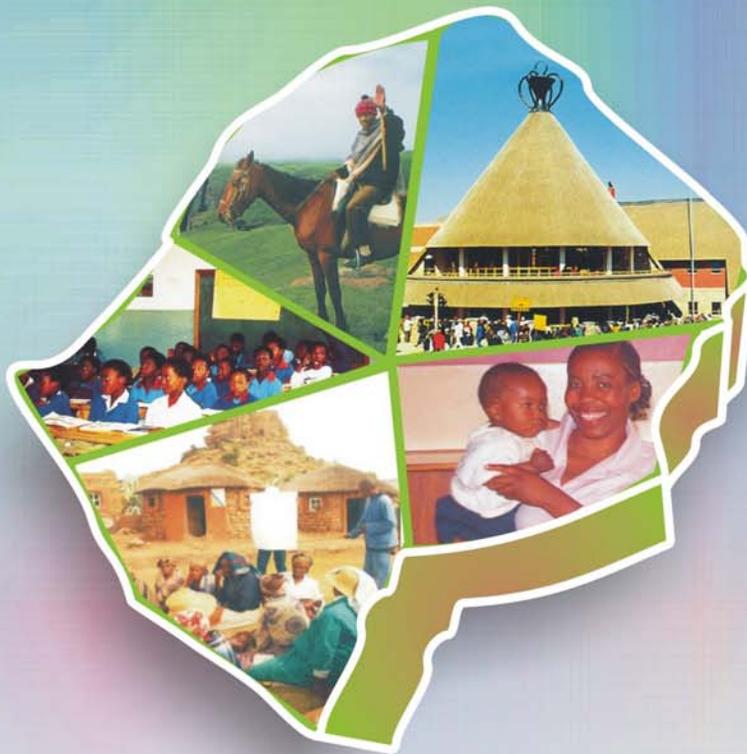




***KINGDOM OF LESOTHO***

# **POVERTY REDUCTION STRATEGY**

**2004/2005 - 2006/2007**



**PREFACE**

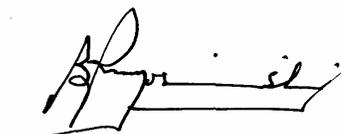
Between 1970/71 and 1974/75 economic growth averaged eight percent. However it slowed down to an average of four percent from 1982/83 to 2002/03. To accelerate sustainable growth and poverty reduction, His Majesty King Letsie III called on the nation to join hands in preparation of a long-term Vision 2020 that will guide economic development in the next 20 years. In response, the nation came together to prepare the National Vision, embodied in this Vision Statement:

By the year 2020, Lesotho shall be a stable democracy, a united and prosperous nation at peace with itself and its neighbours. It shall have a healthy and well developed human resource base. Its economy will be strong, its environment well managed and its technology well established.

As a first step towards the implementation of the Vision 2020, the nation has prepared this Poverty Reduction Strategy (PRS). The strength of the Vision 2020 and the PRS lies in the fact that both are nationally-driven. The two documents are outcomes of extensive consultative and participatory processes that involved grass-root communities, the National Assembly, Government Ministries, the Private sector, Civil Society Organizations, Academia and Development Partners. In preparing the PRS, over 20,000 people (representing a proportion of 1:100) in 200 villages were consulted across the country. Their views were consolidated, analysed and presented in a report entitled the *Voice of the People*. These views formed the basis for determining the national priorities as outlined in the Vision 2020 and the PRS.

This PRS presents a determined plan in pursuance of high and sustainable equity-based economic growth. It contains medium-term objectives and strategies to address the major challenges facing the country. These challenges are: HIV and AIDS which is devastating the nation's human resource base; employment creation and income generation; improving food security; developing infrastructure; deepening democracy, governance, safety and security; improving quality of and access to education and health services; managing and conserving the environment; improving service delivery; and, addressing gender-based discrimination that limits women's access to productive resources such as credit and land, that are necessary for their participation in development.

However, these challenges cannot be overcome unless we focus our energies on implementation and monitoring of the programmes in the PRS, mobilization of domestic and foreign resources and enhancement of service delivery to the people. The Government is committed to the implementation of the priorities and strategies contained in the PRS. I therefore call upon all our people and our development partners to work together in tackling the challenges of accelerating economic growth and eradicating poverty.



Rt. Hon. Pakalitha Bethuel Mosisili MP  
Prime Minister of the Kingdom of Lesotho

**ACKNOWLEDGEMENTS**

At the dawn of the 21<sup>st</sup> Century, His Majesty King Letsie III called on the nation to prepare a National Vision that would define how Basotho would like to see their nation in the first 20 years of this century. In response, the Right Honourable the Prime Minister convened a gathering of representative leaders of all segments of Basotho Society in January 2001. This highly representative gathering prepared a National Vision 2020 and also decided to prepare a national programme to reduce and eventually eradicate absolute and extreme poverty.

Representatives of members of Parliament, Traditional Leaders, Government officials, Civil Society, academia, youth and development partners participated enthusiastically in the process of preparing this 2004/2005 - 2006/2007 Poverty Reduction Strategy for the Kingdom of Lesotho. A Technical Working Group and a Secretariat in the Ministry of Development Planning were set up to manage and coordinate this process. Development Partners such as Development Cooperation of Ireland (DCI), Department for International Development (DFID), United Nations Development Programme (UNDP), United Nations Children Fund (UNICEF) and European Union supported the process technically and financially.

As a first step a survey of stakeholder perceptions using over 300 facilitators and reporters was undertaken. The views which identified the issues were summarized in a report called "The voice of the People". Based on this, representative sectoral and thematic groups were established to analyse the issues and produce position papers articulating strategies to address them.

The Poverty Reduction Strategy document and the priorities outlined in it are a result of this wide, representative and consultative process. On behalf of the Government, I thank each and every person that contributed to this document regardless of how large or small that contribution may have been.

Special appreciation must go to all Basotho for preparing a plan that will guide our national development and focus our energies in the next three years. Let us now work together to achieve the objectives, policies and programmes identified in our programme to eradicate absolute poverty.



