RURAL DEVELOPMENT IN LESOTHO

Jonathan Trollip

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INTRODUCTION

Lesotho is one of the poorest fifteen nations.\(^1\) Completely surrounded by South Africa, at present she survives financially because of large foreign aid handouts. The Third 5 year Development Plan (1980-85) is to be funded almost exclusively by donor aid.\(^2\) With half the male labour force employed outside the country, the prospects of self-sufficient growth appear bleak.

Indications of future prospects, based on present trends in the economy, present another dismal picture. It is projected that the number of migrant labourers employed in South Africa will be halved by the year 2000.\(^3\) Considering that migrant labour remittances constitute \(\frac{1}{4}\) of GNP;\(^4\) and that the local wage employment sector is unlikely to be able to employ more than one-third of the ex-migrants,\(^4\) the necessity for widespread job creation is self-evident. In total, it has been estimated that, given the likely growth in wage employment projected by the new Development Plan, 93,000 agricultural jobs will have to be created in the next five years, followed by 100,000 jobs in the following five year period.\(^5\)

The potential for rural development is constrained by productivity trends, which indicate a marked fall in agricultural productivity,\(^6\) and the inability of the


\(^2\) Kingdom of Lesotho Third Plan Preview- \(\text{(Central Planning and Development Office Maseru 1979)}\) p.2.


\(^4\) ibid, p.17.

\(^5\) ibid, p.22.

livestock sector, up to now, to function on a viable commercial basis. When all the above factors are added to the high population growth rate of 2.3%, rural development assumes a new urgency.

The aim of this paper is firstly to provide a framework, both theoretical, in terms of a model, and empirical, in terms of available facts, in which to discuss rural development in Lesotho. Secondly the paper endeavours to evaluate the present situation in Lesotho and to suggest certain directions which rural development reforms might take. The aim of this paper is not to prescribe in detail what exactly Lesotho should do in the rural economy; rather it should be regarded as a review of Lesotho's rural economy in which ideas for new directions in development policies are raised.
SECTION I

A FRAMEWORK FOR RURAL DEVELOPMENT IN LESOTHO

I:1 RURAL DEVELOPMENT WITHIN ECONOMIC DEVELOPMENT THEORY

Introduction

Economic development is not a new concept; the classical political economists of the late eighteenth and nineteenth centuries were concerned with discovering and analysing the various factors which made a wider range of goods and services available to people over time. What is new is the increased emphasis on economic development as an explicit field of study, in an endeavour to raise the material standards of living in poor countries to a level comparable with that experienced by industrialized nations. However, before discussing economic development it is necessary to define exactly what is meant by "Development".

In western economic thought the concept "economic development" has been understood primarily in terms of economic growth, i.e. an increase in the physical quantity of output as measured in monetary (GNP) terms. The aim was for each country to attain a high degree of industrialization, (with its attendant urbanization) and a society enjoying mass consumption of material goods. However this evaluation of development in terms of purely economic criteria has not led to the expected increase in the welfare of poor countries. By ignoring income distribution, resource usage and a qualitative evaluation of output, growth in GNP terms may have been achieved, but in cases, for example Liberia where GNP increased fourfold in the decade 1968 - 78 without greatly affecting the standard of living of many people, there has been growth without development.

A Definition of Development

The concept of development which I will use for this paper is that used by Stöhr.\textsuperscript{2} It differs from the concept stated above, in that growth is the physical increase in output, whereas development should entail growth with a change in production technique, consumer behaviour, consumption patterns and the distribution of resources through the economy. Ideallly rural development should be analysed in terms of social progress, a broader concept which implies a decrease in the level of social tension as well as material development, but as this is the field of the sociologist or the political scientist it is not of primary concern in this paper.

Criticism of Traditional Development Models

Before discussing the model used as a framework for this long paper, it is necessary to state the reasons why I have decided against working within a "traditional" model of development, as is found for example in the work of Lewis,\textsuperscript{3} Myrdal,\textsuperscript{4} Hirschmann\textsuperscript{5} and Hagen.\textsuperscript{6} The comments expressed below should not be regarded as a total rebuttal of the merit of these models. Indeed, the comments themselves made about the "traditional" development model are generalised to a greater extent than is ideal, as the various models are not homogeneous, nor do all remarks apply to each variant of the model. Nevertheless, the following points about the model are necessary to justify why I have not chosen to locate this particular design for rural development in Lesotho within this framework.

\textsuperscript{2} Stöhr, W.B. - "Development from Below, The Bottom-up and Periphery-inward development paradigm" (IIR discussion 6, Interdisziplinares Institut für Raumordnung Wirtschaftsuniverität Wien March 1980.)

\textsuperscript{3} Lewis, W.A. - The Theory of Economic Growth (George Allen and Unwin Ltd, 1955).

\textsuperscript{4} Myrdal, G. - Economic Theory and Underdeveloped Regions (G. Duckworth and Co, Ltd. London 1957).

\textsuperscript{5} Hirschman, A.O. - The Strategy of Economic Development (Yale University Press, 1958).

\textsuperscript{6} Hagen, E.E. - The Economics of Development (Richard D. Irwin, Illinois, 1975).
This paradigm, based primarily on a market system using comparative advantage and assuming the mobility of factors of production, has not resulted in the balanced growth of both core and periphery, but rather the underdevelopment of peripheral areas as a reflection of the expansion of the core. Where policies of import substitution have been implemented, "Lerner has pointed out that many developing countries have opted for a process of mechanisation without fully understanding how it is brought about, or what the consequences of the adoption might be". From the individual person's point of view, Stöhr asserts that "the ensuing pressure (from these economic policies) on individuals, social groups and communities to develop only a narrow segment of their own capabilities as defined 'from above' by the world system has meant the neglecting of other capabilities and self-determined objectives in order to retain a comparative position in economic and political terms vis-a-vis the rest of the world".

According to traditional economic theory, where there is an unrestrained flow of productive factors, economic development spreads naturally through the movement of capital and labour, with concentrated industrial development in one area causing spread effects to trickle down to the peripheral area. Thus growth should occur in rural peripheral areas as economic development is diffused from centre to periphery. What has actually happened, however, has been conceptualized by Friedman in a self-reinforcing model, in which the backwash effects are stronger than the spread effects, thus perpetuating unequal development by causing capital and entrepreneurship to move to the more dynamic centre. The end result is that "islands of modernization emerge from seas of poverty." with

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the growth of the core and the stagnation of the periphery.

A couple of other points of criticism of the traditional model which are of particular interest to a rural development study are made by Stöhr. He argues that the classical model "with its eventually monolith and uniform concept of development" ignores the diversity of value systems and aspirations created by different cultural groups. Secondly it disregards the wide variations in natural conditions - consequently the importation of uniform development onto different preconditions in fact leads to unequal development. By the interaction of the developed world with the underdeveloped world, the underdeveloped world is forced to attempt to assimilate the same cultural, political and social norms that exist in the developed world.

A final point about the model is that while it was intended to shed light upon historical change, it has been unable to do this as it is specified in terms of a limited number of variables, holding all other factors constant. As Lesson points out, this has implications for policy recommendations, as models cannot assume the whole gamut of historical change. "It is by this test that some commentators found the Lewis model wanting." 12

In conclusion, the failure of many countries to develop their economies should not be blamed on a lack of resources, (although as in Lesotho's case limited resources can be a severe handicap), nor on the inability of modern science to provide the technology to exploit the resources. Rather the failure of development should be attributed on the whole to the methods of transfer and the utilisation of human, financial and technical resources, and to the existing socio-economic framework of the developing country.

A Model of Rural Development

The model which I am using for rural development is based on the preliminary outline of a "Development from below" paradigm developed by Stöhr. It must be borne in mind that as a new concept this model has not been worked out in detail, nor has it been vindicated by successful application. It should rather be viewed as the first step in a new direction in development thinking. From my own point of view, I decided to work within its framework because I found it compatible with the type of changes which I would deem desirable for Lesotho's rural economy. The essential features of the model are as follows:

The first principle of the model is that there must be a change in the basic concept of development so that it is considered as "an integral process of widening opportunities for individuals, social groups and territorially organized communities at small and intermediate scale, and mobilising the full range of their capabilities and resources for the common benefit in social economic and political terms." Implicit in this is the need for alternative criteria for the allocation of factors of production, and a change in exchange relations for commodities away from comparative advantage to an equitable distribution of the gains from trade. A change in economic decision making is an essential concomitant of the model, which is turn entails a reorganisation of economic and social institutions to facilitate a smoother flow of information and decisions from lower to higher institutions, and to help the dissemination of local information essential to rural development through the community itself.

The model therefore bases growth on "an increased and integrated resource mobilization in a regional context, rather than on a selective resource withdrawal under optimising

14. ibid, p.1.
15. The criteria used are discussed in chapter 2, "The Goals of Rural Development".
criteria derived from the world market." Wagner, who has developed a similar model to this, albeit more on spatial lines, for Lesotho, asserts that what is required is a shift away from rapid industrialization to economic growth with greater social equality. He argues that the focus for development should be at the subsistence level, and consequently the spatial focus for development should be changed.

The aim of the model is to minimise the backwash effect of the economic development of the area, and the creation of dynamic development impulses from within the rural less-developed area itself. Therefore the investible surplus attained from that region should be used in that region for its diversification so that ultimately generative growth using all the area's natural resources and human skill can be attained.

The goals of the model, to be discussed in more detail in Section 1.2 are the following: Firstly, there should not be a denial of the role of economic growth, as sustained economic growth is necessary for the achievement of many of the other goals. Economic growth and productivity increases are thus desired. Secondly, the model aims to provide security for people in the form of certainty about employment, income and their ability to participate in economic and institutional decision making. Thirdly there must be an equitable distribution of resources and income so that the unbalanced development of past years is not perpetuated. Finally, and this is linked to the other goals, there should as far as possible be a reduction in unemployment and underemployment to secure the full utilisation of labour.

The main policies for the implementation of this model for rural development deal with the following areas and institutions. Firstly, in rural development the system of land tenure is of primary importance, and this will be discussed in detail in Section 2:1. Secondly there is the need for the creation or restructuring of territorially-organised institutions for equitable communal decision-making. Thirdly there must be a higher degree of self-determination for rural regions, as well as the implementation of projects in consultation with the community which best offer the satisfaction of basic needs. Pricing policies for agricultural products should be reviewed to ensure an incentive to produce through favourably and reasonably certain terms of trade. Lastly to achieve balanced growth there must be an increase in the scale and diversity of factor markets within peripheral areas. In summary then, what is required is a programme, not a project, approach, with emphasis on territorially-organised basic needs services, rural and village development, labour-intensive activities, small and medium projects, and technology permitting the full employment of regional, human, natural and institutional resources on a territorially integrated basis.

A Rural Development Strategy For Lesotho

In discussing a theoretical model for development, especially rural development, Lesotho presents a compelling case for the detailed application of the theory to a specific region. My reasons for choosing Lesotho were firstly, that as 80% of the people live in rural areas, which in turn generate 45% of GNP, rural development is obviously of fundamental importance to the general economy. Secondly,

18. As explained in Section 2:3, this is particularly difficult in Lesotho as through her dependency relationship with South Africa and the Common Customs Union she is in effect an agricultural price-taker.


the relatively small size of the country and its small population means that one is dealing with workably sized aggregates. Thirdly, Lesotho at the present time is, as the World Bank so aptly stated, "A development challenge", especially as two of the most important variables in the economy, the land tenure system and migrant labour, are currently undergoing important changes. Lastly, from a practical point of view there is easy access to a relatively abundant amount of information on Lesotho without which any applied rural development study would be purposeless.

When viewed within the context of Southern Africa in general, Lesotho's economy can be understood as peripheral to the core of industrialized South Africa. Thus the polarization effects of economic development, with a growing core (industrial South Africa) and a stagnating periphery (amongst other regions, Lesotho) are present. This dual economy is imprinted upon the overall economy through geographical space, so that a development strategy for Lesotho requires an integrated spatial development policy, with dispersed economic development occurring primarily through rural development.

