official capital market.

D. DROUGHT AND DESERTIFICATION.

36. The terrain of Lesotho makes environmental conservation an essential necessity. The present agricultural practices and livestock situation have resulted in a serious problem of soil erosion. The country's soils are highly erodible and the rainfall highly erosive. It has been estimated that some 400 million tonnes of soil have been lost from gully erosion, primarily to the lowlands where an estimated 20,000 to 30,000 gullies are reported. These gullies occupy about 4 percent of all arable land and the area they cover is increasing at a rate of about 1,000 hectares each year.

37. The country's conservation policies up until recently focused on: developing comprehensive watershed management programmes to integrate soil and water conservation measures; rehabilitate soils

with the use of improved technology to expand agricultural output; intensify livestock production in the highlands to conserve land resources for crop and fodder production in the lowlands; encourage extensive controlled grazing in the mountain areas and promote range management and conservation through grazing associations; undertaking applied research under field conditions to develop recommendations which can be adopted by farmers; and develop strong extension and demonstration programmes.

38. The country has recently prepared a comprehensive "National Environmental Action Plan" with the assistance of United Nations agencies and other aid donors. The main focus of the National Environmental Action Plan is; integrate environmental issues in development policy statements and plans; encourage people's participation in the preparation and implementation of environmental projects. The new strategy of the National Environmental Action Plan focuses on: priority to be placed upon the involvement of local communities in taking responsibility for their own development efforts; providing ways in which to fund local initiatives which are not tied to central government grants; creating awareness of resource degradation and its impact at the household and community levels; creating and extending means of technically viable and economically feasible treatment services, from which communities may select options to direct their own development initiatives; organizing government services in support of the community generated development initiatives; reform of the

land; increasing the capacity for effective district/village level planning; and adjustment in donor assistance to move away from area based projects towards supporting programme approach development activity.

39. The Food and Agriculture Organisation (FAO) is providing assistance for the formulation of a watershed development strategy and USAID is assisting in the preparation of a "National Conservation strategy". The World Bank's Land Management and Conservation Project (LMCP) places its focus on community efforts for land use planning and resource development. It will be implemented through the Ministry of Agriculture (MOA) and the Ministry of the Interior, and Chieftain Affairs and Rural Development (MICARD). Village projects, including those of afforestation, pasture development and grazing associations, will be identified by the communities themselves as a result of this support, and then funded by LMCP.

40. A small Netherlands/FAO project which uses the FISC concept of paying for soil and water conservation with farm inputs, but which has a greater emphasis on water and biological conservation activities, has recently been started in Mohale's Hoek District. The UK overseas Development Administration (ODA) is to continue to support "Woodlot Development" within the framework of the Forestry Division, as part of a wider programme including social forestry and forestry research. KFW may become involved in Saw Timber Forestry. The Southern African Development Coordination Conference

(SADCC) plans to base the SADCC forestry research programme in Lesotho. Research would concentrate on species suitable for mountain and arid zone areas.

41. The International Fund for Agricultural Development (IFAD) has started a Conservation Programme in Lesotho called "Soil and Water Conservation And Agro-forestry Programme (SWACAP)" whose main objectives are to assist the Government of Lesotho to: promote soil and water conservation measures as part of farmer's normal agricultural activities in a way that increases farm productivity, food production and family income; establish an agro-forestry research capability to contribute to the development of ecologically sound agricultural production systems; create an effective agricultural extension service; and monitor and coordinate its soil and water conservation policies, programmes and projects. The programme will have the following components: Conservation-based agricultural production; re-organisation of extension services; agro-forestry research and development; and conservation strategy and policy co-ordination.

E. Human Resources Development, Planning and Utilization

42. The preliminary results of the 1986 Population Census revealed a total de jure population of 1,577,00 compared with 1,216,815 in 1976. The implied intercensal population growth rate was 2.6 per cent per annum compared with 2.3 per cent in the period 1966-1976.

