Lesotho

The Garment Industry in its Economic, Political and Social Context

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Lesotho: The garment industry in its economic, political and social context

Part of the 'Enclave Development: State, Markets and Society In Lesotho, South Africa And Swaziland's Garment Manufacturing Industries Book Project'

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This special CBDS Working Paper along two other special CBDS WPs no. 4 and 5 stem from three so-called Country Background Notes (CBNs) on Lesotho, Swaziland and South Africa drafted with the intension to provide an overview of key elements of the economic, political and social contexts, which form an important part of the foundation for the comparative analysis of the development in the garment industry, including the similarities and difference among the countries and settings. The forthcoming book is (preliminary) titled: ENCLAVE DEVELOPMENT: STATE, MARKET, AND SOCIETY IN LESOTHO, SOUTH AFRICA, AND SWAZILAND'S GARMENT MANUFACTURING INDUSTRIES.

Abbreviations

AGOA	African Growth and Opportunity Act
CBN	Country Background Notes
CBS	Copenhagen Business School
CSR	Corporate Social Responsibility
DCC	Duty Credit Certificate
DDS	Department of Development Studies
EPA	Economic Partnership Agreement
FDI	Foreign Direct Investment
GCFC	Gross Fixed Capital Formation
GDP	Gross Domestic Product
GoL	Government of Lesotho
ILO	International Labor Organization
IMF	International Monetary Fund
LHWP	Lesotho Highlands Water Project
LNDC	Lesotho National Development Cooperation
LRA	Lesotho Revenue Authority
MDG	Millennium Development Goals
MSC	Management, Society and Communication
MFA	Multi-Fiber Agreement
NGO	Non-Governmental Organization
Norad	Norwegian Development Agency
PRS	Poverty Reduction Strategy
RSA	Republic of South Africa
SACU	Southern African Customs Union
SADC	Southern African Development Community
SDGs	Sustainable Development Goals
SME	Small- and Medium-Sized Enterprise
(A)SP	(Abundant) Supply Provision
SSA	Sub-Saharan Africa
UFH	University of Fort Hare
US	United States (of America)

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INTRODUCTION & ACKNOWLEDGEMENTS

This special CBDS Working Paper originates from a longer-term collaboration between Associate Professors Søren Jeppesen, CBS and Andries Bezuidenhout, UFH. The collaboration started more than 10 years ago and will have its main output with the forthcoming book (preliminarily) titled, 'Enclave Development: State, Market, And Society in Lesotho, South Africa and Swaziland's Garment Manufacturing Industries'. The collaboration has benefitted from primary and secondary data from two research projects and support from our institutions. The first project was part of a large research project, titled 'The Outsourcing for Development project', based at CBS and Aalborg University, Denmark. The project was funded by the Danish Development Research Council and investigated different aspects of the contemporary situation among firms from developing countries in an era of globalisation and outsourcing of production from North to South. As part of a sub-study on 'CSR, Development and Outsourcing' we undertook a comparative investigation of the impact of codes of conduct on working conditions in garment factories in different countries in Southern Africa. The second project was part of a large comparative study on the role of Labour movements in Southern Africa, anchored at the Sociology at Work Unit, Witwatersrand University, South Africa. The project also supported the comparative study of the impact on codes of conduct, with funding from the Norwegian Development Agency (Norad). Over the years, our respective institutions (Department of Intercultural Communication and Management, later renamed Department of Management, Society and Communication (MSC) at CBS and Sociology of Work, Wits University, Department of Sociology, University of Pretoria and lastly Department of Development Studies (DDS), University of Fort Hare (UFH)) have supported us collegially and with funds for travel, student assistance and more. We highly appreciate this. During the project, we have benefitted from the work of numerous student and research assistants. They include; Lasse B. Jensen, Alvin P. Ljosa, Sameer Azizi, Amanda Haarmaan, and Zartashia Ahmed (CBS), and Hamadziripi Tamukamoyo, Wits University (and other SA assistants). We would like to thank all for the great help.

This special CBDS Working Paper (WP) along two other special CBDS WPs no. 4 and 5 stem from three so-called Country Background Notes (CBNs) drafted (one on each of the three countries included in the study). The intention of the CBNs has been to provide an overview of key elements of the economic, political and social contexts, which form an important part of the foundation for the comparative analysis of the development in the garment industry, including the similarities and differences among the countries and settings (Bezuidenhout & Jeppesen, forthcoming). Though the information in the CBDS WPs is not directly used/quoted/displayed in the book and varies in quality and depth due to differences in data access and quality, we think that it constitutes valuable insights to the three contexts to scholars and persons interested in the garment industry in Lesotho, Swaziland and South Africa – and beyond. Based on an overview of the present - and to some extent the past - situation of the countries, we will argue that an in-depth and dynamic understanding of the situation and of the responses that we have obtained from the local stakeholders in the garment industry is provided. By framing key issues relating to the garment industry (state engagement and industrial policies; the nature of the Global garment industry in a Global Production Network/Global value Chain setting; the roles of firms, unions and workers), we are able to provide new insights on the situation in the firms and in the industry and the impact (or lack of same) of Codes on working conditions.

1. LOCAL CONTEXT OF CASE STUDY - THE GARMENT INDUSTRY IN LESOTHO

a. Short history of the industry:

The Kingdom of Lesotho is a landlocked country in Southern Africa, surrounded by South Africa. The history of the Kingdom, also called Basutoland, can be traced back to the first king of the nation, King Moeshoeshoe I, who united the scattered people of the area and formed a fortress capital in 1830 (Nation master, 2019). Due to increasing hostility by the surrounding Boers, the king asked the English for protection, and in 1868 the United Kingdom (UK) annexed the Kingdom under the Cape Colony. Lesotho became independent from the UK in 1966 after holding its first democratic elections in 1965. At independence in 1966, the name was changed to the Kingdom of Lesotho and ruled with a constitutional monarchy, similar to the English.

The country covers a geographical area of 30,355 km^2 (see the map below) and has a population of 2.2 million people (World Bank Database, 2018). About 2/3 of the population live in rural areas and many of these depend on subsistence farming (CIA World Factbook, 2019).

Figure 1: Map of Lesotho

Source: Maps of the World, 2017

The garment industry[1] in Lesotho is a major contributor to the country's Gross Domestic Product (GDP) and a major employer. The industry is located in two main areas, Maseru industrial districts (Maseru West and Thetsane at the capital of Maseru) and at the Maputsoe industrial area (Maputsoe and Nyenye). A few firms are located at Buthe Butha and Khubetsoana (see the map above). While the industrial areas at Maseru are of older age and comprised of different industries, the industrial district at Maputsoe is newer and dominated by the garment firms. While the majority of firms in Maseru are Taiwanese owned, the majority of firms in Maputsoe are South African owned.

The garment industry has not only been the main driver of economic growth in Lesotho since the late 90s, but the industry is also the most important source of employment. With the Duty and Quota free access to the United States (US) market under the African Growth and Opportunity Act (AGOA) that came into force in 2000, the Basotho garment industry grew significantly. The industry attracted high levels of foreign direct investment (FDI), mainly from East Asia (Taiwan), and more recently from South Africa. The exports in the sector rose at about 50 percent a year in the period from 1999 to 2004, creating many new jobs and increasing household incomes. At its peak in 2004, the industry employed around 53,000 persons (Bennet, 2017). Appendix 1 specifies the role of the AGOA.

After the period of strong growth in the industry from 1999-2004, the year 2005 started with serious problems. The Maloti (Basotho currency) was tied 1:1 to the South African Rand. The strengthening of the Rand in the period from 2002 to 2005 compared to the US dollar meant that imports from Lesotho became too expensive for American buyers. This made the sector lose important orders as American buyers started sourcing from other suppliers (Kaplinsky & Morris, 2006)[2]. On top of the exchange rate setbacks, the expiration of World Trade Organization's (WTO) Multi Fibre Agreement (MFA) on textiles and clothing in 2005 meant that rich countries (such as the US and EU) could no longer impose quantitative restrictions on the imports from textile producing countries such as India and China. Consequently, some buyers decided to turn to cheaper suppliers in China and cancel or reduce orders in Lesotho (Morris & Staritz, 2017). The two factors (changes in the exchange rate and in the trade policies) led to a major blow to the local industry causing seven factories to shut down, and another handful of firms to make layoffs. Approximately 13,000 workers were laid off in the

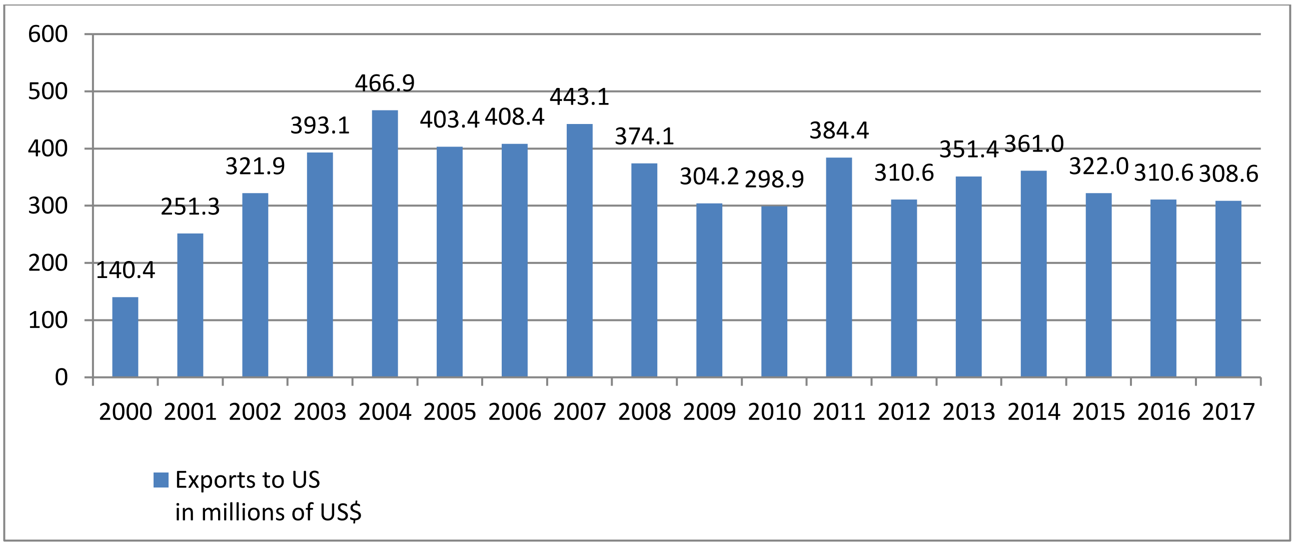
[1] We use the term to signify the involved actors in the production and distribution of clothing mainly and with an emphasis on actors in the three countries (Lesotho, Swaziland and South Africa). Other terms often used in the literature are 'textiles and clothing' and 'apparel'.
[2] Per 14/02-2018.

period from 2004 to 2005 (ODI, 2009). Since this major downturn in the sector in 2004-2005, there have been years of fluctuations, with a slow recovery of jobs. Various institutions and commentators have highlighted the crucial importance of the AGOA to the industry (Kipling, 2009; Kao, 2016; and Morris & Staritz, 2017).

Losing AGOA status would hit the garment industry hard and its effects would spread deeper into Lesotho's economy, as Lesotho's minister of Trade and Industry Joshua Setipa stated in 2016, "each of the estimated 40,000 garment workers supports an average of five other people" (Brown, 2016). Moreover, the informal SMEs around the factories (food vendors, taxi drivers, etc.) would lose business as a result of the garment industry slowing down (Setipa, 2016).

For example, in 2016 Lesotho was warned by the US Trade Representative to be "on thin ice" regarding its AGOA eligibility, failing to meet the AGOA conditions regarding political progress (like many other African countries, including Swaziland) (Brown, 2016). This came on the back on political turmoil (an attempted coup in 2015, re-installment of the premier, then more political infighting) and lack of progress on promises to enhance democratic processes in the country (ibid). However, in 2017 Lesotho's AGOA status was approved and the country remained eligible to AGOA benefits (ibid*)*. And as figure 2 below shows then AGOA and the US market continue to be of key importance to the garment industry and the country in terms of formal employment.

