

Scoping study: five issue areas

**Towards appropriate social and economic integration -
and the development of suitable linkages between Free
State and Lesotho**

**Prepared for:
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Free State - Lesotho: Five issue areas scoping study

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Executive Summary

This scoping study addresses five 'issue areas' considered vital in addressing serious faultlines in the structural interdependency that characterises relationships between the Free State Province and Lesotho. It is aimed at creating the conditions, structure and approach for a series of mutually agreed actions and investments, to be agreed to by the Free State Provincial government and the Government of Lesotho, and to be endorsed by the Departments of Foreign Affairs and Trade and Industry (DTI) nationally, and formally supported by the South African Development Community (SADC) and by the NEPAD Secretariat.

The study begins by setting the context for some of these faultlines, and provides recent perspectives from the Free State's Provincial Economic Advisory Council (PEAC) as to how and where a more appropriate, stimulatory and bottom up growth may be achieved in the province and especially across 'a corridor' between Mangaung and Maseru.

It also sets out the role of SADC and its key Regional Indicative Strategic Development Programme (RISDP), whose four directorates and key objectives are clearly geared at facilitating regional growth and integration, in the context of attaining a competitiveness and output warranted by economic trends in globalisation. The progress and some limits in South Africa's 11 Spatial Development Initiatives/Corridors/IDZ's are also considered, setting the scene for the choice of a suitable institutional vehicle in which to house the study's recommendations.

It has identified a priority development zone across the Mohokare (Caledon) River which separates the two 'regions', and has concentrated on four major issue areas considered vital for a more stimulatory integration and to the development of the region. These have strong potentials for specific areas of co-operation, change, and investment which can simultaneously address social problems and also create economic and institutional progression.

The middle "Mohokare 'development zone covers a distance of approximately 210km from Lithlhoteng just north of Hlotse, to the confluence of the Meptsana and the Mohokare rivers in the Maseru district some 25km south of the capital. It is formed by the districts of Leribe, Berea and Maseru. On the Free State side of the Mohokare river this middle zone is matched by the two municipalities of Mantsopa and Setsoto (in the two districts of Motheo and Thabo Mofutsanyane) and contain the important 'corridor' towns of Mangaung, Bothshabelo, Thaba Nchu, Ladybrand and Ficksburg.

The identified zone has comparative advantages which will support the promotion of mutually beneficial actions and investments. These are its relative population size and density, a concentration of existing industrial development, important economic border gates, higher agricultural development potential, a concentration of the government sector, and it is the focal point for current patterns of urbanisation and the associated rapid development of urban settlements.

The first of the 'issue areas' conflates the performance of trade, industry and manufacturing. It notes how the contrasting growth paths of Lesotho and the Free State have seen the former gain 32,000 jobs in manufacturing - largely in textiles - and due to a low cost, flexible labour relations regime, beneficial tax regulations, and the preferences gained from the AGOA agreement with the United States, while the Free State has lost 11,000 jobs in manufacturing over the same period, with a reduced contribution to GGP. There are significant developments in the international trade regime, and both 'regions' need to avoid ad hoc reactions to these changes. The scope for mutually beneficial and complementary strategies which strengthen their respective industrial, trade and

manufacturing bases are detailed below. These are made taking into account the policies and prescriptions of SADC's RISDP for the sector as whole, which promote regional integration.

In agriculture, there has been slow progress in liberalisation and in introducing land reform in Lesotho, and the many potentials for high value crops and value adding production have yet to be addressed in the Mokhotlong zone. In the Free State, while land reform and donor support programmes are proceeding apace, new trends - overriding established patterns in stock theft and in cross border movement, are witnessing the purchase of border farms by Lesotho citizens keen to escape the restrictions to larger commercial scale production from communal land tenure. While both the public sector and private sector in Free State agriculture have developmental support programmes towards the small scale or emerging sector, little is yet in place which is directly stimulatory. Very large potentials, again following the potentials in the RISDP and in provincial strategies, are identified in the study for extensive and productive co-operation between the regions.

In tourism, Lesotho citizens are by far the largest group of visitors to South Africa from its neighbouring countries, and have the highest aggregate spend, visiting predominantly friends and relatives.

Yet Basotho express by far the highest levels of dissatisfaction on important matters such as customs and immigration, service levels, accommodation and especially in perceptions of safety and security. Some serious limits are presented on the organisation and operation of local tourism development in the zone, especially between the private sector and local authorities, yet despite these, the study highlights the growth of the important Maluti route, and the exciting growth in a 'two nations' collaboration in tourism and recreation. Recommendations are made at three 'levels', to deepen and enhance this progression, and the potential in Basotho visits.

In targeting cross border infrastructure provision as a significant area for regional integration and cooperation, the study compares the state of urban services provision and consumption overall on both sides of the border and notes the lack of any real progress in Lesotho (and some real successes and recent constraints in the Free State). There is strong potential and demand for integration in providing bulk services such as water and electricity and road and rail infrastructure, which are teased out in the recommendations, again accommodating SADC policies, which highlight the scope and need for public- private partnerships and cross boundary river basin organisations to maximise the potential for the intensification of growth in the respective sub- sectors.

The final major and pervading faultline in relations between the two regions is in the complex reality of the largely ineffective system border controls presently in place, and to which Basotho do not wish to comply at all, for a variety of historical and practical reasons. Coupled with these problems, which are clearly insurmountable and are held to promote criminality and extensive corruption, is the pattern whereby Basotho access, and sometimes compete for, a range of services in the two identified Free State districts. This is facilitated by ties of identity going back to clan lineages, given that much of the area comprises what were the 'Conquered Territories', and which also enable many Basotho to access South African identity documents. Given large cross border movement in relation to business, the professions and in trade, the scope for reductions or the blanket elimination in most border controls are held to be highly stimulatory, especially in promoting tourism trade and agriculture. SADC Common Market objectives also eventually view a Southern African market where controls on 'the movement of all factors of production are removed'.

The real challenge in this study has been the major problem that at this stage, the two region' are economically and socially directly dependent on one another, yet have no framework for Lesotho and the Free State to interact directly. Diplomatic protocol demands laborious liaison via Foreign Affairs in Pretoria and directly with SADC in the case of Lesotho.

Ways and means have to be found to enable practical working groups comprising the state and non-state sectors on both sides of the Mohokare to design and adopt the instruments and arrangements that can enhance both regions' progress from poverty to prosperity. It requires innovative forms of public and private sector interaction in the design and delivery of appropriate actions and investments.

This study has opted for an approach contained within the overall approaches embodied in the Spatial Development Initiatives (SDI's), and made in recognition of some of their limitations, (particularly the overly rigid adoption of central government conditions and prescriptions), as well as the neglect of local specificities. Without sufficient recognition or understanding of these - which this report has covered quite substantially-albeit in a preliminary fashion- any centrally directed investment can be undermined.

The recommendations below for each issue area therefore aim to 'capture' the SADC principles of *additionality* (where programmes need to add value to, or generate solutions to problems in regional integration), and associated principles of *subsidiarity* (whereby all programmes and activities are handled at levels at which they can be best handled).

They are also directed at RISDP principles which encourage the maximum engagement of regional expertise and institutions for programme management and implementation, which should further enhance capacity building and local ownership, ie; decentralised management. As noted above, there is an associated need to draw in expertise and growing experience in SADC, and in the NEPAD Secretariat, to engage in the early formulation, and provide subsequent support for, the organisation and operation of a specific and dedicated cross- border SDI programme.

Recommendations

Industry, Manufacturing and Trade

These should encompass investigations, undertaken within an agreed and formalised organisational and institutional structure of an SDI, to determine how best both the Free State and Lesotho can utilise their existing strengths (textiles in Lesotho and chemicals -with pharmaceutical potential in Sasolburg) to explore opportunities in the North American and African markets that could lead to the expansion of the Free State -Lesotho industrial base. This should also focus on achieving complementarity in industrialisation efforts, since the industrial estates of Maseru-Thaba Nchu-Bothshabelo -Bloemfontein are close enough to one another to pursue linkages in many areas, including component processing or the further enhancement of products of use to the two neighbours.

Further investigations 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. This should apply to other major selected commodity groups as well.

Close co-operation between Free State and Lesotho agencies should be initiated to investigate the selected expansion of agro- processing in the Mohokare Valley Zone. On the Free State side there exist several agro-industrial endeavours where further product niche's can be investigated for diversification and downstream processing. The development of high value crop production under irrigation in both sides of the Mohokare (see agricultural recommendations below), would imply opportunities for substantial expansion in this sector.

A joint Free State -Lesotho study be initiated to investigate the patterns in micro - level /household consumer imports into Lesotho. (Eg: what type of consumer shopping from Lesotho is taking place

in Ladybrand, Ficksburg and Mangaung), and what are the associated development opportunities that may emerge on the basis of such information.

Agriculture

In agriculture there are clearly significant faultlines- and opportunities- for a more co-ordinated investment in agriculture and land reform, and a large degree of 'policy convergence' or synergy exists in the recommendations and strategies of the Free State PEAC, Lesotho, SADC, the Free State Department of Agriculture and the private sector.

For Lesotho, the first, high order recommendation is that the Land Reform process is accelerated by legalising the main recommendations of the Land Review Commission

Secondly a joint Lesotho-Free State Working Group for Agriculture and Land Reform needs to be 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, cross country visits by Lesotho officials and farmers to investigate the methods and practices in 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,
- 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.

At a programme or project level, the established Free State agricultural companies in the Ladybrand area need to begin discussions with both Lesotho and Free State Departments of Agriculture with a view to developing *formal outgrower partnerships* with small scale and emerging farmers in specific crops and commodities to be identified. 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 an economic and financial and institutional model which works to best effect of all parties. The beneficial tax regime in Lesotho for manufacturing could also entice processing facilities into the country.

The final recommendation for agriculture promotes the need for a scan of the Lesotho lowlands to identify valleys that are in terms of soil and climate ideal for irrigation, and then to pilot land reform processes and the introduction of high value crops, in a number of these identified valleys. This needs to be accompanied by training and extension -in the extensions services initially - or knowledge transfer, on higher value crops.

Tourism

As for agriculture, there exists a fairly large degree of 'policy coherence' in the perspectives and positions of SADC, the Free State and of Lesotho. Recommendations are cast at four 'levels' or orders of potential, and need to be realised within the agreed framework of an SDI type of organisational and institutional structure.

In the public sphere, Free State Tourism (in DTEEA) and Lesotho Tourism should agree to initiate a series of planned bi-laterals (drawing SADC officials down locally and the private sector), to consider the joint allocation of public funds into a facility geared to undertaking investigations,

providing support for and promoting appropriate investments and strategies which build on, deepen and expand the existing nature of integrated tourism development strategies and practices between the two 'regions', in a complementary and integrated way. This facility should aim to develop appropriate public-private-partnerships in further investments and in an appropriate 'niche' development, to be defined by the facility through investigations.

The large Basotho market should be targeted, and the facility should engage with the relevant institutions and actors to investigate, assess and subsequently address their defined requirements - going forward - and the causes and consequences of their relative dissatisfaction with their South African experiences, particularly in the Free State itself.

Given ongoing tensions between local municipalities' officials and the local tourism interests in the private sector, it is recommended that the intended facility - or Free State Tourism, in conjunction with SADC officials drawn down locally, investigate the most appropriate location of the powers and functions for local/small town tourism development in terms of constitutional provisions for this (should this be district /local /or provincial? and how should the three spheres interact and who provides what?). Having done this and agreed on an optimal spread of role and powers and services, there needs to be *a planned and phased programme of capacity building and training of municipal and district officials* - and incorporating private sector interests- regarding the requirements and responsibilities and relative contributions of each sets of actor- for a more stimulatory and developmental pro-growth and pro- poor tourism -in many niches.

Enhancing tourist facilities in the Katse Dam area to keep tourists to the Eastern Free State and Lesotho an extra night or two in the area, should have substantial benefits for both Lesotho and the Free State province. An investigation determining the needs of tourists and outlining tourism potential and linkages between the Ladybrand to Clarens/Golden Gate and the Lesotho Highlands Water Scheme and Oxbow Lodge and its ski-facilities should be jointly undertaken. Such a study should determine the private sector needs and scope for development as well, since they are major investor in facilities, and where relevant authorities take on a benchmarking oversight and promotion role.

Infrastructure

Again there is large degree of policy coherence between the three major institutions with interests in an effective and stimulatory regional integration. The higher order recommendation is for the phased establishment of a dedicated Cross Border Infrastructure sub-unit or function- within the proposed SDI structure - comprising the relevant Free State Departments and Lesotho ministries and incorporating private sector organisations (with SADC officials drawn down), to begin to assess and prioritise and address the cross border infrastructure needs and opportunities identified in this study.

A public- private- partnership facility needs to be established, capacitated with the support of the S.A Treasury PPP facility, the Municipal Infrastructure Investment Unit (MIIU- housed in the Development Bank) and the Infrastructure Cluster/Directorate SADC. It's initial task should be to draw in stakeholders and to mutually develop the strategies, options and models and modalities for establishing various -and the most suitable forms of -PPP's in the following major service sectors;

For the water services sector;

- bulk water supplies across the Mohokare borders,
- the establishment and management of river basin organisations to manage the trans-boundary development of the Mohakare river and harmonise relevant legislation,

- develop regional water infrastructure projects -including transfer schemes, storage and especially irrigation for the recommendations in agriculture contained in this study.

In the transport sector it can consider;

- the establishment of representative corridor planning committees tasked with assessing the linked and related transport needs of a future and changing industrial and manufacturing regime across borders, of a more stimulatory tourism development across borders, and of a more developmental agriculture and land reform tourism, and around the needs of previously underserved or neglected communities, villages and farms across borders,
- the relative priorities for either road or rail infrastructure,
- the subsequent upgrading of railway infrastructure for improved cross border goods movement (see recommendation four below),
- the subsequent upgrading of major and secondary roads across borders and between the key corridor towns /centres of Mangaung, Bothsabelo/ Thaba' Nchu, Tweespruit, Ladybrand, Cloclolan, Maputsoe, 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 villagers and agriculture and a stimulatory local and regional tourism.

In manufacturing and trade it can negotiate and consider the most optimal sets of relationships between the public and private sector in the provision and use of industrial land and associated facilities.

An investigation of the urban infrastructure needs of towns on both sides of the border could also consider future bulk and end-user arrangements with financial advantages for communities on both sides. Joint urban services should have benefits especially in the case of Ficksburg and Maputsoe.

A study to determine the feasibility of a new station between Thetsane and Ha Tikoe 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 public-private partnership for such a station should also be investigated.

Cross border controls and 'social infrastructure'.

The recommendation is that a Working Forum is established within the proposed Spatial Development Initiative/Corridor development facility comprising the Free State Provincial Government and Lesotho (and drawing down SADC officials), where negotiations and discussions are formalised, and the mandate and funds developed to prepare detailed position papers and perspectives regarding the phased introduction of the two alternatives below. This must be endorsed by the Department of Home Affairs as a regional initiative intended to unblock economic and social blockages, and will need to be framed by the current status of legislation and policies emanating from Home Affairs, in SADC and in Lesotho.

The first alternative is for a partial easing and streamlining of border controls, short of the complete free movement of persons across the border. Separate lines for S.A citizens and permanent residents, for Lesotho citizens and third state citizens, pedestrians and light and heavy goods and services vehicles would not only make sense but seem necessary if controls are to be retained. (See the related recommendations on issue area one for trade and manufacturing)

The radical alternative is removing the DHA's operations completely from the Free State border posts. The benefits seem to far outweigh the risks and disadvantages and is an admission that the

busy border posts cannot be efficiently controlled except by the allocation of resources that bring no benefit in revenue, crime control, labour market protection (and regulation) or local and national security. It would save budgetary resources and is the only means of removing corruption among DHA officials. It 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 life of all inhabitants in the Mohokare valley.

Main report

1. Introduction and background

For a number of years the Provincial Economic Advisory Council of the Free State Province (PEAC) has been considering how best to establish a mutually supportive, integrated and stimulatory set of economic and institutional relationships and investments 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 and shared problems in a number of inter-related arena's, viz;

- cross border investment,
- trade,
- commerce and the professions,
- migrancy, cross border movements,
- agriculture and settlement and
- matters concerning national identity issues and accessing 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, and where the province is excluded from developing the necessary complementary investments and arrangements locally, or is mandated to undertake activities and investments from decisions developed elsewhere.

Inevitably, disjunctive policy formulation and a competitive public and private investment locally and 'across borders' has been the result. The primary instrument for the progressive achievement and activation of many of the cross border and bi-lateral issues noted above needs to be devolved and situated more 'locally', if a more effective attention is be directed at these predominant concerns. The Provincial Economic Advisory Council, acting in future more closely with the Ministry of Finance and Development Planning in Masuru, needs to take a more pro-active role.

1.1 Some context:

Most of the roots in contemporary Free State -Lesotho tensions can be traced to well known periods of conquest over land. The Caledon River has remained the epicentre of protracted boundary disputes and transgressions. During the peak of Mosheshwe's consolidation of a Sotho polity from 1825 to around 1850, various colonial treaties such as that of Napier (1843), Maitland (1845), Southey (1848) and Warden (1849) respectively, were aimed at achieving a measure of Basotho sovereignty for the areas north and west of the Caledon, but excluding the emerging towns of Fouriesburg, Ficksburg, Clocolan, Marquad, 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 much Sotho land, which represented a remnant of what Napier provided for some 30 years earlier, and came to known as the Conquered Territories.¹

During the 1900's, political relations with South Africa were sharpened by Lesotho's refusal to join their neighbours in the Act of Union, which had provisions for the Protectorates to join. By 1930, land pressures and British export restrictions had ruined a vibrant and competitive Lesotho agriculture. During 1949 South Africa's last attempt to persuade Britain to hand over Lesotho to the Union occurred, and in 1965 Lesotho achieved its aim of independence from Britain with a

¹ In Merrit C.E. 'Spatial Manifestations of Political-Economic Dependence -A Comparative Study of Botswana and Lesotho.M.A Thesis. Dept of Geography. University of Natal. Pietermaritzburg.

monarchy and a parliamentary system. By then, migrant labour to the South African mines and factories had become deeply systematised, with many working for farmers on their ancestral lands.²

Until 1963, no passports had been required to enter South Africa from Lesotho, and it was the security concerns of the then government until 1994 that led to travel documents being required. During the period leading up to South Africa's independence, Lesotho strongly aided the ANC resistance, taking the role of a Frontline State. At independence, those Basotho with a long history of migrancy were awarded South African identity documents and allowed to vote. Many of these people have become eligible for social benefits and for access to housing subsidies in South Africa.³

Within Lesotho, much of the post 1966 independence period has been characterised by a state dominated socio-economic development, an overall 'crowding out' of the private sector, and a continual reliance on large scale donor assistance-often unconditional- to complement a sometimes non participatory and non consultative departmental investment.⁴ 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 acquiring foreign assistance, often highly conditional. Population and poverty has increased significantly with the previous era's donor investment not realising any substantial, or 'embedded' benefits to the country as a whole. Since elections in 2002, Lesotho has been ruled by the Lesotho Congress of Democracy (LCD). The recent legitimacy of the LCD has been endorsed by South Africa's ANC.

Lesotho has been described as a 'dependant democracy', with its existence and maintenance effectively guaranteed by South Africa within a new relationship.⁵ Numerous new internal initiatives addressing Lesotho's continuing structural dependency and underdevelopment are now underway, particularly around accessing Fixed Domestic Investment (FDI), enhancing Trade, poverty reduction and achieving the Millennium Development Goals established within the United Nations System (UNDP).⁶

Overall, relations between Free State and Lesotho remain under strain, and can be summarised briefly as follows;

- a declining number of mineworker migrants in South Africa, reducing its contribution to GNP from about 49% to 20% over the last decade, and a perceived loss of a preferential relationship regarding migrant labour in relation to other SADC countries,⁷
- The operation and knock on effects of an unharmonious set of passport requirements from both sides and a laborious system of cross border controls over the Caledon River boundary,

²In Murray.,C. 'From Granary to Labour Reserve: An Economic History of Lesotho' .South African Labour Bulletin, 6 43.20.1980.

³ In Copland D. 'Lice in Your Blanket'. The Meaning of the Lesotho -Free State Border. Idasa. Not Dated.

⁴ In Artemas, J., Webster, D.,and Phakasi,T. 'The Making of the Lesotho National Poverty Reduction Strategy. DFIDSA-Lesotho.' March 2004.

⁵ See Southall,R. 'Between Competing Paradigms: Post Colonial Legitimacy in Lesotho". In "The Limits to Liberation in Southern Africa-the Unfinished Business of Democratic Consolidation. Democracy and Governance Programme. HSRC Press.2003.

⁶ See for example; Roberts, B. 'Exploring the PRSP process in Lesotho: Reflections on Process, Content, Public Finance, Donor Support and Capacity Need. Report for the Third Meeting of the African Learning Group on the Poverty Reduction Strategy Papers. Economic Commission for Africa. See also, 'Lesotho: Integration into the World Trading Environment. Integrated Framework- Diagnostic Trade Integration Study. WTO Team of World Bank, UNCTAD, WTO UNDP, ITC. Etc. June 2003. Also, Roberts, B., Levine, S., et al. 'Progress Report; Millenium Development Goals :Lesotho. UNDP Thematic Trust Fund on Poverty Reduction. 2003.

⁷ In Coplan, D. Executive Summary. Submission to the Dept. of Home Affairs on the Socio-Economic Implications of Cross Border Migration and the Current Systems of Controls and Management. Not dated. P2.

