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Travel briefs, Lesotho

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WBG Archives

LESOTHO

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Mr. McNamara's Arrival Statement

LESOTHO

It is an honor for me to come to the mountain side of the Caledon River, and particularly fitting that our entry point is an airport named after Moshoeshoe I, the great leader who unified the Basotho nation.

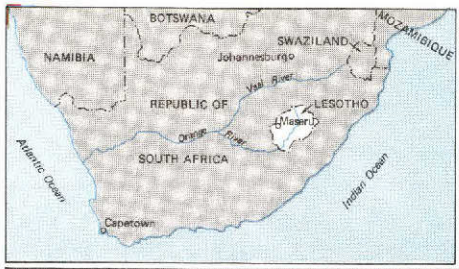
Although I am spending a short time in Lesotho, I hope to learn a great deal in discussions with government leaders and by seeing development at work in Maseru and in the countryside. I have already seen something of your beautiful mountainous land as we flew in from Swaziland.

The International Development Association, an affiliate of the World Bank has been assisting the Basotho since 1966. Our first collaborative effort for road development was signed in an agreement even before your independence was proclaimed. Two other highway projects have followed as the Association and Lesotho have continued the important task of opening communications links across this mountainous country. The Second Highway credit, in 1976, included support for a labor-intensive construction unit as an experimental approach to Lesotho's employment problems. I hope to see this unit in operation during my visit here.

The Association has also been active in supporting education -- with two credits -- and agriculture through the Thaba Bosiu project, centered on Moshoeshoe's old redoubt at the Mountain of the Night, and the Basic Agricultural Services Project.

We have been involved in supporting industry through one credit to the Lesotho National Development Corporation (LNDC); a second, which will include important components to train LNDC staff and Basotho workers is likely to be approved soon. The International Finance Corporation, another Bank affiliate, has also invested in a stone-crushing operation in 1978. In total the Bank and its affiliates have provided more than \$50 million to assist

development in Lesotho. *we hope to continue and strengthen this effort in the coming years.*



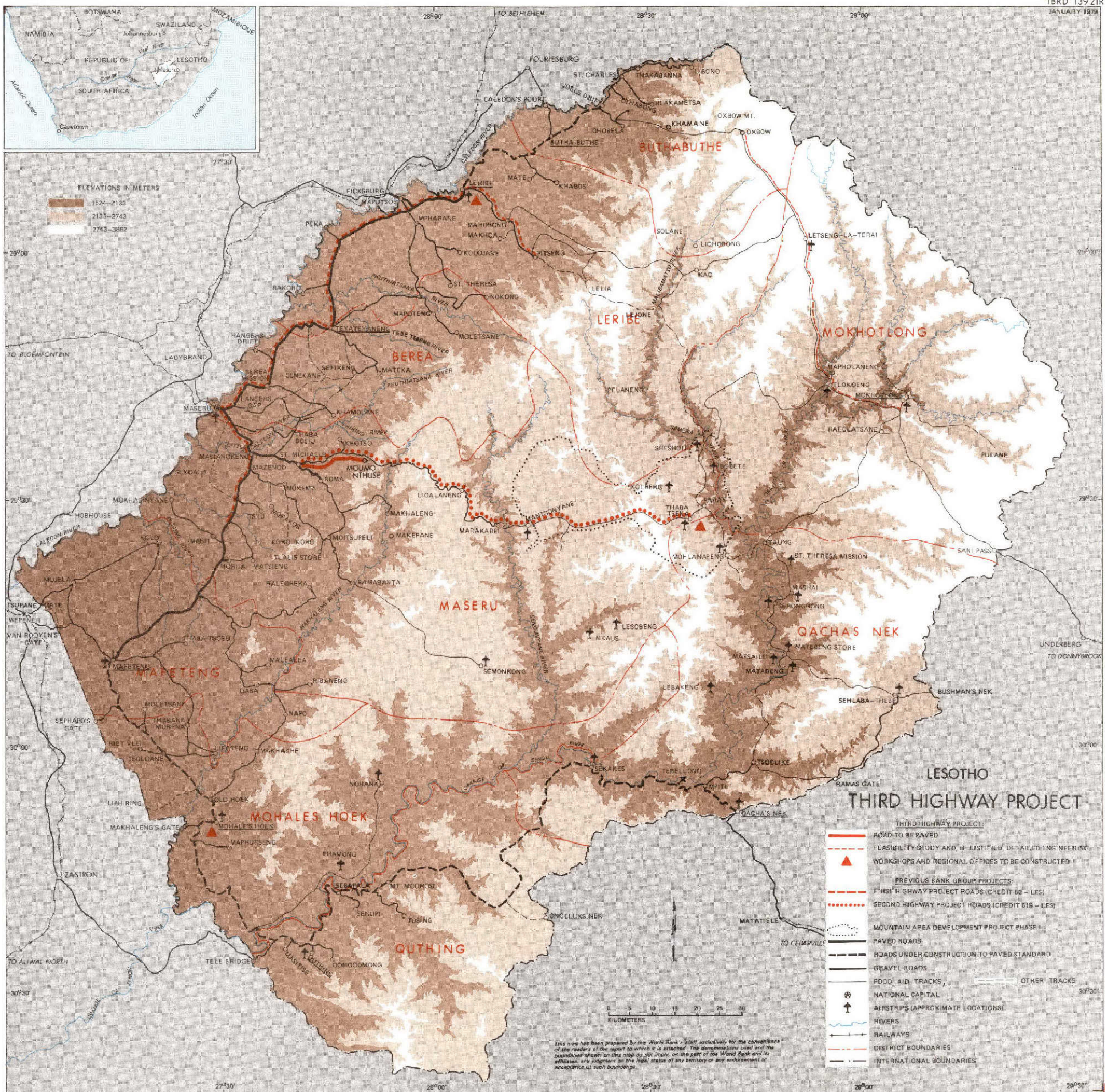
ELEVATIONS IN METERS

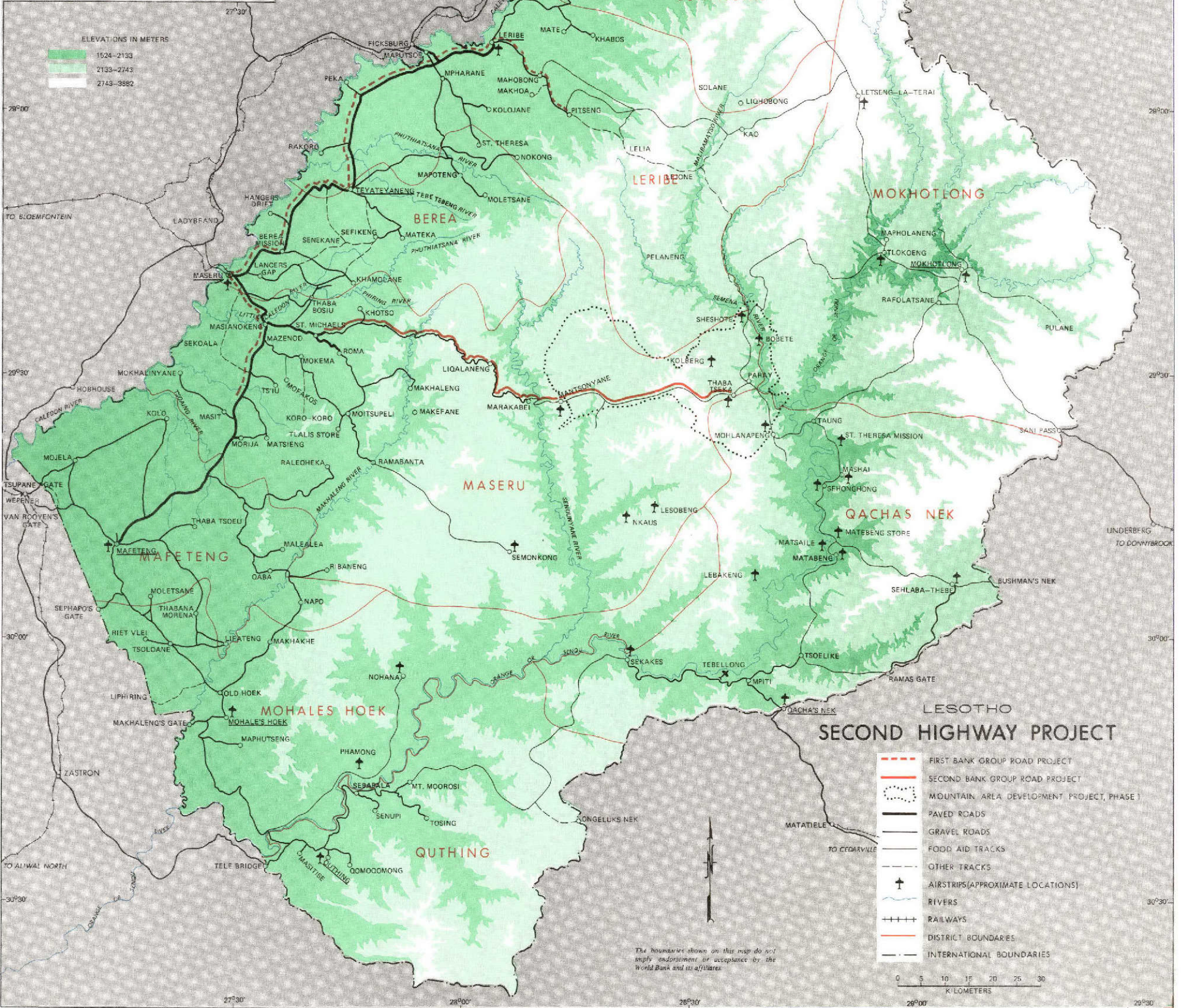
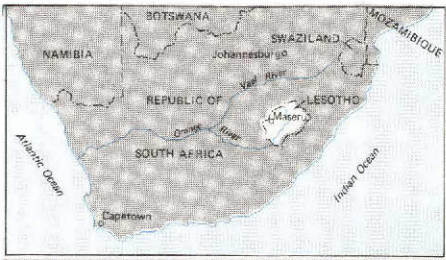
**LESOTHO**

- PAVED ROADS
- GRAVEL ROADS
- FOOD AID TRACKS
- OTHER TRACKS
- AIRSTRIPS (APPROXIMATE LOCATIONS)
- RIVERS
- RAILWAYS
- DISTRICT BOUNDARIES
- INTERNATIONAL BOUNDARIES
- AGRICULTURAL PROJECTS

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KILOMETERS







ELEVATIONS IN METERS



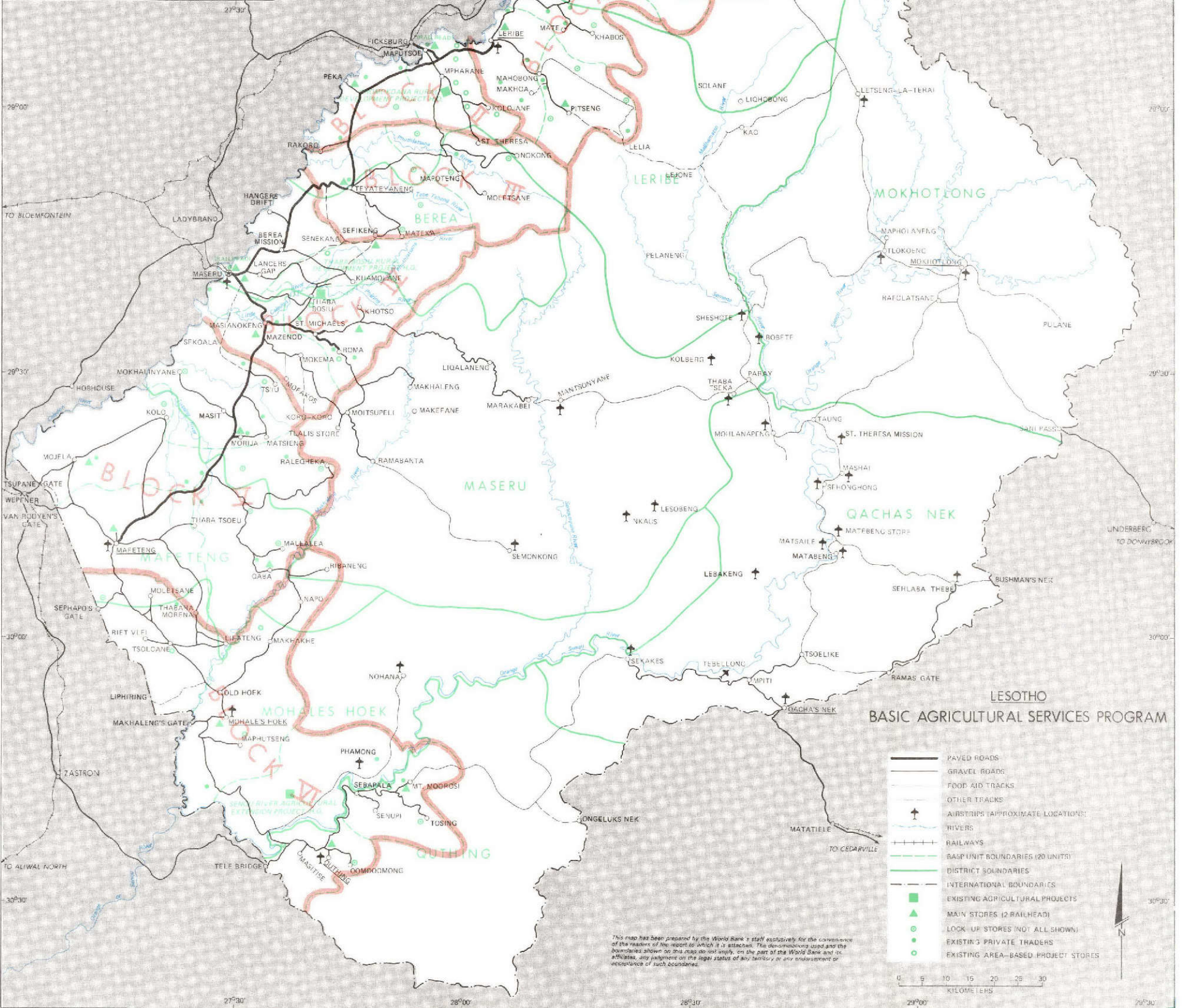
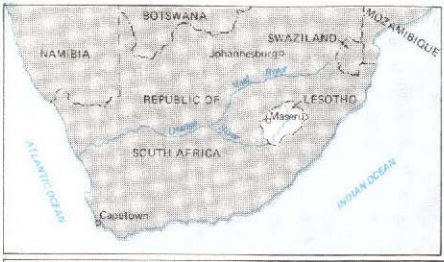
### LESOTHO SECOND HIGHWAY PROJECT

- FIRST BANK GROUP ROAD PROJECT
- SECOND BANK GROUP ROAD PROJECT
- MOUNTAIN AREA DEVELOPMENT PROJECT, PHASE I
- PAVED ROADS
- GRAVEL ROADS
- FOOD AID TRACKS
- OTHER TRACKS
- AIRSTRIPS (APPROXIMATE LOCATIONS)
- RIVERS
- RAILWAYS
- DISTRICT BOUNDARIES
- INTERNATIONAL BOUNDARIES



The boundaries shown on this map do not imply endorsement or acceptance by the World Bank and its affiliates.





LESOTHO  
BASIC AGRICULTURAL SERVICES PROGRAM

- PAVED ROADS
- GRAVEL ROADS
- FOOD AID TRACKS
- OTHER TRACKS
- AIRSTRIPS (APPROXIMATE LOCATIONS)
- RIVERS
- RAILWAYS
- BASP UNIT BOUNDARIES (20 UNITS)
- DISTRICT BOUNDARIES
- INTERNATIONAL BOUNDARIES
- EXISTING AGRICULTURAL PROJECTS
- MAIN STORES (2 RAILHEAD)
- LOCK-UP STORES (NOT ALL SHOWN)
- EXISTING PRIVATE TRADERS
- EXISTING AREA-BASED PROJECT STORES

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KILOMETERS

# background NOTES

## Lesotho

department of state \* march 1979

OFFICIAL NAME: Kingdom of Lesotho

### PEOPLE

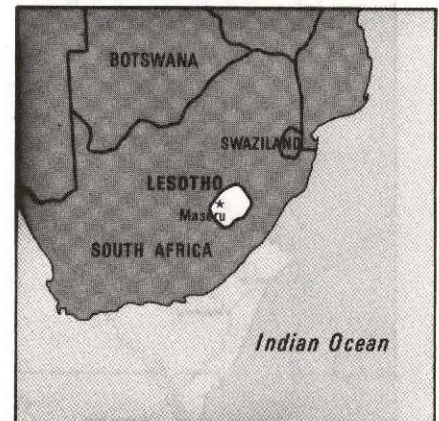
The people of Lesotho (pronounced le-SOO-too)—the Basotho—live mostly in the western lowlands. Much of the work force is employed from 3 to 9 months a year in South Africa in mining, farming, or industry. At any given time an estimated 200,000 workers are absent from Lesotho. The remaining work force is employed primarily in subsistence agriculture raising livestock and producing handicrafts.

Most Basotho Christians are Roman Catholic, although the Lesotho Evan-

gelical Church and the Anglican Church are also prominent. The National University of Lesotho's main campus is situated at Roma, some 32 kilometers (20 mi.) from Maseru.

### HISTORY

Basutoland (now Lesotho) apparently was sparsely populated by Bushmen (Qhuaique) until the end of the 16th century. Between the 16th and 19th centuries an influx of refugees from tribal wars in surrounding areas populated the region. These new arrivals developed a fairly homo-



geneous cultural entity, the Basotho tribal group.

### PROFILE

#### People

POPULATION: 1.2 million (1976). ANNUAL GROWTH RATE: 2.1%. ETHNIC GROUPS: About 85% Sotho, Nguni (Bathupu) 15%, less than 1% white. RELIGIONS: Christian 70%, animist. LANGUAGES: English (official), Sesotho (official), Xhosa, Zulu. EDUCATION: Attendance—65%. Literacy—59%. HEALTH: Infant mortality rate—146 per 1,000 (US=17/1,000). Life expectancy—46 yrs. WORK FORCE: Agriculture—90%. Industry and commerce—2%. Service—2%. Government—4%.

#### Geography

AREA: 30,344 sq. km. (11,716 sq. mi.); slightly larger than Md. CITIES: Capital—Maseru (pop. 71,500); Teyateyaneng (6,900), Leribe (5,200), Mafeteng (4,600), Mophale's Hoek (3,600). TERRAIN: Varied. CLIMATE: Temperate.

#### Government

TYPE: Constitutional monarchy with

King as Chief of State; Constitution suspended since 1970. INDEPENDENCE: October 4, 1966. CONSTITUTION: Suspended since 1970.

BRANCHES: Executive—Prime Minister, Cabinet. Legislative—appointed Interim National Assembly has limited legislative powers. Judicial—Court of Appeal, High Court, subordinate courts, and customary courts.

POLITICAL PARTIES: Basutoland National Party (Prime Minister's party), Basutoland Congress Party, Maramatlou Freedom Party, United Democratic Party. ADMINISTRATIVE SUBDIVISIONS: 10 Districts.

FLAG: Two vertical bands of green and red on the staff side with a field of blue bearing the traditional Basuto conical straw hat in white, centered.

#### Economy

GNP (1976-77 est.): \$240 million. ANNUAL GROWTH RATE: 4%. PER CAPITA INCOME: \$120. AV. RATE OF

INFLATION LAST 5 YRS.: 19%. NATURAL RESOURCES: Diamonds, water.

AGRICULTURE: Products—mohair, corn, wheat, sorghum, peas, beans, potatoes, asparagus. Percentage of GNP—40%.

