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**THE POTENTIAL  
FOR RESOURCE-BASED INDUSTRIAL DEVELOPMENT  
IN THE LEAST DEVELOPED COUNTRIES**

No.8

**LESOTHO**

Prepared by the  
Regional and Country Studies Branch  
SR/PPD

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## PREFACE

One of the special measures in favour of least developed countries called for in the New Delhi Declaration and Plan of Action adopted at the Third General Conference of UNIDO, was to assist in the establishment of inventories of their resources and prepare industrial surveys of these countries to support endogenous exploitation of their resources. Pursuant to this call, the Regional and Country Studies Branch, UNIDO, has initiated the preparation of a series of industrial development studies pertaining to the least developed countries.

This study on Lesotho has been prepared by the staff of the Regional and Country Studies Branch, supported by sub-contracted consultants. It benefits from the participation of a staff member in the Employment Mission of the International Labour Office/Southern African Team for Employment Promotion (ILO/SATEP) to Lesotho in May-June 1985.<sup>1/</sup> It is expected to serve as a basis for industrial policy formulation, project promotion work and technical co-operation activities for enhancing the country's industrial development. It is specifically intended to provide an insight into the prospects for building up productive capacities in resource-based industries and for expanding the availability of renewable resources for industrialization.

Following a brief overview of Lesotho's geography, demography and general economic situation in chapter one, the study presents in the second chapter a stocktaking of the country's renewable and non-renewable resources which could be used as inputs for industrial processing. Chapter three proceeds from an overview of the past performance and structural change of Lesotho's manufacturing sector to an assessment of the potential of selected manufacturing branches to increasingly process the country's natural resources. Based on these findings, in the concluding fourth chapter industrial policy and strategy options are outlined with particular emphasis on ways and means of reducing, in the medium and long term, the economic dependence of Lesotho on the Republic of South Africa.

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<sup>1/</sup> See Southern African Team for Employment Promotion, Planning for Employment Programmes for Repatriated Migrant Labour in Lesotho, draft report, ILO, Lusaka 1985, chapter IV.

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ABBREVIATIONS and ACRONYMS

ACP states	African, Caribbean and Pacific states associated with the European Community
BEDCO	Basotho <sup>1/</sup> Enterprises Development Corporation
CBL	Central Bank of Lesotho
CMA	Common Monetary Area <sup>2/</sup> (former Rand Monetary Area)
FYDP3	Third Five-Year Development Plan, 1980-1985
Loti	Currency of Lesotho, tied to the South African rand (plural: maloti)
LNB	Lesotho National Bank
LNDC	Lesotho National Development Corporation
LPMS	Livestock Produce Marketing Service
Maloti	see loti
PTA	Preferential Trade Area for Eastern and Southern African countries <sup>3/</sup>
SACU	Southern African Customs Union <sup>4/</sup>
SADCC	Southern African Development Co-ordination Conference <sup>5/</sup>
STABEX	Stabilization scheme of the European Community for export earnings of ACP countries
UNDP	United Nations Development Programme.

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1/ Lesotho nationals.

2/ Members are Lesotho, Swaziland and the Republic of South Africa (RSA).

3/ Members are Burundi, Comoros, Djibouti, Ethiopia, Kenya, Lesotho, Malawi, Mauritius, Rwanda, Somalia, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe. Angola, Botswana, Madagascar, Mozambique and Seychelles are potential members with status as observers.

4/ Members are Botswana, Lesotho, Swaziland and the Rep. of South Africa (RSA).

5/ Members are Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe.

Exchange rates

US dollars per loti (yearly average rates):

1970 : 1.40	1978 : 1.15
1971 : 1.40	1979 : 1.19
1972 : 1.30	1980 : 1.28
1973 : 1.44	1981 : 1.15
1974 : 1.47	1982 : 0.92
1975 : 1.37	1983 : 0.90
1976 : 1.15	1984 : 0.69
1977 : 1.15	1985 : 0.46

Source: International Monetary Fund.

## I. GENERAL BACKGROUND

### 1.1 The country

The Kingdom of Lesotho gained its independence in 1966 as a constitutional monarchy after barely a century of colonial rule under a British Protectorate. It has the unique status of being the only country in the world to be completely surrounded by another, the Republic of South Africa (RSA). It is also amongst the smallest in Africa with a surface area of 30,350 square kilometres.

Lesotho is situated astride the highest and most rugged part of the south-eastern escarpment which bounds the sub-continental interior plateau of southern Africa. Some two-thirds of the national territory is mountainous. Elevations in the eastern half are generally over 2,500 m above sea-level and along the eastern border they exceed 3,000 m. The ranges have been deeply dissected by the tributaries of the country's principal river, the Senqu (Orange), whose broad south westward-trending valley system and catchment area embrace most of the east and centre of the country. Towards the west the terrain descends through rolling foothills (2,000 m) to a narrow plain averaging 40 km in width (1,500 m). The plain is bounded by the country's second major river, the Caledon, which runs the length of the north-western border.

The high altitude and rugged terrain make for an unusually cold climate by African standards. Night frosts occur throughout the country in mid-winter, are frequent and severe in the mountains and interior valleys, and may extend far into spring and autumn. Both seasonal and diurnal variations are marked, mean summer maxima exceeding 25 grades Celsius on the western plain. Short-term variability is also a hallmark of the country's rainfall regime. Although winter snowfall is far from uncommon, most precipitation falls in the form of summer showers, combining adequate rainfall with high sunshine totals. Annual averages of 650-750 mm in the west and south and substantially more in the north-eastern watershed, make for a reasonably well-watered living and agricultural environment, although, as dramatically illustrated by the recent severe drought, the country cannot escape the major long-term drought cycles of the region.

Lesotho's topography and climate strongly influence its agricultural and hydrological resource endowment. Only 10 per cent of the land is currently classified as 'arable' <sup>1/</sup>, and winter pasturing in the uplands is necessarily restricted, especially for cattle. Internal surface communications, difficult in most circumstances, are complicated by the topographical separation of the western plain from the Senqu valley network. The country's physical geography does, on the other hand, add an important advantage: because the highest range of the escarpment forms its southern and eastern border, nearly all run-off flows internally into the Senqu and Caledon Rivers, placing water resources entirely at the nation's disposal.

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1/ Annual Statistical Bulletin 1982, p.5.

## 1.2 Population and settlement

Projections from the 1976 census, the most recent to have been undertaken, estimate the total population at around 1.5 million 1/ in 1986, with an implicit annual growth rate of 2.3 per cent. Settlement is heavily concentrated in the western plain (46 per cent), followed by the foothills (23 per cent) and the Senqu River valley (21 per cent); the mountainous zone is sparsely populated (11 per cent). Whereas the national population density is 46 persons per square kilometre, in the plain and foothills it reaches more than 200 per square kilometre (see table A-1). It is, moreover, predominantly rural: only an estimated 9 per cent of the population were living in the 16 designated towns and villages in 1984, a total actually exceeded by the number of Basotho 2/ migrant workers in the RSA. Of the 130,000 urban population the capital Maseru accommodated about half, while only two other towns (Maputsoe and Teyateyaneng) approached 10,000 each (see table A-2).

The export of migrant labour to South Africa remains a fundamental structural feature of demography and economy in Lesotho. Around a third of the economically active population 3/ were working in the RSA at the 1976 census (see table 3), and the real proportion may well be over 40 per cent in view of the in-built incentive to evade the South African pass laws (which, however, were partially repealed in 1986). Even more dramatically, in 1980 three times as many persons were employed in South Africa than in Lesotho itself, and migrant labour accounted for almost 77 per cent of all Basotho wage employment (see table 4). In both absolute numbers and relative proportions this level of migration far exceeds that of any other southern African State. A major consequence is the importance of women in the domestic economy. Women form a quarter of the internal wage labour-force (i.e., excluding employment in the RSA), but only 9 per cent of migrant workers. Conversely, in agriculture particularly, women predominate in the labour force and exercise de facto managerial responsibility. These factors will be critical to the particular forms as well as the general promotion of resource-based industrial development.

## 1.3 Dependence

Lesotho's current position of dependence on South Africa has long historical roots. The nation's resistance to settler conquest in the mid-19th century succeeded only at the price of the loss of its most valuable farming land on the west bank of the Caledon River, a loss which destroyed the balance between arable and pastoral agriculture and severely restricted the flexible exploitation of the natural resources through seasonal movement of livestock. From being the granary of the highveld in the mid-19th century, Lesotho turned into a food-deficient labour reserve for the South African industrial economy, a fundamental structural change that goes back more than three generations in time.

Lesotho thus arrived at independence with a subsistence agriculture and a more or less permanent food deficit, with no industrial sector whatsoever, with a tiny urban population and only the fragments of an indigenous monetary

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1/ Defined as "habitually resident" and therefore including migrant workers on short-term contracts.

2/ Lesotho nationals.

3/ I.e., being gainfully employed.

economy. It remains closely integrated with the industrialized economy of the Republic of South Africa, from which it imports all its commercial energy and the bulk of its food and other commodities, depending on the South African transport infrastructure for all except the highest value exports. The most important share of its income derives from migrants working in South Africa, and more than two-thirds of government revenue consists in transfers related to Lesotho's membership in the Southern African Customs Union (SACU).

SACU is formed by Lesotho, together with the RSA, Swaziland and Botswana. Opinions differ as to the net effects of Lesotho's membership in SACU.<sup>1/</sup> On the positive side is the customs revenue received by the country, which matches its share in all imports and dutiable goods produced and consumed within SACU multiplied by a factor of 1.42. This factor is interpreted as constituting compensation for the acknowledged disadvantages of belonging to a customs union together with a much more developed country. Whether all disadvantages are thereby covered is a debatable question. Products of Lesotho enjoy free entry to the RSA market, but so do RSA products in Lesotho. Although an "infant industry" clause allows for protection against South African imports for up to 8 years, this possibility has never been used in the past.

In addition, Lesotho is a member of the Common Monetary Area (CMA), like the RSA and Swaziland. Just as in the case of SACU, the implications of Lesotho's membership in CMA cut both ways. On the one hand, being a member of CMA, Lesotho does not face a foreign exchange constraint on economic development. On the other hand, the scope for independent monetary and exchange rate policies is strongly reduced. The amount of maloti <sup>2/</sup> issued by the Central Bank of Lesotho (CBL) needs to be fully backed by rand deposits with the Reserve Bank of South Africa, and the scope of CBL to fix maximum and minimum lending and deposit rates independently is very limited in practice due to the close links between capital and money markets in Lesotho and the RSA.

Until 1 April 1986, the South African Reserve Bank (SARB) was responsible for all foreign exchange reserves held by the CMA members. With effect from this date, an important step was taken towards establishing the Central Bank of Lesotho as a fully-fledged central bank.<sup>3/</sup> It is now responsible for the management of Lesotho's gold and foreign exchange reserves, and may freely invest foreign exchange in any desired currency, although non-rand foreign

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<sup>1/</sup> See for example ILO, "Options for a Dependent Economy: Development, Employment and Equity Problems in Lesotho", Report to the Government of Lesotho by a JASPA Employment Advisory Mission, (Addis Ababa 1979), p.145; A. Singh, "Foreign Aid for Structural Change: Lesotho", in: M. Fransman (ed.), Industry and Accumulation in Africa (London: Heinemann, 1981); P. Mosley, "The Southern African Customs Union, A Re-appraisal", World Development, Volume 6, no.1; P. Robson, "Reappraising the Southern African Customs Union: A Comment", World Development, Volume 6, 1978, no.4; ILO, op.cit., pp. 146ff.; Third Five-Year Development Plan 1980/81 - 1984/85, pp.62ff.

<sup>2/</sup> Currency of Lesotho, at par with the rand; singular: loti. Both the loti and the rand are legal tender in Lesotho.

<sup>3/</sup> Central Bank of Lesotho, Quarterly Review, March 1986, volume V, no.1, p.11 ff.

exchange is limited to 35 per cent of the total including rand.<sup>1/</sup> This new arrangement which substitutes the former Rand Monetary Area, is now called the Common Currency Area (CMA).

In spite of these very close links to the RSA, Lesotho has tried to pursue an independent foreign policy within the limits set by existing economic and political constraints. In the field of subregional economic co-operation Lesotho's membership in the Southern African Development Co-ordination Conference (SADCC) is the most notable example.<sup>2/</sup> In March 1982 it became a member of the Eastern and Southern African Preferential Trade Area (PTA) in order to intensify its trading with other African countries, at present virtually non-existent. Its industrial exports stand to benefit from the programme of progressive tariff reductions under the auspices of the PTA, although South African opposition has prevented the concessions being reciprocated to non-SACU members of the PTA. Lesotho has similarly promoted bilateral trading links, notably through a trade agreement with Zimbabwe signed on 2 July 1982, in terms of which a wide range of listed goods were to be exchanged.<sup>3/</sup> It is also a member of the ACP group, having signed the Lomé Convention with the European Community (EC). According to article 155 of this treaty Lesotho qualifies for the privileged treatment accorded to especially disadvantaged signatories. Recently Lesotho profited from STABEX, the EC's stabilization scheme for export earnings, offsetting its loss from mohair sales during 1981.

Lesotho's economic dependence on the RSA renders it especially vulnerable to the economic sanctions to which the RSA has not infrequently resorted to further its political objectives. Lesotho's refusal to recognize the 'independence' of the Transkei Bantustan in 1976 led to the imposition of frontier restrictions on the movement of Basotho citizens and goods across the Transkei/Lesotho border during 1977 and 1978 which seriously disrupted the transit of migrant workers and imports of essential supplies to an area in the south from which road connections to the rest of the country were virtually non-existent. In 1977 the RSA also withdrew subsidies on maize for political reasons, increasing import costs of basic foodstuffs by 2-5 million maloti, and imposed export permits on maize sent across the border for milling. During 1983 and 1984 the South African cabinet refused to proceed with negotiated reforms to the SACU agreement, reportedly in order to press for recognition of its 'independent' bantustans as equal partners. During 1983 and most recently in January 1986, the South African Government used de facto economic blockades to impose its political demands on Lesotho. Stringent border checks on movements of people and goods at all entry points severely disrupted imports of basic supplies, causing shortages. Consignments of

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<sup>1/</sup> There is no limit in the case of Swaziland which took the same steps. Compared to Lesotho, Swaziland has opted for greater policy independence on its exchange rate: the lilangeni is now the only currency with legal tender in Swaziland. This policy independence is more important for Swaziland than for Lesotho, as the former has a substantial volume of exports to economies outside the CMA. Yet, the more successful Lesotho's efforts are to diversify and expand its non-traditional export base (as analysed in following chapters), the more appropriate it may become for Lesotho to take a similar step in the future.

<sup>2/</sup> See UNIDO, Industrial Co-operation through the Southern African Development Co-ordination Conference, IS.570, 15 October 1985.

<sup>3/</sup> Africa Research Bulletin (citing Radio Maseru, 7 July 1982), p.6511.

imports from overseas were also selectively subjected to long delays, sometimes of several months' duration, in transit from South African ports to Lesotho.

#### 1.4 The domestic economy: Growth and structural transformation

Economic development in Lesotho accelerated during the decade of the 1970s, when the rate of GDP growth increased due to expanding mining activities from 4.9 per cent in the first half to 8.6 per cent in the second half (table A-3). In the first half of the 1980s, Lesotho's economy lost its moderate growth momentum under the impact of sharply declining mine output and falling production of cash crops in the agricultural sector, which was only partly compensated by an accelerated growth of manufacturing, construction and services. GDP stagnated in 1981/82 and fell by 3.6 and 1.4 per cent in 1982/83 and 1983/84, respectively. In 1984/85, the domestic economy showed signs of a stabilization, when growth picked up again at the modest rate of 0.4 per cent (table 1). Given a rate of population growth of 2.3 per cent annually, GDP per capita was in 1984/85 12.8 per cent below the level of 1980/81, but a parallel increase of "net factor income from abroad" (miners' remittances) by 145 per cent could compensate for these negative trends of the domestic economy, resulting in an increase of GNP per capita by 7.7 per cent in the first half of the 1980s (calculated from table 1).

Resulting from marked differences in sectoral growth rates, Lesotho's economy underwent significant structural change during the last decades (table 2 and table A-3; both data sets are not strictly comparable). Starting from the basis of an agricultural economy in the early 1960s, with agriculture accounting for around 80 per cent and services for around 20 per cent of GDP, the economy was rapidly transformed into a service-oriented economy during the 1960s and 1970s, under the combined impact of a rapidly growing service sector and stagnating agriculture. By the end of the 1970s, the share of agriculture in GDP had fallen to 30 per cent, and the combined impact of draught in the first half of the 1980s and rapidly expanding services led to a further dramatic reduction of its share to 18.4 per cent (table 2). The service sector, on the other hand, almost tripled its share from 20.9 per cent in 1962/63 to 60.3 per cent in 1984/85. The efforts of the Government in the 1970s and 1980s to broaden the economic base also resulted in sizeable increases in the shares of manufacturing and particularly building and construction activities. Accounting for little more than 4 per cent each at the beginning of the last decade, the share of construction in GDP increased to 13 per cent in 1984/85, reflecting the Government's effort to promote economic development through the creation of necessary infrastructure.

At the end of the 1970s, Lesotho's economy benefitted from rapid expansion of the mining sector. Starting from a negligible base, mining activity expanded rapidly after 1977/78, increasing its share in GDP from 0.8 to 8.4 per cent in 1979/80 (table 2). This trend, however, turned out to be only transitory. It reflected the fact that De Beers started operation at Letseng-La-Terai, Lesotho's only significant mine. This mine was closed in 1982 in response to the combined impact of falling ore content, and a shift and fall of market demand.

In terms of employment, agriculture is the largest domestic sector, comprising almost 27 per cent of the total labour force in 1976 (year of the last population census) followed by the service sector. About one-fifth of the

Table 1. Industrial origin of gross domestic product and national product,  
1979/80 - 1984/85

(in thousands of maloti)

Fiscal year <sup>a/</sup>	1979/80	1980/81	1981/82	1982/83 <sup>b/</sup>	1983/84 <sup>b/</sup>	1984/85 <sup>b/</sup>
Agriculture	66,534	62,088	67,144	70,713	64,400	68,200
Crops	(24,719)	(21,868)	(23,614)	(18,726)	(11,300)	(15,500)
Fruits and vegetables	(3,492)	(4,645)	(3,515)	(3,064)	(3,100)	(3,700)
Livestock	(38,323)	(35,575)	(40,015)	(48,923)	(50,000)	(49,000)
Mining and quarrying	18,626	20,714	16,036	10,520	2,200	2,600
Manufacturing and handicrafts	11,898	18,103	17,928	21,050	24,000	28,100
Electricity and water	2,039	1,847	1,725	1,890	2,100	2,300
Building and construction	21,107	34,763	31,787	36,353	41,600	48,200
Wholesale and retail trade	20,545	23,914	27,880	31,210	38,100	52,600
Catering	7,769	9,579	10,814	11,930	14,500	18,300
Transport and communication	3,539	3,798	4,550	6,510	5,800	6,200
Finance, real estate, and business services	23,510	26,416	36,045	39,921	43,700	49,500
Nonprofit services	18,672	30,383	31,609	38,000	34,500	31,300
Health	(16,235)	(25,999)	(26,515)	(32,600)	(28,700)	(26,000)
Education	(2,055)	(4,538)	(4,568)	(4,800)	(5,200)	(4,800)
Other	(382)	(446)	(526)	(600)	(600)	(500)
Government services	23,245	43,804	48,467	50,900	52,900	57,600
Community, social, and personal services	2,814	2,820	3,475	3,030	6,000	5,900
GDP at factor cost	220,298	268,943	297,460	322,027	329,800	370,800
Indirect taxes	48,926	55,604	58,547	61,800	101,800	127,800
GDP at market prices	269,224 <sup>c/</sup>	324,547 <sup>c/</sup>	356,007 <sup>c/</sup>	383,827	431,600	498,600
Net factor income from abroad	184,900	217,500	287,700	407,400	483,500	532,000
GNP at market prices	454,124	542,047	643,707	791,227	915,100	1,030,600
GDP at 1982/83 prices	368,296	398,197	398,218	383,827	378,600	380,300
GNP at 1982/83 prices	621,237	666,725	726,300	791,227	802,700	786,100
Implicit deflator	73.1	81.3	89.4	100.0	114.0	131.1
Percentage change in deflator	11.4	11.2	10.0	11.9	14.0	15.0

Source: National Accounts Lesotho.

a/ Fiscal years, beginning 1 April.

b/ IMF mission estimates in operation with Lesotho Bureau of Statistics.

c/ Includes imputed bank service charges.



**Table 2. Structure of GDP at factor cost<sup>a/</sup>**  
(percentage)

	1962/63	1972/73	1975/76	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85
<b>Agriculture</b>	79.1	35.5	31.7	34.1	33.7	30.2	23.1	22.6	22.0	19.5	18.4
<b>Mining</b>	0.0	0.3	0.5	0.8	7.5	8.4	7.7	5.4	3.3	0.7	0.7
<b>Industry</b>	0.0	9.1	11.8	18.3	14.1	15.0	19.6	16.7	17.8	19.9	20.6
<b>Manufacturing</b>		4.7	5.7	4.4	4.9	5.4	6.7	6.0	6.5	7.3	7.6
<b>Building and construction</b>		4.4	6.1	13.9	9.2	9.6	12.9	10.7	11.3	12.6	13.0
<b>Services and utilities</b>	20.9	55.1	56.0	46.8	44.7	46.4	49.6	55.3	56.9	59.9	60.3
<b>Total GDP (at factor cost)</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

**Source:** Bureau of Statistics.

**a/** Figures based on national data, not strictly comparable with UN data base (c.f. table A-3).

total labour force is employed in the RSA. Interpreting the figures shown in table 3, however, caution should be applied as very probably both the high figure of economically active persons in agriculture and the even higher figure for unemployment include a significant amount of underemployed persons, mostly engaged in informal sector and subsistence agricultural activities. Wage employment in the modern sector, which comprises less than 10 per cent of the economically active population, is concentrated in service activities, and here mainly in Government services (table 4).

