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Finding Solutions to Africa's Pro-Poor Growth for Development: A Case Study of Lesotho

Khali Mofuoa
Centre for Applied Philosophy and Public Ethics, Charles Sturt University, Australia

Abstract: Pro-poor growth has become a very popular topic among development practitioners in Africa. Consequently, there is growing recognition that in pursuing a pro-poor agenda for development, Africa could get out of her socio-economic development quagmire. In the pro-poor agenda, what matters is the degree to which economic growth provides opportunities for the poor, and the extent to which the poor can take advantage of those opportunities. This emerging agenda is more holistic and broader than the previous agenda, which often focussed mainly on supporting enterprises considered important for the poor. Experience has shown some shortcomings with such interventions, which have sometimes created market distortions or not been sustainable as a result of attempts to "pick winners" or to use public sector agencies or donors to provide services. Despite this recognition, however, overall performance of Africa has been dismal in developing specific pro-poor policy strategies that can enable her to achieve sustained pro-poor growth. Using Lesotho as a case study, the paper explores the experience of Africa in pursuing pro-poor growth agenda with the view to recommend specific policy strategies that are based on the available evidence which will enable her to achieve a sustained pro-poor growth for her development path. The paper uses information taken from books, journals, official reports, newspapers and internet research on pro-poor growth. In reading the books, journal articles, newspapers and reports, the author selected material that is relevant to pro-poor growth debate. The author's knowledge of Lesotho–where he lived, studied and worked–informed the writing of this paper as well as discussions on the concept of pro-poor growth with specific relevance to Lesotho as a case study for pro-poor growth debates in Africa.

Keywords: Lesotho; Africa; Pro-poor growth; Pro-poor growth debates; Pro-poor development agenda; Pro-poor policy strategies; Economic growth and poverty reduction.

1. Introduction

Over the years pro-poor growth has become a very popular topic among development practitioners and policy makers alike. The question of 'pro-poor growth' arises from an attempt to understand better the causal relationship between economic growth and poverty reduction (Hammer and Booth, 2001). Generally speaking, it is an accepted rule that the higher the levels of sustained growth, the greater the prospects for reducing poverty (Seshamani, 2001). Thus pro-poor growth is a term used primarily to describe national policies that are intended to stimulate economic growth for the benefit of poor people essentially in the economic sense of poverty. It has been broadly defined as growth that leads to significant reductions in poverty (Organisation for Economic Cooperation and Development, 2001; United Nations, 2000). It can be narrowly defined as absolute, where the poor benefits from overall growth in the economy (Kraay, 2003; Ravallion and Chen, 2003), and/or as relative, where targeted efforts to increase the growth specifically among poor people are pursued (Klasen, 2004; Kakwani *et al.*, 2003; Kakwani and Pernia, 2000; Mcculloch and Baulch, 1999). It is these two definitions of pro-poor growth and the main distinction between them as to whether for a given growth episode the focus should be on inequality outcomes (Kakwani and Pernia, 2000; White and Anderson, 2000) or instead on poverty outcomes (Ravallion and Chen, 2003) that has led to the raging pro-poor debate amongst scholars and practitioners.

The pro-poor debates amongst scholar and practitioners are further bedevilled by disagreements over varying notions of poverty. Indeed, by its very nature poverty is a contested concept; and it is beyond the scope this paper to engage with such a wide variety of contestations in the literature (Bhorat *et al.*, 2006; Bradshaw and Finch, 2003; Glewwe and Van der Gaag, 1990; Klasen, 2000). Beyond semantics, in this paper, poverty is seen in a broader perspective beyond income differences or expenditures "… as the denial of opportunities and choices most basic to human development to lead a long, healthy, creative life and to enjoy a decent standard of living, freedom, dignity, self-esteem and respect from others" (Statistics South Africa, 2000). In this regard, the paper contends that in order to really understand who the poor are, what they lack and where they are situated, it is necessary to devise ways of defining and measuring as many aspects of the manifestation of poverty as possible, not for esoteric or arcane purposes, but in order to be able to develop appropriate and empirically based policy development interventions with the *poor* who are often the voiceless victims of development-philanthropic interventions.

The paper's stance on the pro-poor growth debate or growth pro-poorness debate is neither to argue for the absolute nor the relative notions of pro-poor growth but to generally embrace the broad definition of pro-poor growth provided by both Organisation for Economic Cooperation and Development (2001) and United Nations (2000) as working definitions to inform pro-poor discussions with particular focus on Lesotho. The paper perceives pro-poor growth as a *hybrid* of pro-poor growth initiatives involving both the elements of absolute and relative notions of pro-poor growth as the Lesotho case study demonstrates. As Ravallion (2004) succinctly puts it, "growth will be quite a blunt instrument against poverty unless that growth comes with falling inequality". This can be the case in Lesotho as a relatively underdeveloped economy where the challenge of poverty is creating a situation whereby concentrating on providing basic services for the poor will not necessarily create economic livelihoods, and may create a dependency on the state. This paper examines the state of pro-poor growth performance in Africa using Lesotho as the case in point. The paper is divided into six sections. Section 1 introduces the paper by explaining its rationale and putting it into context of the pro-poor growth debate. Section 2 outlines the historical growth performance of Lesotho using her socio-economic indicators. Section 3 explains Lesotho's observed growth performance outlined in section 2. Section 4 evaluates the nature and outcomes of Lesotho's observed growth performance in relation to the paper's chosen stance on pro-poor growth debates. Section 5 recommends specific policy strategies that, based on the available evidence, will enable Lesotho to achieve sustained pro-poor growth for her development path. Section 6 concludes the paper.