- These affect patterns in migrancy, the flow of purchasing power, while increasing the transaction costs to small businesses and the professions on both sides,
- A rising pressure and competing claims on public and private resources and associated services and facilities by Mosotho in the townships and shanty towns of the Eastern Free State (both those with the post 1994 identity documents and oscillating migrants laying claim to ancestral lands),
- Disparities in the incentives provided on either side for industrial development and for attracting FDI, and preferential access by Lesotho to the benefits of the application of the Africa Growth and Opportunity Act (AGOA),
- A resultant loss /or gain to the public and community 'spheres' on either side as manufacturers manipulate the incentives and relocate situationally,
- The structure of decision making and taking between South Africa and Lesotho invariably excludes effective representation from Free State Provincial Government interests and line departments, with Pretoria and SADC forums generally overriding provincial government, and limited integration in policymaking and in decision taking.

1.2 Some contemporary perspectives from the Free State Province

A recent draft summary analysis, undertaken on behalf of the Free State's Provincial Economic Advisory Council (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.⁸

In the future development of agriculture for example, it notes the potential for the professional expertise developed in the modern agricultural sector of the Free State over past decades to be made available - via consultancies - through joint ventures or through donor aid- to farmers and farming communities in other parts of the province - and in adjoining areas such as Lesotho - and elsewhere on the continent.⁹ It promotes a concerted public sector facilitation for support for agricultural innovation and development in Lesotho, ideally with some international aid to make it attractive as a business venture, and which could help to reabsorb retrenched mine workers who have been employed as migrant workers on the goldfields in the past, thus reducing work seeker pressures inside the Free State. It further notes the potentials for the provision of appropriate and affordable training and mentoring facilities in each of different product niche areas, and the scope for the development and dissemination of appropriate labour absorbing technologies - and the spread of franchises in this regard- while observing the potential interaction between the present steps forward with land reform, and with agricultural activities.

Agri-tourism is viewed as a promising segment of tourism in South Africa and Africa-with the Free State having made good progress with the expansion and diversification of some of its areas, including well developed rural routes, mostly linked to the Lesotho Eco-tourism 'edge'. Of the three prominent tourism sectors, the largest in terms of numbers concerns the prevailing patterns of Lesotho residents travelling into or through the Free State. Broad recommendations are to look at expanding its 'niches' into inland fishing and aquaculture as primary sector niches, with the existing potentials significant, particular near Lesotho, gradually extending the spending of Lesotho residents travelling in the Free State¹⁰ (p46), and expanding nature based tourism and focused tourism routes (including Lesotho Highlands and the Eastern Free State).

⁸ In W. Thomas. Accelerating Economic Growth and Development in the Free State. Draft report to the Free State Provincial Economic Advisory Council. Centre for Development Studies. August 2004.

⁹ Ibid. P.31.

¹⁰ Ibid. P.46

In manufacturing performance, it covers the *contrasting* path of manufacturing development in the province in comparison to Lesotho's, which is based on low cost labour and highly flexible labour relations, a beneficial tax regime and generous government and parastatal support, as well as the special preferences obtained through the AGOA agreement with the US. Lesotho's employment increased from 10,000 to some to 42,800 in the decade to 2004, while in the Free State there has been a decreasing GGP contribution from manufacturing, and an absolute decline in jobs from 47,000 in 1996 to 36,000 in 2002 (and where 70% of manufacturing value added in 2003 occurred in the Northern Free State-Sasolburg complex).¹¹

Therefore, its recommendation is for more attention to the nature of the interaction between Free State and Lesotho industries and industrial support services, 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 some competitive advantages,¹² with variants such as the potential establishment of industrial activities which use Lesotho low cost firms as suppliers of outsourced inputs.

With respect to trade, the report notes a decline in the former well developed trade infrastructure of the past, (with most of the smaller towns effectively linked and integrated into the national wholesale and distribution network), and the stagnation and decline of the smaller towns, with the decline of trade supplies as one of the reasons for the further exodus of people from smaller towns.

Therefore the re-activation of effective trade supply links was recommended in the report to be an important agenda item for facilitatory interventions and expansion, and where an expanding trade supply conduit for Lesotho- with its current population of 2,15 million (75% of the Free State's), and business with the nearby Lesotho towns and settlements, were defined as a further opportunity for the sector.

In the transport sector, the Gauteng- Bloemfontein -Maseru transport corridor is identified as one of the critical growth challenges in the province,¹³ and the report moves to consider the best methods and manners of activating spatial development opportunities. Here it notes the critical links required for a more balanced economic and spatial growth, and therefore enhanced employment and income generation (ie; the interaction between sector growth and spatial development), as the crucial issues for the province, (with the three related dimensions water supply, the electricity grid, and the interaction between rural livelihoods and urban rural migration as critical variables), and where the potentials in the Bloemfontein -Maseru development corridor assume critical importance.

While the report notes there are "no magic solutions for the activation of development", much will depend on the interaction of 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.¹⁴

According to the study, the most promising prospects are;

- the Lesotho- Free State development connection (assuming the issue of democratic modernisation in Lesotho can advance positively) and Mangaung / Bloemfontein can increasingly play the role of the "nearest metropolitan area with a wide cross section of specialised service providers".

¹¹ Ibid. P.39

¹² Ibid. P.42

¹³ Ibid. P.49

¹⁴ Ibid P 55

It further identifies- on a preliminary basis,¹⁵ how the Mangaung-Maseru corridor, or N8 axis which includes Botshabelo, meets some important preconditions for industrial, retailing and related economic activities - or a more specific Industrial Development Zone (IDZ). In the short run, it notes that the Free State challenge may just be to design a compensation of the negative developments at Bothshabelo flowing from the collapse of apartheid's decentralisation incentives and subsidies, while in the long run, an activity axis may be worth exploring in a PPP initiative (as an IDZ). In this potential, the report views the stimulation of an increased demand for consumer and capital goods needed in Lesotho as significant, and that "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".

It goes on to note the ideal of how entrepreneurs in the Mangaung area - working with the South African Development Community (SADC), Nepad, and other Africa development support stakeholders, should interact with Lesotho's development stakeholders in a way that the Free State business community can play a significant facilitatory role. Overall, it views the Mangaung-Bothshabelo -Thaba'Nchu -Ladybrand -Maseru activity axis - with a particular emphasis on the regeneration of industrial activities, as one of the largest potentials for the province.

In summary, it argues the need for a much more effective utilisation of the array of national support programmes (such as those in the DTI)¹⁶ as well as a *restructuring* of provincial and local development support,¹⁷ as the twin pre-conditions for a successful development promotion in the province.

1.3 The potential role of the South African Development Community and Spatial Development Initiatives

For each of the identified issue areas of this report (see 2.1 below), there is the need for a consideration of the various initiatives and programmes aimed at regional integration which are housed within the South African Development Community. These investments can affect both current relationships between Lesotho and South Africa, and need to inform the recommendations and investments advanced in this report¹⁸

For these reasons, the overall organisation and operation of SADC relationships are introduced initially here in the report, while the detail of the relevant instruments (Protocols in Agriculture, Tourism, in Transport and in Corridor Development, and the implications of their Regional Indicative Strategic Development Plan), are covered in the relative sub-sections.

Initially constituted by the Frontline States active in liberation in the 1970's via the Arusha Declaration as a voluntary association of states, the early South African Development Co-ordination Conference (SADCC), had as a focus the economic liberation of Southern Africa, via Programmes of Action aimed at functional co-operation in key sectors. This was transformed in 1992 in Windhoek into a legally binding membership of the South African Development Community (SADC), due to recognition of the urgent need for a more fundamental and significant restructuring of local and regional economies (especially due to the cost of attracting investment and of providing infrastructures, and the low local country resource base and local demand required to pay for it).

¹⁵ Ibid. P 60

¹⁶ Ibid. P 69

¹⁷ Ibid. P 71.

¹⁸ See Landsman, C. Building a regional society in southern Africa. The institutional governance dimension. Centre for Policy Studies. Policy Issues and Actors. Volume 15 no 1. November 2002

Comparatively, the member states in SADC¹⁹ generate a smallish GDP (USD187.7 bill in 2000), less than that of Turkey and some 5% of the US market, while constituting more than double that of the Economic Community of West African States (ECOWAS), and equivalent to more than half of Sub-Saharan Africa's GDP.²⁰ As is well known, intra-regional social economic development is highly uneven, with South Africa's contribution some 70% of regional GDP, and with its economy, for example, measured as 138 times larger than that of Lesotho, the second smallest in SADC.

Following some decades of early integration, adjustment and development policies, there have been variable results and divergent trends in income convergence per capita, used here as an indication of the effectiveness of 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 2000²¹ while that of South Africa's to Malawi changed from 30:1 to 25:1 over the same period.

Following Windhoek, the SADC structure, protocols and associated policies and programmes underwent considerable revision.^{22 23 24 25} Significant recent restructuring has been aimed at improving efficiencies, becoming more relevant to the challenges of accelerating economic development, and at ensuring a meaningful and equitable regional integration. Accession to the SADC Treaty now commits member states to a series of principles, objectives and strategies on mutually beneficial and equitable co-operation and integration, and to negotiating and abiding by sets of some 20 Protocols in key resource and economic and social sectors. The most recent consolidation of work to date by SADC, in Windhoek 2002, has been the re-organisation of these sectors into clusters under four Directorates, viz;

- a Trade, Finance, Industry and Investment Directorate,
- an Infrastructure and Services Directorate,
- the Food, Agriculture and Natural Resources Directorate and
- a Social and Human Development and Special Programmes Directorate,

as well as the design and adoption of the Regional Indicative Strategic Development Plan (RISDP).²⁶

Based on SADC's adjusted strategic priorities, it reviewed existing social and economic policies and strategies and based on this, established new priority intervention areas, viz;

- Poverty eradication,
- Combating HIV/AIDS
- Gender Equality and Development,
- Trade, economic liberalisation, and development,
- Infrastructure support for regional integration and poverty eradication,
- Sustainable food security,

¹⁹ Currently comprising South Africa, the Seychelles, Malawi, Namibia, Zambia, Mauritius Swaziland, Botswana, the D.R.C., Zimbabwe, Tanzania and Angola.

²⁰ In World Bank-Regional Integration and Co-operation -Africa Region. Regional Integration in Southern Africa. An overview of recent developments. December 2002..

²¹ Ibid .P42.

²² See :Melber H. Challenges to Regional Integration: the case of SADC. In : News from the Nordic Africa Institute.No 2/2004. Downloaded from <http://www.sarpn.org.za/documents/d000891/index.php>. on 17th December 2004.

²³ See: South African Institute for International Affairs .SADC Barometer. March 2003.

²⁴ The World Bank. Regional Integration and Co-operation-Africa Region. Regional Integration in Southern Africa,- Overview of Recent Developments .December 2002.

²⁵ In addition; Isaanken, J., and Tjonneland, E. Assessing the Restructuring of SADC._Positions, Policies and Progress. Chr. Michelsen Institue. For Norwegian Agency for Development Co-operation (Norad) December 2001.

²⁶ SADC Secretariat.Regional Indicative Development Plan. Draft. March 2003.Download from <http://www.sarpn.org.za/documents/> on 17th December, 2004.

- Science and technology, statistics and private sector development.

1.3.1. RISDP Implementation and Co-ordination Mechanisms and Principles.

RISDP implementation is by definition not prescriptive or of a command nature. It is flexible and therefore predicated on principles of additionality (where programmes need to add value to, or generate solutions to problems in regional integration), of broad participation and consultation, and to *subsidiarity* (whereby all programmes and activities are handled at levels at which they can be best handled).

Other relevant principles in the RISDP include the maximum engagement of regional expertise and institutions, for programme management and implementation, which should further enhance capacity building and local ownership (paving the way for the appointment of implementing agents -ie ;institutions or management bodies at regional or national level that are given the responsibility for overseeing and managing the implementation of individual programmes), in other words decentralised management.²⁷

The key RISDP priority areas therefore relevant to this report are;

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

1.3.2 The Spatial Development Initiative (SDI) record

Since their inception in 1995, SDI's (headed by a Special Projects Directorate in South Africa's Dept. 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. They 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, or crowding in, new investment, largely by the private sector (including BEE and small, micro and medium sized business), restructuring the apartheid space economy, often via innovative forms of Public Private Partnerships (PPP's) intended to enhance the delivery of appropriate infrastructure.²⁸

To date, the eleven SDI's in Southern Africa have developed a variety of foci, including those exclusively industrial (in Kwazulu-Natal and the Fish River SDI's), or Agro- tourism, (the Lubombo SDI and the Wild Coast SDI), or can comprise a sectoral mix, as in the Maputo Development Corridor). In addition to these four industrial development zones-IDZ's aimed at boosting exports and jobs, have been established in Coega, Saldanha, East London and in Richards Bay.

A 'Second Generation ' of SDI's (the Gauteng Special Economic Zone) focus on support for high technology manufacturing, information technology, telecommunications and food processing and cultural activities. National IDZ policy- facilitated through a National Development Zone Authority- aims at allocating the development and management of zones to the private sector.

²⁷ Ibid. P.120.

²⁸In Jourdan, P. Spatial Development Initiatives -the official view. Development Southern Africa. Vol 15 No 5. Summer 1998.

²⁹ SA:An Overview. The Economy. Downloaded from [http:// www.gov.za/yearbook/2001/economy.html](http://www.gov.za/yearbook/2001/economy.html) on 17th March 2004.

Significantly - the Free State and Lesotho are notably absent from any such programmes.

Since their inception there is growing body of research evidence and opinion indicating major challenges that need to be overcome. These include more attention to the specific factors inherent to the selected areas - such as their people, politics and history which tend to limit the original intentions of programme designers, and some restrictions evidenced in transplanting national economic policies on a fast track basis, which also reduce their scope. Further cautions emerge from recent research in the Wild Coast Agri- tourism SDI, which points out that;

- delays in the implementation of land reform have been problematic for the SDI,
- the absence of tenure security for new developments have impacted on the capacity of the SDI to attract new investments,
- the opportunities promised through the SDI lead 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 affected by the slow pace of the programme.³⁰

Furthermore limited government investment and poor interdepartmental co-operation in enhancing local infrastructure (upgrading rural roads and in providing ablutions and parking, etc), were seen to restrict tourism development, while the language of empowerment and participation were said to be insufficient without a deeper consideration of the location of planning and intervention into the specifics of local contexts.³¹

In the Wild Coast Spatial Development Initiative, phased case study research on the local economic development (LED) components highlighted that the local population lacked an entrepreneurial culture and business acumen, with petty corruption a major obstacle to economic growth. People were said to have been both 'de skilled' from their agricultural roots and 'de linked' from pursuing self employment. A lack of existing opportunity meant that any local enterprise was invisible to planners, and tended to be overlooked in SDI agenda setting processes.³²

Despite some of these limits identified, there has been some significant movement in many SDI's, particularly Lubombo, in areas such as bulk infrastructure, in private sector investment, and in downstream job creation, as well as creative and innovative approaches to land tenure reform, community participation and the related local design of progressive and appropriate conservation activities.³³

2 Purpose of this Report

Given these conditions, arrangements and perspectives then, it is the intention of this study to provide a more refined basis - to be the precursor for- a set of defined key initiatives and subsequent investments which address many of the faultlines, backlogs and opportunities covered above. The

³⁰ ID 21. Society and Economy. Communicating Development Research. Downloaded from <http://www.id21.org/society/sl btk l g l.html> on the 30th April 2004

³¹ Kepe, T., Ntseba, L., and Pithers, L. Agri-Tourism Spatial Development Initiatives in South Africa; Are they enhancing rural livelihoods? In: ODI/DFID Series ; Natural Resource Perspectives. No 65 March. 2001.

³² World Bank Group. Case Studies. South Africa's Wild Coast. CIET Africa Research On Local Economic Development Dynamics. Down loaded from: <http://www.World Bank.org/urban/led/5-South Africa Wild Coast. html>. on the 30th March 2004.

³³ In: Transforming roles but not reality? Private sector and community involvement in Tourism and Forestry Development on the Wild Coast. Sustainable Livelihoods in Southern Africa . Governance, Institutions and Policy Processes. Research Briefing 4. May 2002.

study takes the form of a *scoping study*, and is intended to serve as a "way forward" perspective on five identified *issue areas*, agreed to by the Free States PEAC, and with the concurrence of Lesotho's Ministry of Finance and Planning, whereby;

-the existing circumstances and the criteria and potentials for mutually beneficial investments by Lesotho and the Free State are identified, and located within a possible set of -to be defined- devolved bi-lateral arrangements and institutions.

2.1 The five identified issue areas are;

2.1.1. The need and desirability for complementary industrialisation strategies and the definition of towns as hubs with the potential to stimulate further corridor type investment and development,

2.1.2. The need and desirability for a more effective harnessing of cross border trade linkages and associated opportunities,

2.1.3 The need and desirability for a Special Development Zone across a 'to be defined' area of the Mokhare-Caledon valley incorporating complimentary agriculture, land reform and tourism strategies,

2.1.4 The need and desirability for cross boundary infrastructure schemes, particularly in bulk water supply and in labour based road works,

2.1.5 The need and desirability for harmonising cross border utilisation of social infrastructure.

The results of the study should form the basis for the subsequent design and development of more sophisticated and complementary investments across the Free State-Lesotho boundary, within the framework of agreed bi- lateral and institutional arrangements and relationships between the Free State Economic Advisory Council and the Lesotho Ministry of Finance and Planning.

2.2 Areas for Investigation

Each of these arenas were justified for selection for the following reasons;³⁴

2.2.1/2 Complementary strategies in manufacturing and trade which stimulate a hub and corridor development (Two issue areas conflated into one)

The Free State, with the exception of Sasolburg, has tried growth points which have had limited linkages with the rest of the regional economy, while Lesotho's textiles led industrialisation is AGOA driven. Industrialisation in the Free State as well as in Lesotho is fuelled by incentives (which differ, leading to competitive and uncomplimentary investments by the private sector. Recent SADC policy embodied in the Regional Indicative Development Plan (RIDP) has trade and economic liberalisation and development as an integration area and is promoting harmonisation and complementarity across industrial and trade policy. Therefore the potential for developing the right "mix" of trade and manufacturing policy and practice needs to realised more efficiently and locally. Maseru -Ladybrand and Ficksburg -Mapusoe are potential hubs, within an overall Masuru - Manguang development corridor.

³⁴ Each of these summaries is drawn from the original Terms of Reference for this study, approved by the PEAC on 24th May 2004.

2.2.2 Special Development Zone

Corporate and commercial agriculture on the Free State Caledon boundary is under threat from intense stocktheft and crop losses. Land Reform investments are also gaining momentum. Well developed and complementary investment in small scale farming, local irrigation schemes and suitable downstream processing plants, locally coupled to dedicated investments in land reform could create desirable growth and stabilise tensions. Most of tourism across the boundary is 'morning in and morning out' from the Free State towns, with little expenditure in Lesotho. Complementary investment, locally supported, would enhance the viability of a special development zone. The success and limits in the design and outcomes of the Mozambique-South Africa Lubombo Spatial Development Initiative (SDI) should inform the scoping study, and 'frame' the Terms of Reference for future investments.

2.2.4. Cross Boundary Infrastructure Schemes

Since Maseru and all the important towns of the Lesotho Lowlands struggle with unreliable water supplies, there is the potential for integrating their bulk supply -and enhancing more local reticulation- through the creation of Water Authority via a large Public- Private Partnership. Furthermore the potential for the cross boundary definition and development of suitable routes and new roads to be developed from a base of Lesotho's experience in labour based roads works in the proposed potential Special Development Zone should be scoped for further detailed investigations. As above, SADC's Regional Indicative Development Plan has defined pro- integration, pro- growth and pro- poor sector policies within a priority intervention area named 'Infrastructure Support for Regional Integration and Poverty Eradication. The instruments and arrangements for this need to be devolved and developed more locally.

2.2.5. Social Integration

There is large scale disjunction in the terms and application of passport control for migrants and business movement across the border. The details need to be harmonised and simplified to the best interests of all parties and in support of the requirements of social utility and economic efficiency - especially in relation to the potential needs for a special development zone. Furthermore the issues of competition for social services and subsidies in all the Free State border towns by Basotho needs to be harmonised with agreed strategies and solutions.

3. Methodology adopted and the associated outputs

The methodology comprises desktop and web page investigations of all relevant work on each issue, and has been combined with interviews covering the present policies, current practice and some desired potentials for each issue. Local and Lesotho stakeholders in the public and private sectors, both provincially, at district and municipal levels of government, and nationally have been extensively consulted. The study has obtained the endorsement of the Lesotho Ministry of Finance and Planning. The outputs comprise an organised assessment of the structural faultlines, limits and potentials in each issue area, and identify key issues for selection for detailed further investigation by a proposed Spatial Development Initiative type facility, to be established.

4 Free State -Lesotho Special Development Zone

At a national scale, Lesotho as a land-locked country has one unique feature- it is surrounded by one neighbour, South Africa. This has simultaneously positive and negative influences on the overall development of Lesotho, and in its relationship with the Free State province. On the positive side, although being land-locked, SA has such good transportation systems and effective harbours

which means that Lesotho is not really at any disadvantage, and the fairly strong modern economy of South Africa has spill over effects-such as job opportunities for Lesotho citizens, and access to excellent health and tertiary education opportunities. Moreover, 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 is almost always at a disadvantage since it has almost no comparative economic strength (apart from its large water export capacity), and is always in the shadow of the much larger South African economy. There is a large brain drain as professionals and entrepreneurs settle in post-apartheid South Africa with its diverse and better-paid job opportunities, capital growth opportunities, and larger markets.

Lesotho's linkages with the South African and Free State economy are intense and wide-ranging. As noted, the western border of Lesotho and the historically named Conquered Territories remain an emotional and economically contested issue. For these dual reasons, it was considered important to carefully consider the development potentials that this common border between the Free State and the Kingdom of Lesotho allows.