Reflecting the acceleration in the rate of growth of population , the labour force is also rising rapidly. Between 1985 and 1990, the labour force increased at an annual average rate of about 13 per cent from 689,000 to 781,000. It is projected to rise to 882,000 by 1995 and to 1,005,000 by the year 2000. The number of Basotho employed in South Africa declined from 200,00 in 1976 to 114,000 in 1984 due to rising mechanisation of mining and preference for domestic labour. Although the number of Basotho employed in South Africa subsequently rose to about 126,000 in 1990, it is not expected to rise very much. The number available for domestic jobs has, accordingly, risen from 336,000 in 1976 to 573,000 in 1985 and 655,000 in 1990. In order to absorb this labour force, Lesotho would have had to create 45,000 new jobs in 1985 and 34,000 new jobs per year subsequently. As in practice, the country can absorb only 10 per cent of the increase in the labour force, the rate of unemployment has increased to 23 per cent in the country. While the overall rate of unemployment is high, excess demand exists for high level manpower. Thus the double challenge facing the authorities is how to create more jobs and to minimise shortages of skilled manpower at the same time.

43. The Ministry of Education took measures to address the latter problem. But the impact of the measures adopted will not be felt immediately. Apart from increasing enrolment at all levels and improving efficiency, some reform of curriculum was implemented. At primary school level, practical skills were integrated into the

school programme. In this regard, the community was called upon to help in the teaching of practical subjects, such as, arts and crafts. At secondary school level curriculum, reform focused on practical aspects of agriculture, business and technology so as to develop the spirit of self-reliance among the pupils. Effort has also been made to improve the teaching of science and mathematics to prepare pupils for technical careers. In other sub-sectors of education, a department of Vocational and Technical Education was established to oversee the development of this sub-sector. While at the National University, a start was made on the establishment of a Faculty of Agriculture and a Faculty of Health Sciences.

44. As a way of intensifying efforts to promote mass literacy and adult education, the coverage of this programme was extended. The mission was informed that enrolment in the programme has increased.

45. Salaries and wages were raised by rates equalling the rate of inflation in both public and private sectors. The mission was informed that not much improvement had occurred in other conditions of employment. Brain drain into the homelands and into South Africa continued to be a serious problem, as conditions of employment were much better there. This problem would have to be tackled to solve the problem of high dependence on expatriates.

46. A Department of Youth And Women's Affairs was established to co-ordinate and strengthen all national efforts to raise the status

of youth and women in Lesotho. The Department is active in organizing the youth and women into economic groups, in promoting their technical training. To facilitate its work, financial assistance, as well as, research on needs and communication, are all necessary. Lack of staff and facilities are constraining its activities.

F. GENERAL POLICY REFORMS

47. Under general policy reforms, United Nations Programme of Action for African Economic Recovery and Development (UNPAAERD) emphasized, improvement of management of the economy; introduction of policy reforms which emphasized long-term transformation of the African economics; population policies; participation of people in development; and the role of women in the development process.

(a) Improving Management of the Economy.

48. The Lesotho Government embarked on a World Bank/IMF Structural Adjustment Programme in the 1988/89 fiscal year, following a slow down in economic activity, a sharp deterioration in the country's external balance as well a sharp deterioration the government's fiscal situation. The 1988/89 fiscal year was the first year in which the Structural Adjustment Facility (SAF) programme was implemented. During the first year, performance fell short of net targets but during but the second year they were close to targets.

According to revised National Accounts Statistics, real Gross Domestic Product (GDP) grew at an annual rate of 6.3 percent in 1989, compared with a growth rate of 10.8 percent in 1988. The deterioration in the growth rate of real GDP in 1989 was largely attributable to a decline in the value added of crop production and stagnation of value added originating from public administration. Preliminary estimates of the Government budget outturn shows a considerable improvement in the overall budget deficit in 1989/90. The success is largely attributed to the revenue-raising measures implemented under the SAF programme and restrained expenditure. Preliminary estimates for 1989 shows improvement in both the current account and the country's overall balance of payments, which registered a surplus of nearly 3.4 percent of GDP. Interest rates continued to respond to changes in the international market and no major changes were made since November, 1989.

49. The outlook for 1990 was that real GDP grew by 8 percent, mainly on account of a significant increase in anticipated value added originating from the secondary industries, primarily activities associated with the Lesotho Highlands Water Project (LWP). In 1991, real GDP is projected to increase by about 7 percent per annum.

50. Lesotho started implementing the Fourth Five Year National Development Plan, 1986/87 - 1990/91, in fiscal year 1986/87. The main goals and objectives of the Fourth Five Year Development Plan

were stated as : accelerated development with a view to meeting more adequately basic needs, and achieving a more equitable distribution of national wealth; maximization of national income and employment; and reduction in the poverty level through rural development.