Cognisance must also be taken of the limited natural resource base in Lesotho. As Wagner says, "difficulties arising from the physical environment are among the most intractable, and are often underestimated by development specialists.21 Thus the symbiotic relationship between man and his environment should be acknowledged, so that the rural development strategy comprises both the judicious use and the long term renewability of the land resource base. (The exploitation of wasting assets e.g. mineral deposits, would obviously be an exception to this).

21. Wagner - op. cit. p. 3.
The overall rural development strategy for Lesotho will be concerned fundamentally with agriculture. The function of the agricultural sector in promoting development is stressed, as national goals and the fulfillment of basic needs can all be improved by a better agricultural sector. This in turn can provide a foundation on which secondary and tertiary industry can be established. Where the rural sector plays a major role in the domestic economy, as in Lesotho, rural development can be an instrument for achieving not only economic growth but also social justice.

As part of an integrated spatial development policy, it is suggested that the development of the agricultural sector takes place through a "modified growth pole concept". What is meant by this is that growth points in rural areas should be gradually encouraged, so that the social costs of a change in the existing system are minimised.

The development strategy must retain the advantages of integration while simultaneously promising local community sovereignty. This can be achieved by small-scale interaction within the community and larger integration via free and self-determined access to technology, finance and institutional skills. Sovereignty on the other hand can be promoted through cultural and institutional self-autonomy, as "the basic impulse for the formulation and implementation of such differentiated concepts of development (outlined in the model above) must come from within the different communities." Likewise Wagner stresses the fundamental need for local autonomy in the decision-making process. "A lack of sensitivity to local needs and customs will generally reduce the likelihood of success".

22. ibid, p.12.
Conclusion

The above is a theoretical framework in which a rural development policy can be proposed. Before discussing the specific proposals for rural development, it is necessary to delineate more precisely what the goals of the rural development policy are.
SECTION 1:2

THE GOALS OF THE RURAL DEVELOPMENT STRATEGY

The goals of this rural development strategy may appear to be conflicting, in that the achievement of one may impair the attainment of another. It is conceded that this may be the case in certain instances, for example there may be a trade-off between the level of economic growth and an equitable distribution of assets and resources. On the other hand, however, many of the different goals are inextricably linked in a complementary fashion, for example the satisfaction of basic needs and the provision of employment, in which the latter becomes an essential concomitant of the former, although the relationship in this case is unidirectional.

In discussing a rural development strategy it is necessary to specify the goals which the strategy is attempting to achieve. I have chosen the particular goals outlined below for as far as I am concerned they represent the intended end result of rural development.

1. **Employment**

An essential goal of rural development is the creation of employment opportunities. The reasons for aiming at employment are two-fold: Firstly, employment should be seen as an end in itself, in that it provides an individual person with the chance to participate in society and equally important it enhances his general sense of worth and dignity, without which any material increase in his standard of living would not be development in its fullest sense.

Secondly employment is a means to other ends. The International Labour Office World Employment Programme of 1976 highlighted the importance of employment as a generator of
output and incomes, especially with regard to the satisfaction of basic needs. The link between employment and the satisfaction of basic needs is mutually reinforcing, as the provision of employment generates income which provides the means to satisfy basic needs, while the satisfaction of basic needs should increase individual productivity and income. According to Lisk what is needed for rural development are "indigenous programmes that raise the productivity of the poor by giving them more employment, therefore more income, and that contribute directly to productive growth, in part through labour-intensive capital formation".

A third reason for emphasising employment is that without increased local employment Lesotho cannot hope to lessen the weight of her dependency upon South Africa.

A couple of problems with regard to employment do exist. An objective of employment should be that it is qualitative. It should endeavour to make employment more productive, remunerative and humane although this cannot be achieved without major changes in output, growth and asset control. Secondly, job creation for the unemployed does not necessarily increase output. This is illustrated by the Food-for-work (FFW) programmes in Lesotho, where it has been estimated that the marginal productivity of some of the labourers is zero or negative. The only merit of this type of employment is that it provides the means for an individual to obtain access to basic goods and services.


Thirdly it is important to consider the type of activity in which employment is created. As Moully points out, "If employment opportunities increase through export promotion, not self-consumption, one runs the risk of registering simultaneously no apparent increase in employment with no improvement, and possibly even a deterioration in the conditions of life, as the visible increase in employment will be accompanied by a reduction in the supply of goods and services corresponding to the needs of the population". 3

2. The Satisfaction of Basic Needs

Emphasis on basic needs is fairly new in development studies, arising mainly out of the emphasis placed on it at the ILO WEPP Conference in 1976. A unanimous resolution was passed recommending that a basic needs strategy be made central to the international as well as the domestic aspects of development. The recognition of the dynamism of basic needs as a goal of rural development is an explicit acknowledgement of the interaction between economic and socio-political factors.

In this section on basic needs as a goal I will discuss the difference between a basic needs goal and an anti-poverty strategy, what exactly is meant by basic needs, and the links between basic needs and the other objectives.

The difference between basic needs and an anti-poverty strategy is that an anti-poverty strategy is directed at specific target groups, whereas basic needs is based on the premise that poverty is widespread among the population as a whole. This is pertinent to Lesotho, where the rural population comprising 85% of the population have an average per capita income from domestic sources of approximately R30.

Secondly, basic needs places an emphasis on an increase in the level of aggregate demand and the supply of goods and services. Thirdly, basic needs stresses the importance of mass participation in both the formulation and implementation of policy measures as a way of ensuring that its main objective is not lost.

What is meant by basic needs are resources and elements, both material and non-material, which enable even the lower income groups to enjoy a minimum standard of living. The material needs include housing, a minimum level of education, a minimum level of food consumption, access to safe drinking water and primary health care. The quantitative evaluation of these minimum material needs is beyond the scope of this study; it is sufficient to say that minimum material needs must be considered when decisions regarding the allocation of resources and the composition of output are made.

The main non-material basic needs are the effective involvement of people in decisions affecting them, and local participation in strategies which are designed to render economic benefit to them. The need for popular participation in development, both as the means to an end and as an end in itself, is illustrated by the success of the Rural Access Roads Programme in Kenya, where employment and local participation were successfully linked. Local participation in itself provokes a community interest in the various development projects and according to van Rijckeghem, "this involvement in decision-making can act as a powerful inducement to offer labour and skills as well as other resources to development programmes and projects".

5. van Rijckeghem, W. - "Employment and Basic Needs: Lessons of a mission to Portugal" (ILR vol. 117 (6) 1978) p.705.
The emphasis on local participation as essential to development, a concept utilised in the development model in Section 1:1, is stressed by a number of different authors. As Szal succinctly states, "the satisfaction of basic needs requires more than the mobilization of the masses to execute decisions that are basically bureaucratic in origin. It depends upon mechanisms that encourage participation in decision-making itself, together with a process by which the poor are organised or organise themselves to ensure that decisions are taken in their own interest". 6 Although the fear has been expressed that local participation and the satisfaction of basic needs may be conflicting ideals, a study of basic needs by Sheehan and Hopkins comes to the conclusion that "the message is thus clear: Increased participation does not necessarily hamper the satisfaction of other basic needs". 7

The satisfaction of basic needs is closely linked to the other development objectives. Basic needs can be fulfilled to some extent by employment, especially if it is in a self-consumption capacity. The more contentious link, however, is that of basic needs and economic growth. The case can be argued from both sides. There is suspicion that a basic needs approach and attitude is a disguised means of dampening economic growth and forestalling the industrial emergence of the poorer countries. Also the goal of basic needs might be said to perpetuate economic backwardness in that it is oriented towards consumer not capital goods. (However, as will be discussed below, economic growth with productivity and incentive linked to it) is an integral part of rural development. What a basic needs approach does refute is the widespread "principle of economic concentration" which when applied creates small enclaves of uneven industrial development.

The satisfaction of basic needs can be attained in the following ways: firstly, through a subsidy, in effect a negative income tax on the consumption of basic goods. Secondly there can be a straight income supplement, and thirdly an increased production of goods and services. As the first two methods entail a wealth transfer from one group to another, the third measure is preferable, although resource limitations may inhibit the implementation of this method.

3. Economic Growth

The importance of economic growth to rural development should not be underestimated. The contribution of agriculture to GNP should be maximised as increased growth in turn provides greater possibilities for employment creation and basic needs satisfaction. With regard to rural development, increased agricultural production is important if a given demand due to population and income is met especially if, as is envisaged, the poorer sections of the population experience an increase in income. Economic growth creates more goods and services, more employment and higher incomes, as well as augmenting the level of surplus resources available for investment.

When proposing economic growth as a goal of rural development, the following caveats should be borne in mind. Emphasis should be placed on the pattern of growth, as well as the product mix so that the maximization of GNP is not regarded as a simplistic panacea for economic problems. Growth itself does not eradicate poverty, as a study by Adelman and Morris of 43 Third World nations shows. "...(There is) no strong or obvious relationship between the rate of economic growth and the improvements in the living standards of the poor, whether measured in terms of their share of total income, their absolute level of income or a defined set of basic needs". 8

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On the other hand Lisk makes the point that poverty cannot be eliminated without, amongst other things, an acceleration of economic growth. 9

What is needed, therefore, is economic growth using technology appropriate to the factor endowments of that region, with a product mix conducive to both the satisfaction of basic needs and the stimulation of productivity. As a development economist has commented, "it is hard to convert luxury Mercedes' into basic farm implements". 10 The emphasis must be on what is produced and how it is produced.

4. **Equity In The Distribution Of Resources And Assets**

The final goal of rural development is equity in the distribution of assets and resources. 11 While equity does not imply that everybody's income should be equal, an equitable distribution of resources of assets does imply that there is an equality of opportunity and that, once an equitable distribution of resources has occurred, the present inequalities in income will be somewhat lessened. This goal should be seen in conjunction with popular participation, as in the market economy where the level of participation is determined by the size of a person's income. Consequently a more equitable distribution of income will lead to increased local participation.

Social equity as an essential aspect of development has been stressed by a number of people. 12 Without social

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9. Lisk, F. - op. cit, p.183
11. Equity is not synonymous with equality. I have taken equity as "a reduction in inequality in the distribution of consumption and effort to a minimum compatible with adequate levels of production and well-being" in Jan Tinbergen (ed) Reshaping the International Order (Report to the Club of Rome) 1974. p.61.
equity "the old problems of emarginilization characterised, among other factors, by the lack of access by a large part of the rural population to productive resources, persist or become more accentuated; this in turn maintains or renders more acute the problems of subsistence, under-employment, the unequal distribution of income and the consequent deterioration of the general living conditions of the vast majority of the rural population".

The goal of equity has to be tempered with certain reservations. In some cases, a redistribution of income may lead to a fall in total income; consequently care should be taken that the benefits of a redistribution of wealth are not offset by a marked fall in total income.

Conclusion

This rural development study has four major objectives: the satisfaction of basic needs, employment creation, economic growth and equity in the distribution of assets and resources. The interrelation of these goals should be emphasised, and as Bequele and Freedman argue "Policy efforts directed at the satisfaction of basic needs and the promotion of productive employment are mutually reinforcing and central to the elimination of absolute and relative policy in the developing world". 13

SECTION 1:3

THE POLITICAL AND ECONOMIC BACKGROUND IN LESOTHO

Political, Historical and Social Background

Lesotho is an independent African country, with a democratically elected parliament although there has been evidence of repression of political opposition after the election of 1970. The country was a British protectorate from 1860 - 1966 under the name of Basutoland. From 1966 the Basotho National Party under the leadership of Chief Leabua Jonathan, with a power base among the chieftains, assumed power, a position which it has maintained up until the present day.