2. Lesotho and Its Historical Growth Performance: Socio-Economic Indicators

An extract from Lesotho Vision 2020 as a blueprint of socio-economic transformation and development agenda reads:

> Lesotho is now faced with deeper developmental problems than was the case at independence. Development policies pursued in the past decades have not been able to achieve the primary objective of improving the livelihood of the people of Lesotho. Economic growth had been erratic and had slowed down during the last decade. .

The extract paints a picture of the context for pro-poor growth debate in Africa with particular reference to Lesotho. By making use of the socio-economic indicators to demonstrate the need for pro-poor growth in Africa, this section looks at the historical economic growth performance of Lesotho, which can be extrapolated to the rest of African countries. Though socially and economically speaking Lesotho has much in common with the rest of African countries, it has peculiar features that make it unique also from the rest of other countries in Africa. Located in the eastern part of Southern Africa, Lesotho is a land-locked country completely surrounded by the Republic of South Africa (RSA). It has been an independent, democratic nation since 1966. Lesotho is governed by a constitutional monarch. The Kingdom covers an area of 30,350 km2 and has an estimated population of 2 million (CountryWatch, 2015; Government of Lesotho, 2009). According to CountryWatch (2015), 81% of the population lives in rural and remote mountainous areas, and the population growth rate has declined between 1996 and 2006, from 1.5% to 0.08% (Government of Lesotho, 2009). Although the majority of the population of 57.6% is between 15 and 64 years of age, Lesotho has a substantial youth population numbering around 37% (CountryWatch, 2015).

Lesotho currently has the lowest economic growth rate in the southern African region. According to the African Econonomic Outlook (2015), Lesotho registered growth of 4.3% in 2014 and it is projected to register an average growth of 4.9% is expected in 2015 and 2016. Lesotho is fighting for survival with an HIV prevalence of 23% (Lesotho Millennium Development Goals Status Report, 2013). Nearly one third of Lesotho's people are infected with HIV and AIDS - the third highest rate in the world. In 2009, there were an estimated 400,000 orphans and vulnerable children in a country of 1.8 million (Government of Lesotho, 2009), and this figure could have gone up given the challenge of HIV epidemic . The impact of the HIV epidemic is a major factor in the decline in population growth. In 2009, the life expectancy for Basotho was estimated between 34 - 44.9 years, and 58% of the population was under the age of 19 (Government of Lesotho, 2009). It is the government's goal to increase life expectancy to 54 years by 2016 (African Development Bank, 2013). In 2013, the country was at 158 of the 187 countries listed in the Human Development Index (Lesotho Millennium Development Goals Status Report, 2013) but now is ranked 141 out of 169 countries and territories listed in the HDI (CountryWatch, 2015). About 43.2% of the population lived on less than USD 1.25 per day in 2009 (United Nations Development Programme, 2009), and most recent national poverty figures indicate that 57.1% of the population lives below the national poverty line (Lesotho Millennium Development Goals Status Report, 2013). Lesotho continues to experience high rates of maternal mortality and early infant death although the Government of Lesotho (GOL) has launched an intensive effort to address this (CountryWatch, 2015; African Development Bank, 2013; Government of Lesotho, 2009).

Lesotho is very sensitive to shocks in both the natural and the economic environment. Other than imports from Republic of South Africa RSA, the main food source for the rural population is subsistence farming and cattle and sheep rearing. Changing climate patterns continues to cause severe drought in the southern regions of the country. For example, Lesotho was the only country in Southern Africa to harvest less in 2009 than in 2008 (World Food Programme, 2007). At the time, the Lesotho Vulnerability Assessment Committee (LVAC) estimated that between 400,000 and 450,000 people would require some form of humanitarian assistance before the harvest in April 2010 (Government of Lesotho, 2008). About 20% of all children were considered underweight for age and 13% of the population was under nourished (World Food Programme, 2007). Recently, Lesotho Vulnerability Assessment Committee (2015) indicates deterioration in food security situation with population in need from 447,760 in the previous season to 463,936 this season (increase in prevalence from 26% to 33%). In fact, it is projected that between May 2015 to April 2016 179,000 population is at risk of food and livelihoods insecurity (Lesotho Vulnerability Assessment Committee, 2015).

The main sources of revenue for Lesotho continue to remittances from Basotho employed in RSA, revenues from the Southern African Customs Union (SACU), and royalties from the export of natural resources, in particular water and diamonds. The RSA mining sector, the Government of Lesotho (GOL), and the textile manufacturing sector are the three main sources of employment (Government of Lesotho, 2008), and it is projected to remain so for a foreseeable despite hardships faced by these sources of employment for the Basotho. Retrenchments from the mining sector are ongoing. Revenue projections from SACU for 2009/2010 were over estimated by some union members by as much as 50% (Government of Lesotho, 2008), and they continue to decline putting pressure on the national fiscals. This is causing the GOL among others to require severe fiscal restraint measures yearly within the national budgets since 2010 to date. The global credit crisis at the end of 2008 resulted in reduced orders for textile products, and the textile industry has not fully recovered from the impact of the crisis as yet. One factory group required government assistance to avoid bankruptcy in 2009. Another ceased operations leaving 2,600 individuals out of work in Lesotho where stable, full-time employment opportunities are extremely limited (Government of Lesotho, 2008).