The approach adopted for this section was to firstly;

- define and consolidate worthwhile (and available) indicators for three potential development zones within Lesotho, and then to
- select and develop a priority zone intended for consideration for a *first phase of co-ordinated attention and subsequent investment* by the Free State Province and Lesotho on an agreed basis.

Across the border in the Free State, the circumstances and situations, infrastructure, planning and policies currently underway were assessed, with the view to developing the organised basis for more spatial integration and complementarity over time in policies, strategies, planning and physical investments.

Similarly, for the balance of the 'issue areas' identified for scoping investigation, the status quo circumstances, and policies and planning in Lesotho is matched by a situational assessment of the Free State, (with any overarching national and SADC arrangements considered as well).

4.1 Physical description: The Lesotho side of the Free State border

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. There were several options which could have been considered,³⁵ and it was decided to settle for;

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- 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).

- the selection of a number of the Lesotho 1993 election constituency boundaries, on which basis the 1996 census was conducted. (Although the constituencies have since changed, this route was selected since this is the only basis to obtain statistical data on communities residing within the immediate border zone). In the case of Malibamatso constituency, a selected number of enumeration areas within that constituency were selected since the largest part of that constituency is in the mountain heartland of Lesotho and includes the Katse Dam- far away from the border zone).

A further question was whether the total boundary between the Free State Province and Lesotho constitutes a single zone itself. It is evident from a number of factors – climate, nature of the border, pedestrian and vehicular crossings, and the economic linkages – that the border area can actually be divided into several zones. For the purpose of this study, a division into three zones was decided on, which are described in more detail below.

4.2. The "Northern Border Zone" (From Mont-aux-Sources to Litlhoatsaneng)

The northern zone commences close to Mont-aux-Sources where the boundaries of the Free State (Qwaqwa area), KwaZulu-Natal and Lesotho meet. At over 3000 m this is the highest point in South Africa, which is almost uninhabited, ecologically extremely sensitive and the sponge that provides the beginning of the Senqu river (though the Malibamatso river), the Tugela and the Mokhare Rivers. Border crossings in this area are limited mainly to mountaineers reaching Mont-aux-Sources. From these Alpine heights, this zone stretches along the watershed westwards, to the foothills of the Butha-Buthe District and to Monantsa, southwest of Phuthaditjaba in Maluti a Phofung municipality (the former Qwa Qwa). It is almost from this point where the Mokhare (or Caledon) river becomes the boundary between the Free State and Lesotho. The zone follows the Mokhare river as it bends southwards and, for the purposes of this study is called the Northern Border Zone.

4.2.1 The area and its population

The border covers a distance of approximately 140km from close to Mont- aux- Sources in the east to Litlehoaseneng, just north of Hlotse in the Leribe district. Of the three zones this had the smallest population- 148,100 at the time of the 1996 census - the only available data sets. Approximately 75% of the people within this zone reside in the district of Butha-Buthe and the remaining 25% in the Leribe district. The constituencies³⁶ considered as constituting this zone are Nqechane (Leribe) Mecha, Mechachane, Qalo, Lipelaneng a portion of the Leribe District, and a portion of the mountainous Malibamatso constituency that also falls in Leribe District.

The population can be described as young, with 36% being 15 years and younger, and more than half in their economically active years (15-64 years), while the aged constitute 7%. Average population densities are 133 people/sq.km compared with the national density of 600 people/sq.km. Densities for the area vary from a low 24 in the high mountain areas to 309 people/sq.km in the Lipelaneng constituency, formed by Buthe Buthe.

The climate is that of a temperate zone, where it has cool to very cold, dry winters, and hot wet summers (See Table One - Appendix One). The average maximum temperatures are as high as 26 degrees during the summer months and around 11 in the winter months. Taking the town of Butha-Buthe (altitude 1,770m) as representative for the Lowlands area of this zone, it receives a moderate

³⁶ Note that constituencies used as the basis for this selection are those of the 1993 elections on which basis the 1996 Census was conducted. At that stage Lesotho had 65 constituencies. Now Lesotho has 80 constituencies and the 2006 Census will be based on the 80 constituencies. This should be kept in mind when comparisons are to be made in future with the data utilised in this investigation.

average annual rainfall of 766 mm. Oxbow Lodge in the mountain areas and at an altitude of 2 600m has an average rainfall of 1147.7mm. The seasonal rainfall pattern is however similar with 79.1% of the average precipitation at Butha-Buthe town falling in the months October – March compared to 79.3% in the case of Oxbow Lodge. (See Appendix One, Table Two).

The Northern Border zone is predominantly rural, with only 8.7% urbanised, with all living in Butha-Buthe, the district capital. This is the most northern town in Lesotho - with 30% of the town actually in the Leribe District, and had a 1996 population of 12,885, currently estimated at 18, 500.

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 (LHWP) Phase 1. This included construction activities on the delivery tunnel, the Muela Dam, the Muela hydro power station (Lesotho Electricity Cooperation's (LEC's) main source of electricity), upgrading of hard surface (tarmac) roads and the construction of several km of high standards gravel roads. Buthe Buthe town has also benefited from the construction of a clinic, roads and a bank and an arts and cultural centre, which have now been transferred to relevant government ministries.

4.2.2 Economic activities

In terms of employment status, more than a third (38%) of the population is unemployed and pursuing farming mainly to contribute towards their subsistence. The balance are students (19%) and housewife/homemakers (18%), and 12% are regular wage or salary earners in formal wage employment. It is not surprising that very few people (less than 1 percent) are employers due to the fact that the place is predominantly rural with very few economic activities. (See Appendix One-Table Three).

Breakdowns of those employed show that the biggest employers are the RSA and local private employers, both at 6.8% each, with those in South Africa most probably employed in the mines, farms and factories. The private sector employs more females than males. The women usually work as self employed traders, hawkers, shop owners or are employed in the low level and low paying jobs as receptionists, typists, shop assistants, cleaners, assistants, and housekeepers. However the figure of those employed in the mines of RSA has recently dropped as a result of the high levels of retrenchments undertaken recently (see below).

The construction of the Katse Dam by the Lesotho Highlands Development Authority (LHDA) did stimulate the economy of this area for a while. The retrenchment of workers both from the mines and as part of the completion of the building of the dam has led to a situation where most of the men are now back to farming as the main source of livelihood. The bulk of agriculture in this zone is subsistence,³⁷ but due to local economic development programs launched by the Lesotho Highlands Water Project, several farmers were 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. Livestock such as cattle, horses, donkeys, sheep and goats are kept and are mostly used for land preparation (ploughing), transport, milk, wool and mohair. Butha-Buthe's grain yields per hectare are the highest in the country, due to a reasonable rainfall pattern with a lower incidence of dry years than is the case in the southern districts, moderately low summer maximum temperatures with lower evaporation and plant damage during dry periods, and deep soils in the narrow Mohokare Valley. In Appendix One -Table Four, the out performance of the national average is clear. However, arable soil in this area is very limited because of the mountainous terrain.

³⁷

In fact, subsistence agriculture is the wrong term since it creates the impression that such households can survive on agriculture. Agriculture is at best a contributor to subsistence, since the majority of "farmers" are net consumers rather than net producers of agricultural produce.

Tourism is limited mainly to visits to Oxbow Lodge in the mountains where skiing is possible in the winter months.

4.2.3 Education & health

In terms of literacy, the functional literacy of the zone (that is the ability to read and write and apply it effectively) is relatively low, at 58%. About 30 percent of the people have never been to school, and for those who went to school, more than half did not complete primary school (Grade 7), 10 percent went up to secondary level and 3 percent completed high school. Very few people (3%) went beyond high school level, this include those who went to training colleges and university. For health status, the area has a total of 108 hospital beds in the hospital in Butha-Buthe town.

4.2.4 Border gates

The Northern Zone has two border gates: Caledonspoort links Butha-Buthe with Fouriesburg, and functions from 06:00 to 22:00 every day. It is not very busy and is mostly used by businessmen and individuals active in the informal sector that access markets and especially suppliers in neighbouring towns such as Bethlehem. The second border post at Monontsa links the narrow Lowlands belt directly next to the Mohokare river east of Butha-Buthe town, with Maluti a Phafong. Imports through this post are negligible and it is almost the least important in the country from a trade perspective. The value of imports at the two border posts constitutes less than 4% of total imports in 2002/3.

4.3 The Middle Zone: The Mohokare Valley Zone (from Hlotse to the confluence of the Mpetsana & the Mohokare Rivers)

The border in this zone covers a distance of approximately 210 km from Litlhoatseneng just north of Hlotse to the confluence of the Meptsana and the Mohokare in the Maseru District, some 25km south of the capital. The middle zone is formed mainly by the districts of Leribe, Berea and Maseru, has the two most important border crossings of Lesotho, the Mohokare (Caledon) as the boundary, and forms the most densely populated Lowlands areas of Lesotho. For the purposes of this study this middle zone is referred to as the Mohokare Valley Zone.

4.3.1 The area and its population

This "Mohokare" zone is predominantly Lowlands, the smallest zone in terms of area, with the largest population. It includes the 1996 constituencies of Hlotse, Tsikoane, Maputsoe, Hleoheng, Peka, (all in the Leribe district) Teyateyaneng, Berea, Mabote (in the Berea District) and Sea Point, Maseru, Motimposo, Matala, Qoaling and Qeme (Maseru district) and Boqate (Maseru and Berea districts).

It's 1996 population was 378,760, with 40% residing in Maseru, 32% in Berea and 27% in the Leribe district. Average population densities are over 800 people/km², compared to the national density of 600, and in the Mohokare the variation is from a low 140 people/km² in the Berea constituency to up to 1,333 people/km² in the densely populated areas in urban Maseru. It is the most urbanized area with four towns: the capital Maseru, the district capitals of Berea (Teyateyaneng) and Leribe (Hlotse) as well as the industrial town of Maputsoe in the Leribe district. The urban population in these four towns formed 78% of the total urban population in Lesotho in 1996. There are more women in the urban areas than men, and in the case of this zone the

proportion is slightly more significant, because it is highly urbanized compared to the other zones (See Appendix One -Table Eight).

The climate is that of a temperate zone with cool dry winters and moderately hot summers when the bulk of the rainfall occurs (See Table Nine).

4.3.2 Economic activities

1996 data show that there is more than double the percentage of people in formal employment compared to the northern and the southern zones, at 20% of the total population. This percentage should have increased sharply over the last 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 Ten in Appendix One shows the distribution of employment by type.

4.3.3 Education & health

On the whole the area has the highest number of people who have ever been to school and those who had proceeded to higher education. Less than a quarter (22%) of the people had never attended school, 26 percent had completed primary education and about 22% had been to high school (both secondary and high school). The area does not only have the highest literacy rates but also high completion rates and low repetition rates. This may be attributed to the fact that it is the economic heartland of the country and therefore able to retain the most qualified teachers. Furthermore, this achievement can be directly linked to the availability and accessibility (within close proximity to where people stay) of schools.

4.3.4 Border gates

Three border gates cover the Mokohare river: that at Maputsoe bridge links the industrial town of Maputsoe with Ficksburg, while Peka bridge, 32 km by road from Maputsoe links with the Free State town of Clocolan, and the third, Maseru Bridge, links the Lesotho capital with the road leading to the Free State capital, Bloemfontein and 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 being next to Lesotho's two main urban areas and are open 24 hours a day. These two border posts are the most important import-export points of Lesotho. Long bottlenecks occur from time to time at both border posts.

4.4 The Southern Border Zone (from Mpetsana to the confluence of the Makhaleng and Senqu Rivers)

Not far south of Maseru/Ladybrand, it is evident from vegetation and agricultural activities that the annual rainfall is lower than to the north. (On the Free State side it is evident that dry land cultivation is more and more giving way for extensive cattle farming.) The border then follows the Mokohare southwards until a few km north of Wepener where an artificial line becomes the boundary as determined in the Treaty of Aliwal North of 12 February 1869. This line reaches south of Sephapho's Gate. The Makhaleng river then forms the boundary up to the point where it joins the Senqu or Orange River: the point where the Free State Province meets the Eastern Cape Province's Herschel District. This stretch is named the Southern Border Zone.

4.4.1 The area and its population

The Southern Border zone is the largest area (1852 square kilometres) with a total population of 233,971. Mainly classified as Lowlands, about half (52%) falls in the Mafeteng district, 35 percent is in the Mohale's Hoek district and the remaining 12% is in the Maseru District. It includes the constituencies of Mafeteng, Qalabane, Thaba-Phechela, Boleka, Tlametlu, Mohale's Hoek, Mekaling and Taung. Like the Northern zone, it comprises mostly of rural people, with urban people constituting only 15%. Population in growth in this zone is less than the national average, suggesting that through a combination of push and pull factors, people are moving to the Mohokare Valley Zone which is experiencing the highest growth rate.

The population structure is young, with 38% of the people being youth, 56% adults and the aged constituting 8%. It has the highest number of old people. Densities are generally lower than in the districts of Maseru, Berea and Leribe and in some areas are as low as 56 people/sq.km.

The average maximum temperatures are as high as 28.6 degrees during the summer months and the average minimum for the winter months is just over 1.4 degrees. Frosts occur regularly in the months of May to August with frost possible in the Lowlands as early as the end of March. The area experiences more or less the same temperature range as that of the Mohokare Valley Zone except that the rainfall pattern is more variable. The temperatures range from as high as 30 degrees in the summer months to as low as -5 in the winter months. During the rainy season, very intense thunderstorms are frequent and as much as 15 - 20% of the annual rainfall may occur within 24 hours. With duplex soils (and poor cultivation practices and overgrazing) it is not strange that severe soil erosion has taken place in this area. Up to 12% of the Mafeteng Lowlands is estimated to be covered by dongas.

4.4.2 Economic activities

Agriculture in this zone is characterised by low returns to crop production, with maize yields in tonnes per hectare at just over 500 kg and a mere 69% of the national average yield; Sorghum yields average 547 kg and are at 81% of the national average, while the wheat yield per hectare is at 92% of the national average, but still at a meagre 556kg per hectare. The area has only two operating factories in Mafeteng town (one textile, the other a pharmaceutical company), but a new industrial estate is under development in Mohale's Hoek. The distribution and type of employment the zone is covered in Table Thirteen, Appendix One.

4.4.3 Border gates

Van Rooyen's Gate (the third most important border post in Lesotho) and Tsupane are close to Wepener. Both these posts are where the border is a fence stretching from the Mohokare River north of Wepener to the Makhaleng River. The third post is at 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.

5. The Mohokare Valley Zone as focal point for cross border development initiatives

Of the three border zones, the one with the highest economic potential on the Lesotho side is the Mohokare Valley Zone.

This is defined by virtue of;

- it's population size and density -in 1996 more than 30% of the total population- and with accelerating urbanisation this percentage has increased to an estimated 40% in 2003, proving the economic pull factors of this zone, and a consequent higher supply and demand multiplier.
- it being the industrial heartland, with the four most important industrial estates in Lesotho - two estates in Maputsoe (Maputsoe proper and Maputsoe Ha Nyenye to the south east of the main urban area), and two estates 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 in Appendix One 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 93.4% of the industrial workforce. Even though a new industrial estate is under development in Mohale's Hoek and whilst the one in Mafeteng will be expanded, the growth there will be balanced by the envisaged large development that is in the pipeline in Maseru at the Tikoe Industrial Estate.

In addition, the industrial estate developed in Mohale's Hoek is already struggling with insufficient water supply and the water needs of the estate far exceed the town's total water consumption at this stage. Foreign industrialists prefer the facilities of Maseru and often even reside in Ladybrand or Ficksburg.

- it has the most important economic border gates of the 14 linking Lesotho and South Africa, of which 9 link Lesotho and the Free State. The border crossings at Maseru (road and rail), Peka and Maputsoe (all in Mohokare zone) however were responsible for 87.48% of the total value of imports in 2002/3. Table 16, Appendix One highlights the annual imports (2002/03) through all the border posts. Whilst no statistics on pedestrian crossings or crossing by vehicles could be obtained in Lesotho³⁸, the information on value of imports is an important indicator. Again, not all goods imported into Lesotho are captured. However, based on the available statistics, the border posts between Lesotho and the Free State handled 92.8% of all imports in 2002/3 when the value of imports by rail crossing the Mohokare next to the Maseru Border Gate vehicle bridge that was developed in the early 90's is added to imports by road. The figure excludes the imports via the Maseru Post Office that also has a custom clearance facility and Moshoeshoe I Airport, which has mainly flights, linked to Johannesburg.

The only railroad head in Maseru was developed in the early 60's and was introduced to transport migrant mine workers from Maseru to the Free State Gold Fields. Originally mine workers were locked into the carriages between Maseru and Marseilles to ensure that no additional people "infiltrated into South Africa", in keeping with the erstwhile apartheid influx control measures. At this stage, there are no passenger services by rail and Lesotho receives and forwards only freight from the railhead in Maseru.

- It has greater agricultural potential than the northern or southern zones. The district of Leribe is generally known as the stronghold of cultivated crops. To highlight the agricultural production potential in crops, production statistics were taken over a period of 15 years from 1983/84 to 1998/99 with the exclusion of the year 95/96, where the data appears to be totally

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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 I have personally 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.

out of line with other years by a factor of almost 2. By this approach better and worse harvest years and climatic conditions could be equalled out. Leribe, Berea & Maseru- all three districts with the main maize production area in the Mohokare Valley Zone- contributes 60% of the total maize harvest of the country. In addition, the yield per hectare is 15% higher than the national average. Whilst the yield per hectare of Butha-Buthe is higher, the northern border zone contributes a mere 5.9% of the national maize harvest. The southern border zone contributes a higher percentage than the northern border zone, but the yield per hectare is a dismal 504 kg per hectare or a mere 69 % of the national yield per hectare. Based on the Lowlands components of the districts of Leribe, Berea and Maseru, the share of the Mohokare Valley Zone in Lesotho's agricultural production is expressed in Table 18 Appendix One. It is clear that for maize and sorghum this area is the key production area. However, it is far less important for winter crops where the mountain areas contribute the bulk of the wheat and pea harvests. The area has almost three out of ten cattle in the country as a whole, one out of ten sheep in the country; and one out of eight goats in the country. See Table 19. It is clear from the statistics that although in cultivation of maize Mohokare Valley Zone is important, in animal husbandry it is less important than the mountain areas. This implies also that many households in the Mohokare Valley Zone have a livelihood outside agriculture as was evident already from the overview of industrial sector employment above.

- The Government sector in the Mohokare Valley Zone. With Maseru as capital and the seat of Cabinet and the Administration, the seat of Parliament and the seat of the High Court, it is obvious that the largest percentage of the civil servants would be based in Maseru. Many of them, however, do not reside in Maseru and commute on a daily basis from as far as Hlotse in the north and Mafeteng in the south. It is estimated that at least 90% of the almost 36 000 strong civil service reside in Maseru, TY, Maputsoe and Hlotse. Considering the fact that the higher echelons and therefore higher remunerated categories will be predominantly in Maseru, one can safely estimate that approximately 95% of the annual remuneration of M1,064,040,000 of civil servants is disbursed to residents in the Mohokare Zone Valley.
- The most diversified economic structure in country and the highest percentage of economically active in the modern sectors.

Fifty eight percent of the 54,390 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. Nevertheless, the 58% remitted M340 million in 2002 in remittances to their families in these three districts. Ninety three percent of the formal factory workers operate in the Mohokare Valley Zone, resulting in at least an annual wage pay out in excess of M350 million in 2003. Thirty two thousand public servants work and reside in the Mohokare Valley Zone and the monthly disbursements in 2002/3 in the three districts amount to M83 million. It is no wonder that the liveliest commercial activities are also concentrated in the urban areas of Maseru, TY and Maputsoe. These are the areas where the most diversified range of shops and services in Lesotho can be found, unlike the (now) struggling Fraser's Stores in the remote mountain areas that earlier formed the backbone of this company.

- It is the focal point for urbanization. Maseru as capital is a fast growing urban area with an influx and settlement into the formally declared urban area as well as into the peri-urban area far exceeding the present urban management capacity (in the up front release of land and surveyed stands), the provision of safe drinking water, sanitation provision and street access. Urban layout in the residential areas is mainly arrived at by the informal land arrangements between (in most cases) the traditional leadership in that area, and existing

inhabitants. 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 in the urban area engaged mainly in formalisation of what has happened on the ground already.

- The second largest urban settlement, is the border town Maputsoe in the Leribe district just across the Mohokare from Ficksburg. An overview of the rate of urban growth is depicted in Table 20, Appendix One. Table 21 contains projections regarding urban growth in Lesotho. It is evident that urbanisation is not only accelerating, but that the urban areas in the Mohokare Valley zone constitute more than three quarters of the urbanised population with Maseru and Maputsoe the two largest urban areas both in this zone. Since cities and towns are the engines of growth and development, any attempt to make substantial progress along 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 tables³⁹ the trend, rather than the estimates, are important: urbanisation will accelerate in Lesotho. The rapid urban growth however has not yet been accompanied, (not to use the term “guided”) by appropriate urban management approaches, such as rapid land release to cater for the growing number of urbanites. Infrastructure is therefore totally inadequate for the current population and the envisaged further acceleration requires a strategic intervention in this field.

6. Issue Areas One and Two: Complementary strategies in Industrialisation, Trade and Manufacturing which can stimulate a hub and corridor development (These two issue areas have been conflated into one discussion).

The purpose of this section is to investigate the performance of Lesotho's economy, and the two adjacent districts in the Free State (Motheo and Thabo Mofatsanyane), with the view to establishing potential integration linkages, principally in Industry, Trade and Manufacturing, and with complimentary investments in an appropriate form of Corridor Development or an Industrial Development Zone. The two districts bound (but exceed) the identified Mohokare Development Zone within Lesotho, yet contain the towns of Mangaung, Botshabelo, Thaba Nchu and Ladybrand, as well as Ficksburg, and the nature of their characteristics and performance provide the basis for a consideration of issues informing a potential development corridor with Maseru.

