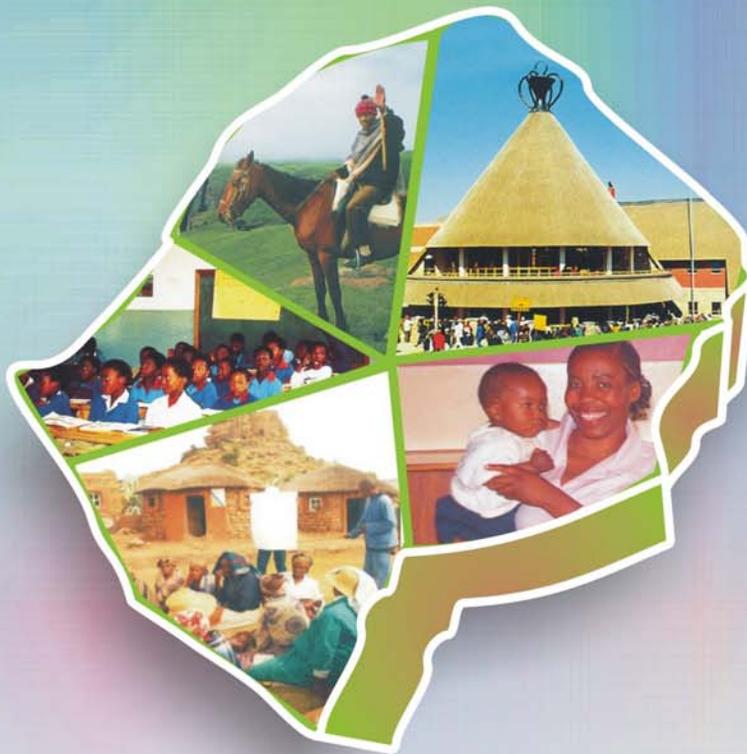




KINGDOM OF LESOTHO

POVERTY REDUCTION STRATEGY

2004/2005 - 2006/2007



PREFACE

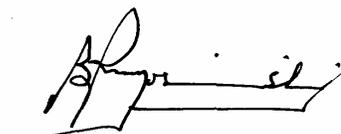
Between 1970/71 and 1974/75 economic growth averaged eight percent. However it slowed down to an average of four percent from 1982/83 to 2002/03. To accelerate sustainable growth and poverty reduction, His Majesty King Letsie III called on the nation to join hands in preparation of a long-term Vision 2020 that will guide economic development in the next 20 years. In response, the nation came together to prepare the National Vision, embodied in this Vision Statement:

By the year 2020, Lesotho shall be a stable democracy, a united and prosperous nation at peace with itself and its neighbours. It shall have a healthy and well developed human resource base. Its economy will be strong, its environment well managed and its technology well established.

As a first step towards the implementation of the Vision 2020, the nation has prepared this Poverty Reduction Strategy (PRS). The strength of the Vision 2020 and the PRS lies in the fact that both are nationally-driven. The two documents are outcomes of extensive consultative and participatory processes that involved grass-root communities, the National Assembly, Government Ministries, the Private sector, Civil Society Organizations, Academia and Development Partners. In preparing the PRS, over 20,000 people (representing a proportion of 1:100) in 200 villages were consulted across the country. Their views were consolidated, analysed and presented in a report entitled the *Voice of the People*. These views formed the basis for determining the national priorities as outlined in the Vision 2020 and the PRS.

This PRS presents a determined plan in pursuance of high and sustainable equity-based economic growth. It contains medium-term objectives and strategies to address the major challenges facing the country. These challenges are: HIV and AIDS which is devastating the nation's human resource base; employment creation and income generation; improving food security; developing infrastructure; deepening democracy, governance, safety and security; improving quality of and access to education and health services; managing and conserving the environment; improving service delivery; and, addressing gender-based discrimination that limits women's access to productive resources such as credit and land, that are necessary for their participation in development.

However, these challenges cannot be overcome unless we focus our energies on implementation and monitoring of the programmes in the PRS, mobilization of domestic and foreign resources and enhancement of service delivery to the people. The Government is committed to the implementation of the priorities and strategies contained in the PRS. I therefore call upon all our people and our development partners to work together in tackling the challenges of accelerating economic growth and eradicating poverty.



Rt. Hon. Pakalitha Bethuel Mosisili MP
Prime Minister of the Kingdom of Lesotho

ACKNOWLEDGEMENTS

At the dawn of the 21st Century, His Majesty King Letsie III called on the nation to prepare a National Vision that would define how Basotho would like to see their nation in the first 20 years of this century. In response, the Right Honourable the Prime Minister convened a gathering of representative leaders of all segments of Basotho Society in January 2001. This highly representative gathering prepared a National Vision 2020 and also decided to prepare a national programme to reduce and eventually eradicate absolute and extreme poverty.

Representatives of members of Parliament, Traditional Leaders, Government officials, Civil Society, academia, youth and development partners participated enthusiastically in the process of preparing this 2004/2005 - 2006/2007 Poverty Reduction Strategy for the Kingdom of Lesotho. A Technical Working Group and a Secretariat in the Ministry of Development Planning were set up to manage and coordinate this process. Development Partners such as Development Cooperation of Ireland (DCI), Department for International Development (DFID), United Nations Development Programme (UNDP), United Nations Children Fund (UNICEF) and European Union supported the process technically and financially.

As a first step a survey of stakeholder perceptions using over 300 facilitators and reporters was undertaken. The views which identified the issues were summarized in a report called "The voice of the People". Based on this, representative sectoral and thematic groups were established to analyse the issues and produce position papers articulating strategies to address them.

The Poverty Reduction Strategy document and the priorities outlined in it are a result of this wide, representative and consultative process. On behalf of the Government, I thank each and every person that contributed to this document regardless of how large or small that contribution may have been.

Special appreciation must go to all Basotho for preparing a plan that will guide our national development and focus our energies in the next three years. Let us now work together to achieve the objectives, policies and programmes identified in our programme to eradicate absolute poverty.



Hon. Timothy Thahane
Minister of Finance and Development Planning

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LIST OF ACRONYMS

ADB	African Development Bank
ADF	African Development Fund
AGOA	Africa Growth and Opportunities Act
APCBP	Agricultural Policy and Capacity Building Project
ARVs	Anti-retroviral drugs
BEDCO	Basotho Enterprises Development Corporation
BOS	Bureau of Statistics
CBL	Central Bank of Lesotho
CHAL	Christian Health Association of Lesotho
CMA	Common Monetary Area
CTB	Central Tender Board
DCEO	Directorate on Corruption and Economic Offences
DFID	Department for International Development
DRWS	Department of Rural Water Supply
ECCD	Early Childhood Care and Development
ECDP	Empowering Communities in Development Planning
EFA	Education for all
EU	European Union
FAO	Food and Agricultural Organisation
FDI	Foreign Direct Investment
FPE	Free Primary Education
GATS	General Agreement on Trade in Services
GDP	Gross Domestic Product
GFATM	Global Fund for AIDS, TB and Malaria
GNI	Gross National Income
GOL	Government of Lesotho
GTZ	German Technical Assistance
HIPC	Highly Indebted Poor Countries
HIV and AIDS	Human Immunodeficiency Virus and Acquired Immune Deficiency Syndrome
IDA	International Development Agency
IFAD	International Fund for Agricultural Development
IFI	International finance institution
ILO	International Labour Organisation
IMF	International Monetary Fund
IMR	Infant Mortality Rate
IPA	Interim Political Authority
I-PRS	Interim PRS
JBCC	Joint Bilateral Commission for Cooperation
LAPCA	Lesotho AIDS Programme Coordinating Authority
LBFC	Lesotho Building Finance Corporation
LDC	Least developed countries
LDF	Lesotho Defence Force
LEA	Lesotho Electricity Authority
LEC	Lesotho Electricity Corporation
LFCD	Lesotho Fund for Community Development
LFS	Labour Force Survey

LHDA	Lesotho Highlands Development Authority
LHWP	Lesotho Highlands Water Project
LMPS	Lesotho Mounted Police Service
LNDC	Lesotho National Development Corporation
LRA	Lesotho Revenue Authority
LTDC	Lesotho Tourism Development Corporation
LURP	Lesotho Utilities Reform Project
MMR	Maternal mortality rate
NAP	National Action Plan (for the environment)
NEAP	National Environmental Action Plan
NES	National Environmental Secretariat
NFE	Non-formal education
NGO	Non-governmental organisation
OVC	Orphans and vulnerable children
PAC	Project Appraisal Committee
PAC	Public Accounts Committee
PHC	Primary health care
PLWA	People living with HIV and AIDS
PRGF	Poverty reduction and growth facility
PRS	Poverty Reduction Strategy
RSA	Republic of South Africa
SACU	Southern African Customs Union
SADC	Southern African Development Community
SMME	Small, Medium and Micro Enterprises
STIs	Sexually Transmitted Infections
TA	Technical Advisor
TB	Tuberculosis
TVET	Technical and Vocational Education and Training
UN	United Nations
UNCRC	UN Convention for the Rights of the Child
VAT	Value Added Tax
VCT	Voluntary Counselling and Testing
VDCs	Village Development Councils
WASA	Water and Sewerage Authority
WDI	World Development Index
WTO	World Tourism Organisation
WTO	World Trade Organisation

EXECUTIVE SUMMARY**INTRODUCTION**

This Poverty Reduction Strategy (PRS) is a three-year medium term development framework (2004/05 - 2006/07) for Lesotho. It outlines national priorities and strategies for promoting economic growth and reducing poverty. Lesotho is a country of 2.2 million people, entirely surrounded by the Republic of South Africa. It has had to struggle since Independence in 1966 to maintain its sovereignty in the face of diverse political and economic adversities. Although classed as a Least Developed Country, Lesotho has made substantial progress in many areas. The PRS provides an overview of how the Government of Lesotho (GOL) will focus its efforts on fighting poverty in the years ahead.

The PRS is based on a three-year consultative and participatory process involving communities and stakeholders nationwide. Their inputs have been commendable and GOL has taken serious note of the concerns and priorities that have emerged from the consultations. Working groups, composed of key policy makers, representatives of NGOs, the private sector and academia prepared a series of sectoral and thematic position papers that describe how best GOL might respond to the concerns of the poor over the next few years. The community consultations reports were analysed to generate national priorities for equity-based growth, whereas the position papers provided objectives, strategies and activities to be implemented under these priorities.

This document provides a situation analysis for each priority area and an overview of the objectives, strategies and activities that will be pursued during the three-year period covered by this PRS. All strategies have been prioritised within key areas that reflect the outcomes of the consultation process. Key chapters addressing the national priorities all end with a table summarising goals, strategies and activities, indicators and targets, key implementing agencies and the anticipated incremental costs. In most cases, the response to these priorities will involve numerous players from Government, civil society and the private sector.

The GOL commits itself, over the next three years, to begin systematic implementation of the most important priorities described in the PRS. The PRS introduces few entirely new activities in the priority areas. Mostly, it extends coverage of ongoing activities for increased impact, efficiency in service delivery, prioritization and better targeting. Ongoing programmes that target the poor (like Free Primary Education) will continue and be expanded. Difficulties experienced in alleviating poverty and delivering essential services in the past are recognised and underline the need for certain shifts in programming. In particular, GOL undertakes to embrace a framework in which it measures what it produces in terms of results, as opposed to what it spends. The application of more rigorous planning and budgeting procedures is expected to enable resources to be reallocated from activities of less need to activities of greater need.

Lesotho is at a crossroads facing decisive challenges. After weathering a generation of political discord that culminated in the upheaval of 1998 and the introduction of a more inclusive political model in 2002, Government and other stakeholders will now address, in a more unified and systematic manner, the great challenges facing Lesotho and its people, including:

- sustained increase in job creation in view of the significant reduction in the number of Basotho migrant labourers employed in South Africa;
- the growing integration of Lesotho into the globalised world economy, due in particular to the rapid growth of the textile industry;
- a fall in real terms of GOL revenue generated by the Southern African Customs Union (SACU) revenue pool as a result of lower tariffs and free trade agreements;
- an increase in the incidence of poverty and inequality over the past twenty years despite higher than average annual GDP growth rates;
- the rapid spread of HIV and AIDS, negating all efforts to improve the economy and welfare of Basotho; and
- low productivity of the public sector.

These factors emphasise the need for Government to address the plight of growing numbers of Basotho faced with massive unemployment, inadequate education and training, poor health and declining natural resources. Government recognises that, together with NGOs, donors and other sectors of society, it will need to adapt rapidly if the threat of growing poverty is to be minimised and full advantage be taken of opportunities to improve the welfare of the nation. Fortunately, the PRS process, together with Vision 2020, has generated a list of key national priorities that are non-partisan in nature, enabling Basotho to move forward together.

Some hard choices will need to be made as the resources available are far from adequate to implement all of the objectives and strategies outlined under the various priority areas. For this reason Government will provide strong leadership and co-ordinate a concerted response by various sectors of society. Strong political and administrative support will be required in order to shift mindsets and embrace new thinking, priorities and approaches.

The formulation of Lesotho's PRS is not an event; it is an on-going process. It is often said that Basotho are good planners but poor at implementation. To facilitate successful implementation, the PRS will be constantly monitored and periodically updated through an inclusive monitoring system that will involve the key stakeholders. The PRS offers the nation a chance to develop greater capacity, not just at policy formulation, but at service delivery and monitoring. The challenge before all stakeholders is to ensure that policy translates into meaningful programmes that are effectively implemented. It is generally recognised that productivity must improve, more value should be added to local resources, and Foreign Direct Investment must become more diversified and integrated with the local economy. Trade policies should be shaped into a framework that is more conducive to meaningful economic growth. In short, it is believed that with the right combination of internal and external factors, it will be possible to ensure that those most affected by poverty are assisted to transform their lives and communities.

OVERARCHING OBJECTIVES

The overarching development goal of the PRS is ***to provide a broad based improvement in the standard of welfare for the current generation of Basotho, without compromising opportunities for future generations.*** The National Vision is that by the year 2020 Lesotho shall be a stable democracy, a united and prosperous nation at peace with itself and its neighbours. It shall have a healthy and well-developed human resource base. Its economy will be strong, its environment well managed and its technology well established.

Such improvements should be manifested in reduced incidents of poverty, longer life expectancy, better and more appropriate educational standards, rehabilitation of the environment, and a more diversified and integrated economy with greater ownership by Basotho.

The PRS is built on three inter-connected approaches:

- a) **Rapid employment creation** through the establishment of a conducive operating environment that facilitates private sector-led economic growth;
- b) **Delivery of poverty-targeted programmes** that empower the poor and vulnerable and enable them to secure access to income opportunities; and
- c) **Ensuring that policies and legal framework are conducive** to the full implementation of priorities, that bureaucratic constraints are removed, and that the productivity of the public sector improves.

Poverty reduction can only occur in the context of more rapid and sustained economic growth. Such growth, driven by the private sector but facilitated by appropriate interventions and policies of Government, will create more employment and income-generating opportunities. As far as possible, this growth should be anchored in the local economy through the promotion of locally-based linkages, supply chains and multiplier effects that will stimulate further growth. Through appropriate tax policies, increased growth will be envisaged to enable Government to offset reductions in SACU revenue and to address national development objectives including improved provision of social services, law and order, public administration and infrastructure.

Over the next three years Lesotho aims to create an environment that is conducive to investment by both Basotho and foreigners. It plans to deal boldly with its trading and investment partners by exploiting the opportunities inherent in the process of globalisation under such mechanisms as the Africa Growth and Opportunities Act (AGOA). At the same time it must be alert to the rapidly changing international environment, particularly with regard to the textile sector. This will see the expiry, in January 2005, of the Multi-Fibre Agreement, resulting in Lesotho having to compete for the US market on a more equal footing with the world's most efficient producers, including China, India and Bangladesh. Given the current dependence on textile exports, it is critical that Lesotho identifies new products for export, not only to the US and Europe but also for production chains in South Africa.

The macroeconomic policy framework and the consistent application of sound macroeconomic management are critical to the implementation of the Poverty Reduction Strategy. In setting an attractive environment for foreign and domestic investment, the policy is designed to: encourage domestic savings and foreign capital inflows; ensure that Lesotho experiences low and stable inflation; encourage rapid economic growth; influence the structure of economic growth to support the creation of productive employment opportunities; and set tax and expenditure policies which have a beneficial impact on the distribution of incomes and wealth. The main objective of the comprehensive macroeconomic policy framework is to ensure economic stability by maintaining acceptable levels of fiscal deficit, inflation and external balances.

Government can promote pro-poor participation in the economy. Although economic growth can only be driven in the long term by the private sector, the Government is conscious of the fact that currently it remains one of the major employers. Through its

policies, tendering procedures and is responsible for accounting procedures it can contribute substantially towards maximising the value derived from its expenditures. It can promote local business development and empowerment while at the same time shaping a stronger work ethic and customer-focused orientation within the civil service.

It must reach those unable to respond to growth opportunities. Those who are unable to respond to economic growth opportunities must be assisted in ways that increase their access to various public goods and services which the private sector is unwilling or unable to provide. These include basic education, health, national security, law and order and some physical infrastructure. Total reliance on the private sector for such services would result in sub-optimal service delivery. GOL recognises that there will be cases where it is necessary to engage directly in the economy, providing non-commercial services which confer social benefits.

Over the next three years Government will increase the share of public expenditure allocated to particular development objectives and will concentrate delivery to disadvantaged groups or areas. This will be done in a people-focused manner, with Lesotho forging its own home-grown model of decentralisation, that combines partnerships between Government, private sector and NGOs to bring services closer to people, particularly those who are in greatest need. Government will concentrate on key functions that only it can perform. It will ensure that national resources are used efficiently and will plan and manage its own activities to ensure cost-effective use of available resources, focusing on the key priority areas that have emerged from the community consultations.

Great emphasis will be placed on the implementation of the Public Sector Improvement and Reform Programme (PSIRP). This is considered to be the key to improving the productivity of the public sector and assuring investor and donor confidence.

THE KEY PRIORITIES OF LESOTHO'S PRS

The PRS formulation process has identified eight priority areas and two critical cross-cutting issues. In each of these priority areas a clear situation analysis has been prepared, followed by an outline of objectives and strategies. Prioritisation Matrices have been prepared by the relevant ministries and departments, together with Costing Matrices. This Executive Summary presents a condensed situation analysis objectives and strategies, starting with the highest agreed priority, employment creation.

1. CREATE EMPLOYMENT

Situation Analysis

Unemployment rate is 31% and the percentage without any form of *waged* employment is considerably higher¹. There is a strong correlation between unemployment and poverty. The creation of employment remains the best means of addressing poverty and creating the overall conditions for sustained economic growth and the further reduction of poverty. However, the creation of new jobs will not reverse the high levels of unemployment in Lesotho unless higher rates of economic growth can be sustained over many years.

¹ GOL, *Labour Force Survey*, Bureau of Statistic, 1999

Lesotho is in the midst of a significant transformation of its economic base. In the late 1980s almost half of its GNP was based upon remittances from over 120,000 male migrant labourers, mostly in South Africa's gold mines. Today, only half that number of migrants is employed. By contrast, the manufacturing sector in Lesotho has grown rapidly. Today it employs over 60,000 workers, most of whom are women in the textile industry, although at wage levels significantly lower than those of the miners.

Lesotho must prepare for greater competition in the textile sector. The rapid growth of the textile industry has been made possible largely as a result of AGOA, an American initiative that has created preferential terms of trade on a range of products manufactured in Africa for the US market. Concerted efforts by GOL to attract investors under AGOA have paid off. GOL is committed to ensuring that all efforts are taken to maximise the potential for further growth in this sector despite the increased international competition that will emerge in 2005 as a result of the opening of US markets following the expiry of the Multi-Fibre Agreement.

Small, Medium and Micro Enterprises (SMMEs) can make an enormous contribution to economic development and poverty reduction. Because their start-up costs are often low, SMMEs allow individuals and groups to engage in productive activities even if they have limited access to capital. Unlike large firms, they often operate in areas lacking sophisticated infrastructure and therefore have considerable potential to improve the geographic distribution of income and address income inequality. Many of the SMMEs are run by women and youth, providing an important means for them to participate in the economic development of the country. However, for SMMEs to flourish, a considerable effort will be required to create a more conducive environment with supportive legislation and better access to credit, markets and business development services.

GOL is committed towards countering the many local threats to further investment. These include: the long and cumbersome process involved in licensing new developments; difficulties in obtaining land; inadequate water supply to industrial areas; poor rail connections; low levels of productivity among workers; a weak and divided labour movement; and inadequate dispute resolution systems.

Proposed Strategies

GOL will closely monitor changes that might affect Lesotho's competitiveness (such as the exchange rate and proposed trade agreements). It will move forthrightly to address internal constraints to growth and development. In order to attract domestic investment and foreign direct investment (FDI), it will:

- a) **Create a conducive environment for investment by reducing administrative procedures to speed up the licensing process.** In 2004/05 the legal framework will be established to set up a one-stop-shop that will speed up the licensing process. Particular attention will be given to ensuring that immigration and work permits are efficiently processed and to facilitating access to land;
- b) **Improve the efficiency of the Department of Immigration.** Government has taken heed of the concerns of both investors and ordinary Basotho whose livelihoods are being impaired by poor service delivery in this critical area. Measures, including the computerization and decentralisation of immigration functions, will be taken to reduce the back-log of applications and speed up the provision of services;
- c) **Provide basic infrastructure.** GOL will give *top priority* to seeking viable and sustainable fast-track solutions to the provision of water supply. The findings from

the Lesotho Lowlands Water Supply Feasibility Study will be examined with a view to providing water to high priority 'wet industry zones' located close to water resources. High priority will be given to providing factory shells and upgrading the Maseru Rail Terminal Depot. A public-private partnership (PPP) approach will be adopted where viable;

- d) **Promote and facilitate investment.** New investment promotion materials will be developed and the capacity of Lesotho's overseas missions to promote Lesotho as a prime investment destination will be enhanced. The Investment Promotion Centre of the Lesotho National Development Corporation (LNDC) will be strengthened. Government will improve Customs efficiency and the capacity of trade negotiators.
- e) **Improve labour productivity.** This is a multi-faceted issue which needs to be addressed in the long-term by improving attitudes towards work and employment. In the three-year PRS period, GOL will collaborate with the private sector to study and put in place measures that are necessary for shaping a stronger "culture of productivity";
- f) **Improve labour stability.** GOL will strengthen tripartite relationships through an Economic Forum or a National Employment Council. Policies and legislation pertaining to labour will be reviewed and revised. Dispute resolution mechanisms will be decentralised to key districts;
- g) **Establish a comprehensive social security system.** GOL will continue to explore ways of establishing a system that covers both formal and informal sector workers. A pension for all citizens over 70 years of age will be introduced;
- h) **Increase support to local businesses and SMMEs** through a wide variety of measures, that include: building the skills of Basotho entrepreneurs through training; development of sustainable market opportunities; the provision of business counselling and mentoring; support to business associations; piloting rotational markets and establishing new market centres equipped with modern technology; improving access to credit through the reintroduction of credit schemes and financial services that are demand-led, market driven and flexible in nature; and
- i) **Promote the optimal use of Lesotho's natural resources** in order to add value, especially in agri-business, tourism and mining.

2. IMPROVE AGRICULTURAL PRODUCTION AND FOOD SECURITY

Situation Analysis

Lesotho has not been in a position to grow enough food to feed its population for decades as a result of a combination of factors including: population growth, limited arable land, erosion, degradation of the soil, and variability of climate. National food self-sufficiency is unobtainable because the country simply does not have the enough fertile, arable land to feed its growing population. Past interventions, to a certain extent, may actually have worsened the situation by creating new dependencies.

Although official statistics show crop productivity has slightly increased over the past two decades, a good portion of current production is uneconomical, requiring farmers to cross-subsidise production from other sources of income. The decline in mine-worker remittances has meant that fewer families are able to do this. Stock theft and the degradation of rangelands have made animal rearing less attractive and official statistics show a decline in livestock productivity. The school system has socialised many of the youth to hold farming in disdain, yet urban areas cannot provide an adequate alternative

source of employment. HIV and AIDS is taking its toll on productive farmers, as scarce resources are required to nurse the sick, cover the costs of funerals, and support orphans.

Proposed Strategies

The Government recognises that food security is a multidimensional concept that includes production and its equitable distribution, as well as household access to food. It involves dealing with both food emergencies and chronic food insecurity, mainly linked to poverty and problems of exclusion. Co-ordination is critical as various Ministries, NGOs and international agencies are all involved in addressing food security issues. Emergency interventions and subsidies must be designed so as not to undermine longer-term efforts to increase productivity.

Given the constraints described above, improvements in *food security* will come primarily from expanding formal and informal work opportunities, and through boosting the purchasing power of those with employment. As such the above strategies mentioned under employment creation will contribute considerably towards the attainment of food security. For those with land, every effort will be made to ensure that they use it as productively as possible either for consumption or income generating purposes, both of which improve food security.

GOL is committed to reducing hunger. The focus will be on improving productivity through proven methods of intensified agricultural production in areas that are agro-ecologically suitable, encouraging appropriate water harvesting and irrigation techniques, promoting block farming.

Food security will not be achieved if the poor do not fully utilise their land or release it for use to those who have means. This commitment will not be forthcoming if land tenure is not secure. With this in mind, Government will address issues of access to land and any legal inequalities between men and women with regard to land ownership. During the PRS period it will develop a National Land Policy, enact the Land Bill and develop a digitised land information system.

Bearing in mind the issues described above, GOL will implement the following strategies:

- a) **Adopt appropriate farming practices.** The policy focus will be on crop diversification and substitution; encouragement of field crops in areas that are agro-ecologically suitable; Exploring opportunities for block farming, especially in the lowlands areas; promotion of commercialisation of agriculture; and introduction of improved agricultural technologies;
- b) **Develop appropriate irrigation,** especially low-cost, gravity-fed systems that the poor can sustain, while at the same time exploring opportunities for larger scale irrigation;
- c) **Incorporate agro-forestry practices** into all scales of farming systems;
- d) **Strengthen and decentralise extension services** at area level within all districts;
- e) **Ensure an efficient and standardised land tenure system;**
- f) **Encourage appropriate animal husbandry and fodder production.** This will include the introduction of milk goats and indigenous poultry and promotion of fodder. In areas better suited to extensive animal husbandry, the focus will be on improving range management through community associations, and improved veterinary services;

- g) **Enhance marketing** by improving the response to regional and international market opportunities and facilitating the marketing of fresh produce locally; and
- h) Improve disaster preparedness for emergency food distribution to most vulnerable groups.

3. DEVELOP INFRASTRUCTURE

Situation Analysis

Given Lesotho's rugged terrain and limited resources, it is remarkable that the country now has a relatively well developed road network, extensive village water supply systems, rapidly developing communications network, major dams, a hydroelectric plant and other infrastructure it can be proud of. Nevertheless, much remains to be done. Of particular concern is the lack of water for the fast growing industries and peri-urban areas, as well as the low proportion of households that are electrified. The rapid pace of urbanisation and the lack of adequate settlement planning is also a concern. There is clear evidence that the existing regulatory framework is cumbersome and constrains legal access to land by the poor, promotes ad hoc settlement and acts as a disincentive to investors.

Proposed Strategies

Development of infrastructure is essential for the creation of a conducive investment climate in Lesotho. To address inadequate infrastructure, which is one of the major developmental constraints, the Government will undertake these strategies during the PRS period:

- a) **Road links are seen as vital to the implementation of many of the strategies described in this document. The Government will, therefore, provide a conducive legislative, policy and institutional framework while at the same time increasing road access.** High priority will be given to labour-intensive construction and maintenance methods. Only where it is considered absolutely necessary (based on socio-economic criteria) will paved trunk roads be constructed to connect major towns or areas of strategic importance;
- b) **Develop water resources in order to ensure the further growth of wet industries (textiles) and maintain job creation.** Water needs are being addressed in feasibility studies (Metolong Dam, Lesotho Lowlands Water Supply). Within the next year major decisions will be made, with the fast-tracking of plans and implementation schedules. Institutional capacity to assess, monitor and manage water resources will be improved, together with water storage, delivery and distribution systems. Water conservation will be strengthened by ensuring that all new factories are equipped with water recycling plants;
- c) **Construct improved water-borne sewerage systems.** Government will seek ways of assisting poor households to up-grade their dry sanitation systems (latrines) to ensure that these provide adequate protection against disease and do not present a risk to ground water;
- d) **Streamline planning and land allocation systems to accommodate growth in towns and peri-urban areas.** GOL is committed to the urgent reform of the framework with a view to making it simpler, faster and more accessible;
- e) **Increase support for rural water supply.** This will include increasing resources for the rehabilitation and expansion of the rural water supply systems;

- f) **With regard to telecommunications, GOL will pursue means to implement its Universal Access Policy** that will ensure that poorer parts of the country are provided with the necessary services wherever possible. Highest priority will be given to places where development is being targeted under other components of the PRS (e.g. rural police stations). The Government will strive to create a conducive environment to enable private sector's participation in this regard;
- g) **Improve access to energy by implementing a National Rural Electrification Programme.** The ongoing rural electrification programme will be expanded. In addition appropriate reform measures will be introduced, including the complete privatisation of the Lesotho Electricity Corporation under a Public Concession model; and
- h) **Improve access to affordable housing** by streamlining land application and allocation procedures, updating the National Settlement and Shelter Policy, and strengthening Lesotho Housing and Development Cooperation with a view to ease access to land for private sector housing development.

4. DEEPEN DEMOCRACY, GOVERNANCE, SAFETY AND SECURITY

Situation Analysis

Political unrest in 1998 resulted in substantial damage to the country's economy and credibility. It became abundantly clear that **without national unity and stability, Lesotho would not make economic progress or be able to address the spectrum of poverty issues it faces.** Lesotho was badly divided when it gained Independence but since 1998 the political leadership have worked together to create a more inclusive political model that has both constituency-based and proportional representation. Further steps are required to consolidate democracy at national and local levels. This is important as, since Independence, power and wealth have been concentrated in the capital. Issues of safety and security require major attention. Courts dispense justice very slowly and prisons are overcrowded, affecting the poor and vulnerable groups most.

Proposed Strategies

GOL is committed to deepening democracy, improving governance at all levels, increasing safety and security, and improving the efficiency of the justice system. These issues will be addressed by:

- a) **Promoting national unity** as a pre-condition for development, and strengthening the formal conflict management structures to enable speedy resolution of disputes at various levels;
- b) **Establishing Civic Education programmes** with the support of NGOs in schools and through the media to consolidate support for and understanding of democratic rights, responsibilities and procedures;
- c) **Devising mechanisms for feedback** and public monitoring with regard to how the community relate to GOL plans to address poverty issues, especially through local government and NGOs;
- d) **Maintaining the capacity of the Independent Electoral Commission** as a strategic role player in restoring and maintaining public confidence in democracy;
- e) **Improving the legislative efficiency of Parliament** through the parliamentary reforms, which include establishment of portfolio standing committees, the review of drafting and legislation processes and provision of training;
- f) **reforming the judiciary system to be more independent and transparent;**

- g) **Strengthening the Directorate on Corruption and Economic Offences (DCEO) and facilitating its autonomy in order to make concerted progress in the fight against corruption;**
- h) **Creating and strengthening structures for public participation in governance, at local level, through a clearly developed devolution plan;**
- i) **Establishing appropriate financial structures for local government as well as financial systems that will enable local communities to implement their local plans;**
- j) **Reforming and strengthening safety and security institutions and establishing community policing to reduce the high rate of crime and livestock theft;**
- k) **Speeding up justice through improving case management systems, improving access to legal aid and protection for vulnerable groups, and establishing a restorative justice and rehabilitation system;**
- l) **Creating specialised high level response units for riot control and the protection of women and children; and**
- m) **Enhancing the capacity of Lesotho Defence Force to partner with other stakeholders in fighting crime, responding to disasters, training youth and supporting other community development initiatives.**

5. IMPROVE ACCESS TO HEALTH CARE AND SOCIAL WELFARE

Situation Analysis

Lesotho was a pioneer in Southern Africa with its Primary Health Care system during the late 1970s and early 1980s. It has a well developed system of Health Service Areas with hospitals, clinics, village health posts, village health workers and traditional birth attendants that bring services closer to the poor. In addition, efforts are being made to strengthen partnerships with churches and the network of traditional healers. Unfortunately, **progress has been eroded by growing poverty and by the increasing incidence of HIV and AIDS and associated infectious diseases such as tuberculosis.** Besides HIV and AIDS, which is discussed as a cross-cutting issue in the PRS, other areas of concern to Government that need urgently to be addressed include: a huge imbalance between over-crowded Government health centres with highly-subsidised fees and CHAL health centres where fuller fees are paid; the high cost of medical care to providers and users; long distances to medical facilities in mountain areas; and the insufficient numbers of health personnel especially in rural areas.

Proposed Strategies

The most critical areas that GOL will be addressing during the PRS period in order to improve both quality and access to essential health care include:

- a) Rationalised provision of health service facilities;
- b) Improving the procurement, storage, distribution and maintenance of equipment, drugs and dressings.
- c) Improvement of the capacity of health personnel and distribute it equitably at all levels;
- d) Improvement of health care management e.g. management information systems, research and financial systems and controls;
- e) Strengthening diseases prevention programs through critical programmes such as child vaccinations, reproductive health, etc;

- f) Provision of the nutrition food packages and micro-nutrient supplies to vulnerable groups; and
- g) Improvement of access to Social Welfare Services.

6. IMPROVE QUALITY AND ACCESS TO EDUCATION

Situation Analysis

Lesotho has a well developed school system and one of the highest literacy rates in Africa. As with the health sector, a partnership exists between government and the churches. Lesotho operates a university and a number of other institutions for training professional, technical and commercial graduates. Local communities have established pre-schools over the past 25 years to address the needs of young children and working mothers. Unusually for a developing country, females are generally better educated than men, who in the past have relied on herding and mine work. One result is that women are more numerous in certain levels of the civil service and the formal sector than men. Lesotho's educational system shows high repetition and drop-out rates, with over one half of primary enrolment traditionally dropping out before completing the cycle and about two thirds of secondary enrolment dropping out before graduating.

Until recently primary enrolment was in decline, falling from 71% of children aged 6-12 years in 1996 to 61% in 1999. GOL took a bold step to reverse these trends in 2000 when it introduced Free Primary Education, which is being implemented one year at a time. By 2002 this had raised enrolment to 85% of children 6-12 years. In addition, a targeted equity-based programme to cater for disadvantaged students at secondary and high school level is in operation. In this manner, the needs of the poor are being addressed in a meaningful way. Nonetheless, further reforms are necessary as there are valid concerns about the quality and efficiency of the education system, the high allocation of the budget to tertiary education and the supply-driven nature of technical and vocational training.

Proposed Strategies

Over the next three years, GOL is committed to the following:

- a) **Expand and promote pre-school education** (Early Childhood Care and Development);
- b) **Expand Free Primary Education, which covers the first 7 years of school, to Universal**
- c) **Basic Education**, covering the first 10 years, while also upgrading teacher qualifications and methods, and improve the relevance and quality of education;
- d) **increase the number of schools and/or classrooms and laboratories and provide necessary equipment;**
- e) **Improve teacher/pupil ratios** where these are below standard;
- f) **Improve access, relevance and quality of technical and vocational education and tertiary education** by bringing the courses offered at these levels more in line with national manpower needs;
- g) **Expand Non-Formal Education** by developing a comprehensive NFE curriculum covering vocational subjects and life skills; and
- h) **Promote culture as a means to unify the nation, develop tourism and generate income.**

7. MANAGE AND CONSERVE THE ENVIRONMENT

Situation Analysis

The Lesotho environment is very fragile. It is characterised by steep slopes and frail soil formations. It is estimated that 0.25 per cent of the total arable land, or 39.6 million tons of soil, is lost through soil erosion each year, with the most visible signs being deep gullies in the lowlands and exposed rock in the mountains. The direct consequence of soil erosion is a decline in agricultural production, exacerbating the problems of food shortage and poverty.

Remedial efforts since then have had mixed results, particularly because greatly increased population and growing poverty has meant almost relentless pressure on the land and natural resource base. **Bio-diversity has declined** and the use of woody plants, grain stalks and animal droppings for fuel has led to the decline of soils and wooded hillsides. The recent rapid urbanisation of certain parts of the Lowlands, together with the introduction of wet industries, requires that **urban environmental challenges must also be systematically addressed.**

For the past 15 years, GOL has taken a more active approach through improved environmental planning and capacity building. Various action plans have been developed and international conventions adopted. In 2001, the Environment Act was passed. This Act will be revised to give the **National Environment Secretariat adequate legal basis to enforce the Environmental Act regulations.**

Proposed strategies

In order to ensure that today's economic growth and development is sustainable, **GOL will exercise its special responsibility to take into account the necessary 'trade-offs' to ensure that optimal economic growth is balanced with the conservation of ecosystems.** It will ensure that production practices do not endanger the environment nor limit the options of future generations. Some productive activities, notably mining, remove finite national resources and are inherently unsustainable. GOL will, therefore, ensure that such activities generate additional flows of tax or other benefits which can be applied to assist other sectors in creating long-term economic activities. A multi-sectoral approach will be taken as environmental issues cut across various ministries.

GOL is committed to a number of specific pro-poor strategies to be implemented over the PRS period to ensure improved environmental management. These include:

- a) **Promote environmental conservation for improved productivity** by targeting committed families to be taught to harness water resources, increase ground cover and incorporate conservation and agro-forestry techniques into production;
- b) **Strengthen management of solid and water waste as well as air pollution;**
- c) **Strengthen curriculum and media programmes on environmental education;**
- d) **Reduce loss of bio-diversity** by implementing the Maloti-Drakensberg Trans-Frontier Park, maintaining existing reserves and moving towards the establishment of nature reserves and protected areas;
- e) **Address range management issues by establishing and/or revitalising grazing associations** in collaboration with new local government authorities; and

- f) **Improve the legal, policy and institutional framework**, giving particular attention to the capacity of the National Environment Secretariat and implementation of the Environment Act 2001.

8. IMPROVE PUBLIC SERVICE DELIVERY

Situation Analysis

During the community consultations frequent concerns were expressed regarding poor service delivery and the poor attitudes of civil servants charged with serving the public. Delays are frequent, which lead to loss of livelihood opportunities and the creation of fertile ground for bribery. This is apparent in services most sought after, such as obtaining timely medical attendance by outpatients, terminal benefits by civil servants, disbursements of scholarship, work and residence permits and passports.

Proposed Strategies

GOL is committed towards identifying and removing public service delivery bottlenecks and rooting out corruption. Reform of planning, monitoring, budgeting and fiscal management processes will be an important part of this. Thus, the following programmes will be undertaken over the next three years:

- a) **Improve the management of public finances** through better budgetary operations, and stronger oversight, management and accounting systems;
- b) **Decentralise service delivery** within the provisions of the Local Government Act; and
- c) **Improve public service delivery by implementing reforms directed at productivity and management**, such as performance appraisals and incentives for delivery in key PRS priority areas.