#### 1.5 The external sector: Trade, migration and customs revenue

Lesotho's economy is characterized by a marked dualism between the domestic sector and activities which are based on external resources and influenced by external factors. This dualism is reflected in the sizeable difference between gross domestic and gross national product, which has been progressively widening since the mid-1970s as result of rapidly growing remittances of migrants working in the RSA. Since 1982, net factor income from abroad has been larger than GDP, and GNP accounted for 206.8 per cent of GDP in 1984/85 (table 5). The significant increase of this income allowed a rapid expansion of imports. Whereas imports were just over half the value of GDP in 1970, they exceeded GDP since 1975 and amounted to 166 per cent of GDP and 76 per cent of GNP in 1983/84. Over the period 1970/71 to 1983/84, the elasticity of imports with respect to net factor income from abroad was 0.96 <sup>1/</sup>.

The balance-of-payments statistics make it clear that by far the largest contribution to income from abroad have been migrant workers' remittances, which in 1983/84 were equivalent to as much as 118 per cent of the value of GDP ("labour income", table 6). Recruitment for the mines, principally the gold mines, peaked in the mid-1970s at over 160,000 per year, before falling away steeply to around 90,000 (see table 7). However, while the number of migrants decreased after its peak in 1976, the average length of contract almost doubled from 1976 to 1981. Thus, in terms of man/months, employment of migrant labour from Lesotho in the RSA in fact peaked in the early 1980s. On the other hand, parallel to the extension of the average length of contract, the number of 'novice' gold miners (i.e., who have no previous mining experience) fell sharply after 1975, indicating a consolidation phase of the labour market resulting in a preference for workers with a good previous employment record (table 8).

This decrease of new employment opportunities has significant implications for the nation's strategic options. The South African authorities have tightened restrictions on non-mine employment possibilities for Basotho and have also taken sterner action against illegal immigrant workers. Whereas up to the mid-1960s more Basotho were employed outside mining in the RSA than in the mining sector, in 1981 legal migrants in sectors other than mining were fewer than 21,000.<sup>2/</sup> Thus, rather than being integrated into the racially segregated labour market in South Africa, Lesotho has tended to develop in recent years into a pure 'labour reserve' for a single industry, namely mining.

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<sup>1/</sup> Estimated with a double-log regression, implying a constant elasticity.

<sup>2/</sup> James Cobbe, "The Changing Nature of Dependence: Economic Problems in Lesotho", The Journal of Modern African Studies, 21, 2 (1983), pp.299 ff.

**Table 3. Structure of the labour<sup>a/</sup> force by sector (1976)**

Sector	Number	Percentage
Economically active:	426,000	65.5
Agriculture	174,000	26.8
Mining in Lesotho	26,000	4.0
Industry	17,000	2.6
Services	75,000	11.5
Employment in RSA	134,000	20.6
Unemployed and underemployed	224,000	34.5
<b>TOTAL</b>	<b>650,000</b>	<b>100.0</b>

**Source:** Kingdom of Lesotho, Bureau of Statistics: Economic Indicators of Lesotho, 1972/73 - 1979/80; idem: 1976 Population Census (rounded to nearest thousand).

**a/** Age group 15-65 years.

**Table 4. Structure of wage employment in the modern sector of Lesotho, 1980**

Sector	Number employed	Per cent	Number of establishments
Agriculture	200	0.5	-
Mining (Lesotho)	890	2.1	1
Manufacturing	3,906	9.4	156
Electricity	487	1.1	1
Construction	4,593	11.1	106
Wholesale and retail trade	8,547	10.6	1,030
Other services	3,784	9.1	183
Government	13,100	31.6	-
Education (teachers)	6,000	14.5	-
<b>TOTAL</b>	<b>41,307</b>	<b>100.0</b>	
Wage employment in RSA <sup>a/</sup>	136,395		

**Source:** National Manpower Development Secretariat, Maseru.

**a/** Source: Table 7, column 4.

**Table 5. Resources and expenditure at current prices, 1970/71-1981/82**

(in millions of maloti)

Period <sup>a/</sup>	GNP at market prices	Net factor income from abroad	Resources		Total (3)+(4)= (6)+(7)+(8)+(9)=	Expenditure				Ratio GNP/GDP
			GDP at market prices	Imports of goods and services		Private consumption	Government consumption	Gross capital formation	Export of goods and services	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1970/71	74.8	22.3	52.5	28.6	81.1	63.2	6.2	6.0	5.7	1.42
1971/72	76.3	25.8	50.5	36.3	86.8	63.6	8.3	8.1	6.8	1.51
1972/73	95.8	31.5	64.3	52.0	116.3	85.5	10.8	9.9	10.1	1.49
1973/74	132.3	44.5	87.8	69.4	157.2	116.0	12.1	16.3	12.8	1.51
1974/75	158.1	60.1	98.0	96.1	194.1	146.9	15.8	17.3	14.1	1.61
1975/76	21.0	101.0	111.0	139.5	250.5	183.9	23.1	27.3	16.2	1.91
1976/77	269.1	125.8	143.3	191.0	334.3	241.0	25.6	346.7	21.0	1.88
1977/78	331.4	145.0	186.4	228.4	414.8	286.5	30.5	80.2	17.6	1.78
1978/79	405.9	156.1	249.8	266.1	515.9	351.4	44.4	79.7	40.4	1.62
1979/80	448.9	181.8	267.1	338.5	605.5	389.5	54.0	103.6	58.4	1.68
1980/81	539.2	217.5	321.7	392.9	714.6	433.5	110.7	116.7	63.4	1.68
1981/82 <sup>b/</sup>	636.2	287.7	348.4	497.9	846.3	563.1	104.8	128.8	57.0	1.83
1982/83 <sup>b/</sup>	779.5	407.4	372.1	574.9	947.0	675.3	83.8	142.0	54.7	2.09
1983/84 <sup>b/</sup>	891.6	483.5	408.1	676.9	1,085.0	796.7	95.8	147.0	45.5	2.18
1984/85 <sup>c/</sup>	1,030.6	532.0	498.6							2.07

Source: The Bureau of Statistics; IMF (1984/85).

<sup>a/</sup> The fiscal year ends 31 March, and is widely used in official statistics.

<sup>b/</sup> Estimates.

<sup>c/</sup> Different source (IMF), not strictly comparable to previous years.

**Table 6. Balance of payments**  
(in millions of maloti)

	1980	1981	1982	1983 <sup>a/</sup>	1984 <sup>b/</sup>	1985 <sup>b/</sup>
<b>CURRENT ACCOUNT</b>	-8.7	-42.9	-40.2	-9.0	45.0	30.0
Goods, services and income	-92.6	-115.4	-90.8	-90.7	-88.0	-104.0
Exports, f.o.b.	46.6	44.6	40.6	34.6	42.0	47.0
Imports, f.o.b.	-331.9	-398.6	-485.3	-543.9	-624.0	-727.0
Shipment	-11.1	-16.6	-19.8	-22.2	-25.0	-29.0
Other transportation, net	-1.9	-2.4	-2.8	-4.5	-5.0	-5.0
Travel (earnings)	9.5	11.6	11.0	11.9	13.0	15.0
Travel (payments)	-6.2	-6.5	-8.2	-7.3	-8.0	-10.0
Investment income (earnings)	5.7	7.5	11.3	16.1	28.0	36.0
Investment income (payments)	-5.7	-7.7	-13.7	-14.3	-16.0	-29.0
Labour income	205.0	255.0	378.0	441.0	507.0	600.0
Other, official, net	-8.4	-9.5	-8.1	-8.8	-7.0	-10.0
Other, private, net	5.8	7.2	5.9	6.7	7.0	8.0
Net unrequited transfers	83.9	72.5	50.6	81.7	133.0	134.0
Official, net	82.3	70.7	48.1	79.1	130.0	132.0
Private, net	1.6	1.8	2.5	2.6	3.0	2.0
<b>LONG-TERM CAPITAL, NET</b>	27.7	31.5	31.5	23.2	25.2	14.9
Private	3.5	4.2	4.2	5.0	5.0	7.0
Official: Drawings of loan	27.7	31.0	33.0	26.0	33.0	35.0
Repayments of loan	-3.0	-3.0	-5.0	-7.0	-12.0	-26.3
Other, official	-0.5	-0.7	-0.7	-0.8	-0.8	-0.8
<b>SHORT-TERM CAPITAL</b>	23.3	18.6	-11.9	4.2	-52.8	-23.8
Official	-	20.0	7.0	2.0	-18.4	-
Commercial banks	23.3	-1.4	-18.9	2.2	-34.4	-23.8
<b>SDR ALLOCATIONS</b>	0.8	0.7	-	-	-	-
<b>ERRORS AND OMISSIONS</b>	-8.8	-6.3	29.8	11.1	-2.2	-7.3
<b>OVERALL BALANCE<sup>c/</sup></b>	34.3	1.6	9.2	29.5	15.2	13.8

Source: Central Bank of Lesotho.

a/ Provisional.

b/ Preliminary estimates.

c/ Change in net foreign assets of CBL.

Table 7. Migrant labour from Lesotho to the RSA, 1966-82

Year	Number recruited (all mines)	Number employed (yearly averages)			Average length of TEBA contracts (months)	Average annual cash wages g/ (maloti)		Labour income from abroad (in millions of maloti)	
		TEBA <sup>b/</sup>	All mines	Total employment (incl. non-mine activities)		Current prices	Constant prices (1970)	Total official remittances of mine workers g/	Total labour income from abroad g/
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1966		64,300		n.a.	n.a.	183	n.a.		
1967		59,700		n.a.	12	n.a.	n.a.		
1968		65,100		n.a.	12	n.a.	n.a.		
1969		65,000		n.a.	n.a.	199	209		
1970	97,185	62,461	87,384	n.a.	11	208	208	4.4	
1971	88,012	64,056	91,080	n.a.	12	221	209	4.7	
1972	101,515	67,046	98,822	n.a.	12	257	227	5.8	
1973	110,978	76,403	110,477	148,856	11	350	282	8.6	
1974	104,374	72,169	106,231	n.a.	12	565	408	12.5	
1975	134,261	75,397	112,507	n.a.	10	948	602	20.0	
1976	160,516	81,973	121,062	152,188	9	1,103	631	26.0	
1977	143,204	92,026	128,941	173,882	11	1,235	634	27.6	143.6
1978	115,044	91,278	124,491	155,623	13	1,420	654	33.2	154.3
1979	92,823	94,379	124,393	152,032	16	1,669	675	38.1	178.9
1980	91,575	109,035	120,733	136,395	15	1,813	682	42.7	205.0
1981	92,811	109,198	123,539	150,422	17	2,800 g/	613 g/	62.7	255.0
1982	93,925	101,810 <sup>[/</sup>	117,641			3,160 g/	805 g/	127.7	378.0
1983			115,327					177.8	441.0
1984			114,071					206.5	507.0

Source: Col. 1, 3, 8, 9 - Annual Statistical Bulletin 1982, (Dept. of Labour); data for 1983 and 1984: Central Bank.

Col. 2, 5, 6, 7 - SA Chamber of Mines (TEBA).

Col. 4 - RSA Government estimates of all Basotho in legal employment in South Africa as at 30 June.

<sup>a/</sup> For all black workers in gold-mining. The specific figures for Lesotho would probably be higher because of above-average mix of skills.

<sup>b/</sup> The South African Chamber of Mines' labour recruiting organization.

<sup>c/</sup> Both deferred payments and remittance payments as recorded by the Department of Labour (for the deferred payment mechanism, see section 4.2).

<sup>d/</sup> "Labour income" as shown in balance of payments statistics published by Central Bank.

<sup>e/</sup> Approximations.

<sup>[/</sup> As in May 1982.

Table 8. Recruitment of novice Basotho gold miners, 1975-80

	1975	1976	1977	1978	1979	1980
New recruits	14,552	14,868	8,614	10,471	8,309	5,787
Proportion of all recruits (per cent)	16.9	14.5	9.8	12.5	4.1	8.1

This concentration on a single sector tends to increase Lesotho's vulnerability to external factors, and the RSA has repeatedly used threats to expel migrant labour as leverage in supporting its political objectives. Higher wages and the acquisition of independence by southern African states brought about a steep rise in the number of South African miners in the Chamber of Mines' black labour-force from about 22 per cent in the early 1970s to as much as 60 per cent by 1982. Lesotho has hitherto been the only exception to the trend, but it remains the case that Basotho labour has become progressively easier to substitute. In addition, the policy of the Chamber of Mines has shifted towards stabilization of its labour force and, as a result, discrimination in favour of workers with experience or skills, notably through the use of 'Employment Guarantee Certificates' guaranteeing re-engagement for a worker subject to certain conditions.<sup>1/</sup>

Variations in South African wage rates and total remittances have an important influence on customs revenue to the Government because increased imports caused by migrants entitle Lesotho to larger payments from SACU. It is estimated that on average 1 loti of imports generates almost 20 cents of revenue to Lesotho's Government. The Third Five-Year Development Plan (FYDP3, p.63) labels migrant labour remittances "the major source of purchasing power in Lesotho and consequently the major determinant of customs revenue receipts via their effect on imports". After underlining the fact that even a slow-down of growth of remittances would contribute substantially to a customs revenue crisis it shows that "total migrant contribution to customs revenue" was 50.9 per cent (M 16.7 million) in fiscal 1977/78, 44.2 per cent in fiscal 1978/79 (M 24.8 million), and 40.4 per cent in 1979/80 (M 28.9 million).

Lesotho's customs receipts are composed of (a) a basic share reflecting the amount of import, excise, and sales duties derived from Lesotho's actual imports, production and consumption; (b) a share equivalent to 42 per cent of the basic share to compensate the disadvantages of participating in a customs union with a much more developed partner; and (c) a stabilization factor ensuring that Lesotho's share based on the "all-duty rate" (i.e., the average rate on all customs and excise collections in the entire customs union adjusted by the compensation factor) plus compensation does not fall below 17 per cent or does not exceed 24 per cent of the domestic base from one year to another.

<sup>1/</sup> According to the ILO (1979, *op. cit.*, p.45), about a quarter of Basotho migrants had such certificates when the mission was there and the Chamber of Mines was to raise the proportion "to an eventual 100 per cent in an effort to eliminate raw recruits". Cobbe (*op. cit.*, p.300) writes that in 1981 only one recruiting agency accepted "novices" and even in this case only 5 per cent of its recruits had no mine experience.

SACU payments are in fact contributing the bulk of government revenue (see "Customs", table 9). Apart from 1982/83, they have accounted for around two-thirds of government revenue in the first half of the 1980s. In absolute terms, customs revenue has expanded very rapidly in the early 1980s and doubled between 1982/83 and 1984/85.

As a result, the government budget is highly dependent on factors outside the control of the authorities, SACU revenues being wholly determined by South Africa's import policy, notably in quotas, tariff categories and surcharges, whose changes and revenue implications are not subject to any consultation whatever. Such changes in the early 1980s led to a sharp fall in the real value of transfers between 1979/80 and 1982/83. Conversely, the protracted administrative delay in effecting transfers - generally up to two years - depreciates their purchasing power at times of high inflation and interest rates and compels Lesotho to bear the immediate cost of imported inflation when tariffs are raised or surcharges imposed. The effects of the Customs Union of course extend to non-dutiable imports from tariff-protected South African producers, whose higher costs (compared to world market prices) amount to a substantial implicit charge on Lesotho's domestic consumers.

Next to customs receipts, the second major source of government revenue used to be the personal income tax, which, however, has only a very limited yield, as it is not being applied to agricultural income and most notably migrant mine workers' remittances. In December 1982 a general sales tax of 5 per cent was introduced, and in April 1984 the rate was increased to 6 per cent, a level which still must be considered to be very low by international standards. Since 1983 the sales tax has been the second most important source of the government's tax revenue, but it still accounts for merely 7 per cent.

In public expenditure, foreign assistance has been the leading source of funds. Over the Second Plan period donor aid increased from M 13 million in 1975/76 to M 29 million in 1979/80, in money terms, with a substantial increase in aid at the beginning of the Third Plan reaching M 186 million in 1980/81 prices. During the period of the Plan, it was anticipated that foreign aid would cover 59 per cent of funding, commercial loans 10 per cent, and national revenues the remaining 31 per cent.<sup>1/</sup> The strength of donor support is indicated by the fact that according to World Bank estimates per capita aid amounted to US \$49, compared with an average of US \$17 for the whole of sub-Saharan Africa.<sup>2/</sup>

However, in the 1980s foreign grants have been showing a declining trend and fell significantly short of the government's budget estimates. Grants provided through the budget fell from M 21.2 million in 1980/81 to M 7.5 million in 1983/84. This development reflects both decreasing inflows of grants due to the shortage of government counterpart funding, and a change of the disbursement channels, as some projects which were previously passed through the budget were converted to direct donor funding.

The preponderance of trade in the framework of SACU finds expression in the figures of Lesotho's foreign trade. More than 99 per cent of imports are effected through SACU, only very few consignments are cleared directly through to Lesotho, of which nearly all are being forwarded through South African intermediaries (table A-5). The control of the RSA over the administration of customs transactions with the rest of the world precludes any proper

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<sup>1/</sup> FYDP3, p.61.

<sup>2/</sup> Susan Turner, "Lesotho, Economy", in Africa South of the Sahara 1981-82.



**Table 9. Summary of Government's budgetary operations**  
(in millions of maloti)

	1980/81	1981/82	1982/83	1983/84	1984/85 <u>a/</u>
<b><u>Total receipts</u></b>	<b><u>125.5</u></b>	<b><u>124.8</u></b>	<b><u>144.2</u></b>	<b><u>179.1</u></b>	<b><u>234.4</u></b>
<b>Revenue</b>	<b>104.3</b>	<b>111.1</b>	<b>134.8</b>	<b>169.9</b>	<b>217.3</b>
Customs	71.4	70.8	76.7	109.9	151.5
Income tax	10.9	10.1	11.5	10.5	13.0
Company tax	4.2	5.0	5.3	5.7	5.9
Retail sales tax	-	-	2.7	14.7	15.4
Other	17.8	25.2	38.6	29.1	31.5
<b>Grants <u>b/ c/</u></b>	<b>21.2</b>	<b>13.7</b>	<b>9.4</b>	<b>9.2</b>	<b>17.1</b>
<b><u>Total expenditure</u></b>	<b><u>166.1</u></b>	<b><u>183.6</u></b>	<b><u>185.2</u></b>	<b><u>205.1</u></b>	<b><u>253.4</u></b>
<b>Recurrent</b>	<b>103.9</b>	<b>116.6</b>	<b>121.7</b>	<b>141.5</b>	<b>161.4</b>
Personal emoluments	54.9	60.5	63.5	66.6	77.8
Interest payments	4.0	7.6	16.3	19.6	17.5
Subsidies and transfers	7.0	9.4	9.1	14.1	17.0
Other goods and services	38.0	39.1	32.8	41.4	49.1
Admin. account expenditure					
<b>Capital expenditure <u>c/</u></b>	<b>62.2</b>	<b>67.0</b>	<b>63.5</b>	<b>63.6</b>	<b>92.0</b>
<b><u>Overall/Surplus/Deficit</u></b>	<b><u>-40.6</u></b>	<b><u>-58.8</u></b>	<b><u>-41.0</u></b>	<b><u>-26.0</u></b>	<b><u>-19.0</u></b>
<b>Financing</b>	<b>41.0</b>	<b>58.8</b>	<b>41.0</b>	<b>26.0</b>	<b>19.0</b>
Foreign financing, net <u>d/</u>	11.0	44.2	24.0	28.5	20.0
Domestic financing, net	30.0	14.6	17.0	-2.5	-1.0
Bank financing	26.8	13.9	10.1	-9.6	-9.8
Other (residual)	3.2	0.7	6.9	7.1	8.8
<b><u>Memorandum items - debt amortization</u></b>					
Foreign	1.8	2.1	18.9	22.0	17.4
Domestic	2.0	4.3	4.9	9.4	16.9

**Source:** Central Bank of Lesotho.

a/ Provisional.

b/ Excludes grants received in kind.

c/ Data exclude direct donor funding.

d/ Foreign borrowing includes borrowing from South African banks channelled through the Central Bank of Lesotho.

distinction between South African and overseas sources of imports. The size of Lesotho's customs rebates does, however, suggest that an appreciable proportion falls into the tariff-regulated categories of manufactured imports from overseas. Lesotho's import links with the rest of Africa, especially its partners in SADCC, remain small, although the bilateral trade agreement with Zimbabwe may hold out the prospect of short-term redirection in particular lines. Consumer goods, mainly food, account for about half of Lesotho's imports, intermediate goods, mainly fuels and power, for about one-quarter. The share of machinery and equipment was around 16 per cent in 1982 (table A-6).

The direction of exports is more diversified than the sources of imports. Only 42 per cent were recorded as destined for SACU countries (i.e. mainly the RSA) in 1982, compared with 14 per cent to the EC (principally the FRG) and 39 per cent to Switzerland, exports to the last named consisting of diamonds. With the closure of the Letseng-La-Terai mine in 1982, these exports have vanished, and SACU is playing also a dominant role on the export side.