In Lesotho as in many developing countries in particular African countries, the effects of the global economic downturn have been heavily felt. In the worst case scenario, very hard fought progress that has been made towards the Lesotho Millennium Development Goals (MDGs), which have since been superseded by Sustainable Development Goals (SDGs), in some areas were lost. In other areas, substantive progress was still to be seen on the achievement of MDGs but odds were against Lesotho. Although there was been some progress, especially on the gender and education goals, it was increasingly difficult for Lesotho to reach most of the MDGs set for 2015 (Lesotho Millennium Development Goals Status Report, 2008;2013; Lesotho Times, 2011). Using data from routine and administrative sources, surveys and censuses for 2000—2008, the 2008 Lesotho Millennium Development Goals (MDGs) status report highlights the progress made towards achievement of the eight goals in Lesotho. According to the report, the main challenge for achieving the MDGs lies in poverty reduction and maternal health. From available data, it notes that halving the amount of people suffering from hunger and reducing the amount of maternal mortality by two thirds is unlikely to be achieved. This status is corroborated by the (Lesotho Millennium Development Goals Status Report, 2013), which reveals that Lesotho has made uneven progress toward poverty reduction and maternal health.

On the other plain, however, the reports indicate that significant improvements have been made in the areas of gender equality and empowering of women, achieving universal primary education, and developing a global partnership for development. For example, Achievements in primary education and gender are strong with a net enrolment rate of 82% since 2010 and a higher rate of female attendance than male attendance at secondary and tertiary schooling (Lesotho Millennium Development Goals Status Report, 2013). They also note that there is high potential in achieving these targets by 2015. They conclude that the supportive environment for providing timely access to relevant and accurate data and appropriate policy analysis is uneven across the 8 goals. For instance, data availability of Goal 1 Combat HIV and AIDS; Goal 6 Improve Maternal Mortality and Goal 7: Ensure environmental sustainability is considered weak (Lesotho Millennium Development Goals Status Report, 2008;2013). For the rest of the goals the supportive environment is considered strong. The report thus clearly demonstrate that Lesotho faces significant development challenges, and that if the potential contribution of the pro-poor growth to poverty reduction and sustainable development were to be maximized, Lesotho is clearly a country in which this is most needed.

Thus, given the afore painted picture of socio-economic development challenges in Lesotho, it is not hard to see that pro-poor growth has a key role to play in the socio-economic transformation process in development terms. The observed growth performance outlined above thus points to the need for a clear policy and collaborated effort towards pro-poor growth that would provide greater effect towards the future progress of Lesotho's economy i.e. a pro-poor growth that " enables the poor to actively participate in and significantly benefit from economic activity" (Kakwani and Pernia, 2000).

3. Lesotho and Its Observed Growth Performance: Explanations

Lesotho's economic growth and development agenda whose building blocks include the Vision 2020; the Public Sector Improvement and Reform Programme (PSIRP); Poverty Reduction Strategy Paper (PRSP); and Millennium Development Goals (MDGs) articulates priorities and strategies for poverty reduction in Lesotho through economic growth and empowerment of the poor. However, the agenda has not worked as it should give the contradictions inherent within Lesotho's economy. From the observed growth performance in section 2, it is clear that socio-economic developments in Lesotho have been or are shaped by the country's unique geography, resource endowments, colonial history, developments in neighbouring South Africa and regional and global developments. These factors have not only strengthened Lesotho's economic performance and created opportunities for her economic growth but they have also weakened her economic performance and posed challenges to her already fragile economy as discussed below. This section puts forward explanations for the observed growth and development performance in Lesotho as depicted in section 2 by looking at the economic strengths and opportunities as well as weaknesses and challenges of the economy of Lesotho.

3.1. Lesotho's Economic Strengths and Opportunities

Lesotho strategy papers 2008 – 2012 and 2013 – 2017 more or less denote the following as critical factors that strengthen its economic performance and also create opportunities for her economic growth. First and foremost, Lesotho's prudent macroeconomic management has ensured economic stability. In fact, Lesotho has continued to make progress towards macroeconomic stability over the years and her medium-term macroeconomic outlook is positive projecting real GDP growth to remain strong in the range of 5.5% per year during 2007-2011, with an estimated calculations of 4.6 for 2013-2017 (CountryWatch, 2015).

Second, solid macroeconomic performance, strong growth trends and good debt management policies have made the risk framework for Lesotho relatively strong. For example, on a scale of 1 to 10 (1 being the strongest) the 2008 African Development Bank (ADB) Sovereign Risk Rating for Lesotho is 3 and the external credit rating by international rating agency Fitch is at "BB-". Both ratings demonstrate how well Lesotho's economy has been managed (African Development Bank, 2008), and this impressive trend has continued and is expected to continue in the subsequent years (African Development Bank, 2013).

Third, Lesotho's unique geography generates a number of positive spillovers for her economy. Lesotho's regional integration and trade has benefited her economic growth. Lesotho benefits greatly from her inherent integration in the economy of RSA. Her geographical position provides her access to RSA expertise, advanced technology, as well as investment resources. By virtue of her membership to Southern Africa Customs Union (SACU), Lesotho benefits handsomely. SACU represents an important source of fiscal revenue for Lesotho. For example, in 2006/07 SACU revenue for Lesotho accounted for over 35% of her GDP (African Development Bank, 2008), and the trend has continued an is expected to continue in the subsequent years (African Development Bank, 2013). Moreover, Lesotho's participation in SADC Free Trade Area (FTA) continues to benefit her economy tremendously. By eliminating tariffs on goods produced in the region, FTA has contributed towards expanding and diversifying her markets for textile and other products and, has helped to mitigate her vulnerability to external shocks. Lesotho's membership of Common Monetary Area (CMA) generates some positive spillovers arising from the policy credibility of the South African Reserve Bank. It has also enabled Lesotho to enjoy low and stable interest and inflation rates.

