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SPECIAL ECONOMIC AND DISASTER RELIEF ASSISTANCE:
SPECIAL PROGRAMMES OF ECONOMIC ASSISTANCE

Assistance to Lesotho

Report of the Secretary-General

1. In its resolution 38/215 of 20 December 1983, the General Assembly, inter alia, requested the Secretary-General:

"(a) To continue his efforts to mobilize the necessary resources for an effective programme of financial, technical and material assistance to Lesotho;

"(b) To consult with the Government of Lesotho on the question of migrant workers returning from South Africa and to report on the type of assistance which the Government requires in order to establish labour-intensive projects to deal with their absorption into the economy;

"(c) To ensure that adequate financial and budgetary arrangements are made to continue the organization of the international programme of assistance to Lesotho and the mobilization of assistance;

"(d) To keep the situation in Lesotho under constant review, to maintain close contact with Member States, the specialized agencies, regional and other intergovernmental organizations and international financial institutions concerned and to appraise the Economic and Social Council, at its second regular session of 1984, of the current status of the special programme of economic assistance for Lesotho;

* A/39/150.

"(e) To report on the progress made in the economic situation of Lesotho and in organizing and implementing the special programme of economic assistance for that country in time for the matter to be considered by the General Assembly at its thirty-ninth session."

2. In response to the resolution the Secretary-General arranged for a mission to Lesotho in May 1984 led by the Joint Co-ordinator for Special Economic Assistance Programmes. The report of the mission, annexed to this report, describes the economic and financial situation of the country, outlines efforts being undertaken to enhance the re-absorption of migrant workers and reviews the progress that has been made in realizing the 10 specific projects of the special programme of economic assistance formulated in response to Security Council resolution 527 (1982) of 15 December 1982.

3. Of the 10 projects identified in the 1983 report of the Secretary-General eight projects have been responded to by the international community. 1/ The project proposals contained in the initial special programme of economic assistance that remain unfunded have been incorporated in the proposals submitted by the Government of Lesotho to the Donor Round-Table Conference held in May 1984 (see A/37/126-S/15280).

Notes

1/ See S/15600.

ANNEX

Report of the mission to Lesotho

(14-20 May 1984)

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I. BACKGROUND

1. The special programme of economic assistance for Lesotho was instituted in 1977 following the adoption of Security Council resolution 402 (1976) of 22 December 1976, which requested the Secretary-General to organize such a programme to enable Lesotho to overcome the economic difficulties arising from the serious interference with its internal and external movements of goods and persons following the declaration by South Africa of the independence of the so-called Transkei bantustan. The initial programme presented a package of emergency measures related to the immediate impact of the border closure amounting to \$66 million, intended mainly for internal transportation, civil aviation and food. In addition, an accelerated development programme was presented designed to enhance Lesotho's capacity to implement fully the United Nations resolutions on apartheid and bantustans. The accelerated development programme amounted to \$47 million plus 168 man-years of technical assistance.
2. Previous reports of the Secretary-General on assistance to Lesotho have reported on the progress achieved in implementing this programme. (Previous reports of the Secretary-General on assistance to Lesotho (A/37/126-S/15280, S/12315, A/32/323-S/12438, A/33/112 and Add.1, A/34/393-S/13485, A/35/432-S/14153 and A/36/266-S/14497; see also A/34/556, A/35/497 and A/36/599) listed the various resolutions adopted by the Security Council, the General Assembly and the Economic and Social Council and the reports submitted to them by the Secretary-General on assistance to Lesotho.) Subsequent review missions have revised upward several times Lesotho's need for assistance. In 1983, it was reported that approximately \$240 million had been approved for the emergency and accelerated development programmes, and additional needs totalled some \$150 million.
3. The Government of Lesotho, with the support of the United Nations Development Programme (UNDP), convened a donors' conference from 14 to 17 May 1984. The conference was in follow-up to the United Nations Conference on Least Developed Countries (September 1981), which adopted the Substantial New Programme of Action of the 1980s for the Least Developed Countries (SNPA). It provided an opportunity for the Government of Lesotho to present to interested donors both an overview of the economic situation as well as its detailed plans and policies.
4. A review mission visited Lesotho from 14 to 20 May 1984 in order to participate in the donors' conference, as well as to consult with representatives of the Government of Lesotho on the implementation of the special programme of economic assistance. In the course of its visit the mission was received by the Prime Minister, His Excellency Jonathan Leabua, and had several meetings with the Foreign Minister. The mission also had the opportunity to consult with representatives of the other relevant ministries of the Government of Lesotho, representatives of the donor community, as well as local representatives of the various United Nations organizations and agencies located in Maseru. The mission would like to place on record its appreciation for the full co-operation and assistance which it received from the Government of Lesotho as well as its appreciation for the support and assistance provided by the Resident Representative of the United Nations Development Programme in Lesotho.

5. The project proposals contained in the initial special programme of economic assistance have been incorporated in the proposals submitted by the Government of Lesotho to the donors' conference. It is the intention of the Government to pursue these projects in that context. Accordingly, this report will not review the implementation of those projects.

6. The report which follows will discuss general economic developments, review the 1983 special programme of economic assistance, describe efforts under way to the problem of re-absorption of migrant workers and summarize the results of the 1984 donors' conference.

II. ECONOMIC SITUATION

A. The economy

7. Lesotho is a small (30,355 square kilometres) land-locked country with an estimated population of 1,365,900 (1981). With a per capita income of less than \$300 per year, it is listed by the United Nations as being among the world's least developed countries. Lesotho's size, its unique geographical position, its limited natural resources and its economic history result in a very high level of dependence upon South Africa, a country with whose social and political policies it is in basic disagreement. Lesotho buys capital and consumer goods, including a substantial portion of its basic grain supply, from South Africa. Income earned by migrant miners and other workers in the Republic of South Africa is equal to or greater than the income generated within the country. A common market with a large industrialized neighbour makes it extremely difficult to establish competitive industries to serve its small internal market. Participation in the Rand Monetary Area subjects Lesotho to macro-economic pressures over which it has no control and precludes the use of monetary policy as an instrument of national policy.

