

## CHAPTER 2

# THE SOCIAL AND ECONOMIC STRUCTURES OF LESOTHO

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### **Socio-economic overview of Lesotho**

In order to conceptualise the importance of the study on stock theft and its impact on human security, one has to take cognisance of the social and economic structures of Lesotho.

Lesotho is a predominantly mountainous country, with an average altitude of more than 1,600 metres above sea level. It covers about 30,350 square kilometres and has limited natural resources. One quarter of the land is lowland and the remainder foothills and highlands. Although it remains one of the least developed countries, it achieved a real annual average gross domestic product (GDP) growth rate of 4.2% between 1980 and 2002 and the national economy has now reached M7.5 billion (approximately US\$1 billion).<sup>7</sup> Lesotho has a population of 2.2 million, which is growing at an average of 2.4% per annum, and the literate but largely unskilled labour force represents the main national resource.<sup>8</sup> It is entirely landlocked within the territory of the Republic of South Africa (RSA) and its economic development centres on its membership and participation in activities of the Southern African Customs Union (SACU), the Common Monetary Area (CMA) and the Southern African Development Community (SADC).

In the period 1998–2002 the GDP measured at current market prices grew by an annual average of 11.2%. In real terms, the GDP declined by 4.6% in 1998, but there was subsequently a gradual increase in the annual growth rate, from 0.2% in 1999 to 1.3% in 2000, 3.2% in 2001 and a provisional figure of 3.8% in 2002.<sup>9</sup> In the same period, the gross national income (GNI) increased in nominal terms by an annual average of 10.0%, but in real terms it fell by 1.2% per annum. In nominal terms, the GNI per capita<sup>10</sup> fell to M3,060 in 1998, but rose in each subsequent year, reaching a provisional value of M4,196 in 2002. However, when expressed in US dollars (utilising the annual average exchange rate), there was a dramatic decline from US\$667 in 1997 to only US\$403 in 2002.<sup>11</sup> It is not surprising that poverty levels in Lesotho remained high despite the relatively strong GDP growth rate registered during this period.

Lesotho remains heavily dependent on revenue sources, over which it does not have much control. Domestic revenue has grown more slowly than the GDP at market prices (6.2% per annum versus 9.8% per annum), resulting in a steady reduction from 47.6% of GDP in 1997/98 to 40.3% of GDP in 2002/03.<sup>12</sup> However, the establishment of the Lesotho Revenue Authority and the introduction of value added tax (VAT) at 14% in 2003 have helped to broaden the tax base.

Total expenditure and net lending have increased at an average of 9.3% per annum since 1997/98. Recurrent expenditure has grown rapidly and its share of total public expenditure has risen from 62.9% in 1997/98 to 77.4% in 2002/03.<sup>13</sup> While wages and salaries and subsidies and transfers have only grown by 8.5% per annum, there has been unsustainable growth in purchases of other goods and services (averaging 26.4% per annum) and it now absorbs 28.3% of total expenditure (up from only 13.8% in 1997/98).<sup>14</sup> Interest payments have grown by an average of 19.5% per annum and now absorb 5.9% (up from 3.8%).

### **The significance of migrant labour for the economy**

Lesotho is part of a regional economy that has depended on migrant labour for generations. In the 1970s some 125,000 Basotho worked in the South African mining industry, and it was estimated a further 25,000 were employed in other industries.<sup>15</sup> As a result, almost half of the GNI was generated from remittances. The number of mineworkers remained at that level until 1990, but subsequently there was a sustained decline and there are now only approximately 60,000. This decline in mineworkers had a serious impact on the GNI. Since the end of apartheid, the pattern of migration has changed, so that today not only men from Lesotho work in South Africa, but increasingly women of all ages as well. According to a 2001 Lesotho Demographic Survey, 14% of males and 4% of females over the age of 15 work in South Africa, which is equivalent to approximately 120,000 people.<sup>16</sup> The disadvantage of these people working in South Africa today is that, unlike mineworkers, there are no remittances. The arrangement is not beneficial to Lesotho's economy, because there is no income.

