

World Report

LESOTHO

RISING HOPES

Brighter prospects for
mountain kingdom

White Gold

From hydropower flows
a new source of wealth

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23 FEBRUARY 2002

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Moves to restructure the economy along free market lines, pursue privatisation and strengthen relations with South Africa and the SADC

Lesotho is a tiny independent nation, surrounded by South Africa, whose mountainous terrain has given it the nickname 'The Kingdom in the Sky'. Formerly a British colony known as Basutoland, the country was renamed upon gaining independence in 1966. Constitutional government was restored in 1993 following 23 years of military rule.

The main economic activity is subsistence farming and improving the living standards of the 2.2 million population is a priority for the government. A devastating drought last year destroyed nearly all of the country's staple maize crop, leaving tens of thousands of people facing a food shortage. A humanitarian relief operation is now under way to help some 40,000 victims.

With an unemployment rate estimated as high as 45 per cent, job creation is central to government policy. The issue has become more pressing because recession in South Africa means jobs there for workers from Lesotho have disappeared, forcing many to return home, where there is no alternative employment.

The government is developing a poverty reduction and growth strategy in an effort to encourage local enterprises and create jobs. The 2002-2003 budget announced in January focuses on what finance and development planning minister Mohlabi Tsekoa describes as "the scourge of poverty".

Other priorities outlined in the budget include: development of economic and social infrastructure; preservation and sustainable management of natural resources; development of human resources; good governance; the fight against HIV/AIDS, which affects an estimated quarter of a million people; and more efficient collection of revenue. Britain is making a \$4.3 million grant for the establishment of a revenue authority to improve the country's tax collection system.

The government is committed to transferring state-controlled enterprises to the private sector. Around 100 agriculture-based businesses have been earmarked for privatisation, as well as transport, electricity and water entities. Successful sell-offs include the telecommunications corporation, flour mills and two large state banks.

Prime minister Bethuel Pakalitha Mosisili says: "Our economic restructuring programme is very important because it will free the government to concentrate on things governments do best. Business isn't one of them because governments are