The commodity composition of Lesotho's exports has changed significantly between 1979 and 1982 (table A-7). Food products have expanded rapidly, resulting in an increased value added content of exports. Whereas basically unprocessed products lost in importance (diamonds and Lesotho's traditional exports of wool and mohair), manufactured products gained ground. This is reflected in the increasing shares of processed food (cereals, including flour, and beverages) and the rapid expansion of (mainly) labour-intensive manufactured exports. Manufactured exports grew from US \$8.98 million in 1979 to US \$13.28 million in 1982, comprising mainly textiles and clothing, footwear, furniture, road vehicle parts and umbrellas (other manufactures).<sup>1/</sup> This trend reflects the successful efforts of the Lesotho National Development Corporation (LNDC) to attract new export-oriented foreign firms to Lesotho.

Recently the Trading Corporation of Lesotho (TCL) has started operations with the aim of diversifying the sources of Lesotho's imports and reducing their costs through bulk buying and assistance to individual importers.<sup>2/</sup> TCL does not have any monopoly, and during the initial stage of operation its trading is restricted to a limited range of goods, mainly construction materials and intermediate products such as cement, timber and chemicals. TCL is 60 per cent public and 40 per cent private owned, with the Lesotho Bank and the Lesotho National Development Corporation <sup>3/</sup> being the main shareholders (25 per cent each). TCL is initially endowed with a capital of M 10 million. In addition, the Basotho Enterprises Development Corporation <sup>3/</sup> has set up a bulk buying scheme to help small enterprises in the woodworking and garment manufacturing industries.

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<sup>1/</sup> Calculated from table A-7 ("Other exports").

<sup>2/</sup> See the Economist Intelligence Unit Country Report: "Namibia, Botswana, Lesotho, Swaziland", No.2-1986.

<sup>3/</sup> See Appendix I.

## II. RESOURCE AVAILABILITY

Lesotho is a country relatively poorly endowed with natural resources. The only notable exception is water which could be used for hydro-power generation. Lesotho's soil is constantly threatened by erosion and non-renewable resources are scarce. The economic viability of mining is rather precarious. However, renewable resources have already provided raw material inputs for some manufacturing activities, such as asparagus for vegetable canning and hides and skins for processing; and the possibilities have by no means been exhausted.

### 2.1 Renewable resources

#### 2.1.1 Water

Water is the country's most abundant exploitable resource and may hold the most substantial prospects for industrial expansion in the long run, in terms both of hydro-electric power and of irrigated agricultural production. As already indicated, the bulk of the run-off from Lesotho's extensive mountain ranges drains internally into the Senqu (Orange) River and is fully at Lesotho's disposal. At present it flows virtually unexploited through the central interior into South African dams across the border. Most of the remaining run-off flows westward via tributaries through the principal farming zone into the Caledon River.

Lesotho's water may be exploited in several ways. One is to transform it into an export commodity. This is the main objective of the country's most ambitious development project, the Highland Water Scheme, which proposes to divert the southward-flowing run-off from the upper catchments of the Senqu and Malibamatso Rivers via a series of five dams and about 120 km of tunnels to the Vaal River valley and South Africa's water-hungry industrial heartland. If fully completed, the Scheme would be one of the largest in Africa, costing US \$1.3 billion at 1980 prices and delivering roughly 35 cubic metres of water per second. The idea of tapping the high rainfall northern watershed was first proposed as the so-called "Oxbow Project" in the late 1960s but dropped when South Africa offered a price for water well below the threshold of viability. The price per unit of water delivered is still reported to be one of the crucial outstanding issues, but negotiations have progressed through the signing of a water supply agreement in 1981 and an assessment preceding the commissioning of an 18-month feasibility study costing US \$5 million, which was started early in 1984. The construction schedule - already somewhat optimistic - envisages completion in four stages between 1992 and 2004.

The precise details and terms of the Scheme, several of which are clearly controversial, are beyond the framework of this study. Its secondary features could, however, have a major long-term impact on Lesotho's industrial development. The principal benefit could derive from its 100 MW hydro-electric component - three stations are envisaged - which would transform the country from almost total dependence on South African supplies to approximate self-sufficiency in electricity, with the prospect of cheapening the cost of power to industry. It may also facilitate intensive fish-farming and related processing.

Smaller-scale hydro-electric schemes are rendered feasible by the multitude of steep-sided valleys and a number have been completed or are under implementation, in addition to water supply projects in several towns. The schemes hold out the twin prospect of irrigated cash-crops, some suited to processing, and of power supplies to local small-scale plants (such as milling, packing, freezing). The chief constraint would be the shortage of arable land, accentuated by the colder mountain valley climate. The prospects for irrigation on the western plain are less certain, but might facilitate larger-scale intensive and diversified cultivation, whether by smallholders or larger farming units. An eight-year comprehensive study of the ecology and the irrigation potential of the Phuthiatsama River, which was reported to have been started in 1977 <sup>1/</sup>, may enable more general conclusions to be drawn.

At the village level, the potential for small-scale irrigation may be much larger than in its present limited extent. The need is well illustrated by the impact of the recent severe drought, which reportedly caused the loss of the entire vegetable crop and 80 per cent of the grain yield. The harnessing of local run-off, especially by gravity-fed methods, is intimately bound up with the prevailing modes of access to and use of arable land and the pressing national problem of soil erosion. If production in the more rugged areas is to be increased and stabilized, both localized irrigation and soil conservation will require a far more extensive and actively executed programme than has hitherto been attempted.

#### 2.1.2 Crop production

Land fit for cultivation is scarce. Of Lesotho's total territory, only 13 per cent, that is around 400,000 hectares, are arable. For decades the inexorably intensifying pressure of rural population on arable and pastoral resources has pushed field cultivation further up the steep and difficult valley slopes, accelerating the vicious circle of soil erosion and degradation, permanent loss of arable, and further encroachment on unsuitable and less productive terrain.

During the last decade the area cultivated has averaged 247,000 hectares (see table 10). Some two-thirds is in the western plain and adjacent foothills, under 10 per cent in the Senqu River valley, and as much as a quarter in the mountains, indicating the severity of the pressure on land. The fact that yields are generally markedly higher in the foothills than on the plain may reflect the greater fertility of the black upland soils compared with the light sandy soils at lower levels in the west.

Maize contributes about half the average volume of principal grains and pulses harvested, sorghum another quarter, peas and beans 2-4 per cent. At around 18 per cent wheat is also an important crop, and summer wheat is grown principally as a cash crop for export (table 11). There are marked zonal differences in the mix of crops: most wheat and nearly all peas are grown in the mountains, the bulk of maize, sorghum and beans in the plain, foothills, and in the Senqu River valley.

Most farming is undertaken for subsistence on peasant small-holdings. The total area planted has tended to remain static in recent years. Yield rates declined considerably over the 1977/78 to 1980/81 period, and this negative trend was reinforced by the drought in the first half of the 1980s (table 11). As a result of stagnating acreage under cultivation and declining

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<sup>1/</sup> Africa Research Bulletin, p.4272.

**Table 10. Distribution of major crops in area planted, 1977-78 to 1983-84  
(in hectares)**

Years	Maize	Sorghum	Wheat	Beans	Peas	Total
1977-78	111,530	62,033	45,606	14,271	5,711	239,151
1978-79	122,338	54,105	37,977	11,944	6,625	232,989
1979-80	118,460	64,537	30,650	8,177	6,637	228,461
1980-81	136,521	63,734	23,539	9,132	5,472	238,398
1981-82	136,668	58,673	26,992	16,667	10,485	249,485
1982-83	126,824	56,947	31,846	6,380	11,312	233,309
1983-84	138,665	62,569	33,497	11,589	8,856	255,170
10-year average	122,556	59,322	39,710	16,121	9,240	246,949

**Source:** Various tables, Lesotho Agricultural Situation Report, 1985 edition, Agricultural Planning/Bureau of Statistics.

**Table 11. Production of major crops, 1977-78 to 1983-84**  
(in tons)

Years	Maize	Sorghum	Wheat	Beans	Peas	Total
1977-78	143,168	5,775	57,906	10,789	4,427	222,065
1978-79	124,856	68,952	33,629	8,350	6,856	242,643
1979-80	105,619	59,286	28,194	3,585	4,562	201,246
1980-81	105,674	47,729	16,993	3,517	3,198	177,111
1981-82	79,825	26,014	14,462	2,621	4,525	127,447
1982-83	76,200	30,687	14,810	1,624	3,367	126,688
1983-84	79,384	33,768	17,127	1,338	3,639	135,256
10-year average	96,008	47,651	33,448	7,472	4,916	189,495

**Source:** Various tables, Lesotho Agricultural Situation Report, 1985 edition, Agricultural Planning/Bureau of Statistics.

yield rates, total crop production in 1983/84 was 39 per cent below 1977/78 values, implying an even more dramatic decrease of domestic supply per head. Since some four-fifths of the potential resident labour-force live on the land, this trend is of major concern. It also implies that yields of surplus production for industrial use are and may remain small, a major part of local crop processing consisting in fact of imported milling grain.

To fill these gaps, Lesotho has to import significant shares of its national crop consumption. For maize and wheat, the self-sufficiency ratio is below 40 per cent (table 12). Imports account for about a third of the total national consumption of approximately 300,000 - 320,000 tons of cereals a year. The Government's intention of achieving food self-sufficiency within the span of FYDP3 (i.e. by 1985) has been swept aside by the current severe drought, but it has continued to receive high priority in capital spending, which has placed particular emphasis on small-scale irrigation schemes, rural water supplies and integrated rural development at the district level, as well as rural roads and grain milling and storage.

Table 12. Degree of self-sufficiency of five major crops, 1974-75 to 1983-84 (percentage)

Crop	1974-75	1979-80	1980-81	1981-82	1982-83	1983-84
Maize	48.5	47.2	48.1	38.6	39.5	38.5
Wheat	66.0	32.8	27.6	24.3	18.5	37.9
Sorghum	91.0	94.0	90.9	92.2	94.8	83.8
Pulses (beans and peas)	95.5	88.0	80.7	79.8	71.4	74.6

Source: Lesotho Agricultural Situation Report, 1974/75 - 1983/84, 1985 edition.

Deep-seated difficulties confront attempts to raise crop productivity. One of the most entrenched ones is the steep income differential between agriculture and work in South Africa. The substantial rise in real wage rates of the South African mines and the impact of the drought on agricultural income has raised the ratio to about 1 : 30, which has inevitably lowered the attractiveness of agricultural labour, affecting especially the commitment to farm maintenance and to effort at seasonal peaks.

A second factor is the strain imposed by land shortage on the traditional system of landholding, which theoretically entitles all male heads of households to farm sufficient land to supply their food requirements. It is estimated that presently 12-15 per cent of rural households are without direct access to any land at all. Furthermore, the rights of male heads contradict the social reality that the great majority of de facto heads of households are women who undertake most of the field labour and exercise general managerial control of farm operations.

The current situation of agriculture in Lesotho must be considered as a major bottleneck for the country's economic development. Resources which could be utilized for importing investment goods are being spent on imports of basic foodstuff. Beyond this, the potential of agriculture to earn foreign exchange through supplying inputs for export-oriented processing activities is hardly being utilized. To increase agricultural production is a major pre-condition for the viability of any strategy for economic development in Lesotho. There is in fact significant scope for achieving this goal.

First, given limitations on the supply of arable land in Lesotho, an increase in cropping intensity 1/ will have to play a major role. During the last decade, cropping intensity in Lesotho never reached one. Increases in cropping intensity are possible through the adoption of multiple cropping 2/ and/or inter-cropping.3/

Yet, in view of existing differentials between agricultural, domestic, urban and migrant income, increases in cropping intensity will not be brought about without increases in cropping profitability. In addition to a more efficient production of existing crops, changes in the structure of agricultural production towards new, more profitable crops and towards higher yielding varieties among the currently planted crops are essential for this. As to non-traditional crops, Lesotho has a significant potential for the production of deciduous fruits, nut crops, grapes for table or raisin use, berries, selected oils, selected spices, grass seed crops, and vegetables. 4/ In particular the latter appears to have a promising potential, both for import substitution and for exports. There is one cannery in operation processing asparagus. It has significant excess capacity as it operates for only a few months in the year. Currently efforts are being made to grow mushrooms for canning.

To significantly increase the production of non-traditional crops/vegetables requires additional investment into irrigation projects. In the long run, the Highland Water Scheme will give new comparative advantages to Lesotho in the production of higher value crops and vegetables and in corresponding processing activities. The realization of this potential will, however, require increased involvement of farmers in the planning and implementation of irrigation projects. In the past, lack of farmer involvement resulted in several cases in dramatic reductions of the acreage under irrigation in the course of the projects.5/

Similar problems have affected the Food for Self-Sufficiency Programme (FSSP), which was launched in 1980. The programme concentrates on growing high-yielding varieties. Under a share-cropping arrangement through which Basotho farmers received about half the crop in return for contributing their

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1/ Defined as number of crops per year.

2/ Planting of various crops subsequently in a year.

3/ Planting of various crops simultaneously.

4/ ILO, Southern African Team for Employment Promotion (SATEP), "Planning for Employment and Contingency Employment Programmes for Repatriated Migrant Labour in Lesotho", draft report submitted to the Government of the Kingdom of Lesotho by ILO/SATEP, December 1985, p.60.

5/ ILO/SATEP, op. cit., p.62 f.



land and labour, arable land brought into the scheme was intensively cultivated and the yield, mainly in maize, increased approximately threefold. During the 1981/82 season about 25,000 ha, or nearly 8 per cent of arable land, was volunteered. But in practice most of the cultivating, planting and harvesting was undertaken by white South African farmers, who used heavy machinery and little local labour. Average costs per hectare, at M 542 in 1980/81, far exceeded revenue at M 336, even before payments to participating Basotho farmers were effected. Funds had to be diverted from other agricultural schemes, local employment was reduced, and foreign technological dependence deepened. The FSSP was being re-evaluated and modified during 1983, but like all agricultural programmes has been overshadowed by the recent drought emergency.

### 2.1.3 Livestock

Stock-farming is an important component of Lesotho's agricultural economy and contributes most of its marketed output. Over the last decade the livestock population has averaged 0.55 million cattle, 1.25 million sheep and 0.75 million goats, with 70-80,000 pigs and 0.8 million chickens (see table 13). The importance of animal transport and haulage is reflected in the appreciable number of horses (over 100,000) and donkeys and mules (90-100,000). The balance of pasture use may be better appreciated if the numbers are converted into livestock units.<sup>1/</sup> These indicate a rough balance between large and small stock, on the one hand cattle (45 per cent of total livestock units) and horses (8 per cent), on the other sheep (25 per cent), goats (17 per cent), and donkeys and mules (5 per cent). As with crops, there is a marked zonal distinction in livestock distribution, 60 per cent of cattle being raised in the foothills and plain, half the sheep and goats in the mountains. It may be indicative of the pressure on pasturage, that fully a third of the national cattle herd is kept in the mountain areas.

The long-term trends in stock numbers are complicated by short-term variations and very approximate data. It was estimated, for example, that the current drought had killed as much as a quarter of the cattle by early 1984,<sup>2/</sup> and to achieve recovery will take several years of reduced consumption. The long-term trend, however, appears to be more or less static at 0.9-1.0 million livestock units. The internal balance suggested by the figures tilts towards cattle in a sequence of normal rainfall years and towards sheep in drier or drought periods. The general conclusion, as with crops, is that production per head of rural population has appreciably declined. This deterioration appears to be reflected in the statistics for marketed offtake. Exports of cattle and small stock, which in the 1960s averaged 12,500 and 9,500 respectively and in the latter case peaked at 30,000 in 1972 and 1973, had dwindled to virtually nil by the late 1970s, while local slaughtering at licensed butcheries doubled over 1977-80, before the onset of drought, to 16,000 cattle and 86,500 sheep and goats. Lesotho has in fact become a substantial net importer of slaughter stock, mainly cattle. The marketed offtake (excluding non-butchery sales) is nonetheless still low at about 3 per cent and 5 per cent, respectively, and good export prices combined with an effective national marketing scheme for local producers should hold out the prospect of a substantial increase. The new export-oriented abattoir near Maseru with an annual processing capacity of 25,000 cattle and 50,000 sheep, could be a major step in this direction.

<sup>1/</sup> For definitions, see table 13.

<sup>2/</sup> Africa South of the Sahara 1984-85, p.503.

**Table 13. Livestock population by animal category, 1959/60, 1969/70, 1973/74-1981/82**

	1959/60	1969/70	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82
<b>A. Numbers (thousand)</b>											
Cattle	546	552	466	512	502	486	526	560	594	590	562
Sheep	1,446	1,665	1,557	1,577	1,520	1,128	943	974	1,044	1,168	1,337
Goats	672	974	962	886	835	618	582	618	784	767	930
Pigs	n.a.	n.a.	n.a.	59	77	76	80	78	81	82	62
Horses	135	110	114	115	100	104	104	102	101	101	103
Donkeys and mules	104	94	100	104	93	89	86	88	88	105	98
<b>B. Proportions in livestock units<sup>a/</sup> (per cent)</b>											
Cattle	43	40	37	40	41	45	49	51	50	48	44
Sheep	29	30	31	31	29	26	22	22	22	24	26
Goats	13	18	19	17	17	14	15	14	16	16	18
Horses	9	7	8	8	7	9	9	8	7	7	7
Donkeys and mules	5	4	5	5	5	5	5	5	5	5	5
<b>Total (per cent)</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>(thousands)</b>	<b>1,012</b>	<b>1,091</b>	<b>1,006</b>	<b>1,037</b>	<b>930</b>	<b>855</b>	<b>845</b>	<b>882</b>	<b>955</b>	<b>982</b>	<b>1,025</b>
<b>C. Proportion of females (per cent)</b>											
Cattle			57	57	58	58	59	60	60	60	61
Sheep			80	69	70	71	73	71	69	71	70
Goats			71	72	73	72	72	71	69	70	70

**Source:** FYDP 3, p.171-172; Annual Statistical Bulletin 1981, p.64, 67; Bureau of Statistics.

**a/** Converted to "large livestock units" using the following factors: cattle (0.8), horses (0.7), mules (0.6), donkeys (0.5), sheep (0.2), goats (0.2).

As with crops, marketing has faced difficulties. The Livestock Marketing Corporation, also formed in 1973 as a monopoly, was not a success and is today reportedly inactive. A revitalized national scheme, whether or not single channel, is an essential pre-condition to expanded deliveries for export slaughtering. There is also concern over long-term ecological damage through excessive stocking ratios, particularly in respect of cattle. The mountain pasturage is especially vulnerable to a cycle of overgrazing and soil erosion leading to permanent destruction. Reasons given for overstocking in cattle include: open access to communal land, in terms of which the largest herder ends up with the most pasturage and the greatest assurance of subsistence needs; low fertility and growth rates, leading to poor productivity; lack of alternative means of storing savings in the rural areas, especially from mine wages; greater returns, estimated by the FYDP3 (p.175) at about 25 per cent above that from sheep; lighter and less seasonably variable labour requirements than other stock and cultivation, and thereby more attractiveness to migrant workers; and finally the traditional use of cattle as stores of wealth and means of economic and social transaction. Short of enclosing the pasturage and establishing rotational camp-grazing - a capital-intensive ranching method of doubtful economic viability in southern African conditions - there seems relatively little scope for expanding the cattle herd, and increased market supplies can only result from substantial improvements in animal quality, growth rates, and earlier and more systematic offtake.

Wool and mohair remain Lesotho's principal agricultural export commodities and have been only briefly rivalled by diamonds in the last decade. Merino sheep and angora goats are the dominant small stock species and, although small in absolute terms, the nation's wool output ranks third in Africa and, for mohair, fourth in the world. Officially recorded exports of wool have remained fairly constant over the last decade at around 2,400 tons. Mohair, however, has fallen away steeply from 1,000 tons in 1970 to little over 400 tons in 1982. These statistics (see tables A-9 to A-11) refer to single channel rates via the respective South African marketing boards and the extent and changes in undercounting are unknown, but it is not likely to be large and internal consumption in textiles manufacture is still limited. Whereas unit returns for wool exports increased continuously, mohair prices fell significantly after having reached a peak in 1978. Deteriorating quality in both breeding stock and hair quality may be the principal factor in the mohair decline, despite the fact that hair prices have risen well ahead of costs.

#### 2.1.4 Fish

As a result of Lesotho's generous water resources, fish farming may offer a good potential for processing. At the village level 23 fish ponds covering 18 hectares in 1978/79 were constructed during the Second Plan period, producing an estimated 30 tons annually. Village fish ponds are also used for joint fish and duck production. The extensive network of tributary streams and rivers suggests that the potential for further expansion at the village level is far from exhausted.

The completion of an ambitious plan for the large-scale fresh water monoculture of common carp was postponed according to the FYDP3 because of doubtful economic viability. This Tsakolo project comprised 350 hectares, of which 40 hectares have already been put into production. The yield of trout was expected to total 12 tons during the Third Plan period and carp was to be increased by 67 tons a year (FYDP3 p. 198). It was hoped that trout fishing

would be developed both as a source of food and as a tourist attraction, with the filling and replenishing of rivers directed to angling tourists.

The greatest long-term prospect for fish supply will probably lie in the completion of the Highland Water Scheme, whose dammed water volume would offer a major opportunity for intensive fish farming. The supply would outpace the growth of domestic demand in the form of local food consumption and tourist catering, and as marketing would thus depend on access to export markets, freezing and packing facilities would be required.

