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LED & SMME DEVELOPMENT

**Exploring linkages between the Free State and Lesotho in the social and economic sphere**



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# **Exploring linkages between the Free State and Lesotho in the social and economic sphere**

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# Executive Summary

## The main premises of this report are:

- The Premier's Economic Advisory Council (PEAC) of the Free State Province has been considering how best to establish a mutually supportive, integrated and stimulatory set of economic and institutional linkages between the province and its adjacent neighbour, Lesotho.
- Much of the potential for integration is circumscribed by the present organisation of forums for bi-lateral relations between Lesotho and South Africa.
- The present report is intended as a *scoping study*. It applies itself to distinct *issue areas* that were determined by the PEAC, with the subsequent concurrence of Lesotho's Ministry of Finance and Planning. As a scoping study it therefore confines itself, in the main, to recommendations for a framework within which the potentials identified in the study can be actualised.

## The predetermined issue areas for investigation are:

- Complementary industrialisation strategies; supported by the development of towns to function as hubs with the potential to stimulate further corridor-type investment and development; and the effective harnessing of cross-border trade linkages, with their associated opportunities,
- A 'Special Development Zone' across a portion of the Caledon River valley incorporating synergistic agricultural, land reform and tourism strategies,
- Cross-boundary infrastructure schemes, particularly in bulk water supply, transport and urban infrastructure,
- Harmonising the cross-border utilisation of social infrastructure.

## Background and contextual issues addressed in the report cover:

- The Caledon River has remained the epicentre of protracted boundary quarrels and transgressions.
- Despite Lesotho's support for the incoming South African government, its accession in 1994 created severe shocks internally.
- Relations between the Free State and Lesotho remain under strain.

## Wider initiatives which support this study's objectives are:

- Various initiatives and programmes aimed at regional integration housed within the Southern African Development Community (SADC). For each of the pre-identified issue areas that this report addresses it will be necessary to take the principles within these programmes into account.
- Many SDIs in South Africa have made significant progress, particularly in areas such as bulk infrastructure provision, private sector investment, and job creation.

## Spatial targeting for complementary cross border strategies:

- Three potential development zones, within Lesotho and adjacent to the Free State, are appraised. The Mohokare Valley Zone is adjudged to be the most promising of the three. It is felt that the Mohokare Valley Zone should constitute the focus for a *first phase of co-ordinated attention and investment* on the part of the Free State and Lesotho.

- Developments in the Mohokare Valley Zone will determine whether Lesotho can achieve the necessary preconditions for more sustainable development and concomitant poverty reduction.
- Major policy and institutional reforms are required.

**Relevant trends and issues covered in Lesotho’s economic development include:**

- Industrialisation, which has been a constant focus of the Lesotho National Development Corporation (LNDC) since the late 1960s, with limited success until an industrial take-off in the late 1980s.
- Whilst the large majority of the population is involved in agriculture, care should be taken not to depict agriculture as an *employment* sector.
- Construction has achieved extraordinarily high levels of performance because of the impact of the massive first phase of the LHWP that came to an end in 2003.
- Since the 1990s the number of Lesotho mineworkers employed on South African mines has declined drastically.
- A second wave of industrialisation took place in the latter 1980s when the EU exempted Lesotho from the Lome Convention ‘accumulation formula’ for textiles for a period of eight years.
- By 1994 textiles had come to dominate the industrial scene in Lesotho, and the demise of the small built-on-indigenous-skills cottage industries was already complete.
- The effects of growth in the textile industry, consequent upon the introduction of AGOA, have begun, but the impact on Lesotho’s industrialisation is not clear as yet.
- Lesotho was one of eight LDCs accorded full AGOA benefits, and was designated for AGOA preferential treatment in October 2000. The threat of not being able to access cheap fabrics outside AGOA countries galvanised Lesotho into gearing up its industrialisation programme.

**Issues covered in relation to South Africa and the Free State include:**

- The major policy differences between South Africa and Lesotho. For example South Africa’s labour regulations, its plethora of taxes and levies, and the cumbersome procedures to shed unwanted workers, all work in favour of Lesotho.
- Cross border trade has to be understood in the context of the SA Customs Union (SACU). Until the take-off of exports caused by Lesotho’s industrialisation, South Africa accounted for the bulk of both the exports and imports of Lesotho.
- Import and export data for Lesotho is problematic to analyse, since there exist different datasets that cannot be reconciled. Lesotho’s export per capita is quite high compared to other land-locked countries.
- Lesotho’s exports are very vulnerable to external shocks, since the top five products represent over 95% of export income.
- The economy of the Free State district municipalities adjacent to Lesotho is becoming more concentrated and more dependent on community services for growth.
- The most important role-player in the Free State is the Free State Development Corporation (FDC). The primary goal of the FDC is to promote the SMME sector.
- The disbandment of the Qwa Qwa Development Corporation in 1994 had a devastating effect on the economy of the eastern Free State.
- The SADC needs to “keep pace with developments on the [African] continent in order to avoid slowing down the continental integration agenda of achieving an Africa wide market” and tries to promote trade and financial systems that are rule-based, predictable and credible.
- Two international trade regime developments are of importance in the exploration of industrial growth opportunities for the Free State and Lesotho, namely: the extension of

AGOA until 2015 (with Lesotho having a three year breather under the extension of the Special Rule until September 2007), and the negotiations between the US and SACU on the establishment of a free trade agreement.

#### **Overall recommendations for taking the issue areas forward:**

- **This study's overall recommendation is the establishment of a framework of support for the creation of a Corridor Development Programme (CDP), containing many of the precepts of successful SDIs in South Africa. This nexus of support should arise out of suitable negotiations between the Free State, Lesotho, South Africa's Department of Trade and Industry, and the Department of Foreign Affairs.**
- **The programme should begin with the establishment of a dedicated and representative 'Unit', tasked with giving effect to the issue area priorities developed in this study.**
- **The support of SADC and NEPAD should be solicited for the establishment of this proposed entity.**

#### **Specific recommendations regarding complementarity in industry, manufacturing and trade:**

- **It is recommended that detailed investigations be conducted which should focus on complementarity in industrialisation, manufacturing, marketing and trade.**
- Investigations should determine how best the Free State and Lesotho can leverage their existing strengths to explore opportunities in foreign markets that could lead to the expansion of the Free State-Lesotho industrial base. The envisaged complementarity is spatially and economically possible, since the industrial estates of Maseru, Thaba 'Nchu, Botshabelo and Bloemfontein are close enough to one another to pursue linkages in areas of mutual benefit.
- Close co-operation between Free State and Lesotho agencies should be initiated to investigate the targeted expansion of agri-processing in the Mohokare Valley Zone. On the Free State side there exist several agri-industrial endeavours where further product niches can be investigated for diversification and downstream processing. The development of high-value crop production under irrigation on both sides of the Mohokare River, would imply opportunities for substantial expansion in this sector.
- An investigation of the implications of *full* free trade between the two countries should be considered. Lesotho still regulates the importation of agricultural produce under the rationale of protecting local producers.
- A joint Free State-Lesotho study should be initiated to investigate the patterns in household level consumer imports into Lesotho and to establish what type of consumer shopping from Lesotho is taking place in Ladybrand, Ficksburg and Mangaung. This information may serve as a basis for identifying associated development opportunities.

#### **Cross border issues considered for complementarity in agriculture:**

- With the grain price determined by international markets Lesotho's farmers have found it impossible to compete. The costs of farming numerous unconsolidated patches, and the dependency on informal share-cropping or rental arrangements, have rendered grain production in Lesotho non-viable.
- The distribution of subsidised fertiliser and improved seeds through the Lesotho Ministry of Agriculture undermines the private sector providers of inputs. Because the distribution channels are not responsive to commercial returns they are ineffective and slow. Fertiliser and seeds are often not available during the planting season.

- Food security and poverty reduction will be better served in Lesotho by acknowledging that a large percentage of households have forsaken agriculture, and assisting them to secure non-agricultural livelihoods.
- In Lesotho the land reform process has largely stalled since the announcement of the Land Review Commission's (LRC) bold recommendations in 2000.
- Free State agricultural development consultants also support private sector and donor supported programmes in Lesotho.
- The rich potential of the two adjacent border districts is under threat due to extensive cross border pilfering that is no longer limited to cattle rustling.
- Promoting sustainable food security is the priority [SADC] RISDP objective and it informs all subsidiary objectives, strategies, measures and indicators.
- The Mohokare Development Zone clearly presents opportunities for more co-ordinated investment in agriculture and land reform. There is a large degree of policy convergence and potential synergy in the strategies of Lesotho, SADC, the Free State Department of Agriculture and the private sector. This needs to be capitalised on in a constructive and phased manner.

**Specific recommendations for complementarity in agriculture include:**

- **It is recommended that a joint Lesotho-Free State Working Group for Agriculture and Land Reform is established (drawing down SADC officials) to set an agenda for the establishment of complementary policies and programmes of collaboration and investment.**
- **It is further recommended that established Free State agricultural companies in the Ladybrand area begin discussions with both Lesotho's and the Free State's Departments of Agriculture with a view to developing *formal outgrower partnerships* with small-scale and emerging farmers in specific crops and commodities.**

**Issues considered covering complementarity in tourism include:**

- The Motheo District Municipality was instrumental in the development and promotion of the Maluti Tourism Route.
- Tourism strategies are contained as a priority intervention area within SADC's RISDP. The goal is to use tourism as a vehicle for achieving sustainable socio-economic development, and as a key incentive for the conservation and utilisation of a region's natural resources.
- As is the case for agriculture, there exists a fairly large degree of policy coherence in the positions of SADC, the Free State, and Lesotho with regards to tourism.
- The number of Basotho visiting South Africa will continue to constitute a market capable of cementing ties between the two countries.
- Enhancing tourist facilities in the Katse Dam area to keep tourists an extra night or two in the area should have substantial benefits for both Lesotho and the Free State province

**Specific recommendations for tourism are that:**

- **Free State and Lesotho tourism authorities should initiate a series of bi-lateral meetings to consider the joint allocation of funds to a facility (within the proposed overarching SDI/Corridor support infrastructure) that is geared to undertake investigations into, provide support for, and promote investments and strategies which**

**more comprehensively build on the existing integrated tourism development strategies and practices between the two countries.**

**Issues covered regarding the potential for cross border infrastructure and services:**

- The Mohokare Valley Zone is set to play a crucial role in the Lowlands Water Supply Scheme, and some of the options consider drawing on the water storage and purification facilities of Ladybrand, thus providing the potential scope for an integrated approach that includes projected water demand for the eastern Free State, for example.
- Lesotho accounts for over 40% of the movement of people from neighbouring countries through South Africa's border posts. The Maseru and Ficksburg Bridges handle a number of travellers by far larger than any other border posts within these countries.
- The lack of proper facilities at the railhead in Maseru should be addressed to enable quicker handling of freight, especially considering future expansion
- A new station in the area between Thetsane and the Ha Tikoe industrial areas, with a new crossing over the Mohokare River should be considered.
- Lesotho's towns are ill-equipped to handle the influx of new urbanites. This applies both to the release of surveyed stands for residential purposes, as well as the concomitant infrastructure.
- On the Free State side of the border, the past five years has seen significant public investment in the integration of the infrastructure of former black townships and white towns. The principal instrument has been the introduction of the Integrated Development Planning (IDP) process as mandatory for all municipalities, and its main instruments could be developed and devolved for application in Lesotho.
- Notwithstanding considerable gains in the Free State province, a large measure of civil unrest has been encountered in many of the small towns due to dissatisfaction with the pace of service delivery. Accelerated service provision, both in bulk services and local reticulation is therefore very desirable.
- The SADC wishes to institutionalise PPPs for infrastructure by instituting a PPP dialogue forum, as well as by providing capacity building for PPPs.

**Specific recommendations are:**

- **The *phased* establishment of a dedicated *Cross Border Infrastructure sub-unit* or *function* is recommended.**
- **The establishment of a PPP facility within the proposed SDI/Corridor Development Unit. Its initial task should be to draw in stakeholders with which to develop the strategies, options, models and modalities for establishing suitable forms of PPP in the water and transport service sectors.**
- **The creation of representative corridor planning committees are established and tasked with assessing the detailed transport needs of the future and the relative priorities for road and rail infrastructure.**

**Issues considered in the harmonisation of the cross border utilisation of infrastructure:**

- The patterns in the cross border use of facilities and services between Lesotho and the Free State are complex. They have important economic and developmental implications and need to be reviewed in light of SADC policy trends towards more effective and stimulatory regional integration.

- While Lesotho citizens are covered by the same South African immigration regulations applicable to natives of any other country, in practice quite different regulations and concessions are applied in the case of Lesotho to accommodate local realities.
- Most eastern Free State business people believe they could not survive in business without some sort of personal 'connections' at the border and they believe passport controls should be abandoned as they encourage, rather than reduce, illegal activity.
- There is perspective emerging from the detailed work of Coplan in this regard, which maintains that, insofar as Basotho cause service crises in towns of the eastern Free State, this can only be addressed by cross border economic integration and development.
- Lesotho has become a haven for criminals evading arrest in South Africa.

**The recommendations for this issue area are:**

- **A partial easing and streamlining of border controls could be instituted, short of the complete free movement of persons across the border. There are several ways in which this could be achieved.**
- **The most radical alternative would be doing away with the South African Department of Home Affairs's operations at the Lesotho border altogether. For Coplan the benefits of such a move would far outweigh the risks and disadvantages.**
- This simple expedient is a tacit admission that these busy border posts cannot, in fact, be effectively controlled save by the allocation of resources that are in any event unlikely to result in benefits.
- The major stumbling block at this stage, is that while the Free State and Lesotho are directly dependent on one another in a number of important ways, there exists no framework within which they can directly communicate and negotiate with one another.

## Glossary

AGOA	Africa Growth and Opportunity Act
BEE	Black Economic Empowerment
CASP	Comprehensive Agricultural Support programme
CPF	Community project Fund
DTI	Department of Trade and Industry
DTEEA	Department of Trade, Economic, Environment Affairs
ECOWAS	Economic Community of West African Estates
GoL	Government of Lesotho
LED	Local Economic Development
LEC	Lesotho Electricity Corporation
LHWP	Lesotho Highlands Water Programme
LNDC	Lesotho National Development Corporation
LRAD	Land Redistribution for Agricultural Development
LDC	Less Developed Countries
LRC	Land Review Commission
MIIU	Municipal Infrastructure Investment Unit
NEPAD	New Economic Partnership for African Development
PEAC	Provincial Economic Advisory Council
PPP	Public Private Partnership
RISDP	Regional Indicative Strategic Development Plan
SADC	South African Development Community
SACU	South African Customs Union
SPC	Strategic Planning
SAPS	South African Police Services
SARS	South African Revenue Services
SDI	Spatial Development Initiative
SME	Small and Medium Enterprises
WASA	Water and Sanitation Authority

# 1. Introduction and Background

For some time the Premier's Economic Advisory Council (PEAC) of the Free State Province has been considering how best to establish a mutually supportive, integrated and stimulatory set of economic and institutional linkages between the province and its adjacent neighbour, Lesotho. The political and economic history of Lesotho and the Free State are inextricably intertwined and are reflected in contemporary relationships in a number of inter-related arenas, viz;

- cross border investment,
- trade,
- commerce and the professions,
- migrancy, cross border movements,
- agriculture and settlement and
- matters concerning national identities and the accessing of social services.

Much of the potential for integration is circumscribed by the present organisation of forums for bi-lateral relations between Lesotho and South Africa. Either the Free State finds itself excluded from developing complementary investments and arrangements locally, or it is mandated to give effect to decisions developed elsewhere and which it was not party to.

Inevitably this has given rise to disjunctive policy formulation resulting in competing investments, both locally and across border. The instrument for the progressive resolution of the bi-lateral issues noted above needs to be devolved, and situated more locally, for these concerns to be attended to effectively. The PEAC, acting in tandem with Lesotho's Ministry of Finance and Development Planning, could take a pro-active role in this regard.

## 1.1 Historical context and current status quo

The roots of contemporary Free State-Lesotho tensions can be traced back to episodes of land disputes. The Caledon River has remained the epicentre of protracted boundary quarrels and transgressions. During Mosheshwe's consolidation of the Sotho polity from 1825 to about 1850, a variety of colonial treaties aimed at achieving a measure of Basotho sovereignty for the areas north and west of the Caledon, but excluded the nascent towns of Fouriesburg, Ficksburg, Clocolan, Marquard, Excelsior and Thaba 'Nchu. The Second Treaty of Aliwal North in 1868 settled the boundary of Lesotho in perpetuity. The agreement provided for the restitution of some Sotho land, which represented a remnant of what Napier had provided for some 30 years earlier. This came to be known as the 'Conquered Territories'.<sup>1</sup>

During the 1900s, political relations with South Africa were sharpened by the then Basutoland's failure to join their neighbours in the Act of Union, which had provisions for the British Protectorates to join. By 1930, land pressures and British export restrictions had ruined the country's vibrant and competitive agricultural system.

During 1949 South Africa made a final unsuccessful attempt to persuade Britain to hand Basutoland over to South Africa. In 1965 Lesotho achieved its independence with a monarchy and a parliamentary system. By then, migrant labour to the South African mines and factories had become deeply systematised, with many migrants working for farmers on their ancestral lands.<sup>2</sup>

Up until 1963 no passports were required to enter South Africa from Lesotho but subsequent security concerns led to travel documents being required. During the period leading up to South Africa's 1994 elections, Lesotho aided the ANC resistance, assuming the role of a Frontline State.

After 1994 Basotho with a long history of migrancy were awarded South African identity documents and allowed to vote. Many became eligible for social benefits and for access to housing subsidies in South Africa.<sup>3</sup>

Within Lesotho, much of the post-independence period was characterised by state dominated socio-economic development. This happened against the backdrop of a general ‘crowding out’ of private sector investment, and a growing reliance on large scale donor assistance.<sup>4</sup> Despite Lesotho's support for the incoming South African government, its accession in 1994 created severe shocks internally. Some 30 of 34 foreign missions relocated to South Africa, and the country came, for the first time, to be subjected to rigorous assessment from the panoply of donor and multilateral institutions before it could acquire aid monies which were often highly conditional. Population and poverty had increased significantly, the previous era's donor investment not having realised any substantial benefits to the country as a whole. Since elections in 2002, Lesotho has been ruled by the Lesotho Congress of Democracy (LCD) the legitimacy of this party having been endorsed by South Africa.

Lesotho has been described as a ‘dependant democracy’, with its existence and maintenance effectively guaranteed by South Africa.<sup>5</sup> Numerous initiatives to address Lesotho's structural dependency and underdevelopment are now underway, particularly around accessing Fixed Domestic Investment (FDI), enhancing trade, poverty reduction, and the achievement of the UNDP's Millennium Development Goals.<sup>6</sup>

Overall, relations between the Free State and Lesotho remain under strain. Factors contributing to this can be summarised as follows;

- The declining number of mineworker migrants in South Africa has reduced their contribution to GNP from about 49% to 20% over the last decade, and has resulted in the perceived loss of a preferential relationship regarding migrant labour in relation to other SADC countries.<sup>7</sup>
- The negative impacts of disjointed sets of passport requirements, from both sides, and a laborious system of cross border controls over the Caledon River boundary. These affect migrancy patterns and the flow of purchasing power, while increasing the transaction costs to small businesses and the professions on both sides of the border.
- Rising pressures and competing claims on public and private resources and services by Basotho in the townships of the eastern Free State (both from those with the post-1994 identity documents and from oscillating migrants laying claim to ancestral lands).
- Disparities in the incentives provided on either side of the border for industrial development and for attracting FDI, and the preferential access by Lesotho to the benefits of the Africa Growth and Opportunity Act (AGO).
- Fluctuations in the public and community spheres on either side of the border as manufacturers manipulate incentive differentials and relocate accordingly.
- Decision making between South Africa and Lesotho invariably excludes the effective representation of Free State Provincial Government interests. Pretoria and SADC forums generally override the provincial government with respect to policymaking and decision taking.

## 1.2 Contemporary perspectives from the Free State

A recent analysis, undertaken on behalf of the PEAC, highlighted some important developmental potentials in relation to structural faultlines in the Free State economy, and in relation to its (sector bound) relationships with Lesotho.<sup>8</sup>

In the future development of agriculture for example, the report notes the potential for the professional expertise, developed in the modern agricultural sector of the Free State, to be made available, perhaps via consultancies or joint ventures, to farmers in Lesotho.<sup>9</sup> The report advocates the concerted public sector facilitation of support for agricultural innovation and development in Lesotho. This should ideally be underwritten with international aid to make it attractive as a business venture - one which could help to reabsorb retrenched Lesotho mine workers thus reducing work seeker pressures inside the Free State. The analysis also notes the potential for training and mentoring facilities in each of several different product niche areas, and the scope for the development and dissemination of labour absorbing technologies with possible attendant franchising opportunities.

Agri-tourism is viewed as holding out promise. The Free State has made good progress with developing rural tourism routes, mostly linked to the Lesotho Eco-tourism 'edge'. The largest Free State tourism sector, in terms of numbers, consists of Lesotho residents travelling into or through the Free State. Broad recommendations are to look at developing fishing and aquaculture as primary sector niches, particularly near Lesotho, and expanding nature based tourism and focused tourism routes (including Lesotho Highlands and the eastern Free State).

On the subject of manufacturing, the report details the contrasting path of manufacturing development between the Free State and that of Lesotho. The latter is predicated upon low cost labour, highly flexible labour relations, a beneficial tax regime, generous government and parastatal support, as well as the special preferences obtained through the AGOA agreement with the United States. Lesotho's manufacturing employment increased from 10 000 to 42 800 in the decade to 2004, while in the Free State there has been a decreasing contribution from manufacturing, and a decline in jobs from 47 000 in 1996 to 36 000 in 2002 (70% of manufacturing value-added in 2003 occurred in the northern Free State-Sasolburg complex).<sup>10</sup>

The report therefore recommends that more attention be given to the nature of the interactions between Free State and Lesotho industries and industrial support services, especially given the prominence of manufacturing in Lesotho's economy and the AGOA linked export opportunities and activities. It further recommends the pursuit of new niches with competitive advantages.<sup>11</sup> One idea is the establishment of industrial activities which draw on Lesotho's low cost firms as suppliers of inputs.

With respect to trade, the report notes a decline in the well developed trade infrastructure of the past, where most of the smaller towns effectively linked and integrated into the national wholesale and distribution network. This has led to the stagnation of the smaller towns, with the decline of trade precipitating the further exodus of people from these small centres. The re-activation of effective trade supply links was recommended in the report as an important facilitatory intervention.

In the transport sector, the Gauteng- Bloemfontein -Maseru transport corridor is identified as one of the critical growth challenges in the province,<sup>12</sup> and the report moves to consider the best means of activating spatial development opportunities. Here it notes the critical links required for more balanced economic and spatial growth. The interaction between sector growth and spatial development should enhance employment and income generation for the province. The potentials of the Bloemfontein-Maseru corridor assume critical importance in this regard.

The report notes there are “no magic solutions for the activation of development”. Much will depend on the interactions between the private sector, and municipal as well as provincial stakeholders and parastatals, who together need to focus on the full spectrum of relatively modest opportunities related to the identified growth sectors.<sup>13</sup>

According to the study, among the most promising prospects is a Lesotho-Free State development connection (assuming the advance of democratic modernisation in Lesotho) where Mangaung could play the role of the “nearest metropolitan area with a wide cross section of specialised service providers”.

The report further details<sup>14</sup> how the Mangaung-Maseru corridor, the N8 axis which includes Botshabelo, meets some important preconditions for industrial, retailing and related economic activities – in other words an Industrial Development Zone (IDZ). While it notes that the immediate challenge for the Free State is to compensate for the negative impacts on Bothshabelo, arising out of the cessation of apartheid’s decentralisation incentives and subsidies, in the longer term an IDZ may be worth exploring as a Public Private Partnership initiative. In this respect, the analysis sees significance in the stimulation of increased demand for consumer and capital goods in Lesotho: “Lesotho should not be underrated, just as the mushrooming of labour intensive industries should stimulate the link with Bloemfontein as a city with relatively sophisticated industrial, repair and maintenance facilities”.

The ideal of the Free State business community playing a significant facilitatory role in these developments is stressed, and the proposed activity axis, with particular emphasis on the regeneration of industrial activities, is viewed as being one of the best potentials for the province’s economic rejuvenation.

In essence, the analysis argues for much more effective use of the array of national support programmes that are available (including those offered by the DTI)<sup>15</sup> as well as for the restructuring of provincial and local development support.<sup>16</sup> It sees these as being the twin pre-conditions for successful development promotion in the province.

### **1.3 The role of the SADC**

Various initiatives and programmes aimed at regional integration are housed within the Southern African Development Community (SADC). For each of the pre-identified issue areas that this report will address (see 2.1 below), it will be necessary to take these programmes into account as they affect current relations between Lesotho and South Africa and should therefore inform the recommendations of this report.<sup>17</sup>

The overall organisation and operations of SADC are discussed in this section while the finer details of the relevant instruments are reserved for the appropriate sub-sections.