Figure 2 Lesotho-US trade in goods (2000-2017)



Source: Agoa.info, June 2018

b. Current situation, incentives and facilitation:

Today the industry (including footwear) employs approximately 46,500 persons, mostly women (82 percent). The industry remains Lesotho's largest formal employer in the private sector (Bennett, 2017). The garment manufacturing industry is, as mentioned earlier, comprised of foreign companies, mainly from Taiwan and South Africa. The industry is made up of approximately 66 firms employing an estimated 46,604 workers in 2017. About half of these firms are engaged in knit garments, employing about 53 percent of the total workforce. The second major product category is denim (woven bottoms) with 14 percent of the firms, employing roughly 28 percent of the workforce. The remaining firms are engaged in various activities like footwear, non-denim woven fashion or engaged in supporting industries and employing industrial workers (Bennett, 2017).

In terms of ownership, the industry is also heavily dominated by foreign firms. In 2012, about 42 percent of the firms and plants had Taiwanese origins, another 40 percent had South African origins, while the remaining 18 percent were more embedded (local owned) firms/plants (Morris & Staritz, 2017).[3]

The Taiwanese companies produce 69 percent of the total number of output, the Basotho producers produce 10 percent, the South African firms produce around 9 percent, and producers from other nationalities produce 10-11 percent in the knitted garment sector. Within woven garments the Taiwanese companies produce 80 percent, while the South African companies produce 19 percent of the total output. In terms of the number of people employed, the Taiwanese-owned factories employ around 70 percent, the South African 11 percent, the Basotho 9-10 percent and other nationalities also employ 9-10 percent of the total workforce in the knitted garment sector. In the woven garment sector, the Taiwanese owned factories employ close to 84 percent while the South African factories employ about 16 percent of the total work force (Bennet, 2007).

The Lesotho National Development Cooperation (LNDC) is the key institution that engages with foreign investors. LNDC was established in 1967 by the LNDC Act No. 20, and serves as a parastatal organisation under the Ministry of Trade and Industry, Cooperatives and Marketing. The objectives of LNDC is to promote, facilitate and initiate the development of the manufacturing industries in Lesotho. LNDC is furthermore directly involved in the implementation of the Government of

[3] Due to lack of data on specific asset ownership in the sector, the following measurement builds on the assumption that the number of units produced and the number of employees can be used as an indicator of the size of the factories in the industry. The measurement of ownership will here be based on the number of output measured in units.

Lesotho's industrialisation strategies. LNDC has 29 employees where five of those form part of the Investment Promotion Centre, which is directly involved in attracting and facilitating FDI to the country. The turnover of the cooperation was 804.2 million in 2016 (World Bank Data, 2018). Part of the turnover comes from selling investor services at competitive prices. Its head offices are in Maseru, and the CEO of LNDC is Sophia Mohapi. It is conceived as a 'one stop agency', which helps foreign and local investors with all matters regarding establishment of business in Lesotho (LNDC, 2005).

Some of the main incentives to invest in Lesotho's garment industry are its law of tax, including the exemption on duties on revenue made from export to non-SACU countries; the rules of repatriation; the relatively lax local regulations; the relative low cost of electricity and water; the low wage level of local workers and the relatively high skills of the workers, including a relatively stable labour market. The main challenges are that LNDC and Lesotho have been so successful in attracting foreign investments that it now faces a bottleneck in terms of available factory shells and infrastructure (waste recycling facilities and power blackouts, etc.) (ODI, 2009). Furthermore, crime rate and the mountain climate (variations between cold and hot weather) have at times been perceived negatively by some investors (Interviews in Swaziland, September 2008).

c. Laws and regulations governing industry:

The garment industry is regulated by a number of laws, in particular the Lesotho Labour code of 1992 is important with regards to working conditions (see also below). The Basotho labour law lives up to all the international aspects of the International Labour Organization's (ILO) core conventions, including no child labour, no discrimination and allowing freedom of association. Furthermore, the Lesotho labour law regulated the maximum working hours to 45 normal hours and 11 hours of overtime per week (ODI, 2009).

The enforcement of labour law is, however, generally weak. The Department of Labour's General Labour Inspectorate Unit employs a number of people to inspect places of employment. On average, each inspector is supposed to carry out 3 inspections per day, do reporting, etc. However, typically only one vehicle is available to the inspectors – and the same vehicle often also has to be used for other purposes at the department to carry out other government duties. As a result, the companies often have to transport the inspectors to the location.[4]

These limitations mean that the actual number of inspections is lower than the supposed number, and that the Department is faced with severe challenges of executing their responsibilities. This was also confirmed by both firms and unions. Among the union representatives it was perceived that it was a combination of lack of resources and a general unwillingness from the government's side to enforce existing labour laws in fear of negatively affecting the foreign companies' motivation for investing in the country. Other informants argued that the increased customer focus on compliance with international codes of conduct on worker conditions and rights has pressured the government to change its approach. Accordingly, the low level of inspections should be due to limited resources (FIAS, 2006).

d. Corporate Social Responsibility (CSR) and Codes of Conduct:

The introduction of AGOA in 2000 initiated a focus on workers' rights and labour conditions. AGOA required the participating countries to start initiatives regarding acceptable working conditions and the prohibition of forced labour or child labour. However, the AGOA does not include requirements on the execution of these human rights conditions.

Several international non-government organizations (NGOs), especially the Clean Clothes Campaign, and customers in both Europe and the US have emphasised the importance of Codes of Conducts (hereafter 'Codes') in the garment industry. The campaign against the companies Nien Hsing and C & Y for instance, and their international customers, brought attention to workers' rights in Lesotho's garment factories. As a result of customer demands, the situation improved to an extent and the use of Codes became more widespread. The evolvement was therefore heavily driven by international customers, in particular the US based the GAP (see below), and the need of suppliers to provide adequate information to their stakeholders (Hale & Willis, 2005; Seidman, 2007).

In particular, the decision (see right below) by the large US clothing producer and retailer GAP had an effect. GAP was estimated to source up to 70% of the garment production in Lesotho in early 2000s, hence having a major say in the industry, but also being a key target for international NGO

[4] The current Labour Commissioner is Mamohale Matsoso,

campaigns (Seidman, 2007). Due to the international focus on poor working conditions and widespread sourcing of products in Lesotho, GAP decided to implement their Codes in their supplier factories. GAP employed 2-3 full time inspectors who toured the supplier factories and monitored the implementation of the Codes. The concurrent discussion between the Basotho government, LNDC and the GAP monitors led to a decision of initiating a skills development programme in the industry headed by ComMark. This eventually enhanced skills in the industry as mentioned above. The increased focus on workers' rights and labour conditions was therefore strongest in the larger factories supplying to international customers, whereas the effects on smaller factories were limited (FIAS, 2006).

e. Current challenges:

Today, the main challenges of Lesotho's garment industry not only include external factors such as the heavy competition from countries such as China, Vietnam, Bangladesh and India and the high value of the South African Rand, but increasingly also a set of internal factors. These internal factors include; inefficient government bureaucracy, firm level inefficiencies, increasing transportation cost (see below), medium-to-low quality infrastructure (see below), and the vulnerability that follows from the reliance on the US market on the one hand and the South African market on the other (Morris & Staritz, 2017).

In addition, the working environment and labour conditions are not very different from what one find in Swaziland and South Africa, which is somewhat surprising considering the attention and emphasis that GAP's codes (see Bezuidenhout & Jeppesen, forthcoming, Part III). However, the main issue continues to be low wages, which by our key respondents (mainly in government and among unions and the workers themselves are perceived to be half (or less) of a decent/living wage. Minimum monthly wages in the garment industry (per April 2016) range from 1,157.00 Maloti (US$ 79.93[5]) to 1,361.00 Maloti (US$ 93.86) depending on skill levels (Bennett 2017).

The transportation cost in general makes it hard to compete with manufacturers of garments in other more accessible areas of the world. This is considered an obstacle for a (profitable) expansion of the garment industry in Lesotho. Though geographically well-placed, the lack of a proper container handling terminal at the border crossing into Lesotho, in Maseru makes the handling time of imported

[5] US$ wages were calculated based on the 2016 the–US$ exchange (US$1.00 = M14.50)

and exported goods unnecessarily long. If no actions are taken in order to improve the situation the industry might become unprofitable due to logistical bottle necks (Abdelal et al., 2006).

f. Summary remarks

The garment industry in Lesotho has experienced dramatic growth since the establishment of the AGOA in 1999/2000, growing to a peak of 53,000 employed in 2004. While fluctuating and declining somewhat since, Lesotho has succeeded in retaining approximately 47,000 jobs (mid 2017). Though the AGOA is an important element in the development of the industry, government policies, incentives and the promotion by the LNDC are additional key factors. Furthermore, also the industrial development in South Africa has seen numerous South African firms move across the border to Lesotho. A government-industry initiative of skills development has also had a positive impact (through ComMark). Unions have sought to improve the conditions of their members, but have been constrained in this due to limited levels of membership and internal infightings.

Still, the industry faces challenges and the situation as of mid-2018 is one marked by a certain level of fragility and vulnerability. The continued competition from Asian companies, in particular Chinese, Vietnamese and Indian, poses a strain on the firms. The level of inefficiency in government and to some extent in the industry along with high transportation cost and infrastructural deficiencies all add to the problems. Furthermore, while GAP has implemented and is monitoring codes of conduct in the industry, which has improved working conditions, a number of issues remain. First of all, the low level of wages inhibits an improvement of quality of living among workers and their families. While workers might feel highly attracted to the jobs in the industry due to the lack of other employment opportunities and the low level of support from the government, leading to a high level of poverty in the rural areas in particular, the work comes at a price. The modest level of public expenditure in education, health and social welfare further adds to the situation.

Accordingly, government, industry and unions are faced with a set of challenges in order to solve the combined problem of sustaining competitiveness while improving working – and living – conditions (see the following sections of the working paper for an elaboration of these issues).

2. Economic situation, industrial sector & labour issues

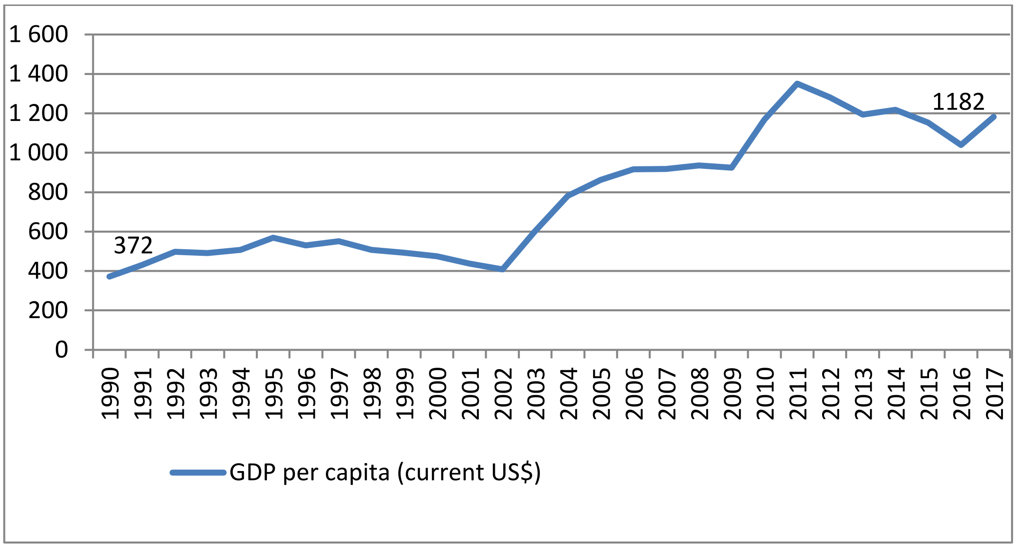
a. Economic system

Although the majority of the population in Lesotho is engaged in subsistence agriculture, the garment industry is the main manufacturing industry, as mentioned above employing an estimated 46,604 persons (Bennet, 2017). The current GDP per capita is 1,408 USD (2017 measurement) (Trading Economics, 2018). Lesotho's currency, the Maloti, is tied 1:1 to the South African Rand, which is also the case in Swaziland and Namibia. South Africa is a main trade partner, although the US is the largest (through AGOA). Lesotho is a member of SADC (Southern African Development Community) and was one of the founding members of SACU (Southern African Customs Union) in 1910 (SACU, 2019).