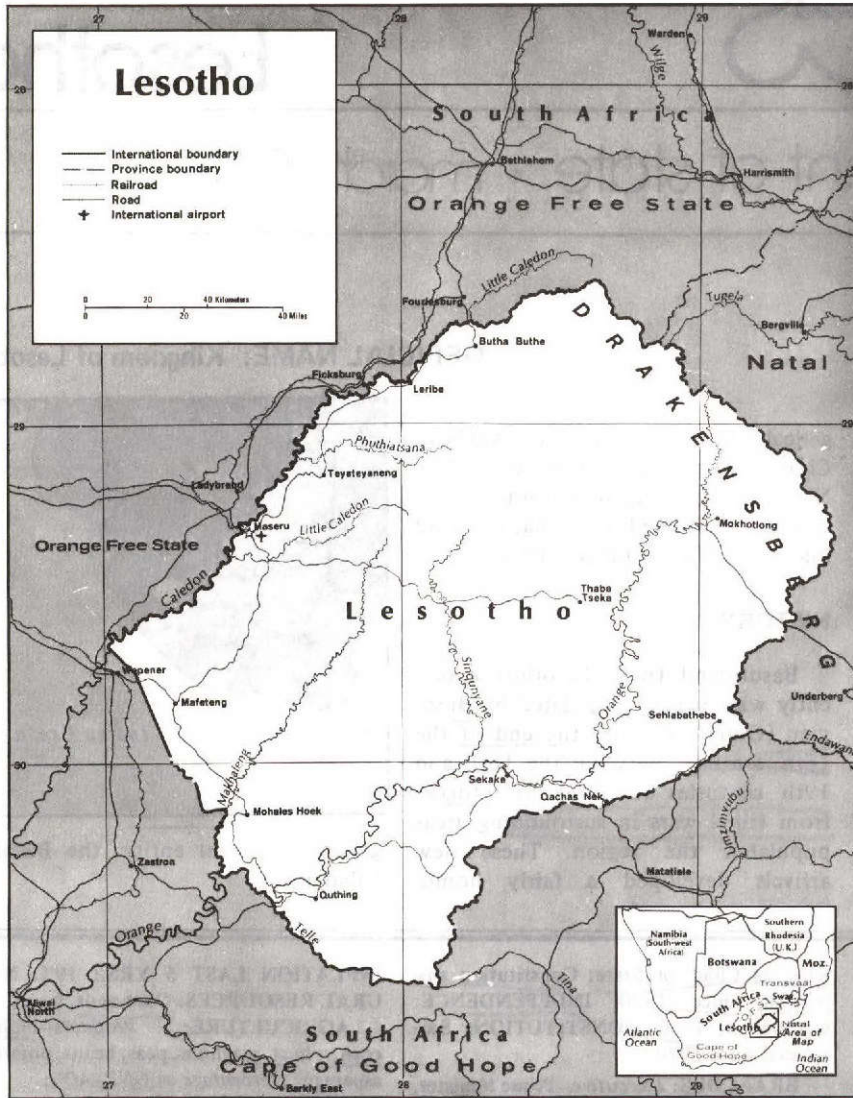
INDUSTRY: Types—carpet, woolen apparel, candlemaking, pottery, jewelry, tapestry. Percentage of GNP—10.

TRADE (1976): Exports—\$16.8 million: wool, mohair, cattle, diamonds. Imports—\$206.9 million: manufactured goods, foodstuffs, machinery, transport equipment. Partners—(Ultimate origins and destinations of Lesotho's external trade are unknown.)

OFFICIAL EXCHANGE RATE: 1 South African rand=US\$1.15.

ECONOMIC AID RECEIVED: Total (1978): \$50 million in capital assistance. US aid—approx. \$37 million (\$8.2 million in grants and loans, \$2.7 million in PL 480 food aid, and \$26 million for construction of Lesotho Southern Perimeter Road).

MEMBERSHIP IN INTERNATIONAL ORGANIZATIONS: UN, Organization of African Unity, Commonwealth of Nations, Southern African Customs Union, Non-aligned Movement.



Note: Maseru is about 10,800 kilometers (6,700 mi.) from Washington, D.C.

Moshoeshe I, a tribal chief from the north who ruled from 1823 to 1870, succeeded in 1818 in consolidating various Basotho tribes that had been scattered earlier by Zulu and Matabele warriors. During his reign, a series of wars (1856-68) resulted in the loss to South Africa of extensive lands, now known as the "Lost Territory." Moshoeshe appealed to Queen Victoria for help, and in 1868 the country was placed under British protection.

For a long time thereafter the energies of the British administration were absorbed largely in the tasks of settling disputes, maintaining the position of the Paramount Chief under the system of "indirect rule," and resisting South

African efforts to incorporate Basutoland into the Union of South Africa.

From 1884 to 1959, legislative and executive authority was vested in a British High Commissioner. In 1910 the Basutoland Council, which came into existence on an informal basis in 1903, was formally established as a consultative body.

In 1955 the Basutoland Council asked that it be empowered to legislate on internal affairs. A new Constitution in 1959 gave Basutoland its first elected legislature, a significant step in the country's political development. The British then acceded to the expressed desire of the people to achieve full independence. Following a consti-

tutional conference at London in 1964, general elections with universal adult suffrage were held in April 1965. The Basutoland National Party (BNP) won 31 seats in the 60-seat legislature, the Basutoland Congress Party (BCP) 25 seats, and the Marematlou Freedom Party (MFP) 4 seats. On October 4, 1966, Basutoland attained full independence as the Kingdom of Lesotho.

Early results of the election of January 27, 1970, the first held after independence, indicated that the ruling BNP might not remain in power. Citing election irregularities, Prime Minister Leabua Jonathan nullified the elections, declared a national state of emergency, suspended the Constitution, and dissolved the Parliament.

In 1973 an appointed Interim National Assembly was established. With an overwhelming progovernment majority, it is largely the instrument of the Basutoland National Party (BNP) led by the Prime Minister.

## GEOGRAPHY

Lesotho is located within the east-central part of the Republic of South Africa. The main agricultural zone—about one-fourth of the western sector—is lowland country, varying from 1,500 to 1,800 meters (5,000 to 6,000 ft.) above sea level. The rest of the country is comprised of highlands that rise to 3,350 meters (11,000 ft.) in the Drakensberg Range which forms the eastern boundary with Natal. Lesotho's mountains form part of the major watershed of the Republic of South Africa.

Rainfall is variable and averages about 71 centimeters (28 inches) a year over most of the country. Most rain falls from October to April, but normally no month has less than 1.5 centimeters (.6 in.). In the lowlands the temperature varies from 32°C (90°F) or more in summer to -6°C (20°F) in winter. The range in the highlands is much wider, and temperatures sometimes dip below -18°C (0°F).

## GOVERNMENT

Prior to 1970, Lesotho had a constitutional monarchy with an elected

bicameral Parliament consisting of a National Assembly (60 seats) and a Senate (33 seats).

King Moshoeshoe II (mo-SHWAY-shway) is Chief of State. The Prime Minister (Head of Government) is appointed by the King and is the Member of the National Assembly who commands support of the majority of its Members. The Cabinet is also appointed by the King in accordance with the advice of the Prime Minister from among Members of both Houses of Parliament.

The Prime Minister is presently ruling with the advice of an appointed Inferim National Assembly (estab-

lished in 1973), which includes representatives of Lesotho's four legal political parties. Preparation of a new Constitution is under discussion.

Lesotho's highest court is the Court of Appeal, which exercises limited appellate jurisdiction. The High Court has unlimited original jurisdiction over civil and criminal matters. Subordinate courts administer statute laws, and Paramount Chiefs administer customary tribal laws.

For administrative purposes the country is divided into 10 Districts. Each District is headed by a District Administrator appointed by the central government.



Basotho Hat, arts and crafts sales center

## TRAVEL NOTES

Lesotho's beautiful mountain scenery and pleasant climate have made it increasingly attractive to tourists. The tourist trade is composed mostly of South Africans who come to Lesotho for gambling and other diversions not readily available in South Africa.

*Clothing*—Light summer suits and dresses are appropriate from October to May. Winter clothing is needed from June to September.

*Customs*—Americans traveling to Lesotho can obtain Lesotho visas on arrival. However, all routes to Lesotho pass through South Africa, and travelers without South African visitors' visas are not permitted to leave the international area while transiting Johannesburg Airport. The airport has hotel rooms to accommodate those who remain overnight to make onward connections. Up-to-date health certificates and yellow fever and smallpox vaccinations are required.

*Health*—Tapwater is safer in the Maseru area. Medical facilities in Maseru are adequate for emergency treatment, but most travelers who require more extensive facilities obtain them in Bloemfontein, South Africa, 112 kilometers (70 mi.) away.

*Telecommunications*—Telephone and telegraphic service is available in and between the larger population areas, but much of the interior can only be reached by voice radio. Lesotho is seven standard time zones ahead of the Eastern US.

*Transportation*—Maseru is a short flight from Johannesburg, South Africa. Maseru has few taxis. Traffic moves on the left. No car rental agencies are available in Maseru.

## Principal Government Officials

Chief of State—King Moshoeshoe II  
Prime Minister, Minister of Defense and Security—Dr. Leabua Jonathan

### Other Ministers

Foreign Affairs—C.D. Molapo  
Finance—E. R. Sekhonyana  
Transport and Communications—P. N. Peete  
Commerce and Industry—V. M. Molapo  
Information and Broadcasting—K. T. J. Rakhetla

## READING LIST

These titles give a general indication of the material published on this country. The Department of State does not endorse unofficial publications.

- Ambrose, D. *Guide to Lesotho*. Johannesburg: Winchester Press, 1976.
- Ashton, Hugh. *The Basuto*. London: Oxford University Press, 1952.
- Becker, P. *Hill of Destiny*. London: Longmans, 1969.
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- Stevens, Richard P. *Lesotho, Botswana and Swaziland: The Former High Commission Territories in Southern Africa*. New York: Praeger, 1967.
- Weisfelder, Richard F. *Defining National Purpose in Lesotho*. Athens, Ohio: Center for International Studies, Ohio University.

Education—A. S. Mohale  
 Works—Dr. K. T. Maphathe  
 Agriculture—E. M. Lerotholi  
 Rural Development—J. K. Rampeta  
 Justice and Prisons—G. P. Ramoreboli  
 Health and Social Welfare—P. Mota  
 Interior—S. Maseribane  
 Water, Power, and Natural Resources—  
 C. D. Mofeli  
 Minister to the Prime Minister—P. L.  
 Lehloenyana  
 Ambassador to the UN—Thabo Ma-  
 keka  
 Ambassador to the U.S.—Timothy  
 Thahane

Lesotho maintains an Embassy in the United States at 1601 Connecticut Ave. NW., Washington, D.C. 20009 (tel. 202-462-4190). Lesotho's mission to the UN is at 866 United Nations Plaza, New York, N.Y. 10017.

## POLITICAL CONDITIONS

Continued opposition to the rule of Prime Minister Jonathan and the BNP remains a domestic problem for the Lesotho Government. In January 1974 scattered attacks on police posts occurred in an attempt to overthrow the government. Apparently these were organized by elements in the wing of the BCP led by oldtime nationalist Ntsu Mokhehle. In the wake of the unsuccessful coup attempt, some insurgents and BCP supporters were killed, while others were imprisoned or fled the country. By late 1976, the courts of Lesotho had tried and convicted some of the persons charged and released others in the appellate process.

Although underlying opposition to Jonathan's government persists, the present political situation is relatively peaceful, with the opposition leadership in exile and its organization in disarray.

## ECONOMY

Lesotho's economy is based on subsistence agriculture, livestock raising, diamonds, and the earnings of laborers employed outside the territory. Remittances from laborers in South Africa totaled about \$18.4 million in 1977.

Only about 360,000 hectares (900,000 acres) of the country are cultivable, and soil erosion is a prob-

lem everywhere. Grazing rights are communal, but arable land is allocated to individuals and families by the chiefs. A large share of the land is held in trust for the Basotho by the King and may not be alienated. Virtually all the agricultural production is consumed by the resident population, which also imports substantial amounts of food from South Africa.

The Lesotho National Development Corporation is actively encouraging foreign investment. The corporation has been moderately successful in stimulating the establishment of light industries and in attracting investment in tourist infrastructure, including the building of a \$12 million hotel.

Lesotho has received economic assistance from a number of sources since independence, including the United Kingdom, the World Bank, the United States, the EEC, and Canada.

Several specialized agencies and programs of the United Nations are active in Lesotho, including the UN Development Program (UNDP).

Lesotho has some 3,450 kilometers (2,150 mi.) of paved, graveled, and earth roads and vehicle tracks. A 155-kilometer (100 mi.) road along Lesotho's southern perimeter is being designed and built with a grant from AID. Lesotho has an extensive network of horse trails for areas where motor vehicles cannot go.

Lesotho is linked with South Africa by a short rail line from Maseru to



Basotho Shield, exhibition center and crafts salesroom

Marseilles on the Bloemfontein-Natal main line. Elsewhere the railway runs close to the territorial boundary, and goods are transported by road to and from the nearest station in the Orange Free State. Lesotho's traditional trade routes were greatly complicated by the independence in October 1976 of the Transkei, which neither it nor any other UN member recognizes and whose territory it does not wish to transit.

Airstrips are located at Maseru, Mokhotlong, Sehonghong, Semongkong, and Qacha's Nek, along with 28 other secondary landing fields, suitable only for light aircraft. Maseru is served by three South African Airways flights weekly from Jan Smuts International Airport at Johannesburg, South Africa. During 1979 Lesotho Airways plans to expand air service to daily flights between Maseru and Johannesburg.

Lesotho is heavily dependent on South Africa for trade, trade outlets, and employment. Lesotho, Botswana, and Swaziland are members of a common customs union with South Africa; thus no tariffs exist on most goods moving among them. South Africa levies and collects the bulk of the customs, sales, and excise duties for the four countries, and it pays a share determined by an established formula of total customs collections to the other three countries. Imports from outside the customs union, regardless of ultimate destination, are subject to the same tariff rates.

The customs agreement was renegotiated in 1969, and Botswana, Lesotho, and Swaziland have substantially increased their shares of the customs revenue. Lesotho, Swaziland, and South Africa also form a common currency and exchange control area known as the South African Monetary Area, which uses the South African rand as currency. Lesotho plans to introduce its own currency in mid-1979. The currency, to be tied at par to the South African rand, will be called the maluti and lisente (dee-SEN-tee), with 100 lisente to one maluti.

Cooperative organizations have been established for agricultural marketing and credit. Also available are a



Kingsway, Maseru's main street

cooperative savings society and a central banking and marketing union.

#### FOREIGN BUSINESS INFORMATION

For information on foreign economic trends, commercial development, production, trade regulations, and tariff rates, contact the Bureau of Export Development, US Department of Commerce, Washington, DC 20230. This information is also available from any of the Department of Commerce district offices located throughout the US.

#### FOREIGN RELATIONS

Lesotho is a member of the Commonwealth of Nations, the United Nations, the Organization of African Unity (OAU), and the Nonaligned Movement. The country's relationship with South Africa is a major factor in its survival.

The South Africa Act of 1909, which established the Union of South Africa, included procedures for possible future transfer of Basutoland (Lesotho), Bechuanaland (now Botswana), and Swaziland to the Union. During passage of this act through the British Parliament, the British Government pledged that transfer would not take place until the territories' inhabitants could be consulted and the British Parliament given an opportunity to express its views.

Abortive negotiations by the South African and British Governments took place between 1913 and 1939, but the original pledge was consistently reiterated by successive British Governments. For example, in 1954 Sir Winston Churchill stated that there could be no question of the British Government agreeing at that time to transfer of the territories. Since Lesotho's independence, the question of absorption into South Africa has ceased to be a live issue.

Lesotho's geographic location and economic dependence make it extremely sensitive to political and economic developments in the Republic of South Africa. Although it sharply criticizes South Africa's racial policy, the Government of Lesotho cannot avoid vital economic and commercial ties with it and even looks to it for development cooperation when such cooperation seems advantageous.

The Government of Lesotho is continually under pressure from some domestic and external sources to express more strongly its opposition to South Africa's racial policies. Since independence, the government has worked steadily to strengthen Lesotho's national sovereignty while maintaining vital working relationships with South Africa. However, since South Africa granted independence to the bantustan of Transkei (on Lesotho's southern border) on October 26,



The American Embassy, Maseru

1976, Lesotho has been experiencing a period of confrontation and recrimination with the Republic of South Africa over this and other issues.

Retaining close diplomatic relations with a few Western nations, Lesotho has also worked in recent years to diversify its international contacts to include Arab, Eastern European, and other African States. Other African countries maintain an attitude of general understanding of the limitations placed on Lesotho's foreign policy because of geopolitical consid-

erations and the country's economic dependence on South Africa.

#### U.S.-LESOTHO RELATIONS

The United States continues to strengthen its friendly relations with the people of Lesotho. It encourages the country's political, economic, and social development as a nonracial, democratic, independent nation with greater attention to human rights.

Estimated U.S. assistance to Lesotho for fiscal year 1979 is as follows:

Agency for International Development (AID) \$8.6 million; Public Law 480 (Food for Peace Program), \$2.7 million; and Peace Corps, 120 volunteers.

U.S. AID programs in Lesotho have focused primarily on agricultural production, transportation, education, and health standards. Peace Corps volunteers work in secondary school education—especially mathematics and science curriculum development—and vocational training, teacher training, horticulture, animal husbandry, conservation, community and rural development, mechanics, and employment generation projects.

#### Principal U.S. Officials

Ambassador—Donald R. Norland (also accredited to Botswana and Swaziland, resident in Botswana)

Chargé d'Affaires ad interim—Birney A. Stokes

Public Affairs Officer, USICA—Peter P. Bielak

Director, AID—Frank Campbell

The mailing address of the U.S. Embassy in Lesotho is P.O. Box MS333, Maseru (tel. 2666/3954).

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Belgium	044-000-91026-8	Iceland	044-000-91084-5	San Marino	044-000-91041-1
Belize	044-000-91087-0	India	044-000-91090-0	Sao Tome and Principe	044-000-91095-1
Benin	044-000-91158-2	Indonesia	044-000-99864-5	Saudi Arabia	044-000-91100-1
Bermuda	044-000-91107-8	Iran	044-000-91111-6	Senegal	044-000-91130-2
Bhutan	044-000-91115-9	Iraq	044-000-91086-1	Seychelles	044-000-91066-7
Bolivia	044-000-91097-7	Ireland	044-000-91109-4	Sierra Leone	044-000-91088-8
Botswana	044-000-99902-1	Israel	044-000-91140-0	Singapore	044-000-91027-6
Brazil	044-000-91175-2	Italy	044-000-91172-8	Solomon Islands	044-000-91230-9
Bulgaria	044-000-91040-3	Ivory Coast	044-000-91092-6	Somalia	044-000-91081-1
Burma	044-000-91080-2	Jamaica	044-000-91127-2	South Africa	044-000-91135-3
Burundi	044-000-91093-4	Japan	044-000-91024-1	Southern Rhodesia	044-000-91056-0
Cambodia	044-000-91136-1	Jordan	044-000-91169-8	Spain	044-000-91056-0
Cameroon	044-000-91062-4	Kenya	044-000-91035-7	Sri Lanka	044-000-91015-2
Canada	044-000-91141-8	Korea, North	044-000-99808-4	Sudan	044-000-91114-1
Cape Verde	044-000-91096-9	Korea, Rep. of	044-000-91038-1	Surinam	044-000-91178-7
Central African Empire	044-000-91039-0	Kuwait	044-000-99913-7	Swaziland	044-000-91145-1
Chad	044-000-91031-4	Laos	044-000-91110-8	Sweden	044-000-91150-7
Chile	044-000-91162-1	Lebanon	044-000-91164-7	Switzerland	044-000-91143-4
China		Lesotho	044-000-91137-0	Syria	044-000-91034-9
People's Republic of	044-000-91033-1	Liberia	044-000-91156-6	Tanzania	044-000-91129-9
Republic of	044-000-91077-2	Libya	044-000-91149-3	Thailand	044-000-91112-4
Colombia	044-000-91170-1	Liechtenstein	044-000-91101-9	Togo	044-000-91010-1
Congo,		Luxembourg	044-000-91020-9	Tonga	044-000-91063-2
Brazzaville	044-000-91094-2	Macao	044-000-99844-1	Trinidad and Tobago	044-000-91182-5
Costa Rica	044-000-91151-5	Madagascar	044-000-91029-2	Tunisia	044-000-91179-5
Cuba	044-000-99876-9	Malawi	044-000-91064-1	Turkey	044-000-91125-6
Cyprus	044-000-91120-5	Malaysia	044-000-91061-6	Uganda	044-000-91060-8
Czechoslovakia	044-000-91102-7	Maldives	044-000-91153-1	U.S.S.R.	044-000-91065-9
Denmark	044-000-91142-6	Mali	044-000-91082-9	United Arab Emirates	044-000-91025-0
Djibouti	044-000-99894-7	Malta	044-000-91121-3	United Kingdom	044-000-91174-4
Dominican Republic	044-000-91022-5	Mauritania	044-000-91118-3	United Nations	044-000-91232-5
Ecuador	044-000-91133-7	Mauritius	044-000-91128-1	Upper Volta	044-000-91068-3
Egypt	044-000-91019-5	Mexico	044-000-91002-1	Uruguay	044-000-91023-3
El Salvador	044-000-91131-1	Monaco	044-000-91167-1	Vatican City	044-000-91144-2
Equatorial Guinea	044-000-91155-8	Mongolia	044-000-91070-0	Vietnam	044-000-91233-3
Ethiopia	044-000-91057-8	Morocco	044-000-91113-2	Venezuela	044-000-91148-5
Fiji	044-000-91008-0	Mozambique	044-000-91098-5	Western Samoa	044-000-91124-8
Finland	044-000-91152-3	Namibia	044-000-99892-1	Yemen, North	044-000-91165-5
France	044-000-91177-9	Nauru	044-000-91079-9	Yemen, South	044-000-91119-1
French Antilles and Guiana	044-000-91075-6	Nepal	044-000-91122-1	Yugoslavia	044-000-91089-6
Gabon	044-000-91076-4	Netherlands	044-000-91071-3	Zaire	044-000-99921-8
The Gambia	044-000-91134-5	Antilles	044-000-91106-0	Zambia	044-000-91072-1
Germany		New Zealand	044-000-91021-7	Index	044-000-91105-1
Federal Republic of	044-000-91160-4	Nicaragua	044-000-91139-6	Binder	044-000-99608-1
		Niger	044-000-91091-8		
		Nigeria	044-000-91168-0		
		Norway	044-000-91069-1		