The original Southern African Development Co-ordination Conference (SADCC), had as its focus the economic liberation of southern Africa, via programmes of action aimed at functional co-operation in key sectors. The SADCC was initially constituted, via the Arusha Declaration, as a voluntary association of the so-called Frontline States who were active in liberation in the 1970s. In 1992, in Windhoek, the SADCC alliances were formalised into legally binding membership of the SADC. This was due to the urgent need for a more fundamental and significant realignment of local and regional economies.

The SADC member states<sup>18</sup> generate a relatively modest GDP (\$188-billion in 2000). This is less than that of Turkey and equivalent to about 5% of the US market. In the African context however it is more than double the GDP of the Economic Community of West African States (ECOWAS), and makes up over 50% of sub-Saharan Africa's GDP.<sup>19</sup> Intra-regional socio-economic development is highly uneven within SADC though, and South Africa contributes some 70% of the regional GDP. South Africa's economy is, for example, 138 times larger than that of Lesotho's, the second smallest member of the SADC.

Following early efforts at integration and development, outcomes have been mixed and have resulted in divergent trends in income per capita. These disparities may point to the effectiveness of these policies and programmes. For example, the ratio of South Africa's real income per capita to that of Lesotho's moved from 13:1 in 1970 to 6:1 in 2000<sup>20</sup> while that of South Africa to Malawi changed from 30:1 to 25:1 over the same period.

The SADC structure, its protocols, and their associated policies and programmes, underwent considerable revision after the 1992 Windhoek meeting.<sup>21 22 23 24</sup> Major recent restructuring has aimed at improving efficiencies to ensure meaningful and equitable regional integration. The desire is to render the SADC more relevant to the challenges that accompany accelerated economic development. Accession to the SADC Treaty now commits member states to a series of principles, objectives and strategies meant to bring about mutually beneficial co-operation and integration. Members must abide by a wide array of protocols in the resource, economic and social sectors. In 2002 the SADC regrouped these key sectors into clusters under four Directorates, viz.:

- Trade, Finance, Industry and Investment
- Infrastructure and Services
- Food, Agriculture and Natural Resources and
- Social and Human Development, and Special Programmes.

At the 2002 summit the SADC also formulated its Regional Indicative Strategic Development Plan (RISDP).<sup>25</sup> Based on its adjusted strategic priorities, it established new priority intervention areas viz.:

- Poverty eradication
- HIV/AIDS
- Gender equality and development,
- Trade, economic liberalisation and development,
- Infrastructure support for regional integration and poverty eradication,
- Sustainable food security,
- Science and technology, statistics and private sector development.

The RISDP is not intended to be prescriptive. It is flexible in implementation and is predicated on the principle of additionality (whereby programmes need to generate solutions to problems in regional integration), broad participation, consultation, and subsidiarity (whereby programmes are administered from the 'most local' level at which they can be handled). The RISDP also requires the maximum engagement of regional expertise for programme management and implementation. It is intended that this should enhance capacity building and local ownership to pave the way for decentralised management.<sup>26</sup>

The RISDP priority areas relevant to this report are:

- Tourism,

- Food, agriculture and natural resources,
- Trade, industry, finance and investment,
- Infrastructure and services, and
- Transport and communications.

## 1.4 The Spatial Development Initiative (SDI) record

Since their inception in 1995 SDIs (headed by a Special Projects Directorate in South Africa's Department of Trade and Industry) have become a primary instrument of public policy and one of a series of stimuli for forms of regional and local economic integration. SDIs are aimed at unlocking unrealised economic potential in areas that require concerted government assistance. Central government, through carefully planned and targeted interventions, is tasked with facilitating new investment, largely by the private sector, and with restructuring the 'apartheid space economy'. SDIs often feature innovative forms of Public Private Partnerships (PPPs) intended to enhance the delivery of appropriate infrastructure.<sup>27 28</sup>

The eleven SDIs in South Africa exhibit a variety of orientations. Some are exclusively industrial (Kwazulu-Natal and Fish River), or focus on Agri-tourism (Lubombo and the Wild Coast SDIs). Others display a sectoral mix as with the Maputo Development Corridor. In addition to these SDIs, four Industrial Development Zones (IDZs), aimed at boosting exports and creating jobs, have been established at Coega, Saldanha, East London and Richards Bay.

A 'second generation' of SDIs (the Gauteng Special Economic Zone is a case in point) focuses on support for high-tech manufacturing, information technology, telecommunications, food processing, and cultural activities. National IDZ policy, facilitated via the National Development Zone Authority, aims at allocating the development and management of zones to the private sector.

Significantly, the Free State and Lesotho do not feature in any such initiatives.

Since the inception of SDIs and IDZs, a growing body of research evidence and opinion indicates major challenges that need to be overcome. This includes the need for greater consideration of factors specific to the selected areas, such as their people, politics and history. Complications arising out of these factors sometimes thwart the original intentions of programme designers. Recent research on the Wild Coast Agri-tourism SDI, points out that:

- delays in the implementation of land reform have been problematic for the SDI,
- the absence of tenure security for new developments has impacted on the capacity of the SDI to attract new investments,
- the opportunities promised via the SDI led to nepotism and elite control over access to training and to jobs,
- communities face many obstacles to their effective participation in tourism, and local people making their own investments in anticipation of a tourism boom have been negatively affected by the slow pace of the programme.<sup>29</sup>
- limited government investment and poor interdepartmental co-operation in enhancing local infrastructure (upgrading rural roads, providing ablutions and parking, etc), were seen to inhibit tourism development.<sup>30</sup>

In the Wild Coast SDI, phased case study research on the Local Economic Development (LED) components highlighted that the local population lacked both an entrepreneurial culture and business acumen. Petty corruption was a major obstacle to economic growth. People were said to have come adrift from their agricultural roots and felt discouraged from pursuing self employment.

What local enterprise there was remained opaque to planners, and tended therefore to be overlooked in the SDI agenda setting processes.<sup>31</sup>

Notwithstanding some of these shortcomings, many SDIs have made significant progress particularly in areas such as bulk infrastructure provision, private sector investment, and job creation.<sup>32</sup>

## 2. Purpose of this Study and Issue Areas

The present report is intended as a *scoping study* – one that will serve as a way forward. It applies itself to distinct *issue areas* that were determined by the PEAC with the concurrence of Lesotho's Ministry of Finance and Planning. It is hoped that this study will serve as the precursor to a set of key strategies and initiatives, with associated investments, to address some of the faultlines and opportunities covered. The results should form the basis for the more sophisticated exploitation of the potentially fruitful linkages across the Free State-Lesotho boundary, within the framework of existing bi-lateral and institutional arrangements and relationships.

The predetermined issue areas adverted to above are as follows:

- Complementary industrialisation strategies; the identification of towns to function as hubs with the potential to stimulate further corridor-type investment and development; and effective harnessing of cross-border trade linkages, with their associated opportunities,
- A 'Special Development Zone' across a portion of Caledon River valley incorporating synergistic agricultural, land reform and tourism strategies,
- Cross-boundary infrastructure schemes, particularly in bulk water supply, transport and urban services,
- Harmonising the cross-border utilisation of social infrastructure.

The reasoning that informed the identification of these issue areas was as follows:<sup>33</sup>

With the exception of Sasolburg, the Free State's previous attempts at growth points have had limited linkages with the rest of the regional economy. Lesotho's textiles-led industrialisation is AGOA driven. Industrialisation in the Free State and in Lesotho is fuelled by disparate sets of incentives. This results in competing, uncomplementary investments by the private sector. Recent SADC policy, embodied in the RISDP, has trade and economic liberalisation and development as an integration area. It aims at promoting harmonisation and complementarity across industrial and trade policy. This means that the potential for developing the right mix of trade and manufacturing policy and practice, between Lesotho and the Free State, needs to be realised more efficiently. Within a putative Mangaung-Maseru development corridor, Ladybrand, Ficksburg and Maputsoe are potential hubs.

Commercial agriculture on the Free State Caledon boundary is under threat from endemic stocktheft and crop losses. Land reform investments are also gaining momentum. Investment in small-scale farming, local irrigation schemes, and suitable downstream processing plants coupled with effective land reform could create growth and stabilise tensions. Most of the tourists entering Lesotho from the Free State towns are day trippers which entails minimal expenditure in Lesotho. Complementary investment, locally supported, could enhance the viability of a 'special development zone'. Experiences with the Lubombo SDI should prove instructive in this regard.

Since Maseru and all the towns of the Lesotho Lowlands struggle with unreliable water supplies, there exists the potential for integrating their bulk supply by means of a PPP Water Authority. Drawing on Lesotho's experience in labour-based roadworks, the potential for the cross-boundary definition and development of new routes and roads warrants investigation. SADC's RISDP has defined 'Infrastructure Support for Regional Integration and Poverty Eradication' as a priority intervention and the instruments and arrangements for this need to be devolved and developed more locally.

There are considerable disjunctions in the application of passport control for migrants and business-related movement across the border. The details need to be harmonised and simplified to the best interests of all parties, and in support of the dictates of social utility and economic efficiency. The competition for social services and subsidies in the Free State border towns by Basotho needs to be dealt with by means of negotiated strategies and solutions.

### **3. Potential Zones for Development in Lesotho**

This section describes three potential development zones, within Lesotho and adjacent to the Free State. The emphasis is however on the Mohokare Valley zone. This is adjudged to be the most promising of the three for reasons given in section 3.4. It is felt that the Mohokare Valley zone should constitute the focus for a *first phase of co-ordinated attention and investment* on the part of the Free State and Lesotho. This issue will be revisited in section 5 below.

Lesotho is surrounded by South Africa. As matters stand at present this has both positive and negative implications for the development of the country and relationship with the Free State. South Africa's superior transport infrastructure stands Lesotho in good stead. The country benefits from the spill-over effects of South Africa's relatively strong modern economy and its citizens have access to excellent health care and tertiary education across the border. The linkages with South Africa in the Southern African Customs Union (SACU) provide the Government of Lesotho (GoL) with its largest single source of income.

On the negative side, Lesotho, apart from its large water export capacity, is almost always in a subordinate position since it has little comparative economic strength and is invariably overshadowed by the much larger South African economy. There is a decided 'brain drain' with professionals and entrepreneurs choosing to settle in South Africa with its superior array of opportunities.

In the light of these factors it is unsurprising that Lesotho's linkages with the South African and Free State economy are intense and wide-ranging. As already noted, the western border of Lesotho and the historically named 'Conquered Territories' remain an emotive, contested issue.

#### **3.1 The Lesotho-Free State border – preliminaries**

The Free State Lesotho border begins at the northern mountain peaks of Mont-aux-Sources and ends where the Senqu (Orange) River forms the boundary between the Free State and the Eastern Cape Province. Given the scoping nature of this study, a decision had to be made as to how wide the territorial focus south and east of the border should be. Several options were considered.<sup>34</sup> It was decided to settle for using the Lesotho 1993 election constituency boundaries. Lesotho's 1996 census was also conducted using these boundaries. Although the constituencies have since changed, this is still the only basis for obtaining statistical data on communities residing within the immediate border zone. In the case of the Malibamatso constituency only those enumeration areas abutting on the border zone were selected.

It is apparent from a number of variables – climate, nature of the border, pedestrian and vehicular crossings, and economic linkages – that the border area could be divided into several zones. For the purpose of this study, a division into three zones was decided on. These are described in more detail below with, as already mentioned, the focus being on the Mohokare Valley zone.

#### **3.2 The Northern Border Zone**

The northern zone commences close to Mont-aux-Sources, where the boundaries of the Free State, KwaZulu-Natal and Lesotho converge, and extends down to Litlhoatsaneng beyond the point where the Mohokare (or Caledon) river becomes the boundary between the Free State and Lesotho.

The border covers a distance of approximately 140km. At 148 000 (1996 census), this zone's population was the lowest of the three. Three-quarters of the people reside in the district of Butha-Buthe and the remaining 25% in the Leribe district.

The population can be described as young, with 36% being under 16 years of age. The population density of 133 people/sq.km is low compared with the national density of 600 people/sq.km. The climate is temperate with cool to very cold, dry winters, and hot wet summers (See Table 1). Taking the town of Butha-Buthe as representative of this zone, it receives a moderate average annual rainfall of 766 mm. The seasonal rainfall pattern shows 80% falling in the months October – March. (See Table 2). More than a third (38%) of the population is unemployed and engages in subsistence farming. Very few people (less than 1 percent) are employers due to the fact that the zone is predominantly rural with very few economic activities. (See Table 3).

The delivery tunnel that channels Lesotho Highlands water to South Africa runs through the area, which has benefited substantially from the Lesotho Highlands Water Project's first phase. This included construction activities on the delivery tunnel, the Muela Dam, the Katse Dam, the Muela hydropower station (Lesotho Electricity Corporation's main source of electricity), upgrading of tarmac roads and the construction of several kilometres of good gravel roads. Buthe Buthe benefited from the construction of a clinic, roads, a bank and an arts and cultural centre.

Local economic development programmes launched by the Lesotho Highlands Water Project, saw several farmers established with horticulture under irrigation. Crop production is mainly summer crops such as maize, sorghum and beans and in all these, the yield per hectare is above the national average (see Table 4). Livestock such as cattle, horses, donkeys, sheep and goats are kept and are mostly used for ploughing, transport, milk, wool and mohair.

Tourism is limited mainly to visits to Oxbow Lodge in the mountains where skiing is possible in the winter months. Functional literacy is relatively low, at 58%. About 30 percent of the people have never been to school, and more than half of those that did not complete primary school. There are 108 hospital beds in Butha-Buthe.

The Northern Zone has two border gates. That at Caledonspoort links Butha-Buthe with Fouriesburg, and is open from 06:00 to 22:00 every day. It is not very busy and is mostly used by businessmen and informal traders sourcing supplies in towns such as Bethlehem. The second border post, at Monontsa, links the narrow Lowlands belt directly next to the Mohokare River with Maluti-a-Phofung. Imports through this post are negligible and it is one of the least important from a trade perspective. The value of imports at these two border posts constituted less than 4% of total imports in 2002/3.

### **3.3 The Southern Border Zone**

The southern zone stretches from Mpetsana (a few kilometres north of Wepener) to the confluence of the Makhaleng and Senqu Rivers. This is the point where the Free State abuts on the Eastern Cape's Herschel District.

The Southern Border Zone is the largest of the three zones in terms of size (1852 square kilometres) and had a total population of 234 000 (1996 census). As with the northern zone, it is overwhelmingly rural. Population growth in this zone has lagged behind the national average, possibly suggesting that people are migrating the Mohokare Valley Zone, which has the highest growth rate.

Frosts occur regularly in the winter. During the rainy season, very intense thunderstorms are frequent and as much as 15 to 20% of the annual rainfall may occur within a 24-hour period. Poor cultivation practices and overgrazing have resulted in severe soil erosion and up to 12% of the Mafeteng Lowlands is estimated to be covered by dongas.

Agriculture in this zone is characterised by low returns to crop production, with maize yields in tonnes per hectare at just over 500 kg. This is a mere 69% of the national average yield. Sorghum yields average 547 kg, which is 81% of the national figure, and while the wheat yield per hectare is at 92% of the national average, it is still only a meagre 556kg per hectare.

The area has only two factories in production. These are located at Mafeteng. The one is a textile concern and the other a pharmaceutical company. A new industrial estate is under development in Mohale's Hoek. More details regarding employment in this zone are provided by Table 13.

Van Rooyen's Gate (the third most important border post in Lesotho) and Tsupane are close to Wepener. The third post is at the Makhaleng Bridge that links Mohale's Hoek with Zastron. Tsupane and Makhaleng Bridge close at 18:00, but Van Rooyen's Gate closes only at 22:00.

### **3.4 The Middle Border Zone: The Mohokare Valley**

The middle zone, which it will be recalled is regarded as the most promising for the purposes of this report, extends from Litlhoatseneng to the confluence of the Mpetsana and the Mohokare Rivers, 25 kilometres south of Maseru. This is a distance of approximately 210 kilometres. The middle zone is formed mainly by the districts of Leribe, Berea and Maseru. It contains the two most important border posts and is the most densely populated Lowlands areas of Lesotho. In this study the middle zone will be referred to as the 'Mohokare Valley Zone'.

This zone is the smallest in terms of area but carries the largest population. Its population in 1996 was 379 000 with 40% residing in Maseru. Average population densities are over 800 people/km<sup>2</sup> rising to 1 333 people/km<sup>2</sup> in the densely populated parts of urban Maseru. It is the most urbanized zone with four towns: the capital Maseru, the district capitals of Berea (Teyateyaneng) and Leribe (Hlotse), as well as the industrial town of Maputsoe. There are more women in these urban areas than men, moreso than is the case in other two zones' urban areas (See Table 8). The climate is temperate with cool dry winters and moderately hot summers when the bulk of the rainfall occurs (See Table 9).

Data from the 1996 census reveals 20% of the population to be in formal employment. This percentage should have increased sharply over recent years because of the establishment of so many new factories in the Maseru and Leribe districts. Due to the centralised civil service, the incidence of public sector employees is also substantially higher in the capital town. Table 10 shows the distribution of employment by type.

General levels of education are, unsurprisingly, higher in this zone than elsewhere. Being the economic heartland of the country it is able to retain the most qualified teachers. Schools in this zone also tend to be within closer proximity, and therefore more accessible to, their clientele.

There are three border gates in all. That at Maputsoe Bridge links the industrial town of Maputsoe with Ficksburg, while Peka Bridge links with the Free State town of Clocolan. The third, Maseru Bridge, links the Lesotho capital with the road leading to the Free State capital, Bloemfontein and to Ladybrand (some 18 km from the border). At Maseru Bridge there is also the only railway line crossing into Lesotho. The Maputsoe and Maseru border posts are fairly busy and are open around the clock. These two border posts are the most important import-export points in Lesotho and long bottlenecks occur from time to time at both of them.

### 3.5 The Mohokare Valley Zone as focal point for cross border development

Of the three border zones, the one with the highest economic potential on the Lesotho side is the Mohokare Valley Zone. This section advances additional detail by way of motivating for the targeting of this particular zone for constructive developmental linkages.

- **population size and density** - this indicates the economic pull factors prevailing in this zone, and a consequent higher supply and demand multiplier.
- **industrial heartland** - the four most important industrial estates in Lesotho are located here, two in Maputsoe (Maputsoe proper and Maputsoe Ha Nyenye to the south east of the main urban area), and two in Maseru (Maseru Industrial Estate and Maseru Ha Tsetsane). In addition, tenders have already been invited for the development of another large industrial estate a few minutes south of Ha Tsetsane at Ha Tikoe. From Table 15 it is evident that the two estates in Maputsoe and Maseru at this stage employ 40 000 of the 42 763 workers in the formal manufacturing sector - or 93% of the industrial workforce. Although a new industrial estate is under development in Mohale's Hoek, and the one in Mafeteng will be expanded, this growth will be more than offset by the envisaged Ha Tikoe development. Foreign industrialists are also said to prefer the facilities of Maseru and its proximity to Ladybrand and Ficksburg.
- **busiest border gates** - the border crossings at Maseru, Peka and Maputsoe accounted for 87% of the total value of imports in 2002/3. Table 16 reflects the annual imports for all the border posts for 2002/3. Although no statistics on crossings by vehicles could be obtained for Lesotho<sup>35</sup>, the information on value of imports is an important indicator.
- **rail infrastructure** - the railroad head in Maseru was developed in the early 1960s to transport migrant mine workers to the Free State Gold Fields. At this stage, there are no passenger services and the rail link is devoted solely to freight.
- **agricultural potential** - the district of Leribe is Lesotho's main crop growing area. The Mohokare Valley Zone contributes 60% of the total maize harvest of the country. The yield per hectare is 15% higher than the national average. The share of the Mohokare Valley Zone in Lesotho's agricultural production is expressed in Table 18. It is clear that it is far less important for winter crops where the mountain areas contribute the bulk of the wheat and pea harvests. Livestock statistics are provided by Table 19. These tend to imply that many households derive their livelihoods from non-agricultural sources.
- **administrative centre** - with Maseru functioning as the capital, and housing the seats of both Parliament and the High Court, it is self-evident that the greatest percentage of Lesotho's 36 000 civil servants would be based there. One can safely estimate that approximately 95% of the annual remuneration of the country's civil servants is disbursed to residents of the Mohokare Zone Valley.
- **economic diversification** - Mohokare Valley Zone has the most diversified economic structure in the country and the highest percentage of people economically active in modern sectors. Fifty eight percent of the 54 000 Lesotho mine workers on South African mines originate from the districts of Maseru, Berea and Leribe, though it is not possible to indicate which percentage of these come from the Mohokare Valley Zone itself. In 2002 these workers remitted some M340-million in 2002 to their families in these three districts. Ninety three percent of the country's formal factory workers work in the Mohokare Valley Zone,

resulting in an annual wage pay out in excess of M350-million in 2003. The monthly disbursements to civil servants in 2002/3 in the three districts amounted to M83-million.

- ***focal point for urbanization*** – Maseru’s fast influx growth far exceeds present urban management capacity vis-à-vis the provision of safe drinking water, sanitation etc. Urban layout in the residential areas is mainly dictated by informal land arrangements between traditional leaders and existing residents. The Maseru City Council and the Department of Lands, Surveys and Physical Planning (in the Ministry of Local Government) and the Water and Sanitation Authority (WASA) are therefore engaged mainly with *post hoc* formalisation. The second largest urban settlement is Maputsoe just across the Mohokare River from Ficksburg. An overview of the rate of urban growth is depicted in Table 20. Table 21 contains projections regarding urban growth in Lesotho. It is evident that urbanisation is accelerating. Since cities and towns are the engines of growth and development, any attempt to climb the developmental ladder in Lesotho has to have an impact in this specific zone. Whilst there are several discrepancies between the 2002 and 2005 figures in the respective tables<sup>36</sup> it is the trends, rather than the estimates, that are important. The rapid urban growth has however not been accompanied by appropriate urban management. Infrastructure is totally inadequate for the current population and the envisaged further acceleration requires a strategic intervention in this field.

## 4. Complementary Industrialisation and Trade Strategies

The purpose of this section is to investigate the performance of Lesotho's economy, and that of two adjacent districts in the Free State (Motheo and Thabo Mofutsanyane), with a view to identifying potential integration linkages principally relating to industry, trade and manufacturing. The two districts contain the towns of Bloemfontein, Botshabelo, Thaba 'Nchu, Ladybrand, and Ficksburg, and their characteristics and performance provide the basis for a consideration of issues regarding the potential for a development corridor with Maseru.

It is clear that developments in the Mohokare Valley Zone will determine whether Lesotho can achieve the necessary preconditions for more sustainable development and concomitant poverty reduction. Major policy and institutional reforms are required. There are several respects in which cross-border co-operation between Lesotho and the Free State could contribute towards the development potential of the Mohokare Valley Zone.

Trade is a key driver of economic growth. Given that Lesotho's economy is so small the country can only really combat poverty through the pursuit of export led growth. Industrialisation opportunities need therefore to be understood in the light of international trade regimes. For this reason trade is dealt together with industrialisation and manufacturing in this section.

### 4.1 The Lesotho economy

Lesotho's macro-economic policy environment is determined by the developments in South Africa because Lesotho is tied to the Common Monetary Area. This eliminates monetary policy autonomy and Lesotho's competitiveness depends on the fluctuations of the South African Rand.

For this scoping study it is important to consider first of all the relative size of the respective sectors as a percentage of GDP (see Table 22). It is immediately evident that Lesotho exhibits a marked discrepancy between GDP and GNP. This is mainly because of the large number of mineworkers employed in South Africa. The reasons for the dramatic narrowing of the original large gap between GDP and GNI are threefold, and can be attributed to:

- the impact of the Lesotho Highlands Water Programme (LHWP) on the internal economy,
- the increasing importance of manufacturing in the local economy, and
- the declining relative role of mineworker remittances.

Industrialisation has been a constant focus of the Lesotho National Development Corporation (LNDC) since the late 1960s, with limited success until an industrial take-off in the late 1980s. Graph 7 depicts manufacturing's contribution as a percentage of gross national income, rising from 4% in 1983 to 12 % in 2003.

Whilst the large majority of the population is involved in agriculture, care should be taken not to depict agriculture as an *employment* sector. Studies have indicated that the average time devoted to agriculture by rural households amounts to less than three person hours per day.<sup>37</sup> Other studies indicate that agriculture cannot even be classed as a subsistence activity, and that it is at most a *contributor* to subsistence. For food security Lesotho has to focus more and more on non-agricultural economic activities that will enable it to buy the food it needs to feed its population. Agriculture has been in constant decline. This is despite substantial investments through development aid, a higher subsidised maize price than in South Africa<sup>38</sup>, and ongoing input subsidies in the form of seed, fertiliser and mechanised services.

Construction has achieved extraordinarily high levels of performance because of the impact of the massive first phase of the LHWP that came to an end in 2003. This was augmented by large-scale reconstruction following the devastation wrought by unrest and military interventions in 1998. A contribution by the construction sector of 18% to the economy (as was the case in the early 1990s) is not sustainable however and was only due to the fact that the largest single civil construction project in the southern hemisphere at that stage was implemented in a small country with no real diversified economy. The LHWP changed the country in many ways:

- it opened up the rural hinterland through good roads over impressive mountain passes
- it created new and sustainable sources of national income by stimulating tourism and the water royalties paid by South Africa
- it accelerated urbanisation
- it improved energy supply through hydro-power.