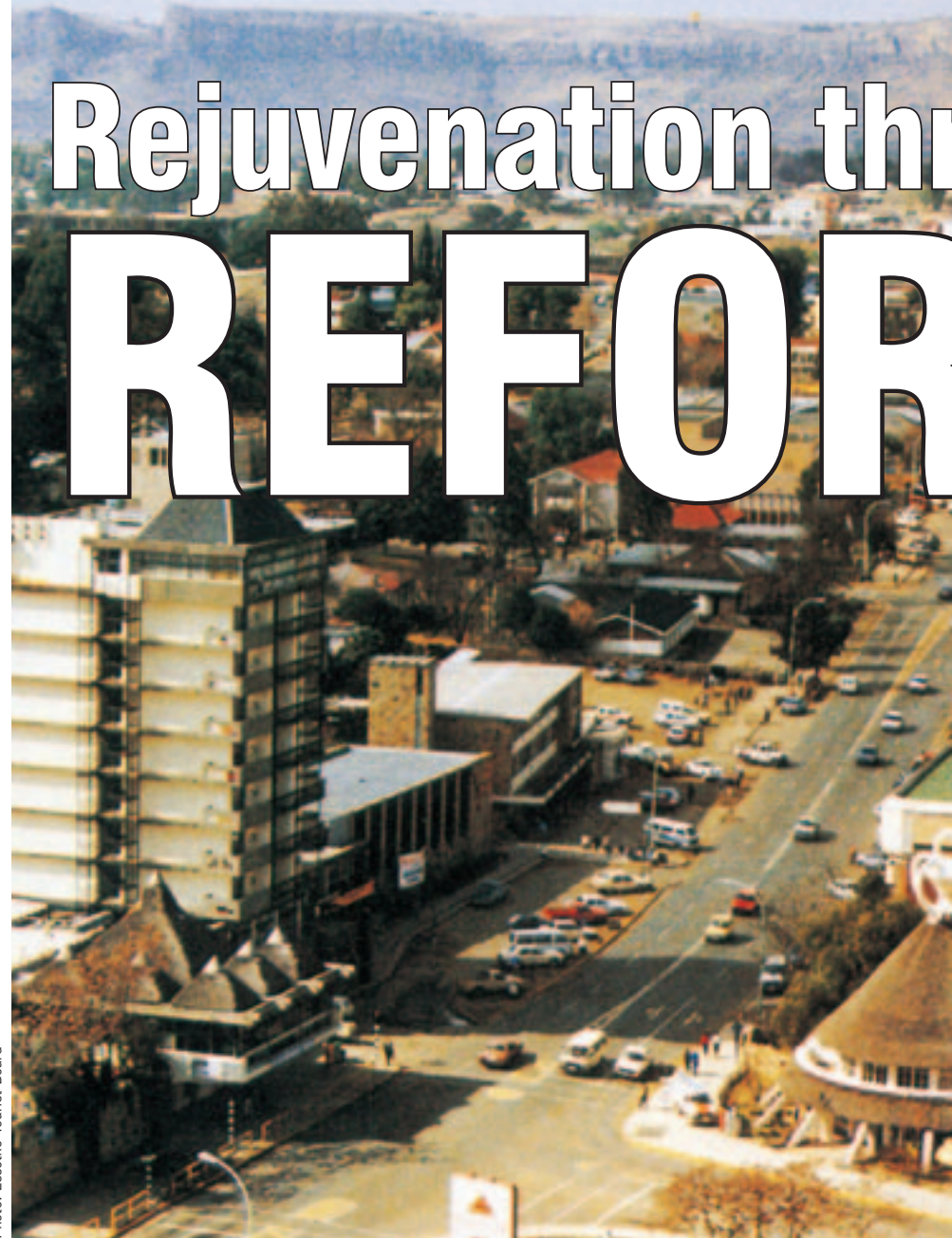


Photo: Lesotho Tourist Board

bureaucratic. Change is long overdue."

He draws a direct link between democratic rule and the economic growth of recent years. "A number of investors have come here to open up businesses, particularly in the manufacturing industry, and this has helped to create jobs for



MOSISILI

'We feel that these changes are long overdue'



THABANE

'The EU will remain our biggest supporter and partner'

our people," he says. Efforts to attract foreign investment have been led by the state-run Lesotho National Development Corporation.

Last year the International Monetary Fund approved a three-year \$32 million loan under a Poverty Reduction and Growth Facility. The World Bank has also extended credit for infrastructure and telecommunications projects.

Finance minister Mohlabi Tsekoa says that, despite a bleak global economic

outlook, the prospects for growth in developing countries in general and Africa in particular remain promising. Lesotho's gross domestic product (GDP) rose by nearly three per cent last year, following increases of 2.4 per cent in 2000 and 2.1 per cent in 1999.

The Lesotho economy is inextricably linked to South Africa and the currency, the loti, is pegged to and interchangeable with the rand. The government will continue to peg the loti to the rand, despite the rapid depreciation of the rand in recent years, says Mr Tsekoa.

"The cost and benefits of de-pegging the loti from the rand have been considered. It seems the costs of leaving the Common Monetary Area are likely to be higher than the benefits derived from remaining within the arrangement," he says.

Proceeds from membership of a customs union with South Africa provide most of the government's revenue. A hydropower scheme completed in 1998 enables water to be stored and sold to South Africa, although last year the country suffered one of the worst droughts in 20 years.

Last year South Africa and Lesotho signed a memorandum of understanding, which committed the two countries to closer economic cooperation. A visit to Lesotho made last year by South African president Thabo Mbeki already appears to be bearing fruit.

rough
RM



A union symbolising national harmony

□ When King Letsie III wed Karabo Motsoeneng in what was quickly dubbed the 'Marriage of the Millennium' two years ago, Lesotho indulged itself in three days of happy celebration.

The wedding, in which the couple plighted their troth in front of a 40,000-strong crowd in the national stadium, was seen as a symbol of national unity. And, as such, it embodied hopes that Lesotho was entering a period of social and political stability after several years of upheaval.

Only two years earlier, riots had broken out when opposition groups disagreed with the results of parliamentary elections, and peace was only restored after the armed forces of South Africa and Botswana intervened.

In 1994, unrest had prompted King Letsie to suspend the constitution in a political crisis that was to pave the way for his father, Moshoeshe II, to return to the throne a year later.

Moshoeshe II had abdicated in favour of his son in 1990, in an earlier crisis when the country was under military rule following a coup d'etat in 1986. Letsie III became king for a second time on the death of his father in a road accident in 1996.

For many years, King Letsie III had



Celebratory couple: King Letsie III and his wife, Queen Karabo Mohato Bereng Seeiso

repeatedly referred to his need to find a wife, most notably when he jokingly urged the assembled heads of state at a summit meeting of the Southern African Development Community (SADC) to help him in his quest.

His choice of a wife, now formally known as Queen Karabo Mohato Bereng Seeiso, broke with tradition. It was the

first time in the history of modern Lesotho that a royal had married a commoner.

Last October, the royal couple announced the birth of their first daughter. Whether she eventually ascends to the throne remains to be seen as the royal succession is traditionally reserved for the male line.

Foreign affairs minister Thomas Thabane says: "It is a good thing in the sense that South Africa is the powerhouse of the region and that situation is not going to change over the next 20 years. South Africa will carry on being the economic driver in the SADC. But the European Union will remain our biggest supporter and partner."

Lesotho is a member of the Southern African Customs Union (SACU) and the 14-nation Southern African Development Community (SADC). As such, it is certain to go along with any move to create a common currency among these nations.

Mr Thabane hopes British businessmen will take a greater interest in Lesotho's economic development. "A lot of British businessmen operate in South Africa and, being realistic, we would not expect them to relocate from London to Lesotho," he says.

"But they can ultimately expand their activities in South Africa to Lesotho, particularly as there are many opportunities for them here. This could be beneficial for them as they would be able to make the same product for a lower price because our labour remains cheaper than in South Africa and this will be the case for a long time to come."