November 1978

LESOTHO - LIST OF CABINET MINISTERS AND OTHER OFFICIALS

His Majesty King Moshoeshoe II

Dr. Leabua Jonathan	- Prime Minister
Hon. C. D. Molapo	- Minister of Foreign Affairs
Hon. E. R. Sekhonyana	- Minister of Finance
Hon. P. N. Peete	- Minister of Transport and Communications
Hon. Sekhonyana 'Maseribana	- Minister of the Interior
Hon. Makhaola Lerotholi	- Minister of Agriculture
Hon. K. T. J. Rakhetla	- Minister of Information and Broadcasting
Hon. M. V. Molapo	- Minister of Commerce and Industry
Hon. Dr. Kenneth T. Maphathe	- Minister of Education, Culture, Sports and Youth
Hon. Jobo K. Rampeta	- Minister of Works
Hon. G. P. Ramoreboli	- Minister of Law and Justice
Hon. Vincent Montsi Makhele	- Minister of Cooperatives and Rural Development
Hon. Patrick Lehloenya	- Minister of Health
Hon. Patrick 'Mota	- Minister to the Prime Minister
Hon. C. Mofeli	- Minister for Water, Engineering and Mining
Hon. J. Mothepu	- Minister of State
Hon. K. Khaketla	- Minister of State
Hon. J. P. Khasoane	- Minister of State

LESOTHO - LIST OF CABINET MINISTERS AND OTHER OFFICIALS (Continued)

Mr. J.R.L. Kotsokoane	- Senior Permanent Secretary
Mrs. T. Ntsane	- Deputy Senior Permanent Secretary
Mr. S. Bereng	- Permanent Secretary - Cabinet Personnel
Mr. P.M.J. Rasekoai	- Permanent Secretary - Foreign Affairs
Mr. A.M. Monyake	- Permanent Secretary - Finance
Mr. M.P. Sejanamane	- Permanent Secretary - Planning & Statistics
Mr. J.T. (Percy) Mashologu	- Permanent Secretary - Transport and Communications
Mr. O.T. Sefako	- Permanent Secretary - Interior
Mr. C. Ntsane	- Permanent Secretary - Agriculture
Mrs. N.N. Molapo	- Permanent Secretary - Information and Broadcasting
Mr. K. Manyeli	- Permanent Secretary - Commerce, Industry and Tourism
Mr. Z.A. Matsela	- Permanent Secretary - Education, Sports and Culture
Mr. Peter Ntholi	- Permanent Secretary - Works
Mr. J.L. Mosala	- Permanent Secretary - Law and Justice
Mr. S. 'Mota	- Permanent Secretary - Cooperatives and Rural Development
Mr. T. Thabane	- Permanent Secretary - Health and Social Welfare
Mr. D Mokhesi	- Permanent Secretary - Water, Engineering and Mining
Mr. Sam Montsi	- Managing Director, Lesotho National Development Corporation (LNDC)

KING MOSHOESHOE II

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His Majesty Constantine Bereng Motlothehi Seeiso (Moshoeshoe II) was named Paramount Chief, under the regency of his mother, in 1938 at the age of two. He attended Roma College in Lesotho until 1954, then studied at Roman Catholic Ampleforth College, Yorkshire, England until 1956. He studied politics, philosophy and economics and received his B.A. at Corpus Christi College, Oxford University in 1960. He was installed as Paramount Chief in 1959 and was enthroned as King in 1966. An eager educationist, the King established the Mahato Scholarship Fund and took a close personal interest in building of the Moshoeshoe II Secondary School at Matsieng. From 1971 to 1976, he was Chancellor of the University of Botswana, Lesotho and Swaziland, and since then, of the National University of Lesotho. At present, he is studying law in Oxford University.

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Note

BIOGRAPHICAL DATA

Chief Leabua Jonathan

(Prime Minister)

Chief Leabua Jonathan was born in 1914 and was educated in Lesotho at the Paris Evangelical Mission Society School in Leribe. From 1933 to 1937, he worked in the Witwaters Rand (gold) Mines in South Africa. Upon coming back to Lesotho (then Basutoland), he served in various capacities within the administration until 1959 when he formed the Basutoland National Party. His party won election in April 1965 and since then he has been Lesotho's Prime Minister. (See "POLITICAL SITUATION" under E.)

Honorable Retselisitsoe Sekhonyana

(Minister of Finance)

Minister Sekhonyana was born in Quthing, Lesotho, on March 22, 1937. From 1955-61, he worked in the Research Department of Unilever (South Africa) in Johannesburg. From 1962-66, he graduated with a degree in political science and economics. After that, he studied in Columbia University, specializing in international affairs. He has traveled widely, both in North America and Europe. He joined the Lesotho Government in 1967, serving in the Ministry of Foreign Affairs in Maseru. In October of that year he was appointed Counselor at the Lesotho Mission to the United Nations, specializing in economic matters. He was counselor there until his appointment as Minister of Finance in September 1971.

Honorable M.V. Molapo

(Minister of Commerce and Industry)

Minister Molapo served in various posts in the Ministry of Foreign Affairs including postings as First Secretary to Lesotho Embassy in Washington, Lesotho Ambassador to Iran, and Lesotho's Permanent Representative to the United Nations.

Honorable M. Lerotholi

(Minister of Agriculture)

Prior to his appointment to the Ministry of Agriculture in April 1978, Minister Lerotholi served as Minister for Information and Broadcasting. He also served in various capacities in the Ministry of Foreign Affairs, including a post as First Secretary in the Lesotho Embassy to East and Central Africa.

Honorable Dr. K.T. Maphathe

(Minister of Education)

Dr. Maphathe is a medical doctor by profession. He was Medical Officer-in-Charge of Public Health and Director of Medical Services, before becoming Minister of Works and more recently Minister of Education. He comes from Mafeteng and is about 50 years old. Dr. Maphathe is active in the National Party politics and stood for elections in the Maseru District in 1970.

Honorable J.K. Rampeta

(Minister of Works)

Minister Rampeta is a teacher by training. He taught in an intermediate school in Mapoteng in the Teyateyaneng District and was elected to Parliament in 1965. He has been an assistant minister, District Development Secretary, Minister of Interior, Minister of Rural Development and is in his mid-fifties.

Mr. J.R. Kotsokoane 

(Senior Permanent Secretary)

Mr. Kotsokoane was born in October 1922 in Johannesburg, Republic of South Africa. He was educated in South Africa, attending the University College of Fort Hare, where he obtained a BSc. Degree in Natural Sciences, and Witwatersrand University where he obtained an Honors Degree in Pasture Management. He also attended post-graduate lectures at Wye College, London. He was a civil servant in the Ministry of Agriculture, rising to Minister. Until recently, he was Lesotho's Permanent Representative at the United Nations in New York. He has traveled widely and attended many international seminars.

Mr. A.M. Monyake ✓

(Permanent Secretary Finance)

Mr. Monyake is a graduate in BSC (Mathematics and Statistics) from Fort Hare University College in South Africa in 1957/8. After teaching at Lesotho High School, he went to Nigeria where he taught high school for about 2-3 years. In 1962 he came back to Lesotho and joined the Bureau of Statistics. While studying statistics at the University of Toronto, he was called back to become Deputy Director of the Bureau of Statistics. He later obtained his MSc. from London School of Economics. Mr. Monyake was responsible for conducting agricultural surveys in 1967/68 and also for the 1966 and 1976 national censuses. He has participated in various U.N. demographic and statistical conferences. He became Permanent Secretary for Planning in 1975 and Permanent Secretary for Finance in 1979. He is in his mid-forties. Mr. Monyake, who is articulate and hard-driving, has been the principal contact for external assistance agencies (including IDA) for the past four years.

Mr. M.P. Sejanamane

(Permanent Secretary Planning)

Mr. Sejananame was trained in Yugoslavia in Economics and Agriculture. He joined Government service in the early 1970's as Planning Officer in the Ministry of Agriculture. Later he moved to the Planning Office and, as Deputy Director, participated actively in preparing the Second National Development Plan. During the negotiations of Lome Convention, he was seconded to the Lesotho Embassy in Brussels. He returned in October, 1979 to become the Permanent Secretary for Planning. He is in his early to mid-thirties.

Mr. C. Ntsane

(Acting Permanent Secretary for Agriculture)

Mr. Ntsane studied at UBLS (University of Botswana, Lesotho and Swaziland), where he obtained his BSc. and later MSc. at Reading, England. He has always worked in the Ministry of Agriculture, first as Research Officer and later Deputy Permanent Secretary for Planning. He is in his early thirties. He has traveled extensively and attended numerous seminars in the U.S., Holland, Britain, etc.

Mr. Sam Montsi

(Managing Director LNDC)

Mr. Montsi graduated from the University of Botswana, Lesotho and Swaziland (UBLS) with a BA in Economics and obtained his MA from Williams College in Massachusetts. He joined the Central Planning Office in 1969/70, was Deputy, then Director of Planning. He was responsible for the preparation of the Second National Development Plan. In 1975/75 he became Deputy, then Managing Director of the Lesotho National Development Corporation, which he turned around and made into a strong focal point for industrialization. In his early thirties, Mr. Montsi is well regarded as capable and conscientious.

Mr. Z.A. Matsela

(Permanent Secretary, Ministry of Education)

Mr. Matsela has been a teacher and school inspector. He studied in Canada and obtained his PhD. from the University of Massachusetts. Before becoming Permanent Secretary, Education, he was the first local Principal of the National Teacher Training College. Mr. Matsela is knowledgeable and articulate, having clear ideas about dealing with Lesotho's educational problems.



## LESOTHO

### Topics for Discussion

1. Bank Group relations with Lesotho overall are good. The Government is looking to the Bank to play a leading role in the country's development -- in terms of advice, organizing and coordinating external assistance, and finance. While there are no serious outstanding issues, the following are important subjects of concern, both to Lesotho and ourselves, some of which undoubtedly will come up in discussions during your visit.

#### Absorptive Capacity

2. Lesotho's absorptive capacity overall has steadily expanded in recent years. Development programs have accelerated and financial and technical assistance from a variety of bilateral and multilateral sources has increased markedly. (For example, IDA from 1966 through 1975 made only two credits totaling \$9.7 million to Lesotho. During 1975-78, IDA made five credits for \$25.5 million and another two credits totaling \$10.0 million are scheduled for FY79.) Nevertheless, such expansion has greatly strained the country's technical and administrative capacity.

3. Because local high-level manpower is in short supply, Lesotho heavily relies, and will continue to rely for some time, on expatriate personnel to carry out its development programs. The Government estimates that more than 1,200 expatriates, including volunteers, will be needed during the Third Plan, about the same number as during the previous Plan period. However, there is concern that this assistance is not as effective as it should be and that greater attention should be given to systematically developing local manpower for replacing expatriates. We share this concern, particularly about the Government's capacity for economic planning and managing development. In addition to bilateral assistance, a UNDP-financed project, of which the Bank is executing agency, is supplying five experts and fellowships to the Central Planning and Development Office, estimated to cost \$1.4 million over three years.

4. The proposed Third Five Year Plan, which is supposed to commence in April 1980, is ambitious -- the \$617 million (1980-81 prices) public investment program in the draft Plan would more than double that of the Second Plan (1976-80). In addition, the Third Plan envisages another \$242 million in food aid, expatriate personnel and fellowships, bringing the total to about \$859 million.

5. A Government-held donors' conference on external assistance reviewed the draft Third Plan in November 1979. The conference, attended by more than 80 persons representing 18 governments, 14 regional and international organizations and 9 private agencies, commented particularly on: (i) the highly ambitious character of the Plan; (ii) the need to better define priorities among sectors and projects, carefully evaluating ongoing activities and choosing carefully among new programs; and (iii) the need to better think through and articulate policy issues and proposed measures for dealing with them in the critical areas of employment, agriculture, rural development and industry.

6. It was emphasized that Lesotho should not overestimate the amount of external resources likely available for the Plan and that Lesotho should consider ways of mobilizing additional domestic resources. The Plan's assumption of little real growth in domestically-collected revenues was not widely accepted. The concerns expressed in previous meetings about Lesotho's limited implementation ability and inadequate financial and administrative capacity to maintain existing, plus new investments, were again underscored. The large road construction program, in particular, has been a major concern. (The Bank's lending program currently focuses on improving Lesotho's road maintenance capacity.)

7. We should, in our discussions with the Government, continue to underline the need for Lesotho to diversify and expand its revenue sources given future recurrent expenditure demands of a rapidly growing development program and the uncertain future of the Southern Africa Customs Union. Although Lesotho's narrow tax base probably can only be expanded significantly over the long run, some scope exists for increasing domestic revenue during the Third Plan, possibly through taxation of migrants' income, taxes on live-stock, etc.

#### Dependence on South Africa

8. Surrounded on all sides by the Republic of South Africa, save for a border with the Transkei,<sup>1/</sup> Lesotho's dependence upon the Republic is of overriding concern to most officials whom you will meet. Besides depending upon the Republic for employment, imports and exports, transport, electric power, external telecommunications (except an HF link with Nairobi) and most services, Lesotho<sup>2/</sup> also relies heavily upon the Southern Africa Customs Union for its revenues. During the past six years, customs receipts accounted for between 53 and 74 percent of the Lesotho Government's total recurrent revenues each year. As a member of the Rand Monetary Area, Lesotho uses the South African Rand as its currency, although the Government in 1979 established a monetary authority and introduced a national currency, the Maloti, at par with the Rand and which circulates jointly with it.

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1/ Transkei is the first homeland, or Bantustan, to be declared "independent" by South Africa (October 26, 1976). Since then, Bophuthatswana (December 6 1977) and Venda (September 13, 1979) also have been declared independent. Thus far, no country, other than South Africa, has recognized any of the three as a separate nation.

2/ In the Customs Union, formed in 1911, South Africa collects duties on behalf of the four member countries (Botswana, Lesotho, Swaziland and South Africa) and pays them into a common revenue pool. They are distributed among the members with a two year time lag, according to a rather complicated revenue-sharing formula. (See note in Botswana reference materials.)

9. As should be expected, the Lesotho Government is preoccupied with lessening this heavy dependence on South Africa. Among the measures apparently being considered is to dissolve or modify the present Customs Union arrangements, with each of the smaller members undertaking to collect its own customs revenue, or possibly joining a new configuration made up of other southern African countries. It would be useful to explore further the Government's thinking on this subject.

10. Lesotho's attempts to reduce its dependence on South Africa should also be seen in the context of a larger movement to promote cooperation among the countries of eastern and southern Africa. The meeting in Arusha in July 1979, convened by the "front-line" states, was significant in this regard, although Lesotho was not represented at the conference. It would be useful to sound out the Government's expectations about future regional cooperation along the lines recommended by the conference. (See note in Botswana reference materials.)

11. Lesotho has used its dependence on South Africa and its vulnerability to events outside its borders to advantage in promoting external assistance. This was well illustrated when Lesotho experienced border problems with the newly-created Transkei homeland following South Africa's granting it "independence" in October 1976. Lesotho complained to the UN Security Council that, as a consequence, its borders with Transkei had, in effect, been closed, causing economic hardships for part of the country.

12. In response, the Security Council adopted a resolution that, among other things, requested the Secretary-General to organize, in collaboration with appropriate UN organizations (including the Bank), financial, technical and material assistance to Lesotho. A UN mission, headed by Abdulrahim Farah, Assistant Secretary-General for Special Political Questions (and including a Bank transport economist), visited Lesotho in early 1977. The mission recommended an emergency program of about \$66 million (primarily for road transport, civil aviation, agricultural development) and an accelerated development program costing about \$47 million, also emphasizing road transport and agriculture to reduce Lesotho's dependence on South Africa. (Some of the projects, while important to Lesotho politically and strategically, could not meet IDA economic standards.) Our response to the UN's request for assistance has been primarily to stress the Bank's particular concern with Lesotho's long-term development -- pointing out that IDA lending to Lesotho, on a per capita basis, is one of the highest in the world -- while taking steps to ensure, where possible, that current and future operations complement the Farah mission's recommendations.

#### Highland Water Scheme

13. In the course of your discussions, the proposed Highland Water Scheme doubtless will be brought up since it looms large in Lesotho's plans for future development. To some extent, the scheme is a successor of an earlier proposal, with which the Bank was associated, to supply water to South Africa. In 1969-72, the Bank acted as executing agency for a UNDP-financed feasibility study of the

contemplated project (Oxbow Complex) and assisted the Lesotho Government in its negotiations with South Africa. The negotiations broke down ostensibly because the two parties could not agree on pricing, but probably because of political reasons as well. South Africa, however, revived the idea of water exports in 1974, suggested a possibly larger scheme and sent a note to Lesotho identifying several potential schemes. Since then, representatives of the two governments have met several times to review proposals which consultants for each government have made. They now have agreed to proceed with the detailed feasibility study (estimated to cost about \$12 million) of the preferred scheme. The capital costs of the scheme, which would supply water to South Africa and generate electricity, is estimated at between \$850 and \$970 million (1978 prices). The first of four phases would be commissioned in 1992. (See section on field visits.)

14. At the Lesotho Government's request, a senior staff member of the Eastern Africa Projects Department has advised the Government and attended meetings with South African representatives. Both Lesotho and South Africa are anxious that the Bank assist in financing the project. We have taken the position that: (i) the Bank is prepared to continue supplying limited technical advice to Lesotho, if required; (ii) the Bank would expect to follow the progress of the feasibility study and other preparatory activities; and (iii) once the scheme is ready, the Bank would consider helping to finance and to arrange for financing it, provided (a) the scheme clearly would give sufficient benefits to Lesotho and (b) a suitable financing plan including satisfactory arrangements for Bank financing could be worked out.

#### Employment and Migrant Labor

15. Between 165,000 and 200,000 Basotho -- more than one third of Lesotho's total work force and probably one half or more of its active male workers -- are employed outside the country, mainly in South African mines. Their remittances, which are more than 40 percent of Lesotho's total GNP, largely account for the marked difference between GNP per capita (about \$230) and GDP per capita (only \$140) and fund a major part of Lesotho's chronic trade imbalance. 165

16. Lesotho's dependence on migrant labor, while having risen sharply in recent years -- net remittances almost doubled between 1974 and 1977 -- is by no means a modern phenomenon. Before the end of the 19th Century, Lesotho (then known as Basutoland) already was well established as a supplier of cheap labor to South African mines and agriculture.

17. The Lesotho Government understandably is concerned with such a major, and apparently still growing, dependence on South Africa and focuses much of its attention on measures to create employment at home. Most men in Lesotho (including the Prime Minister who worked for sometime in one of the gold mines near Johannesburg) have worked in South Africa for varying periods of time. While the laborers migrate only temporarily -- hardly ever for more than two

years at a time, and generally for much shorter periods (currently an average of nine months) -- they usually continue to make these trips over the course of their working lives. These prolonged absences have unfortunate repercussions on family life, the economy, especially agriculture, and on the men, themselves, who must live and work in a highly circumscribed environment in South Africa.

18. On the other hand, the migrant workers' importance to Lesotho's economy and the difficulty of employing them locally, are generally recognized, if not fully accepted. Labor unrest, mainly tribal clashes among the various migrant laborers in South Africa, in 1974 caused between 10,000 and 15,000 Basotho workers to return home hastily and threatened the possible return of thousands more. This prospect caused near panic in Lesotho, and the Bank and ILO, at the Government's request, undertook a joint mission to help draw up an emergency program for employing returned workers and to look toward longer-term measures for expanding local employment. One of the mission's recommendations was to create the Labor-Intensive Construction Unit, to test out methods of and organization needed to handle labor-intensive construction. An IDA credit in 1976 for a Second Highways project provided for setting up and helping finance the Unit (which you are scheduled to visit).

19. Lesotho has had little success in creating jobs at home to absorb its expanding labor force. The Second Five Year Plan (1976-80), for example, called for the economy to absorb 30,000 new workers, one half of the expected increase during the period, while the other 30,000 were expected to become migrant workers. However, as the Plan period draws to an end, probably fewer than 3,500 new jobs will have been created. Migrant employment, moreover, is expected to have fallen by about 5,000 rather than to have risen, and the outlook is for stagnation, at best, and even possible further declines. Mines in South Africa are increasingly mechanizing and are employing larger numbers of black workers from within South Africa and the homelands -- at the expense of migrant workers.