8. The two major goals of the development policy of Lesotho are to reduce its dependence on the Republic of South Africa and to improve the well-being of its people. The Third Five Year Plan, 1980-1985, was formulated within this context, and places particular emphasis on enhanced self-reliance in food production, employment and income-generating activities. The development programme focuses on increasing agricultural productivity through the promotion of high value crops, improvement of livestock, improvement and expansion of irrigation, broadening the export base, import substitution and the diversification of markets, credit facilities and marketing channels. The programme also envisages improvements in social welfare and social justice, in particular the well-being of the rural poor, protection of its land and water resource base, and deeper involvement and fuller participation of the community in development.

9. Major projects and programmes have been undertaken in all sectors of the economy. However, weaknesses in economic and financial management have been a major constraint on Lesotho's development efforts. There is a serious problem of a shortage of trained and experienced manpower. The Government maintains close and continuing contact with the donor community and is taking steps to improve its planning and project selection in the light of absorptive capacity limitations and

budgetary stringency. The most serious constraints upon the development of Lesotho, however, remain its unique geo-political situation and the need for financial assistance, in particular grants and concessional aid.

B. National accounts

10. In the 1970s, real gross domestic product (GDP) and gross national product (GNP) grew relatively rapidly, 8.3 per cent and 10.4 per cent respectively. (The difference between GDP and GNP is accounted for almost exclusively by remittances by migrant workers in South Africa.) As indicated in table 1 below, this pattern of growth has been reversed. While the recorded 20.4 per cent increase in GDP and 17.2 per cent increase in GNP at current prices in 1980/1981 is probably greater than the deflation adjustment necessary and thus reflects some real growth, it is probable that real economic growth in subsequent years has been stagnant. The decline in GDP reflects both the effects of the serious droughts and the closure of the diamond mine at Letseng-la-Terae.

Table 1

Gross domestic product and gross national product at current prices

(Millions of maloti) a/

| | 1980/1981 | 1981/1982 | 1982/1983 | 1983/1984 <u>b/</u> | 1984/1985 <u>b/</u> |
|------------------------|-----------|-----------|-----------|---------------------|---------------------|
| Gross domestic product | 321.9 | 348.5 | 383.8 | 431.6 | 498.6 |
| Percentage change | 20.4 | 8.3 | 10.1 | 12.4 | 15.5 |
| Gross national product | 526.1 | 586.5 | 791.2 | 915.1 | 1 030.6 |
| Percentage change | 17.2 | 11.5 | 34.9 | 15.7 | 12.6 |

Source: Government of Lesotho, Bureau of Statistics.

a/ 1 maloti = 0.8185 United States dollar (December 1983).

b/ Preliminary estimates.

11. Despite the rapid growth experienced in the 1970s, the economy's structure has changed relatively little (see table 2). Services (mainly government) continue to dominate accounting for approximately 48 per cent of GDP in 1980/1981. The country's productive base has not expanded significantly. The closure of the Letseng-la-Terae diamond mine in 1982 will drastically reduce the contribution of mining to GDP.

Table 2
Structure of gross domestic product at factor costs
(Percentages)

| | 1976/1977 | 1978/1979 | 1980/1981 |
|-------------|--------------|--------------|--------------|
| Agriculture | 38.6 | 33.7 | 27.4 |
| Mining | 0.3 | 7.5 | 8.6 |
| Industry | 12.8 | 15.0 | 16.4 |
| Services | 48.3 | 43.8 | 47.6 |
| | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> |

Source: Government of Lesotho.

C. Fiscal situation

12. During 1980-1983, the Government expanded its expenditures in an effort to maintain the momentum of development and the living standards of its people in spite of the major world economic recession and the stagnation of aid flows (table 3). The resultant deficits were financed for the most part by commercial borrowing. a/ This policy proved to be prohibitively costly. The high interest rates and short maturities of commercial loans resulted in debt-service payments increasing from M 8.0 million in 1980/1981 to M 42.8 million in 1983/1984.

Table 3

Summary of Government budgetary operations, 1979-1983

(Millions of maloti)

| | 1979/1980 | 1980/1981 | 1981/1982 | 1982/1983 |
|--|-----------|-----------|-----------|-----------|
| Total receipts | 111.7 | 125.5 | 124.8 | 143.9 |
| Revenue | 93.8 | 104.3 | 111.1 | 134.5 |
| Customs proceeds | 71.4 | 71.4 | 70.8 | 76.7 |
| Income tax | 7.1 | 10.9 | 10.1 | 11.0 |
| Company tax | 2.5 | 4.2 | 5.0 | 5.3 |
| Retail sales tax | - | - | - | 2.7 |
| Other | 12.8 | 17.8 | 25.2 | 38.8 |
| Grants | 17.9 | 21.2 | 13.7 | 9.4 |
| Total expenditure | 130.3 | 169.8 | 195.1 | 207.0 |
| Recurrent | 68.8 | 107.6 | 128.5 | 152.5 |
| Capital expenditure and net lending | 61.5 | 62.2 | 66.6 | 54.5 |
| Overall surplus or deficit (-) | 18.6 | -44.3 | -70.3 | -63.1 |
| Financing: | | | | |
| External | 14.2 | 14.3 | 40.9 | 44.1 |
| Domestic | 4.4 | 30.0 | 29.4 | 19.0 |

Source: Ministry of Finance, Government of Lesotho.