Hon. Timothy Thahane  
Minister of Finance and Development Planning

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**LIST OF ACRONYMS**

ADB	African Development Bank
ADF	African Development Fund
AGOA	Africa Growth and Opportunities Act
APCBP	Agricultural Policy and Capacity Building Project
ARVs	Anti-retroviral drugs
BEDCO	Basotho Enterprises Development Corporation
BOS	Bureau of Statistics
CBL	Central Bank of Lesotho
CHAL	Christian Health Association of Lesotho
CMA	Common Monetary Area
CTB	Central Tender Board
DCEO	Directorate on Corruption and Economic Offences
DFID	Department for International Development
DRWS	Department of Rural Water Supply
ECCD	Early Childhood Care and Development
ECDP	Empowering Communities in Development Planning
EFA	Education for all
EU	European Union
FAO	Food and Agricultural Organisation
FDI	Foreign Direct Investment
FPE	Free Primary Education
GATS	General Agreement on Trade in Services
GDP	Gross Domestic Product
GFATM	Global Fund for AIDS, TB and Malaria
GNI	Gross National Income
GOL	Government of Lesotho
GTZ	German Technical Assistance
HIPC	Highly Indebted Poor Countries
HIV and AIDS	Human Immunodeficiency Virus and Acquired Immune Deficiency Syndrome
IDA	International Development Agency
IFAD	International Fund for Agricultural Development
IFI	International finance institution
ILO	International Labour Organisation
IMF	International Monetary Fund
IMR	Infant Mortality Rate
IPA	Interim Political Authority
I-PRS	Interim PRS
JBCC	Joint Bilateral Commission for Cooperation
LAPCA	Lesotho AIDS Programme Coordinating Authority
LBFC	Lesotho Building Finance Corporation
LDC	Least developed countries
LDF	Lesotho Defence Force
LEA	Lesotho Electricity Authority
LEC	Lesotho Electricity Corporation
LFCD	Lesotho Fund for Community Development
LFS	Labour Force Survey

LHDA	Lesotho Highlands Development Authority
LHWP	Lesotho Highlands Water Project
LMPS	Lesotho Mounted Police Service
LNDC	Lesotho National Development Corporation
LRA	Lesotho Revenue Authority
LTDC	Lesotho Tourism Development Corporation
LURP	Lesotho Utilities Reform Project
MMR	Maternal mortality rate
NAP	National Action Plan (for the environment)
NEAP	National Environmental Action Plan
NES	National Environmental Secretariat
NFE	Non-formal education
NGO	Non-governmental organisation
OVC	Orphans and vulnerable children
PAC	Project Appraisal Committee
PAC	Public Accounts Committee
PHC	Primary health care
PLWA	People living with HIV and AIDS
PRGF	Poverty reduction and growth facility
PRS	Poverty Reduction Strategy
RSA	Republic of South Africa
SACU	Southern African Customs Union
SADC	Southern African Development Community
SMME	Small, Medium and Micro Enterprises
STIs	Sexually Transmitted Infections
TA	Technical Advisor
TB	Tuberculosis
TVET	Technical and Vocational Education and Training
UN	United Nations
UNCRC	UN Convention for the Rights of the Child
VAT	Value Added Tax
VCT	Voluntary Counselling and Testing
VDCs	Village Development Councils
WASA	Water and Sewerage Authority
WDI	World Development Index
WTO	World Tourism Organisation
WTO	World Trade Organisation

**EXECUTIVE SUMMARY****INTRODUCTION**

This Poverty Reduction Strategy (PRS) is a three-year medium term development framework (2004/05 - 2006/07) for Lesotho. It outlines national priorities and strategies for promoting economic growth and reducing poverty. Lesotho is a country of 2.2 million people, entirely surrounded by the Republic of South Africa. It has had to struggle since Independence in 1966 to maintain its sovereignty in the face of diverse political and economic adversities. Although classed as a Least Developed Country, Lesotho has made substantial progress in many areas. The PRS provides an overview of how the Government of Lesotho (GOL) will focus its efforts on fighting poverty in the years ahead.

**The PRS is based on a three-year consultative and participatory process involving communities and stakeholders nationwide.** Their inputs have been commendable and GOL has taken serious note of the concerns and priorities that have emerged from the consultations. Working groups, composed of key policy makers, representatives of NGOs, the private sector and academia prepared a series of sectoral and thematic position papers that describe how best GOL might respond to the concerns of the poor over the next few years. The community consultations reports were analysed to generate national priorities for equity-based growth, whereas the position papers provided objectives, strategies and activities to be implemented under these priorities.

This document provides a situation analysis for each priority area and an overview of the objectives, strategies and activities that will be pursued during the three-year period covered by this PRS. All strategies have been prioritised within key areas that reflect the outcomes of the consultation process. Key chapters addressing the national priorities all end with a table summarising goals, strategies and activities, indicators and targets, key implementing agencies and the anticipated incremental costs. In most cases, the response to these priorities will involve numerous players from Government, civil society and the private sector.

**The GOL commits itself, over the next three years, to begin systematic implementation of the most important priorities described in the PRS.** The PRS introduces few entirely new activities in the priority areas. Mostly, it extends coverage of ongoing activities for increased impact, efficiency in service delivery, prioritization and better targeting. Ongoing programmes that target the poor (like Free Primary Education) will continue and be expanded. Difficulties experienced in alleviating poverty and delivering essential services in the past are recognised and underline the need for certain shifts in programming. In particular, GOL undertakes to embrace a framework in which it measures what it produces in terms of results, as opposed to what it spends. The application of more rigorous planning and budgeting procedures is expected to enable resources to be reallocated from activities of less need to activities of greater need.

**Lesotho is at a crossroads facing decisive challenges.** After weathering a generation of political discord that culminated in the upheaval of 1998 and the introduction of a more inclusive political model in 2002, Government and other stakeholders will now address, in a more unified and systematic manner, the great challenges facing Lesotho and its people, including:

- sustained increase in job creation in view of the significant reduction in the number of Basotho migrant labourers employed in South Africa;
- the growing integration of Lesotho into the globalised world economy, due in particular to the rapid growth of the textile industry;
- a fall in real terms of GOL revenue generated by the Southern African Customs Union (SACU) revenue pool as a result of lower tariffs and free trade agreements;
- an increase in the incidence of poverty and inequality over the past twenty years despite higher than average annual GDP growth rates;
- the rapid spread of HIV and AIDS, negating all efforts to improve the economy and welfare of Basotho; and
- low productivity of the public sector.

These factors emphasise the need for Government to address the plight of growing numbers of Basotho faced with massive unemployment, inadequate education and training, poor health and declining natural resources. Government recognises that, together with NGOs, donors and other sectors of society, it will need to adapt rapidly if the threat of growing poverty is to be minimised and full advantage be taken of opportunities to improve the welfare of the nation. Fortunately, the PRS process, together with Vision 2020, has generated a list of key national priorities that are non-partisan in nature, enabling Basotho to move forward together.