20. At the same time, Lesotho's population continues to grow at about 2.3 percent each year. (Between 1980 and 1985 more than 18,000 new entrants to the labor force, of which about 10,000 would be male, are expected yearly.) Nevertheless, due in part to the church's strong influence -- Lesotho's population is 70 percent Christian, predominantly Roman Catholic -- the Government's policy towards family planning heretofore has been largely passive. Although information and clinical services for family planning supposedly are available in Lesotho's hospitals, clinics and outstations, the acceptance rate has been low. There is, however, a growing awareness of the problem's severity and a willingness to deal with it. The draft Third Five Year Plan (1980-85), includes promoting family planning as an objective, a Maternal and Child Health Unit has been established in the Ministry of Health and a recent conference on population management recommended that family planning information be integrated into all formal and non-formal education programs for adults and adolescents. Even more encouraging, the Prime Minister addressing the

November 1979 Donors' Conference, made the most positive Government statement to date, emphasizing the importance of the subject to the country and the need for the Government to make information widely available. Each family then could make its own decision as to how to use the information. Given Lesotho's socio-political environment, we consider these developments, particularly the Prime Minister's statement, to be very encouraging. As appropriate, we intend to follow up and have tentatively scheduled a mission in FY81 to study health and nutrition conditions in Lesotho.

21. Regardless what measures are taken in the future, however, Lesotho faces the formidable task of having to find employment for about 91,800 new workers. The draft Third Plan projects domestic wage employment to expand by about 11,000 during this time (probably an optimistic projection in the light of previous experience). Although the Government plans to continue promoting industrial development, the sector is small (employing only slightly more than one percent of the labor force) and the prospects for rapid growth limited. Most of the new workers, then, probably will be forced into agriculture, except for the relatively few who find work in the urban informal sector.

#### Agriculture<sup>1/</sup>

22. Lesotho's agricultural sector is characterized by a basic contradiction: the country is land poor, with only 13 percent of its area at all suitable for crop farming, and only 0.4 percent classified as good land; rather than intensifying their agriculture, the Basotho are, however, putting more and more land into fallow -- 90,000 hectares were taken out of production between 1974 and 1976, and the area in production has dropped by more than 25 percent since 1950, despite a continuing increase in the resident rural population. This pattern has traditionally been ascribed to labor shortages, but disinterest in the relatively unrewarding enterprise of farming would seem to be the main cause. The Basotho agriculturalist faces an unhappy combination of steep slopes, erosion, poor soils and chancy climate that makes much of Lesotho a marginal area for cultivating its traditional crops of maize, sorghum, wheat and beans. The returns to his labor are better in the RSA.

23. Crop farming provided, in 1976, only 6 percent of rural incomes in Lesotho, while taking up an average of 17 percent of working time. Livestock, less risky and much less labor-demanding, provided 11 percent of farm incomes -- and remittances 71 percent. The yearly cash income from an average 2 ha holding in maize and beans is less than R 50 -- compared to mine incomes of R 1200 or better. Remittances are the major income source for almost three-quarters of rural households.

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<sup>1/</sup> The Bank's first comprehensive agricultural sector mission visited Lesotho in October-November 1979. Although its final report is still being written, the mission discussed its findings, which are outlined here, with officials.

24. Although the Government allocated 33 percent of planned investment under the 1975-80 Second Development Plan to agriculture -- and plans 27 percent of investment under the draft 1980-83 Third Plan for the sector -- output has been largely stagnant for some years. Its contribution to GDP has fluctuated in recent years between 50 percent in 1973/74, down to 37 percent in 1977/78. Exports of agriculture products, mainly wool and mohair, as a percentage of recorded exports, also have declined (from 80-90 percent during 1970-73 to about 40 percent in 1976/77). At the same time, food imports have risen so that more than 40 percent of Lesotho's food now must be imported, either commercially -- mainly from South Africa -- or as food aid. Lesotho's vulnerability (dramatized by the border problems with the Transkei in 1976) prompted a decision to establish strategic wheat and maize reserves and seek food self-sufficiency.

25. Livestock is another serious problem. Most rural families keep animals, which are grazed on communally held natural pastures, mostly in the mountains, and after harvest on crop residues on cultivated land. This communal grazing system encourages individuals to graze as many animals as possible, without regard to damage to the grazing land. Further impetus for large herds comes from the traditional value which Basotho place on livestock as symbols of wealth and status, and from the lack of more attractive alternatives in which to invest savings. The excessive numbers of animals, however, have resulted in seriously degraded rangeland, poor animal nutrition, high mortality and, despite sizable imports, declining herds. Moreover, erosion, due in large part to too many livestock, is a widespread and major problem, affecting much of Lesotho's agricultural land.

26. There is increasing concern as to the prospects for Lesotho's agriculture. So long as more attractive, less risky, and more remunerative work is available in RSA, the prospects for introducing more intensive farming and achieving significant and broad increases in output are limited.<sup>1/</sup> The traditional land-tenure system, under which household heads were allotted only enough land for family subsistence and tenure could be lost if it was left fallow, has also served to reduce incentives to maximizing production.

27. Employment opportunities in South Africa are expected, however, to remain level, or slowly decline, which, combined with population growth, will increase Lesotho's available work force by almost 50,000 by 1985, and 320,000 by the turn of the Century. The effects of this growth in the labor force are unclear. Some portion of it will have to be absorbed into agriculture. Depending on wage rates in RSA and the remittances they generate, another group will likely continue to live on remittances with only marginal involvement in farming. Increases in both urban migration and illegal emigration to work in RSA can also be expected.

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<sup>1/</sup> The experience of the IDA-assisted Thaba Bosiu Rural Development Project (1973, \$5.6 million) is instructive: while implementation of its physical components was good, participation was low, and the PCR found its economic rate of return to be negative.

28. Over the longer run, it is anticipated that population growth and the shrinking of the South African labor market will increase the relative attractiveness of more land and labor-intensive agriculture.

29. Although the draft Third Plan proposes some key policies and programs (including implementation of a recently-passed Land Act which will allow present land holders, in effect, to acquire title), it does not lay out a sufficiently well articulated strategy for Lesotho's future agricultural development. Such a strategy should comprise: (i) a program for the near future (say 1980-85) which assumes that the increased labor force during this time will be accommodated pretty much in the existing system; and (ii) preparations for the longer-term when cumulative changes in Lesotho's wage employment picture would be likely to have a major impact on agriculture.

30. Among the near-term measures the Government might take would be steps to expand the output of Lesotho's most efficient farmers ( the approximately 5% who earn their livings almost entirely from agriculture) through more effective sharecropping arrangements and by giving them access to better equipment maintenance and repair services, credit, and technical advice. At the other end of the spectrum, programs such as rural water supply, health, nutrition, and, perhaps, cooperative farming might be aimed at the often desperately poor 25% of rural households who do not receive remittances or have sufficient resources to earn satisfactory incomes. The Bank's possible role in such operations remains, however, as yet undefined pending the final report of the Agricultural Sector Mission.

31. Equally important would be steps to reduce the number -- probably by as much as one third -- of grazing livestock to allow the rangelands to recover. Since less than 10 percent of Lesotho's families reportedly own nearly one half of the nation's livestock, however, direct measures probably will prove difficult politically. The possibility, among other things, of the Government's imposing a livestock tax or taxes, e.g., on each animal imported, or possibly a graduated "wealth tax" based on numbers of animals owned also has been raised. (The draft Third Plan proposes a livestock importation tax.) Besides reducing livestock numbers, it is important that the Government seek ways to channel the savings of migrant workers, and others, away from livestock and into other investments more beneficial to the country. Once the numbers of animals are reduced and controlled grazing introduced, measures can be undertaken to rehabilitate the pastures and to improve animal health and animal husbandry generally.

32. The Government should also begin preparing for a likely longer-term shift to more intensive farming. As the number of persons depending on agriculture for their livelihood rises, cultivation presumably will have to shift away from present-day low-value crops to such crops as nuts and fruits, vegetables, perennial herbs for essential oils and fodder for intensified livestock production. Specific ecologically suitable crops and varieties will have to be identified and tested and their market potential explored. Investigations of some (e.g., lucerne, irrigated vegetables and asparagus introduced by the IDA-assisted Thaba Bosiu project) already have been initiated though the areas suitable for their cultivation are quite limited. Others, such as apples, peaches and vines are grown at present, and



seem to offer large potential for improvement. Introducing these more intensive crops also should offer opportunities for further employment in drying, processing, canning and other agro-related industries.

33. Finally, the Ministry of Agriculture will have to be strengthened and effective systems to deliver supplies and services to farmers developed. These are the primary objectives of the Basic Agricultural Services project (BASP), for which IDA in 1978 extended a \$6.0 million credit (along with financing from the Federal Republic of Germany, UK, European Development Fund and UNDP). The 1979 Donors' Conference proposed that a subsequent conference be held in 1980 to consider, along with the Government, how Lesotho might best proceed with agricultural development (and presumably how the various external assistance agencies would help). The Bank agricultural mission's report will be a key document for that conference.

POLITICAL SITUATION:

The Basotho National Party (BNP) of Prime Minister Leabua Jonathan has been the dominant force in Lesotho's politics since winning the first Parliamentary election in 1965, the year before independence. In winning that election, the BNP supplanted Ntsu Mokhele's Basutoland Congress Party (BCP). The BCP, however, apparently won the 1970 election overwhelmingly only to have Chief Jonathan declare the results invalid and dissolve Parliament. Jonathan has ruled since then, with the help since 1973 of an Interim Parliament, of his own nomination, representing the four legal political parties. Cabinet members and Interim Parliament members, are, however, formally appointed by the King, or in his absence the Queen.

Another loser in the 1970 coup was Lesotho's young king, Constantine Bereng Seesio, who had become Paramount Chief Moshoeshe II in 1959, and King in 1966. He was stripped of his powers and forbidden political activity; he soon went into self-imposed exile in Holland, and is presently studying law at Oxford University in England.

Lesotho's two major parties differ on several issues. The BCP is the lineal descendant of the most important of the early independence groups, the Basutoland Progressive Association (1907); it is populist, mildly anti-chief and Pan-Africanist to a degree that both South Africa and the Catholic Church have found threatening.

The BNP, which broke away from the BCP in 1958, is pro-chief, accommodationist -- or "realistic," depending on one's viewpoint -- towards South Africa, and strongly anti-Communist.

The BCP attempted to break Jonathan's hold on the country through an unsuccessful uprising in 1974, and both Reuters and the South African newspapers have reported guerilla violence in Lesotho since early summer. Guerilla incidents have been scattered, and South Africa has announced that it has given sanctuary to about 50 refugees.

The Government claims the incidents have been stage-managed by BOSS (the South African Secret Service) as a response to the outspoken position taken by Chief Jonathan at the Non-Aligned Nations Conference in Havana.

The Government has, reportedly, responded to the unrest by both beefing up its paramilitary police force and giving consideration to the holding of new elections.

## PART I - THE ECONOMY

1. The most recent economic report entitled "Economic Memorandum on Lesotho" (No. 2251-LSO) was distributed to the Executive Directors in February 1979. Transport and education sector memoranda were issued in January and March 1979. A report (No. 1688-EA) which examined migration in Southern Africa, and in particular, the migrant labor situation in Lesotho, was distributed to the Executive Directors in February 1978. Country data are shown in Annex 1.
2. Lesotho is one of the UN-designated "least developed" countries. GNP per capita in 1978 is estimated at US\$280.<sup>1/</sup> The country is surrounded by the Republic of South Africa (RSA); it is mountainous, soil erosion is extensive, and less than 15 percent of its land area is suitable for crop cultivation. Population pressure on land resources is intense. In 1979, the population was estimated at 1.3 million, growing at 2.3 percent a year. About nine percent of Lesotho's population lived in towns in 1979, and urban growth stood at 4.8 percent a year.
3. The economy is dominated by subsistence agriculture and the temporary migration of about half the male labor force to the South African mines. Subsistence agriculture and livestock rearing are the main economic activities of about 85 percent of the resident population and account for about 36 percent of domestic product. The economy is also characterized by its dependence on South Africa, which accounts for about 90 percent of Lesotho's merchandise trade and tourist traffic. Worker's remittances equalled about 55 percent of domestic product in 1977/78 and customs receipts from the Southern Africa Customs Union<sup>2/</sup> were almost 60 percent of Government revenues. The country's integration with the South African economy has also been bolstered

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<sup>1/</sup> GDP per capita in 1978 was about US\$165. GNP substantially exceeds GDP because of migrant workers' remittances.

<sup>2/</sup> The Southern Africa Customs Union was established in 1910 (and revised in 1969 and 1976) among Botswana, Lesotho, South Africa and Swaziland. The Agreement provides for free movement of goods among member countries and for revenue-sharing from a common pool of customs, excise and sales duties.

by its membership in the Rand Monetary Area and by the county's use of the South African Rand as its currency.

4. While Lesotho's lack of natural resources is a major constraint to its development, its unique migrant labor situation remains the major force in shaping the economy. About 165,000 Basotho are estimated to be employed as migrant workers in South Africa; this contrasts sharply with only about 40,000 in wage employment in the domestic economy. There are few opportunities for domestic earnings in Lesotho comparable to those in the South African mines, and rapidly rising mine wages in recent years have spurred even greater migration. Between 1970 and 1977, the number of Basotho workers in the mines increased steadily except for a brief period in 1974 when 15,000 workers unexpectedly returned to Lesotho.

5. Migration has provided substantial remittances that have become critical to maintaining the living standards of a large segment of the population; recent studies have shown that crop production accounts for less than 20 percent of rural household income. The continuing absence of much of the male population has led to a shortage of skilled and semi-skilled manpower and a decline in agricultural production. The economy's dependence on remittances has also left it vulnerable to developments over which the Government has no control. Increasing mine mechanization and RSA policies encouraging the hiring of South African blacks have led to a decrease since early 1978 in the number of Basotho employed. It is thought likely that this decline will continue, placing still more pressure on the Government to create jobs. While agriculture would seem the obvious sector for job creation, its short-term absorptive capacity is low and ongoing rural development projects have proven difficult.

6. This has been recognized in the Second National Development Plan (1975-80), which focusses, in addition to agriculture, on (i) improving infrastructure, particularly roads and communications between the mountains and more-developed lowlands; (ii) reforming education to meet developmental needs; (iii) expanding industry by strengthening the Lesotho National Development Corporation, the main channel for new investment, and (iv) reducing economic dependence on South Africa. The Government has also, under the 1977 Second Highway Project, established an experimental labor-intensive construction unit that has been successful in creating public works jobs. The Plan is well directed to Lesotho's main development problems, and its stress on agriculture, infrastructure and education is appropriate for a country still at a very early stage of development.

7. Recent economic growth has been satisfactory, despite sharp fluctuations in agricultural output mainly because of unfavorable weather. Over 1974/78, output tripled in the Government and tourism sectors, and increased tenfold in construction. Overall GDP is estimated to have increased about seven to eight percent a year in real terms. The expenditure pattern highlights the country's severe external dependence; the average level of consumption exceeded domestic product by about 75 percent, a situation made possible by a substantial inflow of migrants' remittances (para. 4). Total investment in 1977/78 was 30 percent of GDP, compared to 15 percent in 1974/75, reflecting a sustained rise in government construction activity and private investment in diamond mining.

8. On the fiscal side, government revenue stagnated between 1974/75-1976/77 at about R 30 million, as customs receipts declined, but jumped to R 52 million in 1977/78 as these more than doubled after a 1976 revision of the revenue-sharing formula of the customs agreement. Over the same period, recurrent expenditure increased from R 19 million to R 40 million, implying a growth rate of 28 percent a year in current prices, as a result of : (i) revisions of public service wages and salaries in 1975 and again in 1977 partly to stem the outflow of skilled workers to South Africa; (ii) continuing expansion of the Government administration; and (iii) the growing recurrent budgetary demands of an expanding development program. In 1977/78, total receipts exceeded recurrent expenditures by R 20 million reflecting the sharp increase in customs receipts and in grants following Lesotho's appeal in 1976 for additional assistance to strengthen its economy and reduce its external dependence. In 1977/78, capital expenditure increased fourfold over the 1974/75 level as a result of improved implementation capacity, stemming from a gradual buildup of local skilled manpower and operation of a substantial technical assistance program.

9. Lesotho's balance of payments is characterized by a chronic imbalance in merchandise trade funded largely by migrants' remittances and official transfers. Between 1975 and 1978, total merchandise imports increased from R 123 million to R 210 million, reflecting: (i) the capital goods requirements of an expanding development program; (ii) a 20 percent increase in the number of migrants in South Africa; and (iii) the import demand for manufactured goods from rising household incomes due to increased remittances. Over the same period, exports increased from R 10 million to R 30 million. The start of diamond exports with R 17 million in 1978 accounts for the sharp increase in export receipts, whereas recorded receipts from Lesotho's traditional export commodities, wool and mohair stagnated. On the services account, net earnings of migrants in 1977 were almost 2.5 times the 1974 level, mainly as a result of rapidly rising mine wages, while net transfers doubled with the surge in customs receipts. The overall balance of payments showed small surpluses in 1977 and 1978, mainly reflecting the Government's improved budgetary situation. Gross official reserves amounted to R 11.2 million in December 1978, equivalent to about 2 weeks of 1978 imports. However, this only partly reflects the country's foreign reserves position, given the integration of the monetary system with that of South Africa, and the substantial under-recording of external transactions. The Government is planning to establish, later this year, a Monetary Authority that would issue a new domestic currency, the maloti, which would be at par with, circulate jointly with, and be 100 percent backed by, the Rand.

10. Until 1975, the United Kingdom was the major source of financial assistance, but during the last few years, a growing number of bilateral and multilateral agencies have provided grants or concessionary credits for project financing. At the end of December 1978, Lesotho's external debt (disbursed and outstanding) was estimated at US\$30 million: debt service payments during 1978 amounted to US\$1.4 million representing about 3 percent of export earnings or 1.7 percent of recurrent revenue (given Lesotho's special monetary arrangements with South Africa relating debt service payments to recurrent revenue rather than to foreign exchange earnings is a more meaningful concept of the country's debt service capacity). Over the next several years, most of Lesotho's capital assistance is likely to continue as grants or concessionary credits, and servicing of external public debt is expected to remain at about two percent of government recurrent revenue.

11. Lesotho's medium-term economic outlook will be largely influenced by the terms of its continuing economic arrangement with South Africa, particularly its membership in the customs union, and the level of future migration. These uncertainties, plus Lesotho's delicate geopolitical situation and scarcity of natural resources underlie the difficult task of development. While current revenue will continue to depend on the customs union, the country's growing absorptive capacity and the recurrent budgetary commitments of an expanding public investment program call for a more rapid increase in revenue and greater diversification of revenue sources. Although the Government is examining ways to increase internal revenue following an IMF review of the fiscal system, these objectives can only be realized in the long term, given the country's narrow tax base. In the meantime, donor agencies should consider financing in most projects, not only all foreign costs, but also a substantial part of local costs. If Lesotho is to sustain its rate of economic development, it will need continuing external assistance on grant and IDA terms.

## External Assistance and Debt

Since independence, Lesotho has had to rely heavily on foreign assistance to finance implementation, operation and maintenance of its development program. External aid came from a number of bilateral sources (Canada, West Germany, Netherlands, Ireland, the Scandinavian countries, the United Kingdom and the United States) and some multilateral agencies (the African Development Fund, the EEC, IDA, UNDP, and OPEC financial agencies). Most of the aid has been provided as grants averaging some 70-80 percent of total foreign receipts of about \$50.0 million over the past five years. Consequently, external indebtedness has been kept low amounting to some \$25 per capita at the end of 1978. IDA has been the largest single source of borrowing holding some 63 percent of a total outstanding debt of about \$28 million in December 1978. Borrowing has been arranged on highly concessional terms thus keeping debt service payments at a low level of three percent of exports and even less as a percentage of government revenues. Grants and credits have been provided for projects in almost all sectors with a focus, however, on infrastructure projects and for a heavy technical assistance program.

SUBJECT BRIEF ON SPECIAL ISSUES

Thursday, January 24, 1980

STOP 1. 1515 -- Arrive Maseru, Lesotho

Arrival Statement

STOP 2. 1600 -- Meeting with Finance Minister

(See Biographical Section)

The meeting with Mr. E.R. Sekhonyana is expected to last 60 to 90 minutes, and may be followed by a reception or small dinner at about 1800. Mr. A.M. Monyake, Permanent Secretary of Finance, can also be expected to be present at the meeting with the Finance Minister. Issues likely to be raised at the meeting include the amount and sectoral composition of our forward program in Lesotho, the role we can be expected to play in the Highlands Water Scheme as both an observer in negotiations with South Africa and, perhaps, as a mobilizer and partial supplier of financial support. We might mention the need to strengthen the Government's planning capabilities, family planning and employment creation.