Notwithstanding the impact of the LHWP, it must be pointed out that tourism still remains relatively negligible in the overall context.

Table 23 presents an overview of the importance of different sources of government income. Impressive increases have been realised overall, notably in income tax revenues, and this has been accompanied by a corresponding decline in the relative importance of grants.

Since the 1990s the number of Lesotho mineworkers employed on South African mines has declined drastically, mainly because of the general trend of retrenchments at South African mines, but also because mineworkers, after a certain period of employment in South Africa, are qualifying for permanent residence for themselves and their families. The decline in the number of migrant mineworkers is summarised in Table 24. It is interesting to observe how the value of remittances has rocketed notwithstanding the decline in mineworker migrancy. This can be attributed to higher wages, but also to retrenchment benefits being repatriated.

## **4.2 The rise of the textile industry**

Prior to independence Lesotho had no industrial base to speak of except for a few cottage industries. Traditional beer brewing was by far the largest sub-segment. The LNDC Act No 20 of 1967 established the LNDC 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”. After 18 years with the GoL as the only shareholder, Germany became the main co-investor.

In the early years the impact of the LNDC remained very modest. An attempt was made to support cottage industries built on traditional weaving and pottery skills. Tapestries, carpets and pottery were produced, and markets in South Africa and abroad were explored. In addition, Lesotho promoted import substitution industrialisation in the field of basic goods: food and beverages, construction materials, and light engineering products. Several light industrial concerns - mainly engineering services - were secured and a few large endeavours aimed at agro-processing were also launched, partially fuelled by the desire to develop food self sufficiency and also to promote crop diversification towards higher value crops. Lesotho Milling and Basotho Cannery were two examples of this trend. The latter was linked to attempts to promote cultivation of asparagus, beetroot, potatoes and fruit. In the field of construction materials Loti Brick was launched in 1979. Investments were also made in the pharmaceutical arena and in the production of ceramic tiles. The later 1980s saw the entry into the textile arena. This industrialisation effort was supported by the incentive package described in Table 25.

These incentives, coupled with the desire by several South African-based industries to escape the sanctions net woven around that country, led to substantial industrial growth in the early and mid 1980s. Several South African firms established new endeavours in Lesotho with its preferential access to the European Union (EU) markets. A second wave of industrialisation took place in the latter 1980s when the EU exempted Lesotho from the Lome Convention 'accumulation formula' for textiles for a period of eight years. According to the accumulation formula at least two manufacturing processes have to take place in an exporting country for access in terms of Lome. The eight-year waiver enabled several Taiwanese firms to obtain fabric from India, Taiwan, Malaysia and China for processing in Lesotho. When this exemption expired, several firms closed down, whilst others shifted their attention to the US market despite its tariffs and quotas. A basis was laid for further development of the textile industry when negotiations on AGOA commenced.

The road to industrialisation road was also characterised by several failures, however:

- the National Ceramic Tile Factory established in Mafeteng was liquidated within 3 years after commencing operations,
- Loti Brick is, after 26 years, still operating at a loss despite its being an investment in one of the most modern computerised kilns in southern Africa,
- the Lesotho Pharmaceutical Company (also Mafeteng based) is running at a large loss and all attempts to find a strategic investor to recapitalise it, and to secure its full privatisation, have failed to date,
- Basotho Cannery was liquidated, and
- the once famous Kolonyama Pottery, which exported to the United Kingdom, Canada and South Africa, is no longer in existence - neither is the carpet weaving that was based on locally produced wool.

Table 26 provides an overview of the growth in manufacturing concerns since 1994. It is clear from the table that by 1994 textiles had come to dominate the industrial scene in Lesotho, and that the demise of the small built-on-indigenous-skills cottage industries was already complete. The effects of growth in the textile industry, consequent upon the introduction of AGOA, have begun, but the impact on Lesotho's industrialisation is not clear as yet. Industrialisation in the period 2000 to 2003 was to a certain degree hampered by a lack of serviced industrial sites. Several textiles factories are only now coming on stream. An additional 10- to 12 000 jobs will be created, with the southern town of Maseru's Hoek also becoming a focal point for industrialisation. Table 27 shows textiles considerable share of employment in manufacturing over the period 1994 to 2004.

### **4.3 AGOA's impact on Lesotho**

AGOA has become the cornerstone of the Bush Administration's interaction with sub-Saharan Africa and reflects the US approach of 'trade, rather than aid'. AGOA took effect during October 2000 and will expire in September 2008. The aim of the Act is to promote free markets and to lower trade barriers. It is a so-called 'second tier' preferential treatment arrangement, not exactly a free trade agreement but with better benefits than the Generalized System of Preferences (GSP) allows for (see Table 28).

To a certain degree AGOA is a preferential treatment package for countries in sub-Saharan Africa that are also eligible for GSP. In its first year of operation it had little impact - AGOA accounted for less than 1% of total US imports. Although AGOA lowered the tariff barriers for textile exports to the US, almost all countries qualifying for AGOA already had quota-free access to the North American market anyway. In terms of the Multi-fibre Arrangement quotas are due to vanish altogether in 2005. After this tariffs alone will regulate access and AGOA beneficiaries will accordingly have only a tariff advantage.

Lesotho was one of eight LDCs accorded full AGOA benefits, and was designated for AGOA preferential treatment in October 2000. In April 2001 it received textile certification, six weeks later than South Africa. The duty-free and quota-free access for textiles and apparel in terms of AGOA is subject to a strict arrangement concerning the origin of fabrics and yarn: duty-free access to the US market depends on textiles and apparel produced from “fabrics wholly formed and cut in the United States from yarns wholly formed in the United States”. The Act also allows for duty-free and quota-free apparel imports made from fabric produced by beneficiary countries in sub-Saharan Africa. (This is the so-called ‘apparel clause’).

The apparel clause featured a Special Rule for LDCs that extended a period of grace until 30 September 2004 during which ‘window’ period designated countries could have duty-free and quota-free access for apparel produced from fibre and yarn sourced anywhere else in the world. Lesotho qualified for the Special Rule - South Africa did not. Industrialists from Taiwan, Hong Kong and China seized on this window of opportunity for the LDCs<sup>39</sup>. The incentive led to a substantial expansion of the textile industry in Lesotho. But if the US Congress was unwilling to extend the tenure of the Special Rule then the textile industry in the AGOA LDCs would be jeopardised.

In July 2004 US President George Bush extended AGOA from 2008 to 2015, and extended the Special Rule by three years to September 2007. In the process Botswana and Namibia came to be accorded the same benefits under AGOA as the LDC block.

The threat of not being able to access cheap fabrics outside AGOA countries galvanised Lesotho into gearing up its industrialisation programme. Two Taiwanese textile industrialists commenced with the establishment of a denim mill in Lesotho. Construction of a large textile factory by Nien Hsiang, costed at \$50-million and which would employ 6 000 workers, commenced in Maseru in 2001. It plans to export fabrics to other AGOA beneficiaries who will no longer be able to source cheap fabric from India and elsewhere in the East. Nien Hsiang has, apart from the mill, investments of \$200-million in Lesotho and employs almost 10 000 workers (many of the smaller companies listed in Table 5 belong to this group). A Mauritian textile firm, Sweat Sun, has also begun with apparel production in Lesotho.

South Africa has also benefited substantially from AGOA and the growth that South Africa has experienced in textiles is in fact far larger than the growth rate that Lesotho has experienced in apparel exports to the US (see Table 29), though from a low base. Table 30 shows the AGOA exports of Lesotho and South Africa in the context of the rest of Africa.

#### **4.4 The policy environment: differences between Lesotho and South Africa**

A Free State Manufacturing Industry Study, recently prepared for the PEAC, highlighted the effects for the province of cross border industrial development. While clothing and textiles have assumed increased importance in the province over the last decade, there is uncertainty about the sector’s sustainability in the long term. The sector is dependent on foreign investors seeking to use favourable international trade opportunities and, as the forementioned Manufacturing study notes “the proximity of Lesotho, and its offering of more favourable trade access to international markets, could... impact on the provincial economy”.<sup>40</sup> This scoping study attempted to explore the implications of these differentials for the Free State and Lesotho.

Taiwanese industrialists, interviewed in Lesotho, report that, as a result of the ANC’s courting of China and its turning against Taiwan, relocation of Taiwanese interests to Lesotho was the “logical” solution especially since “the export environment and the financial systems remain the same”.

The Taiwanese further point out that company tax in Lesotho for manufacturers is only 15% versus double that in South Africa, and that labour is cheaper and less well organised in Lesotho. The South African labour regulations, its plethora of taxes and levies, and the cumbersome procedures to shed unwanted workers, all work in favour of Lesotho.

Respondents welcomed the lack of Black Economic Empowerment (BEE) pressures in Lesotho. The interviewees view BEE in South Africa as “worse than high taxes. It is political pressure to give a chunk of our firms to already wealthy blacks at a major discount and that brings simultaneously high additional overheads. Most of these BEE partners (at management and directors level) bring little or no business expertise. Their only real value is their contact with high ANC politicians and government officials. For that they want high executive director fees, cars and unlimited credit for entertainment purposes.”

One of the industrialists said that BEE in South Africa entailed major outlays that in any event still had to be supplemented by the “tjo-tjo” (bribes) that are required to obtain certain government contracts or approvals for relaxation of building or environmental regulations. (“Tjo-tjo” in Lesotho was said to come at a discount compared to South Africa).

The absence of effective audits by the tax authorities in Lesotho, relating to both VAT and company tax, provides an additional incentive to industrialists to operate from Lesotho. Since the phasing out of the tax holiday incentives for manufacturing firms in the textiles sector, these firms have invariably recorded losses with no contribution in company tax to the Receiver.

## **4.5 Cross border trade**

Cross border trade has to be understood in the context of the SA Customs Union (SACU), one of the oldest existing unions in the world. Until the take-off of exports caused by Lesotho’s industrialisation, South Africa accounted for the bulk of both the exports and imports of Lesotho.

Unfortunately import and export data for Lesotho is problematic to analyse, since there exist different datasets that cannot be reconciled. In the Ministry of Trade & Industry’s 2002 Trade Integration Study, it is stated that “discrepancies between trade statistics published by the Lesotho Central Bank and the Bureau of Statistics are so great that this information cannot be used for empirical or policy analysis. Major differences in import and export values reported by the two agencies at high levels of aggregation exist ... It could, in fact, be argued that the official statistics on Lesotho’s trade convey more misinformation than useful information.”<sup>41</sup> Table 31 provides an example of the problems with the published data. The data differ to such an extent that no trend analysis can be undertaken. The aforementioned study therefore relied largely on US import statistics to determine the growth in value from textile exports from Lesotho.

It is, however, known that until 2002 the bulk of Lesotho’s imports originated from South Africa and the latter was also the destination for most of Lesotho’s exports. However, with the textile industry sourcing most of its fabrics from the East, the share of imports originating from South Africa must have declined. And with the bulk of the textile products being exported to the US, the US has replaced South Africa as the prime market for Lesotho’s products.

Table 32 compares Lesotho’s exports with those of other land-locked countries as of 1999. The following conclusions can be drawn:

- Lesotho’s export per capita is quite high compared to the other land-locked countries.

- Lesotho's exports are very vulnerable to external shocks, since the top five products represent over 95% of export income.

Since 1999 Lesotho's position on a list of this nature would have improved (higher export per capita) but its ranking on a scale of vulnerability would have deteriorated. The extension of AGOA Special Benefits will provide Lesotho with some protection against Eastern textile manufacturers when the quota system is scrapped in 2005. Lesotho will, for the duration of AGOA, have duty free access to the US market. Progress with finalising a free trade agreement between the SACU and the US will, however, represent an important development for Lesotho's exports.

Rail transportation to and from Lesotho is also important. The railhead in Maseru, the only one in the country, is serviced by two freight trains daily from Monday to Friday and by one train on Saturdays. According to South Africa's Transnet, freight has increased, but they are unable to supply any data concerning volume or weight transported to substantiate this. Statistics from the relevant customs authorities concerning value of freight yield no discernible pattern. Table 33 indicates the value of imports handled at the Maseru Railhead. No information about the use of the station for exports could be obtained.

The average size of the trains is 28 trucks of which half are carrying containers. The number of bulk cement carriers has decreased substantially following the completion of the Lesotho Highlands Water Scheme. Other freight not handled in containers includes diesel, petroleum and maize. Almost all exports from Lesotho are destined for the harbour of Port Elizabeth (97%) for export to the US. No information could be obtained on the content and categories of the exports, but the bulk would be textile products.

The Bloemfontein Spoornet complex pools containers for forwarding to Maseru. Storage times range between 5 and 14 days. The main sources of freight destined for Maseru are the harbours of Port Elizabeth (cloth and fibre from the East), responsible for 80% of freight to Maseru and Durban (petroleum and diesel), responsible for 15%, as well as Alco (cement). Customs clearance is a very time-consuming exercise and contributes to delays. Most of the delays, however, are caused by the fact that the facilities were designed more than 30 years ago, originally for passenger services (migrant labour transportation). There is no proper concrete surface for the storage and handling of the containers. The forklifts and cranes are old and often break down due to the dust caused by the lack of a concrete surface. The capacity of the cranes is problematic. A procedure which would take five minutes in Bloemfontein takes up to 20 minutes per container in Maseru.

Whilst acknowledging that internal security matters, crime prevention, and customs arrangements are important, one wonders whether Lesotho's border procedures should not be re-evaluated in the context of the envisaged free trade agreement between SACU and the United States that is currently being negotiated. Closer economic union between Lesotho and South Africa should remove the need for many of the current border controls (as has been the case within sections of the EU).

#### **4.6 Two Free State district economies**

As mentioned in the preamble to this section the economies of two Free State districts abutting on Lesotho will now be examined.

The Motheo District Municipality contains the trade and administrative hub of the Free State. It houses Bloemfontein, the judicial capital of South Africa and the seat of the provincial government. This city also supports two universities and a large military base. It has a well established trade and financial services sector. Botshabelo and Thaba'Nchu are the former dormitory homeland towns on

the eastern outskirts of the city. Botshabelo is the second largest township in South Africa after Soweto.

Graph 1 reflects the relative contribution per sector to the district economy. The economy of Motheo is dominated by the tertiary sector, particularly community services. This can be attributed to the status of Bloemfontein as outlined above. The graph also reveals that there have been declines in the relative contributions of agriculture, manufacturing, and trade, and an increase in the relative contributions of finance and community Services.<sup>42</sup> The district contributes over 30% of the Free State's GGP, and houses 25% of the Free State's population.

Thabo Mofutsanyane District Municipality constitutes much of the eastern part of the province, and includes Qwa-Qwa, one of the former homelands. It is home to most of the Free State's tourism activities, due to the spectacular scenic beauty of the Drakensberg and Maluti mountain ranges. The best known attraction is the Golden Gate Highland National Park, which is well known for its spectacular sandstone formations.

Graph 2 shows that the relative importance of community services, which dominates the local economy with a contribution in excess of 40%, has increased from 1990, whereas the relative contribution of all the other sectors, with the exception of Finance, has decreased. This trend suggests that the district economy is becoming more concentrated and more dependent on community services for any growth.<sup>43</sup> It contributes only 14% of the provincial GGP and yet contains 25% of the provincial population.

Graph 3 gives some perspective on the differences in the internal structure of the district economies of the province.

Graph 4 presents the comparative advantages, expressed in terms of location quotients per sector, for the Free State's five District Municipalities.<sup>44</sup> A value of more than one on the graph (ie. above the thick horizontal line) indicates that the district enjoys a comparative advantage in the particular sector. The graph shows that Motheo enjoys a comparative advantage in virtually all the secondary and tertiary sectors. This can be attributed to its conglomeration of trade, financial, government and educational sectors. Table 34 indicates that Motheo contributes the largest portion to the provincial economy, and has also managed the highest growth rate over the period 1990 to 2002. However, the economic growth was lower than the population growth resulting in the highest unemployment level of 41%. The table also illustrates the fairly diversified economy of Motheo.

Thabo Mofutsanyane enjoys a comparative advantage in agriculture but Table 34 shows that the district contributes much less towards the provincial economy than the relative size of its population would seem to warrant. This weak performance can be attributed to the fact that the district includes the former Qwa-Qwa homeland which has been negatively affected by the withdrawal of industrial development incentives and has the highest poverty levels in the province.

#### **4.7 The Free State Development Corporation**

The most important role-player in the Free State is the Free State Development Corporation (FDC). The primary goal of the FDC is to promote the SMME sector, and R117-million has been budgeted for the next three years for this purpose. The FDC's strategic focus areas for supporting appropriate investment in the province are: tourism and development; manufacturing; agri-processing; mineral beneficiation; petro-chemical downstreaming; and service industries.

In an interview with the current manager of the FDC's Eastern Region operations it emerged that the disbandment of the Qwa Qwa Development Corporation in 1994 had had a "devastating effect

on the economy” of the eastern Free State. Subsidies which had been put in place to attract investment to Qwa Qwa fell away. Businesses which had relied on these subsidies withdrew from the area and unemployment increased exponentially.

The respondent reported that rentals for industrial sites within his region are competitively priced in relation to Gauteng. He believed the eastern Free State to be well situated as a link between the major industrial centre of Gauteng and the port city of Durban and clearly believes this will work in its favour. He noted that crime in the area was comparatively low, and that while the labour force was “restive”, labour relations were characterised by a relatively low number of strikes. Again, the the unions’ presence, although well established, was described as “comparatively mild”.

He reported the main industry as being textiles followed by furniture manufacturing. There has been considerable investment by a company called Taurus, which produces goods for the two chain stores of Ellerine's and Lewis Stores, and a sizeable plastic container manufacturer, which had outsourced it’s logistical operations to local businesses in the area, has helped create employment.

The FDC apparently wants to see more previously disadvantaged local people becoming involved in tourism but concede that there has been little enthusiasm for this on the locals part to date. The respondent maintained that one of the reasons for this is that the FDC has not developed a package of incentives and assistance measures comprehensive enough to attract local people to the sector.

At present the FDC offers “small loans” to individuals interested in entering the FDC’s strategic sectors. The size of the loans is contingent upon the FDC’s assessment of the relevant business plan for the proposed venture. The FDC also offers a Joint Venture Participation scheme whereby the corporation provides a portion of seed to start-ups via a share equity scheme. The shareholders’ agreement contains provisions governing the conditions and price under which the FDC will eventually sell its share.

The interviewee said that the FDC has not met with much success in promoting agri- processing, but he cited the successful cherry farms around Ficksburg as an example of what can be achieved by way of focussing on niche markets, and the potentials for downstream value-add. Efforts continue in the eastern Free State to promote manufacturing and tourism and the biggest successes so far have been in the realm of furniture manufacturing.

The FDC says that one of the biggest obstacles to doing business more effectively is the lack of “reciprocation” from local municipalities. This is their willingness to offer incentives, assistance and facilities which would dovetail with FDC initiatives. The respondent observed that local authorities continued to work in silo fashion, with perceptions from LED units that they are in competition with each other. Their understanding of business was said to be very poor.

The Free State Manufacturing Industry Study, alluded to earlier, also noted the role of the FDC in promoting the role of both larger and smaller firms, (particularly in clothing and textiles, and foodstuffs) and the concentration of firms within the Bloemfontein - Bothsabelo –Thaba ’Nchu axis, as well as the Harrismith - QwaQwa area. This study also cites the need for the Free State provincial authorities to work closely with local municipalities to ensure alignment of plans, to recognise growth sectors, and to provide appropriate support.<sup>45</sup>

#### .4.8 SADC perspectives on trade, industry, finance and investment

SADC’s RISDP takes the view that countries that are successfully implementing appropriate trade and economic liberalisation policies experience high rates of growth and attain quality of life improvements. SADC sees the creation of large markets as being the way to increase foreign

investment as investors search for economies of scale, and efficiency gains, in the production process. Small protected markets have been rendered non-viable by globalisation.<sup>46</sup> SADC needs to “keep pace with developments on the [African] continent in order to avoid slowing down the continental integration agenda of achieving an Africa wide market” and tries to promote trade and financial systems that are rule-based, predictable and credible.

Trade and economic liberalisation are viewed within the RISDP as key catalytic intervention areas, to be achieved via the establishment of the:

- SADC Free Trade Area by 2008 (with all intra-SADC trade tariffs set at zero),
- SADC Customs Union by 2010 (with a common external tariff in place), and
- SADC Common Market by 2015 (with negotiated instruments on free trade movement of all factors of production).

The related objectives, strategies, measures and indicators are to be achieved by:

- integrating the SADC into the global economy by 2020 via engagement in multilateral trade negotiations through the WTO
- negotiating trade and development agreements with other regional blocs, aimed at ensuring an increased SADC share of trade and investment both globally and with these other regional blocs,
- enhancing SADC’s economic competitiveness by 2015 through the development of a regional industrial development policy and strategy framework,
- diversifying production structure and exports by 2015 through promoting value-addition, especially in agriculture and mining, the creation of new industries in services, and the encouragement of manufactured exports and services,
- enhancing the employment creation capacity of the regional economies through the development of SMEs, the regularisation of the operations of the informal sector, and the promotion of entrepreneurship and self employment,
- achieving macro-economic convergence through the harmonisation of macro-economic policies and the development of protocols on finance and investment to be achieved via MOUs on convergence, taxation, finance and investment; and
- mobilising resources for the RISDP to establish a SADC Regional Development Fund.

#### **4.9 Recommendations for complementary industrialisation and trade strategies**

A World Bank study on “Growth and Employment Options for Lesotho” highlighted the vulnerability of Lesotho’s industrial base. It proposed diversification both in product ranges as well as export markets. This hinges on the ability of Lesotho to attract FDI and to implement policies and practices that will secure adequate industrial land, infrastructure and the upgrading of the Maseru railhead.

Trade relations and regimes provide the context for industrialisation. Lesotho has clearly demonstrated its ability to capitalise on the opportunities for industrialisation offered by the AGOA framework. Two international trade regime developments are of importance in the exploration of industrial growth opportunities for the Free State and Lesotho, namely:

- the extension of AGOA until 2015 (with Lesotho having a three year breather under the extension of the Special Rule until September 2007), and
- the negotiations between the US and SACU on the establishment of a free trade agreement.

The Free State and Lesotho can either continue to function reactively to these developments in the international trade regime, or they could pro-actively pursue the windows of opportunity that these developments might entail.

A recent Free State Manufacturing Industry Study explicitly comments on the absence of national SDIs and IDZs in the province, and notes the need to initiate “high level talks to encourage sub-contracting, inter firm linkages and joint negotiations and marketing” with Lesotho. The study further proposes the textile and clothing industry as being the most obvious sub-sector to open such negotiations with. It recommends that Lesotho should not be seen as a rival, but rather as complementing and partnering the Free State economy.

- **Given this context then, this study’s overall recommendation is for the establishment of a framework of support for the creation of a Corridor Development Programme (CDP), containing many of the precepts of successful SDI’s in South Africa. This nexus of support should arise out of suitable negotiations between the Free State, Lesotho, South Africa’s Department of Trade and Industry, and the Dept. of Foreign Affairs.**
- **The programme should begin with the establishment of a dedicated and representative ‘Unit’, tasked with giving effect to the priorities developed in this study.**
- **The support of SADC and NEPAD should be solicited for the establishment of this proposed entity, whereupon it is recommended that:**
  - detailed investigations be initiated to determine how best the Free State and Lesotho can leverage their existing strengths (textiles in Lesotho, and chemicals with pharmaceutical potential in the Free State) to explore opportunities in the North American and African markets that could lead to the expansion of the Free State-Lesotho industrial base. This investigation should also focus on complementarity in industrialisation efforts, since the industrial estates of Maseru, Thaba ’Nchu, Botshabelo and Bloemfontein are close enough to one another to pursue linkages in areas such as component processing or the further enhancement of products.
- close co-operation between the Free State and Lesotho agencies cited above should be initiated to investigate the targeted expansion of agri-processing in the Mohokare Valley Zone. On the Free State side there exist several agri-industrial endeavours where further product niches can be investigated for diversification and downstream processing. The development of high-value crop production under irrigation on both sides of the Mohokare River (see proposals below), would imply opportunities for substantial expansion in this sector.
- an investigation of the implications of *full* free trade between the two countries should be considered. Lesotho still regulates the importation of agricultural produce under the rationale of protecting local producers. However, since the majority of the population are actually nett consumers of agricultural produce, the issuing of permits for the import of agricultural produce probably has the effect of higher consumer prices in Lesotho.
- a joint Free State-Lesotho study be initiated to investigate the patterns in household level consumer imports into Lesotho and to establish what type of consumer shopping from Lesotho is taking place in Ladybrand, Ficksburg and Mangaung. This information may serve as a basis for identifying associated development opportunities.

## 5. The Mohokare Valley as a Special Development Zone

As per section 3 above, the Mohokare Valley Zone was singled out as holding particular promise for serving as the focal point of a *first phase of co-ordinated attention and investment* on the part of the Free State and Lesotho. This section further develops the arguments for it to serve as a 'Special Development Zone' incorporating complementary agricultural, land reform and tourism strategies.