13. The Government has therefore reverted to a policy of financial consolidation. For 1983/1984, revenue is estimated at M 166.4 million and recurrent expenditure at M 158.6 million. For the current fiscal year (1 April 1984-31 March 1985), total expenditure is set at M 323 million. Recurrent operating expenditure is budgeted at M 124 million, slightly less than 1981/1982 in money terms. M 119 million is budgeted for the capital programme, a reduction of M 18 million from the 1983/1984 budgeted figure. (Capital budget estimates generally exceed actual expenditure, as reported in table 3, due to problems of absorptive capacity.) On the other hand, recurrent revenue is estimated at M 230 million, concessionary loans at M 35 million and development grants at M 47 million. The estimated deficit to be financed by new commercial borrowing is approximately M 11.4 million as compared to M 45 million in 1983/1984.

14. The 1984/1985 budget reflects a large, one-time increase in Customs Union revenue, from M 109 million in 1983/1984 to M 151 million. Using these resources, the Government plans a substantial reduction in the stock of foreign commercial debt. At the beginning of the 1984/1985 financial year, the total public debt amounted to M 251 million, composed of M 120 million concessionary borrowing, M 94 million domestic commercial borrowing and M 37 million foreign commercial

borrowing. It is planned to reduce the foreign commercial borrowing by M 31 billion in 1984/1985, leaving a balance of M 6 million plus the M 3 million deficit contained in the current budget.

15. External assistance commitments for 1984/1985, together with the limited funds that can be made available by the Government, indicate that development expenditure for this period will total approximately M 90 million, with M 50-60 million being spent through the budget.

D. Balance of payments

16. Lesotho's balance of payments is characterized by large trade deficits financed mainly by remittances from migrant workers and transfers (table 4). In 1981, exports covered less than 15 per cent of import costs, and it is probable that the ratio has deteriorated further in subsequent years as export receipts are expected to have declined as a result of the closure of the diamond mine.

Table 4

Balance of payments
 (Millions of maloti)

| | 1978 | 1979 | 1980 | 1981 | 1982 <u>a/</u> |
|--------------------------------------|--------------|--------------|--------------|--------------|----------------|
| A. <u>Current account</u> | | | | | |
| Exports, f.o.b. | 28.7 | 38.9 | 46.6 | 44.6 | 40.0 |
| Imports, c.i.f. | -203.1 | -270.8 | -325.3 | -396.3 | -478.3 |
| Workers' remittances | 154.3 | 178.9 | 215.0 | 260.0 | 320.0 |
| Other, official, net | -9.9 | -11.3 | -15.0 | -17.6 | -15.3 |
| Other, private, net | 4.4 | 5.3 | 12.4 | 12.5 | 6.9 |
| Net current account | <u>-25.6</u> | <u>-59.0</u> | <u>-66.3</u> | <u>-96.8</u> | <u>126.7</u> |
| B. <u>Transfers (net)</u> | <u>46.1</u> | <u>60.1</u> | <u>73.6</u> | <u>70.8</u> | <u>74.2</u> |
| C. <u>Long-term capital</u> | | | | | |
| Official | 9.6 | 20.5 | 24.2 | 27.3 | 27.3 |
| Private | - | - | 3.5 | 4.2 | 4.2 |
| Net long-term capital | <u>9.6</u> | <u>20.5</u> | <u>27.7</u> | <u>31.5</u> | <u>31.5</u> |
| D. <u>Short-term capital</u> | | | | | |
| Official | - | - | 20.0 | 12.0 | |
| Private (commercial banks) <u>b/</u> | -4.8 | -10.0 | 20.4 | -1.0 | -21.4 |
| Net short-term capital | <u>-4.8</u> | <u>-10.0</u> | <u>20.4</u> | <u>19.0</u> | <u>-9.4</u> |
| <u>Overall total</u> | <u>25.3</u> | <u>11.6</u> | <u>55.4</u> | <u>24.5</u> | <u>-30.4</u> |

Source: Central Bank of Lesotho, Quarterly Review, June 1983.

a/ Provisional.

b/ Minus sign indicates increase in assets.

E. Exchange rates

17. Lesotho is a member of the Rand Monetary Area and the value of the national currency, the loti, is indexed to and at par with the rand. The rand and thus the loti fell from 90.64 United States cents at the end of September 1983 to 81.85 United States cents at the end of December 1984, a depreciation of 10.7 per cent. The value of the loti in terms of special drawing rights (SDR) declined during the same period, from 0.858 SDR to 0.782 SDR, a depreciation of 9.7 per cent.

F. Sectoral review1. Agriculture

18. Agriculture remains the most important sector of the economy, accounting for approximately 70 per cent of total domestic employment and providing subsistence for about 50 per cent of the rural population. There is, however, a serious land constraint since only 13 per cent of the surface area of Lesotho is suitable for farming. There has been a declining trend both in the area under cultivation and in production of major crops (see table 5).

Table 5

Production of major crops

(Thousands of tonnes)

| Crop | 1976/1977 | 1978/1979 | 1980/1981 | 1981/1982 |
|---------|-----------|-----------|-----------|-----------|
| Maize | 125.9 | 124.9 | 105.7 | 83.0 |
| Wheat | 61.4 | 62.3 | 17.0 | 14.5 |
| Sorghum | 62.3 | 69.0 | 47.7 | 26.2 |
| Beans | 20.9 | 8.4 | 3.5 | 4.9 |
| Peas | 7.0 | 6.9 | 3.2 | 4.5 |

Source: IMF Report, 1983.

19. Prolonged drought over the last two years has had a serious impact on agricultural production. According to FAO/WFP estimates, total cereal production, which has normally averaged around 200,000 tonnes, is estimated at 171,000 tonnes in 1981, 124,000 tonnes in 1982, and 120,000 tonnes in 1983. Adequate rains in December 1983 raised hopes that the drought had come to an end and that the 1984 crop would be good. However, no rains have fallen since January 1984 and much of the crop has been destroyed. On 4 April 1984, the Prime Minister of Lesotho declared a state of national food emergency for the second year in succession.