The civil and political unrest after the elections in 1998 combined with massive layoffs in the South African mines of Basotho in the late 80s, led to a negative growth in the economy in the period from 1998 to 2000 (World Bank, 2006). Changes in external factors made the government adopt a more neo-liberal export oriented development policy with a view to stabilize the countries' economic situation.

The economy has advanced rapidly since the 1990s (see figures 3 and 4 below, together with appendix 9 and 10 for further information), while it also has shown macroeconomic stability compared to the past years. This has been an important factor to maintain and increase FDI in the country, particular in the garment industry.

Figure 3 Lesotho GDP per capita (1990-2017)



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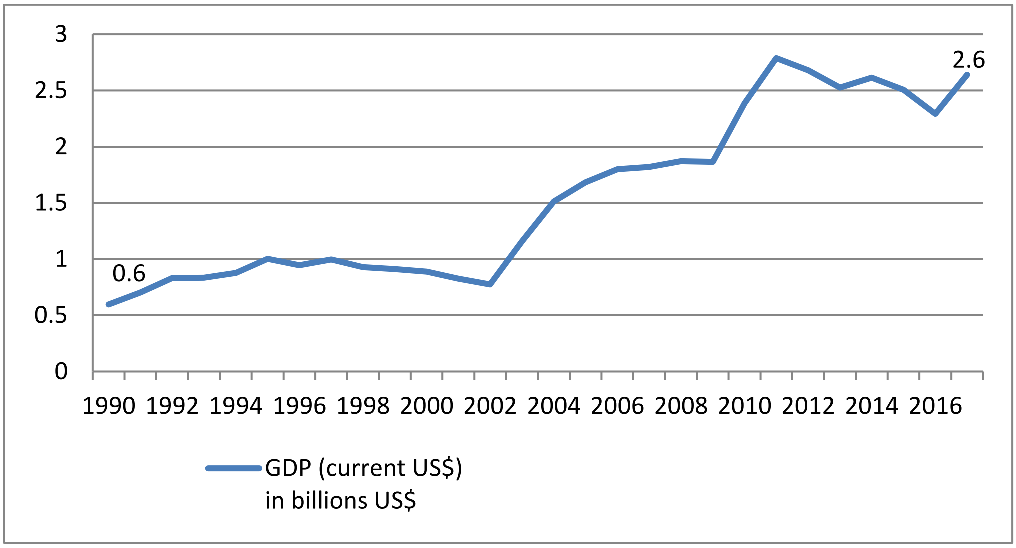
Source: World Bank data bank (2018)

The Basotho government has argued to follow a strategic path where the role of the government is set to be a facilitator more than a participant in the industrial development. The government has therefore focused its strategies on maintaining the stability of the overall economy and on implementing investment incentives that does not discriminate between local or foreign companies (which is in line with the Washington consensus as prescribed by the World Bank, IMF and international donor agencies). Accordingly, the government has refrained from implementing specific policies and programs, which could have capacitated and grown the local firms and industries.

The economy of Lesotho is of a limited size with high levels of poverty (see later in the working paper). The country is surrounded by its neighbour South Africa and is landlocked, making it highly dependent on South Africa. The economy has, however, undergone substantial changes during the last 15 years. For instance, the shift from an economy based on remittances from Basotho workers in South African mines, to a more export oriented economy, where the garment industry has been the main contributor, has been an important part of these changes. In 2016, Lesotho's GDP (current prices) was 2.7 billion USD, an increase from 0.7 billion USD in 1990 and in 2002 (see figure 4 below).

Figure 4 Lesotho GDP in billions US$ (1990-2017)



Source: World Bank data bank (2018)

Moreover, the contribution to GDP from the main economic sectors (primary, secondary, and tertiary) is 5%, 9.5% and 54.9% respectively in 2015, while the rest is made up by other goods (18.7%), and taxes on products (11.9%) (Lesotho's Bureau of Statistics, 2017). See table 2 below (and appendices 2-5).

Table 2: Contribution to GDP from primary, secondary and tertiary sectors, 2007-2015, in million Maloti and in percent

Lesotho sector GDP contribution	**2007**		**2008**		**2009**		**2010**		**2011**	
	Mill Malloti	%	Mill Malloti	%	Mill Malloti	%	Mill Malloti	%	Mill Malloti	%
Agriculture	657	5,1	846	5,5	926	5,8	921	5,3	1.070	5,3
Manufacturing	2.661	20,7	3.120	20,1	2.614	16,5	2.122	12,1	2.429	12
Other goods	2085	16,2	2928	19	2434	15,4	3083	17,5	3915	19,2
Services	6604	51,4	7677	49,5	8794	55,5	9779	55,8	10945	53,9
Total	12.007	93,4	14.571	94,1	14.768	93,2	15.906	90,7	18.359	90,4
of which Government activities	2.108	16,4	2.527	16,3	3.209	20,3	3.569	20,4	4.007	19,7
Taxes on products, net of subsides	854	6,6	925	6	1.078	6,8	1.608	9,3	1.941	9,6
Gross domestic product	12.861	100	15.497	100	15.846	100	17.513	100	20.300	100

Lesotho sector GDP contribution	**2012**		**2013**		**2014**		**2015**	
	Mill Malloti	%	Mill Malloti	%	Mill Malloti	%	Mill Malloti	%
Agriculture	1.103	5	1.429	5,9	1.452	5,3	1.453	5
Manufacturing	2.385	10,9	2.590	10,7	2.758	10	2.752	9,5
Other goods	4028	18,5	4090	17	5376	19,5	5460	18,7
Services	12048	55	13502	56	15046	54,6	15959	54,9
Total	19.564	89,4	21.610	89,6	24.632	89,4	25.623	88,1
of which Government activities	4.095	18,7	4.353	18	4.740	17,2	5.149	17,7
Taxes on products, net of subsides	2.327	10,6	2.522	10,4	2.921	10,6	3.442	11,9
Gross domestic product	21.890	100	24.132	100	27.553	100	29.065	100

Source: Lesotho Bureau of Statistics (2017)

The primary sector is dominated by agriculture and the sales of water to South Africa. In the period from 2007 to 2015 the GDP coming from the primary sector rose from 657 to 1,453 million of Maloti.

The secondary or manufacturing sector is dominated by the garment industry. The GDP originating from textile, clothing and footwear almost doubled in the period from 2000 to 2005 going from 375.6 to 658.3 million Maloti. This represented a change from 7% to 8.26% of GDP coming from the manufacturing of textiles, clothing and footwear. In 2006, the garment industry employed more than 90% of the people in the manufacturing/secondary sector and contributed with more than 80-90% of the output in terms of value (IMF, 2006). The GDP coming from the secondary sector rose modestly in the period 2007-2015, from 2,661 to 2,752 million Maloti.

Finally, the tertiary sector is dominated by the public administration, education and the service industry. The GDP coming from this sector has increased from 51.4% to 54.9% in the period 2007-2015. So, the last 15-20 years have seen a gradual change in the composition of the main sectors to the economy, with an increase in the percentage of GDP coming from the tertiary sector on the expense of the other sectors having taken place.

The stock of FDI is standing at 267 million USD in 2016 equivalent to 11.8% of GDP. This is a significant drop from the 291 million USD in 2014. The inflow of FDI reached 132 Million USD in 2016 equivalent to 83.1% of GFCF (UNCTAD, 2017). Within manufacturing, over 90% of the country's FDI is in garments (Office of the United States Trade Representative, 2003), making the Basotho economy highly dependent on the development of the garment sector.

The business environment in Lesotho is characterised by inefficiency, both at the company level and at the government, bureaucratic level. It is necessary to go through fewer procedures for doing business than in surrounding countries, but overall, the processes take more time compared to countries like Mauritius and Rwanda. Additionally, high expenses to the port authority and the country's low quality infrastructure are real constraints to foreign investors.

Economic and industrial policies

The government claims to pursue a strategy of further improving the business environment in the country as a whole and in the garment sector in particular. The focus is on strategies that diversify the industrial development of the country. The development so far has been focused on one sector (garments) exporting to one market (US). This has put the country in a situation of high dependency on the development of one specific market, the United States. The government supposedly is therefore supporting activities to diversify into other industries than the garment industry and into other markets than the US. The market diversification effort is aimed at increasing the exports to the EU under the Economic Partnership Agreement (EPA, 2016) and exporting high value garments in small quantities with short delivery time to South Africa.

In order to bring more foreign investment to the country, the government adopted a system of free repatriation of profits and no taxation on dividends paid to local or foreign shareholders from manufacturing companies. In the study of the capital flows in the year 2005, 36.13m was reported as repatriated as dividends to non-Lesotho residents, whereas only 15.9m was retained and reinvested out of 72.36m.[6] Of the total dividends paid, 36% of these materialised in the manufacturing sector.

As mentioned earlier, the garment sector within the manufacturing industry is dominated by South African and Taiwanese companies. This was also evident in the dividends paid as 57% and 23.25% was paid to respectively South Africa and Taiwan (Central Bank of Lesotho, 2006).

Another form of disinvestment is the amount of liabilities to foreign investors. In a survey by the Central Bank of Lesotho (2006), 1.2 billion Maloti was registered as liabilities to foreign investors, an increase of 1.1 billion Maloti the year before (2005). 58% of the liabilities to foreign investors were registered in the manufacturing sector with 2/3 on non-equity liabilities in the sector. Out of the total liabilities, 52.75% is for SAR and 36.76% is for Taiwan (Central Bank of Lesotho, 2006). This shows that a significant amount of capital is owned by foreign investors. A cautious note is whether the increased amount is an indication of further investment, or just a result of added interests.

One of the main socio-economic goals of the government has been to reduce poverty. The government has formulated a Poverty Reduction Strategy (PRS) and the Millennium Development Goals (MDGs – since 2015 the SDGs, Sustainable Development Goals) to operationalise and realise the objective of reducing poverty (GoL, 2007). The PRS is endorsed by the World Bank and the IMF.

The main strategies for achieving the objectives within the PRS have been three-pronged:

- Employment and income generation through higher economic growth

[6] The source does not explain what happened to the rest, some 22 millions!

- Sharing the benefits of growth through improved health and educational standards and the conservation of the environment
- Improving governance and public-sector performance (Ministry of Finance and Development Planning, 2005)

The economic growth objectives of the Industrialisation Master Plan (GoL, 2007) were to be realised by overcoming a series of obstacles to export oriented industrial development, where one key element is to ensure macro-economic stability. Among the main planned interventions in the Master Plan were:

- Development of a centralised structure for formulation of industrialisation policies
- Diversification of industries (through embedding of the garment industry via enlarged local production of input, and supporting setting up of electrical appliances and electronics producers)
- Industrial infrastructure development
- Improvement of the investment incentive regime

However, some argue that the government initiatives, including handling the Industrialization Master Plan 2007-2010, have been ineffective. According to a recent publication, the failure and weakness in implementing the Industrial Master Plan as well as other industrial policies is due to lack of coordination, cooperation and poor planning where government stakeholder Ministries are working independently of each other. The Ministries are not following an integrated plan (Tlhatlosi & Pekeur, 2018). Moreover, while the ambitions of the PRS and the MDGs/SDGs are pertinent, limited progress has taken place as it will be shown in the sections to follow.

Ownership structures

The “Land Act” of 1979 (defining the laws of owning land in Lesotho) declares that all land is owned by the nation and that the King as a ruler of the nation holds the land in trust. In practice, this system functions as a lease system, where citizens or companies can achieve tenure over areas of land. The tenure of land is managed by urban or rural land committees, which allocate and negotiate the tenure of land. These committees are headed by the traditional chiefs of the respective area. But the minister in charge holds the final power over the decision of the committees.

There is a system of fixed lease periods of 60 years tenure for commercial and industrial land use. (Arntzen et al., 1986). The government wants to make it possible for private investors to lease land or give freehold of land designated for industrial use (GoL, 2007). These incentives should increase the amount of FDI, including the long-term commitment of foreign investors in Lesotho, due to the possibility of owning the industrial land and the factory shells.