During the British Governance Lesotho degenerated from a self-sufficient exporter of food into a nation dependent upon South Africa for a large proportion of its food and also for employment.\(^1\) The centralized administration has embarked upon two five year plans, neither of which has been successful in achieving the expressed aim of a reduction in dependence on South Africa. As one of the poorest 15 nations on earth,\(^2\) Lesotho has been saved from bankruptcy in recent years by large amounts of foreign aid,\(^3\) and her high growth rate in the 1970's in terms of Gross National Product (not Gross

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3. The major donors, with the expected donor commitments for the implementation of the Third Plan (1980/1 to 1984/5) are United Nations (R58,2m), EEC(R14m), Canada (9,4m), Federal Republic of Germany (R14,4m), United Kingdom (27,2m) and United States (R85,1m). Other sources (36,4m). These figures are from: Kingdom of Lesotho - Third Plan Preview (Central Planning and Development Office, Maseru, 1979) preface.
Domestic Product) is a reflection of the increase in migrant labour remittances from South African mines. The present level of poverty has provoked criticism of the government, and it is probable that a further lack of domestic growth will be a destabilising pressure on the political situation in the country.

Unlike many other African countries, Lesotho has a relatively high degree of ethnic homogeneity, with only one clearly defined group, the Basotho (singular Mosotho). Large wage sector employment means that the system of rural organisation, which is based upon 1 000 villages under the jurisdiction of the chiefs, is not typical of a rural economy. The FEACHEM Report contends that although 85% of her people are rurally based Lesotho is somewhat similar to a suburban economy.4

This obviously creates certain problems in development, for example there is a conflict between the national desire for self-sufficiency in food production and the lack of individual incentive to undertake more intensive agricultural production because of the preferred alternative of wage labour, on account of the higher wages paid. In fact, when looking at Lesotho's rural economy its unique circumstances prevent a comparable classification. Eckert and Wykstra write that "despite nearly 150 years of scrutiny analysts differ on whether the rural Mosotho agriculturalist is a farmer or a pastoralist, whether his society can be classified as peasant or tribal and whether economics is even a useful explanatory tool with which to analyse his behaviour."5

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Economic Overview: Geography and Climate

Rural development can only take place upon the foundation of Lesotho's resources, but the domestic resources available do not lend themselves to an optimistic assessment of Lesotho's development potential.

Geographically, Lesotho is located primarily within a mountainous region and she is one of only two countries in the world surrounded completely by another country. 80% of her population live in the western lowlands which constitute only 13% of her land base. The climate is temperate rather than tropical, and although it might be expected that this factor coupled with an adequate average rainfall would be conducive to crop production, the climate has unusually high levels of variability which places a high risk on farming. Apart from this, hail in the summer and drought and frost in the winter are other hazards which exacerbate the risks of farming.

Resources

Lesotho has two main natural resources. The productive grasslands in the west, if properly managed, should have a potentially high productive and regenerative capacity, and consequently they can provide a base for rural development. The other natural resource is Lesotho's position as a watershed for South Africa, as all the main rivers of South Africa have their source in the Lesotho mountains. There is potential for hydro-electric power, and schemes to produce this as well as negotiations to export water to South Africa are under way, although the gestation period is in the region of 20 years.

7. ibid, p.100
Lesotho is very poorly endowed in mineral and other resources. At present the only mining activity is the diamond mine at Letseng-La Terai which netted R1,2m for Lesotho in 1977.\(^8\) The likelihood of developing other mining activities is slim as extensive excavation has been unrewarded. A detailed survey by Stockley revealed an absence of fossil fuels to satisfy energy requirements. The historical absence of trees in Lesotho (as early as 1900 the treelessness of Lesotho was remarked upon by missionaries\(^9\) has placed a premium on fuel for heating which led to the degradation of the land as cattle dung is used for this purpose. M. Best has calculated that in a particular village in Lesotho the average household consumes 1,35 metric tons of dung a year.\(^10\) The abundant sunshine enjoyed by Lesotho indicates solar energy potential, but the low grade nature of this energy prevents its widespread application.\(^11\)

**Land and Population**

The 1976 Census gave the population as 1,2 million, depicting an annual growth rate of 2,27% from the previous census 10 years earlier.\(^12\) The lack of arable land means that 80% of the people live in the western lowlands. Consequently the land is divided up into small fields with 4,91 acres of arable land.

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8. ibid, p. 102.
11. Solar energy for heating is being used in a new housing settlement on the Leabua Highway, Maseru.
per farming household in 1970. The shortage of land, together with the uneven nature of the terrain, has led to a large soil erosion problem and the deterioration of the natural ground cover over the last 50 years.

Rural land has been used for grain and crop production and for the keeping of livestock. The role of livestock in the economy is traditionally important for socio/cultural and for economic reasons. Apart from the role of livestock as an indicator of status within rural economy, they also represent at present one of the few safe forms of rural investment, although the returns from cattle are not very high.

Lesotho and South Africa

Apart from Lesotho's predominantly rural economic base, the outstanding feature of her economy is her position of dependence vis-a-vis the South African economy. While the task at hand does not require a detailed analysis of this, it is necessary to discuss briefly this dependency relationship as it permeates all aspects of Lesotho's economy, and more particularly it has had a pronounced impact upon Lesotho's rural economy.

The major link between South Africa and Lesotho is the supply of migrant labour to South Africa, which together with domestic agriculture form the twin pillars of Lesotho's economy. In 1977/78 the earnings of Basotho migrant labourers in South Africa constituted 40% of GNP, and a survey undertaken indicated that 48% of male labour was employed in South African mines as opposed to 40% in domestic agriculture and

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the remainder in internal wage employment. In terms of numbers, estimates are that approximately 125,000 are employed in the mines and roughly 30,000 in other wage activities.

The impact of migrant labour on Lesotho has a number of implications. Eckert and Wykstra argue that, given the probability of a drop in demand for Basotho workers on the mines, the natural increase in population and the failure of the Lesotho economy to provide an increased number of jobs, the creation of employment must be the top priority of economic planners in the foreseeable future. Few would disagree with Ward that at present "Basotho migrant labour is the most fundamental factor in the economic survival of the country"; therefore a rural development strategy will have to endeavour to create as many job opportunities as possible to overcome this problem. Although it is not the sole responsibility of the agricultural sector to create those jobs, according to Eckert and Mohapi, "Agriculture can and must play a major role in the resolution of employment problems."

Lesotho's trade is also heavily intermeshed with South Africa's, especially as she is part of a common Customs Union. Her Trade Balance is in a precarious position, as in 1977/73 her

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15. Leys, R. - "Lesotho: Non-Development or Underdevelopment" (Seminar Paper for the African Studies Institute, October 1974).


balance of Trade deficit was R189m, which is 8% greater than her GDP. 19 Although not all her trade is with South Africa, because of her geographical position the majority of it is, especially as Lesotho's exports to South Africa are often re-exported to other countries. Her exports consist mainly of wool, mohair, foodstuffs and live animals, while the major components of imports are foodstuffs (25%) and manufactured goods (50%). 20 The Lome Treaty of 1975 signed with the European Economic Community could provide Lesotho with a European export market, although the high cost of transport and the physical location of trade routes through South Africa mitigates against a direct increase in exports.

Lesotho's membership in a common Customs Union with Botswana, South Africa and Swaziland provided, through the share of revenue accruing to Lesotho, 72% of the total revenue which the Government received in 1978/79 (R56,1m out of 77,9m). 21 Article 5 of the Customs Union agreement provides a certain measure of protection for infant industries, while Article 17 of the agreement gives Lesotho free access to South African markets, although the lack of exports from Lesotho, especially of manufactured or processed goods, would suggest that certain other factors prevent Lesotho from taking advantage of this properly.

The other dependency link with South Africa is Lesotho's inclusion in the Rand Monetary Area. Recently Lesotho introduced her own currency (the Maluti) to be used concurrently with the Rand, with the eventual phasing out of the Rand the long term goal. However, as the new currency is backed 100% by the Rand, there is in effect no change in foreign exchange transactions. The establishment of the Lesotho

National Bank has facilitated the investment of savings locally, as opposed to commercial banks where savings may be invested in South Africa where rates of return are higher as there are no exchange controls between South Africa and Lesotho.

Lesotho and Rural Development

From this overview of Lesotho's economy it can be seen that the current need for rural development is accentuated by three factors. Firstly, the threat of severe unemployment necessitates rural job creation to absorb at least a proportion of the unemployed. Secondly, the large number of people living in rural areas (85% of the population) implies that rural development is the sine qua non for a general increase in the standard of living for the vast majority of the population. Thirdly, Lesotho's dependent position vis-a-vis South Africa has meant that Lesotho has become a dormitory region for the South African industrialized core. This economic dependence has politically resulted in more "flag" independence, and so rural development is a step towards both a decrease in economic dependence and an increase in political independence.
SECTION 2

A DESIGN FOR RURAL DEVELOPMENT

2:1 LAND TENURE IN LESOTHO

The issue of land tenure is of fundamental importance to rural development for a number of reasons. Firstly, it determines who uses and controls the land; secondly it influences how the land is utilized, and thirdly it plays a major role in shaping the essential relationships that determine how the rural population is integrated or excluded from the spread of specialisation and the benefits accruing from land assets.

The Old System

Historically land in Lesotho has belonged to the people with control of the land entrusted to the king who together with subordinate chiefs administers the land on their behalf. The system of tenure has never been constant, as it has changed and adapted to new circumstances which have arisen over time. The old system of land laws was set out in detail in the Laws of Lertholi (1905, amended in 1922, 1946 and 1959) and although western terminology does not lend itself to an accurate interpretation of the meaning of the laws, the following is a brief outline of the laws:

The Laws of Lertholi ensured that there was no individual ownership of land, but individual rights subject to the needs of the society. Individuals are allocated


2. This system is called "secondary communal" by J.C. Williams, Lesotho: Land Tenure and Economic Development (Communication no. 19, The Africa Institute, Pretoria).
usufruct rights over arable and residential lands, the rest of the land being regarded as communal. Everybody in the community has general rights to this communal land under the authority of the chief. Land is allocated by the chief to the individual on the following basis: every male married Mosotho who pays taxes in the chief's area and also accepts the jurisdiction of the chief is customarily entitled to three fields, with another two for each additional wife. The tenure for these fields is lifelong provided the fields do not produce more than is needed to meet the needs of the landuser's family, and provided that fields are not left fallow for more than two years, although de facto land is usually only withdrawn if left for a period of 4 - 5 years.

These usufruct rights are not inheritable and upon the death of the user of the land it reverts back to the chief, although in subsequent allocations nominal priority is given to the needs of the landuser's sons. Land is also passed from father to son via the father ceding his usufruct rights to his son before his death, a system which has important ramifications for family relationships. Access to the communal grazing land is a right enjoyed by all members of the community provided of course that they own grazing stock.

The Laws of Leretholi have had a major impact upon the rural economy. Firstly, the number of fields per family has been diminishing, as has the average size of each field. The 1970 Agricultural Census found that the number of

4. ibid, p. 32 - 33.
fields per family had a mean of 2.17 as opposed to the customary "1. Similarly, the size of the land allocated to each family has fallen from 6.21 acres in 1950 to 4.91 acres in 1970. Another implication is that people have been disinherit ed from their right to land use, as the number of landless people has increased from 8.5% of the population in 1960 to 12.7% in 1970. Thirdly, de jure there is no incentive for the individual farmer to increase his production above the subsistence needs of his family, as surplus production could technically result in the loss of a proportion of his land. Lastly, the benefits of the communal land, which, if land is indeed a common asset of all the people, should be shared by all the people, have only accrued to those who have livestock. From the individual cattle-owners' point of view, there is an incentive for him to overgraze the land as the benefits from extra cattle go directly to him, while the costs of additional grazing (i.e. the degradation of the land) are borne by society as a whole.

The net result of this is that the land tenure system in Lesotho has been seen as an obstacle to economic development. A new Land Act has been promulgated which endeavours to remove some of the obstacles while working within the existing socio-political framework.