20. The Government is still in the process of preparing a final report on the impact of the drought in 1984; however, in February 1984, it made the following preliminary estimations (see table 6). It should be noted that Lesotho is not self-sufficient in food and would under normal circumstances anticipate the need to import (commercially or through food aid) approximately 150,000 tonnes of grain. The production shortfall of 161,149 tonnes due to the drought would be in addition to this normal import requirement.

Table 6
Projected grain shortfall due to drought a/
 (Tonnes)

| District | "Normal" production | 1984 forecast | Production shortfall |
|---------------|------------------------|------------------|-------------------------|
| Butha-buthe | 7 757 | 876 | 6 881 |
| Leribe | 33 968 | 4 689 | 29 279 |
| Berea | 37 312 | 10 160 | 27 152 |
| Maseru | 25 943 | 9 124 | 16 819 |
| Mafeteng | 42 563 | 11 531 | 31 032 |
| Mohale's Hoek | 26 962 | 9 067 | 17 895 |
| Quthing | 9 111 | 2 513 | 6 958 |
| Qacha | 7 251 | 1 805 | 5 446 |
| Mokhotlong | 16 037 | 3 028 | 13 009 |
| Tseka | <u>9 633</u> | <u>2 596</u> | <u>7 038</u> |
| Total | <u>216 537</u> | <u>55 386</u> | <u>161 149</u> |

a/ Figures given are preliminary. Efforts are under way to refine the calculations and to produce more accurate figures.

21. The drought has also affected the livestock sector. In October 1983, the Ministry of Agriculture estimated a 20 per cent loss of cattle, sheep and goats, a 50 per cent loss of kids and lambs, and a 10 per cent loss of horses. There are signs that range lands, already overstocked, are deteriorating rapidly due to lack of water.

22. Given basic conditions in the agricultural sector, food aid has become a regular feature of the Lesotho economy. In order to meet the 1983/1984 import requirements of 180,000 tonnes, 76,000 tonnes came in the form of food aid, while 104,000 tonnes were imported commercially.

23. As indicated below (table 7), the donor community has been responsive to appeals for emergency food assistance arising from drought conditions. In addition to those amounts already pledged, the donor community has indicated its willingness to respond to additional needs as they are identified.

/...

Table 7

Pledged emergency food aid

| Donor | Commodity | Tonnage | Delivery date |
|--|----------------------|---------|-----------------------------|
| Austria | Wheat | 5 000 | January - June 1984 |
| | Wheat | 3 000 | November 1984 |
| Denmark | Maize or rice | 5 500 | January - June 1984 |
| Germany, Federal Republic of | Maize flour | 1 180 | January - June 1984 |
| Italy | Rice | 1 000 | January - June 1984 |
| Japan | Rice | 600 | January - June 1984 |
| Sweden | Vegetable Oil | 400 | July - December 1983 |
| United Kingdom of Great Britain and Northern Ireland | Wheat | 7 000 | November 1984 |
| | Powdered milk | 3 000 | November 1984 |
| United States of America | Wheat | 10 000 | July - December 1983 |
| | Wheat | 15 000 | October 1984 - January 1985 |
| World Food Programme | Wheat flour | 5 600 | July - December 1983 |
| | Pulses | 540 | July - December 1983 |
| Catholic Relief Services | Milk, butter, oil | 6 985 | January - June 1984 |
| European Economic Community | Wheat | 6 000 | January - June 1984 |
| | Wheat | 6 000 | November 1984 |
| | Rice | 860 | January - June 1984 |

2. Industry

24. Industrial development in Lesotho is at a very early stage. Manufacturing, including handicrafts, contributes only 4 to 5 per cent of gross domestic product and accounts for only about 10 per cent of wage employment in the modern sector. Only a few products are manufactured in Lesotho and this mostly on a small scale. Nearly all of the raw materials are imported and over 50 per cent of non-food output is exported.

25. The major factors inhibiting manufacturing in Lesotho include the smallness of the domestic market, competition from the Republic of South Africa including its "homelands", and the shortage of skilled manpower, especially supervisory and managerial personnel, and technicians. Other factors exacerbating the high cost of production in Lesotho include its dependence on the Republic of South Africa for imports of inputs and utilities such as electricity, which is sold to Lesotho at prices higher than the subsidized prices offered to Republic of South Africa manufacturers.

26. The Government believes that there is considerable potential for growth in the industrial sector, which could create employment, help reduce dependence upon migrant labour and increase income. Given Lesotho's location and its low income level, industrial development must focus on production for export. The Government also plans to optimize yield on agricultural and other products produced in Lesotho.

G. Employment

27. The employment situation remains one of the most serious problems confronting Lesotho. Two dimensions of the situation are currently of particular concern: firstly, the rapid growth in the number of Basotho who leave school and seek employment; and secondly, the continuing dependence on migrant employment in South Africa, predominantly in the gold mines.

28. The de jure population of Lesotho is currently estimated at 1.4 million. The population growth rate for the period 1966-1977 was 2.3 per cent per annum, which, if maintained, would result in a population in excess of two million by the year 2000.

29. Projections based on the 1976 census estimate the population of working age (i.e. 15-64) currently to be about 810,000, of whom approximately 65 per cent (526,000) are economically active. It is estimated that between 130,000 and 150,000 of the economically active are employed in South Africa. Employment in the domestic modern sector was estimated at 41,000 in 1980 and probably does not exceed 50,000 currently. Thus, the largest portion of the labour force (327,000-347,000) is engaged in non-wage agriculture and other rural activities (see table 8 below).