Despite the government's intentions to attract FDI to the country in various industries, and especially in the garment industry, the country's restrictive land laws prevent foreigners or foreign owned companies from owning any land (Abdelal et al., 2006). The "Land Act" has the effects of strongly discouraging infrastructural investments made by the private sector. As the government wants to see how investments from the private sector can be encouraged in order to deal with the under-supply of basic infrastructure (e.g. water, electricity and liquid waste treatment) under the current "land act" from 1979, the Land act is said to be revised.

b. Industrial sector

During the last 15-20 years, three factors have been especially significant for the development of the Basotho economy; the layoff of Basotho mine workers in South Africa; the building of the Lesotho Highlands Water Project (LHWP), and the growth of the garment industry.

Historically large parts of the male workforce have been employed in the South African mines. Until the late 80s, nearly 50% of the national income came from remittances from workers in the mines (World Bank, 2006). Due to mine closure, mechanisation and South Africans taking up the remaining mining jobs, the amount of Basotho workers employed in the mines has fallen gradually from 112,722 in 1994 to only 53,877 in 2006 (ODI, 2009; Salm et al., 2002).

Despite the many layoffs in the mining industry, the remittances went up for a period due to increased salaries in the mines. The remittances accounted for an estimated 23.1 percent of the GDP (IMF, 2008a). The recent reopening of diamond mines has contributed to the continuous growth of the Basotho economy. In the period 2003-2006 the mines share of the GDP increased from 12.9 MM to 596.2 MM (representing an increase of nearly 5,000%). The reopening has meant some job creation for people in the rural areas.

In the late 80s and beginning of the 90s, the execution of the LHWP with substantial amounts of FDI flowing in from South Africa boosted the Basotho economy and created a large number of jobs in the country. At the peak of the production period, the inflow of FDI was 20 percent of Lesotho's GDP. The LHWP created limited spillovers to the local industry and only few direct jobs in the local rural areas. The main effect of the LHWP is that Lesotho now can export water and electricity to neighbouring South Africa. Another effect is that the electricity produced, powers the growing garment industry and gives the industry the benefits of a relatively cheap power supply (Bennet, 2017).

The garment industry has been the main driver of economic growth in Lesotho since the late 90s, and is the most important creator of formal jobs. With the Duty and Quota free access to the US market under the AGOA coming into force in 2000, the Basotho garment industry bloomed. The industry attracted high levels of FDI, mainly from East Asia (Taiwan) and later from South Africa. The exports in the sector rose at about 50% a year in the period from 2000 to 2005, reaching a peak of around 53,000 jobs in 2004/05, creating many new jobs and increasing household income. Taiwanese were originally the main investors in the Basotho garment industry, but after 2005–2006 South African manufacturers moved in (attracted by low waged and duty-free market access to SACU (Morris & Staritz, 2017).

The criticism of the sector has been the lack of forward/backward linkage and resulting spill-overs to other sectors in the country. However, since Taiwanese and South African investors in the Basotho garment industry have different strategies and interests, their impact on the local economy in terms of upgrading differs as well (Morris & Staritz, 2017).

Evidence of some linkages are found with the CGM group – Formosa Denim Mill, supplying denim to the Cut, Make and Trim (CMT) manufacturing companies and the growth of the supporting factories delivering, for instance, embroideries and screen-prints as well as the service sector supplying financial services, packaging, freight and other services (GoL, 2007). Moreover, many small- and medium-sized enterprises (SMEs) in the formal and informal sector profit from the garment sector by supplying food, transportation and housing to workers in the sector (ODI, 2009).

While it has been predicted that Lesotho's competitive advantages as an exporter of garments would be eroded over time due to the fading of the tariff and quota system under the WTO system as well as changes in the WTO NAMA program (removing the duty-break advantages that Lesotho has been experiencing), this seems not to have happened. Still, if the long-term ambition is to maintain the industry, it is important to seek to improve the current conditions for doing business in the country, through different governmental incentives and initiatives.

Trade and Production

The Basotho economy was suffering from a deficit on the trade balance. Lesotho has moved from a deficit on the trade balance of 47.8% of GDP in 2000 to a deficit of 38% of the GDP in 2005. It was expected to continue with a relatively high trade deficit despite the increased exports of garments and diamonds (IMF, 2008b). However, this has changed over the last years and been turned into a trade surplus. Accordingly, the Lesotho economy has seen a decrease in the foreign debt as a percentage of the total GDP has fallen over the period from 2000 to 2005 from 75.8% to 42.08% in 2016. The majority of the foreign debt is owned to the World Bank group and the African Development fund (IMF, 2008a; Trading Economics, 2019).

Lesotho has managed to keep a relatively stable, though not necessarily low inflation rate with an average of 6.14% over the last period of 2006 to 2017 (Lesotho Bureau of Statistics, 2018). This low inflation rate has meant an increased level of stability for the investors in the country and a stabilising of the Basotho currency (Maloti). Fluctuations, however, have occurred due to the currency being tied to the South African Rand.

The main trading partners are the countries within SACU, in particular South Africa. 17.3% of Lesotho's total export goes to the SACU countries and 83.9% of the total import comes from these countries. The US accounts for 61.5% of the total export, while Belgium receives 17% of the total export (IMF, 2008a). Imports are mainly coming from the SACU countries, in particular South Africa and Asia (14.4% of total imports coming from Hong Kong, Taiwan and China).

Major export items are garments (81.1% of total export), diamonds (9.45% of total export) and water (2.4% of total export). The total value of exports has risen from 1,468.4 million Maloti in 2000 to 4,138.1 million Maloti in 2005 (IMF, 2008a).

Major items of imports are knitted or crotched fabrics for use in the garment industry (44.3% of total import), cotton (15.4% of total imports) and electrical or electronic equipment (10.4% of total imports). The total value of imports has risen from 5,611.1 million Maloti in 2000 to 9,135.7 million of Maloti in 2005 (IMF, 2008a).

Lesotho has at times been the biggest exporter of garments to the US in the Sub-Saharan Africa. In spite of a continued large share of the garment moving the US, South Africa has grown in importance over the last 10 years (Morris & Staritz, 2017).

c. Labour market

The labour force stands at approximately 0.96 millions as of 2017. However, the labour force rate is only estimated to be 66.46% of the total population, which is a significant decrease from 75.66% in 1990, indicating a growing acceptance of the role of the informal sector and a growth of the total labour force compared to the number of formally employed persons.

The labour market has historically been tied to South Africa, as a large part of the male population has been migrating to mines in the Free State and the Gold Rief of the former Transval (Gauteng and North West Province). In the late 1980s more than 100,000 Basotho worked in the mines in South Africa, while less than half does so today, as mentioned above.

The growth and creation of jobs has been focused in the urban areas, leaving the rural areas with little possibilities of economic growth, in particular due to the loss of remittance from the South African mines and limited possibilities for intensive agricultural production in the mountainous country.

Today, the service sector employs 40.3 percent of the employed in Lesotho – while agriculture constitutes 39.70 percent and industry 20 percent (ILOSTAT Database, 2018). Manufacturing, in particular garments, is the largest formal private sector employer in the country, employing around 46,500 worker, mainly women (82%). Apart from the garment industry (textile, woven garments, knits, and industrial workwear), the footwear industry employs 1,253 workers and 218 workers are employed in supporting industries workers (Bennett, 2017). Limited other manufacturing industry exists.

According to a recent study on SMEs in Lesotho[7], the country has about 76,000 small business owners and a total of 118,000 people working in the SME sector (which includes the business owners), mostly in wholesale, retail and agriculture (52 percent). The majority of these businesses are characterized as ‘survivalist’. 45 percent of SMEs earn less than 2,000 Maloti (US $138) per month (FinMark Trust, 2016). Working in a grey zone between the formal and the informal sectors, the SMEs are faced with

[7] The FinScope survey is conducted by a South-African based donor-funded independent trust called FinMark (https://finmark.org.za/)

different challenges, like limited financial resources, issues of sufficient quality, and inabilities to meet deadlines and international standards (GoL, 2007).

Unions

Lesotho is adhering to a labour code from 1992, setting conditions for employment terms including health, safety and welfare. Furthermore, an industrial relations council was established in 2000 to handle industrial disputes including union disagreements over worker conditions (UNCTAD, 2003).

Lesotho used to have several competing unions, with only two being major in terms to number of members and influence, FAWU and LECAWU. However, since 2015 the three main unions Lesotho affiliates Factory Workers Union (FAWU), Lesotho Clothing and Allied Workers Union (LECAWU) and National Union of Textile Workers (NUTEX) joined forces and formed a new union: the Independent Democratic Union of Lesotho (IDUL). The unions recognized that competition among unions was not in the interest of the workers, and decided to continue united to engage employers and the government in their quest for improved wages and working conditions (IndustriALL, 2016).

The factory owners are by some sources viewed as understanding the need to accept access to union membership, and that union membership is growing as freedom of union membership is part of the codes of conduct adopted by customers and which is a requirement of the AGOA treaty (Salm et al., 2002). However, our field interviews highlighted that factory owners also were conscious of the fact that only when one union could muster a membership base of more than 50% of the workforce, then the union would be in a position to negotiate with the owners. And due to the competition among unions until recently, this situation did not materialize.

The main concerns for the unions are working conditions and wages. Especially in the garment industry, one of the concerns is that the foreign owned factories do not live up to the norms of treatment of workers and working conditions in Lesotho. One of the explanations for this is thought to lie in the inadequate training of personnel officers in the foreign owned factories (UNCTAD, 2003). Both major trade unions were also concerned about the lack of training possibilities within the industry (Abdelal et al., 2006). This conforms to the general lack of both skilled workers and middle managers.

In 2002, an international campaign against the Nien Hsing and C & Y Taiwanese owned garment factories in the Tsetsane area, employing 15,000 to 16,000 workers (as of July 2007) was started by the LECAWU union. The campaign brought attention to the lack of access to union organisation at the factories. The LECAWU union got involved and the U.S. customer GAP, together with management of the factories made a memorandum of understanding which finally led to union representation in the Nien Hsing factories (Abdelal et al., 2006). This showed that international focus on consumer awareness could lead to an improvement of local conditions for workers in the factories (see also Seidman, 2007, for an in-depth discussion of these issues).

3. Political & social systems and poverty

a. Brief history

The political situation was quite unstable from independence in 1966 until 1998 with several coups, political assassinations and violence. After a military coup following the elections in 1998, South Africa invaded the country and handed power back to the political parties and a civilian government (Abdelal et al., 2006). The political climate has stabilised since 1998 and is considered somewhat consolidated today. For example, the elections held 17 February 2007 were witnessed by the UNDP to be fair and free (UNDP, 13 March 2007, www.undp.org.ls/home/default.php). Still, early elections have often been called for, the latest in 2017 coming only two years after one in 2015.

The political system of Lesotho builds on the principals of a parliamentary representative democratic constitutional monarchy. The king (Letsie III) does not rule any direct political power in the country; however, he has many ceremonial functions and has power over all land in the nation (see section on ownership structure above, and Parliament of the Kingdom of Lesotho, 2012). The prime minister of Lesotho is the head of government and represents Lesotho at most international gatherings.

The political system consists of a lower house (also called the National Assembly and elected through popular vote), appointing a prime minister, and an upper house (called the Senate and nominated by various groups) representing the traditional chiefs and prominent people of the nation. The upper house has limited power (Abdelal et al., 2006).

The political power is divided in three branches. The executive power is exercised by the government. The legislative power is separated in the two mentioned chambers of parliament, the Senate and the National Assembly. The judiciary power is executed by the courts, independently of the two other branches.

Presently, the National Assembly (the lower house) consists of 120 members. 80 members are elected directly under the First-Past-The-Post system, while 40 members are elected through proportional representation. The proportional representation system was introduced in order to have a broader representation of parties in the National Assembly (UNDP, 17 February 2007, www.undp.org.ls/home/default.php). In the election 3 June 2017, the ABC became the biggest party with 47 constituency seats and one proportional representation seat, bringing them a total of 48 seats (Lesotho Times, 2017). Prime Minister Thomas Motsoahae Thabane is heading the government consisting of 22 Ministries (see appendix 6[8]).