Friday, January 25, 1980

STOP 1. 0730-0815 -- 45 minute Flight Over Mountain Road, Soil Conservation Works, Thaba Tseka, Communal Grazing Areas

The flight should provide a good view of Lesotho's stark beauty and spectacular donga (gully) erosion and some of the works being undertaken to combat it. The St. Michaels-Mantsonyane leg of the Mountain road (95 km) is being widened to 6 meters, the Mantsonyane-Thaba Tseka leg (52 km) to 4 meters under the Second Highway Project (\$5.5 million, 1976). The project is in its final stages of implementation, and is progressing without major problems. Widening of the Mantsonyane-Thaba Tseka leg to 6 meters has long been proposed by the Government, which has sought British aid for this purpose. The Labor-Intensive Construction Unit established under the project has been quite successful in its construction and maintenance tasks.

The Third Highway Project (\$9 million, plus a \$2.2 million EEC Special Action Credit, 1979) focuses mainly on road maintenance through strengthening of the Ministry of Works, although it includes the paving of St. Michaels-Molimo Nthuse road (24 km), and maintenance is expected to be central to the planned Fourth Project, scheduled for FY83.

STOP 2. 0815 -- Land at Mokhotlong, meet with Farmers

Mokhotlong is a center for sheep-raising activities, including wool shearing. Wool exports have contributed some 40 percent of export revenues in recent years, although the start-up of diamond exports has changed these proportions. There has recently been a decline in official exports of wool and mohair, however. Despite a 60 percent price increase in these commodities over the 1974-77 period, recorded export value declined by 32 percent partly as a result of: (i) administrative difficulties within the Livestock Marketing Corporation (LMC); (ii) a drop in the livestock population; and (iii) unrecorded border trade with dealers in South Africa. While the relative weight of factors influencing the decline in the wool and mohair trade has not been fully determined, lack of farmer confidence appears to be significant. In 1976, LMC failed in its attempt to market wool and mohair outside traditional South African outlets; as a result, farmers obtained lower prices than those prevailing in the Republic. LMC is ineffective, and farmer confidence can only be restored through reorganization and strengthening of its management and marketing capacity.

Friday, January 25, 1980

Given its limited manpower and financial resources, the LMC limited itself to the marketing of wool and mohair, beginning in 1975. However, the Corporation proved incapable of competing effectively with private traders, in part because its two-stage payment system was a strong disincentive to farmers, but also because of managerial problems. The LMC's board was suspended in late 1977 and the Corporation is currently inactive pending a complete reorganization. Official wool and mohair exports, which declined significantly in 1975 and 1976, are once again being channeled through the South African Wool and Mohair Board:

STOP 3. 0900-0945 -- Fly to Leribe, Passing over Letseng-La-terai and Highland Water Development Scheme Area

The mining industry is based on a single diamond mine at Letseng-La-Terai that was worked by individual diggers until commercial, capital-intensive production by the De Beers Lesotho Mining Company (25 percent government equity) began in 1977.

The mine represents the country's largest single investment, about R 37 million, and provides jobs for 600 workers, 10 percent of employment in the industrial sector. Average monthly production is around 4,500 carats. Although the mine is expected to last only eight years and to yield a comparatively low caratage of stones, (only about 5 carats per 100 tons of earth treated) most of the stones recovered are expected to be of gem quality. If government plans for further expansion are implemented, and prices maintain a steady increase of about 10 percent a year, diamond exports could reach \$25 million in 1980 or just over one-half of the value of projected merchandise exports. The corresponding impact on government revenue from taxes and dividends would be about R 5 million which would boost revenue generated within Lesotho by about 20 percent.

The objective of the Highland Water Development Scheme is to supply water for the Republic of South Africa and generate electricity for Lesotho. While the Bank is not committed to help finance the project, at the Lesotho Government's request, a senior staff member of the Eastern Africa Projects Department has advised the Government and attended meetings with South African representatives. Both Lesotho and South Africa are anxious that the Bank assist in financing the project. We have taken the position that: (i) the Bank is prepared to continue supplying limited technical advice to Lesotho, if required; (ii) the Bank would

Friday, January 25, 1980

expect to follow the progress of the feasibility study and other preparatory activities; and (iii) once the scheme is ready, the Bank would consider helping to finance and to arrange for financing it, provided (a) the scheme clearly would give sufficient benefits to Lesotho and (b) a suitable financing plan including satisfactory arrangements for Bank financing could be worked out. There is little need for further technical advice, since ODA-financed consultants (Binnie and Partners) are assisting Lesotho. Nevertheless, the sponsors want Bank presence in the meetings and consultations mainly to keep us involved and to increase the likelihood of our helping to finance the scheme.

The scheme's estimated capital cost is between \$850 and \$970 million (1978 prices) in four phases between 1985 and 2004, perhaps about \$3 billion in current terms with 8 percent per annum price escalation. The schedule, which aims to commission the first phase in 1992, calls for negotiating a treaty between the two countries and making financial arrangements in late 1981 and awarding the main construction contract in August 1985. The first phase could cost over \$800 million. There is no provision for the project in our present lending program.

STOP 4. 0945-1200 -- Drive from Leribe to Kolonyama Ha Rakolo, the Prime Minister's home village for lunch with Chief Leabua Jonathan, the Prime Minister

The Government plans a stop en route to visit a communal farming project, or the industrial area in Maputsoe. Details will be added when this section of the itinerary is firmed up by the Government.

STOP 5. 1400-1430 -- Helicopter to Labor-Intensive Construction Unit Worksite on Maseru-Roma-Ramabanta road.

The 1974 Second Highways Project (\$4 million) includes \$500,000 for engineering consultants on the establishment of a Labor-Intensive Construction Unit (LCU) to test the technical and economic feasibility of carrying out construction work and providing employment by labor-intensive methods. The firm of Scott, Wilson, Kirkpatrick and Partners (UK) was selected to introduce labor-intensive techniques and train staff. SIDA, ODA (UK), and the Government are providing the financing for equipment, fuel, labor costs and strengthening of the Labor Commissioner's office (UNDP).

The LCU began operations in mid-1977, and has since improved and regavelled about 100 km of road. It has also improved and maintained airstrips and built soil conservation works and fishponds. The total work force has varied between 300 and 500, broken up into brigades of about 200 laborers for road construction work under six to ten foremen.

Friday, January 25, 1980

No major problems occurred during the project execution, although Government was slow in recruiting an adequate number of local personnel to be trained as foremen. Furthermore, the local engineer to head labor-intensive operations upon completion of consultants' assignment, scheduled for March 1980, was nominated only in mid-1979 due to the shortage of local engineers. As a consequence, consultants' services will need to be extended by one year beyond the original 3-year contract period to prepare government staff to plan and carry-out labor-intensive works on their own.

Labor-intensive works have proven a viable alternative to equip-intensive operations. A cost analysis has shown that construction costs are comparable with equipment-intensive works at the present wage rate of R 2.40 (\$2.75). The labor force is expected to reach about 2,000 during the near future. Contingency plans have been established for projects employing up to 10,000 laborers in case of a sudden influx of Basotho from the Republic of South Africa.

STOP 6. 1500-1515 -- Return by Helicopter to Maseru

STOP 7. 1630 (1700) -- Leave for Johannesburg

Johannesburg - Jan Smuts dep. 2030 (1830) SA 207 B-747 Cape Verde Is.  
New York - JFK Airport - arr. 0645 (1145) (0215/0315)

## LESOTHO - HIGHWAYS

### I. GENERAL

1. Lesotho, a landlocked country within the Republic of South Africa, is almost totally dependent on road and air service for internal transport. Her road network is inadequate both in its length and condition. Of the total 3,500 km of road only 230 km (six percent) are paved, 1,200 km (34.3 percent) are gravel roads and the remainder, that is, 2,070 km (59.1 percent) are dry-weather earth roads and tracks. The network is poorly maintained on account of lack of qualified staff, inadequate funds, high cost for equipment rental and a poorly organized equipment repair and maintenance system. Although transport and traffic regulations are satisfactory they are not strictly enforced.

2. In the past, the transport policy focused mainly on serving populated areas and production centers along the north-south lowland corridor on the western border. The Second National Development Plan (1975/76-1979/80), however, lays emphasis on providing all-weather links to the country's eastern and mountain areas to develop their full social and economic potential. It also stresses the importance of maintaining the existing economic infrastructure. The Ministry of Works (MW) and the Ministry of Transport and Communications (MTC) outlines transport policy and planning proposals which are subsequently reviewed by the Central Planning and Development Office (CPDO) of the Ministry of Finance, Planning and Statistics. The road investment proposed in the current development plan are based on a ten-year road investment program put forth by a transportation study conducted in 1974 and financed by the Overseas Development Administration (ODA). Over the years, the highway sector has experienced a dramatic increase in investments, from R 0.3 million in FY74/75 to an estimated R 2.1 million in FY77/78. Ninety percent of these funds were provided by external donors. The recurrent expenditures of R 1.7 million in 1977/78 have increased at an annual average rate of about 21 percent in the past five years. These allocations are, nevertheless, still inadequate to maintain the road network. The problem is compounded by administrative delays which plague the release of funds carried out every quarter.

### II. PROJECT SPECIFICS

#### A. First Highway Project; Credit 82-BL; \$4.1 million; February 1966

3. The First Highway Project was the first operation in Lesotho by the World Bank Group. It was used for improving the 76-mile section of the main north-south road and of a 17-mile connecting feeder road. The most important road in the country is the north-south artery which extends over the full length of the western strip. Branches from this road extend westward to connect with the South African road system and eastward into the plateaus, foothills, mountains, where the bulk of the population lives. The

76-mile section runs from Matsieng Turnoff through Maseru to Leribe and the 17-mile feeder road, from Leribe to Pitseng. Ultimately, better road connections and reduced transport costs were to be important in providing farmers and livestock owners with easier access to markets and to stimulate the transition from subsistence to market agriculture. The work on the project was satisfactorily completed for less than the estimated cost and the savings were used to pave a further 6 km section of the main north-south road in addition to the 107 km originally planned.

B. Second Highway Project; Credit 619-LSO; \$5.5 million; February 1976

4. The Second Highway Project consisted of two unrelated components combined purely for administrative ease. Firstly, the credit was to be used for improving the gravel road between St. Michaels and Mantsonyane (95 km) and reconstructing the earth track between Mantsonyane and Thaba Tseka (52 km). There was also provision for consultancy service for the work, road maintenance equipment and facilities along the project road and technical assistance to strengthen the Ministry of Works (MW). These two road sections were to substantially improve the transportation link between Thaba Tseka, the commercial center of the central mountain region and the capital, Maseru. Secondly, the credit was to finance the establishment and operations of a labour-intensive construction unit (LCU) for a three year period and the provision of technical assistance to strengthen the Labour Commissioner's Office. The LCU was to prepare Lesotho to cope with a sudden return of migrant labourers as well as to investigate the merits of using labour-intensive methods as a long-term employment strategy.

5. The project is now in its final stage of implementation. So far there have been no major problems with project execution. Construction work on the mountain road started in November 1976 and is expected to be completed by end-1979.

C. Third Highway Project; Credit 884-LSO; \$9 million; April 1979

6. The Third Highway Project seeks to improve Lesotho's national road network and the road maintenance capability of the Roads Branch (RB) of the Ministry of Works. It will bring significant benefits to a large proportion of the country's population, including reduction in transport costs and use of roads throughout the year and better access to administrative and social facilities. More specifically it provides for (a) paving 24 km of the St. Michaels-Molimo Nthuse road; (b) consultants' services for supervising (a) above; (c) improvement of road maintenance, including construction and equipping of regional offices for (RB); (d) construction and equipping of the Central Mechanical Workshop and Plant Pool (CMW&PP) Workshops; (e) technical assistance to RB and CMW&PP; (f) fellowships for RB and CMW&PP; and (g) feasibility and, if justified, detailed engineering studies for the Oxbow-Mokhotlong road (120 km).

III. ISSUES

7. (a) In response to Government's request for widening the Mantsonyane-Thaba Tseka road (Second Highway Project), to 6 m, the Bank did not see an increased economic justification for this at the time of appraisal when the basic assumptions of vehicle traffic and economic development of the area remain unchanged. Now, however, in view of the fact that traffic on completed road sections has increased faster than anticipated at appraisal, further study may be justified.

KSing:iaj

December 26, 1979

## OFFICE MEMORANDUM

*Reese*

TO: Mr. W. A. Wapenhans

DATE: December 6, 1979

FROM: David C. Reese, Div. Chief, EALDB

SUBJECT: LESOTHO - Donors' Conference  
November 5-9, 1979

1. Lesotho held its third conference on external assistance November 5-9, 1979 in Maseru. More than 80 expatriates, representing 18 governments, 14 regional and international organizations and 9 private agencies attended. Among the international organizations represented were 10 UN agencies, the African Development Bank, EEC, BADEA and the World Bank. On the Lesotho side, government ministers and senior civil servants participated (the Prime Minister addressed one session) and Lesotho's ambassadors were brought back to attend.
2. The ostensible purpose of the conference was to review Lesotho's proposed Third Five Year Plan, which is supposed to commence in April 1980. The proposed Plan (which was still in draft) is ambitious -- the \$617 million (1980-81 prices) public investment program would be more than double that of the revised Second Plan (1976-80). In addition, the Third Plan envisages another \$242 million in food aid, expatriate personnel and fellowships, bringing the total to \$859 million. The attached table spells out the proposed use of these resources.
3. The comments of the donors and financial institutions centered mainly on
  - the highly ambitious character of the Plan;
  - the need to better define priorities among sectors and projects, which implied a careful evaluation of ongoing activities and discrimination in the choice of new programs; and
  - the need to better think through and articulate policy issues and proposed measures for dealing with these issues in the critical areas of employment, agriculture, rural development, and industry.
4. In this connection, it was emphasized (i) that Lesotho should not overestimate the amount of external resources which likely would be available for the Plan and (ii) that Lesotho should consider ways of mobilizing additional domestic resources. The Plan's assumption of little real growth in domestically-collected revenues was not widely accepted. In addition, the concerns expressed in previous meetings about Lesotho's limited implementation ability (the Plan projects that 1,217 expatriates will continue to be needed during the Third Plan period!), and inadequate financial and administrative capacity to maintain



existing, plus new investments were underlined again.

5. Regarding the key agricultural and rural sectors, the Plan recognized the problem of migrant labor and its overriding influence on Lesotho's agriculture, but offered no real development strategy.<sup>1/</sup> The Plan's proposed allocation of expenditures -- whereby only 27 percent of public investments would go to agriculture and rural development, compared with 33 percent to transport and communications -- was also called into question.

6. Following up on their concern about agriculture, the donors, on the initiative of Michel Doo Kingue, UNDP Assistant Administrator for Africa, suggested that a multi-donor conference be organized next year to consider how to increase agriculture's contribution to income and employment, as well as to attaining food self-sufficiency. The conference would be based on a multi-donor assessment of agricultural development in Lesotho, using reports of separate evaluation missions. (The intention was to rely heavily on the report of our agricultural sector mission which completed its work during the donors' conference.) In addition, it was suggested the Government might organize a specific multi-donor evaluation mission. The proposed conference would supposedly provide a means for high-level discussions between the Government and donors on a coordinated strategy for agricultural development.

7. In evaluating the conference, both the Government and many donors apparently were disappointed by the limited amount of genuine discussion, give and take and feedback to the Government during the meeting. Although the donors, as a matter of course, recommended that Lesotho continue the practice of holding conferences, it was suggested that the arrangements (e.g., changing the physical set-up) and format be modified to encourage more meaningful participation.

cc: Messrs. Kraske, EA1DR, Hornstein, VPO, Tolley, EANVP  
Mrs. Boskey, IRD, EAN Projects Division Chiefs, RMEA

DGreese:iaj

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<sup>1/</sup> The draft Plan stated, "Low returns from agriculture and the ready availability of a more lucrative source of income, migrant labor, have understandably resulted in an attitude of indifference towards farming on the part of most rural dwellers." The statement, however, upset a number of donors, as well as the Ministry of Agriculture, which disassociated itself from the statement. The Planning Office will delete it from the Plan.

Table 1

Total Inputs Required for Implementation of Third Plan 1980/81-1984/85  
(in thousands of Rand at 1980/81 prices)

Sectors	Public Investment Programme	Food Aid	Expatriate Personnel	Fellowships	Total Inputs Required	
Rural Development	35,460 77%	-	1,174	1,310	37,944 57%	
Food and Agriculture	97,906 20%	96,441	19,737	7,074	221,158 32%	
Industry, Commerce, Tourism and Labour	45,805 9%	-	7,421	5,626	58,852	
Water, Energy and Mineral Resources	22,711 5%	-	1,704	1,400	25,815	
Transport and Communications	164,621 33%	-	8,420	4,606	177,647 33%	
Education and Training	32,996 7%	-	21,435	3,126	57,557	
Health	25,068 5%	-	1,721	1,327	28,116	
Urban Development	44,386 9%	-	2,526	3,106	50,018	
Government Services	33,301 7%	-	4,623	3,441	41,365 6%	
<b>Total</b>	<b>502,254</b>	<b>96,441</b>	<b>68,761</b>	<b>31,016</b>	<b>698,472</b>	
	(millions US \$)	4617	8118	825	5138	859

Table II - 1

Planned Public Investment, Original and Revised Second Plan,  
and Actual Expenditure 1975/76 - 1979/80  
(in millions of Rand, 1975/76 prices)

	<u>Original Plan</u>	<u>Revised Plan</u>	<u>Actual Expenditure*</u>
Agriculture	36.5	39.6	33.2
Industry and Commerce	11.3	15.1	11.2
Tourism	8.2	12.7	12.7
Natural Resources	1.1	4.0	2.2
Economic Infrastructure	20.1	55.5	24.4
Education	11.9	20.3	14.1
Social Infrastructure	13.6	32.0	12.3
Government Services	8.5	11.8	16.9
<b>Total</b>	<b>111.0 (\$144)</b>	<b>191.0 (\$235)</b>	<b>127.0 (\$152)</b>

\*The expenditure figures include conservative estimates for 1979/80, for which actual figures were not available.

The sectoral distribution of expenditures was influenced to a considerable extent by the relative availabilities of Government funding and short-term commercial loans compared to donor funding.

Targets for sectoral contributions to the intended growth of GDP were not revised when the Plan was expanded in 1977. For the first three years of the Plan, it is possible to compare the growth of each sector to the expectation set in the original Plan, as follows:

Table II - 2

Production Increases Expected and Achieved, 1975/76 - 1977/78  
(in millions of Rand, 1975/76 prices)

	<u>Expected</u>		<u>Achieved</u>	
	<u>Absolute</u>	<u>Per Cent</u>	<u>Absolute</u>	<u>Per Cent</u>
Agriculture	13.6	38	4.3	31.6
Mining and Quarrying	5.6	368	2.1	37.5
Manufacturing and Crafts	2.2		-1.4	-63.6
Electricity	0.4	150	-	-
Building and Construction	2.2	125	8.2	372.7
Commerce and Catering	4.4	40	3.7	84.1
Wholesale and Retail	-	-	1.1	-
Transport and Communications	0.6	45	0.4	66.7
Banking, Insurance, etc.	0.3	33	-	-
Ownership of Dwellings	0.6	6	1.9	316.7
Government Services	7.1	46	6.8	95.8
Other Goods and Services	-	-	-0.3	-
<b>Total</b>	<b>37.0</b>	<b>46</b>	<b>27.6</b>	<b>74.6</b>

Population : 1.2 m (mid-1977)  
 GNP Per Capita : \$210 (1977)  
 Area : 30,340 km<sup>2</sup>  
 Literacy Rate : 40% (1973)

Annex I-A

LESOTHO: ACTUAL AND PROPOSED LENDING PROGRAM THROUGH FY84  
 (US\$ Million)

		Through FY71	FY72	FY73	FY74	FY75	FY76	FY77	FY78	Actual FY79	Program					Total			Reserve Projects		
											FY80	FY81	FY82	FY83	FY84	FY71-75	FY76-79	FY80-84			
Rural Development I	IDA			5.6																	
Rural Development II	IDA								6.0												
Rural Development III	IDA												10.0*								
Urban I	IDA										6.0										
Nutrition	IDA																				2.0(FY82)
DFC I	IDA							2.5													
DFC II	IDA										4.0										
DFC III	IDA															12.0					
Education I	IDA				4.0																
Education II	IDA								7.5												
Education III	IDA												10.0								
Roads I	IDA	4.1																			
Roads II	IDA						5.5														
Roads III	IDA									9.0											
Roads IV	IDA																				10.0*
Rural Water Supply	IDA									6.0											
LENDING PROGRAM	IDA No.	<u>4.1</u> 1		<u>5.6</u> 1		<u>4.0</u> 1	<u>5.5</u> 1	<u>2.5</u> 1	<u>13.5</u> 2	<u>15.0</u> 2	<u>10.0</u> 2	<u>10.0</u> 1		<u>20.0*</u> 2	<u>12.0</u> 1		<u>13.7</u> 3	<u>36.5</u> 6		<u>52.0</u> 6	
STANDBY PROJECTS	IDA No.													<u>20.0</u> 2							

\* Standby Projects

Eastern Africa Region  
 Country Programs I  
 August 15, 1979

ANNEX I-A

FUTURE OPERATIONS IN LESOTHO

FY80

Urban Project

A Credit of about US\$6 million is planned for a sites and services project in Maseru, the capital, that would involve upgrading services for some 23,000 people, developing 500 sites and services plots, infrastructure, community facilities, and a possible small-scale enterprise component. Further progress is awaiting Parliamentary action on a land bill deemed necessary for controlled development, land acquisition, and the appointment of staff to a Project Coordination Unit.