5. "ibid, p. 30.
The Land Act, 1979

The new Land Act is an attempt to provide a system of property rights which is conducive to rural development. At the same time it tries to avoid radically restructuring the nature of land use and it endeavours not to break the fundamental principle that the land inalienably belongs to the Basotho nation as a whole. The new Land Act was officially gazetted in June 1980. Its significance for rural development in Lesotho should not be underestimated. According to Eckert, "This Act will constitute the most fundamental institutional influence on agricultural development during the next 20 years".

Firstly, the Act makes provision for progenitor inheritance, which means that land may be passed on to a single designated son, or in the absence of a son to any other heir designated by the present lessees. The implications of this are that the number of allottees to land will be fixed at the 1980 levels, which will curtail the long history of progressively smaller units of land. Secondly, there will be an increase in the number of landless rural households, as only one of the present family's offspring will be allocated land. Thirdly, there will be an incentive for long-term investment in the land, which should increase the productivity of the land and arrest the deterioration in the soil.

8. Most of the information on the expected implications of the new Land Act was obtained through discussion with Abner Masasi, Commissioner of Lands. The Law itself is contained in: The Land Act 1979 Act no. 17 of 1979 (Supplement no. 1 to Gazette no. 41 of 14th December 1979).

Present landusers will be able to register their land and convert it to leasehold rights, provided that the intended use of the land is sanctioned by regulation. Those with leases will be able to sublet which in turn should create a market and a price for land. The intended consequences of this are that through sub-leasing farms should generally be larger but fewer, and through a larger farming unit economies of scale can be exploited. The drawback of this, however, is that with a concentration of land resources into the hands of a few progressive farmers incomes will be similarly concentrated, although the payment of rents will partially offset this. Another disadvantage is that a rural landless section of the population without an income will be created, and unless special provisions and sanctions are stipulated in the lease soil mining (i.e. a depletion in soil fertility) may take place on leased land. Steps should also be taken to avoid the creation of an absentee landlord class whose use of land derives from affluence acquired from urban areas.

Other intended benefits from the new Land Act include the designation of special agricultural areas. These areas are intended as experimental regions for the application of a wide range of innovations in tenancy and land use. The new Act permits the fencing of leasehold land. This may lead to an increase in the productivity and output of arable land as winter crops may now be grown on land which previously had to be turned over as communal grazing for cattle during the winter months.

Apart from the above criticisms of the new Land Act, there are some other problems. Firstly, there is no compulsion for land to be registered; in other words the success of the implementation of the Act depends upon the desire of the landuser to register the land under leasehold. The fact that

10. The length of leasehold still has to be determined. It is probable that urban leases will be longer than rural leases, for example 99 years as against 30 years.
a fee has to be paid for registration may offset this problem.\textsuperscript{11} Secondly, the issue of the use of communal land, a concept central to rural development, has not been settled as the Land Act is concerned primarily with arable lands. The present land allocation will be used as a basis for leasehold rights, so what has in fact transpired is that usufruct rights have been superceded by exclusivity without resolving the question of equitable access to rural assets by the community.

Therefore, on the above grounds, I feel that Lesotho's new system of land tenure will not be effective in promoting rural development as outlined in Section 1:1 and 2.

\textbf{A New Land System}

In choosing a system of land tenure compatible with the concept of rural development outlined earlier, the following factors are of importance:\textsuperscript{12}

1) The economic size and layout of the farms; the optimum size will obviously depend upon the physical resources of that specific area, the type of use for which the land is intended, and the relative abundance or scarcity of capital and labour.

2) Incentive and opportunity; the system must encourage the farmers to use the most efficient methods of production to enable growth in output and optimum use of resources.

3) Capital Investment; this is linked to the first factor as the system must provide a framework for large enough productive units to accommodate the use of increasingly modern cultivation methods which may be needed in the long term.

4) An increase in incomes; this is a pre-requisite for a rise in the standard of living and the satisfaction of basic needs.

\textsuperscript{11} The registration fee has not yet been determined.

\textsuperscript{12} These factors are taken from Seidman, A. - Planning for Development in Sub-Saharan Africa (Preager, New York, 1974) p. 165.
Various alternative models of land tenure have been proposed for Africa. J.C. Williams has advocated a free-market type model of private property rights, with individuals having freehold rights to land. The plausibility of this model for Lesotho is constrained by the fact that it would destroy the traditional principle that land is the common asset of the Basotho nation as a whole, as it would become privately owned and unevenly distributed. The mechanism for the implementation of this system is not spelt out by Williams, but it is likely that it would create a large pool of landless people without employment and without income.

Another alternative is the collectivisation model, for example the Ujumaa village scheme in Tanzania. The problem with the implementation of this model was the fact that it was administered by central planners who did not have the necessary knowledge of local conditions, the needs of the peasants and production possibilities. This model is not recommended for Lesotho as it is not compatible with decentralised administration, popular participation and local decision-making.

A Community Land Company (CLC) Outline

A third proposal which I would advocate is that of a Community Land Company (CLC). I will first outline the concept then discuss its implications for rural development. In the next chapter it will be applied to land use in Lesotho.

As a concept the CLC is "simple yet radical". Using

15. Reynolds, N. - "Rural Development in Botswana" (SALDRU Working Paper no. 13, Cape Town 1977) p.12. Most of the information on the concept was obtained from an unpublished article by N. Reynolds - "The Community Land Company" (July 1980) and through personal discussion with Dr. Reynolds.
the business company concept, all people over a certain age, e.g. 21, who are members of the community are automatically members of the company, membership entitling the person to one share. The community comprises all those people who have access or rights to land within a given area, for example in Lesotho a village under a chief. Given the area of communal grazing land which the community has usufruct rights over, the government or a technical institution sanctioned by the government, then specifies a certain carrying capacity for that land, and the number of shares is then divided into the carrying capacity for that land to obtain the amount of grazing which one share entitles a member to enjoy.

An example would be as follows: The carrying capacity of that area is established at 500 large stock grazing units (LSGU). (One unit is one cow, two sheep and three goats, for argument's sake). There are 100 members in the community, which means that each person is entitled to 5 LSGU, in other words he has the right to graze 5 cattle on that land for the year.

A share market is then created by holding an auction of the shares. Rights to graze are traded at a price created by supply and demand. Each year the carrying capacity is reviewed and rights to graze are auctioned once more so that the price of grazing reflects current physical, climatic and market forces.

Although the CLC is designed primarily to deal with grazing land (which comprises 77% of the land in Lesotho\textsuperscript{16}), the system can be adapted for the efficient use of arable land.

\textsuperscript{16} Calculated from figures in LASA - op cit, p. VII - 7.
Using the same principle of a CLC, the government technical services together with the community decide on the total allocation of land for arable farming. The CLC then decides how much land to cultivate in the forthcoming year, taking into account erosion, soil fertility and the replenishment needs of the soil.

Each family is then allocated a share which embodies the right to cultivate a certain portion of land. The family can then cultivate that land, or sell its share to another farmer, or cultivate that share plus more land via the purchase of another family's share. Economics of scale can be gained without the social dislocation of a family being permanently alienated from the land.

**Financing of the CLC**

The CLC should aim at local autonomy in the control of funds allocated to it. Assuming that the government desires to promote rural development, as indeed it does in Lesotho, instead of funds being allocated to the various ministries (e.g. Agriculture, Rural Development, Marketing) and imposed upon the rural areas from above by each ministry as it sees fit to best achieve its own goals, the CLC should be allocated a proportion of the budget.

In other words, the flow of funds for a number of different projects run by different departments (for example the Ministry or Rural Development, the Ministry of Agriculture, the Central Planning and Development Office and the Ministry of the Interior), will be pooled, out of which the CLC will obtain a lump budget sum. Once it has been allocated, control should rest with the CLC.

The budget should be allocated among the various areas according to a pre-arranged formula which takes into account the population of that community, the local willingness to
participate in development by raising their own funds, and the resources available to that community. Resources would include physical and social infrastructure and the amount and productivity of the land. An example of the formula might be:

<table>
<thead>
<tr>
<th>Resource Type</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (adults over 21)</td>
<td>70%</td>
</tr>
<tr>
<td>Local funds matched</td>
<td>20%</td>
</tr>
<tr>
<td>Resource endowment (backwardness)</td>
<td>10%</td>
</tr>
</tbody>
</table>

An important point is that the CLC must have autonomy over the decisions to spend or not to spend funds. Funds which are not spent should not be forfeited at the end of the year, nor should there be a reduction in the following year's budget. Through this method of financing, therefore, local participation in an organ of local government is created.

**The Implications of the CLC**

The CLC provides a mechanism for the equitable distribution of land, which in the case of rural Lesotho is the only asset which some people possess. The normal system of communal land implies that only those with cattle actually derive any direct benefit from the communal land, whereas in this system those who do not exercise the right to graze are compensated for it. Therefore, through the CLC, the right to communal land, which exists in Lesotho but is not exercised by half the rural population who do not own cattle, can provide an even spread of income from the asset. The CLC provides an equitable distribution of assets through rural society.

Secondly the CLC is an organisation through which the government can control the number of stock on the land. This technical sanction prevents the overgrazing of land. The problem created by a common property resource, namely that the private marginal cost is less than the social marginal cost of another grazing animal beyond a certain point, is prevented by limiting the number of livestock on the land.
A graphic explanation of this is given in Appendix 1.

Thirdly the system is very flexible as it is easily adaptable to a wide range of circumstances. For example, taxation on the land is facilitated by taxing the value of the share when it is auctioned, with payment being automatically made at the auction. The level of taxation can either be centrally controlled or, which is more compatible with the development model of Section 1:1, it can be determined by the local community for reinvestment in the land. For example the community might decide to build an irrigation system or a dam which would benefit all shareholders as it would increase the carrying capacity of the land thus enhancing the value of each share.

The CLC allows for individual incentive, in that the owner of cattle is not prevented from making a profit - he merely has to pay for the use of land over and above that which he is entitled to use as a member of the community. The size of herds owned can still be large enough to take advantage of economies of scale, as the individual pastoralist would keep cattle until the marginal revenue from his last cow equals the marginal cost of buying the grazing rights for that animal. (See Appendix 1.)

The CLC also allows for an amelioration in the distribution of income. The contention that land is very equitably distributed in Lesotho is false, according to Eckert and Wykstra. They assert that the relative equality in income is because of equal access to wage,labour. With the demand for wage labour likely to diminish in the foreseeable future, equal access to the benefits of land assumes greater importance, and the CLC is one way of achieving this.

SECTION 2:2

LAND USE IN LESOTHO

In this chapter dealing with the use of land in Lesotho present farming activities will be evaluated, and the potential for better use of the land will be discussed. Proposals for better land use will be made within the framework of the CLC.

Before discussing present land use and ways of increasing agricultural output, it is necessary to comment on the school of thought within development economics which hypothesises that traditional peasant methods of production are in fact efficient, and consequently it is pointless to try to increase productivity. This efficient but poor hypothesis, initially advanced by T. Schultz, is that "there are comparatively few significant inefficiencies in the allocation of factors of production in traditional agriculture". ¹

The validity of this hypothesis has been questioned by many economists. The consensus is that the main error is that the hypothesis is based a priori on the assumption of modern competitive situations, which does not apply to many peasant agricultural communities.² An empirical study by Shapiro of cotton pickers in Tanzania contradicted the hypothesis,³ and the increase in output from various development projects in Lesotho also suggests that the "efficient but poor" hypothesis does not apply to Lesotho.

Examples of improvements in land use include the Thaba Bosiu and Leribe Development projects where it is reported that "work carried out .... suggests that fairly simple changes in cultural practices can lead to a marked improvement in crop production". The changes include such elementary measures as increasing the seeding rate, which can as much as double output with little extra cost, and more timely weeding patterns for crops. Livestock can also be used more efficiently by better range management, optimal herd size and higher take-off rates.

Arable Land

Lesotho's land base consists of 30 350 km² of which just over 11% is regarded as arable land, 12% is regarded as non-grazable, which leaves the remaining land, just under 80%, for grazing.