Fourth, Although Lesotho has limited natural resources, her abundant water resources and mining activities are benefiting her economy substantially. Besides tourism and electricity spin-offs, Lesotho Highlands Water Project (LHWP) provides Lesotho with a steady stream of royalties to boost economic growth. The royalties are mainly to used to finance *Fato-Fato* (self-help) projects in the rural areas thereby providing employment opportunities for rural Basotho who make up 81% of the population (CountryWatch, 2015). On the other hand, the on-going mining activities in Lesotho are said to have potential for further expansion to contribute towards diversification of the country's export base. From virtually nothing (0.1% of GDP) in 2000, the mining sector output increased substantially to 6.7% of GDP in 2006 (African Development Bank, 2008), and the trend has continued and is expected to continue in the subsequent years (African Development Bank, 2008).

Last but not least, tourism as an important source of growth and employment creation in Lesotho is expected to boost her economic growth to boost the much needed pro-poor development initiatives for the country. Given its labour-intensive nature, tourism is expected to employ more Basotho, especially the low income and economically marginalised or excluded communities and individuals – the poor. Currently, it employees about 25,000 people and welcomes about 30,000 visitors mainly from RSA (African Development Bank, 2008). The sector registered strong growth averaging about 6.7% per year in 2002-2006 and, hence, its share of GDP rose to 2.3% in 2006 after remaining stable at about 1.5% for many years (African Development Bank, 2008). This growth has had a huge boost to pro-poor tourism development in Lesotho, which is perceived to be an engine of economic growth in the immediate future for the country.

3.2. Lesotho's Economic Weaknesses and Challenges

Despite the above alluded positive factors that continue to boost Lesotho's economic growth, Lesotho strategy paper 2008-2012 and 2013 -2017 depict the following factors as impediments for economic growth in Lesotho. First and foremost, Lesotho's geographical location and landlocked position pose various challenges to the country. For example, Lesotho's high dependence on trade taxes for fiscal revenue means that it cannot unilaterally implement trade policy and undertake trade liberalization. This makes it difficult for Lesotho to adjust quickly to external shocks other than through coordinated decisions with her neighbours, particularly RSA. This can hurt her economy if she fails to effectively harness her trade relations with neighbours in SACU or SADC, particularly RSA. It has to strengthen her trade cooperation with RSA so that she can press for improvements in trade policy coordination towards sustained economic growth which will, of course, have spillovers on pro-poor development initiatives in Lesotho.

Second, poverty is still high in Lesotho in spite of the strong economic growth she is enjoying in recent years. For example, the 2002/03 Household Budget Survey finalized in 2007, indicated that slightly over half of the population, at 50.2%, still lived below the poverty line in 2002/03, an improvement from 62.1% registered in 1994/95. The situation has not improved for the better as most recent national poverty figures indicate that 57.1% of the population lives below the national poverty line (Lesotho Millennium Development Goals Status Report, 2013) whilst CountryWatch (2015) indicates that 45% of the population is living on $1 a day and 36.4% of the population is living on $2 a day with 56.1% of the population living beneath the Poverty Line. Unemployment remains high, which is exacerbated by the on-going retrenchment of migrant mineworkers from RSA due to lack of education, skills and opportunities.

Third, Lesotho's growth prospects is said to remain extremely vulnerable to external risks, including slowdowns in its markets and exchange rate fluctuations. This is said to be aggravated by the country's high dependency on an insufficiently diversified textile-based. In spite of the expansion in diamond mining, it is further noted that the country needs to further diversify her export base in order to ensure sustainable economic growth which will in turn expected to impact on low income and economically marginal or excluded communities and individuals – the poor.

Fourth, the temporary preferential trade treatment for exports Lesotho is currently enjoying is said to be threatened by various global events, which includes the likelihood for the United States of America (USA) and European Union (EU) to reduce their average level of tariffs on textile products under the new rounds of World Trade Organisation (WTO) talks. If the envisaged tariffs cuts occur, it means Lesotho will face stiff competition as her traditional textile markets are opened up to more efficient and larger suppliers from China and the Far East. This can hurt Lesotho's textile industry whose technological benefits are said to have so far created very little backward linkages with the local economy and there has also been limited "learning by doing" in terms of transfer of skills to local entrepreneurs (African Development Bank, 2008). The good news is that the WTO talks remained favourable to Lesotho, and continues to enjoy preferential trade treatment for its exports in the USA and EU.

Fifth, closely related to the weak competitiveness of the Lesotho economy, low levels of infrastructural facilities, including inadequate road transport network and lack of reasonably priced and efficient utilities (electricity, water and telecommunication services), continue to constrain private sector development and economic growth in Lesotho. The quality of infrastructure in Lesotho is essentially below that prevailing in most Sub-Saharan Africa countries. For instance, the textile and clothing industry has been facing inadequate water supply and waste treatment facilities, which affects the factories involved in "wet" activities. This is the case because most of the Lesotho's water resources are channelled through extensive water transfer scheme dubbed 'Lesotho Water Highlands Project' to supply the needs of South African industry. Furthermore, Lesotho is also increasingly experiencing sporadic power outages and load shedding as a result of electricity shortages in RSA and the Southern African Power Pool (SAPP) since it is a net importer of electricity mainly in winter. These infrastructural problems lead to low investor confidence, and can discourage potential investors to Lesotho.