### 5.1 Agricultural and land reform in Lesotho

For decades attempts to achieve higher agricultural output in Lesotho have failed. For many years the country pursued a policy of self sufficiency in food. In the mid-1990s there was a shift from subsidised towards more market related prices. But crop production is still geared to trying to assist small farmers increase their production of maize, sorghum and wheat. With livestock the aim is still to improve the yields in wool and mohair.

It is time to acknowledge that the existing patterns of land allocation which are meant to ensure that all households should have access to fields for cultivation and to communal rangelands, has failed. It has failed the rural poor, and it has failed commercial farming. An increasing percentage of rural households do not have access to fields for cultivation (see Table 35). The Agricultural Census of 2000 confirms the magnitude of the problem.

With the grain price determined by international markets Lesotho's farmers have found it impossible to compete. The costs of farming numerous unconsolidated patches, and the dependency on informal share-cropping or rental arrangements, have rendered grain production in Lesotho non-viable. A comparison of yields per hectare in Table 36 confirms the situation. Further reasons for this state of affairs include the following:

- Lower investment in field preparation, and cultivation disciplines such as anti-erosion measures, are attributable to a lack of formal tenure arrangements and the fact that, after the harvest, fields in Lesotho become common grazing areas.
- A lack of access to credit, since land holdings in Lesotho cannot serve as security against a production loan as is the case in the Free State,
- A lack of efficient credit providers and input suppliers in Lesotho. The distribution of subsidised fertiliser and improved seeds through the Lesotho Ministry of Agriculture undermines the private sector providers of inputs. Because the distribution channels are not responsive to commercial returns they are ineffective and slow. Fertiliser and seeds are often not available during the planting season.
- Mono-cropping and improper cultivation practices have led to soil fatigue and loss.

Accelerated and appropriate rural land reform is critical to address these concerns. However, a concerted effort to move towards higher returns per hectare by switching to export crops like asparagus, apples, cherries, grapes<sup>47</sup>, herbs and flowers could also prove beneficial. This is an area where synergy with the Free State, where crop diversification is also high on the agenda, could be achieved. This approach will not negate the need for land reform but it holds out the promise of higher returns per hectare than land reform coupled with extensive grain production is likelt to realise. Individuals who have commenced with orchards in Lesotho have experienced numerous problems. Orchards have been laid waste by vindictive herders and theft is a problem. These setbacks can only be overcome by transforming the production mode of communities in specific

valleys. Provided the formal land reform instruments are in place, and that the GoL commits itself to effective policing to prevent vandalism and crop pilfering, opportunities could arise for partnerships between farmers in the Free State and Lesotho, or even between agri-industries in the Free State and Lesotho farming communities.

Food security and poverty reduction will be better served in Lesotho by acknowledging that a large percentage of households have forsaken agriculture, and assisting them to secure non-agricultural livelihoods. This should enable those who remain in the sector to increase production and income.

The SADC Ministers of Agriculture agreed in February 2004, in Dar es Salaam, that poverty reduction and food security strategies required increased productivity as well as gendered land reform. In Lesotho the land reform process has largely stalled since the announcement of the Land Review Commission's (LRC) bold recommendations in 2000. A draft Land Bill, that has substantially watered down the LRC's recommendations, has not even reached parliament yet despite the draft's having been completed in 2003 with the technical support of DFID.

On completion of the World Bank-led Agricultural Policy and Capacity Building Program in early 2004, the World Bank declined to commit to a facility for an Agricultural Sector Investment Program. Key policy issues have first to be addressed by the GoL in the fields of land reform, the phasing out of input subsidies, and the promotion of opportunities for commercialisation in agricultural production, before the Bank will support such a program.

## **5.2 Free State perspectives on agriculture and land reform**

Agriculture in the Free State is the third largest contributor to provincial GGP, and constitutes about 14% of the national agricultural economy. The Free State is the 'breadbasket' of South Africa with 3.2-million ha. under cultivation and another 8.7-million ha. used for grazing. Field crops account for about two thirds of the gross agricultural income of the province, with another 30% generated by animal products, and the remainder by horticulture.

The eastern Free State is one of South Africa's most important potato production areas. In addition, the Ficksburg area accounts for some 90% of all South Africa's cherry production. Clocolan and Ficksburg have large tracts of land permanently under asparagus, and seasonally under beetroot. These supply sufficient yields to warrant two major processing and canning plants near Gumtree which fulfill large export orders. There is increasing investment in apple orchards, and in cheese and processed milk production, as well as in angora rabbit farming with associated knitting outlets. Ladybrand is the headquarters of one of the more successful agricultural co-ops (OVK) which has outlets stretching from the northern Free State down to the Eastern Cape province.

Provincial policies in the public sphere are well developed, but programmes need deepening. Provincially there is a potential client base of over 300 000 producers, categorised as commercial farmers, emerging small-scale farmers, agricultural land reform beneficiaries and farm workers. Broad policies, priorities and strategic goals in the Department of Agriculture are aimed at:

- improving primary production and advancement in agri- processing,
- creating economically sustainable agricultural development,
- improving stakeholder relations,
- household food security,
- farmer settlement support,
- knowledge and information management, and
- natural resource and infrastructure utilisation and management.

The main challenges for the department are held to be fourfold. These are:

- the stimulation of job creation and employment in the poor peri-urban and rural areas through rendering efficient services in support of agri- processing and production,
- promoting food security in homes and schools,
- empowering land reform beneficiaries with technical knowledge and physical support and supporting their effective integration with the private sector, and
- the sustainable development and management of town commonages.<sup>48</sup>

Within the private sphere, Free State Agriculture has made significant organisational development gains. The major role players such as the commodity groups (Grain SA, National Wool Growers Association, Milk Producers Organisation etc.), the agribusiness groups, and the co-operatives (Senwes, VKB, OVK, BKB etc.), the commercial banks, and the National African Farmers Union, are organised into representative forums to co-ordinate investments in key priority areas as identified in the province.

There are various support programmes for emerging farmers in place, with Grain SA, for example, servicing over 2 000 such farmers across the province. In addition, a Strategic Planning Committee (SPC) for land reform has been established. It wishes to negotiate a complementary relationship with the Department of Agriculture, in order to jointly identify and engage in relationships in support of co-ordinated, integrated and economically stimulatory land reform across the province.<sup>49</sup> Presently, the SPC intends appointing district co-ordinators to support municipalities, local farmers and emerging farmers in all matters relating to ongoing land reform processes, including promoting mentoring and good neighbourliness.

Free State agricultural development consultants also support private sector and donor supported programmes in Lesotho. For example, the Chamber of Mines' TEBA labour recruiting organisation is assisting a number of small-scale farmer support and training programmes in Lesotho, and various donors support research and extension models, or have specific programmes in support of improving shearing infrastructure and skills, and so on.

Notwithstanding this progress, the rich potential of the two adjacent border districts is under threat due to extensive cross border pilfering that is no longer limited to cattle rustling. It has become unwise to grow maize and cabbages within 10km of the Lesotho border. Graph 5 indicates the relative contribution of each district municipality to agriculture in the Free State. The graph shows that the most important agricultural production district is Thabo Mofutsanyane (contributing about 30%), followed by Lejweleputswa (25%) and then Motheo at 18 percent.

Land redistribution in the province has been progressing at a brisk pace. Between 1994 and June 2003, approximately 195 300 hectares of land had been delivered to 7 000 households. Most of the land delivered (90%) has been through the Settlement Land Acquisition Grant (SLAG) and Land Redistribution for Agricultural Development (LRAD) programmes, as well as via the supplementing of municipal commonage.

Tables 37 to 39 list the land reform projects in two district municipalities adjacent to Lesotho. Since bald statistics can mask complex realities, the official perspectives regarding progress in the Free State were fleshed out by means of interviews with role players in agriculture to gauge their perceptions and experiences in their specific localities. Case studies 1 and 2 (see Appendices) therefore provide a fuller and more personal perspective on the contents of the preceding section.

### **5.3 SADC's agricultural initiatives**

The Food, Agriculture and Natural Resources (FANR) cluster in the RISDP comprises areas of co-operation in Food Security, Agricultural Research and Training, Crops, Livestock Production and Animal Disease Control, Environment and Land Management, Inland and Marine Fisheries and Forestry. The sector is a major player in the SADC regional economy, contributing about 35% of GDP, with about 70% of people dependent on agriculture in one way or the other. Major SADC policy objectives are:

- to promote agricultural productivity and food security at household, national and regional level,
- to promote efficient development utilisation and conservation of natural resources,
- to improve capacity in agriculture to transform national economies,
- to generate domestic savings and foreign exchange to finance a gradual structural transformation of the regions agriculture-dependent economies, and
- to facilitate the welfare of people in the region.<sup>50</sup>

Promoting sustainable food security is the priority RISDP objective and it informs all subsidiary objectives, strategies, measures and indicators. The most important of these for this study are:

- improving food availability through increases in sustainable crop and livestock production, productivity and profitability via the development of a FANR Strategic Plan addressing issues such as diversification, irrigation development, water management, and appropriate technologies.
- promoting irrigation and appropriate technologies via the development of a protocol on food security and agricultural development in order to enhance regional development.
- promoting trade in food and non-food agricultural products.
- advocating fair trade practices in agriculture.
- encouraging the involvement of commercial or large-scale farmers in food production.
- improving rural transport infrastructure.
- improving access to land and credit, and
- enhancing technology generation and transfer.

Improving access to food is another priority objective, via strategies to promote rural non-farm income generating activities and employment, and to promote agribusiness.

### **5.4 Recommendations for agriculture and land reform**

The Mohokare Development Zone clearly presents opportunities for more co-ordinated investment in agriculture and land reform. There is a large degree of policy convergence and potential synergy in the strategies of Lesotho, SADC, the Free State Department of Agriculture and the private sector. This needs to be capitalised on in a constructive and phased manner.

The recommendations which ensue here are made in the light of Section 4.9's recommendation that a type of SDI steering committee ('framework of support') consisting of representatives of the GoL, the DTI and Free State be formed. Such a committee should then consider the following:

- That the land reform process in Lesotho is accelerated by giving tangible effect to the main recommendations of the Land Review Commission

- That a joint Lesotho-Free State Working Group for Agriculture and Land Reform is established (drawing down SADC officials) to set an agenda for the establishment of complementary policies and programmes of collaboration and investment in the following areas:
  - collaboration around problem issues in the border zone,
  - visits by Lesotho officials and farmers to investigate the methods and practices of the Free State's land reform processes,
  - land purchase and the promotion of investment in productive agriculture in the border zone,
  - intensification of productive irrigated agriculture on both sides of the Mohokare River,
  - mutually beneficial and complementary investments in downstream processing plants,
  - the reduction of any trade barriers to the free movement of food products,
  - integrating donor support programmes across boundaries, and
  - commercial farmer support programmes for good neighbourliness across borders.
  
- That established Free State agricultural companies in the Ladybrand area begin discussions with both Lesotho's and the Free State's Departments of Agriculture with a view to developing *formal outgrower partnerships* with small-scale and emerging farmers in specific crops and commodities (eg. timber, wool, wheat, asparagus, beetroot, etc.). There is a long history of successful outgrower partnerships in South Africa, particularly with timber and sugar cane,<sup>51</sup> and there has not been a consolidated effort by role players in the Free State to formalise large scale and enduring partnerships. Many such initiatives are piecemeal and exploratory and need to be consolidated within a model which works to the best interests of all parties concerned. Both the public sector and organised agriculture in the Free State need to drive this process. The Ladybrand-based co-operative OVK could function as an input provider to Lesotho farmers, and provide a market for Lesotho's producers and processing capabilities - in the canning of asparagus and beetroot for example. The beneficial tax regime in Lesotho for manufacturing could also entice processing facilities into the country.
  
- That a scan of the Lowlands be conducted to identify valleys that are suitable for irrigation, and then to pilot land reform processes in these valleys. This needs to be accompanied by training and extension services on higher value crops, and the establishment of outgrower partnerships with suitable agricultural companies. In this regard, interaction between Lesotho's Ministry of Agriculture and the OVK in Ladybrand, to identify and support such development programmes for selected farmers should be pursued.

## **5.5 Tourism links between Lesotho and South Africa**

Tourism development in the Free State and Lesotho is thinly documented, possibly due to the fact that it is still an emerging sector. There is however considerable cross-country comparative data on trends in visiting patterns. This is drawn on here to describe patterns in Lesotho citizens' visits to South Africa and to the Free State.<sup>52</sup>

Unsurprisingly, given the history of linkages between the two countries, of the total number of visits to South Africa from other African countries during the April to June 2004 period, Lesotho citizens were responsible for 350 000 visits ie. roughly a third of the total. About a tenth of these Basotho visitors came on holiday, while 41% came for business purposes. Thirty-five percent came to visit friends and relations.

The average length of stay in South Africa is five nights. Fifty-nine percent of Basotho enter South Africa 'under their own steam' while 27% enter on inclusive packages where airfare,

accommodation, couch tours and food are all included. Only 47% of Basotho visit Gauteng, while the next priority province is the Free State (34%). Average total costs for trips have been documented at R4 924 for Basotho, with average total expenditure in South Africa coming in at R 3 062.

## **5.6 Perspectives on tourism developments in the Free State**

A private tourism operator from the eastern Free State was approached to share his experiences regarding support for tourism entrepreneurs in the province. He related how he initially approached the FDC for assistance in establishing a Black Economic Empowerment (BEE) project training black tour guides. However he received no response from them, and therefore has no idea of what tourism development and support packages they offer, if any.

The Mantsopa local municipality has however lent limited support to promoting tourism and LED, chiefly by way of providing funding for the establishment of a local tourism office which is now run by private tourism companies. Other than that the interviewee was of the opinion that the municipality was totally at sea when it came to issues of how to promote tourism.

He noted that whereas Ladybrand had only one Bed and Breakfast establishment five years ago, it now has 65, all of them private responses to market demand, with little or no contribution from the Municipality. The respondent said that the local tourism operators see the municipality as a hindrance to the expansion of the industry locally and “a law unto themselves”. Communications are very poor and the municipality has not made any concerted effort to engage the business sector in Ladybrand with a view to developing initiatives or policies that would stimulate economic development in the town.

The interviewee was much more positive regarding the role played by the Motheo District Municipality who, he says want to take over the role of co-ordinating and promoting tourism from the local municipalities under its jurisdiction. The Motheo District Municipality was instrumental in the development and promotion of the Maluti Tourism Route.

The Maluti route is the longest tourism route in South Africa. It meanders through the Free State towns of Memel, Harrismith, Clarens, Fouriesburg, Ficksburg, Clocolan, Ladybrand, Hobhouse, Wepener, Zastron, and Rouxville, and onto Barkly East and Mount Fletcher in the Eastern Cape. The route includes an option to enter into and return from Lesotho at the Fouriesburg and Ladybrand gates. Apparently the Lesotho Ministry of Tourism also supported the establishment of the route and contributed about R100 000 to it. However it has been difficult to secure the involvement of black people, evidently because they lack start up capital.

Other initiatives have developed into a range of innovative cross border events. As a result of partnerships between the public and private sectors, there is an annual Two Nations marathon (in September) between Ladybrand and Maseru. It starts at the Maseru Sun Hotel and ends at the Ladybrand sports grounds. Principal sponsors are the Maseru Sun, with support from Motheo District Municipality, Free State Tourism, the South African Chamber of Business and the Rotary organisation. The event also includes a Two Nations endurance walk, and a Two Nations cycle race sponsored by the Spar retail chain.

## **5.7 SADC Tourism**

Tourism strategies are contained as a priority intervention area within SADC’s RISDP. The goal is to use tourism as a vehicle for achieving sustainable socio-economic development, and as a key incentive for the conservation and utilisation of the region’s natural resources.

The major subsidiary objectives and strategies that have a bearing on this report are:

- to develop and market the region as a single but multifaceted tourism destination via a strengthening of the Regional Tourism Organisation of Southern Africa (RETOSA), and easing or removing travel and visa restrictions,
- to promote investment in resources that straddle territorial boundaries, where necessary through PPPs,
- to improve the quality, competitiveness and standards of service and infrastructure of the industry through capacity building and training, and creating a regional tourism research, statistic and information exchange network,
- to ensure equity, balance and complementarity in the regional industry via the harmonisation of policies, strategies and legislation, and the promotion and implementation of spatial development initiatives including integrated tourism development projects, and
- to increase the participation of SMEs and marginalized communities, youth and women in the industry throughout the region.

## **5.8 Recommendations for tourism development strategies**

As for agriculture, there exists a fairly large degree of policy coherence in the positions of SADC, the Free State, and Lesotho with regards to tourism. While there is only limited co-operation between the public and private spheres at local municipality level there is evidence for more cohesive relations in the cross border events detailed above and in the development of the Maluti Route. The number of Basotho visiting South Africa will continue to constitute a market capable of cementing ties between the two countries.

The ‘framework of support’ mentioned earlier should consider the following recommendations:

- Free State and Lesotho tourism authorities to initiate a series of bi-lateral meetings to consider the joint allocation of funds to a facility (within the proposed overarching SDI/Corridor support infrastructure) that is geared to undertake investigations into, provide support for, and promote investments and strategies which build on the existing integrated tourism development strategies and practices between the two countries. The objective of the facility should be to function as a centre of excellence and to provide strategic support for the promotion of tourism on both sides of the border. This facility should include SADC representation, as well as the private sector, with a view to expanding their roles regarding the development of PPPs for further investments and niche developments as identified by the facility.
- That the large Basotho market identified in this study be targeted by the abovementioned facility to address how best its needs can be catered for while in the Free State itself.
- That, given the unsatisfactory relationships between local municipalities in the Free State and private operators, the intended facility should investigate the most appropriate allocation of the powers and functions for local tourism development and support in terms of the constitutional provisions for this. Should this be at local, district or provincial level and how should these spheres interact?
- That, once the powers and functions question has been resolved, there needs to be a planned and phased programme of capacity building and training for the relevant officials regarding the requirements, responsibilities and relative contributions of each of the major players in

the tourism sector in order that a more stimulatory and developmental pro-growth and pro-poor tourism is the outcome.

- Enhancing tourist facilities in the Katse Dam area to keep tourists an extra night or two in the area should have substantial benefits for both Lesotho and the Free State province. An investigation outlining tourism potential and linkages between the Free State's Golden Gate and the Lesotho Highlands Water Scheme, and Oxbow Lodge with its ski facilities, should be jointly undertaken. Care should be taken that such a study determines the private sector's needs and capacity for development as well, since the private sector should be the major investor in facilities, with tourism authorities taking on a benchmarking oversight and promotion role.

## 6. Cross Boundary Infrastructure

Cross-boundary infrastructure schemes, particularly in bulk water supply and in labour-based road works made up a further issue area for examination by this scoping study. Lesotho's towns are ill-equipped to handle the influx of new urbanites. This applies both to the release of surveyed stands for residential purposes, as well as the concomitant infrastructure.

### 6.1 Lesotho's urban management capacity

Table 40 shows energy use by town residents in Lesotho. It is evident that, even in the urban areas, electricity and gas still only play a minor role. Whilst affordability may be a limiting factor, lack of a proper urban supply network is a larger stumbling block. The layout of the urban areas further contributes to high reticulation as well as maintenance costs.

Access to clean potable water and appropriate sanitation systems are pre-conditions for a healthy urban environment as a basis for development. Table 41 indicates the proportion of the various towns' populations with access to different forms of water supplies. The challenge is not only to meet the backlog in household water supply, but to provide bulk and reticulated water systems to meet future household and industrial demand. The Lesotho Lowlands Water Scheme study, in the pre-final draft version, reveals that several institutional options are being considered, namely:

- a Bulk Water Authority and a Reticulation Services Provider,
- Private sector provision,
- Regional autonomous authorities responsible for raw water collection, storage, purification, and retailing to end-users,
- Private sector Bulk Water Supply Operator, or
- PPPs.

With the Mohokare Valley Zone set to play a crucial role in the Lowlands Water supply scheme, and some of the options even considering drawing on the water storage and purification facilities of Ladybrand, the scope for an integrated approach that includes projected water demand for the eastern Free State, is evident. Institutional arrangements that cater for cross boundary bulk supply and reticulation might also have cost advantages for communities on both sides of the Mohokare River.

Stands, roads, water, and power supply are invariably *post hoc* phenomena in Lesotho. Town planning is not pro-active but is performed after the event. Illogical land use also hinders towns from realising their potential as engines of growth. In Maseru and Maputsoe the following examples serve as illustrations of this assertion:

- sparsely populated residential areas, and these not of high income earners, are found within a radius of three kilometres of the CBD in Maseru,
- Maputsoe's link road to the border is also its main business artery and is clogged with taxis, pedestrians and hawkers thereby suffocating mobility,
- Thetsane Industrial Estate in Maseru is adjacent to the high income Thetsane residential area. This area that should have been zoned and planned for residential purposes for factory workers. These now have to walk long distances, or resort to taxis. Appropriate town planning should enable those with lower incomes to have walked to their places of work.

From an urban management perspective, the following can be highlighted:

- not a single structure plan for an urban area has been updated within the statutory five year update period,
- urban land is not optimised because there are no penalties for not using land. Several government-owned houses have been in disarray for years, but because they do not attract rates and taxes, there is no incentive to upgrade and utilise such premises,
- processing of subdivisions and rezoning is notoriously slow,
- the interface between formal and informal business is unplanned and unmanaged, resulting in tensions,
- streets are not well maintained and are often pockmarked with potholes,
- rubbish piles up, and stormwater ducts are often blocked,
- dumping of rubbish is not controlled,
- numerous water supply interruptions occur per annum.

The lack of functional local authorities in the urban areas also hampers the development potential of these places.

## **6.2 Free State infrastructure**

This section deals with trends in infrastructure provision in selected towns bordering on Lesotho. It is intended to inform a debate concerning the development of suitable cross border arrangements for the more effective provision of bulk infrastructure and services between Lesotho and South Africa.

The past five years has seen significant public investment in the integration of former black townships and white towns in the Free State. The principal instrument has been the introduction of the Integrated Development Planning (IDP) process as mandatory for all municipalities. The IDP is used to assess and address the nature of the backlogs in services and facilities and to plan for more stimulatory and integrated local urban development. Other major instruments adopted have been the Consolidated Municipal Infrastructure Programme (CMIP), as well as a host of other municipal infrastructure support arrangements, and the re-allocation of national funding to municipalities in the cause of instituting 'developmental local government'.

Along with a large measure of support from an elaborate intergovernmental system, many Free State municipalities have made significant progress towards the achievement of these requirements as contained within the Municipal Systems Act of 2001. In 2004 Mantsopa Municipality which comprises Ladybrand and Tweespruit (two towns mentioned in this study), was selected as the winner in a national contest which assessed the progress of municipalities towards the achievement of developmental local government in five key performance areas.<sup>53</sup>

Notwithstanding these considerable gains in the province, a large measure of civil unrest has been encountered in many of the Free State's small towns due to dissatisfaction with the pace of service delivery. Well-developed service delivery targets are often not met, and officials and councilors are increasingly under threat from vocal communities who expect a better level of performance. Project Consolidate has been initiated by the Presidency in an effort to speed up the delivery of services and infrastructure and to more effectively integrate the roles and responsibilities of the different spheres of government.

The backlogs in water services in Ficksburg and Clocolan (Setsoto Municipality), and the condition and extent of bulk and internal reticulation services are reflected in Tables 42 to 46. Trends in the use of energy over a five year period to 2002 are also highlighted, showing the extent of uptake in electricity services particularly.

Table 48 provides a summary of the range of service providers for infrastructure and services in Mantsopa Municipality's towns, while Table 49 provides a summary of the land use, housing profile and civil infrastructure of these towns.

### **6.3 SADC perspectives on PPPs and infrastructure provision**

The SADC's goal is to integrate the private sector in policy and strategy formulation in order to accelerate sustainable regional economic integration. To this end the SADC wishes to institutionalise PPPs and dialogue by instituting a PPP dialogue forum, as well as by providing capacity building for PPPs.

The intervention area of Infrastructure Support for Regional Integration and Poverty Eradication deals with energy policies. Its goal is to ensure the availability of adequate, integrated, efficient, and cost-effective infrastructure that will sustain regional economic development, trade and investment for poverty alleviation. The following main objectives are apposite to this study:

- improving the security and reliability of 'least cost' energy services via the establishment of a competitive and efficient regional integrated energy market with harmonized regional energy policies and regulations, including measures to extend the power grid interconnectivity,
- to ensure access to affordable energy services for rural communities via the development of rural electrification schemes.

Goals for the water sector are similar to those stated for energy above:

- to promote the sustainable, equitable, and reasonable utilisation of shared water courses through regional cooperation in water resources via the establishment of river basin organisations to manage trans-boundary river basins, and to harmonise water legislation and policies,
- to develop strategic Regional Water Infrastructure projects via the rehabilitation and expansion of water infrastructure and the use of feasibility studies for joint water projects including transfer schemes, storage and irrigation.