The Senate (the upper house of Lesotho) consists of a total of 33 members, 22 principal chiefs and 11 senators nominated on the advice of the council of state (consisting of the ministers, hence all from the ruling party). Most of the principal chiefs are descendants of the founders of the nation and their position is inherited through the family lines. The 11 nominated senators include a wide variety of people of so-called ‘importance to the nation’, i.e. experienced politicians, academics or citizens contributing to the prosperity of the nation. The Senate is headed by Mamonaheng Mokitimi.[9]

The role of the Senate is to examine and review draft Legislation/Bills passed by the National Assembly. The Senate therefore acts as a watchdog through the revision process, and by passing motions of governance for instance by asking questions to the Ministers (Machepha, 2010; Parliament of the Kingdom of Lesotho, 2012). Furthermore, the Senate is responsible for the establishment of the following sessional select committees: Business committee, Committee of Chairpersons, HIV/AIDS Committee, Ethnics, Code of Conduct, Immunities and Privileges Committee, Public Accounts Committee and Standing Orders committee. The Committees have different roles; the HIV/AIDS Committee for instance oversees and monitors policy and legislation on HIV and AIDS through training and information exchange (Parliament of the Kingdom of Lesotho, 2012).

b. Description of political system & administration

The political system consists of three spheres of government (national, district and community). Apart from the lower and upper houses, Lesotho is divided into 10 administrative districts each with a

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[8] See also: https://en.wikipedia.org/wiki/2017_Lesotho_general_election

[9] See: http://www.parliament.ls/senate/index.php?option=com_content&view=article&id=219:hon-futho-hoohlo&catid=62:senate-member&Itemid=120

district capital. The ten districts are further divided into 80 sub districts or constituencies, ruled by 128 different local community councils and one municipal council (Maseru). While the Basotho system of governance at local levels dates back to 1871, when the British colonial regime tried to break down the indigenous governmental institutions and introduce some form of direct rule, the first direct elections to the local governance institutions were only held in April 2005.

The chair-person of each local community and one elected person from each community, form the districts council of that specific district. The typical size of a district council is between 22 and 40 people. The local districts and communities must prepare two plans a year including budgets and reports of progress on ongoing plans in order to have funds distributed from the national level (see Appendix 7 on the areas of responsibility at district and community levels). The funds and resources (human and capital) are distributed by the Ministry of Local Government and Chieftainship Affairs (Ministry of Local Government and Chieftainship Affairs, 2018).

Many services are at present carried out on a national level, but the Poverty Reduction Strategy (PRS) recommended that more services should be decentralised to district or local/community levels (IMF, 2006). At the National Government level, there are incentives to further decentralise services where this is possible, as the intensions of the local governance initiative in Lesotho is to bring public services and decisions closer to the people.[10]

Taxes

The taxation of personal income and corporate entities is handled by the Lesotho Revenue Authority (LRA). The collection of duties and customs control is also the responsibility of the LRA. The LRA is an independent body, responsible for assessing and collecting taxes on behalf of the government in Lesotho. Its authority was established in the Lesotho Revenue Authority Act no. 14 of 2001. The LRA started operating in 2003 and has since then collected all taxes and duties under the Laws of Lesotho and the SACU to provide funding for the delivery of public goods and services. The LRA has offices at several border crossings, inland ports and service centres at mayor cities.

[10] Should we comment on whether the distribution of responsibilities is clear between the three spheres of government? And, if the distribution isn't, where the problems are found? Distribution of resources? Power in certain areas?

The corporate tax in Lesotho is 25%. However, a series of special rules apply to different groups of companies. For example, companies in the manufacturing sector only pay a 10% corporate tax, and income generated by the export of manufactured goods outside the SACU area is tax free.

The personal income tax in Lesotho is based on a progressive system where the size of the income determines the level of taxation. Citizens with an income less than 20,455.00 Maloti per year (1,705 Maloti per month) are exempted from paying taxes. Personal income between 20,455.00 Maloti per year (1,705 Maloti per month) and 37,378.00 per year (3,115 Maloti per month) is taxed at a rate of 22%. Personal income exceeding 37,378.00 per year (3,115 per month) is taxed at 35%.

Furthermore, a system of value added tax (VAT) is found in Lesotho. The system runs with different rates for different product categories, for example, the rate is 0% on goods and services exported from Lesotho and on maize meal, maize (grain), bread, milk, beans, peas, lentils, agricultural input fertilizers, seeds and pesticides, livestock feed, Malted sorghum, sorghum, meal, poultry feed and paraffin intended for use as fuel for cooking, illuminating or heating. However, 14% is taxed on other supplies of goods and services, and 15% is taxed on alcohol products and tobacco products (The Lesotho Revenue Authority, 2017).

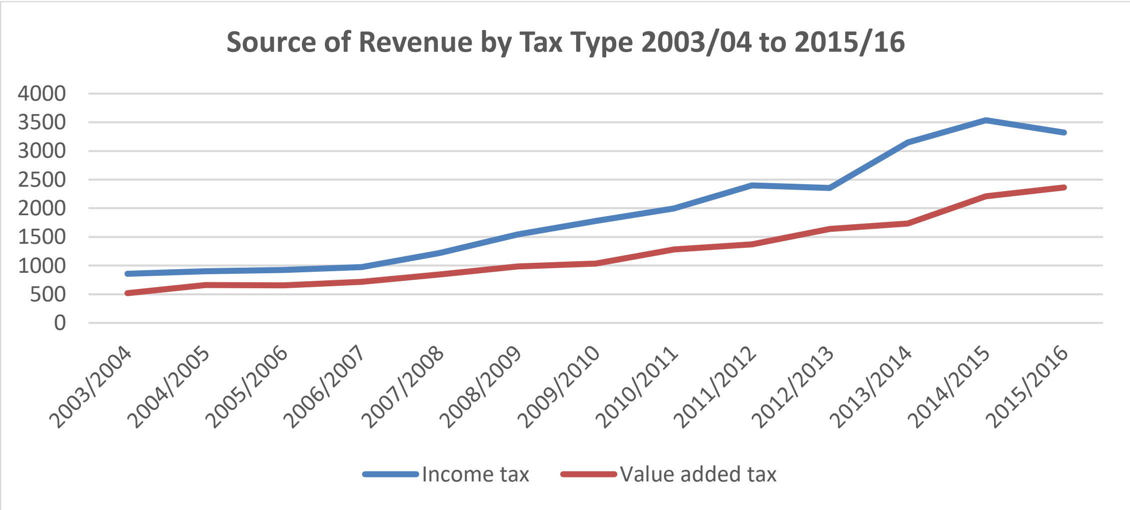
The total tax revenue in Lesotho can be seen in the table 3 and figure 2 below, divided by income tax (personal and corporate) and VAT. Income tax constitutes the largest part of the taxes (approx. 58% in 2015), while VAT constitutes around 42%. Both types of taxes have grown since 2003/4, but with different speed and some level of fluctuations from year to year. The highest growth for income taxes since 2003/4 is found in the financial year 2014/15. Income taxes increased by no less than 33.7%. This largely came as a result of strong performance by corporate income tax and VAT. In 2015/16, however, the growth rate declined due to poor economic performance which also impacted the VAT performance, though to a lesser extent.

Table 3: Tax revenue by tax type (in million Maloti)

Lesotho Tax Income	Income tax*	Percentage change	Value Added Tax	Percentage change
2003/2004	852.47	26.0%	519.47	33.0%
2004/2005	901.88	5.8%	659.82	27.1%
2005/2006	924.64	2.6%	655.63	-0.6%
2006/2007	973.1	5.2%	714.58	9%%
2007/2008	1221.4	25.5%	847.9	18.6%
2008/2009	1542.7	26.3%	987.7	16.5%
2009/2010	1780.3	15.4%	1035.0	4.8%
2010/2011	1995.6	12,1%	1281.2	23.8%
2011/2012	2401.2	20,3%	1369.6	6.9%
2012/2013	2355.0	-1.9%	1640.4	19.8%
2013/2014	3147.7	33.7%	1732.30	5.6%
2014/2015	3536.03	12.3%	2209.10	27.5%
2015/2016	3323.00	-6%	2363.30	7%

Source: LRA Annual Reports (2015/16)

Figure 2: Source of Revenue by Tax Type



Source: LRA Annual Reports (2015/16)

Another part of the income comes from customs duties. Customs and excise revenue in Lesotho increased by 23%, accounting for an increase of 5,438 million Maloti in 2012/13 to 7,034 million Maloti in 2013/14 (LRA, 2014). As Lesotho is part of the SACU, there exists a custom union of free trade between the member states and common duty tariffs and rules are applied. The DCC (Duty Credit Certificate) was introduced to make it easier to source material from other SACU member states in the production used for exports. The customs and excise duties are pooled between member states and are afterwards shared among member states according to agreed rules.

Imports coming from outside the SACU are subject to an import duty. The tariff varies on different product categories. All imports sourced for use in manufacturing of exported good are duty free as well. The total income from custom duties is more than double the income from personal income and corporate taxes (of 6,106 mill. Maloti) and hence, as mentioned above, of major importance to the economy.

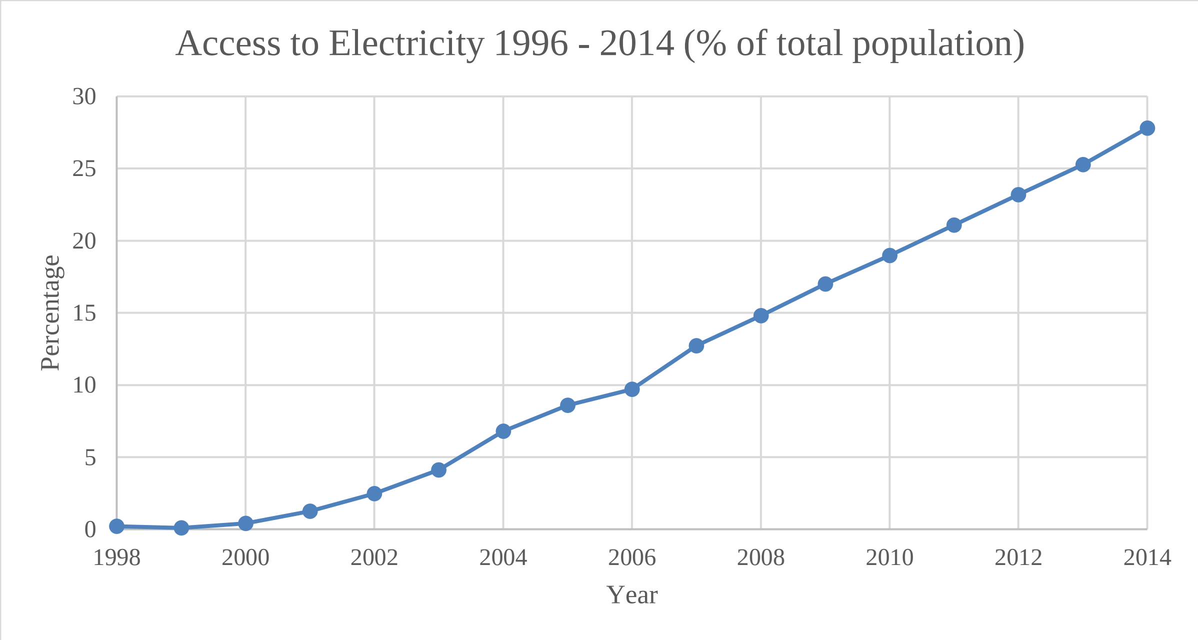
Infrastructure (roads, electricity supply, water supply and waste management)

The country faces various infrastructural problems that constrain the livelihood of the population and the growth in the emerging and present industries of the country. Though, the quality of the roads leaves something to desire, Lesotho has a total of 5,940 kilometres of road network. 1,069 is paved, and 4,871 is unpaved (CIA World Fact book, 2018).The main problems are: lack of factory shells, lack of serviced industrial land, inadequate supply of electricity, and water and waste water treatment. The cost of both water and electricity is low compared to the majority of the countries in the region; however, the cost is higher than in neighbouring South Africa. Furthermore, this low-cost policy results in a lack of revenue and hence funds for improvements and further extensions of the system. The garment industry suffers under the periodical lack of electricity and water, which leads to halts in production. Beneath we will discuss some of these issues.