Finally, the Lesotho economy continues to face some institutional constraints, including ineffective public sector delivery and weak Public Financial Management (PFM) systems, as well as inadequate and low institutional capacity in key areas of macro-economic planning and management. Institutional capacity constraints pose a major threat to the implementation of policy reforms and public development programmes/projects, as well as other private sector investment projects. Brain drain of skilled personnel and the impact of HIV and AIDS on skilled workforce plus poor quality of education at secondary and tertiary levels have compounded the institutional incapacity to steer economic growth in Lesotho even further (Lesotho Millennium Development Goals Status Report, 2008;2013).

Thus, the combination of all the factors discussed in sub-sections 3.1 and 3.2 explains the observed growth performance in Lesotho as depicted in section 2, which is mixed at best. Given the presented explanations in section 3, one begins to appreciate the fact that poverty reduction has been and is still the main goal of development efforts in Lesotho as evidenced by the adoption of the Vision 2020; the Public Sector Improvement and Reform Programme (PSIRP); Poverty Reduction Strategy Paper (PRSP); and Millennium Development Goals (MDGs). In sum, the explanations strengthen the paper's stance outlined in section 1 that given Lesotho's economic growth performance a *hybrid* pro-poor growth initiatives involving both the elements of absolute and relative notions of pro-poor growth are appropriate and relevant to enable Lesotho to address her development problems and challenges.

4. Lesotho and Its Observed Growth Performance: Outcomes Evaluation

From explanations of the observed growth performance of Lesotho in section 3, it is pretty obvious that pro-poor growth debates are very much appropriate in the context of Lesotho. Indeed, poverty reduction has been the main goal of development efforts in Lesotho. This is evidenced by the adoption of the Vision 2020; the Public Sector Improvement and Reform Programme (PSIRP); Poverty Reduction Strategy Paper (PRSP); and Millennium Development Goals (MDGs) as mentioned previously. However, there has been an ongoing and admittedly sometimes heated debate about the elements that should be at the center of any sensible poverty reducing strategy. Should such a strategy have a growth bias or instead mainly concentrate on empowering the poor to benefit from growth? These questions are not only important but critical for pro-poor growth development agenda in Lesotho given the nature and outcomes of the observed growth performance depicted in section 2.

As mentioned in section 3, the current growth performance track record in Lesotho is mixed at best (CountryWatch (2015). According to Lesotho Review (2011) and, after several years of macroeconomic stability, conditions in Lesotho deteriorated in 2009 reflecting the adverse effects of the global economic crisis and a loosening fiscal policy. This saw economic growth slowdown from 4.5 percent in 2008 to 0.9 percent in 2009 due to reduced demand for diamond and textile exports, while workers' remittances fell sharply (Lesotho Review, 2011). On the fiscal front, expenditure rose sharply in 2009/10 to reach an unprecedented level of 69 percent of GDP (Lesotho Review, 2011). For the first time in five years, the fiscal position shifted into deficit (Lesotho Review, 2011), and CountryWatch (2015) indicates that the fiscal deficit/surplus as currently sitting at 5 % of the GDP. In short, the observed growth performance depicted in section 2 underscores that the overall socio-economic picture of Lesotho's economy is not bright and Lesotho faces tremendous challenges that undermine her efforts towards pro-poor growth development agenda.

4.1. Problem of Poverty

The reality is that poverty remains stubborn and pervasive in Lesotho. Unemployment continues to be high at almost over 30 percent; about half of the population is considered poor; and income inequality is among the highest in the world (CountryWatch, 2015; World Bank, 2001). Poverty is concentrated heavily in rural areas, with more than 80 percent of poor residing in rural areas. It also appears that the increase in domestic employment (primarily female) mainly thanks to foreign firms has not fully compensated the losses in employment due to the fall in government production and reduced opportunities for Basotho workers in South African mines. Without a large increase in employment opportunities in non-agricultural sectors of the economy, the prospects for making significant strides in alleviating or reducing poverty in Lesotho appear grim and doubtful in the foreseeable future.

4.2. HIV and AIDS Pandemic

The HIV and AIDS pandemic have emerged as a major health concerns with potentially devastating consequences for Lesotho's economy. Already life expectancy has declined by three years over a 40 year period (United Nations Children's Fund, 2009) and indeed by the year 2009 it has dropped drastically to 46 years of age. However, it currently sits at 56.0 years, which is an improvement from 2009 (CountryWatch, 2015). The level of population is expected to be 20 percent lower by 2015 than in a no-HIV baseline, and life expectancy is expected to be 31 years lower (World Bank, 2000). Currently, HIV prevalence is recorded at 23% (Lesotho Millennium Development Goals Status Report, 2013) but according to a United Nations' estimate, however, it could climb as high as 36 percent through 2119. Since AIDS hits disproportionately–the economically active and mainly urban population–it affects more the country's educated population thus reducing the pool of skilled human capital. It has already affected the universal primary education program, as a shortage of teachers has been exacerbated by the HIV and AIDS epidemic (United Nations Children's Fund, 2009).