#### 2.1.5 Forestry

Forestry used to have a low priority in official perceptions. The FDYP3 does not discuss the subject at all, and no major investigations have been reported to have been initiated in recent years. However, the authorities are increasingly aware of the need for afforestation. The one ongoing governmental effort is the 10-year-old Woodlot Project, under whose programme small plantations have been established throughout the country to supply firewood and building materials to local residents, and trees and grass to the Soil Conservation Unit in the Ministry of Agriculture. The Unit has been planting pines and eucalyptus at high altitudes (2,000-2,500m) for several decades, as well as willows and poplars along rivers and water-courses. Since 1973, however, the bulk of the planting, nearly 3,000 ha all in all by 1981, has been undertaken by the Woodlot Project itself (see table 14). Its foreign funding component combines official aid (UK) with private finance (Anglo-American Corporation/De Beers), and was scheduled to end in 1985.

While local wood supplies to farmers are an important component of the rural economy, afforestation on an altogether larger scale would seem to merit systematic investigation. High-level forests could make a critical contribution to stabilizing the advanced state of soil erosion. They would also comprehensively improve the farming environment by improving soil quality and water retention, upgrading pasturage, and alleviating the impact of drought. More germane to this study, they could establish wood-based industries of major significance in Lesotho's small national economy, including wood pulp and paper, pit props and construction timber, furniture and wood manufactures. The example of neighbouring Swaziland, which has a large and expanding forestry sector, indicates the possible scope of an industrial afforestation programme. Capital and initial recurrent costs would necessarily be high, management difficult and demanding, and returns long-rather than short-term; but the possibility should be given serious consideration in a small and relatively resource-poor country such as Lesotho.

#### 2.1.6 Energy

Lesotho relies completely on the RSA for its imports of energy, which include refined petroleum products, electric power, coal and fuel wood. In 1981 total energy imports accounted for 7.7 per cent of the value of imports. About 45 per cent of energy imports <sup>1/</sup> consist of petroleum, 33 per cent of coal, 15 per cent of electricity, and 7 per cent of fuel wood. Commercial energy consumption per capita is about 0.1 toe <sup>2/</sup> (excluding dung and shrubs), which is the lowest of the SADCC member countries and among the

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<sup>1/</sup> In terms of Kcal.

<sup>2/</sup> 1 toe = 10 million Kcal - 6.61 boe - 39.68 million Btu.

**Table 14. Annual area planted to forest trees, 1973/81**

(Unit: Hectare)

Year	Tree Type				Total area
	Pines	Eucalyptus	Poplars	Wattle	
Pre-1973	39	35	27	Unknown	101
1974	11	116	12	6	145
1975	2	196	25	-	223
1976	6	330	22	59	417
1977	2	300	18	44	364
1978	1	444	1	143	589
1979	1	272	7	90	370
1980	1	253	7	170	431
1981	26	335	50	16	427
<b>Total planted</b>	<b>89</b>	<b>2,281</b>	<b>169</b>	<b>528</b>	<b>3,067</b>

**Source:** Woodlot Project: Maseru

**Cited in:** Annual Statistical Bulletin 1981, p. 76.

**Note:**(i) The above figures for 1974 to 1981 refer to the areas planted under the Woodlot Project. This project has existed since 1973 and there are no records of planting prior to that time except those given in the first row of the table.

(ii) These figures further suffer from a certain amount of under-reporting, for example, there is a large area of mature trees at Qacha's Nek, but no figures thereof are available. Similarly, there is considerable planting by the public on the tree planting day each year, also a little by the soil conservation division of the Ministry of Agriculture.

lowest in the world. About 56 per cent of energy is consumed by the retail sector and by the private sector for lighting and private transportation, whereas industry accounts for merely 6.8 per cent. Yet, with progressing industrialization and expanding air traffic after the opening of the new international airport in Maseru, the latter figure can be expected to increase significantly.

The largest domestic source to cover Lesotho's expanding energy demand is hydroelectricity, which is estimated to have a potential of 450 mW/year. The Lesotho Highlands Water Project, if completed, would instal capacity of 190 mW/year.<sup>1/</sup> According to estimates of the World Bank, domestic power demand will increase from 27 mW in 1982/83 to 96 mW in 1999/2000. Another scheme currently under investigation, the Jordane Scheme, would have an installed capacity of 3x14mW. Apart from large-scale hydropower projects, the Government is also realizing the potential of mini-hydropower plants, in order to substitute diesel generators which are currently being used in remote areas, and various investigations of possible sights have been completed.

Given the disappointing results of petroleum exploration activities in the past and the severe shortages of indigenous sources of fuel wood, the development of alternative energy resources is being promoted in Lesotho. One promising source is the production of biogas from dung, and a UNDP-financed pilot project on Biogas Production Systems has already made significant progress. Several projects are underway to investigate the scope for using renewable energy sources such as solar energy and windmills.

## 2.2 Non-renewable resources

According to one review, "Lesotho is believed to have more kimberlite per unit of area than any other country in the world. However, the majority of these have proved barren, whilst those that are diamond bearing are very low grade when compared to South Africa's major deposits. Apart from diamonds, Lesotho appears to have nothing in the way of economic mineral resources, although last year the Government is reported to have embarked on a programme of uranium exploration in the northern part of the country."<sup>2/</sup> The FYDP3 took a somewhat more optimistic view, which may be partly justified if reserves not profitable for an international mining company prove viable for individual diggers or small-scale local production, for instance to supply building materials.

Diamonds remain Lesotho's most valuable proven mineral resource and the only one to have been exploited on any scale. The FYDP2 envisaged the start of diamond mining at Letseng-La-Terai and Kao, and the former came on-stream in 1977. In 1980, not long before its closure, the mine's remaining life was estimated to be 8 years. Among other known diamond deposits only the nearby Kao pipe is noteworthy, while other occurrences have been judged to be of a poor grade.

The history of the Letseng-La-Terai mine, the country's only important mining venture, exemplifies some of the problems of economic viability in a

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<sup>1/</sup> This final capacity would be available about 20 years after the commissioning of the first phase; about 9 years after the start, the installed capacity would already be 130 mW.

<sup>2/</sup> Mining Annual Review 1980, p.508.

small, peripheral economy such as that of Lesotho. The difficult operating conditions - over 3,000 metres up the eastern mountains, virtually inaccessible by road - made for high running costs. The small scale of production and low grade of recovery put further pressure on profitability and the mine was always on the margins of viability. Output averaged no more than about 50,000 carats a year, and the recovery grade declined from 3.46 carats/100 tons in 1978 to 2.95 carats/100 tons at closure in 1982, far below the rates of other major southern African mines. The mine's saving asset, in fact, lay in the frequency of larger-sized gemstones recovered.

Under these circumstances reliance on technology and capital from a major foreign operator appeared to be advisable. Yet such reliance left the mine at the mercy of South Africa's diamond monopoly TNC, De Beers, which could and did simply close it down as result of the major diamond marketing crisis in 1981-2 when its profitability no longer satisfied company criteria.

During the five years of its operation the mine undoubtedly made a valuable contribution to GDP and made up over half the value of exports, employing some 800 workers. The operation was not, however, without adverse effects. Backward and forward linkages to the national economy were very limited. Furthermore, De Beers' takeover directly displaced individual Basotho licence-holders, as had previous prospecting by Lonrho at Letseng and Kao. Output by the diggers, usually well under 10,000 carats a year, is well below the capacity of a capital-intensive operation such as Letseng. It is nevertheless sufficient to keep some 600 employed through a diamond mining co-operative formed in 1978 with Canadian assistance. The co-operative was expanded in 1981 to involve another estimated 800. Initially, the small deposits at Lemphane and Liquobong were being exploited. The diggers not only have a long-term commitment to produce, but also exploit poorer deposits which the mining TNCs will not touch, and retain the entire proceeds of their activities within the country. Labour-intensive technology is being assessed for the possible reopening of Letseng as a small-scale operation employing about 100 workers, and similar technology had been considered earlier for the development of the Kao pipe.

The history of the Letseng-la-Terai mine suggests some important conclusions for future mining policies with special emphasis on employment creation. The take-over of the mine by De Beers directly displaced individual Basotho licence holders. Foreign technology and capital certainly allowed to increase output to a level which by far exceeded the level which could be achieved by individual diggers. On the other hand, De Beers closed the mine down in 1981/82, when its profitability no longer satisfied company criteria. It might very well be argued - and in fact the present endeavours to open the mine using labour-intensive technologies support this argument - that at this time the mine still would have satisfied the profitability criteria of a diggers' co-operative operating on a smaller scale. Thus, a policy of giving mining rights to digger co-operatives would provide longer lasting employment due to two effects: first, it would take such co-operatives longer to exploit a mine to that degree where it would become unprofitable for large companies, and second, they would continue their operations beyond this point. In addition to these advantages, the net advantages of the mining operation to Lesotho's economy might turn out to be not so much smaller than the reduced level of output might suggest. Firstly, the amount of imported capital goods per unit of output might be expected to be smaller, and secondly, the entire net value added of the operation of the mine would accrue to the domestic economy. Obviously, the final criterion for assessing the advantages of large- and small-scale mining is the time preference of the Government concerning the

flow of revenue from sales of mineral resources. Employment generation would certainly be only one variable influencing this decision. Yet, the greater the weight attached to this component, the more advantages might be seen in small-scale mining activities. In addition, the employment potential of small- and large-scale mining also depends on the potential to further process the mine output within the country. Although small-scale mining might have greater direct employment effects, its output might not be sufficient to support a domestic processing industry. In these cases, the employment potential in mining and processing under different scale alternatives would need to be carefully assessed. Yet, ex ante a preference for small-scale mining might be justified in the present situation of Lesotho, as the insufficient output of the mines could be complemented through imports. In this situation, however, some protection for the processed output might be required. In the case of building materials, such protection might also be given indirectly, through public procurement policies. This might imply, for instance, that construction companies working on public projects would be obliged to utilise domestically produced inputs, if available, and if prices fell into a predetermined reasonable preference margin.

Apart from diamonds, Lesotho also has deposits of coal, peat, clay, building materials and quarrying to supply the local construction industry with crushed stone. The economic importance of these resources is limited, but in particular cases may suggest small-scale exploitation.

In the case of coal, narrow seams reach into Lesotho but cannot be economically exploited. Deposits of peat are small and of low quality. Furthermore, its removal is believed to aggravate soil erosion. Results of oil investigations known to the FYDP3 were negative. Investigations in progress at that time, dating from the mid-1970s, have not changed this assessment.

Deposits of high quality heavy clay have been found. The clay deposits at Thetsane, Raseatle, and Phogoane, which were suitable for clay bottles and ceramic tiles and bricks, gave rise to the construction of a brick factory (3 million bricks a year). Otherwise construction has to rely heavily on imports of bricks and cement from the RSA. Hand-made stone pottery and high firing earthenware goods can also be produced from local clays. In 1981 some 3,000 Basotho in rural areas were estimated to be producing handicrafts, mostly in clay pottery on a part-time basis between harvesting and planting.<sup>1/</sup> The output was principally for export, mostly in sales to tourists. The decline in tourism in the early 1980s has since severely curtailed the market for handicraft potters and their number has declined.

Factory-scale production has also been established, principally through Thaba Bosiu Ceramics, which was set up in 1972. It employed 28 people in 1981 producing for local tourists and for exports. Good quality clay mined commercially at Mafeteng on a small scale, provides inputs which had to be imported from Namibia before. It was, however, one of several factories to be partly or completely closed down after 1982.

Sandstone is a local source of building material. Many quarries are located in the lowlands not too far from the consumer. Agate and some other ornamental and semi-precious stones are found. Indications of mercury and uranium are said to exist. A uranium prospect was identified in rhyolitic

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<sup>1/</sup> D. Gunthrop, "The Long Arm of the Potter": The Courier, EEC/ACP, no.68, July-August 1981, pp.71 f.



rocks near Teyateyameng in the north west in 1978 and investigated during 1978-79. The results have not been published.

### 2.3 Tourism

Tourism may not usually be considered a resource-based industry, yet in the case of Lesotho the country's wild and scenically spectacular mountain environment is potentially one of its major economically exploitable natural assets. Tourism has been concentrated hitherto predominantly in the Maseru area. Over 90 per cent of visitors in 1980 were South Africans and four-fifths of available beds were in Maseru (see tables A-12 and A-13).

Yet the luxury hotel tourism has been hard hit by South Africa's Sun City development in the Bophuthatswana Bantustan. Bed occupancy in 1980 was only 26 per cent nationally and only marginally better in Maseru at 27.5 per cent. Local handicrafts, which depend heavily on foreign tourists' purchasing power, have been severely hit. The long-term prospects would seem to lie in attracting long-distance tourists from Europe and North America. The improvement in internal road and air communications and the projected building of the new international airport could provide the essential platform for expansion, which with careful planning of interlinkages could boost local food processing and wood, clay and textile handicrafts. The level of governmental interest is indicated by the fact that Lesotho is a founder member of the Organisation of African Tourism Services, formed in 1981 with a predominantly southern African membership, and in 1984 was appointed tourism co-ordinator for SADCC. Yet, the net effects of an increased inflow of tourists on the country's foreign exchange balance and its prospects for agricultural, industrial and social development would need to be very carefully assessed by feasibility studies. In many countries, domestic counterpart contributions to foreign investment in the tourism sector have not always turned out to be the most efficient use of domestic savings in terms of the generation/saving of foreign exchange, and in terms of providing stimuli to endogenous economic development.

### III. THE MANUFACTURING SECTOR: PAST PERFORMANCE AND PROSPECTS FOR RESOURCE-BASED DEVELOPMENT

#### 3.1 Overview of performance and structural change

Lesotho's manufacturing sector is small, accounting for merely 7.6 per cent of GDP in 1984/85 (table 2). Yet, considering the very small starting base at independence, it grew significantly, and owing to successful promotion efforts of the Lesotho National Development Corporation (LNDC) accelerated significantly its pace of expansion in the late 1970s/early 1980s. Between 1977/78 and 1982/83, gross output and value added grew at average annual rates of 20 per cent and 25 per cent in real terms, respectively, reflecting an increasing degree of industrial processing. However, employment creation could not follow the pace of aggregate production expansion, and employment grew at the significantly slower rate of around 8 per cent over this period. Correspondingly, labour productivity more than doubled in this period (table 15).

The industrial sector comprises both export-oriented and import-substituting enterprises. The former can be mainly found in the textiles, clothing and leather products branches, but also include assembly operations such as the production of umbrellas. A common structural characteristic across all branches is the high dependence of enterprises on imported raw materials and semi-manufactures, with exceptions notably in resource-based activities, such as non-metallic mineral-based products (table 16). A second characteristic of Lesotho's industry is the dominating role played by foreign capital and foreign management, reflecting successful efforts of LNDC to attract foreign investment in view of limited domestic entrepreneurial experience <sup>1/</sup> (table 17).

The expansion of Lesotho's manufacturing sector between 1977/78 and 1982/83 was accompanied by important changes in the sectoral and size distribution of enterprises and the structure of production. Whereas in 1977/78 the majority of enterprises could be found in the textiles, clothing and leather products branch, the largest number of enterprises in 1982/83 was in the food and beverage branch. This change results both from a reduction of the number of enterprises in the latter branch and from an increase of the number of enterprises in the former. Changes in the size distribution of enterprises accentuate this trend. Four out of seven additional enterprises of the food and beverage branch established in this period fall into the category of large enterprises employing more than 200 people, and another additional one falls into the category of 101-200 employees. On the other hand, the reduction of enterprises in the textile, clothing and leather branch affected mainly small enterprises: out of nine enterprises "lost" in the period, six did not have more than 20 employees, and two not more than fifty. Against this, three additional large enterprises were established employing more than 200 persons. In general, there was a marked shift towards larger enterprises. Enterprises employing up to 50 employees accounted for 58.7 per cent of enterprises in 1977/78, which was reduced to 37.2 per cent in 1982/83, whereas the share of enterprises employing more than 200 persons rose from 4.3 per cent to 18.6 per cent (table 18).

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<sup>1/</sup> Activities aiming at promoting national entrepreneurs in small-scale industries are undertaken by the Basotho Enterprises Development Corporation.

**Table 15. Indices of manufacturing performances**  
(at constant 1982/83 prices)

Year	Gross output	Value added (VA)	VA per employee	Employment
1973/74	100	100	100	100
1974/75	128	148	154	96
1975/76	156	187	189	99
1976/77	163	158	158	100
1977/78	184	179	127	132
1982/83	456	542	278	195

Source: 1973/74 - 1977/78: B. Decaux, 1980; 1977/78:  
Bureau of Statistics, Industrial Survey for  
1982/83.

**Table 16. Import and export intensities of selected manufacturing firms**  
(percentage)

ISIC code		Share of imported raw materials in total raw material inputs		Share of exports in total gross output	
		1983/84	1984/85	1983/84	1984/85
311-313	Lesotho Flour Mills	96.4	53.7	-	-
	Basotho Fruit and Vegetable Canning	75.3	73.3	91.5	93.9
321-324	Thorkild Handweaving	100.0	100.0	95.0	95.0
	Lesotho Mohair	92.9	92.7	65.0	50.0
	Lesotho Knitwear	-	-	-	100.0
	Sesotho Design	100.0	100.0	78.2	79.2
	Gallant Clothing	100.0	100.0	99.9	100.0
	P.A.L. (leather)	100.0	100.0	100.0	100.0
	Rose Leather Kabi Leather	87.5 100.0	93.3 100.0	- 97.9	- 59.5
332	Lemco-op (furniture)	50.5	49.7	-	-
	Lesotho Furniture	-	100.0	-	-
361	Royal Crown Jewellers	-	100.0	-	40.0
	Frasers Manufacturing	100.0	-	66.8	-
	Loti Brick	17.5	-	23.1	24.2
371-390	Lesotho Steel Products	100.0	100.0	-	-
	Caledon Industries	-	70.5	-	-
	Kolonyama Candle Co.	100.0	100.0	6.0	10.0
	Domolux (bulbs)	100.0	100.0	100.0	100.0

**Source:** ILO/SATEP.

**Table 17. Ownership of selected manufacturing enterprises, 1984**

ISIC code		Share of foreign ownership (Per cent)	Nationality of ownership
311	Lesotho Flour Mills	2.0	Government of Lesotho
313	Lesotho Milling	60.3	South Africa - LNDC
	Lesotho Brewery	49.0	Netherlands, UK - LNDC
	Basotho Fruit and Vegetable Canning	2.0	LNDC
	Astoria Bakery	100.0	South Africa
321	Thorkild Handweaving	100.0	Denmark
324	Gallant Clothing	100.0	South Africa - Hong Kong
	Sesotho Design	100.0	South Africa - Switzerland
	Mustang Shoes	100.0	South Africa - Netherlands
	Atlantis Footwear	100.0	South Africa
	Pal Products	100.0	United Kingdom
	Maluti Skin Products	100.0	Bermudas
	Maluti Tanning	0.0	LNDC
352	L.D.A.	N/A	GOL - Netherlands
361	Royal Crown Jewellers	100.0	South Africa
369	Loti Brick	0.0	LNDC
371	Domolux	100.0	U.K.
390	Kolonyama Candle Co.	100.0	South Africa
	Lesotho Steel Products	76.2	South Africa - LNDC
	Tranalquip	100.0	South Africa
	Lesotho Umbrella	100.0	South Africa

**Source:** ILO/SATEP.

Table 18. Number of establishments by size, 1977/78 to 1982/83

ISIC Code	Manufacturing	11-20		21-50		51-100		101-200		Above 200		Total	
		77/78	82/83	77/78	82/83	77/78	82/83	77/78	82/83	77/78	82/83	77/78	82/83
		311-313	Food manufacturing and beverage industries	-	1	2	3	1	1	1	2	-	4
321-324	Manufacture of textiles, wearing apparel, leather, products of leather, and footwear	8	2	3	1	4	3	3	1	-	3	18	10
332	Manufacture of furniture and fixtures, except primarily of metal	2	1	2	-	3	4	-	-	1	1	8	6
342	Printing, publishing and allied industries	-	-	-	-	2	2	-	1	1	-	3	3
352	Manufacture of other chemical products	-	-	4	1	-	1	-	-	-	-	4	2
361 + 369	Manufacture of pottery, china, earthenware and other non-metallic mineral products	2	2	2	2	3	2	-	-	-	-	7	6
371-390	Manufacture of iron and steel, electrical machinery apparatus, appliances and supplies, and other manufacturing industries	1	2	1	1	-	2	-	-	-	-	2	5
<b>TOTAL</b>		<b>13</b>	<b>8</b>	<b>14</b>	<b>8</b>	<b>13</b>	<b>15</b>	<b>4</b>	<b>4</b>	<b>2</b>	<b>8</b>	<b>46</b>	<b>43</b>

Source: B. Decaux, 1980; Bureau of Statistics, 1982/83.

The trend towards larger enterprises in the late 1970s/early 1980s had a significant positive net effect on manufacturing employment. Whereas from 1973/74 to 1977/78 employment grew by 31.6 per cent, job creation accelerated to a growth of 48 per cent from 1977/78 to 1982/83. The changes in the size distribution of enterprises are reflected in the changed employment shares of the various branches. In particular, the share of the food and beverage industry in total employment increased almost fourfold, from 9.6 per cent to 37.7 per cent (table 19).