CROSS-CUTTING ISSUES

COMBATING HIV AND AIDS

Situation Analysis

The prevalence rate of HIV and AIDS amongst adults of 15-49 years has risen in Lesotho from 4% in 1993 to 31% in 2002², which is one of the highest in the world. It is estimated that 70 people die each day in Lesotho as a result of AIDS, and yet the cause of such deaths is still not openly acknowledged despite increasing awareness. It was estimated that, out of a total population of two million in 1999, Lesotho already had over 90,000 AIDS orphans. These numbers will grow dramatically over the next decade. The increasing mortality rate means that Lesotho's population will stagnate by 2015, with disproportionate numbers being old and young people. Overall life expectancy has already declined from a high of about 60 years to 54 years, and it will continue to decline. The World Bank estimates that by 2015 the GDP of Lesotho will be reduced by almost one-third as a result of HIV and AIDS. ***Without forthright measures by a range of stakeholders, HIV and AIDS will exacerbate poverty and undermine any hope for improving the welfare of Basotho.***

² Second National Sentinel Survey/ HIV Sentinel Survey, 2003

Proposed Strategies

The response to HIV and AIDS has not always been optimal, however it is recognised that during the next three years dramatic progress must be made. GOL has set itself the goal of reducing HIV prevalence from 31% in 2002 to 25% by 2007. GOL has developed a National Strategic Plan and established a number of bodies to co-ordinate the response to the pandemic. At least 2% of the GOL annual recurrent budget is being committed towards HIV and AIDS prevention and impact mitigation programmes. The key strategies are:

- a) Established the HIV and AIDS Commission and Strengthen the capacity of its secretariat;
- b) Implement the National Policy of HIV and AIDS Prevention, Control and Management;
- c) Combat HIV and AIDS through increased information, education and communication, as well as increased access to;
- d) Develop effective support systems for the infected persons including the provision of ARVs and prevention of transmission from mother to child;
- e) Develop effective support systems for affected households orphans and vulnerable children; and
- f) Strengthen institutional capacity for effective coordination of HIV and AIDS and its integration in to sectoral plans, programmes and budgets.

Collectively, these measures will lay a strong foundation for concerted efforts to reduce the incidence of HIV and AIDS and to address the range of consequences that result from it.

GENDER, YOUTH AND CHILDREN*Situation Analysis*

Although Basotho women are better educated than men and have historically taken greater responsibility in maintaining families, civil society and certain categories of employment in Government, men still outnumber women in formal employment and men predominate at the highest echelons of power. **Patriarchal views, in which women are seen as subordinate to men, are commonly held.** Legally, a woman by herself cannot put her signature on a deed or title, sign a loan from a bank, or take action in a court of law, no matter how wealthy or well educated she may be. Thus, lack of access to land, credit and other opportunities inhibits the development of women and the wider community. Furthermore, women and girls are subject to widespread domestic violence, as well as assault and rape, and are often not in a position to access reproductive health care.

Men are also experiencing real disadvantages of their own. **Most of those retrenched from the mines in the past decade are unable to find any gainful employment.** The new factories employ almost exclusively women. Thus, many men feel trapped, useless and have as a result resorted to increased alcohol abuse with adverse health effects.

GOL established a Law Reform Commission in 1997 to review discriminatory legislation, and the Department of Gender has been tasked with co-ordinating all aspects of policy with regard to gender equity. Although a range of regional and international conventions

has been signed that affect gender issues, slow progress has been made due to lack of adequate human and programmatic resources.

Children and Youth issues are equally important. **Persons 25 years and under make up 63% of the population and because of increasing poverty are often the most vulnerable.** Because of societal changes over the last 30 years, many children and youth engage in early sexual activity, often with older partners, and lack access to quality information and services to protect their sexual health. As a result, many are falling victim to HIV and AIDS. Teenage pregnancies are disproportionately high and such mothers often have poor access to ante- and post-natal care.

Economic pressure means that poor children often work, either as herders or domestic workers, and thus fail to gain enough formal education to improve their chances in life. Because of their vulnerability, they are often abused. Children who fall into trouble are then incarcerated within a punitive juvenile justice system, and this often leads to the criminalisation of children and youth.

Policy, institutional and legal instruments within government are often unbalanced. Policies cannot be followed up and implemented due to resource shortages (as with the recently passed Social Welfare Policy); the legal framework is outdated (Children Protection Act of 1980); and six different ministries are tasked with programmes targeting children, while the Department of Youth is woefully under-resourced.

Proposed Strategies

During the next three years, GOL has committed itself to the following:

- a) **Finalise the National Gender and Development Policy** and maintain partnerships for implementation;
- b) **Establish gender focal points in each ministry** to ensure that gender issues are mainstreamed;
- c) **Strengthen the Ministry of Gender, Youth Affairs and Sport;**
- d) **Review gender discriminatory legislation and introduce policy reforms to provide equal rights in accordance with international conventions to which Lesotho is a signatory;**
- e) **Expedite the ongoing review and update of Children's Act for enhanced protection of children rights;**
- f) **Sensitise all levels of society on the rights and responsibilities of children;**
- g) **Improve access to formal education and expand and diversify Non-Formal Education** to ensure vocational skills are more accessible;
- h) **Provide quality and affordable child and youth-friendly health and social welfare services;**
- i) **Prevent the marginalisation of children and youth through restorative justice;**
- j) **Increase provision of services to orphaned and vulnerable children; and**
- k) **Improve facilities to enable people with disabilities to access basic services.**

IMPLEMENTATION, MONITORING AND EVALUATION

This final element of the PRS process is in many ways the most difficult. **The vision of transformation has heightened expectations of people both in Government and across the nation concerning the implementation of the priorities outlined above.** The proposed strategies stimulate hope in a brighter future. However, resources are limited and Government must live within the expenditure commitments laid out in the Fiscal Strategy for 2004/5 - 2006/7. For this reason a risk analysis has been carried out in order to manage and minimise the risks and negative impacts that might flow from the process of implementation.

Implementation of the PRS will be a national effort, involving all sectors of Government in close collaboration with civil society and the private sector. To promote this, Government will encourage all ministries to acknowledge that other sectors or partners can probably implement aspects of PRS better than it can, and to strengthen such partnerships and even provide financing where appropriate. Thus, civil society organisations, NGOs, churches, the private sector and development partners will be viewed as partners.

For many activities identified under the key priorities, there is unlikely to be much implementation during the first year. Many of the proposed activities require policy or legal instruments that are not yet in place. Nonetheless, certain refocusing of programmes and activities within the 2004/5 budget is possible, especially for Ministries that anticipated and planned well.

During the initial three year PRS implementation period, it is expected that significant progress will be made in redirecting the focus of government budgeting from inputs (as seen in incremental changes to line item budgets) to a different approach based on outputs, outcomes and performance indicators. Resources will be shifted towards those programmes and activities which generate greater outputs with regard to national priorities as specified in PRS.

All PRS activities will still need to adhere to the normal planning and budgeting procedures of Government, including the project management cycle. These include Identification; Screening and selection; Design and preparation; Appraisal; Financing; Implementation; and Monitoring and Evaluation.

The Project Appraisal Committee (PAC) will be strengthened and expanded to handle the rigorous project appraisal and monitoring procedures that will come into full operation later in 2004/05. For the next budgetary cycle (2005/06), Ministries and departments should draw up Project profiles that summarise the objectives of a new project, define the activities to be undertaken, and provide clear estimates of the resource implications, including on-going recurrent cost implications. PAC will then undertake screening, after which ministries will prioritise approved projects based on available resources (indicative budgetary ceilings). They will then submit project proposals containing more detailed information on the anticipated costs, benefits and implementation schedule. The PAC will conduct a rigorous appraisal exercise before projects are included in the capital estimates.

Once a project has been approved and implementation begins, its progress should be monitored regularly. Thus, improved institutional capacity and follow up must be ensured. It is expected that, as a result of more rigorous budgetary processes, substantial improvements can be attained with regard to resource allocations and productivity within the normal budgetary processes of Government. Any savings should be reallocated to activities that target PRS priorities.

The on-going process of refining plans and implementation of PRS will require continuous assessment and adjustments. Thus, Government is in the process of establishing monitoring systems designed to provide qualitative and quantitative data that is up-to-date and reliable. These are to guide in the design, implementation and continuous analysis of poverty reduction strategies. Emphasis will be placed on monitoring inputs, processes, outputs and outcomes as well as on evaluating the impact of specific policies or programmes through indicators that will continuously be refined to be specific, measurable, achievable, realistic and time-bound. Finally, systems should integrate the views and comments of other stakeholders, including the poor. The National Planning Board could oversee implementation and monitoring with a view to ensure stakeholders participation.

The costing exercise showed that implementation of the activities in the Prioritised Matrix would incur an incremental cost of *approximately* M3.7 Billion over three years or M1.2 Billion per annum. This represents an increase in total aggregate expenditure of approximately 30%. Raising these resources and utilising them efficiently and effectively remains a challenge which the Government is prepared to address in a concerted and systematic manner.

The table below apportions incremental cost by the different priorities.

Indicative Incremental Costs of Implementation (in millions)

Priority Area	2004/5	%	2005/6	%	2006/7	%	Total	%
Employment Creation and Income Generation	92.8	7.4	50	4.0	46.9	4.0	189.6	5.1
Agriculture and Food Security	10.8	0.9	9.4	0.7	9.0	0.8	29.2	0.8
Infrastructure Development	586.5	46.7	505.3	40.2	454.6	38.8	1,546.4	42.0
Democracy, Governance, Safety and Security	19.8	1.6	33.6	2.7	59.7	5.1	113.2	3.1
Essential Healthcare and Social Welfare	151.6	12.1	189.4	15.1	257.3	22.0	598.3	16.2
Increasing Human Resource Capacity	206.4	16.4	223.9	17.8	94.4	8.1	524.7	14.3
Manage and Conserve the Environment	43.9	3.5	101.7	8.1	105.2	9.0	250.8	6.8
Improving Public Service Delivery	143.5	11.4	143.5	11.4	143.5	12.3	430.6	11.7
TOTAL	1,255.3	100	1,256.9	100	1,170.7	100	3,682.8	100

RISKS AND ASSUMPTIONS

Experience from other countries suggests that PRSs are most likely to succeed if the key risks and assumptions are recognised. **In Lesotho the most critical assumption concerns political will.** Poverty has been seen by many solely as an economic issue to be left to specialists. It is now increasingly accepted that, to a very large extent, poverty is a political issue and must be addressed at all levels of Government and society. Government is firmly committed to the strategies described in this document, and recognises that political will and good governance are the linchpins for successful implementation of the poverty reduction strategy. Government is determined that the current level of political will should be sustained through increased participation at all levels and that adequate financial resources and capacity are mobilised to ensure successful implementation.

Other key assumptions of PRS include the following:

- a) Reform within the public sector through PSIRP will be meaningful and on-going in order to achieve better levels of planning, resource utilisation and evaluation;
- b) Decentralisation of government services to district and local level will succeed to facilitate systematic and sustained community participation; and
- c) Working partnerships between government and churches, NGOs, CBOs, and the private sector will be greatly enhanced in order to implement PRS priorities more effectively.
- d) The largest risk to improving the welfare of Basotho remains to be HIV and AIDS.

CHAPTER 1: OVERVIEW OF THE PRS

1.1 INTRODUCTION

This Poverty Reduction Strategy (PRS) is a three-year medium term development framework (2004/05 - 2006/07) for Lesotho. This mountainous country of 2.2 million people, entirely surrounded by the Republic of South Africa, has had to struggle since Independence in 1966 to maintain its sovereignty in the face of diverse political and economic adversities. Although it is one of the least developed countries in the world, it has a long history of consultative government that can be traced back over 180 years to the rule of its founder, Moshoeshoe I, and which is upheld by the democratically elected government of today.

Under the overall coordination of the Ministry of Finance and Development Planning, the PRSP process was initiated in 1999. It was a nationally-driven process under the guidance of a multi-stakeholder Technical Working Group (TWG). This TWG was organised into a number of sub-committees assigned to undertake specific sectoral and thematic functions. The sub-committees included Sector Working Groups (SWGs) organised around ministerial functions; Thematic Working Groups to deal with cross-cutting issues; and, two sub-committees, one for Poverty Monitoring and the other to manage the consultative process.

In 2000, the TWG produced the Interim Poverty Reduction Strategy Paper (I-PRSP) which was approved by the Cabinet as well as the joint Boards of the World Bank and the International Monetary Fund. The I-PRSP laid the foundation for a full PRSP. This was followed by a report called "*Towards a Poverty Monitoring Framework in Lesotho*" in 2001 which helped in developing the community consultation manual.

1.2 CONSULTATIVE PROCESS

In preparing this PRS, over 20,000 people (1 per100 inhabitants) were consulted in 200 communities covering all parts of the country. Consultations took place with groups of women, men, youth, herd boys, disabled people, the elderly, widows and orphans, retrenched mineworkers, community based organizations (CBOs), non-governmental organizations (NGOs), local authorities and businesses. The consultation process, coordinated by the Ministry of Finance and Development Planning (MFDP), involved 300 trained facilitators who, working in teams, reached even the remotest parts of the country. They made a special effort to include vulnerable groups in the consultation process. At the end of consultations, 200 village reports were compiled, analysed and aggregated by the facilitators to arrive at community and national priorities which formed the basis for the PRS. From this point of view, this paper is not simply another Government planning document, but rather it is a real expression of deeply held concerns and visions of the nation, particularly of those who are so often on the margins of society.

The views of the people expressed during the community consultations were given detailed and careful consideration by technical working groups composed of senior government officials, key policy makers and representatives of academia, non-governmental organisations and the private sector. Working together in sector or thematic groups, usually chaired by Principal Secretaries, the groups prepared a series of papers that describe how Government might best respond to the concerns of the poor.

To ensure national ownership of PRS priorities, strategies emanating from the communities were ranked and sequenced. This was based on: (i) a score system that

considered the number of times an issue was mentioned during the community consultations; (ii) the level of priority attached to the issue at community level; and (iii) the anticipated impact on poverty and the degree of sustainability (assessed by technical working groups). Further, Members of Parliament, as the elected representatives of the nation, were asked to endorse the priorities through a parliamentary sub-committee. The prioritised strategies and activities were costed indicatively, thus providing a valuable starting point for implementation.

1.3 THE CHALLENGE AHEAD

The PRS presents a challenge not only to Government but to all sectors of society engaged in poverty alleviating activities. The challenge is to translate the plans contained in the PRS into actions that will be far reaching enough to result in a *measurable reduction of poverty*. Lesotho has produced some impressive anti-poverty action plans in the past, and many of these have been implemented. For example, on the basis of the 1996 *Pathway out of Poverty*,³ the Government invested heavily in primary education, progressively introducing one new free class each calendar year starting in 2000. Over the same period, significant strides were made in establishing macroeconomic stability, ending expensive subsidies to parastatals and promoting foreign direct investment. These measures resulted in over 20,000 jobs being created by the private sector.

While these and other efforts have been appreciated, they have not had the anticipated results in reducing poverty across the nation. Although Lesotho has recorded a real annual average GDP growth rate of 4.2% since 1980,⁴ the number of people living below the poverty line has increased. There is no evidence, in other words, of the economic benefits of these relatively high growth rates 'trickling down' to enough households to stem the tide of growing poverty.

³ Government of Lesotho, *Pathway out of Poverty: An Action Plan for Lesotho*, Ministry of Finance and Economic Planning, 1996 (with support from the World Bank, USAID and the EU).

⁴ BOS Statistical Report NO. 17, 2003; National Accounts 1982 - 2002



Plate 1: Poor households have not usually benefited from high national growth rates

The increase in poor households has been attributed to: the highly skewed distribution of wealth,⁵ with most of the growth concentrated in the capital; the impact of HIV and AIDS; the reduction in remittances from men working in South Africa as a result of mine retrenchments; slow improvement in agricultural productivity, due in part to unfavourable climatic conditions; and poor implementation and coordination of development programmes. However, the situation today would have been considerably worse were it not for the relatively high GDP growth rates and the pro-poor programmes that were implemented.

In short, the lesson is that growth rates will have to be raised beyond those of recent years *and* a more comprehensive and better organised approach will be needed for the battle against poverty to have the desired impact. The Government believes this can be achieved by creating an environment that is not only ‘enabling’ but is also highly attractive for both local and foreign investors. It is only through private sector investment that Lesotho’s economy can create the vast number of jobs required to have a sustainable impact on poverty. At the same time it has to be recognised that industrial investment will always focus on key points where the necessary services and labour can be provided. This being the case, it is the duty of Government to ensure that the livelihoods of the poor who remain in rural areas are not overlooked.

1.4 NATIONAL PRIORITIES AND ACTION AREAS

This PRS describes how, over the next three years, the Government will join forces with the private sector and civil society to translate ideals into action. The foundation of the

⁵ This is shown by a national Gini Coefficient of 0.60.

plan has been laid by communities throughout the land. Their priorities, which form the basis of this document, are crystal clear and perfectly reasonable:⁶

- **First** and foremost, they want to be able to work, either through formal employment or through improved opportunities to generate income. They are adamant that this is the only way they can address the host of problems that curtail their development.
- **Second**, they want to be able to feed their families, either with food they have grown themselves or with food they have been able to purchase through income derived outside of agriculture.
- **Third**, they want infrastructure to reach places where it is needed most, including the new factory sites where there are possibilities of job creation.
- **Fourth**, they want to live in peace and security in a country which is governed democratically and transparently and where justice protects the innocent and punishment rehabilitates the guilty.
- **Fifth**, they would like health services to reach all corners of the country, and to be delivered in efficient and caring ways.
- **Sixth**, they want education to start early and to be accessible and relevant to the changing world they live in.
- **Seventh**, they are worried about the rapid decline in the environment and the threats that new industries and rapid urban growth present; they want to ensure the next generation is able to survive.
- **Eighth**, they want Government to provide essential public services, such as passports, in an efficient manner and in places that are accessible to them.

⁶ The concerns are described in a detailed report entitled *Voice of the People*.

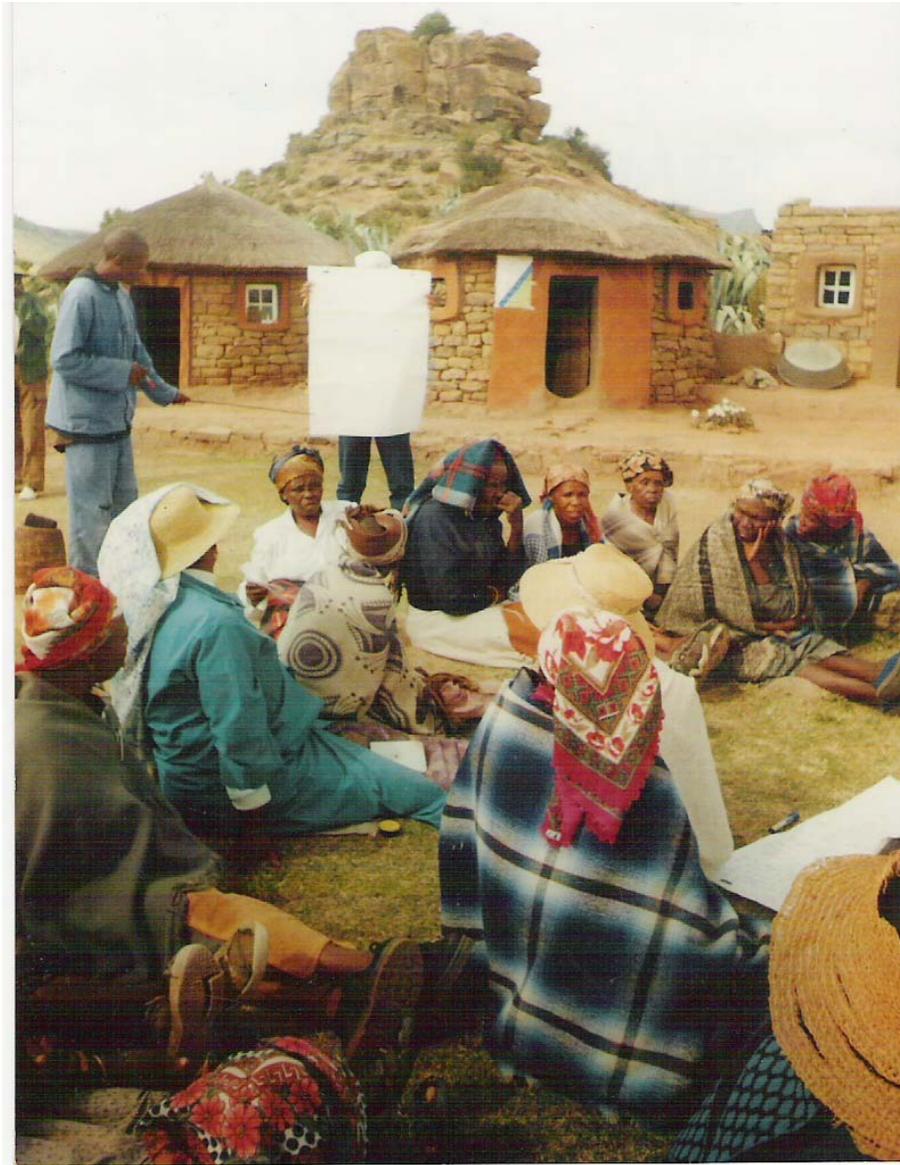


Plate 2: National priorities were set through extensive community consultations

The top national priority of employment creation is based on an active contribution by the private sector, which will be the main engine of economic growth. Government will have the core responsibility of establishing and maintaining an appropriate policy and legislative framework so that the private sector can prosper. For Lesotho to overcome the numerous constraints to development, it must create an environment that is conducive to investment by both Basotho and foreigners by pursuing policies which successfully accelerate economic performance and which improve the distribution of income in the long-term. The potential productive capacity of the economy can only be utilised efficiently by providing adequate incentives, a sound infrastructure, modern laws and institutions, a skilled workforce and healthy industrial relations. Action is required in three areas:

- 1. Sound macroeconomic policy and management:** Economic growth requires high rates of private sector savings and investment which, in turn, depend on a stable fiscal and monetary policy framework. It is necessary to maintain the high

standards of fiscal prudence that have characterised macroeconomic management since Independence.

2. **Supportive facilitating environment:** The private sector requires an appropriate operating environment and incentive regime.
3. **Appropriate sectoral policy framework:** In order to facilitate private sector efforts to create competitive advantages, it is necessary to establish a supportive sectoral policy framework e.g. industrial efficiency will be stimulated by promulgating an investment code and simplifying licensing procedures.

1.5 CROSS-CUTTING ISSUES

In addition to these *national priorities*, the PRS working groups identified a number of critical *cross-cutting issues* that must be addressed concurrently if any real progress is to be made. Of these, the HIV and AIDS pandemic is by far the most urgent. With infection rates for those aged 15-49 years at 30% (2003), the disease threatens to set the country's development back by decades. Improving the health services - as suggested by the communities - is only a partial solution: the disease has to be confronted on all fronts and by all sectors. If this is not done, all other strategies contained in this document will amount to nothing and poverty will continue to rise unabated.

In many community gatherings special concern was expressed about the future of the children and youth of Lesotho. The most immediate concern is the tens of thousands of children left orphaned by HIV and AIDS. Unless they receive particular assistance their futures are bleak as traditional support mechanisms, such as extended families, are already under severe pressure. The Government of Lesotho will give high priority to assisting such cases, while at the same time augmenting its efforts to protect and assist children and youth more broadly.

The other cross-cutting issue that the PRS tackles is gender. In Lesotho this is not simply a question of improving women's status, as there are a number of situations where males are disadvantaged. Gender is, therefore, understood from the point of view of equity, with any analysis or intervention bearing both sexes in mind.

1.6 STRUCTURE OF THE PAPER AND SUPPLEMENTARY DOCUMENTS

The structure of this report is as follows: Chapter Two presents a 'poverty diagnosis' designed to give the reader an understanding of both the nature and the extent of poverty in the Lesotho context; Chapter Three describes the macroeconomic framework Lesotho intends to maintain over the three year PRS implementation period and assesses the potential risks that may be encountered; Chapters Four to Eleven provide a situation analysis and describe the objectives, strategies and activities needed to address the eight national priorities that emerged from the community consultations. Each Chapter concludes with a summary table showing key indicators, strategies and activities, indicative incremental costs as well as the key agencies involved in implementation. Chapter Twelve tackles the cross-cutting issues of HIV and AIDS, gender, children and youth; Chapter Thirteen discusses the implementation and monitoring aspects of the PRS; and Chapter Fourteen describes relevant risks and critical assumptions.

The PRS is supplemented by two very important documents that will enable stakeholders to 'operationalise' it. The first is the Prioritisation Matrix that provides details of all objectives, strategies and tasks, and gives an indication of their relative importance through a scoring and ranking system. The second is the Costing Matrix which provides an

indicative cost for each activity, based on a detailed work carried out during the PRS preparation.⁷ The Costing Matrix gives an indication of the enormous gap that exists between current resources and the additional or incremental amounts required to implement the proposed activities. For this reason the Prioritisation Matrix is all the more critical as some difficult choices will have to be made in the years ahead.

This document is not a final product but rather a reflection of the progress made by the Kingdom of Lesotho in planning its struggle against poverty. The plan is far from perfect but it provides a valuable starting point. Over the next three years, it will be carefully reviewed and revised as monitoring and budgeting systems are strengthened and improved. For the sake of all those whose livelihoods depend on action, the Government appeals to all partners and stakeholders to join it in transforming this plan from words into real and meaningful actions.

⁷ Activities in the matrix were costed on a unit basis by Conningarth Consultants using costs and data provided by Ministries.

CHAPTER 2: POVERTY DIAGNOSIS

2.1 INTRODUCTION

The human face of poverty

Poverty has a human face, and in Lesotho it is frequently the face of an unqualified person without employment, who is poorly dressed, has no money and lives in a decrepit house far from basic services. Often - but not always - the person is a woman or a child, frequently left more vulnerable by disease and death. Without protection, the person is often a victim of crime and feels abandoned by Government in general, and by the legal system in particular. He or she fears that political struggles may easily result in conflicts or the inappropriate use of resources.

Wage employment critical, but limited

From the image above, built from descriptions given during the community consultations, it is clear that poverty in Lesotho is very closely associated with the absence of wage employment and income. This is not surprising as Lesotho has a harsh and erratic climate with rugged terrain and poor soils, all of which make agriculture a risky enterprise. For generations the most secure form of income for Basotho has been migrant labour on the mines of South Africa, but with the number of miners now less than half what they once were rural households are struggling to survive. Some households have been able to find work, mostly for younger female members, in the new textile industries. These are, however, concentrated in a few of the urban areas, whereas miners were recruited from all over the country. The availability of waged work makes the urban areas more prosperous, but the influx of job seekers far exceeds the number of positions available. As a result, conditions in the fast growing peri-urban areas are in decline: services are overwhelmed and the quality of life is deteriorating.

Different ways of measuring poverty

From the community consultations and from previous studies, it is apparent that poverty has to be assessed from both a quantitative and a qualitative perspective. Money-metric approaches make it possible to compare socio-economic groups across geographic entities, while a poverty line is a useful way of determining the minimum income or expenditure levels required to maintain a specific welfare level. An assessment of livelihood assets and access to services also offers a viable way of determining relative poverty. However, it is clear that people also perceive poverty as being associated with broader issues relating to peace, good governance, security and justice which they see as being fundamental requirements. In this section, a brief attempt is made to provide a holistic description of the nature and extent of poverty, based on these different perspectives.

2.2 TRENDS IN THE INCIDENCE OF POVERTY

To determine trends in poverty from a money-metric point of view, detailed expenditure data are required.⁸ Although numerous household surveys have been conducted by different agencies in Lesotho over the last decade very few have gathered sufficiently detailed expenditure data on a large enough scale to determine poverty lines. Fortunately the data collected by the Bureau of Statistics as part of the Household Budget

⁸ As income is frequently understated in household surveys, expenditure is usually a more reliable indicator, especially here the data are collected over an extended period of time to capture possible seasonal variations.

Surveys (HBS), first in 1986/7 and again in 1994/5, do provide a basis for analysis of trends between these two points in time.⁹

A poverty line

Establishing Lesotho's poverty line involved converting expenditure on 30 items of food and 10 own-produced consumption items into quantities and calories. The minimum expenditure on food necessary to meet the internationally accepted threshold of 2,200 kilo-calories required for a healthy and active life was then calculated, based on the cost per calorie actually incurred by Basotho families. By including an amount based on actual expenditure incurred on non-food items by households from the more deprived segments of the population, a per capita "poverty line" (in constant 2002 prices) of M146 per person per month was calculated. Half this level was defined as the "ultra poverty line".

Increasing number of ultra-poor

Analysis between the two points shows that the incidence of poverty increased between 1986/1987 and 1994/1995. Approximately 58% of the population was poor in both survey years, but the percent of households that was ultra-poor increased from 35% to 39%. Taking population growth into account, in absolute and rounded figures, the number of poor people increased from 850,000 to 950,000 while the number of ultra-poor people grew from 500,000 to 600,000.

Confirmation from other studies and the community consultations

A series of poverty mapping exercises carried out in 1990, 1993 and 1999 confirms this trend. Although data are more limited (based on income and only major items of expenditure), they show that the rapid economic growth which Lesotho experienced up to 1998¹⁰ had limited or no impact on the majority of households.¹¹ The studies show that the exception was the relatively small proportion of the population with access to waged employment, confirming the community perception that employment is the key to sustained poverty reduction. Unfortunately the number of households with a *wage earner* (as opposed to general employment, which includes informal sector activities) declined from 59% in 1990 to 49% in 1999, while the number of adults with work fell from 30% in 1990 to 23% in 1999.¹² The statistical trends in employment were confirmed in every community consultation. Throughout the country people spoke of the declining work opportunities that they see as primarily being an outcome of the retrenchment of miners and the destruction of businesses during the unrest of September 1998.

High levels of growth needed

In order to reach the Millennium Development Goal (MDG) of halving the incidence of poverty by 2015, Lesotho's economy has to grow by an estimated 7.5% per annum. In view of current growth trends of 3% to 4% per annum this target is unlikely to be achieved. Only with much greater and more focused effort will the goal be met.

Inequality is severe

Another major constraint to translating growth into poverty reduction is the persistently large inequalities in the distribution of income. The Gini coefficient, which is the most widely recognised inequality statistic, ranges from 0 (perfect equality) to 1 (perfect inequality). Gini coefficients computed for the country as a whole show that inequality in Lesotho increased from 0.60 to 0.66 in the period between 1986/7 and 1994/5, suggesting

⁹ A third HBS is currently being completed and will provide a third point for future poverty monitoring.

¹⁰ Growth was severely disrupted by political unrest that culminated in rioting and the destruction of property.

¹¹ Very wealthy households were not included in the survey due to difficulties of accessing them for interview.

¹² John Gay and David Hall, in *Poverty in Lesotho: More than a Mapping Exercise*, Maseru: Sechaba Consultants, 2000 (see Table 4.8).

that inequality grew rapidly during this time. A new household budget survey has recently been completed and analysis of the data will update this critical indicator.

2.3 DISTRIBUTION OF POVERTY

Virtually all national household surveys show that there are striking variations of poverty in relation to gender, household size, livelihood patterns, access to basic services, and geographic location. Of these perhaps the greatest determinant of variation is geography. Repeated studies have consistently shown that the mountain areas of Lesotho, which are home to approximately one-third of the population, are significantly poorer on all but two out of 30 indicators. This is confirmed by the 2002 Core Welfare Indicator study which used an assets approach. It shows that extreme poverty is concentrated in the rural areas not only as a proportion of the population but also in absolute numbers.

Second only to geography is gender. In 1986/7, an estimated 27% of households were officially headed by women who were single, divorced, widowed or abandoned by their husbands, rising to 30% by 1994/5, a proportion higher than in most other sub-Saharan African countries (Lampietti and Stalker, 2000). In both 1986/87 and 1994/95 such *de jure* female-headed households had the highest incidence of poverty (65% and 62% respectively), well above the national averages of 59% and 58% in the same years. The underlying survey data reveals that *de jure* female-headed households are particularly vulnerable because they are typically headed by ageing widows, who may have lost the assets they once possessed, are less likely to own agricultural assets, such as livestock (35%, compared to 55% of male-headed households) and have difficulties securing cash incomes.



Plate 3: A village in the foothills: poverty is greatest in the rural areas

2.4 ACCESS TO KEY BASIC SERVICES

The Government of Lesotho takes a holistic view in combating poverty. While jobs and income are critical - and given highest priority in this PRS- it is important not to neglect other critical aspects of the fight against poverty. From this point of view real progress has been made in recent years and the challenge ahead will be to maintain this. Key trends in two of the most vital basic services are shown by way of example in the following sub- sections.

2.4.1 Education

Obtaining some form of employment in Lesotho is difficult under any circumstances. For those who are poorly educated it is virtually impossible. Studies show that there is a strong relationship between educational attainment of the head of the household and the incidence of poverty. A Mosotho's chances of being in wage employment are determined by education, age and technical training, in addition to location and gender. Nearly 80% of

those with a diploma, senior secondary or higher education, are employed, compared to 40% of those with less education. Educational achievement, especially secondary education, dramatically affects earnings, which increase marginally with education until 11 years, but then triples with the completion of the last year of education.

As indicated in Chapter 9, Government has made significant progress in improving access to education. Nonetheless, Lesotho's educational system shows high repetition and drop-out rates, with at least one half of primary enrolment traditionally dropping out before completing the primary cycle and about two thirds of secondary enrolment dropping out before graduating. Until recently primary enrolment was in decline, falling from 71% in 1996 to 61% in 1998.¹³ GOL took a bold step to reverse these trends in 2000 when it introduced Free Primary Education, which is being implemented one year at a time, raising enrolment to 85% in 2002.¹⁴ In addition, a targeted equity-based programme to cater for disadvantaged students at secondary and high school level is in operation. In this manner, the needs of the poor are being addressed in a meaningful way. Nonetheless, further reforms are necessary as there are valid concerns about the quality and efficiency of the education system, the high allocation of the budget to tertiary education and the supply-driven nature of technical and vocational training.

2.4.2 Water and Sanitation

Various studies show that significant progress has been made in the provision of clean water, rising from 52% to 63% in the 1990s. This has been achieved largely through the efforts of the Department of Rural Water Supply that has the mandate to serve all rural areas. However, the situation has deteriorated in the peri-urban areas, especially with regard to the number of people per collection point.

Similar progress has been achieved with sanitation, with the percentage of households with some form of latrine increasing from 31% in 1990 to 49% in 1999. However, less than 20% of households had proper VIP latrines, considered to be the only standard that affords adequate protection from a health point of view.

2.5 OVERALL DECLINE IN HUMAN DEVELOPMENT

Despite these gains, Lesotho's overall position has declined in recent years. UNDP's Human Development Index (HDI) is a composite indicator of relative welfare based on life expectancy, educational attainment and per capita income. Lesotho has experienced a decline in HDI, particularly in the areas of education, health and life expectancy. In terms of HDI ranking, Lesotho was ranked 120 out of 162 countries in 1999 but dropped to 132 out of 173 in 2000, and to 137 out of 175 in 2001, suggesting declining performance in human development. When the impact of HIV AND AIDS is taken into account, it is expected that the HDI for Lesotho will decline even further.

This reinforces the need for a pro-active poverty reduction strategy. Before describing the strategies and activities that will be brought to the fore in the battle against poverty, the next Chapter describes the macroeconomic framework that will greatly influence all efforts to reduce poverty over the next three years.

¹³ World Bank, *Country Economic Memorandum 2003*, in preparation.

¹⁴ Ministry of Education estimates of Net Enrolment Rates in Standards 1 – 7, paper prepared for PRS, 2004.

CHAPTER 3: MACROECONOMIC FRAMEWORK

3.1 MACRO-ECONOMIC TARGETS

If the poverty levels described in the previous chapter are to diminish, very significant levels of growth will need to be sustained over a significant period of time. It has been estimated that employment growth will need to exceed 14% per annum if full employment is to be achieved over the next 10 years.¹⁵ The Government of Lesotho recognises that it does not have the necessary resources to generate the required growth. However, under the right conditions, the private sector, made up of both local and foreign companies, will be able to make a significant contribution to this ideal. The key macro-economic targets of Government during the implementation of the PRS are:

- to increase real GDP from 3% in 2003 to 7% by 2006;¹⁶
- to reduce the population living below the poverty line from 58% in 1994/95 to 52% by 2006;
- to reduce the Gini-coefficient from 0.66 in 1994/95 to 0.60% by 2006.

3.2 MACROECONOMIC POLICY FRAMEWORK

3.2.1 Context

Lesotho is a predominantly mountainous country, with an average altitude of more than 1600 metres above sea level. It covers approximately 30,350 square kilometres and has limited natural resource endowments. One-quarter of the land is lowlands and the remainder is highlands. Although it remains a least developed country, it has achieved a real annual average GDP growth rate of 4.2% between 1980 and 2002 and the national economy (GDP) has now reached M 7.5 billion (approximately US\$ 1 billion). Lesotho has a population of 2.2 million growing at an average of 2.1% per annum and a literate but largely unskilled labour force represents the main national resource. It is entirely landlocked within the territory of the Republic of South Africa (RSA) and its economic development centres on its membership and participation in activities of SACU, the Common Monetary Area (CMA) and the Southern African Development Community (SADC).

3.2.2 Objectives

The macroeconomic policy framework and the consistent application of sound macroeconomic management are critical to the implementation of the Poverty Reduction Strategy. In setting an attractive environment for foreign and domestic investment, the policy is designed to: encourage domestic savings and foreign capital inflows; ensure that Lesotho experiences low and stable inflation; encourage rapid economic growth; influence the structure of economic growth to support the creation of productive employment opportunities; and set tax and expenditure policies which have a beneficial impact on the distribution of incomes and wealth. It should be noted that the discipline needed to achieve efficient economic growth must be provided by maintaining a stable and open incentive structure e.g. market-determined interest rates are required to ensure that the

¹⁵ Gay and Hall, *Poverty in Lesotho: More than a Mapping Exercise*, Maseru: Sechaba Consultants, 2000.

¹⁶ A 7% growth rates assumes continued growth in the textile sector, new investments in other sectors and significant support from development partners.

financial sector achieves an appropriate balance between the needs of both savers and borrowers.

The main objective of the comprehensive macroeconomic policy framework is to ensure economic stability by maintaining sustainable levels of fiscal deficit, inflation and external balances. In addition, it will address the critical challenge posed by the high levels of poverty by:

- **providing the basis for sound and consistent macroeconomic management;**
- **creating an attractive macroeconomic environment** which will support efficient production and generate faster economic growth by attracting both domestic and foreign investment; and
- **improving public sector performance** by consistently applying the principles of sound public expenditure management (i.e. achieving aggregate fiscal discipline; concentrating public resources on a core set of activities which contribute significantly to a pro-poor growth strategy; and improving operational efficiency).

3.2.3 Fiscal Policy

The main instrument of macroeconomic policy is fiscal strategy. The Government actively manages aggregate expenditures and revenues in order to ensure the sustainability of public deficits and debt and to contain aggregate demand.

The Government is committed to maintaining its membership in SACU, which governs trade for the member countries of Botswana, Lesotho, Swaziland, Namibia and South Africa. The Union has a common external tariff and guarantees free movement of goods amongst member countries. Currently, the SACU revenue-sharing formula generates approximately 50% of public revenue. However, there are concerns that the recent renegotiation of the SACU Agreement and the revenue-sharing formula in the context of impending Free Trade Agreements with the EU and USA will lead to a decline in customs revenues over the medium-term and this will reduce Government's share in the economy.

3.2.4 Monetary Policy

The overall objective of the Central Bank of Lesotho (CBL) is to ensure price stability. Within the context of the common monetary area, price stability is attained by maintaining an adequate level of reserves which underwrite the fixed exchange rate system and reduce domestically-generated inflation. The fixed exchange rate regime pegs Lesotho's currency, the loti, at par with the South African rand. Although monetary policy is conducted under the constraints of the CMA agreement, which prevents excessive money creation to finance fiscal deficits, the CBL has established a policy framework: the operating target is reserve money (i.e. currency in circulation *plus* bankers deposits); the intermediate target is interest rates, particularly on Government of Lesotho treasury bills; and the ultimate monetary policy target is net foreign assets of the CBL.

Interest Rates: If interest rates in Lesotho diverged significantly from those prevailing in South Africa, the demand for rand would outweigh the demand for loti. Financial resources would leave the country and the resulting loss of reserves would threaten the parity of the currency. Thus, interest rates in Lesotho must move in line with regional rates of interest. In September 2001, the Central Bank moved from the use of direct controls to the indirect instruments of monetary policy. The new system is intended to remove rigidities by introducing market-determined interest rates and allowing the rates to reflect the true scarcity of savings in the economy.