Table 8

Structure of wage employment in the modern sector, 1980

| Sector | Number employed | Percentage |
|----------------------|-----------------|--------------|
| Agriculture | 200 | 0.5 |
| Mining | 800 | 2.1 |
| Manufacturing | 3 906 | 9.4 |
| Electricity | 487 | 1.1 |
| Construction | 4 593 | 11.1 |
| Wholesale and retail | 8 547 | 20.6 |
| Other services | 3 784 | 9.1 |
| Government | 13 100 | 31.6 |
| Education | <u>6 000</u> | <u>14.5</u> |
| Total | <u>41 307</u> | <u>100.0</u> |

30. There has been a decline in the number of Basotho mine workers in South Africa as a result of the closing of marginal mines, relatively high mine wages that now attract South African workers, and increased mechanization of the mines (see table 9). In addition to this sectoral decline, the Government is also concerned that continuing economic dependence on migrant workers might be a source of political pressure.

Table 9

Number of Basotho mine workers in the Republic
 of South Africa, 1979-1982

| <u>Year</u> | <u>Basotho</u> (Thousands) |
|-------------|-------------------------------|
| 1978 | 116.5 |
| 1979 | 124.4 |
| 1980 | 120.7 |
| 1981 | 123.5 |
| 1982 | 117.7 |

31. With regard to domestic employment, during the Second Development Plan period (1975-1980), no more than 450 jobs were created per annum compared with the target of 1,420. There has been little if any improvement in this situation since 1980.

32. The creation of domestic employment opportunities thus remains one of the high priorities of the Lesotho development plan. In the near future, unemployment will become even more serious as migrants return home to swell the growing population.

H. Resource base

33. Lesotho's known mineral resources are very limited. Only diamonds, clay and building stone have been commercially extracted. While small-scale diamond production continues, the major diamond mine at Letseng-la-Terae closed in 1982. Efforts are under way to reopen the mine at a small- to medium-scale level.

34. However, the development of water resources has substantial potential. Studies have identified a number of micro and small-scale hydroelectric sites in the country. In addition, two major water-development schemes have been identified. By far the largest is the Highlands Water Project, which involves the diversion of water from the Upper Senqu River system through the Maluti Mountains to provide water for domestic use as well as export sale. A feasibility study on this scheme, which includes hydroelectric power and irrigation, will be completed in 1985. The second major water-development scheme is the Jordane project, which involves irrigation, hydropower and drinking-water supply to the Roma-Mazenod-Maseru area. Parallel to the Jordane project, another multi-purpose project, the Oxbow, has been revived.

III. SPECIAL PROGRAMME OF ECONOMIC ASSISTANCE

35. The report of the Secretary-General on economic assistance requirements in response to Security Council resolution 527 (1982) contained 10 specific projects urgently needing support. The Government of Lesotho has reported the following progress with respect to each of these projects.

A. Projects

Project 1: Strengthening of police services

36. The Commonwealth Secretariat has undertaken a study on the detailed requirements to permit the Government to strengthen further its ability to provide security for the lives and property of its citizens and for the refugees under its protection. The Government will continue its consultations on this project with potential donors on the basis of the Commonwealth Secretariat's report.

Project 2: Establishment of an emergency reserve of medical supplies

37. The Government of Sweden has supplied most of the medical supplies specifically identified in the special programme of economic assistance. However, there are some outstanding drug requirements for which no donor has indicated interest.

Project 3: Urgent improvements to hospital facilities and services
(Queen Elizabeth II National Hospital)

38. The European Economic Community has provided funding for a study of the feasibility of improving the present Queen Elizabeth II National Hospital or constructing a new facility. No action is anticipated on this question pending conclusion of this study and its review by the Government of Lesotho.

39. The Irish Government has provided some technical assistance plus funds for minor improvements on the existing laboratory. The British Government has provided blood-transfusion equipment, while the World Health Organization provided some supporting equipment. There is, however, a need for funds to erect a new laboratory.

Project 4: Consultancy on the establishment of a fire brigade in Maseru

40. It is now estimated that the population of Maseru is approximately 82,099. The Government remains concerned about the absence of a fire brigade with appropriate fire-fighting capacity, including fire engines with water and foam tanks, and rescue equipment. There has as yet been no response by the international community to this project.

Project 5: Maize silo complex

41. The Government has financed from its own resources a 50,000 tonne per year capacity maize mill and working silos project as phase I of the total project. The Governments of Sweden and Norway have indicated interest in funding a study which will facilitate implementation of phase II of the maize silo complex. It should also be noted that the Government will be consulting with the Food and Agriculture Organization of the United Nations on the formulation of a national food strategy that would, inter alia, more specifically identify the food storage requirements of the country.

Project 6: Afforestation programme

42. While afforestation and other soil conservation measures will remain a continuing priority of the Government, there has been a response to the specific requirements identified in the special programme of economic assistance.

Project 7: Labour-intensive public works

43. The Swedish International Development Authority (SIDA) has provided financial assistance of about \$900,000 for construction of the Dilli-Dilli/Sixondo road, and about \$1.3 million for the Phamong/Nohana road. The African Development Bank (ADB) and the World Bank have co-financed an all-weather road from Matukeng to Mantsebo (\$300,000).

Project 8: Expansion of the Maseru and Maputsoe industrial estates

44. The Government continues to attach importance to the expansion of the industrial estates at Maseru and Maputsoe. As of yet no assistance has been provided but consultations are continuing with interested donors.

Project 9: Maseru electricity supply

45. The Government is consulting with the African Development Bank on the formulation and implementation of a relatively small-scale hydroelectric power project to supply Maseru and its neighbouring towns. The Government will pursue this project as part of its regular development programme.

Project 10: New national airport

46. The Government is consulting with the African Development Bank to complete the financing of the construction and equipping of a new airport to serve as an unrestricted gateway to other parts of Africa. It hopes that these consultations will be finalized in the near future.

