SECOND CARNEGIE INQUIRY INTO POVERTY
AND DEVELOPMENT IN SOUTHERN AFRICA

Constraints to rural development
in Lesotho
by
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Introduction

Rural Development is an overall strategy for achieving economic development and increasing social welfare in the rural areas. As a development concept, it is dynamic and should reflect change in the technologies, organizations, activities and values of a society. The change should normally increase the opportunities of the rural people to participate in income generating activities and constructively and pleasurably in the activities of their culture and society. The development process should also build in mechanisms for conflict resolution which come as a result of change. Steps for striking a balance between individual and group interest should be undertaken. And lastly, efforts should be undertaken to bring into cultivation present and potential land without damage to the environment.

The major components of the rural development strategy are increased rural production and incomes; equity in income distribution; increased access to services and increased participation in decision making at district level.

Policy Issues for Rural Development

1. Access to Opportunities.

One of the burning issues confronting the rural population is that of lack of opportunity to gain access to

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vital services offered by government and the private sector. We visited several remote villages and found that some services were available but were inadequate and in others services were not available at all. In these villages people had to walk long distances to go to hospital, attend school, or get a letter posted. Motete (Butha-Buthe) for example, is one of the remote villages and there we found that it was in severe strain in terms of services. It had a clinic and seemed to be adequately staffed with a nurse and an assistant. A school had just been build and negotiations were under way with the Ministry of Education to provide teachers for the school. The people told us that they had to travel to the main camp in Butha-Buthe to post their letters or receive mail and to do some shopping.

In terms of income generating activities involving crops and non-farm employment the people felt that they had in the past, had casual contact with relevant government bodies. They were pleased that Co-op Lesotho had recently opened up a depot near-by at Lihobong. They however, indicated that they had not had a visit from extension officers for some time. They needed advice in agriculture primarily and would particularly like to talk to a soil specialist. There was no evidence of off-farm employment.
Other villages reported having similar problems and needs, albeit to varying degrees: Pontšeng (Tšweng, Leribe), Makaung (Mafeteng), Thusong Ha'Mosela (Mohale's Hoek).

It was not unusual to find families that received their income from various sources such as proceeds from the sale of agricultural commodities; non-farm activities; remittances from the mines in the Republic of South Africa or from internal migrants. This income barely reached the subsistence level for most of these families.

Consequently, we can sum up our discussion by saying that poverty is inter alia, caused by low income, unemployment, lack of or inadequate access to land, water, markets and credit. In addition poor or inadequate access to transportation facilities and improved technology.

It becomes evident that an attempt to eradicate poverty must focus upon increasing opportunities, especially income generating opportunities to the people in the rural area.

The target group that must be drawn into the rural development strategy are those reporting very low or no income and those who have no access or inadequate access to opportunities especially income earning opportunities.

Income earning opportunities should be evaluated in terms of access to land resources. Consequently, access to land resources should be viewed as the basic strategy.
for rural development. Off-farm employment on the other hand, should be a spin-off activity resulting from increased farming activities. That is, there should be a lag period allowed between initiating agricultural activities and complementary non-farm activities.

The target groups for rural development activity are outlined below by access to land resources. It has been found that market oriented farm households in the rural areas are 17%; those that are potentially self-sufficient 55%; resource poor ones without off farm employment but with land 13% and landless rural 15%.2

The above information suggests that a large proportion of rural people are subsistence farmers. That is, their production decisions are earmarked at providing subsistence for the family. In addition, others produce with the purpose of protecting their rights to the land.

Other inhibiting factors are as a result of resistance to change. At Motete (Butha-Buthe) people were reluctant to use new seed hybrids. Their selection of crops was guided by tradition and complemented by lack of contact with extension workers. The situation at Makaung (Mafeteng) was comparable. People used broad-cast technique for sowing.

Subsequently, they had problems controlling the weed and a lot of time was spent in this activity.

The resource base did not seem to have any influence on the cropping pattern. People planted maize where soil conditions called for different crops.

**Land Intensification**

It becomes clear that the immediate rural development strategy is to intensify land utilization with an emphasis on utilising the country's natural resources as an underlying element of the strategy.

The primary goal of land intensification should be employment creation. That is, an increase in the opportunity of work-age people to have access to the land.

Recent trends indicate that the number of hectares planted to major food crops in Lesotho had been declining rather sharply in the last twelve years. There have been marked declines for both summer and winter wheat. The country has comparative advantage in both crops. There is a market for both crops and it has been enhanced by the establishment of the Flour Milling Company in the country.

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The total number of planted hectares for beans, summer and winter peas also show a downward trend.

Crop yields show a similar downward trend as indicated in Table 1.

These trends are said to reflect the influence of the South African economy on Lesotho. These influences are many. The first one is that people do not have the incentive to work on the farm because they can supplement their income with migrant earnings. Secondly, the wives of migrants are already over-worked with house chores and have very little time to devote to agriculture.

Perhaps these trends could be signaling something more serious - the erosion of the land as a resource base. The country has adverse topography having steep slopes, rocky and stony terrain resulting in an unarable surface area of 90%. ³

Poor soil is a result of soil erosion by water and by the wind. ⁴ The situation is further complicated by poor and erratic climatic conditions and poor marketing infrastructure.⁴

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Table 1

Crop Yields in Kilograms Per Planted Hectare for Lesotho, 1973/4 - 81/2

<table>
<thead>
<tr>
<th></th>
<th>Maize</th>
<th>Sorghum</th>
<th>Summer Wheat</th>
<th>Winter Wheat</th>
<th>Beans</th>
<th>Summer Peas</th>
<th>Winter Peas</th>
</tr>
</thead>
<tbody>
<tr>
<td>73/4</td>
<td>869</td>
<td>991</td>
<td>947</td>
<td>519</td>
<td>352</td>
<td>743</td>
<td>386</td>
</tr>
<tr>
<td>74/5</td>
<td>556</td>
<td>547</td>
<td>889</td>
<td>537</td>
<td>436</td>
<td>441</td>
<td>344</td>
</tr>
<tr>
<td>75/6</td>
<td>425</td>
<td>443</td>
<td>832</td>
<td>554</td>
<td>246</td>
<td>442</td>
<td>427</td>
</tr>
<tr>
<td>76/7</td>
<td>1,359</td>
<td>1,331</td>
<td>1,713</td>
<td>638</td>
<td>1,207</td>
<td>955</td>
<td>265</td>
</tr>
<tr>
<td>77/8</td>
<td>1,284</td>
<td>1,383</td>
<td>1,398</td>
<td>1,033</td>
<td>756</td>
<td>845</td>
<td>518</td>
</tr>
<tr>
<td>78/9</td>
<td>1,021</td>
<td>1,274</td>
<td>983</td>
<td>595</td>
<td>699</td>
<td>1,109</td>
<td>414</td>
</tr>
<tr>
<td>79/80</td>
<td>892</td>
<td>919</td>
<td>1,009</td>
<td>756</td>
<td>432</td>
<td>753</td>
<td>445</td>
</tr>
<tr>
<td>80/81</td>
<td>763</td>
<td>749</td>
<td>791</td>
<td>415</td>
<td>385</td>
<td>641</td>
<td>96</td>
</tr>
<tr>
<td>81/82*</td>
<td>648</td>
<td>446</td>
<td>386</td>
<td>753</td>
<td>310</td>
<td>419</td>
<td>457</td>
</tr>
</tbody>
</table>


* Preliminary figures, subject to revision
Soil erosion is caused largely by water but the resultant gullies cause water to flow rapidly. As a result a lot of water is being lost through this process. Rational conservation and utilization of water as a resource is advisable. The current Highland Water Project is a step in the right direction, but more work needs to be done at the village level. Small projects that are simultaneously intended to control gullies and to preserve water must be undertaken.