Table 1. Division of Land: Arable and Grazing

<table>
<thead>
<tr>
<th></th>
<th>Hectares</th>
<th>Percentage of Land</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arable Land</td>
<td>351 971</td>
<td>11,6</td>
</tr>
<tr>
<td>Grazable Area</td>
<td>2 360 400</td>
<td>77,8</td>
</tr>
<tr>
<td>Non-Productive Land*</td>
<td>322 629</td>
<td>10,6</td>
</tr>
<tr>
<td>Total Land Area</td>
<td>3 035 000</td>
<td>100</td>
</tr>
</tbody>
</table>


* This land is not used because of rocky outcrops, inaccessible terrain etcetera.
As can be seen from the above table, land use in Lesotho revolves around grazing mainly. However, the 1970 Agricultural Census revealed that of the 187 000 rural households 185 000 have land for crop cultivation (+99%), but only 50% own any cattle.\(^5\) This has important implications for income distribution, the availability of traction for ploughing, and use of the communal land asset, which will be discussed later.

The income from cropping on the arable land is usually superceded by that from livestock for the economy as a whole, although not recently (see Appendix 2). Food grains usually account for well over half the income raised from crop production annually. (R11 out of R18m in 1977.\(^6\)) Maize and sorghum which had accounted for 80% of the cropped area in 1950 only constituted 60% of it in 1970 because of the switch during that period to cash crop production of wheat, beans and peas, which are also all export crops.\(^7\)

Levels of productivity on the arable lands are low, and the average income per hectare is about R60, with individual income fluctuations from R20 to R120.\(^8\) Furthermore, productivity has been decreasing over time, probably as a result of a fall in soil fertility which has occurred through the use of cow dung, a source of nutrient replenishment for the soil, as a fuel for heating and cooking. Best reports that an average household in a Lesotho village uses 1.35 metric tonnes of dung per annum.\(^9\) According to the 1970

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Agricultural Census, 84% of the farmers do not use any fertiliser whatsoever. The decline in productivity is illustrated by the following table:

Table 2. Production of Major Crops

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Maize</td>
<td>214</td>
<td>121</td>
<td>67</td>
<td>-68.7</td>
</tr>
<tr>
<td>Sorghum</td>
<td>49</td>
<td>54</td>
<td>57</td>
<td>+16.3</td>
</tr>
<tr>
<td>Wheat</td>
<td>50</td>
<td>58</td>
<td>58</td>
<td>+16.0</td>
</tr>
<tr>
<td>Peas</td>
<td>8</td>
<td>12</td>
<td>5</td>
<td>-37.5</td>
</tr>
<tr>
<td>Beans</td>
<td>1</td>
<td>1</td>
<td>4</td>
<td>+300.0</td>
</tr>
</tbody>
</table>

Table 3. Yields of Major Crops

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Maize</td>
<td>5.3</td>
<td>3.7</td>
<td>2.3</td>
<td>-56.6</td>
</tr>
<tr>
<td>Sorghum</td>
<td>4.0</td>
<td>3.8</td>
<td>3.1</td>
<td>-22.5</td>
</tr>
<tr>
<td>Wheat</td>
<td>4.5</td>
<td>3.8</td>
<td>2.4</td>
<td>-46.7</td>
</tr>
<tr>
<td>Peas</td>
<td>4.5</td>
<td>3.3</td>
<td>1.8</td>
<td>-60.0</td>
</tr>
<tr>
<td>Beans</td>
<td>1.5</td>
<td>1.6</td>
<td>1.0</td>
<td>-50.0</td>
</tr>
</tbody>
</table>


The noticeable decrease in productivity is indicative of the dangerous deterioration in the value and potential of arable land, and future land use will either require extensive inputs or the soil should be allowed to be replenished naturally by leaving some of the land fallow. In recent years there has been an upward trend in percent of cropping land fallow, rising from 8% in 1970 to over 30% in 1976. 10

10. LASA, op cit, pp. VI - 6.
This is probably because of an increase in migrant labour wages, as well as the forced disuse of marginal cropping land.

Notwithstanding the deterioration in the land, the potential for increasing output from cropping exists in the western lowlands. Crop yields in the Orange Free State on the west bank of the Caledon River which borders Lesotho are among the highest in the world for rainfed agriculture.\textsuperscript{11} This suggests that with a change in management and production techniques output could be increased substantially. From the point of view of the farmers, the right to the exclusive use of land envisaged in the new Land Act should hasten the acceptance of grass and forage as a crop which in turn will mean increased revenue for farmers.

\section*{Arable Land and the CLC}

The application of a CLC to arable land in Lesotho would provide certain benefits. Through the technical sanction of governmental services marginal cropping which debilitates the land without providing substantial returns can be eradicated. This should assist in the replenishment of the soil. The leasing of arable land through the transfer of shares, with a built-in sanction against soil mining, means that farmers will be able to take advantage of economies of scale. Similarly, the concentration of production into the hands of the better farmers will expedite the transfer and application of extension services to rural areas without exacerbating income distribution and rural power relationships, which would occur if ownership or long term usufruct rights were vested in the hands of a few powerful farmers. There are many other factors which affect the production of crops, for example marketing and credit, and these will be discussed later in the paper.

\textsuperscript{11} ibid, pp. VI - 14.
Another way in which arable lands might be used is in the establishment of a community-controlled woodlot project. A woodlot project has been in operation in Lesotho for ten years, and judging by the reaction of the people to the first cutting it has been remarkably successful. A community woodlot project could operate as follows:

The community decides to allocate a certain proportion of their land to the establishment of a woodlot. The site for the woodlot is chosen in consultation with technical specialists provided by the government. The planting of the trees is supervised by the government specialists, with finance for the project supplied half by the community, with the government matching the other half. Technical supervision is maintained by the government agency, and upon maturity of the trees the firewood is allocated on a pro-rata basis to members of the community. Alternatively a charge could be levied to accumulate funds for another project, or funds could be obtained by auctioning a proportion of the output.

Climbing Land

Livestock makes a sizeable contribution to GDP (see Appendix 2). The main type of livestock held in Lesotho are cattle, sheep and goats. Although goats and sheep perform a valuable economic function, it is cattle which are of the most importance, both economically and in terms of their cultural role. Cattle provide a source of food, in the form of beef and milk, draft power for ploughing, raw materials for clothing, and a marketable asset in the event of an emergency. They also present one of the few opportunities for rural

12. Information gained by personal communication with Lesotho's Woodlot Project Deputy Manager, Mr Alan Baines.
investment, and they represent a form of savings. It has been argued that the cultural and social values attributed to cattle have been central in the survival of the Basotho nation. Through various systems, "mafisa" (loan) "bohal" (bridal price) and "mpho e famoeng" (gift giving) the transfer of animals between families and villages has helped with the redistribution of income and assets.

The role of livestock in GDP is given in Appendix 2. The ownership of cattle, although more equitable than in Botswana, nevertheless reveals that there is a large concentration of ownership. Only half of the households in Lesotho own cattle, and of this half 16% account for approximately 43% of all cattle numbers, which means that nearly half of the national herd are owned by less than 10% of the population.

The following table shows the size of the national herd over the past 40 years:

Table 4. Livestock Investments : 1935 to 1975 (in thousands).

<table>
<thead>
<tr>
<th>Year</th>
<th>Cattle</th>
<th>Goats</th>
<th>Sheep</th>
<th>Horses</th>
<th>Mules</th>
<th>Donkeys</th>
<th>LSGU</th>
</tr>
</thead>
<tbody>
<tr>
<td>1935</td>
<td>352</td>
<td>432</td>
<td>1 285</td>
<td>79</td>
<td>2,0</td>
<td>18</td>
<td>692</td>
</tr>
<tr>
<td>1945</td>
<td>437</td>
<td>542</td>
<td>1 545</td>
<td>82</td>
<td>1,2</td>
<td>38</td>
<td>844</td>
</tr>
<tr>
<td>1955</td>
<td>408</td>
<td>655</td>
<td>1 399</td>
<td>102</td>
<td>5</td>
<td>49</td>
<td>824</td>
</tr>
<tr>
<td>1965</td>
<td>346</td>
<td>878</td>
<td>1 662</td>
<td>74</td>
<td>2,7</td>
<td>46</td>
<td>861</td>
</tr>
<tr>
<td>1975</td>
<td>482</td>
<td>808</td>
<td>1 364</td>
<td>93</td>
<td>1,8</td>
<td>88</td>
<td>939</td>
</tr>
<tr>
<td>1955-</td>
<td>+45</td>
<td>+153</td>
<td>-35</td>
<td>-9</td>
<td>-3,2</td>
<td>+39</td>
<td>+115</td>
</tr>
<tr>
<td>1975</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


* LSGU = Large Stock Grazing Units, in which the livestock number is multiplied by 0.8 (cattle); 0.7 (horses); 0.6 (mules);

15. LASA, op cit, pp. VII - 9 to VII - 11.
0.5 (donkeys); 0.2 (sheep and goats).

As can be seen from the table, the number of Large Stock Grazing units on the land has increased from 1955 to 1975. While the gross number of livestock is not an accurate measure of the productivity of the livestock sector, the numbers are at least more encouraging than those for the crop sector of the rural economy over the same time period (Tables 2 and 3).

The high veld and natural grasslands of Lesotho are one of her greatest natural resources, but because of the system of land tenure they exhibit the classic problems of the common property resource. Historically overgrazing has been widespread, and the visible effects of it are evident to any visitor to Lesotho. The carrying capacity and grazing resources have not been measured carefully, but the following estimates are a rough guide to the present situation.

Table 5. Estimates of Carrying Capacity for Stock

<table>
<thead>
<tr>
<th>Grazable Area</th>
<th>Stocking Rate</th>
<th>Annual Carrying Capacity</th>
<th>Actual Number of LSGU (1976)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(thousand Ha.)</td>
<td>Upper Limit</td>
<td>Lower Limit</td>
</tr>
<tr>
<td>Lowlands</td>
<td>352</td>
<td>8.0 - 13.5</td>
<td>44 000</td>
</tr>
<tr>
<td>Highlands</td>
<td>2360</td>
<td>4.0 - 6.5</td>
<td>590 100</td>
</tr>
<tr>
<td>Total Large Stock Grazing Units:</td>
<td>634 100</td>
<td>389 200</td>
<td>855 340</td>
</tr>
</tbody>
</table>


By comparing the actual level of grazing (Table 4) with the carrying capacity estimates (Table 5) it is obvious that there is a biological level of animal population above a maximum sustainable yield for the veld and pasture resources in the long run. Even if the upper limit is accepted as a realistic carrying capacity there needs to be a stock reduction in the order of 30%.
Apart from the problem of overgrazing, the cattle population is dominated by mature animals. Because of the generally small size of the herds and bad management practices, cattle and small stock have an excessive male to female ratio, with low birth rates and poor weaning percentages. The annual take-off is in the order of 12 - 13%, which compares favourably with some poor African countries, but is well below commercial standards where take-off rates vary between 30 - 40%.  

Livestock and the CLC

The failure of the old system from an economic viewpoint is manifest for all to see. A CLC in Lesotho would provide a framework for proper range management as the level of stocking would be limited to a size which the land would be able to sustain in the long run. The present degeneration of the land would be stopped, and through the concept of land as a mutual asset to be used for the benefit of the whole community, an incentive would be provided for the community to invest in the land. Mutual investment will in turn enhance the value of the land by raising productivity and in the long run augmenting the carrying capacity of the land.

Secondly the CLC allows for the judicious management of livestock. The male-female composition of the herd can be established at efficient levels, this avoiding an inefficient excess of male numbers. As the total number of livestock on the land will be decreased, there should be a fall in the high mortality rate which at present exceeds the rate of slaughter. Through better management the unproductively low birth rate can be raised, which in turn will increase the

17. Ibid, pp. VI - 114.
take-off rate and consequently lead to an increased income from livestock.

Results from projects at Leribe and Khomakona suggest that milk production can be increased substantially through the provision of better inputs. Other areas for improvement are through better breeding of cattle and the introduction of new strains, (for example the Friesian and Brown Swiss Blood are reputed to be most suitable for Lesotho).