B. Other needs

47. In addition to the above projects designed to respond to the urgent needs arising from Lesotho's vulnerability, the special programme of economic assistance also identified a number of other needs for which international assistance was requested. These needs included support for the basic agricultural services programme in the Technical Organization Unit to raise agricultural production, assistance for livestock programmes, road construction, strengthening vocational and technical education, the diversification of agriculture, import-substituting manufacturing activities, and labour-intensive work to employ rural women. There have been some specific responses by the international community in the areas outlined above. However, these needs and the responses to them should be considered part of the basic development programme of Lesotho rather than elements of the special programme of economic assistance.

IV. PROGRAMME FOR MIGRANT WORKERS

48. General Assembly resolution 38/215 specifically requests the Secretary-General to consult with the Government of Lesotho on the question of migrant workers returning from South Africa and to report on the type of assistance the Government requires in order to establish labour-intensive projects to deal with their absorption into the economy.

49. At the request of the Southern African Labour Commission (SALC), the Southern African Team for Employment Promotion (SATEP) of the International Labour Organisation (ILO) intends to assist the Governments of Botswana, Lesotho, Malawi, Mozambique and Swaziland to prepare contingency employment plans, during 1985-1987; in collaboration with the Ministries of Economic Planning and Labour, for the absorption of repatriated migrant labour from South Africa. The plans will focus attention on

1. The overall potential of the economy to absorb additions to the labour force in rural areas and in small-scale urban informal sector activities, as well as in labour-intensive public works schemes;

2. The need to retrain migrant labour for productive employment in their country of origin;

3. The financial cost involved in the implementation of contingency plans, including the prospects for mobilizing bilateral, external and international financial support.

50. Strategies to deal with the problems for migrant mine workers and elements of contingency plans have already been outlined in the report of the ILO (Jobs and Skills Programme for Africa) to the Government of Lesotho, entitled "Options for a dependent economy-development employment and equity problems in Lesotho, 1979".

51. The Emergency Employment Schemes Branch of ILO had, in 1981, assisted the Government of Lesotho in organizing a SATEP training workshop and preparing a special labour-intensive public works programme package and related technical co-operation that was subsequently funded by SIDA and WFP.

V. DONOR ROUND TABLE

52. As previously indicated, the Government of Lesotho convened a Donor Round Table on 14-17 May 1984 at which it presented 38 projects valued at approximately \$67 million, as well as the proposed Highland Water Project, which in 1980 was estimated to cost \$1.4 billion. A sectoral breakdown of these projects is as follows:

| | <u>Millions of dollars</u> |
|--|----------------------------|
| Administrative | 3.7 |
| Rural development and co-operative | 6.6 |
| Agriculture | 14.9 |
| Industry, trade and tourism | 24.0 |
| Water, mineral resources and power (<u>excluding</u> the Highland Water Project) | 8.1 |
| Roads, transportation and communication | 5.3 |
| Education | 3.4 |
| Health | 1.1 |
| Urban development | 3.8 |

53. The projects proposed fall within an overall development programme that focuses increasing agricultural productivity through promotion of high-value crops, improvement of livestock and expansion of irrigation, broadening the export base, import substitution and diversification of markets, credit facilities and marketing channels.

54. Thus, the number of projects presented at the Donor Round Table will in due course be increased to include other projects the Government will identify and wish to implement in such areas as the production of horticultural crops and the

provision of small irrigation units for rural farming communities, and in the agro-industries, particular emphasis will be placed on the processing of meat products and wool and mohair.

55. Appendix I contains a summary of the projects presented to the Lesotho Donor Round Table. Appendix II presents the final communiqué of the meeting.

Notes

a/ Government receipts include grants and concessionary loans, while on the expenditure side all loan repayments are taken into account and, if a deficit results, it means the amount of new commercial borrowing that the Government's budget strategy requires.

APPENDIX I

Summary of projects presented to the Lesotho Donor Round Table
 (May 1984)

| | | <u>Foreign assistance requested</u> | |
|--|--|-------------------------------------|------------------------------|
| | | <u>(Millions of maloti)</u> | <u>(Millions of dollars)</u> |
| <u>Administrative framework</u> | | | |
| GD-1 | National household survey | 3 500 | 2 865 |
| GD-2 | 1986 population census | <u>1 040</u> | <u>851</u> |
| | Subtotal | 4 540 | 3 716 |
| <u>Rural development and co-operatives</u> | | | |
| RV-1 | Rural road construction (access tracks) | 4 747 | 3 886 |
| RV-2 | Soil and water conservation equipment | 341 | 279 |
| AR-1 | Capitalization of co-op Lesotho | <u>3 000</u> | <u>2 456</u> |
| | Subtotal | 8 088 | 6 621 |
| <u>Agriculture</u> | | | |
| AC-1 | Expansion of national seed programme | n.a. | (Feasibility study) |
| AC-2 | Fruit production | 500 | 409 |
| AC-3 | Mushroom production | 500 | 409 |
| AC-4 | Commercial vegetable production | 8 000 | 6 548 |
| AC-5 | Fodder production | n.a. | |
| AL-1 | Wool and mohair marketing | 750 | 614 |
| AL-2 | Cattle-breeding station | 5 000 | 4 093 |
| AL-3 | Hatching and breeding-flock expansion | <u>3 400</u> | <u>2 783</u> |
| | Subtotal | 18 150 | 14 856 |
| <u>Industry, trade and tourism</u> | | | |
| II-1 | Expansion of Maputso industrial estate | 7 036 | 5 759 |
| II-2 | Assistance to Basotho enterprises | 6 500 | 5 321 |
| II-3 | Blanket manufacture | 7 200 | 5 894 |
| II-4 | Clay products manufacture | 3 525 | 2 885 |
| II-5 | Sandstone quarrying and manufacture of building products | 400 | 327 |
| II-6 | Agricultural equipment | n.a. | |
| IA-1 | Leather tanning and finishing Unit | 4 445 | 3 638 |
| IA-2 | Small-scale tanneries | <u>200</u> | <u>164</u> |
| | Subtotal | 29 306 | 23 988 |