**Some hard choices will need to be made as the resources available are far from adequate to implement all of the objectives and strategies outlined under the various priority areas.** For this reason Government will provide strong leadership and co-ordinate a concerted response by various sectors of society. Strong political and administrative support will be required in order to shift mindsets and embrace new thinking, priorities and approaches.

**The formulation of Lesotho's PRS is not an event; it is an on-going process.** It is often said that Basotho are good planners but poor at implementation. To facilitate successful implementation, the PRS will be constantly monitored and periodically updated through an inclusive monitoring system that will involve the key stakeholders. The PRS offers the nation a chance to develop greater capacity, not just at policy formulation, but at service delivery and monitoring. The challenge before all stakeholders is to ensure that policy translates into meaningful programmes that are effectively implemented. It is generally recognised that productivity must improve, more value should be added to local resources, and Foreign Direct Investment must become more diversified and integrated with the local economy. Trade policies should be shaped into a framework that is more conducive to meaningful economic growth. In short, it is believed that with the right combination of internal and external factors, it will be possible to ensure that those most affected by poverty are assisted to transform their lives and communities.

## **OVERARCHING OBJECTIVES**

The overarching development goal of the PRS is ***to provide a broad based improvement in the standard of welfare for the current generation of Basotho, without compromising opportunities for future generations.*** The National Vision is that by the year 2020 Lesotho shall be a stable democracy, a united and prosperous nation at peace with itself and its neighbours. It shall have a healthy and well-developed human resource base. Its economy will be strong, its environment well managed and its technology well established.

Such improvements should be manifested in reduced incidents of poverty, longer life expectancy, better and more appropriate educational standards, rehabilitation of the environment, and a more diversified and integrated economy with greater ownership by Basotho.

The PRS is built on three inter-connected approaches:

- a) **Rapid employment creation** through the establishment of a conducive operating environment that facilitates private sector-led economic growth;
- b) **Delivery of poverty-targeted programmes** that empower the poor and vulnerable and enable them to secure access to income opportunities; and
- c) **Ensuring that policies and legal framework are conducive** to the full implementation of priorities, that bureaucratic constraints are removed, and that the productivity of the public sector improves.

**Poverty reduction can only occur in the context of more rapid and sustained economic growth.** Such growth, driven by the private sector but facilitated by appropriate interventions and policies of Government, will create more employment and income-generating opportunities. As far as possible, this growth should be anchored in the local economy through the promotion of locally-based linkages, supply chains and multiplier effects that will stimulate further growth. Through appropriate tax policies, increased growth will be envisaged to enable Government to offset reductions in SACU revenue and to address national development objectives including improved provision of social services, law and order, public administration and infrastructure.

**Over the next three years Lesotho aims to create an environment that is conducive to investment by both Basotho and foreigners.** It plans to deal boldly with its trading and investment partners by exploiting the opportunities inherent in the process of globalisation under such mechanisms as the Africa Growth and Opportunities Act (AGOA). At the same time it must be alert to the rapidly changing international environment, particularly with regard to the textile sector. This will see the expiry, in January 2005, of the Multi-Fibre Agreement, resulting in Lesotho having to compete for the US market on a more equal footing with the world's most efficient producers, including China, India and Bangladesh. Given the current dependence on textile exports, it is critical that Lesotho identifies new products for export, not only to the US and Europe but also for production chains in South Africa.

**The macroeconomic policy framework and the consistent application of sound macroeconomic management are critical to the implementation of the Poverty Reduction Strategy.** In setting an attractive environment for foreign and domestic investment, the policy is designed to: encourage domestic savings and foreign capital inflows; ensure that Lesotho experiences low and stable inflation; encourage rapid economic growth; influence the structure of economic growth to support the creation of productive employment opportunities; and set tax and expenditure policies which have a beneficial impact on the distribution of incomes and wealth. The main objective of the comprehensive macroeconomic policy framework is to ensure economic stability by maintaining acceptable levels of fiscal deficit, inflation and external balances.

**Government can promote pro-poor participation in the economy.** Although economic growth can only be driven in the long term by the private sector, the Government is conscious of the fact that currently it remains one of the major employers. Through its

policies, tendering procedures and is responsible for accounting procedures it can contribute substantially towards maximising the value derived from its expenditures. It can promote local business development and empowerment while at the same time shaping a stronger work ethic and customer-focused orientation within the civil service.

**It must reach those unable to respond to growth opportunities.** Those who are unable to respond to economic growth opportunities must be assisted in ways that increase their access to various public goods and services which the private sector is unwilling or unable to provide. These include basic education, health, national security, law and order and some physical infrastructure. Total reliance on the private sector for such services would result in sub-optimal service delivery. GOL recognises that there will be cases where it is necessary to engage directly in the economy, providing non-commercial services which confer social benefits.

**Over the next three years Government will increase the share of public expenditure allocated to particular development objectives and will concentrate delivery to disadvantaged groups or areas.** This will be done in a people-focused manner, with Lesotho forging its own home-grown model of decentralisation, that combines partnerships between Government, private sector and NGOs to bring services closer to people, particularly those who are in greatest need. Government will concentrate on key functions that only it can perform. It will ensure that national resources are used efficiently and will plan and manage its own activities to ensure cost-effective use of available resources, focusing on the key priority areas that have emerged from the community consultations.

**Great emphasis will be placed on the implementation of the Public Sector Improvement and Reform Programme (PSIRP).** This is considered to be the key to improving the productivity of the public sector and assuring investor and donor confidence.

## **THE KEY PRIORITIES OF LESOTHO'S PRS**

The PRS formulation process has identified eight priority areas and two critical cross-cutting issues. In each of these priority areas a clear situation analysis has been prepared, followed by an outline of objectives and strategies. Prioritisation Matrices have been prepared by the relevant ministries and departments, together with Costing Matrices. This Executive Summary presents a condensed situation analysis objectives and strategies, starting with the highest agreed priority, employment creation.

### **1. CREATE EMPLOYMENT**

#### ***Situation Analysis***

**Unemployment rate is 31% and the percentage without any form of *waged* employment is considerably higher<sup>1</sup>.** There is a strong correlation between unemployment and poverty. The creation of employment remains the best means of addressing poverty and creating the overall conditions for sustained economic growth and the further reduction of poverty. However, the creation of new jobs will not reverse the high levels of unemployment in Lesotho unless higher rates of economic growth can be sustained over many years.