Net Foreign Assets: The integrated money and capital markets of the CMA make it imperative that Lesotho, as a small open economy with a fixed exchange rate regime,

maintains a sufficient level of reserves, as measured by the gross foreign assets held by commercial banks and the CBL. A favourable reserve position enables Lesotho to honour its foreign financial obligations e.g. financing imports of goods and services, making debt repayments, meeting the foreign exchange demands of travellers and assuring investors of their ability to repatriate profits.

3.3 STRUCTURAL CHANGES IN LESOTHO'S ECONOMY

Historically, the economy has been fashioned by its larger and wealthier neighbour, the Republic of South Africa. South Africa is the dominant member of both the SACU and the CMA, and its macroeconomic policies are key influences on the trade, exchange rate and monetary policies of all member countries. Until the early 1990s, the defining characteristic of Lesotho's dependence on RSA was that nearly 50% of Lesotho's GNI was generated in the form of remittances from Basotho mine-workers employed in South Africa. South Africa remains Lesotho's main trading partner.¹⁷

Over the past 20 years, the economic contribution of the secondary sector (principally manufacturing and construction) has been growing in importance (from approximately 25% of GDP in the early 1980s to 42% in 2002). The tertiary sector (composed mainly of public and private service activities) has fallen from 50% to around 40% over the same period, while the primary sector (agriculture and mining) has declined from 25% to only 18% of GDP.

Since 1980, there have been significant changes in the structure of the economy. The main factors have been: the construction of the Lesotho Highlands Water Project; the growth of the textile industry driven by foreign direct investment and the decline in the number of mine-workers. Structural indicators suggest that the development of Lesotho's economy between 1980 and 2002 can be described in three phases. For convenience, these phases are defined with respect to LHWP activity because of its overwhelming effect on the economy:

- the *pre-LHWP* period (1980/81 - 1986/87), when the economy (GDP) grew at 2.8% per annum. Lesotho produced domestically only 57% of its GNI and relied heavily on RSA for a key source of livelihoods in the form of remittances from Basotho miners.
- the *high-LHWP* period (1987/88 - 1997/98), when GDP growth was 6% per annum. The textile and garment industry developed rapidly but employment opportunities for the Basotho in RSA mines started to decline. About two-thirds of GNI was produced locally and remittances comprised only about 36% of GNI. The share of private investment in GNI, while rising rapidly, was still small at 6%. Public revenue increased both because LHWP-related imports led to an increase in SACU receipts from 5% of GNI prior to 1988/89 to 14% in the 1990s and because of water royalties after the completion of the first phase of the LHWP in 1996.
- the *post-LHWP* period (1998/99 onwards), when GDP growth has slowed down to about 3% per annum. There is a significantly smaller flow of LHWP-related loans and grants but the garment industry has continued its rapid expansion.

¹⁷ This section is a summarised version of *Green Cover Draft, Country Economic Memorandum*, World Bank, June 2003.



Photo by David Hall

Plate 4: Mohale Dam, inaugurated in 2004 as part of LHWP to export water to South Africa

3.4 ECONOMIC PERFORMANCE IN LESOTHO, 1998 - 2002

Generally, the macroeconomic policy environment has been conducive for growth. The economy has benefited from the economic reform programmes dating back to Structural Adjustment in 1988. Following the social unrest in 1998 and the large deficit incurred in 1999/00 as a result of reconstruction and the restructuring of the Lesotho Bank and LHDA, the Government entered into an IMF-supported Poverty Reduction and Growth Facility (PRGF) programme designed to a) restore fiscal balance through improved revenue collection, expenditure cuts and public sector reforms, and b) maintain external reserves at about 6 months of import cover.

National Accounts: Over the period 1998 - 2002, GDP measured in current market prices has grown by an annual average of 11.2%. In real terms, however, GDP declined by 4.6% in 1998, but there has subsequently been a gradual increase in the annual growth rate, from 0.2% in 1999 to 1.3% in 2000, 3.2% in 2001 and a provisional figure of 3.8% in 2002. During the same period, GNI has increased in nominal terms by an annual average of 10.0% but, in real terms, it has fallen by 1.2% per annum. In nominal terms, GNI per capita¹⁸ fell to M 3,060 in 1998 but it has risen in each subsequent year, reaching a provisional value of M 4,196 in 2002. However, when expressed in US\$ (using the annual average exchange rate), there has been a dramatic decline from \$ 667 in 1997 to only \$ 403 in 2002. It is therefore not surprising that poverty levels in Lesotho have remained high despite the relatively strong nominal GDP growth rate registered during this period.

Public Finance: One concern in managing public finances is that revenue and expenditure account for nearly half of GDP, which is much higher than in most developing countries at a similar level of social and economic development. The current SACU revenue-sharing formula has permitted Lesotho to sustain the high ratio of government expenditure to GDP.

¹⁸ GNI per capita is a more accurate indicator of household income than GDP per capita as it includes income from abroad.

Lesotho remains heavily dependent on revenue sources over which it does not have much control. Domestic revenue has grown more slowly than GDP at market prices (6.2% per annum v. 9.8% per annum), resulting in a steady reduction from 47.6% of GDP in 1997/98 to 40.3% of GDP in 2002/03. However, the establishment of the Lesotho Revenue Authority and the introduction of VAT at 14% in 2003 have helped to widen the tax base.

Total expenditure and net lending has increased at an average of 9.3% per annum since 1997/98. Recurrent expenditure has grown rapidly and its share of total public expenditure has risen from 62.9% in 1997/98 to 77.4% in 2002/03. While Wages and Salaries and Subsidies and Transfers have only grown by 8.5% per annum, there has been unsustainable growth in purchases of other Goods and Services (averaging 26.4% per annum) and it now absorbs 28.3% of total expenditure (up from only 13.8% in 1997/98). Interest payments have grown by an average of 19.5% per annum and now absorb 5.9% (up from 3.8%).

Public Debt: By 1997/98, foreign debt was 50% of GNI but domestic debt was still low at 4% of GNI. However, the value of total external public debt outstanding doubled from M 3.2 billion at the end of December 1998 to M 6.2 billion at the end of 2001. This was not the result of additional borrowing (since repayment of principal has exceeded new disbursements) but was caused by the consistent depreciation of the Maloti, which increased the value of external debt when expressed in local currency. As a result, the debt:GDP ratio increased from 68.0% in 1998 to 108.2% in 2001. However, the subsequent appreciation of the currency meant that the value of external debt fell by 17.9% to M 5.1 billion by the end of 2002.

Exchange Rate: In recent years, the foreign exchange market conditions in the sub-region have been volatile. The annual average exchange rate of the rand and the loti depreciated by approximately 50% against most major currencies between 1997 and 2002. However, in late 2002 and throughout 2003, this trend was reversed and there has been an appreciation of approximately 30% against the US\$. Not only has this significantly changed the terms of trade (by changing the relative process of imports and exports) but it has also reduced the local currency value of reserve assets (held in US dollars).

Balance of Payments: Between 1998 and 2001, Lesotho maintained a strong reserve position with average gross foreign assets equal to approximately 10 months cover in terms of merchandise imports, which is well above the internationally accepted thresholds of 3-6 months. This was achieved as a result of the declining deficit on the current account despite a fall in the surplus on the capital and financial account. However, the significant appreciation against the major reserve currencies towards the end of 2002 caused a revaluation deficit and a consequent decline in reserve assets. This meant that the level of import cover fell from 12.2 months in 2001 to only 7.2 months in 2002.

Inflation: Inflation is driven primarily by prices in South Africa, which remains the source of almost 90% of the country's imports. Favourable price developments in South Africa caused the overall annual inflation rate in Lesotho to decline from 8.6% in 1997 to 6.9% by 2001. However, regional food shortages in 2002 caused a significant increase in prices of agricultural commodities and this pushed the aggregate inflation rate up to 11.7%. Provisional data for 2003 show that the rate of inflation has fallen back to under 7%.

3.5 FISCAL STRATEGY, 2003/04 - 2006/07

3.5.1 Overview

The Fiscal Strategy was prepared on the basis of an economic forecast covering the period up to 2007. The economic projections depict a baseline scenario for the movement of key economic indicators from 2003 to 2007. They are based on developments in five main sectors: production as recorded in the national accounts; price movements; the external accounts; monetary aggregates; and public finance.

Economic growth is dependent on the performance of the private sector, notably the exceptionally strong growth of the manufacturing sector. Overall, GDP in constant prices is projected to grow by an annual average of 4.0% over the period, while GNI will grow at 3.4% per annum. Although the rate of growth in GDP is well above the expected population growth of 2.4% per annum, suggesting that a sustained reduction in the incidence of poverty may be achieved, the slower growth in GNI remains a cause for concern.

The main instrument of macroeconomic policy is fiscal strategy. Several indicators can be used to assess the viability of the fiscal strategy, including various deficit concepts, the public sector borrowing requirement and key debt ratios. As presented in the background to the Budget 2004/05, in order to ensure that the overall fiscal stance remains within sustainable limits, the fiscal strategy is designed to:

- a) ensure that the exceptional SACU revenues anticipated for 2004/05 and 2005/06 are translated into overall budget surpluses;
- b) maintain the real value of public expenditure by ensuring that the main categories (other than interest payments) are increased by at least the annual rate of inflation;
- c) ensure that aggregate public expenditure grows by less than nominal growth in GDP, thus achieving a gradual reduction in the ratio of expenditure to GDP, in line with the forecast of a long-run decline in the ratio of revenue to GDP;
- d) ensure that the projected substantial primary surplus of revenue (including grants) over expenditure (excluding interest) is utilised to achieve a sustained reduction in the amount of domestic debt outstanding;
- e) maintain a surplus of current revenue over current expenditure in order to ensure that the public sector does not expand aggregate demand excessively; and
- f) secure additional external finance on concessional terms.

Achieving the goals listed above will have several beneficial effects on macroeconomic management and economic performance. The projected primary surplus will allow a reduction in the level of public debt and generate savings from the resulting decline in debt service payments. It will also contribute to stability in the balance of payments. The current surplus indicates that public saving is being used to finance the acquisition of assets. Securing concessional external finance will limit public demand for domestic capital (ensuring that private sector borrowers have access to the domestic capital market on reasonable terms and that potential investors are not crowded out). The gradual reduction in the share of the economy controlled by the public sector should improve key financial indicators (e.g. releasing resources to the private sector will encourage additional investment).



Plate 5: Thetsane Factory estate: industrial growth requires sound macro-economic management

This Fiscal Strategy should also contribute to a significant improvement in public expenditure management by setting a sustainable aggregate expenditure ceiling and by targeting public resources on a core set of poverty-targeted programmes and on activities which contribute to a pro-poor growth strategy. A summary of the Fiscal Strategy is given in Table 3.1:

Table 3.1: SUMMARY OF THE FISCAL STRATEGY, 2003/04 - 2006/07

	2003/04	2004/05	2005/06	2006/07
Domestic Revenue	3,359.8	4,232.8	4,333.8	4,348.7
Grants	276.8	304.2	307.4	310.8
External Principal Repayments	206.0	254.0	275.7	293.4
Statutory Charges (exc. Principal)	336.7	419.6	386.4	392.6
Ministerial Expenditures	3,441.5	3,884.4	4,050.4	4,318.3
Of which: Wages & Salaries	1,117.8	1,215.9	1,319.2	1,431.3
Goods & Services	1,062.2	1,210.2	1,146.6	1,209.7
Transfers & Subsidies	520.6	648.2	683.9	721.5
Capital	740.9	810.1	900.7	955.8
Net Lending	-13.7	-17.8	-1.0	-1.0
Total Expenditure (exc. Principal)	3,764.5	4,286.3	4,435.9	4,709.9
Deficit (including Grants)	-127.9	250.7	205.3	-50.5
Primary Surplus	91.1	466.8	372.6	106.2
Current Surplus	613.0	1,060.8	1,106.1	905.4

The projected resource envelope allows limited “fiscal headroom” to finance new investments and additional recurrent expenditures justified by the PRS to encourage growth and reduce poverty. The Government can create some additional fiscal headroom by implementing substantive public sector reforms. Ministries are expected to make

sustainable improvements in the productivity of their expenditure on goods and services and these potential savings should be reallocated to activities targeted at national development priorities as defined in the PRS.

The Government will need to strike a sustainable balance between budget reallocations, additional external borrowing and more grants. It will be desirable to secure a medium-term commitment from donors for both concessional loans and grants linked to the implementation of a realistically costed PRS.

Even more important than increasing the quantity of public investment, the Government must improve the quality of investments it undertakes and ensure that capital expenditures generate a commensurate improvement in national welfare. It is vital to use management information to identify locations and sectors where the returns to investment are likely to be high.

3.5.2 Deficit and Financing Strategy

Fiscal deficits measure the difference between total government expenditure (including interest payments but excluding principal repayments on the outstanding stock of public debt) and total receipts, including tax and non-tax revenue and grants but excluding loan repayments. The nominal value of the overall deficit (including grants) anticipated for the financial year 2003/04 is M 127.9 million. However, the projected windfall receipts from SACU will allow Government to achieve budget surpluses in 2004/05 and 2005/06, although the subsequent decline to more normal revenues means that this will revert to a balanced budget by 2006/07. There will be primary surpluses throughout the period but they are expected to fall from M 466.8 million in 2004/05 to M 106.2 million in 2006/07.

CHAPTER 4: EMPLOYMENT CREATION AND INCOME GENERATION**4.1 SITUATION ANALYSIS****4.1.1 Overview****The linkage between unemployment and poverty is strong**

Unemployment rate stands at 31% (LFS, 1999). Throughout the country Basotho identified the lack of meaningful employment as the most fundamental cause of poverty. Statistics from various surveys confirm a direct relationship between levels of employment and levels of poverty: those with formal sector jobs that provide regular income are far better off than those who depend on informal activities or subsistence agriculture. Households that do not have a wage earner are most likely to fall into a situation of chronic poverty. A rapidly increasing number of households are losing or have lost wage earners as a result of massive retrenchments from the SA mining sector over the past decade and increasingly as the HIV and AIDS pandemic strikes those in their productive years. These households are then unable to afford the levels of education necessary for the next generation to be gainfully employed, thus perpetuating poverty in a cycle that is extremely difficult to break.

But state capacity to create formal sector employment is limited

From the community consultations, it is apparent that ordinary people believe that the state should create work for them through infrastructure development and other projects. However, with the finite resources available, the Government recognises that this can only be achieved *to a very limited extent*. Where possible it will target labour-intensive schemes to provide limited and temporary employment to the poor.

Private sector capacity to create employment is more promising

In recent years the private sector has demonstrated that, under the right circumstances, it has the capacity to stimulate economic growth and rapidly expand employment opportunities. With the introduction of the Africa Growth and Opportunities Act (AGOA),¹⁹ for example, industrialists based in Lesotho have been able to increase production and employment considerably. The biggest growth has been in the garment sub-sector which now employs over 40,000 people, most of whom come from poor households with only limited education. If favourable conditions prevail, there is no reason why this growth should not be sustained for some time. Indeed, many of the existing industrialists are keen to expand production further while new investors are held back only by lack of serviced sites.

GOL is committed to creating a climate conducive to maximising job creation

The Government is committed to making the best of AGOA and other opportunities by providing foreign investors and local business with optimal conditions in which to develop and expand. By creating a conducive investment climate it is anticipated that economic growth will be sustained at levels that are high enough to absorb not only new job seekers but also the many thousands of unemployed who struggle to survive from one year to the next without reliable incomes.

While there is a real possibility that private sector investment can create an unprecedented number of waged positions over the next three years, the Government

¹⁹ AGOA is an act passed by the United States Congress under the Clinton Administration which allows duty-free access to US markets for African countries that meet certain requirements. The Act will be reviewed in 2008.

recognises that this will still fall far short of the total requirement. For this reason Government will make a concerted effort to encourage enterprising Basotho to seek out and develop business opportunities that make optimal use of Lesotho's own resources and generate work throughout the country. Special emphasis will be placed on supporting the development of agri-business, tourism and mining sectors in order to realise their employment potential.



Plate 6: New Factory under construction in Maseru: AGOA has stimulated investment

The significance of migrant labour

Lesotho is part and parcel of a regional economy that has depended on migrant labour for generations. During the 1970s approximately 125,000 Basotho worked in the South African mining industry at any one time and it was estimated a further 25,000 were employed in other industries. As a result, almost half of Gross National Income was generated from remittances. The number of mine-workers remained at that level until 1990 but there was subsequently a sustained decline and there are now only approximately 60,000. Since the fall of apartheid, the pattern of migration has changed so that today it is not only men who work in South Africa but increasingly women of all ages. According to the 2001 Lesotho Demographic Survey, 14% of males and 4% of females over the age of 15 currently work in South Africa, which is equivalent to approximately 120,000 people.²⁰

Key factors contributing to success of Foreign Direct Investment

The rapid growth fuelled by AGOA has demonstrated that, *under current circumstances*, of all proposed strategies, FDI has the greatest potential to generate the levels of

²⁰ Bureau of Statistics, 2001, *Lesotho Demographic Survey, Volume 1*, Bureau of Statistics, Maseru, 2003

employment so desperately needed to reduce poverty and it has therefore been given the highest possible priority.

Lesotho has been fortunate to attract a reasonable level of FDI in recent years. Without the constant efforts of Government to attract foreign investors, much less would have been accomplished in this highly competitive arena. It has been possible to attract investors partly through the provision, in certain cases, of ready-made factory shells and serviced industrial sites. Likewise, competitive wages and a literate and trainable labour force have been contributing factors. This indicates that Lesotho's investment in basic education appears to have paid off, particularly for women who are better educated and are the main beneficiaries of employment in the factories. Maintaining peace and security in a democratic environment is seen as a critical link to employment creation and the restoration of stability following a period of political uncertainty in 1998 and the ensuing peace under a more inclusive electoral dispensation has done a great deal to restore investor confidence (see Chapter 7: *Democracy, Governance, Safety and Security* for details).

The contribution of Small, Medium and Micro Enterprises (SMMEs)

Even though data on SMMEs is limited, estimates from the early 1990s suggest that there were more than 100,000 small, medium and micro enterprises (SMMEs) providing employment to over 130,000 people. These were involved in a wide range of activities, including small-scale manufacturing, retailing, wood and metal work, sewing and knitting, horticulture, handicrafts, food sales and brewing. Although most SMMEs are unregistered and do not contribute to direct tax revenues, they make a significant contribution to indirect taxation through VAT. Most important, they provide a means of livelihood to a significant portion of the economically active population.

SMMEs can make an enormous contribution to economic development and poverty reduction because their start-up costs are often low, allowing individuals and groups to engage in productive activities even if they have limited access to capital. They often operate in areas lacking sophisticated infrastructure and therefore have considerable potential to improve the geographic distribution of income and address income inequality. Many of the SMMEs are run by women and youth, providing an important means for them to participate in the economic development of the country.

Current legislation promotes fair investment

In terms of legislation the Government has a number of pertinent instruments that are intended to regulate industrial development and associated activities to the benefit of all stakeholders. These include the Import and Export Act (1984) that specifies the types of goods that can be imported into Lesotho; the Customs and Excise Act (1984) that regulates collection of tariffs and duty at entry points; the Environment Act 2001 that provides guidelines and sets standards for sustainable use of the environment; the Pioneer Industries Encouragement Act (1969); the Industrial Licensing Act (1969); the Industrial Development and Investment Bill; the Labour Code (1992); the Financial Institutions Act (1999); and the Double Taxation Treaty.

4.1.2 Constraints to further industrial growth, entrepreneurial development and job creation

While legislation is intended to protect all parties involved in industrial development in as fair a manner as possible, one consequence is that the process of licensing a new investment can be unnecessarily long and complex. There are currently too many Government departments involved in the process. The issuing of licences is centralised in Maseru, making it inconvenient for firms wishing to operate elsewhere in the country. These problems have negative effects that have hindered industry from reaching its full growth potential.

Inadequate supply of water

The biggest constraint facing potential investors relates to infrastructure and utilities. LNDC reports that the expansion of current industries as well as development of new investments is being held up simply by the lack of water. In order to accommodate the needs of foreign investors from the garment sector in particular, the supply of water to existing and proposed industrial estates will need to be augmented very dramatically.

The capacity of the Maseru water supply system, managed by Water and Sewage Authority (WASA), is currently fully stretched. The shortages within the system are already impacting on production, with industrialists reporting that the delays caused by the unreliable water supply have resulted in them missing critical shipment dates at Durban, forcing them to fly consignments to the US, thus jeopardising profits and future orders.²¹ The lack of water is also holding back the significant new developments planned for the Tikoe industrial estate in Maseru. A similar situation exists in Maputsoe, as well as in the districts of Mhale's Hoek, Butha-Butha and Mafeteng where LNDC has already procured land for new estates. *Unless fast track solutions can be found to the lack of water, there is a real risk that investors will seek alternatives to investing in Lesotho.*²²

Poor rail terminal

A second critical constraint is the poor condition of the Maseru Rail Terminal Depot. Efficient railways are important for industrialists to be able to export their products at a reasonable cost. Unless the Depot is modernised and efficiently operated to handle containers the risk of missing shipping dates is high, forcing the exporter to revert to more expensive road transport. Higher transport costs impact directly on profits and reduce the motivation and capacity to reinvest, which constrains further job creation.

Difficulties in obtaining land

LNDC plays a very critical role in obtaining serviced land for investors. There are, however, cases where investors may wish to pursue alternative locations and/or schedules to those proposed by LNDC. However, there is no provision for foreign ownership of land in Lesotho so, in these cases, obtaining land under some form of secure tenure is an obstacle to investment.

Low productivity and rising labour costs

Although industrialists are attracted by the high levels of literacy and reasonable wages, they are equally concerned about low productivity levels (reported to be one-third of those in Vietnam, for example²³) and the impact of the strength of the rand on their labour costs. The unfavourable exchange rate makes it more urgent to find ways of improving the skills and productivity of workers. The opportunity for promotion helps to motivate workers, so it is important to find mechanisms for them to occupy positions in factories that are currently held almost exclusively by expatriates.

Poor linkages to local business

The rapid expansion of the industrial sector has not involved local business in any significant manner. The small, medium and micro enterprises (SMMEs) have not been able to benefit directly from the boom, although many provide indirect services such as food and shelter for workers. Unless more formal links are established an opportunity for expansion will be lost.

²¹ The CGM Group in Maseru has experienced particularly severe shortages.

²² Naturally these solutions must be sustainable and integrated into overall plans for water resources management.

²³ Reported by Presitex.

Uncertain labour representation and under-developed dispute resolution systems

Relative to some neighbouring countries, Lesotho has a stable work force and a reasonable balance is maintained between the opposing needs for wages to be both fair and competitive. The Government recognises the rights of workers, including their freedom to associate in trade unions. However, industrial relations are not always harmonious partly because the unions are weak and compete amongst each other for members. The under-developed dispute resolution system has resulted in inappropriate action and prolonged disagreements. Concerns have been raised about conditions of employment and poor occupational health in some factories and this issue will be monitored carefully to ensure workers are properly protected.

No passport, no job

For those seeking legal work in South Africa and in Lesotho, especially in the industrial sector, a passport is critical, for both travel and identification purposes. However, there are significant delays in issuing passports. Unsatisfactory service delivery in the department of Immigration is caused by the lack of technology, red tape in procurement procedures, administrative bureaucracy, unfavourable work conditions and shortage of staff. Failure to effectively and decisively attend to these problems over a long time has resulted in escalated corruption in the department and a backlog of service delivery.



Plate 7: People waiting outside the Passport Office: long waits are often experienced

Foreign investors need quality service

Foreign investors are a source of employment. Immigration laws and regulations on visas and work/residence permits should recognise the urgency and flexibility called for by both foreign investors and tourists. The legal framework that governs issuance of visas, residence permits and citizenship is the Aliens Control Act of 1966. This Act states conditions for granting visas or deportation, and it establishes what constitutes a lawful and unlawful presence in Lesotho. However, it is outdated and has very serious shortcomings and requires urgent review.

Access to credit

During community consultations Basotho repeatedly stressed that lack of access to credit was a key barrier hindering them from running their enterprises successfully. Experience from other countries supports the view that, when the poor are able to access credit, they invest and generate a sufficient surplus to repay their loans as well as to save for reinvestment. In some countries (such as India and Kenya) rotating savings and credit schemes have repayment rates in excess of 95%. Unfortunately, to date, Lesotho has not had such positive experience. Although some informal credit schemes are working successfully, formal schemes, introduced by Government on a subsidised basis, suffered from a range of problems, including gross mismanagement, a poor legal framework and

limited advisory and supervisory services. Those which failed were targeting particular sectors and activities without relating this to market forces. As such, they tended to distort the financial market to the extent that borrowers did not develop the necessary discipline of repaying their credit.

4.1.3 Potential threats to investment and industrial growth

In addition to the constraints listed above, there are a number of potential threats to the expansion of industry that will be monitored with a view to developing possible mitigation measures. Of particular importance to Lesotho, various international and regional trade agreements could have drastic implications for the country's position vis-à-vis that of other investment destinations. These include the status of AGOA, the Multi-Fibre Agreement, the EU-RSA Free Trade Agreement, the SADC Free Trade Agreement and the SACU-USA Free Trade Agreement. Significant developments in any one of these could mean that the advantages Lesotho has gained through AGOA could disappear.

Another very critical threat is the HIV and AIDS pandemic, which has major implications for workers well-being, productivity and turnover.

4.2 OBJECTIVES

Government is aware that creating jobs will be a massive undertaking that is likely to extend well beyond the first period of PRS implementation. However, there are a number of very urgent and fundamental steps that can be taken over the next three years which will provide a more solid foundation for employment creation.

To contribute towards employment creation five broad objectives have been set:

- attract domestic investment and foreign direct investment (FDI);
- support local business;
- increase support to small, medium and micro enterprises;
- make optimal use of natural resources;
- improve and decentralise key services, particularly at the Department of Immigration.

Clearly these ambitious goals cannot be attained through the efforts of any single ministry or organisation. A multi-sectoral effort will be launched involving trade and industry, natural resources, tourism and agriculture. In these sectors, Government will focus on the formulation and monitoring of policies and the development of appropriate legislation to create an enabling environment for the private sector. These roles will be carried out in consultation with other stakeholders, which include non-governmental organisations, private sector associations, parastatals and relevant academic entities.

The starting point for establishing an appropriate enabling environment is described in the *Diagnostic Trade Integration Study* coordinated by the Ministry of Trade, Industry, Cooperatives and Marketing and conducted under the auspices of the Integrated Framework (IF) for Trade Related Technical Assistance to Least Developed Countries.

The Lesotho IF is the result of a joint effort between the Government and donors and is supported by the World bank, IMF, ITC, UNCTAD, WTO, UNDP and the World Customs Organisation, with DFID acting as the IF facilitator for other bilateral donors. The Study has benefited from several concurrent activities, including UNCTAD's Investment Policy Review and the World Bank's growth and employment options study.

The IF aims to ensure better integration of trade issues in poverty reduction programmes. It recommends that Lesotho should take advantage of its sovereign status to pursue two parallel strategies: (1) to lower the costs of trading with South Africa and other SACU partners and the rest of the world by removing barriers to trade (customs procedures, technical regulations and standards, and lowering the common external tariff) and to the movement of capital and labour within SACU, thereby transforming it into a fully-fledged single market; and (2) to establish a competitive business environment relative to other countries in the region through the removal of administrative barriers impeding the conduct of business activity while ensuring the effective provision of public services including public order and good governance.

Priority policy actions have been included in the IF matrix annexed to this document. Activities to be undertaken through the IF process will include improving trade data, analysis and negotiating capacity, as well as the various job creation strategies described in the following sections, which are designed to improve the business and investment environment and the trading infrastructure, including mechanisms for identifying and exploiting appropriate opportunities for improved market access. As can be seen from the list of strategies below, there is clear concurrence between the IF Report and this PRS.

4.3 STRATEGIES

The principal aim will be to facilitate economic growth through the development of the private sector. Highest priority is given to strategies that will most directly impact on the lives of the poor.

4.3.1 Attract domestic investment and foreign direct investment (FDI)

Attracting more FDI into Lesotho as well as enhancing domestic investment will not be confined to the garment sector. Serious efforts have been/will be made to identify other types of industries that can be attracted to Lesotho in order to add value to local products and diversify the industrial base. Under this broad objective, a number of strategies will be deployed during the three year implementation period of the PRS.

- **Reduce administrative procedures to speed up the licensing process.** In the first year of the PRS(2004/05) the legal framework will be established to set up a one-stop-shop that will speed up the licensing process. At the same time the Investment Promotion Centre of LNDC will be strengthened to improve efficiency. Particular attention will be given to the complex problem of facilitating access to land (outside of the LNDC estates) and to ensuring that immigration and work permits are efficiently processed.
- **Improve the efficiency of the Department of Immigration.** Government has taken heed of the concerns of ordinary people whose livelihoods are being impaired by service delivery in this critical area. Particular actions to be taken in the next year include: computerising the passport issuance systems; undertaking stringent supervision to curb corruption; decentralisation of Immigration functions to offices throughout the country; and improvement of human resource capacity to clear the back-log of applications.
- **Provide basic infrastructure.** The Government will give *top priority* to seeking viable and sustainable fast-track solutions to the provision of water supply. The findings from the Lesotho Lowlands Water Supply Feasibility Study will be examined in detail in 2004/05, with a view to providing water to high priority 'wet industry

zones'. Government will ensure that all new industrial estates have built-in water recycling measures.



Plate 8: Water recycling plant at a factory in Maseru: significant savings are being made

High priority will be given to providing factory shells when needed, as well as to upgrade the Maseru Terminal Depot in collaboration with Spoornet.

- **Promote and facilitate investment.** Activities aimed at investment promotion will continue with vigour. In 2004/05 new investment promotion materials will be developed and the capacity of Lesotho's overseas missions to promote Lesotho as a prime investment site will be enhanced. In addition, Government will improve Customs efficiency and the capacity of trade negotiators.
- **Improve workers' productivity.** Productivity is a multi-faceted issue which needs to be addressed, in the long-term, by addressing attitudes towards work and employment (through the school system). Training and capacity building of workers with a view to increase their productivity will be given due priority. Training will be geared towards equipping Basotho with skills that are necessary for assuming key positions. A skills development fund will be established to finance training of these entrepreneurs and of workers in key positions.
- **Improve labour stability.** The key activity here will involve the strengthening of tripartite relationships through an Economic Forum or National Employment Council. Current policies and legislation pertaining to labour will be reviewed and revised. Dispute resolution mechanisms will be decentralised to key districts where major industrial development is planned.
- **Establishment of a comprehensive social security scheme.** The Government will continue to explore means and ways to establish a comprehensive social security scheme that will cover both the formal and the informal sector workers. When the

scheme is fully operational it will improve the welfare of the ex-workers and their dependants by providing them with income after they have stopped working. In 2004/05 the Government will introduce an old age pension scheme for those aged 70 years and above as a safety net measure. The scheme will also entail an investment portfolio that will provide a potentially large pool of financial resources that could also be directed to support certain sectors of the economy.

4.3.2 Support local business

While appreciating the very significant impact of FDI, the long term goal of promoting local businesses owned by residents of Lesotho will not be overlooked. In the three year PRS implementation period the Government will pursue the following key strategies:

- **Build the skills of Basotho entrepreneurs and productivity of workers.** The Government will seek to improve the resources and capacity of local training institutions to run appropriate courses designed specifically to increase the skills of local entrepreneurs and to promote self-employment. In the first year proposals from institutions will be reviewed.
- **Develop sustainable market opportunities.** Over the next three years key people will be selected from Government ministries (**MTICM, MOFDP, MOFA**) and the private sector to be trained in market identification and negotiation skills. The key to the success of this will be the creation of linkages and niche marketing of the opportunities presented by Lesotho's alpine climate. Local entrepreneurs will be encouraged to organise themselves into partnerships that will enable them to supply quality products to common markets. If successful, Government believes the employment creation possibilities of such efforts will be significant and will have a direct impact on the poor.
- **Support adoption of appropriate technology.** The Bethel Business Community Development project²⁴ provides an ideal model for technological multi-disciplinary skills- development. A study will be conducted on how best to up-scale this model. Where appropriate technology is proven to have lasting benefits, Government will seek to link it to a subsidy or credit scheme.

4.3.3 Increase support to Small, Medium and Micro-Enterprises

Experience in Lesotho and elsewhere suggests that direct intervention by Government, in the form of subsidies and supply-driven training, is not effective in encouraging sustained entrepreneurship and profitability for SMMEs. Instead, it creates a culture of dependency and poor debt servicing. Thus, the objective for Government during the PRS period is to provide an effective institutional support that facilitates growth driven by private investment and SMMEs.

The prosperity of the SMMEs requires a conducive environment created by supportive legislation, policies and a favourable institutional framework. The Ministry of Trade and Industry, Cooperatives and Marketing (MITCM), in collaboration with relevant stakeholders, is in the process of implementing the SMME policy. Government is firmly committed to furthering this process during the PRS implementation period.

The vision of the Government for future institutional support starts with the following premises:

- the development of the SMME sector will only be sustainable if it can provide goods and services in a competitive market;

²⁴ Bethel is a training institution providing people without school-leaving certificates with survival life skills.

- Government should not crowd out the private sector by distorting domestic markets, by competing with private sector producers or by raising the cost of resources (either pushing up capital costs by an inappropriate fiscal strategy or labour costs through excessive regulation);
- Government should establish the necessary legal framework to facilitate the development of savings mobilisation by SMME groups to provide the basis for lending;
- Government will actively encourage deregulation to allow informal sector activities to flourish;
- Government should provide information to SMMEs about relevant regulations and local and regional market opportunities; and
- Government should not provide small business finance but instead encourage groups to secure commercial loans when they need capital.

In addition to providing an appropriate policy and legislative framework, core strategies to be implemented in support of the SMME sector include:

- **Access to Business Development Services.** Business skills development and *demand-driven* training and business counselling are fundamental. In Lesotho there is a limited entrepreneurial culture and limited business experience. There is a need to develop understanding of how markets operate, how to take advantage of them and how best to make use of facilities and services that are available. Previous Government interventions have produced very limited entrepreneurial culture due to their supply orientation. In order to change this situation Government is committed to implement a number of interventions which will be implemented during the PRS period:
 - **Development of Entrepreneurial Culture.** Through the Ministry of Education and Training (MOET), MITCM and private sector business associations, Government will improve the national curriculum to strengthen its business component. MOET will complete its policy paper that has already received positive support from a variety of stakeholders.
 - **Business Counselling.** Government will endeavour to integrate local SMMEs into an overall economic development programme and will strengthen its multi-agency strategy to be coordinated by the MITCM in the provision of training, counselling and mentoring. Where Government does not have enough practical experience or expertise for this, it will outsource such services from the private sector. Priority will go to new enterprises that have high export potential, high value addition to the economy and an impact on poverty reduction.
 - **Support to Business Associations.** For the purposes of monitoring progress, ensuring quality and protecting consumers, Government will collaborate very closely with the local SMME business councils and Lesotho Chamber of Commerce and Industry (LCCI) and will provide information and support on a regular basis. It will strongly promote public-private sector dialogue that results in further improvements in policies and strategies. During the first phase of the PRS, Government will spend time creating these essential working relationships so as to develop mutual trust and cooperation between the private sector and the public sector. It will promote greater use of information technology that fosters an entrepreneurial culture and provides useful contacts for the purposes of marketing and networking.



Plate 9: Farmer with cow near Morija: rural people need access to credit to invest in agri-businesses

- **Access to credit for the poor.** During the PRS period the government will conduct a study to assess how credit can be made more accessible to the SMMEs in a viable and sustainable manner. This study will aim to consolidate all past studies and work done so far in this regard with a clear aim to:
 - establish demand and supply for credit;
 - identify constraints hindering the present credit schemes and commercial banks from meeting the credit demand of the SMMEs;
 - learn positive and negative lessons from past schemes, with a view to emulate successes if any;
 - suggest how the identified constraints can be addressed.

The study will serve as a basis towards the formulation of a long overdue micro credit policy. The policy will guide all future activities geared towards making credit more accessible and more effective in stimulating growth and employment creation. In developing a micro credit policy the government will adopt a participatory approach by involving key stakeholders, including credit institutions, the SMMEs and business support institutions. The objective will also be to adopt an integrated approach, as credit alone will not solve the SMMEs' constraints, unless accompanied by concrete measures such as those proposed below.

- **Rural Finance Savings and Credit Groups.** Under this scheme, the Central Bank of Lesotho (CBL) encourages commercial banks to lend to groups through a credit guarantee scheme with funds mobilised either from donors or Government to underwrite loans extended. During the PRS period the Government will extend this scheme with a view to build confidence in private banks to extend credit to local investors. This scheme will also facilitate linkage between these groups and banks where groups will open savings accounts in which they will deposit their savings regularly. The savings mobilised in this way should be able to facilitate credit to its members.²⁵
- **Export Finance and Insurance Scheme.** Government will support this through a modification of an earlier scheme established in 1988. The Scheme aims to ameliorate the financial impediments faced by Lesotho exporters and to expand and diversify the country's export base. This will be done by assisting exporters to access credit from commercial banks to meet their working capital requirements (through a loan guarantee fund) and to manage particular risks through insurance cover. In order to ensure that SMMEs benefit fully from this scheme, about 60% of the fund will be apportioned to this category of exporters while the rest will be reserved for large scale exporters.²⁶

Government recognises that the success of credit schemes will depend on the following factors: availability of financial services, access to markets, business development training, the extension of property rights and functioning commercial courts. Government is committed to two particular areas to be explored and furthered during the PRS period:

- **Financial services.** This entails increasing access in rural areas through Postal Banking Services announced in the 2004/05 budget.
- **Credit Bureau.** The Bureau will assist lending institutions to assess the credit worthiness of borrowers before their loans are approved. However, this depends on the introduction of national identity cards that are necessary to ensure loan repayments. During the PRS period the Government will explore the feasibility of this further.
- **Access to markets.** SMMEs often have poorly developed marketing strategies and struggle to sell their products. Promotion of any product will henceforth need to be linked to marketing to ensure the balance between supply and demand. To date, Government's efforts have included provision of industrial estates, market stalls and sites for street vendors. Service providers have held district trade fairs and flea markets are organised by BEDCO on a monthly basis. These efforts have had limited success, partly because in rural areas entrepreneurs cannot access these facilities due to distance and cost of transporting their merchandise.

During the PRS period, the Government will undertake the following activities to enhance market access for the SMMEs:

- **Review Government procurement policy** to give preference to SMMEs in order to encourage them to participate meaningfully in the economic

²⁵ Central Bank of Lesotho, *Blue Print: Rural savings and Credit Groups* Dec. 2001

²⁶ See CBL, *Blue Print for Export Finance and Insurance Scheme*, May 2001

growth of the country. The policy will encourage sub-contracting and joint ventures with local SMMEs wherever practical without compromising the quality of supplies and/or services.

- **Establishment of market centres** equipped with modern technologies that facilitate easy access to information on markets and marketing for existing and potential local products in strategic and accessible places **countrywide**. The Government will provide sites, market shells, display areas, sanitation and water systems in market places and key areas where licensed street vendors operate in urban areas.
- **Piloting of rotational markets** - through a network of BDS providers - that combine provision of mobile basic services (e.g. post, bank, health and telecommunications) with marketing opportunities.

4.3.4 Make optimal use of natural resources

Lesotho is a country that is blessed with a unique blend of natural resources. Although the rocky terrain of high mountains and deep valleys is an impediment to development, the Government also sees opportunities to use these very features in the struggle against poverty. While the cold, harsh winter climate is a constraint to agriculture, the Government is seeking to identify high-value, niche crops that can only flourish if exposed to the cold. Even the gullies that scar much of the lowlands are a resource waiting to be harnessed as it is here that moisture and soil nutrients can be captured and exploited for productive purposes. In short, a concerted effort will be made to turn commonly perceived “problems” into opportunities for development. Three areas will receive particular attention: agri-business, tourism and mining. Over the PRS period the Government will:

- **Develop agri-business.** Government has recently completed an Agricultural Sector Strategy that describes the need to introduce new crops and agricultural technologies.²⁷ Over the last decade a series of studies have established the feasibility of growing various high value crops well suited to Lesotho’s exceptional African alpine climate.