51. The sectoral goals and objectives of the Plan were stipulated as intensification of soil conservation, land utilization and environmental protection; development of natural resources, including water and energy; increased agricultural production through intensive and extensive development of agriculture; establishment of resource based industries; and improvement in transport and communications sector.

52. The Fourth Five-year Development Plan also emphasized: development of human resources through the restructuring of the educational sector, national manpower development and the improvement of health services; establishment of large-scale labour-intensive agricultural/rural development programmes for employment creation; strengthening of planning, management and administrative machinery; increased participation of the people in the developmental process; encouragement of domestic and foreign private-initiative and involvement in industry and mining; and strengthening of regional and international co-operation. The government is carrying out a review of the Fourth Five-year Development Plan performance along with the preparation of the

Fifth Five Year National Development Plan.

53. The Mission was informed that the Government is considering major policy shifts in various key sectors as well as at a macro-economic framework level. Participation of people in the planning and implementation process of development projects will be emphasized, as will be the role of the private sector.

54. Lesotho has a number of public enterprises whose performance has been less than satisfactory. The Government is currently thinking of rationalizing the operations of these entities in order to reduce their financial dependence on government finances. Accordingly, current Government thinking is to reduce its involvement in economic activities which can be better performed by the private sector. Some privatisation of parastatals will, therefore, likely take place. The Ministry of Transport informed the Mission that the Ministry is examining the possibility and modalities for privatization of certain transport and communications services currently provided by government, such as postal services, air transport, installation and sale of telephone equipment.

(b) Other Policy Reforms

55. The United Nations Programme of Action for African Economic Recovery and Development (UNPAAERD) encouraged African countries to

adopt economic reform programs which emphasized medium-to-long-term transformation of African economies. Lesotho's National Five-Year Development Plans have emphasized long-term transformation of the economy while at the same time trying to deal with short-term internal and external imbalances. Social welfare has always been at the centre of the country's development plans. However, in recent years and under World Bank/IMF supported Structural Adjustment Programmes, short-term considerations of reducing financial imbalances in the economy have tended to overshadow long-term economic considerations. Demand management policies associated with Structural Adjustment programmes have resulted in sharp reduction in government expenditures and the sectors which have suffered most are the social services. The authorities expressed concern at this development and were hoping to address the issue during negotiations with IMF/World Bank during negotiations for an Enhanced Structural Adjustment Programme (ESAF).

(c) Participation of People in Development

56. According to Lesotho officials, the change in government in January, 1986, as a result of the Military intervention in the political life of Lesotho, ushered in a new era of people's participation in the development process. In the Fourth Five-Year National Development Plan, the Lesotho Government identified as a major constraint to the country's development process, "the continuing grossly inadequate domestic productive base, which inter

alia, was the reason for low incomes and for the country's dependency on employment outside the country's borders". The Fourth Five-Year Plan outlined the necessary steps that were needed for resolving a number of structural problems and imbalances that the economy was facing through a strategy of "the people's participation" to ensure accelerated development and equitable distribution of national wealth.

57. In order to ensure effective participation of people in development, Lesotho established Village Development Councils freely elected by the people throughout the country by the promulgation of Order Number 9 of 1986. According to the Government of Lesotho, the development councils were to ensure greater participation of people in the identification and implementation of development projects. An important role was assigned to the development councils in the Five-Year Plan, through which each and every Mosotho was free to participate in the preparation and implementation of plans for the better future of his or her community and the country as a whole.

(d) Women and Development

58. The population of Lesotho is predominantly women and accordingly, women play an important role in economic activity of the country. A large proportion of Lesotho's male population migrates to South Africa for employment. Women in Lesotho,

therefore have to perform duties which according to African culture would traditionally be performed by men.

59. To ensure the effective participation of women in the development process, a number of Government and non-Governmental institutions have been established in Lesotho. A Department of Youth and Womens Affairs is responsible for coordinating youth and women's affairs. The Mission was informed that although the proportion of women in the public sector is large, nonetheless, few women occupy senior positions in the public sector. Furthermore, although there are more females in primary and secondary schools, the proportion of women at the university is not proportional to that at lower levels of the educational system.