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<sup>1</sup> GOL, *Labour Force Survey*, Bureau of Statistic, 1999

**Lesotho is in the midst of a significant transformation of its economic base.** In the late 1980s almost half of its GNP was based upon remittances from over 120,000 male migrant labourers, mostly in South Africa's gold mines. Today, only half that number of migrants is employed. By contrast, the manufacturing sector in Lesotho has grown rapidly. Today it employs over 60,000 workers, most of whom are women in the textile industry, although at wage levels significantly lower than those of the miners.

**Lesotho must prepare for greater competition in the textile sector.** The rapid growth of the textile industry has been made possible largely as a result of AGOA, an American initiative that has created preferential terms of trade on a range of products manufactured in Africa for the US market. Concerted efforts by GOL to attract investors under AGOA have paid off. GOL is committed to ensuring that all efforts are taken to maximise the potential for further growth in this sector despite the increased international competition that will emerge in 2005 as a result of the opening of US markets following the expiry of the Multi-Fibre Agreement.

**Small, Medium and Micro Enterprises (SMMEs) can make an enormous contribution to economic development and poverty reduction.** Because their start-up costs are often low, SMMEs allow individuals and groups to engage in productive activities even if they have limited access to capital. Unlike large firms, they often operate in areas lacking sophisticated infrastructure and therefore have considerable potential to improve the geographic distribution of income and address income inequality. Many of the SMMEs are run by women and youth, providing an important means for them to participate in the economic development of the country. However, for SMMEs to flourish, a considerable effort will be required to create a more conducive environment with supportive legislation and better access to credit, markets and business development services.

**GOL is committed towards countering the many local threats to further investment.** These include: the long and cumbersome process involved in licensing new developments; difficulties in obtaining land; inadequate water supply to industrial areas; poor rail connections; low levels of productivity among workers; a weak and divided labour movement; and inadequate dispute resolution systems.

### ***Proposed Strategies***

GOL will closely monitor changes that might affect Lesotho's competitiveness (such as the exchange rate and proposed trade agreements). It will move forthrightly to address internal constraints to growth and development. In order to attract domestic investment and foreign direct investment (FDI), it will:

- a) **Create a conducive environment for investment by reducing administrative procedures to speed up the licensing process.** In 2004/05 the legal framework will be established to set up a one-stop-shop that will speed up the licensing process. Particular attention will be given to ensuring that immigration and work permits are efficiently processed and to facilitating access to land;
- b) **Improve the efficiency of the Department of Immigration.** Government has taken heed of the concerns of both investors and ordinary Basotho whose livelihoods are being impaired by poor service delivery in this critical area. Measures, including the computerization and decentralisation of immigration functions, will be taken to reduce the back-log of applications and speed up the provision of services;
- c) **Provide basic infrastructure.** GOL will give *top priority* to seeking viable and sustainable fast-track solutions to the provision of water supply. The findings from

the Lesotho Lowlands Water Supply Feasibility Study will be examined with a view to providing water to high priority 'wet industry zones' located close to water resources. High priority will be given to providing factory shells and upgrading the Maseru Rail Terminal Depot. A public-private partnership (PPP) approach will be adopted where viable;

- d) **Promote and facilitate investment.** New investment promotion materials will be developed and the capacity of Lesotho's overseas missions to promote Lesotho as a prime investment destination will be enhanced. The Investment Promotion Centre of the Lesotho National Development Corporation (LNDC) will be strengthened. Government will improve Customs efficiency and the capacity of trade negotiators.
- e) **Improve labour productivity.** This is a multi-faceted issue which needs to be addressed in the long-term by improving attitudes towards work and employment. In the three-year PRS period, GOL will collaborate with the private sector to study and put in place measures that are necessary for shaping a stronger "culture of productivity";
- f) **Improve labour stability.** GOL will strengthen tripartite relationships through an Economic Forum or a National Employment Council. Policies and legislation pertaining to labour will be reviewed and revised. Dispute resolution mechanisms will be decentralised to key districts;
- g) **Establish a comprehensive social security system.** GOL will continue to explore ways of establishing a system that covers both formal and informal sector workers. A pension for all citizens over 70 years of age will be introduced;
- h) **Increase support to local businesses and SMMEs** through a wide variety of measures, that include: building the skills of Basotho entrepreneurs through training; development of sustainable market opportunities; the provision of business counselling and mentoring; support to business associations; piloting rotational markets and establishing new market centres equipped with modern technology; improving access to credit through the reintroduction of credit schemes and financial services that are demand-led, market driven and flexible in nature; and
- i) **Promote the optimal use of Lesotho's natural resources** in order to add value, especially in agri-business, tourism and mining.

## **2. IMPROVE AGRICULTURAL PRODUCTION AND FOOD SECURITY**

### ***Situation Analysis***

Lesotho has not been in a position to grow enough food to feed its population for decades as a result of a combination of factors including: population growth, limited arable land, erosion, degradation of the soil, and variability of climate. National food self-sufficiency is unobtainable because the country simply does not have the enough fertile, arable land to feed its growing population. Past interventions, to a certain extent, may actually have worsened the situation by creating new dependencies.

**Although official statistics show crop productivity has slightly increased over the past two decades, a good portion of current production is uneconomical, requiring farmers to cross-subsidise production from other sources of income.** The decline in mine-worker remittances has meant that fewer families are able to do this. Stock theft and the degradation of rangelands have made animal rearing less attractive and official statistics show a decline in livestock productivity. The school system has socialised many of the youth to hold farming in disdain, yet urban areas cannot provide an adequate alternative

source of employment. HIV and AIDS is taking its toll on productive farmers, as scarce resources are required to nurse the sick, cover the costs of funerals, and support orphans.

### ***Proposed Strategies***

The Government recognises that food security is a multidimensional concept that includes production and its equitable distribution, as well as household access to food. It involves dealing with both food emergencies and chronic food insecurity, mainly linked to poverty and problems of exclusion. Co-ordination is critical as various Ministries, NGOs and international agencies are all involved in addressing food security issues. Emergency interventions and subsidies must be designed so as not to undermine longer-term efforts to increase productivity.

Given the constraints described above, improvements in ***food security*** will come primarily from expanding formal and informal work opportunities, and through boosting the purchasing power of those with employment. As such the above strategies mentioned under employment creation will contribute considerably towards the attainment of food security. For those with land, every effort will be made to ensure that they use it as productively as possible either for consumption or income generating purposes, both of which improve food security.

**GOL is committed to reducing hunger.** The focus will be on improving productivity through proven methods of intensified agricultural production in areas that are agro-ecologically suitable, encouraging appropriate water harvesting and irrigation techniques, promoting block farming.