In recent years the private sector has demonstrated that, under the right circumstances, it has the capacity to stimulate economic growth and rapidly expand employment opportunities. With the introduction of the Africa Growth and Opportunities Act (AGOA), for example, industrialists

based in Lesotho have been able to increase production considerably. The greatest growth has been in the garment sub-sector, which now employs more than 50,000 people, most of whom are from poor households with limited education. If favourable conditions prevail, this growth should be sustained for some time. Indeed, many of the existing industrialists are keen to expand production, while new investors are held back only by lack of serviced sites. This has helped somewhat to ease the rate of unemployment.

The unemployment rate is 24.3%<sup>17</sup> and the percentage without any form of waged employment is considerably higher. Because of the strong correlation between unemployment and poverty, poverty in Lesotho is very closely associated with the absence of waged employment and income. This is not surprising, as Lesotho has a harsh and erratic climate with rugged terrain and poor soil, all of which make agriculture a risky enterprise. For generations the most secure form of income for Basotho has been migrant labour on the mines of South Africa, but with the number of miners now less than half of what it once was, rural households are struggling to survive. Most miners bought animals after retrenchment because in Lesotho these are traditionally seen as a sign of wealth. Animals are also used to engage in agriculture and are a tool for accessing other goods and services. For Basotho and other Africans, stock is used for paying for education, as a means of transport, and for paying lobola (bride-price). They also slaughter their animals for traditional feasts. There is a notion that the more stock one has, the wealthier one is, and that creates a source of pride and the recognition one enjoys in the community.

Some households have been able to find work, mostly for younger female members, in the new textile industries. These are, however, concentrated in a few of the urban areas, whereas miners were recruited from all over the country. The availability of waged work makes the urban areas more prosperous, but still the standard of living is declining, as evidenced by the rapid closure of luxury goods stores because of the declining purchasing power of the population; moreover, the influx of job seekers far exceeds the number of positions available. As a result, conditions in the fast-growing peri-urban areas are in decline: services are overstrained and the quality of life is deteriorating.

However, it is clear that people perceive poverty as being associated with broader issues relating to peace, good governance, security and justice, which they see as being basic requirements.

## **The relationship between agriculture and stock**

Lesotho has not been in a position to grow enough food to feed its population for decades. National food self-sufficiency is unattainable, because the country simply does not have the necessary fertile, arable land to feed its growing population. Past interventions, to a certain extent, may have worsened the situation by creating new dependencies.

It is not only government that has been subsidising cereal crop production. Over the years households have subsidised ploughing and planting costs by diverting income from other sources – such as mine remittances – to crop production. Because few households keep proper records, they are not aware that their costs often exceed their returns. However, a cost-benefit analysis of crop production in the lowlands, where there is greater dependency on mechanised traction and purchased inputs, shows that most households are making a loss.<sup>18</sup> In the mountains, where direct costs are lower because people tend to use animal traction, manure and their own seeds, crop production is profitable, but the amounts grown fall far short of the requirements. Indeed, in total, fewer than 5% of households nationwide produce enough cereals to feed their families throughout the year, with the remainder having to purchase part or all of their cereal needs.<sup>19</sup>

A combination of factors – including population growth, limited arable land, erosion, degradation of the soil, variability of climate, the decline of stock, mine remittances and HIV/AIDS taking its toll on productive farmers – has had an impact on food production, as far fewer households have the necessary income to invest in the required inputs. These factors have serious impacts on agriculture and food security in the country. For poor households the annual practice of procuring the required inputs for cereal production is almost insurmountable. In the past this would have been overcome through sharecropping with other households, but as the number of people without waged employment grows, the prospects for sharecropping have declined.

## **Distribution of livestock**

In developing programmes to assist the poor, cognisance must be taken that the proportion of households that own livestock is declining (between 1993 and 1999 cattle ownership fell from 48% to 39% while ownership of sheep and goats fell from 32% to 26%).<sup>20</sup> The average number owned is low (1.43 for cattle and 3.96 for small stock) with very limited variation across income quintiles. However, a small percentage of rich households own large herds.

These wealthier members of the community are able to benefit more from the communal resource than those who do not own any livestock. In the early 1990s an attempt was made to introduce locally managed grazing fees, which would have resulted in livestock owners effectively paying their communities something for the use of range land, but this failed owing to lack of popular support and the absence of proper implementation structures. The issue of unequal access to natural resources remains and it is necessary to work towards consensus with the various stakeholders about the way forward.