4.3. Foreign Owned Firms Impact

While foreign owned firms have significantly contributed to the country's welfare, their overall positive effects appear to fall well short of effects observed in other developing countries, particularly in sub-Saharan Africa on two counts. To begin with, despite the sustained presence of foreign owned firms in garments, there have been no significant positive spillovers. Domestically owned businesses that would provide simple sub-contracting services or inputs to this sector are yet to emerge. In addition, foreign owned firms, especially those in the successful garment sector, appear to make a very limited direct contribution to tax revenues. Explosion in garment exports to the USA has so far failed to produce similar surge in corporate tax revenues from this sector. Unless remedied, both issues will unnecessarily create social tensions and continue to depress government revenues.

4.4. Infrastructure and Environmental Pressures

A further development of the textiles and apparel industry may hit the barrier of mounting infrastructure and environmental pressures. While the availability of utilities and infrastructure was not a serious problem in the 1990s, it has now become apparent that the quality of physical infrastructure necessary to support business activity is a binding constraint to further industrial development. The main constraints include electricity, telecommunications, adequate and reliable supply of water to the industrial estates, the limited availability of serviced industrial land and pre-built factory shells and the limited handling capacity of the Maseru Railhead. Capacity problems emerging in infrastructure will constrain the further expansion of textiles unless urgently addressed.

4.5. Trade and Investment External Drives

The existing external conditions that have helped drive Lesotho's trade and investment boom may disappear. Almost all Lesotho's exports enter respective markets on a preferential basis. Many products may be competitive only insofar as artificially created comparative advantages by international preferential trading rules remain in place. Lesotho's industrial base is still very narrow, turning out only a few products that are competitive in international markets such as clothing, footwear and assembled colour Television (TV) sets. Trade is highly concentrated not only in terms of products but also markets. This indicates a high level of potential vulnerability to adverse developments in two markets—in RSA and the USA. There are some signs indicating an increase in exports to the EU as well. The task remains to introduce measures that would diversify the economy and its export basket.

The above discussed challenges of the observed growth performance of Lesotho point to the need for an integrated pro-poor growth development strategy in Lesotho. Such strategy should "enable the poor to actively participate in and significantly benefit from economic activity" (Kakwani and Pernia, 2000). Such strategy should generate growth that leads to significant reductions in poverty (Organisation for Economic Cooperation and Development, 2001; United Nations, 2000). It is the paper's strong conviction that given the observed growth performance of Lesotho, the luxury of advocating either the absolute or the relative notions of pro-poor growth cannot take Lesotho far if it has to deal with the challenges of her growth performance as discussed in sections 2 and 3. In this regard the paper contends that a *hybrid* of pro-poor growth initiatives involving both the elements of absolute and relative notions of pro-poor growth are not only necessary but are also critical for Lesotho to address these weaknesses in order to take full advantage of the opportunities available to her . Such opportunities include but not limited to: its unique geography which generates a number of positive spillovers for the country; access to international export markets with preferential treatment; abundant water resources; and the country's natural beauty – which all have a potential to generate pro-poor growth development initiatives to give voice to the poor to influence, co-create and sanction any development interventions in their favour.

According to Hammer and Booth (2001), there are basically six things to do or to ask about in getting pro-poor growth in the development path, which the paper believes are applicable as well in the case of Lesotho:

1) ***Check up what is known about sectoral poverty-reduction elasticities!*** Unless there are strong countervailing arguments, the composition of the growth process should favour sectors and sub-sectors where the poverty reduction elasticity is known to be high – thereby raising the overall average pro-poorness of the growth process.

2) ***How could the growth process be biased towards women?*** Unless there is clear evidence that growth biased towards women would be ineffective or counterproductive, all available means should be used to impart a positive gender bias to the growth process, so that incomes controlled by women increase faster than those controlled by men, and women's time constraints become less binding. Thus, systems of national accounts, means of production, share of economic benefits and modelling of economic planning should be developed in such a way that they engineer women centric outcomes.

3) ***Look into whether all the available policy instruments are being mobilized to get the right sort of growth going!*** Changing the sectoral pattern of growth in ways that favour the poor, or which facilitate poverty reduction by having a positive gender bias, is likely to call for concerted use of the available policy instruments. It is not enough that only some of these have been brought into use.

4) ***Take a new look at asset redistribution and a radical approach to asset creation!*** Where it is clear that basic assets such as land and education are distributed inequitably, so that poor people do not have the means to profit from market opportunities or provision themselves adequately, radical means of remedying this situation should be considered.

5) ***Ask how growth-enhancing income-stabilization measures might also help the poorest of the poor:*** Ways of focusing increased growth that have a strong effect on *the depth and severity*, as well as the incidence, of poverty should obviously be favoured. This should be case even if deliberate policies to address regional imbalances may be difficult. Social protection policies based on income transfers should be applied as well.

6) ***Take politics seriously!*** A politically conscious implementation strategy should be adopted for each of the above measures, taking into account the need to win friends and buy off opponents, and to make a big impression where it is feasible even at the cost of doing nothing in other areas.

These are the questions or the things that the paper believes any pro-poor growth development strategy in the case of Lesotho must address to enable the poor to participate in the economic activities, and generally benefit from such participation in the sense canvassed and supported by Kakwani and Pernia (2000). It is these alluded to issues that will lead to a pro-poor growth in the sense advocated by OECD and UN. Thus, it is this kind of pro-poor growth advocated and promoted by Kakwani and Pernia (2000), Organisation for Economic Cooperation and Development (2001) and United Nations (2000) that the paper contends that it can address development challenges in Lesotho given her observed growth performance described in section 2.