The CLC by itself is not an instrument powerful enough to ensure rural development, although it might precipitate it. It requires support from a number of other sources. A recent memorandum on rural development in Lesotho issued by the Central Planning and Development Office stated that the following were the main factors inhibiting rural development: bottlenecks in the marketing of produce and livestock, the limited availability of production credit, and limited farmer training and extension services. It is towards some of these factors which the paper will now turn.

SECTION 2:3

CREDITING AND MARKETING IN LESOTHO

Rural Credit

In a traditional subsistence rural economy, land and labour play a much greater role than capital and credit. However, in the development of a rural economy, credit can and should play a major part. According to Lele, "Credit can and must play a pivotal role in fostering an equitable distribution of the increasing agricultural production. Credit can be a double-edged weapon, significantly influencing welfare or human misery, broadening participation of the masses in the political process or reinforcing feudalism". 1

Rural credit can take the form of informal or institutionalised credit. Traditional informal credit systems, however, are often unable to meet the requirements of modern agriculture, and this necessitates the introduction of institutionalised channels of credit. However, the problem with institutional credit is that commercial banks are not usually interested in working in rural areas, as risk and administration costs are high. Institutional credit through governmental institutions usually ends up in the hands of those who have political power, or is given to the larger more progressive farmers.

The unequal distribution of rural credit, when used for innovations and productive inputs, can lead to further inequalities in income. Unequal access to credit can be justified if the goal is an increase in agricultural output, and larger units are shown to have a higher output. Given

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the goals of rural development outlined in Section 1:2 this is unacceptable and a system will be outlined which encourages savings and investment by small rural people while making credit available to them according to the decision of their own community. Before this, however, a background to present credit arrangements in Lesotho will be sketched.

The Present System of Rural Credit in Lesotho

The 1970 Agricultural Census revealed that 96% of the farmers reported that they had no access to rural credit. In Lesotho it appears that the high proportion of wage labourers in South Africa has resulted in the migrant labour remittances becoming the principle source of finance for rural production. Although there are 130 thrift and credit organisations registered in Lesotho,2 apart from the Agricultural Development Fund and the Lesotho Credit Union scheme it appears that very little production credit has actually filtered through to the farmers. After its creation the Lesotho Bank was supposed to incorporate the control of all credit, a function which has subsequently been passed on to the Lesotho National Development Corporation, without any of the two organisations making any progress towards the provision of agricultural credit.

Although rural attitudes to credit are hard to gauge, a survey by John Gay found that only 12% of the better farmers use credit.3 (Presumably the proportion of small farmers using credit is much smaller). 42% of those who did not use credit cited as the main reason the fact that it was unavailable. J. Markie in a detailed study of credit in

Lesotho came to the conclusion that the administration of large institutional credit facilities hampered the adequate provision of credit to rural areas. He advocated that the best solution was that "Credit societies should be divided into separate village-based sections of 20-40 members".

A Local Credit Union

There are obviously substantial benefits to be gained from a small local credit union, and the following is the outline of a model for a local union:

The Credit Union must be composed of at the maximum 50 people, with each member making a small regular minimum contribution. The Credit Union has a savings account with a bank or registered financial institution, which pays to the union a higher rate of interest than would be available to small individual account holders. This is because the Credit Union can place a reasonable proportion of its funds on long term deposit, while an individual depositor would choose short term deposits because of a liquidity preference. In order to encourage savings, members are obliged to deposit a small amount each month, and meetings are held at a location convenient for all members. Withdrawals take place at a pre-arranged time, although prior notice (for example 2 weeks) must be given to the treasurer in order to enable him to expedite the necessary transactions.

The Credit Union is organised as a small group of people in a community, run by members of the community as a whole

5. ibid, p.33.
6. The idea for the Local Credit Union comes from Reynolds, N.- to be published in a SALDRU Working Paper.
on an honorary basis. The local Credit Union also belongs to a Credit Union League which offers advice and skills on such matters as administration, book-keeping, and the best portfolio for the local Credit Union's savings. Loans are given by the Loan Committee of the Credit Union, although unlike a sophisticated Credit Union the loan is not backed by collateral, as the usual forms of collateral, property, capital assets or securities are not usually available in rural areas.

Loans are instead backed up to a certain extent by other members of the Credit Union, who in effect underwrite this loan by blocking their account up to a certain amount. It is important that the loanee himself blocks his account by a certain amount so that psychologically he is encouraged to save and take a loan, rather than withdraw his savings. For example of a R100 loan the loanee may block his own account for R30, and seven other members may underwrite the loan to the tune of R10 each. The arrangement is flexible as the Credit Union may itself underwrite a proportion of the loan, e.g. 25%, or it may offer insurance facilities against the non-payment of loans through the Credit Union League.

The other important point about the Credit Union is the interest rate structure. Given the discrepancy which exists between the low market rates of interest offered on institutional credit, which as pointed out above is not readily available in rural societies, and the high rates of interest in informal sector credit which generally exist in the Third World, there is obviously leeway for the Credit Union to offer interest rates which will facilitate savings while simultaneously providing loans at a reasonable rate of interest. As the Credit Union is a community institution,
rates can vary according to the purpose of the loan. A suggested interest rate spread is as follows:

Table 6 Interest Rates

<table>
<thead>
<tr>
<th></th>
<th>Short</th>
<th>Medium</th>
<th>Long Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Productive Loan</td>
<td>20</td>
<td>14</td>
<td>11</td>
</tr>
<tr>
<td>Social Loan</td>
<td>10</td>
<td>8</td>
<td>-</td>
</tr>
<tr>
<td>Emergency Loan</td>
<td>4</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>


The main advantage of the Credit Union is that it is a local community concept based upon the utilisation of local knowledge and experience. The envisaged system of granting loans avoids the need for collateral by using the principle of co-guarantors, which means that loans are made available to people according to the respect and degree of responsibility which their peers grant them. Because of the small scale of the operation and the honorary status of the workers in the Credit Union, overheads can be kept to a minimum, and administrative skills and knowledge can be transmitted to the community via the advice and training by a Credit Union League. The bridging of the gap between unobtainable institutional credit and exorbitant informal credit creates a market which both facilitates investment by making loans available at a competitive rate and encourages savings by offering a reasonable rate of return.

Finally, the local Credit Union is community oriented, and as such it is an investment which encourages development "from below". As part of the rural society it ensures that there is a high level of popular participation and decentralised decision-making. Each individual who belongs to a Credit Union makes regular decisions as to how much he should invest.
in his land through a loan, how much he should save, and whether or not he is prepared to support a loan to another member of the community.

**Marketing and Rural Development**

The marketing of rurally produced goods is a major factor in any system which purports to increase efficiency, output and incomes in rural areas. According to Moody, in Third World countries especially a marketing system can be important in the reduction of core-periphery dualism by the systematic rationalization of the market and production structure of the rural sector, in order to achieve a more even spatial distribution of wage employment, income and creative effort.

The functions of an efficient marketing system are numerous. From both the consumer's and the producer's point of view, the goals of the rural marketing system should be to minimize the costs of distribution, to reduce spatial and seasonal fluctuations and to handle efficiently an increased agricultural surplus. In the short run, the marketing system can only mobilise supplies from existing production, but in the longer run it should integrate local markets into the overall national market, which in turn may be a stimulus to increased productivity. The range of activities for marketing systems should include price stability, administrative services, transportation and storage facilities, the provision of produce, the exploration of new markets and the dissemination of information about existing markets, prices and opportunities.

Present System of Marketing in Lesotho

At present the marketing of agricultural produce is the responsibility of two organisations, the Produce Marketing Corporation (PMC) and the Livestock Marketing Corporation (LMC), both of which were established in 1974. Prior to this the Agricultural Marketing Act of 1967 enabled the Minister of Agriculture to make regulations about prices and quality control, and to prohibit persons from participating in trade unless certain requirements were satisfied. Until 1973, however, no agricultural prices were set. In 1973 a maximum mark-up of 50 cents was set for a 90 kg bag of maize. At the same time minimum buying prices for maize and sorghum, corresponding to prices for similar grades in South Africa, were established. The results of this policy, however, were that private traders lost interest in buying maize as the 50 cent mark-up was not adequate to meet handling, transportation and storage costs. Generally, crop production was diminished and producers retained a large proportion of their crops for their own consumption. 8

The PMC is a statutory non-profit organisation which came into operation in 1974, and it has a monopoly on the control and marketing of produce. Among its functions are included the following: the stabilisation of consumers and producers prices, the organisation of transport, storage, processing and sales, and the introduction and maintenance of quality standards and grading systems to which price differentials can be applied. Produce under the jurisdiction of the PMC include any grain products, barley, sorghum, rye, oats, wheat, sunflower seeds, vegetables and fruit.

However, a number of reports suggest that the PMC has not been functioning effectively. The LASA report states that the PMC has been unable to cope with the competition provided by private traders, which suggests that the PMC is inefficiently run. Welborn and Ostenfeld similarly conclude that while the PMC should play a major part in the agricultural marketing structure, at present it is too inefficient to cope with private traders. An example of inefficiency which they quote is the large amount of mileage undertaken by empty trucks.

A subsidiary of the PMC is the Co-op Lesotho which is responsible for agricultural inputs and has a monopoly on the marketing of fertiliser. Its functions are the financing of co-operative societies, wholesaling, marketing supplies and transport. It is also the official buying agent for the PMC.

The marketing of livestock is controlled by the LMC, which was established in 1973 to encourage greater competition among traders. Its functions are similar to the PMC with regard to pricing, grading and quality controls, and it is also responsible for abattoirs, meat processing and tanneries. While it was established to provide competition for the few large traders who dominate the market, reports suggest that the LMC is ineffective as it is currently inactive, the main reason for its failure being the inability of a central bureaucracy to provide the necessary services.


Proposals for Marketing

In theory the PMC and LMC should play an important function in the promotion of rural development - in practice this has failed to materialise. These proposals recommend the retention of the PMC and the LMC in an altered form and performing a smaller range of functions.

The PMC's strict de jure control over prices should be relaxed, although it should endeavour to stabilize prices for producers. In any event, as Elize Moody points out, the actual power of the PMC to set prices is limited as "in Lesotho, principal cash crops are marketed and foods imported, given the common Customs Union, under the general price umbrella of South African Control Boards".12 The point about South Africa being a price-setter is reinforced in the UNDP Conference report on Marketing.13

An area where the PMC should expand its activities is in the dissemination of information. The acquisition of information by economic agents in any market situation is costly, consequently improved information services about markets, prices, the type and availability of technical inputs, transport and storage facilities available to individual producers would be of benefit to the crop producer. The survey of "better" farmers by John Gay indicated that only 3% of them got their information from an extension agent, whilst the large majority (77%) got information from the radio.14 Although the radio is a good method of

transmitting information to rural societies, the PMC should disseminate more specialised information relevant to the particular problems and needs of certain regions. This should be done through the Co-op Lesotho and local co-ops.

The PMC, as a statutory government body can also perform the function of acting as an intermediary in the flow of information to the higher echelons of government. For example, by having a specialised knowledge of markets, prices and productivity, the PMC could advise the government that the present national goal of self-sufficiency in food production is not desirable for rural development, and there should rather be more emphasis on cash-cropping.

The failure of the PMC up to now has been that as it has been the primary organ of marketing it has had to deal with small and highly dispersed marketable subsistence crops. Gay reports that "An extension of PMC facilities will only attract the small minority of better farmers, leaving the vast majority to trade at local shops and trading stores".