60. The Mission was also informed that a number of discriminatory laws against women exist in Lesotho and that women are considered as minors according to Lesotho Laws. Furthermore, a woman in Lesotho cannot obtain credit from financial institutions without the consent of the husband.

61. Efforts are being made to remove some of the discriminatory laws against women. However, tradition in Lesotho is deeply imbedded in the peoples' culture and, accordingly implementation of reforms is proving rather difficult. The Department of Youth and Women's Affairs is currently trying to persuade Government and the University of Lesotho to introduce "gender issues" in the

university syllabus. The Lesotho Federation of Women Lawyers is also trying to assist Lesotho women on legal matters as well as requesting Government to repeal some of the discriminatory laws against women. The Mission was informed that the Department of Youth and Women's Affairs is a participant in the deliberations of the Lesotho Military Council and accordingly women's affairs receive the highest attention of Government

G. FINANCIAL RESOURCES MOBILIZATION

62. Relative to many other African countries, Lesotho has a high savings rate (defined as the ratio of gross domestic savings to National Disposable Income). The savings rate was 19.3 percent in 1986. It declined to 15.6 per cent in 1988, but rose to 27.0 per cent in 1989. Variations in savings rates reflect changes in national disposable income and in expenditure. Most of the savings seem to originate in the private sector.

63. The government's ability to save declined between FY 84 and FY 88. There was a worsening in the budgetary situation and the fiscal deficit (including grants) rose from 0.9 percent to 9.6 percent of GNP. Correspondingly, the external current account (inclusive of a current transfers) deteriorated from a surplus of 1.1 per cent of GNP in FY 84 to a deficit of 6.6 per cent of GNP in FY 88. Following the implementation of revenue-raising measures and restraints upon expenditure growth, the fiscal situation is

provisionally estimated to have declined to 3.3 per cent of GNP during FY 89. Correspondingly, the external current account deficit improved from 6.6 percent of GNP in FY 88 to an estimated 3.9 per cent of GNP in FY 89.

64. The Lesotho Government borrows money abroad mainly from official sources on concessional terms. The parastatal entities whose loans are guaranteed by the government also do the same. Accordingly, both the total external debt and external debt service payments are comparatively low. At the end of 1989 debt service as a proportion of exports of goods and services was only 5.9 per cent.

H. COMMENTARY

65. The United Nations Economic Commission for Africa Mission to Lesotho was very well received by both the officials of the Kingdom of Lesotho as well as officials of the United Nations agencies, particularly the UNDP office in Gaborone, the Food and Agriculture Organisation (FAO), and the IFAD funded project called the SOIL, Water Conservation and Agroforestry Programme (SWACAP). The Mission wishes to express its profound gratitude to SWACAP for the logistical support provided to the Mission.

66. The Mission would like to submit the following observations regarding its visit to Lesotho:

(i) Lesotho's Fourth Five Year National Development Plan appears to have drawn inspiration from APPER and UNPAAERD ; according to the words of the then Minister of Planning, Economic and Manpower Development as stated in the preamble to the PLAN.

(ii) Notwithstanding the statement made above ,the Mission was informed that Lesotho never tried to implement the provisions of UNPAAERD,although a number of sectoral strategies contained in the Fourth National Development Plan were consistent with UNPAAERD;

(iii) On arrival the Mission was informed that the questionnaire had not been completed by the relevant ministries and departments. Accordingly, the task of completing the questionnaire was done by the Mission from data and information provided by the authorities.

67. The conclusion which emerges from the Mission is that although Lesotho's Fourth Five-year Development Plan, 1986/1987 - 1990/1991 drew inspiration from APPER and UNPAAERD,nonetheless Lesotho officials indicated that no deliberate efforts had been made to implement UNPAAERD. However, a number of sectoral strategies contained in the Fourth Plan were consistent with the provisions of UNPAAERD.

Maseru, Lesotho.

13. Mr. N.L.A. Lexander, Representative, Food and Agriculture Organisation.
14. Mr. F.M. Borotho, Director of Research , Central Bank of Lesotho.
15. Mr. Richard Holden, Soil,Water Conservation and Agroforestry Programme(SWACAP), Maseru, Lesotho.
16. Mr. M Khobono, Deputy Commissioner for Commerce, Ministry of Trade and Industry, Maseru, Lesotho.
17. Mrs. M. Matselebane, Senior Education Planner, Ministry of Education, Maseru, Lesotho.