The government is also determined to improve the country's education system. Britain, which sponsors Basotho students at British universities, could play an active role in education and training in

fields such as business and management, says Mr Thabane.

"Cooperation must be enhanced and it is important for ourselves and the British government that we remember our historical links and develop them," he says. "After all, we use English as our official language. It is part of our history and a useful medium in commerce, politics and diplomacy."

Finance minister Tsekoa emphasises the connection between education and fighting poverty. "Because education is free, it

Improving the living standards of the people is a priority

addresses poverty by relieving parents of the costs of school fees, and books. Savings can then be applied to the purchase of food and clothing. It reduces poverty by increasing the chances of people participating in economic activity in later life.

The minister adds: "The greatest challenge that faces Lesotho is to build a culture of peace and stability. Such a culture will enable the country and its people to concentrate on things that matter, such as creating jobs, producing saleable goods, engaging in agriculture, educating children, youth and adults; developing tourism, building roads, and generally improving the quality of life for all."

Our strategy for safeguarding investors' interests

Modern banking legislation that is consistent with Basle Core Principles of Bank Supervision



Liberal foreign exchange legislation

Collaboration with international financial institutions such as World Bank and IMF

Strengthening the banking system: Lesotho has completed the privatisation of all state-owned banks

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New opportunities for export

US free trade move offers unlimited access to Lesotho's textile manufacturers

The industrial sector is gearing up to compete in the globalised economy in response to moves by developed countries to open up their markets to imports from Lesotho.

Industry contributes almost 40 per cent of the gross domestic product (GDP) and employs a quarter of the workforce. Future development of the manufacturing sector is seen as vital for bringing down the unemployment rate.

The key to developing industry has always been access to export markets: with a population not much higher than two million, Lesotho is too small to sustain a manufacturing sector on its own. Gaining a foothold in the overseas markets is all-important for boosting the economy.

Like most former colonies, Lesotho has enjoyed preferential trade access to markets in the European Union (EU) under the Lome Convention. "The EU member states have clearly come out to say that they are going to open up completely to the least-developed countries, in which category we are included," says Mpho Malie, minister of industry, trade and marketing.

However, quotas limit access to EU markets and Lesotho has to compete with other small developing countries.

The most significant move came in April last year, when the US government



Top gear: a third of exports, worth \$130 million a year, go to the US, of which 90 per cent are clothing



MALIE

'EU member states are opening up to the least developed countries'

officially certified that Lesotho had met the requirements of the African Growth and Opportunities Act (AGOA); a trade initiative introduced by former US president Bill Clinton.

Washington's decision goes significantly further towards an open market than might have been possible under any trade deal negotiated under the Lome Convention with the EU. In contrast to the pre-determined volume of exports set out under Lome, products made in Lesotho which are eligible under the terms of the AGOA have unlimited access to US

markets and are free of both excise duties and quotas on the volume of shipments.

The AGOA ruling applies specifically to clothing and textiles, for which Lesotho has established a growing presence in the US market. About a third of Lesotho's exports are sold there, and 90 per cent of those sales are of jeans and T-shirts. Since last April, apparel and textile exports to the US from Lesotho have risen by nearly 40 per cent.

Lesotho was the fifth country in sub-Saharan Africa to qualify for AGOA status. To become eligible, the government had to convince Washington that it had implemented measures to conform with US import procedures, mainly to prevent the shipment of counterfeit goods – in other words, to ensure the products in question were actually made in Lesotho.

In reflection of its position as one of the least-developed countries in the region, the US is allowing Lesotho to export clothing

made with some material from another country for the first four years of the eight-year deal. The Lesotho government has set the wheels in motion to comply with what it views as a unique marketing opportunity by sending customs officials to the US for training and being the first country to invite American AGOA training teams.

Lesotho has set great store by gaining entry into the AGOA scheme. "It provides the necessary tools to sustain long-term economic growth and allow the country to survive the competitive forces unleashed by globalisation," says one senior official.

Minister of industry, trade and marketing Mpho Malie says that since the law was enacted the number of workers in the industry has risen from 17,000 in 1999 to the current level of 40,000.

In January, a delegation from the US visited Lesotho to explore opportunities, with a view to encouraging American businesses to invest in the region.

Lesotho's qualification for AGOA – and the free access it implies to one of the richest markets in the world – has attracted interest already, particularly from investors in Asia interested in raising sales to the US.

Last year Taiwanese textile firm Nien Hsign started building a \$100 million clothing factory outside Maseru, providing 5,000 jobs. It will be the largest denim mill in Africa when it opens in 2004, producing 200,000 metres of fabric a month.

The planned expansion of Moshoeshoe I International Airport in Maseru could generate significant foreign exchange earnings both for Lesotho itself and for the southern African region as a whole. ■

One-stop shop boosts jobs and income

Following Lesotho's independence from British rule in 1966, the drive towards economic development was directed towards labour-intensive industries whose locally-produced goods would replace costly imports.