Goals for transport are couched in similar terms:

- to maintain transport infrastructure through systems of sustainable funding and to develop harmonised 'user pay' systems to reduce levels of backlog and maintenance in conjunction with the private sector,
- to develop 'missing' transport and communication links to improve connectivity through the promotion of PPPs and investment in such links, largely via the private sector,
- to improve appropriate levels of accessibility for rural communities via participatory approaches to infrastructure planning,
- to promote integrated regional investment in transport and communication infrastructure by basing transport infrastructure investment decisions on the needs of the overall system,
- to promote concessioning to the private sector in roads, railways, civil aviation and maritime transport,
- to identify regional training centres for the road, railway, maritime and civil aviation and communication sectors,
- to promote private sector regional associations as participants in regional policy formulation and implementation, and

- to promote the activities of corridor planning committees, and establish as necessary corridor planning committees for all regional corridors.

## **6.4 Recommendations for cross-boundary infrastructure**

- the *phased* establishment of a dedicated *Cross Border Infrastructure sub -unit* or function, within the proposed SDI unit, comprising the relevant Free State Departments and Lesotho ministries and incorporating relevant private sector organisations (with SADC officials drawn down), to begin to assess, prioritise and address the cross border infrastructure needs and opportunities identified in this study.
- The establishment of a PPP facility within the proposed SDI/Corridor Development unit, capacitated with the support of the South African Treasury PPP facility, the Municipal Infrastructure Investment Unit housed in the Development Bank, and SADC's Infrastructure Cluster/Directorate. Its initial task should be to draw in stakeholders with which to develop the strategies, options, models and modalities for establishing suitable forms of PPP in the following major service sectors:

### **For the water services sector:**

- bulk water supplies across the Lesotho border,
- a river basin organisation to manage the trans-boundary development of the Mohakare River and harmonise relevant legislation,
- regional water infrastructure projects including transfer schemes, storage, and especially irrigation to meet the recommendations for agriculture contained in this study.

### **For the transport sector:**

- the establishment of representative corridor planning committees tasked with assessing the transport needs of the future and the relative priorities for road and rail infrastructure,
- the upgrading of railway infrastructure for improved cross border goods movement,
- the upgrading of major and secondary roads across borders and between the key corridor towns on the Mangaung - Maseru activity axis,
- the introduction of labour-based road development programmes in the tertiary roads on both sides of the border in support of local villages and agriculture and to stimulate tourism.
- the lack of proper facilities at the railhead in Maseru should be addressed to enable quicker handling of freight, especially considering future expansion. At this stage the upgrading of the existing railhead is envisaged. But from an urban planning perspective a new station in the area between Thetsane and the Ha Tikoe industrial areas, with a new crossing over the Mohokare River, might be the best solution. A study to determine the feasibility of such a station, and the potential for compact urban development on the land then freed by the existing station and fuel depot, should be pursued. The possibility of a PPP for such a station should also be investigated. The link for a new crossing would not exceed 10 km of new line and the station would then be situated between the two largest industrial sites of the country. In addition trucks carting cargo from the existing station to the factories and back will no longer congest Maseru's streets, and the existing rail-bridge could be

upgraded to a dedicated bridge for heavy vehicles crossing at the Maseru border post, thereby freeing up space and enabling the border post to operate more efficiently.

**For the urban services sector:**

- An investigation to consider future bulk end-user arrangements with financial advantages for communities on both sides of the border. This aspect should be taken up with the Lesotho authorities even prior to the finalisation of the Lesotho Lowlands Water Supply Scheme (LLWSS) Report and a broader scoping study on the implications on the Free State side should be undertaken, preferably by involving the team that worked on the LLWSS. Joint urban services should have benefits especially in the case of Ficksburg and Maputsoe. Investigations should be pursued to determine how the backlog in formal planning and cadastral description of the urban stands in Maseru and Maputsoe could be established including a valuation roll for rates and taxes.
- Consideration should be given regarding how best to adapt and devolve the primary developmental and planning instruments in the province's statutory Integrated Development Planning (IDP) procedures to Lesotho.s

## 7. Cross Border Utilisation of Social Infrastructure

According to Prof. Michael Khan, “Countries that do not allow people to move freely, in the long run get stuck. Ideas travel not only in print or through electronic or other connections, but also between two ears and on two legs. The movement of skilled and informed people is an important element in the development and transfer of technology”.<sup>54</sup>

The patterns in the cross border use of facilities and services between Lesotho and the Free State are complex. They have important economic and developmental implications and need to be reviewed in light of SADC policy trends towards more effective and stimulatory regional integration.

### 7.1 Border controls<sup>55</sup>

Lesotho accounts for over 40% of the movement of people from neighbouring countries through South Africa’s border posts. The Maseru and Ficksburg Bridges handle a number of travellers by far larger than any other border posts within these countries.

Three authorities are involved: the South African Immigration Department (passport control) of the Department of Home Affairs; the South African Police Services; and the Lesotho Immigration authorities. The responsibilities and requirements of these different entities are poorly harmonised. For instance Lesotho has no desire that South Africa monitor or record the movements of Basotho for any reason and would happily agree to the removal of South African passport control.

Much of the border flow is subject to a system of six-month concession documents, emergency travel documents (although recently withdrawn - to the chagrin of Basotho) and individual travel permits. Associated with these controls is a black market in which “there is no document, permit regulation or procedure required by SA Immigration at the border that cannot be obtained, ignored or circumvented at a price”.<sup>56</sup> Those that wish to avoid immigration controls simply use the many well known and unpatrolled river crossings which link Lesotho villages with Free State farms. “Criminals based in Lesotho who steal livestock and attack farms in the Free State use the river to cross and re-cross [the border]... Immigration and passport control play virtually no role in controlling these sorts of crimes”.

Both Lesotho and South African immigration officials admit that the border controls are ineffective in controlling the movement of illegal aliens. This goes beyond mere corruption as Lesotho citizens are given visitors visas as long as they have valid passports, and South African identity documents have never been difficult to obtain.

Prior to 1963 Lesotho citizens were not required to present passports when entering South Africa, and the subsequent controls that were introduced by South Africa were due to security concerns. Since 1994 Basotho have come to expect that these and other controls should be relinquished.

According to Coplan, while Lesotho citizens are covered by the same South African immigration regulations applicable to natives of any other country, in practice quite different regulations and concessions are applied in the case of Lesotho to accommodate local realities. Nonetheless senior officials of the Lesotho immigration service at Masuru Bridge complain that the present treatment of Basotho is now more obstructive than it was under South Africa’s National Party Government.

Legislation emanating from the South African White Paper on International Migration has been based on the narrow premise that liberalised border regulations would be to the sole benefit of

citizens of neighbouring countries, seeking economic advantages to the detriment of South Africans.

However, virtually every business in both Ladybrand and Ficksburg has interests and enterprises across the border in Lesotho which generate economic development and employment. Most eastern Free State business people, following Coplan, believe they could not survive in business without some sort of personal 'connections' at the border and they believe passport controls should be abandoned as they encourage, rather than reduce, illegal activity. They have accordingly argued for the harmonisation of legal regulations, reciprocal permissions and agreements. Lesotho business people maintain that the removal of passport control would do much to reverse the ill-feeling caused by South Africa's 1998 intervention in Lesotho's political processes. Like their counterparts, across the border, they believe the free movement of people and goods would promote and encourage cross border economic activity without cost or disadvantage to South Africa.

The movement of farm labourers, who have been crossing the Mohokare River for generations without documentation, is becoming increasingly difficult to control although some believe that the current permit system provides a measure of protection against farmers who use a labourer's 'illegality' as a pretext not to pay them. Basotho have also tended to acquire South African identity documents and move into the informal settlements mushrooming on the edges of the Free State towns of Ladybrand, Clocolan, Marquard, Ficksburg, and Fouriesburg.

## **7.2 Cross border use of services**

Coplan maintains that attempts to prevent Basotho from accessing South African social services to which they are not entitled, have perversely resulted in a large influx of Basotho into the townships and the misuse of South African residence and identity documents. He maintains that insofar as Basotho cause service crises in towns of the eastern Free State, this can only be addressed by cross border economic integration and development.

A senior official from the Thabo Mofutsanyane District Municipality, who was canvassed for his views, believes that Lesotho citizens aspire to the better life they believe South Africa can afford them. Lesotho does not offer the free services that South Africa does. He says it is difficult to track how many Basotho enter the country, both by legal and illegal means. With regards to accessing services there are many Basotho who have acquired South African citizenship whilst retaining their Lesotho citizenship. This has either been by dint of intermarriage or through the normal procedure of applying for citizenship and qualifying for naturalisation. Still others have made use of extended family clan relations. Thabo Mofatsanyane has retained many of its Basotho culture and traditional hierarchies and some people use traditional leaders to gain access to South African citizenship.

The official reported that the majority of Basotho who gain illegal access are semi-literate and are mostly employed in the informal sector. In the areas where there is trucking many Basotho women work as prostitutes - especially in the areas of Ficksburg and Fouriesburg. This only serves to aggravate the HIV/AIDS pandemic in both countries.

The respondent felt that "cross border access has negative impacts on the local municipalities, which encounter problems of overstretched budgets in terms of providing for registered residents. The uncontrolled movement makes it difficult to achieve population control". Moreover, the burial of Lesotho residents who die in South Africa and cannot be identified becomes the responsibility of the municipality. He confirmed that cross border crime had become a pressing issue for municipalities bordering on Lesotho. Although tensions do arise between Basotho and Free Staters - especially around stock theft and the access to services - the official claimed that social relations are relaxed and very healthy due to so many cultural aspects such as language, traditions and rituals,

being held in common. Apparently a district liaison committee established to deal with some of the abovementioned tensions has made no progress due to a lack of collaboration from the Lesotho side.

An interview with another municipal official endorsed the phenomenon of Basotho viewing South Africa as a terrain for upward mobility. This official reported a trend for young Basotho to enrol in South African educational institutions. These are easier to track since they require study permits to do so. He also noted that local residents in the municipality had been vigilant in exposing Lesotho citizens who have fraudulently accessed municipal services. Insofar as crime is concerned he made the telling point that Lesotho has become a haven for criminals evading arrest in South Africa. He also expressed the view that his municipality's IDP had not taken proper cognisance of the unique challenges it faces in serving as a conduit between South Africa and Lesotho.

### **7.3 Recommendations for cross border social infrastructure**

Coplan's recommendations focus on benefits that may flow from the reduction, or total removal of border controls. It is said this would allow the two governments to provide alternative services with more attractive infrastructure in the same space. Coplan claims that South Africa's public image would improve, and that business, agriculture, transport, tourism and general cross border co-operation would be greatly enhanced leading to economic development, job creation, and increased public revenues and public services in the border districts.

A partial easing and streamlining of border controls could be instituted, short of the complete free movement of persons across the border. There are several ways in which this could be achieved, from instituting separate lines for different categories of citizen or vehicle, to foregoing the inspection of South African passports. Six-month concessions could be made available on demand to anyone who requested them. This would benefit both residents and visitors and reduce the corruption that at present thrives on these concessions.

But the most radical alternative would be doing away with the South African Department of Home Affairs's operations at the Lesotho border altogether. For Coplan the benefits of such a move would far outweigh the risks and disadvantages. This simple expedient is a tacit admission that these busy border posts cannot, in fact, be effectively controlled save by the allocation of resources that are in any event unlikely to result in benefits in revenue collection, crime control, labour market protection and regulation, or local and national security. Removing immigration and passport controls would save budgetary resources and is the only means of removing corruption among DHA officials. This would enhance regional public revenue, social order and political stability by promoting tourism, economic development and job creation. It would not create any economic or security risks that could not be better addressed by other agencies, specifically SAPS and the South African Revenue Services. The Government of Lesotho would have no objection, and it would improve the quality of life of all the inhabitants of the Mohokare Valley Zone.

The final recommendation is therefore that a Working Forum be established within the ambit of the proposed SDI/Corridor Development facility outlined earlier. Within this Forum negotiations and discussions around the foregoing recommendations should be formalised regarding the phased introduction of these alternatives. This Forum should be endorsed by the Department of Home Affairs as a regional initiative intended to address economic and social blockages.

## 8. Conclusion

This scoping study has identified a priority development zone across the Mohokare River separating the Free State and Lesotho, and has concentrated on a number of issue areas considered vital for the more stimulatory integration and development of the region. There exists ample potential for specific areas of co-operation, change, and investment which could contribute to solving social problems and simultaneously stimulate economic and institutional development.

The major stumbling block at this stage, is that while the Free State and Lesotho are directly dependent on one another in a number of important ways, there exists no framework within which they can directly communicate and negotiate with one another. Diplomatic protocol demands liaison via Foreign Affairs in Pretoria, and directly with the SADC in the case of Lesotho. Ways and means have to be found to enable practical working groups, comprised of state and non-state actors on both sides of the Mohokare River, to design and adopt instruments and arrangements whereby both regions progress from poverty to prosperity.

As noted in the perspectives detailed in the introduction to this study, innovative forms of public and private sector interaction in the design and delivery of appropriate actions and investments are what is needed. For this reason this analysis has opted for an approach informed by the SDI ethos, but taking cognisance of some of the SDI limitations, (particularly the inflexible adoption of central government conditions and prescriptions), so as not to neglect local specificities. Without sufficient recognition or understanding of these, any centrally directed initiatives will be undermined.

The recommendations in this report have always sought to incorporate the SADC principles of *additionality* and *subsidiarity*, as outlined earlier. RISDP principles aimed at capacity building and local ownership, and which encourage the maximum engagement of regional expertise and institutions for programme management and implementation, have also been adhered to. There is an allied need to draw down expertise from SADC, and the NEPAD Secretariat, to engage in the preliminary formulation, and subsequent support, of the organisation and operation of a targeted Corridor Development Programme, undertaken within the precepts of the 'best practice' aspects of the Southern African Cross-Border/ SDI programme.

## Appendices

**Table 1: Temperatures :Northern Zone.**

	Jan		Feb		March		April		May		June		July		Aug		Sept		Oct	
	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max
<i>Butha-Buthe</i>	13.6	25.9	13.2	25.9	10.9	24.9	7.3	22.0	2.7	19.2	0.6	15.9	1.0	16.2	2.0	18.9	5.7	21.7	8.9	23.0
<i>Oxbow Lodge</i>	6.8	18.1	6.3	17.2	4.5	16.3	1.4	13.1		11.3		8.8		8.8		10.6		13.3		15.0

**Table 2: Rainfall:Northern Zone**

	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Average
<i>Butha-Buthe</i>	108.8	103.5	114.7	57.2	21.2	13.9	9.8	27.0	31.2	75.8	102.2	100.6	766.0
<i>Oxbow Lodge</i>	162.2	143.1	151.3	87.5	31.4	19.3	13.8	33.3	52.1	135.1	147.4	170.6	1147.7

**Table 3: Employment:**

Employment Status	% of the total population	% of the economically active
Unemployed	38.0	18.7
Employer	0.2	0.3
Own account worker/farmer	3.0	4.6
Regular wage/salary	11.9	20.2
Casual worker	1.8	3.1
Unpaid family worker	4.6	6.8
Home maker/housewife	18.1	28.9
Student	19.1	13.8
Other	3.6	3.6

Source: Census 1996

**Table 4: Comparative agricultural performance**

	Maize		Sorghum		Wheat	
	yield/ha	% of nat	yield/ha	% of nat	yield/ha	% of nat
<b>Northern Zone</b>	0.980	1.348	0.895	1.334	0.918	1.515
<b>Mohokare Valley</b>	0.834	1.147	0.814	1.212	0.540	0.891
<b>Southern Zone</b>	0.504	0.693	0.547	0.815	0.556	0.917

<sup>1</sup> Metereology records for the rest of the year not reliable, since they indicate Oxbow Lodge to have average minimum temperatures far higher than those of Butha-Buthe and also outside the average minimum temperature pattern for the first 4 months.

**Table 5: Education**

Education statistics ; 2002							
	Pupils	Schools	Classrooms	Teacher-pupil ratio	% qualified teachers	Pupils per class room	
Butha-Buthe	26883	75	783	42.2	68.0	34.33	
Leribe	68027	174	1726	47.3	78.5	39.41	
Berea	53884	115	1432	48.0	74.0	37.63	
Maseru	86333	229	2587	45.6	78.6	33.37	
Mafeteng	47202	136	1177	47.1	73.0	40.10	
Mohale's Hoek	39811	157	1202	45.4	67.9	33.12	
Quthing	27405	112	852	50.4	69.7	32.17	
Qacha's Nek	18496	101	691	45.8	67.8	26.77	
Mokhotlong	20549	101	743	45.8	61.0	27.66	
Thaba-Tseka	30078	133	907	55.6	59.7	33.16	
<b>Total</b>	<b>418668</b>	<b>1333</b>	<b>12100</b>			<b>34.60</b>	

Source: Ministry of Education

**Table 6: Health**

Health Statistics; 2002							
Health service area	Hospital	Population	No. of doctors	No. of nurses	No. of beds	Doctor-patient ratio	Health care worker ratio
Butha-Buthe	Butha-buthe	107522	7	41	108	15360	2622
Leribe	Motebang	233221	5	50	287	46644	4664
Berea	Berea	157534	8	50	128	19692	3151
Maseru	Makoanyane	304355	4	35	38	5159	1390
	Q.E. 11		55	184	450		
Mafeteng	Mafeteng	181755	8	61	260	22719	2980
Mohale's Hoek	Maluti	95341	6	74	150	15890	1288
	Ntsekhe	160292	5	63	135	32058	2544

Source: 2002 Health Statistics

**Table 7: Temperatures**

**Table 7: Average maximum and minimum temperatures at measuring stations in the Mohokare Valley Zone**

	Jan		Feb		March		April		May		June		July		Aug		Sept	
	M	M	M	M	M	M	M	M	M	M	M	M	M	M	M	M	M	M
	i	a	i	a	i	a	i	a	i	a	i	a	i	a	i	a	i	a
	n	x	n	x	n	x	n	x	n	x	n	x	n	x	n	x	n	x
	1	2	1	2	1	2	7	2	2	1	1	1	1	1	1	1	1	5
	3	8	3	7	0	5	.	2	.	9	.	6	.	6	.	9	.	.
	.	.	.	.	.	.	8	.	4	.	7	.	9	.	5	.	7	.
	8	0	2	1	9	3		5		7		4		7		4		
oe <sup>2</sup>	1	2	1	2	1	2	7	2	2	1	3	1	5	1	1	1	7	
	3	8	3	6	0	5	.	2	.	9	.	5	.	6	.	9	.	.
	.	.	.	.	.	.	1	.	4	.	1	.	4	.	6	.	6	.
	8	1	2	6	6	0		1		7		7		5		0		
	1	2	1	2	1	2	9	2	6	1	3	1	3	1	5	1	8	
	4	7	4	6	2	4	.	1	.	9	.	5	.	6	.	8	.	.
	.	.	.	.	.	.	6	.	8	.	0	.	2	.	7	.	3	.

<sup>2</sup> The measurements for the winter months cannot be correct, but were supplied by Metereology.

	3	1	3	4	7	4		6		2		2		0		5	
ng	1	2	1	2	1	2	1	2	6	1	3	1	2	1	5	1	9
	5	7	4	6	3	4	0	1	.	8	.	5	.	6	.	8	.
	.	.	.	.	.	.	.	.	5	.	0	.	9	.	4	.	3
	5	2	9	3	3	6	3	8		8		6		2		4	
	1	2	1	2	1	2	8	2	3	1	1	1	1	1	2	1	6
	4	8	4	7	2	5	.	3	.	9	.	6	.	6	.	9	.
	.	.	.	.	.	.	3	.	7	.	0	.	4	.	7	.	8
	8	7	4	9	3	9		0		7		8		8		6	

**Table 8: Rainfall**

Average monthly and annual rainfall at two measuring stations in the Northern Border Zone

	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Annual
Botse	05.1	8.2	9.6	7.7	2.8	0.0	6.2	0.6	6.4	2.3	2.4	8.6	89.9
Maputsoe	01.5	8.1	6.2	6.3	1.9	6.5	3	5.2	3.1	3.0	4.9	3.0	96.8
Peke	3.6	28.1	28.1	0.4	5.0	2.8	7	5.7	8.9	1.4	9.8	04.8	75.1
TY	06.6	0.8	00.9	5.0	2.3	2.9	4	8.0	8.6	7.4	8.4	5.0	19.3
Mapoteng	17.7	6.2	8.4	0.0	8.7	0.7	8	8.5	8.5	9.6	7.0	3.5	17.6
Maseru	91.	83.	86.	59.	27.	14.	11.	28.	23.	83.	96.	83.	
Moshoeshoe I	126.	110.	121.	50.	25.	12.	7.	21.	28.	79.	89.	102.	

**Table 9: Gender**

Gender profile of urban areas in 1996						
	Urban areas in Mohokare Valley Zone		Urban areas in the rest of the country		Total urban population	
	Male	Female	Male	Female	Male	Female
% of the total urban population	46.1	53.9	46.9	53.1	46.3	53.7

**Table 10: Employment: Mohokare**

Percentage distribution by employment status in the Mohokare Valley		
Employment Status	Percent of Total Population	Percent of population in the economically active age group
Unemployed or subsistence farming	35.3	18.2
Employer	0.1	0.2
Own account worker	4.0	6.0
Regular wage/salary earner	20.2	32.1
Casual worker	1.5	2.3
Unpaid family worker	2.4	3.3
Home maker/housewife	13.4	19.8
Student	19.9	15.2
Other	3.2	2.9

Source: 1996 Census

**Table 11: Pass rates**

<b>Table 11: Failure and pass rates for Grades 1 – 7 in 2001</b>																	
																<b>Repetition</b>	<b>Prom</b>
<i>Butha-Buthe</i>																20.4	
<i>Leribe</i>																21.3	
<i>Berea</i>																22.7	
<i>Maseru</i>																20.8	
<i>Mafeteng</i>																22.7	
<i>Mohale's Hoek</i>																22.7	
<i>Quthing</i>																25.7	
<i>Qacha's Nek</i>																27.0	
<i>Mokhotlong</i>																26.0	
<i>Thaba-Tseka</i>																27.3	
<i>National performance</i>																<b>22.8</b>	

Source: 2002 Education statistics tables

**Table 12: Temperatures**

**Average maximum and minimum temperatures at three measuring stations in the Southern Border Zone**

	Jan		Feb		March		April		May		June		July		Aug		Sept
	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max	Min
<b>Mafeteng Town</b>	13.7	27.6	13.5	26.7	12.7	24.1	8.5	21.3	4.7	17.8	1.6	14.7	1.4	15.0	3.3	17.8	6.7
<b>Mo'Hoek Town</b>	14.3	28.6	14.1	27.8	11.7	25.3	8.3	22.2	4.6	18.9	1.7	15.9	1.4	15.9	3.6	18.8	6.9

**Table 13: Rainfall- Southern zone**

<b>Average monthly and annual rainfall at two measuring stations in the Northern Border Zone</b>													
	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Average
<b>Mafeteng</b>	117.5	93.1	83.3	57.1	26.3	14.5	8.9	23.0	25.8	62.2	93.1	64.9	669.7
<b>Mo'Hoek</b>	110.7	94.7	108.6	60.2	17.5	20.3	13.7	21.2	39.6	69.1	86.7	107.3	749.7

**Table 14: Employment -Southern Zone**

Percentage distribution by employment status in the Southern Zone		
Employment Status	% of total population	% of the People in the economically active age group
Unemployed & subsistence farming	32.0	14.0
Employer	0.1	0.1
Own account worker	2.9	4.5
Regular wage/salary	14.6	23.8
Casual worker	2.1	3.3
Unpaid family worker	3.5	4.9
Home maker/housewife	19.7	29.6
Student	21.0	15.8
Other	4.1	4.0
Total	100.0	100.0

**Table 15: Labour**

Workers per industrial estate 1994 – 2004						
	1994	% of Total	1999	% of Total	2004	% of Total
Mafeteng	98	0.995	98	0.456	2795	6.536
Maputsoe	1682	17.074	4959	23.080	11839	27.685
Maseru (old)	1239	12.577	6368	29.638	10350	24.203
Maseru (Thetsane)	6832	69.353	10061	46.826	17779	41.576
<b>Total</b>	<b>9851</b>		<b>21486</b>		<b>42763</b>	

**Table 16: Annual Imports for the Financial Year 2002/2003 for all border posts**

BORDER	April	May	June	July	August	September	October	November	December	January
Maseru Bridge	235786756	138235494	190544926	184129364	174701383	216667191	215366571	233227099	248459818	139630902
Maputsoe	56335836	46014126	51414112	65331170	55114394	76886209	64244306	68464006	62431702	47754659
Maseru Station	34093950	11735698	8162605	23152458	19877322	12531825	20482955	12655386	3061033	5515453
Van Rooyens	16993335	9754456	13569534	17548570	11720230	14885616	11292565	16522448	18352434	7259166
C/spoort	8019431	7408552	9835707	10807243	10509775	12654855	10469765	9511130	11567257	13302380
Maseru P.post	3609886	3396428	3291777	3582292	3483393	4065110	3469865	3155248	3914134	6150924
Qacha's Nek	2631237	2411347	2540099	3750488	2110047	4163172	2130329	2133377	4830486	1619464
Makhaleng	1593640	1412338	1658613	2092902	2526246	1762284	2894679	2199050	4327087	2994815
Rama's	449269	105356	69768	85123	92425	14836556	91930	67468	266884	46276
Tele	968033	1104852	888747	980611	720893	964896	970656	681023	2280106	962297
Moshoeshoe 1	417642	436430	461580	362441	528818	600443	491066	546228	498978	329141
Sani Top	449269	173535	243962	274418	854571	408679	374200	244556	429264	84384
Peka	419229	348408	361545	493012	449825	674945	678177	556057	521786	366398
M.M.B	1606391	110476	106755	301766	299737	171838	92475	199097	578157	0
Sephaaphapo's	282681	147049	172047	137777	243873	254230	208709	155012	184877	0