DFC II

A second line of credit for \$4 million to LNDC is planned for Board presentation in early 1980.

FY81

Education III

A Credit of about \$10 million is planned, appraisal expected in the first half of calendar 1980 is dependent however, on improvements in the implementation of Education II. The Third Project would involve an expansion of manpower training facilities and the development of a Government capability to print, store, and distribute primary school textbooks.

FY82

There are no projects scheduled for FY82.

FY83

Rural Development III

A credit of about \$10 million is placed and an identification mission is scheduled for November 1979.

Roads IV

\$10 million Credit is planned for construction of about 120 km of the Oxbow-Mokhotlong Road and a continuation of the road maintenance program begun under Highway III.

FY84

DFC III

US\$12 million allotted for unidentified project.

STATUS OF BANK GROUP OPERATIONS IN LESOTHO

A. STATEMENT OF BANK LOANS AND IDA CREDITS (as of June 30, 1979)

<u>Credit</u>	<u>Year</u>	<u>Borrower</u>	<u>Purpose</u>	<u>Amount (less cancellations, refundings, and terminations)</u>	
				<u>(US\$ million)</u>	
				<u>IDA</u>	<u>Undisbursed</u>
82-BL	1966	Basutoland	Road Development	4.1	-
361-LSO	1973	Lesotho	Thaba Bosiu Rural Development Project	5.6	0.0
497-LSO	1974	Lesotho	Education Development	4.0	.04
619-LSO	1976	Lesotho	Second Highway	5.5	1.97
702-LSO	1977	Lesotho	DFC	2.5	2.2
748-LSO	1977	Lesotho	Second Education	7.5	7.3
795-LSO	1978	Lesotho	Basic Agricultural Services Project	6.0	5.79
884-LSO	1979	Lesotho	Third Highway (not yet effective)	9.0 2.2	9.0 (EEC Special Action Credit)
887-LSO	1979	Lesotho	Water Supply	<u>6.0</u>	<u>6.0</u>
		Total		50.2	34.3
		of which has been repaid		0.17	
		Total now held by IDA <u>1/</u>		50.87	
		Total undisbursed		34.3	

1/ Prior to exchange adjustments

Note: Lesotho has received no Bank loans.

B. STATEMENT OF IFC INVESTMENTS (as of May 25, 1978)

<u>Investment No.</u>	<u>Year</u>	<u>Type of Business</u>	(US\$ Million)		<u>Total</u>
			<u>Loan</u>	<u>Equity</u>	
405-LSO	1978	Lesotho Quality Aggregate (PTY) Ltd.	<u>299,000</u>	<u>31,000</u>	<u>330,000</u>
		Total gross commitments	299,000	31,000	330,000
		Less: Cancellations terminations, repayment and sales	-	-	-
		Total now held by IFCA	299,000	31,000	330,000
		Total undisbursed	-	-	-

C. BANK PROJECTS IN EXECUTION

Credit No. 619-LSO      Second Highway Project; US\$4.0 million Credit of July 25, 1974; Effectiveness Date: January 25, 1975; Closing Date: December 31, 1980

The project is progressing reasonably well with construction of the St. Michaels-Mantsonyane-Thaba Tseka road expected to be completed by October. However, various sections of the road show deterioration of the gravel surface due to heavy rains, steep gradient and inadequate maintenance and side drains need to be lined to avoid washouts. No funds are available for this additional work, which will be done by force account. The Labor Intensive Construction Unit (LCU) has successfully completed improvement of a 31 km long gravel road and improvement of airstrips at costs comparable to equipment-intensive operations; it is constructing a 34 km long gravel road with financing by SIDA.

Credit No. 702-LSO      Development Finance Company Project (DFC); US\$2.5 million Credit of May 20, 1977; Effectiveness Date: August 23, 1977; Closing Date: December 31, 1981

The Lesotho National Development Corporation is expected to have committed its portion of the line of credit before year's end; the Basotho Enterprises Development Corporation may not be able to commit the \$300,000 for which it has been responsible, and an extension until end 1980 will be considered.

Credit No. 748-LSO      Second Education Project; US\$7.5 million Credit of November 30, 1977; Effectiveness Date: February 28, 1978; Closing Date: December 3, 1981

Over a year after Credit effectiveness, the Project has made little progress. The Project Unit's director has yet become sufficiently acquainted with Bank procedures and requirements. The experience of the first education project, successfully implemented and closed appears to have had no bearing on this second project. The architectural team is incompletely staffed and without terms of reference. Relationships and division of responsibilities between the architectural team, on the one hand, and the Project Unit Ministry of Public Works, on the other, have yet to be defined. The architectural work initially prepared was found greatly to exceed, both in areas and cost, the agreed appraisal estimates. The architectural team is in the process of simplifying the design in accordance with the agreed areas and cost. The preparation of the equipment list is just beginning.



Credit No. 795-LSO      Basic Agricultural Services Project; US\$6.0 million  
Credit of May 25, 1978; Effectiveness Date: August 3, 1978;  
Closing Date: March 31, 1985

This is a follow-up project to the Thaba Bosiu Project designed to increase manpower and institutional capability of the Ministry of Agriculture and to provide basic agricultural services for increasing production of five major crops. The Project covers about 75 percent of the country's arable land containing 66 percent of the country's population. The \$26 million project will be assisted also by the European Development Fund, the Federal Republic of Germany, the United Kingdom and the United Nations Development Program. It has experienced moderate problems in meeting staffing requirements that are at least partly attributable to competition from the South African mines. Absorption of the Produce Marketing Board into MOA has been completed, but it is not yet operational. The major issue is a lack of funds for work on Block IV, for which the Government may require assistance in locating and negotiating with a donor.

Credit No. 834-LSO      Third Highway Project; US\$9.0 million (plus \$2.2 million  
EEC Special Action Credit) Credit of December 21, 1978;  
Effectiveness Date: October 5, 1979; Closing Date:  
March 31, 1983

The Project is designed to improve Lesotho's road network and maintenance capability. It involves the paving of 24 km of the St. Michaels-Molimo Nthuse road, a feasibility study of the 120 km Oxbow-Mokhotlong road, technical assistance and consultant services for improving road maintenance and supervising construction, and fellowships for ex-country training in civil and mechanical engineering and highway maintenance and equipment repair. Credit effectiveness has been delayed pending the Government's meeting the condition that ODM assistance be obtained to strengthen operations of the Central Mechanical Workshop and Plant Pool; the project was, in July, about four months behind its anticipated implementation schedule.

Credit No. 887-LSO      Water Supply Project; US\$6.0 million Credit of  
March 20, 1979; Effectiveness Date: July 5, 1979;  
Closing Date: September 30, 1983

The Project provides for the extension of water supply systems in seven towns, technical assistance and engineering consulting services to provide public water service to 20,000 new consumers by 1986, and improve the reliability and quality of service for an additional 21,000. The Water and Sewerage Branch of the Ministry of Works would also be strengthened under the project and through a comprehensive training program financed by German bilateral aid.

TABLE 3A  
LESOTHO - SOCIAL INDICATORS DATA SHEET

LAND AREA (THOUSAND SQ. KM.)	LESOTHO			REFERENCE GROUPS / ADJUSTED AVERAGES		
	- MOST RECENT ESTIMATE -			- MOST RECENT ESTIMATE -		
	1960	1970	MOST RECENT ESTIMATE	GEOGRAPHIC REGION	SAME INCOME GROUP	SAME NEXT HIGHER INCOME GROUP
TOTAL	30.4					
AGRICULTURAL	29.6					
<b>GNP PER CAPITA (US\$)</b>	40.0	90.0	280.0	306.1	209.6	467.5
<b>ENERGY CONSUMPTION PER CAPITA</b> (KILOGRAMS OF COAL EQUIVALENT)	..	..	..	80.6	83.9	252.1
<b>POPULATION AND VITAL STATISTICS</b>						
POPULATION, MID-YEAR (MILLIONS)	0.9	1.1	1.3	.	.	.
URBAN POPULATION (PERCENT OF TOTAL)	1.5	2.6	3.4	17.1	16.2	24.6
<b>POPULATION PROJECTIONS</b>						
POPULATION IN YEAR 2000 (MILLIONS)			2.0	.	.	.
STATIONARY POPULATION (MILLIONS)			5.0	.	.	.
YEAR STATIONARY POPULATION IS REACHED			2155	.	.	.
<b>POPULATION DENSITY</b>						
PER SQ. KM.	30.0	36.0	43.0	18.4	49.4	45.3
PER SQ. KM. AGRICULTURAL LAND	32.0	38.0	45.0	50.8	252.0	149.0
<b>POPULATION AGE STRUCTURE (PERCENT)</b>						
0-14 YRS.	38.6	37.6	39.0	44.1	43.1	45.2
15-64 YRS.	57.0	57.3	57.0	52.9	53.2	51.9
65 YRS. AND ABOVE	4.4	5.1	4.0	2.8	3.0	2.8
<b>POPULATION GROWTH RATE (PERCENT)</b>						
TOTAL	1.5	2.2	2.4	2.7	2.4	2.7
URBAN	8.0	7.7	8.1	5.7	4.6	4.3
<b>CRUDE BIRTH RATE (PER THOUSAND)</b>	38.0	39.0	41.0	46.3	42.4	39.4
<b>CRUDE DEATH RATE (PER THOUSAND)</b>	24.0	19.0	17.0	17.2	15.9	11.7
<b>GROSS REPRODUCTION RATE</b>	..	2.5	2.7	3.1	2.9	2.7
<b>FAMILY PLANNING</b>						
ACCEPTORS, ANNUAL (THOUSANDS)	..	..	..	..	..	..
USERS (PERCENT OF MARRIED WOMEN)	..	..	..	..	12.2	13.2
<b>FOOD AND NUTRITION</b>						
<b>INDEX OF FOOD PRODUCTION</b> PER CAPITA (1969-71=100)	114.2	97.0	99.0	94.3	98.2	99.6
<b>PER CAPITA SUPPLY OF</b>						
<b>CALORIES (PERCENT OF REQUIREMENTS)</b>	92.0	95.0	99.0	89.5	93.3	94.7
<b>PROTEINS (GRAMS PER DAY)</b>	63.7	..	67.6	55.8	52.1	54.3
OF WHICH ANIMAL AND PULSE	..	..	..	17.9	13.6	17.4
<b>CHILD (AGES 1-4) MORTALITY RATE</b>	34.0	27.0	21.0	22.3	18.5	11.4
<b>HEALTH</b>						
<b>LIFE EXPECTANCY AT BIRTH (YEARS)</b>	42.0	47.0	50.0	47.0	49.3	54.7
<b>INFANT MORTALITY RATE (PER THOUSAND)</b>	..	114.4	114.0	..	105.4	68.1
<b>ACCESS TO SAFE WATER (PERCENT OF POPULATION)</b>						
TOTAL	..	3.0	17.0	20.3	26.3	34.4
URBAN	..	100.0	65.0	53.9	58.5	57.9
RURAL	..	1.0	14.0	10.1	15.8	21.2
<b>ACCESS TO EXCRETA DISPOSAL (PERCENT OF POPULATION)</b>						
TOTAL	..	11.0	13.0	22.5	16.0	40.8
URBAN	..	44.0	51.0	62.5	65.1	71.3
RURAL	..	10.0	12.0	13.9	3.5	27.7
<b>POPULATION PER PHYSICIAN</b>						
TOTAL	..	26290.0	17800.0	17424.7	11396.4	6799.4
POPULATION PER NURSING PERSON	7710.0	3800.0	3780.0	2506.6	5552.4	1522.1
<b>POPULATION PER HOSPITAL BED</b>						
TOTAL	720.0/£	570.0	560.0	502.3	1417.1	726.5
URBAN	..	70.0	70.0	201.49	197.3	272.7
RURAL	..	720.0	710.0	1403.6	2445.9	1404.4
<b>ADMISSIONS PER HOSPITAL BED</b>	..	..	..	23.4	24.8	27.5
<b>HOUSING</b>						
<b>AVERAGE SIZE OF HOUSEHOLD</b>						
TOTAL	..	..	3.9	4.9	5.3	5.4
URBAN	..	..	4.2	4.9	4.9	5.1
RURAL	..	..	3.9	5.5	5.4	5.5
<b>AVERAGE NUMBER OF PERSONS PER ROOM</b>						
TOTAL	..	..	..	..	..	..
URBAN	..	..	..	..	..	..
RURAL	..	..	..	..	..	..
<b>ACCESS TO ELECTRICITY (PERCENT OF DWELLINGS)</b>						
TOTAL	..	..	..	..	22.5	28.1
URBAN	..	..	..	..	17.8	45.1
RURAL	..	..	..	..	..	8.9

TABLE 3A  
LESOTHO - SOCIAL INDICATORS DATA SHEET

	LESOTHO			REFERENCE GROUPS (ADJUSTED AVERAGES - MOST RECENT ESTIMATE) <sup>1</sup>			
	1960 <sup>/b</sup>	MOST RECENT		SAME GEOGRAPHIC REGION <sup>/c</sup>	SAME INCOME GROUP <sup>/d</sup>	NEXT HIGHER INCOME GROUP <sup>/e</sup>	
		1970 <sup>/b</sup>	ESTIMATE <sup>/b</sup>				
<b>EDUCATION</b>							
ADJUSTED ENROLLMENT RATIOS							
PRIMARY:	TOTAL	83.0	95.0	119.0	59.0	63.3	82.7
	MALE	63.0	77.0	98.0	64.2	79.1	97.3
	FEMALE	102.0	113.0	139.0	64.2	48.4	75.8
SECONDARY:	TOTAL	3.0	7.0	15.0	9.0	16.7	21.4
	MALE	3.0	7.0	13.0	12.0	22.1	33.0
	FEMALE	4.0	8.0	17.0	4.4	10.2	15.5
VOCATIONAL ENROL. (% OF SECONDARY)		23.0	8.0	5.4	7.0	5.6	9.8
PUPIL-TEACHER RATIO							
PRIMARY		54.0	46.0	53.0	42.2	41.0	34.1
SECONDARY		20.0	22.0	22.0	22.9	21.7	23.4
ADULT LITERACY RATE (PERCENT)		..	..	40.0	20.8	31.2	54.0
<b>CONSUMPTION</b>							
PASSENGER CARS PER THOUSAND POPULATION		3.0/ <sup>g</sup>	2.0	3.8	4.0	2.8	9.3
RADIO RECEIVERS PER THOUSAND POPULATION		6.0	5.0	11.0	44.3	27.2	76.9
TV RECEIVERS PER THOUSAND POPULATION		..	..	..	2.9	2.4	13.5
NEWSPAPER ("DAILY GENERAL INTEREST") CIRCULATION PER THOUSAND POPULATION		..	..	1.2	5.6	5.3	18.3
CINEMA ANNUAL ATTENDANCE PER CAPITA		..	..	..	0.4	1.1	2.5
<b>LABOR FORCE</b>							
TOTAL LABOR FORCE (THOUSANDS)		..	..	540.0/ <sup>h</sup>	..	..	..
FEMALE (PERCENT)		33.7	44.6	44.6	31.9	24.8	29.2
AGRICULTURE (PERCENT)		93.4	89.7	88.0	77.6	69.4	62.7
INDUSTRY (PERCENT)		2.2	3.2	4.0	7.9	10.0	11.9
PARTICIPATION RATE (PERCENT)							
TOTAL		56.5	55.8	54.3	40.8	36.9	37.1
MALE		62.4	62.7	61.2	53.9	52.4	48.8
FEMALE		50.9	49.1	47.6	25.6	18.0	20.4
ECONOMIC DEPENDENCY RATIO		..	..	1.0	1.2	1.2	1.4
<b>INCOME DISTRIBUTION</b>							
PERCENT OF PRIVATE INCOME RECEIVED BY							
HIGHEST 5 PERCENT OF HOUSEHOLDS		..	..	..	..	..	15.2
HIGHEST 20 PERCENT OF HOUSEHOLDS		..	..	..	..	..	48.2
LOWEST 20 PERCENT OF HOUSEHOLDS		..	..	..	..	..	6.3
LOWEST 40 PERCENT OF HOUSEHOLDS		..	..	..	..	..	16.3
<b>POVERTY TARGET GROUPS</b>							
ESTIMATED ABSOLUTE POVERTY INCOME LEVEL (US\$ PER CAPITA)							
URBAN		..	..	226.0	187.6	99.2	241.3
RURAL		..	..	58.0	96.8	78.9	136.6
ESTIMATED RELATIVE POVERTY INCOME LEVEL (US\$ PER CAPITA)							
URBAN		..	..	78.0	138.4	91.3	179.7
RURAL		..	..	49.0	71.0	54.8	103.7
ESTIMATED POPULATION BELOW ABSOLUTE POVERTY INCOME LEVEL (PERCENT)							
URBAN		..	..	50.0	34.5	44.1	24.8
RURAL		..	..	26.0	48.7	53.9	37.5

- .. Not available  
. Not applicable.

## NOTES

<sup>/a</sup> The adjusted group averages for each indicator are population-weighted geometric means, excluding the extreme values of the indicator and the most populated country in each group. Coverage of countries among the indicators depends on availability of data and is not uniform.

<sup>/b</sup> Unless otherwise noted, data for 1960 refer to any year between 1959 and 1961; for 1970, between 1969 and 1971; and for Most Recent Estimate, between 1974 and 1977.

<sup>/c</sup> Africa South of Sahara; <sup>/d</sup> Low Income (\$280 or less per capita, 1976); <sup>/e</sup> Lower Middle Income (\$281-550 per capita, 1976); <sup>/f</sup> 1962; <sup>/g</sup> 1965; <sup>/h</sup> Including migrant labor in South Africa.

Most Recent Estimate of GNP per capita is for 1978.

ECONOMIC INDICATORS

GROSS NATIONAL PRODUCT IN 1977/78<sup>1/</sup>

	US\$ Million	%
GNP at Market Prices	318.8	100.0
Gross Domestic Investment	60.7	19.0
Gross National Savings	11.4	3.6
Current Account Balance	-49.3	-15.5
Exports of Goods, NFS	44.5	14.0
Imports of Goods, NFS	248.5	77.9

ANNUAL RATE OF GROWTH (% , CONSTANT PRICES)

	1973/74-1977/78	1977/78
	10.0	9.5
	12.0	6.8
	.	.
	.	.
	1.3	7.7
	18.0	7.6

OUTPUT, LABOR FORCE AND PRODUCTIVITY IN 1976/77

	Value Added		Labor Force <sup>2/</sup>		V.A. Per Worker	
	US\$ Million	%	Mln.	%	US\$	%
Agriculture	59.6	36.4	.343	85.6	174	43
Industry	73.8	14.6	...8	2.0	2975	729
Services	80.2	49.0	..49	12.2	1637	401
Unallocated						
Total/Average	163.6	100.0	400	100.0	408	100.0

GOVERNMENT FINANCE

	Central Government			(Rand Million)	% of GDP		
	( Million)	% of GDP			1977/78	1971-78	1974/75-77/78
	197	197	196-7				
Current Receipts				52.1	29.5	26.4	
Current Expenditure				40.0	22.6	24.0	
Current Surplus				2.1	1.2	2.7	
Capital Expenditure				26.2	14.9	11.7	
External Assistance(net)				6.8	3.8	2.9	

MONEY, CREDIT and PRICES

	1972	1973	1974	1975	1976	1977	1978
	(Million rands outstanding end period)						
Money and Quasi Money	..	..	..	..	..	..	..
Bank credit to Public Sector	2.6	3.2	2.6	3.2	6.4	6.3	6.8
Bank Credit to Private Sector	4.8	5.7	8.6	9.8	13.9	17.9	21.0
	(Percentage or Index Numbers)						
Money and Quasi Money as % of GDP	..	..	..	..	..	..	..
General Price Index (1972=100) <sup>3/</sup>	100.0	112.8	122.8	140.8	155.6	183.2	202.0
Annual Percentage Changes in:							
General Price Index	..	12.8	8.5	15.0	10.5	17.7	13.0
Bank Credit to Public Sector	100.0	23.0	-18.7	23.0	100.0	- 2.0	7.9
Bank Credit to Private Sector	11.6	18.8	50.9	13.9	41.8	28.8	17.3

NOTE: All conversions to dollars in this table are at the average exchange rate prevailing during the period covered.