Availability of Labour

The question of availability of labour for farm and off-farm work is an important one. Labour availability is influenced by various factors. Among these are the personal desire or inclination of a person to work on the farm, marginal disutility of labour which tends to render effort on farm work futile. And simply the opportunity cost of spending more time on agriculture. Sex is also an important factor in determining labour availability.

These issues have not been investigated systematically in Lesotho. However some studies which give indicative trends exist. The Baseline Survey indicates that for an average household of 5 people, in the Northern Low Lands and Poothills, 40% of the adult males work in the

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Republic of South Africa. In the Southern Lowlands the figure is 45%. In the Northern Zone labour is generally available and people have a greater commitment to farming. Specifically, the Survey found that of the most successful farms, the top 10% had more males at home.

The conclusions of the Baseline Study are instructive. They point out that in the Northern Lowlands and Foothills farming is a residual employer for the rural households. The men as we have indicated work as migrants in South Africa or are engaged at home in the informal sector. In the Southern Lowlands and Foothills the situation was found to be similar to the Northern Lowlands and Foothills. However, the lowlands are much poorer in farm resources. For example, the Baseline Survey found that about 35% of the sample households had no crops during the 1978/79 cropping season despite the availability of land. About 45% of the households produced only two crops, sorghum and maize. The poor soil conditions partly explain why an area like the Thabana Morena Integrated Rural Development Project has 60% of its able bodied men as migrant labourers in South Africa.

The Northern Zone is well endowed with resources suitable for agriculture. Consequently, it has a greater number of people who are committed to the land and fewer migrants. In the Southern Zones two distinct features were found for the top 10% of the farming households. Of
those households situated in the lowlands male househeads were found to be committed to farming. In the foothills they were found to be committed to off-farm employment - mining in South Africa.

We note that efficient allocation of labour in the rural sector is, inter-alia, a function of cropping patterns and improved technology. Indications are in areas where high yields are possible, men tend to work on the land. This is true of the Northern Zone. The implication is that if the current crop base could be enlarged to include high yielding cash crops more men would be attracted to stay on the land. Currently, the high yielding crops are peas and beans. A few other crops are being grown on an experimental basis by government. Clearly, if this effort were to be broadened, the impact could have far reaching effect on the employment situation in the country.

Availability of labour is also restricted by the fact that most families produce for subsistence. About 83% of the households do not produce for the market. This means that they do not produce surplus for the market and must therefore seek employment elsewhere to supplement their food resources.

This discussion addresses the question of labour allocation. It does not get into the broader issue of whether Lesotho is a labour surplus or labour scarce
country. We note however that the total number of manpower available to work in the agricultural sector is 300,000. This number is generally taken to be adequate. Underemployment is estimated at 33%. Labour shortages are usually experienced during the farming cycle and the peak load times.

Mechanization.

Mechanization partially reflects labour shortage in the country. Consequently, it should be seen as a strategy for increased land utilization. The decline in ploughed acreage is seen partially as a result of manpower shortage in the rural areas.

Since labour supply is seasonal, tractors are needed especially during peak labour demand periods.

There is an increasing trend by the rural population to buy tractors. At Potseng (Pitseng, Leribe), the villagers have formed a Farmers' Coop to enable them to purchase a tractor. Many people that we talked to in the villages mention a desire to have tractors. Tractors are

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useful especially in field preparation.

The use of tractors is profitable only if other complementary innovations are introduced. These should include the use of herbicides, new planting techniques which will reduce weed growth, and alteration of the cropping pattern to spread the need for labour. In some parts of the country, especially in the South, there are people who use hired tractors to prepare the soil and continue doing the rest of the tasks following traditional methods.

The topology of Lesotho is such that some areas are suitable for tractors and others for ox ploughs. So far intensive tractorization has been used on suitable terrain. In the mountain areas we found that people were utilising the ox plough effectively. The people in the foothills were rather uncertain about the appropriate technology mix.

The question of mechanization raises the classical issue of conflict between output and employment. That is the objectives to increase output and employment usually conflict. In order for Lesotho to be self-sufficient in food and to lessen dependence of South Africa, both objectives must be implemented. Perhaps this dilemma can be overcome by dividing the country up in blocks so that some areas are
designated for intensive mechanization and others for ox plough utilization. The mechanised blocks will concentrate on increasing food output and the ox plough blocks will concentrate on increasing employment.

To ensure that tractors are not under-utilized, Farmers' Coops could be brought in for their effective use. Suitable areas can be identified through research.

The advantage of this strategy is that under tractorization substantial increases in productivity will be realised and secondary employment will be created by training locals to maintain tractors. Under the ox plough technique labour productivity would increase and secondary employment would be created by the establishment of a farm implements manufacturing factory. Oxen could be raised locally, resulting in additional employment opportunities. The plough has a higher employment creation multiplier. Its linkages are much higher compared to tractors.

The implementation of the strategy that is outlined above will require articulation of a science and technology policy to be incorporated in the Fourth Five Year Development Plan.

Land Policy

The Land Act of 1979 has had the effect of increasing the security of land tenure and introducing the legal right
of inheritance. It is hoped that as a result of this Act it will be possible for leaseholders to develop and improve the productivity of the land.

It is necessary to articulate an agricultural policy mindful of the fact that the size of the land holdings is very small. The pressure of the population on the land has increased over the years. The 1960 census reported that 8.5% of the rural households had no land. This percentage had increased to 13% in 1970 accounting for 26,919 households. The impact of population pressure on the land is shown in Table 2 below. Per capita average hectares has declined from 0.697 in 1949/1950 to 0.441 in 1969/1970.

Table 2
Effects of Population Growth and Arable Land Resources Per Household and Per Capita for Three Census Years

<table>
<thead>
<tr>
<th></th>
<th>1949-50 1/</th>
<th>1960-61</th>
<th>1969-70</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Farming Households 2/</td>
<td>149,800</td>
<td>158,172</td>
<td>185,309</td>
</tr>
<tr>
<td>No. of Fields</td>
<td>389,600</td>
<td>388,657</td>
<td>402,220</td>
</tr>
<tr>
<td>No. of Arable Ha. Held</td>
<td>376,518</td>
<td>352,909</td>
<td>368,335</td>
</tr>
<tr>
<td>Ha. per Field</td>
<td>.967</td>
<td>.906</td>
<td>.914</td>
</tr>
<tr>
<td>Fields/Farming Household</td>
<td>2.60</td>
<td>2.46</td>
<td>2.17</td>
</tr>
<tr>
<td>Ha./Farming Household</td>
<td>2.51</td>
<td>2.23</td>
<td>1.98</td>
</tr>
<tr>
<td>Population/Household 3/</td>
<td>3.60 4/</td>
<td>4.00</td>
<td>4.48</td>
</tr>
<tr>
<td>Per Capita (Average) Ha. 5/</td>
<td>.697</td>
<td>.545</td>
<td>.441</td>
</tr>
</tbody>
</table>

1/ Principal and Ward Chiefs plus all holdings over 32 ha not included, hence these figures underestimate land holdings.
2/ Households with arable land holdings.
3/ Includes only resident population.
4/ Estimated by adjusting the 1946 Population Census figure of 3.48 forward by three years along trend evident from the available data.
5/ Hectarage in households holding land divided by resident population of the household.

These averages become clearer when examined on a per capita basis to get an idea about land distribution. For policy purposes information about the numbers of people in a household and hectares held is important to be in a position to assess the potential of the particular household for self-sufficiency. Table 3 attempts to shed light on this problem. The data shows that land is not distributed equitably. The Gini ratio for this distribution was found to be 0.30.