Mononontsa's	1411716	58440	66234	89039	52147	69705	48307	61487	148687	54220
Tsupane	47891	31408	33109	51119	41222	48962	33606	35407	70738	8937
Dilli-Dilli	-	-	-	-	-	-	-	-	-	0
<b>TOTALS</b>	<b>36511619</b>	<b>2228843</b>	<b>28342111</b>	<b>31316979</b>	<b>28332630</b>	<b>36164651</b>	<b>33334016</b>	<b>350414078</b>	<b>361923429</b>	<b>22607941</b>
	<b>2</b>	<b>93</b>	<b>9</b>	<b>3</b>	<b>2</b>	<b>6</b>	<b>0</b>			<b>5</b>

**Table 17: Crop production**

<b>Average crop production 1983/84 - 1998/99 (excluding 95/96)</b>															
District	Maize			Sorghum			Wheat			Beans			Peas		
	Area planted	Yield tonnes	Yield (ton/ha)	Area planted	Yield tonnes	Yield (ton/ha)	Area planted	Yield tonnes	Yield (ton/ha)	Area planted	Yield in tonnes	Yield (ton/ha)	Area planted	Yield in tonnes	Yield (ton/ha)
Butha-Buthe	6526	6398	0.980	2093	1873	0.895	556	510	0.918	379	210	0.554	261	47	0.180
Leribe	31074	25332	0.815	5790	4493	0.776	1675	950	0.567	3111	1210	0.389	726	188	0.259
Berea	22198	18734	0.844	5569	4471	0.803	767	230	0.299	2216	690	0.311	609	104	0.170
Maseru	23455	19910	0.849	7691	6534	0.850	3816	2200	0.577	2361	1152	0.488	1240	281	0.227
Mafeteng	22421	9938	0.443	12273	6250	0.509	6128	1497	0.244	2186	493	0.226	1907	304	0.159
Mohale's Hoek	12308	7564	0.615	9675	5753	0.595	4378	4342	0.992	1246	720	0.578	807	308	0.381
Quthing	7475	5071	0.678	3762	2360	0.627	3025	1258	0.416	770	593	0.771	553	192	0.347
Qacha's Nek	4958	2134	0.430	1121	425	0.379	1531	824	0.538	307	193	0.628	386	140	0.362
Mokhotlong	7416	5268	0.710	553	320	0.578	4403	2826	0.642	557	572	1.027	776	279	0.359
Thaba-Tseka	10938	7735	0.707	1930	1376	0.713	5283	4504	0.853	611	862	1.411	1093	443	0.405
<b>Nat total</b>	<b>148768</b>	<b>108083</b>	<b>0.727</b>	<b>50458</b>	<b>33855</b>	<b>0.671</b>	<b>31563</b>	<b>19141</b>	<b>0.606</b>	<b>13745</b>	<b>6693</b>	<b>0.487</b>	<b>8358</b>	<b>2285</b>	<b>0.273</b>

Source: RUICON Database compiled from various reports from Bureau of Statistics and Ministry of Agriculture

**Table 18: Mohokare crop production**

<b>Mohokare Valley Zone's contribution to crop production in 2000/1</b>					
	Summer crops			Winter crops	
	Maize	Sorghum	Beans	Wheat	Peas
Leribe Lowlands	29677	4530	616	2397	46
Berea Lowlands	22993	2704	1260	0	1
Maseru Lowlands	21287	5265	327	0	0
Total Lesotho	124755	45354	7860	50755	6389
Mohokare Valley Zone as %	59.3	27.6	28.0	4.7	0.7

Based on BoS Agricultural Census 1999/2000 with maize statistics adjusted to the 18-year average.

**Table 19: Mohokare livestock**

<b>Mohokare Valley Zone's share of the national livestock flock in 2000</b>			
	Cattle	Sheep	Goats
Leribe lowlands	76000	30600	40200
Berea Lowlands	80000	56500	37600
Maseru Lowlands	65600	33000	39500
Lesotho	755134	1109107	937600
Mohokare Valley Zone as %	29.35	10.83	12.51

Based on BoS Agricultural Census 1999/2000

**Table 20: District Urban Population**

<b>Urban population by district</b>				
	<b>1966</b>	<b>1986</b>	<b>1996</b>	<b>2002</b>
<b>District</b>				
Butha-Buthe	1332	6957	12822	18499
Leribe	3799	24307	48386	82600
Berea	5419	16855	26269	34209
Maseru	17059	136734	225172	303480
Mafeteng	3222	14579	24748	33930
Mohale's Hoek	3538	8329	18489	29832
Quthing	1212	6800	13724	20828
Qacha's Nek	760	4881	5040	5131
Mokhotlong	680	2459	4606	6721
Thaba-Tseka	Nil	2150	4518	7051
<b>Total</b>	<b>37021</b>	<b>224051</b>	<b>383774</b>	<b>542281</b>
<b>% of total population</b>	<b>3.8%</b>	<b>14.06%</b>	<b>20.65%</b>	<b>25.82%</b>
<b>Mohokare Valley Zone urban pop as % of total urban</b>	<b>70.98</b>	<b>79.40</b>	<b>78.13</b>	<b>77.50</b>

**Table 21: Projections about urban growth to 2030**

<b>Zone</b>	<b>Urban area</b>	<b>2005</b>	<b>2010</b>	<b>2020</b>	<b>2030</b>	
<b>Northern Zone</b>	<b>Butha Buthe</b>	36836	42496	56011	78778	
	<b>Mohokare Valley Zone</b>	<b>Maseru</b>	277614	344305	487981	794156
		<b>Maputsoe</b>	56147	69635	101110	164549
		<b>Teyateyaneng</b>	26344	28943	32933	39973
		<b>Hlotse</b>	22541	24164	27495	33373
<b>Southern Zone</b>	<b>Mafeteng</b>	36627	42255	53043	74603	
	<b>Mohale's Hoek</b>	25511	29430	36944	51961	

Source: Lesotho Lowlands Water Supply Scheme Draft Final Report

**Table 22: Sector Contribution**

<b>The contribution of different sectors to the Lesotho GDP (percentages)</b>									
	<b>1982</b>	<b>1985</b>	<b>1988</b>	<b>1991</b>	<b>1994</b>	<b>1997</b>	<b>2000</b>	<b>2003</b>	
<b>Primary sector</b>		<b>21.7</b>	<b>19.0</b>	<b>20.3</b>	<b>14.1</b>	<b>15.2</b>	<b>14.3</b>	<b>16.4</b>	<b>14.7</b>
	<b>Agriculture</b>	18.7	18.8	20.3	13.9	15.2	14.3	16.2	14.5
	Crops	11.1	10.2	11.7	8.4	9.3	9.2	10.3	8.7
	Livestock	6.1	7.4	7.6	4.5	4.9	4.1	5.1	5.3
	Agric services	1.5	1.2	1.0	1.0	0.9	0.9	0.8	0.5
	<b>Mining &amp; quarrying</b>	3.0	0.3	0.1	0.2	0.0	0.1	0.1	0.1
<b>Secondary sector</b>		<b>21.5</b>	<b>22.2</b>	<b>23.0</b>	<b>30.6</b>	<b>32.2</b>	<b>37.0</b>	<b>35.8</b>	<b>37.9</b>
	<b>Construction</b>	12.4	11.6	10.6	17.6	16.4	16.2	15.9	15.8
	<b>Manufacturing</b>	8.7	10.1	11.6	11.5	13.6	14.2	14.7	17.7
	Food & beverages	6.4	6.9	6.1	5.7	6.3	6.5	5.7	???
	Textiles, clothing, footwear	0.7	1.2	3.5	4.1	4.8	5.1	6.1	???
	Other manufacturing	1.6	2.0	2.0	1.7	2.5	2.7	2.9	???
<b>Electricity &amp; water</b>	0.4	0.5	0.7	1.5	2.2	6.5	5.1	4.4	
<b>Tertiary sector</b>		<b>44.6</b>	<b>45.9</b>	<b>40.9</b>	<b>38.6</b>	<b>39.5</b>	<b>37.9</b>	<b>38.8</b>	<b>38.1</b>
	<b>Wholesale &amp; retail</b>	5.5	6.7	6.4	6.8	7.8	8.2	7.9	8.4
	<b>Hotels &amp; restaurants</b>	1.3	1.1	1.1	1.1	1.0	1.2	1.3	1.3
	<b>Transport &amp; communication</b>	3.8	3.7	3.3	3.7	3.4	3.4	3.1	3.3

Transport & storage	3.3	3.4	1.8	2.3	2.1	2.3	1.8	2.0
Telecommunications & post	0.5	0.4	1.5	1.3	1.3	1.1	1.3	1.3
<b>Financial services</b>	4.1	4.3	3.9	4.8	4.3	2.6	4.2	3.9
<b>Real estate</b>	13.9	12.9	10.9	7.1	6.7	5.6	4.7	4.8
Owner occupied	11.7	10.8	9.0	7.0	4.7	3.6	3.1	3.3
Other services	2.2	2.1	1.9	0.1	2.0	2.0	1.6	1.5
<b>Government services</b>	14.6	15.5	14.0	13.9	15.0	15.8	16.6	15.3
Health services	1.6	1.7	1.6	1.3	1.8	1.5	1.7	1.5
Education	5.6	5.8	5.4	6.3	7.3	7.5	7.6	7.5
Other services	7.4	8.0	7.0	6.2	5.9	6.8	7.3	6.3
<b>Community services</b>	1.6	1.6	1.2	1.2	1.2	1.0	1.0	1.0
Indirect taxes	12.2	12.9	15.8	16.7	13.1	10.8	9.0	9.4
<b>GDP at purchaser prices</b>	<b>100.0</b>							
<b>Net primary income ex territory</b>	42.4	37.5	36.3	30.9	25.9	20.5	17.4	???
<b>Net transfers</b>	5.9	13.1	12.1	12.9	15.1	15.2	11.9	???
<b>GDP as % of GNI</b>	51.7	49.4	51.6	56.3	59.0	64.3	70.7	???
<b>GNI</b>	<b>100.0</b>	<b>???</b>						

Source: Central Bank

**Table 23: Income: Government of Lesotho**

Sources of income for the Government of Lesotho										
	1985/86	%	1991/2	%	1994/5	%	2001/2	%	2002/3	%
<b>Total GoL income:</b>	<b>316.6</b>		<b>969.3</b>		<b>1581.8</b>		<b>3122.5</b>		<b>3408.8</b>	
<b>Income before grants:</b>	246.6	77.89	820.1	84.61	1438.5	90.94	2864.9	91.75	3077.2	90.27
<b>Taxes:</b>	49.3	15.57	277.6	28.64	423.6	26.78	942.0	30.17	1124.7	32.99
<b>Income Tax:</b>	25.7		135.4		224.4		579.1		710.6	
Individual Income Tax	18.2	5.75	73.5	7.58	140.1	8.86	361.6	11.58	443.7	13.01
Company Tax	7.5	2.37	61.9	6.39	84.3	5.33	217.5	6.97	267.0	7.83
Sales Tax/VAT	19.8	6.25	112.7	11.63	149.8	9.47	306.5	9.82	323.6	9.49
Other tax revenue	1.5						4.4		8.2	
Fuel levy	2.3	0.73	29.5	3.04	49.4	3.12	52.0	1.67	82.3	2.41
<b>Customs Revenue</b>	161.1	50.88	424.1	43.75	840.9	53.16	1438.2	46.06	1470.0	43.12
<b>Non tax revenue</b>	36.2	11.43	118.4	12.22	174.0	11.00	484.7	15.52	482.5	14.15
<b>Grants</b>	70.0	22.11	149.2	15.39	143.3	9.06	257.6	8.25	331.6	9.73

Source: Ministry of Finance

**Table 24: Mineworkers' origins**

Number of mineworkers according to district of origin 1986-2002											
	Maseru	Butha-Buthe	Leribe	Berea	Mafeteng	M'Hoek	Quthing	Qacha's N	Mokhotlong	Total	Remittances
1986	20167	8662	13247	10966	13352	8577	9139	5563	3215	92888	95468396
1987	32619	9186	14659	12003	14821	9550	9519	5513	3347	111217	114842939
1988	23020	8947	14602	11707	14384	9565	9317	5414	2904	99860	347806399
1989	23999	9037	15261	11801	14656	9605	9210	5421	2751	101741	408417862
1990	23983	8978	15033	11601	14181	9573	8851	5084	2423	99707	472436243
1991	22572	8528	14159	10984	13339	9108	8315	4830	2062	93897	344380767
1992	24701	7928	12326	9822	11838	9620	7072	6338	3874	93519	283963136
1993	23010	7883	13693	10087	12469	8321	7743	4256	2478	89940	318699227
1994	32192	6799	13005	9760	12902	8714	7863	4311	2530	98076	329139775
1995	10954	9906	10697	9876	10972	9984	9764	7937	7854	87944	382915417
1996	10794	9667	10554	9498	10498	9502	9647	6698	5499	82357	495243705

1997	15447	7983	9471	7687	9780	8171	6998	5948	4875	76360	494750207
1998	16340	8491	5806	4778	2371	9245	5391	1599	6428	60449	595925808
1999	14683	4465	9194	4390	7743	5213	3754	1810	1234	52486	513063189
2000	14874	4350	9252	3792	8261	4632	3324	1636	1230	51351	476764917
2001	14868	4167	9425	3239	7754	3870	3205	2054	1017	49599	547274374
2002	17355	4354	11194	3221	8303	4312	2910	1554	1187	54390	623763898

Source: TEBA

**Table 25: Manufacturing incentives**

<b>Incentives for manufacturing industrialists in Lesotho</b>	
<b>Land and Infrastructure</b>	LNDC provides: <ul style="list-style-type: none"> <li>Fully serviced industrial plots that could be leased for 30 years at a marginal ground levy if industrialists want to erect their own buildings. Property tax would then be payable to the local authority.</li> <li>General-purpose built factory shells that could be rented. Waiving of rent for several months is offered as an additional incentive when factory space is available (which is since 2001 no longer the case)</li> </ul>
<b>Capital Allowances</b>	The following incentives are available: <ul style="list-style-type: none"> <li>40% depreciation on building and plant capital expenditure in year 1</li> <li>Low interest loans for financing of up to 60% of the cost of imported plant and machinery.</li> </ul>
<b>Tax incentives</b>	<ul style="list-style-type: none"> <li>A 15% maximum tax rate on profits earned by manufacturing companies.</li> <li>No withholding tax on dividends distributed by manufacturing companies to local or foreign shareholders.</li> <li>Free repatriation of profits derived from manufacturing profits.</li> <li>A tax holiday of up to 10 years can be granted under certain circumstances</li> </ul>
<b>Other incentives</b>	<ul style="list-style-type: none"> <li>Training allowances of 50% of cost of certain training programs for local employees.</li> </ul>
<b>Financial incentives</b>	<ul style="list-style-type: none"> <li>Unimpeded access to foreign exchange.</li> <li>An export finance facility and guarantee scheme</li> <li>Long term (up to 10 years) fixed interest loans</li> </ul>

Source: LNDC

**Table 26: Assisted companies**

<b>LNDC Assisted Manufacturing Companies</b>				<b>2004</b>	<b>1999</b>	<b>1994</b>		
Company	Year	Origin	Product	Number of Workers			Markets	Estate
Loti Brick	1978	Lesotho	Bricks	155	150	153	RSA/Lesotho	Thetsane
Basotho Canners	1979	Lesotho	Agro-Products		0		Lesotho	Masianoken g
Lesotho Milling	1980	RSA	Agro-Products	235	182	188	Lesotho	Maputsoe
Lesotho Brewing Co.	1980	Lesotho	Beverages	340	336	330	Lesotho	Maseru
Lesotho Umbrella	1981	RSA	Umbrellas	84	84	84	RSA/EU	Maputsoe
Lesotho Steel	1984	Lesotho	Structural	20	20	20	RSA/Lesotho	Maseru
Lesotho Motor Engine	1985	RSA	Auto parts	20	16	17	Lesotho	Maseru
Sotho Development	1986	Israel	Engines				RSA/Lesotho	Thetsane
Poltex	1986	Hong-Kong	Jeans			50	RSA	Thetsane
Maseru Clothing	1986	RSA	Sportswear				RSA	Maputsoe
Lesotho Haps	1986	Taiwan	T-Shirts	1400	1400	1410	RSA	Maputsoe
Gatti Ice Cream	1987	RSA	Confection			0	Lesotho	Maseru
CGM	1987	Taiwan	Jeans	1888	3300	3200	USA	Thetsane
LPC	1987	Lesotho	Pharmaceutical	100	98	98	RSA/Lesotho	Mafeteng
Lesotho Bakery	1988	RSA	Bread, Conf.	136	133	122	Lesotho	Thetsane
Lesotho Sandstone	1989	Italy	Blocks				Lesotho	Maseru
Super knitting	1989	Taiwan	T-Shirts	806	890	872	USA	Maseru

Keota Electronics	1989	RSA	TV's	285	282	288	RSA	Thetsane
C&Y Garments	1990	Taiwan	Jeans	1950	2200	2130	USA	Thetsane
Supreme Bright	1991	RSA	Jeans				RSA	Nyenye
Sun Textiles	1994	Taiwan	Pants/T-Shirts	1014	920	889	USA	Thetsane
Springfield Footwear	1995	RSA	Shoes	1276	1298		RSA	Maputsoe
Evergreen Textiles	1995	Taiwan	T-Shirts		0		RSA	Thetsane
United Clothing	1996	Taiwan	Jeans	1811	1871		USA	Thetsane
J&S Fashions	1996	Taiwan	Skirts/T-Shirts	580	585		USA	Thetsane
Vogue Landmark	1996	Taiwan	T-Shirts	1142	1400		USA	Nyenye
BA Tex	1997	RSA	Kids wear	272	235		RSA	Nyenye
LMA	1997	Lesotho	Knitwear		0		Lesotho	Maseru
Pioneer Plastics	1997	Lesotho	Plastics		0		Lesotho	Maseru
Carca Footwear	1997	RSA	Shoes	597	360		RSA	Nyenye
Teboho/Shinning.ce nt	1997	Taiwan	T-Shirts	1100	1494		USA	Maseru
Lekim Textiles	1997	Singapore	T-Shirts		0		USA	Thetsane
Maluti Textiles	1998	Taiwan	Jeans	500	620		USA	Thetsane
Mu Plastics	1998	Taiwan	Plastic	8	12		Lesotho	Maseru
CeeBee	1999	Lesotho	Jeans	332	0		RSA	Maputsoe
Heritage	1999	Namibia	Jeans		0		RSA	Maseru
Lekokoaneng sandstn.	1999	Lesotho	Sandstone	14	14		Lesotho	Berea
Precious Garments	1999	Taiwan	T-Shirts	3878	3600		USA	Maseru
Presitex Clothing	2000	Taiwan	Jeans	2700			USA	Thetsane
Reflex Footwear	2000	RSA	Shoes	353			RSA	Nyenye
Tai Yuan	2000	Taiwan	T-shirts	945			USA	Thetsane
Hong Kong Int Knitters	2000	Taiwan	T-shirts	1049			USA	Nyenye
Hippo Knitting	2000	Taiwan	T-shirts	1300			USA	Maseru
Nien Hsing	2001	Taiwan	Jeans	2295			USA	Thetsane
Chainex	2001	Taiwan	T-shirts	70			USA	Maseru
Export Unlimited	2001	RSA	T-shirts	307			RSA/USA	Nyenye
E-River	2001	Taiwan	T-shirts	416			USA	Maseru
Maseru E-Textile	2001	Taiwan	T-shirts	430			USA	Thetsane
N River	2001	Taiwan	T-shirts	562			USA	Maseru
C River	2001	Taiwan	T-shirts	805			USA	Maseru
King-Ang	2001	Taiwan	T-shirts	900			USA	Nyenye
P & T Garments	2001	Taiwan	T-shirts	2695			USA	Mafeteng
Humin Jeanswear	2002	RSA	Jeans	249			RSA/USA	Nyenye
Global Garments	2002	Taiwan	Jeans	1790			USA	Thetsane
Lesotho Carton	2002	Taiwan	Paper carton	55			Lesotho	Maseru
Wonder Garment	2002	Taiwan	T-shirts	330			USA	Maseru
Raytex Garments	2002	China	T-shirts	520			USA	Nyenye
Santi Kon	2002	Taiwan	T-shirts	700			USA	Thetsane
TW Garments	2002	Malaysia	T-shirts	833			USA	Nyenye
Five-Eight	2002	China	T-shirts/sweaters	220			USA	Maseru
JW International	2002	RSA	Work wear	240			USA/RSA	Nyenye
Astoria Bakery	2003	RSA	Confectionery	50			Lesotho/RSA	Maseru
Sweat sun	2003	Mauritius	Garments	370			USA	Maseru
Alley cat Lesotho	2003	RSA	Jeans	650			USA	Maputsoe
Baneng Lesotho	2003	Singapore	T-shirts	600			USA	Thetsane
Ever Unison Garments	2003	Taiwan	T-shirts/pants	1400			USA	Nyenye
Tzicc	2000	Taiwan	T-shirts	1975			USA	Maseru
<b>TOTAL WORKERS</b>				<b>42777</b>	<b>21500</b>	<b>9851</b>		

Source: LNDC

**Table 27: Manufacturing employment share**

Employment share of manufacturing concerns						
	2004		1999		1994	
	Workers	% Share	Workers	Share -%	Workers	Share-%
Textiles & footwear	41275	96.49	20173	93.83	8551	86.80
Food & beverages	761	1.78	651	3.03	640	6.50
Building materials	189	0.44	184	0.86	173	1.76
Other	552	1.29	492	2.29	487	4.94
<b>Total</b>	<b>42777</b>	<b>100</b>	<b>21500</b>	<b>100</b>	<b>9851</b>	<b>100</b>

Based on LNDC data

**Table 28: Preferences :US Trade**

The hierarchy of preferences in the US trade regime			Share of US imports in 2001	Ave. tariff on imports
<b>Level 1:</b> <i>Reciprocal preferences</i>	Free Trade Agreements (FTA)	Canada and Mexico in the North American Free Trade Agreement (NAFTA) Israel, Jordan.	31.7%	0.1%
<b>Level 2:</b> <i>Non-reciprocal regional preferences</i>	African Growth and Opportunity Act (AGOA)	Sub-Saharan Africa countries enjoy duty-free access for nearly all goods. Some also have duty- and quota-free access for textiles and apparel.	0.8%	0.7%
	Caribbean Basin Initiative (CBI)	Central America and Caribbean countries enjoy duty-free access for most goods and North American Free Trade Association.	1.8%	2.8%
	Andean Trade Preferences Act (ATPA)	Four Andean countries enjoy duty-free access for most goods.	0.8%	1.5%
<b>Level 3:</b> <i>Non-reciprocal global preferences</i>	Generalized System of Preferences (GSP)	Beneficiaries enjoy duty-free access for some goods, but many items are excluded. For Least-developed countries (LDC) the product range is wider than for the rest of the countries.	9.8%	3.6%
<b>Level 4:</b> <i>Non-preferential treatment</i>	Normal Trade Relations (NTR)	This covers most of Europe, the East and some erstwhile Communist countries.	53.9%	2.2%
	Denied Trade Relations (DTR)	Cuba The Democratic People's Republic of Korea	<0.1%	35.1%
	Trade embargoes	Iraq (prior to the invasion). Iran	0.4%	0.3%
			100%	1.6%

Source: UN

**Table 29: AGOA exports: S.A and Lesotho**

Exports under AGOA from 2001 to 2003 for South Africa and Lesotho in US \$ million					
		2001	2002	2003	% Growth in export 2001 - 2003
<b>South Africa</b>	Transportation equipment	300	545	731	<b>143.67</b>
	Minerals & metals	317	372	397	25.24
	Chemicals & related products	126	130	175	38.89
	Agricultural products	79	124	133	68.35
	Textiles & Apparel	33	88	131	<b>296.97</b>
<b>Lesotho</b>	Lesotho textiles	130	318	373	<b>186.92</b>