**Food security will not be achieved if the poor do not fully utilise their land or release it for use to those who have means.** This commitment will not be forthcoming if land tenure is not secure. With this in mind, Government will address issues of access to land and any legal inequalities between men and women with regard to land ownership. During the PRS period it will develop a National Land Policy, enact the Land Bill and develop a digitised land information system.

Bearing in mind the issues described above, GOL will implement the following strategies:

- a) **Adopt appropriate farming practices.** The policy focus will be on crop diversification and substitution; encouragement of field crops in areas that are agro-ecologically suitable; Exploring opportunities for block farming, especially in the lowlands areas; promotion of commercialisation of agriculture; and introduction of improved agricultural technologies;
- b) **Develop appropriate irrigation,** especially low-cost, gravity-fed systems that the poor can sustain, while at the same time exploring opportunities for larger scale irrigation;
- c) **Incorporate agro-forestry practices** into all scales of farming systems;
- d) **Strengthen and decentralise extension services** at area level within all districts;
- e) **Ensure an efficient and standardised land tenure system;**
- f) **Encourage appropriate animal husbandry and fodder production.** This will include the introduction of milk goats and indigenous poultry and promotion of fodder. In areas better suited to extensive animal husbandry, the focus will be on improving range management through community associations, and improved veterinary services;

- g) **Enhance marketing** by improving the response to regional and international market opportunities and facilitating the marketing of fresh produce locally; and
- h) Improve disaster preparedness for emergency food distribution to most vulnerable groups.

### 3. DEVELOP INFRASTRUCTURE

#### *Situation Analysis*

Given Lesotho's rugged terrain and limited resources, it is remarkable that the country now has a relatively well developed road network, extensive village water supply systems, rapidly developing communications network, major dams, a hydroelectric plant and other infrastructure it can be proud of. Nevertheless, much remains to be done. Of particular concern is the lack of water for the fast growing industries and peri-urban areas, as well as the low proportion of households that are electrified. The rapid pace of urbanisation and the lack of adequate settlement planning is also a concern. There is clear evidence that the existing regulatory framework is cumbersome and constrains legal access to land by the poor, promotes ad hoc settlement and acts as a disincentive to investors.

#### *Proposed Strategies*

Development of infrastructure is essential for the creation of a conducive investment climate in Lesotho. To address inadequate infrastructure, which is one of the major developmental constraints, the Government will undertake these strategies during the PRS period:

- a) **Road links are seen as vital to the implementation of many of the strategies described in this document. The Government will, therefore, provide a conducive legislative, policy and institutional framework while at the same time increasing road access.** High priority will be given to labour-intensive construction and maintenance methods. Only where it is considered absolutely necessary (based on socio-economic criteria) will paved trunk roads be constructed to connect major towns or areas of strategic importance;
- b) **Develop water resources in order to ensure the further growth of wet industries (textiles) and maintain job creation.** Water needs are being addressed in feasibility studies (Metolong Dam, Lesotho Lowlands Water Supply). Within the next year major decisions will be made, with the fast-tracking of plans and implementation schedules. Institutional capacity to assess, monitor and manage water resources will be improved, together with water storage, delivery and distribution systems. Water conservation will be strengthened by ensuring that all new factories are equipped with water recycling plants;
- c) **Construct improved water-borne sewerage systems.** Government will seek ways of assisting poor households to up-grade their dry sanitation systems (latrines) to ensure that these provide adequate protection against disease and do not present a risk to ground water;
- d) **Streamline planning and land allocation systems to accommodate growth in towns and peri-urban areas.** GOL is committed to the urgent reform of the framework with a view to making it simpler, faster and more accessible;
- e) **Increase support for rural water supply.** This will include increasing resources for the rehabilitation and expansion of the rural water supply systems;

- f) **With regard to telecommunications, GOL will pursue means to implement its Universal Access Policy** that will ensure that poorer parts of the country are provided with the necessary services wherever possible. Highest priority will be given to places where development is being targeted under other components of the PRS (e.g. rural police stations). The Government will strive to create a conducive environment to enable private sector's participation in this regard;
- g) **Improve access to energy by implementing a National Rural Electrification Programme.** The ongoing rural electrification programme will be expanded. In addition appropriate reform measures will be introduced, including the complete privatisation of the Lesotho Electricity Corporation under a Public Concession model; and
- h) **Improve access to affordable housing** by streamlining land application and allocation procedures, updating the National Settlement and Shelter Policy, and strengthening Lesotho Housing and Development Cooperation with a view to ease access to land for private sector housing development.

#### 4. DEEPEN DEMOCRACY, GOVERNANCE, SAFETY AND SECURITY

##### *Situation Analysis*

Political unrest in 1998 resulted in substantial damage to the country's economy and credibility. It became abundantly clear that **without national unity and stability, Lesotho would not make economic progress or be able to address the spectrum of poverty issues it faces.** Lesotho was badly divided when it gained Independence but since 1998 the political leadership have worked together to create a more inclusive political model that has both constituency-based and proportional representation. Further steps are required to consolidate democracy at national and local levels. This is important as, since Independence, power and wealth have been concentrated in the capital. Issues of safety and security require major attention. Courts dispense justice very slowly and prisons are overcrowded, affecting the poor and vulnerable groups most.

##### *Proposed Strategies*

GOL is committed to deepening democracy, improving governance at all levels, increasing safety and security, and improving the efficiency of the justice system. These issues will be addressed by:

- a) **Promoting national unity** as a pre-condition for development, and strengthening the formal conflict management structures to enable speedy resolution of disputes at various levels;
- b) **Establishing Civic Education programmes** with the support of NGOs in schools and through the media to consolidate support for and understanding of democratic rights, responsibilities and procedures;
- c) **Devising mechanisms for feedback** and public monitoring with regard to how the community relate to GOL plans to address poverty issues, especially through local government and NGOs;
- d) **Maintaining the capacity of the Independent Electoral Commission** as a strategic role player in restoring and maintaining public confidence in democracy;
- e) **Improving the legislative efficiency of Parliament** through the parliamentary reforms, which include establishment of portfolio standing committees, the review of drafting and legislation processes and provision of training;
- f) **reforming the judiciary system to be more independent and transparent;**