The Lesotho National Development Corporation (LNDC) was set up in 1967 to promote industrial development and was then turned into a one-stop shop for foreign investors. It is 90 per cent-owned by the government and 10 per cent by German development agency DEG.

Chief executive Sophia Mohapi says: "From the very beginning, the LNDC's mandate has been to initiate, promote and facilitate the development of manufacturing and processing industries, mining and commerce in a manner calculated to raise the level of income and employment in Lesotho.

"With the assistance of funding from the government, the LNDC embarked on an aggressive campaign to invite overseas investors to establish labour intensive manufacturing enterprises.

"Today, our approach concentrates on promoting foreign direct investment and encouraging the indigenous private sector to go into manufacturing through joint ventures with overseas investors. That way, skills and technology can be transferred to our entrepreneurs."

Development is directed as much towards producing goods for export as to substituting imports. "Some success has



MOHAPI

'Lesotho is the biggest producer of jeans in sub-Saharan Africa'

been recorded over the years," says Mrs Mohapi, particularly for textiles and clothing. "Lesotho is ranked as the biggest producer of jeans in sub-Saharan Africa, all produced for export markets."

The LNDC has set up an investment promotion centre whose sole task is to

persuade overseas firms that Lesotho is a solid investment location. The country offers investors a presence within the 14-member SADC and – considering the country is entirely surrounded by South Africa – in the region's biggest market.

Further afield, goods wholly-produced in Lesotho have access to the 360 million consumers of the European Union. Lesotho also has concessionary access to North America, Japan and other big export markets under the Generalised System of Preferences (GSP).

The authorities have drawn up an array of financial incentives based on an investor-friendly free-market economy. These include a low rate of corporation tax of 15 per cent on profits earned by manufacturers and free repatriation of profits. Withholding taxes are not levied on dividends distributed by manufacturing firms to foreign or local shareholders, and there is an exemption from sales tax on capital machinery and equipment.

Investors have unimpeded access to foreign exchange and the government



Shoe shine: footwear is set for future development

has a comprehensive export-finance service to support companies with working capital on concessionary terms.

Other industries earmarked for future development include footwear and agribusiness, whose output is destined for export. The LNDC has a minority interest in a pharmaceuticals firm that produces for domestic and overseas markets, particularly for SADC members, and has leased property to a television assembly plant. It is looking at other openings, too.

"We are exploring the possibilities of diversifying into sectors such as light electronics to avoid having all our eggs in one basket," adds Mrs Mohapi.

Stricter regulations aim to foster a savings culture

□ The Central Bank of Lesotho has enhanced its supervisory capabilities in its drive to establish a sound banking system for the country and to promote financial stability.

Many of Lesotho's isolated rural, low-income communities lack the banks and basic services provided in a formal financial sector. Those banks which do have branches in rural towns and villages only accept deposits on the basis that accounts contain a minimum balance of 500 maloti – a sum worth more than \$50 and well beyond the means of a large proportion of the population.

As a result, there is very little or no lending by banks in the rural areas. Instead, communities have resorted to informal financial arrangements, often at a high price and without the safeguards and safety nets that are part and parcel of a secure banking system.

The central bank's response was to put forward a plan for the Rural Savings and Credit Groups Scheme; a system of group banking under which small villages are encouraged to club together and deposit their savings or take out loans on a communal basis. The central bank is willing to set up a guarantor fund on behalf of small communities applying to commercial banks for credit.



Photo: Lesotho Review

Money matters: the Central Bank is taking steps to eliminate fraud and protect investors

In a bid to rid the country of illegal financial rackets, which often end with savers' deposits evaporating into thin air, a new set of regulations has been introduced, covering collective investment schemes.

Announcing the move, the central bank issued a statement noting that the regulations were the first of their kind to be introduced in the country. "They were made with a view to encouraging the growth of a capital market in Lesotho, while at the same time protecting investors' capital from

ravages such as fraud," it added.

The statement emphasised the need for principled administration of funds, including the maintenance of adequate capital resources to cushion managers' schemes against possible losses.

The onslaught against unlawful get-rich-quick schemes demands that people aspiring to set up or manage a collective investment scheme must be approved by and registered with the authorities.

Advising the public to "take great caution", the central bank warned that

funds placed in unregistered savings schemes would not be protected.

The central bank ruled that managers of collective savings schemes would have to satisfy a minimum capital requirement of one million maloti. The intention, it said, was "to dissuade fly-by-night collective investment schemes". Trustees or custodians of registered schemes must maintain capital and reserves worth no less than the initial sum.

The aim is to ensure the transparent and reliable management of financial funds by requiring savings schemes to submit to regular inspections by external auditors approved by the authorities and by the publication of audited statements, the central bank said.

The crackdown coincides with the central bank's mandatory duty to maintain a sound financial system, capable of providing the conditions for balanced, sustained growth in Lesotho.