A land policy strategy aimed at rural development should be cognizant of the above facts. Specifically, such a policy should determine whether the government will continue to support small farms or whether it will encourage large commercial undertakings or something in between.

The data shows that small farms are already prevalent. On the other hand, the grazing lands are large and they are used on a communal basis. There are various policy options that the government can choose from for implementation. It may be advisable to decide on a suitable option after a workshop on land policy options. The workshop provides a vehicle for accommodating different views.

In terms of the policies that will be recommended the landless should be taken into account. They could for
example, be reallocated in off-farm income generating activities. A thorough study will have to be undertaken to map out these farms and to register them according to a policy option that has been decided upon. Working such a strategy around Cooperatives may be one viable option.

Table 3

Estimated Distribution of Per Capita Land Holdings by Deciles for Lesotho 1969-70 a/

<table>
<thead>
<tr>
<th>Decile</th>
<th>Per Capita Land Holdings</th>
<th>Total Land Held by Decile Members</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Hectare</td>
</tr>
<tr>
<td>1st</td>
<td>0 - .078</td>
<td>6,913</td>
</tr>
<tr>
<td>2nd</td>
<td>.078 - .141</td>
<td>9,076</td>
</tr>
<tr>
<td>3rd</td>
<td>.141 - .206</td>
<td>18,003</td>
</tr>
<tr>
<td>4th</td>
<td>.206 - .268</td>
<td>26,948</td>
</tr>
<tr>
<td>5th</td>
<td>.268 - .334 (Median)</td>
<td>28,149</td>
</tr>
<tr>
<td>6th</td>
<td>.334 - .093</td>
<td>29,360</td>
</tr>
<tr>
<td>7th</td>
<td>.391 - .516</td>
<td>38,157</td>
</tr>
<tr>
<td>8th</td>
<td>.516 - .606</td>
<td>34,732</td>
</tr>
<tr>
<td>9th</td>
<td>.606 - .929</td>
<td>56,804</td>
</tr>
<tr>
<td>10th</td>
<td>.929 - 5.06</td>
<td>58,621</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>306,763</td>
</tr>
</tbody>
</table>

a/ Data for two groups - families larger than 9 and holdings larger than 6 ha. - could not be used due to being open ended categories in the source; 16,647 families (8.9%) are thus excluded from the distribution, as are the landless. Based on BCS 1970 Census of Agriculture Report.

Income Distribution

Lesotho is classified as one of the low income countries. Among SADCC members it is small with an area of 30 thousands square kilometers, being only larger than Swaziland which has an area of 17 thousand square kilometers.

The distribution of income in the rural areas is unequal. Factors influencing the distribution of income are outlined in Table 4.

The data shows that small households tend to be more in the lower income strata. They average 3 people while in the high income strata they tend to increase progressively. The evidence on income by source suggests that the size of the family influence household income and subsequently, its distribution.

The information provided in Table 4 is general for the economy. Perhaps the one in Table 5 is more appropriate in that it is specific. It provides different calculations of Gini coefficients of income for different area-based projects for various years. These data confirm that income is not evenly distributed.
Table 4

INCOME DISTRIBUTION BY SOURCE INCOME 1975-76
(Current Prices)

<table>
<thead>
<tr>
<th>Household Income</th>
<th>Income Strata</th>
</tr>
</thead>
<tbody>
<tr>
<td>R. Per Annum</td>
<td>1 - 199</td>
</tr>
<tr>
<td>Proportion of</td>
<td></td>
</tr>
<tr>
<td>Households (%)</td>
<td>27</td>
</tr>
<tr>
<td>Average Household</td>
<td>3.1</td>
</tr>
<tr>
<td>Size</td>
<td></td>
</tr>
</tbody>
</table>

Income Source

(R. Per Annum)

| Agriculture      | 46   | 151  | 81   | 279 |
| (Crops)          | (26) | (66) | (30) | (75) |
| (Livestock)      | (20) | (85) | (51) | (204) |
| Domestic off-Farm| 15   | 42   | 80   | 222 |
| Migrant          | 5    | 215  | 698  | 1,238 |
| Total Income per | 66   | 408  | 859  | 11,739 |
| Household        |      |      |      |     |
| Total Income per | 21   | 83   | 168  | 225 |
| Head             |      |      |      |     |

<table>
<thead>
<tr>
<th>YEAR</th>
<th>CATEGORY</th>
<th>GINI COEFFICIENTS</th>
<th>SOURCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>1975-76 Rural Income</td>
<td>0.44</td>
<td>Thaba Tseka/Phuthiatsana Survey</td>
</tr>
<tr>
<td>2.</td>
<td>1967-69 Rural Income</td>
<td>0.23</td>
<td>Rural Household Consumption and Expenditure Survey</td>
</tr>
<tr>
<td>3.</td>
<td>1970-71 Rural Income</td>
<td>0.40</td>
<td>Leribe Project</td>
</tr>
<tr>
<td>4.</td>
<td>1974 Rural Income</td>
<td>0.11</td>
<td>World Bank: Economy of Lesotho</td>
</tr>
<tr>
<td>5.</td>
<td>1970 Land Ownership</td>
<td>0.39</td>
<td>1970 Census of Agriculture</td>
</tr>
<tr>
<td>6.</td>
<td>1970 Cattle Ownership</td>
<td>0.22</td>
<td>1970 Census of Agriculture</td>
</tr>
<tr>
<td>7.</td>
<td>1974 Urban Income</td>
<td>0.44</td>
<td>World Bank: Economy of Lesotho</td>
</tr>
<tr>
<td>8.</td>
<td>1972-73 Urban Income</td>
<td>0.50</td>
<td>1972/73 Urban Household Budget Survey</td>
</tr>
</tbody>
</table>
The above discussion calls for strategies to eliminate poverty in the rural areas. Such strategies should be integrated and take into consideration the country's resource constraints.

It would be desirable to set priorities for rural development. However, this is not always possible.

In view of resource constraints, a comprehensive rural development strategy is not possible. Such a strategy would combine everything that needs to be done to achieve rural development. Perhaps such a strategy can be viewed as a long term objective that can be achieved as a result of mass participation in the development process. Currently the government follows a strategy of administratively integrated programmes. Technically, integration is partial since it is not comprehensive and does not include all activities necessary for a comprehensive strategy. The integrated strategy has two components. The first is horizontal integration. This involves the administration of two or more components serving the same geographical area. The second is vertical integration. This is the integration of locality
and district units of a particular programme component with regional and national units of that same component. It is not unusual for vertical integration to conflict with horizontal integration.

The third strategy is the simultaneous programs strategy. This requires that a programme that is implemented should be followed by its complementary activity in order to make it effective. For example, a strong case can be made to the effect that support activities in agric-support services are highly complementary. These services are illustrated in Chart I. They are markets for inputs and outputs, extension services, credit facilities, sources of supplies and equipment and national research. It is suggested that these services should be made available simultaneously when a project is established in any locality or district.

The Chart shows that integrated rural development strategy requires vertical integration as A-arrows show and horizontal integration as B-arrows show. The B-arrows often conflict depending on outside influences generated by A-arrows.

Chart I provides a typical outline of Agri-support services in Lesotho. The other services to the community are provided by the Ministry of Rural Development and Cooperatives.

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Ministry of Agriculture and Marketing is also involved in rural Development.

Chart 1

Dual Organizational Needs of Each Agri-Support Activity
A - To national organizations of the same activity
B - To other agri-support activities in each locality and district

Institution Building and Economic Incentives.