On account of this, a new primary unit for the marketing of produce, a local co-operative, should be encouraged. A small co-op is in harmony with the other proposals advocated in that it will promote local knowledge, initiative and decision-making, while through links with a wider umbrella organisation, in this case the Co-op Lesotho, technical inputs, extension services and marketing information can be obtained. Wilmot points out that "the organisation and administration of co-operatives is crucial in their viability. They have worked more efficiently where the

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15. In Botswana 'the radio was used to disperse information and obtain feedback on attitudes to the Tribal Grazing Land Programme.

distribution of assets is more equitable and the power of individual members based on class is insignificant". 17

Given the relatively equitable distribution of assets which would occur through the CLC and the historical absence of class or tribal divisions in Lesotho, the main ingredients for co-operative endeavour would appear to be present in Lesotho.

The marketing of agricultural produce would therefore be on a 3-tier basis, with the Co-op Lesotho performing the function of marketing crops through the local co-operatives as an agent of the PMC. The following diagram represents the proposed structure.

Figure 1. Outline of New Marketing Structure

```
PMC
  ↓
CO-OP LESOTHO
  ↓
LOCAL CO-OP ↔ LOCAL CO-OP ↔ LOCAL CO-OP
```

The function of the local co-op would be the collection and temporary storage of crops, which means that local traders and stores could be incorporated at this primary level. The Co-op Lesotho would be responsible for the overall coordination of markets, technical inputs, the provision of

storage facilities and the overall spatial allocation of produce. The PMC should be concerned primarily with the securing of favourable export markets, the provision of infrastructural services and coordination with other government departments.

The marketing of livestock is somewhat different; and here it is advised that the LMC be retained for the provision of essential services which have economies of scale, for example an abattoir. There is also the need for a small primary unit, a livestock co-operative organised along the lines of a small produce co-op, and responsible for the acquisition of extension services, technical inputs and information from the LMC. It is envisaged that the Livestock Co-operative should be incorporated into the Community Land Company, so that the LMC has a direct link with the Community Land Company.

The LMC must play an increased role in the exporting of livestock, especially as it is envisaged that given the available resource base cattle production must become an important aspect of rural development. The LMC's other main function will be the development, provision and maintenance of value-added services in the livestock industry. There is wide scope for meat processing, tanneries, leather works, mohair production and a viable dairy industry. At the moment livestock are exported in an unprocessed state, unlike in other parts of the world where value added by the above activities account for as much as three times the value of the original product. 18

In conclusion, no radical changes are proposed for the rural marketing structure. What is suggested is the retention of the PMC with slightly reduced functions, an increased

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role in marketing for the co-op Lesotho, and a new primary organ for marketing, the local -op. The LMC must play a greater part in the processing of products whilst the provision of technical, extension and other services should be made through a local Livestock co-op. These proposals, therefore, suggest a further switch to local decision-making and participation, with the simultaneous integration of technical inputs, knowledge and services from the developed core.
SECTION 2:4

EMPLOYMENT AND PUBLIC WORKS

The goal of employment creation is stressed in section 1:2 and although previous proposals endeavour to utilise available labour in a productive manner there will nevertheless be a large measure of unemployment and underemployment in rural areas. The projected decrease in the number of migrant labour opportunities forces the issue of employment in rural areas into sharper focus. In a comprehensive study, LASA concludes that in the next 20 years, taking into account the rate of population increase, the likely increase in the size of the labour force, and a probable 50% fall in the number of migrant labourers, "the supply of labour requiring employment within the Lesotho economy will increase by 213% to a level of 900 000 requiring employment. Some 93 000 jobs in agriculture are needed in the next five years, and 100 000 plus in each of the following 5 year periods". 1

An employment creation scheme is therefore required. In this chapter firstly the potential effects of Public Works Programmes (PWP) and the particular problems they present for rural development will be discussed. In the second part an employment guarantee scheme as an instrument of rural development will be proposed.

Public Works Programmes

According to the World Bank report on Public Works Programmes they are created to achieve one of two objectives: firstly, to provide employment and income for low income groups, and secondly to create assets which will enhance productivity.

and economic growth. PWP's are therefore employment creating projects, but they are not necessarily labour-intensive construction units. Throughout the Third World they originated largely as relief programs, although their role has changed over time as various projects have been designed to deal with specific targets.

The major type of PWP's can be divided into three sections. Firstly, there are emergency relief programs arising from a natural crisis, for example famine, drought or flood. Their aim is to redistribute income in cash or goods as fast as possible, although they may become permanent fixtures, as is the case of Food-for-work (FFW) in Lesotho. Secondly there are PWP dealing with seasonal unemployment, and thirdly there are PWP, aimed at long term structural unemployment, which try to limit unemployment after a long period of time. The third type require the creation of employment - generating assets and together with the second type they would be of most interest to Lesotho in the light of the circumstances mentioned in this chapter's introduction.

The major potential benefits of PWP in Lesotho should be in the creation and distribution of assets and income. While Lesotho's lack of PWP's precludes a study of PWP's in Lesotho, a glance at other PWP's show that they have generally not been effective in redistributing or creating assets. In a comparative study of various PWP Maxwell asserts that "many studies have shown that while PWP may redistribute income they rarely redistribute assets". Also if the PWP aims to create economic infrastructure, as is the case with the majority of PWP's, a redistribution of

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2. World Bank - "Public Works Programs in Developing Countries: A Comparative Analysis" (Staff working paper no. 24 1976) p. 24.
3. World Food Programme - "Impact of Food Aid on Domestic Production and Trade in Lesotho" (WFP/CFA, Annexure2).
assets in favour of the poor is unlikely to occur. This is especially so if the asset is a public good as it is difficult to specify the target group accurately, as the asset is not subject to the exclusion principle. For example, Bruce found that the main beneficiaries of the Tigre PWP in Ethiopia were the wealthy landowners.  

The employment creation issue, however, is of fundamental importance. A frequent criticism of PWP is that they are often inefficient, with low productivity and rates of return. However, a cost-benefit analysis of an experimental labour-intensive construction unit at Thaba Bosiu in Lesotho indicated that maximum emphasis on hand labour construction methods has yielded increased productive benefits as on-the-job training has taken place. Disregarding any externalities which may have occurred from labour-intensive construction, a purely financial cost-benefit analysis shows that labour intensive production was cheaper than capital intensive production. The authors of the analysis conclude that "the only viable technology is the labour intensive approach where a much higher proportion of total benefits are derived from direct and indirect employment".

Food-for-work (FFW) has performed a major function in providing essential goods to rural areas. The productivity of the projects' participants, who are paid approximately R1 worth of food for five hours work, is minimal on account of the fact that the project attracts women and old men as well as not providing any productivity incentive. The introduction of piece rates would lead to a substantial rise in productivity, as is illustrated by the decision to introduce targets for planting trees on the woodlot project in Lesotho. The average number of pits dug per person increased from 4 - 10 per day to 30 - 70 per day.  

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5. quoted by Maxwell, S. - ibid, p. 34.
7. Stevens, C. - Food Aid and the Developing World (Overseas Development Institute, London 1979) p. 119.
that the efficiency of FEW projects in Lesotho may be ten times lower than on other similar projects where workers are paid piece-rates. 8

While it can be seen from the above that PWP should perform an important function in rural development, what is needed is an adequate framework for their implementation. Below is a proposal for this framework.

Employment Guarantee Scheme 9

The PWP's discussed above are not compatible with the model for rural development outlined in section 1:1 as they are imposed from above by a centralised administration without considering or being able to gauge accurately the needs or demands of a particular community with regard to employment. An employment guarantee scheme (EGS) endeavours to transfer to the individuals in a community a large measure of control in the decision to implement a PWP and in the running of a project. The EGS acknowledges the right of the individual to work, as well as the need for local control in domestic decisions and affairs.

The Functioning of an EGS

People who wish to be employed are required to register for work at a local office. Once registered, it is guaranteed by government that work will be provided for them within 15 days for a period of not less that 30 days. If by the time that 15 days have elapsed there is no PWP operating in the nearby vicinity, then 50 people have to be registered for

8. Personal communication with N. Reynolds.
9. The concept comes from:
   see also: Reynolds, N. and Sundar, P. - "Maharastra's Employment Guarantee Scheme: A Programme to Emulate?" (April 1977).
work before a new site is opened. If the worksite is located outside a certain distance, for example 7km, then transport or a campsite with basic amenities (lavatories, water and a store selling basic goods) will have to be provided. Labour is paid on a piece-rate basis which should increase productivity, and provide for easier supervision and group/community functioning. The piece-rates are set to be slightly lower than the normal pay in wage employment in that area, so that it does not attract labour away from any ongoing activity.

In Lesotho the wage on Food-for-Work programmes is the equivalent of R1 worth of food per five-hour day. An Employment Guarantee Scheme could function with a similar wage rate, adjusted according to the changing circumstances. For example, a sudden increase in rural unemployment because of a reduction in migrant labour may necessitate a slight fall in the wage so that other forms of employment remained competitive. Similarly the wage should be increased to provide the necessary purchasing power for basic necessities in an emergency, for example a drought, crop failure or a flood.

Labour is paid on a weekly basis, although 30% of the wages are held back by the government. 10% of this is paid into a savings account held in the name of the labourer, while 20% is held by the government until the completion of the period of employment specified in the contract. The payment made into a savings account could be made instead into a Credit Union Account (see section 2:3), and placed on fixed deposit, only usable as a loan from the Credit Union.

10. Information on the monetary value of the Food-for Work wage was obtained from Mr Alan Jones, manager of Food-for Work.
Implications of the EGS

The EGS provides a large measure of security in rural areas, both for individuals and for communities. The acceptance by the Government of an individual's right to work becomes a social contract between citizen and State. Secondly, a decentralised administration and implementation procedure allows for a large proportion of local popular participation. It also ensures planners of a reliable information flow with regard to the demands by certain areas for employment and the available resources in that region. This information can be used for a larger more integrated spatial development programme which would seek to match the distribution of people to available resources and needs.

Worker training and education can also be incorporated into the programme. After a certain period of work, for example 4 days, the worker could become eligible for a day's training in the particular skills needed at an EGS, for example brick laying and culvert construction. Basic rural education on such matters as health, hygiene and energy requirements could also be provided. Through an EGS, therefore, poor people who work on an EGS acquire skills and knowledge which would otherwise be unavailable to them.

A final point about an EGS is that assets can be created which will provide benefits over a long time period. The distribution of the assets created will depend upon the type of land on which the asset is created, and how the EGS is financed. For example, if in Lesotho the asset is created on land which has been set aside by the government for a particular purpose (e.g. a Rural Development Pilot Project) the asset will remain under the auspices of state control.
Another situation in Lesotho might be where assets are created on land which is under leasehold. In this case the benefits would be shared by the lessee and the State according to the level of investment by each party and the type of project undertaken. The government could bias subsidies for EGS's according to the type of project it deems desirable for the rural areas. For example, well irrigation might be subsidised 30% by the State with the remainder coming from a loan to the lessee, while soil conservation might have a 70% subsidy. The same principle for leasehold could be applied to a scheme undertaken on land used by a Community Land Company.

The cost of an EGS is not likely to be greater than other public-works programmes. The provision of basic infrastructure is an activity which the government is generally willing to undertake as it regards it as a stimulus to development. By co-ordinating these activities with an EGS other substantial benefits will accrue, which should help to attain the goals for rural development outlined previously.

Conclusion

As a conclusion to this design for rural development I have attempted to outline two different scenarios for Lesotho's rural economy.

The first scenario (Figure 2) depicts a set of relationships, both in terms of monetary flows and in terms of participation in economic activity, which the average rural household in Lesotho will face in five years time. The second scenario (Figure 3) illustrates the hypothetical situation of Lesotho's rural economy assuming that the alternative development proposals outlined in the previous chapters are implemented.
The figures given in the diagrams are obviously hypothetical as they are estimates of future expected incomes, earnings and government expenditures. Nevertheless the figures have been calculated from available statistical information, and a breakdown on the sources for these figures is given in Appendix 3.