Last year, the central bank tightened up regulations governing the sale and purchase of treasury bonds, which have often been liquidated before their maturity date. The reform was designed to encourage savers to keep their bills until the due date, with the ultimate aim of fostering a "culture of saving".

Lesotho is changing. Help us make a difference.

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LNDC AND BEDCO HAVE BEEN AT THE HEART OF INDUSTRY BUILDING IN LESOTHO SINCE THEIR INCEPTION. BOTH INSTITUTIONS ARE NOW INTENSIFYING AND DIVERSIFYING THEIR EFFORTS TO ATTRACT A WIDER SPECTRUM OF INVESTORS WHILE ALSO ENCOURAGING THE DEVELOPMENT OF INDIGENOUS ENTREPRENEURSHIP.

THE LHDA IS RESPONSIBLE FOR THE LESOTHO END OF WHAT IS THE LARGEST WATER SCHEME OF ITS KIND ANYWHERE IN THE WORLD, SIGNED BETWEEN LESOTHO AND SOUTH AFRICA IN OCTOBER 1986. WITH PHASE 1A OF THE PROJECT, CONSISTING OF KATSE DAM AND AN 80KM LENGTH OF TUNNELS, INAUGURATED IN JANUARY 1998 AND MUELA HYDROPOWER STATION COMMISSIONED IN NOVEMBER 1998, THE SCHEME IS WELL ON THE WAY TO REACHING ITS TARGET OF DELIVERING 286 CUBIC METERS OF WATER TO THE RSA EACH SECOND.

IN AN EVER-GROWING GLOBAL VILLAGE COMMUNICATIONS INEVITABLY HAVE A ROLE TO PLAY WHICH, IN LESOTHO'S CASE, IS NOTHING SHORT OF PIVOTAL. LESOTHO'S TELECOMMUNICATIONS SECTOR, UNDER THE AUSPICES OF THE MINISTRY OF COMMUNICATIONS, IS THUS IN THE PROCESS OF BECOMING MORE DYNAMIC, HI-TECH AND INTERNATIONALLY MORE COMPETITIVE IN TIME FOR ITS IMMINENT PRIVATIZATION.

Ambitious power project is enabling Lesotho to produce a surplus of electricity to benefit the region as a whole

Lesotho used to rely on South Africa for most of its power requirements, but that has been changed by a giant project to produce what has become known as ‘white gold’.

The ambitious \$4 billion Lesotho Highlands Water Project (LHWP) is already generating enough hydroelectricity to meet almost all of the country’s needs and provide a profitable source of export earnings.

The project is reputedly the largest and most ambitious project of its kind in the world. It combines water storage and electricity generation, and involves the construction of an extensive system of pipelines and tunnels to deliver water to Gauteng province in South Africa.

The decision to go ahead with the plan followed a water-supply treaty between Lesotho and South Africa in 1986, and the current project is a joint venture between the two countries.

The first stage of phase one was completed when the Katse dam and 82km-long South African pipeline network came onstream in 1998. This has a design capacity capable of delivering 18 cu metres-a-second of water to South Africa and to generate 72MW of hydroelectricity for consumption in Lesotho.

The second stage of phase one, centred on the construction of a dam at Mohale on the Senqunyane river in central Lesotho and a further 32km of tunnels, is scheduled to come onstream in 2003. By

then, officials say that spending on the Lesotho Highland Water Project will have reached an estimated \$475 million, and the project will be capable of delivering 28 cu metres of water per second.

The project has had a significant impact on Lesotho’s economy. Until the first phase entered commercial operation in 1999, the country imported 98 per cent of its electricity supplies from South Africa, according to natural resources minister Monyane Moleleki.

“Now we generate 100 per cent of our own electricity and export some to South Africa,” says Mr Moleleki. Whereas Lesotho used to spend \$2.4 million buying imported electricity, it now earns about \$400,000 by exporting it.

Apart from the boost to the balance of trade, the first phase will produce royalty payments from South Africa to Lesotho averaging an annual \$40 million for at least 50 years. Mr Moleleki estimates that the scheme already accounts for about five per cent of Lesotho’s GDP and this is expected to rise to about 20 per cent when all five planned phases are completed.

Negotiations are under way on the details of the much larger second phase of the project. “We still have the potential for a great deal more, up to 2,000MW of electricity,” says Mr Moleleki. “We have the scientifically-proven potential – all we need is the financing to develop it. We have the water, but we need investment.”

Phase two will be much bigger than anything ever attempted so far in exploiting the water potential in the highlands, and it will be a project that requires a long-term approach. The minister says it will take about 30 years to build.

However, it has yet to be decided just what phase two will involve. Uncertainty stems from the fact that expectations of population growth in Gauteng province



White gold powers economic cooperation

Photo: Lesotho Highlands Water Project

are lower than when the first projections were drawn up in 1980. Back then, the forecasts suggested that South Africa’s population would reach 67 million in 2025; now the reckoning is that the figure will be nearer 47 million, largely as a result of the spread of AIDS.