- g) **Strengthening the Directorate on Corruption and Economic Offences (DCEO) and facilitating its autonomy in order to make concerted progress in the fight against corruption;**
- h) **Creating and strengthening structures for public participation in governance, at local level, through a clearly developed devolution plan;**
- i) **Establishing appropriate financial structures for local government as well as financial systems that will enable local communities to implement their local plans;**
- j) **Reforming and strengthening safety and security institutions and establishing community policing to reduce the high rate of crime and livestock theft;**
- k) **Speeding up justice through improving case management systems, improving access to legal aid and protection for vulnerable groups, and establishing a restorative justice and rehabilitation system;**
- l) **Creating specialised high level response units for riot control and the protection of women and children; and**
- m) **Enhancing the capacity of Lesotho Defence Force to partner with other stakeholders in fighting crime, responding to disasters, training youth and supporting other community development initiatives.**

## 5. IMPROVE ACCESS TO HEALTH CARE AND SOCIAL WELFARE

### *Situation Analysis*

Lesotho was a pioneer in Southern Africa with its Primary Health Care system during the late 1970s and early 1980s. It has a well developed system of Health Service Areas with hospitals, clinics, village health posts, village health workers and traditional birth attendants that bring services closer to the poor. In addition, efforts are being made to strengthen partnerships with churches and the network of traditional healers. Unfortunately, **progress has been eroded by growing poverty and by the increasing incidence of HIV and AIDS and associated infectious diseases such as tuberculosis.** Besides HIV and AIDS, which is discussed as a cross-cutting issue in the PRS, other areas of concern to Government that need urgently to be addressed include: a huge imbalance between over-crowded Government health centres with highly-subsidised fees and CHAL health centres where fuller fees are paid; the high cost of medical care to providers and users; long distances to medical facilities in mountain areas; and the insufficient numbers of health personnel especially in rural areas.

### *Proposed Strategies*

The most critical areas that GOL will be addressing during the PRS period in order to improve both quality and access to essential health care include:

- a) Rationalised provision of health service facilities;
- b) Improving the procurement, storage, distribution and maintenance of equipment, drugs and dressings.
- c) Improvement of the capacity of health personnel and distribute it equitably at all levels;
- d) Improvement of health care management e.g. management information systems, research and financial systems and controls;
- e) Strengthening diseases prevention programs through critical programmes such as child vaccinations, reproductive health, etc;

- f) Provision of the nutrition food packages and micro-nutrient supplies to vulnerable groups; and
- g) Improvement of access to Social Welfare Services.

## **6. IMPROVE QUALITY AND ACCESS TO EDUCATION**

### ***Situation Analysis***

Lesotho has a well developed school system and one of the highest literacy rates in Africa. As with the health sector, a partnership exists between government and the churches. Lesotho operates a university and a number of other institutions for training professional, technical and commercial graduates. Local communities have established pre-schools over the past 25 years to address the needs of young children and working mothers. Unusually for a developing country, females are generally better educated than men, who in the past have relied on herding and mine work. One result is that women are more numerous in certain levels of the civil service and the formal sector than men. Lesotho's educational system shows high repetition and drop-out rates, with over one half of primary enrolment traditionally dropping out before completing the cycle and about two thirds of secondary enrolment dropping out before graduating.

Until recently primary enrolment was in decline, falling from 71% of children aged 6-12 years in 1996 to 61% in 1999. GOL took a bold step to reverse these trends in 2000 when it introduced Free Primary Education, which is being implemented one year at a time. By 2002 this had raised enrolment to 85% of children 6-12 years. In addition, a targeted equity-based programme to cater for disadvantaged students at secondary and high school level is in operation. In this manner, the needs of the poor are being addressed in a meaningful way. Nonetheless, further reforms are necessary as there are valid concerns about the quality and efficiency of the education system, the high allocation of the budget to tertiary education and the supply-driven nature of technical and vocational training.

### ***Proposed Strategies***

Over the next three years, GOL is committed to the following:

- a) **Expand and promote pre-school education** (Early Childhood Care and Development);
- b) **Expand Free Primary Education, which covers the first 7 years of school, to Universal**
- c) **Basic Education**, covering the first 10 years, while also upgrading teacher qualifications and methods, and improve the relevance and quality of education;
- d) **increase the number of schools and/or classrooms and laboratories and provide necessary equipment;**
- e) **Improve teacher/pupil ratios** where these are below standard;
- f) **Improve access, relevance and quality of technical and vocational education and tertiary education** by bringing the courses offered at these levels more in line with national manpower needs;
- g) **Expand Non-Formal Education** by developing a comprehensive NFE curriculum covering vocational subjects and life skills; and
- h) **Promote culture as a means to unify the nation, develop tourism and generate income.**

## 7. MANAGE AND CONSERVE THE ENVIRONMENT

### *Situation Analysis*

**The Lesotho environment is very fragile.** It is characterised by steep slopes and frail soil formations. It is estimated that 0.25 per cent of the total arable land, or 39.6 million tons of soil, is lost through soil erosion each year, with the most visible signs being deep gullies in the lowlands and exposed rock in the mountains. The direct consequence of soil erosion is a decline in agricultural production, exacerbating the problems of food shortage and poverty.

Remedial efforts since then have had mixed results, particularly because greatly increased population and growing poverty has meant almost relentless pressure on the land and natural resource base. **Bio-diversity has declined** and the use of woody plants, grain stalks and animal droppings for fuel has led to the decline of soils and wooded hillsides. The recent rapid urbanisation of certain parts of the Lowlands, together with the introduction of wet industries, requires that **urban environmental challenges must also be systematically addressed.**

For the past 15 years, GOL has taken a more active approach through improved environmental planning and capacity building. Various action plans have been developed and international conventions adopted. In 2001, the Environment Act was passed. This Act will be revised to give the **National Environment Secretariat adequate legal basis to enforce the Environmental Act regulations.**

### *Proposed strategies*

In order to ensure that today's economic growth and development is sustainable, **GOL will exercise its special responsibility to take into account the necessary 'trade-offs' to ensure that optimal economic growth is balanced with the conservation of ecosystems.** It will ensure that production practices do not endanger the environment nor limit the options of future generations. Some productive activities, notably mining, remove finite national resources and are inherently unsustainable. GOL will, therefore, ensure that such activities generate additional flows of tax or other benefits which can be applied to assist other sectors in creating long-term economic activities. A multi-sectoral approach will be taken as environmental issues cut across various ministries.

GOL is committed to a number of specific pro-poor strategies to be implemented over the PRS period to ensure improved environmental management. These include:

- a) **Promote environmental conservation for improved productivity** by targeting committed families to be taught to harness water resources, increase ground cover and incorporate conservation and agro-forestry techniques into production;
- b) **Strengthen management of solid and water waste as well as air pollution;**
- c) **Strengthen curriculum and media programmes on environmental education;**
- d) **Reduce loss of bio-diversity** by implementing the Maloti-Drakensberg Trans-Frontier Park, maintaining existing reserves and moving towards the establishment of nature reserves and protected areas;
- e) **Address range management issues by establishing and/or revitalising grazing associations** in collaboration with new local government authorities; and

- f) **Improve the legal, policy and institutional framework**, giving particular attention to the capacity of the National Environment Secretariat and implementation of the Environment Act 2001.