It is clear that developments in the Mohokare Valley Zone will determine whether Lesotho can achieve the necessary conditions for a more sustainable development overall, and thereby achieve substantial poverty reduction. However, to achieve that, major policy and institutional reforms are required. In several fields, cross-border co-operation between Lesotho and the Free State province could enhance the development potential of the identified Mohokare Valley Zone. The sectors with potential and where further (preferably joint Free State-Lesotho) investigations and investments could concentrate on will now be covered.

Since trade is a key driver of economic growth and Lesotho's internal economy is small (just over 2 million), with the bulk of consumers having low levels of purchasing power, Lesotho can only really combat poverty through the pursuit of export led growth. Industrialisation opportunities therefore have to be informed by international trade regimes. For this reason, trade and manufacturing are dealt with together in this section.

³⁹ The discrepancies for Maputso and Hlotse in Leribe, are negligible, but for Butha-Buthe town substantial: the towns population could no grow from 18 500 in 2002 to 36 800 in 2005.

6.1 The economy of the Lesotho side of the Mokokare valley

Lesotho's macro-economic policy environment is basically determined by the developments in South Africa since Lesotho is tied to the Common Monetary Area. This eliminates monetary policy autonomy and Lesotho's competitiveness depends on the fluctuations of the 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 Appendix One, Table 22). It should immediately be noted that Lesotho experiences a marked difference between GDP and GNP, mainly because of the large number of mineworkers employed in South Africa which for decades had dominated the local internal economy as well (see below). The reasons for the dramatic narrowing of the original large gap between GDP and GNI are threefold, and due 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 and relative role of mineworker remittances.

6.1.1 Industrialisation and manufacturing

Industrialisation has been a constant focus of the Lesotho National Development Corporation since the late 1960's, with limited success until an industrial take-off in the late 80's. Diagram 23, Appendix B, depicts manufacturing's contribution as percentage of gross national income, rising from 4% in 1983 to 12 % in 2003. The Lesotho response to, and the operation of the Africa Growth and Opportunity Act (AGOA) is covered in a separate section below.

6.1.2 Agriculture

Whilst the large majority of the population is involved in agriculture, care should be taken not to depict agriculture as a sector of *employment*. Some studies had indicated that the average time devoted to agriculture by rural households amount to less than 3 person hours per day.⁴⁰ Other studies had pointed to the fact that agriculture is not even a subsistence-activity, but 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 required food for the population. Agriculture has been in constant decline despite substantial investments through development aid, with for many years a higher subsidized maize price than in South Africa⁴¹ and ongoing input subsidies in the form of seed, fertilizer and mechanized services.

6.1.3 Construction

Construction achieved extraordinary high levels of performance because of the impact of the massive first phase of the Lesotho Highlands Water Scheme that came to an end in 2003, as well as large scale reconstruction following the devastations of unrest and military interventions in 1998. A contribution of 18% by the construction sector (as in the early 90's) is not sustainable 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. LHWP Phase I had changed the country in many aspects, e.g. opening the rural hinterland through good roads over impressive mountain passes, developing new and constant avenues for national income through

⁴⁰ Ruicon 1998 (b)

⁴¹ 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.

both stimulating tourism and the water royalties paid by South Africa, accelerated urbanization, improved energy supply through hydro-power.

6.1.4 Tourism

Tourism remains relatively negligible in the overall context.

6.1.5 Government income

Table 23 in Appendix Two presents an overview of the importance of different sources of Government income. Impressive percentage increases have been realised overall, and in income tax revenues, with a corresponding decline in the relative importance of grants.

6.1.6 Migrant labour

Since the 90's the number of Lesotho mineworkers employed on South African mines has declined drastically, mainly because the general trend of retrenchments at South African mines, but also since mineworkers with a certain period of employment in SA qualified for permanent residence for their families as well. The decline in the number of migrant mineworkers is summarized in Table 24, Appendix One. It is interesting how the value of remittances had rocketed despite the decline in mineworker migrancy. This can be attributed to higher wages, but also to retrenchment benefits being repatriated.

6.2 Industrialisation and the manufacturing sector in Lesotho: before and after the introduction of AGOA

Before independence Lesotho had really no industrial base except for a few cottage industries and with traditional beer brewing being by far the largest sub-segment. The LNDC Act No 20 of 1967 which 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, the German DEG became the main co-investor.

In the early years impact 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 industrialization in the field of basic goods: food and beverages, construction materials and light engineering products. Several light industrial concerns – mainly engineering services – were lured 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. 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 the production of ceramic tiles with an entry in the latter 80's into the textile arena. This industrialization effort was supported by the incentive package described in Table 25, Appendix One.

These incentives, coupled by a desire by several South African based industries to escape the sanctions net woven around the country, led to substantial industrial growth in the early and mid 80's. Several S.A. firms established new endeavours in Lesotho with its preferential access to the EU markets. A second wave of industrialisation took place in the latter 80's when the EU waived the accumulation formula for textiles of the Loma convention for Lesotho for a period of 8 years. According to the accumulation formula at least two manufacturing processes have to take place in

the exporting country for access in terms of Lome, but the 8 year waiving enabled several Taiwanese firms to obtain fabric from India, Taiwan, Malaysia and China for processing in Lesotho. As this exemption expired after 8 years, several firms closed down, whilst other shifted their attention to the US market although there was a tariff of 17% and quotas applied. A basis was laid for further development of the textile industry when negotiations on AGOA commenced.

The industrialisation road was also characterized by several failures, vis;

- the National Ceramic Tile Factory established in Mafeteng was liquidated within 3 years after commencing operations,
- the Loti Brick is after 26 years still operating at a loss and the investment in one of the most modern computerized kilns in Southern Africa is not paying at this stage,
- 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 ensure the full privatisation of LPC 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 - nor is the carpet weaving that was based on locally produced wool.

Table 26, Appendix One provides an overview of the growth in manufacturing concerns since 1994.

It is clear from the table that by 1994 textiles had become to dominate the industrial scene in Lesotho, and that the demise of the small built-on-indigenous skills cottage industries was already complete. The full impact of further growth in the textile industry after the introduction of AGOA has begun, but its impact on Lesotho's industrialisation is not as yet clear, since industrialization in the period 2000 – 2003 was to a certain degree hampered by a lack of serviced industrial sites. Several factories in the industry are only now and in 2005 coming on stream, and an additional 9, 000 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.

Flash: The textile industry in Lesotho is experiencing severe problems due to rand strength: several firms are not recouping all their expenditure and an urgent request for state subventions was made by the industrialists. Two factories have closed doors in the last two months. Other factories might follow suit if the rand will not depreciate to a level of R7.50 to the dollar. The Prime Minister had requested an analysis of the situation to enable the GoL to take an informed decision.

6.2.1 Drivers for industrialisation in Lesotho

It is relevant to analyse at this stage some of the drivers for successful industrialisation in Lesotho. In the first instance AGOA will be reviewed, thereafter several other drivers will be dealt with, based on interviews with Taiwanese industrialists in Lesotho.

6.2.1.1 AGOA as a driver for industrialisation in Lesotho and South Africa:

AGOA was enacted on May 18, 2000 and became the cornerstone of the Bush Administration's interaction with Sub-Saharan Africa. It is in line with the growing US approach of "trade, rather than aid". AGOA took effect on 1 October 2000 and expires on 30 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, below free trade agreements but with better benefits than the Generalized System of Preferences (GSP) (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-treatment. It is clear that

AGOA had in the first year (2001) of operation little impact: imports to the US under AGOA accounted for less than 1% of total US imports. AGOA lowered the tariff barriers for textiles to the US, but almost all countries qualifying for AGOA had already quota-free access to the North American market. Quotas are, however, in terms of the Multi-fibre Arrangement due to vanish altogether by 2005 where-after only tariffs will remain to regulate access. After 2005 the beneficiaries from AGOA will only have a tariff advantage. Although under AGOA the US listed 1835 items for AGOA treatment (which enhanced the 4 650 products that already qualified for duty-free treatment under the GSP), the UN argues that AGOA implied only limited preferences for 30 of the 48 countries eligible for designation under AGOA and that it had potentially more significance for the non-LDC countries.

Lesotho was one of the 8 LDCs with 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”. Moreover, the Act provides for duty-free and quota-free apparel imports made from fabric produced by beneficiary countries in Sub-Saharan Africa. (The so-called apparel clause). This clause further has a Special Rule for LDCs that offers a grace period till 30 September 2004 during which such 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. Several industrialists from Taiwan, Hong Kong and Mainland China seized this window of opportunity for the LDCs⁴². This incentive led to the substantial expansion of the textile industry in Lesotho, but became also its biggest threat: if Congress would not agree an extension of the Special Rule, the textile industry in the AGOA LDCs could be jeopardized.

However, this cut off date was not intended to close the window of opportunity for Sub-Saharan countries: it is an example of how the US are utilizing international trade as a leverage to promote industrialisation in African countries. The threat of not being able to access cheap fabric outside AGOA countries provided all AGOA countries also with an opportunity. Lesotho utilized this opportunity for gearing up its industrialisation programme: two Taiwanese textile industrialists decided that the end of the Special Rule would compel all textile industries in AGOA countries to source yarn and fabric from either the US or other AGOA countries. This demand will result in a price hike for an AGOA country in sourcing yarn and fabric. They therefore commenced with the establishment of a denim mill in Lesotho. Construction of a large factory by Nien Hsiang (costed at US \$ 50 million) aimed at employing 6,000 workers commenced in Thetsane, Maseru in 2001. The expectation is that this concern will commence operations in spinning of yarn and weaving in the latter part of 2004. In the beginning production will not be sufficient to provide for all the needs of the textile factories in Lesotho, but has the potential to develop in the medium term export opportunities of fabric to other AGOA beneficiaries who will no longer be able to import cheap fabric from India and elsewhere in the East. This is vertical industrial integration that could enable the textile industry to become anchored in Lesotho. Nien Hsiang has, apart from the mill, investments of US \$ 200 million and employs almost 10 000 workers (numerous smaller companies listed in Table 5 belong to this group) in manufacturing garments in Lesotho. This development of a denim mill has also persuaded a Mauritius textile firm, Sweat Sun, to commence with a factory for apparel production in Lesotho as well, even though Mauritius has AGOA benefits (without the Special Rule exemption).

⁴² 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.

On 13 July 2004 George Bush signed the extension and amendment AGOA Act, thereby extending AGOA from 2008 to 2015, and extending the Special Rule with three years to September 2007. Thus Botswana and Namibia were provided with the same benefits under AGOA as the LDC block, despite the fact that their per capita income lodges them in the middle-income country category.

South Africa has also benefited substantially from AGOA, with exports increasing by 45.5% from US \$ 923 million in 2001 to US\$ 1 343 million in 2002 and US \$ 1 669 million in 2003, a further growth of 24% despite a strengthening Rand. South Africa's AGOA exports are, in order of importance, transportation equipment (almost 50% of BMW South Africa's production is exported to the US), Minerals and metals, Chemicals, Agricultural produce and then Textiles.

When considering the growth rate in exports in these segments from 2001 to 2003, it is clear that Textiles and Transportation are the sectors that have grown in excess of the average AGOA growth in exports. In fact, the growth that South Africa has experienced in textiles is far larger than the growth rate that Lesotho has experienced in apparel exports to the US (See Table 29), though from a low base. An interesting development is that in both these two top export sectors in South Africa, the first few years since the launch of AGOA in 2000 had seen substantial investments. The automotive manufacturing industry in South Africa upgraded their production plants to the tune of US \$ 20 million. Simultaneously cotton producers have geared up to supply the increased demand for cotton by African textile manufacturers. Table 30, Appendix One depicts the AGOA exports of Lesotho and South Africa in the context of the rest of Africa.

6.2.3 The policy environment: some differences between Lesotho and South Africa

In an interview with Taiwanese industrialists, the following aspects were submitted from respondents;

South Africa was considered a good friend of Taiwan in the 70's and 80's and with diplomatic ties the two pariah states pursued economic co-operation. With disinvestments accelerating in the 80's due to apartheid, South Africa provided excellent incentives to lure foreign investment. Taiwanese companies took that opportunity. *"The political transformation in South Africa changed all that. It brought uneasiness under the Taiwanese. The ANC not only severed ties with Taiwan, it is pursuing close ties with Beijing"*. Simultaneously some of the previous subsidies in SA were being phased out. *"Lesotho was a very logical place to relocate to with factories, since the export environment (harbours of Durban and Cape Town), the financial system (banks and procedures) remain the same"*.

Company tax in Lesotho for manufacturing is only 15% compared to double that in South Africa, while labour is cheaper and less well organized in Lesotho. The South African labour regulations and all the taxes and levies and the cumbersome procedures to get rid of unwanted workers, were said to all work in favour of Lesotho.

Respondents saw no pressure of Black Economic Empowerment (BEE) 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 no or little 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 BEE brings major internal expenditure in the firm before the "tjo-tjo" (bribes) that anyway is required to obtain some government contracts or approval of applications for relaxation of building or environmental regulations. ("Tjo-tjo" in Lesotho was said to come at a discount compared to South Africa).

An analysis of other aspects of the policy and institutional landscape, revealed one important difference between Lesotho and South Africa: the absence of effective audits by the tax authorities in Lesotho relating to both VAT returns and company tax, provides an incentive to industrialists to operate from Lesotho. Since the phasing out of the tax holiday incentives for manufacturing firms in the textile sub-sector, these firms have always recorded losses with no contribution in company tax to the Receiver. Industrialists in Lesotho did not want to acknowledge it, but the knowledge that the tax authorities in Lesotho had (prior to the establishment of the Lesotho Revenue Authority) not the capacity and/or skills to scrutinise submitted tax returns from companies, is clearly an incentive for some to submit losses, thereby avoiding company tax.

6.3 Cross border trade

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

However, as noted, import and export data in Lesotho is problematic to analyse, since there exist different data sets that cannot be reconciled. In a study on Trade Statistics for the Ministry of Trade & Industry's Trade Integration Study in August 2002, 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 and indicated trade changes may strongly be in opposing directions. It could, in fact, be argued that the official statistics on Lesotho's trade convey more misinformation than useful information."⁴³ An example of the problems with the published data is evident in Table 31, Appendix One. The data differ to such an extent that no trend analysis can be undertaken. The Trade Diagnostic 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 their fibre mainly from the East, the *share* of imports originating from South Africa must have declined. And with the bulk of the textile products exported to the US, the US has replaced South Africa as the prime market for Lesotho products. Table 32 shows a comparison of Lesotho's exports with those of other land locked countries.

The following conclusions can be made;

- 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 5 products represent 95.4% of export income.

Since 1999 Lesotho's position on this list would have improved (higher export per capita) but also its position on the vulnerability scale would also have deteriorated. Any shock to the successful marketing and disposal of the top 5 export products, would therefore have a major impact on Lesotho. The extension of AGOA Special Benefits provides Lesotho with some buffer against the Eastern textile manufacturers when the quota system will disappear in 2005. Lesotho will, for the duration of AGOA, have duty free access. Progress with finalising a free trade agreement between the SACU and the US is, however, an important development for Lesotho's exports.

⁴³ Trade Statistics in Lesotho, in Lesotho: Diagnostic Trade Integration Study, Vol 2, Chapter 1. Aug 2002.

It is important to also focus on the role of rail transportation to and from Lesotho. 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 Transnet, freight has increased, but they could not supply any data concerning volume or weight. The available statistics from Customs concerning value of importation, show no 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 50% are carrying containers. Many of the other trucks were bulk cement carriers, but that has decreased substantially following the completion of the Lesotho Highlands Water Scheme. Other freight not handled in containers include diesel, petroleum and maize. Almost all exports from Lesotho are destined for the harbour of Port Elizabeth (97%) for export to the United States. Some trains are destined for Durban (3%) as well. No information could be obtained on the content and categories of the exports, but the bulk will be textile products.

The Bloemfontein Spoornet complex is utilized to pool containers for forwarding to Maseru. Storage times range between 5 and 14 days. The main sources of freight destined for Maseru are the harbour of Port Elizabeth (cloth and fibre from the East), responsible for almost 80% of freight to Maseru and Durban (petroleum and diesel), responsible for almost 15% of freight to Maseru, as well as Alco (cement). The clearance at customs is a very time-consuming exercise and contributes to some 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 to and from the mines). There is no proper concrete surface for the storage and handling of the containers, the forklifts and cranes are old and break often due to the dust (caused by the absence of a concrete slab). The capacity of the cranes is problematic: it takes up to 20 minutes per container in Maseru whilst the same procedure would take 5 minutes in Bloemfontein.

6.3.1 Cumbersome border procedures:

The border is frequently crossed, with many people moving in and out on either a daily or a weekly basis. Whilst acknowledging that sensitivities such as potential security matters, crime prevention, as well as customs arrangements are important, the question is whether the border procedures should not be evaluated in the context of the envisaged free trade agreement between SACU and the United States that is currently being negotiated. There is also a case for a closer economic union between Lesotho and South Africa and other countries of the common monetary area. Such a move might remove the need for the bulk of border control (as it had almost disappeared between Germany, the Netherlands, France and Belgium where spot checks are being conducted, but motorists are moving freely across these boundaries).

6. 4 The Free State situation : structure of the district economies - manufacturing and trade

6.4.1 Motheo District

The district is constituted largely of open grass veld or plains, rising to mountains in the most eastern parts, on the boundary with Lesotho. Its main urban centre is Mangaung (formerly Bloemfontein), also known as the “city of roses”. It is the trade and administrative hub of the province and the home of a large regional university servicing the province and many neighbouring countries. It is also the house of the provincial government, and supports large military facilities and the Supreme Court of South Africa. The city has a rich history that includes the founding of the ANC in 1921 (in Batho), and the founding of the Nationalist Party in 1914. The annual Macufe Festival is a cultural eisteddfod that includes music, dancing, and drama. Botshabelo ('place of refuge') and Thaba’Nchu are the former dormitory homelands established under apartheid on the

eastern outskirts of the city - with Botshabelo the second largest township in South Africa after Soweto. Thaba'Nchu was established in 1973 and formed part of the former Bophuthatswana.

6.4.1.2 Structure of district economy

Graph One in Appendix Two presents the relative contribution per sector to illustrate the internal structure of the district economy. The graph clearly shows that the economy of Motheo is dominated by the tertiary sectors, particularly Community Services. This can be attributed to the fact that Mangaung is the political and administrative capital of the Free State province, with centralised provincial government facilities, and a well established trade and financial services sector. The graph also shows that there has been a slight decrease in the contribution by Agriculture, Manufacturing and Trade, and an increase in the relative contribution by Finance and Community Services.⁴⁴ The district contributes over 30% to the Free State's GGP, and houses 25 % of the population.

6.4.2 Thabo Mofutsanyane

The district constitutes the major eastern part of the province, and includes Qwa-Qwa, one of the former Homelands. It is the most important tourism destination in the Free State, due to the spectacular scenic beauty of the Drakensberg and Maluti mountain ranges. The most famous attraction is the Golden Gate Highland National Park, which is well known for its spectacular sandstone formations. Other attractions include trout fishing, the annual cherry festival at Ficksburg, water sports at the Sterkfontein dam, a Basuto cultural village in Qwa-Qwa, Bushmen rock paintings near Fouriesburg and the renowned Maluti tourism route traversing "two nations" (see the tourism section below). As noted above the district municipality of Sesotho is the most relevant to this study, since it contains the important corridor town of Ficksburg.

6.4.2.1 Structure of district economy

Graph Two, Appendix Two shows the relative contributions of the various sectors to indicate the internal structure of the economy. The graph shows that the district economy is dominated by Community Services, which contributes more than 40%. The relative importance of this sector has increased from 1996, 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 therefore more dependent on Community Services for any growth.⁴⁵ It contributes only 14% of the provincial GGP (the second lowest after Xhariep), and yet contains 25% of the provincial population.

6.4.2.2 Internal structure of the district economies

Graph Three, Appendix Two gives some perspective on the differences in the internal structure of the district economies of the province.

6.4.2.3 Comparative advantages

⁴⁴ Urban-Econ (Development Economists) 2003: 'Free State Economic Profile' November 2003, Section 4.

⁴⁴ Ibid.

⁴⁴ Ibid

⁴⁵ Ibid.

Graph Four presents the comparative advantages, expressed in terms of location quotients per sector, for the province's five districts.⁴⁶ The thick line on the graph represents a location quotient to the value of one (1). A value of more than one indicates that the district enjoys a comparative advantage in the particular sector. The graph shows Motheo enjoys a comparative advantage in about all secondary and tertiary sectors, which can, of course, be attributed to the conglomeration of trade, financial, government and educational sectors in Mangaung. Table 34, Appendix One indicates 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 (presumably due to in migration to Mangaung), resulting in the highest unemployment level of 41%. The table shows the fairly diversified economy of Motheo.

The graph indicates Thabo Mofutsanyane enjoys a comparative advantage in agriculture while the table shows how the district contributes much less towards the provincial economy than the relative size of the population. This weak performance can be attributed to the fact that the district includes the former Qwa-Qwa, which is very poor (following the withdrawal of industrial development incentives) with the highest poverty levels in the province. However, its potential in tourism is clearly indicated.

6.5 Manufacturing

6.5.1 Provincial issues

The most important role-player in the province 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. No policy prescriptions, or wide sector analyses for a provincial manufacturing development strategy are at hand at time of writing (see Box One below for some regional policies and strategies). However the FDC does have strategic focus areas for supporting appropriate investment in the province. These were described as; tourism and development, manufacturing, agri-processing, mineral beneficiation, petro-chemical downstreaming and service industries.

Box One below reveals issues emerging from the history of the FDC activities in the eastern Free State districts and issues pertinent to the development of the relevant districts.