The long-awaited privatisation of the Lesotho Electricity Corporation (LEC) is expected to be completed by the end of this year. The government hopes to attract private sector investment for generation and supply of electricity – currently under the LEC’s monopoly.

Meanwhile, changes in the structure of the South African economy could have implications for the Lesotho Highlands Water

Project. The decline of the gold mining industry and government-led promotion of economic development along the coast of South Africa is expected to reduce prospects for further growth in Gauteng.

Economic migration within South Africa, including the creation of new industries and the relocation of existing ones to the coast, has developed more quickly than the government expected.

That said, Makase Marumo, chief executive of the Lesotho Highlands Development Authority (LHDA), emphasises that the scheme extends beyond water and power supply. “This project also has the objective of economic cooperation between Lesotho and South Africa, and it



MOLELEKI

‘We have the potential to output a great deal more, up to 2,000MW’

Funds needed to exploit mine of opportunity in the dia

□ A wealth of minerals is believed to be present in Lesotho, but attempts at exploitation have been limited by low investment. Known deposits include diamonds, uranium, base metals, high-quality stone and clay.

The government hopes that recent policy initiatives will encourage greater private sector participation in the fledgling mining industry. At present, interest is mainly focused on diamonds, but output remains on a modest scale with annual exports estimated at barely 1,000 carats.

Diamonds could be profitably exploited by small or medium-sized companies in three mountainous areas in northeast Lesotho. There are plans to revive the Letseng la Terae mine of the locally-owned

Letseng Diamond Company, in which the government has a 24 per cent stake. The mine was operated by the South African diamond giant, De Beers, between 1976 and 1992, but has been closed for several years.

The revitalisation of the mining industry could be a solution to the problems posed by the rising number of unemployed miners returning to Lesotho because of low world gold prices and subsequent retrenchment in the South African mining industry.

Thousands of miners from Lesotho lost their jobs as the crisis hit South African mines. These workings employed almost 130,000 workers from Lesotho in 1989, but the figure has now dropped to about 50,000 and is continuing to decline at a rate in excess of 15,000 a year.

The British government is backing a \$1.3 million project aimed at helping the unemployed miners adjust on their return to Lesotho. According to the British High Commission in Maseru, the project will

Revitalisation of mining could help solve jobs problem

train miners and their relatives to be economically self-reliant by developing small businesses.

The aim is to develop their skills for alternative employment. In the longer term, the returning miners could

represent a ready-made workforce, which will be valuable to an economy that is seeking transferable skills.

Lesotho is equipped to process a much larger volume of diamonds than at present, were the old mines to be reopened or new deposits made available for exploitation.

The country has numerous diamond dealers and two diamond-cutting factories. It also has a small army of individual gold miners working in volcanic structures close to Kolo in the Mafeteng district, at Koalabata outside Maseru, and in the district of Nqechane.

However, the downside of South Africa’s problems, which reflect the downturn in the world market for diamonds, imply that any attempt by



charity begins at home. “My first priority with this project is that we maximise the social and economic benefits for Lesotho. We ensure that the environment and the communities are protected, so we are not carrying out the project at their expense,” he says.

As is nearly always the case with a large undertaking such as this, there has been controversy over environmental issues and the displacement of local communities. Mr Marumo says: “The Lesotho Highlands Water Project is one of the few in the world where best practice has been adopted to mitigate the social and environmental effects of the dam projects.”



MARUMO

‘My first priority is to maximise social and economic benefits’

Although criticism has been voiced by several non-government organisations (NGOs) in the US, Mr Marumo points out that the response in Lesotho has been quite different. “We have a commitment from our local NGOs that they fully support the implementation of the project

and that they will work with us to make sure the people who are affected get satisfactory compensation, both in the short and long term,” he says.