- 1/ Provisional. .. Not Available  
 2/ Domestic labor force . Not Applicable  
 3/ Retail price index for low and middle income urban households.

TRADE PAYMENTS AND CAPITAL FLOWS

BALANCE OF PAYMENTS

	<u>1976</u>	<u>1977</u>	<u>1978</u>
Exports of Goods, NFS	24.5	24.8	46.6
Imports of Goods, NFS	199.4	222.8	271.2
Resource Gap (deficit = -)	-174.9	-198.0	-224.6
Interest Payments (net)	..	..	..
Workers' Remittances	91.2	102.8	110.4
Other Factor Payments (net)	2.9	2.1	-7.3
Net Transfers	26.2	41.7	68.9
Balance on Current Account	-54.6	-51.4	-52.6
Direct Foreign Investment	..	..	..
Net MLT Borrowing	..	..	..
Disbursements	..	..	..
Amortization	..	..	..
Subtotal	..	..	..
Capital Grants	..	..	..
Other Capital (net)	..	..	..
Other Items (n.e.i.)	..	..	..
Increase in Reserves	..	..	..
Gross Reserves (end year)	..	..	..
Net Reserves (end year)	..	..	..
Fuel and Related Materials			
Imports	191.7	214.6	262.3
of which: Petroleum	14.9	26.4	..
Exports	16.9	14.0	34.8
of which: Petroleum	.	.	.

RATE OF EXCHANGE

	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
US\$1.00 = \$	0.679	0.732	0.870	0.870	0.870
R1.00 = US\$	1.472	1.367	1.150	1.150	1.150

MERCHANDISE EXPORTS (AVERAGE 1976-78)

	<u>US\$ Millions</u>	<u>%</u>
Diamonds	7.0	3.4
Cattle	0.3	1.4
Wool	2.8	12.8
Mohair	3.3	15.1
Other	8.5	38.7
All other commodities		
Total	<u>21.9</u>	<u>100.0</u>

EXTERNAL DEBT, DECEMBER 31, 1978

	<u>US\$ Million</u>
Public Debt, incl. guaranteed	29.7
Non-Guaranteed Private Debt <sup>1/</sup>	..
Total Outstanding & Disbursed	..

DEBT SERVICE RATIO for 1978<sup>1/</sup>

Public Debt, incl. guaranteed	3.0
Non-Guaranteed Private Debt	..
Total Outstanding & Disbursed	..

IBRD/IDA LENDING AUGUST 31, 1979 (Million US\$):

	<u>IBRD</u>	<u>IDA</u>
Outstanding and Disbursed	.	18.3
Undisbursed	.	31.7
Outstanding incl. Undisbursed	.	<u>50.0</u>

<sup>1/</sup> Estimate

<sup>2/</sup> Ratio of Debt Service to Exports of Goods and Non-Factor Services.

.. Not available

. Not applicable

October 31, 1979  
EACPI

STATUS OF BANK GROUP OPERATIONS IN LESOTHO

A. STATEMENT OF IDA CREDITS  
(as at November 30, 1979)

<u>Credit</u>	<u>Year</u>	<u>Borrower</u>	<u>Purpose</u>	Amount (less cancellations, reimbursed, terminations)	
				(US\$ Million)	
				<u>IDA</u>	<u>Undisbursed</u>
Three credits are fully disbursed				13.7	-
619-LSO	1976	Lesotho	Second Highway	5.5	1.8
702-LSO	1977	Lesotho	DFC	2.5	1.9
748-LSO	1977	Lesotho	Second Education	7.5	7.1
795-LSO	1978	Lesotho	Basic Agricultural Services Project	6.0	4.9
884-LSO*	1979	Lesotho	Third Highway	9.0	9.0
887-LSO**	1979	Lesotho	Second Water Supply	6.0	6.0
			Total	<u>50.2</u>	<u>30.7</u>
			of which has been repaid	0.0	
			Total now held by IDA <u>1/</u>	50.2	
			Total undisbursed	30.7	

Note: Lesotho has received no Bank Loans.

\* Effective as of December 11, 1979, but has not yet been signed.

\*\* Not yet effective

1/ Prior to exchange adjustments.

12/20/79

B. STATEMENT OF IFC INVESTMENTS (as of November 30, 1979)

<u>Investment No.</u>	<u>Year</u>	<u>Type of Business</u>	<u>(US\$ Million)</u>		<u>Total</u>
			<u>Loan</u>	<u>Equity</u>	
405-LSO	1978	Lesotho Quality Aggregate (PTY) Ltd.	<u>299,000</u>	<u>31,000</u>	<u>330,000</u>
		Total Gross Commitments	299,000	31,000	330,000
		Less: Cancellations, terminations, repayment and sales	-		
		Total now held by IFCA	299,000	31,000	330,000
		Total Undisbursed	-		

(c) BANK PROJECTS IN EXECUTION

Credit No. 619-LSO

Second Highway Project; US\$4.0 million Credit of  
July 25, 1974; Effectiveness Date: January 25, 1975;  
Closing Date: December 31, 1980

The project is progressing reasonably well with construction of the St. Michaels-Mantsonyane-Thaba Tseka road expected to be completed by October. However, various sections of the road show deterioration of the gravel surface due to heavy rains, steep gradient and inadequate maintenance and side drains need to be lined to avoid washouts. No funds are available for this additional work, which will be done by force account. The Labor Intensive Construction Unit (LCU) has successfully completed improvement of a 31 km long gravel road and improvement of airstrips at costs comparable to equipment-intensive operations; it is constructing a 34 km long gravel road with financing by SIDA.

Credit No. 702-LSO

Development Finance Company Project (DFC); US\$2.5  
million Credit of May 20, 1977; Effectiveness Date:  
August 23, 1977; Closing Date: December 31, 1981

The Lesotho National Development Corporation is expected to have committed its portion of the line of credit before year's end; the Basotho Enterprises Development Corporation may not be able to commit the \$300,000 for which it has been responsible, and an extension until end 1980 will be considered.

Credit No. 748-LSO

Second Education Project; US\$7.5 million Credit  
of November 30, 1977; Effectiveness Date: February 28, 1978;  
Closing Date: December 3, 1981

Over a year after Credit effectiveness, the Project has made little progress. The Project Unit's director has yet become sufficiently acquainted with Bank procedures and requirements. The experience of the first education project, successfully implemented and closed appears to have had no bearing on this second project. The architectural team is incompletely staffed and without terms of reference. Relationships and division of responsibilities between the architectural team, on the one hand, and the Project Unit Ministry of Public Works, on the other, have yet to be defined. The architectural work initially prepared was found greatly to exceed, both in areas and cost, the agreed appraisal estimates. The architectural team is in the process of simplifying the design in accordance with the agreed areas and cost. The preparation of the equipment list is just beginning.



Credit No. 795-LSO

Basic Agricultural Services Project; US\$6.0 million  
Credit of May 25, 1978; Effectiveness Date: August 3, 1978;  
Closing Date: March 31, 1985

This is a follow-up project to the Thaba Bosiu Project designed to increase manpower and institutional capability of the Ministry of Agriculture and to provide basic agricultural services for increasing production of five major crops. The Project covers about 75 percent of the country's arable land containing 66 percent of the country's population. The \$26 million project will be assisted also by the European Development Fund, the Federal Republic of Germany, the United Kingdom and the United Nations Development Program. It has experienced moderate problems in meeting staffing requirements that are at least partly attributable to competition from the South African mines. Absorption of the Produce Marketing Board into MOA has been completed, but it is not yet operational. The major issue is a lack of funds for work on Block IV, for which the Government may require assistance in locating and negotiating with a donor.

Credit No. 884-LSO

Third Highway Project; US\$9.0 million (plus \$2.2 million  
EEC Special Action Credit) Credit of December 21, 1978;  
Effectiveness Date: December 11, 1979; Closing Date:  
March 31, 1983

The Project is designed to improve Lesotho's road network and maintenance capability. It involves the paving of 24 km of the St. Michaels-Molimo Nthuse road, a feasibility study of the 120 km Oxbow-Mokhotlong road, technical assistance and consultant services for improving road maintenance and supervising construction, and fellowships for ex-country training in civil and mechanical engineering and highway maintenance and equipment repair. Credit effectiveness has been delayed pending the Government's meeting the condition that ODM assistance be obtained to strengthen operations of the Central Mechanical Workshop and Plant Pool.

Credit No. 887-LSO

Water Supply Project; US\$6.0 million Credit of  
March 20, 1979; Effectiveness Date: January 7, 1980;  
Closing Date: September 30, 1983

The Project provides for the extension of water supply systems in seven towns, technical assistance and engineering consulting services to provide public water service to 20,000 new consumers by 1986, and improve the reliability and quality of service for an additional 21,000. The Water and Sewerage Branch of the Ministry of Works would also be strengthened under the project and through a comprehensive training program financed by German bilateral aid. Slowness in recruiting personnel and consultants required has delayed effectiveness.

LESOTHO

Lending and Operations Program, FY80-85R

FY	Project Name	Amount		Prob. Yr/Mo
		IBRD	IDA	
FY80	DFC II		4.0	4/2
FY80	Urban I		6.0	3/2
FY81	Education III		10.0	4/2
FY82S	Roads IV		10.0	1/0
FY82R	Nutrition		2.0	
FY83S	Rural Dev. III		10.0	1/0
FY84	DFC III		12.0	1/0
FY85	Highways V		18.0	1/0
TOTAL LENDING (8 projects)			72.0	
Standby Projects (2)			20.0	
Reserve Projects (1)			2.0	

December 1979

(d) FUTURE OPERATIONS IN LESOTHO

FY80

Urban Project

A credit of about US\$6 million is planned for a sites and services project in Maseru, the capital, that would involve upgrading services for some 23,000 people, developing 500 sites and services plots, infrastructure, community facilities, and a possible small-scale enterprise component. Further progress is awaiting Parliamentary action on a land bill deemed necessary for controlled development, land acquisition, and the appointment of staff to a Project Coordination Unit.

DFC II

A second line of credit for \$4 million to LNDC is planned for Board presentation in early 1980.

FY81

Education III

A credit of about \$10 million is planned, appraisal expected in the first half of calendar 1980 is dependent however, on improvements in the implementation of Education II. The Third Project would involve an expansion of manpower training facilities and the development of a Government capability to print, store, and distribute primary school textbooks.

FY82

There are no projects scheduled for FY82.

FY83

Rural Development III

A credit of about \$10 million is scheduled; the result of an identification mission in November 1979 have, however, called future operations in Lesotho's Agricultural sector into question.

Roads IV

\$10 million credit is planned for construction of about 120 km of the Oxbow-Mokhotlong Road and a continuation of the road maintenance program begun under Highway III.

FY84

DFC III

US\$12 million allotted for unidentified project.

## LESOTHO

### COUNTRY ECONOMIC AND SECTOR WORK PROGRAM

FY80-82

#### Country Objectives

The Bank's objectives are to support the Government's goal to increase the country's self-reliance. Our lending program is therefore directed towards the expansion of rural development and agricultural productivity, the improvement of transport and communications, and an increase in the supply of trained manpower and the development of employment opportunities. Currently, the Bank is the executing agency of a technical assistance project designed to strengthen Lesotho's planning capabilities and to help the Government in preparing the Third National Development Plan. In assisting Government to design future strategies, the Bank's economic and sector work will concentrate on exploring the development potential and absorptive capacity of the agricultural sector, the scope for employment creation and the demand for basic needs. Studies by other agencies on Lesotho predominantly deal with migration, most of them produced by ILO. While there is no formal aid group for Lesotho, the Government periodically organizes informal donor group meetings.

#### Agenda of Studies

FY80

##### 1. Agriculture Sector Survey

The Bank's involvement in Lesotho's agricultural sector has so far been limited to identifying, preparing and appraising three rural development projects. While this involvement has given the Bank a fairly wide exposure to the sector, it has not previously benefitted from looking at the overall development strategy and the possible alternatives to Government policies. The purpose of the sector review, therefore, is to establish the relative importance of agriculture in the Lesotho economy by reviewing the resource base to determine the sector's development potential; to identify the major constraints to development and assess their relative importance; to review the policy framework within which a development program would be implemented. The survey would serve as a basis for Government and the Bank to develop a strategy for improving the performance of the agriculture and livestock subsectors and to identify suitable projects.

Main audiences: Government, Bank Management, Loan Committee, Lesotho's Donor Group.

(Staffing: EAP - 14; EAL - 5; RMEA - 5; CPS - 10; Consultants - 6; YP - 5.)

2. Industrial Sector Study

The purpose of the study is to identify the major constraints to industrial development, to suggest industrial promotion policies and identify investment opportunities. The study would also attempt to analyze the income and employment potential of small-scale enterprises, the size and nature of small-scale activities and the pattern of future demand for their products. In addition, the study would assess the effects of Lesotho's membership in the Southern African Customs Union on its potential for industrial growth.

Main Audiences: Government; Region.

(Staffing: EAP - 5; Consultants - 10.)

3. Telecommunication Sector Study

This memorandum will review the levels of, access to, quality of, and demand for telecommunication services in Lesotho. It will explain sector objectives and constraints to achieve them such as inadequate policies, institutions, financing or training. The paper will conclude with a strategy for rationalization, development and improvement in the sector, an assessment of the Bank's role in carrying out this strategy, and, if desirable, the identification of a suitable Bank project.

Main Audiences: Region, Government.

(Staffing: CPS - 6.)

FY81

4. Health/Nutrition, Population

The majority of Lesotho's rural population suffers from severe malnutrition. The diet of about one-third of the nation's households is composed of maize with little meat and vegetables, and is inadequate in vitamins and minerals, and it is estimated that at least 20 percent of all children under five are chronically malnourished. Serious diseases and disabilities are the results. The proposed study would identify in detail the dietary deficiencies of low and middle income families, and come up with recommendations how to make a more balanced diet attractive and affordable. The study would also assess the effectiveness of Lesotho's health system focusing on its potential to cope with diseases related to malnutrition, and on its efforts to prevent malnourishment. This assessment would lead to policy recommendations how to improve and expand the existing health care system.

Main Audiences: Government, Region.

(Staffing: CPS - 12.)

5. Agriculture Special Study

Since relatively little comprehensive study of the agriculture sector in Lesotho has been done, we expect that the FY80 Agriculture Sector Review will identify a number of (yet unknown) issues that will need further examination.

Main Audience: Region.

(Staffing: EAP - 20.)

6. Agricultural Sector Analysis: Framework Study

The CPS research proposal on the above study tentatively includes Lesotho as a subject country for the establishment of a sectoral social accounting matrix. The research program will explore the possibility of applying selected quantitative tools to the Bank's agricultural sector work.

(Staffing: CPS - 15, Consultants - 20.)

FY82

7. Education Sector Study

The purpose of this study is to update the 1979 Sector Memorandum and to explore the possibilities on how to make best use of the skills, Basothos acquired on their jobs in South Africa.

Main Audiences: Region.

(Staffing: EAP - 6.)

8. Country Economic Memorandum

Apart from updating, the country report will focus on the progress made during implementation of the Third National Development Plan (1980-85), in particular with respect to agriculture and industrial development. The report will also analyze recent trends in migration to South Africa and, based on the findings of studies 1,5, and 6, attempt to assess Lesotho's prospects for future manpower and agriculture development

Main Audiences: Government, Bank Board, Bank Management.

(Staffing: EAI - 30; Consultant/DPS - 15.)

9. Transportation Sector Study

The results of this study, which will focus on reviewing sector priorities, will directly feed into the preparation of the Fourth Highway Project scheduled for FY82. The study will include an evaluation of the Labor Intensive Construction Unit (LCU) established in 1977 under the Second Highway Project financed with IDA support to assist Government in its efforts to provide more domestic employment. Lesotho's urgent need to develop and implement innovative schemes for larger scale employment creation requires close monitoring and evaluation of existing experiments to determine their viability and replicability. The aim of the proposed evaluation study will be to identify the strength and weaknesses of the LCU and to suggest necessary changes. Given the innovative character of LCU not only for Lesotho, but also for the Bank, and the need to make such employment creating efforts applicable to projects in other countries, a substantial input from CPS would be required to support the Region in developing an evaluation scheme.

Main Audiences: Bank Management, Government.

(Staffing: CPS - 5, EAP - 7.)

EA1DB  
December 4, 1979

LESOTHO

SUMMARY OF PROPOSED STUDIES FY80-82  
(staff weeks)

	<u>FY80</u>	<u>FY81</u>	<u>FY82</u>	<u>Total</u>
<u>Economic Reports</u>				
8. CEM			45	45
<u>Sector Reports</u>				
1. Agriculture Sector Study	45			45
2. Industrial Sector Study	15			15
9. Transport Sector Study:			12	12
	—	—	—	—
<u>Total</u> (= Norm of 118)	<u>60</u>		<u>57</u>	<u>117</u>
<u>Additional Studies (in order of priority)</u>				
5. Agriculture Special Study		20		20
7. Education Sector			6	6
<u>CPS/DPS Managed Work</u>				
3. Telecommunication Sector Study	6			6
4. Health/Nutrition Survey		12		12
6. Agricultural Sector Analysis: Framework Study		35		35
<u>CPP</u>		12		12

Priorities: A 15 percent reduction in the norm would require dropping the Transport Sector Study (item 9) and cutting the CEM by reducing resources devoted to analyse recent trends in migration.

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Note: Study numbers refer to consecutive numbering in the text.



## OFFICE MEMORANDUM

TO: Files

DATE: October 22, 1979

FROM: Jochen Kraske, Director EAI

SUBJECT: Regional Meeting with the LESOTHO Delegation

1. A meeting with the Lesotho Delegation took place in the course of the Annual Meetings in Belgrade on October 3, 1979. Present at the meeting were Messrs. A.M. Monyake, Permanent Secretary of Finance; Timothy Thahane, Ambassador of Lesotho to the United States; and Mrs. Q. Moji, Permanent Secretary of Planning, Ministry of Finance. Messrs. Wapenhans, Kraske, and Nxumalo were present from the Bank.

2. I enquired about the current economic situation, specifically the effects of the oil price increase on Lesotho's economy. Mr. Monyake said that Lesotho's problems were principally political in nature and referred to the permanent threat to the country posed by Lesotho's dependence on South Africa as an employer of a large proportion of the country's labor force. For this reason it was important to give highest priority to the creation of opportunities for domestic employment. Mr. Monyake mentioned in this context the successful functioning of the labor-intensive construction unit in implementing our road projects. The Government was anxious to have further support for this unit and to retain the services of the expert now working with this program. The contract with the firm which provided the expert was running out next April and would have to be extended. I promised that I would discuss the matter on my return to Washington to see how we might be able to help.

3. I asked about the status of negotiations with the ODM and with the Irish Government regarding the provision of technical assistance and equipment required for the Third Highway project. I expressed the hope that it might still be possible to declare our credit for this project effective by the current deadline, October 5, 1979. Mr. Monyake said that ODM had decided not to finance the workshop component and that, hence, this component should be financed by IDA; Mr. Monyake mentioned that a list of the equipment to be covered by IDA had already been sent to Washington. Mr. Monyake also said that agreement had been reached in principle with the Irish Government on the provision of a number of experts, including two experts, one to support the highway administration and one to assist the water supply administration. I requested Mr. Monyake to confirm as soon as possible, preferably by telex, the Government's final position on the workshop component and the specific technical assistance to be provided by Ireland, so that we could make the credit effective without further delay.

4. I asked about the status of the land bill which was to be passed as a condition of negotiations of the proposed urban project. Mr. Monyake confirmed that the bill had been passed by Parliament, which was the critical step, but had yet to receive the royal assent and had to be gazetted to become effective, a formality expected to take place late October or November. Mr. Monyake felt that this matter should no longer be an obstacle to proceeding with this project. He mentioned, however, that the Government had finally refused to release the site for the housing development in Maseru; instead the Government had decided to link the housing scheme with the development of the Third Industrial Zone outside of Maseru. I told Mr. Monyake that this would presumably require an altogether fresh look at this component, if not at the entire project, and promised to discuss this issue on my return to Washington.