Interviewee: Gordon Shahimla. Free State Development Corporation Manager. Eastern Region

The current situation

Gordon highlighted how the disbandment of the Qwa Qwa Development Corporation in 1994 had a 'devastating effect on the economy of the eastern Free State' when the series of subsidies put in place to attract investment to the former homeland fell away when businesses which relied on these withdrew, and unemployment increased considerably.

Present strategies. Comparative advantages?

In response to a question regarding the present strategies of the Corporation to attract investment, he says that the rental charges for industrial sites within their control are competitively priced in comparison to Gauteng, and he believes the eastern Free State to be well placed and 'in-between'

⁴⁶ Urban-Econ (Development Economists) 2003: 'Free State Economic Profile' November 2003, Section 4

the major industrial centre of Gauteng and the port city of Durban, well linked with a good road network -and clearly believes its spatial location will work in its favour. He notes that crime in the area is low by comparison to the other centres, and while the labour force was 'restive', labour relations were characterised by a relatively low number of strikes and the unions' presence, while well established there, was described as 'comparatively mild'.

The predominant industries were textiles followed by furniture manufacturing, with some heavy investment by a company called Taurus, producing goods for the two chain stores of Ellersine's and Lewis, and a sizeable plastic container manufacturer, which had outsourced its delivery responsibility to local businesses in the area, increasing employment.

FDC perspectives

Gordon says the FDC wants to see more previously disadvantaged local people becoming involved in tourism, especially in hunting and safaris and in bed and breakfasts in the area, but conceded that at the time of the interview, they had not had much success in encouraging this among the local people. He maintains that one of the reasons is that the FDC has not developed a package of incentives and assistance measures comprehensive enough to make entry into the desirable sectors a valuable alternative to local people.

FDC incentives

Presently the FDC offers 'small loans' to individuals interested in the relevant sectors, with no 'official limits' - according to Gordon- on the amounts individuals could borrow- the amount allocated being determined by the 'affordability of the project', as well as by the outcome of the FDC's review of the business plan for the venture. The FDC also offers a Joint Venture participation scheme- aimed at reducing the amount and cost of capital to borrowers- whereby the corporation provides a portion of start up capital to start ups via a share equity scheme, the shareholders agreement containing provisions governing the conditions and price under which the FDC will eventually sell its share.

Problem areas

Replicating niches?

Gordon says that they have not met with success in promoting agri- processing, but used successful cherry farms near Ficksburg as an example of what can be achieved in the way of focussing on niche markets, and the potentials for adding processing and canning ventures 'downstream'. Efforts continue in the eastern Free State on encouraging manufacturing, tourism and the hunting and safari industries, its biggest success being the establishment of furniture manufacturing.

Local Government

One of the biggest obstacles to doing its business more effectively was said to be the inadequate co-operation of the relevant local municipalities. Their lack of 'reciprocation' - the inability of municipalities to offer incentives, assistance and facilities which would 'dovetail' or complement the FDC services - such as subsidised rates and water and electricity charges to support six month rental holidays they provide. Gordon's observation is that they continue to work in 'silos', with perceptions from municipal local economic development units that they are in competition with each other, that they have a poor understanding of business skills, and that credit would go to the FDC for successes, all contributing to the detriment of an effective local and regional economic development.

6.6 SADC Perspectives: Trade, Industry, Finance and Investment

SADC's RISDP takes the view that groupings of countries that are successfully implementing (appropriate) trade and economic liberalisation policies experience high rates of growth and attain quality of life improvements. They view the creation of large markets becoming synonymous with increased foreign investment (as investors search for economies of scale and efficiency gains in the production process), and where small and protected markets have been rendered non viable by globalisation.⁴⁷ Despite overlapping regional economic communities in Southern Africa (ie; COMESA), and therefore variable engagements into EU trade agreements by member countries, there is a stated need for SADC to 'keep pace with developments on the continent in order to avoid slowing down the continental integration agenda of achieving an Africa wide market". It is promoting trade and financial systems which are rule based, predictable and credible.

Trade and economic liberalisation is viewed in the RISDP as a key catalytic intervention area, to be achieved via;

- the establishment of the SADC Free Trade Area by 2008 (with all intra- SADC trade tariffs at zero),
- a SADC Customs Union by 2010 (with a common external tariff in place), and
- a 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;

- the integration of SADC into the global economy by 2020, via an engagement in multilateral trade negotiations through the WTO, and to negotiate trade and development agreements with other regional blocs, aimed at ensuring an increased SADC share of trade and investment globally and with other regional blocs,
- enhancing SADC economic competitiveness by 2015, via the development of a regional industrial development policy and strategy framework,
- the diversification of production structure and exports by 2015, via promoting value addition especially in agriculture and mining, and the creation of new industries in services and the encouragement of manufactured exports and services,
- enhancing employment creation capacity of the regional economies over 2004 to 2008, through the development of SME's, the regularisation of the operations of the informal sector and the promotion of entrepreneurship and self employment,
- achieve macro- economic convergence through the harmonisation of macro- economic policies and via the development of protocols on finance and investment, to be achieved through MOU's on convergence, taxation and finance and investment, and
- to mobilise resources for the RISDP to establish a SADC Regional Development Fund.

⁴⁷ SADC Secretariat: Regional Indicative Strategic Development Plan. P83. Priority Intervention Areas. Trade, Economic Liberalisation and Development. March 2003.

6.7 Recommendations: Strategies for cross border industrial and trade integration

A World Bank Study on Growth and Employment Options for Lesotho highlighted the vulnerability of Lesotho's industrial base and proposed diversification both in product range as well as export markets. This hinges on the ability of Lesotho to attract Foreign Direct Investment and policies and practices to ensure adequate industrial land, infrastructure and the upgrading of the railhead.

Trade relations and regimes provide the context for industrialisation (and Lesotho has clearly demonstrated success in exploring opportunities for industrialisation in AGOA- by transforming threat into opportunity with the launch of the denim mill).

Two international trade regime developments are of importance in the exploration of industrial growth opportunities for the Free State and Lesotho, namely;

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

The Free State and Lesotho can either continue with ad hoc industrial reactions to these changes in the international trade regime, or it could pro-actively study and pursue windows of opportunity that these regimes present.

It is feasible that suitable negotiations between the Province's Department of Economic Affairs and the Environment - the Government of Lesotho - and the S.A Department of Trade and Industry (DTI) - should result in decisions regarding the adoption of this studies recommendations overall, and lead to the establishment of a framework of support for the introduction of South Africa's twelfth Spatial Development Initiative (SDI) or Corridor Development Programme.

The establishment of this unit - with the support of SADC and NEPAD - should then consider ;

Recommendation one

It is recommended that detailed investigations are initiated by the proposed SDI/ PEAC, in conjunction with the Lesotho Ministry of Finance and Planning, to determine how best both the Free State and Lesotho can utilise their existing strengths (textiles in Lesotho and chemicals -with pharmaceutical potential in Sasolburg) 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 complimentarity in industrialisation efforts, since the industrial estates of Maseru-Thaba Nchu-Bothshabelo -Bloemfontein are close enough to one another to pursue linkages in areas such as component processing or the further enhancement of products.

Recommendation two

Close co-operation between the Free State and Lesotho agencies cited above should be initiated to investigate the selected expansion of agro- processing in the Mohokare Valley Zone. On the Free State side there exist several agro-industrial endeavours where further product niche's can be investigated for diversification and downstream processing. The development of high value crop production under irrigation in both sides of the Mohokare (see proposals below), would imply opportunities for substantial expansion in this sector.

Recommendation three

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 net consumers of agricultural produce, the issuing of permits for the import of agricultural produce probably has the effect of higher consumer process in Lesotho.

Recommendation four

It is recommended that a joint Free State -Lesotho study be initiated to investigate the patterns in micro - level /household consumer imports into Lesotho. (Eg: what type of consumer shopping from Lesotho is taking place in Ladybrand, Ficksburg and Mangaung), and what are the associated development opportunities that may emerge on the basis of such information.

7 Issue area three: Enhancing the development potential of the Mohokare Valley Zone: A Special Development Zone across the Mokhare-Caledon valley incorporating complimentary agriculture, land reform and tourism strategies

7.1 Lesotho: Agricultural Reform

For decades attempts to achieve higher agricultural output have failed. For a long time Lesotho pursued a policy of self sufficiency in food. In the mid 1990's this was changed to an emphasis on food security, and a shift from subsidised grain prices was made towards market related prices. however, the bulk of the efforts in agriculture have not reflected this policy change: in crop production it is still geared to trying to assist small farmers increase their production of maize, sorghum and wheat. In 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 and access to land which was meant as a safety net, ensuring 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 the potential of commercial farmers. An increasing percentage of rural households do not have access to fields for cultivation (see Table 35, Appendix One). Whilst the Agricultural Census of 2000 has a lower indication of rural landlessness than the 1996 Census, it at least confirms the magnitude of the problem. In the 1970's landlessness was a problem for approximately 12% of rural households.

With the grain price being determined by the international market price for grains – a step that in general had benefited the majority of the population since they are net consumers rather than net producers of grains – it is impossible to compete in the cultivation of grains with commercial farmers not only in the Free State, but also in Brazil, the United States and Canada. The costs of farming numerous unconsolidated patches of fields, with rights to farm them depending on informally arranged share-cropping or rental arrangements, delegate grain production in Lesotho to the realm of non-commercial exercises. A comparison of yields per hectare in Table 36 confirms the situation. The reasons for this are manifold and include the following;

- lower investment in field preparation and cultivation practices like anti-erosion measures due to no formal ownership arrangements and the fact that after the harvest, fields in Lesotho become common grazing area,
- 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,
- lack of efficient credit providers and input suppliers in Lesotho. The distribution of subsidised fertilizer and improved seeds through the Ministry of Agriculture not only undermines the

establishment of private sector providers of inputs in Lesotho, but because the distribution channels do not depend on commercial returns, they are ineffective and slow with fertilizer and seeds often not available during the planting season,

- soil fatigue in Lesotho due to mono-cropping and severe top soil losses through improper cultivation practices,

An accelerated and appropriate rural land reform is critical to address these concerns. However, a concerted effort to move towards higher yields per hectare by switching to export crops like asparagus, apples, cherries, grapes⁴⁸, herbs and flowers (to name a few) could be beneficial. This is an area where synergy with the Free State, where diversification is also high on the agenda, could be achieved. This approach will not negate the need for land reform, but has the potential of a higher economic yield per hectare than an approach of land reform coupled with extensive grain production. The experience of individuals who commence with orchards in Lesotho highlighted numerous problems, e.g. demolition of orchards by herders who realise that an established orchard will limit their right to graze the area after the harvest, as well as pilfering. These problems can only be overcome by transforming the production mode of communities in specific valleys. This in itself could (provided the legal land reforms are in place and the GoL commits itself to effective policing to prevent vandalism and crop pilfering) open opportunities for partnerships between farmers in the Free State and such farming communities in Lesotho, or even between agro-industries in the Free State and Lesotho farming communities.

Food security (and poverty reduction) will be better served in Lesotho by acknowledging that the agricultural sector has shed a large percentage of households involved in agriculture, assisting them to find security outside agriculture, enabling those remaining households to increase production, income and thereby reducing poverty.

SADC Ministers of Agriculture agreed in February 2004 in Dar es Salaam that poverty reduction and food security strategies require increased productivity as well as land reform, allowing women equal access to the land as men. In Lesotho the land reform process has stalled largely since the announcement by the Land Review Commission's bold recommendations in 2000. A draft Land Bill that has substantially watered down the LRC's recommendations, despite legal technical support from DFID, has not even reached parliament- despite that draft being completed in 2003.

On completion of the World Bank led Agricultural Policy and Capacity Building Program in early 2004, the Bank did not 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, phasing out of input subsidies, and promoting opportunities for commercialisation in agricultural production, before they can support such a program.

7.2 Free State Perspectives

7.2.1 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 “granary of the country” 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.

⁴⁸

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.

The eastern Free State- Motheo and Thabo Mafutsanyane districts-is one of South Africa's most important potato production areas. In addition, the Ficksburg area grows some 90% of all South Africa's cherry production. Clocolan and Ficksburg have large tracts of land permanently under asparagus and seasonally under beetroot-supplying sufficient yields to two large processing and canning plants near Gumtree -with large export orders. There is an increasing investment in apple orchards and 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 agro service companies-OVK-rendering services from the northern Free State down to the Eastern Cape.

Provincial policies in the public sphere are well developed, but programmes need deepening (see boxes below). Provincially there is a potential client base of over three hundred thousand 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 agro processing
- creating and 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 identified in service delivery and in the organisational environment 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 agro- 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.⁴⁹

Within the private sphere of agriculture, Free State Agriculture have made significant organisational development gains, whereby the major role players such as the commodity groups (Grain SA, National Wool Growers, Milk Producers Organisation etc), the agribusiness groups and 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 into key priorities identified in the province. There are various support programmes for emerging farmers in place, with Grain SA, for example, servicing over 2000 across the province. In addition, a strategic planning committee (SPC) for land reform has been established, currently negotiating a complementary relationship with the Department, in order to mutually identify and engage in reciprocal relationships in support of a co-ordinated, integrated and economically stimulatory land reform across the province.⁵⁰ 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.

⁴⁹ Free State Department of Agriculture. Strategic Plan. 2004-2007.

⁵⁰ Zingel, J and de Jager, L. HSRC and FSA. Terms of Reference. Free State Agricultural Union's Strategic Planning Committee -established for the co-ordination of private sector led roles in support of a more integrated and effective land reform. May 2004.

There are further privately led and donor supported programmes into Lesotho, supported by Free State agricultural development consultants. For example, the Chamber of Mines' TEBA labour recruiting organisation is supporting 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.

Free State-Lesotho border relations in agriculture

Despite this progression, the rich and diverse potential of the two border districts is under threat through extended cross border pilfering that is no longer limited to cattle rustling. Maize and cabbages are problematic to cultivate in a 10km wide zone from the Lesotho border too. (See the relevant boxes below). Graph Five in Appendix Two indicates the relative contribution of each district to agriculture. The graph shows that the most important agriculture production district is Thabo Mofutsanyane (constituting about 30%), followed by Lejweleputswa (25%) and then Motheo at 18 percent.

7.2.1.2 Land Redistribution in the Free State

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 (female-headed households comprised 7% of all beneficiary 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 through municipal commonage programmes (land owned by municipalities).

Some 2,700 households have benefited through SLAG, gaining access to 49,500 ha of land, while 1,800 households have benefited through LRAD, gaining access to 86,500 ha of land. About 1,500 households have participated in the municipal commonage programme, gaining access to 42 000 ha of land.⁵¹ In land Restitution, of 2,769 claims lodged in the province, 101(4%) were rural and 2,668 (96%) were urban. By March 2003 there were 1,152 settled claims, of which 14 were rural. The average claim settled in the Free State has 2 households per claim with 35 hectares per claim. Most of the settled claims are urban claims that have been settled through financial compensation. However, the bulk of the rural claims – that hold most potential to transform landholding, redress the past and address poverty – are still outstanding. Rural claims are large, complex (overlapping claims to land, owners and tenants, claimants and farm dwellers) and costly.

Tables 37-9 in Appendix one list the land reform projects in the two districts adjacent Lesotho

7.2.1.3 Case study material from the Free State/Lesotho border zone: Tweespruit and Ladybrand

Since bald statistics can mask complex realities it was considered important that the official perspectives and positions regarding progress in policies and practice in the province was fleshed out through interviews with role players in agriculture - to gauge their perceptions and experiences in their specific localities.

Box Two. Case Studies: Tweespruit and Ladybrand

⁵¹ Hall, R. and Jacobs, P. 2003 "Land Redistribution and Restitution in the Free State and the Northern Cape," PLAAS, University of the Western Cape.

Interviewee: Jeff Johnson. Chairman of the Tweespruit Farmers Association, Mantsopa Municipality Area, Motheo District

Crops and Agri processing

Jeff describes the major crops grown in the area as wheat, sunflowers, maize and some soya bean, mostly grown for the local market. Agro industries and agro processing in the area are limited to four maize mills, three wheat mills and a small oil press. He views the 'depressed state of the current cereal prices' limiting the potential for further down stream processing plants, partly determined by the hold of the bigger millers over the smaller farmers, and who can apparently determine the selling price of grains due to insufficient buyer competition.

He describes farmers in the area, and agriculture generally as '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 at present, while maize prices apparently moving from R800/ton to R615 over the same period. He says farmers are keenly aware of the impact of the removal of protective tariffs and subsidies in agriculture, - 'we are totally reliant on the (workings of) 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 Jeff, a US wheat surplus was behind the 'dumping' of inferior quality grain under the cover of food aid, with a result that 'the local wheat market died'.

A second reason is that minimum wage levels arising from the Sectoral Determination of the Minister of Labour in 2001 has had a profound impact on the pattern of worker employment on farms in the area. It was held to have removed the 'carrot' of wage increases for better performing employees by stipulating percentages for yearly increases to be applied to all workers, which Jeff says, means that the minimum wage in effect becomes the maximum wage, and farmers think twice before employing more or new labour. While farmers have not engaged in dismissals, following the introduction of the new labour legislation, they are rather not filling positions. 'If someone leaves, they are not replaced'. Instead, farmers have shifted to using casual and seasonal labour found in the streets of the local town, who are 'simply invited to get on the farmer's bakkie with no indication of how long they will be in the employ of the farmer'.

Local Land Reform Experiences around Tweespruit.

Of the five SLAG and one LRAD project in the area, Jeff noted that 'every single one of them have reverted to forms of commercial farmer management'. These projects were bought 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 were not sustainable and the Trustees therefore left the land, and chose to lease it back to commercial farmers on a six monthly basis. Before this the beneficiaries had used the land purely for grazing purposes, not engaging in other forms of agriculture. The LRAD project had involved 25 beneficiaries and the focused acquisition of a sunflower mill. Jeff holds that a combination of non payment by clients in conjunction with the alleged embezzlement of funds by the mill manager had led to the projects demise and about R400,000 of outstanding debt.

He believes that the largest stumbling block faced by these emerging farmers had been the limited support from the Department of Land Affairs, and that the grants were insufficient to make provision for the acquisition of necessary capital goods, itself a result of poor business plan preparation. He also believes the extensive use of outside consultants' rushed in' was a contributory factor, and that the extension service structure and skills levels were inadequate

and weak.

Cross Border Crime and Stocktheft.

The most prevalent form of crime in Tweespruit which can be traced to Lesotho is, according to Jeff, vehicle theft. However he describes this as less significant than the significant problem of overgrazing on the commonage areas of Mangaung Local Municipality, said to be the end destination of animals stolen around 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 further held that from there, stolen stock were driven into Lesotho. Jeff says the Mangaung commonages near Thaba Nchu and Bothshabelo were completely overgrazed, containing over 1,800 animals. Farmers suspect most of the commonage users are Lesotho citizens ('probably due to the shortage of land in Lesotho'), who use South African relatives to pose as land users, as well as bribery of municipal officials. They suspect that Lesotho citizens obtain border post permits to bring cattle into South Africa, alter the documentation to increase the original numbers, and thus enable them to return to Lesotho with more animals than they had left with. Police raids on the Thaba Nchu commonage sometimes uncover stock stolen in Tweespruit and surrounding areas. The strong belief is that commonages are used as cooling off areas to keep stolen animals while police conduct searches, with the re-branded animals then driven to Lesotho later.

It was also suggested that rampant theft has led to the destruction of the sheep farming industry in the area between Mangaung and the Lesotho border - declining by 60% over the past few years and with 'some farmers losing up to 20 sheep on a single weekend - obviously to syndicates acting out of Thaba Nchu', according to Jeff. Support from police was said to vary, depending on the police station and the station commander.

Ladybrand- Mantsopa Municipality

Interviewee: Johan Oberholzer. Maluti Tourism and Information Office. Ladybrand

Mr Oberholzer also indicated that agriculture sector around Ladybrand was 'quite depressed' with many farmers 'not doing well'. He described a recent trend - which he expects to be long term - whereby commercially oriented Lesotho farmers were buying farms in the eastern Free State, to escape the limitations of traditional communal grazing systems in Lesotho which 'encourage overgrazing and does not recognise private ownership. Stocktheft had declined on those farms. He described the well known fact that there is a perception among some Basotho that the Conquered Territories - across the border - still remain 'theirs'. He noted a pattern whereby some farmers had come to terms with ongoing theft and intrusion onto their lands from

Lesotho graziers by entering into informal agreements to provide grazing rights to people from Lesotho, and that stock theft apparently declined thereafter as well.

There has also been a rapid increase in the number of foreign owned farm purchases in the area recently in the Ladybrand area. To his knowledge, there are two Italian owned properties, and seven American owned properties around Ladybrand.

Box Three: Public Sector support for emerging agriculture and land reform in the municipalities of Mantsopa (Motheo district) and Setsoto (Thabo Mafutsenyana)

Interviewee: Dan Makena. Extension Manager. Free State Dept. of Agriculture Manager. Motheo district.

Extension support

Dan describes the support services to emerging farmers in the two areas 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 - aimed at providing six areas of support vis; 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 the extension officers

Extension officers in Motheo district were said to number 13, with three based in Mantsopa, in the towns of Excelsior, Hobhouse and Ladybrand respectively. They were considered to be under utilised, since the municipality contains 'about' 15 LRAD projects and few commonages. Excelsior has only one LRAD project and one commonage, and in Hobhouse the commonage land is the subject of a land restitution claim. Mangaung has 5 extension officers - two in Mangaung 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, Dan says their roles and numbers are sufficient to ensure this, but they continually find that 'people are fighting and that often the chairpersons of project committees are dominating the group'. Extension officers end up becoming involved in solving the particular communities 'social problems'.