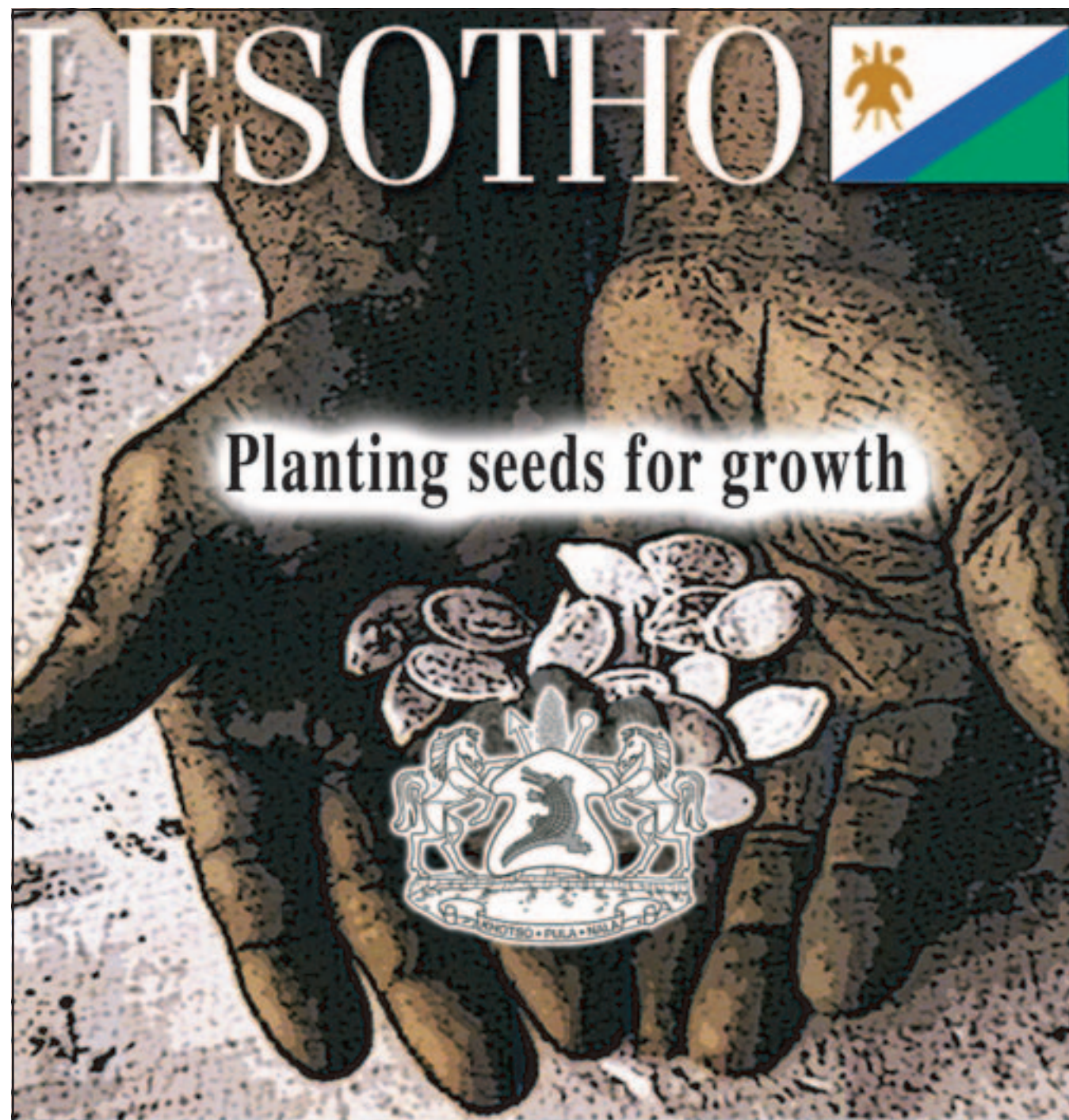
“It is a fine balancing act and we believe very strongly that this project benefits the majority of people,” he adds. “There may be isolated places where individuals have not been fully satisfied, but we have grievance procedures and mechanisms to resolve conflicts.”

Mr Marumo extends a similar invitation to overseas critics: “We are quite transparent in what we are doing and we welcome the international NGOs who want to come here,” he says. ■

is not only limited to those two countries,” he says. The scheme is also expected to help the economies of the other members of the 14-nation Southern African Development Community (SADC).

“The water transferred to South Africa feeds the industrial heartland of that country, around Gauteng, and the goods and services produced there are then distributed around the region,” says Mr Marumo. “This project promotes cooperation and, even though it looks like we are dealing with a giant, a goliath in many respects, it is a win-win partnership in which each country benefits and we support each other.”

However, Mr Marumo concedes that



Planting seeds for growth

The Government of Lesotho, specifically the Ministry of Finance and the Ministry of Industry, Trade and Marketing, are committed to bringing the country to the forefront of the world market. With a plan for an ambitious privatisation programme, Lesotho is inviting investors to participate in what they have to offer.

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mond sector

Lesotho to boost its business will require time and patience, as well as money. Industry observers say that any development plan will probably have to be based on a long-term view.

In the meantime, the viability of mining Lesotho’s reserves of uranium, base metals and clays is being evaluated. Reserves of coal and bituminous shale have also been discovered in several areas of the country, although their extent has yet to be established.

What Lesotho appears to lack, or at least so far, are any reserves of petroleum and natural gas. At present, the country is entirely dependent on imports to meet its oil needs, although it does have a well-developed oil refining industry.

Unlocking the riches of the Kingdom in the Sky

Resources are needed to develop infrastructure and realise the full potential of the sector

Small and landlocked but full of natural beauty, Lesotho has only begun to tap the lucrative potential of its tourism industry. That makes the mountainous 'Kingdom in the Sky' an ideal destination for the tourist who really wants to get away from it all.

Stretching over an area of 30,000 sq km, the lowest point of Lesotho is still more than 1,000 metres above sea level. The only city is the capital, Maseru, which has several serviceable hotels and restaurants. Beyond the city boundaries are the real reasons for taking a holiday in Lesotho – the air is clean, the landscape varied and life is pleasantly simple. There are more than 300 days of sunshine a year and you can ski in the mountains in winter.