Electricity supply

Lesotho has one of the lowest electrification rates in Africa. In 1998, only 0.02% of the population had access to electricity, which expanded significantly and resulted in an increase (from the very low base) by more than 1,390% in 2014 (see figure 3 below). Still, only 27% of the population then had access to electricity. Most access is concentrated in urban areas where transmission and distribution of infrastructure is often well developed. In 2014, access to electricity for the urban population was 61.50%, whereas it was only 11.80% for the rural population. In terms of the main source of energy in Lesotho, hydroelectric plants represent 100% of the total installed capacity. Even though a relatively small number of the population has access to electricity, the demand often exceeds the supply: the consumption in 2015 was 763 million kWh, whereas the production was only around 600 million kWh – brining a shortage of 163 million kWh. In order to make up of the shortage, the country imports the remaining electricity from other countries (CIA World Factbook, 2019; World Bank, 2019).

Figure 3: Access to electricity (% of population)

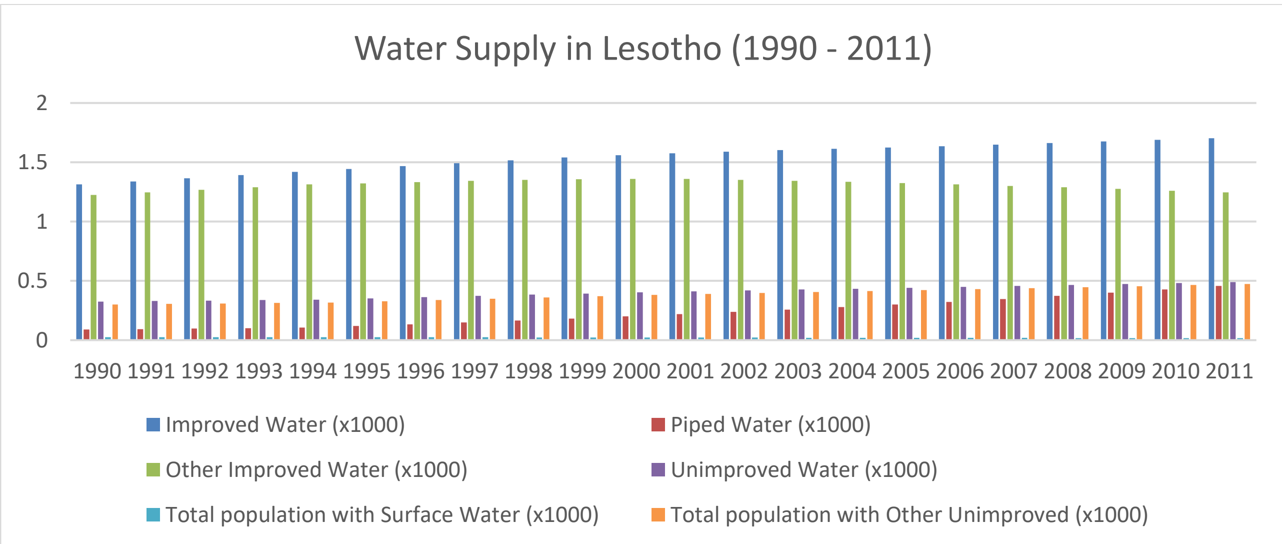


Source: CIA World Factbook, 2019

Water Supply

Lesotho is a country rich in water, and is very dependent on its water resources to create revenue for the nation, particularly through sales to South Africa. In fact, the exports of water to South Africa accounts for annual earnings of around 3-5% of the country's total GDP – providing jobs for 9,000 people (Mashinini, 2010). However, although Lesotho is earning a good amount by exporting its water, many of the citizens do not have access to safe and clean drinking water themselves (see figure 4 below).

Figure 4: Water supply in Lesotho (1000 units)



Source: WHO/UNICEF Water Supply Statistics (2013)

Often, women and children have to walk miles just to reach water access points.

Waste management

Increasing population, rapid urbanization, uncontrolled settlements, high unemployment rates and the proliferation of informal businesses underscore the need for better urban basic services including solid waste management systems in Lesotho. However, this is proving difficult partly because of insufficient collection system and illegal dumpsites, and partly because of the government's lack of enforcement (Tshabalala, 2012; UNEP, 2013). The garment industry, the industry is also a huge contributor to the waste produced in the country. The industry produces both liquid (e.g. when dyeing) and solid wastes (e.g. sludge). As mentioned earlier, most of the large-scale garment factories are located in Maseru, which means that most of the waste is generated here. A waste survey conducted by LNDC in 2005 found that about 11,673 tonnes of waste was generated in one year alone, this increased by 13% just the following year (Hapazari et al., 2015).

The lack of wastewater treatment is an increasing problem for the garment industry because international buyers demand manufacturers to undertake more and more sophisticated activities such as different types of washes of garments. This requires consistent water supply and more importantly, wastewater treatment for the wellbeing of the local population and the international buyers' increased emphasis on good conduct regarding environmental aspects in the sourcing countries.

c. Social Systems and Poverty

The social system, the level of poverty and the HIV/AIDS epidemic all have an impact on the conditions for the population and the conditions for the garment industry in the country. In Lesotho some 32% of the population is under the age of 15. Moreover, the country has a very low life expectancy of 53 years. The very high proportion of the population who are young puts considerable pressure on the educational system, which is already under severe stress. Educational expenditures, for instance, constitute 11.4% of GDP (CIA World Factbook, 2019). The rural population constitutes about 72% of the total population (World Bank Data, 2019), which means that both educational and healthcare systems need to be widespread in order to reach the population (appendices 4, 5, 6 and 8 specify the public expenditures in Lesotho).

The public welfare system is of limited scope, only covering free access to health services at the public hospitals, and limited payment to pensioners. Insurance to cover economic difficulties in periods of unemployment is a responsibility of the individual.

Education

An estimated 85% of the population over the age of 15 is literate. The school system is built up of various components consisting of: integrate childhood care and development (IECCD) between the age of 2 and 5 (3 years), primary school (7 years), junior secondary (3 years), senior secondary (2 years), and tertiary or technical, vocational education and training (3-4 years). The system until tertiary is operated by the 10 administrative districts, whereas the tertiary and higher education system are financed and run directly by the state.

There are 622 IECCD centres, 1,477 primary schools (with 430,000 pupils), 256 secondary schools (with 93,096 pupils), 21 skills training centres, 7 technical institutes, 1 polytechnic, 1 teacher training college and 1 university. More than 90% of the schools are owned by the churches.

The government is pursuing a goal of being able to provide free basic education to the entire population. It has engaged in a program, subsidising the tuition fee for basic education in 2000 (Ministry of Education and Training Lesotho, 2018). However, one of the challenges that the school system faces in Lesotho is that a huge number of children has entered the primary school system because it has become free of charge. This means that basic infrastructure has to be improved and more teachers have to be educated in order to cope with the increased demand.

Secondary education is not free of charge. This prevents many Basotho children from continuing with their education. Moreover, the high level of AIDS victims makes it difficult to run both the primary and secondary school system as many children are orphans, socially vulnerable and/or forced to become heads of the family at a very young age.

Tertiary education builds on a loan bursary scheme in order to have more students take tertiary education. The current financial situation of the country puts a hindrance to further development of the sector. AIDS is also a hindrance to the tertiary school system as some students die shortly after completing their training.

The governments hopes to improve the situation through various means. A stronger link between the private sector and the public-school system is pursued by attaching students to private companies as part of their training and by having companies donate machinery to use in the training of students (at the technical and vocational training centres). Secondly, the government states to be willing to allocate more funds in order to further develop the educational sector both at local and state levels.

Thirdly, alignment to the demands of private companies is needed in order to develop the system to fit the needs of the private sector. And finally, an increased focus on building entrepreneurial skills in the educational system is expressed to be required in order to strengthen the current industries with more job creators and less job seekers (Ministry of Education and Training Lesotho, 2006).

Health

The life expectancy is low in Lesotho. In 2000, the life expectancy was 53 years (CIA World Factbook, 2019). This is, however, a significant increase from 43.5 in 2005. The increase since 2005 has been due to the elevated use of free antiretroviral therapy to fight the AIDS epidemic, which is the single most important factor contributing to the low life expectancy of the population of Lesotho (UNICEF Lesotho, 2013). 25% of the population is infected with HIV. In numbers, this means that 320,000 people are currently living with HIV (Avert, 2017). The high infection rate makes the population vulnerable to a variety of related diseases and people are dying from for example tuberculosis, pneumonia and respiratory related diseases (Ministry of Health, 2018).

The health care system is divided into primary, secondary and tertiary levels. The primary level is provided at health centres and posts at a local level. The secondary level is focused around 16 district hospitals whereas the tertiary level is provided at the main Queen Elizabeth II hospital in Maseru and a number of special clinics (Ministry of Health, 2018). Apart from the government run health program, the Christian health association runs eight hospitals and 79 local health centres, serving app. 40% of the population.

Health care in Lesotho is challenging with 72% of the population living in rural areas with little access to health clinics. Another constraint is the lack of doctors, as Lesotho is not able to educate its own doctors and many Basotho studying in South Africa do not return to practise in Lesotho. Consequently, there is only one doctor per approx. 20,000 people in the country. Finally, the population pays directly for the medical service provided, which puts a strain on many families due to the low level of household income/high level of poverty (see below).

Many of the health problems in Lesotho are related to poverty and the high degree of HIV infected people. Poverty leads to malnutrition, especially affecting the children, and poor living conditions which results in high numbers of TB and pneumonia. The most common way of HIV transmission is from mother to child and heterosexual contact. A contributing factor to the spreading of HIV/AIDS is the high number of migrant male workers travelling to South Africa in order to look for work in the mines. Many contract the disease due to contact with professional sex workers.

The most important factors for directly improving healthcare in Lesotho is to give better access to primary or preventive care, for example by free ART or TB treatments (UNGASS, 2006). But most importantly are the indirect improvements by eradicating poverty and improving the infrastructure.

Poverty

The level of poverty is high, with approx. 59.7% of the population living under the poverty line (having less than 1.90 USD per day) (World Bank Data, 2019). Poverty is mostly widespread in rural areas (nearly 60%) as compared to urban areas (39%) (Rocchi & Sette, 2016). A minority of the population has access to electricity and only about 12% of all households have running water.

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5. Appendices

Appendix 1: AGOA and Special Provision (SP) rules

Lesotho's definition as a less-developed beneficiary allows Lesotho access to the US market under the conditions in the AGOA Special provision (SP). This allows Lesotho to source goods manufactured in third countries, use them in the CTM and export them quota and toll free to the US market. Earlier Lesotho had the same benefits exporting to the EU, being able to circumvent the rule of origin. But this privilege was ended in 1996.

AGOA was set to end in 2004 but was extended to 2008. Now several of the least developed countries have had their permission renewed until 2012 under the AGOA conditions which was set to expire in 2015. AGOA has since been renewed to 2025. It was extended for another 10 years on 29 June 2015. The permission is however under pressure from AGOA countries not benefitting from AGOA, such as Mauritius and from African producers of apparel otherwise sourced from third countries.

The Abundant Supply Provisions (ASP) was introduced in order to force the SSA AGOA beneficiary manufacturer to source from local producers of the material that was available in "abundant" quantities. This could nullify the benefits allowing manufactures to source from third countries. In theory this would mean that textile manufacturer in SSA, sourcing Denim, was forced to source from the Formosa Denim mill or other SSA country in order to export to the US market under the AGOA conditions, because it was decided that there was abundance of locally produced denim.

The ASP is predicted to have a restraining effect on the development of local textile industries in SSA, due to restrictions and constrains in the provision. Furthermore, because large buyers on the US markets such as Levi's, have expressed their concern on putting restraints on the US buyers as long as they are buying in SSA. Another problem in the ASP is that it classifies all denim apparel to be equal, whereas the manufacturer and buyers demand varies categories and styles not presently produced in SSA. The effective enforcement of the ASP is therefore not expected to take place before such dilemmas has been fully investigated (www.agoa.info).