The agricultural strategy for rural development is based partly on institution building and on economic price incentives. Institution building activities include extension, community development and cooperatives. Chart I provides a typical example for institutional arrangements for Rural Development. Price incentives in Lesotho are based on manipulating price on a cost-plus basis.

The objective of price incentives is to encourage farmers to produce for the market or to sell their surplus. This strategy presumably affects 17% of the farmers who produce for the market or are said to have potential to do so. It is not clear however whether these farmers actually respond to the price incentives. The use of price incentives assumes that the commodities that are affected have both high income and production elasticities so that a slightest change in the price will lead to an increase in demand and production. A related problem is that this 17% is a global figure. The figure is a mere projection and these farmers cannot be located specifically. This reality is a constraining factor to planning. In addition we do not know whether these farmers benefit from government extension services. Extension services are a form of an incentive and they are complementary to price incentives.
Price Incentives and Marketing

Information on marketed surplus is sketchy. A recent BASP Survey indicates that farmers consume most of their output. Table 6 shows crop disposal for families in two BASP districts. These data clearly indicate that farmers generate very little surplus.

Table 7 shows the total number of hectares planted to major food crops in Lesotho. The trend for planted hectares shows a decline for the entire period beginning 1973/1974 to 1981/1982.

The number of hectares planted is a good indicator of farmers' response to the price incentive. The fact that the number of planted hectares has been on the decline suggests that farmers are not responding to the price incentive as would be expected.

Another good indicator of price response is the amount of surplus that is available for the market. Tables 6 and 1 indicate that small amounts of total output are available for the market from individual farmers. Table 1 shows that yields have been declining.
<table>
<thead>
<tr>
<th>Crop Disposal</th>
<th>Northern Lowlands</th>
<th>Poothills</th>
<th>Southern Lowlands</th>
<th>Foothills</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOLD Maize</td>
<td>9</td>
<td>4</td>
<td>7</td>
<td>9</td>
</tr>
<tr>
<td>Sorghum</td>
<td>9</td>
<td>5</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>Beans</td>
<td>26</td>
<td>26</td>
<td>-</td>
<td>33</td>
</tr>
<tr>
<td>Wheat</td>
<td>15</td>
<td>-</td>
<td>5</td>
<td>-</td>
</tr>
<tr>
<td>Peas</td>
<td>35</td>
<td>14</td>
<td>9</td>
<td>16</td>
</tr>
<tr>
<td>CONSUMED Maize</td>
<td>74</td>
<td>73</td>
<td>74</td>
<td>69</td>
</tr>
<tr>
<td>Sorghum</td>
<td>66</td>
<td>63</td>
<td>70</td>
<td>64</td>
</tr>
<tr>
<td>Beans</td>
<td>54</td>
<td>53</td>
<td>77</td>
<td>46</td>
</tr>
<tr>
<td>Wheat</td>
<td>35</td>
<td>-</td>
<td>53</td>
<td>82</td>
</tr>
<tr>
<td>Peas</td>
<td>50</td>
<td>66</td>
<td>79</td>
<td>70</td>
</tr>
</tbody>
</table>

Source: BASP, 1981.
Table 7

TOTAL NUMBER OF HECTARES PLANTED TO MAJOR FOOD CROPS IN LESOTHO

<table>
<thead>
<tr>
<th></th>
<th>Maize</th>
<th>Sorghum</th>
<th>Summer Wheat</th>
<th>Winter Wheat</th>
<th>Beans</th>
<th>Summer Peas</th>
<th>Winter Peas</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>73/4</td>
<td>140,900</td>
<td>84,800</td>
<td>33,700</td>
<td>48,400</td>
<td>21,300</td>
<td>7,400</td>
<td>4,400</td>
<td>340,900</td>
</tr>
<tr>
<td>74/5</td>
<td>126,393</td>
<td>68,401</td>
<td>31,966</td>
<td>31,475</td>
<td>30,669</td>
<td>8,416</td>
<td>6,031</td>
<td>303,351</td>
</tr>
<tr>
<td>75/6</td>
<td>115,525</td>
<td>55,404</td>
<td>41,648</td>
<td>18,011</td>
<td>35,097</td>
<td>10,267</td>
<td>2,876</td>
<td>278,828</td>
</tr>
<tr>
<td>76/7</td>
<td>92,634</td>
<td>46,816</td>
<td>30,999</td>
<td>12,948</td>
<td>17,280</td>
<td>6,467</td>
<td>3,240</td>
<td>210,384</td>
</tr>
<tr>
<td>77/8</td>
<td>111,530</td>
<td>62,033</td>
<td>29,552</td>
<td>16,054</td>
<td>14,271</td>
<td>4,498</td>
<td>1,213</td>
<td>239,151</td>
</tr>
<tr>
<td>78/9</td>
<td>122,338</td>
<td>54,105</td>
<td>28,445</td>
<td>9,532</td>
<td>11,944</td>
<td>5,922</td>
<td>703</td>
<td>232,989</td>
</tr>
<tr>
<td>79/80</td>
<td>118,460</td>
<td>64,537</td>
<td>19,860</td>
<td>10,790</td>
<td>8,177</td>
<td>5,220</td>
<td>1,417</td>
<td>228,461</td>
</tr>
<tr>
<td>80/81</td>
<td>136,521</td>
<td>63,734</td>
<td>19,238</td>
<td>4,391</td>
<td>9,132</td>
<td>4,902</td>
<td>570</td>
<td>238,488</td>
</tr>
<tr>
<td>81/82*</td>
<td>136,668</td>
<td>673</td>
<td>19,523</td>
<td>7,469</td>
<td>16,667</td>
<td>7,058</td>
<td>3,427</td>
<td>249,485</td>
</tr>
</tbody>
</table>


*Preliminary figures, subject to revision
Coop Lesotho is the major agency for purchasing and marketing the surplus. In this regard, we can say that the value of the surplus for the period 1983/1984 is as indicated in Table 9. The total crop sold amounted to M3,350,000 for the period compared to M957,350 the previous financial year.

Table 9

Co-op Lesotho Sales for the Year ending 1982/83

<table>
<thead>
<tr>
<th>Crops</th>
<th>Value (Maloti)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maize</td>
<td>2,734,000</td>
<td>82.0</td>
</tr>
<tr>
<td>Wheat</td>
<td>224,000</td>
<td>6.7</td>
</tr>
<tr>
<td>Sorghum</td>
<td>75,000</td>
<td>2.2</td>
</tr>
<tr>
<td>Peas</td>
<td>173,000</td>
<td>5.2</td>
</tr>
<tr>
<td>Beans</td>
<td>144,000</td>
<td>4.3</td>
</tr>
<tr>
<td></td>
<td>3,350,000</td>
<td>100.00</td>
</tr>
</tbody>
</table>


The reason for this sharp upswing is due to the fact that in the year under review, Co-op Lesotho was given authority to market maize produced by the Technical Operations Unit (TOU). The Technical Operations Unit was launched on April, 1980 and is a Food Self Sufficiency project of the Government of Lesotho.
Except for maize supplied by TOU, Co-op Lesotho does not have figures broken down to indicate its sources of supply for farm produce. But TOU is clearly her major client. According to the above figures, it can be said that TOU improved Co-op Lesotho's sources of supply by 71% over the previous financial year. Some Co-op Lesotho officials thought that this figure could even be higher – perhaps in the order of 80-85% especially when farmers who participate in the TOU scheme are included.

The fact that TOU is the major client of Co-op Lesotho underscores the inability of the price incentive to stimulate production and to generate a surplus. Consequently, one perceives from this situation that the best alternative to the price incentive is to strengthen institutions intended to deliver quality services to the rural poor (see Chart I) in order to stimulate their output and to generate a surplus.