Working in six selected pilot areas, *specialised production zones* will be created where concerted effort is focused on *one or two* high value crops suited to the soils and micro-climate of the area.²⁸ Promotion of the selected specialised crops will be based on commercial links (e.g. to the walnut de-shelling plant in Hershel) or guaranteed markets (e.g. out-growing contracts for herbs).

Ownership and production will be by individuals on their land, while training and marketing will be through producers’ groups or co-operatives. As far as possible, the high value trees and herbs will be intercropped between food crops for local consumption. Communities will be encouraged to identify fields that have been left fallow for more than five years for re-allocation to landless people wishing to participate in the programme (in keeping with the 1979 Land Act or subsequent legislation).

Where irrigation is necessary this will be done wherever possible through appropriate water harvesting, gravity fed systems or manual pumps. Agricultural

²⁷ This strategy will focus on income generation through specialised high value crops, most of which will not be used for agriculture and local consumption. See *Chapter 5: Food Security* for more on food crops.

²⁸ There is a significant list of proven crops to choose from, including cherries, almonds, walnuts, pecans, garlic, saffron, asparagus, herbs and aromatic plants such as lavender.

subsidies will be focused on rewarding innovation and effort. Larger commercial schemes (involving land pooling) will be encouraged where protection of the poor is clearly demonstrated through fair and transparent rental arrangements or provision of work. By the third year, Government anticipates that at least three of the pilot projects will be showing enough promise to be significantly expanded.

- **Develop and diversify the tourism product and encourage community-based income generating activities on the tourism sites**

Lesotho's dramatic alpine scenery and villages offer a unique product within Southern Africa. With over 300,000 tourists visiting Lesotho per annum there is considerable potential for their expenditure to create employment and income generating opportunities in parts of the country that will never attract other investment. For this reason Government believes tourism should be given high priority, especially where investors are able to demonstrate links between lodge-based services, such as accommodation and food, and community-based services such as guiding, pony-trekking and cultural activities (as is the case, for example, at Malealea, Morija and Semonkong).



Plate 10: Tourists admire a footbridge across Mohale Dam: mountain scenery can attract many

Over the next three years the Government will aim to extend the average number of days spent by tourists in Lesotho from two and a half to four and to increase average expenditure from M132 per day to M200. This will be done primarily by a joint tourist promotional package with the Republic of South Africa, where Lesotho is promoted as one of the main stopovers in the circuit. The Morija Arts and Cultural Festival, the Roof of Africa Rally, the Maseru-Mohale bicycle race, and other national events will be promoted and strengthened as a means of increasing awareness of the Lesotho brand.

Working under the Tourism Policy of 2001 and the Tourism Act 2002, the Lesotho Tourism Development Corporation (LTDC) will strive to diversify what is on offer by

developing one new tourist site per annum over the next three years. Community awareness campaigns will focus on these areas. Consideration will be given to introducing a tourism levy to generate a fund that assists community-based initiatives to improve the quality of their product. A new grading system will enable even the poorest households to participate in these developments through the provision of over-night hut accommodation linked to hiking and trekking routes mapped out and promoted by LTDC in collaboration with private lodges.

- **Develop mining industry.** For centuries Basotho have made use of natural stone for building their homes. From these homes men have migrated to South Africa to produce minerals that have fuelled Africa's most powerful economy. No wonder then that ordinary people throughout the country believe poverty can be alleviated through exploiting rocks and minerals. Some progress has been made in promoting use of local building materials through Government's policy that new public buildings should feature sandstone. Over the next three years, Government will evaluate sandstone reserves and seek to strengthen market links. Mining initiatives that generate employment will be provided with access to credit and training. New sandstone products (such as those being produced by the Mineworkers' Development Agency groups) will be actively promoted.

Lesotho already exploits reserves of dolerite and clay. Over the next three years production will be increased by the private sector in particular areas, including Ha Teko, Ha Motloheloa (clay), Kolo, Letšeng and Kao (diamonds).

Government will strive to create an enabling environment for these activities by implementing the new Mines and Minerals Act 2005 and monitoring the use of resources to ensure safety, health and environment.



Plate 11: The re-opened diamond mine at Letšeng: environmental impacts can be significant

Goal:			
NUMBER ONE: EMPLOYMENT CREATION AND INCOME GENERATION			
Indicators	Baselines		Targets
• Unemployment rate	31% in 1999		27% in 2006
Key Strategies and Activities for Implementation:			
<ul style="list-style-type: none"> • Create a conducive environment for attracting domestic and foreign direct investment. • Increase support to the SMMEs in a targeted manner in line with the SMME policy in order to meet their most basic needs, such as access to credit, appropriate technology and markets and create viable linkages between SMMEs and large scale enterprises. • Develop sustainable market opportunities for locally produced products and improve their quality and price competitiveness through demand-driven capacity building activities targeted at trade negotiators, entrepreneurs and the workforce. • Provide basic infrastructure such as factory shells where needed, develop the Maseru terminal depot and the four new industrial estates in Tikoe, Mafeteng, Mohale's Hoek and Butha-Buthe in a phased manner depending on established financial and economic viability. • Facilitate international trade e.g. by improving customs efficiency. • Intensify investment promotion measures by strengthening the capacity of the Investment Promotion Centre of LNDC and of foreign missions in strategic countries in order to improve efficiency in attracting foreign and local investment. • Establish a sound industrial relationship through tripartite economic forum or National Employment Council. • Make optimal use of natural resources by developing agro business, tourism and mining in a manner that is anchored in community participation and private sector development. 			
Total Incremental Costs:			
2004/05	2005/6	2006/7	Total
M 92,756,890	M49,970,191	M46,919,066	M189,646,147
Key Implementing Sectors:			
<ul style="list-style-type: none"> • Trade, Industry, Cooperatives and Marketing • Employment and Labour • Agriculture and Food Security • Natural Resources • Tourism, Environment and Culture • Private Sector 			
Comment:			
Efforts were undertaken to harmonise this section with the Integrated Framework due to commonality of strategies and objectives.			

CHAPTER 5: IMPROVE AGRICULTURE AND FOOD SECURITY**5.1 SITUATION ANALYSIS**

In a land that once exported surplus grains to the new mining towns of South Africa, there is now hunger. Evidence from many sources points to persistent child malnourishment in Lesotho.²⁹ In over 60% of the communities involved in the PRS consultation “lack of food” was mentioned as a defining feature of poverty. Throughout the country people described how their communities have progressively become more and more food deficient since the 1970s. They blamed a combination of environmental, climatic, political and economic factors for this, but the end result is the same: hunger. Government statistics confirm that the production of cereal crops is very susceptible to the vagaries of climate. Productivity suffers significantly in years where adequate rain does not fall at the required time.

Donor/GOL interventions have often created a dependency syndrome

The prospects for increasing staple food production are not good. Despite massive efforts by both Government and donor agencies, Lesotho remains highly dependent on cereal imports. Indeed, to a certain extent, it is likely that the interventions themselves may have limited increased productivity as they raised expectations and created dependencies that the state has been unable to address in a consistent manner. Erratic subsidies and emergency interventions, which vary from one year to the next, have often been counter-productive in the long run as families often wait to see what will be available from Government, and then miss critical planting dates.

Agriculture is often uneconomical while production is inadequate

It is not only Government that has been subsidising cereal crop production. Over the years, households have themselves subsidised ploughing and planting costs by diverting income from other sources - such as mine remittances - to crop production. Because few households keep proper records, they are not aware that their costs often exceed their returns. However, a cost-benefit analysis of crop production in the Lowlands, where there is greater dependency on mechanised traction and purchased inputs, shows that the majority of households are making a loss.³⁰ In the mountains, where direct costs are lower because people tend to use animal traction, manure and their own seeds, crop production is profitable, but the amounts grown fall far short of the requirements. Nationally fewer than 5% of households produce enough cereals to feed their families throughout the year, with the remainder having to purchase part or all of their cereal needs.³¹

Lesotho produces approximately 30% of the total food requirement

The country produces around 30% of the total food required to feed its population in a normal year. This means that 60% of the annual cereal requirement has to be imported at the going regional market price. Household purchasing power therefore plays an important role in household food security. This in effect means that overall households are probably more vulnerable to increases in the price of maize than they are to low crop production as a result of erratic weather patterns. Although the current situation in Lesotho cannot be characterised as an emergency, most rural populations will face Food/Income deficits and

²⁹ Malnutrition was estimated at 16% (under weight for age) and 46% (under height for age) in 1999 (Gay and Hall, 2000); in 2000 the *End of Decade Multiple Indicator Cluster Survey* of GOL and UNICEF, showed of 17.8% and 45.4% for the same categories above.

³⁰ Costs were computed on the basis of all reported expenditure on inputs; benefits were the computed sum total value of the household's harvest, excluding the crop residue.

³¹ National cereal production is around 27kg per person, far below the FAO standard of 180kg, (Gay and Hall, 2000)

interventions will be necessary. However, interventions clearly need to go beyond food aid. This is because the current food access problems are a result of low food production, increases in the price of staple foods and depressed employment markets. It is within this context that the PRS aims to address food security through an increase in agricultural production, employment creation and income enhancement.

Mine retrenchments have exacerbated low production

The decline in mine remittances has had an impact on food production as far fewer households have the necessary income to invest in the required inputs. For poor households the annual practise of procuring the required inputs for cereal production is almost insurmountable. In the past this would have been overcome through sharecropping with other households but, as the number without wage employment grows, the prospects for sharecropping have declined.

Settlement patterns help to cause depletion of soils

Basotho live far from their fields. For reasons that can be traced back to the time of Moshoeshoe I, the pattern of settlement is such that people and animals are separated from the land which they use to produce their food. The most serious implication of this is that it is virtually impossible to maintain fertility as the distances between the sources of soil nutrition (manure) and the fields is excessive. Fertility and soil conditions steadily decline as the majority of families are unable to find the means to transport manure to the fields and are unable to afford artificial fertilisers. Depletion of organic matter in the soil - exacerbated by the removal of crop residues for fuel or fodder - results in a reduction of the soil's capacity to retain moisture, which in turn means that crops are increasingly vulnerable to dry spells that they might otherwise have survived in the past.³² The decline in soil fertility and in its capacity to produce good crops needs to be appreciated in the context of Lesotho's very limited arable land, estimated at less than 10% of the total area, or about 0.2 hectares per person.

Livestock conditions are also declining as communal land is not being well managed

In the livestock sector, productivity has not increased,³³ largely as an outcome of overstocking, uncontrolled grazing and the associated decline in range conditions in many parts of the country. To a certain extent, reduced levels of control stem from a reduction in the authority of chiefs who once had exclusive powers of control over natural resources. Until new local government structures are well established, the prospects for properly controlled grazing and range recovery are remote, which means the quality of the stock will remain low in most cases.

The impact of stock theft increases poverty

Stock theft, which the communities perceive as a significant cause of poverty, is limiting the growth of herds. Although this allows some recovery of range lands in certain places, this is of little consolation to those households who have lost their livelihoods overnight. During the community consultations, devastated individuals described how they had been thrown into poverty and hunger through stock theft. Descriptions of the thefts suggest high levels of organisation implying that the thieves are far from poor (in some cases trucks were involved in moving the animals). Moreover, there is a strong perception that some police, chiefs, officials and businessmen are involved in these criminal networks. In

³² This explains, in part, the popular perception that there is less rain than there used to be, which is not factually borne out by meteorological data. No-till agriculture is now being promoted as a means of retaining moisture in the soil while reducing the extent of soil erosion.

³³ For example, total wool production has fallen from 3 million kgs in the 1970s to 2 million kgs at the end of the century.

border areas, there are clear indications of the international dimensions to stock theft that will need to be addressed if any progress is to be made.³⁴



Plate 12: Poorly managed range lands result in poor livestock productivity

Distribution of livestock is highly skewed

In developing programmes to assist the poor, cognisance must be taken of the fact that the proportion of households that own livestock is declining (between 1993 and 1999 cattle ownership fell from 48% to 39% while sheep and goats ownership fell from 32% to 26%). The average number owned is low (1.43 for cattle and 3.96 for small stock) with very limited variation across income quintiles. However, a small percentage of rich households own large herds. These wealthier members of the community are able to benefit more from the communal resource than those who do not own any livestock. In the early 1990s an attempt was made to introduce locally-managed grazing fees which would have resulted in livestock owners effectively paying their communities something for use of rangeland, but this failed due to lack of popular support. The issue of unequal access to natural resources remains and it is necessary to work towards a consensus with the various stakeholders on a way forward.

Credit facilities are very limited and crop insurance unobtainable

Whether it regards livestock or crops, access to capital for farmers to procure inputs is very limited. Community-based schemes are sometimes able to offer very small amounts but formal rural credit is not accessible. This severely constrains farmer initiatives and the improvement of existing resources. For progressive farmers, no crop insurance is available.

³⁴ Kynock, Gary and Ulicki, Theresa, 1999, *The Socio-Economic Impact of Stock Theft in Southern Lesotho*, Irish Consulate, Maseru.

Marketing facilities are poorly developed hindering sale of surplus production

Rural marketing facilities are very poorly developed in the country. Few traders operate in rural areas, and marketing infrastructure, including roads, storage facilities and market places have not been established. This makes it hard for farmers who have small and variable surpluses to dispose of them for cash. It is also possible that marketing structures fail to develop because surpluses are too small and variable to maintain them. As a result markets are poorly integrated and prices vary widely from place to place.

HIV and AIDS has an increasingly negative impact on production

As productive members of a household succumb to disease it is evident that this will have an impact on the amount of food they are able to produce. Poor health undermines energy levels making labour-intensive tasks, such as ploughing and planting, difficult to perform.

Socialisation/Education have tended to discourage agriculture

Because paid employment is seen as the most desirable option and because much of the emphasis for many years has been on book learning in schools, many Basotho rate agriculture as an undesirable mode of life and thus as a low priority. Although agriculture is subject to the variability of climate and other factors, certain men and youth ignore the obvious potential of homestead plots/fields and other local resources that could easily provide better food security and thus opportunities are lost.



Plate 13: Fields in Maseru District: improving crop yields is a challenge

Optimising land use can greatly promote food security

Despite the challenges facing the country, Basotho are convinced that Lesotho has land, livestock, labour and water resources that *if brought together in the right way* will go a long way towards ending malnutrition. Measures are planned to deal with all of the problems mentioned above. Agriculture forms a major part of the Government's fight against poverty. It also recognises that it has the potential to play an even greater, and much more fully integrated, role in the economy. Although productive land is scarce in overall terms, in actual fact it is massively underused, with many fields lying fallow from one year to the next. By promoting and facilitating different forms of sharecropping, much of this land can be brought back into production. By optimising the use of the small amounts of land immediately around people's homes even those who do not own fields can boost food security.

Intensive farming methods are now a high priority

Over the last decades, Basotho agricultural researchers (notably J.J. Machobane) have demonstrated that land, either around the home or in the more distant fields, can be intensely worked year round. With effort and the right combination of crops and organic farming principles, a family *can* live off a small piece of land in its possession and generate a surplus for sale. Combined with conservation farming and agro-forestry, the organic farming practices that have been developed locally and abroad can revive soils and restore productivity. Even in urban areas, much greater productivity can be achieved from the small parcels of land that people possess. Since agriculture and food security was a high priority during consultations, the battle for food security will be given high priority by Government over the next three years.

5.2 OBJECTIVES

Given the constraints listed above, the Government is determined that lessons should be learned from past attempts to increase food security. Although the overall objective of **increasing crop and livestock production** remains unchanged, new strategies and activities have been devised that draw from both Government and NGOs *demonstrable successes* in boosting production. While many of these successes have been on a small scale, their impact is proven and the focus of the next three years will be to up-scale and spread them to a wider group of practitioners.³⁵ The key objectives of this National Priority are:

- adoption of appropriate farming practices and timely access to inputs;
- development of appropriate irrigation systems;
- strengthening and decentralising extension services at area level within all districts;
- ensuring an efficient and standardised land tenure system;
- improving livestock and fodder production; and
- improving marketing systems.

³⁵ The term 'practitioner' is preferred to 'farmer' as it implies that it is the *adoption* of certain practices that is the key to success. Even those who are not farmers (i.e. who have no fields or livestock) can participate, as can those who are not farming full time but are using multiple livelihood strategies to achieve food security.

5.3 STRATEGIES

5.3.1 Adoption of appropriate farming practices and timely access to inputs

In order to achieve these objectives the Government will:

- **Encourage farmers to adopt appropriate farming practices and to diversify field crops in areas that are ecologically suitable.** It will also engage the private sector to ensure that the required inputs are available as widely as possible and that they reach the farmers in time. Those households who are prepared to engage in intensive farming practices will be supported through training and targeted subsidies.
- **Explore block farming opportunities and mechanisation services.** Government will encourage interested Basotho land owners to enter into block farming. This is to intensify and mechanise farming and reduce production cost by exploiting economies of scale. During the PRS period this approach will be piloted, with careful monitoring to determine its viability.
- **Prioritise use of land around the homes.** Greatest priority will be given to ensuring that the land around people's homes (that is closest to animal manure and most easily defended against theft) is made as productive as possible, particularly for vegetable production.
- **Construction of water tanks.** As a growing majority of Basotho have built homes with corrugated iron roofing (as opposed to older styles using thatching grass), it is now possible to greatly improve household vegetable production using rain water collected in inexpensive water tanks constructed on site.
- **Provide specialised support for HIV and AIDS-impacted households.** Those families who have been impacted by HIV and AIDS, particularly those involved in home-based care programmes, will be targeted. A programme will be developed that minimises labour by using activities such as key-hole gardens and household water storage systems, as well as providing seeds of plants that are known to combat opportunistic infections and boost the immune system (such as garlic).
- **Design packages for child-headed households.** In the first year of the programme, a special package will be designed for child-headed households that will enable them to link intensive horticulture to other activities such as bee-keeping or free-range poultry production. Appropriate share cropping activities will be designed and implemented so that orphans who have land can be assisted with ploughing services and other agricultural inputs.



Plate 14: Intensive horticulture near the home is easy to manage and improves food security

5.3.2 Development of appropriate irrigation systems

Government recognises that previous irrigation schemes have failed largely because large areas of land were targeted without proper consultation with farmers. The new approach will, therefore:

- **Identify smallholder farmers and encourage them to use the appropriate gravity fed techniques and water harvesting.** This will be closely co-ordinated with the activities described under the previous strategy with poor families being targeted for any subsidies.
- **Explore opportunities for irrigation along the Caledon and Makhaleng rivers in partnership with South African farming communities.** South African farmers are already taking advantage of these rivers for irrigation purposes. During the PRS period the Government will initiate a dialogue with neighbouring farmers on how best to collaborate on irrigation matters.
- **Determine longer-term opportunities arising from the Lesotho Lowlands Water Supply Scheme Feasibility Study.** The Ministry of Agriculture and Food Security will actively participate in discussions regarding the LLWSS with a view to identifying irrigation opportunities that can be implemented in a participatory and technologically appropriate manner.

5.3.3 Strengthening and decentralising extension services at area level within all districts

Government recognises that the above strategies cannot be achieved without the active engagement of poverty-conscious extension workers. Over the next three years Government will accelerate progress already made under the Unified Extension approach with the following activities:

- training of extension workers and decentralising them to area level;

- identifying and outsourcing components of the extension service;
- improving communications and networking with NGOs and business.

5.3.4 Ensuring an efficient and standardised land tenure system

Food security will not be achieved if the poor are not confident about their ownership of the land they want to make productive. Organic farming systems may be proven, but they require considerable commitment over many years to rebuild soil quality, establish water harvesting systems and plant trees. This commitment will not be forthcoming if land tenure is not secure. Government will therefore undertake the following in the next three years:

- amend the legislation in order to address any inequality between men and women with regard to land ownership;
- develop a National Land Policy and enact the Land Bill;
- develop a digitised land information system.

5.3.5 Improving livestock and fodder production

Animals have played a critical role in helping Basotho through difficult times. During the PRS period, Government will encourage appropriate animal husbandry and strengthen the links to homestead food production. Government will promote the use of dairy goats and indigenous chickens. It will also encourage the planting of lucerne and fodder tree species linked to water harvesting systems. In areas better suited to extensive animal husbandry the focus will be on improving range management through community-based associations. Government will also promote fodder (grasses) production on marginal land, especially in the Southern districts, as a substitution crop and a means of restoring soil fertility which can be followed by systematic cereal replanting. This will be linked - through cut and carry practices - to the intensive livestock and horticulture systems described earlier.

5.3.6 Improving marketing systems

Lesotho is not heavily dependent on agricultural exports. However, if successfully implemented, the strategies listed above will result in households moving fairly rapidly from meeting their own consumption needs to generating a surplus for sale. The successful sale of such surpluses will help to ensure that food security objectives are achieved as cash becomes available for other purposes. As homestead gardening results in the production of relatively small quantities of fresh produce it is important to find ways of disposing of this rapidly and as close to the homestead as possible. In places near factories, local gardeners are successfully selling large quantities of fresh vegetables to workers. The challenge ahead will be to strengthen and expand such opportunities. One way to do this is through the creation of rotating markets where both buyers and sellers know that on a given day sales of fresh produce will take place. If essential services (such as a mobile post office or bank) are provided at the same time, this attracts people, further stimulating sales of farmers' produce.

Where marketing of surplus fresh produce is difficult, emphasis will need to be placed on food preservation and storage technologies. This can be done through well-established networks of Government nutritionists and NGOs such as the Homemakers Association.



Plate 15: Fields along the Makhaleng Valley: distance from markets can be a problem

Government will also facilitate links between farmers who start producing on a larger scale (through block farming, for example) and buyers looking for particular products. While such farmers may not be amongst the poorest they do generate employment and stimulate the economy.

As far as possible, Government will encourage the private sector to take the lead in marketing activities. The primary role of the Government will be to stimulate links, provide encouragement, regulate and promote high standards of produce. To this effect, the sub-sector will undertake the following strategies:

- enhance market research and market information services;
- ensure the maintenance of standards and enforce fair trading practices;
- improve the response to local, regional and international market opportunities;
- improve marketing infrastructure in partnership with the private sector;
- pilot rotating markets linked to provision of essential services, particularly for producers of fresh produce;
- provide training on the preservation of surplus fresh produce.

5.3.7 Strengthen food security database

During the medium term, the food security data base will be strengthened, in order to address the existing weak national information systems, inadequate analysis of food price data and inefficient early warning systems. This will facilitate better understanding of vulnerability and inform policy making and budgeting.

Goal:			
NUMBER TWO: AGRICULTURE AND FOOD SECURITY			
Indicators	Baselines		Targets
<ul style="list-style-type: none"> • Crop production(tonnes) Maize Wheat Sorghum • Crop yields/Hectare Maize Wheat Sorghum • Area under irrigation (hectares) • % of households with food insecurity • Livestock: Formal exports of: Wool (tonnes) Mohair (tonnes) 	130,934 in 1997/98 - 2001/02 26,065 in 1997/98 - 2001/02 28,047 in 1997/98 - 2001/02 0.781 in 1997/98 - 2001/02 1.174 in 1997/98 - 2001/02 0.883 in 1997/98 - 2001/02 80 in 2002/03 36% in 2002 1,327 in 2000/01 262 in 2000/01		140,000 in 2006 30,000 in 2006 30,000 in 2006 0.9 in 2006 1.3 in 2006 1.0 in 2006 150 in 2006 32% in 2006 1,650 in 2006 325 in 2006
Key Strategies and Activities for Implementation:			
<ul style="list-style-type: none"> • Adopt appropriate farming techniques and practices and support production of suitable crops properly adapted to local conditions. • Develop irrigation infrastructure to support large scale irrigation for commercial farmers. • Identify smallholder farmers and encourage them to use appropriate gravity fed techniques, water harvesting, water management and irrigation techniques to supplement rain fed agriculture. • Train a pool of extension agents and decentralise them to area level. • Ensure that inputs are available to farmers on time. • Promote and develop support for better market linkages and processing in a sustainable manner. • Improve livestock through rearing of high quality stock and increasing access to veterinary services and drugs. • Legislate land reforms for effective land management and increase access and security of title to land by local investors and women. • Establish a sound data base on vulnerability as a basis for planning and executing safety net measures and targeting humanitarian assistance to those in need. 			
Total Incremental Costs:			
	2004/5	2005/6	2006/7
	M10,826,650	M9,406,650	M8,995,057
			Total
			M29,228,357
Key Implementing Agencies:			
<ul style="list-style-type: none"> • Ministry of Agriculture and Food Security • Food Management Unit • Food and Nutrition Coordinating Office • Disaster Management Authority • Private Sector • Civil Society Organisations • Ministry of Local Government 			
Comment:			
Budget values for FMU, DMA and FNCO still await approval of budget.			

CHAPTER 6: DEVELOP INFRASTRUCTURE

6.1 SITUATION ANALYSIS

The situation at Independence

At the time of Independence, Lesotho consisted primarily of villages connected only by gravel roads and bridle paths. Only a very small elite had their own vehicles; most people travelled on horse back or used the buses if they had to travel long distances. Mineworkers used the South African Railways to make the long journey to the mines, returning only once a year. Virtually all schools and clinics belonged to the churches. Telephones hardly reached beyond Maseru district and most institutions that needed electricity outside the capital had to generate their own. The vast majority of villages did not have piped water supplies and latrines were rare. The most common fuels were cow dung, shrubs and crop residues.

Considerable progress

Since Independence Lesotho has made enormous strides in developing its infrastructure. Despite the challenges posed by a difficult terrain, the country has been transformed by continuously expanding infrastructure of all kinds. The road network now covers a distance of 6035 km, of which 1205 km are paved. The rural roads network covers 3800 km, or over 60 percent of all roads. In areas where vehicle transport is not justifiable because of low population density, 109 foot bridges have been constructed. Rural water supply has made equally impressive strides, with approximately 62% of the population now able to access 30 litres per capita per day within 150 metres of their homes (a standard higher than that of many African countries).

In urban areas sophisticated systems supply water not only for domestic purposes but also for the fast growing industries. Electricity supplies have been extended through most parts of the Lowlands and now reach all district headquarters in the mountains. Much of this power is generated by the award-winning Lesotho Highlands Water Project that also exports water to South Africa. As for communications, within a five-year period the number of fixed telephone lines (21,000) has been exceeded by mobile phones (27,000). A brief analysis of key areas is given below.



Plate 16: Water supplies have reached over 60% of the rural population

Challenges ahead

While the Government takes great pride in what has been achieved much remains to be done. Two massive challenges loom that will have to be tackled head on if the gains of the past are to yield benefits for the poor. These are equally important but require very

different approaches and strategies. First, relevant infrastructure - especially water - must be provided *as fast as is feasibly possible* to the new industrial estates of Butha-Buthe, Maputsoe, Teyateyaneng, Maseru (Ha Tikoe), Mafeteng and Mohale's Hoek. If this is not achieved within a reasonable time, potential investors will turn their backs on Lesotho and tens of thousands of job opportunities will be lost. The second great challenge is to maintain the momentum of providing basic infrastructure to rural areas. As much of the lowlands now has access to the water and roads, the task will be to take the process forward into ever remoter regions. During consultations for the National Vision and Poverty Reduction Strategy, community members in the mountain districts expressed the concern that they had been forgotten by the government because very few developments occur in their areas, compared to those of their counterparts living in the lowland parts of the country. As services are extended to these areas, the Government is aware that the per capita/unit costs will increase dramatically. Nevertheless, on the basis that every Mosotho is entitled to basic services the process must go on.

6.1.1 Transport

The Lesotho Road Network map shows that most of the roads are concentrated in the Lowland portions of the districts of Butha-Buthe, Leribe, Berea, Maseru, Mafeteng and Mohale's Hoek. Roads are relatively few in the Mountain districts of Thaba Tseka, Mokhotlong, Qacha's Nek, and Quthing. Although there are arterial roads that connect all the districts in the country, few rural roads connect villages and towns within districts in the mountainous parts of the country, which comprise 75% of the total area of Lesotho, and in which about one quarter of the population lives.

Experience from the transport sector demonstrates that the provision of infrastructure can have both long and short-term impacts on poverty alleviation. The Department of Rural Roads already makes a significant contribution in this respect, as it employs between 7,000 and 8,000 labourers on a rotational basis in construction activities. Without sacrificing efficiency, the Government will strive to ensure that wherever possible labour-intensive methods are used. Contractors who are able to demonstrate that this can be done in a timely and cost effective manner will be favoured.



Plate 17: Road networks have improved, but accidents - often involving taxis - are frequent

6.1.2 Water

Lesotho is blessed with relatively abundant water resources.³⁶ Since 1986 efforts have been focused on developing these for export through the Lesotho Highlands Water Project. This has brought many benefits to Lesotho, including a steady stream of royalties that reinforce the Government's capacity to provide essential services. However, with Lesotho's own need for water reaching levels that could not have been anticipated 30 years ago, Government is determined to direct efforts towards developing sources to supply the fast growing urban areas of the Lowlands. Another important change since the Highlands Water Treaty was signed is that Lesotho is now a signatory to various international conventions that it has obligations to fulfil.³⁷ Under these conventions, all future projects will have to be undertaken in consultation, particularly with those states that are members of the Orange River Basin Commission. Government will maintain a high profile in these fora to ensure that the country's needs are well represented, as the future of tens of thousands of households depends on this.

The enormous importance of providing water to new industrial areas has already been stressed (see Section 4.2.2). Here it is worth reiterating the fundamental point that *unless fast track solutions can be found to the lack of water there is a real risk that investors will seek alternatives to investing in Lesotho*. Government, with the support of its development partners, is already earnestly seeking ways of providing water not only to these industries but also to the peri-urban areas where most of the workers and job-seekers are to be found.

Two closely related feasibility studies are underway that aim to address the shortage of water in the Lowlands. The Metolong Dam Feasibility Study focuses on provision of water to Maseru and surrounding areas by 2007. A more comprehensive study, the Lesotho Lowlands Water Supply Scheme Feasibility Study, is examining how best to supply all Lowland settlements with populations greater than 2,500 by 2010.

While evaluating the study results for a long term solution, the government will continue to extend water supply systems to communities that are poorly supplied in order to address present demand in a viable manner. This is particularly important from a gender point of view: in the community consultations, women consistently ranked lack of water higher than men.³⁸

6.1.3 Sanitation and Solid Waste

Inadequately treated sewage and trade wastes are the main sources of surface water pollution and are responsible for the introduction of toxic substances into the aquatic environment. Untreated sewage also contributes to increases in micro-organisms, such as bacteria, viruses and protozoa, which, particularly in urban areas, presents a threat to the health of the population. In Maseru, spillage from septic tanks and the high concentration of latrines may contaminate groundwater resources, upon which many poor households depend (through the use of hand pumps). Urban areas generate large amounts of solid waste and, as accessible dumpsites are filling up, it is becoming increasingly difficult and more expensive to dispose of. Poor management allows disease vectors to proliferate, with serious consequences for health.

³⁶ On average, rainfall, together with winter snowfalls, provides an estimated 5.5 billion m³/annum (175Mm³/s). Renewable groundwater resources constitute about 340 million m³/ annum whilst the rest is surface water. Considerable yields have been found in alluvial deposits and fractures associated with dolerite dykes. Surface water resources are found in a network of springs and rivers.

³⁷ These include UN Millennium Development Goals, International Conference on Freshwater - Bonn 2001, World Summit for Sustainable Development (WSSD), Agenda 21, Third World Water Forum and SADC Protocol on Shared Watercourses.

³⁸ Overall women ranked 'lack of water' as their fourth biggest poverty problem, while men ranked it as the 10th biggest problem.



Plate 18: Unsafe surface water being used for washing clothes in peri-urban Maseru

6.1.4 Telecommunications and Mass Media

The Telecommunications Policy of 1999 drives developments in the Communications sub-sector by providing a framework for improving communications connectivity throughout the country. The objective of the policy is to facilitate the restructuring of the sector and provide guidance to the new law that has allocated responsibilities to various role players: the Ministry of Communications is responsible for policy formulation; the Lesotho Telecommunications Authority is responsible for regulating operations in the sector while service providers are responsible for service delivery.

Over the last few years privatisation has made a significant contribution to improving access but communications development is largely concentrated in Maseru and the lowland parts of the northern and southern regions of Lesotho. In mid-2001 mobile telephone subscribers totalled 27,000 with an average of 1.35 mobile phones for a population of one hundred people. Data for May 2002 shows there were 21,416 fixed telephone network connections, translating to one telephone line for a population of one hundred persons. Maseru accounts for 71% of the main telephone lines, leaving the other nine districts to share the remaining 29%. Moreover, public telephones are only found in urban areas confirming that telephone communication is very limited in the rural areas. The challenge ahead is to ensure, through proper regulation, that the operators do not neglect rural areas in their bid to maximise profits in the more commercially attractive urban areas.

Radio plays a key role in promoting various development initiatives. The broadcasting service covers about 75% of the country with the larger percentage in the urban areas. In

the last decade Government has issued a number of radio licenses for private radio stations that have extended listeners' choice considerably.

6.1.5 Energy

Lesotho is experiencing a considerable energy shortage. Almost 90% of energy consumption in the rural areas is sourced from indigenous biomass fuels consisting of shrubs, firewood, crop residues and animal waste. This has resulted in the depletion of reserves for woody plants and animal droppings that might have been used to enrich the soil. The consequences on the environment have been devastating, further perpetuating the poverty cycle. Electricity access was limited to about 10% of households in 2002 and most connections are found in the Lowlands. Paraffin is used for cooking, heating and lighting, but its access in the rural areas remains a problem mainly due to inaccessibility and high prices. Other fuels such as liquefied petroleum gas and coal play a minor role in rural areas. Finally, few rural households use Photovoltaic (PV) systems or diesel/petrol generators.

Data show that the poorer the household the more time spent per day collecting fuel. The wealthiest households spend an average of eight minutes a day collecting fuel, compared to more than two hours a day for the poorest. Women and children are most severely impacted as they are the ones responsible for collection. In some mountain areas, school children spend almost one day a week collecting fuel for the school kitchen, seriously impairing their education. Between 1993 and 1999 the percentage of households that depended on collected fuel rose from 55% to 66%.³⁹ In short, *energy is both an environmental and a poverty issue* - and one which the Government of Lesotho is determined to tackle.

6.1.6 Urban Settlements and Access to Housing

An assessment of the housing sector undertaken in 1998 revealed that, while people are generally successful in their efforts to provide some measure of shelter for their families, most of this housing is provided informally and constructed by the owner, financed by individual savings and, in urban areas, often constructed on illegally-held land without basic services. Formal sector institutions have failed to respond effectively to the needs of the informal sector and lower income households.

The vast majority of housing is owner-constructed and financed. In urban areas, and to some extent in rural areas, owners typically collect materials over time and eventually build the houses after all the building materials have been assembled. In this way, it normally takes a household a minimum of three years to put the building materials together before the actual construction of the house starts. Households tend to apply this strategy with unreliable or irregular incomes. In rare cases home builders are able to access limited credit. Even where credit exists, it is unaffordable to the majority of the people because of the stringent conditions imposed by commercial banks, including high interest rates and deposits of around 10% of the loan. The formal real estate market is poorly developed and private sector developers are discouraged from playing a role in housing provision because of difficulties experienced in obtaining land.

The significant shifts from rural to urban areas exert immense pressure on the limited infrastructure services and the acute shortage of housing has become a contentious issue in urban areas. More than 600,000 people (27% of the population) live in urban areas and growth points at present, with Maseru absorbing the largest share and growing at the rate of 7% per annum. Government is determined to ensure that the residents of the peri-urban areas, areas that are filling with new arrivals searching for work, are not neglected.

³⁹ Gay and Hall, 2000, p.100.

Thus, comprehensive infrastructure plans will be implemented to ensure that not only the factories but also the people who work in them are well catered for.

Government is particularly concerned about the supply of utilities in peri-urban areas. For utility companies to provide a cost-effective service, it is important that they should have reasonably easy access to people's homes. The lack of settlement planning in urban areas prevents this. One reason for the ad hoc pattern of settlement is that acquiring land through proper legal channels is cumbersome and expensive, leaving the poor with little alternative other than to work through chiefs and field owners. This underlines the need for a co-ordinated approach to urban development involving Government agencies, local authorities, utility companies and private sector developers.

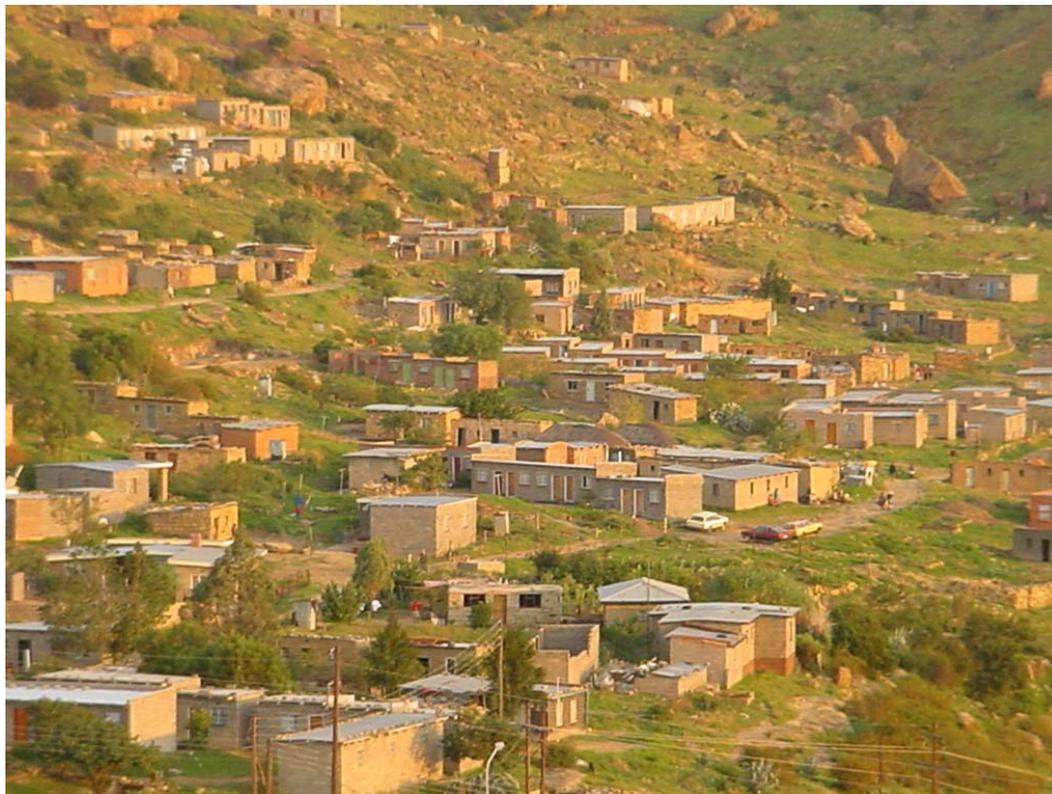


Plate 19: Unplanned part of peri-urban Maseru: utility companies have problems of access

6.2 OBJECTIVES

To fulfil the goals of service delivery in rural, urban and peri-urban areas over the next three years, Government has agreed on the following series of clearly defined objectives:

- increase access to roads and transport;
- increase access to water;
- increase access to sanitation;
- increase access to telecommunications and mass media;
- increase access to clean and affordable energy supplies;
- ensure planned settlement of peri-urban areas and affordable access to housing.

With support, Government can allocate significant resources to the wide variety of infrastructure projects mentioned in the PRS. However, unless these are carried out under proper legal and policy frameworks there is always a risk of failure. Government, therefore, will ensure that all sub-sectors lacking effective infrastructure policy frameworks to guide and regulate developments in their sector are strengthened.