Appendix 2: GDP by kind of economic activity, current prices, million Maloti

GDP by Economic Activity, current prices, M '000

Description	**2007**	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Agriculture, forestry and fishing	657	846	926	921	1.070	1.103	1.429	1.452	1.453
Growing of crops; market gardening; horticulture	160	183	260	244	202	313	311	262	250
Farming of animals	371	507	499	502	608	615	786	784	834
Agricultural and animal husbandry service activities	40	68	67	65	68	70	86	99	101
Forestry	80	84	92	98	187	97	231	285	248
Fishing and aquaculture	6	4	9	12	6	7	14	22	19
Other goods producing industries	**2.085**	**2.928**	**2.434**	**3.083**	**3.915**	**4.028**	**4.090**	**5.376**	**5.460**
Construction	637	788	944	1.211	1.166	1.608	1.505	1.519	1.637
Mining and quarrying	735	1.392	716	893	1.657	1.211	1.269	2.340	2.153
Electricity supply	224	259	263	288	313	356	423	492	475
Water and sewearge; waste collection	489	490	511	691	779	853	893	1.025	1.196
Manufacturing	2.661	3.120	2.614	2.122	2.429	2.385	2.590	2.758	2.752
Food products and beverages	163	192	196	212	259	280	248	257	260
Textiles, clothing, footwear and leather	2.315	2.676	2.170	1.608	1.934	1.860	2.053	2.149	2.136
Other manufacturing	182	252	248	302	236	246	289	352	356
Wholesale and retail trade; repair of motorvehicles	**1.285**	**1.577**	**1.698**	**1.880**	**2.143**	**2.585**	**3.044**	**3.586**	**3.580**
Transportation and storage	323	381	398	434	473	545	619	742	750
Accommodation and food service activities	184	246	261	285	302	326	339	355	322
Information and communication	398	409	467	558	623	647	733	889	1.011
Financial and insurance activities	582	737	743	827	900	983	1.411	1.482	1.589
Real estate activities	1.014	1.064	1.133	1.162	1.200	1.251	1.297	1.319	1.348
Professional, scientific and technical activities	104	113	133	162	177	204	262	274	278
Administrative and support service activities	211	233	259	295	389	425	424	483	525
Public administration/defense; social security	1.334	1.605	1.969	2.229	2.423	2.709	2.810	3.106	3.559
Education	924	1.073	1.390	1.566	1.803	1.808	2.017	2.123	2.253
Human health and social work activities	225	266	321	330	460	511	528	658	752
Other service activities	171	185	200	218	217	239	249	268	265
Financial services indicrectly measured	-150	-211	-179	-168	-166	-185	-231	-240	-274
	6.754	7.677	8.794	9.779	10.945	12.048	13.502	15.046	15.959
Total: All industries	7	14.572	14.768	15.905	18.359	19.563	21.610	24.632	25.623
of which: Government activities	2.108	2.527	3.209	3.569	4.007	4.095	4.353	4.740	5.149
Taxes on products, net of subsides	854	925	1.078	1.608	1.941	2.327	2.522	2.921	3.442
Gross domestic product	12.861	15.497	15.846	17.513	20.300	21.890	24.132	27.553	29.065

Source: Bureau of statistics (2017)

Appendix 3: GDP by kind of economic activity, current prices, contribution in per cent, Lesotho (2007-2015)

GDP by Economic Activity, per cent contribution

Description	2007	2008	2009	2010	2011	2012	2013	2014	2015
Agriculture, forestry and fishing	**5,1**	**5,5**	**5,8**	**5,3**	**5,3**	**5,0**	**5,9**	**5,3**	**5,0**
Growing of crops; market gardening; horticulture	1,2	1,2	1,6	1,4	1,0	1,4	1,3	1,0	0,9
Farming of animals	2,9	3,3	3,2	2,9	3,0	2,8	3,3	2,8	2,9
Agricultural and animal husbandry service activities	0,3	0,4	0,4	0,4	0,3	0,3	0,4	0,4	0,3
Forestry	0,6	0,5	0,6	0,6	0,9	0,4	1,0	1,0	0,9
Fishing and aquaculture	0,0	0,0	0,1	0,1	0,0	0,0	0,1	0,1	0,1
Other Goods	**16,2**	**19,0**	**15,4**	**17,5**	**19,2**	**18,4**	**17,0**	**19,5**	**18,7**
Electricity supply	1,7	1,7	1,7	1,6	1,5	1,6	1,8	1,8	1,6
Water and sewearge; waste collection	3,8	3,2	3,2	3,9	3,8	3,9	3,7	3,7	4,1
Construction	5,0	5,1	6,0	6,9	5,7	7,3	6,2	5,5	5,6
Mining and quarrying	5,7	9,0	4,5	5,1	8,2	5,5	5,3	8,5	7,4
Manufacturing	**20,7**	**20,1**	**16,5**	**12,1**	**12,0**	**10,9**	**10,7**	**10,0**	**9,5**
Food products and beverages	1,3	1,2	1,2	1,2	1,3	1,3	1,0	0,9	0,9
Textiles, clothing, footwear and leather	18,0	17,3	13,7	9,2	9,5	8,5	8,5	7,8	7,3
Other manufacturing	1,4	1,6	1,6	1,7	1,2	1,1	1,2	1,3	1,2
Wholesale and retail trade; repair of motorvehicles	10,0	10,2	10,7	10,7	10,6	11,8	12,6	13,0	12,3
Transportation and storage	2,5	2,5	2,5	2,5	2,3	2,5	2,6	2,7	2,6
Accommodation and food service activities	1,4	1,6	1,6	1,6	1,5	1,5	1,4	1,3	1,1
Information and communication	3,1	2,6	2,9	3,2	3,1	3,0	3,0	3,2	3,5
Financial and insurance activities	4,5	4,8	4,7	4,7	4,4	4,5	5,8	5,4	5,5
Real estate activities	7,9	6,9	7,2	6,6	5,9	5,7	5,4	4,8	4,6
Professional, scientific and technical activities	0,8	0,7	0,8	0,9	0,9	0,9	1,1	1,0	1,0
Administrative and support service activities	1,6	1,5	1,6	1,7	1,9	1,9	1,8	1,8	1,8
Public administration and defense; compulsory social security	10,4	10,4	12,4	12,7	11,9	12,4	11,6	11,3	12,2
Education	7,2	6,9	8,8	8,9	8,9	8,3	8,4	7,7	7,8
Human health and social work activities	1,8	1,7	2,0	1,9	2,3	2,3	2,2	2,4	2,6
Other service activities	1,3	1,2	1,3	1,2	1,1	1,1	1,0	1,0	0,9
Financial services indicrectly measured	-1,2	-1,4	-1,1	-1,0	-0,8	-0,8	-1,0	-0,9	-0,9
	51,4	49,5	55,5	55,8	53,9	55,0	56,0	54,6	54,9
Total: All industries	93,4	94,0	93,2	90,8	90,4	89,4	89,6	89,4	88,2
of which: Government activities	16,4	16,3	20,3	20,4	19,7	18,7	18,0	17,2	17,7
Taxes on products, net of subsides	6,6	6,0	6,8	9,2	9,6	10,6	10,4	10,6	11,8
Gross domestic product		100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0

Source: Bureau of statistics (2017)

Appendix 4: GDP by kind of economic activity, constant prices, million Maloti, Lesotho (2007-2015)

GDP by Economic Activity, constant prices, M'000

Description	2007	2008	2009	2010	2011	2012	2013	2014	2015
Agriculture, forestry and fishing	**879**	**1.051**	**1.100**	**1.069**	**1.154**	**1.103**	**1.364**	**1.317**	**1.258**
Growing of crops; market gardening; horticulture	201	215	326	324	227	313	302	247	228
Farming of animals	514	652	589	562	639	615	755	717	730
Agricultural and animal husbandry service activities	60	89	79	72	75	70	79	86	81
Forestry	97	91	97	101	206	97	215	249	204
Fishing and aquaculture	7	4	9	11	6	7	13	18	15
Mining and quarrying	796	1.184	800	842	1.215	1.211	878	950	942
Manufacturing	**2.597**	**2.530**	**2.455**	**2.480**	**2.466**	**2.385**	**2.326**	**2.166**	**2.217**
Food products and beverages	222	231	233	256	289	280	232	226	210
Textiles, clothing, footwear and leather	2.149	2.016	1.951	1.902	1.931	1.860	1.825	1.639	1.717
Other manufacturing	226	284	271	321	247	246	268	300	291
Electricity supply	401	430	376	391	354	356	342	418	418
Water and sewearge; waste collection	850	835	867	860	868	853	828	831	813
Construction	781	908	1.032	1.264	1.190	1.608	1.464	1.426	1.491
Wholesale and retail trade; repair of motorvehicles	1.840	1.982	1.987	2.129	2.296	2.585	2.900	3.242	3.263
Transportation and storage	442	470	467	487	514	545	589	639	647
Accommodation and food service activities	286	286	270	281	297	326	339	341	299
Information and communication	366	384	451	544	613	647	744	919	1.059
Financial and insurance activities	539	601	651	766	853	983	1.206	1.281	1.281
Financial service activities, except insurance	429	477	501	583	662	743	935	1.026	1.029
Insurance and pension funding	76	86	106	132	136	177	200	182	172
Activities auxiliary to financial services	34	38	44	51	55	63	70	73	79
Real estate activities	1.201	1.198	1.210	1.212	1.226	1.251	1.278	1.295	1.319
Professional, scientific and technical activities	127	129	145	168	181	204	255	258	254
Administrative and support service activities	275	282	289	315	398	425	414	457	485
Public administration and defense; compulsory social security	1.924	2.032	2.305	2.435	2.609	2.709	2.585	2.662	2.839
Education	1.371	1.392	1.599	1.772	1.835	1.808	1.811	1.818	1.824
Human health and social work activities	299	322	354	341	467	505	502	601	654
Other service activities	211	217	216	227	224	239	243	256	244
Financial services indirectly measured	-111	-142	-133	-162	-181	-185	-211	-223	-244
Total: All industries	15.074	16.091	16.441	17.421	18.579	19.557	19.858	20.651	21.062
of which: Government activities	3.610	3.765	4.272	4.545	4.896	4.830	4.831	5.013	5.143
Taxes on products, net of subsides	1.668	1.777	1.815	1.976	2.176	2.327	2.474	2.695	2.660
Gross domestic product	16.742	17.869	18.256	19.397	20.755	21.884	22.332	23.346	23.722

Source: Bureau of statistics (2017)

Appendix 5: GDP by kind of economic activity, constant prices, per cent annual changes. Lesotho (2007-2015)