Even more pronounced than changes of sectoral employment shares are changes in the sectoral contributions to manufacturing value added (MVA). Between 1977/78 and 1982/83, MVA in the food and beverage industry increased by more than 2,500 per cent (see table 22), raising the share of the sector in total MVA from 8.6 per cent to 74.2 per cent (table 20).

The differential growth rates of the various sectors in terms of MVA and employment are reflected in the trends of labour productivity, measured in terms of value added per employee (table 21). Labour productivity more than doubled from 1977/78 to 1982/83, which is mainly accounted for by the trend in the food and beverage industry. Increasing labour productivity in this sector is largely the result of the establishment of a few large-scale establishments, using relatively capital-intensive production processes. On the other hand, the sharp drop of labour productivity in the chemicals sector does not indicate changes towards more labour-intensive production processes. It merely reflects the fact that the production of blood plasma - at this time the sector's main and highly profitable activity - was legally forbidden afterwards. Eliminating the chemicals sector from the analysis results in a reduction of the industrial sector's labour productivity to M 2,304, which makes the apparent trends in Lesotho's industrial sector towards increasing labour productivity, enterprise size and capital intensity even more pronounced.

Table 22 indicates the degree to which industrial development in Lesotho in the late 1970s/early 1980s was dominated by the expansion of the food and beverage industry. In fact, leaving aside food and beverages, Lesotho's manufacturing sector contracted by almost 14 per cent in this period, with sharp reductions in the chemicals, wood and printing industries. Only the non-metallic mineral-based and engineering industries expanded, whereas the textile, clothing and footwear industries - the largest contributors to MVA in 1977/78 - stagnated. As a result of these trends, the average capital intensity of Lesotho's industrial sector increased significantly over this period. Given Lesotho's resource endowment, its level of development, and in order to meet one of the main challenges for Lesotho's industry in the future, i.e. the creation of employment in the domestic economy in order to reduce the dependency on the RSA's labour market, it will be essential to achieve a more labour-intensive industrial growth pattern. In fact, the structure of approved projects by LNDC in 1983/84 - 1984/85 indicates success in this regard. Only 16.4 per cent of the total investment of approved projects will be directed to more capital-intensive projects in the import-substituting food sector, whereas almost 38 per cent is earmarked for investment in labour-intensive export activities (footwear, textiles, garments). The largest share of investment is foreseen for enterprises engaged in medium capital-intensive engineering activities, whereas investments utilizing the country's non-renewable resources (Lesotho Blocks and Paving) account for only 1 per cent of total approved investment (table 23).

Table 19. Employment in manufacturing, 1973/74 - 1982/83

ISIC Code		1973/74	1975/76	1977/78	Per cent	1982/83	Per cent
311-313	Food manufacturing and beverage industries	261	213	267	9.6	1,551	37.7
321-324	Manufacture of textiles, wearing apparel, leather, products of leather and footwear	836	739	980	35.2	1,197	29.1
332	Manufacture of furniture and fixtures, except primarily of metal	471	516	672	24.1	561	13.6
342	Printing, publishing and allied industries	247	265	364	13.1	316	7.7
352	Manufacture of other chemical products	94	138	159	5.7	104	2.5
361 + 369	Manufacture of pottery, china, earthenware and other non-metallic mineral products	150	174	257	9.2	221	5.4
371-390	Manufacture of iron and steel, electrical machinery apparatus, appliances and supplies and other manufacturing industries	56	47	84	3.0	169	4.1
TOTAL		2,115	2,092	2,783	100.0	4,119	100.0

Source: B. Decaux, 1980. Bureau of Statistics, 1982/83.



**Table 20. Branches' share of value added in manufacturing, 1973/74 - 1982/83**

(Percentage)

ISIC Code		1973/74	1974/75	1975/76	1976/77	1977/78	1982/83
311-313	Food manufacturing and beverage industries	14.9	16.7	9.8	11.1	8.6	74.1
321-324	Manufacture of textiles, wearing apparel, leather, products of leather and footwear	25.0	14.7	19.7	17.3	26.5	9.0
332	Manufacture of furniture and fixtures, except primarily of metal	16.6	13.9	16.5	36.5	16.0	3.2
342	Printing, publishing and allied industries	10.8	17.8	24.6	12.7	14.5	3.3
352	Manufacture of other chemical products	20.7	29.4	23.4	11.2	21.7	1.5
361 + 369	Manufacture of pottery, china, earthenware and other non-metallic mineral products	7.3	6.9	4.6	8.7	9.9	6.1
371-390	Manufacture of iron and steel, electrical machinery apparatus, appliances and supplies and other manufacturing industries	4.7	0.6	1.4	2.5	2.8	2.8
TOTAL		100.0	100.0	100.0	100.0	100.0	100.0

**Source:** B. Decaux, 1980; Bureau of Statistics, 1982/83.

**Table 21. Value added per employee, 1973/74 - 1982/83**  
(in maloti, at constant 1982/83 prices)

ISIC Code		1973/74	1974/75	1975/76	1976/77	1977/78	1982/83
311-313	Food manufacturing and beverage industries	2,641	4,019	3,715	3,513	2,473	11,204
321-324	Manufacture of textiles, wearing apparel, leather, products of leather and footwear	1,378	1,377	2,155	1,729	2,089	1,754
332	Manufacture of furniture and fixtures, except primarily of metal	1,624	1,713	2,585	4,356	1,845	1,346
342	Printing, publishing and allied industries	2,016	4,454	7,489	3,190	3,070	2,457
352	Manufacture of other chemical products	10,169	19,738	13,701	6,215	10,536	3,261
361 + 369	Manufacture of pottery, china, earthenware and other non-metallic mineral products	2,251	2,512	2,122	2,936	2,985	6,399
371-390	Manufacture of iron and steel, electrical machinery apparatus, appliances and supplies and other manufacturing industries	3,929	863	2,415	3,568	2,562	3,889
	<b>TOTAL</b>	<b>2,041</b>	<b>3,138</b>	<b>3,860</b>	<b>3,228</b>	<b>2,595</b>	<b>5,684</b>

Source: B. Decaux, 1980; Bureau of Statistics, 1982/83.

**Table 22. Value added in manufacturing, 1973/74 - 1982/83**

(in thousands of maloti, at constant 1982/83 prices)

ISIC Code		1973/74	1974/75	1975/76	1976/77	1977/78	1982/83	Per cent change 1977/78-1982/83
311-313	Food manufacturing and beverage industries	689.3	1,065.0	791.4	762.4	660.3	17,336.7	2,531.6
321-324	Manufacture of textiles, wearing apparel, leather, products of leather and footwear	1,152.1	939.2	1,592.2	1,179.5	2,047.0	2,099.8	2.6
332	Manufacture of furniture and fixtures, except primarily of metal	764.8	887.4	1,333.8	2,491.9	1,239.5	754.9	-39.1
342	Printing, publishing and allied industries	497.9	1,131.4	1,984.6	867.7	1,117.6	776.5	-30.5
352	Manufacture of other chemical products	955.9	1,875.1	1,890.8	764.5	1,675.3	332.9	-80.9
361 + 369	Manufacture of pottery, china, earthenware and other non-metallic mineral products	337.6	437.1	369.2	596.1	767.2	1,414.2	84.3
371-390	Manufacture of iron and steel, electrical machinery apparatus, appliances and supplies and other manufacturing industries	220.0	37.1	113.5	167.7	215.2	657.3	205.4
<b>TOTAL</b>		<b>4,317</b>	<b>6,372.3</b>	<b>8,075.5</b>	<b>6,829.8</b>	<b>7,722.1</b>	<b>23,412.3</b>	<b>203.2</b>

Source: B. Decaux, 1980; Bureau of Statistics, 1982/83.

**Table 23. Approved projects by LNDC, 1983/84 - 1984/85**

	Employment	Total investment (in thousands of maloti)	Capital-labour ratio
Maputsoe Bakery	18	417	C/L = 30,475
Home Brew	35	1,100	
King Food	46	1,500	
Natural Shoes	303	904	Footwear: C/L = 3,854
Atlantic Footwear	100	410	
Shoecomp	140	892	
Pal Products (handbags)	160	513	
Bentex Dress	55	270	
Focus Clothing	300	2,311	
Lesotho Shoes	150	465	
Tsitoe Clothing	70	680	
Apex Clothing	70	370	
Peacock Clothing	124	137.5	
Lesotho Blocks and Paving	35	180	C/L = 5,300
Cemic Steel	186	851	C/L = 17,117
Maluti Steel	80	1,280	
International Steel	80	1,550	
Steelquip	125	4,581	

**Source:** ILO/SATEP.

### 3.2 Resource-based industrialization in selected branches

Lesotho is poorly endowed with non-renewable natural resources. Emphasis on industries utilizing renewable, agricultural resources is therefore a straightforward option, not only with a view to Lesotho's resource endowment, but also with a view to the structure of the domestic economy. Agro-based industries can play a key role in Lesotho's economic development, given their potential to create employment, to generate foreign exchange through exports, to substitute imports and to stimulate the development of rural areas.

As shown, these promises were only partly kept by the rapid expansion of the food industry. Although it lifted its share in total manufacturing value added from 8.6 per cent in 1977/78 to 74.2 per cent in 1982/83, the share of the branch in total industrial employment grew only from 9.6 per cent to 37.7 per cent. Thus it was in particular the structure of growth of the food industry itself which accounted for the trend towards larger units and more capital-intensive production in Lesotho's industry. The main activities which were established and/or expanded during this period included two large flour mills, a dairy plant, a large-scale beer and soft-drink plant, an ice-cream factory, a cannery and several bakeries. These activities can only partly be supported by domestically produced inputs, due to the supply problems of Lesotho's agricultural sector (see section 2.1). An improvement of agricultural productivity is therefore an essential precondition for rendering (agricultural) resource-based industrial development in Lesotho viable.

#### 3.2.1 Crop processing

The case of the Basotho Fruit and Vegetable Cannery is a good example for the problems and prospects of a strategy focussing on linked agricultural/ industrial development. The operation dates back to the Thaba Basiu Rural Development Project and was set up to can asparagus. After termination of the project, the cannery was taken over by the Ministry of Agriculture and later handed over to LNDC. As the season for asparagus lasts only three to four months, the product range was expanded to include beans, peaches, green peas and tomato paste. Yet, local supply of these crops is inadequate, and currently efforts are being made to grow mushrooms and add canned mushrooms to the product line. Market prospects in the EC for such exports appear to be very favourable: whereas exports from Lesotho enjoy duty-free access to these markets, exports from Lesotho's main competitors (Taiwan, Province of China, and Peru) have to pay a 20 per cent duty. In addition to vegetables, high-value agricultural export crops would appear to be amongst others almonds, pistachios, deciduous fruits, grapes for table or raisin use, berries, selected oils and spices.

Yet, further industrial development along these lines will depend on both institutional reforms and investment in the agricultural sector. The example of the cannery shows that both conditions can be met. Most notably, the planting of asparagus required a departure from traditional landholding patterns, under which, in addition to small plots for subsistence production, land is either utilized for communal grazing or allocated to individual farmers for no longer than one year. Investment into many non-traditional crops requires, however, a significantly longer period to pay off. In the case of the (EC-supported) asparagus canning project, farmers were granted a 99-years leasehold of the land dedicated to planting asparagus, which has the additional advantage that farmers can use this land as collateral to obtain credit for further investment. In addition to such institutional reforms, the

EC financed the construction of wells to create the infrastructural pre-conditions for irrigated agriculture. The results of these efforts have been encouraging. Presently, there are some 300 asparagus growers, with an average yearly income of M 1,400 in 1984. This is comparable to wages paid in the industrial and services sector, but still significantly below wages of experienced mine workers in the RSA.

### 3.2.2 Livestock processing

A second group of agro-based industrial activities with a good potential in Lesotho relates to the livestock sector. Apart from slaughter stock (cattle, and to a lesser extent sheep, goats and pigs), the products of stock-farming include milk, eggs, hides and skins, wool and mohair. In 1982 cattle contributed around three-quarters of the volume of meat production, followed by sheep and lambs with around 9 per cent (table A-8). In value terms, it is noteworthy that milk accounts for two-thirds of the value of cattle production. Wool and mohair are significant, but together much less than milk, and under a quarter of livestock value added. They do of course feature much more prominently in marketed output, since most food derived from livestock is consumed directly for subsistence.

The scope for increasing the supply of livestock products to local processing is considerable. Directly proportionate to the number of slaughter stock are hides and skins and a range of possible by-products. Milk production is likely to be encouraged by small-scale decentralized facilities serving producer co-operatives and largely supplying local communities. Some 5,500 tons of dried milk had to be imported in 1980 as food aid or commercial supplies, indicating a substantial import-substitution potential. Intensive pig and chicken farming units might be considered: a piggery complex is envisaged under FYDP3, while in respect of the latter, up to 250 tons of egg powder has been imported as food aid in recent years.

A cornerstone for the further development of livestock-based industries is the recently completed export-oriented abattoir, which has daily processing capacity of 100 cattle and 200 sheep. The abattoir has a significant potential to substitute imports and to earn foreign exchange and to stimulate domestic production of processed meat. In addition, through its supplies of hides and skins, it has direct forward linkages to a projected tannery. At present, hides and skins are supplied mainly from slaughters to meet local demand for meat, a great deal of which is done in private homes. Correspondingly, it was difficult to collect hides and skins for processing, and the recovery rate is relatively low at about 40 per cent. All hides and skins are exported. Through concentrating the largest share of domestic slaughters in the new abattoir, the supply of hides and skins suitable for further processing will be increased, and their collection will be greatly facilitated.

New activities in the food sector with a promising potential in the future include poultry production (currently under consideration by the Agricultural Development Bank), the establishment of an animal feed mill, the production of barley malt, and the establishment of a second canning operation for the norther lowland districts (for which again increases in agricultural supplies would be a pre-condition).

### 3.2.3 Leather, textiles and clothing

The projected tannery will close the existing gap in the production chain of Lesotho's leather industry, where presently hides and skins are exported to the RSA for processing, to be subsequently re-imported into Lesotho for the manufacturing of finished products. The latter comprises the production of footwear for export and import-substitution as well as sheepskin car seat covers, leather and sheepskin toys, coats and slippers. Increasing supplies of domestically produced, high-quality leather should stimulate a diversification of the product range, to include products such as saddles and saddlery, upholstered furniture, handbags, travel goods, brief cases and small leather goods (e.g. watch straps, desk furniture, comb and spectacle cases, school satchels etc.).

Lesotho's textile and clothing industry is of a highly dualistic character, consisting of an export-processing type segment serving garments for South Africa and European markets, and a smaller segment comprising several craft plants producing mohair tapestries, woven rugs and other artifacts, as well as a number of small-scale garment producers oriented towards the domestic market. Export-oriented garment production, just like other assembly operations, including the production of umbrellas, has been attracted to Lesotho by the country's generous investment laws, in combination with preferential or duty-free access to European markets. However, these industries turned out to be quite "footloose" in the recent past, in view of an "incentive race" which is developing in Southern Africa between Lesotho, Botswana, Swaziland and several of the "homelands". In view of the types of imported inputs used by these enterprises (e.g. cotton-polyester blended fabrics, denims etc.) which will hardly be produced in Lesotho in the foreseeable future, as well as the dependence of these enterprises on foreign management, the development of intensive linkages between these activities and the rest of Lesotho's economy does not seem to be a realistic expectation. These enterprises can be expected to play an important and possibly growing role in the current stage of Lesotho's development as generators of employment. However, given the usually low degree of value added resulting from these operations, the even lower share of value added accruing to domestic factors of production, and the almost complete dependence on imported inputs, their net contribution to Lesotho's economy, having properly discounted the costs involved in attracting them, does not appear to be large, and in some cases may even be suspected of being negative.

More valuable contributions to Lesotho's development, in terms of initiating an indigenous resource-based process of development, can be expected from investments into more "upstream" stages of textile production, such as the projected wool and mohair washing and scouring operation. Presently Lesotho produces about 3 million kilograms of wool and 750,000 kilograms of mohair annually, all of which is exported in unprocessed form. Studies have shown that a washing and scouring plant would be commercially and technically feasible in Lesotho. Yet, just like in the case of livestock, improvements in the marketing system will be crucial to ensure a stable or even growing supply of wool. Currently, growers have the option to sell wool and mohair either to private traders or to the Livestock Produce Marketing Service (LPMS), both of which sell these products at auction centres at the coast (mainly Port Elizabeth). Private traders immediately pay cash to the growers, but at a discounted price compared to LPMS. On the other hand, growers have to wait 2-5 weeks before receiving a first installment from LPMS (about 50 per cent), and the final payment is made only after the auctions,

which may well imply a delay of 4 to 5 months. About 60 per cent of wool and mohair is traded through LPMS, the rest through private traders. There appears to be scope and need to reduce the costs of marketing through LPMS, including through reducing the marketing costs of LPMS itself, in order to stimulate domestic production of inputs for the projected wool and mohair washing and scouring plant.

Increasing supplies of domestically produced wool and mohair could support the production of blankets, another key project in the textile and clothing sector. Blankets are the traditional clothing of the majority of Lesotho's population during winter. This readily available market is fully served by imports. Domestic production to substitute these imports should not face serious problems, particularly as domestic producers would have a comparative advantage with respect to design.

An equally readily available market for the domestic textile and clothing industry consists of school uniforms, including jerseys, dresses, blouses, stockings, shorts, skirts, socks, and blazers. To utilize this potential, new domestic manufactures might require some policy support against established South African competition through utilizing the "infant industry" clause of the SACU agreement. As public procurement policies cannot be utilized in support of this due to the prevalence of privately run schools, some alternative ways of policy support through negotiations between the Government and private school authorities may be envisaged.

#### 3.2.4 Non-metallic mineral-based industries

Lesotho's mineral resources are small, and neither the quality nor the quantity of most deposits warrant commercial exploitation on a sizeable scale. Yet, there are some exceptions to this which have given rise to some industrial processing in the past and which still hold some potential for expansion in the future. Currently there are one brick factory and two pottery plants operating, using domestic sand and clay resources. In addition, a sizeable number of small-scale enterprises are active in this branch.

Clay deposits are located at Leribe, Maseru, Mafeteng, Mohale's Hoek and Quacha's Nek. The deposits, however, are not primarily kaolinite, and therefore it is not possible to produce high quality tableware from domestic resources. Yet, ceramic clays, discovered in the Mafeteng district, are suitable for stoneware pottery. Thaba Bosiu Ceramics (T.B.C.), a company producing hand pottery for export to the RSA, is another example of the problems and prospects of promoting industry in Lesotho. The company was set up with the help of a British expert potter, who was brought in by LNDC. The products of T.B.C. were well received in the South African market, and the development of the company was promising until the expert potter accepted a better offer from a South African competitor and left. Currently LNDC is making efforts to rehabilitate the company. New products with a good potential for domestic manufacturing include terrazzo tiles for flooring in houses, wall tiles, insulators and selected sanitary ware.

Building blocks and bricks are manufactured utilizing both imported and domestic raw materials. Block makers primarily rely on domestic sand resources, but have to import cement and gravel or crushed stone. Brick makers utilize domestic red clay and sand or gravel, but have to import black ash from the RSA. Whereas there appears to be little scope to substitute the latter by domestic production, block makers feel that local carved and slab



stones could be exploited adequately if only the resistance of clients and architects could be overcome.<sup>1/</sup> Government policies supporting the exploitation and utilization of domestic resources (e.g. in Government buildings) could contribute to a greater reliance of the industry on domestic resources. New products which could be manufactured in the future include concrete roofing tiles and various building products of sandstone (currently studied by LNDC).

### 3.3 The scope for regional industrial co-operation

Lesotho's disadvantaged position within the SACU framework and on the periphery of the South African industrial economy leaves little room for manoeuvre in regulating the external environment for the development of local manufacturing industry. However, several of the limited range of opportunities have already been exploited, particularly in respect of trade. Lesotho's membership of both SACU and the Lomé Convention has been a major selling point in the drive to attract South African and overseas investment in export-oriented manufacturing, and several of the factory investments of the 1970s were partly based on this factor.

In general, however, the response has been far less than anticipated and in the early 1980s Lesotho has been more active in concluding bilateral arrangements. In 1982 trade agreements were signed with Zimbabwe and Zambia; under the former, imports from Zimbabwe of such products as tobacco, garments and footwear, medicines, stores, agricultural machinery, cement, iron and steel were to be balanced by exports of wool, skins, hides, pottery, shoes, umbrellas, beads and pharmaceuticals. Given the almost non-existent level of trade in manufactures between Lesotho and non-SACU African countries, planned trade expansion, using product lists and regularly negotiated targets in quantities or values, could provide a framework and pave the ground for promotional techniques under a free market approach. Similar in approach is the joint or multi-national enterprise, through which inputs and production are divided between two or more production units in the partner countries through government-backed contractual arrangements or shared ownership.

Regional co-operation offers further possibilities. In 1982 Lesotho signed the Preferential Trade Agreement, which joins the majority of eastern and southern African States in a programme of intra-regional tariff reduction in terms of a common list of commodities. Tangible benefits to Lesotho are likely to be long- rather than short-term and membership can be of little more than symbolic value in the immediate future.

More concrete results, on the other hand, may be expected of Lesotho's participation in the Southern African Development Co-ordination Conference (SADCC), which unites the nine majority-ruled countries of southern Africa in a commitment to co-ordinated subregional development and the reduction of external economic dependence, especially on the RSA. Co-ordination of national effort rather than integration, and organizational decentralization rather than central institution-building have been the hallmarks of SADCC since its formal inauguration at the Lusaka Summit on 1 April 1980. Although still at a formative stage, SADCC has already developed a flexible and pragmatic machinery of consultation and regional planning co-ordination, not only amongst members but also with the major aid donors.