6.3 STRATEGIES

Under each of the objectives, a series of strategies has been devised. Where necessary, additional background information is provided. For ease of reference the strategies are described under objective sub-headings.

6.3.1 Improve Access to Roads and Transport

In many cases, infrastructure can only be put in place once roads make this possible. Under this objective, the following strategies will form the focus of the PRS implementation period:

- **Provide a conducive legislative, policy and institutional framework.** The transport sector is making considerable progress on policy formulation, including how best to assess and manage environmental impacts of transport infrastructure development. This process will be continued and strengthened through:
 - reviewing road legislation with a view to clarifying the responsibilities of all the institutions involved in road construction and maintenance;
 - reviewing transport policy, particularly with a view to attracting private transport operators to rural areas through licensing procedures and enhancing inspection of transporters to reduce accident rates.

- **Increase road access.** Within the transport sector, Government sees roads as being most critical in the struggle to alleviate poverty. However, only where it is considered absolutely necessary (based on socio-economic criteria) will paved trunk roads be constructed to connect major towns or areas of strategic importance. In the first year of the PRS implementation, Government will conduct studies (including EIA) to determine the costs of constructing paved roads in the highlands. Maintenance of all national trunk roads will continue throughout the period. Instead, particular priority will be given to rural roads which are constructed and maintained with community involvement, but according to set standards and procedures. For this reason Government will aim to:
 - construct, rehabilitate and maintain roads linking rural communities to basic services;
 - train local communities in road construction and maintenance to ensure sustainability of rural road infrastructure;
 - construct foot bridges and river crossings in the rural areas.

6.3.2 Access to Water

Over the next three years Government will increase its efforts to better serve both rural and urban areas through a variety of projects and local schemes. Implementation of on-going and new projects will be done in a co-ordinated manner under the leadership of the new Commissioner of Water's office. The key strategies and projects are mentioned below.

- **Monitor, refine and formulate water policies and legislation.** The sustainable provision of water for various purposes cannot take place without a supporting policy and legal environment. For this reason, in 1999, a Water Resources Management Policy was adopted by Government. While useful in many ways, some key areas that relate to water resource development are not adequately dealt with in the Policy. As these have important implications for access by the poor to water, this oversight will be addressed over the next three years. In particular, policies will be formulated that deal with resettlement, sanitation, water pricing, water resources development and water conservation (including recycling). This process will contribute to the drafting a new Water and Sanitation Act that is intended to bring the Water Resources Act of 1978 into line with international agreements and developments in the sector. Another important revision to the legislation will consist of amending the Water and Sewerage Authority Order of 1992 to support new policies. In addition, Government will amend the law to require an annual review of tariffs. To ensure that the poor are adequately protected, Government will maintain a stepped tariff structure whereby poorer consumers are subsidised by those who are better off. To ensure that various pieces of legislation are enforced, Government will increase the capacity of the Department of Water Affairs to regulate and enforce water sector legislation.
- **Improve institutional capacity to assess and monitor water resources.** With numerous water sector projects due to be implemented in the next few years it is important that the institutional capacity to manage critical data and inventories is developed and maintained. Government will seek additional support for key institutions, including the Office of the Commissioner of Water, Department of Water Affairs (DWA) and the Department of Rural Water Supply (DRWS). Concurrently, Government will conduct a feasibility study to determine if there are any advantages to be gained from separating water supply and distribution functions, particular in view of the recommendations of the Lowlands Water Supply Scheme Feasibility Study.
- **Improve water storage, delivery and distribution.** The central strategy for the water sector is to improve storage, delivery and distribution. The key activities are:
 - complete the Lowlands Water Feasibility Study and proceed to detailed design;
 - complete the EIA and detailed design of Metolong Dam and proceed to construction;
 - augment Maseru Water Supply System by raising Maqalika dam wall and upgrade water treatment works;
 - carry out detailed design and start implementation of the Pilot Programme of Maseru Consensus Building for Peri-Urban Water Supply Project;
 - implement WASA's Peri-Urban Water Project Phase II;
 - complete the detailed design and construction of the Six Towns Water Supply and Sanitation project;
 - complete the Feasibility Study of Five Towns Water Supply and Sanitation project and procure consultants for detailed design stage;
 - extend rural water supplies to unserved areas;
 - rehabilitate and expand existing rural water supply schemes in areas that will not be covered by the Lowlands Scheme;

- maintain flexibility in standards and service levels according to communities' demand for water and their ability to pay.
- **Improve water conservation and management.** Preliminary results from the Lowlands Water Supply Scheme Feasibility Study indicated that water conservation measures - particularly the recycling of industrial water - could significantly reduce the need for expensive new infrastructure. Some factories in Maseru have already invested in their own recycling plants and have found that up to 80% of the water can be recycled, cutting their recurrent costs, while at the same time protecting the environment and pleasing their clients. If 50% of industrial water were to be recycled, the pressure on Maseru's overstretched supply would be immediately reduced. Equally important is the need to identify the quantity and reasons for water loss (currently approximately 30%) and determine the best options to minimize losses. Both of these activities will be given high priority over the next three years.
- **Strengthen community capacity to manage rural water schemes.** Many rural water systems are not functioning at all or are not meeting DRWS standards. In pursuing the goal of universal coverage - including to communities in the remote mountains - Government will focus on rehabilitating and maintaining existing rural water systems through implementation of the DRWS 5-year plan that encourages community ownership and management of completed water systems and outsourcing of work to private contractors and NGOs.



Plate 20: Community-based management helps to ensure sustainability

6.3.3 Access to Sanitation

- **Improve water-borne sewerage systems in Maseru.** Efforts will be made to expand the water-borne sewerage system and to up-grade the associated treatment works. Concurrently, the Government will re-examine mechanisms to assist poor households to up-grade their dry sanitation systems (latrines) to ensure that these provide adequate protection against disease and do not present a risk to ground water. Government will ensure the provision of public toilets, especially at key public transport nodes and markets.

6.3.4 Access to Telecommunications and Mass Media

- **Develop a Universal Access Policy.** The Universal Access Policy will ensure that these poorer parts of the country are provided with the necessary services wherever possible. Highest priority will be given to places where development is being targeted under other components of the PRS (e.g. rural police stations). Numerous studies have shown that radio is a particularly effective way of reaching poor households with critical information regarding projects, public health, education and employment. For this reason, over the next three years, Government will expand its public broadcast transmitters to cover 90% of the country (from 75%).

6.3.5 Access to Energy

As the vast majority of the poor use - and will continue to use - biomass as their primary fuel, the Government will increase the resources allocated to forestry, particularly to the expansion of private and public woodlots (this is discussed in more detail in Chapter 10). Further, to ensure that children are not deprived of part of their education because of the fuel needs of school kitchens the Government will conduct a feasibility study to determine how best to convert these to less demanding systems (see Chapter 9). This section focuses on Government plans to improve access in rural areas to modern fuels that are less demanding from both an environmental and social perspective.

- **Develop and implement a National Rural Electrification Programme.** Electricity is vital for the growth of businesses, the development of institutions and the well-being of families. For this reason it is essential that Government plays a role in ensuring that electricity is spread as extensively as possible. The Lesotho Electricity Corporation (LEC) is the sole organisation with responsibility for this task.⁴⁰ In order to ensure that it meets the huge challenges that lie ahead, the following key activities will take place in the next three years:
 - develop a Rural Electrification Master Plan;
 - identify economically productive/business centres in the rural areas for early electrification;
 - implement the access to electricity pilot projects and projects emanating from the Rural Electrification Master Plan;
 - establish the National Rural Electrification Fund (NREF) and mobilise funding to subsidise the costs of rural electrification projects;
 - reduce the existing backlog of applicants;
 - develop service delivery models and financing mechanisms for renewable energy technologies.

⁴⁰ LEC had over 35,000 consumers in December 2003. Increased electrification levels will necessitate increased electricity imports from ESKOM of South Africa and/or expansion of generation facilities in the country.

- **Introduce appropriate reform measures; develop institutional capacities and responsibilities for electrification, and energy service delivery in rural areas.** None of the very ambitious service delivery tasks listed above can be accomplished without a solid institutional base. For this reason, over the next three years, the Government will implement the following specific tasks:
 - establish the Lesotho Electricity Authority;
 - establish a Rural Electrification Unit/Agency to facilitate, co-ordinate and manage rural electrification projects;
 - complete the privatisation of LEC;
 - complete the financial restructuring of 'Muela Hydropower Plant';
 - develop a training plan for capacity building of electricity institutions and their stakeholders;
 - study the potential social impacts of sector reform (including tariff adjustments) and determine the most effective measures to include the poor in new programmes and protect them from adverse adjustments.

- **Improve the availability of commercial fuels in rural areas.** The private sector supplies commercial fuels to most parts of the country but some areas are poorly served. Government will review the instruments at its disposal to assess how best to ensure that the private sector does not neglect poor areas. The Government policy will be to promote use of renewable energy for sustainable development.

6.3.6 Ensure planned settlement of peri-urban areas and affordable access to housing

In anticipation of the continuous growth of peri-urban areas, Government will carry out the following over the next three years:

- **Ensure adequate provision for the land tenure needs of peri-urban areas**
 - streamline land application and allocation procedures and make land more accessible to the poor;
 - ensure that the Local Government Act and the Land Act are in harmony;
 - train the new structures that will be responsible for land allocation under the new Land Act;
 - monitor implementation.

- **Improve planning of settlements**
 - review, up-date and implement the National Settlement and Shelter Policies in line with the legislation described above;
 - establish a National Housing Authority and ease access to land for private sector housing development;
 - review and/or establish regional, town and village plans that are community-based with a view to pro-poor interventions that can be implemented within three year plans (including proper public access to parks, transport terminals, community centres, grave yards, waste disposal sites, etc).⁴¹

⁴¹ A model already exists for Butha-Buthe town prepared for the Ministry of Home Affairs with assistance from the Development Bank of Southern Africa.

Goal:			
NUMBER THREE: INFRASTRUCTURE DEVELOPMENT			
Indicators	Baselines	Targets	
• Kilometres of gravel roads constructed and maintained	6800 in 2002	TBD	
• % of households with access to improved water resources	78.9 in 2002	TBD	
• % of households with improved sanitation	47.4 in 2002	TBD	
• % of households with access to electricity	10% in 2002	17% by 2006	
• No. of people with access to telephone services	233,715	250,000 by 2006	
Key Strategies and Activities for Implementation:			
<ul style="list-style-type: none"> • Provide a conducive legislative, policy and institutional framework for the development of the sector. • Construct, rehabilitate and maintain roads and river crossings for enhance access to basic services. • Improve institutional capacity and set up a data base to assess and monitor water resources. • Improve water harnessing, storage, delivery and distribution in accordance with the recommendations of the Lesotho Lowlands Water Supply Scheme Feasibility Study. • Construct and rehabilitate rural water supply areas that will not be covered by the lowlands scheme. • Promote and implement water conservation and management techniques at industrial and community levels. • Introduce appropriate reforms into the power sector and develop institutional capacities for efficient electrification and energy service delivery. • Expand rural electrification to both households and economically productive/ business centres in the rural areas. • Improve access to information and communication technology for connectivity to basic services. 			
Total Incremental Costs:			
2004/5	2005/6	2006/7	Total
M586,489,292	M505,303,920	M454,640,622	M1,546,433,834
Key Implementing Agencies:			
<ul style="list-style-type: none"> • Public Works and Transport • Natural Resources • Trade, Industry, Cooperatives and Marketing • Tourism, Environment and Culture • Health and Social Welfare • Local Government • Private Sector • Civil Society Organisations 			
Comment:			

NB: TBD is To Be Determined.

CHAPTER 7: DEEPEN DEMOCRACY, GOVERNANCE, SAFETY AND SECURITY**7.1 SITUATION ANALYSIS****Lesotho's heritage gives clear guidance**

Lesotho's very existence can be traced back to the extraordinary achievements of King Moshoeshoe I who overcame great adversity through his consultative, inclusive and diplomatic approach to governance. Under his leadership, refugees, war victims, widows and the poor were given a place in society and an opportunity to rebuild their lives in security. The community consultations clearly spelt out the appeal from ordinary Basotho: they seek the same fundamental rights as those who lived at the time of Moshoeshoe I, being peace, participation and security. The Government of Lesotho sees this as the most fundamental long-term challenge facing the country. Good governance is a pre-condition for poverty eradication, and its pillars are democracy, transparency, accountability and protection for all. It must *pro-actively* promote people's participation in decision making and resource allocation, while protecting them from arbitrary, uncontrolled actions by governments, multinationals and other forces.

But the last 40 years have not produced consensus among the political elite

Lesotho held its first democratic elections in 1965, under a borrowed Westminster model based on multi-party democracy. Democracy was readily accepted. Political participation was not a new phenomenon as the obligation of the political leadership to consult the people. This was a norm entrenched in the system of governance in the pre-colonial era. Basotho culture suggests that ultimate power lies with the people. However, this noble tradition was seriously undermined by the political elite in the post-independence period. The state apparatus became highly partisan and politicised. State power also became highly centralised and the state security apparatus grew increasingly influential. Over the years Lesotho's democracy has been fragile, undermined by a refusal to accept election outcomes, the suspension of constitutional rule and rampant abuse of human rights.

The Westminster system was a flawed model for Lesotho

The determination of ordinary people to participate and vote for a government of their choice has been demonstrated in 1993, 1998 and 2002, when Basotho went to the polls to choose a government that they thought would serve their interests best. While the people's commitment to democracy is unquestionable, experience in the 1990s revealed that the electoral model was itself inappropriate. Lesotho had been using the first past the post electoral model (FPTP), which did not translate the national vote into a proportionate share of seats in the National Assembly. Losing political parties felt cheated by being left out of parliament although substantial numbers of supporters voted for them. In 1998 the protests about the election results by an alliance of opposition parties culminated in mass destruction of businesses and public property, anarchy and lawlessness. GDP fell by 4.6 percent in real terms and many hundreds of people were left jobless; national resources, which could have been used for development, were diverted to reconstruction; and potential investors were scared away, thus increasing levels of poverty.

A more inclusive system has recently been established

Out of the ashes of destruction rose a collective determination to transform the very nature of Lesotho's democratic system, making it more inclusive than the Westminster model. In 1998, political leaders established the Interim Political Authority (IPA). Through the IPA the ruling party and opposition parties reached consensus on adopting an electoral system that combines FPTP and proportional representation (PR) in order to ensure that

the national vote approximates the proportion of seats that each party receives in the National Assembly. Thus, Lesotho employed a mixed member proportional (MMP) system in its 2002 elections. These have been hailed as an example of what can be achieved through negotiation and reforms agreed upon by consensus. The 2002 elections, declared free and fair by observers, have set the country on a new course which holds the promise of stability and progress, while reinstating the fundamental principles of governance.

Consolidating democracy remains a large challenge

The successful conduct of the elections is only a start to consolidating Lesotho's fragile democracy. Much remains to be done. The institutions specialising in conflict management and resolution are still relatively weak. There is also a general lack of trust and confidence in the capacity and political neutrality of the law enforcement agencies mandated to investigate crime, enforce the law and protect the Constitution. Furthermore, there is a lack of cohesion and coherence regarding the national policies aimed at consolidating democracy, particularly at local level. Links between the electorate and Members of Parliament are generally weak, due to poor accountability. Parliament lacks portfolio committees that should facilitate the production of quality legislation, as well as control and monitor the executive arm of government. These impair the efficiency and effectiveness of Parliament.

Decentralisation is a key area to be implemented

The Government of Lesotho is committed to ensuring the participation of Basotho in the development process. In this regard, the Ministry of Local Government is working towards preparing communities for responsible and mature participation in local government structures that will be more effective in reaching the poor. The Local Government Act was passed in 1997 and elections for the new local government structures are planned to take place in 2004/05. The policy framework to facilitate implementation of local government is in place. The process of determining the financial feasibility of decentralisation is underway. This involves clarification of the functions, roles and responsibilities of different local authority role players, as well as of the administrative arrangements and the relations between the central government and local government.



Plate 21: Enhancing participation in decision making at a local level is important

Corruption

The community consultations show that there is a widespread perception that “government is the milk cow of the well placed”. This view is so widespread that it will take concerted efforts by the highest offices in the land to reverse. Ordinary people are concerned about the apparent ability of powerful individuals to alter the course of justice, to misuse the resources of the state for personal advantage, or to accept bribes and kickbacks. They claimed that this has become an increasingly disturbing phenomenon in Lesotho. Whether through lack of transparency in tendering processes, the breakdown of accounting and auditing functions in Government ministries, or the simple misuse of Government property, they say the signs are clear. The Government is committed to developing a new ethic of service that is not based upon personal connections. It will ensure that this is enforced through new mechanisms of reward and promotion, resulting in an improvement in the delivery of services to the poor.

Human Rights

The Constitution of Lesotho (Chapter II) specifies the civil and political rights that can be contested and enforced through the courts of law. Institutions of protection, such as the courts and the Ombudsman, have been established to give practical effect to these rights. However, there are several social, cultural and economic rights (Chapter III) which cannot be contested or enforced by the courts, but are promoted through the policies of the state. Government’s commitment to ensuring access to these rights is, however, limited by the availability of resources.⁴²

Lesotho has a high incidence of crime, including offences such as murder, robbery, stock theft, theft, rape, fraud and assault with intent to do grievous bodily harm. Perpetrators of crime have legal rights as the Constitution states that: “Every person shall be entitled to equality before the law and to the equal protection of the law.” Section 12 and its

⁴² One example of this commitment to increasing access to social services is the implementation of a policy regarding education for all (Section 28 of Constitution). While this has not reached all levels it will be extended on a gradual basis as resources become available.

subsections provide suspects charged with criminal offences with substantive rights at every stage of the proceedings. A suspect has the right to be presumed innocent until the court has found him guilty. Prior to judgement, the suspect has the right to bail (subject to the presiding officer's discretion), the right to defend his case through a legal representative of his choice (sometimes provided by the state through Legal Aid or *pro-deo*) and has the right to be assisted with an interpreter if necessary.

By contrast there are no substantive and procedural provisions in the Constitution protecting the rights of the victims. This disparity defeats the spirit of the equality clause in Section 19 of the Constitution. The legal process, while aimed at securing a conviction, fails to adequately address the interests of the victim. The victim does not have the right to make a statement prior to sentencing in order to provide the court with an assessment of the impact that the criminal conduct has had. A victim may appear in court as a witness but, if they are not required to actually assist in securing a conviction they may not always be informed of the proceedings. Where medical treatment and counselling is needed by a victim, it is at the victim's expense. Medical costs that are part of the prosecution evidence are also at the victim's cost. The Criminal Procedure and Evidence Act, 1981, sets an extremely low level for compensation (maximum of M400) obtainable through civil proceedings. This amount is inadequate to compensate victims of crimes who have suffered serious damage.

Justice, safety and security require more concerted effort

Consultation has shown that communities throughout the country gave high priority to improving all aspects of the justice system. Their main concerns are:

- **Slow prosecutions.** The police are experiencing serious problems and cannot respond promptly to crimes. They take too long to investigate thoroughly and consequently there is a delay in handing dockets over to the Prosecution. There are huge backlogs and suspects have to remain in custody for a long time before they start serving the actual prison term or are acquitted. This worsens the prison overcrowding situation. Many of the suspects lose their means of livelihood and are more likely to turn to crime. Thus families are negatively affected psychologically, economically and socially. Prisons are costly to maintain, eating up resources that would better be spent on the poor.
- **The impact of inefficient courts on livelihoods.** The High Court lacks administration skills for proper management. Preparation of the case roll is uncoordinated and inefficient, as it is not recognised as a central function. The lower courts are understaffed, under-resourced and inadequate in number. They have no facilities for safe storage of exhibits and consequently valuable evidence gets lost. There is no modern case tracking mechanism and cases drag on for years. Quite often, witnesses, victims, perpetrators and their relatives have to attend court over lengthy periods of time, interfering with their productivity. People want speedy delivery of justice and, if they have to wait too long for that to happen, they lose confidence in the justice system. Quite often they take the law into their own hands. This has led to the emergence of feuds, killings and destruction of property leaving countless families in absolute poverty.
- **Consequences of overcrowding.** There is a serious problem of overcrowding, with prisons holding twice the number of prisoners they were designed for. This severely hampers all rehabilitation efforts as overcrowded prisons become breeding places for hardened criminals, who increase the rate of crime on their release.
- **Poor protection of vulnerable groups.** Despite the advances made by the justice sector through the introduction of new legislation and the incorporation of international and regional conventions into Lesotho law, the justice system is plagued with problems that hinder the achievement of its main goal, which is the reduction and control of crime. An increasing number of children are getting into conflict with the law.⁴³ Legal aid for the poor is limited and exists only in Maseru where it is out of reach for many. There is no policy regarding decentralisation and no proposed legislation for this department. There is no policy in relation to restorative justice and no legislation in the pipeline. There are particular concerns regarding the lack of automatic legal protection for vulnerable groups. These include women (who do not have equal status before the law), people with disabilities (who have problems of access), children (especially the inheritance rights of orphans) and people living with HIV and AIDS (notably regarding their rights to employment tenure). There is no specific policy on the aged and disabled or any specific legislation pertaining to their protection. Although there is a policy on HIV and AIDS, there is no corresponding legislation.

⁴³ Between 1998 and 2000 the number of male child offenders more than trebled from 3,065 to 10,518.

7.2 OBJECTIVES

Government's commitment to meet the expectations of the people is long-term and will extend well beyond the period of this PRS. However, over the next three years essential steps will be taken to ensure that democracy is consolidated, governance improved, participation increased and confidence restored in the security and justice systems. Government has noted, with concern, the views of many ordinary people, expressed in the course of the community consultations, that Government is "distant" from them and that contests for political power have set back their development. In the course of the PRS implementation, Government will pro-actively attempt to reverse this perception. The key objectives of this national priority are to:

- deepen democracy;
- improve national governance;
- improve local governance;
- strengthen human rights;
- increase safety and security;
- improve the efficiency of the justice system.

7.3 STRATEGIES

7.3.1 Deepening Democracy

To achieve the goal of deepening democracy four basic strategies have been devised. These aim to:

- **Promote national unity as a pre-condition for socio-economic development.** The events leading up to 22 September 1998 underlined, for every Mosotho, the need to establish some degree of national unity, while at the same time accepting and even developing diversity of views and cultures. This intention is well captured in the Sesotho expression "*Kaofela re chabana sa khomo*", which literally means "we are all people of the cow" but more accurately conveys a sense of striving for *unity in diversity*. Without this unity, the country will always have to live with the risk that peace will be sacrificed for dubious political gains. To promote unity Government will:
 - support campaigns that clearly foster a love for the country and which promote unity in all things that are good for the nation;
 - strengthen the formal conflict management structures of the state and civil society to enable the speedy resolution of disputes at various levels.
- **Establish Civic Education programmes.** The community consultations show that some people remain sceptical about the benefits democracy can bring and do not fully understand the new electoral system or even the provisions in the Constitution that protect their rights. For the poor, who are often at the margins of political decision making, this is unfortunate. Therefore the following activities will be undertaken:
 - support NGOs with a capacity to carry out training on human rights;
 - sensitise the public through media campaigns on constitutional rights;
 - consolidate the teaching/curriculum in schools with regard to civic education.



Plate 22: Civic education programmes are needed to consolidate understanding of democracy

- **Devise mechanisms for feedback and public monitoring.** At the start of the PRS implementation, a campaign will be launched to provide vulnerable and marginalised households with an understanding of how Government plans to reach them through PRS activities. The campaign will also show how they can make the best of opportunities provided by the PRS process and how they can become involved in monitoring progress. Where possible, this will be followed up and re-enforced through local government structures and NGOs.
- **Maintain capacity of the Independent Electoral Commission.** The IEC has played a strategic role in restoring public confidence in democracy. Government will ensure that this confidence is maintained by providing all the necessary resources, particularly those required for local elections which will be held during the PRS implementation period.

7.3.2 Improve National Governance

Under the objective of **improving national governance** two strategies have been drawn up:

- **Improve legislative efficiency of Parliament.** This is essential if the poverty-eradicating measures proposed as part of the PRS are to be given proper legal support. Measures to be carried out in the next three years include:
 - strengthen the role of Parliament and reform its procedures and processes
 - establish standing portfolio committees;⁴⁴
 - train standing committee members on the various issues they are tackling to improve their efficiency and effectiveness;
 - assist the Law Office (Legal Drafting Section) and the various ministries to speed up the preparation of draft legislation;

⁴⁴ Portfolio committees will provide a forum for in-depth discussion of key issues. They will scrutinise legislation in more detail and make the Executive more accountable. Although the committees may delay processing legislation, they increase Parliament's oversight of the legislation process and the functioning of the executive arm of Government.

- review procedures for enacting legislation to accelerate the process and train personnel on speedy passing of legislation.
- **Strengthen Directorate of Corruption and Economic Offences (DCEO).** People have expressed deep concerns about accountability. An unfortunately widespread belief prevails that Government officials are corrupt and are “eating” public goods while in power instead of ensuring that these reach the people they are intended for. Over the next three years Government will demonstrate its commitment to tackling corruption in concrete ways, notably by:
 - reviewing the legal instruments for effectively combating corruption;
 - increasing the numbers and training of anti-corruption personnel;
 - holding public forums on corruption and developing corruption alert mechanisms;
 - intensifying implementation of anti-corruption mechanisms and laws;
 - training the police and other service providers to enhance their professional conduct and improve service delivery;
 - ensuring that accounting, auditing and tendering processes within government are strengthened.

7.3.3 Improve Local Governance

Under the objective of **improving local governance** the following key strategies will be deployed:

- **Create and strengthen structures for public participation in governance.** Although legislation for decentralisation exists, there is no policy to guide implementation. Government will move rapidly, in the first year of the PRS period, to develop a clear and widely accepted policy on decentralisation, the key elements of which will be devolution, local political and administrative control, freedom from centralised constraints and improvement of financial systems. Particular activities will include:
 - developing guiding principles to set clear rules and regulations for the distribution of powers between modern and traditional leadership;
 - decentralising the current labour dispute resolution and prevention mechanisms to the districts, to improve dispute prevention and settlement at source;
 - training district planning units and local authorities’ staff;
 - identifying infrastructural needs of the local communities and developing suitable implementation plans.
- **Establish financial structures and build capacity for decentralisation.** Local Government will only be able to reach the poor if it has direct access to real resources (in the past Village Development Councils had very few resources). Hence the feasibility of different financing options, including commissions and development funds, are being explored with a view to finding the most viable.

7.3.4 Strengthen Human Rights

Under the objective of strengthening human rights, the Government will:

- **Develop guidelines to ensure an appropriate balance between the respective rights of criminal suspects and of the victims of crime.** This strategy will be achieved through the following particular activities:
 - reviewing relevant sections of the Constitution and existing legislation in order to determine appropriate amendments to give practical effect to the guidelines;
 - undertaking advocacy programmes to inculcate a culture of respect for the rights of victims of crime, abuse of power and violations of human rights;
 - providing medical treatment, counselling, support and care to the victims of crime such as rape and attempted murder.

7.3.5 Increase Safety and Security

Under the objective of **increasing safety and security**, Government will urgently address the constraints discussed in the Situation Analysis of this Chapter through:

- **Strengthening crime prevention and reducing the existing high crime rate.** Given the impact on poverty and the importance placed on security by communities all over Lesotho, this over-arching strategy will be given high priority by Government. Although the aims are long-term, Government will undertake specific, measurable activities to ensure progress and momentum. These include:
 - reforming and restructuring management of security institutions and expanding community policing, equipped with communication facilities.
 - creating specialised high level response units for riot control and the protection of women and children;
 - identifying strategic locations that require police stations and providing appropriate facilities;
 - improving facilities at existing police stations;
 - expanding livestock registration and marking to curb the high rate of livestock theft;
 - reducing cross border crime through sensitising communities along both sides of the border about cross-border crime and stock theft;
 - enhancing the capacity of Lesotho Defence Force to partner with other stakeholders in fighting crime, responding to disasters, training youth and supporting other community development initiatives.

7.3.6 Improve Efficiency of the Justice System

Finally, under the objective of **improving efficiency of the justice system** three key strategies have been drawn up:

- **Improve case management.** This is essential to maintain human rights and promote confidence in the justice system. Specific actions to be implemented during the first PRS period include:
 - develop case management policy and implement the Speedy Court Trials Act 2002;
 - train police on proper compilation of dockets and effective transfer of dockets to the prosecution office;
 - improve existing registers for movement of dockets and establish complaint mechanisms to deal with unsatisfactory cases;

- develop an effective case tracking system that is transparent;
- maintain staff motivation and curb turnover by improving working conditions.
- **Improve operational efficiency of the commercial court.**
 - Separate the administrative functions of the commercial court from the high court.
 - Train the judiciary - lawyers and judges - on handling commercial cases for successful operation of the commercial court.
 - Speed up commercial cases e.g. non-repayment of loans in commercial court.
 - Establish a small claims court.
- **Improve access to justice by vulnerable groups.** Government is concerned that poor and vulnerable groups have difficulty accessing the legal system and are not afforded adequate protection. High priority will be given to the following activities:
 - revise the current Legal Aid Act;
 - increase trained personnel within the Legal Aid Office and explore the possibility of opening offices in the districts;
 - draft legislation to provide legal protection to vulnerable groups including persons with disabilities, children, and people living with HIV and AIDS;
 - establish child, juvenile and family courts with child-friendly environments;
 - sensitise the community on the rights of vulnerable groups.



Plate 23: Children need special protection from the legal system

- **Establish a restorative justice and rehabilitation system.** The emphasis of a pro-poor system should not be on punishment but on compensating victims for their losses and on ensuring the offenders' rehabilitation and return to society armed with skills and an understanding of what they can contribute. This requires radical reforms that will take many years. Over the next three years, Government will ensure that a start is made by undertaking the following activities:
 - establish an inclusive task force to define restorative justice;

- orientate and train legal practitioners and other stakeholders for effective implementation of the restorative justice system;
- reconstruct and improve the central prison, and construct two more open camp prisons;
- train inmates to provide them with functional literacy and numeracy, as well as vocational skills;
- implement post-sentence alternative measures to custody and release eligible inmates on parole where possible;
- set up community based structures for restorative justice.

Goal:			
NUMBER FOUR: DEEPENING DEMOCRACY, GOVERNANCE, SAFETY AND SECURITY			
Indicators	Baselines	Targets	
<ul style="list-style-type: none"> • Rate of livestock theft • Crime rate • Local Authorities established & functional • Reported cases of corruption 	17.7 cases per 10,000 inhabitants in 2003 72.7 cases per 10,000 inhabitants in 2003 4% in 2003 300 cases in 2003	2.3 cases per 10,000 inhabitants in 2006 36.4 cases per 10,000 inhabitants in 2006 100% in 2006 200 cases in 2006	
Key Strategies and Activities for implementation:			
<ul style="list-style-type: none"> • Built the capacity of governance institutions; • Strengthen the role of Parliament and reform its procedures and processes • Reform and strengthen safety and security institutions at all levels.. • Develop decentralisation policy and guiding principles. • Set up local government structures and provide them with basic resources and training. • Reform the judiciary systems to be more independent and transparent. • Improve case management through training and development of a policy and an effective case tracking system. • Set up community structures for restorative justice and settlement of minor community disputes. • Develop guidelines to ensure an appropriate balance between the respective rights of criminal suspects and the victims of crime; • Review relevant sections of the Constitution and existing legislation in order to determine appropriate amendments to give practical effect to the guidelines; • Undertake advocacy programmes to inculcate a culture of respect for the rights of victims of crime, abuse of power and violations of human rights • Provide medical treatment, counselling, support and care to the victims of crime such as rape and attempted murder. 			
Total Incremental Costs:			
	2004/5	2005/6	2006/7
	M19,811,552	M3,361,014	M59,743,543
			Total
			M113,174,109
Key Implementing Agencies:			
<ul style="list-style-type: none"> • Justice, Human Rights and Rehabilitation • Ministry of Home Affairs • Law and Constitutional Affairs • Independent Electoral Commission • Defence and National Security • Private Sector • Civil Society Organisations • Communities • Ministry of Local Government 			
Comment:			

CHAPTER 8: IMPROVE QUALITY AND ACCESS TO HEALTH CARE AND SOCIAL WELFARE SERVICES

8.1 SITUATION ANALYSIS

Concerted Efforts in Primary Health Care

Lesotho has made substantial efforts to provide affordable and accessible Primary Health Care (PHC) to the poor.⁴⁵ In the late 1970s Government and church health providers developed a decentralised system with designated health service areas (HSAs), each with its own hospital, clinics, village health posts, village health workers and traditional birth attendants.⁴⁶ Over the years, Government has sought to strengthen this system by emphasising broad-based PHC as the principal means of dealing with preventable infectious diseases that are the primary cause of serious illness and death among the poor.

The Ministry of Health and Social Welfare (MOHSW) has given high priority to interventions that reach some of the most vulnerable individuals in society, notably: family planning, ante and postnatal care, mother and child health, immunisation campaigns and nutrition interventions targeting under-fives. Unlike many African countries, whose health services were disrupted by war, Lesotho has been able to maintain vital immunisation services and has virtually no polio victims. Treatment for tuberculosis, which impacts the poor more than the better-off, is provided free of charge. Under a cost-sharing scheme consultations and medication are obtained for M10 (about \$ 1.50) at Government health centres.

Progress ... and then decline

By and large, the PHC approach described above was successful: life expectancy grew from 40 years in the 1970s to 59 years in the 1990s while infant mortality declined from 122 per 1000 live births to 74. Family planning measures also showed real signs of progress with a decline in the Total Fertility Rate from 5.3 to 4.9. Sadly these gains have since been reversed, as shown in Table 8.1.

Table 8.1: The performance trend for selected indicators of quality of life

Indicator	1970s	1980s	1990s	2000s
Life Expectancy at birth (years)	40	54	59	54
Infant Mortality (per 1000 live births)	122	84	74	80
Child Mortality (per 1000 children surviving to 1 yr)	-	34	34	38
Total Fertility rate (children per woman)	-	5.3	4.9	4.3
Maternal Mortality (per 100,000 live births)	-	282	282	419

Source: BOS - Demographic Survey 2001

Total engagement required

⁴⁵ Primary Health Care is an integrated strategy, intended to increase public awareness on health related matters, such as disease prevention, hygiene, environmental health and nutrition, and to provide basic and accessible services through community-based health workers and health centres.

⁴⁶ As many of the church owned health centres serve impoverished parts of the country, but are poorly funded, Government has provided them with significant support primarily through salaries for staff. A Memorandum of Understanding has been signed between Government and the Christian Health Association of Lesotho to provide a framework for this. A new dispensation providing a stronger commitment by GOL to fund CHAL health services is being phased in during the PRS implementation period.

These declines are due to the emergence of new diseases, increasing poverty and disease resistance to drugs. The health system has not been able to address the devastating effects of HIV and AIDS resulting in the resurgence of diseases like tuberculosis, sexually transmitted and other communicable diseases. It is estimated that 30% of the population aged 15-49 years are reported to be HIV positive, resulting in the deaths of 70 persons per day. Consequently, the demand for curative services has increased dramatically, beyond the capacity of existing health services to respond. The consequences of the HIV and AIDS pandemic are massive and cut across all sectors. While the MOHSW may be most directly responsible for assisting those afflicted, all sectors must actively engage in the struggle. In this sense Lesotho is on a war-footing; unless the entire society is mobilised to fight the disease all efforts to combat poverty will be in vain. For this reason Government has ranked dealing with HIV and AIDS as a special priority area (see *Chapter 12*). In this chapter, therefore, other health priorities are described.

Increasing malnutrition

The onset of the HIV and AIDS pandemic has exacerbated the high levels of malnutrition prevalent in many parts of the country. In 1996 the Government noted in its report *Pathway Out of Poverty* that:

“Malnutrition levels among children under five are unacceptably high everywhere, but urban children are considerably better off than the children in mountain areas”.⁴⁷

Between 1993 and 1999 the percentage of children below standard weight for age increased from 13% to 16%, while those below standard height for age remained at an “unacceptable” 46%.⁴⁸ As noted earlier, by 2000 the *Multiple Indicator Cluster Survey* (MICS) showed similar results, with a slight increase to 17.8% for low weight for age while low height for age was effectively the same (45.4%).

Chronic malnutrition and chronic infections (acute respiratory infections and diarrhoea) are inversely related to the level of income, water and sanitation. There is also a significant relationship between the mother’s education and nutritional status, particularly regarding stunting and weight loss. For this reason malnutrition requires a multi-sectoral response, as discussed later in this Chapter.

Other contributing factors and their implications

While HIV and AIDS is a key cause for the deterioration of the nation’s health status - and probably the main reason for health systems being overstretched - there are many other factors that are of concern to Government. These include: a poorly-functioning health system with a huge imbalance between over-crowded Government health centres with highly subsidised fees and CHAL health centres where fuller fees are paid; the high cost of medical care to all providers and users; long distances to medical facilities; and the insufficient numbers of health personnel especially in rural areas. Further, there is only one referral hospital (Queen Elizabeth II) where most specialists are concentrated, which also functions as Maseru district hospital. This makes this key facility very congested and difficult for people to use. While the highly subsidised fees (also known as ‘cost sharing’) have improved access, the imbalance between Government and CHAL fees has resulted in overcrowding of Government health centres.

Orphans

The increasing levels of poverty described earlier, particularly when related to retrenchment, disability, and HIV and AIDS, have increased the number of very vulnerable

⁴⁷ Government of Lesotho, *Pathway Out of Poverty: An Action Plan for Lesotho*, 1996.

⁴⁸ Gay and Hall, 2000, p.109.

households, particularly those caring for orphans. In 2001, the Department of Social Welfare conducted a survey, which estimated that the number of orphans is over 85,000 while UNICEF estimated it to be over 117,000, from AIDS alone. The inconsistencies in the figures - possibly due to different definitions of orphans - points to the difficulties entailed in determining the exact extent of vulnerability. However, there is strong consensus that there is a large and growing orphan population that poses major challenges for the Department of Social Welfare and other stakeholders.

8.2 OBJECTIVES

It will not be possible to reverse the trends described above in the three years of PRS implementation. The HIV and AIDS pandemic will continue to have devastating impacts on mortality and morbidity patterns as most of those who will fall ill and die during this period have already been infected. This makes it even more essential that the health system should operate as effectively as possible in all areas, including combating further infections. With this in mind, the Government has formulated strategies and activities which can be achieved, at least in part, over the next three years under three broad objectives. These are to:

- promote access to quality and essential health care;
- reduce malnutrition;
- improve access to social welfare services.

8.3 STRATEGIES

8.3.1 Improve Access to Quality Health Care

Given Lesotho's concerted efforts in Primary Health Care, which resulted in the gains made in the 1970s and 1980s, the Government is determined to reinstate the country's reputation as one capable of delivering quality curative and preventive health care down to village level. In view of the HIV and AIDS epidemic this will require renewed dedication and vigour, which should be recognised and rewarded as far as possible. A comprehensive approach will be taken, starting with the clarification of key issues through the review and renewal of policies:

- **Establish a Sustainable Health Care Financing System**

The Health and Social Welfare Policy and Strategic Plan, recently developed, will reinforce the on-going poverty focused activities. This will include programmes that affect health and social welfare priorities, which will ensure adaptation to external and internal changes and will harmonise all interventions currently being undertaken. The policy and the strategic plan will provide guidance for the development of medium term and annual operational plans. In order to address the cost problem, the MOHSW will generate and mobilise funds for Health and Social Welfare and ensure that funds are allocated according to agreed priorities. The Government will aim to finance the Essential Health Package from national revenue, external aid and from subsidised user fees. Private funding through cost recovery user fees, health insurance and community based financing will be encouraged. To improve access to health services, criteria for exemption from user fees will be developed, based on ability to pay and nature of diseases (e.g. diseases that are infectious and require lengthy treatment, such as tuberculosis and mental health). User fees will be equal between GOL and CHAL facilities to improve equity in access to services, and the shortfall in revenue of CHAL facilities as a result of user fee equalisation policy will be compensated by the Government.