GDP by Economic Activity, per cent growth rates

Description	2007	2008	2009	2010	2011	2012	2013	2014	2015
Agriculture, forestry and fishing		19,6	4,7	-2,8	7,9	-4,4	23,7	-3,5	-4,4
Growing of crops; market gardening; horticulture		6,9	52,0	-0,8	-29,7	37,8	-3,7	-18,3	-7,4
Farming of animals		27,0	-9,7	-4,6	13,7	-3,8	22,8	-5,1	1,8
Agricultural and animal husbandry service activities		47,7	-11,3	-8,9	4,3	-6,5	12,4	8,5	-5,4
Forestry		-6,2	7,5	3,7	104,2	-53,2	122,9	15,6	-18,1
Fishing and aquaculture		-37,6	92,9	24,8	-43,3	23,3	76,2	40,0	-17,6
Mining and quarrying		48,7	-32,4	5,2	44,3	-0,3	-27,5	8,2	-0,8
Manufacturing		-2,6	-3,0	1,0	-0,5	-3,3	-2,5	-6,9	2,4
Food products and beverages		3,9	1,1	10,0	12,6	-3,1	-17,0	-2,4	-7,3
Textiles, clothing, footwear and leather		-6,2	-3,2	-2,5	1,5	-3,7	-1,9	-10,2	4,7
Other manufacturing		25,8	-4,6	18,5	-23,2	-0,2	9,1	11,9	-3,2
Electricity supply		7,2	-12,6	4,1	-9,6	0,7	-4,0	22,2	0,2
Water and sewearge; waste collection		-1,7	3,8	-0,9	1,0	-1,7	-2,9	0,3	-2,2
Construction		16,3	13,6	22,5	-5,9	35,1	-8,9	-2,6	4,6
Wholesale and retail trade; repair of motorvehicles		7,7	0,2	7,2	7,8	12,6	12,2	11,8	0,7
Transportation and storage		6,2	-0,5	4,3	5,5	6,0	8,1	8,5	1,3
Accommodation and food service activities		-0,3	-5,4	3,9	6,0	9,5	4,2	0,5	-12,3
Information and communication		5,1	17,3	20,5	12,7	5,6	14,9	23,6	15,2
Financial and insurance activities		11,5	8,3	17,8	11,3	15,3	22,6	6,3	0,0
Financial service activities, except insurance		11,2	5,0	16,4	13,6	12,2	26,0	9,6	0,4
Insurance and pension funding		12,2	23,8	24,9	2,5	30,6	12,6	-8,8	-5,3
Activities auxiliary to financial services		12,8	15,1	16,0	8,6	14,7	11,0	4,1	7,7
Real estate activities		-0,2	1,0	0,1	1,1	2,1	2,2	1,3	1,8
Professional, scientific and technical activities		2,2	11,7	16,3	7,4	12,9	25,1	1,2	-1,6
Administrative and support service activities		2,2	2,5	9,2	26,4	6,7	-2,5	10,3	6,2
Public administration and defense; compulsory social security		5,6	13,4	5,7	7,1	3,8	-4,6	3,0	6,6
Education		1,5	14,9	10,8	3,6	-1,5	0,1	0,4	0,4
Human health and social work activities		7,5	10,1	-3,8	37,2	8,1	-0,6	19,8	8,9
Other service activities		2,7	-0,5	5,2	-1,5	6,7	2,0	5,3	-4,7
Financial services indicrectly measured		27,6	-6,5	22,1	11,2	2,3	14,0	6,1	9,5
Total: All industries		6,7	2,2	6,0	6,6	5,3	1,5	4,0	2,0
of which: Government activities		4,3	13,5	6,4	7,7	-1,4	0,0	3,8	2,6
Taxes on products, net of subsides		6,6	2,1	8,9	10,1	6,9	6,3	8,9	-1,3
Gross domestic product		6,7	2,2	6,2	7,0	5,4	2,0	4,5	1,6

Source: Bureau of statistics (2017)

Appendix 6: Distribution of seats in the lower house (National Assembly) following the election process in 2017

Political Group	**Constituency**	PR	Total
All Basotho Convention (ABC)	**47**	1	48
Democratic Congress (DC)	26	4	30
Lesotho Congress for Democracy (LCD)	**1**	10	11
Alliance of Democrats (AD)	**1**	8	9
Movement for Economic Change (MEC)	**1**	5	6
Basotho National Party (BNP)	**0**	5	5
Popular Front For Democracy (PFD)	**1**	2	3
National Independent Party	**0**	1	1
Reformed Congress of Lesotho (RCL)	**0**	1	1
Basutoland Congress Party (BCP)	**0**	1	1
Democratic Party of Lesotho	**0**	1	1
Marematlou Freedom Party (MFP)	**0**	1	1

Source: https://en.wikipedia.org/wiki/2017_Lesotho_general_election#cite_note-AN-10

Appendix 7: The main roles and responsibilities of the two lower spheres of government in Lesotho

The functions for Municipal and District councils include, among others:

- Control of natural resources e.g. sand, stones and environmental protection e.g. dongas, pollution
- Public health e.g. food inspection, refuse collection and disposal
- Physical planning
- Land/site allocation
- Minor roads (also bridle paths)
- Water supply in village (maintenance)
- Promotion of economic development (e.g. attracting investment)
- Control of building permits
- Fire
- Education'
- Recreation and culture
- Roads and traffic
- Water resources
- Local administration of central regulations and licences
- Care of mothers, young children, the aged and integration of people with disabilities
- Omnibus terminals
- Public decency and offences against public order
- Agriculture: services for the improvement of agriculture

Functions for local Community Councils include:

- Control of natural resources e.g. sand, stones and environmental protection e.g. dongas, pollution
- Land/site allocation
- Minor roads (also bridle paths)
- Water supply in village (maintenance)
- Markets (provision and regulations)

Appendix 8: GDP by expenditure (various items). Lesotho (2007-2015).

GDP by expenditure, current prices, million Maloti									
Expenditure Category	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Private consumption expenditure	12001	13656	14518	15977	17841	19507	21743	22592	23591
Government consumption expenditure	4254	5196	6067	6617	7013	8103	8473	10004	10527
Cross fixed capital formation	2709	3744	4063	4643	5094	7092	6840	7643	8274
Changes in inventories	165	235	319	319	-506	-46	396	1103	678
Gross domestic expenditure	**19260**	**22974**	**25123**	**27728**	**29635**	**34879**	**37725**	**41664**	**43431**
Exports of goods and services	6311	7724	6603	6891	8937	8504	8737	9573	11847
Less: Imports of goods and services	13250	15795	16836	17663	19115	22059	21725	23772	26141
Expenditure on GDP	12321	14904	14890	16956	19457	21325	24736	27466	29138
Discrepancy	506	535	905	571	813	664	-286	-106	657
GDP at market prices	**12827**	**15438**	**15795**	**17528**	**20270**	**21988**	**24451**	**27359**	**29795**

GDP by expenditure, current prices, percentage shares									
Expenditure Category	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Private consumption expenditure	93,6	88,5	91,9	91,2	88	88,7	88,9	82,6	79,2
Government consumption expenditure	33,2	33,7	38,4	37,8	34,6	36,9	34,7	36,6	35,3
Cross fixed capital formation	21,1	24,3	25,7	26,5	25,1	32,3	28	27,9	27,8
Changes in inventories	1,3	1,5	2	1,8	-2,5	-0,2	1,6	4	2,3
Gross domestic expenditure	**150,2**	**148,8**	**159,1**	**158,2**	**146,2**	**158,6**	**154,3**	**152,3**	**145,8**
Exports of goods and services	49,2	50	41,8	39,3	44,1	38,7	35,7	35	39,8
Less: Imports of goods and services	103,3	102,3	106,6	100,8	94,3	100,3	88,9	86,9	87,7
Expenditure on GDP	96,1	96,5	94,3	96,7	96	97	101,2	100,4	97,8
Discrepancy	3,9	3,5	5,7	3,3	4	3	-1,2	-0,4	2,2
GDP at market prices	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

GDP by expenditure, constant prices, million Maloti									
	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Private consumption expenditure	16149	16626	16602	17724	18878	19507	20743	20482	20702
Government consumption expenditure	5902	6435	6952	7267	7358	8103	7924	8869	8837
Cross fixed capital formation	3364	4277	4484	5053	5359	7092	6390	6641	6931
Changes in inventories	201	238	355	322	-399	-46	269	714	534
Gross domestic expenditure	**25795**	**27753**	**28570**	**30552**	**31401**	**34879**	**35582**	**36994**	**37306**
Exports of goods and services	7575	8193	7587	7625	8529	8505	7799	7255	8878
Less: Imports of goods and services	17194	18588	19045	19782	20338	22059	20392	20178	21917
Expenditure on GDP	16177	17358	17112	18395	19592	21325	22989	24070	24267
Discrepancy	599	534	1166	1077	1171	664	-527	-1096	-4
GDP at market prices	**16775**	**17892**	**18277**	**19472**	**20763**	**21988**	**22462**	**22974**	**24263**

Expenditure on GDP, per cent annual changes									
Expenditure Category	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Private consumption expenditure	N/A	3	-0,1	6,8	6,5	3,3	6,3	-1,3	1,1
Government consumption expenditure	N/A	9	8	4,5	1,2	10,1	-2,2	11,9	-0,4

Cross fixed capital formation	N/A	27,1	4,8	12,7	6	32,3	-9,9	3,9	4,4
Changes in inventories	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Gross domestic expenditure	**N/A**	**7,6**	**2,9**	**6,9**	**2,8**	**11,1**	**2**	**4**	**0,8**
Exports of goods and services	N/A	8,2	-7,4	0,5	11,9	-0,3	-8,3	-7	22,4
Less: Imports of goods and services	N/A	8,1	2,5	3,9	2,8	8,5	-7,6	-1	8,6
Expenditure on GDP	N/A	7,3	-1,4	7,5	6,5	8,8	7,8	4,7	0,8
Discrepancy (per cent of GDP)	N/A	3	6,4	5,5	5,6	3	-2,3	-4,8	0
GDP at market prices	**N/A**	**6,7**	**2,2**	**6,5**	**6,6**	**5,9**	**2,2**	**2,3**	**5,6**

Source: Bureau of statistics (2017)

Appendix 9: Gross Domestic Product and Gross National Income

	Gross Domestic Product					**Gross National Income**				
	Current prices	**Constant prices**	**Growth rates**	**Per capita, current pr.**	**Per capita, constant pr.**	**Current prices**	**Constant prices**	**Growth rates**	**Per capita, current pr.**	**Per capita, constant pr.**
2000	5352,4	7104,8	5,1	2865,3	3803,4	8581,1	11949,6	-0,3	4593,7	6397,0
2001	6081,5	7405,3	4,2	3253,1	3961,2	9255,3	13097,4	9,6	4950,8	7006,1
2002	6922,6	7444,7	0,5	3700,2	3979,2	10586,2	12251,3	-6,5	5658,4	6548,4
2003	7331,5	7793,9	4,7	3915,7	4162,7	11091,3	11823,8	-3,5	5923,9	6315,1
2004	7972,7	7972,7	2,3	4254,9	4254,9	11674,7	11674,7	-1,3	6230,6	6230,6
2005	8701,8	8188,2	2,7	4640,5	4366,6	11849,7	11277,9	-3,4	6319,2	6014,3
2006	9675,5	8540,9	4,3	5155,8	4551,2	12667,5	11307,9	0,3	6750,1	6025,6
2007	11254,9	8945,1	4,7	5992,8	4762,9	14235,1	11458,3	1,3	7579,6	6101,1
2008	13471,3	9458,0	5,7	7167,4	5032,1	16772,5	12562,9	9,6	8923,8	6684,1
2009	14547,9	9798,3	3,6	7707,6	5191,2	17931,8	12031,5	-4,2	9500,4	6374,3
2010	16134,8	10568,7	7,9	8528,7	5586,5	19197,6	12647,3	5,1	10147,6	6685,2
2011	18331,0	10963,8	3,7	9655,1	5774,7	20742,1	13515,6	6,9	10925,0	7118,8

Source: Bureau of statistics (2017) *and World Bank Data*

Appendix 10: Main national accounting aggregates, current prices, million Maloti

Main national accounting aggregates									
	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Gross Domestic production	12827	15438	15795	17528	20270	21988	24451	27359	29795
Primary incomes									
Receivable from the rest of the world	5426	5980	5723	5279	5119	4903	4968	4706	5330
Payable to rest of the world	759	811	1044	614	1419	1496	1574	1682	1765
Gross national income	**17494**	**20607**	**20474**	**22193**	**23970**	**25396**	**27845**	**30382**	**33360**
Current transfers									
Receivable from the rest of the world	5067	5930	6274	5142	5168	7502	8363	8984	8865
Payable to rest of the world	120	126	163	179	192	200	243	219	210
Gross national disposable income	**22441**	**26411**	**26585**	**27156**	**28946**	**32699**	**35964**	**39148**	**42014**
Final consumption expenditure	16385	18955	20742	22766	25047	27834	30489	32918	34479
Saving, gross	**6055**	**7416**	**5844**	**4390**	**3899**	**4865**	**5475**	**6230**	**7536**
Capital transfers from the rest of the world									
Gross fixed capital formation	**2709**	**3744**	**4063**	**4643**	**5094**	**7092**	**6840**	**7643**	**8274**
Changes in inventories	165	235	319	319	-506	-46	396	1103	678
Net lending (+)/ Net borrowing(-)	**2845**	**3051**	**1150**	**-152**	**-651**	**-1475**	**-149**	**-2232**	**-1765**

Source: Bureau of Statistics (2017)