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<sup>1/</sup> ILO/SATEP, p. 161 f.

Of particular interest to Lesotho is regional co-operation in industrial development, a SADCC sector delegated to Tanzania for co-ordination.<sup>1/</sup> The core of the programme to date has been the sub-sectoral regional industrial plans, which analyse regional production capacity and demand for particular commodities or product groups and recommend investment projects and their locations. The initial set of 9 sub-sectoral plans and 88 projects was presented to donors at SADCC's fourth annual conference in January 1983, coincidentally held in Maseru, and another 8 sub-sectors are currently under assessment.

Of the initial total of 88 projects, 6 are located in Lesotho: one producing salt, three textiles, and two agricultural implements (see tables 24 and 25). All are geared to the local market and import substitution and all are designed to produce intermediate or consumer goods satisfying the basic needs of the people: refined salt for human consumption, woven/knitted fabrics and blankets, washed wool, and farm implements (see also section 3.2.3). In the product range of these projects there is little or no current production capacity and the emphasis is strongly on import substitution. Partial exceptions are possibly the knitting plant, which may have a small surplus for export to SADCC importers, and more definitely, the wool scouring plant, which is plans to export nearly all its output, 40 per cent to the SADCC market and 60 per cent outside the region. This plant has a double strategic significance. First, it will upgrade the value of Lesotho's principal export commodity, which currently leaves the country in a raw state. Second, it will serve as a regional SADCC facility, processing also the 10-15 per cent of SADCC wool not produced in Lesotho and supplying a spinning mill in Botswana, also a SADCC project, which is to meet part of the large SADCC deficit in woollen yarn.

The regional character of the six projects consists for the most part in their utilization of inputs from other SADCC countries and in their principal objective of reducing Lesotho's near total dependence on imports of basic goods. They are all relatively modest in scale, four costing around US \$3 million each, the remaining two far less. Not all are labour-intensive, the wool scouring plant in particular creating only 35 jobs. There is nonetheless some emphasis on the small workshop or artisanal sector, either creating capacity (30 powerlooms, 1 blacksmithy with another 7 envisaged) or supplying inputs (fabrics to garment makers), a development which could well be taken further.

All six projects inevitably rely on foreign machinery and technical assistance, although in fact only half the total capital cost of US \$12.4 million is required in foreign exchange. Despite the fact that several are not new, SADCC promotion has given the projects added impetus and greater strategic coherence than would be possible under purely national auspices. The pilot farm implements blacksmithy has been completed; offers have been secured for the salt refinery and powerlooms; the knitting plant is under negotiation; there is interest in the agricultural implements and wool scouring plants, the latter awaiting technical trials in the UK.

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<sup>1/</sup> A study of the potential for subregional industrial co-operation through SADCC has been published by UNIDO; see: UNIDO, Industrial Co-operation through the Southern African Development Co-ordination Conference, IS.570, 15 October 1985.

**Table 24. SADCC industrial projects in Lesotho: capital cost and current status, October 1984**

Project	Investment (in millions of US dollars)	Promoter	Implementation and foreign assistance
1. Small-scale salt refinery			
total cost	0.05	LNDC	Interest from National Small Industries Corporation
foreign currency	0.05		
funding progress	D		
2. Knitting plant			
total cost	3.10	LNDC	Under negotiation with NSCC
foreign currency	2.50		Kenyan company interested in providing technical assistance
funding progress	C		
3. Powerlooms			
total cost	3.29	Local	Offer of commercial suppliers credit from Project Equipment Corporation, India. Interest in credit for machinery and equipment from Japan
foreign currency	1.41	entrepreneur	
funding progress	D		
4. Wool scouring plant			
total cost	2.90	LNDC	Interest from Belgium. Trials underway in UK to assess technical viability
foreign currency	0.75		
funding progress	A		
5. Agricultural implements plant			
total cost	3.00	LNDC	Interest from India and Austria
foreign currency	1.41		
funding progress	B		
6. Agricultural implements:			
artisan unit			
total cost	0.021	LNDC	Completed with Indian grant and technical assistance
foreign currency	0.006		
funding progress	E		
All projects			
total cost	12.36		
foreign currency	6.13		

**Source:** SADCC, Reports on industrial projects 1983/4.

**Foreign funding progress:** A - project still in preparation

B - sought

C - under negotiation

D - offered

E - under implementation or disbursed.

Table 25. SADCC industrial projects in Lesotho: capacity and production linkages

	Capacity (in tons)	Products	Current local consumption	Inputs	Potential source of supply	Intended materials
1. Small-scale salt refinery	1 t/day or 20-300t/year	Retired salt for human consumption	7,000t <u>a/</u>	Crude salt	Mozambique Tanzania	Local
2. Knitting plant	2m m <sup>3</sup>	Polyester/cotton fabrics; dyeing and printing	1.5m.m <sup>3</sup> knitted polyester fabric	Cotton, polyester/ cotton yarn	Zimbabwe	Mainly local
3. Powerlooms <u>b/</u>	0.1m (2m.m <sup>3</sup> )	Blankets	13-15m.m <sup>3</sup> of all fabrics	Wool or cotton/ polyester yarn	Local Zimbabwe	Local
4. Wool scouring plant	4,000t greasy <u>c/</u> into 2,000t cleaned	Cleaned wool	5,900t wool and woollen products <u>e/</u>	Greasy wool	Local and SADCC  (1,200t)	Botswana (800t) <u>d/</u> , abroad
5. Agricultural implements plant	700t	Animal-drawn and hand implements	1,600t of all implements	Steel	Zimbabwe	Local
6. Agricultural implements: pilot artisan unit	7-8t or 20,000 pieces (later 60t)	Hand implements	700t hand implements	Scrap, steel	Local Zimbabwe	Local

Source: SADCC, Reports on industrial projects 1983/4.

a/ Total human consumption of salt, of which the proportion refined is currently small.

b/ In the original project profile, 30 looms in 5 units supplying a central processing plant for finishing (dyeing and printing). It is unclear to what extent the subsequent output switch from fabrics to blankets has altered the production plan.

c/ The SADCC project profile gives Lesotho's output of wool and mohair as 4,900 tons in 1979 and 5,365 tons in all SADCC countries. Exports were, however, recorded as 2,964 tons in 1979/80, close to the 1976-80 average (Tables A19 and A21).

d/ To supply the expanded spinning mill, also a SADCC industrial project.

e/ Imports into the whole SADCC region.

The scope for SADCC project identification is far from exhausted, although confronted by many of the same difficulties that have arisen under national development planning. The potential in textiles is far from fully realized, and vertical linkages and the utilization of wool and especially mohair need fuller development, perhaps as an integrated industrial sub-sector. Tourism, for which Lesotho is now SADCC sector co-ordinator, could be reorientated towards Europe and North America, with indirect benefits in expanded demand for small-scale textile and craft production. Processed vegetables and fruits may substitute imports by SADCC countries from South Africa; and some leather products, meat by-products and pottery and ceramic ware may find SADCC markets. The growing technical and commercial expertise of much larger SADCC producers, notably Botswana, in diamond sorting and semi-precious stone polishing may provide a source of technical and marketing assistance.

With growing co-operation, regional trade imbalances may well arise as import-substituting investment can utilize inputs from other SADCC countries, while Lesotho may face difficulties in supplying manufactured exports to them on a competitive basis. The planning of specific inter-country linkages or production chains, as in the case of the wool scouring plant and the spinning mill in Botswana, may provide a partial solution; and a workable intra-regional payments mechanism would assist in relieving the inhibitions of balancing bilateral trade.

In the long run, cheap hydro-electric power could give Lesotho's manufacturing sector a more general cost advantage in the SADCC context. Large-scale commercial forestry could draw major benefits from the experience of other SADCC members, especially Swaziland and Mozambique, and from integration into SADCC production planning and promotion. Finally and perhaps most importantly, Lesotho has more need than most fellow-members of SADCC's human resources development programme, especially in technical, financial and managerial expertise and in appropriate technology transfer to the predominantly female small-scale producers who will continue to play an important role in Lesotho's industrial development.

#### IV. INDUSTRIALIZATION STRATEGIES AND POLICIES: OPTIONS TO REDUCE ECONOMIC DEPENDENCE

##### 4.1 Policy options

Lesotho has a dependent economy, and the causes of dependence are well known to the people of Lesotho and are well documented in an extensive literature. Yet, there is considerable scope to reduce this dependence through appropriate policies designed to alleviate the key constraints to a more self-reliant pattern of economic development. At present, the dominating factor in Lesotho's economy is the income transferred from migrants working in the mines of the RSA. This income, as shown in the first chapter, is mainly used to finance imports of consumer goods, and only a limited fraction is transformed into domestic savings and investment.

In terms of strategy options, both import-substituting and export-oriented investments appear to have a promising potential. Concerning the former, in most industrial branches the share of domestic production in apparent consumption is extremely low, with the exception of the food and printing industries, where domestic production accounts for around one-third of apparent consumption (table 26). Despite the limited size of Lesotho's internal market, the actual low rate of utilization of the potential offered by this market implies a sizeable growth potential for domestic firms. In particular, small-scale enterprises would qualify for utilizing this potential. Beyond this, once domestic industries have increased their competitiveness in the domestic market, Lesotho's membership in SACU, SADCC and PTA offers a much larger potential for exports in order to substitute imports at the subregional level.

Both exports into and out of the sub-region, could (and already do) benefit from Lesotho's wage cost advantage vis-à-vis the RSA and other industrialized countries, as well as a high degree of discipline of Lesotho's labour force, as was repeatedly stated by foreign investors. In comparison to most export-competing developing countries, Lesotho benefits from duty-free access to the markets in the European Community.

Cost advantages based on these factors are primarily attractive for labour-intensive assembly operations, using imported intermediate products. Given the actual level of development of Lesotho's industrial sector and existing bottlenecks in terms of entrepreneurial and technical skills, foreign investment in such activities will need to play an important and growing role in the short and medium term through generating foreign exchange and creating employment. Yet, both independent states and "homelands" in the sub-region are increasingly competing to attract such investment, and an "incentive race" is developing in which some competing countries appear to be equipped with more resources and subsidies to offer, be it due to their superior endowment with natural resources (e.g. Botswana), be it due to strong financial backing from the RSA ("homelands"). Notwithstanding these constraints, Lesotho can hold its own if it wants to, provided that several changes in the system of incentives which have been under discussion for a considerable time be implemented (see section 4.3).

Yet, beyond relatively small amounts of domestically added value, large-scale, export-oriented assembly operations based on imported intermediate goods have little impact on the development of the domestic

**Table 26. Apparent consumption by industrial branch, 1982/83**

(in thousands of maloti)

ISIC code	Industry	Import (1)	Gross output (2)	Export (3)	Apparent consumption (1+2+3)	Share of gross output in apparent consumption	Share of imports in apparent consumption
311-313	Food manufacturing and beverage industries	102,044	56,010	2,840	155,214	36.1	65.7
321-324	Manufacture of textiles, wearing apparel, leather, products of leather and footwear	113,882	9,700	7,574	116,008	8.4	98.2
332	Manufacture of furniture and fixtures except primarily of metal	19,372	2,742	1,557	20,557	13.3	94.2
342	Printing, publishing and allied	4,330	1,942	251	6,021	32.2	71.9
352	Manufacture of other chemical products	35,654	1,853	829	36,678	5.0	97.2
361&369	Manufacture of pottery, china, earthenware and other non-metallic mineral products	19,330	3,232	251	22,311	14.5	86.3
371-390	Manufacture of iron and steel, electrical machinery apparatus, appliances and supplies and other manufacturing industries	<u>157,147</u>	<u>2,747</u>	<u>1,745</u>	<u>158,149</u>	1.7	99.3
	Total above	<u>451,759</u>	<u>78,226</u>	<u>15,047</u>	<u>514,938</u>		
	Total import and export	559,795		39,059			

Source: Bureau of Statistics.

industrial sector, neither in terms of skill formation nor in terms of stimuli to other sectors of the domestic economy. In fact, it may be suspected that, having properly discounted the cost of attracting these enterprises, the net value to Lesotho's economy may not be positive in all cases. A careful assessment of the real costs and benefits of pursuing such a development strategy in Southern Africa and, based on this, subregional consultations between Lesotho, Botswana and Swaziland with a view to putting an end to the current incentive race and taking a joint position, would appear to be desirable. In the medium and long term, the crucial issue of reducing Lesotho's economic dependence requires the development of more self-reliant, integrated domestic production structures. The establishment of small-scale industrial operations, run by domestic entrepreneurs, to substitute imports at the domestic level will be one crucial factor in this context, in particular with a view to the formation of industrial skills and experience. The promotion of industries which process domestic resources will be another key element. In non-metallic mineral-based industries, for instance, only 14.5 per cent of domestic consumption is domestically supplied, and in the case of textiles, clothing and leather products, domestic production accounts for merely 8.4 per cent of consumption. As discussed in section 3.2.3, in both cases scope to increase the respective shares is considerable (e.g. building materials and blankets production). Yet, the analysis of resource availabilities and industrial potential in chapters II and III made equally clear that in many cases the very lack of domestic resources is the main bottleneck for the development of resource-based industrial activities. Given the relatively scarce endowment of Lesotho with natural resources, an integrated approach to develop agricultural and livestock resources and related processing capacities will be of crucial importance for the achievement of greater economic and industrial autonomy.

The initiation of a process of domestic economic development is crucially linked to the solution of two problems: the generation of domestic savings, and the channelling of these savings into domestic investment opportunities. As to the first issue, currently Lesotho can be characterized as a country without domestic savings. In 1983/84, public and private consumption accounted for 218.7 per cent of GDP and 100.1 per cent of GNP (table 27). Increased efforts to generate domestic savings are therefore a precondition for any strategy aiming at a reduction of Lesotho's economic dependence. Of course, the desired impact on the domestic economy will be only achieved if such savings are converted into domestic investment.

Efforts in this direction will be only successful if investments into agriculture and related small-scale industrial activities are attractive compared to alternative investment opportunities. This pre-condition has not been met in the past, which in fact resulted in declining agricultural productivity, aggravating the negative effects of adverse weather conditions on supplies. The main cause for this trend is the persisting high differential between wages/income received from work in South-African mines (table 28), formal sector employment in Lesotho and agricultural activities which result in a vicious circle of dependence: high income flows from work in South-African mines reduce the attractiveness of efforts and investments in the agricultural sector <sup>1/</sup>; resulting stagnation and even decreases of agricultural productivity tend to reduce agricultural incomes per capita; the deteriorating position of agricultural incomes stimulated migration to the RSA, which again resulted in growing remittances to Lesotho.<sup>2/</sup>

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<sup>1/</sup> In principal, this circle affects all domestic activities.

<sup>2/</sup> This does not imply neglect of the importance of increases of wage rates in the RSA.



**Table 27. Summary of major national accounts indicators**  
(in thousands of maloti)

	1981/82	1982/83	1983/84 <sup>a/</sup>
Final consumption expenditure	667,905	759,078	892,428
Government	104,775	83,790	95,750
Private	563,130	675,288	796,678
Gross capital formation	128,799	141,962	147,005
Gross fixed capital formation	111,087	127,962	136,005
Government	66,600	63,500 <sup>b/</sup>	57,800 <sup>b/</sup>
Private	44,487	64,462	78,205
Increase in stocks	17,712	14,000 <sup>c/</sup>	11,000 <sup>c/</sup>
Export of goods and services	57,032	54,694	45,500 <sup>c/</sup>
Less: Imports of goods and services	497,884	574,864	676,875 <sup>d/</sup>
Less: Donated food	7,394	8,729	
Gross domestic product at market prices	348,458	372,141	408,058
Net factor income from abroad	287,700	407,400	483,500
Earnings of Basotho in South Africa	288,300	408,500	481,800
Net investment income	- 600	- 1,100	1,700
Gross national product at market prices	636,158	779,541	891,558
Population (in thousands)	1,397.3	1,429.4	1,462.3
GDP per capita (in maloti)	249	260	279
GNP per capita (in maloti)	455	545	610

Source: The Bureau of Statistics.

<sup>a/</sup> Preliminary figures.

<sup>b/</sup> According to the Quarterly Review of the Central Bank of Lesotho.

<sup>c/</sup> IMF mission estimate.

<sup>d/</sup> Customs estimate.

**Table 28. Wage/income per month comparison for alternative sources  
inside/outside Lesotho, 1984/85**

(in maloti/rand)

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Typist, receptionist	104.25
Telephone operator, machine attendant, junior clerk, driver (average)	146.00
Machine operator	136.20
Unskilled labourer (light/heavy physical work)	85.00/97.30
Light industrial worker (trained)	85.00
Asparagus growing <sup>a/</sup>	117.00
Mining work in R.S.A. <sup>b/</sup> :	
Novices <u>c/</u> (surface/underground)	136.00/167.00
Experienced worker (average)	360.00

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**Source:** Lesotho Government Gazette, 13 September 1984;  
The Employment Bureau of Africa Limited.

**a/** Family income.

**b/** Data referring to May 1985. To all figures R100 should be added for "food quarters".

**c/** Official Minimum Starting Wage laid down by Chamber of Mines. However, several companies such as Anglo start novices quite considerably higher.

To reduce the income gap between external and domestic activities is therefore an essential pre-condition for the success of efforts to broaden the domestic economic and, in particular, industrial base. The example of the "asparagus project" has proven that a combination of extension services, infrastructural investments and changes in the institutional framework can provide attractive incentives to farmers to increase agricultural output, and that income which can be achieved this way is equal or superior to the one offered by many employment alternatives in Lesotho's formal sector. Yet, the comparison with the income of miners in the RSA shows that mining incomes are still three to four times as high.

#### 4.2 Mobilizing national resources

Remittances of migrants working in the mines of the RSA represent the main source of income in Lesotho. Any serious attempt to increasingly mobilize national resources for domestic development purposes will need to establish ways and instruments to utilize this potential which is currently used almost exclusively for public/private consumption. A first attempt in this direction dates back to 1975, when the Deferred Payments Scheme (DPS) was introduced. Under the scheme, 60 per cent of the basic wage earned in R.S.A. is deferred and directly transferred from the mining companies to the Lesotho National Bank (LNB) which pays the miners only personally upon return to their home place.

The scheme has never measured up to original expectations. Compared to maximum theoretical accumulation, by now of 120 million rand, the actual accumulation is 50-60 million rand, with a falling trend. The reason for this is a growing propensity of miners to withdraw their money, which is facilitated by the recent policy of mining companies to grant miners the right to return every second week to their homes. In order to promote domestic development, it will be necessary

- to increase the amount and average deposit time of money held in LNB; and
- to open a "development window" at LNB, to channel the income derived from administering the deferred payments directly into development projects, possibly through existing institutions such as LNDC and BEDCO; and/or
- to make the domestic private banking system more attractive to possible savers.

The key to increase the amount and deposit time of deferred payments held by LNB would be to reduce the incentive for migrants to withdraw their savings from LNB, i.e., to make investment in LNB at least equally attractive to investment in South African banks. Major obstacles to this are currently both the comparative levels and the structures of interest rates between Lesotho and R.S.A. As to interest levels, for identical amounts of deposits rates in Lesotho tend to be slightly lower (0.5-1 per cent) than South African rates. Miners are aware of these differences and are reacting accordingly, in particular since South African banks have established branch offices directly at the mines. The incentive to invest in South African banks is increased by differences in the structure of interest rates. In Lesotho, interest rates do not vary with the amount invested, but only with the deposit time. Therefore, the incentive to invest in the RSA grows with the amount of the investment.

Being a member of the CMA, the only feasible market solution to increase the availability of funds in Lesotho would be to both adapt the structure of the capital market and the level of interest rates to South African conditions. In fact, given the level of development in Lesotho, it may well be argued that interest rates paid to Lesotho nationals should be higher than rates paid in the RSA. In this case, however, lending for investment purposes would need to be subsidized in the current conditions of Lesotho, either from domestic revenues of the Government or from external sources. Thus, domestic savings could increasingly substitute the foreign aid component in domestic investments, and external resources would eventually only be needed for interest rate subsidization.

Market-oriented policy measures in this direction, supported by measures aiming at strengthening the national banking system, e.g. through the establishment of branch offices of banks in rural areas, would be an important step towards creating the financial basis for more autonomous economic development in Lesotho. Yet, they would become effective only in the long term. In addition, interest-related reforms would not affect one of the key constraints to Lesotho's development: the persisting high income gap between work/employment in Lesotho and the RSA and the low propensity of Basotho to invest in productive activities in Lesotho. Yet, the need to develop Lesotho's renewable resources and domestic industrial capacity was shown to be of crucial importance for the achievement of greater economic autonomy in Lesotho, given its scarce endowment with non-renewable resources. The gap between domestic and external incomes, which constitutes a key disincentive for the development of domestic resources and industrial capacity in Lesotho, cannot be closed in the foreseeable future through increases of domestic profitability and productivity alone. Both renewable resources for agro-based industries and domestic skills required for various import-substituting activities will need to be developed continuously in the course of time, supported by appropriate policy measures.

It may therefore be envisaged, in addition or alternatively to the market-oriented measures outlined above, to reduce this income gap during a first phase through reductions of the external income which can be obtained by domestic citizens. One of the policy instruments which could be used for this purpose and which, at the same time, could increase the funds available for domestic investments, would be to apply the income tax also to miners' remittances. In order to significantly reduce external/internal income disparities, an increase of the current rate of income tax may be necessary. The funds available from this could and should be used to finance domestic investment in economic key sectors. Thus, in a second phase, the tax rate could be gradually reduced, as the domestic-external income gap would be increasingly reduced through raising domestic productivity.