- **Improve health infrastructure, equipment, maintenance and supplies.** The efforts to improve and maintain health facilities will be accelerated over the next three years. Specific activities will include:
 - rationalising health service facilities with construction or renovation;
 - improving the procurement, storage, distribution and maintenance of equipment, drugs and dressings.
 - establishing village health posts and mobile health care for unserved areas;

- **Improve the capacity of health personnel.** The Government recognises the enormous contribution made by its health personnel at all levels across the country. In the struggle against HIV and AIDS they are in the front line and deserve to be supported as far as possible. Specific activities include:
 - Training health personnel at all levels;
 - reviewing and improving working conditions of health personnel to address the high rate of staff turnover and brain drain;
 - training additional Village Health Workers and introducing incentives for them;
 - establishing training for traditional healers to complement health delivery.

- **Improve health care management.** Government expects that resources and processes should be well managed. During the implementation period, high priority will, therefore, be given to strengthening management capacity at service provision level. Better management of resources will reduce wastage and curb pilferage and will ensure that the Basotho get better value for money through proper, effective and efficient service delivery. To accomplish this, four activities have been prioritised under which the MOHSW will:
 - upgrade the health management information system for measuring, monitoring and evaluating the sector's performance;
 - strengthen research and data management systems for disease control;
 - intensify and diversify training of health management staff to include effective use of funds;
 - introduce financial controls and management audits to address the problems affecting use of resources and service delivery.

- **Strengthen disease prevention programmes.** The most cost effective way to manage diseases is to prevent their spread. A concerted effort will be made to expand the programmes involved in prevention, including HIV and AIDS. The strategy is considered to be of particular importance for the PRS as it has far reaching implications for particularly vulnerable groups. In year one of the PRS, Government will outsource health education activities to the private sector with a view to making these as creative and as effective as possible. The outcomes will be closely monitored with the best being selected for up-scaling by year three.

In health education campaigns emphasis will be placed on the use of preventive services, especially childhood vaccinations, family planning, monitoring pregnancy, ante-natal care (ANC) and mother's health after birth, as well as post-natal care

(PNC). A particular focus will be teenage health in order to reduce teenage pregnancy.⁴⁹ Information will be provided on youth friendly services, free supply of contraceptives and empowerment programmes for women to be able to negotiate their sexual rights (especially in view of the HIV and AIDS threat to this group).

The promotion of sanitation and good hygiene practices is an important part of disease prevention and will continue to be given priority. As repeated studies have shown that the biggest constraint to the wider adoption of VIP latrines is their cost, an effort will be made over the next three years to pilot new low-cost prototypes that provide adequate protection against disease at a price that is more affordable for the poor. Soak way and refuse pits will also be encouraged around the homesteads. Water quality surveillance and spring protection will be enhanced. Medical waste management around health facilities will also be given priority.

8.3.2 Improve nutritional status of vulnerable groups

Where there is a significant shortage of food, vulnerable groups such as children under five years suffer the most. This, therefore, is a very high priority area for the PRS, as confirmed by the Basotho in community consultations.

The institutional arrangements to combat malnutrition require clarification. Four ministries or departments (other than MOHSW) play a role at different levels, including: Food and Nutrition Coordination Office (FNCO); Disaster Management Authority (DMA); Ministry of Education and Training (MOET); and the Ministry of Agriculture and Food Security (MOAFS). Given this complexity clear guidelines are required. Activities to address this and other concerns during the PRS period include:

- refining the National Nutrition Policy;
- improving disaster preparedness for emergency food distribution;
- maintaining the school feeding programme;
- strengthening systems of supplementary feeding of malnourished children;
- promoting good nutrition practices through community awareness campaigns, meetings, distribution of pamphlets etc;
- providing nutritional food packages and micro-nutrient supplements to the vulnerable and other relevant groups.

8.3.3 Provide social welfare services for vulnerable groups

During the PRS period the Government will prepare a strategic plan based on the National Social Welfare Policy which will identify top priorities, roles and responsibilities and delivery mechanisms in detail. Unlike South Africa, Lesotho does not have the resources to provide universal monetary support to vulnerable groups.⁵⁰ However, the Government will strive to improve social welfare service delivery to the most vulnerable groups by increasing the resources and capacity of all stakeholders through increased funding and training. In 2004/05, a pension of M150 per month will be introduced for persons over 70 years of age. Other efforts will include mechanisms to assist NGOs working directly with orphans, people living with HIV and AIDS and disabilities, and child-headed households.

⁴⁹ 52% of women attending antenatal care in Lesotho are in their teens.

⁵⁰ In South Africa, these include old age pensions, disability allowances, child allowances and caretaker allowances.

Goal:			
NUMBER FIVE: IMPROVE QUALITY AND ACCESS TO ESSENTIAL HEALTHCARE AND SOCIAL WELFARE			
Indicators	Baselines		Targets
<ul style="list-style-type: none"> • Prevalence of malnutrition for under 5 years old by gender: <ul style="list-style-type: none"> i) % of underweight <ul style="list-style-type: none"> Males Females ii) % of stunting <ul style="list-style-type: none"> Males Females iii) % of wasting <ul style="list-style-type: none"> Males Females • % of births attended by skilled health personnel • Proportion of >1 year old children immunised against measles • Infant Mortality rate • Under- five mortality rate • Maternal mortality ratio 	26% in 2002 28% in 2002 61% in 2002 57% in 2002 13% in 2002 15% in 2002 59.9% in 2002 77.2% in 2000 81 per 1000 in 2001 113 per 1000 live births 419 per 100,000 live births in 2001		TBD TBD TBD TBD TBD TBD 70% by 2006 80% by 2006 70 per 1000 by 2006 103 per 1000 live births by 2006 391 per 100,000 live births
Key Strategies and Activities for Implementation:			
<ul style="list-style-type: none"> • Rationalise provision of health services through construction or renovation as necessary. • improve the procurement, storage, distribution and maintenance of equipment, drugs and dressings. • Improve and expand critical programmes, including child vaccination, family planning, ANC,PNC, reproductive health and teenage motherhood. • Review and improve working conditions of health personnel to address the high rate of staff turnover. • Train health personnel at all levels. • Train additional Village Health Workers and assess modalities of introducing incentives for them. • Upgrade health management information system for measuring, monitoring and evaluating performance. • Establish new village health posts and mobile health care services for unserved areas. • Provide nutritional food packages and micro-nutrient supplements to vulnerable groups and other relevant groups. • Improve access to social welfare services. 			
Total Incremental Costs:			
	2004/5	2005/6	2006/7
	M151,590,783	M189,435,017	M257,261,414
			Total
			M548,287,213
Key Implementing Agencies:			
<ul style="list-style-type: none"> • Ministry of Health and Social Welfare • Civil Society Organisations • Private Sector • Christian Health Association of Lesotho 			
Comment:			

CHAPTER 9: IMPROVE QUALITY AND ACCESS TO EDUCATION

9.1 SITUATION ANALYSIS

Government-church partnership

The first schools in Lesotho were started shortly after the arrival of missionaries in 1833. Both Protestant and Catholic missions invested heavily in the education sector as schools were seen as a prime vehicle for attracting adherents. The 2001 statistics showed that there are 1,295 primary schools in the country, of which 508 belong to the Roman Catholic church, with the remainder owned by either the Lesotho Evangelical Church, the Anglican Church or (in a few cases) the communities themselves. Only 59 primary schools are owned by Government.

Together, the primary schools of Lesotho catered for over 433,000 pupils in 2001. As in the health sector, Government makes a major contribution to the running of these schools by covering the costs of staff salaries. After the introduction of Free Primary Education (FPE) in 2000, Government also absorbed the cost of textbooks and school feeding in the FPE classes.

High literacy

The investment in primary education has given Lesotho one of the highest literacy rates in Africa. However, girls have benefited more from primary education than boys, who are often kept out of school to herd livestock. In the days when boys were able to graduate directly from herding to working on the mines there was little incentive to attend school, so this resulted in a significant gender difference in favour of girls and women, a situation that is perhaps unique in Africa.

Reversing declining enrolment

Much of the progress made in the 1970s and 1980s was lost when enrolment rates started to decline in the 1990s. Primary enrolment fell from 71% of children aged 6-12 years in 1996 to 61% in 1999. GOL took a bold step to reverse these trends in 2000 when it introduced Free Primary Education, which is being implemented one year at a time. By 2002 this had raised enrolment to 85% of children 6-12 years. As can be seen from Table 9.1, enrolment increased dramatically and the gap between boys and girls narrowed. However, at the same time there was an increase in the pupil-teacher ratio and a decline in the percentage of qualified teachers.

Table 9.1: Key Indicators Showing Trends for Primary Education, 1996 - 2002

Year	NER* (% 6-12 yrs)	No. 6-12 at school '000s	Pupil/Teacher Ratio (%)	Dropout Rate (%)	Repeat Rate (%)	Promotion Rate (%)	Gender Ratio Boy: Girl	Qualified Teacher Ratio (%)
1996	71	243	47.4	7.5	19.1	73.4	91	74.2
1997	69	234	45.6	6.4	19.6	74.0	93	77.5
1998	64	218	45.2	7.4	19.5	73.0	93	78.2
1999	61	206	44.4	7.0	19.3	73.0	94	78.0
2000	83	280	47.4	7.2	18.6	77.5	97	74.2
2001	84	282	47.0	5.8	19.5	74.6	99	73.6
2002	85	284	46.2	-	-	-	-	-

*NER= Net Enrolment Rate of Children 6-12 according to new projections for Lesotho's *de facto* population. Sources: MOET, March 2004; MOET Education Bulletin Vol.1. 2003; BoS Census 1996 projections; BoS/UNFPA, Lesotho Demographic Survey 2001

A difficult transition between primary and secondary

The transition from primary school to secondary has proved to be a major obstacle for poorer families. Most of the 217 secondary schools are owned by the churches, with Government only owning 23. Although the Government covers the costs of most teachers salaries, secondary schools still have to charge fees to maintain operations. The fact that there are only 73,000 secondary school students in total (compared to 433,000 at primary level) gives an immediate sense of the shape of Lesotho's 'education pyramid'.

During the 1990s, over one half of Standard One pupils did not go on to complete the primary cycle. Of those that eventually make it to Standard Seven, about 78% pass their Primary Standard Leaving Examination (PSLE), but only 68% of those that pass proceed to enter the first year of secondary education. At each step, therefore, there is a significant reduction in overall numbers, especially in the transition from primary to secondary education. Overall, secondary schools accommodate as little as 13.5% of all pupils that enter the first class of primary school.⁵¹ The main barrier between primary and secondary levels is cost: fees at secondary level are often 20 times higher than the average at primary level (in cases where free primary education does not yet apply). However, even if this barrier were to be overcome a considerable effort would be required to increase space at the country's secondary schools as these could not accommodate a large influx of primary school graduates.

A concern for quality

The shortage of qualified teachers, as well as overcrowding in classrooms, are among the factors that contribute to low quality and poor efficiency at primary level. The pupil-teacher ratio shown in Table 9.1 hides the considerable range that exists within and between schools. Generally speaking the ratio is far higher in the first years, reaching as high as 100:1; it then declines with each subsequent year to level below 40:1 in the final grade. One reason for this is that great emphasis is given in the education system to passing the final exam, with the best teaching resources often being concentrated in the final year. To reduce the relatively high drop out rates that occur in the early years, increased emphasis will be placed on improving quality in the first three to four years of primary schooling, particularly with regard to pupil-teacher ratios. An important part of improving the quality of schools is ensuring better quality of management as this varies significantly according to school ownership and the extent of meaningful community participation.

The need for at least a decade at school

The obstacles to secondary school education present a serious threat. The World Bank points out that the chances of being employed increase significantly after 10 years of education.⁵² Any education below this has little impact on the earning capacity and/or the economic status of an individual. By extending free *primary* education to *universal basic education* (free to year 10) the Government intends to do all that it can to improve the chances of employment of every Mosotho. However, the Government will first need to assess the financial feasibility of this before extending free primary education to universal basic education.

The need for education to be relevant

The community consultations underline an important point that should not be overlooked: it is not simply the number of years that parents are interested in; they want to see *relevant* education provided to their children. They want schools to equip young people with practical, marketable skills. Realising how limited job opportunities are today, the

⁵¹ MOET, *Lesotho Education Sector Strategic Plan 2005-2015*, September 2004

⁵² World Bank, *Draft Country Economic Memorandum*, June 2003

parents also want the skills to change the way young people think. This is clearly conveyed in the words of a parent from Ha Mafa in Thaba Tseka district:

“Some Basotho have developed an expectation that everything is to be done for them. They don’t want to take their own initiatives and do things for themselves. They have not been trained to do things for themselves and to give up expecting things to be done for them.”

Although there has been a concerted push over the past 15 years to ensure that most secondary and high schools offer some practical subjects, the standard Cambridge syllabus remains academic. With regard to post-secondary education, only 27 schools under the Technical and Vocational Department (TVD) offer technical subjects such as woodwork, basic handicrafts and technical drawing. Although a number of private schools promote computer, secretarial, business and management studies, much more is required. Clearly a significant shift will be needed if a larger number of school leavers are to be equipped with the necessary technical, entrepreneurial and life skills needed to make the best of the few resources available to them.

A narrow, expensive tip of the pyramid

The education pyramid narrows from 73,000 students at secondary schools to a mere 5,137 students at the National University of Lesotho; 1,767 at Institute for Extra Mural Studies (IEMS); 1,120 at the Lesotho College of Education; 690 at the Lerotholi Polytechnic and no more than a few hundred at other tertiary institutions. In addition, there are approximately 2,000 Basotho studying in South African tertiary institutions, most of whom are sponsored by Government. Although tertiary education accommodates only around 2% of the numbers at primary school, it absorbs about one quarter of the budget of the Ministry of Education. The ratio of secondary to primary expenditure is estimated to be about three to one. This is dwarfed by the difference in per capita expenditure between tertiary and primary expenditure: according to the Public Expenditure Review of 1999, Government spends about 30 times more *per student* on technical institutions and teacher training, and 84 times more on those attending the National University than it spends on a primary pupil.

HIV and AIDS attrition

Of all the sectors, the impact of HIV and AIDS on education in Lesotho is considered most devastating. The Ministry of Education estimates that it is losing many teachers each month (the exact number remains to be determined by a proposed HIV and AIDS Impact Assessment). The current limited capacity of the Lesotho College of Education means it will not be able to supply the required number of teachers to provide for normal needs as well as to replace those lost to the pandemic. This loss of teachers has directly hit the education system by reducing the numbers of teachers and the quality of teaching, and increasing the cost of education. It is also beginning to affect enrolment and retention of children in schools. A study is underway to determine the consequences of HIV and AIDS impact in more detail.

Early learning critical

Early learning has proven to be critical to the success of children at school. Parents appreciate this and have moved to fill a gap that neither the churches nor Government had really addressed. In March 2001 statistics showed that there were 1,578 early childhood education development centres countrywide, catering for 36,000 pre-schoolers, or 41% of the eligible children. Almost all of these are community based. The Early Childhood Care and Development (ECCD) department has the responsibility to promote standards and regulate the ECCD centres. However, at the moment there is limited awareness of the potential contribution of ECCD to the country’s human development and Government support is limited.



Plate 24: ECCD gets children off to a good start

Culture promotes peace and unity

The unfortunate political conflicts that culminated in the upheaval of 1998, and resulted in significant damage to property, jobs and investor confidence, underlined the importance of promoting national unity. The Government views Sesotho culture as a common heritage in which all Basotho can take pride. The preservation and promotion of culture is an integral part of the battle against poverty and conflict. Equally important, the community consultations demonstrated that many rural Basotho feel far removed from Government and out of touch with Government initiatives. One reason for this is that critical documents are often not translated from English into Sesotho.

The Department of Culture is responsible for the national museums, historical monuments, relics, antiques, fauna and flora and the national archives. The Department has recently formulated a cultural policy framework, but this has not yet been adopted by Cabinet. The framework is expected to create an appropriate environment for the development of cultural initiatives through the enactment of new laws (such as the proposed legislation for public libraries, art galleries and exhibition centres) and the revision of outdated laws. This will facilitate the founding and funding of the proposed Lesotho Arts and Cultural Council and regional arts and crafts centres, the reorganisation of existing cultural institutions and agencies and the fostering of interdepartmental cooperation.

Although efforts are being made by the Department to achieve its mandate for the preservation of the existing culture, it faces several problems including the widespread lack of recognition of the importance of a cultural heritage.

One of the key events under this sub-sector is the annual Morija Arts and Culture Festival. This event has the potential to promote unity and to expose Basotho entrepreneurs to new

markets and introduce Lesotho to new investors. The infrastructure at Morija still remains basic, and may need to be upgraded if greater trade and economic spin-offs are to be achieved during the festival.

The other cultural sites of national importance that have yet to be developed include Menkhoaneng (the birth place of Moshoeshoe I) and Thaba Bosiu, the mountain fortress that helped secured Lesotho's nationhood in the 19th century.



Plate 25: Village elder near Menkhoaneng: cultural sites of national importance need attention

9.2 OBJECTIVES

The situation analysis gives an indication of the complexities of the education and cultural sector. The challenge for planners is to maintain a holistic view of the sector, ensuring that resources are channelled where they will have the greatest and most sustainable impact on the livelihoods of Basotho in the long-term.

Government is convinced that investment in appropriate education is the single most important contribution that it can make to the long-term socio-economic development of the country. For this reason the education budget remains the highest of all ministries, and is set to grow over the next three years.

Seven key objectives have been set for human resource development in the PRS:

- expand and promote Early Childhood Care and Development;
- ensure that all children have access to and complete basic and secondary education;
- improve quality in basic and secondary education;
- develop and expand Technical and Vocational Education and Training to cater for the economic needs of the country;
- strengthen non-formal education programmes;

- increase access to and relevance of tertiary education; and
- promote culture as a means to unify the nation, develop tourism and generate income.

9.3 STRATEGIES

9.3.1 Expand and promote Early Childhood Care and Development (ECCD)

This focal area is highly important for poverty reduction. Providing day care for children in a learning environment has strong gender implications as it enables women to work and participate in development activities while the children are cared for. In itself it is a significant source of employment for women in rural areas and has long term development implications as it prepares children for school. Government support to date has been limited to curriculum development. Over the next three years this will be augmented. Where possible, support will be given to start covering some of the costs of the schools, particularly feeding of children in the mountain areas. Additional support will involve: facilitating approval of the ECCD policy; providing structures, staffing and guidelines and standards to ensure that an effective nationwide ECCD programme is in place; developing and providing inclusive learning and teaching materials and equipment for promoting a home-based approach; and ensuring integration of children with special educational needs in ECCD programmes.

9.3.2 Ensure that all children have access and complete basic and secondary education

Under this objective the following strategies have been devised:

- conduct community campaigns to encourage parents to make the best of Free Primary Education (FPE);
- increase the number of schools and/or classrooms and laboratories and provide necessary equipment;
- make FPE compulsory and study the financial implications of expanding FPE to Universal Basic Education;
- reduce the high rates of repetition and drop-out;
- identify and remove non-fee barriers to accessing FPE.

Community campaigns are considered extremely important for the poor, as despite the efforts of Government, some parents still do not send their children to school. The aim of these campaigns will be to encourage parents to recognise that education is a fundamental right of children and they should fulfil this by taking full advantage of FPE. A component of this will include dialogue with the owners of initiation schools to ensure that initiation times do not conflict with the school calendar.

The rate at which new schools or classrooms are built will depend on the outcome of the HIV and AIDS Impact Assessment Study, which will be completed in the first year of PRS implementation. A new Geographic Information System map will be prepared to better identify school catchment areas and gaps.



Plate 26: Campaigns will encourage parents to send all children to school, including herd boys

In expanding free education, the Government will implement its targeted equity-based programmes to cater for the disadvantaged who do not benefit directly from free education. Grant provision will be intensified for needy schools and bursaries will be provided to needy children. Teaching and learning conditions will be improved, beginning with the identification of schools with the lowest retention rates. School inspections will be intensified in districts to ensure that inspectors conduct supervision more regularly and provide support to teachers and school management. As a priority, the Government will put measures in place to reduce the current high dropout rates, especially among girls in secondary schools.

Government is concerned that despite all the efforts to make primary schooling free there are still non-fee barriers to access. The Government and key stakeholders will identify these barriers and determine how best they can be removed.

9.3.3 Improve relevance and quality in basic and secondary education

The Government is not only committed to increasing access to basic education, but also towards ensuring that it is relevant to the socio-economic needs of Lesotho and is of high quality. The following measures will be implemented to improve the quality of education:

- build the capacity of personnel;
- revise the curriculum to respond to evolving socio-economic realities;
- improve teacher-pupil ratios (including expansion of teacher training);

To ensure quality delivery of basic education, pre-service education will be improved and more in-service training will be provided for poorly qualified teachers. Advisers, inspectors of schools and teachers will be trained to enhance their skills, as well as on gender, HIV and AIDS and other cross-cutting issues. Heeding the call of parents for schools to be more relevant, the Ministry of Education will review basic education curriculum and integrate practical/ technical subjects into the school programme so as to provide relevant teaching and learning materials for quality basic education.

Very high priority will be given to maintaining and improving teacher-pupil ratios. Based on the HIV and AIDS Impact Assessment findings, the Ministry of Education will develop an HIV and AIDS Policy that will guide the introduction of anti-retroviral treatment (ARV) as well as a voluntary testing and counselling programme for teachers. To retain teachers in remote areas, the mountain allowance will be improved.



Plate 27: Quality schools have eager learners

9.3.4 Increase Access to Technical and Vocational Education and Training

The aim will be to improve the quality of Technical and Vocational Education and Training (TVET) programmes with a view to enhance and diversify technical skills, ensure excellence and achievement by all trainees and make certain that training programmes offered in TVET promote employment creation and income generation. The programmes will also be expanded to increase access for many students who wish to be enrolled. New TVET centres will be constructed in Qacha's Nek, Mokhotlong and Butha-Buthe. Training programmes will be adapted to meet production, marketing and entrepreneurship needs in the market. Top priority will be given to infusing entrepreneurship in all training.

In reviewing and expanding TVET, Government will discourage gender misconceptions and promote the involvement of men in sectors previously considered the reserve of women (such as sewing) and vice-versa. An apprenticeship programme will be introduced to provide practical experience.

9.3.5 Strengthen Non-Formal Education programmes

This strategy is given high priority as it aims at some of the poorest members of society. Non-formal education (NFE) programmes complement formal education programmes and cater for the herd boys and young school dropouts and adults who missed out on their chances to acquire education, most of whom are forced into this situation by poverty. It will be achieved by: completing the NFE policy; developing a comprehensive NFE curriculum covering various issues such as agriculture, community development, entrepreneurship, environment, and health e.g. Sexually Transmitted Infections (STIs) and HIV and AIDS; providing teaching facilities for NFE where necessary; and recruiting teachers for NFE, as well as giving them necessary basic skills. Three courses are being developed to cater for the out-of-school population, which will provide them with functional skills. These are Alternative Learning Opportunities, Basic English Course and Modules on Practical Skills.

9.3.6 Increase Access to and Appropriateness of Tertiary Education

Government is aware of the high per capita costs of the National University of Lesotho. However, to shape the leadership of the future, who will continue the struggle against poverty in years to come, it is vital that the University should fulfil its mandate in as effective a manner as possible. Over the PRS period, the key task will be to bring the courses offered at the University more in line with national manpower needs. This will be done in close consultation with the National Manpower Development Council (NMDC), the private sector, NGOs and Government stakeholders. Equally important, the recovery of Government student loans, provided through the NMDC, will be improved.

Where there are manpower requirements which have a very high unit cost, these will be discontinued and, instead, the Government of Lesotho will negotiate with the Government of South Africa (under the Joint Bilateral Commission for Co-operation) for low-fee access for Basotho to South African universities. The sector will also revise and implement the tertiary education curricula and programmes, to give more emphasis on science and technology and to provide skills and competencies that are employment-related. Policy guidelines will be formulated to guide higher education on HIV and AIDS issues as prevalence amongst young people is highest. The sector will also sensitise and mobilise its institutions to ensure that they are able to implement HIV and AIDS workplace programmes effectively.

9.3.7 Promote culture to unify the nation, develop tourism and generate income

As part of its efforts to improve people's participation, Government will take steps to encourage greater utilisation of the Sesotho language. This will be done through reviving the Sesotho Academy and by ensuring that critical documents, including the Constitution and key acts of Parliament, are translated into Sesotho and made available through district offices. Government will promote Basotho arts and culture by accelerating approval of the Cultural Policy Framework and supporting centres and activities of excellence. An effort will be made to support initiatives already taken by local communities in the arts and culture arena, including Morija, Masite, Thaba Bosiu, Ha Kome, Menkhoaneng and Semonkong. The private sector will be encouraged to take a leading role in generating, packaging and disseminating promotional information packages and conducting training workshops to sensitise local communities about the need to form income generating activities on cultural industries, such as photography, film, music, pottery, basketry, fine arts, and writing. These centres will be designed to represent the unique features of those areas for tourism and the associated activities will be geared towards self-employment. By promoting cultural activities, Lesotho's national image and identity will be enhanced, which in turn can become the cornerstone of the tourism industry.

Goal:			
NUMBER SIX: IMPROVE QUALITY AND ACCESS TO EDUCATION			
Indicators	Baselines		Targets
• Net Enrolment Rate (Primary)	85% in 2002		90% in 2006
• Net Enrolment Rate (Secondary)	26% in 2002		30% in 2006
• TVET enrolment	31% in 2002		40% in 2006
• % of pupil starting Grade1 who reach Std.7	1859 in 2002 60% in 2001		3500 in 2006 63% in 2006
• PTR (Primary)	47:1 in 2002		40:1 in 2006
• PTR (Secondary)	24: 1 in 2002		30:1 in 2006
• PTR (TVET)	12:1 in 2002		15:1 in 2006
• Repetition Rate (Primary)			
Male	21.7% in 2001/02		20% in 2006/07
Female	17.3% in 2001/02		15% in 2006/07
• Repetition Rate (Secondary)			
Male	9.3% in 2001/02		7.0% in 2006/07
Female	9.3% in 2001/02		7.0% in 2006/07
• Drop Out rate (Primary)			
Male	5% in 2001/02		3.0% in 2006/07
Female	3% in 2001/02		2.0% in 2006/07
• Drop Out rate (Secondary)			
Male	18.1% in 2001/02		15% in 2006/07
Female	19.1% in 2001/02		16% in 2006/07
• Literacy rate (15-24) year olds	88.6% in 2002		93% in 2006/07
Core Activities:			
<ul style="list-style-type: none"> • Expand and promote pre-school education (Early Childhood Care and Development) • Conduct a study on children with disabilities and ensure their integration into the Home Based programme. • Make FPE compulsory and extend it to Universal Basic Education. • increase the number of schools and/or classrooms and laboratories and provide necessary equipment. • Construct new TVET schools. • Review TVET curriculum to make it relevant to the needs of Lesotho and to enhance and diversify technical skills. • Infuse entrepreneurship in TVET programmes as a strategy to promote self employment. • Increase access to and appropriateness of Tertiary Education and give more emphasis on science and technology. • Develop free programmes to train herd boys, young drop outs and illiterate adults in life skills. • Improve recovery of loans made by National Manpower Development Secretariat. 			
Total Incremental Costs:			
	2004/5	2005/6	2006/7
	M206,386,077	M223,895,582	M94,402,658
			Total
			M524,684,317
Key Implementing Agencies:			
<ul style="list-style-type: none"> • Ministry of Education and Training • Private Sector • Civil Society Organisations • National Manpower Development Secretariat 			
Comment:			

CHAPTER 10: MANAGE AND CONSERVE THE ENVIRONMENT

10.1 SITUATION ANALYSIS

Massive erosion in a fragile environment

The Lesotho environment is very fragile. It is characterised by steep slopes and frail soil formations. It is estimated that 0.25 per cent of the total arable land, or 39.6 million tons of soil, is lost through soil erosion each year, with the most visible signs being deep gullies in the lowlands and exposed rock in the mountains.⁵³ The direct consequence of soil erosion is a decline in agricultural production, exacerbating the problems of food shortage and poverty.

Community concerns

Basotho are increasingly concerned about the state of the environment they live in. Many feel that their land is a skeleton compared to what it used to be. While some blame the forces of nature (such as drought), others are aware that a combination of factors, including human interventions and behaviour, lie at the heart of the environmental crisis. This understanding is captured in a brief history of the village of Malefiloane in Butha-Buthe district given during the community consultations:

“The village Malefiloane is named after a place called Lefilo formed where two valleys meet. A long time ago this place was very rich in wild animals and wild fruits. People used these animals for meat and started practising agriculture. As the number of people increased so the pastures decreased, and as a result the wild animals disappeared. People began to practise agriculture more seriously, but production was not good enough as the soil was deteriorating. Soil erosion became a problem because of the location of the fields, and measures to prevent it were limited because people had started to depend on Government measures and incentives. In 1970 Qomatsi (political upheaval) attacked the village: some people were killed, others fled to caves. Men starting going to work in South Africa, leaving women and children to work the land. It is during and since this time that famine fell upon our community.”

The passage demonstrates that poverty is both a cause and consequence of environmental degradation: natural resources are depleted because people are poor, and as result they are further impoverished and are unable to maintain their livelihoods.

Disregard for the law in the face of hunger

The reference to “the location of the fields” indicates that the expansion of cultivation to marginal and sensitive land - including mountain slopes and wetlands - has become a common practice, particularly in the highlands and foothills. This practice underlines the limits of laws and law enforcement in Lesotho: although it contravenes the Laws of Lerotholi, the Land Act 1979, the Environmental Policy of 1998 and the Environment Act 2001, it continues unabated. Clearly, where people are hungry, environmental considerations are secondary: the current generation has to take care of its own needs as best it can, and it does so even if this means leaving nothing for future generations.

The need for fuel in a cold climate

Lesotho has one of the coldest climates in Africa. In the winter, night temperatures frequently fall below -5° Celsius, particularly in the mountains. While most African countries need fuel primarily for cooking, in Lesotho it is essential for heating, and is used

⁵³ Government of Lesotho, *State of the Environment Report*, 1997.

in large quantities for this purpose by the majority of rural households.⁵⁴ The main source of this fuel in rural areas is biomass in the form of trees, shrubs and crop residues. For this reason, vegetation is rapidly depleted unless alternatives can be provided. In the 1980s and early 1990s the Woodlot Project established over 7,000 hectares of trees, much of which is still used for fuel wood today.⁵⁵ These trees reduced some of the pressure on indigenous trees and shrubs, but only in the immediate area of the woodlots. Government has continued its efforts through a social forestry approach that places emphasis on individual ownership of the trees, but the number of trees that survive to a productive age still falls far short of the energy requirements of the rural population.⁵⁶ Unless the extent of tree cultivation is dramatically increased ensuring balance between the indigenous and exotic species, the most critical environmental crisis facing the country will continue to exacerbate the poverty cycle.



Plate 28: Rare flower in the mountains: efforts are needed to conserve bio-diversity

⁵⁴ Average fuel use in rural areas is about 25kg (of biomass) per household per week.

⁵⁵ This is especially the case where a certain species of eucalyptus has been used, as this variety can be harvested repeatedly due to its coppicing or regenerative abilities (as opposed to the pine trees used in many parts of the country). The Woodlot Project led to the creation of the Forestry Division, which is now the Ministry of Forestry and Soil Conservation.

⁵⁶ The survival rates are often below 10% of the numbers planted. Drought and destruction by livestock are the most common problems.

Loss of bio-diversity

A powerful indicator of severe environmental decline is loss of bio-diversity. In Lesotho this manifests itself through changes in flora and fauna, and by loss or decline of habitats such as grasslands, marshes, bogs and reed meadows. The direct consequences of loss of biodiversity on the rural poor are multi-faceted. One is the impact on fuel woods, referred to above. Equally worrying is the decline in plants of medicinal value, which are used extensively by poor households unable to afford modern health services. For those whose livelihoods depend on livestock, the replacement of grasses by invading unpalatable shrubs is a chief concern. As rangelands lose their diversity their quality declines, as does the productivity of the livestock and, hence, the income of their owners.

Not all is lost

There is no doubt that Lesotho faces a massive environmental crisis that must be combated with vigour. Unfortunately many people have become disheartened by the apparent lack of progress made by the numerous projects - both governmental and non-governmental - that have run their course since Independence. There is, however, cause for hope. A careful comparison of aerial photographs taken between 1980 and 1999 shows environmental recovery in a surprising number of places, at least as far as trees and shrubs are concerned. There are three possible reasons for this: first, many households have switched to at least partial use of fossil fuels, thus reducing pressure on natural resources; second, in some areas, woodlots have provided an alternative fuel source, allowing indigenous trees to recover; third, certain varieties, notably wattle and poplar, have proved very adept at spreading on their own accord, particularly down water courses. This recovery is extremely important for the poor: it needs to be better understood and emulated in parts of the country that are still in deep decline.

A growing urban crisis

The rapid growth of Maseru and Maputsoe is closely linked to a process of industrialisation that Government would like to extend to other towns. This growth will inevitably come at a cost to the environment, unless very carefully managed. There are four chief areas of concern that will need to be carefully monitored over the next three years:

- the nature and extent of waste water released into the environment from the factories, particularly from the 'wet' industries of the textile sector;
- the quality of the water used for domestic consumption, particularly where the dam catchment area is also used for solid waste disposal (as in Maseru);
- unless municipal waste management capacity grows as fast as the population, it will be overwhelmed and poor disposal practices (particularly in peri-urban areas) will result in an environmental health risk; and
- with poorer urban households being heavily dependent on coal for heating in winter, there is an increasing risk of air pollution reaching dangerous levels, particularly as winter 'temperature inversion' patterns often prevent the movement of air for much of the day. Winter air pollution by coal is exacerbated by the burning of used car tyres for warmth, a practise that carries serious risks, especially for young children who are most vulnerable to respiratory tract infections.

Government's response

Lesotho's first attempt to show commitment to the process of sound environmental planning occurred in 1989, with the formulation of a National Environment Action Plan (NEAP). In 1992, Lesotho adopted Agenda 21 as a framework for integrating environmental concerns into its national plans. In 1994, the National Environment Secretariat (NES) was

established to advise the Government on all matters relating to environment management. It spearheaded the development of Lesotho's Agenda 21 Action Plan adopted in 1995. In 1998 the Department of the Environment, which was then part of the Ministry of Natural Resources, was merged with NES and the new institution became the lead institution in environmental management, performing advisory, supervisory and regulatory functions. Environmental Units have been appointed and are now functional in line ministries in order to strengthen the coordination of environmental activities. The Units received limited training in different aspects of environmental management but they are not fully effective because of under-staffing.

An Act that has not been brought into force

The Environment Act was passed in 2001. One of the main thrusts of the Act was to ensure that Environmental Impact Assessments (EIAs) are carried out to mitigate the adverse impacts of socio-economic development. Examples of poverty-related sectors that require an EIA include manufacturing, roads, dams, mining, large-scale agriculture and rural electrification. *Despite having been passed some three years ago, the Act has not yet become enforceable.* As a result, the all-important EIA process is still being administratively conducted and is not binding by law. Although some developers and line ministries comply with EIA requirements, the majority are not cooperative and resist compliance with the process. Other problems that affect the implementation of the EIA include a national shortage of relevant skills and a shortage of expertise to monitor EIA compliance.

10.2 OBJECTIVES

Given the magnitude of the challenges ahead and the limited achievements of the past, it is imperative that the next three years should be focused on a limited number of achievable strategies, while at the same time maintaining a long-term vision. With this in mind, the Government of Lesotho has set a single overarching objective: **improve environmental management**. Several strategies have been devised which will contribute to breaking the cycle of poverty, environmental decline and further impoverishment.

10.3 STRATEGIES

10.3.1 Conserve the environment for improved production

The community representative from Malefiloane, quoted at the start of this chapter, said that: *"..measures to prevent (soil erosion) were limited because people had started to depend on Government measures and incentives."* His words echo the findings of numerous evaluations of projects carried out over the last decade, and carry a clear warning for planning future interventions. They suggest that Basotho have developed a perception of soil conservation as something only carried out by Government, or only undertaken where payment is made. Unless a radically new approach is adopted, where soil is conserved because it increases productivity of land that is individually owned or worked, there is little hope of progress. Steps in this direction have been taken in the past by encouraging a 'production through conservation' approach. These efforts must be linked to the food security strategies described in Chapter 5, where the focus becomes first and foremost, water harvesting and production on homestead land immediately around the house. Concentrating on these homestead areas, *committed* families will be taught to harness water resources, plant trees, increase ground cover and incorporate conservation and agro-forestry techniques into production. The starting point will be to identify farmers who are already making progress in this direction and to assist them in developing their homesteads as centres of excellence that can be used in training others.

10.3.2 Strengthen management of solid and water waste and control pollution

Currently progress in improving waste water from the garment factories is being driven primarily by the requirements of factory customers (particularly the large US name-brands that purchase jeans made in Lesotho) that suppliers adhere to codes of conduct. In the next three years the Government will ensure that its own regulations are consistent with codes of conduct of the US companies. Firms that have taken their own initiatives towards pre-treatment and recycling will be recognised and rewarded. Regarding solid waste, over the next three years the highest priority will be to construct a new landfill for Maseru, located out of the water catchment area of Maqalika Dam and away from densely populated urban areas. Government will establish water and air pollution monitoring systems.

10.3.3 Strengthen capacity for education in environmental issues

The gap between environmental legislation and actual compliance was underlined at the start of this chapter. Government will augment its public awareness and environmental education efforts over the next three years. For environmental awareness to translate into action it has to be deeply embedded in the consciousness of every Mosotho - a task that can only be achieved as the next generation moves through the school system. For this reason, the school curriculum will be carefully examined with a view to inculcating the critical importance of proper 'earth husbandry' into the mind of every young learner. At the same time, Government will outsource awareness campaigns to ensure that adults are sensitised to critical issues regarding natural resource use and maintenance of cleanliness and beauty, which are fundamental if tourism is to take off.

10.3.4 Reduce loss of bio-diversity

In a world where vital species are lost each year, Lesotho recognises that it has a duty to preserve its unique African alpine environment and all the species associated with it. While this will be a sustained long-term effort, concrete steps can be taken over the next few years. One of these will be to maintain its commitment to the implementation of the Maloti-Drakensberg Trans-Frontier Park in collaboration with South Africa. Government will maintain the nature reserves already established as an outcome of the Highlands Water Project and will move towards the establishment of other nature reserve. More critically, in terms of the number of poor households impacted, grazing associations will be established in close collaboration with the new local authorities. The Government will also promote the use of renewable energy for sustainable development.

10.3.5 Strengthen the legal and policy framework

During the PRS period, efforts will be intensified to build up awareness of the importance of integrating environmental impact assessments into the country's socio-economic development planning process. With the envisaged implementation of the Environment Act 2001, monitoring of EIA implementation will be strengthened and environmental auditing of the existing infrastructure will be undertaken. The EIA process will ensure that the rights of all communities to a safe and healthy environment are upheld and protected.

The strengthening of the capacity of NES is to a large extent dependent upon implementation of the Environment Act, 2001. The Act makes provision for enough staff to be recruited to enable NES to carry out its responsibilities. The Government will, therefore, expedite the implementation of the Act, as this would help address some of the capacity problems that NES is facing.