Land Reform

Dan 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', while this was not always sufficient since 'their needs are often more than we are able to offer'. He is also very concerned about the way land reform is unfolding in the districts, 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, allow the DLA to take it back for other potential users.

Secondly Dan is 'worried about the mindset 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

Dan says commercial farmer attitudes seem to be mixed, with the nature of the interaction depending on the attitude of individual farmers. There is a general feeling that some are 'not willing to sell their land at affordable prices' and that the price of 'productive land' is made unaffordable to LRAD beneficiaries. On the other hand he notes how some commercial farmers have displayed an attitude of good neighbourliness towards LRAD farmers and offer assistance - in Dan's opinion a very favourable development. The department has recently begun to involve the commercial farmers in their information days, yet Dan is worried that given the difference in size and scale between the commercial and LRAD farmers, most of the commercial farmers would not have the time to devote a lot of attention to their emerging neighbours.

7.3 SADC initiatives in Agriculture

The Food, Agriculture and Natural Resources (FANR) cluster in the RISDP comprises areas of cooperation 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 dependant on agriculture in one way or the other. Major SADC policy issues going forward are;

- to promote agricultural productivity and food security at household, national and regional level,
- to promote efficient development utilisation and conservation of natural resources,
- improve capacity in agriculture to transform national economies,
- generate domestic savings and foreign exchange to finance a gradual structural transformation of the regions agriculture-dependant economies, and
- facilitate the welfare of people in the region.⁵²

Promoting a sustainable food security is the priority RISDP objective, used for guiding 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 and water management and appropriate technologies, over 2004,
- 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 and advocating fair trade practices in agriculture,
- encouraging the involvement of commercial or large scale farmers in food production,
- improving rural transport infrastructure and improving access to land and credit and enhancing technology generation and transfer.

Improving access to food is another priority objective, via strategies which;

⁵² SADC Secretariat. Regional Indicative Strategic Development Plan. Review of existing social and economic policies

- promote rural non-farm income generating activities and employment to reduce poverty and strengthening co-ordination of entrepreneurship development, income and employment creation with the Industry, Employment, Labour and NGO sectors, and
- promoting agribusiness.

7.4 Recommendations: Agriculture and Land Reform

Clearly then, there are both some significant faultlines- and opportunities- for a more co-ordinated investment in agriculture and land reform in the identified development zone. There is also a large degree of 'policy convergence' or synergy in the recommendations and strategies of the Free State PEAC, Lesotho, SADC, the Free State Department of Agriculture and the private sector. This needs to be capitalised on in a constructive and phased manner.

As has been stated in the first issue area recommendations, it is feasible that suitable negotiations between the Province's Department of Economic Affairs and the Environment - the Government of Lesotho - and the S.A Department of Trade and Industry (DTI) - should result in decisions regarding the adoption of this studies recommendations overall, and lead to the establishment of a framework of support for the introduction of South Africa's twelfth Spatial Development Initiative (SDI) or Corridor Development Programme.

The establishment of this unit - which should be developed in conjunction with support from SADC and NEPAD - should then consider;

The following recommendations are developed at three orders or levels vis;

Recommendation one

For Lesotho it is recommended that the land reform process is accelerated by legalising the main recommendations of the Land Review Commission

Recommendation two

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, cross country visits by Lesotho officials and farmers to investigate the methods and practices in 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,
- 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.

Recommendation three : programme and project level

That the established Free State agricultural companies in the Ladybrand area begin discussions with both Lesotho and Free State Departments of Agriculture with a view to developing *formal outgrower partnerships* with small scale and emerging farmers in specific crops and commodities to be identified (from timber, wool, wheat, asparagus, beetroot, etc.). There is a long history of

successful outgrower partnerships in South Africa, particularly in timber and sugar cane,⁵³ 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 an economic and financial and institutional model which works to best effect of all parties. The drivers need to be both the public sector and the representative Free State Agriculture. The Ladybrand based Agro Company OVK could be serious stakeholder as both;

- potential input provider to Lesotho farmers,
- and in providing a market for Lesotho producers and processing capacities - 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.

Recommendation Four :Project specific

Conduct a scan of the Lowlands (the previous ODA research in this regard has been overtaken by tremendous land degradation and donga growth, as well as settlement sprawl due the constant migration of households from the mountains to the lowlands) to;

-identify valleys that are in terms of soil and climate ideal for irrigation, and then to pilot land reform processes in a number of these identified valleys. This needs to be accompanied by training and extension -in the extension services initially - or knowledge transfer, 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 programs for identified farmers should be pursued.

7.5 Tourism: Neighbouring Countries, Lesotho and the Free State

The type and extent of tourism development in the Free State and Lesotho is not yet well documented, most probably due to the fact that it is an 'emerging sector', only recent receiving attention as an economic driver locally. However there is substantive recent cross-country comparative data on trends in tourism and visiting patterns from the world and from most African countries, which is used here to describe patterns in Lesotho citizens' visits to South Africa and to the Free State.⁵⁴

Unsurprisingly, given the history of linkages between the two countries, of the total 1,101,4780 visitors from Africa over April to June this year, *Lesotho citizens numbered 345,000-by far the largest country contingent*, followed by Tanzanians (209,448), and Baswana (200,100) and then by Zimbabweans (113,707), and people from Mozambique (88, 531).

Some 10% of Basotho (Tanzanians -13%, Botswana-12%) *come on holiday*, while 41% come for *business purposes* (Tanzanians 52%, Batswana-61%). *Visiting friends and relatives* is the next largest category of visitors (Lesotho 35%, Tanzania 21%, Batswana 20%), and a category of 'other' comprise 14% from Lesotho, (with 5% from Tanzania and 7% from Botswana).

⁵³ See Zingel, J. Between the Woods and the Water; The policy and legislative environment for outgrowing at the regional level. Kwa Zulu natal. Report prepared as part of the South African Country study for the international collaborative Research Project steered by IIED: Instruments for a sustainable private sector forestry CSIR/Environmentek. International Institute for Environment and Development. Department of Water Affairs and Forestry. 2003.

⁵⁴ South African Tourism Strategic Research Unit. South African Tourism Index Quarterly report. April to June 2004.

The average length of stay of Lesotho citizens is 5 nights (Tanzanians 14 nights and Batswana 3), with most (59%) of Basotho coming in *independently* (Tanzanians 80%, Batswana 53%). Twenty seven percent (27) of Basotho come in on *inclusive* packages (where airfare, accommodation and couch tours and food are all included) while the figure for Tanzanians are 16%, and for Batswana 36%. Some 7% of Lesotho visitors come in on a *'full package'*, where airfare, accommodation and food are included (Botswana -7%).

Primary destinations vary by country significantly. Only 47% of Basotho visit Gauteng (Tanzanians 76% and Batswana 51%), while the next priority province for Basotho is of course Free State (34%). For Tanzanians it is the Western Cape (16%) and Kwazulu-Natal (10%). For Batswana, North West Province is obviously the next best bet destination (34%).

Average total costs for trips have been documented at R4,924 for Basotho, including R718 as prepaid expenditure at home, with average total expenditure in South Africa at R 3062. Figures for Botswana are of course, very similar, while Tanzanians spend an average R15,237 of which R5,503 is spent at home and R 9,370 is spent here.

Five point scale satisfaction ratings across a wide range of important indicators (such as the hospitality of people, domestic flights, natural attractions, public transportation, accommodation, service levels, safety and security, general infrastructure and customs and immigration) between visitors from the three countries compare favourably on the whole. However, Basotho visitors have only expressed comparatively higher rankings than Batswana and Tanzanians for public transport at 3.06, (Tanzanians 1.40, Batswana 1.87) and for natural attractions at 3.11 (Tanzanians 2.68, Batswana 1.69).

This may well be explained by their loss of preferential status as migrants and workseekers, by the loss of country embassies after 1994, and by their downgrading from 'preferred Frontline State' status, as well as by the aftermath of the nature of the recent- low level- military intervention into their country by South Africa. Higher levels of education and the quality of education in Lesotho schooling may be a factor as well, since many highly educated Basotho have been 'exported' to South Africa and compete in a tense professional job market. Further anecdotal evidence suggests that there is a larger element of national pride and identity in comparison to other countries in the region, whereby Basotho, who regard the fact that they never ever capitulated to full colonial rule, unlike other neighbouring countries, as very important, despite their relative poverty.⁵⁵

The final issue area on social issues across the border zone in this study casts additional light on these matters.

7.5.1 Some trends and perceptions regarding tourism in the two Free State districts of Mantsopa and Motheo

Box Four: Perceptions of Tourism Developments

Interviewee: Johan Oberholzer. Maluti Tourism and Information Office and Sunflower Tours. Ladybrand

Public Support for Tourism Development: Mantsopa Local Municipality

Johan explains how he initially approached the Free State Development Corporation for

⁵⁵ Personal conversations by the principal author with a Tanzanian economist, Dr C .Mlosy who recently worked in Lesotho for the International Labour Organisation and is currently with the African Development Division of the CSIR.

assistance and co-operation in promoting tourism, aimed at establishing a BEE tourism project and training black tour guides. However he did not receive any communication from them, and has no idea of what tourism development and support packages are available, if any.

However, the Mantsopa Municipality has given limited support to promote tourism and local economic development, principally by providing funding and equipment to lease offices to establish a local tourism office, now run by private tourism companies. According to Johan, the municipality have done nothing else and the promotion of tourism does not feature at all in Municipal budgets. His conversation with a municipal Development Officer apparently revealed that 'the municipality does not know what to do regarding the promotion of tourism' and that, 'it does not know what tourism can do for the local municipality'.

As an example, Johan notes how Ladybrand had only one Bed and Breakfast establishment five years ago, and by the middle of 2004, now has 65, all being private initiatives responding to market demand, with little or no encouragement from the Municipality. He says the local tourism 'sector' views the municipality as a stumbling block to the progression of the industry locally and 'a law unto themselves', with officials not trusting tour operators because they are 'not black enough'. Johan exemplifies this by noting that, in his view the municipality has not made a 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.

Motheo District Municipality

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

The Maluti Tourism Route. Forms of an appropriate cross- country and public- private co-operation

This route is the single largest and 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.

Johan notes the strong support in the development of the Maluti route from the Free State Provincial Department of Environment and Economic Affairs, as well as from the Eastern Cape government, especially in marketing the route at tourism conventions and shows. According to Johan, the Lesotho Ministry of Tourism also supported the route, contributing about R100,000 to it. However he notes that it has been difficult to attract black people to become involved, since they lacked sufficient start up capital.

7.5.2 'Two Nations'. Other forms of cross border recreation. Lesotho- Maluti-Free State

Early initiatives have developed into a range of innovative cross border events.

As a result of innovative partnerships between the public and private sector there is an annual Two Nations marathon (in September) between Ladybrand and Maseru, starting at the Maseru Sun and ending at the Ladybrand sport ground. Principal sponsors are the Maseru Sun, with support from Motheo District Municipality, Free State Tourism, the South African Chamber of Business -

Ladybrand, and Rotary -Ladybrand. Contestants are given the option of entering a half or full 42km race, and the event also includes a Two Nations endurance walk between the two centres, and a Two Nations cycle race sponsored by the retail chain Spar and Ladybrand Rotary.

7.6 SADC Tourism

Tourism strategies are contained within the priority intervention area: Infrastructure Support for Regional Integration and Poverty Reduction in SADC's Regional Indicative Strategic Development Plan. The overall goal is to use tourism as a vehicle for achieving sustainable socio-economic development, poverty alleviation and as a key incentive for the conservation and utilisation of the region's natural resources.

The major subsidiary objectives and strategies relevant to 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,
- promoting investment in resources that transcend territorial boundaries where necessary through PPP's,
- 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 among others,
- ensure equity, balance and complementarity in the regional industry via the harmonisation of policies, strategies and legislations, and the promotion and implementation of spatial development initiatives, undertaking integrated tourism development projects,
- increase the participation of SME's and marginalized communities, youth and women in the industry throughout the region.

7.7 Recommendations : Tourism Development Strategies

Again, as for agriculture, there exists a fairly large degree of 'policy coherence' in the perspectives and positions of SADC, the Free State and of Lesotho with regards to tourism. Numerous potentials and pitfalls have been identified. While there is limited public and private cooperation at local municipality scales - indeed there is animosity- there is strong evidence of this in cross border events and in the construction and development of the Maluti Route. There is also the large contingent of Basotho who will continue to be a vast market capable of contributing to a deeper segmentation of the industry between the two areas. Accordingly the recommendations are cast at four 'levels' or orders of potential.

As has been stated in the previous two 'issue area' recommendations, it is feasible that suitable negotiations between the Province's Department of Economic Affairs and the Environment - the Government of Lesotho - and the S.A Department of Trade and Industry (DTI) - should result in decisions regarding the adoption of this studies recommendations overall, and lead to the establishment of a framework of support for the introduction of South Africa's twelfth Spatial Development Initiative (SDI) or Corridor Development Programme.

The establishment of this unit - which should be developed in conjunction with support from SADC and NEPAD - should then consider;

Recommendation one

In the public sphere Free State Tourism (in DTEEA) and Lesotho tourism should agree to initiate a series of planned bi-laterals (drawing SADC officials down locally and the private sector), to consider;

- the joint allocation of public funds into a joint facility - within the proposed SDI/Corridor support infrastructure noted above -geared to undertaking investigations, providing support for and promoting appropriate investments and strategies which build on, deepen and expand the existing nature of integrated tourism development strategies and practices between the two 'regions'. The objective of the facility should be to act as 'centre of excellence' and provide strategic support for the promotion of tourism on both sides of the border in a complementary and integrated way.

This facility should include a representative private sector-with a view to expanding their existing role-via the organised development of appropriate public-private-partnerships in further investments and in an appropriate 'niche' development, to be defined by the facility through investigations.

Recommendation two

That the large Basotho market identified in this study be targeted by the above mentioned facility, whose responsibilities would be to engage with the relevant institutions and actors to investigate, assess and subsequently address their defined requirements - going forward - and the causes and consequences of their relative dissatisfaction with their South African experiences, particularly in the Free State itself. Unblocking some of these blockages would clearly enhance the nature of the interaction by citizens of the two 'regions' in an economically stimulatory manner, if addressed thoroughly.

Recommendation three

Given ongoing tensions between local municipalities' officials and the local tourism interests in the private sector, it is recommended that the intended facility - or Free State Tourism, in conjunction with SADC officials drawn down locally, investigate;

- the most appropriate location of the powers and functions for the local /small town tourism development and support mandate in terms of the constitutional provisions for this (should this be district /local /or provincial? and how should the three spheres interact and who provides what ?)

- having done this and agreed on an optimal spread of role and powers and services, there needs to *be a planned and phased programme of capacity building and training of municipal and district officials* - and incorporating private sector interests- regarding the requirements and responsibilities and relative contributions of each sets of actor- for a more stimulatory and developmental pro-growth and pro- poor tourism -in many niches.

Recommendation four: Some project specific issues for the intended facility

The majority of tourists visiting the Katse Dam enter in the morning from Ficksburg and return in the evening to Ficksburg again. Enhancing tourist facilities in the Katse Dam area to keep tourists to the Eastern Free State and Lesotho an extra night or two in the area, should have substantial benefits for both Lesotho and the Free State province. An investigation determining the needs of tourists and outlining tourism potential and linkages between the Ladybrand to Clarens/Golden Gate and the Lesotho Highlands Water Scheme and Oxbow Lodge and its ski-facilities should be jointly undertaken. Care should be taken that such a study should determine the private sector needs and

scope for development as well, since that sector should be the major investor in facilities, with authorities taking on a benchmarking oversight and promotion role.

8. Issue Area Four: Cross Boundary Infrastructure

8.1 Lesotho perspectives in urbanisation strategies and urban management capacities

Lesotho's towns are ill equipped to handle the influx of new urbanites. This is the situation concerning the release of surveyed stands for residential purposes, as well as relating to infrastructure. In the first instance the focus will be on energy infrastructure, thereafter dealing with water and sanitation. Table 40, Appendix One highlights the recent energy use by town residents in Lesotho. It is evident that even in the urban areas, electricity and gas still fulfil a minority role. Whilst affordability may play a limiting role, lack of a proper urban supply network is a larger stumbling block. The uneconomic layout of the urban areas further contribute to a high reticulation as well as maintenance costs.

Access to clean potable water as well as appropriate sanitation systems are pre-conditions also for a healthy urban environment as a basis for development. Table 41, Appendix Two indicates the proportion of the various towns' population 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 reticulation water systems also for the expected future household demand in addition to a growing demand from industry. The Lesotho Lowlands Water Scheme study should be completed towards the end of 2004. However, in the pre-final draft it is evident that several institutional options are considered, namely;

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

With the Maseru to play a crucial role in the Lowlands Water supply scheme and some of the options even considering utilising storage and purification facilities of Ladybrand, the scope for an integrated approach to address also future water needs in the Eastern Free State, is evident. Scope for institutional arrangements that would cater for cross boundary bulk supply and reticulation could also have lower institutional cost advantages for communities on both sides of the Maseru.

Seldom, if ever, are stands, roads, water and power supply made available for newcomers. These almost always follow after the act and town planning is rather reactionary than pro-active. Totally illogical land-use also hampers the towns from realising their potential as engines of growth.

In Maseru and Maputsoe the following examples can be highlighted;

- sparsely populated residential areas, not even of high income, are found within a radius of 3 km from the Central Business District in Maseru,
- Maputsoe's link road to the border is also the main business road and is clogged with taxi's, passengers and hawkers, stifling proper transportation and suffocating mobility,
- the Thetsane Industrial Estate in Maseru is adjacent to the high income Thetsane residential area, an area that should have been zoned and planned for residential purposes for factory workers who

now have to walk long distances or resort to taxi's, whilst appropriate complementary town planning would have enabled 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 5 year period that would require an update,
- urban land is not optimised, because there are no penalties for not utilising land. Several government owned houses have been in disarray for years, but because they do not pay 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 not managed, 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.

8.2 Free State perspectives - the infrastructure circumstances of selected corridor and border towns and the nature of infrastructure backlogs

This section traces some trends in the present state of infrastructure, as well as projects planned, in selected towns bordering Lesotho. It should be used to inform a debate around the development of suitable cross border arrangements for a more effective provision of bulk developmental infrastructure and therefore services between Lesotho and South Africa.

The past five years has seen a significant public investment in the normalization and integration of former townships and 'white' towns in the country and the province. The principal instrument has been the introduction of the Integrated Development Planning (IDP) process as a mandatory activity for all municipalities, used to assess and address the nature of the backlogs in services and facilities and to plan a 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 as the locus of a 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, embodied in the Municipal Systems Act of 2001. In 2004, Mantsopa Municipality, comprising Ladybrand and Tweespruit towns of this study, was selected as winner in the national VUNA awards -assessing the progression of municipalities towards the achievement of a developmental local government in five key performance areas, vis; their progress regarding Service Delivery, their efforts with regard to Municipal Transformation and Institutional Development, in Local Economic Development, in methods and efforts to achieve Financial Viability and in achievements regarding Good Governance.⁵⁶

⁵⁶ Buso, N., Makoba,S., Pienaar,D., and Zingel, J. Best Practice report on the Performance of 10 Municipalities shortlisted for the Free State Provincial Vuna Awards.. For Directorate: Municipal Performance management. Department of Local Government and Housing. September 2004.

Notwithstanding these considerable gains in the province, the recent early summer has witnessed a large measure of civil unrest in many of the Free State's small towns, with measures taken by the Premier to take over administration of three municipalities. Well developed service delivery targets are often not met, (due the considerable complexity in the systems of intergovernmental relations and responsibilities for relevant aspects of infrastructure and services), and the new generation of officials and councilors are increasingly under threat from vocal communities who expect a more encompassing 'delivery'. A Provincial Task Team of all key role players has just been established to driver "Project Consolidate" initiated by the Presidency and aimed at speeding up and integrating more effectively, the roles and related responsibilities of the different tiers of government.

Sesetso Municipality: Ficksburg and Clocolan

The backlogs in water services in these towns, and the condition and extent of bulk and internal reticulation services are highlighted in Tables 42 to 46 in Appendix One. 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.

Mantsopa District

Ladybrand. The municipal area constitutes approximately 4,682 hectares (urban) and comprises Ladybrand, Manyatseng and Mauersnek. The remaining extent of the municipal area consists of land used mainly for agricultural purposes. It is a service center to the predominantly agricultural orientated surrounding rural area, and also to Lesotho. It is the most progressive and largest of all the towns in the Mantsopa Local Municipal area. The town has a promising economy and many national companies occupy retail and industrial space. The town accommodates 34% of the total population of Mantsopa while its surrounding rural area houses 62.5% of the total rural population of Mantsopa. Unfortunately data is not at hand for service levels and arrangements in Bothsabelo and Thaba Nchu.

Bulk infrastructure supply: Water

Ladybrand extracts water directly from the Caledon River. The raw water storage dam in the Cathcartdriftspruit is supplied from the Caledon River. The Cathcartdriftspruit supplies Ladybrand with raw water when extraction from the Caledon River is not possible. The raw water is purified at the purification works situated in Genoa, approximately 10 km southeast of Ladybrand. The purified water is pumped from the water treatment works in Genoa to the low level reservoirs. From here the water is pumped to the high level reservoirs. The high level reservoirs supply mainly the Manyatseng area and Clover Factory while the low-level reservoirs supply Ladybrand town and Mauersnek. The Thomson borehole provides water to low level reservoirs when required.

Sanitation

Ladybrand and Mauersnek have a 100% waterborne sewerage system in place. Manyatseng has 30% waterborne sewerage system in place. It is proposed that waterborne sewerage be expanded to other households in Manyatseng in future and due to the expected increase in the volume of sewage, the current oxidation ponds need to be upgraded to a conventional sludge-activated system. The Department of Water Affairs and Forestry has already expressed their concern about the possibility of contamination of the Cathcartdrift dam. A project has been proposed in the IDP to address this issue.