It is recognized that the introduction of such measures would face significant tax resistance from the miners, and that a tax alone would not automatically result in increased domestic and agricultural investment. A solution to both problems would appear to be a conversion of tax receipts into "Investment Subsidy Certificates" (ISC). Under such a scheme, miners would receive an investment subsidy to the amount of their accumulated interest bearing ISCs (= taxes paid), if they finally return to Lesotho with the intention of establishing their own (small-scale) enterprise or investing into agriculture.

This scheme would need to be complemented by appropriate measures to enable miners to establish their own productive activities. An important complement to this would be training. Instead of paying out to returning

miners the full amount of ISCs, one might envisage the withholding of a fraction of ISCs which would be paid out to returned miners as direct income support during a period of some 3-6 months during which they would receive training in essential skills required for starting a small-scale enterprise. Another essential complementary measure might be to encourage the establishment of co-operatives by miners whose individual ISCs would be insufficient for the required investment. Apart from specialized training in this respect (which might be obtained through foreign assistance), the formation of such co-operatives might be encouraged through the provision of additional investment funds.

A scheme of (partly) refundable taxes on miners' income like the one outlined above should be linked to measures aiming at increasing the funds available from LNB and the private banking system for development purposes, as outlined before. In fact, both alternatives can, up to a certain degree, substitute each other, and a greater emphasis could be put on any alternative according to the social reality in Lesotho and reactions of the miners and the mining companies. For instance, the rate of a tax could be kept relatively low, if complementary measures were taken to increase the availability of resources at LNB which could be used for direct project funding. This could be achieved e.g. through the combined effects of increasing LNBs spread and compulsory measures to increase the average period for which remittances are held in the bank (e.g. by fixing a minimum period for a certain share of the deferred pay).

#### 4.3 The system of incentives and industrial policies

The availability of sufficient domestic resources for investment purposes is only one element required for industrial development. Another necessary element is the existence of a set of industrial policy instruments and incentives conducive to industrial growth. The main instrument of industrial promotion in Lesotho is the Pioneer Industries Encouragement Act which was promulgated in 1969 and amended in 1978. To investors, both domestic and foreign, it offers two principal options:

- (a) a tax holiday of up to six years; or
- (b) a package of tax allowances and subsidies, including:
  - 145 per cent write-off for machinery and equipment in the first year;
  - 75 per cent write-off in the first, 50 per cent over the next twenty years for factory buildings;
  - 45 per cent write-off in the first, 80 per cent over the next four years for employee dwellings owned by the company;
  - annual allowance of 15 per cent of the actual cost of electricity, water and sewerage services and transportation within SACU of raw materials and finished products, for a period not exceeding five years;
  - annual allowance of 110 per cent of the actual cost of tuition, room and board for the training of Basotho employees, for a period not exceeding five years;
  - annual allowance of 109 per cent of the wage bill for Lesotho citizens, for a period not exceeding five years.

Compared to the allowance/subsidy package, the tax holiday provides greater flexibility to firms which make profits in the early stages of operation.

Both alternative sets of incentives differ significantly as to the type of firms which they are likely to attract. Accelerated depreciation allowances tend to encourage the establishment of capital-intensive activities. At the same time, they may also encourage the establishment of unprofitable firms, for while the profit-based tax holiday subsidises capitalised earnings and therefore favours relatively profitable enterprises, the investment-based incentives provide a subsidy that is dependent on the level of investment and not the level of profit. On the other hand, a principal weakness of the profit-based tax holiday is that it provides little assistance where it is most needed - for firms making little or no profits - and a great deal of assistance where it is least needed - for firms making high profits. It is likely that several of the highly profitable firms would have invested in Lesotho even if no incentives had been offered.

Most of foreign investors opted for the tax holiday, in particular in the case of labour-intensive, export-oriented enterprises. These investments usually have very short amortization periods. The firms can be considered to be relatively "footloose", a fact which has reportedly been used by companies to successfully negotiate an extension of the tax holiday upon its expiration.

On the other hand, companies with a longer investment horizon, such as the brewery, opted for the allowances package, which is more favourable in the case of relatively large investment outlays. Typically, such companies are more oriented towards the protected SACU market. Relatively high prices for protected goods in this market in combination with high labour productivity (due to the high capital/labour ratio in such enterprises), but significantly lower wages than in the RSA result in very comfortable profits (the flour mill being an example).<sup>1/</sup>

In the past, a particular problem of the tax holiday has been the phasing out of the incentives. Companies have so far successfully bargained for extensions. In one case, a company "happened" to burn down shortly before expiration of the holiday. For the export-oriented companies which were attracted by this incentive package, its abrupt ending causes particular difficulties, in view of almost a complete lack of export incentives. The Trade Promotion Unit has elaborated a package of export incentives which might become effective for a firm upon expiration of the tax holiday. The export-incentive scheme might need to be complemented through the provision of export credit and a reimbursement of sales taxes incorporated in inputs purchased from domestic producers.

In view of the intensifying incentive race for foreign investment in the sub-region, the introduction of export incentives might not be sufficient to secure Lesotho's attractiveness as an industrial location, particularly not in the case of industries aiming at substituting imports within SACU. The relative attractiveness of Lesotho has deteriorated in recent years, not only due to the introduction of higher financial incentives (i.e. subsidies) in Botswana (made possible through Botswana's income from its richer endowment with natural resources) and several "homelands" (made possible by the RSA's financial backing). In addition, changes in the Income Tax Act of 1981 introducing a Withholding Tax on dividends and interest payments to non-residents have reduced Lesotho's attractiveness to investors.

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<sup>1/</sup> In the past, the combined effect of protected prices in RSA and low wage cost in Lesotho even diverted supply from principally export-oriented companies to South Africa. As an example, Gallant Clothing never exported more than 5 per cent of output outside SACU.

Yet, compared to the "homelands", Lesotho still can offer significant advantages to labour-intensive assembly-type industries, such as duty-free access to the EC and USA, and significantly lower wages, whereas (according to various statements of entrepreneurs) labour-efficiency measures up to South African standards.<sup>1/</sup> With the adoption of suitable industrial policies, Lesotho's future as location for such industries would not seem to be in danger, if the Government wishes to further pursue this strategy option. The Government of Lesotho is aware of this and is considering the promulgation of a new Pioneer Industries Development Act. Whereas the existing Act provides for a tax holiday of up to six years, the proposals presently being discussed envisage a period of up to ten years of official tax holiday.

The new Act will tackle one of the major problems of the present Act, which consists in the fact that losses, which usually occur in the first year(s) of operation, erode the "value" of the tax holiday. The new Act will provide for a loss carry-over, by which initial years, during which the holiday could not be utilized due to losses, will not be included in the period of the holiday. Thus, if a company makes losses during the first two years and the total holiday is 10 years, this company will benefit from the tax holiday also in its eleventh and twelfth year of operation. It is envisaged to allow for up to five "loss years", so that the maximum period of tax holiday would be extended to 15 years. The proposed changes to the Pioneer Industries Act will on the one hand make the system of incentives to such industries more attractive, on the other hand concerns about the net benefits to Lesotho's economy will become even more relevant.<sup>2/</sup>

Presently projects are (and will continue to be) screened by the Pioneer Industries Board according to criteria such as employment creation, technology, use of domestic resources, etc. The weighting of these criteria is being handled in a discretionary manner by the Board. Given the importance of the employment generation objective, it is recommended to include this criterion explicitly into the new Act <sup>3/</sup> in order to provide a foreseeable and continuous set of parameters to guide industrialists in their investment decisions. The finalization of the new acts has been delayed for a considerable time, and its swift promulgation would be highly recommendable.

The proposed new Small-Scale Industries Development Act will fill another gap in present industrial legislation. According to the actual Industrial Licensing Act, companies employing 10 or more employees need to be licensed. Only companies which are licensed, however, can apply to benefit from the Pioneer Industries Act, thus excluding the big bulk of smaller industries. The new Act will ease the access of the small companies to the tax holiday. It redefines small-scale enterprises: small-scale enterprises will not be defined in terms of employment, but in terms of the value of equipment, with an upper limit of M 100,000. In addition, the new SSI-Act will provide incentives such as exemptions on sales tax, licencing fees and sales tax on the purchase of machinery.

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<sup>1/</sup> Higher wages in homelands are explained by the higher integration with the RSA labour market. Whereas Basotho can only work in South African mines, workers from homelands may also work in South African industry.

<sup>2/</sup> C.f. the principal discussion of policy options in section 4.1.

<sup>3/</sup> A similar approach was recently taken by Botswana, which ties cash incentives to employment creation.

Appendix I  
THE INSTITUTIONAL FRAMEWORK FOR INDUSTRY

Development of the supply of raw material resources and of their industrial uses is promoted by a network of partly interlocking institutions. Amongst these, state and parastatal organizations have been obliged by the country's peripheral location in the southern African industrial economy to take a leading role despite the government's heavy emphasis on the role of the private sector and active encouragement of foreign investment. This chapter describes the principal institutions, their functions, planning objectives and capacities.

The Ministry of Planning, Economic Development and Employment

This Ministry is responsible for drawing up the Five-Year Development Plans. It recently drew up a perspective plan to the year 2,000, which is intended for use as a guideline for the preparation of the Fourth FYDP. It hopes to draw up a Manpower Plan to the year 2,000 during the current plan period.

The Ministry has a Policy Co-ordinating and Implementing Unit. Its major function is to co-ordinate the views of the local communities on development priorities and programmes. It works with District Development Committees to provide feedback on project activity and to facilitate project implementation, especially where bottlenecks may arise.

The Central Planning and Development Office (CPDO)

CPDO has indicated its intention to become more actively involved in project preparation during the course of the Third Plan. To this end, it was to establish a Research Section and seek closer co-operation with the Economics Department of the National University of Lesotho (N.U.L.). It is also extending and improving computerization as a tool for effective planning and management. The CPDO is assisted in its work by the Central Bureau of Statistics and the Computer Centre. The Budget and Development Planning Committee and the Project Review Committee assist the CPDO with the selection and appraisal of projects.

The CPDO works closely with the Ministry of Rural Development. An instance of this collaboration is the newly created district of Thaba-Tseka, which is being developed within the framework of the integrated rural development programme. The following actions were envisaged during the Third Plan:

- Ensure that the Ministry of Rural Development oversees and guides all development activities in the rural areas;
- Strengthen the District Secretariat and make District Development Committees more effective;
- Ensure co-operation among district development workers and field workers.



### Ministry of Co-operatives and Rural Development

The Ministry works in close contact with the CPDO. During the Third Plan, the Ministry intensified its efforts to promote production-oriented co-operatives, consolidating and strengthening existing primary societies into more economically viable units. It was also to establish a Product Development Design Centre for Co-operative Handicrafts and strengthen the co-operative Credit Union League. Activities aimed at job creation and generation of employment and income in rural areas were promoted and encouraged by the Ministry.

### Ministry of Agriculture

The Ministry formulates overall agricultural policy and has oversight of production and marketing in both the arable and the livestock sub-sectors. The costly emphasis during FYDP2 on area-based rural development projects, principally at Thaba Bosiu, Khomokoana, Senqu and Thaba Tseka, and on single-channel marketing through the parastatal Produce Marketing and Livestock Marketing Corporations was replaced under FYDP3 with the drive for food self-sufficiency. Apart from the capital-intensive programme under which the government undertook direct farming operations on behalf of local farmers, the main thrust has been in the development of local rural water supplies, in particular through small-scale irrigation. The Land and Agricultural Bank, established in 1980, has a monopoly on farm credit and plays an important role in the self-sufficiency programme. There is also the Basic Agricultural Service, which supplies seed, fertilisers and other inputs and advice.

### Ministry of Commerce, Industry and Tourism

The Ministry of Commerce, Industry and Tourism is responsible for the formulation of overall industrial policy and for the co-ordination of the activities of industrial and commercial parastatals. Its major objective is job creation through industrialization. To achieve this aim the Ministry performs the following specific functions:

- Creation of an industrial climate conducive to the establishment of enterprises;
- Promotion of foreign investment;
- Encouragement of local entrepreneurship;
- Increasing the production of building materials;
- Expansion and diversification of the economy;
- Utilization of local raw materials; and
- Promotion of agro-industries.

### Lesotho National Development Corporation (LNDC)

The Lesotho National Development Corporation was established in 1967 to "initiate, promote and facilitate the development of manufacturing and

processing industries, mining and commerce in a manner calculated to raise the level of income and employment in Lesotho." The corporation is empowered to promote and finance a wide field of economic activities.

The corporation identifies medium- and large-scale projects and looks for suitable potential investors. It invests in projects where other investors may not be forthcoming and provides funds to small and large-scale enterprises by way of loans or equity participation. The Corporation also provides serviced sites and industrial and commercial buildings on a rental basis. In addition, it assists the Government in the formulation of industrial plans, policies and strategies, and acts as an instrument for their implementation.

Since 1978, the corporation has also been involved in investment promotion, which was expected to cost US \$500,000 by the end of 1980. Promotional activities have been in the form of preparation of materials, conducting feasibility studies and investment promotion visits overseas.

The LNDC is run by a board of directors. Management of day-to-day affairs is the responsibility of the Managing Director. Since 1978, the corporation has been receiving technical assistance personnel from Ireland who have contributed to investment promotion and appraisal, financial control, and the management and control of subsidiaries. Reliance on foreign technical assistance is likely to continue, particularly at management level. Important internal committees are the Investments Committee and the Operations Review Committee, which meet at least twice a month to discuss new investment proposals and to review the performance and economic position of subsidiaries and associate companies.

The LNDC has an authorized capital of M 10 million, of which M 4 million is issued and fully paid-up capital, all subscribed by the Government. Recently, the Deutsche Entwicklungs-Gesellschaft (DEG), a German (FRG) organization to promote joint ventures with developing countries <sup>1/</sup>, has concluded an agreement on its equity participation. One of the functions of LNDC is to mobilize domestic and external funds. During the years 1967-1980, the corporation received US \$6.5 million from the International Development Association (IDA), US \$2.13 million from the African Development Bank (Nigerian Trust Fund), as well as funds from organizations such as the International Finance Corporation, the European Investment Bank, the Commonwealth Development Corporation and local banks.

Apart from being a finance company, the corporation is also a holding company. Its interests are under the supervision of its Operations Division, which is responsible for guiding and controlling all subsidiary companies and associate companies. The corporation provides managerial assistance to its subsidiaries. Examples of managed companies have been Royal Lesotho Tapestry Weavers (PTY) Ltd., Thaba-Bosiu Ceramics, Pioneer and National Motors. There are 26 subsidiaries which employ some 2,000 people. Of the 26 companies, 10 are manufacturing establishments, 11 are in trading and distribution, and 5 are in handicrafts. The manufacturing activity has included candle and umbrella manufacture while handicrafts include pottery, jewellery and tapestries.

The LNDC has established a subsidiary company, Lesotho Investment Holdings, to whose share capital Basotho are able to subscribe. The proceeds

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<sup>1/</sup> The capital of DEG is fully held by the Government of the Federal Republic of Germany.

of share subscriptions are to be invested in commercially viable enterprises as well as the purchase of buildings owned by the corporations.

The corporation undertakes feasibility studies of projects and promotes as a matter of stated policy those which contribute significantly to employment creation and result in high value added to local raw materials.

The corporation's financial performance was not satisfactory in the 1970s. In 1977, financial losses reached M 1,335,000. The losses were attributed to a high turnover in management, inadequate marketing effort, under-capitalization and poor financial management. Nevertheless, some of the companies in which LNDC has minority interests have been operating at a profit. These include Frasers Manufacturing, Lesotho Milling Company and Metro Cash and Carry. In the 1980s the financial performance fluctuated. Several policy measures taken by LNDC management had a positive impact. These measures included divestment from companies running at substantial losses, improvement of financial planning and control systems, liquidation of some subsidiary companies, management consolidation and improved project appraisal. In 1984 the group recorded a profit of 754,000, compared to a loss of M 1,612,000 in 1983.

#### Basotho Enterprises Development Corporation (BEDCO)

The Basotho Enterprises Development Corporation (BEDCO) was initially established as a subsidiary of the LNDC. At present it is an entirely separate legal entity. Its function is to promote the establishment of small-scale industries owned by Basotho. One of the ways of achieving this objective is through the provision of loans and equity capital, and the construction of factory shells and the provision of machinery and equipment for leasing to local entrepreneurs for rent. The corporation has training facilities and programmes for small industrialists and offers technical assistance. Like the LNDC, it has been prone to weaknesses in management and excessive turnover of staff. It has, however, received advice from the World Bank's IDA on policy, organization, staffing and operating procedures.

BEDCO's activities are concentrated in the Sebaboleng Trade and Industrial Centre in Maseru. The centre has an area of 1,600 square metres of workshops and 670 square metres for commercial activities. A new centre at Mohale's Hoek has just been completed and a third one is planned for Hlotse. Industrial activities include the manufacture of wooden articles, garments, leather products, solar heating units and steel products. Repair services are available in the centre for radios, television sets, watches, machinery, fridges and other domestic appliances. Technical assistance available from the Corporation to entrepreneurs includes marketing, training in costing and book-keeping, the supply of raw materials, and technical training in production by the Corporation's Appropriate Technology Unit.

The BEDCO estate was established at a cost of M 2.5 million and its infrastructure includes a communal workshop facility for wood and metal industries. The bulk of the financing came from the Canadian International Development Agency (CIDA) supplemented by grants from the Danish International Development Agency (DANIDA) and the Federal Republic of Germany for the purchase of machinery and equipment. Since it was established, BEDCO has received M 3.6 million in grants and loans for its loan scheme and capital expenditure. Currently 1,000 people are employed directly through BEDCO activities. Financing was obtained from Britain to enable the Corporation to

expand its activities for constructing new centres at Mohale's Hoek and Leribe. The first centre was scheduled to be ready for occupation in 1981/82 and to hold some 11 projects on an area of 1,000 square metres. In its selection of projects, the corporation applies the following criteria: commercial viability and growth potential; level of participation and management by Lesotho citizens; rate of return on invested capital; potential for job creation; utilization of local raw materials; and ability to save and earn foreign exchange.

BEDCO has expanded its operations during the 1981/82-1985/86 period. The expansion programme was estimated to require an investment of M 2.05 million in order to finance 146 new small projects employing 1,800 people. Of the total costs, about M 1 million of the programme was to be financed from internal sources. An additional M 2.5 million is needed for the development of entirely new centres. The targets of the expansion programme are some 5,250 new jobs, created both directly and indirectly, and additional value added amounting to about M 7 million. Sectors that are likely to benefit from this programme are clothing, furniture, fabricated steel products, building materials and food products.

#### Training institutions

Some of the most important institutions which provide training related to industrial requirements are the National University of Lesotho, the Lerotholi Technical Institute, and the Institute of Development Management, which is in Botswana but also serves Lesotho and Swaziland. The Lerotholi Technical Institute provides training in such fields as electrical installation, basic electronics, carpentry and joinery, and maintenance fitting. It is necessary to upgrade and expand the Institute so that it may be able to provide the lacking technical training facilities for meeting a wide range of industrial requirements in respect of technicians.

The Institute of Development Management has recently included in its courses such subjects as personnel, financial and training management, but its training courses and subjects are still inadequate for meeting Lesotho's needs for qualified and capable industrial manpower, especially in managerial, technical and scientific categories.

ANNEX II. Statistics

Table A-1. Population and settlement by district, 1976 and 1982

District	Population <sup>a/</sup>		Distribution	Density	Access to Arable Land <sup>b/</sup>	Urbanized
	1976 '000	1982 '000	1982 per cent	1982 per km <sup>2</sup>	1982 per km <sup>2</sup>	1976 per cent
Butha-Buthe	77	87	6.2	49	792	6.6
Leribe	207	240	17.2	74	469	11.5
Berea	146	166	11.9	75	434	7.7
Maseru	258	299	21.4	49	516	22.4
Mafeteng	154	180	12.9	85	298	3.0
Mohale's Hoek	136	156	11.2	44	427	2.8
Quthing	89	101	7.2	34	558	3.6
Qacha's Nek	76	87	6.2	22	642	2.2
Mokhotlong	74	83	5.9	18	547	1.9
<b>TOTAL<sup>c/</sup></b>	<b>1,217</b>	<b>1,397</b>	<b>100.0</b>	<b>46</b>	<b>463</b>	<b>8.9</b>

Source: Annual Statistical Bulletin 1982, p. 22.

a/ 'De jure', defined as 'habitually resident' and therefore including migrant workers. 1976 figures based on census, 1981 figures estimated.

b/ Persons per km<sup>2</sup> of arable land.

c/ Differences to sum of components due to rounding.

**Table A-2. Population of towns and villages, <sup>a/</sup> 1976 and 1980**

	1976	1980 <sup>b/</sup>
Maseru	47,690	57,500
Maputsoe	8,590	9,500
Teyateyaneng	8,530	9,300
Hlotse (Leribe)	5,480	6,250
Batha-Bathe	5,130	5,500
Mafeteng	4,870	5,400
Peka	4,590	4,900
Mahale's Hoek	3,950	4,250
Thota-ea-Moli	3,670	3,970
Moriya	3,250	3,650
Roma	3,267	3,460
Quthing	3,200	3,300
Mapoteng	2,729	2,930
Lhaba-Tseka	2,210	2,400
Qacha's Nek	1,700	1,850
Mokhotlong	1,400	1,550
<b>TOTAL</b>	<b>110,256</b>	<b>125,710</b>

Source: FYDP3, p. 343.

a/ Defined as 'gazetted urban areas'.

b/ 1980 figures are estimates.