Efforts to develop the tourism sector have the principle aim of creating jobs and increasing the flow of hard currency foreign exchange earnings. The hope is that development will help to promote small-scale agriculture, particularly horticulture, and support the handicrafts industry. This, in turn, will help to preserve the country's historical and cultural heritage.

The World Bank has given a \$15 million grant to help finance a five-year project backed by the governments of Lesotho and South Africa to protect bio-diversity in the Maloti-Drakensberg Transfrontier Conservation Area, established on June 11 last year. It will also support the development of small businesses involved in eco-tourism and jobs created by conservation.

The sector is set for a big boost in June when a state-of-the-art ski resort opens in the highlands. A four-and-a-half-hour drive on tarmac roads from Johannesburg, the resort is being built by the Lesotho government and Afri-Ski. The ski season spans June to September, while other activities will include wild trout fishing, horse-riding, sports and high altitude training and hiking trails.

Whichever way they choose to travel, visitors will find plenty to see in Lesotho. Spectacular cliff formations and deep gorges are to be found in the Maloti and Drakensberg mountain ranges in the south of the country, which are becoming popular with climbers from all over the world.

Drakensberg is home to 2,500 species of plants, almost a third of which grow nowhere else in the world, and it contains one of the world's richest concentrations of Stone Age rock art, with more than 30,000 individual paintings recorded.

Slightly less arduous, though the rugged terrain demands some physical fitness, are the many trails used by mountain bikers.



Photos: Lesotho Tourist Board, Nicolas Ruysse



Photos: Lesotho Review, Lesotho Highlands Water Project

Colourful mix: visitors will find plenty in the landscape, while the cultural scene centres on handicrafts

Alternatively, visitors can opt for a hiking holiday, staying at one of the country's lodges. A more gentle way of exploring the country is to take a ride on a mountain pony, while many of the roads and trails in the mountains are good enough to accommodate a four-wheel drive vehicle.

Landmarks include Mount Qilone; a curious conical mountain that is reputed

Activities include skiing, fishing, riding and hiking

to have been the inspiration for the national headwear, the Basotho Hat or mokorotlo; and Thaba Bosio, a fortress stronghold where the kings of Lesotho are traditionally buried.

Lesotho has Thabana Ntlenyana, which at 3,482 metres is the highest mountain in southern Africa, and Maletsunyane Falls, one of the tallest single-drop waterfalls in the region plunging for 192 metres.

Sehlabathebe National Park, which means 'Plateau of the Shield', is Lesotho's first and only national park on an area of 6,736 hectares, which protects and houses

many species of fauna and flora. Wildlife enthusiasts have plenty to see in the country, including deer, baboons, jackals and mongooses, and there are more than 300 species of bird, including bearded vultures and black eagles. The park also contains a species of water lily and a minnow-like fish, both of which were thought extinct. There are numerous places for good fishing, particularly for rainbow trout.

Excellent examples of fossil forests of petrified wood can be found, along with footprints proving that dinosaurs once roamed in what is now Lesotho. Several of these 200 million-year-old trails have been preserved at sites such as Qalo in Butha-Buthe, Masitise, Subeng Stream and Morija, where a museum houses many good specimens and valuable records up to present times.

Today, Lesotho's cultural scene centres on handicrafts, including the weaving of fine wool and mohair. Some tapestries are works of art, while jewellery is often decorated with local seeds and stones.

One other good reason for considering a holiday in Lesotho is its people. They are welcoming and open to foreigners, something that hasn't changed with the gradual development of tourism. The traditional greeting is 'Khotso', which means peace, and it's very likely you'll find it here. ■

Ready to make the connection

□ Privatisation of the Lesotho Telecommunications Corporation has opened the way for investment programmes aimed at modernising and expanding the network.

Work on improving the system has been under way since November 2000 when the government sold a controlling 70 per cent stake in the corporation to Mountain Kingdom Communications – a consortium formed by Telkom Mauritius, Econet, Wireless International of Zimbabwe and Eskom Enterprises of South Africa.

The new company operates under the terms of the Lesotho Telecommunications Authority Act, which also provided for a regulatory agency to oversee the sector.

The consortium, which has been given a five-year exclusive contract for operating fixed-line, satellite and



KHABELE

'We need to make telecommunications accessible to all'

internet services, has also been granted a licence to operate a second cellular network in Lesotho. This will be in competition with the existing service provided by VCL; a group led by South Africa-based Vodacom, a subsidiary of Vodafone of the UK. Construction of the new network started last year.

While Lesotho was quick off the mark to install digital equipment in the 1980s, the momentum behind modernisation slowed in subsequent years. At the time of privatisation, the system was heavily concentrated on urban areas. In some parts of the country, market penetration was as low as just one per cent of the potential subscribers.

Taelo Khabele, acting managing director of the corporation says: "We should try to make telecommunications accessible to all and restructuring will mainly concentrate on that. We still need to have more secure ways of providing services. In this regard we are thinking of wireless local lines."

A spokesman for the consortium has promised that the country will end up with "one of the most advanced telecommunications systems in Africa".