Electricity

ESKOM is the direct electricity supplier for Manyatseng, which in turns supplies the local businesses and residents in Manyatseng. Mantsopa Municipality distributes electricity to Ladybrand town and

Mauersnek and also certain surrounding farms. The incoming supply line to the ESKOM distribution station is a 88kv supply from where it taps down to 11kv for distribution to Mantsopa Municipality. Ladybrand town has 19 substations in town and 2 in Mauersnek while 13 substations are situated on the surrounding farms. Currently, only 2 main 11kv cables supplies Ladybrand town which is on maximum load. Provision has been made for a third ring in the current budget as to distribute the load. Most of the substations in town are on maximum load during winter times and additional mini subs need to be installed in certain areas. Provision has been made in the budget for additional streetlights to be installed in Ladybrand and Manyatseng. These are maintained by Mantsopa Local Municipality.

Roads and stormwater

The tar roads in Ladybrand need to be resurfaced urgently while the gravel roads can be surfaced in future. The roads in Manyatseng are in a bad condition as most of it is only graded. Stormwater drains need to be provided in Manyatseng to improve the maintenance of the road network while the ring road must be paved in total to improve access to the area.⁵⁷

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

Limited information is available about the current infrastructure provisioning on farms. It is estimated that there is 4,430 households staying on the farms within the municipal area (SSI, 2002). Of these households, 1,368 are farmers and 3,062 households are farm workers. Most of the farmers (61%) and farm workers (51%) rely on boreholes within 500 metres as their source of water. Twenty three percent of farm workers indicated that they use a communal tap, thus implying that the rest have to fetch water at the source, while most farmers have household connections. The majority of farm workers (89%) use pit latrines as a form of sanitation. The farmers on the other hand uses mostly french drains for sanitation. Only 34% of all farm workers have electricity connections compared to 70% of farmers. Most of the farmers and farm workers felt that the rural roads were in a poor condition. Public transport is available to a few farm workers but the majority however do not have access to it. Fifty nine percent of all farm workers did not have access to telephones.

The majority of farmers did have arrangements in place for emergencies with water shortages, power failures and veld fires. Table 49, Appendix one shows conclusions regarding the backlogs in urban and rural infrastructure and services at 2002.

8.3 SADC Perspectives: Public private partnerships and dialogue

The goal of this key intervention area is integrate the private sector in policy and strategy formulation, as well as in programme implementation in the SADC new development model - in order to accelerate and achieve sustainable regional economic integration. Within this, the aim is to to institutionalise public- private- partnerships and dialogue, via a developed institutional structure for this, and address private sector issues through the PPP dialogue forum, as well as provide capacity building for PPP's.

Energy

Energy policies are targeted within the priority intervention area: Infrastructure Support for Regional Integration and Poverty Eradication, with an overall goal of ensuring the availability of a

⁵⁷ 1st Edition Integrated Development Plan 2002-2007, Mantsopa Local Municipality, Main Report, Volume II

sufficient, integrated, efficient and cost effective infrastructure system that will support and sustain regional economic development, trade and investment for poverty alleviation. Of relevance for this study are the main objectives aimed at;

- improving security and reliability of supply and provision of least cost energy services via the establishment of a competitive and efficient regional integrated energy market -with harmonized regional energy policies and regulations (by 2006), 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.

Water

In the water sector the overall SADC (RIDP) goal is similarly stated to that for energy covered above.

Within this overall frame, there are a host of objectives, strategies and measures to achieve this over specific time frames. Of relevance to this study are objectives to;

- 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 polices (to 2006),
- the development of 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.

Transport

Similarly, overall transport goals are aimed at ensuring the availability of sufficient, integrated, efficient and cost effective infrastructure system that will support and sustain regional economic development, trade and investment for poverty alleviation.

Specific objectives relevant for this study are;

- to maintain transport infrastructure through systems of sustainable funding and 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 public- private- partnerships and investment in such links, largely via the private sector,
- improve appropriate levels of accessibility for rural communities via participatory approaches to infrastructure planning, and of appropriate technologies in provision and maintenance,
- to promote integrated regional investment in transport and communication infrastructure by basing transport infrastructure investment decisions on the needs of the overall system, and of regional priority projects when planning investments,
- to promote concessioning to the private sector in roads, railways civil aviation and maritime transport,
- identify regional training centres for the road, railway, maritime and civil aviation and communication sectors,
- promote private sector regional associations as participants in regional policy formulation and implementation, and, promote the activities of corridor planning committees, and establish as necessary corridor planning committees for all regional corridors.

8.4 Recommendations: Infrastructure

As this study has proposed for the preceding 'issue area' recommendations it is feasible that - suitable negotiations between the Province's Department of Economic Affairs and the Environment - the Government of Lesotho - and the S.A Department of Trade and Industry (DTI) - should result in decisions regarding the adoption of this studies recommendations overall, and lead to the establishment of a framework of support for the introduction of South Africa's twelfth Spatial Development Initiative (SDI) or Corridor Development Programme.

The establishment of this unit - with the support of SADC and NEPAD - should then consider the following recommendations framed at three 'levels' or orders;

Recommendation one

- 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 and prioritise and address the cross border infrastructure needs and opportunities identified in this study.

Recommendation two

That a public- private- partnership facility is established within the proposed SDI /Corridor Development unit and capacitated with the support of the S.A Treasury PPP facility, the Municipal Infrastructure Investment Unit (MIIU- housed in the Development Bank) and the Infrastructure Cluster/Directorate SADC. It's initial task should be to draw in stakeholders and to mutually develop the strategies, options and models and modalities for establishing various -and the most suitable forms of -PPP's in the following major service sectors;

For the water services sector;

- bulk water supplies across the Mookgongolo borders,
- the establishment and management of a river basin organisation to manage the trans-boundary development of the Mookgongolo river and harmonise relevant legislation,
- develop regional water infrastructure projects -including transfer schemes, storage and especially irrigation for the recommendations in agriculture contained in this study.

In the transport infrastructure it can consider;

- the establishment of representative corridor planning committees tasked with assessing the linked and related transport needs of a future and changing industrial and manufacturing regime across borders, of a more stimulatory tourism development across borders, and of a more developmental agriculture and land reform and tourism, and around the needs of previously underserved or neglected communities, villages and farms across borders,
- the relative priorities for either road or rail infrastructure,
- the subsequent upgrading of railway infrastructure for improved cross border goods movement (see recommendation four below),
- the subsequent upgrading of major and secondary roads across borders and between the key corridor towns /centres of Mangaung, Bothsabelo/ Thaba' Nchu, Tweespruit, Ladybrand, Clovello, Maputsoe, Maseru activity axis,

- the introduction of labour based road development programmes in the tertiary roads on both sides of the border in support local villagers and agriculture and stimulatory local and regional tourism.

In manufacturing and trade it can negotiate and consider the most optimal sets of relationships between the public and private sector in the provision and use of industrial land and associated facilities.

Recommendation three: project specific urban development support infrastructure

An investigation of the urban infrastructure needs of towns on both sides of the border could also consider future bulk and end-user arrangements (also institutional) with financial advantages for communities on both sides. This aspect should be taken up with Lesotho authorities even prior to the finalisation of 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 had worked on the LLWSS. (Joint urban services should have benefits especially in the case of Ficksburg and Maputsoe). To enable the urban areas of especially Maseru and Maputsoe to become the largest and economically most diversified towns in Lesotho and engines of economic growth, interaction should be pursued to determine how the backlog in formal planning and cadastral description of all urban stands and a valuation roll as the basis for an local income base could be established.

Recommendation five :project specific- railhead facilities

The lack of proper facilities at the railhead in Maseru should be addressed to enable quicker handling of freight, especially considering the potential expansion when all the new factories come on-stream. At this stage the upgrading of the existing railhead is envisaged, however, from an urban planning perspective as well as from transportation economics, a new station in the area between Thetsane and the Ha Tikoe industrial areas with a new crossing over the Mohokare, would be the best call. 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, the following benefits would result;

- trucks carting cargo from the existing station to the factories and back will no longer be a hassle in the often congested Maseru streets.
- the existing rail-bridge could be upgraded to a dedicated bridge for heavy vehicles crossing at the Maseru border post, thereby freeing space and enabling the border post to operate more efficiently.
- the land of the existing station (and the fuel depot) would become free. That would release prime land for development in the immediate neighbourhood of the Maseru CBD.

A study to determine the feasibility of a new station between Thetsane and Ha Tikoe 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 public-private partnership for such a station should also be investigated.

9. Issue area Five: The need and desirability of harmonising the cross border utilisation of 'social infrastructure'.

"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".⁵⁸

Patterns in the cross border utilisation of facilities and services are complex. All have important economic and developmental implications and all need to be reviewed in light of the trends in policies for a more effective and stimulatory regional integration advanced mainly by the SADC Directorates.

9.1 Border controls⁵⁹

Lesotho presently contributes over 40% of the movement of people from neighbouring countries across South Africa's borders. The Maseru and Ficksburg bridges handle by far the largest number of travellers than any other border posts with any country.

Three authorities- the S.A Immigration Department (passport control) of the Department of Home Affairs, South African Police Services, and Lesotho Immigration (who have no desire that South Africa stamp Lesotho passports for any reason-and would happily agree to the removal of Home Affairs from the border) have poorly harmonised responsibilities for different requirements.

Much of these are managed by a system of ix month concession documents, emergency travel documents (recently withdrawn to the chagrin of Basotho) and individual trip /travel permits. Associated with these controls is a 'black economy' where the circumvention of the regulations and controls for personal gain is encouraged, and where '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'.⁶⁰ Those that wish to avoid controls simply use many well know 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 - and immigration and passport control play virtually no role in controlling these sorts of crime'.

Both Lesotho and South African Immigration officials admit that border controls are ineffective in controlling the movement of illegal aliens-and this is not simply the result of corruption since Lesotho citizens are given visitors visas as long as they have valid passports, and South African identity documents have never been difficult to obtain (see box below).

Prior to 1963 Lesotho citizens were not required to present passports when entering South Africa, and the subsequent controls introduced by apartheid South Africa were due to security concerns. Over the past decade of the transition to democracy Basotho have come to expect that these and other controls would be allowed to be relinquished.

According to Coplan, while Lesotho citizens are covered by the same South African immigration regulations as those of any other country, in practice quite different regulations and permits concessions and arrangements are in place, and national ones are often ignored in the accommodation of local realities. Senior officials of the Lesotho immigration service at Masuru bridge have complained that the present treatment of Basotho is now more obstructive than under the National Party Government.

⁵⁸ In Profile ; Professor Michael Khan. Executive Director of the Knowledge Management Research Programme. P13. HSRC Review No 3 .September 2003

⁵⁹ Most of the detail and recommendations for this section are drawn from: Coplan,D. Executive Summary.Report to the Department of Home Affairs on the need and desirability of relaxing immigration controls between South Africa and Lesotho. Department of Social Anthropology. University of Witwatersrand. Not dated .Also personal communications with the author.

⁶⁰ Ibid., p2.

The legislation emanating from the White Paper on International Migration has been based on the narrow premise that a liberalised border regulation would be to the exclusive benefit citizens of neighbouring countries seeking economic advantages to the detriment of South Africans.

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

Farm labour, who have been crossing the Mohokare for generations without documentation, are increasingly difficult to control now. However, many do believe the permit system can serve as legal protection as it prevents farmers who employ Basotho without permits from having them arrested and deported when the time comes to pay them wages. Basotho have also responded by obtaining S.A identity and moving over the border to the informal settlement mushrooming on the edges of the Free State towns of Ladybrand, Clocolan, Marquard, Ficksburg, and Fouriesburg.

9.2 Cross border Utilisation of Services

Coplan argues that attempts to prevent Lesotho residents from enjoying South African social services to which they are not entitled, such as subsidised education or health care has produced the opposite result: a large influx of Basotho into the townships and the misuse of South African residence and identity documents. He maintains insofar as Basotho are one cause of the present service crisis in towns of the eastern Free State, this can only be solved by cross border economic integration and development.

Box Five: Cross border social issues

Interviewee: Mr Ndlebe. Strategic Manager. Thabo Mofutsanyane District Municipality. Three local municipalities serve as borders between Lesotho and Free State.

Origins and reasons

Ndlebe believes that 'Lesotho citizens aspire to have the better life that South Africa can afford them. This is drawn from the fact that Lesotho is an economically struggling country and there are not free services as compared to South Africa. Many Basotho come to South Africa to better their economic status and their general livelihoods. He says it is difficult to trace how many come in by legal or illegal means. On a daily basis many go through the border gates and many still use the illegal crossings such as through the mountains and or rivers that run through Lesotho and the Free State. With regards to accessing services there are many Lesotho residents who have managed to gain South African citizenship whilst retaining their Lesotho citizenship. They have either gained through intermarriages or through the normal procedure of applying for citizenship and qualifying for naturalisation. However there are others who gain it through extended family relations - according to Basotho clan relations. Thabo Mufatsanyana is one district which has retained many of it's Basotho cultures and traditional hierarchies - some people use traditional leaders to gain access.'

Type of people and work

Ndlebe maintains that the majority of people who gain illegal access are 'semi- literate', mostly employed in the informal sector. In the areas where 'there is a trucking business there are a lot of Basotho girls working as sex workers- especially in the areas of Ficksburg and Fouriesburg. This has further increased the aids pandemic in both countries. In this regard there have been some observations that Lesotho citizens access health facilities in the Free State - but this is something that has not been confirmed as we do not have enough capacity to track that'.

Service demands

Despite the notion of neighbourliness and related traditions, Ndlebe feels 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, Lesotho residents who die in South Africa and cannot be identified become responsibilities of municipalities to bury them.

Crime and neighbourliness

Ndlebe confirms cross border crime, including rape and thieving, (ranked firstly as stocktheft, to dagga smuggling and escaping into and from Lesotho) as a pressing issue facing municipalities. Tensions do arise between Basotho and Free Staters -especially around stocktheft and the access to services- yet on the whole he maintains that social relations are relaxed and very healthy due to so many common aspects such as language and traditions and rituals.

Distict-Lesotho liaison forums

Ndlebe pointed out that the district liaison committee established to deal with such matters has not made progress in terms of implementing some of its goals, and in trying to deal with some of the challenges facing the municipalities, there has not been any collaboration with the Lesotho local government departments or municipalities and themselves.

Interviewee: Mr Molala. Maluti a Phofung Municipality

Mr Molala endorses the view of Ndlebe regarding the Basotho preferences for South Africa as an area of opportunity and for economic advancement. He says there is a trend for young Basotho to enroll in many tertiary institutions and in lower levels of the Dept. of Education, who are easier to track since they require study permits He also notes the trend of many Basotho able to access services due to retained family ties with South Africans, and the reaction of local residents in the municipality who have been vigilant in exposing Lesotho citizens who have fraudulently accessed municipal services.

He too notes the trends in crime - similar to Mantsopa- but with a large number of South Africans who cross the border to escape arrest in South Africa. He expressed the view that the municipal IDP did not take into account the unique challenges it faces, since it serves dual roles as an international inlet/outlet for South Africa and Lesotho.

9.3 Recommendations

Coplan's recommendations promote benefits that may flow directly from the reduction or removal of border controls at the posts. This would allow governments to provide other necessary services with physically more manageable and attractive infrastructure in the same space. South Africa would acquire a better image and create a more friendly, supportive atmosphere among the general public, including business people, tourists and professionals, as well as ordinary travellers. He predicts that business, agriculture, transport, tourism and cross border co-operation would be greatly enhanced in the Mokokare valley, through the easing and harmonisation of border regulations, leading to economic development, job creation, and increased public revenues and public services in the border districts.

As this study has proposed for the preceding 'issue area' recommendations, it is feasible that - suitable negotiations between the Province's Department of Economic Affairs and the Environment - the Government of Lesotho - and the S.A. Department of Trade and Industry (DTI) - should result in decisions regarding the adoption of this studies recommendations overall, and lead to the establishment of a framework of support for the introduction of South Africa's twelfth Spatial Development Initiative (SDI) or Corridor Development Programme.

The SADC Priority Intervention Area: Trade, Economic Liberalisation and development (covered in sections above) has priority objectives for the establishment of a Common Market endorse the last two alternatives above. *The associated strategies comprise the consolidation of the establishment of a SADC internal market, and the negotiation of the instruments on free movement of all factors of production.* The associated time frames for this are not too distant, being 2010-2015.

The establishment of this unit - with the support of SADC and NEPAD - should then consider the following alternative recommendations for border controls;

Alternative one

The system of controls at the Lesotho -South Africa border posts might be left as they are, but this is the least desirable option.

Alternative two

The strengthening of the function and effectiveness of the Dept. of Home Affairs operations, while providing a faster and more convenient service to the public. This would require considerable additional expenditure on physical infrastructure, technology, security, staff numbers, and training, and better linkages to DHA regional and national offices. While there would be returns in the form of improved controls combined with service to the public, the question must be asked whether such a result would be worth the investment required to produce it.

Alternative three

A partial easing and streamlining of border controls could be instituted, short of the complete free movement of persons across the border. Separate lines for S.A citizens and permanent residents, for Lesotho citizens and third state citizens, pedestrians and light and heavy goods and services vehicles would not only make sense but seem necessary if controls are to be retained. Or the inspection of South African passports could be dropped, with only foreign passports stamped. Six month concessions could be on demand to anyone who requested one, to benefit valley residents and visitors and reduce the corruption that thrives on these concessions. (See the related recommendations on issue area one for trade and manufacturing)

Alternative four

This is the radical alternative -removing the DHA's operations completely from the Free State border posts. For Coplan, the benefits seem to far outweigh the risks and disadvantages. He says this simple inclusive strategy is an admission that the busy border posts cannot in fact be efficiently controlled except by the allocation of resources that bring no benefit in revenue, 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. It 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 life of all inhabitants in the Mohokare valley. (See the related recommendations on issue area one for trade and manufacturing)

Final recommendations

The recommendation is that a Working Forum is established within the proposed Spatial Development Initiative/Corridor development facility comprising the Free State Provincial Government and Lesotho (and drawing down SADC officials), where negotiations and discussions are formalised, and the mandate and funds developed to prepare detailed position papers and perspectives regarding the phased introduction of alternatives three and four above. This must be endorsed by the Department of Home Affairs as a regional initiative intended to unblock economic and social blockages, and will need to be framed by the current status of legislation and policies emanating from Home Affairs, in SADC and in Lesotho.

10 Summary and Conclusions

This scoping study has identified a priority development zone across the Mohokare River separating the Free State and Lesotho, and has concentrated on four major issue areas considered vital for a more stimulatory integration and to the development of the region. These have strong potentials for specific areas of co-operation, change, and investment which can simultaneously address social problems and also create economic and institutional progression.

The major problem at this stage, is that the two 'regions' are at an economic and social level directly dependent on one another, but there is no framework for Lesotho and the Free State to interact directly. Diplomatic protocol demands liaison via Foreign Affairs in Pretoria and directly with SADC in the case of Lesotho. Ways and means have to be found to enable practical working groups comprising the state and non-state sectors on both sides of the Mohokare to design and adopt the instruments and arrangements that can enhance both 'regions' progress from poverty to prosperity.

As noted in the PEAC perspectives in the introduction to the study, it requires innovative forms of public and private sector interaction in the design and delivery of appropriate actions and investments. Therefore the study has opted for an approach contained within the overall, broad approaches embodied in the Spatial Development Initiatives (SDI's), and made in recognition of some of their limitations, (particularly the overly rigid adoption of central government conditions and prescriptions), as well as the neglect of local specificities. Without sufficient recognition or understanding of these - which this report has covered quite substantially-albeit in a preliminary fashion- any centrally directed investment can be undermined.

The recommendations for each issue area are also made within an approach which aims at the 'capture' of the SADC principles of *additionality* (where programmes need to add value to, or

generate solutions to problems in regional integration), and on associated principles of *subsidiarity* (whereby all programmes and activities are handled at levels at which they can be best handled). It also is directed at RISDP principles which encourage the maximum engagement of regional expertise and institutions for programme management and implementation, which should further enhance capacity building and local ownership, ie; decentralised management

There is an associated need to draw in expertise and growing experience in SADC, and in the NEPAD Secretariat, to engage in the early formulation, and provide subsequent support for, the organisation and operation of a specific and dedicated cross- border SDI programme. Capacity will need to be created initially, following the circulation of this study between Lesotho and South Africa, and the establishment of formal MOU's and MOA's to begin an agreed process for establishment.

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Appendix One:

Table 1: Temperatures :Northern Zone.

Table 1: Average maximum and minimum temperatures at two measuring stations in the Northern Border 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
... n	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

ow re ⁶¹	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
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Table 2: Rainfall:Northern Zone

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	Average
Butha-Buthe	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
Oxbow Lodge	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:

Percentage distribution by employment status		
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

Agricultural performance in grains in the three zones and compared to the national average						
	Maize		Sorghum		Wheat	
	yield/ha	% of nat	yield/ha	% of nat	yield/ha	% of nat
Northern Zone	0.980	1.348	0.895	1.334	0.918	1.515
Mohokare Valley	0.834	1.147	0.814	1.212	0.540	0.891
Southern Zone	0.504	0.693	0.547	0.815	0.556	0.917

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

⁶¹ 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.