Reliance on the price incentive at an early stage of economic development can actually have an adverse effect on the welfare of the rural poor. It can have a devastating effect on the landless and reduce the quality of life of those people who are in non-farm employment through inflation.
Price is a mechanism for resource allocation and it can only work if people have something to trade. Therefore as an allocator of resources it will have an effect on production, employment, cropping patterns and non-farm employment and agricultural prices.

The rural poor produce for subsistence and they are not responsive to the price incentive. As a result, their adoption rate of technology is slow and erratic. The overall effect is that their incomes are low or non-existent and their quality of life declines further as they are unable to take advantage of high prices which are intended to assist them by increasing their incomes.

The question of pricing is a complex one and it merits a separate discussion. It is apparent however, that cost plus pricing may be an effective instrument for increasing the incomes of successful farmers. However, it does not perform that well as an instrument for resource allocation. This price strategy tends to provide for equal returns to designated crops irrespective of what they are and where they are planted in the country. It would seem that for most farmers the choice of crops to be planted is dictated by tradition and expected fixed returns per ton if only costs can be kept down.

Fixed prices can be recommended as a subsidy for the incomes of the successful farmers during the best of times.
However, viewed in the context of foreign competition they can actually achieve the opposite. If crop prices are high relative to those of South Africa, exports might be depressed and imports increase. This situation may lead to further controls such as import licensing. On the other hand, the generated surplus may lack an internal market, or in the event of import controls, the surplus might be disposed of in the internal market at high prices. For example, to the Milling Companies. This situation would further aggravate the position of the rural poor. As a result people who are poised to market their surplus may withhold it because of high re-purchase value. Price fixing as an instrument for surplus generation would have failed.

The above phenomena has been reported in the economy. However, the whole question merits a systematic investigation.

Agricultural products are subject to price fluctuations. Fluctuations are another extreme in comparison with price fixing. Over half of the beans and peas produced in the country are marketed in South Africa. Prices for these commodities are not gazetted in that country except for occasional floor prices that are announced from time to time.

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Co-op Lesotho is the major agency for these two crops. Because of past experience with the crop, Co-op Lesotho will buy from the producer only if it is assured of the market in the Republic of South Africa. It actually does not prefer to store the crop to avoid cost and decline in the value of the product due to poor storage facilities. As a result farmers are uncertain about channels for crop disposal. The Lesotho Fruit and Vegetable Canning Factory is too small to provide an alternative market.

Fixed prices have a neutral impact on cropping patterns as we have already suggested. That is to the extent that farmers are given the same price margin (20%) irrespective of what crop they grow, they will not have the incentive to change their cropping pattern.

A change in the cropping pattern is at the centre of the objective of job creation. Fixed prices can only satisfy the limited objective of income subsidies during the good season and best market conditions. On the other hand, a flexible price regime can achieve both. That is it has a better chance to achieve the objective of increasing farmer's incomes while at the same influencing the cropping pattern.

Under a flexible price regime farmers might begin to be responsive to price changes. They will, for example, choose
high priced cash crops such as vegetables and they may also
grow them on high yielding soils chosen according to the
ecological pattern of the country and the principle of
comparative advantage.

The choice of a rational cropping pattern will result
in a better utilisation of labour. It can be expected that
employment will increase and labour supply will be evenly
spread through the entire year.

The Marketing Sections of the Research and Planning
Division of the Ministry of Agriculture and Marketing,
advocates, in its research reports the adoption of parity
pricing. The advantage of parity pricing is that it will
result in comparable prices between South Africa and Lesotho
for agricultural commodities. The element of flexibility
will be added in the product market with resultant benefits
to the country. This means that commodity movements will be
determined largely by market forces.

Prices under parity will generally be lower compared to
those under fixed prices.9 For example, according to the
preliminary findings of Marketing Section of the Ministry
of Agriculture, the estimate for producer price would fall
from the current actual of M190 per tonne to M141.79 under

9The Marketing Section in the Planning Division of the
Ministry is currently conducting a study intended to
demonstrate the advantages of the parity pricing strategy.
parity. This would compare favourably with South Africa's producer price of M134.05, taking into account subsidies to her own farmers and transportation costs of grains to Lesotho. A small mark-up would then bring the country's selling price of maize to M155.30 (A.S.A. selling price) for the period under review (1982/83).

The cost-plus price strategy requires that the production cost for the entire country for a particular crop be fully known. In addition, a reliable estimate of the market demand curve must also be available to ensure that the crop is not priced out of the market. The demand curve is not available for the country and information on production costs per acre is limited. Consequently, this method is not representative of the true market conditions.

Parity pricing could be adopted as a short-term transitional measure to enable the market to find its true equilibrium. A floor price should be gazetted to protect farmers against price fluctuations. Adoption of this strategy would mean that the government has combined cost-plus and parity pricing. The important innovation is that prices would have been determined initially through the market forces.

In the long run a local market should be developed for the farm produce. The capacity of the canning factory should be increased to enable it to process beans and peas. Information on production costs should also be perfected to enable
the government to revert back to cost-plus pricing as the situation merits.

Marketing

The development of the marketing channels is dependent upon the price regime. Consequently, Co-op Lesotho has experienced some problems with the cost-plus price strategy. When fixed prices have been high relative to market prices, Co-op Lesotho has opted out of purchasing produce from the farmers for fear of incurring losses. The farmers who produce cash crops such as beans and peas have been affected adversely by this practice. This tendency has also had a negative impact on exports.

The implications of these practices on the growth potential of Co-op Lesotho as an effective marketing organization are serious. In the first place farmers easily lose confidence in the organization because its practices merely add to the farmers market risks.

To reduce the market risk price stabilization measures may be considered. Perhaps the best option would be to increase the capacity of the Fruit and Vegetable Canning Factory at Masianokeng so that Co-op Lesotho can sell more to this factory. This way, the confidence of the farmer in Co-op Lesotho will continue to develop. On the other hand, Co-op
Lesotho could be required to assume some risk by purchasing these crops even when the market is bad with the hope of selling them when the market has improved.

Co-op Lesotho is reducing the marketing risk for inputs by improving its facilities in the rural areas. It has recently opened up additional stores for the total of 56 to supply inputs and other services to the people in the rural areas. About 67% of the inputs are imported entirely while some inputs of other varieties are acquired in the local market. Fertilizer, seeds and insecticides are imported. Varying amounts of maize, wheat, peas, beans and sorghum are provided locally.

In terms of input cost, the Lesotho farmer pays much more than his South African counterpart. Co-op Lesotho mark-up on marketed inputs averages 20% with the highest mark-up being 33% for wood and coal.

These high mark-ups are compounded by the fact that the fertilizer industry in South Africa is protected and the price raising effect of this protection might add another 50% to the final price of the product. The Lesotho farmer also assumes the risk of stock loss by Co-op Lesotho at a fixed rate averaging 2.2% and going up to 10% for wood and coal.
The pricing structure for inputs implies that there is a shift in income from the rural farmer to Co-op Lesotho and South African fertilizer and seed manufacturers. The government could explore the possibility of establishing a fertilizer and seed manufacturing industry as a measure to reduce costs of inputs to the farmer. Such industries could be established under the provisions of Article (6) which allows for infant industry protection status for 8 years and Article (11) which allows for restriction or prohibition of intra-regional imports.

The objectives of Co-op Lesotho are defined in terms of management functions. This limited scope may tend to undermine its mission and potential role in the economy. Consequently, it is necessary that its objectives be broadened and viewed in the national context. Consequently, Co-op Lesotho must be seen to be spearheading the following national objectives: food self-sufficiency, job creation, increase in the nutrition level of the people, reduction of income inequalities, food security and rational use and preservation of natural resources.