Both figures are divided into 3 sectors. Sector 1 is wage employment, both local and external (migrant labour to South Africa). Sector 2 is the Government and Government departments concerned with the rural economy and sector 3 is the rural economy. The models are simplified, as it is not possible to show all the various linkages in the economy.
Figure 2: Lesotho's Rural Economy 1985. Present Development Plan

Sector 1

Local Wage Employment

External Sector

Migrant Labour

Rural Household of 5

Total Income:

R1 098

Labour

Voting for Government

R36m

Sector 2

Government

Ministry of Industry, Commerce and Industry

Ministry of Rural Development

Ministry of Agriculture

Labour Intensive Construction Unit

Labour

Total Incares

R1 098

Monetary Flows (Annual)

Rural Household Participation

Land

Arable

1,015 Ha.

Livestock

Sector 3

Labour

R204

R20

R10m

R9m

R28m

R529 R345

R529 R345

R204

R122

R82
Figure 3: Lesotho's Rural Economy 1985. Alternative Development Proposal

SECTOR 1
- Local Wage Employment
- External Sector Migrant Labour
- Rural Household of 5
  - Total Income: R186
  - Labour

SECTOR 2
- Government
- Voting for Government
- Participation in Decision-Making
- Employment Guarantee Scheme

SECTOR 3
- Administration and Participation
- Credit Union
- Community Land Company
- Livestock
- Arable

Monetary Flows (Annual)
- Rural Household Participation
In figure 2, the following seems likely to happen. Firstly, in Sector 1 the external sector wage employment will probably provide a diminishing stream of income as the number of migrant labourers to South Africa is decreased. Local wage employment may increase, but not sufficiently to offset the loss in external earnings. There will therefore be a net fall in income from this sector, which from the rural economy's point of view is unavoidable as that sector is governed by circumstances beyond the control of the rural economy.

Sector 3 in Figure 2 is also likely to show a fall in income because the present practices of land use outlined in previous chapters are unlikely to promote increased productivity. It is also probable that the average rural household will experience a fall in income from livestock as access to the land via ownership of cattle becomes limited to a small percentage of the population.

This fall in income from the rural sector will increase the pressure on government to pour money into the countryside without having any means of raising revenue reciprocal to this expenditure. The need for more projects like the labour intensive Construction Unit will be intensified. Consequently the dependence on foreign aid to maintain a minimum level of existence in the countryside will be perpetuated.

The main destructive feature of the set of relationships sketched above is that the individual rural household is caught in a web of circumstances over which it has no control. Individual participation in decision-making in the rural economy is minimal. The only way in which the individual participates is through labour, voting for the central government and making representations through the village chief.
In summary then, Figure 2 shows a situation where there is a likely decline in income from sector 1 (which is unavoidable) and a similar decline in income from sector 3 as the present income stream to the rural household is actually a net outflow of capital from the land. Because of this, returns to investment made by the Government sector will be diminished, as will the domestic financial resources necessary to maintain the investment. The rural economy is therefore characterised by a set of relationships which do not contain the necessary elements for a developing economy.

Figure 3 Alternative Development Proposals

This diagram differs from Figure 2 in the government and rural sectors. The wage employment sector remains the same as in the previous figure as the rural development proposals do not have any effect upon this sector.

Sector 3, the rural economy, shows the results of a number of different proposals. Firstly, the Community Land Company provides income for the rural household, both in the form of shares and in the income from the land. Also, unlike the previous scenario the income does not reflect an outflow of capital, as the land is being used at a renewable rate. The Employment Guarantee Scheme provides security and a measure of supplementary income. The Credit Union provides for a small income stream as well as facilitating savings. Capital formed by the Credit Union can in turn be re-invested in the rural economy, mainly through the Community Land Company.

The Government sector has been streamlined with all funds which contribute to rural development channeled through the
Ministry of Rural Development, and allocated either to the EGS or the CLC. The government also has the ability to raise revenue through taxation on income earned through the CLC and the EGS. The tax can easily be administered as it can be collected automatically at the point of payment. In this way self-perpetuating growth can be encouraged as funds can be circulated in increasing amounts between sectors 2 and 3.

Another important aspect of these proposals is that they provide a large measure of local participation. The rural household, in conjunction with the local community, makes decisions about the level of investment in the rural economy, the manner in which budgets are spent, the feasibility of a loan for rural development and the amount of taxation for re-investment in the land. The rural household is also given security by the knowledge that employment will be guaranteed if it is needed. The decision as to whether or not he should participate in the EGS is left to the individual person.

In sum, then, what this model represents is a constructive set of relationships among rural households, rural communities and the State. The model provides a framework in which local resources, energies and initiative can be harnessed for rural development.

Conclusion

This paper has endeavoured to provide a framework in which to discuss Lesotho's rural development problems, both on a theoretical and an empirical level. In the Second section detailed analysis of certain aspects of rural development was provided, and recommendations to facilitate development were proposed. The main subjects of this detailed analysis were land tenure, land use, credit, marketing and employment.
Having attempted to evaluate the present position and propose alternative strategies, the following points seem to be important.

Firstly, the problems facing Lesotho's rural economy should not be seen in isolation from her geographical position, her resource base and her position of economic dependence on South Africa. The relationship with South Africa permeates most aspects of rural development, and as such solutions to certain of Lesotho's development problems are political rather than economic. In the final analysis, the political and economic forces which have shaped the rural economy are inseparable; consequently problems of rural development might also require political rather than economic solutions.

The final point is that Lesotho's present development path is unlikely to be successful in addressing the most pressing issues facing the rural economy; the decline in migrant labour, the maldistribution of land assets, the fall in land productivity, and the lack of local decision-making and participation. This paper has tried to highlight these problems and to provide suggestions as to how they might be overcome.

* * * * *
Appendix 1: A Price Theory Analysis of Communal Land

Figure 1 depicts the disparity between social and marginal cost under the present system of communal tenure.

PMC is Private Marginal Cost, and the curve above reflects an aggregation of the PMCs of all the individual cattle owners in Lesotho.

SMC is the social marginal cost, and after a certain point it becomes greater than PMC as the cost of using the land is not reflected in private cost. At a point $X_1$ which represents the number of cattle which the land can sustain, the SMC becomes infinite as the deterioration of the land represents an inestimable loss of income in the long run.

MR is marginal revenue, and it is horizontal as the individual owner of cattle is a price-taker on the cattle market.

The individual cattle owners will maximise their profits by holding cattle up until $X_2$ where their PMC = MR. The optimum point for society however, is where SMC = MR - any ownership of cattle beyond this point represents a loss to society.
Under a Community Land Company, the number of cattle is limited by law to \( X_1 \).

PMC shifts upwards after a certain point as cattle-owners have to pay for the use of land over and above the amount of cattle they are entitled to through their share right. The auction of shares should set a price for land which will allocate Private Marginal Cost (PMC) and Social Marginal Cost (SMC).

The net result is that an adequate system of property rights has ensured that SMC is equated with MR and the net benefit of society is maximised.
### Appendix 2

**The Contribution of Agriculture to GDP, 1973/4 - 1977/8**

(in millions of rand, 1979 prices)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Crops</td>
<td>18,4</td>
<td>15,0</td>
<td>13,2</td>
<td>27,8</td>
<td>28,8</td>
</tr>
<tr>
<td>Livestock</td>
<td>14.4</td>
<td>16,8</td>
<td>19,6</td>
<td>19,6</td>
<td>22.6</td>
</tr>
<tr>
<td>Total Agriculture Sector</td>
<td>32.8</td>
<td>31.8</td>
<td>32.8</td>
<td>47.4</td>
<td>51.4</td>
</tr>
<tr>
<td>Total Gross Domestic Product</td>
<td>66.2</td>
<td>72.3</td>
<td>83.3</td>
<td>110.1</td>
<td>139.8</td>
</tr>
</tbody>
</table>

| Per Cent Contributed by Agriculture | 50 | 44 | 39 | 43 | 37 |

Source: Central Planning and Development Office, Maseru in *Kingdom of Lesotho Third Plan Preview* (Government Printer, Maseru, 1979) p. 69.
Appendix 3

Sources for the Estimate of Expected Income Streams and Expenditure in Figure 2 and Figure 3.

All of the figures given are expected annual amounts in 1980 prices. The flows to and from government (Sector 2) reflect aggregate flows for the economy as a whole, while flows to and from the rural household indicate expected income for an average rural household.

Figure 2

Sector 1

The figures for this sector, depicting local and external wage employment are based on extensive calculations of expected income in 1985 from these sources by Eckert, J. and Mohapi, J.N. - "The Future Environment for Agricultural Planning 1980 - 2000 A.D." Discussion Paper no. 9, LASA June 1980, p. 19. Eckert and Mohapi have calculated projected income per capita. Their figures were multiplied by 5 to show expected income for a rural household.

Sector 2

Expected Government Expenditure for the various Ministries concerned with the rural economy was obtained from Kingdom of Lesotho Third Plan Preview - Central Planning and Development Office, Maseru 1979, pp. 30 and 32.

Total expenditure was obtained by summing expected investment for each Ministry (1984/5) with recurrent expenditure for the same period.
Sector 3

Expected income from land in 1985 has been calculated by Eckert and Mohapi (op cit, p. 19). These figures assume no change in resource productivity. Income from labour intensive construction units assumes government expenditure of R10m (this is difficult to anticipate as it is financed completely by donor aid), with one member of the household working for 20 days a year at R1 a day.

Figure 3

Sector 1

These figures are the same as those given in Figure 2, Sector 1.

Sector 2

This assumes that all the Ministries involved in the rural economy have been co-ordinated under the Ministry of Rural Development. The budget of the Ministry of Rural Development is the sum of all previous allocations to the rural sector through the various Ministries. The tax revenue is calculated as a 10% tax on the total share revenue of the Community Land Company.

Sector 3

The budget of the Ministry of Rural Development is allocated between the Employment Guarantee Scheme (EGS) and the Community Land Company. Income from the EGS for the rural household is calculated as one member of the household working for 40 days at R1 per day. Income from the Credit Union assumes an approximate savings rate by the family of 10% and a 10% interest rate. The incomes from shares reflects net income for the household, the costs of using extra arable and grazing land having been deducted.
income from arable land is the same as in Figure 2, while the income from livestock is raised slightly in anticipation of better herd and range management.
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* * *
To anybody interested in what is happening in Southern Africa at the present time, it is clear that an understanding of changes taking place in the field of labour is crucial. The whole debate about the political implications of economic growth, for example, revolves very largely around different assessments of the role of black workers in the mines and factories of the Republic. Many of the questions with which people involved in Southern Africa are now concerned relate, in one way or another, to the field generally set aside for labour economists to cultivate. The impact of trade unions; the causes of unemployment; the economic consequences of different educational policies; the determination of wage structures; the economics of discrimination; all these and more are matters with which labour economists have been wrestling over the years in various parts of the world.

At the same time there are many who would argue that these issues are far wider than can be contained within the narrow context of 'labour economics'. These issues, it is pointed out, go to the heart of the whole nature of development. In recent studies, commissioned by the International Labour Office, of development problems in Columbia, Sri Lanka, and Kenya, for example, leading scholars have identified the three crucial issues facing these countries as being poverty, unemployment, and the distribution of income. Thus the distinction between labour and development studies is becoming more blurred as economists come face to face with problems of real life in the Third World.

It is here too that an increasing number of people are coming to see that study of the political economy of South Africa must not be done on the assumption that the problems there are absolutely different from those facing other parts of the world. Indeed it can be argued that far from being an isolated, special case, South Africa is a model of the whole world containing within it all the divisions and tensions (black/white; rich/poor; migrant/nonmigrant; capitalist west/third-world; etc.) that may be seen in global perspective. Be that as it may, the fact remains that the economy of Southern Africa (for the political and economic boundaries are singularly out of line with each other) is one of the most fascinating in the world. It is one on which far more research work needs to be done, and about which further understanding of the forces at work is urgently required. It is in order to attempt to contribute to such an understanding that Saldu is issuing these working papers.