5. Lesotho and Pro-Poor Growth Policy Strategies: Some Recommendations

Pro-poor growth is about increasing the impact of growth on poverty reduction. It means policy makers looking at both the pace and pattern of growth in ways that enable poor to participate in and benefit from growth. One reason why growth has been more successful in some countries than others in reducing poverty is because policies have been in place to better connect up poor people and the growth process and to deal with the risks, vulnerabilities and market failures which hold back their participation. This section discusses some specific policy strategies that can enable Lesotho to achieve sustained pro-poor growth.

As indicated earlier, Lesotho is not a stranger to pro-poor growth discussions at the national policy-making. In fact, there exist already examples of pro-poor growth initiatives at national level, namely Vision 2020; the Public Sector Improvement and Reform Programme (PSIRP); and the Poverty Reduction Strategy Paper (PRSP) process (Department for International Development, 2005). That said, however, there are fewer available examples of initiatives in Lesotho that directly relate to pro-poor growth. Although the support for pro-poor growth by government is notable, the experience of Lesotho in achieving economic growth and reducing poverty has been far from satisfactory. Growth has been low and has not enabled the poor to lift themselves out of economic poverty. To complement the work that has been done as far as pro-poor growth is concerned in Lesotho, the following specific policy strategies to promote pro-poor growth are recommended:

5.1. Pro-Poor Tourism Policy Strategy

First and foremost, a specific pro-poor tourism for Lesotho as a policy strategy to achieve a sustained pro-poor growth is recommended. This recommendation emanates from the fact that tourism has been identified as an important source of growth and employment creation in Lesotho in the medium-term, especially in rural areas, given its labour-intensive nature (African Development Bank, 2008). This recognition makes tourism to be an attractive platform for pro-poor growth in Lesotho. According to the Department for International Development (1999),

> 'Pro-poor tourism generates net benefits for the poor (i.e. benefits are greater than costs). Economic benefits are only one (very important) component – social, environmental and cultural costs and benefits also need to be taken into account.
>
> Pro-poor tourism strategies are concerned specifically with impacts on poor people, though the non-poor may also benefit. Strategies focus less on expanding the overall size of tourism, and more on unlocking opportunities for specific groups within it i.e. Tilting the cake, not expanding it'

Cattarinich (2001) argues that pro-poor tourism (PPT) initiatives represent practical steps that can transform strategies and principles into concrete action. For example, the enhancement of economic opportunities for the poor in tourism is one example of a PPT strategy. For Cattarinich (2001), an organization attempting to operationalise that strategy at the destination level might provide employment or casual labour to the poor, it could establish supply linkages with poor merchants or farmers and outsource some services (e.g., laundry), training programmes, or joint ventures with communities, among other options. These practical efforts are a few of the more obvious examples of PPT initiatives. For Cattarinich (2001), the role of government may also be significant in enhancing or protecting poor peoples' access to tourism markets through different policy instruments. These could include making it compulsory to use local guides, establishing and enforcing ethical codes for labour and trade practices as well as zoning regulations, and promoting ethical consumption via public awareness campaigns- for other examples, see Ashley *et al.* (2000); and Department for International Development (1999). As Department for International Development (1999) correctly notes, 'pro-poor tourism aims to expand opportunities. Net benefit to the poor is a goal in itself, to which environmental concerns should contribute'.

5.2. Pro-Poor Investment Policy Strategy in Infrastructure

A targeted pro-poor policy investment strategy in Lesotho's infrastructure to help kick start faster pro-poor growth is recommended. This recommendation results from the fact that low levels of infrastructural facilities are one of the problems constraining viable private sector development and economic growth in Lesotho. The quality of infrastructure in Lesotho is essentially below that prevailing in most Sub-Saharan Africa countries as described in section 3 and section 4. In the absence of accessible transport, energy and water, the poor pay heavily in time, money and health. When road surfaces are severely corrugated, electricity blackouts frequent, water services dysfunctional and telecommunications absent, countries and regions have great difficulty to achieve pro-poor economic growth. There is strong evidence that good and equitable access to infrastructure services not only promotes faster growth but also growth patterns beneficial to poor people (World Bank, 2005b). Reliable and affordable infrastructure reduces the production and transaction costs of doing business for the poor. It also helps to connect up poor people to the growth process by improving their access and mobility. One mechanism is by connecting remote areas to growth poles and, this way, correcting regional imbalances and helping poor people break out of poverty traps. There is evidence that increased access to infrastructure contributes to lower inequality between the rich and the poor (Calderon and Servén, 2004).

5.3. Pro-Poor Policy for Private Sector Development

A targeted pro-poor policy for private sector development (PSD) in Lesotho is recommended. This recommendation is based on the fact that private sector is currently underdeveloped. To sustain growth in Lesotho, policies and institutions in favour of PSD need to increase the stability and predictability of doing business so that the risk-to-reward ratio for businesses and individuals improves, spurring entrepreneurship and investment. Investing in PSD is one of the essential preconditions for pro-poor growth in Lesotho. The private sector is often referred to as the engine of growth and so, up to now, PSD has been mainly associated with increasing the pace of growth. The private sector also has a strong bearing on the pattern of growth, influencing whether growth is broad or narrowly based and more or less inclusive of the poor. Secure, safe and well paid jobs and productive self-employment in agriculture and non-farm occupations in the private sector are important pathways out of income poverty (Organisation for Economic Cooperation and Development, 2007).