The Food Constraint

The Food Management Unit (FMU) of the Cabinet Office manages the food aid programme. The implementation agencies for the programme are the Ministry of Co-operatives and Rural Development, especially the Civil Works Section which is in charge of the improvement of roads; the Ministry of Agriculture,
Soil Conservation Division which plans and supervises soil and water conservation activities.

About 90% of the participants on the food-for-work programme are women. And about 40% of the foremen on earth road schemes are women and where possible they have been paid up to M60 per month. However, a survey of the participants by the World Food Programme found that about half of the women did not have any other source of income except what they earned from the programme. The survey further revealed that 36% of those surveyed planted some fields and they supplemented their resources with mine income; 17% depended on mine income alone and they had no fields; 34% had fields but no mine income and 13% had no fields and no mine income. The per capita spending per month for these groups was found to be respectively M6.9, M7.7, M4.9 and M4.4. ¹⁰

It is generally believed that food-for-work programme does not have a negative impact on agricultural output. However, there is a growing concern that in the long run it might, in that people will become dependent on it. However, we do not believe that this is possible because the food is not provided year round for each family. Villager work on a rotation basis for three week assignments (five man-days per week) and they are allowed to participate in

six to eight assignments a year. They receive 105 rations to cover a family of five (i.e. 21 rations per person). A typical daily ration is broken down as follows: canned fish (24 gms), maize meal (432 gms), edible oil (14 gms) and pulses (21). The approximate nutritive value is 1800 calories, 45 protein (gms) and 37 fats (gms).

Food for work projects are undertaken outside the peak agricultural period and can therefore not have a negative impact on agricultural output given the current cropping pattern.

The overriding constraints to food production cannot be found in the food-for-work programme. These constraints can be found in uncertainties that are usually outside the farmer’s control. That is, there are many unknowns in farming. These unknowns can be broken down into institutional variables and environmental factors. The examples of environmental factors include poor soil and unpredictable climatic conditions. Yields are often affected by inadequate or untimely rainfall and pest attack. Farmers in the northern ecological zone got a good crop 2 years out of 5 all because of uncertainties.

Institutional uncertainties include credit availability, delivery system for crucial inputs such as seed, fertilizer and transport for produce, extension service and overall technical support.
Strengthening of support services and technical-know
will help to reduce uncertainties to the level of risk. The
probability of risk can be calculated and used as a basis for
planning and for providing the necessary support services.
In addition, availability of such information can be a good
basis for a crop insurance scheme. In other words, risk can
be insured against. Another advantage is that risk is usually
within the control of the farmer. If he knows the odds, he is
likely to take a risk reducing decision but income maximising
one.

The extension service is intended to reduce uncertainties
to the realm risk. But their effectiveness depends on effort
and resources.

Extension:

The Ministry of Agriculture and Marketing employed 235
people in its Extension Division at the end of the 1982/83
financial year. Considering a total population of 1.2 million
and taking into account the fact that 90% if these people are
in the rural areas, the extension service is of low intensity.
In our rural visits we found that there were many villages
that had not been visited by an extension officer in the last
few years. Usually, extension assistants are posted in the
districts to assist the farmers. These were 195 of them at
the end of the 1982/83 financial year. Of these, 124 were
men and 68 were women.
In addition to being fewer in number, the extension service has recently been constrained by lack of adequate funds. As a result they have been unable to provide proper transportation and demonstration material. The education constraint is also becoming apparent. Out of 235 extension officers 221 have only certificate education, 10 have Diplomas and only 1 has a post-graduate diploma.

The Extension Division needs upgrading for its staff both at the in-service and the pre-service levels. Plans are under way to increase the capability of Lesotho Agricultural College to include extension curriculum.

The Extension Division has adopted a generalist strategy for its extension service. This strategy is appropriate when the level of training of extension officers is high. As it is, it might have build-in limitations considering overall low level of training of the current staff.

The current extension approach needs to be strengthened and be made more dynamic so that the officers are more involved with the farmers. Currently farmers are provided with information which they are free to accept or to refuse. A more dynamic strategy will require extension officers to enter into some contract with the farmer which will require the farmer to follow given guidelines. Such a strategy can be introduced initially
among farmers who produce for export to ensure adequate produce and quality control.

**Research Division**

The participation of the Research Division should also be up-graded to provide a complementary service to the extension activities. The Research Division runs experimental projects in a few villages to determine suitability of some seeds. It would be desirable that the Research Division should also run local verification trials. Information gathered from these trials will first help with the identification of future growth points, secondly, precise information will be gathered about the growing conditions of plants in a given area, and thirdly, farmers will have confidence in the type of advice they get from extension officers. The current demonstration farms are inadequate because they are situated at Farmers Training Centres where they are basically teaching aids for extension officers.

The Research Division also has a similar arrangement. The Division operates seven two hectare field testing stations in all the agricultural zones. The major crops in which the Division concentrates on are wheat, maize, sorghum, potatoes, barley, ground nuts, rye, oats, soya beans, beans, peas and horticultural crops. These activities need to be broadened to allow for full participation by the farmers.
To improve the effectiveness of the Division its current staff of 46 professionals will have to be increased. In addition, upgrading programmes will have to be intensified.

The Division has five technical sections outlined as follows: Farm Management (farm management, rural sociology, marketing and human nutrition); Agricultural Engineering (farm structure and design); Animal Science and Ecology (range management and ecology, herbarium, forestry and animal science); Crop Production (field crops, horticulture and plant breeding); Auxiliary Technical Services (soils and soil testing, plant pathology, entomology, weed control, biometry, communication and extension and library).

The Division has good facilities but it still falls short on trained manpower. The immediate needs for trained manpower for the Division are as follows:

(i) That at least each head of discipline should have an M.Sc. degree.

(ii) At least five Ph.D holders are needed immediately in Animal Science, Agronomy, Agricultural Economics, Plant Protection (Entomology) and Horticulture.

(iii) All technical officers should be upgraded to Diploma level.
Credit

The credit system to farmers is not yet fully developed. The Lesotho Agricultural Bank (LADB) was established in 1976 with the responsibility to provide credit to the farmers. Its earlier operations were narrow being focused mainly on the activities of the Cooperative Crops Production Programme (CCPP). It was not until 1980 that it broadened its activities. The Bank's range of activities is as follows:

(a) seasonal credit given in kind to cooperatives for distribution to members. These loans are repayable within one year and are subject to a 10\% rate of interest.

(b) short-term loans mainly for incremental working capital provided to farmers at 11\% interest rate per annum and repayable within 18 months.

(c) medium-term loans, given to individual farmers generally and repayable within 5 years at 11\% interest rate.

(d) long-term loans at 12\% interest rate repayable over 5 years and granted generally for specific development projects.

Pattern of Loans

The pattern of loans given out by the bank is indicated in Table 10.
Table 10


<table>
<thead>
<tr>
<th>Category of Loans</th>
<th>1980</th>
<th>1981</th>
<th>1982</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium Term</td>
<td>No.</td>
<td>Value</td>
<td>No.</td>
</tr>
<tr>
<td>Farm Machinery and Equipment</td>
<td>135</td>
<td>803 000</td>
<td>71</td>
</tr>
<tr>
<td>Livestock</td>
<td>7</td>
<td>135 000</td>
<td>24</td>
</tr>
<tr>
<td>Others (incl. Marketing)</td>
<td>4</td>
<td>295 000</td>
<td>7</td>
</tr>
<tr>
<td>Total Medium Term</td>
<td>146</td>
<td>1 233 000</td>
<td>102</td>
</tr>
</tbody>
</table>

| Short Term                         |       |       |       |
| Seasonal                           | 7     | 52 000 | 40   | 310 000 | 45   | 250 000 |
| Total All                          | 153   | 1 285 000 | 142  | 2 362 000 | 77   | 1 063 000 |


Medium Term Loans

The medium term loans were mainly for farm machinery and equipment. These loans show a steady decline for the entire period. The loan category covers tractors, animal drawn implements and milling units. Tractors and implements are the major component of the loans.
According to the Annual Report the initial loans were boosted by the Technical Operations Unit (TOU) which required a number of tractors at its inception. The total amount of loans in this category have declined because the private ploughing tractor contractors have declined in number. Inflation has also discouraged tractor purchases. The price of tractors has increased by 70% in the last two years and the introduction of the sales tax has compounded the situation. Lack of adequate servicing and repair facilities have also played a role. The bank is of the view that the market for tractors might be glutted as it considers some 1670 registered tractors to be too many for the country.