5. We discussed the effects of the oil situation on Lesotho. Mr. Monyake explained that Lesotho had been as much affected by the shortage of supplies as by the increase in prices. South Africa, Lesotho's only supplier so far, had suffered a 30% cut in supplies as a result of the changes that took place in Iran and had applied the same cut to supplies to Lesotho. The Government was exploring possibilities to obtain oil from other sources but these possibilities were fairly remote. I asked about the prospects for the development of domestic energy resources. Mr. Monyake replied that a Canadian firm - WESTRANS - had carried out surveys, including aeromagnetic surveys, of the country and collected data which, however, remained to be evaluated. He asked whether the Bank would be prepared to provide assistance. I promised that I would bring this to the attention of our energy department to see whether it would be possible for someone to visit Lesotho and review what has been done so far and might usefully be done further.

6. Mr. Monyake referred to the Highlands Water and Power Project and expressed the hope that the Bank would provide assistance in the future planning of this project. Specifically, he asked that the Bank be represented at the forthcoming meeting to review the results of the reconnaissance study and to draw up terms of reference for the feasibility study of the project. This meeting was to have taken place in September, but had been postponed and was now scheduled to be held later in October or in November. Mr. Wapenhans agreed that the Bank would be represented, provided Mr. Reekie's schedule permitted attendance of the meeting on such short notice. Mr. Monyake and Mr. Thahane said they would be happy to organize the meeting in a way that would suit Mr. Reekie's availability. (A cable was subsequently sent to Washington to enquire about Mr. Reekie's availability). Mr. Wapenhans pointed out that if the Bank

October 22, 1979

was to be helpful in the future planning of this project, it was important that the Bank be kept fully informed and that in particular all relevant reports be made available to the Bank. Mr. Wapenhans mentioned that while we had received the summary report of the Joint Technical Committee we had still not seen the consultants' report which had served as the basis for the Joint Technical Committee report; we had also not seen the confidential report submitted by the consultants to the Government of Lesotho. Messrs. Monyake and Thahane promised that the detailed report by the consultants would be made available promptly. However, they felt that it would be difficult to formally release the confidential report submitted to the Government of Lesotho; they agreed that this report would be available for review by Mr. Reekie when he visited Lesotho.

7. Discussing the progress of ongoing projects, Mr. Monyake said that he had taken note of the recommendations of the last education supervision mission and would follow the implementation of this project more closely. He also said that the current DFC line of credit was now almost committed and that he was looking forward to negotiating a new line of credit early in 1980. He also thought that the technical assistance project was now looking well; four candidates, out of a total of five required had been cleared and would soon be arriving in Lesotho to take up their assignments; the only expert still unidentified was a manpower specialist.

cc: Messrs. Wapenhans  
Adler  
Bronfman  
Madavo  
Bourcier  
Gulhati  
Reese

JKraske/msg

## OFFICE MEMORANDUM

TO: Files

DATE: April 24, 1978

FROM: Roger O. Sullivan, Loan Officer, EA1DB

SUBJECT: LESOTHO - Notes on the Visit of Mr. W.A. Wapenhans, RVP, EAN  
March 22-25, 1978

1. Mr. Wapenhans visited Lesotho from March 22-25, 1978, accompanied by Mr. Y.S. Abdulai, Executive Director's Office, and myself. He met the Prime Minister, the Ministers of Finance, Agriculture, Education, Works, Commerce and Industry, and Foreign Affairs, the Permanent Secretary in the Ministry of Transport and Communications, the Managing Director of LNDC and the UNDP Resident Representative. Field trips were made to a fruit and vegetable cannery, a sheepskin products company, the mountain road project, and the National University of Lesotho. A copy of the itinerary is attached. This note summarizes the points discussed in the various meetings, except for the meeting with the Permanent Secretary of Transport and Communications which was covered in a separate memorandum.

Prime Minister

2. On March 23, 1978, Mr. Wapenhans met the Prime Minister, Chief Leabua Jonathan, and two of his senior officials, the Ministers of Foreign Affairs and Finance. The Prime Minister began the meeting by welcoming Mr. Wapenhans and asking him for his views and impressions of Lesotho. Mr. Wapenhans responded by noting his awareness of Lesotho's difficult circumstances arising from its resource limitations and position as an enclave economy. He commented that the Bank's program of assistance in such areas as agriculture, small-scale industry and labor-intensive construction should enhance Lesotho's self-reliance, but pointed out that assistance for major development of Lesotho's water resources, which the Bank was prepared in principle to offer, could well mean an approach to development based on creation of mutual interests, rather than reducing dependence. He did not feel that capital was the missing ingredient in Lesotho's development equation at this time. Capital can always be found for good projects, but the productive base of the economy must keep expanding to generate the demand for productive capital investment. An important area for the Government's attention was the need to improve domestic mobilization of resources to enable growth in productivity. He thought it was possible the IMF might be willing to provide technical assistance to help Lesotho with this task. Finally, he suggested that Lesotho give careful consideration to formulation of a comprehensive population policy. Lesotho's life expectancy (now 46 years) will grow rapidly as infant mortality rates begin to fall, and this will put additional pressure on the country's limited resources.

3. The Prime Minister agreed with Mr. Wapenhans' analysis of the problems and the need to discuss solutions to reduce Lesotho's utter dependency on South Africa. He pointed out Lesotho's dependence on the Customs Union revenues, on remittances from migrant laborers, and on imported electricity. His main concerns were in the following areas:

(i) Farah Report - Lesotho was among the six poorest countries in the world, and now its problems were exacerbated by continual border difficulties with the Transkei bantustan. The Prime Minister had hoped the Bank would have done more in financial terms to support the capital recommendations of the Farah mission, which were designed to maximize Lesotho's self-sufficiency, particularly in the region bordering the Transkei.

(ii) Economic Mission - The mission should review the country's manpower situation and the resource picture to lay the basis for future productive projects. The mission should have experts to identify areas where the country can begin immediately to develop and prepare productive, local resource-based projects.

(iii) Water Resources - One of the country's few, plentiful resources is water; if it can be harnessed, the country could be developed. South Africa now wants to import Lesotho's water, presenting Lesotho with an opportunity to develop this resource internally (for power and irrigation) as well as for export. Water development along these lines would give Lesotho the leverage it needs to negotiate on equal terms with South Africa, to turn a dependent relationship into an interdependent one. To accomplish this, Lesotho will need Bank technical and financial assistance.

(iv) LNDC - The Government established LNDC to spur industrial development, but the institution lacks capital and technical expertise. Could the World Bank provide technical assistance along lines similar to what it provided in Senegal? This would improve LNDC's overall operations, enabling better utilization of financial assistance from the Bank and other international financial institutions.

4. In conclusion, the Prime Minister asked Mr. Wapenhans to return to Washington as a spokesman for Lesotho and put his country's requests for assistance for water resources and LNDC to Mr. McNamara and the Board. Lesotho is now at the most critical point in its history, and is under increasing attack from the Republic of South Africa. The main thrust of their attack is on the Customs Union and if they succeed, Lesotho will be penalized unfairly.

5. In response, Mr. Wapenhans made the following comments:

(i) Levels of Bank Assistance and Response to Farah Report - Due to Lesotho's extreme poverty and its inability to service debt on near market terms, World Bank assistance to Lesotho was presently limited to IDA. In total, IDA had resources amounting to \$2.5 billion per capita/per annum. But in view of Lesotho's unique situation, we were willing to commit \$7.5 per capita per annum, or about three times the overall IDA average. If more funds were needed for economically attractive projects, Mr. Wapenhans' felt confident that resources could be mobilized to find them.

As regards the Farah report, he had spoken with Farah about his mission, and in Mr. Wapenhans' opinion, the problem was of a political nature which should elicit a political response. It would have set an unfortunate precedent if resources intended for social and economic development had been diverted because others had refused to accept their political responsibility. The Bank, for its part, had examined its program, had moved it forward as quickly as possible, and had agreed to reorder its priorities in such a way as to meet the most pressing economic needs of the Farah program.

(ii) Economic Mission - The mission would examine the country's resource base and analyze what was required to improve productivity. An important part of the mission's work would be to assess the economy's technical assistance requirements and the means by which these could be met.

(iii) Water Resources - In reviewing the situation it appears that Lesotho and the Republic of South Africa plan to study the possibilities for exporting Lesotho's water over the next three years, and, if a project appears feasible, to spend a fourth year mobilizing the necessary \$300-\$500 million in project financing. Lesotho's first need will be for technical assistance to review the South African consultants' report. The Bank has already played a role in these discussions, and if it appears both necessary and of benefit to Lesotho, we would continue to render technical assistance, especially in advising on terms of reference and consultant findings. If this project materializes, it would help convert Lesotho's dependency into interdependency, but this alone will not provide adequate justification for Bank participation. The project must be structured to provide a meaningful return to Lesotho and on the capital invested. The cost of the project would obviously be too high for the limited IDA funds available. A Bank loan would require the purchaser of the water to provide a mechanism to guarantee loan repayment. While it was premature to discuss financing of the project, it was clear that a project of this magnitude would require additional financial partners.

(iv) LNDC - It appears from the slow commitment rate of the IDA credit that LNDC needs ideas not additional resources. Mr. Wapenhans said he would discuss the possibility of technical assistance with his colleagues in the region. Fortunately the Bank staff member seconded to Senegal, Mr. Mombu, now works in the Eastern Africa Region, and could visit LNDC to review its technical assistance needs.

#### Ministry of Finance

6. Mr. Wapenhans met with the Minister of Finance, Mr. Sekhonyana, and the Permanent Secretaries for Finance and Economic Planning and Statistics, Messrs. Mapetla and Monyake, on March 22, 1978. The discussions covered the following points:

- the economic situation in Lesotho has improved over the last few years primarily due to the growth in migrant labor remittances;

April 24, 1978

- Lesotho would soon gain more benefits from its migrant labor once loopholes had been corrected in the law requiring the repatriation of 60 percent of mine workers' salaries through the Lesotho Bank;
- Customs Union revenues are increasing and, while beneficial, there are problems associated with Lesotho's growing dependence on this source of revenue. South Africa has already begun exerting pressure on the Customs Union members to admit the Transkei and other bantustans which would imply their de facto recognition as states. It would be disastrous financially to leave the Union, but Lesotho would have to contemplate such a step in view of the political implications in recognizing the bantustans, South Africa began on March 1, 1978, to collect its own statistics on imports into the BLS countries, a step reflecting South Africa's skepticism over rising import figures. This could lead to disputes over Customs Union's revenue and may be a device to break up the Customs Union. Lesotho has asked UNDP to provide assistance to check on Lesotho's statistical procedures;
- the unemployment situation is good now due to the healthy state of the mining sector in South Africa, but problems are likely to emerge in 5-7 years as South Africa succeeds in replacing Basotho laborers with local labor. Government must work to increase employment opportunities and find ways for the country to feed itself. One solution might be to expand the Labor-Intensive Construction Unit's operations after they have been reviewed critically;
- housing remains a major obstacle in recruiting the technical assistance to implement its programs. The budget will provide R 1 million over the next few years to permit civil servants to borrow and build their own houses, thereby freeing houses for TA personnel. The Minister would like the Bank to continue looking into ways to provide assistance for low-cost housing;
- a major road building program was underway to provide Lesotho with the necessary internal transportation. The EDF had upgraded the southern road from Qacha's Nek to Quthing in response to the Transkei border problem and now USAID was prepared to provide some of the estimated R 46 million to improve the road to a paved standard. CIDA was considering the \$ 18 million improvement of the Thaba Tseka-Qacha's Nek road and the Federal Republic of Germany, the improvement of the Roma-Semonkong road;
- to improve mobilization of resources, the Ministry was considering a value-added type tax for introduction in FY79, and will consider ways of taxing land and agricultural production. An IMF mission is expected in June or July to examine ways of expanding the revenue base;

- the Government would like the Bank to play a role in future water resource discussions with South Africa. There has been no word from South Africa since the Capetown talks earlier this year, but the Minister believes South Africa is proceeding with the selection of consultants. Mr. Wapenhans said the Bank would be willing to provide assistance in reviewing the consultants work or to help Lesotho with the selection of independent consultants;
  
- in response to Mr. Wapenhans' question on population policies, the Minister stated the Government had started family planning units and had set up 'Mother and Child' clinics to provide information on family planning. The emphasis in this area was on education. The Government did not use the normal nomenclature associated with population programs due to the religious sensitivity of a large proportion of the population.

#### Ministry of Agriculture

7. The Minister, Mr. Khotsokoane, and Permanent Secretary, Dr. Phororo, reviewed the status of ongoing agricultural projects. The Permanent Secretary noted that although the Thaba Bosiu project had failed to meet the crop production levels estimated at appraisal, it had succeeded in developing the necessary infrastructure and providing a system of services to permit substantial gains in productivity under the BASP project. Some of the donors to BASP had begun to release funds (EDF and ODM), while others were expected to approve their participation shortly (IDA, KfW). USAID would assist the Produce Marketing Corporation which was an integral part of the BASP concept, but which also had responsibilities outside BASP areas; their funds should be available by October 1, 1978.

8. The Permanent Secretary indicated Lesotho's next major agricultural investment would likely be in the mountain areas. CIDA currently was financing a prototype of a BASP-type project for the mountains at Thaba Tseka. Most of CIDA's investment had gone to building the Thaba Tseka township, although the project also included investigations into ways to improve the production of crops, fodder and livestock in a mountain environment. Another mountain project at Quthing, supported by the EDF, will focus on ways to improve communal breeding and pasture. Intensive preparation of a BASP-type project in the mountain areas could begin after the Thaba Tseka project is complete next year, although substantial improvements to the basic mountain road network - currently under consideration - should be completed first.

9. The Minister concluded the discussion with an overview of the agricultural sector. He supported afforestation programs because trees check erosion, serve as fuel and provide building materials. In food production, he pointed out that Lesotho has not reached self-sufficiency,



partly because of marketing problems but also because produce is sold across the border. He found it troubling that Lesotho exports primary agricultural commodities (wool, wheat, beans, etc.) and then imports finished goods (blankets, canned beans, bread) which could have been produced locally. He emphasized the need to develop agro-industries, thereby obtaining much greater value from crop and livestock production.

#### Ministry of Works

10. The Minister, Mr. Maphathe, and his officials discussed Lesotho's road building program and indicated they were satisfied with the content of the proposed third highway project. In response to Mr. Wapenhans' question on the status of the Labor-Intensive Construction Unit (LCU), they replied it was not fully mobilized, only about 250 of the projected 500 laborers were working in the unit, and perhaps as many as half were women (later we received information that only men were employed in the unit). The LCU had begun improving a road outside Maseru, but no evaluation of the work has yet been done. Mr. Wapenhans indicated he would ask the upcoming third highway appraisal mission to undertake a comprehensive review of LCU's operations and to provide a preliminary assessment of the viability of the LCU concept.

#### Ministry of Commerce and Industry

11. Mr. Wapenhans met with the Minister, Mr. Raketla, the Managing Director of LNDC, Mr. Montsi, and their officials. The Minister and Mr. Montsi reviewed LNDC's present situation:

- LNDC needs to strengthen its internal mechanisms to provide a better flow of information to management, particularly from its subsidiaries;
- subsidiaries are now better managed, two-thirds are locally run, but they remain undercapitalized;
- Parliament will soon authorize an increase in LNDC's capital to R 10 million, most government loans will be capitalized, the rest open to private sources like the IFC;
- LNDC hopes to commit all IDA funds by mid-1979. Several large projects are under consideration (R 1 million dairy, R 300,000 poultry project);
- LNDC has retained a consulting firm to visit South African based businesses and discuss possibilities for diversifying into Lesotho. The Center for Industrial Development in Brussels will investigate prospects for European firms to begin operations in Lesotho.

The Minister and Managing Director asked for Bank technical assistance in strengthening LNDC, including the possibility of seconding Bank staff. Mr. Montsi described his 3-4 month attachment to the IDF division following an EDI course he attended as very useful training. Mr. Wapenhans indicated it was difficult to arrange for secondment of Bank staff as it meant relocation of families, interruption of children's education, and potential discontinuities in their career development. He would, however, ask Mr. Nouvel to review the situation with Mr. Montsi to determine ways in which the Bank could be of assistance.

UNDP

12. The Resident Representative, Mr. Don McAdams, briefed Mr. Wapenhans on the current problems along the South African (Transkei) border. Since February 1978, the "Transkei" will only permit individuals with international passports across their segment of border with Lesotho, and persons travelling on Lesotho passports must have visas issued in Umtata. Lesotho considers compliance with these requirements tantamount to recognition of Transkei, and has refused to meet them (Basotho do not require passports to cross the South African border). This has resulted in economic hardship for Basotho who normally cross the Transkei border for trade and employment reasons. At the Government's request, a UN team led by Mr. Gordon Goundrey was in Lesotho to investigate the situation. The team was reviewing the Farah mission's proposals and would make recommendations on ways to quicken the integration of the affected area into the rest of the national economy.

13. Mr. McAdams did not recall meeting any RMEA staff in Lesotho and Mr. Wapenhans said he would remind RMEA missions to call on the UNDP in the future.

Cleared with and cc: Mr. Wapenhans

cc: Messrs. Adler  
Boucher  
Bronfman  
Eccles  
Erkmen  
Gulhati  
Hendry  
Nkojo  
Nouvel  
O'Brien  
Reese  
Reid  
Wiehen  
RMEA

RSullivan/WAWapenhans/si

ITINERARY FOR H.E. MR. W. WAPENHANS, REGIONAL VICE PRESIDENT,  
WORLD BANK, 21-25 MARCH, 1978

WEDNESDAY, MARCH 22

- 1.00 p.m. - Arrival at Leabua Jonathan Airport. Received by Foreign (Protocol) and CPDO
- 2.30 - 3.15 p.m. - Call on Hon. Minister of Finance. P.S. Finance and Planets. to be in attendance.
- 3.30 - 4.15 p.m. - Call on Hon. Minister of Agriculture. P.S. Agriculture to be in attendance.
- 4.30 - 5.00 p.m. - Call on UNDP Resident Representative.
- 6.30 - 8.00 p.m. - Reception cocktail hosted by the Honourable Minister of Finance.

THURSDAY, MARCH 23

- 8.30 - 9.15 a.m. - Call on Hon. Minister of Works, P.S. Works to be in attendance.
- 9.30 - 10.15 a.m. - Call on Honourable Minister of Education and visit Lerotholi Technical Institute.
- 10.30 - 11.15 a.m. - Audience with the Right Honourable the Prime Minister.
- 11.30 - 12.15 p.m. - Call on the Honourable Minister of Commerce and Industry, P.S. Comain and Managing Director LNDC to be in attendance.
- 12.30 - 2.00 p.m. - Working lunch hosted by Hon. Minister of Finance (Victoria Pent House)
- 2.30 - 4.30 p.m. - Visit LNDC subsidiaries (Maseru) and Asparagus canning factory (LNDC to organize tour)

FRIDAY MARCH, 24

- 8.30 a.m. - Visit Mountain Road Project, and Thaba-Bosiu Project area (P.S. Works to organize tour) Director of BASP to be present.
- 12.30 p.m. - Lunch at Molimo Nthuse Hotel. (LNDC to make necessary arrangements).
- 2.30 p.m. - Call on NUL Vice Chancellor and tour of the University.
- 6.00 p.m. - Return to Maseru.

- SATURDAY, MARCH 25 - Depart from Lesotho. Foreign (Protocol) and CPDO to be in attendance.
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## LESOTHO

### Media Background

#### Press

Lesotho has no national daily press, but three or four South African dailies are available.

Locally, Mocho Chononc (circulation 3,000) is published daily, in English and Sesotho, by the Government's Department of Information in Maseru, the capital city. Of the two other publications: Leselinyana la Lesotho (circulation 25,000, Editor, E.M. Motuba) is published fortnightly by the Lesotho Evangelical Church, in Sesotho, and Moeletsi oa Basotho (circulation 12,000, Editor, W. Lesenya) is published by the Catholic Church in Sesotho and English.

There is no national news agency. Reuters has a correspondent in Maseru.

#### Radio

The government-owned Lesotho National Broadcasting Service, (LNBS) established in 1966, operates two commercial radio stations; a third is operated by the Catholic Church for educational purposes.

LNBS is under the direct jurisdiction of the Prime Minister. Programs include eight news bulletins (one relayed from the BBC), music, (indigenous and Western), educational, religious, programs on health, hygiene, and agricultural topics, children's educational programs, and imported documentary and entertainment material. Educational programs are broadcast about two hours a day, five days a week, all year round.

Radio Lesotho broadcasts programs in English and Sesotho, other local languages for about 115 hours a week. It derives its income from government assistance, advertising and radio licenses. As of 1975, there were about 10,000 radio receivers in use in the country.

There is no public television service; closed circuit systems are installed in two hotels.