## 8. IMPROVE PUBLIC SERVICE DELIVERY

### *Situation Analysis*

During the community consultations frequent concerns were expressed regarding poor service delivery and the poor attitudes of civil servants charged with serving the public. Delays are frequent, which lead to loss of livelihood opportunities and the creation of fertile ground for bribery. This is apparent in services most sought after, such as obtaining timely medical attendance by outpatients, terminal benefits by civil servants, disbursements of scholarship, work and residence permits and passports.

### *Proposed Strategies*

GOL is committed towards identifying and removing public service delivery bottlenecks and rooting out corruption. Reform of planning, monitoring, budgeting and fiscal management processes will be an important part of this. Thus, the following programmes will be undertaken over the next three years:

- a) **Improve the management of public finances** through better budgetary operations, and stronger oversight, management and accounting systems;
- b) **Decentralise service delivery** within the provisions of the Local Government Act; and
- c) **Improve public service delivery by implementing reforms directed at productivity and management**, such as performance appraisals and incentives for delivery in key PRS priority areas.

## CROSS-CUTTING ISSUES

### COMBATING HIV AND AIDS

#### *Situation Analysis*

The prevalence rate of HIV and AIDS amongst adults of 15-49 years has risen in Lesotho from 4% in 1993 to 31% in 2002<sup>2</sup>, which is one of the highest in the world. It is estimated that 70 people die each day in Lesotho as a result of AIDS, and yet the cause of such deaths is still not openly acknowledged despite increasing awareness. It was estimated that, out of a total population of two million in 1999, Lesotho already had over 90,000 AIDS orphans. These numbers will grow dramatically over the next decade. The increasing mortality rate means that Lesotho's population will stagnate by 2015, with disproportionate numbers being old and young people. Overall life expectancy has already declined from a high of about 60 years to 54 years, and it will continue to decline. The World Bank estimates that by 2015 the GDP of Lesotho will be reduced by almost one-third as a result of HIV and AIDS. ***Without forthright measures by a range of stakeholders, HIV and AIDS will exacerbate poverty and undermine any hope for improving the welfare of Basotho.***

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<sup>2</sup> Second National Sentinel Survey/ HIV Sentinel Survey, 2003

*Proposed Strategies*

The response to HIV and AIDS has not always been optimal, however it is recognised that during the next three years dramatic progress must be made. GOL has set itself the goal of reducing HIV prevalence from 31% in 2002 to 25% by 2007. GOL has developed a National Strategic Plan and established a number of bodies to co-ordinate the response to the pandemic. At least 2% of the GOL annual recurrent budget is being committed towards HIV and AIDS prevention and impact mitigation programmes. The key strategies are:

- a) Established the HIV and AIDS Commission and Strengthen the capacity of its secretariat;
- b) Implement the National Policy of HIV and AIDS Prevention, Control and Management;
- c) Combat HIV and AIDS through increased information, education and communication, as well as increased access to;
- d) Develop effective support systems for the infected persons including the provision of ARVs and prevention of transmission from mother to child;
- e) Develop effective support systems for affected households orphans and vulnerable children; and
- f) Strengthen institutional capacity for effective coordination of HIV and AIDS and its integration in to sectoral plans, programmes and budgets.

Collectively, these measures will lay a strong foundation for concerted efforts to reduce the incidence of HIV and AIDS and to address the range of consequences that result from it.

**GENDER, YOUTH AND CHILDREN***Situation Analysis*

Although Basotho women are better educated than men and have historically taken greater responsibility in maintaining families, civil society and certain categories of employment in Government, men still outnumber women in formal employment and men predominate at the highest echelons of power. **Patriarchal views, in which women are seen as subordinate to men, are commonly held.** Legally, a woman by herself cannot put her signature on a deed or title, sign a loan from a bank, or take action in a court of law, no matter how wealthy or well educated she may be. Thus, lack of access to land, credit and other opportunities inhibits the development of women and the wider community. Furthermore, women and girls are subject to widespread domestic violence, as well as assault and rape, and are often not in a position to access reproductive health care.

Men are also experiencing real disadvantages of their own. **Most of those retrenched from the mines in the past decade are unable to find any gainful employment.** The new factories employ almost exclusively women. Thus, many men feel trapped, useless and have as a result resorted to increased alcohol abuse with adverse health effects.

GOL established a Law Reform Commission in 1997 to review discriminatory legislation, and the Department of Gender has been tasked with co-ordinating all aspects of policy with regard to gender equity. Although a range of regional and international conventions

has been signed that affect gender issues, slow progress has been made due to lack of adequate human and programmatic resources.

Children and Youth issues are equally important. **Persons 25 years and under make up 63% of the population and because of increasing poverty are often the most vulnerable.** Because of societal changes over the last 30 years, many children and youth engage in early sexual activity, often with older partners, and lack access to quality information and services to protect their sexual health. As a result, many are falling victim to HIV and AIDS. Teenage pregnancies are disproportionately high and such mothers often have poor access to ante- and post-natal care.

**Economic pressure means that poor children often work**, either as herders or domestic workers, and thus fail to gain enough formal education to improve their chances in life. Because of their vulnerability, they are often abused. Children who fall into trouble are then incarcerated within a punitive juvenile justice system, and this often leads to the criminalisation of children and youth.

**Policy, institutional and legal instruments within government are often unbalanced.** Policies cannot be followed up and implemented due to resource shortages (as with the recently passed Social Welfare Policy); the legal framework is outdated (Children Protection Act of 1980); and six different ministries are tasked with programmes targeting children, while the Department of Youth is woefully under-resourced.