Source: AGOA web site

**Table 30: Total US Sub Saharan Imports**

<b>Sub-Saharan Africa: U.S. imports, total under the African Growth and Opportunity Act (YTD = Jan - Mar) AGOA-eligible countries only</b>								
<i>(Thousands of dollars, Customs value)</i>								
<b>Country</b>	<b>TOTAL 2002</b>	<b>TOTAL 2003</b>	<b>TOTAL 2003 YTD</b>	<b>TOTAL 2004 YTD</b>	<b>AGOA including GSP provisions 2002</b>	<b>AGOA including GSP provisions 2003</b>	<b>AGOA including GSP provisions 2003 YTD</b>	<b>AGOA including GSP provisions 2004 YTD</b>
Nigeria*	5,819,603	10,113,618	2,603,010	3,398,713	5,409,660	9,356,012	2,396,081	3,149,015
<b>South Africa</b>	4,235,974	4,887,962	1,108,048	1,288,453	1,342,594	1,668,573	372,224	335,560
Gabon*	1,622,021	1,927,715	476,219	534,378	1,145,627	1,177,458	255,508	366,371
Cote d'Ivoire	381,860	490,248	210,296	212,583	49,733	88,037	14,853	18,222
Congo (ROC)	223,824	407,186	112,250	73,055	106,633	340,790	95,211	57,901
<b>Lesotho</b>	321,475	393,056	82,303	101,188	318,029	372,674	81,887	97,691
Madagascar	215,923	383,329	53,261	121,076	79,728	187,879	22,387	61,079
Mauritius	280,433	298,096	81,266	68,217	114,292	143,077	31,574	39,227
Kenya	189,156	249,137	56,550	80,750	129,210	184,441	44,198	68,845
Cameroon	172,057	193,319	36,981	77,653	115,804	147,011	25,382	66,055
Congo (DRC)	0	173,867	56,083	35,485	0	119,471	46,466	31,989
Swaziland	114,464	162,033	31,715	43,242	81,252	133,975	26,707	39,057
Namibia	57,353	123,249	17,237	44,708	1,717	46,755	5,011	21,302
Ghana	115,641	83,603	23,852	27,303	34,830	40,586	11,413	18,165
Malawi	68,109	80,076	18,487	24,702	46,904	59,256	10,415	22,156
Guinea	71,600	69,226	17,651	13,796	68	194	60	13
Uganda	15,197	34,883	6,437	7,677	32	1,509	191	836
Ethiopia	25,659	30,496	5,816	4,619	2,320	2,885	830	1,102
Tanzania	25,343	24,234	5,605	5,384	1,293	1,569	371	361
Chad	5,700	22,434	395	107,165	0	14,478	36	70,447
Seychelles	26,291	15,324	7,068	664	0	3	0	0
Botswana	29,732	13,642	4,560	13,302	4,578	6,324	926	3,532
Zambia	7,790	12,469	2,209	5,513	83	510	11	54
Mozambique	8,160	8,711	1,249	855	5,916	7,917	1,120	191
Sierra Leone	3,833	6,478	1,421	2,527	217	75	0	174
Cape Verde	1,811	5,640	1,294	736	51	2,465	537	519
Senegal	3,799	4,326	775	534	499	720	142	125
Niger	897	4,034	346	12,445	22	63	36	0
Rwanda	3,086	2,623	619	900	10	6	0	0
Mali	2,583	2,394	616	555	342	262	6	16
Cen African Rep	2,004	1,959	616	0	192	43	0	0
Guinea-Bissau	35	1,912	1,843	98	0	0	0	0
Mauritania	929	929	119	3,673	35	3	0	0
Djibouti	1,915	615	307	368	23	27	0	17
Benin	680	602	12	242	0	0	0	0
Eritrea	369	251	106	0	11	0	0	0
Gambia	0	134	19	102	0	20	0	8
Sao Tome & Prince	391	91	55	47	0	0	0	0
Angola*	0	0	0	903,668	0	0	0	833,517
<b>Total</b>	<b>14,055,698</b>	<b>20,229,905</b>	<b>5,026,695</b>	<b>7,216,376</b>	<b>8,991,705</b>	<b>14,105,065</b>	<b>3,443,583</b>	<b>5,303,544</b>

\* *Mainly crude oil exports.*

Source: Compiled by the U.S. International Trade Commission from official statistics of the U.S. Department of

**Table 31: Export growth rates**

Major export product growth rates based on data from the Bureau of Statistics and the Central Bank of Lesotho				
SITC group	Percentage change in Exports			
	1996 - 1999		1997 - 1999	
	BoS	CBL	BoS	CBL
Food & Live Animals	56.6	46.1	38.0	7.8
Crude materials	292.9	-43.7	791.9	-39.0
Chemicals	1.4	-76.4	78.8	-70.5
Manufactures classified by Material	530.9	-43.3	62.9	-55.0
Machinery & Transport Equipment	-37.8	-1.7	-49.4	-21.1
Miscellaneous Manufactures	74.4	29.8	7.0	18.6
All exports	74.0	29.8	18.8	16.6

Source: Lesotho Diagnostic Trade Integration Study, Vol 2, Chapter 1

**Table 32 : Lesotho export comparisons**

Comparison of Lesotho export characteristics (1999) with those of other land-locked countries								
Country	Export per capita in US \$	Exports to GDP ratio	Number of products exported	Export Share in value		Share of total exports		
				Primary goods	Manufactures	Top export product	Top three export products	Top five export products
Lesotho	81	0.178	21	19.4	80.6	36.4	86.8	95.4
Armenia	30	0.062	57	7.9	88.9	68.7	75.2	78.7
Burkina Faso	16	0.068	62	85.8	9.6	66.4	74.3	79.4
Burundi	10	0.094	17	81.9	4.0	69.9	83.9	92.3
Central African Rep	61	0.203	40	25.6	74.0	72.0	79.2	85.4
Chad	14	0.067	12	95.8	4.0	83.3	95.3	97.7
Malawi	45	0.269	81	87.2	12.7	60.0	67.7	75.4
Niger	29	0.151	57	55.7	42.8	51.1	90.6	93.2
Rwanda	6	0.026	23	91.1	3.6	57.9	74.3	81.8
Zambia	61	0.194	111	84.6	11.2	38.3	56.0	63.1

**Table 33: Railhead imports**

Value of imports handled at the Maseru Railhead		
Financial year (from April to March)	Value of imports	Value of imports as a percentage of total imports
1999/2000	263,533,390.16	11.1218
2000/1	189,566,193.00	7.1013
2001/2	282,731,572.74	10.0775
2002/3	155,765,710.37	4.6405

**Table 34: Comparisons of District Economies**

Districts	Contr. To prov. GVA (2002)	Contr. To prov. Pop. (2002)	Poverty levels (2002)	HDI	Comp. Advent.	Growth p.a (1990 to 2002)	Unempl. (2002)	Tress Index
Lejweleputswa	26.5%	26.9%	65.4%	0.5	Agric. Mining	-2.3%	36.6%	62.9
Motheo	30.9%	26.0%	61.6%	0.53	Constr. Trade Transp.	1.3%	41.1%	58.0

					Fin. Serv.			
Northern FS	25.5%	16.3%	62.6%	0.54	Manuf. Elect & W.	0.4%	38.3%	57.1
Thabo Mofutsanyane	14.0%	26.3%	72.4%	0.5	Agric. Constr. Trade Serv.	0.3%	34.1%	60.6
Xhariep	3.1%	4.5%	56.7%	0.51	Agric. Constr. Transp. Serv.	0.9%	38.3%	53.4

**Table 35: Field ownership**

Ownership of fields for cultivation						
	1996 Census			Agricultural Census 2000		
	Total Rural	Landless	Percent	Total Rural	Landless	Percent
<b>National</b>	<b>291460</b>	<b>102387</b>	<b>35.13</b>	<b>328518</b>	<b>110877</b>	<b>33.75</b>
Butha-Buthe	18108	5946	32.84	21398	6167	28.82
Leribe	47515	18540	39.02	55803	20209	36.21
Berea	37520	12326	32.85	42278	13217	31.26
Maseru	47718	19203	40.24	52858	19775	37.41
Mafeteng	36261	10414	28.72	37590	10409	27.69
Mohale's Hoek	32351	10174	31.45	37005	11384	30.76
Quthing	20765	8348	40.20	25965	12989	50.03
Qacha's Nek	11831	4677	39.53	13307	4398	33.05
Mokhotlong	15718	4983	31.70	18497	7104	38.41
Thaba-Tseka	23673	7776	32.85	23817	5225	21.94

**Table 36: Yield comparisons: Mohokare and Free State**

Comparison in yields per hectare of dry land crop production between farmers in Lesotho and the Free State in the Mohokare Valley Zone			
	Lesotho	Free State	Lesotho yields as % of FS yield per hectare
<b>Maize</b>	0.834 tonnes/ha	3.750 tonnes/ha	22.24%
<b>Sorghum</b>	0.814 tonnes/ha	Phased out, only limited planting as fodder	Not applicable
<b>Wheat</b>	0.540 tonnes/ha	2.603 tonnes/ha	20.75%

**Tables 37-39: Land Reform Projects in Motheo and Thanbo Mofutsanyane Districts**

Land Reform Projects in Dihlabeng Local Municipality		
Project Name	Number of beneficiaries	DoA Support
Buthelezi Family	5	Extension Services
De Kamp	9	Extension Services and Land Care
Fire Sesotso Group	6	Extension Services
GP Didebe	4	Extension Services and Land Care
Hugosdeel	8	Extension Services
Khasebe Farmers	4	Extension Services and Land Care
Libata tse Makhholokoe	6	Extension Services and Land Care
MJ Mofokeng Farming Enterprises CC	6	Extension Services
Makhalane Farming Enterprises CC	5	Extension Services and Land Care
Mbele	6	Extension Services

Mosea Boerdery	11	Extension Services and Land Care
Mphuti Family	10	Extension Services and Land Care
Ndlebe and Dlamini Family	2	Extension Services and Land Care
Ndlowu Farmers Enterprise SS/Sibuso Farming	5	Extension Services and Land Care
Portion 10 of Farm 19D3	0	Extension Services and Land Care
Portion 118 of Farm 19D3 (Mmabatho Diary Farm)	1	Extension Services and Land Care
Portion 28 of Farm 1840	4	Extension Services and Land Care
Portion 25 of Farm 1840	4	Extension Services and Land Care
Portion 88 of Farm 1903	0	Extension Services and Land Care
Senokoane Family	7	Extension Services and Land Care
Toka Farmers	11	Extension Services
Tshabalala Family	0	Extension Services and Land Care
Thsepo-Ntja Communal Property Trust	26	Not Available
Unit 1.22	0	Extension Services and Land Care
Unit 3.23	0	Extension Services and Land Care
Unit 4.13 (Tshabalala)	5	Extension Services
Unit 411	4	Land Care
<b>Total: 27</b>	<b>Total: 153</b>	-

'Free State Department of Agriculture: Land Reform Project, Thabo Mafutsanyane District', Fax communication with Free State Department of Agriculture, 2/8/2004.

<b>Land Refrom Projects in Sesotso Local Municipality</b>		
<b>Project Name</b>	<b>Number of beneficiaries</b>	<b>DoA Support</b>
Brakwater	2	Extension Services
Ilumeleng-Ficksburg	50	Extension Services and Land Care
Kwetliso Farmers	6	Extension Services and Land Care
Mohapi Family	5	Extension Services and Land Care
Mojaje Trust	8	Extension Services and Land Care
Morakabi Family	11	Extension Services
Mosea Boerdery	11	Extension Services and Land Care
Roeloffrust Farming Trust	6	Extension Services and Land Care
SW and DA Matasane	2	Extension Services
Sonop	2	Extension Services
Thuloane Trust	2	Extension Services
<b>Total: 11</b>	<b>105</b>	

'Free State Department of Agriculture: Land Reform Projects, Thabo Mafutsanyane District', Fax communication with Free State Department of Agriculture, 2/8/2004.

<b>LRAD Projects in Mantsopa Local Municipality</b>			
<b>Project Name</b>	<b>Town</b>	<b>Number of Beneficiaries</b>	<b>Enterprises</b>
Ipopeng Trust	Hobhouse	42	Beef
Lithakali Trust	Hobhouse	20	Beef and Crops
Dichaba	Hobhouse	10	Beef and Crops
Lechabile	Hobhouse	33	Beef and Crops
Kojane Family Trust	Hobhouse	5	Beef
Moleme CPA	Hobhouse	10	Beef
Tsoha O Lksetsetse	Hobhouse	21	Beef and Crops
Rebabedi	Hobhouse	2	Beef and Crops
Moruri	Hobhouse	9	Beef
Hazeldine	Hobhouse	2	Beef and Diary
Botha Brothers	Hobhouse	4	Beef and Diary
Mangwene Trust	Hobhouse	7	Beef and Diary
Phamaleng	Excelsior	52	Beef and Milling
<b>Total: 12</b>	-	<b>217</b>	

'Free State Department of Agriculture: LRAD Projects, Motheo District', Fax communication with Free State Department of Agriculture, 17/12/2004.

**Table 40: Household energy use**

Percentage households with access to various forms of energy for lighting, cooking and heating purposes															
	Lighting				Cooking						Heating				
	Elec	Gas	Par	Candl es	Elec.	Gas	Par	Coal	Wood	Dung	Elec	Gas	Par	Coa l	W
Butha-Buthe	2.7	1.9	52.7	41.5	1.0	12.5	20.7	0.5	59.3	5.7	1.2	1.2	25.9	3.4	
Leribe	1.5	0.2	44.8	52.0	0.6	10.7	17.8	0.4	66.0	2.3	0.3	0.8	23.0	7.1	
Berea	0.6	0.3	41.1	56.8	0.2	6.5	10.9	0.3	75.2	6.2	0.0	0.5	12.5	7.1	
Maseru	10.5	0.6	53.0	35.0	2.5	27.8	26.6	0.2	36.7	5.7	4.1	3.5	45.0	3.0	
Mafeteng	2.1	0.9	60.6	35.6	0.2	12.5	18.9	0.0	52.6	12.3	0.2	1.2	26.5	2.6	
M Hoek	1.5	0.2	71.1	26.7	0.1	6.6	16.3	0.1	75.4	1.4	0.2	0.7	21.1	0.7	
Quthing	4.9	0.5	65.1	28.0	2.2	11.9	14.9	0.1	69.3	1.5	2.0	1.8	17.9	2.5	
Qacha's Nek	0.5	0.1	58.4	37.8	0.1	3.9	20.6	0.1	69.4	5.7	0.4	0.6	16.1	1.4	
Mokhotlong	1.7	0.5	51.9	44.9	0.0	13.4	26.7	1.0	39.0	19.1	0.3	1.2	30.0	4.5	
Thaba Tseka	2.4	0.1	72.5	23.7	0.4	10.4	14.5	0.6	66.1	7.4	0.3	0.7	20.5	3.1	
<b>Lesotho</b>	<b>3.7</b>	<b>0.5</b>	<b>55.3</b>	<b>39.2</b>	<b>1.0</b>	<b>13.7</b>	<b>19.2</b>	<b>0.3</b>	<b>59.0</b>	<b>6.0</b>	<b>1.2</b>	<b>1.5</b>	<b>26.7</b>	<b>3.5</b>	
Urban	18.1	0.7	51.2	29.4	4.3	44.3	45.4	0.3	5.0	0.4	6.6	4.9	76.1	4.0	
Rural	1.0	0.4	56.1	41.1	0.3	7.9	14.2	0.3	69.1	7.1	0.2	0.8	17.4	3.4	

Source: BoS 2001 Lesotho Demographic Survey

**Table 41: Household access to water supply**

Percentage households with access to various forms of water supply							
	Piped water on premises	Communal taps	Rain water tanks	Wells	Protected springs	Rivers or springs	Boreholes
Butha-Buthe	7.7	35.6	6.2	22.8	18.3	7.7	0.1
Leribe	6.0	39.2	0.4	16.5	8.9	16.6	11.3
Berea	3.4	66.5	0.5	15.5	4.5	9.4	0.3
Maseru	27.1	45.4	0.6	7.3	4.5	6.8	5.3
Mafeteng	6.5	54.3	0.6	8.5	1.3	5.2	22.2
M Hoek	5.7	28.4	0.1	23.6	5.0	23.2	13.9
Quthing	11.6	54.6	0.4	12.4	8.2	12.8	0.0
Qacha's Nek	0.3	92.9	0.8	3.0	2.9	1.0	0.0
Mokhotlong	8.8	74.1	0.4	1.3	11.4	3.9	0.0
Thaba Tseka	12.7	29.8	2.2	8.3	13.2	33.7	0.0
<b>Lesotho</b>	<b>11.1</b>	<b>48.3</b>	<b>1.0</b>	<b>12.5</b>	<b>6.9</b>	<b>12.2</b>	<b>6.9</b>
Urban	60.2	23.7	0.5	3.9	0.2	0.8	6.0
Rural	1.9	53.0	1.1	14.1	8.1	14.4	7.0

Source: BoS 2001 Lesotho Demographic Survey

**Table 42: Setsoto service level backlogs**

Land Use	Bulk Supply	Bulk Metering	Storage capacity	Metered Connection	Unmetered connection	Communal Standpipe	Services	Total
<b>Ficks-burg</b>								
Residential	Inadequate	Inadequate	Inadequate	4 130	-	5 970	-	10 100
Commercial				261	-	-	-	261
Industrial				20	-	-	-	20
Other				53	-	-	-	53
<i>Sub Total</i>				<b>4 464</b>	<b>-</b>	<b>5 970</b>	<b>-</b>	<b>10 434</b>
<b>Clocolan</b>								
Residential	Inade-	Inadequate	Adequate	731	3 938	22	-	4 691

Commercial	quate			152	-	-	-	152
Industrial				-	-	-	-	-
Other				12	-	-	-	12
<i>Sub Total</i>				<b>895</b>	<b>3 938</b>	<b>22</b>	<b>-</b>	<b>4 855</b>

**Table 43: Sesotso IDP Projects**

<b>PRIORITY : WATER PROVISION</b>					
<b>PRIORITY ISSUE</b>	<b>PROJECT NAME</b>	<b>PROJECT OBJECTIVE</b>	<b>DESCRIPTION</b>	<b>LIST PROJECT OUTPUTS</b>	<b>MAIN TOWN/RURAL AREA</b>
Infrastructure Water	Upgrading bulk water supply in Meqheleng	To purify water and to provide sufficient storage capacity.	To purify an additional 100 megaliters of water per month. Additional storage reservoir of 6ML.	The purification works for 100MI per month. A 6MI reservoir.	Ficksburg
Infrastructure Water	Water Purification Works - Clocolan	To ensure the provision of sufficient purified water for the entire community in Clocolan	110Kl of purified water per day.	Upgraded Purification Works	Clocolan
Infrastructure Water	Sparta Regional Water Project	To improve bulk water supply at Clocolan, Marquard and Sparta	Provision of water to Clocolan, Marquard, Sparta and surrounding areas within 18 months. Raising Meulspruit Dam wall with 2 metres. Building of 67km bulk water pipeline.	Constructed damwall and pipeline	Route from Ficksburg to Sparta Ficksburg, Clocolan and Marquard
Infrastructure Water	Maintenance of water network – Setsoto	To continuously replace the water reticulation network that have become redundant	To replace 5% of the worn-out reticulation pipes per annum. Distribution per year is as follows: Ficksburg – R300 000 Senekal - R300 000 Clocolan – R200 000 Marquard – R200 000	Maintenance and replacement of the Water Reticulation network	Ficksburg & Clocolan Senekal Marquard
Infrastructure Water	Metered water connections	To provide each stand with clean water that is metered	Matwabeng = 8000 @ R1500 each = R12 000 000 Moemaneng = 3000 @ R1500 each = R4 500 000 Hlohlowane = 4500 @ R1500 each = R6 750 000 Meqheleng = 12000 @ R1500 each = R18 000 000	A water connection to each stand	Allocations split per town (share with electricity) : Ficksburg – R8 000 000 Clocolan – R5 500 000 Senekal - R6 500 000 Marquard – R4 000 000
Infrastructure Water	Water reticulation in Matwabeng/Senekal	To provide each stand in Matwabeng		A water reticulation network and connection to each	

		with clean water		stand	
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**Setsoto Local Municipality Water Services Sector Plan, 2002**

**Table 44: Sesotso sanitation**

<b>PRIORITY : SANITATION PROVISION</b>					
<b>PRIORITY ISSUE</b>	<b>PROJECT NAME</b>	<b>PROJECT OBJECTIVE</b>	<b>DESCRIPTION</b>	<b>LIST PROJECT OUTPUTS</b>	<b>MAIN TOWN/RURAL AREA</b>
Infrastructure Sanitation	Upgrading Sanitation Treatment Works – Hlohlolwane & Moemaneng	To adequately purify waste water and to discharge waste water in natural source complying with DWAF's requirements	Hlohlolwane – Provision of an area to discharge night soil and to provide oxidation ponds before it is discharged into the sewerage system. Moemaneng – Provision of aerators at the ponds.	Site for night soil discharge and oxidation ponds Aerators at the ponds	Clocolan Marquard
Infrastructure Sanitation	Acceptable sanitation system	To provide each stand of Setsoto with an acceptable sanitation system	All stands to be provided with an acceptable sanitation system within 5 years.	Acceptable sanitation system to each stand	Allocations split per town: Ficksburg – R800 000 Clocolan – R550 000 Senekal – R650 000 Marquard – R400 000

**Setsoto Local Municipality Water Services Sector Plan, 2002**

**Table 45: Setsoto energy**

	<b>2001</b>	<b>1996</b>
<b>Households</b>		
Electricity	23767	16717
Gas	38	44
Paraffin	1096	1294
Candles	7595	8134
Solar	163	-
Other	87	0

**Table 46: Setsoto Service providers**

<b>Town</b>	<b>Community</b>	<b>W/S</b>	<b>Bulk/ Infrastructure</b>	<b>New/ Upgrade</b>	<b>Project Description</b>	<b>Project Status</b>	<b>Funding Agency</b>	<b>Amount Allocated</b>	<b>Consultant</b>
Ficksburg	Ficksburg & Meqheleng	Water	Infrastructure	Upgrade	Ficksburg Water Reticulation	Ongoing	DWAF	700 000-00	Kwezi – V3
	Meqheleng	Sanitation	Infrastructure	New	Provision of VIPs	Identified – new	DWAF	230 000-00	To be appointed
Clocolan	Clocolan & Hlohlolwane	Water	Bulk	New	Upgrading of water treatment works	Council Approval	CMIP	5 000 000-00	Ninham Shand

	Hlohowane	Water	Infrastructure	Up-grade	Water Reticulation Network for Extension 6	Ongoing	TM DM		Departmental
	Hlohowane	Sanitation	Infrastructure	New	Provision of VIPs	Identified – New	DWAF	230 000-00	To be appointed

### Setsoto Local Municipality Water Services Sector Plan, 2002

Municipal

Demarcation

Board

(<http://www.demarcation.org.za/infoIndex.aspx?type=PROVINCE&Prov=Free%20State&frm=home>)

**Table 47: Motheo services**

Service delivered	Ladybrand	Hobhouse	Tweespruit	Excelsior	Thaba Patchoa	Rural areas
Water	Municipality					Farm owner
Sanitation	Municipality					Farm owner
Electricity	Town: Municipality Manyatseng: ESKOM Mauersnek: Municipality	Town: ESKOM Dipelaneng: ESKOM	Town: Municipality Borwa: ESKOM Dawiesville: Municipality	Town: Municipality Mahlatswetsa: ESKOM	ESKOM	ESKOM
Road network	Municipality					FSPG
Health care	FSPG: Department of Health & Municipality					
Safety and Security	South African Police Services					
Labour advice	Department of labour					
Environmental Conservation	FSPG Department of Tourism, Economic and Environmental Affairs					
Tourism Promotion	Maloti tourist route					
Housing subsidies	FSPG: Department of Local Government and Housing & Municipality					Farm owner
Agriculture advice	FSPG: Department of Agriculture					
Welfare Services	FSPG: Department of Social Development					

**Table 48: Motheo housing profile and civil infrastructure internal reticulation network 2001**

Service	Level of Service	Excelsior		Hobhouse		Tweespruit			Ladybrand			Thaba Patchoa	Total
		Town	Mahlatswetsa	Town	Dipelaneng	Town	Borwa	Dawiesville	Town	Manyatseng	Mauersnek		
<b>Number of households</b>		<b>170</b>	<b>1548</b>	<b>80</b>	<b>1060</b>	<b>207</b>	<b>1594</b>	<b>197</b>	<b>924</b>	<b>4422</b>	<b>210</b>	<b>215</b>	<b>10627</b>
Land	Vacant sites	236	7	31	0	20	0	1	113	611	4	0	1023
	Occupied Residential Sites	170	1148	80	980	207	1244	192	924	3750	161	210	9066
	Backyard Dwellers	0	400	0	80	0	350	5	0	672	49	5	1561
	Business sites	46	9	25	7	34	11	1	230	60	4	7	712
Housing	Informal housing	0	450	0	180	0	650	79	0	1185	49	5	2598