Goal:			
NUMBER SEVEN: MANAGE AND CONSERVE THE ENVIRONMENT			
Indicators	Baselines		Targets
<ul style="list-style-type: none"> • Land area protected to maintain biological diversity • Arable land • Proportion of land covered by vegetation 	14,209 in 2003		19,809 by Jun 2005
	9% in 2003		9% in 2006
	64.8% in 2003		TBD
Key Strategies and Activities for Implementation:			
<ul style="list-style-type: none"> • Strengthen the capacity of NES to enforce environmental standards through implementation of the Environmental Act, 2001. • Develop and enforce water and air pollution control and waste management regulations and guidelines. • Raise public awareness and promote environmental education. • Strengthen management of solid and water waste. • Establish and maintain systems of protected areas and nature reserves to reduce loss of bio-diversity. • Advocate the use of renewable energy efficient technologies to reduce over reliance on bio-mass energy by rural communities. • Promote tree planting and vegetative cover activities and incorporate agro- forestry practices into all scales of family farming systems. 			
Total Incremental Costs:			
	2004/5	2005/6	2006/7
	M43,863,189	M101,706,152	M105,188,060
			Total
			M250,437,921
Key Implementing Agencies:			
<ul style="list-style-type: none"> • Ministry of Tourism, Environment and Culture • Ministry of Forestry and Land Reclamation • Civil Society Organisations • Private Sector • Ministry of Natural Resources 			
Comment:			

NB: TBD is To Be Determined

CHAPTER 11: IMPROVE PUBLIC SERVICE DELIVERY**11.1 SITUATION ANALYSIS****Community feelings of neglect and impoverishment**

In many parts of the country, Basotho feel remote and disconnected from Government. During community consultations their catch phrase was ‘the government is too far away’ which was an expression of their frustration. They feel that service delivery is weak in all sectors and not only for reasons of geography. Even in cases where people are located within reach of Government offices, they are often outraged by the time required to obtain critical services. They accuse Government not only of neglect, but also of preventing them from achieving their goals, and thus of impoverishing them further. For example, they consider that the failure to deliver immigration services timely obstructs people’s plans to better their lives. The concerns of the nation are unequivocal: public service delivery bottlenecks must be dealt with decisively and rapidly.

The causes and results of inefficiency

Inefficient service delivery by Government Departments is caused by a number of factors, including lack of technology, poor management, a poor working environment and demoralisation of staff. Key concerns of public servants include poor remuneration, which is not competitive in many cases, does not reflect market forces and is not tied to performance. These factors have contributed to a high staff turnover in some key sectors, leaving the government ill-equipped. Lesotho has remained a training ground for external markets, notably South Africa. The public service is bottom heavy with a large number of support staff and very few professionals and decision makers. These difficulties are exacerbated by weak administrative systems and poor internal communications. As a result, public servants have resorted to providing services for people in ways which circumvent the approved procedures. The biggest victims of this are the poor people who have to pay bribes in order to be provided with what is rightfully theirs.

Service delivery is also constrained by confusion over responsibilities as many roles overlap between ministries, departments and divisions. The result is continuing power struggles and conflicts amongst Government departments. Poor coordination within Government also leads to poorly integrated planning.

Weak Linkages between Planning and Budgeting Systems

Important bottlenecks identified by institutional stakeholders included weak research, analytical and forecasting capacity as well as uncoordinated information systems. These in turn have resulted in uninformed decision-making, ineffective policies that are difficult to implement as resource limitations have not been considered, and inadequate monitoring and evaluation.

The linkages between planning and budgeting systems are also very weak, and this manifests itself in the following ways:

- budgetary allocations are not closely related to agreed national priorities as reflected in key planning documents such as national development plans and sector plans;
- there is a relative shortage of competent and experienced middle management to provide on-the-job supervision and quality assurance;

- the crowding out of priorities where they are subsequently not implemented due to lack of funding;
- under spending due to the financing of programmes that are not well developed and appraised;
- insufficient coordination in the decision to allocate funding from various sources (both within and external to government) between different sectors.

The failure to produce public accounts for several years and the weakness of financial control systems has been highlighted in the final report of the “Study into Public Financial Management in Lesotho” (October 2002) and the DFID project memorandum on public expenditure management, which clearly show the need to restructure financial and resource management systems. Key problems include the continued use of outdated manual systems, and an outdated policy and legislative framework. Furthermore, public financial management suffers from the general disregard of good accounting practice and compliance with procedures, including lack of good accounting personnel at all levels.

Need to clarify relationship between decentralisation and service delivery

In an effort to address some of the shortcomings outlined above and make a more responsive service delivery to the communities, the Government of Lesotho enacted the Local Government Act, 1996 as the legal framework to guide policy for sustainable service delivery. As noted in the chapter on Democracy, Governance, Safety and Security, although this includes a provision for the devolution of political power to local authorities, the issue of how services will be provided at a local level within the larger context of decentralisation is still being resolved. Internationally, several models exist and it may be necessary for Lesotho to pilot different models, especially as there is much variation in human resources between towns and rural settlements across the country.

As part of decentralisation there will be local authority elections during the period of PRS implementation. Although the powers, responsibilities and financing of each tier of local government still need to be clearly specified, decentralisation will help to clarify roles of both national and local structures. However, special attention will need to be paid to the relationship at a local level between traditional authorities and new democratic structures. Moves towards decentralisation should create more space for effective participation by civil society and provide mechanisms to hold public sector officials and development partners to account. Capacity building is required to ensure that duties are discharged in a timely and cost-effective manner. The PRS is based on the assumption that this devolution of authority will be implemented and that this will enhance community participation in poverty reducing activities.

In order to ensure that all Basotho participate in the benefits of development, it is necessary to identify appropriate spatial strategies, preferably through the preparation of regional physical development plans and complementary local structure plans. These must contribute to balanced development which will reduce inequalities of access and opportunity. Since most people still live in rural areas, these spatial strategies should emphasise the need to improve rural facilities, thus creating a socially acceptable rural - urban balance. However, towns display significant positive effects, principally because the high population density makes it easier to provide infrastructure and ensures lower unit costs of services required for improved welfare (e.g. health, education, water, and electricity).



Plate 29: Regional physical plans are necessary if infrastructure is to reach scattered rural communities

Some progress

Despite the difficulties cited above, progress is being made. The consolidation of the Ministries of Finance and of Development Planning has helped to identify areas of duplication of effort and has created a favourable environment for linking planning and budgeting systems. Other reforms in progress that will have a beneficial impact on financial management include integration of the planning and budgeting process, principally through the introduction of the Medium-Term Expenditure Framework approach, which will provide an effective mechanism to achieve the objectives of sound public expenditure management (i.e. aggregate fiscal discipline; concentrating resource allocations on core activities; and improving operational efficiency).

Equally, the launching of the Lesotho Revenue Authority (LRA) has remarkably improved revenue collection. The enactment of the Prevention of Corruption and Economic Offences Act and the subsequent establishment of the Anti-Corruption Unit, have to some extent reduced incidences of fraud and corruption, although public finance management systems still experience mismanagement, lack of accountability and corruption.

11.2 OBJECTIVES

The Government is committed to improving the quality of life of all Basotho by ensuring that public services are delivered to Basotho in the most appropriate, effective and efficient ways. In order to improve service delivery, the Government will ensure that the PRS and the Public Service Improvement and Reform (PSIRP) programmes are implemented concurrently. By improving donor confidence, implementation of the PSIRP will encourage

development partners to re-engage with Lesotho and help to attract new FDI and domestic investment.

Three objectives have been identified for the PRS:

- improve public finance management;
- decentralise service provision;
- improve service delivery by all departments.

11.3 STRATEGIES

The overall strategy is to implement Government's Public Sector Reform and Improvement Programme (PSIRP). PSIRP is the key strategy of Government to improve service delivery, and thus it is central to the success of efforts to implement PRS objectives as well. Whilst implementation mechanisms may be coordinated by different organs, it is recognised that these programmes are closely inter-connected. To this end the following strategies are proposed in order to reform public service management:

11.3.1 Improve public financial management

- **Improve budgetary operations.** The current budgetary system requires review in order to link it to specific expenditure programmes, including those that target poverty alleviation. Over the three-year period, the Ministry of Finance and Development Planning's macroeconomic modelling capacity will be expanded and a Medium-Term Expenditure Framework approach will be introduced (see Chapter 13 for more details). Activities to be embarked on include: production of a budget manual, budget planning process for integrated capital and recurrent budget, establishment of the budget cadre, and assessment of critical posts and training programmes. Overall, a concerted effort will be made to improve the planning, budgeting, monitoring and evaluation capacity of key officers through short, intensive courses and mentoring. Key officials will be identified for further training in these areas.
- **Strengthen the accounting system.** Under the PSIRP, the Government will endeavour to strengthen the accounting system. This will be achieved through computerisation of accounts, adoption of appropriate software and ensuring that in the long-run critical departments have accounting graduates who are well-trained and able to function to internationally accepted standards.
- **Strengthen oversight management and institutions.** Improving public finance can only be achieved if the key institutions responsible for monitoring and overseeing public funds have adequate capacity to carry out their mandate. Under this strategy Government will improve the human resource capacity (and conditions of service) of the office of the Auditor General by drafting new legislation to expand its independence, and strengthen the functioning of the Public Accounts Committee.

11.3.2 Decentralise public functions and service delivery

The need for decentralisation and strategies to be implemented in this regard have already been discussed (see Chapter on Democracy Governance, Safety and Security). The Government will ensure that the legislative, fiscal and institutional framework are properly in place to implement the provisions of the Local Government Act. The range of service delivery options associated with different local government models will be

deliberated and decided upon. This will clarify the roles and responsibilities of all concerned.



Plate 30: Standpipe in Mafeteng: the role of local authorities in water supply provision is being clarified

11.3.3 Improve public service delivery

Operational efficiency implies using resources in the most efficient manner so as to deliver goods and services at the lowest possible cost without compromising on quality. Improving efficiency and effectiveness at the operational level is dependent on effective management systems and arrangements to implement programmes within ministries. The full potential benefits of improved expenditure outcomes and service delivery will only occur if the human resource management system is improved, leading to a change in the mindset of civil servants, accompanied by the introduction of measures to monitor performance and client satisfaction. It will be necessary to develop performance measures which may be a mix of financial and non-financial measures. These are used to assess the productivity of resource use i.e. to gauge the efficiency with which inputs are translated into outputs.

Civil Service Reform will be implemented through a series of key activities that include an impact assessment of HIV and AIDS for the whole public sector, monitoring of implementation in carefully selected priority areas and conducting of performance appraisals and incentives for officers in top PRS priority areas.

Goal:			
NUMBER EIGHT: IMPROVE PUBLIC SERVICE DELIVERY			
Indicators	Baselines		Targets
<ul style="list-style-type: none"> • Time taken to process terminal benefits of public officers • Quality of care(average waiting time for Out patients) • Delays in disbursement of bursaries • Introduce complaints register at strategic places of service delivery 	2 years in 2000/01 5-6 Hours 6 Months -		6 Months 2 Hours 1 Month by 2006
Key Strategies and Activities for Implementation:			
<ul style="list-style-type: none"> • Improve planning, budgeting and accounting, monitoring and evaluation capacity including Medium Term Expenditure Framework (MTEF) approach. • Implement the management programme to support decentralisation process. • Establish a sound legislative, fiscal and institutional framework for the implementation of the Local Government Act 1996. • Improve public service delivery • Conduct strategic planning for all ministries. • Carry out performance appraisal and build capacity of Ministries, e.g. Immigration Department, NMDS etc. 			
Total Incremental Costs:			
	2004/5	2005/6	2006/7
	143,541,054	143,541,054	143,541,054
			Total
			430,623,162
Key Implementation Agencies:			
<ul style="list-style-type: none"> • All Ministries • Civil Society Organisations • Private Sector 			
Comment:			

CHAPTER 12: OVERARCHING AND CROSS-CUTTING ISSUES

12.1 INTRODUCTION

While processing the community priorities, it became evident that a number of issues, known by Government to be of national importance, had not been *directly or explicitly addressed* by the communities in articulating their priorities. A critical example of this is **HIV and AIDS**. Basotho are not yet comfortable talking openly about the disease. There is still a strong sense of denial, especially when discussing reasons for illness or death. Government has attempted to encourage people to be more open about the disease, especially those who are responsible for reporting the cause of death at funerals. This has had limited success with denial still being the predominant attitude. As a result, HIV and AIDS was not widely discussed during the consultations, with many references to it being indirect. Two other cross-cutting issues that are of real concern emerged indirectly from the community consultations: the first of these is **gender** and second is **children and youth**. In this section of the report we give special attention to these three key issues.

12.2 HIV AND AIDS

12.2.1 Situation Analysis

The first case of AIDS in Lesotho was reported in 1986. Prevalence rates amongst adults of 15-49 years have risen from approximately 4% in 1993 to 30% in 2002. Lesotho has one of the highest prevalence rates in the world. By 2001, UNAIDS estimates that the country had 25,000 cases of full-blown AIDS.

As in other countries, certain groups within society are more vulnerable and have an increased risk of infection, including women, young adults, children, migrants and people infected with a sexually transmitted disease. There is a pronounced male to female disparity among youth of 15-29 years old, where young women account for 75% of all reported AIDS cases; this is due to the phenomenon of older men having sex with younger women. In 2001, nearly 10% of all new cases were among children less than four years old who had contracted the virus through mother-to-child transmission.

Undoubtedly HIV and AIDS has had a significant impact on population growth. Between 1966 and 2004 the population grew from 0.97 million to an estimate of 2.2 million. The annual population growth rate increased from 2.29% between 1966 and 1976 to 2.63% between 1976 and 1986. However, starting from 1986, there has been a down turn of this growth rate showing a reduction from 2.63% to 2.1% between 1986 and 1996. Although the full impact of HIV and AIDS will not be known until the next census (2006) computer models (such as Spectrum) show that the pandemic will have a major impact on growth rates. According to some projections, the population would have exceeded 3 million by 2015 but, due to the impact of HIV and AIDS, it may stagnate at the current levels of 2.2 million and may even decline to 1.8 million if no fundamental changes are brought about on a national scale.

Escalation of poverty as a result of HIV and AIDS

HIV and AIDS is a cause of poverty and poverty is a factor contributing to increased vulnerability to infection. The impact of HIV and AIDS on households is severe and often leads to the disintegration of the household as assets are depleted to cover medical and burial costs. Affected households are pushed deeper into poverty and have decreased opportunities (e.g. through lack of education) and increased vulnerability to the disease.

Almost invariably, the burden of coping rests on women as the demands for their income-earning labour, household work, child care and the care of the sick increase.

As productive members of the household fall ill or die, women are often forced to seek other means of survival, such as commercial sex work, which places them at a high risk of contracting HIV and AIDS. HIV and AIDS poses a potentially major threat to food security and nutrition, mainly by diminishing the availability of food and reducing access to food as household income and productivity decreases. As the quality of diet impacts survival, decreased nutritional status precipitates the onset of AIDS and death in those infected by HIV.

People living with HIV and AIDS and their family members, caretakers and contacts are often stigmatised and discriminated against. The consequences of such stigma include an increased burden and suffering among those living with AIDS, a reluctance of individuals to know their status, delay in seeking health care and delays by communities to respond to HIV and AIDS.

Inadequate care and support of orphaned and vulnerable children

The adverse impact of HIV and AIDS on child survival is evident. In addition to high Mother-to-Child Transmission (MTCT) rates, many children have been and are being orphaned. A 2003 survey by the Department of Social Welfare estimates the total number of orphans to be 93,000. Often, these orphans are physically and sexually abused as well as psychologically traumatised. Many of these children are living alone or being taken in or fostered informally by elderly women, grandmothers, aunts and neighbours. Many are not going to school, do not receive adequate medical care and are not adequately fed. As children are orphaned, there is an increase in child-headed households, denying such children the opportunity to be children and thus encroaching on their development. Fewer children from affected families enrol in schools while infected children will die prematurely. In most severely affected households, the total number of dependants is increasing, leading to food insecurity and a drop in income and general welfare. The number of orphans and vulnerable children is increasing, creating a vicious circle as already stretched coping mechanisms are unable to respond.

Impacts on agriculture, education and health

HIV and AIDS adversely affects three key areas: agriculture, education and health. These are discussed in the relevant sections of this report.

Declining economic performance

Substantial evidence exists that in countries with high HIV infection rates, "HIV/AIDS is deepening poverty, reversing human development achievements, worsening gender inequalities, eroding the ability of governments to maintain essential services, reducing labour productivity and supply, and putting a brake on economic growth. These worsening conditions in turn make people and households even more at risk of, or vulnerable to, the epidemic".⁵⁷

Lesotho will not be an exception to this pattern. The HIV and AIDS pandemic will have a large negative impact on economic performance as illness, absenteeism and loss of key personnel take their toll. As a result, HIV and AIDS will reduce or halt economic growth and increase levels of poverty and income disparities. The World Bank has estimated that, by 2015, the GDP of Lesotho will be reduced by almost a third as a result of HIV and AIDS *if strong measures to arrest the spread of the disease are not put into place soon*.⁵⁸

⁵⁷ UNDP, *HIV and AIDS Implications for Poverty Reduction*. Policy Paper, June 2001.

⁵⁸ World Bank, Lesotho: *The Development Impact of HIV and AIDS – Selected Issues and Options*, 2000.

As households are forced to divert an increasing proportion of savings to care giving, the negative impact on economic growth will become larger, with a corresponding reduction in the creation of new jobs. The HIV and AIDS pandemic could also negatively impact on foreign direct investment through loss of productive labour, perpetual absenteeism thereby reducing future growth and jobs.

In short, Lesotho's current poverty situation has a direct linkage with the escalating rates of HIV and AIDS prevalence rates and unless both are combated hand-in-hand no progress will be made on either front.

Government's Response

The Government recognises that HIV and AIDS is not only a health problem but a multi-sectoral development issue that has social, economic and cultural implications. The National Policy on HIV and AIDS Prevention, Control and Management (2000) provides a framework for the formulation of plans to fight against the HIV and AIDS epidemic, by both governmental and non-governmental organisations. Through the policy, the Government has attempted to create an environment that is conducive to the prevention of HIV and AIDS and to mitigate the adverse impact on the infected and affected individuals, families and communities. Specific interventions by Government include:

- a commitment of 2% of recurrent Government budget allocations towards HIV and AIDS prevention and impact mitigation programmes which is about M 60 million or 0.7% Of GDP;
- establishment of various structures to manage the national response to the epidemic including the Lesotho AIDS Programme Coordinating Authority (LAPCA);
- development of a National Strategic Plan (2002/2003 - 2004/2005).

Government commitment is also emphasised in the National Vision, the Millennium Development Goals (2003) and the 2003/2004 budget. During financial year 2003/2004, Government laid plans to “arrest the spread of HIV and AIDS infections through prevention and education campaigns; give support to people living with HIV and AIDS; implement the use of anti-retroviral drugs; give support to the increasing number of orphans”.⁵⁹

The national response to HIV and AIDS has been bolstered by the involvement of religious bodies, associations of people living with HIV and AIDS, associations of employers, NGOs, the private sector, civil society and development partners. A survey commissioned by LAPCA shows that there are 75 projects in Lesotho. Most of the organisations working in HIV and AIDS operate at the grassroots level and are acting in partnership with the Government in the fight against HIV and AIDS.

Lesotho's response to the epidemic has not been optimal. During the preparation of the PRS, thematic groups identified a number of reasons for this. Although a number of structures or institutions have been established to guide the national response to HIV and AIDS, these have not really been provided with the authority or resources to fulfil their mandate. LAPCA in particular, faced numerous problems relating to financial and human resources, legal standing and institutional arrangements. While a strong multi-sectoral response is needed, most ministries still have no policies, plans or programmes. The Government has set itself the goal of reducing the HIV prevalence rate from 30% in 2002 to 25% by 2007. In order to achieve this goal, the fight against HIV and AIDS will need to be scaled up. For this reason, in 2004/2005 Government plans to restructure all Government institutions involved in the fight against HIV and AIDS.⁶⁰

⁵⁹ 2003/2004 Budget Speech.

⁶⁰ 2004/2005 Budget Speech.

12.2.2 Strategies

The list of recent measures taken should not be a cause for complacency. Government recognises that a great deal of progress has yet to be made in achieving its overall objective of **creating an AIDS-competent society**. Under this objective four broad strategies have been identified by the PRS working groups, each one dealing with distinct but closely related aspects of the pandemic.

- **Strengthen the institutional and policy framework.** It is evident that progress has been made, but not to the levels required for all-out combat against the disease. During the PRS implementation period, Government will focus on eight specific activities:
 - set up the AIDS Commission to coordinate HIV and AIDS programmes and funding and strengthen its secretariat;
 - implement the National Policy on HIV and AIDS Prevention, Control and Management (2000);
 - review the existing institutional needs;
 - review legislation (such as the Labour Code) and identify gaps requiring amendment or new legislation;
 - mobilise financial and human resources to fight the pandemic;
 - conduct an HIV and AIDS impact assessment for the entire Civil Service;
 - introduce mainstreaming of HIV and AIDS issues in all GOL departments;
 - establish clear linkages between GOL, the churches, traditional leaders, NGOs and CHAL institutions for a combined fight against the spread of HIV.
- **Combat the spread of HIV and AIDS.** This strategy is considered to be of utmost importance as it is the only way to protect those not yet infected from the pain and suffering of those who already are. It seeks to expand the 'window of opportunity' thus saving young lives. Under this strategy Government will:
 - conduct HIV and AIDS awareness campaigns based on Knowledge, Attitudes and Practices (KAP) and Impact Assessment surveys;
 - provide and distribute condoms free of charge and through social marketing;
 - implement the Prevention of Mother to Child Transmission (PMCT) programme;
 - establish stand-alone Voluntary Counselling and Testing (VCT) sites as an entry point for HIV prevention and care.
- **Develop effective support systems to mitigate impact on affected households.** Whether households are prepared to admit to HIV and AIDS being a cause of death or not, it is apparent from the infection levels that a large proportion are struggling with the burden of nursing sick members and then burying the deceased. These households, particularly those impoverished by the loss of a productive member, urgently need special care and support. Over the next few years the focus will, therefore, be on:
 - designing and providing nutritional packages for vulnerable groups, including mothers practicing exclusive breast feeding;

- devising labour saving strategies for intensive and integrated agriculture focusing on homesteads (land immediately around the home);
 - providing for orphans through access to education (fee exemptions), nutritional packages, health care, preferably through families and communities;
 - mobilising support groups and faith based organisations to provide assistance to orphans and vulnerable children.
- **Develop effective support systems for infected persons.** For those who are already infected by the virus, Government is determined to prolong their lives as far as possible. Not only is this humane but it also makes eminent economic sense: in many cases, it is likely to be far more expensive to replace a skilled person (such as a school teacher) than it is to provide the critical anti-retrovirals (ARVs) needed to prolong his or her life. Naturally, these should be provided in a sensible and carefully planned manner, closely linked to VCT services and in accordance with the policy framework. Over the next few years Government will:
 - provide ARVs in accordance with HIV and AIDS policy;
 - provide micro-nutrient supplements to Persons Living With AIDS;
 - mobilise communities to expand and increase voluntary support groups;
 - improve supply and quality of Community Home Based Care (CHBC) kits to support groups;
 - work with NGOs and CBOs to provide advice and support to infected persons.



Plate 31: Poster in Maseru: 'Fight AIDS not those who are infected'

12.3 GENDER

12.3.1 Situation Analysis

Backed by a democratic mandate from the people of Lesotho, the Government is striving to fulfil a vision of an inclusive and participatory society that will motivate Basotho in all walks of life. Achieving greater equality of the sexes at home, in politics, at work and at decision making levels, as well as within the larger community is a critical part of the effort. This entails uplifting and empowering men, women, boys and girls. Gender equity is not simply a 'women's issue', but rather a holistic approach to ensuring that both sexes contribute equal effort to the development of their homes, their communities and their country, receive the same protection and treatment before the laws of the land and share the same entitlements and opportunities society has to offer. This has such far reaching and cross-cutting consequences that it is not possible to compartmentalise gender equity as a distinct sectoral programme. Rather, Government wishes to ensure that all efforts and interventions are gender sensitive and are always approached with the above ideals in mind. Indeed, all of the strategies described in the PRS have been written from this perspective. In this section, therefore, the key gender issues facing the country at the start of the PRS implementation are highlighted and major strategies are outlined.

A better situation than many countries

In comparison to a number of African countries, Lesotho does not suffer from extreme gender inequality or abuse. In the education sector it has the rather unusual feature of more girls being educated than boys. This relative advantage has enabled women to compete for employment within the country, while historically the more poorly educated men have sought employment in South Africa. As a result, women have done well in certain sectors of the economy, including health, education and manufacturing, although often in poorly paid positions. Within Government, it is only at very senior levels that one finds a disproportionate number of men: in lower and middle ranking positions women predominate over men in many departments. None of this should, however, lead to complacency: there are several areas of real concern that Government will seek to address in the next three years.

Patriarchal system predominate

Despite the impressive advances, unequal gender relations are a common feature in Lesotho. This is because the Sesotho culture is based on a patriarchal ideology whereby one's identity is traced through one's paternal lineage and descent. Some aspects of culture have been incorporated into customary law that takes women as minors and places them under the perpetual custody and protection of men. Men have decision making powers and are heads of households. A woman who is married in community of property owns half of the joint estate, but the whole estate is administered by the husband who is at liberty to do as he pleases with it even if it means to dispose of it or donate it to whoever he likes without consulting the wife. When a woman is born, she is the child of her father; when she is married, she is the child of her husband; and when she is widowed she becomes the child of her son. With few exceptions a Mosotho woman cannot put her signature on a deed or title, she cannot sign for a loan from a bank, even if she has a salary, and she does not have legal standing to take action in a court of law.

Employment

Historically, the labour market was very distorted during the period from 1965 - 1990 from a gender perspective, with almost all migrant labour being focused on the mines which was the exclusive domain of men. After the relaxation of influx control measures in 1990 and the advent of democracy in South Africa in 1994 this started to change; by 2001 one

fifth of those Basotho working in South Africa were women.⁶¹ Within the country a new distortion is emerging with the rapidly growing textile industries employing virtually only women. Poorly educated young men now find themselves standing before two doors that are effectively shut: mine recruitment has virtually ended and the textile manufacturing sector has no room for them. Back in the villages the agricultural sector is stagnant and offers uneducated men few prospects, although boys continue - often to their detriment - to engage in herding animals. Subsistence agricultural activities are increasingly falling on the shoulders of older women as few young people are attracted to agriculture. When women turn to the informal sector to generate income they find that their progress is blocked by limited access to credit, which prevents them from expanding their businesses.



Plate 32: Women play a key role in food production

Educational advantage not translated into equal participation

For many years men formed the bulk of Lesotho's *wage employed* population through their participation in the South African mining sector. Women struggled to translate their educational advantage and higher literacy rates into equal participation or economic empowerment to the extent expected. Although women are well represented in the civil service, relatively few reach the top echelons of decision-making (there are only four women in the Cabinet). A combination of factors explains this situation: women are concentrated in the lower echelons of the employment structure because they tend to make career choices as family nurturers and sex stereotyping influences the choice of subjects which boys and girls undertake and limits their capacity to venture into non traditional careers. Women therefore dominate the stereotyped professions such as secretarial services, shop assistants, teaching and nursing which are low-paying. Social prejudice, rather than lack of qualifications, bars them from better paying managerial positions and top positions in politics.

⁶¹ GOL, 2001 *Lesotho Demographic Survey*, Bureau of Statistics, 2003, Maseru

Limited support from men in family life

Within the family setting women are subordinated further by their involvement in the reproductive chores. There is limited participation of men in family life, especially in gathering water and fuel, maintaining hygiene, nurturing young ones and family planning.

Access to productive resources and credit constrained

Gender disparities relating to access and control over productive resources such as land, finance, information and technology remain prevalent in Lesotho. They hinder women from fully participating in development and taking advantages of opportunities brought by growth. For example, although the Land Act of 1979 is gender neutral in its provisions, the Deeds Registry Act of 1967 stipulates that no land shall be registered in the name of a married woman. The customary practice (especially in the rural areas) is to allocate land to married men. Because cultural attitudes dictate that a family is headed by a man and that he has control over family property, a woman's access to land (and associated livestock and implements) is mainly through her husband. In short, while women may have *de facto* access to land and other farming assets, *they do not have control over these resources* and this may have implications for access to credit. Women married in community of property do not have contracting powers to enter into a credit agreement with commercial banks or stores without the consent from their husbands or guardians.

Domestic violence against women

Research has shown that violence against women in Lesotho is a serious problem, which includes assault, abduction and domestic violence. According to anecdotal evidence, domestic violence is the most common form of violence against women in Lesotho, and is on the increase. One contributing factor to this increase is migrant labour, as a result of which women may develop relationships with other men. If the husband discovers this, he becomes violent. Ironically perhaps, the retrenchment of miners and the resulting feeling of powerlessness that is common among such men often leads to further domestic tensions and abuse on both sides. It is important to note that cases of domestic violence are often not reported. Fear and inadequate understanding of human rights might be contributing factors to under-reporting.

Sexual assault and discrimination

Women's exposure to sexually violence increases their vulnerability to HIV and AIDS. Sexual assault, or coerced sex, and the inherent abrasions and tearing that may accompany these violations, increase the chances of infection. Violence, and the fear of violence, intimidates women from trying to negotiate safe sex or from discussing issues of fidelity or of leaving risky relationship. Violence may also be experienced where women or men who are known to be HIV positive - *or who are perceived to be positive* - are subjected to discriminatory treatment, abandoned and/or shunned by their employers, families and communities.

Government's response

The Ministry of Gender, Youth and Sports is working on an action plan for the newly adopted National Gender and Development Policy. The Policy is also being translated into Sesotho to facilitate wide dissemination. It takes into consideration agreements made at international conventions. The Convention on the Elimination of all forms of Discrimination Against Women (CEDAW) was ratified in 1995 with reservations on certain sections that have constitutional limitations regarding customary laws, the church and chieftainship. The Government is also a signatory to the Beijing Platform of Action, the International Conference on Population and Development, and other international and regional protocols. The Government is also party to the SADC Addendum on the Prevention and Eradication of Violence against Women and Children, signed in 1998. The SADC

Declaration on Gender and Development, to which Lesotho is a signatory, calls for at least 30 per cent representation of women at political and decision-making levels by 2005.

The Government established a Law Reform Commission in 1997 to review laws that were discriminatory, in conflict with the Constitution or outdated. This has resulted in the drafting of the Sexual Offences Bill, 2001, and the Married Persons' Equality Bill, 2000. It is anticipated that this bill will address the legal shortfalls and many other discrepancies that impede gender equality with respect to access to loans and other financial services.

The Department of Gender has been reinforced with the recruitment and placement of additional technical staff and an increased budgetary allocation. Although there are still some vacant positions, efforts are under way to have them filled. The Government commitment towards gender equality is clearly indicated in the 1993 Constitution under Section 26, (i) and Section 30 (a). However, the Constitution lacks gender-specificity in other areas such as health and education. These areas are being addressed through the collaboration of non-governmental organisations, cooperating partners like UNFPA, UNICEF, UNDP and Ireland AID with Government.

12.3.2 Strategies

The Government will aim to eliminate all forms of discrimination against women. In this regard, a number of strategies will be put in place over the next three years. Some of these are already at their initial stage of implementation while others are yet to be initiated. For these strategies to be sustainable and effective, there is need for inter-sectoral and inter-agency collaboration. The strategies include:

- **Reviewing gender discriminative legislation.** The Government will expedite the ongoing review of all legislation which sidelines women from acting as independent economic agents and engaging actively in economic affairs. The legislation will be reformed to ensure that women own assets including land and have access to credit and banking facilities in their own right. This will enable women to enter freely into contracts and act as directors of companies.
- **Implement and monitor the National Gender and Development Policy.** The National Gender and Development Policy will be implemented during the PRS period. The policy objectives include: ensuring equal opportunities and participation by women and men, girls and boys in the development process in order to promote a better standard of living for all and to achieve economic efficiency; ensuring equal access to education, training and health services and control over resources, including land and credit; and conserving the positive, and litigating against negative aspects of Basotho culture in order to promote equality and to sustain social stability and peaceful co-existence.
- **Maintaining effective partnerships to implement the policy.** There is a need to network with all stakeholders in the implementation of the policy. Of particular importance is the National Steering Committee, which is made up of technical people in both government and civil society. The Department of Gender will continue to play an advocacy role for the support of the National Gender and Development Policy, the National Reproductive Health Policy, the National Youth Policy and related policies.
- **Strengthen institutional capacity** to enable all ministries to systematically and consistently mainstream gender concerns into policies, programmes, budgets and plans. This will entail the establishing of gender focal points in all planning units at national and district levels.

- **Ensure reproductive health services cater for men.** The Ministry of Health and Social Welfare will continue to facilitate adoption and implementation of the National Reproductive Health Policy and the establishment of services that are designed to cater for men who have hitherto been sidelined in terms of Reproductive Health Services.

12.4 CHILDREN AND YOUTH

12.4.1 Situation Analysis

In Lesotho, children and youth (persons under 25 years of age)⁶² make up nearly two thirds (63%) of the population. More than half of the population is under the age of 18; 42% are under 14.⁶³ Those who participated in the Children and Youth Thematic Group defined poverty as a lack of money, food, access to resources, shelter, clothing, work, education, medical care, information and arable land. Throughout the ten districts, youth called for employment opportunities, vocational and technical training, sport and recreational facilities, arts and music. Herd boys in particular called for expansion of evening schools to provide night literacy classes, regulation of working conditions and improvement of range management. Community members underlined the difficulties faced by children, especially orphaned and vulnerable children. Poverty is clearly a major factor in the lives of most Basotho children and youth⁶⁴ and is the greatest threat to the full realisation of rights to participation, protection and service provision.⁶⁵ A concerted effort that learns from past experiences is needed to reduce poverty significantly and to protect children and youth in compliance with global goals to which the Government has already committed itself.⁶⁶

As is the case with gender, the concerns of children and youth cannot be compartmentalised. They have far reaching consequences and cut across all sectors. This has been recognised throughout the PRS and a special effort has been made to ensure that their needs and aspirations have been given adequate consideration. Here the key issues and sectors have been given attention.

Early sexual activity and its consequences

Recent studies have shown that children and youth engage in sexual activity at an early age, often have older partners, and lack “access to quality information and services to protect their sexual health.”⁶⁷ According to the 1999 Adolescent Reproductive Health Survey conducted in three districts, 55% of sexually active boys and 25% of sexually active girls reported having multiple sexual partners.⁶⁸ A recent study revealed that a disproportionate number of pregnancies are among teenagers and 37% of this age group suffers from sexually transmitted infections.⁶⁹ The Maternal Mortality Rate (MMR) is extremely high and it continues to impact heavily upon young mothers who cannot access appropriate antenatal and postnatal care services.⁷⁰

⁶² Children are defined as 0-18 years of age and Youth as 19-24 (UN Definition).

⁶³ Ministry of Finance and Development Planning, *Population Data Sheet* (2001).

⁶⁴ Gay and Hall (2000), *Poverty in Lesotho: More than a Mapping Exercise*, Maseru: Sechaba Consultants.

⁶⁵ NGO Coalition for the Rights of the Child, *The State of Children's Rights in Lesotho* (2000).

⁶⁶ Such as the “United Nations Convention on the Rights of the Child” (ratified by Lesotho in 1992); the International Labour Organisation Convention 138 and 182; and the World Declaration on Education for All (signed in 1995 and reaffirmed in 2000).

⁶⁷ *Ibid.*

⁶⁸ Ministry of Health and Social Welfare, *Adolescent Reproductive Health Survey* draft (1999).

⁶⁹ Government of Lesotho and United Nations Children's Fund, *Government of Lesotho/UNICEF Country Programme 2002-2007, Adolescents and Youth Development Programme Plan of Action* (2002).

⁷⁰ *Ibid.*

Unemployment and child labour

Unemployment levels are highest for young people. Overall 18.5% of the unemployed population are adolescents. Unemployment can be correlated with low educational attainment although even the completion of secondary education does not guarantee employment.⁷¹ The high level of adult and youth unemployment may contribute to forms of child labour since when parents are unable to find gainful employment, a young boy of the family is often sent to herd animals or a young girl is sent to work as a domestic worker. Because these children are often far from home, they are easily exploited and even abused by their employers. Moreover, the money earned is usually paid directly to the parents or guardians; in cases where the children have been orphaned, the money is often taken by the guardians and not used for the child's benefit. Many young girls drop out of school in order to care for younger siblings after mothers leave home in order to seek employment in urban areas.



Plate 33: Gardening and other chores should not prevent children attending school

Gaps between legal instruments and actions

The provision of education to children exists in the Constitution of Lesotho as a principle of the state but this right is not enforceable by law.⁷² As discussed in Chapter 9, the introduction of free primary education has made considerable progress. However, free basic education is only being phased in gradually and the Targeted Equity Based Programme (introduced in 2002, in order to support vulnerable children who have not yet been captured by free primary education) has encountered serious implementation difficulties, which have resulted in the exclusion of some of the targeted children. A number of laws and policies fail to meet the urgent needs of children and youth in today's society: examples include the Youth Policy, the Deserted Wives and Children's Proclamation of 1959, the Adoption Proclamation of 1952 and the Children Protection Act of 1980. All need to be updated. In other cases, the instruments themselves are adequate

⁷¹ *Ibid.*

⁷² NGO Coalition for the Rights of the Child, *The State of Children's Rights in Lesotho* (2000), pp. 12 and 32.

but implementation is weak. The Integrated Education Policy, which exists to ensure that children with disabilities are integrated into mainstream education, is an example; despite the policy, only a few schools have special facilities for ensuring that the learning environment is friendly and accommodates the special needs of disabled learners. Lesotho's Labour Code is restricted to formal employment of children and does not include herd boys and domestic workers which are the most common occupations of working Basotho children. In some cases, long-awaited policies have been approved but resources to implement these are not available, as is the situation with the Social Welfare Policy (approved in 2003).

Trouble finding an institutional home for youth

The Department of Youth Affairs, which was first established in 1969 as the Department of Youth Affairs and Women's Bureau, has been moved around to *at least six different ministries* before coming to its current location within the Ministry of Gender, Youth Affairs and Sport. There is an urgent need for a clear vision in this important sector to define the role and direction of the Department and to identify creative means of involving youth. It has also become apparent that the Department of Youth Affairs is under-resourced and under-staffed. Only 15-20 programme staff work in the Department, including District Youth Officers. The budget for the Department has remained minimal (M 3.8 million) and resource limitations have a negative impact on morale.



Plate 34: Young children need special protection

No focal point for children and under-resourced programmes

Although some of the issues are handled by the Ministry of Gender, Youth Affairs and Sport, children do not as yet have a designated department. Six ministries implement activities targeting children and youth. In addition to the limited human and financial resources, Government recognises that it does not always readily recognise new and emerging issues affecting children and youth and formulate responses. These require

vision, expertise, innovative programming and additional budgets. Of particular concern are the very limited resources of the Department of Social Welfare, which should play a critical role in the protection and support of children given the difficulties extended families have in caring for children affected by HIV and AIDS.

Crime and punishment

The high rate of unemployment, coupled with a lack of recreational facilities, results in increased social problems, such as substance abuse and crime among youth and children. The Department of Sports has developed a National Sports Policy that calls for commitment to sport as a development tool for youth, but capacity constraints and limited resources mean that very little progress has been realised. Once young people turn to crime, they face a punitive juvenile justice system that leads to the criminalisation of children and youth, limiting their economic and social potential for the rest of their lives. The lack of a restorative justice system prevents reconciliation between victim and perpetrator and disrupts the community's cohesion; furthermore, it prevents the re-integration of the child or youth back into the community.

12.4.2 Strategies

Government believes that effective actions to address child and youth poverty must be based on an understanding of the specific and *unique aspects of poverty* for these younger citizens and how their situation relates to the *broader factors that cause poverty*. These actions must include policies and programmes that boost the livelihoods of children and youth, and also a commitment to adequate financing for health and education services, including safety nets and systems of social protection for children and young people.⁷³ Furthermore, the Government endeavours to eliminate all forms of discrimination against children, people with disabilities and orphans and vulnerable children.