Foreign assistance requested

(Millions of maloti) (Millions of dollars)

Water, mineral resources and power

| | | | |
|------|------------------------------|-----------|-----------|
| WW-1 | Highland water project | 1 710 446 | 1 400 000 |
| WW-2 | Jordane multi-purpose scheme | 3 000 | 2 456 |
| WW-3 | Hydrological service support | 50 | 41 |
| WM-1 | New diamond diggings | 260 | 213 |
| WE-2 | Electricity distribution | 6 555 | 5 366 |
| | Subtotal | 1 720 311 | 1 408 085 |

Roads, transport and communication

| | | | |
|------|-------------------------------------|-------|-------|
| RA-1 | Road studies | 2 820 | 2 308 |
| TC-1 | Thaba-Tseka airfield development | 2 500 | 2 046 |
| TT-1 | Rural radio communication system | 560 | 458 |
| TT-2 | Frequency management and monitoring | 600 | 491 |
| | Subtotal | 6 480 | 5 303 |

Education

| | | | |
|------|-------------------------------|-------|-------|
| ES-1 | Secondary school improvements | 4 198 | 3 436 |
|------|-------------------------------|-------|-------|

Health

| | | | |
|------|---|-------|-------|
| HH-2 | National tuberculosis control | 1 000 | 818 |
| HH-3 | Nutrition surveillance and rehabilitation | 305 | 250 |
| | Subtotal | 1 305 | 1 068 |

Urban development

| | | | |
|------|---|-----------|-----------|
| UL-1 | Support of lands and surveys | 1 650 | 1 351 |
| UW-1 | National University of Lesotho water supply | 310 | 254 |
| US-1 | Sanitation services - Maseru | 1 000 | 818 |
| UO-1 | New urban markets: Mokhotlong Outhing and Qacha's Nek | 450 | 368 |
| UO-2 | Maseru master plan | 880 | 720 |
| UO-3 | Kingsway relief road | 310 | 254 |
| | Subtotal | 4 600 | 3 765 |
| | Grand total | 1 796 978 | 1 470 838 |

APPENDIX II

Lesotho Round-Table Conference: Final communiqué

1. The Lesotho Round-Table Conference was conducted at the Hilton Hotel in Maseru, Lesotho, from 14 to 17 May 1984.
2. The Conference represented part of the follow-up to the United Nations Conference on the Least-Developed Countries organized in Paris in September 1981, which adopted by acclamation the Substantial New Programme of Action of the 1980s for the Less Developed Countries. The essential outcome of the Conference was an overriding political commitment by all of the participants to do something urgent and substantial to alleviate the suffering, deprivation and economic stagnation characteristic of all of the less developed countries. The Substantial New Programme of Action encourages the Governments of less developed countries to set their sights high enough to achieve a dramatic transformation in the lives of their people and it also recognizes that only a substantial increase in official development assistance in real terms will enable these countries to achieve this objective.
3. Further background to the rationale for the present Conference is set forth in a series of formal decisions regarding Lesotho taken within the United Nations system urging Member States and appropriate organizations and institutions to provide necessary assistance to Lesotho in accordance with these decisions.
4. The present Round-Table is the fifth of such conferences to be conducted in Lesotho. Lesotho conducted the first of the round tables in Africa in August 1972 and it has also conducted more than any other African country. The round-table mechanism has thus become an integral part of Lesotho's overall system for mobilization and use of external resources in support of the country's development programme.
5. There were 46 delegations in attendance at the Conference, representing 19 bilateral donors, 3 international financial organizations, 17 United Nations agencies and 3 non-governmental organizations. There were 4 delegations as observers. Altogether there were 84 delegates at the Conference.
6. The bilateral donors who participated in the Conference included Australia, Austria, Canada, Egypt, France, Federal Republic of Germany, India, Ireland, Italy, Japan, Netherlands, Nigeria, Norway, Sweden, Switzerland, United Kingdom, United States of America, Yugoslavia and the European Economic Community.
7. The multilateral financial agencies were the African Development Bank, the International Fund for Agricultural Development and the World Bank.
8. United Nations agencies represented in addition to UNDP were United Nations Headquarters, ECA, UNIDO, Habitat, UNICEF, UNCDF, WFP, UNHCR, UNFPA, ILO, FAO, UNESCO, ICAO, WHO, ITC and UNCTAD.

9. The non-governmental organizations taking part in the Conference were Co-operative for American Relief Everywhere (CARE), Catholic Relief Services (CRS), and Save the Children Fund (SCF).

10. The Senior Permanent Secretary and Secretary to the Cabinet served as Chairman and the Assistant Administrator and Regional Director for Africa, UNDP, served as Co-chairman. Sectoral meetings were chaired by various Permanent Secretaries.