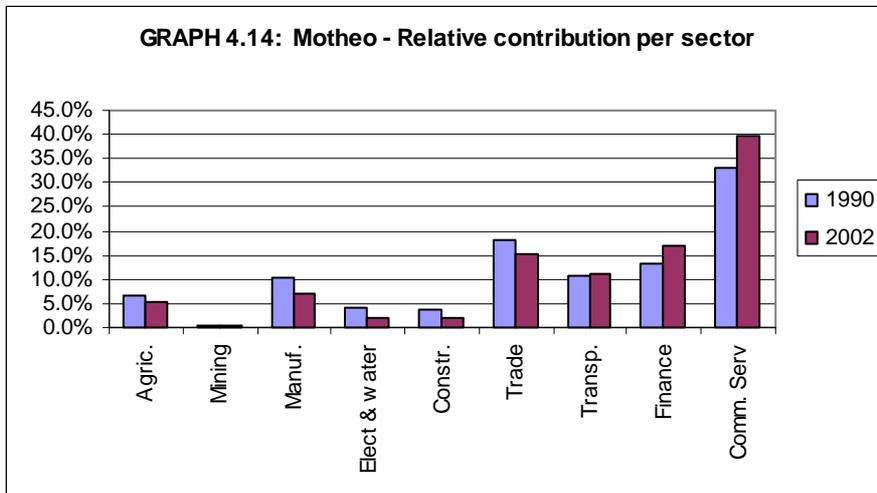
Service	Level of Service	Excelsior		Hobhouse		Tweespruit			Ladybrand			Thaba Patchoa	Total
		Town	Mahlatswetsa	Town	Dipelaneng	Town	Borwa	Dawiesville	Town	Manyatseng	Mauersnek		
	Formal housing	170	1098	80	880	207	944	118	924	3237	161	210	8029
	Multi Residential Units	0	0	0	0	3	0	0	44	0	0	0	47
Sewer	Bucket	0	1000	0	980	0	1244	23	0	1720	0	0	4967
	PIT	0	148	0	0	0	0	0	0	0	0	0	148
	Waterborne	0	0	80	0	207	0	169	924	2030	161	210	3781
	Conservancy tank	170	0	0	0	0	0	0	0	0	0	0	170
Water	Standpipes > 200 m walking distance	0	0	0	0	0	0	0	0	0	0	0	0
	Standpipes < 200 m walking distance	0	0	0	0	0	0	0	0	5	0	0	5
	Yard taps (unmetered)	0	1148	0	980	0	1244	192	0	3745	0	0	7309
	Household connection (metered)	170	0	80	0	207	0	0	924	0	161	0	1542
Electricity	None	0	0	0	0	0	0	0	0	0	0	0	0
	Household connection	170	0	80	0	207	0	0	147	0	161	0	4515
	Pre-paid	0	1148	0	980	0	1244	192	0	3750	0	210	3774
Refuse removal	Door-to-door	209	1148	80	980	207	1244	192	1048	3750	161	210	9262
	Mass collection	0	0	0	0	0	0	0	0	0	0	0	0
Roads (km)	Tarred / Paved	6	0	2.8	0	6.18	0.74	0.23	14.5	2.2	1.85	0	34.5
	Gravel	16	30	23.4	15.8	1.75	8.11	2.60	31.9	46.35	0	6.8	182.71
	Unsurfaced (Graded)	0	0	0	0	0	4.9	0	0	3	0	0	7.9

**Table 49: Mantsopa housing and infrastructure backlogs (2002)**

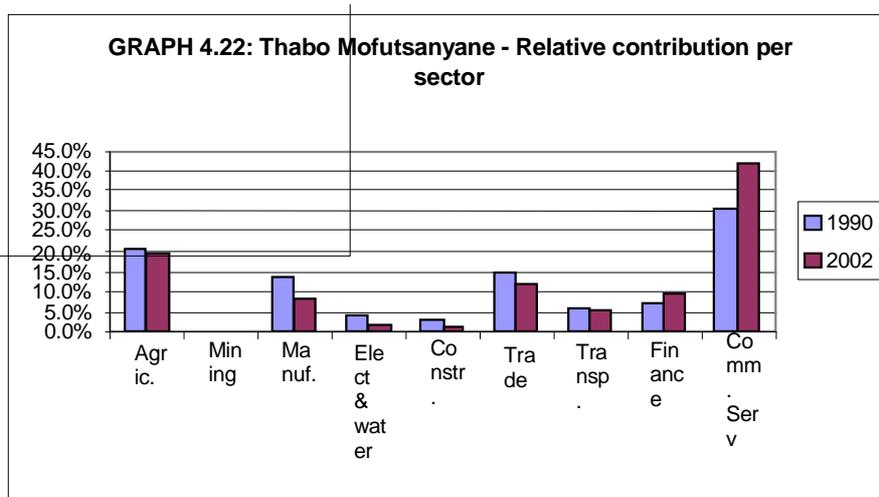
Service	Urban	Rural	Total Units	Backlog :urban %	Backlog : rural %
Housing	2598	1985	4583	24.4%	44.8%
Sewer	5115	2725	7840	56.4%	61.5%
Water	0	2358	2358	0%	53.2%
Unmetered water connections	7309	-	7309	80.6%	-
Electricity	0	2431	2431	0%	54.9%
Refuse collection	0	-	0	0%	-
Unsurfaced roads (graded)	7.9 km	?	7.9 km	3.5%	?

(Mantsopa Local Municipality, 2002),

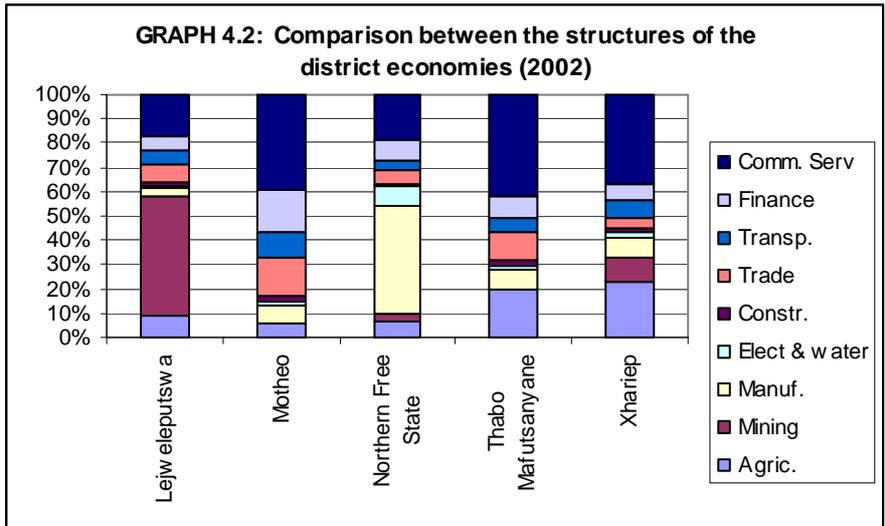
**Graph 1: Motheo – Relative contribution per sector: 1990 and 2002**



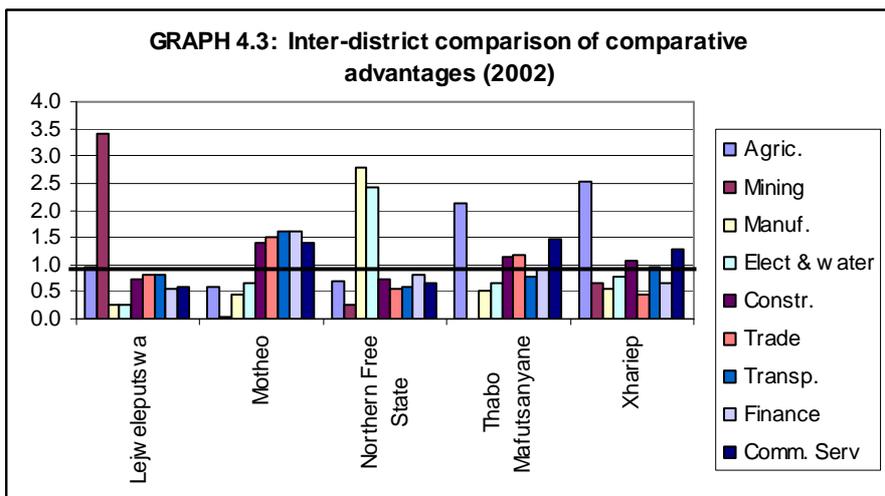
**Graph 2: Thabo Mofutsantane –Relative contribution per sector: 1990 and 2002**



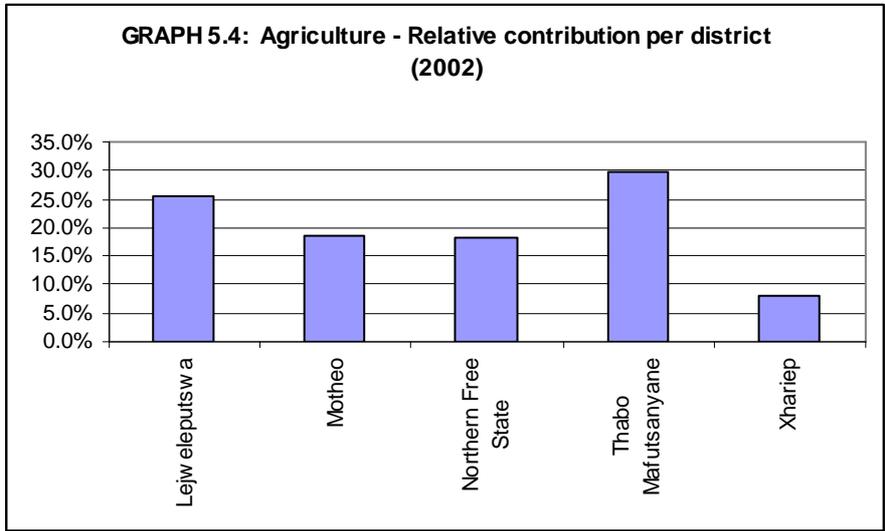
**Graph 3: Comparison between the structures of the district economies (2002)**



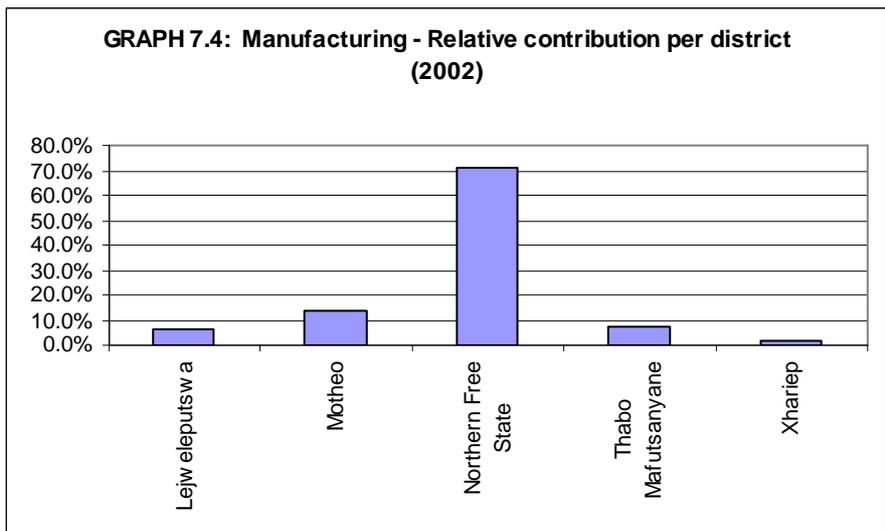
**Graph 4: Inter-district comparison of comparative advantages (2002)**



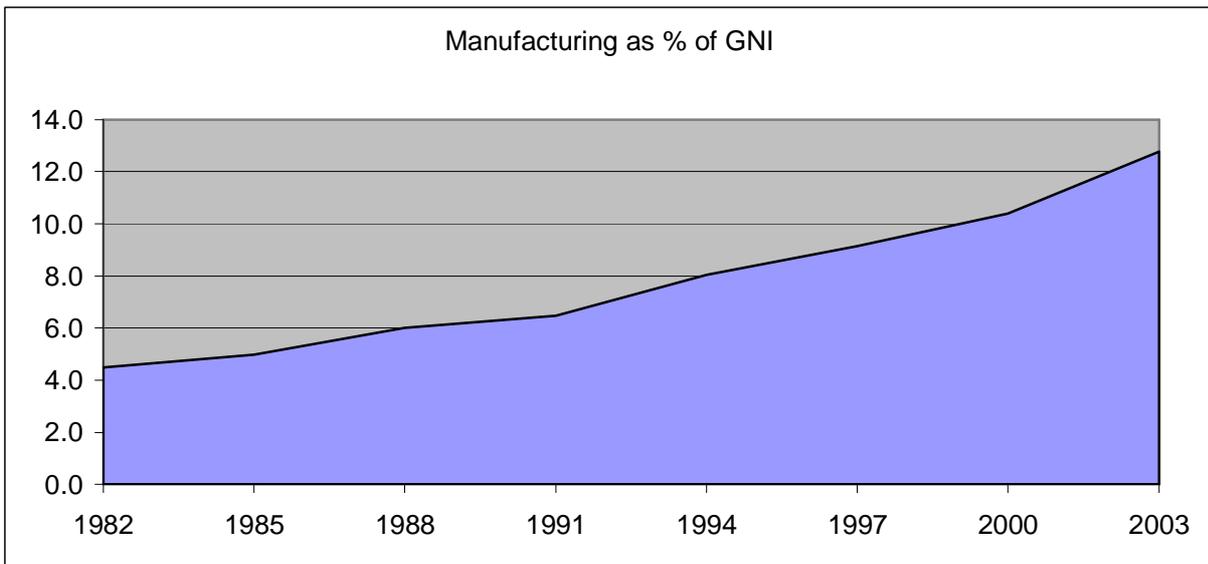
**Graph 5: Agriculture – Relative Contribution per district (2002)**



**Graph 6: Manufacturing- Relative Contribution per district (2002)**



**Graph 7: Manufacturing as % of GNI**



## Case Study 1: Tweespruit/Ladybrand agricultural issues

**Interviewee: Mr. X. Chairman of the Tweespruit Farmers Association  
Mantsopa Municipality, Motheo District**

### **Crops and agri-processing**

Mr. X. says the major crops grown in the area are wheat, sunflowers, maize and some soya beans mostly grown for the local market. Agri-industries and agri-processing in the area are limited to four maize mills, three wheat mills and a small oil press. He views the current 'depressed state of cereal prices' as limiting the potential for further downstream processing plants.

Mr. X. says farmers in the area, and agriculture generally, are struggling for two main reasons. The first is the vacillating nature of the wheat price - reportedly from R1500/ton in June 2004 to R1150/ton six months later. Maize prices apparently dropped from R800/ton to R615/ton over the same timeframe. Mr. X. also says farmers are keenly aware of the impact of the removal of protective tariffs and subsidies in agriculture, - "we are totally reliant on the fluctuations in the world price". He believes the situation is compounded by heavily subsidised American farmers, who take advantage of that country's agricultural system by producing 'aid food' whereby they generate surpluses under tariff protection. According to Mr. X. a US wheat surplus was behind the dumping of inferior quality grain under the guise of food aid, with the result that "the local wheat market died".

A second reason that agriculture is struggling is that minimum wage legislation has had a profound impact on the pattern of worker employment on farms in the area. The legislation has effectively removed the prerogative of wage increase incentives from the farmer by stipulating mandatory percentages increases to be applied across the board. The effect of this has been that the minimum wage has become the maximum wage, and farmers think twice before employing new labour. Although farmers have not resorted to dismissals, following the introduction of the new labour legislation, they are preferring to rely on natural attrition - "If someone leaves, they are not replaced". Farmers have also shifted to using casual and seasonal labour found in the streets of the local town. These workers are take on "with no indication of how long they will be in the employ of the farmer".

### **Experiences with land reform around Tweespruit.**

Of the five SLAG and one LRAD project in the area, Mr. X. noted that "every single one of them has reverted to forms of commercial farmer management". These projects were launched after a number of householders formed trusts in order to qualify for the relevant grants. For reasons that are not entirely clear, but seem to be related to interpersonal disputes, the projects proved to be unviable and the trustees therefore left the land, choosing instead to lease the farms back to commercial farmers on a six-monthly basis. Prior to this the beneficiaries used the land purely for grazing purposes, and did not engage in other forms of agriculture. The LRAD project involved 25 beneficiaries and the acquisition of a sunflower mill. Mr. X. claims that the combination of defaulting clients and the alleged embezzlement of funds by the mill manager led to the project's demise and about R400 000 of outstanding debt.

He believes that the largest stumbling block faced by emerging farmers has been the limited support from the Department of Land Affairs, and that the grants were insufficient to cater for the acquisition of the capital goods necessary to farm. This itself is a consequence of poor business plan preparation. Unwise reliance on consultants, inadequate extension services, and

the low level of beneficiary skills also contributed to failure.

### **Cross border crime and stocktheft.**

The most prevalent form of crime in Tweespruit, that can be traced back to Lesotho is vehicle theft according to Mr. X. However he describes this as less significant than the serious overgrazing of livestock on the commonage of Mangaung Local Municipality. This is said to be the end destination of animals stolen from Tweespruit and surrounding areas. Stock theft syndicates are widely believed to be operating from commonages, or using them as a temporary holding point. It is also maintained that from the Mangaung commonage stolen stock is delivered to Lesotho. Mr. X. says the Mangaung commonage around Thaba 'Nchu and Bothshabelo is totally overgrazed and contains over 1 800 animals. Farmers suspect most of the commonage users are Lesotho citizens who use South African relatives to pose as land users, and who also bribe municipal officials. Lesotho citizens obtain border post permits to bring cattle into South Africa and then alter the documentation to increase the original numbers, thereby enabling them to return to Lesotho with more animals than they left with. Police raids on the Thaba 'Nchu commonage have recovered stock stolen in Tweespruit and surrounding areas. There is a strong suspicion that commonage is used as a 'cooling off' area to house stolen animals while police conduct searches. Thereafter the rebranded animals are removed to Lesotho.

Rampant theft has led to the destruction of the sheep farming industry in the area between Mangaung and the Lesotho border. The industry has declined by 60% over the past few years. Syndicates acting out of Thaba 'Nchu are suspected of being responsible for this. Police support is said to be erratic and varies according to which station commander is involved.

### **Ladybrand- Mantsopa Municipality**

#### **Interviewee: Mr. Y. Maluti Tourism and Information Office.**

Mr Y. also indicated that the agriculture sector around Ladybrand was "quite depressed" and that many farmers were "not doing well". He described a recent trend - which he expects to be a long term one - whereby commercial farmers from Lesotho buy farms in the eastern Free State to escape the limitations of traditional communal grazing systems in Lesotho. These encourage overgrazing and do not recognise private ownership. Stocktheft had declined on those farms bought by Basotho. He also mentioned the common misperception among some Basotho that the so-called Conquered Territories still remain theirs. But he said that many farmers had resigned themselves to the endemic theft emanating from Lesotho.

There has also been a sharp increase in the number of foreign farm purchases in the Ladybrand district. To his knowledge, there are two Italian owned farms, and seven American owned farms near Ladybrand.

## Case Study 2: Public Sector support for emerging agriculture and land reform

**Interviewee: Mr. Z. Extension Manager - Free State Dept. of Agriculture. Motheo district.**

### **Extension support**

Mr. Z. describes the support services to emerging farmers as follows: All are eligible for the EU supported Community Project Fund (CPF) grants, as well as to technical support from the Department's Land Care Programme. The latter does not provide 'moveable assets' but does assist beneficiaries with technical matters such as fencing, draining, water management and soil conservation measures. The new national Comprehensive Agriculture Support Programme (CASP) is also in the process of being implemented. This aims to provide support in the following specific areas viz.: information and knowledge management, advisory and regulatory services, training and capacity building, finance, and 'on and off farm' infrastructure. In addition, LRAD beneficiaries and commonage users can be sent to agricultural training courses at the provincial agricultural college, Glen, on the recommendation of extension officers.

There are apparently 13 extension officers in Motheo - with three based in Mantsopa, in the towns of Excelsior, Hobhouse and Ladybrand respectively. They are thought to be underemployed, since the municipality contains only about 15 LRAD projects and little commonage. Mangaung has five extension officers - two in Mangaung itself and three in Thaba 'Nchu. They are obliged to visit LRAD projects and commonages once a month.

In response to questions regarding their reception and the uptake of advice and support by beneficiaries, Mr. Z. says their roles should ensure this, but that they continually find that "people are fighting and that the chairpersons of project committees are dominating the group". Extension officers end up getting drawn into communities' social problems instead of focusing on their core competencies.

### **Land Reform**

Mr. Z. thinks that the LRAD start-up grants are sufficient to buy land, and with a combination of DOA technical support and the CPF grants, "the infrastructure needs of beneficiaries can be addressed" albeit perhaps not met in full. He is very concerned about the way land reform is unfolding - particularly the issue of the productive use of land. "Some have acquired land under LRAD, but you find the land is under utilised, while others are desperately looking for land but can't acquire it". He believes there should be conditions attached to the process of acquisition, such as production targets, which if not met, would allow the DLA to take it back for more deserving users.

Mr. Z. is also perturbed by "the mind-set of the beneficiaries. Most think they will get rich if they own get a farm. They don't realise that there is a lot of work and that you might spend one or two years earning very little income. Once they realise this, they start leaving. I would say the majority are not committed. You can't find them on the farms and the extension officers often have difficulty getting hold of them, or they find that the farmers have hired people to look after the farms when they have left. I am not sure that our message is reaching our target audience. When I look at the future, to 2014 when we are supposed to be meeting our targets I seriously

wonder whether we have given enough thought as to whether the land will be used productively”.

**Commercial farmer attitudes**

Mr. Z. reports that commercial farmer attitudes are mixed and very much dependent upon the attitude of the individual farmer. There is a general perception that some are “not willing to sell their land at affordable prices”. On the other hand he notes that some commercial farmers have offered help to their LRAD neighbours - a very favourable development. The DoA has recently tried to involve commercial farmers in their information days, but Mr. Z. worries that, given the difference in scale of operations between commercial and LRAD farmers, most of the former do not have the time to devote a lot of attention to their ‘emerging neighbours’.

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<sup>33</sup> Each of these summaries is drawn from the original Terms of Reference for this study, approved by the PEAC on 24th May 2004.

<sup>34</sup>-selecting an area, say up to 20 – 30 km from the boundary (which was rejected since such an approach would provide no reliable statistical base for consideration),

-Selecting the Lesotho districts adjacent to the Free State border, namely Leribe, Butha-Buthe, Berea, Maseru, Mafeteng and Mohale's Hoek (also rejected, since several of these districts stretch deep into the mountain regions far away from the direct influence of trans border transactions- available population data would therefore not reflect the situation of those residing directly close to the boundary),

-Working with data compiled on the Lowlands ecological zone, since that is the zone closest to the border (a strong possibility, but rejected since data is not always available on this basis. In addition, a portion of the border between Lesotho and the Qwaqwa – Clarens area cannot be described as Lowlands and would therefore be excluded from any Lowlands statistics).

<sup>35</sup> The Bureau of Statistics captures the data from the border forms that are completed. However, not all pedestrians or motorists are required to complete these forms and the present writer has crossed the border on numerous occasions without having to complete such a form. In addition, the usage of 6-month border passes also prevents official capturing of all crossings. The only way to determine the actual number of pedestrian and vehicle crossings in both directions would be to conduct actual counts. The Road Fund should be able to provide the statistics on vehicles entering Lesotho since they collect toll fees on all incoming vehicles. At the time of writing, however, the Road Fund did not respond to requests to release such data.

<sup>36</sup> The discrepancies for Maputsoe and Hlotse in Leribe, are negligible, but for Butha-Buthe town substantial: the towns population could not grow from 18 500 in 2002 to 36 800 in 2005.

<sup>37</sup> Ruicon 1998 (b)

<sup>38</sup> The aim was to promote through high maize prices production in an attempt to wean Lesotho from grain imports from South Africa. This attempt at self-sufficiency failed dismally and in 1997 a market approach to grain prices was introduced.

<sup>39</sup> The reason why industrialists from these countries are flocking to sub-Saharan Africa to benefit from AGOA, is quite evident: their home country based industries are limited in their textile exports to the North American market by both duties and quotas.

<sup>40</sup> Provincial Economic Advisory Council: Manufacturing Industry study of the Free State: Current trends, spatial and sectoral considerations and future prospects.pp1-7.2004.

<sup>41</sup> Trade Statistics in Lesotho: Diagnostic Trade Integration Study, Vol 2, Chapter 1. Aug 2002.

<sup>42</sup> Urban-Econ 2003: 'Free State Economic Profile' November 2003, Section 4.

<sup>42</sup> Ibid.

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<sup>43</sup> Ibid.

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<sup>45</sup> Provincial Economic Advisory Council: Manufacturing Industry study of the Free State: Current trends, spatial and sectoral considerations and future prospects.P3.

<sup>46</sup> SADC Secretariat: Regional Indicative Strategic Development Plan. P83. Priority Intervention Areas. Trade, Economic Liberalisation and Development. March 2003.

<sup>47</sup> It is estimated that the yield from grapes per hectare is between 20 to 200 times higher than the yields on grains. Twenty times higher is harvested as table grapes, 200 times higher when premium quality wine is produced.

<sup>48</sup> Free State Department of Agriculture. Strategic Plan. 2004-2007.

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<sup>56</sup> Ibid., p2.