Many of the sectoral strategies required to accomplish the actions are discussed in detail in the preceding chapters based on the community consultations. The key overarching strategies to be pursued over the next three years are summarised below:

- strengthen the Ministry of Gender, Youth Affairs and Sport to better co-ordinate issues relating to gender and youth;
- create a new department to co-ordinate children's issues effectively;
- review existing legislation and policies in line with regional and international conventions to which Lesotho is a signatory;
- sensitise all levels of society on the rights and responsibilities of children by end of 2004;
- expand and diversify Non-Formal Education to ensure vocational and literacy skills are provided throughout the country;
- improve support systems for the disabled for effective participation in education, health and workplaces including community activities;
- Ensure that the disabled are treated with dignity and that all public buildings have special access facilities;
- provide quality and affordable child and youth-friendly health and social welfare services throughout the country;
- prevent the marginalisation of children and youth through restorative justice;
- increase provision of services to orphaned and vulnerable children;
- mobilise resources for sports and recreation programmes;
- identify infrastructure rehabilitation and development needs;

⁷³ Save the Children UK submission to the International Monetary Fund/World Bank review of PRS.

- Design a special programme focused on talent identification and development in sports, particularly in the highlands of the country.

Cross-cutting issues			
SCALING UP THE FIGHT AGAINST HIV AND AIDS			
Indicators	Baselines	Targets	
<ul style="list-style-type: none"> • HIV prevalence among ANC attendees • HIV prevalence among the 15-24 year age group 	30% in 2003 24.8% in 2003	28% by 2006 21.8% by 2006	
Key Strategies and Activities for Implementation:			
<ul style="list-style-type: none"> • Implement the National Policy on HIV and AIDS Prevention, Control and Management (2000) • set up the AIDS Commission to coordinate HIV and AIDS programmes and funding and strengthen its secretariat. • Scale up the fight against HIV and AIDS and establish clear linkages between GOL, the churches, traditional leaders, NGOs and CHAL institutions for a combined fight against the spread of HIV. • Develop effective support systems for the infected persons and affected households. • Implement the Prevention of Mother to Child Transmission (PMCT) programme. • Establish stand-alone VCT sites as an entry point for HIV prevention and care. • Provide for orphans through access to education (fee exemptions), nutritional packages, health care, preferably through families and communities. • Provide ARVs in accordance with HIV and AIDS Policy. 			
Total Incremental Costs:			
2004/5	2005/6	2006/7	Total
Key Implementing Agencies:			
<ul style="list-style-type: none"> • Lesotho AIDS Programme Coordinating Authority • Ministry of Health and Social Welfare • Ministry of Finance and Development Planning • Private Sector • Civil Society Organisations • Office of the First Lady 			
Comment:			
<p>The Government has earmarked 2% of the annual recurrent budget under every ministry towards HIV and AIDS activities.</p> <p>The Global fund has also awarded Lesotho US\$34 million (US\$29 million for HIV and AIDS, and US\$5 million for Tuberculosis) to be disbursed over 5 years.</p>			

Cross-Cutting Issues			
GENDER, YOUTH AND CHILDREN			
Indicators	Baselines	Targets	
<ul style="list-style-type: none"> • Proportion of children in child labour • No. of orphans and vulnerable children • Birth registration • % of women participating in key decision making organs: <ul style="list-style-type: none"> i) Parliament ii) Cabinet iii) Principal Secretary 	29% in 2003 93,000 in 2003 50.7% in 2000 14 out of 120 in 2003 4 out of 15 in 2003 4 out of 27 in 2003	TBD TBD TBD 30% by 2005 30% by 2005 30% by 2005	
Key Strategies and Activities for Implementation:			
<ul style="list-style-type: none"> • Implement and monitor the National Gender and Development Policy. • strengthen the Ministry of Gender, Youth Affairs and Sport to better co-ordinate issues relating to gender, youth and children. • Establish gender focal points in key institutions at central and local levels. • Expedite and review Gender discriminative legislation to enable women to own assets including land and have access to credit and banking facilities in their own right. • Increase access to education, health and social welfare services to children and youth. • Provide child friendly restorative justice system. • Provide recreational facilities for children and youth. • improve support systems for the disabled for effective participation in education, health and workplaces including community activities. • Ensure that the disabled are treated with dignity and that all public buildings have special access facilities. 			
Total Incremental Costs:			
2004/5	2005/6	2006/7	Total
Key Implementation Agencies:			
<ul style="list-style-type: none"> • Ministry of Health and Social Welfare • Ministry of Education • Ministry of Gender Youth and Sports • Ministry of Agriculture and Food Security • Prime Minister's Office • Office of the First Lady • Civil Society Organisations • Private Sector 			
Comment:			

NB: TBD is To Be Determined.

CHAPTER 13: IMPLEMENTATION, MONITORING AND EVALUATION

13.1 INTRODUCTION

Implementation of the PRS will be a national effort involving all sectors of Government *in close collaboration with civil society and the private sector*. The Prioritised Implementation Matrix and the costing matrices provide details and indicative costs for all the strategies and activities relating to the National Priorities and the cross-cutting issues presented in this document. Some activities relating to the implementation of the PRS are on-going, while in other cases, implementation will involve entirely new activities. In the majority of cases, PRS implementation will consist of better targeting of the poor, improved efficiency in service delivery and extension of coverage. A very important aspect of effective implementation will involve improving public finance management (upon which all activities depend) and decentralising service provision to reach neglected and poorly served areas and vulnerable groups.

This document should not be read as a final ‘blue print’ for implementation. Rather, it is a process document, showing the progress made in developing a poverty reduction strategy. There is unlikely to be much implementation in the first year because many of the proposed activities require policy and legal instruments to be put in place before they can be implemented. In the months ahead the task of refining the plan, verifying details and linking costed activities to the Government budgeting process will continue. The implementation period is seen as one of continuous assessment and adjustment.

To ensure that the noble aspirations recorded in this document are not simply shelved, Government is establishing a monitoring system designed to provide regular and reliable information.

13.2 RESOURCE ASPECTS OF PRS IMPLEMENTATION

13.2.1 Methodology for Costing the PRS

A major costing exercise of all objectives, strategies and activities in the PRS implementation Matrix was undertaken. The cost estimates identify the incremental costs, *over and above the existing budget allocations of Government*, that will be incurred as a result of implementing the proposed PRS activities. Estimates were prepared using a unit cost approach, based on information relating to existing activities as provided by ministries. In cases where new strategies and activities were identified, their cost implications were estimated by calculating the average unit costs of similar activities and applying them to the new PRS activity. This dataset provided the basis for the indicative costing exercise used in the prioritisation process. The data provided are detailed and comprehensive and will be a good starting point for any future analysis of the PRS implementation process.

A number of problems were encountered during the costing exercise: (i) as the prioritisation process advanced, the wording of the implementation matrices changed making it increasingly difficult to link activities to the original costings; (ii) the prioritised activities often merged two or more earlier activities and so the originally costed activities had to be identified and included; and (iii) it was necessary to identify any activities which appeared to be duplicates and were included in the costings of more than one strategy. The outcome of the exercise showed a large number of activities as having zero costs, either because these activities are part of an existing government function (and therefore have no incremental budget implications) or because insufficient data were

available on which to base an estimate. The exercise was useful but it showed that the magnitude of the task is such that it can only successfully be accomplished once it is fully integrated into Government budgeting and financial management procedures. This task has been given high priority.

13.2.2 The PRS and the Aggregate Resource Ceiling

Despite the difficulties noted above, the costing exercise showed that implementation of the activities in the Prioritised Matrix would incur an incremental cost of *approximately* M1.2 billion per annum. This represents an increase in total aggregate expenditure of approximately 25%, and would result in Government absorbing resources equivalent to over 50% of GDP. The breakdown of the costs is shown in the table below:

Table 13.1: Indicative Incremental Costs of Implementation (in millions)

Priority Area	2004/5	%	2005/6	%	2006/7	%	Total	%
Employment Creation and Income Generation	92.8	7.4	50	4.0	46.9	4.0	189.6	5.1
Agriculture and Food Security	10.8	0.9	9.4	0.7	9.0	0.8	29.2	0.8
Infrastructure Development	586.5	46.7	505.3	40.2	454.6	38.8	1,546.4	42.0
Democracy, Governance, Safety and Security	19.8	1.6	33.6	2.7	59.7	5.1	113.2	3.1
Essential Healthcare and Social Welfare	151.6	12.1	189.4	15.1	257.3	22.0	598.3	16.2
Improve Quality and Access to Education	206.4	16.4	223.9	17.8	94.4	8.1	524.7	14.3
Manage and Conserve the Environment	43.9	3.5	101.7	8.1	105.2	9.0	250.8	6.8
Improving Public Service Delivery	143.5	11.4	143.5	11.4	143.5	12.3	430.6	11.7
TOTAL	1,255.3	100	1,256.9	100	1,170.7	100	3,682.8	100

The Fiscal Strategy for the three financial years covered by this PRS (presented in Chapter 3) shows that an increase of this magnitude in public expenditure would result in increased deficits and higher levels of domestic debt, causing resources to be diverted away from poverty-targeted programmes to debt servicing. In order to sustain delivery of PRS priorities, the Government will ensure that public expenditure commitments do not create maintenance and service obligations which cannot be afforded within the available resource envelope.

Since public revenue is expected to decline relative to GDP, the projected resource envelope allows limited fiscal headroom to finance new investments and additional recurrent expenditures, even for activities that are included in the PRS. The fiscal strategy has already factored in resources committed by Lesotho's development partners. However, in order to increase the fiscal headroom, Government will present the PRS to a donor conference with the objective of securing a medium-term commitment from international finance institutions (IFIs) and donors for the mobilisation of additional external concessional loans and grants linked to the implementation of a realistically costed PRS.

Within the aggregate resource envelope, the annual plan and budget process must establish sector ceilings that reflect national priorities. However, the Government can create some of the additional fiscal headroom required to implement high priority elements of the PRS through two approaches: by reallocating resources from lower priority activities which are included within the existing budget ceilings; and by making

sustainable improvements in the productivity of ministerial expenditure on goods and services through substantive public sector reforms and the rigorous application of planning and budget procedures. Great benefits will accrue from the resulting shifts in budget allocations in line with the community priorities, as well as the strategic needs of the economy and society, even though this implies that allocations for some ministries (and for some programmes within ministries) will be cut in real terms. Potential savings should be reallocated to activities targeted at national development priorities as defined in the PRS, principally activities complementing private sector development (such as improving the amount and condition of social and physical infrastructure, thereby reducing the cost structure for domestic producers and making them more competitive in local, regional and international markets) and to poverty-targeted programmes.

The current budgetary system is a traditional supply-driven, incremental, line-item approach. The main focus is on the allocation of inputs without considering the service delivery outputs that these resources are intended to produce. This system fails to obtain the best value-for-money in service delivery. Hence, the budgetary system is being reviewed in order to link it to specific expenditure programmes, including those that target poverty alleviation. A concerted effort will be made to improve the planning, budgeting, monitoring and evaluation capacity of key officers through short, intensive courses and mentoring. Over the three-year period, the Ministry of Finance and Development Planning's macroeconomic modelling capacity will be expanded and the principles of sound Public Expenditure Management will be consistently applied.

A sound public expenditure management system is intended to achieve three basic goals:⁷⁴

- **Maintaining aggregate fiscal discipline:** achieving effective control of the budget totals by setting ceilings on expenditure that are binding both at the aggregate level and on individual line ministries.
- **Allocating resources in accordance with government priorities (allocative efficiency):** allocating resources both between and within ministries so that public expenditure is targeted at national development priorities. The budgeting system should facilitate the reallocation of resources in recognition of changing priorities and from less effective to more effective programmes in line with government objectives.
- **Improving the delivery of services (operational efficiency):** using resources in the most efficient manner so as to deliver goods and services at the lowest possible cost without compromising on quality.

The Medium-Term Expenditure Framework (MTEF) approach puts these principles into practice by focussing on the medium-term aspects of resource generation, allocation and utilisation for both recurrent programmes and capital projects. The approach concentrates on two stages of the annual planning and budget cycle (policy review and strategic planning; and budget formulation) and, by integrating policy-making, planning and budgeting early in the budget cycle, ensures that resource allocations are targeted on strategic priorities in accordance with policy decisions. The annual MTEF process will provide information for the current budget year, the estimates year and, on an indicative basis, for the two subsequent financial years. The Ministry of Finance and Development Planning will determine the aggregate resource envelope consistent with macroeconomic stability; Cabinet will set the framework of strategic priorities; ministries will prepare estimates of current and medium-term costs of existing and new policies; and these cost estimates will be matched with available resources. This combination of top-down and bottom-up processes is intended to deliver better budget outcomes as resource allocation

⁷⁴ OECD, 2001, "Managing Public Expenditure: A reference book for transition countries".

decisions will be guided by long-term sustainability, especially if there is political commitment to hard budget ceilings, and will improve certainty in funding over the medium-term.

The MTEF approach involves a more rigorous budgeting process that is based on demand for outputs rather than on supply-side considerations. In order to demonstrate how ministerial goals will be achieved through the provision of goods and services, it will be necessary to reclassify ministerial budgets by functions (programmes), sub-programmes and activities. This will facilitate both financial and physical monitoring since activities translate inputs into physical outputs, which in turn contribute towards achieving outcomes, which are the defined goals of the programmes identified in the strategic planning phase.

As part of the MTEF process, ministries will be expected to choose the optimal way of achieving a given set of outputs. Securing the best value-for-money means appraising these options to determine the best form of service delivery (options include state provision, outsourcing, commercialisation, privatisation, contracting and financing). The costing database established under the PRS will provide the basis for assessing the resource implications of each sectoral policy and programmes (and all associated activities). Costs distinguish between operating costs (the ongoing costs of delivering a service) and capital costs (the acquisition of durable assets). Government recognises that the magnitude of the capital budget is determined by the sustainability of the recurrent budget and will ensure that, before approving any new asset acquisitions, the recurrent implications are affordable within the budget ceiling.

Effective management of the MTEF process requires timely and accurate information. In order to monitor ministerial performance in achieving agreed outputs and outcomes, ministries must develop Management Information Systems which will utilise performance measures and indicators to provide a critical input into managerial decision-making and oversight. Both financial and non-financial **performance measures** will be used to assess the productivity of resource use i.e. gauging the efficiency with which inputs are translated into outputs.

Performance indicators will be used to assess how effectively outputs are translated into outcomes. Using the health sector as an example, types of indicators include statistics (morbidity and mortality data), composite indicators (potential years of life lost), qualitative indicators (quality of life) and opinion surveys.

13.2.3 The PRS and Project Cycle Management

PRS activities will be implemented in conformity with the normal planning and budgetary procedures. New project proposals will be subjected to the screening and appraisal requirements of Government at all stages of the project management cycle. These include: Identification; Screening and selection; Design and preparation; Appraisal; Financing; Implementation; and Monitoring and Evaluation.

As part of the MTEF approach, during 2004 it is intended to ensure the application of more rigorous project appraisal procedures and comprehensive monitoring of all ongoing projects. For the next budgetary cycle (2005/06), Ministries and departments should draw up project profiles that summarise the objectives of all new project proposals, define the activities to be undertaken and provide clear estimates of the resource requirements, including recurrent cost implications. The Project Appraisal Committee (PAC) will be responsible for the screening process and will apply criteria to ensure that the project concept is consistent with national objectives and sectoral policy statements.

Once a project has been successfully screened, ministries will prioritise approved projects up to the limit set by the indicative budgetary ceilings. They will then submit project proposals containing more detailed information on the anticipated costs, benefits and implementation schedule. The PAC will conduct a rigorous appraisal exercise before projects are included in the capital estimates.

Once a project has been approved and implementation begins, monitoring of ongoing projects will be a routine activity, both as part of the budget management system and as part of the budget preparation process. Up-to-date information on project implementation and expenditure will be used to provide an early warning of any problems with financial allocations and/or implementation. The application of this process will involve systems development and improvements in institutional capacity.

13.3 MONITORING AND EVALUATION OF THE POVERTY REDUCTION STRATEGY

13.3.1 An Overview of the PRS Monitoring and Evaluation System

Monitoring, evaluation and analysis is essential in the pursuit of policy, programme and project effectiveness. The Government will establish a poverty monitoring system that will guide future design, implementation and continuing analysis of poverty reduction strategies, ensuring not only accountability, responsiveness and transparency in the allocation of resources but also maximum impact on poverty reduction. The four levels of monitoring indicators, with practical examples, are:

- **Inputs:** resources used by Government to buy inputs, such as personnel, goods and services and capital assets. The objective is to quantify financial expenditure on specific activities e.g. primary education;
- **Outputs:** the quantity and quality of goods and services actually produced by Government through utilisation of the inputs. Monitoring should assist in measuring the efficiency with which agencies convert inputs into outputs. Indicators include pupil:teacher ratios, textbooks per pupil;
- **Outcomes:** the effect on the recipients of outputs, in terms of both quantity and quality, of the delivery and uptake of programmes e.g. enrolment ratios, examination pass rates, access to, use of, and satisfaction with services; and
- **Impacts:** the effects on welfare indicators such as income, employment, consumption and poverty. Although these indicators are influenced by the outputs and outcomes, there will be a significant time-lag and they will also be affected by many external factors (such as trends in international trade).

An effective monitoring and analysis system has certain important components and characteristics: it entails the collection, processing, validation, analysis and interpretation of a range of relevant qualitative and quantitative poverty data; data should be timely, reliable, credible and user-friendly; the system should be comprehensive, inclusive, transparent and sustainable; it should monitor inputs, outputs and outcomes and evaluate the impact of specific public policies or programmes through indicators that are specific, measurable, achievable, realistic and time-bound; there should be adequate institutional structures and resources to support and sustain the system, with continuous attention being given to capacity building; in addition to conventional monitoring based on administrative data and surveys, the system should integrate qualitative approaches (participatory methods) as a complementary tool for monitoring poverty reduction efforts at national, district and community levels, building on the methodology used during the nationwide consultations for the PRS and the National Vision and drawing significantly on the knowledge and resources of stakeholders, namely civil society, the private sector and

government;⁷⁵ and it must build on, strengthen and integrate with existing mechanisms for monitoring and evaluating government services and activities.



Plate 35: Community members must be involved in monitoring progress

13.3.2 Institutional Arrangements for Monitoring and Evaluation

The institutions currently involved in data collection, analysis and management include: the Bureau of Statistics (BOS); the Central Bank of Lesotho (CBL); the Ministry of Finance and Development Planning (MFDP); line ministries; consultants; the National University of Lesotho (NUL); parastatals and non-governmental organisations. Each of these organisations collects their own data using different methods and reference points. Data are often unreliable and become available late, making access difficult for those who need to use this information in making decisions for national planning and development. Consequently, many policies are made with inadequate information and analysis.

Since the PRS requires evidence-based policy-making, it is imperative that information is co-ordinated and supported centrally to improve data reliability. In order to achieve this, a Poverty Monitoring function will be established in the Ministry of Finance and Development Planning. The Ministry will monitor the implementation of PRS activities as well as the progress made in the reduction of poverty. Specific tasks will include:

- maintaining the poverty monitoring system and ensuring that relevant input, output, outcome and impact data are obtained from the various data producers;
- commissioning special studies and research to augment the available database;
- undertaking budget and expenditure tracking for poverty reduction;

⁷⁵ Civil Society – communities, the poor, NGOs, women's groups, people with disabilities, youth groups, faith-based organisations, churches, media; Private sector – business, trade unions, SMMEs, financial institutions, professional groups, academia and research institutes, consultants; Government – Parliament, central and local government.

- analysis of poverty patterns and trends;
- establishing an oversight database for decision-making and policy formulation;
- using information and analysis to facilitate pro-poor policy advocacy;
- producing routine and annual reports for dissemination of poverty-related information to stakeholders.

Nationally, the Cabinet will provide oversight and leadership for the poverty monitoring and analysis system while the National Statistical Council will oversee the collection of relevant data. Stakeholders will begin to monitor the implementation of the PRS soon after it is launched. The Prime Minister will chair the annual meeting of the stakeholder forum to discuss the poverty monitoring report. The Minister for Finance and Development Planning will chair mid-year progress reviews of the stakeholder forum. The Ministry will be responsible for organising these meetings.

13.3.3 Indicators for Monitoring and Evaluation

Although monitoring of the PRS, budget allocation and budget execution will be carried out by the MFDP and reported through the MTEF process, monitoring of activities will be undertaken at the sector level. Each ministry will develop its own monitoring framework according to its organisational objectives. This framework should define what is to be monitored, how often monitoring should take place, the level of detail required and who is responsible for collecting and disseminating information. Reporting requirements will vary according to the users of the information. Managers might require monthly monitoring reports for some items, whereas for other topics, such as strategic planning, an annual report would be sufficient, as long as it contains all relevant details such as the organisational objectives, budgets and expenditures in relation to outputs, and an evaluation of key performance areas.

In addition, the poverty monitoring system will report on a selection of core indicators that will be used in monitoring the implementation and achievements of the PRS. The summary list of core indicators included at the end of this chapter has been derived from the commitments made in each of the priority sectors of the PRS. They have been selected on the basis of three main considerations: (i) they can easily be measured in a cost effective manner; (ii) they already have a baseline value and at least one additional measurement should become available during the life of the PRS; and (iii) they are expected to indicate an impact resulting from the implementation of the PRS. The MFDP will also monitor a number of outcome/impact indicators. These may not be directly related to activities in the PRS, they may be slow to change and may be influenced by external factors but they highlight the long-term aspirations of the Basotho people.

A comprehensive information base will be developed to provide qualitative as well as quantitative information and analysis. In addition to routine administrative data sources, censuses and surveys, special studies will be commissioned, such as participatory poverty assessments and attitudinal surveys. All indicators will be monitored at the national level and, where appropriate and practical, will be disaggregated by gender, income group and geographic localities.



Plate 36: Mosotho horseman in rural area: indicators should be disaggregated by geographic localities

Government is committed to ensuring that, wherever possible, monitoring systems should include feedback mechanisms that enable information to reach policy makers and the general public, promote debate and influence evidence-based decision-making, planning and budget allocations. Through the systems and approaches described above, Government is determined that there will be a significant and measurable improvement in the lives of the poor within a three-year period. The time has come to demonstrate that all the good intentions described in this document can be transformed into life saving realities.

TOPIC	INDICATOR	BASE	YEAR	SOURCE OF BASE	TARGET	YEAR	SOURCE OF TARGET
Macroeconomic performance	1. GDP real annual growth rate	3.8%	2002	National Accounts (BoS)	7.0%	2006	MFDP
	2. Fiscal balance as % of GDP	-4.2%	2002/03	Fiscal Strategy (MWG)	0.4%	2006/07	MFDP
Poverty Reduction	1. % of population living below poverty line	58.3%	1994/95	Household Budget Survey	52.0%	2002/03	PRS estimates
	2. Gini coefficient	0.66	1994/95	Household Budget Survey	0.60	2002/03	PRS estimates
Employment Creation	1. Unemployment Rate	31%	1999	Labour Force Survey	27%	2006	Ministry of Labour & Employment
Agriculture and Food Security	1. Cereal crop production	185,000 tonnes	Average 1997/8 - 2001/2	Crop production surveys and census (BoS)	200,000 (210) tonnes	2006	Ministry of Agriculture & Food Security
	2. Crop yields per hectare (i) Maize (ii) Sorghum (iii) Wheat	0.781	Average 1997/8 - 2001/2	Crop production surveys and census (BoS)	0.9	2006	Ministry of Agriculture & Food Security
		0.883			1.0	2006	
		1.174			1.3	2006	
	3. Irrigated area	80 ha.	2002/03	Dept. of Crop Services	150 ha.	2006	Ministry of Agriculture & Food Security
4. % of households with food insecurity	36%	2002	National Goals and Objectives	23%	2006	National Goals and Objectives	
5. Livestock product exports (i) Wool (ii) Mohair	1327 m.t.	2000/01 2000/01	Dept. of Livestock Services	1,650 m.t.	2006 2006	Ministry of Agriculture & Food Security	
	262 m.t.			325 m.t.			
Deepening Democracy	1. Rate of livestock theft per 10,000 residents	17.7 cases	2003	LMPs Crime Statistics Office	2.3 cases	2006	LMPs
	2. Crime rate per 10,000 residents	72.7 cases	2003	LMPs Crime Statistics Office	36.4 cases	2006	LMPs
	3. Local authorities established and functioning	4%	2003	Ministry of Local Government	100%	2006	Ministry of Local Government
	4. Reported cases of corruption	300 cases	2003	Directorate of Corruption & Economic Offences	50 cases	2006	Ministry of Justice

TOPIC	INDICATOR	BASE	YEAR	SOURCE OF BASE	TARGET	YEAR	SOURCE OF TARGET
Infrastructure Development	1. Kilometres of gravel roads constructed and maintained	6,800 km.	2002	Transport & Communications Statistics Report (BOS)	7,700 km.	2006	Ministry of Public Works estimates
	2. % of households with access to improved water sources	78.9%	2002	Core Welfare Indicators Questionnaire	85%	2006	Ministry of Natural Resources estimates
	3. % of households with improved sanitation	47.4%	2002	Core Welfare Indicators Questionnaire	60.0%	2006	Ministry of Health estimates
	4. % of households with access to electricity	10%	2002	LEC monthly report (Jan. 2004)	17%	2006	LEC monthly report (Jan. 2004)
	5. Number of people with access to telephone services	233,715	2002	Transport & Communications Statistics Report (BOS)	250,000	2006	National Goals and Objectives
Healthcare and Social Welfare	1. % of births attended by skilled health personnel	59.9%	2002	Core Welfare Indicators Questionnaire	70%	2006	Ministry of Health estimates
	2. Proportion of under 1 year old children immunised against measles	77%	2000	End Decade Multiple Indicator Cluster Survey	80%	2006	Ministry of Health estimates
	3. Infant mortality rate per 1000 live births	81	2001	Lesotho Demographic Survey	70	2006	Ministry of Health estimates
	4. Under-five mortality rate per 1000 live births	113	2001	Lesotho Demographic Survey	103	2006	Ministry of Health estimates
	5. Maternal mortality rate per 100,000 live births	419	2001	Lesotho Demographic Survey	391	2006	Ministry of Health estimates

TOPIC	INDICATOR	BASE	YEAR	SOURCE OF BASE	TARGET	YEAR	SOURCE OF TARGET
Human Resource Capacity	1. Primary net enrolment rate	85%	2002	Annual Education Statistics	90%	2006	Ministry of Education estimates
	2. Secondary net enrolment rate	84%	2002	Annual Education Statistics	90%	2006	Ministry of Education estimates
	3. ECCD coverage	31%	2002	Annual Education Statistics	40%	2006	Ministry of Education estimates
	4. TVET enrolment	2,000	2002	Annual Education Statistics	3,500	2006	Ministry of Education estimates
	5. Primary completion rate	60%	2002	Annual Education Statistics	63%	2006	Ministry of Education estimates
	6. Primary pupil teacher ratio	47:1	2002	Annual Education Statistics	40:1	2006	Ministry of Education estimates
	7. Secondary pupil teacher ratio	24:1	2002	Annual Education Statistics	30:1	2006	Ministry of Education estimates
	8. Literacy rate (15-24 year olds)	88.6%	2002	Annual Education Statistics	93%	2006	Ministry of Education estimates
Environment	1. Land area protected to maintain bio-diversity	14,209 ha.	2002	Second State of the Environment Report	19,809 ha.	2006	Conserving Mountain Biodiversity Project
Public Service Delivery	1. Annual Public Accounts submitted to Auditor General	Feb. 2004	2002/03	Accountant General	Sept. 2006	2005/06	Accountant General
	2. Time taken to process terminal benefits for civil servants	2 years	2000/01	Ministry of Public Service	6 months	2005/06	Ministry of Public Service
	3. Time taken to provide bursaries	6 months	2003	National Manpower Development Secretariat	1 month	2006	Ministry of Finance and Development Planning
HIV and AIDS	1. HIV prevalence rate among ante-natal clinic attendees	30%	2003	HIV Sentinel Survey	28%	2006	Ministry of Health & Social Welfare estimates
	2. HIV prevalence rate among 15-24 year olds	24.8%	2003	HIV Sentinel Survey	21.8%	2006	Ministry of Health & Social Welfare estimates
Gender, Youth and Children	1. % of women in decision-making roles						
	(i) Parliament	14 of 120	2003		30%	2006	SADC gender policy
	(ii) Cabinet	4 of 15	2003		30%	2006	
(iii) Principal Secretaries	4 of 27	2003		30%	2006		

CHAPTER 14: RISKS AND ASSUMPTIONS

14.1 INTRODUCTION

This Chapter identifies the risks that will be encountered during the implementation of the PRS and lists critical assumptions that must be satisfied in order to make significant progress in national poverty reduction objectives. Evidence from countries within the region that have implemented the PRS approach, shows that successes have been achieved where a comprehensive risk analysis was conducted prior to PRS implementation. The following sections focus on a number of interrelated and interlinked challenges that will determine the extent to which poverty reduction will be successfully tackled.

14.2 POLITICAL WILL AND GOOD GOVERNANCE

Traditionally, poverty has been perceived primarily as an economic issue, but it is now increasingly accepted that, to a very large extent, poverty is also a political issue. Without a clear policy framework, it is very difficult to implement pro-poor investments and to deliver services in a cost effective and efficient manner. The annual Budget is the mechanism through which resources are allocated to recurrent programmes and capital projects and must be approved annually by Parliament. In order to increase allocations to the pro-poor programmes identified in this PRS, *it is essential that Members of Parliament engage sufficiently in the budgetary process* and endorse the policy framework that will ensure that this is translated into budgetary allocations.

Political will coupled with good governance is the linchpin for successful implementation of the poverty reduction strategy. There is overwhelming evidence that remarkable success can be achieved where political will exists at the highest levels of government and where the political authority has embraced the PRS as a vehicle for poverty reduction and economic growth. The Government of Lesotho remains fully committed to poverty reduction and the recent political reforms have confirmed the national intention of pursuing the principles of good governance, including transparency, accountability and contestability. The May 2002 elections, within a dual electoral system combining ‘first past the post’ and ‘proportional representation’, were well-received internationally and signalled a strong push for democracy that provides a sound basis for sustained political stability.

The current level of political will might not be sustained if the PRS does not mobilise adequate financial resources and capacity to ensure that the main strategies are successfully implemented. The preparation process has raised expectations, both in Government and amongst Basotho, that donor funding will increase significantly. Although concessional external assistance from Lesotho’s development partners has the desirable result of making additional resources available, it is important that the pace and direction of social and economic development is not influenced by increasing dependence on donor agencies.

14.3 PUBLIC SECTOR IMPROVEMENT AND REFORM PROGRAMME

The PRS is intended to ensure that Government priorities are based on *sound and solid information* in order to reduce poverty. This requires Government to address structural and systemic issues through meaningful reforms throughout the public sector. The PRS therefore places great importance on the successful implementation of the PSIRP. It is

anticipated that this will deliver improvements in three areas: financial management systems; public sector management; and decentralisation. A key assumption is, therefore, that the PSIRP will be implemented and that the momentum of reform will be maintained.

14.4 DECENTRALISATION

The overriding principle of the PRS is effective participation which facilitates direct involvement of communities in deciding issues which affect their welfare. Without continuous community participation and empowerment through decentralisation there is a risk that the community priorities shown in this document will not be successfully addressed. The absence of effective community participation has been identified as a cause of the failure of many previous development initiatives. People were often not consulted, which meant that many activities failed to benefit them. One of the ways to make participation effective is to gradually implement a decentralised system of local government as a way of linking people to national government. As long as this does not result in the creation of local elites (who then exclude participation in their own way) it can be an effective mechanism for popular involvement in decision-making processes.

14.5 THE PRS FOCUSES ON EFFICIENCY OF RESOURCE UTILISATION

Although the PRS will enable Lesotho to access concessional loans and grants from the international finance institutions and development partners, even greater benefits can accrue from major shifts in budget allocations in line with the strategic needs of the economy and society as identified through the community priorities. The application of more rigorous planning and budgeting procedures will allow resources to be reallocated from activities of less impact to activities of greater impact.

This implies that Government must set and adhere to revised sectoral expenditure ceilings and that it does not make expenditure commitments that exceed the resource envelope set out in the Fiscal Strategy 2004/05 - 2006/07. This has already factored in external resource commitments made by Lesotho's development partners. Endorsing programmes and projects in excess of these ceilings is likely to result in additional debt service obligations and Government will be forced to cut back on productive expenditure and will be unable to deliver on PRS priorities.

While the PRS must impose more discipline in resource utilisation, it should be recognised that there are existing commitments which the Government cannot abandon without provoking unnecessary legal battles with other stakeholders (i.e. creditors). Government must therefore establish a two-pronged approach to ensure that it can satisfy these stakeholders while responding to community priorities.

Full political and administrative support is required to engage this new thinking and to shift mindsets among bureaucrats. It will be difficult to implement priority programmes identified by the Basotho during community consultations unless line ministries support this new demand-led resource bidding and allocation approach.

14.6 IMPACT OF HIV AND AIDS AND POPULATION DYNAMICS

Many of the economic and social achievements since Independence are threatened by the rapid spread and high incidence of HIV and AIDS. Not only is Lesotho recording a significant deterioration in key health status indicators, but the loss of productive manpower will also reduce production and productivity.

The HIV and AIDS pandemic has been recognised as the biggest threat to the successful implementation of this PRS. Lesotho will record an enormous loss of capacity (initially through increased absences from work but subsequently through premature deaths of productive members of the workforce). Major employers (including the Government) will show declining productivity and increasing training costs. Households will be affected by the loss of income and the diversion of resources to caring for people living with AIDS and expenses related to funerals. The Government will also have to divert national resources to caring for the sick. This will reduce both savings and investment, leading to a slower rate of economic growth and employment creation. The socio-economic impact will be immense with rapidly increasing poverty levels among affected households, especially for orphans.

Previous efforts to address the HIV and AIDS pandemic have been hampered by serious institutional weaknesses. Domestic and foreign resources (such as \$ 34.5 million from the Global Fund, \$ 5.8 million from the World Bank, \$ 0.6 million from Ireland Aid and the M60m of Government's recurrent appropriations) have not been effectively utilised. Without an aggressive effort to reverse the impact of HIV and AIDS on the population, it will be difficult to achieve any sustainable reduction in poverty. The PRS assumes that it may be possible to reverse current trends through recent initiatives that include the launching of a new policy document (*Scaling up the Fight Against HIV and AIDS*), the opening of new voluntary counselling and testing (VCT) centres, the provision of ARVs at certain centres.

The loss of the productive members of the nation's workforce to HIV and AIDS is exacerbated by out migration to South Africa. The extent of this trend will not be fully known until 2006 when the next census is carried out. However, if it is proven to be significant, it presents a risk to economic growth that will have to be taken into consideration in future plans.

14.7 GENDER PARITY

Women account for 52% of the population and head about 25% of all households. The poverty diagnosis (Chapter 2) indicated that these households are especially vulnerable because women and children suffer a high level of discrimination that continues to disempower them. In practice, women are minors, a status that does not allow them full and equal rights with men. They cannot inherit fields for farming, open bank accounts without authority from their husbands or male siblings, get loans from banks by themselves or buy property.

During the PRS consultations, communities and sectors cited gender inequality as a major cause of the skewed distribution of resources. If gender parity is not addressed during this PRS, the impact of the strategies and activities described in this document will be significantly reduced. The Government must therefore enact and implement policies that remove discriminatory practices against women.

14.8 HARMONISATION OF INITIATIVES

Various initiatives that include NEPAD, the National Vision, the Millennium Development Goals and the Integrated Framework are underway concurrently. For example, while the National Vision reflects higher order and long-term national development objectives, the PRS should define specific short-term activities and indicative resource allocations through

which the national goals can be implemented. Both the National Vision and the PRS reflect the priorities of the Basotho people as identified through the National Dialogue conducted at the start of the Vision process in 2001 and the elaborate national consultations held in April/May 2002. Harmony between the National Vision and PRS will enhance the national ability to mobilise and allocate both internal and external resources. It will also ensure consistency in approach between long-term planning and short-term resource allocations and increase the efficiency of the public sector.



Plate 37: Lesotho's fragile environment must be conserved for future generations

14.9 ENVIRONMENTAL MANAGEMENT

Each generation has a duty to build, conserve and replenish the nation's resources for the benefit of future generations. In order to ensure that today's economic growth and development is sustainable, Government has a special responsibility and must adopt a longer time horizon than commercial investors. Policies should take into account the necessary 'trade-offs' to ensure that there is optimal economic growth and the conservation of ecosystems. Production practices should neither endanger the environment nor limit the options of future generations. Some productive activities, notably mining, remove finite national resources and are inherently unsustainable. It is important, therefore, that these non-sustainable activities generate additional flows of tax or other benefits which can be applied to assist other sectors in creating long-term economic activities.

14.10 PARTNERSHIPS AND PARTICIPATORY WAYS OF WORKING

Lesotho's PRS is based on the principles of partnership, inclusiveness and national ownership. Successful implementation of the PRS is based on the assumption that Government, as the main player in poverty reduction, will facilitate the participation of all relevant stakeholders (including civil society organisations, citizens, the private sector and development partners) and develop a conducive working environment that promotes co-operation, inter-dependence and inter-agency working. This requires a transformation of attitudes and practice.

The general approach will allow the institution that has a comparative advantage in a particular intervention to operate freely. For example, Government will ensure that the market itself dictates the activities and behaviour of the private sector for free and fair competition. In certain circumstances, the Government may be willing to finance civil society or the private sector to deliver services if they are more efficient in doing so.

Past relations between the private and public sectors have not demonstrated the necessary spirit of co-operation and shared agendas or vision. There have been cases where one sector has tended to blame the other frequently. Clearly, this has not supported partnership and has undermined development efforts with serious negative impacts on the poor.

As a land-locked country, Lesotho must ensure that its much more developed neighbour assists in the development process. South Africa and Lesotho have already established the Joint Bilateral Commission of Cooperation to provide an appropriate institutional focal point. In order to assist Lesotho to graduate from least developed country status, areas of potential cooperation include: the improvement of infrastructure in adjacent zones; simplification of cross-border procedures to facilitate the free movement of people, goods and services; guaranteed access to services whose specialised nature mean that it would be too expensive for Lesotho to provide (e.g. medical referral facilities, training courses); and assistance in developing an appropriate cross-border regulatory environment (e.g. application of common standards).

Lesotho must achieve national self-reliance by paying its own way and dealing on terms of equality with its trading and investment partners. This means exploiting the opportunities inherent in the process of globalisation by exercising Lesotho's rights and responsibilities arising from membership of the Southern African Customs Union, the Common Monetary Area, the Southern African Development Community and international bodies, such as the World Trade Organisation.

The development of this PRS demonstrates the potential of the various sectors in society to work together. This partnership should be sustained for successful implementation.

Annex 1

TECHNICAL WORKING GROUP, SUPERVISORS AND CONSULTANTS

NAME	ORGANISATION
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Ms. M. Tšeole	Tourism, Environment and Culture
Mrs. M. Sekhamane	Tourism, Environment and Culture
Mrs. M. Motsamai	Natural Resources
Mr. M. Lephoto	Defence
Mr. M. Monethi	Local Government
Ms. T. Molahlehi	Home Affairs, Safety and Security
Mrs. M. Obol	Gender, Youth Affairs, Sports and Recreation
Mr. S. Motsamai	Lesotho Council of NGOs (LCN)

Mr. P. Lerotholi	Lesotho Council of NGOs (LWGA)
Ms. T. Lehloenya	Lesotho Council of Women
Ms. M. Cadribo	Lesotho Fund for Community Development
Mr. M. Tshabalala	Lesotho Highlands Development Authority
Mrs. M. Monyau	Central Bank of Lesotho
Mrs. N. Bereng	Central Bank of Lesotho
Mr. Thokoa	Lesotho Chamber of Commerce and Industry

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