The demand for livestock fell due to an uncertain market situation. Consequently, entrants into this market have adopted a cautious attitude. The fluctuations in the market have been mainly influenced by conditions in South Africa. The 1982 glut in the pork market in South Africa spilled over into the country and it had the effect of reducing prices. The price of feedstuffs increased and the quality was unsatisfactory. For poultry, breeding stock was in short supply. With the establishment of the abattoir the government should be in a position to provide alternative markets for the producers.
Short-term Loans

These loans are made mainly to registered cooperatives to help them finance their purchase of seasonal inputs. The bank has identified several constraints which have led to the decline in the number of seasonal loans requested.

The poor harvests are the prime reasons why fewer farmers come forward to request loans. A poor harvest results in low income making it difficult for the farmer to meet the stringent loan conditions set by the bank. The bank requires that the cooperatives should be formally established before it can advance them a loan. In addition, at least five members of the cooperative must stand as guarantors for the loan. This requirement tends to discourage cooperatives from borrowing. The bank also requires that 95% of the previous loan must have been paid before it can advance a new one.

Despite its stringent loan requirements, defaults on repayments have been on the increase. At the end of 1982 there was a total of M292,000 in arrears. Again the reason for the defaults can be attributed to the constraints spelled out above.

It is apparent that the bank's loan policy is not oriented toward individual farmers. Instead, the bank loans out to organised groups. In addition, the bank's operations are centred in Maseru and people who seek loans must come to the
bank's headquarters. This implies that the bank has not made an impact in the rural areas. The general manager recognises this limitation. In his annual report he stresses the need for the bank to extend its facilities to the rural areas.

Studies are underway to determine the modalities of extending services to the rural areas. The bank intends to establish small rural facilities which will provide village based credit management system and branches to accept deposits and loan repayments, and the clearance of wool and mohair cheques.

Again, the bank will focus its services to certain groups it will identify. These will include co-operatives, farmers' organizations, cottage industries, enterprises dealing with bean packaging, malt manufacture, and services such as fruit and vegetable marketing and extension services for tractors and farm implements.

Credit Management

Before a farmer can be given credit, he must be recommended by the extension worker after a thorough evaluation of the his prospects for success. The extension officers come from the Ministry of Agriculture and Marketing - Extension Division. It would appear that this arrangement is not satisfactory as evidenced by the fact that the bank intends
to introduce its own extension services. Under its expansion programme the bank will establish small weatherproof gathering halls for interchange of agricultural knowledge and advice.\footnote{Feasibility Study - Rural Banking Facilities (R.B.F.) - A Proposal. Maseru, June, 1983. p.2.}

Finding the correct formula for providing credit to the farmers is never easy. However, whatever formula is finally decided upon, it is important that certain pre-conditions be fulfilled to make credit effective. First, the overall rural development strategy sets the proper environment under which a proper credit system can be build. Second, it is important that a decision be taken about the optimum size of farms that will be supported and type of crops and organizational forms that will receive support. Third, government must play a leading role especially in terms of directing resources to the rural areas and ensuring that there are adequate organizational forms to satisfy credit conditions and requirements.

It is evident that Lesotho Agricultural Bank involves the Extension Division of the Ministry of Agriculture and Cooperatives as a basis for evaluating and providing loans. Conceptually, this is a correct approach but it requires strengthening.

Given Lesotho's level of economic development we believe that the best credit system is the one which combines credit with extension services and cooperatives (marketing and input supplies). To ensure adequate coordination, extension workers should be employees of the bank. They should focus their
activities on the use of capital and inform the farmer about the best alternative forms of financing. They may also help with the drawing up of loan requests. The farmer should, however, remain with the responsibility of administering the loan. Agricultural Extension Division must play a role in tender credit effective in promoting growth and social progress.

The current credit system is static in that it has not improved production substantially. This has resulted in increased loan defaults. The credit system should be re-oriented to make it dynamic. A dynamic credit system transforms static credit so that at the end of the credit period the farmer has increased his assets, productive power and income. It therefore becomes a development credit if it fulfills these conditions.

We conclude this section by advocating a form of supervised credit which will stand or fall on the advice given by the extension officers assuming that the farmer is receptive to new ideas. Credit should therefore be seen as part of an integrated approach which includes marketing, land tenure and cooperatives. Such a strategy will benefit rural people who would otherwise be left out of the development process if they are not assisted.

Little attention has been given to the marketing and credit components in the past on integrated rural development projects. For example, BASP was started in 1977 and its project
area was 730,000 acres of arable land and it involved 128,000 families. When the project ended in 1981 marketing and credit components had not been fully developed. It was because of failure to develop these institutions that the major objective of BASP to increase agricultural output was not realised. ¹²

Non-Agricultural Employment

There is evidence of non-agricultural employment especially in the informal sector. There are several people in the rural urban towns who are engaged in income-generating activities. However, the numbers of such people vary according to area. Such people are concentrated mainly in urban areas that have large populations. Typical rural towns such as Quthing and Mokhotlong have very few self-employed people in the non-agricultural sector.

The growth of the informal sector is constrained by many factors. These include poor markets, inadequate building facilities, lack of capital, unavailability of credit, and poor skills.

There is an adequate number of informal sector people who are already engaged in manufacturing oriented activities and repair businesses. These businesses include tailoring, carpentry, tin-smithing, brick making, shoe repair, motor repair, welding, upholstery, knitting and milling.

These have potential to grow and develop especially if they could be assured of a market. However, their major limitation is that they all have a high input component except for milling and brickmaking to an extent.

It is important that rural industries should be dynamic and self-reinforcing. This can only happen if these industries rely to a

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12 See SETAI, BETHUEL. Informal Sector and Small Scale Enterprise in Lesotho. Technology and Employment Issues. EATPS Workshop on Technology Policy for Small Scale Industries, Nairobi, October 3-6, 1983
great extent on local inputs. The two milling companies provide the possibility for such dynamism. Linkages could be formed with the Flour Milling Companies to start bakeries, biscuit plants, animal feed factories, milk processing and packing facilities, vegetable oil and dripping. Strong backward linkages in the wheat industry can result in a new industrial complex. The different varieties of wheat that are available in the country blend well to make flour without involving imports. The problem, however, is that the hard variety which is grown in the mountains hardly enters the market as it is produced for home consumption. As a result, the Flour Milling Company continues to import this variety in order to blend it with soft lowland wheat. Clearly an opportunity to employ and to increase the incomes of the rural poor is being missed. This is an area where the agricultural support services could focus on to help the rural poor to produce for the market.

The most viable strategy for employment-creation in the non-agricultural sector is the one that establishes a set or sequence of interdependencies. That is, people who are not on the land in a given rural area, should provide services for those who are on the land and vice versa. Eventually, when the surplus is available, export facilities to the urban areas and abroad should be provided.