11. The Conference was opened by the Minister for Planning, Employment and Economic Affairs. An overview of the economic situation and the Government's plans and policies was given by the Senior Permanent Secretary and Secretary to the Cabinet. Sectoral policies and programmes were presented in greater detail by the Permanent Secretaries of Agriculture; Trade, Industry and Tourism; Water, Power and Mining; Works; Education; Health; Cabinet Personnel; and Finance. Some of the main points made by government spokesmen in the course of their comprehensive statements were the following:

(a) Lesotho's geo-political situation has forced it into a very high degree of dependence upon South Africa;

(b) Lesotho's goals are self-reliance, with particular emphasis upon food production, employment and income-generating activities;

(c) Lesotho's very difficult budgetary situation has made it extremely difficult to meet its share of externally funded development projects and finance the recurring obligations associated with the projects. This constraint is compounded by the reimbursement procedures required by some of the donors. Donors are asked to consider meeting a part of the recurrent costs of Lesotho's development projects, at least in their first few years, whenever this should be necessary;

(d) The development programme focuses on increasing agricultural productivity through promotion of high-value crops, improvement of livestock, improvement and expansion of irrigation, broadening the export base, import substitution and diversification of markets, credit facilities and marketing channels;

(e) The Government is anxious to have the Highland Water Project move ahead as rapidly as possible and urges the donor community to provide the maximum support possible;

(f) The Government is acutely conscious of the continuing need to develop Basotho manpower capabilities at all levels and is actively engaged in measures to increase the relevance of education and training and to provide the necessary incentives;

(g) The Government is taking steps to improve its planning and project selection in the light of absorptive capacity limitations and budgetary constraints. The capacity to co-ordinate aid is also being strengthened. Assistance has been received to improve the financial control and management machinery of the Government;

(h) The Government is highly appreciative of the assistance provided by the donor community and has been greatly encouraged by the expressions of continuing support given at the Round Table meeting.

12. The main comments and questions offered by the delegates in response to the Government's written and oral submissions were the following:

(a) There was general praise and appreciation for the quality and forthrightness of Lesotho's written presentation and the oral statements to the Conference by the Minister of Planning, Employment and Economic Affairs, the Senior Secretary and the Permanent Secretaries of several government ministries;

(b) There was a consensus that the Government's analysis of Lesotho's economic and financial situation was acceptable and valid and in general formed a sound basis for the Government's national development strategy of self-reliance, employment generation and improvement in the condition of life of the population. It would be necessary, however, to keep recurrent budget limitations in mind at all times. The group also felt that considerably more work would be needed to redirect investment more toward productive projects;

(c) The delegates expressed understanding and concern for Lesotho in view of its adverse geo-political situation. Lesotho had been a staunch supporter of United Nations principles and policies in such matters as providing asylum to refugees despite the consequences. It was thus appropriate that United Nations Member States in turn provide Lesotho with the political and economic support that it needed for survival and development;

(d) There was broad commendation of the Government for the policies and economic reforms it was undertaking to improve development planning and economic management, to contain budgetary and balance-of-payment deficits and to institute efficient accounting practices. The donor representatives stressed the importance of continuing and reinforcing these measures. The participants also endorsed the Government's strategies to diversify agricultural production, to expand industry in areas of comparative advantage, to stimulate private enterprise and to make the education system more responsive to development needs;

(e) Some of the donor representatives referred to programmed implementation problems causing delays. Counterpart personnel were often lacking, partly because of the problem of brain drain to South Africa. Some delegates also noted the need for more selective assignment of scarce personnel to priority posts. Bonding measures for personnel trained abroad were apparently not very effective. Because of budgetary constraints, the Government had great difficulty in meeting counterpart funding requirements for projects. Some donors indicated willingness to meet local costs during the period of project implementation. The view was also expressed that there was a need to strengthen the capacity and authority of the Ministry of Planning so that its co-ordinating role might be more fully achieved;

(f) It was the consensus of opinion that the Round Table formed part of a continuing dialogue leading toward improved co-ordination and greater efficiency in the utilization of aid, the effective result of which was a higher level of assistance. The rate of flow of external resources into Lesotho in the past had been affected by limitations on absorptive capacity and availability of domestic funding;

(g) There was general agreement that food aid could be further mobilized as an important development instrument in addition to serving as direct emergency relief and humanitarian assistance to vulnerable groups. It should also be utilized as an incentive for food production and to this end the modality of monetizing food aid for increasing resource availability should be encouraged;

(h) The prospects for funding a substantial proportion of Lesotho's future needs were promising, and while some of the donors were unable to make outright commitments beyond 1984/1985, there were a number of assurances of continuing support throughout the period covered by the Government's submission. Several of the speakers indicated prospective support for specific items presented in the government documents;

(i) Some of the donor representatives also mentioned that they would like to increase the concentration of their assistance in co-ordination with the efforts of other donors. Revenue-generating activities were regarded as being of high priority by the donors;

(j) The importance of Lesotho's participation in regional activities, particularly as a member of the Southern African Development Co-ordination Conference (SADCC), and the support given to these activities by donors was also emphasized;

(k) A highlight of the meeting was the keen interest of the Government and most of the donors in assuring effective follow-up and co-ordination of donor assistance in future. It was noted that Lesotho already had in place a number of effective co-ordinating mechanisms such as the monthly meetings of locally resident donors and the joint meetings between government and donor officials conducted from time to time to discuss crucial matters of development policy and programme implementation. Examples of follow-up mechanisms utilized in other African countries were described at the Conference and the Government would examine the possibilities for useful application of some of these in Lesotho.

13. It is evident from the points mentioned in paragraph 12 above that the donor community is broadly supportive of the goals of the Substantial New Programme of Action on the understanding that the Government also carries out its responsibilities under this programme. Although it can not as yet be said that past and prospective inflows of resources are sufficient to achieve the dramatic transformation referred to in paragraph 2 above, there is obviously a sincere effort on the part of both the Government and the donors to move together as effectively as possible towards this ultimate goal.

14. Developing-country delegations participated in the Lesotho Round-Table Conference in a spirit of solidarity with Lesotho. Their presence demonstrated their willingness to assist in their own ways in the process of overcoming the economic difficulties facing Lesotho.

15. The United Nations agencies present at the Conference contributed their views based on their specialized experience in Lesotho. A number of their representatives proposed specific project actions in support of the Lesotho Government's objectives and strategies.

16. The meeting was conducted in an exceptionally cordial and frank manner to the general satisfaction of all the participants.

17. The Conference was closed by the Minister for Planning, Employment and Economic Affairs.