Total	418668	1333	12100			34.60
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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

Average maximum and minimum temperatures at measuring stations in the Mohokare Valley 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	Max
<i>e</i>	13.8	28.0	13.2	27.1	10.9	25.3	7.8	22.5	2.4	19.7	1.7	16.4	1.9	16.7	1.5	19.4	5.7	2
<i>utsoe</i> ⁶²	13.8	28.1	13.2	26.6	10.6	25.0	7.1	22.1	2.4	19.7	3.1	15.7	5.4	16.5	1.6	19.0	7.6	2
	14.3	27.1	14.3	26.4	12.7	24.4	9.6	21.6	6.8	19.2	3.0	15.2	3.2	16.0	5.7	18.5	8.3	2
<i>teng</i>	15.5	27.2	14.9	26.3	13.3	24.6	10.3	21.8	6.5	18.8	3.0	15.6	2.9	16.2	5.4	18.4	9.3	2
<i>ru</i>	14.8	28.7	14.4	27.9	12.3	25.9	8.3	23.0	3.7	19.7	1.0	16.8	1.4	16.8	2.7	19.6	6.8	2

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 average
Hlotse	105.1	98.2	89.6	57.7	22.8	10.0	6.2	20.6	26.4	72.3	92.4	88.6	68
Maputsoe	101.5	98.1	86.2	56.3	21.9	16.5	7.3	25.2	33.1	63.0	94.9	93.0	69
Peka	93.6	128.1	128.1	60.4	25.0	12.8	6.7	15.7	28.9	71.4	99.8	104.8	77

⁶²

The measurements for the winter months cannot be correct, but were supplied by Metereology.

TY	106.6	90.8	100.9	55.0	22.3	12.9	3.4	18.0	28.6	87.4	98.4	95.0	7
Mapoteng	117.7	86.2	98.4	60.0	28.7	10.7	8.8	18.5	18.5	79.6	97.0	93.5	7
Maseru	91.4	83.8	86.8	59.3	27.7	14.2	11.4	28.5	23.1	83.5	96.8	83.6	69
Moshoeshoe I	126.4	110.4	121.8	50.8	25.8	12.5	7.7	21.6	28.2	79.4	89.1	102.3	7

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

Pass rates for Grades 1 – 7 in 2001		
	Repetition	Promotion
	20.4	79.6
	21.3	78.7
	22.7	77.3
	20.8	79.2
	22.7	77.3
	22.7	77.3
	25.7	74.3
	27.0	73.0
	26.0	74.0
	27.3	72.7
	22.8	77.2

s 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
MapotengTown	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

Mo'Hoek Town	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
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Table 13: Rainfall- Southern zone

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	Average
Mafeteng	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
Mo'Hoek	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
Total	9851		21486		42763	

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
TOTALS	36511619	2228843	2834211	3131697	2833263	3616465	3333401	350414078	361923429	2260794
	2	93	19	93	02	16	60			15

Table 17: Crop production

Average crop production 1983/84 - 1998/99 (excluding 95/96)															
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
Nat total	148768	108083	0.727	50458	33855	0.671	31563	19141	0.606	13745	6693	0.487	8358	2285	0.273

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

Table 18: Mohokare crop production

Mohokare Valley Zone's contribution to crop production in 2000/1					
	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

Mohokare Valley Zone's share of the national livestock flock in 2000			
	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

Urban population by district				
	1966	1986	1996	2002
District				
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
Total	37021	224051	383774	542281
% of total population	3.8%	14.06%	20.65%	25.82%
Mohokare Valley Zone urban pop as % of total urban	70.98	79.40	78.13	77.50

Table 21: Projections about urban growth to 2030

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

Source: Lesotho Lowlands Water Supply Scheme Draft Final Report

Table 22: Sector Contribution

The contribution of different sectors to the Lesotho GDP (percentages)									
		1982	1985	1988	1991	1994	1997	2000	2003
Primary sector		21.7	19.0	20.3	14.1	15.2	14.3	16.4	14.7
	Agriculture	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
	Mining & quarrying	3.0	0.3	0.1	0.2	0.0	0.1	0.1	0.1

		21.5	22.2	23.0	30.6	32.2	37.0	35.8	37.9
Secondary sector	Construction	12.4	11.6	10.6	17.6	16.4	16.2	15.9	15.8
	Manufacturing	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	???
Electricity & water	0.4	0.5	0.7	1.5	2.2	6.5	5.1	4.4	
Tertiary sector		44.6	45.9	40.9	38.6	39.5	37.9	38.8	38.1
	Wholesale & retail	5.5	6.7	6.4	6.8	7.8	8.2	7.9	8.4
	Hotels & restaurants	1.3	1.1	1.1	1.1	1.0	1.2	1.3	1.3
	Transport & communication	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
	Financial services	4.1	4.3	3.9	4.8	4.3	2.6	4.2	3.9
	Real estate	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
	Government services	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
	Community services	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
		GDP at purchaser prices	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	Net primary income ex territory	42.4	37.5	36.3	30.9	25.9	20.5	17.4	???
	Net transfers	5.9	13.1	12.1	12.9	15.1	15.2	11.9	???
	GDP as % of GNI	51.7	49.4	51.6	56.3	59.0	64.3	70.7	???
	GNI	100.0	100.0	100.0	100.0	100.0	100.0	100.0	???

Source: Central Bank

Diagram 23. Manufacturing

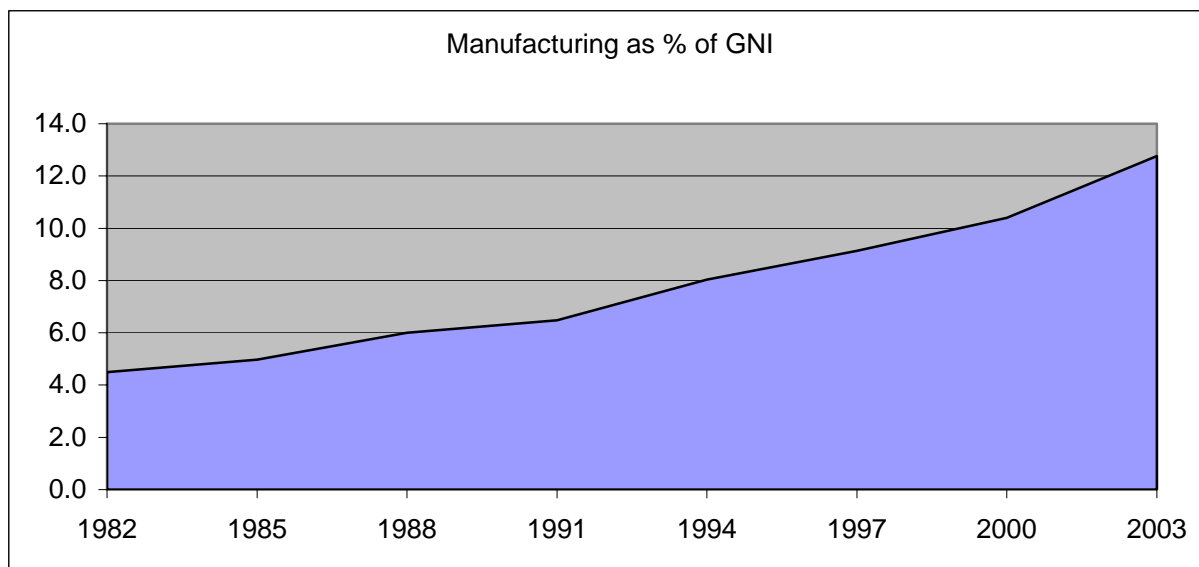


Table 23: Income: Government of Lesotho

	Sources of income for the Government of Lesotho									
	<u>1985/86</u>	<u>%</u>	<u>1991/2</u>	<u>%</u>	<u>1994/5</u>	<u>%</u>	<u>2001/2</u>	<u>%</u>	<u>2002/3</u>	<u>%</u>
Total GoL income:	316.6		969.3		1581.8		3122.5		3408.8	
Income before grants:	246.6	77.89	820.1	84.61	1438.5	90.94	2864.9	91.75	3077.2	90.27
Taxes:	49.3	15.57	277.6	28.64	423.6	26.78	942.0	30.17	1124.7	32.99
Income Tax:	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
Customs Revenue	161.1	50.88	424.1	43.75	840.9	53.16	1438.2	46.06	1470.0	43.12
Non tax revenue	36.2	11.43	118.4	12.22	174.0	11.00	484.7	15.52	482.5	14.15
Grants	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

Incentives for manufacturing industrialists in Lesotho	
Land and Infrastructure	<p>LNDC provides:</p> <ul style="list-style-type: none"> 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. 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)
Capital Allowances	<p>The following incentives are available:</p> <ul style="list-style-type: none"> 40% depreciation on building and plant capital expenditure in year 1 Low interest loans for financing of up to 60% of the cost of imported plant and machinery.
Tax incentives	<ul style="list-style-type: none"> A 15% maximum tax rate on profits earned by manufacturing companies. No withholding tax on dividends distributed by manufacturing companies to local or foreign shareholders. Free repatriation of profits derived from manufacturing profits. A tax holiday of up to 10 years can be granted under certain circumstances
Other incentives	<ul style="list-style-type: none"> Training allowances of 50% of cost of certain training programs for local employees.
Financial incentives	<ul style="list-style-type: none"> Unimpeded access to foreign exchange. An export finance facility and guarantee scheme Long term (up to 10 years) fixed interest loans

Source: LNDC

Table 26: Assisted companies

LNDC Assisted Manufacturing Companies				2004	1999	1994		
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	Nyeny
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	Nyeny

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 ent	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
TOTAL WORKERS				42777	21500	9851		

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

<i>Total</i>	42777	100	21500	100	9851	100
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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
Level 1: <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%
Level 2: <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%
Level 3: <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%
Level 4: <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
South Africa	Transportation equipment	300	545	731	143.67
	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	296.97
Lesotho	Lesotho textiles	130	318	373	186.92

Source: AGOA web site

Table 30: Total US Sub Saharan Imports

Sub-Saharan Africa: U.S. imports, total under the African Growth and Opportunity Act (YTD = Jan - Mar) AGOA-eligible countries only								
<i>(Thousands of dollars, Customs value)</i>								
Country	TOTAL 2002	TOTAL 2003	TOTAL 2003 YTD	TOTAL 2004 YTD	AGOA including GSP provisions 2002	AGOA including GSP provisions 2003	AGOA including GSP provisions 2003 YTD	AGOA including GSP provisions 2004 YTD
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
South Africa	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

Lesotho	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
Total	14,055,698	20,229,905	5,026,695	7,216,376	8,991,705	14,105,065	3,443,583	5,303,544

* *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. Fin. Serv.	1.3%	41.1%	58.0
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
National	291460	102387	35.13	328518	110877	33.75
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
Maize	0.834 tonnes/ha	3.750 tonnes/ha	22.24%
Sorghum	0.814 tonnes/ha	Phased out, only limited planting as fodder	Not applicable
Wheat	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 Dairy 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
Total: 27	Total: 153	-

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

Land Refrom Projects in Sesotso Local Municipality		
Project Name	Number of beneficiaries	DoA Support
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
Roelofrust Farming Trust	6	Extension Services and Land Care
SW and DA Matasane	2	Extension Services
Sonop	2	Extension Services
Thuloane Trust	2	Extension Services
Total: 11	105	

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

LRAD Projects in Mantsopa Local Municipality			
Project Name	Town	Number of Beneficiaries	Enterprises
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 Lketsetse	Hobhouse	21	Beef and Crops
Rebabedi	Hobhouse	2	Beef and Crops
Moruri	Hobhouse	9	Beef
Hazeldine	Hobhouse	2	Beef and Dairy
Botha Brothers	Hobhouse	4	Beef and Dairy
Mangwene Trust	Hobhouse	7	Beef and Dairy
Phamaleng	Excelsior	52	Beef and Milling
Total: 12	-	217	

'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															
	<i>Lighting</i>				<i>Cooking</i>						<i>Heating</i>				
	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
Lesotho	3.7	0.5	55.3	39.2	1.0	13.7	19.2	0.3	59.0	6.0	1.2	1.5	26.7	3.5
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	
Lesotho	11.1	48.3	1.0	12.5	6.9	12.2	6.9	
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
Ficks-burg								
Residential	Inadequate	Inadequate	Inadequate	4 130	-	5 970	-	10 100
Commercial				261	-	-	-	261
Industrial				20	-	-	-	20
Other				53	-	-	-	53
<i>Sub Total</i>				4 464	-	5 970	-	10 434
Clocolan								
Residential	Inadequate	Inadequate	Adequate	731	3 938	22	-	4 691
Commercial				152	-	-	-	152
Industrial				-	-	-	-	-
Other				12	-	-	-	12
<i>Sub Total</i>				895	3 938	22	-	4 855

Table 43: Setsoto IDP Projects

PRIORITY : WATER PROVISION					
PRIORITY ISSUE	PROJECT NAME	PROJECT OBJECTIVE	DESCRIPTION	LIST PROJECT OUTPUTS	MAIN TOWN/RURAL AREA

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 6MI.	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 Hlohlohwane = 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 with clean water		A water reticulation network and connection to each stand	

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Table 44: Setsoto sanitation

PRIORITY : SANITATION PROVISION					
PRIORITY ISSUE	PROJECT NAME	PROJECT OBJECTIVE	DESCRIPTION	LIST PROJECT OUTPUTS	MAIN TOWN/RURAL AREA
Infrastructure Sanitation	Upgrading Sanitation Treatment Works –	To adequately purify waste water and to discharge waste	Hlohlohwane – Provision of an area to discharge night soil and to	Site for night soil discharge and oxidation ponds Aerators at the ponds	Clocolan Marquard

	Hlohlolwane & Moemaneng	water in natural source complying with DWAF 's requirements	provide oxidation ponds before it is discharged into the sewerage system. Moemaneng – Provision of aerators at the ponds.		
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

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Table 45: Setsoto energy

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

Table 46: Setsoto Service providers

Town	Community	W/S	Bulk/ Infrastructure	New/ Upgrade	Project Description	Project Status	Funding Agency	Amount Allocated	Consultant
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
	Hlohlolwane	Water	Infrastructure	Upgrade	Water Reticulation Network for Extension 6	Ongoing	TM DM		Departmental
	Hlohlolwane	Sanitation	Infrastructure	New	Provision of VIPs	Identified – New	DWAF	230 000-00	To be appointed

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Municipal Demarcation Board

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

Table 47: Motheo services

Service	Level of Service	Excelsior		Hobhouse		Tweespruit			Ladybrand			Thaba Patchoa	Total
		Town	Mahlatswetsa	Town	Dipelaneng	Town	Borwa	Dawiesville	Town	Manyatseng	Mauersnek		
	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		7309
	Household connection (metered)	170	0	80	0	207	0	0	924	0	161		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

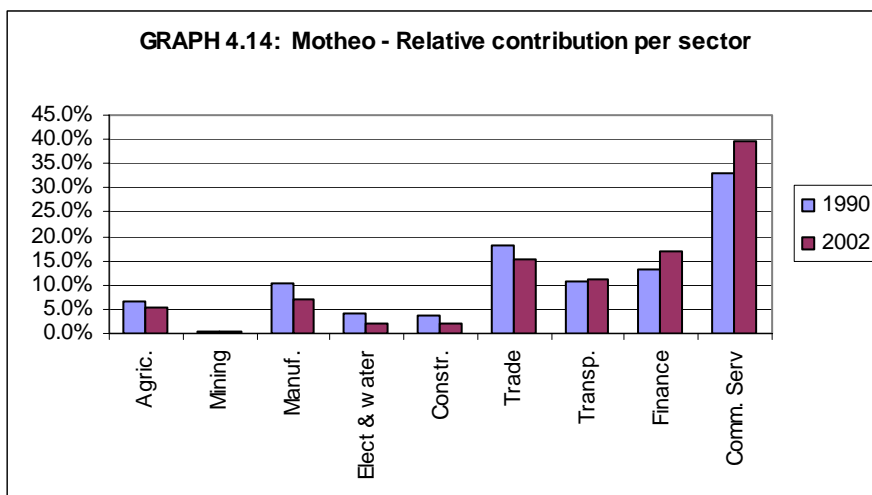
Table 49: Mantsopa housing and infrastructure backlogs (2002)

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),

Appendix Two

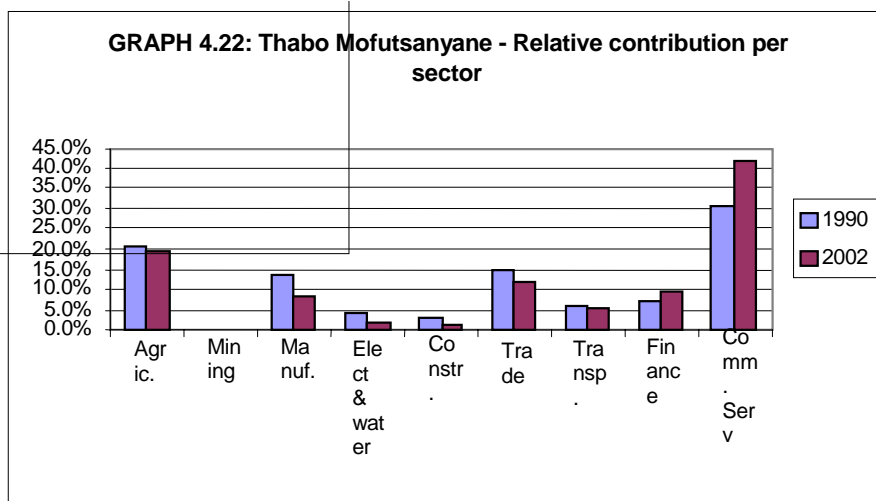
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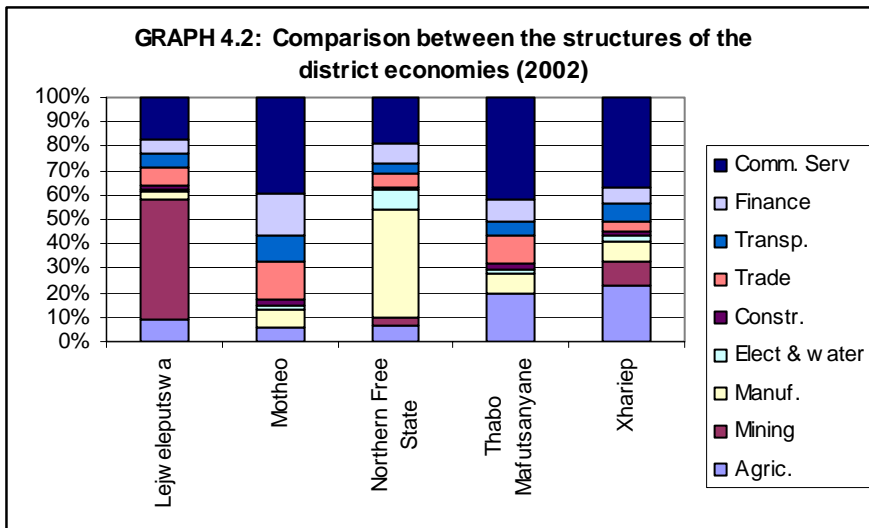
Graph

Two;

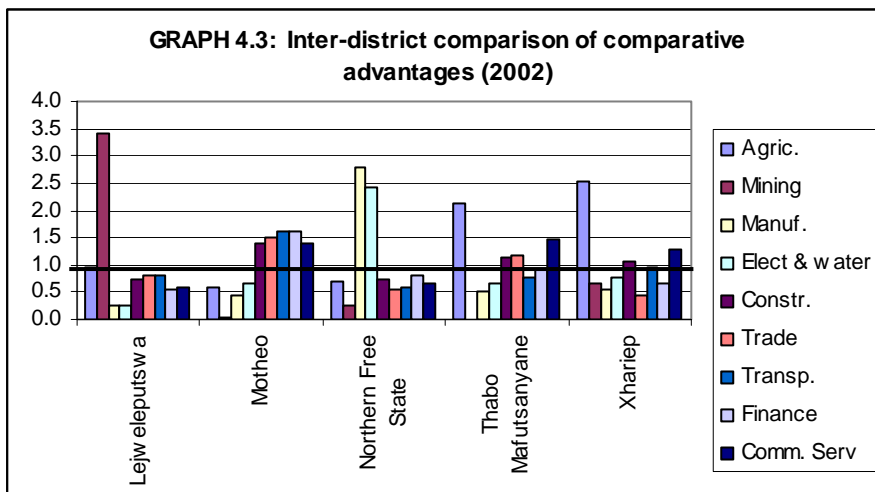
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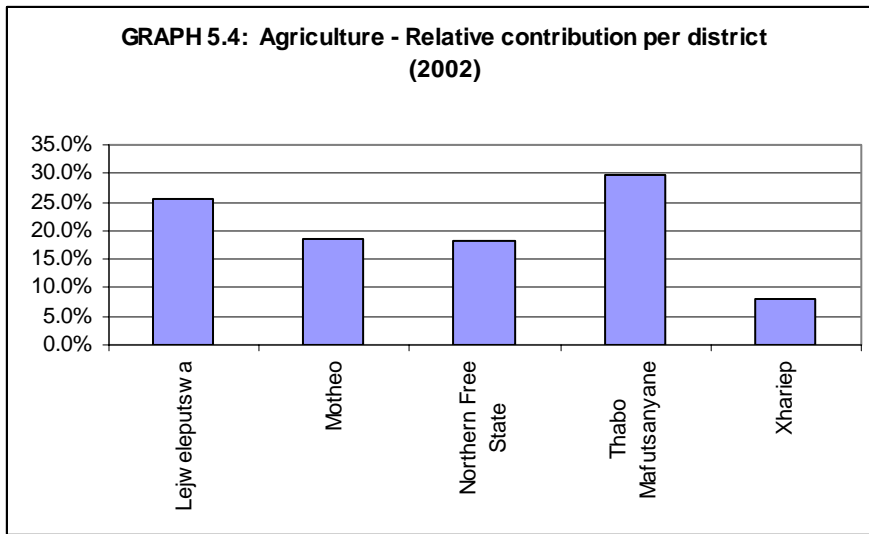
Graph Three



Graph Four



Graph 5 . Agriculture



Graph 6.