### ***Proposed Strategies***

During the next three years, GOL has committed itself to the following:

- a) **Finalise the National Gender and Development Policy** and maintain partnerships for implementation;
- b) **Establish gender focal points in each ministry** to ensure that gender issues are mainstreamed;
- c) **Strengthen the Ministry of Gender, Youth Affairs and Sport;**
- d) **Review gender discriminatory legislation and introduce policy reforms to provide equal rights in accordance with international conventions to which Lesotho is a signatory;**
- e) **Expedite the ongoing review and update of Children's Act for enhanced protection of children rights;**
- f) **Sensitise all levels of society on the rights and responsibilities of children;**
- g) **Improve access to formal education and expand and diversify Non-Formal Education** to ensure vocational skills are more accessible;
- h) **Provide quality and affordable child and youth-friendly health and social welfare services;**
- i) **Prevent the marginalisation of children and youth through restorative justice;**
- j) **Increase provision of services to orphaned and vulnerable children; and**
- k) **Improve facilities to enable people with disabilities to access basic services.**

**IMPLEMENTATION, MONITORING AND EVALUATION**

This final element of the PRS process is in many ways the most difficult. **The vision of transformation has heightened expectations of people both in Government and across the nation concerning the implementation of the priorities outlined above.** The proposed strategies stimulate hope in a brighter future. However, resources are limited and Government must live within the expenditure commitments laid out in the Fiscal Strategy for 2004/5 - 2006/7. For this reason a risk analysis has been carried out in order to manage and minimise the risks and negative impacts that might flow from the process of implementation.

**Implementation of the PRS will be a national effort, involving all sectors of Government in close collaboration with civil society and the private sector.** To promote this, Government will encourage all ministries to acknowledge that other sectors or partners can probably implement aspects of PRS better than it can, and to strengthen such partnerships and even provide financing where appropriate. Thus, civil society organisations, NGOs, churches, the private sector and development partners will be viewed as partners.

**For many activities identified under the key priorities, there is unlikely to be much implementation during the first year.** Many of the proposed activities require policy or legal instruments that are not yet in place. Nonetheless, certain refocusing of programmes and activities within the 2004/5 budget is possible, especially for Ministries that anticipated and planned well.

During the initial three year PRS implementation period, it is expected that significant progress will be made in redirecting the focus of government budgeting from inputs (as seen in incremental changes to line item budgets) to a different approach based on outputs, outcomes and performance indicators. Resources will be shifted towards those programmes and activities which generate greater outputs with regard to national priorities as specified in PRS.

**All PRS activities will still need to adhere to the normal planning and budgeting procedures of Government, including the project management cycle.** These include Identification; Screening and selection; Design and preparation; Appraisal; Financing; Implementation; and Monitoring and Evaluation.

**The Project Appraisal Committee (PAC) will be strengthened and expanded to handle the rigorous project appraisal and monitoring procedures that will come into full operation later in 2004/05.** For the next budgetary cycle (2005/06), Ministries and departments should draw up Project profiles that summarise the objectives of a new project, define the activities to be undertaken, and provide clear estimates of the resource implications, including on-going recurrent cost implications. PAC will then undertake screening, after which ministries will prioritise approved projects based on available resources (indicative budgetary ceilings). They will then submit project proposals containing more detailed information on the anticipated costs, benefits and implementation schedule. The PAC will conduct a rigorous appraisal exercise before projects are included in the capital estimates.

Once a project has been approved and implementation begins, its progress should be monitored regularly. Thus, improved institutional capacity and follow up must be ensured. It is expected that, as a result of more rigorous budgetary processes, substantial improvements can be attained with regard to resource allocations and productivity within the normal budgetary processes of Government. Any savings should be reallocated to activities that target PRS priorities.

The on-going process of refining plans and implementation of PRS will require continuous assessment and adjustments. Thus, Government is in the process of establishing monitoring systems designed to provide qualitative and quantitative data that is up-to-date and reliable. These are to guide in the design, implementation and continuous analysis of poverty reduction strategies. Emphasis will be placed on monitoring inputs, processes, outputs and outcomes as well as on evaluating the impact of specific policies or programmes through indicators that will continuously be refined to be specific, measurable, achievable, realistic and time-bound. Finally, systems should integrate the views and comments of other stakeholders, including the poor. The National Planning Board could oversee implementation and monitoring with a view to ensure stakeholders participation.

The costing exercise showed that implementation of the activities in the Prioritised Matrix would incur an incremental cost of *approximately* M3.7 Billion over three years or M1.2 Billion per annum. This represents an increase in total aggregate expenditure of approximately 30%. Raising these resources and utilising them efficiently and effectively remains a challenge which the Government is prepared to address in a concerted and systematic manner.

The table below apportions incremental cost by the different priorities.

#### Indicative Incremental Costs of Implementation (in millions)

Priority Area	2004/5	%	2005/6	%	2006/7	%	Total	%
Employment Creation and Income Generation	92.8	7.4	50	4.0	46.9	4.0	189.6	5.1
Agriculture and Food Security	10.8	0.9	9.4	0.7	9.0	0.8	29.2	0.8
Infrastructure Development	586.5	46.7	505.3	40.2	454.6	38.8	1,546.4	42.0
Democracy, Governance, Safety and Security	19.8	1.6	33.6	2.7	59.7	5.1	113.2	3.1
Essential Healthcare and Social Welfare	151.6	12.1	189.4	15.1	257.3	22.0	598.3	16.2
Increasing Human Resource Capacity	206.4	16.4	223.9	17.8	94.4	8.1	524.7	14.3
Manage and Conserve the Environment	43.9	3.5	101.7	8.1	105.2	9.0	250.8	6.8
Improving Public Service Delivery	143.5	11.4	143.5	11.4	143.5	12.3	430.6	11.7
<b>TOTAL</b>	<b>1,255.3</b>	<b>100</b>	<b>1,256.9</b>	<b>100</b>	<b>1,170.7</b>	<b>100</b>	<b>3,682.8</b>	<b>100</b>

**RISKS AND ASSUMPTIONS**

Experience from other countries suggests that PRSs are most likely to succeed if the key risks and assumptions are recognised. **In Lesotho the most critical assumption concerns political will.** Poverty has been seen by many solely as an economic issue to be left to specialists. It is now increasingly accepted that, to a very large extent, poverty is a political issue and must be addressed at all levels of Government and society. Government is firmly committed to the strategies described in this document, and recognises that political will and good governance are the linchpins for successful implementation of the poverty reduction strategy. Government is determined that the current level of political will should be sustained through increased participation at all levels and that adequate financial resources and capacity are mobilised to ensure successful implementation.

Other key assumptions of PRS include the following:

- a) Reform within the public sector through PSIRP will be meaningful and on-going in order to achieve better levels of planning, resource utilisation and evaluation;
- b) Decentralisation of government services to district and local level will succeed to facilitate systematic and sustained community participation; and
- c) Working partnerships between government and churches, NGOs, CBOs, and the private sector will be greatly enhanced in order to implement PRS priorities more effectively.
- d) The largest risk to improving the welfare of Basotho remains to be HIV and AIDS.