Policies to develop rural industries should focus on two types of industries. First, those that are intended to satisfy the local rural market, and secondly, large and better organised ones that are intended to serve both the rural and the national
markets.
The first category will rely on local resources while the second category may draw resources from a wider area including imports. Examples of the first category could be upgraded types of rural informal enterprises. Returned mine workers with training could be established with their own businesses in the informal sector.

Utilization of Existing Data for Planning
Classifying data by category would be a monumental undertaking. The Department of Statistics has over the years collected various types of data. The major surveys include the population and agricultural census. Data on other activities related to trade and transport exist.
There is also a wealth of data collected under area-based projects. These data bases can be found in the reports and the bulk is at the Government Computer Centre.
These sets of data are not widely usable for policy analysis except in limited cases. Reports written by the Planning Divisions of some Ministries (CPDO and Agriculture) indicate extensive use of statistics collected by the Department of Statistics. Data generated under area-based projects can be captured from the written reports. Otherwise data that is stored at the Computer Centre is kept on file and is hardly ever used except by a few people who already know about it and have the ability to retrieve and to use it.
The implication of all this is that there appears to be a lack of data for planning purposes. To ensure that this data is
widely available, the Library at Central Planning could be enlarged to include a data bank.

The limitation with the data that are available is that they are of limited value to a range of users. The area-based data is intended to serve a specific purpose. Data collected by Central Statistics is often too aggregated for detailed analysis.

It is proposed that Central Planning should explore the possibility of employing a national accounts specialist. Such a person should be charged with the responsibility of restructuring data so that it is suitable for planning purposes.

Data on the rural population needs to be categorised separately to make it possible to plan for the rural sector. Detailed profiles of households are needed to facilitate planning. Reliable farm input and production statistics are needed to determine price policy. Detailed data on consumption will assist in determining industrial priorities.

**Recommended Actions**

The rural development strategy can be broken down into short and long-term strategies.

The short-term strategy should be aimed at consolidating those activities that the Government is already undertaking to improve access of rural people to income-generating activities. Some of these activities are as follows:

a) Soil conservation, improved water supply and road networks.

b) Consolidation of agricultural support and extension services to increase production and commitment of the rural people to the land.
c) Provision of improved marketing services through Co-op Lesotho to ensure that the farmers get their inputs and market their output in time.

d) Grow more crops of different varieties.

e) Intensify crop production.

f) Continue with the implementation of the 1979 Land Act to secure security of land tenure.

g) Continue to monitor price policy.

h) Continue to monitor food security programmes.

i) Encourage non-farm income-generating activities.

j) Develop livestock.

k) Hold a workshop on Manpower and Training requirements for the Agricultural and Food Marketing Sector.

The long-term strategy should be consistent with the short-term strategy. Not only must it reinforce it but it must also complement it. To this end, the following steps are recommended:

(1) Programmes to reclaim land that has washed away through soil erosion should be initiated. Such land should be re-allocated to the landless people as part of the implementation of the 1979 Land Act.

(2) Expansion and consolidation of agricultural support services and other extension services to increase extension intensity.

(3) Re-orientation of extension philosophy from a passive approach to a more dynamic one. Extension services should adopt a contractual approach with a farmer so that the farmer who is willing to accept extension advice is provided with credit and marketing facilities in the context of co-operatives. The dynamic approach
will help transform the rural areas from subsistence to surplus-producing units.

(4) Non-farm income-generating activities should be provided with the same assistance given to farmers. They should be encouraged to provide services that will be complementary to those being undertaken by the farmers. The activities of the rural people should be enhanced by locating large-scale industries within their vicinity.

(5) The pricing policy should be re-oriented so that it influences the allocation of resources to achieve a set of given objectives.

(6) An incentive system should be introduced to complement (5). Such a system could be implemented through the co-operatives and individual farmers. Co-operatives could be given production targets according to the resource potential of the land. Those that meet the target or even exceed it, could be given prizes. The incentive system introduces an element of competition which could have a positive impact on output.

(7) Orient rural programmes according to the agricultural potential of the land. Livestock areas should be assisted with schemes that will improve livestock. Cropping intensity should be chosen according to the ecology of a given area.

(8) The size of agricultural lands that will receive support should be determined. This should be done mindful of the current land tenure system.
(9) Where possible, establish farming units or areas which can form a nucleus of rural development. For example, decentralization of milk production could result in a series of complementary activities in a given area. Such a strategy could be adopted for a range of crops and eventually a complex rural market system could develop.

(10) Expand the Fruit and Canning Factory at Masianokeng or establish similar ones in the country to provide a market for cash crops and to create employment.

(11) Co-op Lesotho should be at the pulse of the development effort. Its perspective must be broadened to take into account the overall development objectives of the country.

(12) Steps and procedures must be drawn to ensure that the accepted recommendations are implemented.

Performance Evaluation

It is important that mechanisms for evaluating the performance of rural development be devised. These could be in the form of comparative indicators as follows:

(1) Gainfully employed population earning less than M100.00

(2) Number of families with head of household opting not to go to the mines as migrants

(3) Average population of more than one-year old who do not regularly have milk, eggs and meat

(4) Mortality rate

(5) The proportion of people who have to walk long distances to draw water
(6) The proportion of farmers who have to walk long distances to get to their fields

(7) The proportion of households without latrines

(8) The proportion of families living in small one-room units

(9) Rate of illiteracy

The indicators should be taken for the entire country including urban dwellers to facilitate cross-section and overtime comparisons.

At the macro-level the role of the Government can also be monitored to determine the extent to which policy reduces income inequality and regional bias. Some of the most important policies should affect land distribution, pricing of resources, inputs and outputs, provision of marketing facilities, and review of laws that constrain active participation by the rural population in the economy.

The commitment of people to rural development and self-reliance can also be measured in terms of the extent to which they are willing to make their own decisions. Several yardsticks could be devised. For example, as the rural people resolve their economic problems, they may desire to increase participation in local decision making. They may decide on the best cropping patterns, and types of technology to use without much assistance or dependence on the extension services. The level of intensity of the extension may also be a yardstick. So that, as the community develops and it becomes more self-reliant, the need for extension services will also decline.

Foreign aid plays an important role in the overall rural development strategy. In order to ensure that such aid is effective, a monitoring system should be introduced. Under
such a system, the responsible Ministry could evaluate such aid in terms of priorities, affordability and complementarity with ongoing projects.

We note that the overall strategy of rural development is to increase social welfare of rural people. This should be done through a dynamic change in technologies, organization activities and values of the society. That is, there must be transformation of the society resulting in increased opportunities for the rural people for gainful employment.

The overall target should be increased rural production and incomes, equity in income distribution, increased access to services and increased participation in decision making in the rural areas.

The farmers do not respond to the price incentive as they are subsistence producers. Higher prices are normally expected to encourage farmers to sell whatever surplus they might have and to encourage them to produce more. The cost-plus price policy is ineffective in this regard.

Cost-plus strategy is also ineffective in terms of encouraging different cropping patterns according to comparative advantage. Under the cost-plus strategy, farmers are assured of the same return irrespective of what crop they produce. A changed cropping pattern will also result in increased employment.

The objectives of employment creation and increase in incomes of rural people will be difficult to achieve under the fixed price regime. It is suggested that a flexible price regime (parity pricing) be adopted as a short-term measure to enable the market to find its equilibrium. Floor prices can be
gazetted to protect farmers against market fluctuations.

It is also suggested that marketing institutions be strengthened so that they are at the centre of the development effort.

In view of the fact that farmers are not responsive to the price incentive it is suggested that the support services be strengthened to provide adequate incentives to farmers so that they can produce for the market.