**Table A-3. Lesotho: Distribution of GDP by sector of origin,<sup>a/</sup> 1960-81**  
(At 1975 prices)

Year	Agriculture	Mining and quarrying	Manufacturing	Utilities	Construction	Services	GDP
1960	77.8	0.0	0.0	0.0	0.0	22.1	70.3
1961	78.6	0.0	0.0	0.0	0.0	21.3	69.1
1962	79.1	0.0	0.0	0.0	0.0	20.9	80.6
1963	75.6	0.0	0.0	0.0	1.7	22.7	87.0
1964	74.6	0.5	0.8	0.5	1.1	22.5	93.7
1965	70.8	1.4	0.7	0.5	1.4	25.1	94.3
1966	51.9	1.7	0.5	0.3	1.6	43.9	114.4
1967	48.3	2.4	0.6	0.3	1.8	46.6	115.8
1968	50.8	0.6	0.9	0.3	1.9	45.4	111.1
1969	49.2	2.1	2.3	0.3	1.9	44.2	116.4
1970	46.6	1.6	2.6	0.3	2.1	46.7	119.4
1971	45.4	0.4	1.5	0.4	2.1	50.1	109.6
1972	35.6	0.2	4.8	0.6	3.8	54.9	130.0
1973	32.8	0.3	5.7	0.6	4.5	56.0	162.5
1974	37.7	0.9	5.6	0.9	5.3	49.6	170.5
1975	31.7	0.5	5.7	0.8	6.1	55.2	151.7
1976	26.1	0.4	5.7	0.4	9.3	58.0	179.5
1977	27.9	0.6	4.6	1.1	15.0	50.7	208.4
1978	26.8	4.6	4.1	1.3	10.8	52.4	255.6
1979	26.0	5.8	5.1	1.2	9.6	52.1	213.7
1980	22.2	6.1	5.1	1.2	10.4	54.8	229.0
1981	23.1	6.2	5.1	1.2	9.9	54.5	239.5

**Source:** Statistics and Survey Unit, UNIDO. Based on data supplied by the UN Statistical Office, with estimates by the UNIDO Secretariat.

<sup>a/</sup> Figures approximate. Alternative sources suggest that the shares of agriculture may be rather higher after 1975 and services generally lower than indicated here; see table 2.

Table A-4. Persons 10 years and over employed for wages by industry  
and by place of employment 1976

Industry	Place of employment								
	Male	Lesotho Female	Total	Male	R.S.A. Female	Total	Male	All Female	Total
Agriculture, hunting and forestry	2,713	770	3,483	458	137	595	3,171	907	4,178
Mining and quarrying	24,550	703	25,253	101,835	1,401	103,236	126,385	2,104	128,489
Manufacturing	1,852	1,331	3,183	2,758	583	3,341	4,610	1,914	6,524
Electricity, gas and water	401	136	537	260	2	262	661	138	799
Construction	6,072	376	6,448	3,436	62	3,498	9,508	438	9,946
Wholesale, retail restaurant, hotel	2,047	2,602	4,649	549	493	1,042	2,596	3,095	5,691
Transport, storage, communication	2,428	86	2,514	1,681	18	1,699	4,109	104	4,213
Finance, insurance, real estate, etc.	130	50	180	58	2	60	188	52	240
Community and social services	18,702	12,987	31,689	3,170	7,505	10,675	21,872	20,492	42,364
Other	1,581	1,037	2,618	4,755	1,993	6,748	6,336	3,030	9,366
<b>Total</b>	<b>60,476</b>	<b>20,078</b>	<b>80,554</b>	<b>118,960</b>	<b>12,196</b>	<b>131,156</b>	<b>179,436</b>	<b>32,274</b>	<b>211,710</b>
<b>Economically active population</b>	<b>166,465</b>	<b>122,967</b>	<b>289,432</b>	<b>120,586</b>	<b>13,864</b>	<b>134,450</b>	<b>287,051</b>	<b>136,831</b>	<b>423,882</b>
<b>Percentage of the economically active</b>	<b>36.3</b>	<b>16.3</b>	<b>27.8</b>	<b>98.7</b>	<b>88.0</b>	<b>97.6</b>	<b>62.5</b>	<b>23.6</b>	<b>49.9</b>

Source: Annual Statistical Bulletin 1979, p. 21.



Table A-5. Direction of trade: total imports c.i.f. and total exports f.o.b.  
1979 to 1982  
(in thousands of maloti)

Group Country	1979		1980		1981		1982	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
World:	303612	37916	360757	45277	439375	43124	559795	39059
Africa:	295764	13038	349980	18451	426837	20300	548718	16528
Sacu	295764	12955	349978	18379	426730	20130	548526	16123
Other in Africa	-	83	2	72	107	170	192	405
EEC:	5345	3580	7088	5152	6789	4462	4890	5544
Netherlands	148	121	279	176	191	290	312	242
Belgium	188	1275	59	519	23	14	201	74
Germany Fed. Rep.	1707	1556	3192	3522	2690	3001	2086	3847
France	521	76	3	78	17	6	8	27
Italy	147	14	637	8	409	22	343	-
United Kingdom	2630	435	1079	823	3113	1127	1634	1340
Denmark	-	25	1813	1	317	-	278	2
Ireland	4	78	26	25	29	2	28	12
Other Europe:	377	21082	1290	21359	488	18034	824	15200
Switzerland	362	21070	1229	21345	427	18024	428	15175
Other in Europe	15	12	61	14	61	10	396	25
America:	972	158	647	119	1179	91	2017	136
Canada	285	14	44	8	108	51	165	12
United States	687	144	603	111	1071	40	1852	124
Asia:	1154	39	1535	185	3961	219	3346	1605
Japan	668	2	156	-	158	-	200	-
Hong Kong	57	34	22	144	68	217	70	49
Singapore	-	-	343	-	339	-	134	-
Taiwan	222	-	728	-	315	-	356	1556
Bangladesh	-	-	-	-	-	-	2224	-
Other in Asia	207	3	286	41	3081	2	162	-
Oceania:	-	19	217	11	121	18	-	46
Australia	-	19	217	11	2	18	-	46
New Zealand	-	-	-	-	119	-	-	-

Table A-6. Value of imports by sections and divisions  
of the S.I.T.C., Rev.2, 1977 to 1981

(in thousands of maloti)

Section Codes	Division Code	Section and Division Headings	Year				
			1977	1978	1979	1980	1981
0		Food and Live Animals	43074	55370	68559	76918	82902
	00	Live Animals	8218	9206	9184	9236	8265
	01	Meat and Meat Preparations	2413	3879	6974	9312	10250
	02	Dairy Products and Poultry Eggs	1843	3030	3707	4673	7694
	03	Fish and Fish Preparations	990	1079	803	1478	2100
	04	Cereals and Cereal Preparations	16439	21783	27895	28823	26037
	05	Fruits and Vegetables	3962	4458	6129	7452	8392
	06	Sugar and Sugar Preparations	5098	6918	6865	8811	11402
	07	Tea, Coffee, Cocoa and Spices	1416	1610	1997	2009	3275
	08	Animal Feed	825	1101	983	1513	1732
	09	Miscellaneous Edible Food Products	1870	2306	4022	3611	3755
1		Beverages and Tobacco	9217	12310	13725	16233	21761
	11	Beverages	5652	7661	8186	9385	13712
	12	Tobacco Manufactures	3565	4649	5539	6348	8049
2		Crude Materials Inedible Except Fuels	2067	2097	2745	3126	5661
	21	Hides and Skins	22	273	363	369	256
	22	Oilseeds and Oleaginous Fruits	163	74	136	146	255
	24	Wood	557	734	848	961	829
	26	Textile Fibres	202	-	32	48	146
	27	Crude Fertilizers and Crude Minerals	853	822	1110	1222	3511
	29	Crude Animal and Vegetable Materials	270	194	256	380	664
3		Mineral Fuels, Lubricants and Related Products	18981	17901	25635	35216	42163
	32	Coal	390	455	565	674	877
	33	Petroleum Products	17246	15589	22848	31633	37766
	34	Domestic Gas	218	383	443	651	571
	35	Electric Energy	1127	1474	1779	2258	2949

Table A-6 (cont.)

Section Codes	Division Code	Section and Division Headings	Year				
			1977	1978	1979	1980	1981
4		Animal and Vegetable Oils and Fats	1289	1574	1725	2308	3320
	42	Fixed Vegetable Oils and Fats	788	145	171	442	275
	43	Processed Animal and Vegetable Oils and Fats	511	1429	1554	1866	3045
5		Chemicals and Related Products	10438	13427	16372	18853	28229
	51	Organic Chemicals	111	227	291	236	379
	52	Inorganic Chemicals	77	320	330	958	1862
	53	Dyeing, Tanning and Colouring Materials	527	749	1307	1221	1504
	54	Medicinal and Pharmaceutical Products	2703	4028	4272	4487	4776
	55	Essential Oils and Perfume Materials, Toilet, Polishing and Cleansing Preparations	4561	6091	7747	8473	12371
	56	Fertilizers, Manufactured	640	1140	1174	1560	3275
	57	Explosives	1527	422	752	716	3118
	59	Chemical Products n.e.s.	292	450	490	1202	944
6		Manufactured Goods Classified Chiefly by Material	38749	45844	61337	67600	79511
	61	Leather and Leather Manufactures	505	662	609	814	1113
	62	Rubber Manufactures	1482	1739	3471	2682	3380
	63	Cork and Wood Manufactures	2131	2482	3550	3444	4605
	64	Paper, Paperboard and Articles Thereof	1358	1866	1883	2253	2505
	65	Textiles Yarn, Fabrics, Made-up Articles and Related Products	15316	16875	19016	20760	26445
	66	Non-Metallic Mineral Manufactures n.e.s.	6690	8285	10667	12403	14000
	67	Iron and Steel	2561	4532	6607	6898	7125
	68	Non-Ferrous Metal	33	196	247	403	1168
	69	Manufactures of Metal n.e.s.	8673	9407	15287	17943	19170

Table A-6 (cont.)

Section Codes	Division Code	Section and Division Headings	Year				
			1977	1978	1979	1980	1981
7		Machinery and Transport Equipment	24479	32383	44084	58397	74647
	71	Power Generating Machinery and Equipment	511	335	1678	2654	908
	72	Machinery Specialised for Particular Industries	3014	2903	5999	6558	13249
	73	Metal Working Machinery	6	103	257	55	55
	74	General Industrial Machinery and Equipment n.e.s.	608	693	857	1035	1722
	75	Office Machines and Automatic Data Processing Equipment	734	464	281	1990	584
	76	Telecommunications and Sound Recording and Reproducing Apparatus and Equipment	2981	2862	7530	4466	6660
	77	Electrical Machinery, Apparatus and Appliances n.e.s.	2516	3215	4800	7488	8364
	78	Road Vehicles and Parts	13703	21808	22510	31923	41688
	79	Other Transport Equipment	406	-	172	2224	1417
8		Miscellaneous Manufactured Articles	52104	53464	66017	78305	84375
	81	Sanitary, Plumbing, Heating and Lighting Fixtures and Fittings	221	641	701	793	1120
	82	Furniture and Parts Thereof	6286	7419	9727	11952	13832
	83	Travel Goods, Handbags, and Similar Containers	1443	2106	2393	2305	3386
	84	Articles of Apparel and Clothing Accessories	30713	26455	31652	34452	36733
	85	Footwear	6686	9830	10556	12423	14338
	97	Professional, Scientific and Controlling Instruments and Apparatus	262	342	308	459	724
	88	Photographic Apparatus, Equipment and Supplies and Optical Goods n.e.s.; Watches and Clocks	1104	1459	1670	4250	2368
	89	Miscellaneous Manufactured Articles n.e.s.	5389	5212	9010	11171	12474
9		Commodities not Classified Elsewhere	321	2645	3413	3801	16206
0 - 9		Grand Total	200719	237015	303612	360757	439375

Table A-7. Composition of recorded exports, 1979-82<sup>1/</sup>  
(values f.o.b. in thousands of maloti; volumes as indicated)

	1979	1980	1981	1982 <sup>2/</sup>
<b>Foodstuffs, etc.</b>	<u>1,066</u>	<u>2,460</u>	<u>3,269</u>	<u>4,353</u>
Cereals	292	1,186	1,950	1,317
Beans	91	227	217	81
Peas	25	114	51	84
Other vegetables	280	359	171	439
Animal feed	362	574	859	400
Beverages and tobacco	16	—	14	1,950
Other	—	—	7	82
<b>Live animals</b>	<u>187</u>	<u>318</u>	<u>1,174</u>	<u>376</u>
Cattle	62	261	1,137	328
Sheep and goats	122	52	7	3
Pigs	3	5	30	45
<b>Livestock materials</b>	<u>7,879</u>	<u>7,642</u>	<u>7,963</u>	<u>4,713</u>
Wool	3,377	4,123	4,458	3,043
Mohair	4,331	3,438	3,436	1,563
Hides and skins	171	81	69	107
<b>Diamonds</b>	<u>21,224</u>	<u>24,727</u>	<u>18,169</u>	<u>15,251</u>
<b>Other</b>	<u>7,560</u>	<u>10,130</u>	<u>12,549</u>	<u>14,366</u>
Chemicals and petroleum	1,378	154	480	871
Leather products	371	886	779	442
Wood products	289	409	372	134
Yarn and textiles, etc.	387	522	629	579
Road vehicles	357	531	1,343	1,472
Furniture and parts	751	1,142	1,158	1,557
Clothing, etc.	712	636	1,292	1,077
Footwear	417	614	1,289	1,690
Other manufactures	2,837	4,934	4,625	4,887
Unclassified	61	302	582	1,657
<b>Total value</b>	<u>37,916</u>	<u>45,277</u>	<u>32,424</u>	<u>39,059</u>
(change in percent)	(36.9)	(19.4)	(-4.8)	(-9.4)
<b>Volumes</b>				
Cattle (number)	793	766	2,090	...
Sheep and goats (number)	402	725	204	...
Pigs (number)	212	473	337	...
Wool (metric tons)	2,400	2,500	2,700	...
Mohair (metric tons)	497	481	244	415
Diamonds (carats)	64,886	105,245	55,720	75,372
(Value per carat; in maloti)	(327)	(235)	(326)	(202)

Sources: Bureau of Statistics (mainly Annual Statistical Bulletins); and staff estimates.

1/ Includes re-exports of used cars in 1979-80 and includes all re-exports of manufactures in 1981.

2/ Provisional.

Table A-8. Estimated meat production by licensed butcheries by district  
1977 to 1982  
(in kilograms)

Livestock Category	Year	Butha-Buthe	Leribe	Berea	Maaseru	Mafeteng	Mohale's Hoek	Quthing	Qecha's Nek	Mokhotlong	Thaba-Tseka	Lesotho
Cattle	1977	30576	551463	166855	816831	53568	18423	171187	100697	2861	-	1912461
	1978	250873	320196	258723	1229544	48823	71406	106212	44211	10953	-	2340941
	1979	386372	740547	395184	1634700	62416	21884	30061	115061	18167	-	3402392
	1980	162248	846062	227342	1774074	88515	47072	37273	72462	30165	8213	3293426
	1981	140761	963253	309111	1639343	77813	4323	13963	57215	7356	2374	3215512
	1982	140413	368459	191632	1308074	106463	3333	21432	35998	4614	5293	2185711
Sheep & Lambs	1977	1006	34726	13449	399969	73538	114343	108515	3912	16294	-	765752
	1978	6778	36708	21530	569827	134024	175101	101062	15238	18540	-	1078768
	1979	6427	93626	13601	749109	220408	94481	96464	13339	37382	-	1324837
	1980	4803	105057	20597	775141	226364	217857	155504	36806	25278	6739	1574146
	1981	8565	125433	33103	1054331	156479	130136	120967	50855	25404	13566	1718839
	1982	16582	71676	25552	989451	240979	112263	218275	40540	32888	17683	1765898
Goats & Kids	1977	2203	3674	1009	23347	1147	1055	5191		1421	-	39577
	1978	451	689	389	1231	719	951	2239	1	1812	-	9959
	1979	33	6497	51	749	276	54	945	1615	861	-	11081
	1980	100	638	3702	357	776	552	1878	901	1696	1530	12130
	1981	108	316	1287	584	729	148	102	1232	42	345	4893
	1982	579	289	361	2804	729	153	309	772	4462	981	11439
Pigs	1977	5407	28827	31065	57278	797	19836	8808	780	290	-	153088
	1978	933	10126	22976	73088	644	7577	16744	653	539	-	133280
	1979	5290	3247	10209	60990	4164	2804	1816	492	454	-	89466
	1980	2907	2870	2189	66222	710	3564	3306	749	355	-	82872
	1981	3634	391	2123	39343	309	653	7668	1071	409	143	55744
	1982	394	1097	1726	19390	1324	1492	958	749	199	194	27523

**Table A-9. Exports of wool, volume and value, 1974/75-1981/82<sup>a/</sup>**

	Quantity (tons)	Value (million Maloti)	Unit Return (Maloti/kg)
1974/75	2,392	1.56	0.65
1975/76	1,746	1.72	0.98
1976/77	2,382	2.60	1.09
1977/78	2,392	2.92	1.22
1978/79	2,444	3.55	1.45
1979/80	2,467	4.17	1.69
1980/81	2,663	4.25	1.60
1981/82	2,690	5.07	1.88

**Source:** South African Wool Board.

**Cited in:** Annual Statistical Bulletin 1982, p. 135.

**a/** Year September to May.

**Table A-10. Exports of wool by district, 1974/75-81/82**

**A. Volume (tons)**

District	Year <u>a/</u>							
	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82
Butha-Buthe	718	368	417	434	397	323	328	334
Leribe	557	313	88	102	123	122	120	113
Berea	83	169	119	105	120	168	181	204
Maseru	149	191	567	555	513	510	707	762
Mafeteng	112	65	610	630	553	592	532	476
Mohale's Hoek	242	186	73	94	83	113	76	83
Quthing	256	74	160	182	169	210	247	254
Qacha's Nek	230	331	243	209	269	225	221	204
Mokhotlong	46	49	106	81	217	204	252	260
<b>Total</b>	<b>2,392</b>	<b>1,746</b>	<b>2,382</b>	<b>2,392</b>	<b>2,444</b>	<b>2,467</b>	<b>2,663</b>	<b>2,690</b>

**B. Value (000 Maloti)**

Butha-Buthe	476	369	452	529	572	544	530	641
Leribe	364	317	89	112	167	192	167	181
Berea	49	165	126	127	172	285	289	383
Maseru	106	200	597	674	752	865	1,129	1,439
Mafeteng	69	62	689	785	828	1,021	852	935
Mohale's Hoek	143	171	73	112	114	187	112	141
Quthing	189	75	190	233	258	370	423	502
Qacha's Nek	150	315	256	245	370	356	327	334
Mokhotlong	27	45	123	106	319	353	424	509
<b>Total</b>	<b>1,555</b>	<b>1,719</b>	<b>2,595</b>	<b>2,923</b>	<b>3,552</b>	<b>4,172</b>	<b>4,253</b>	<b>5,065</b>

Source: South African Wool Board.

Cited in: Annual Statistical Bulletin 1982, p. 135.

a/ September to May.



Table A-11. Exports of mohair to the RSA, 1970-82

<u>Year</u>	<u>Quantity (tons)</u>	<u>Value (000 Maloti)</u>	<u>Unit return (c/kg) (Maloti)</u>
1970	1,017	838	0.82
1971	867	654	0.75
1972	767	1,254	1.64
1973	567	1,691	2.98
1974	678	1,589	2.34
1975	616	2,291	3.72
1976	418	1,989	4.76
1977	397	1,925	4.85
1978	495	4,816	9.73
1979	497	4,331	8.71
1980	481	2,738	5.69
1981	244	1,399	5.76
1982	415	2,444	5.89

Source: South African Mohair Board.

Cited in: Annual Statistical Bulletin, various issues.

Table A-12. Tourism: arrivals in Lesotho by purpose and by region  
of origin, 1981

From	Purpose: Visit	Holiday	Business	Official	Total No.	Per cent
Europe	565	1,546	1,206	137	3,454	2.3
North America	177	352	374	122	1,025	0.7
RSA	79,673	42,976	24,079	248	146,976	95.7
Other Africa	748	437	569	175	1,929	1.2
Australasia	21	72	26	5	124	0.1
<b>Total</b>	<b>81,185</b>	<b>46,383</b>	<b>26,254</b>	<b>687</b>	<b>153,508</b>	<b>100.0</b>
<b>RSA (per cent)</b>	<b>98.1</b>	<b>94.7</b>	<b>91.7</b>	<b>36.1</b>	<b>95.7</b>	

Source: Annual Statistical Bulletin 1982, p. 62.

Table A-13. Tourism: available beds and occupancy rate, 1981

	Available beds (000)	Occupancy (per cent)
Butha-Buthe	13.7	6.7
Leribe	31.7	27.9
Berea	11.5	8.1
Maseru	479.5	35.3
Mafeteng	18.7	13.1
Mohale's Hoek	7.2	65.3
Quthing	3.6	19.0
Qacha's Nek	5.8	46.5
Mokhotlong	8.6	15.1
<b>TOTAL</b>	<b>530.3</b>	<b>33.0</b>

Source: Annual Statistical Bulletin 1982, p. 64.

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