The emerging pro-poor agenda for private sector development acknowledges that what matters is the degree to which growth provides opportunities for the poor, and the extent to which poor men and women benefit from them. At present, most developing countries including Lesotho are unable to create sufficient formal jobs to cope with the increase in the non-agricultural workforce. This forces hundreds of millions of the poor to earn their livelihoods informally. It is estimated that 72% of the non-agricultural workforce of Africa, 65% of Asia and 52% of Latin America earns its livelihood informally, representing one of the most important policy issues for PSD today (International Labour Organization, 2002). PSD policies to address informality may help to increase job creation in the formal economy, reduce barriers to and increase the incentive for formality and help to improve productivity in the informal economy through better access to credit and business support services.

5.4. Pro-Poor Agricultural Policy Strategy

A deliberate and concerted pro-poor agricultural policy strategy aimed at improving agricultural productivity in Lesotho is recommended. The performance of agriculture is critically important for a pro-poor pattern of growth. When agriculture lags behind other sectors, growth tends to be less pro-poor (French Development Agency, 2005). Where growth was initiated by increased agricultural productivity, growth has been pro-poor, as experienced in most countries of the Far East. Rising agricultural productivity contributed not only to growth and the incomes of the poor directly, it also helped with the transformation of the economy, enabling manufacturing and services to expand. The growth of agricultural (land) productivity should contribute to faster growth of the incomes of the poor, particularly if combined with the growth of productivity in non-farm activities to ensure that rural incomes rise rapidly (Datt and Ravallion, 1998).

Agriculture in Lesotho, as in other African countries, has not been able to contribute to pro-poor growth as effectively as in Asia. Agriculture plays an important role in ensuring pro-poor growth. The green revolution in Asia succeeded in lifting millions out of poverty. The average real income of small farmers in south India rose by 90% and that of landless labourers by 125% between 1973 and 1994 as a result of the Green Revolution (World Bank, 2000). Agricultural productivity plays a particularly important role in improving existing livelihoods, meeting consumption needs and providing the basis for new livelihoods. A 10% increase in crop yields may lead to a reduction of between 6% and 10% of people living on less than USD 1 per day (Irz *et al.*, 2001). For every 1% of growth in agricultural GDP, the positive impact on the poorest has been shown to be greater than that from similar growth in manufacturing or services (Gallup *et al.*, 1997). Such impacts are usually best realized where there is an equitable distribution of assets, particularly land (de Janvry and Sadoulet, 1996), where there is access to markets for the poor and where there are good rural-urban links.

5.5. Policy Strategy for Basotho Diaspora Remittances

A deliberate targeted policy strategy for use of large Basotho diaspora remittances emanating from the ever-increasing intellectual capital flight largely to the Republic of South Africa and Europe is recommended. Migration has always been a major socio-economic issue and is inseparable from Basotho's way of life (Cobble, 2004; Matlosa, 1996). The efficient and effective management of remittances, however, has always been problematic in Lesotho without a policy dialogue and coordination among trade, labour and government as demonstrated by the defunct Deferred Pay Scheme regarding miners' remittance. Experience with the Deferred Pay Scheme regarding miners' remittance might highlight some of the practical means of tackling policy challenges and problems associated with management of remittances in Lesotho. Studies throughout Africa have revealed that financial and monetary policies and regulations that lack pro-poor orientation have created barriers to the flow of remittances and their effective investment. The *ad hoc* and one dimensional policy responses have succeeded to create unattractive environments for effective and efficient investment of remittances. Perhaps the way forward in increasing mobile labour force may be a multidimensional approach of remittance management at benefits all stakeholders – individuals and society of course removing those obstacles – and broadening and adopting relevant and appropriate financial products and services, such as savings and investment options – would boost remittance flows and raise their impact on pro-poor development in Lesotho.

5.6. Pro-Poor Financial Market Policy Strategy

A specific and targeted pro-poor financial market policy strategy that insulates the poor from financial market shocks in Lesotho is recommended. Financial markets that are characterized by limited competition and/or adverse incentives for private lending often exclude poor people. For this reason, governments, development agencies and others have promoted microfinance schemes and these have been of great benefit to poor women and men. Nevertheless, it has become evident that isolated microfinance projects are not a long-term solution. To bridge the gap between microfinance and traditional financial markets and to expand more generally the access of poor people to sustainable financial services, inclusive financial systems are needed which provide appropriate products and services for all types of clients. To achieve this, a supporting infrastructure (refinancing institutions, associations, credit bureaus, rating agencies, etc) as well as conducive macroeconomic and policy environment, are required.

6. Conclusion

The recent years have witnessed an increasingly strong interest in the impact of economic growth on poverty in Lesotho. An important reason for this has been the adoption of the Vision 2020, the Public Sector Improvement and Reform Programme, Poverty Reduction Strategy Paper and Millennium Development Goals, which have set poverty reduction as a fundamental objective of development for Lesotho. A pro-poor growth lens in Lesotho reveals the need to rethink agendas and approaches in areas important to pro-poor growth, such as tourism, infrastructure, private sector development, agriculture, and financial markets. Success in promoting pro-poor growth in Lesotho will also depend upon a well-functioning government to respond to the interests of the poor. The government needs to provide opportunity for representatives of the poor to influence policy making processes and make policy makers more accountable to the poor in ways that would promote pro-poor growth in Lesotho. In fact, it is the role of government to lead private-public partnerships (PPPs) to develop and construct pro-poor policies that redistribute wealth, economic opportunities and access to social outcomes. Thus any policy directions aimed at harnessing and stimulating the ability of the poor to influence, co-create and sanction any development interventions will not fly without well-established, robust private-public partnerships spearheaded by the government.

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